

FIGURES | INDUSTRIAL & LOGISTICS | Q1 2024

# Australia's Industrial and Logistics rental growth remains elevated

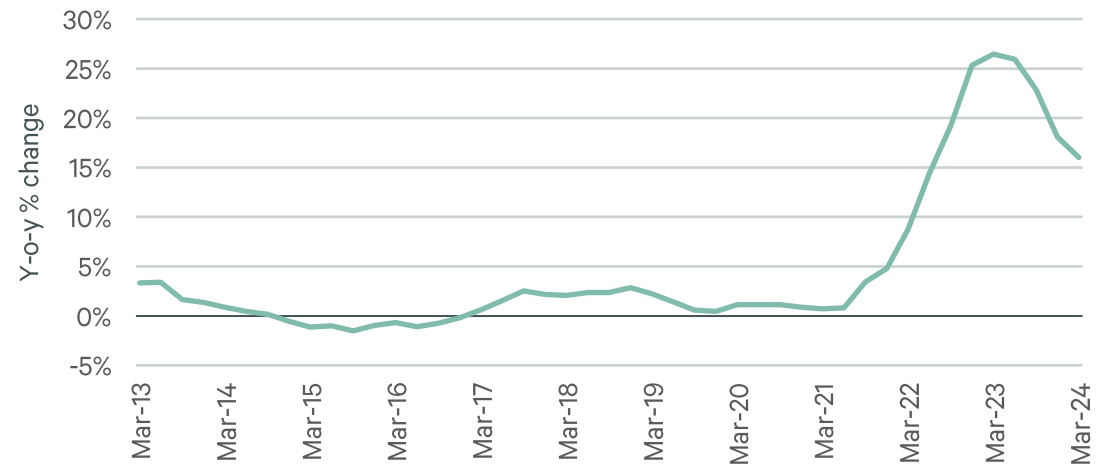


Note: Arrows indicate change from previous quarter.

## Key Points

- Australia's e-commerce penetration rate is marginally increasing and equates to 13.1% (or AUD 56 billion over the past 12 months).<sup>1</sup>
- Gross take-up in 1Q24 was the lowest quarterly take-up recorded since 2015, totaling c.413,300 sqm.
- Around 15% of the total new floorspace to be delivered this years was completed in 1Q24, with new supply for the CY2024 expected to total a record high of c.3 million sqm.
- Rental growth this quarter was higher than 4Q23 as all major markets across Australia recorded an increase in rents. The supply-weighted average super prime grade asset rent increased by 3.4% q-o-q, and 16% y-o-y.
- The national average midpoint yield for super prime grade asset now stands at 5.8%.
- Investment sales for income producing assets (≥ AUD 10 million) in 1Q24 totaled AUD 0.4 billion.

FIGURE 1: Australia super prime weighted-average net face rent growth y-o-y



1. NAB and ABS. As of February 2024 (latest data).  
Source: CBRE Research Q1 2024

## Demand

### Lowest quarterly take-up since 2015

Gross take-up for 1Q24 totaled c.413,300 sqm, which is the lowest quarterly take-up since 1Q15. Despite low levels of activity nationally, greater take-up was recorded in Sydney – compared to last quarter – due to relatively greater options of available space in the market. Lower floorspace was leased this quarter for all other markets this quarter with respect to 4Q23.

The 1Q24 gross take-up total was predominantly contributed by leased space in the Melbourne market, representing 37% of the national total, followed by, Sydney (30%) and Brisbane (25%).

Notable lease transactions over the quarter included:

- A pre-lease by CTDI for c.27,000 sqm in Sydney’s Outer North West precinct.
- A pre-lease by COPE Sensitive Freight for c.23,000 sqm in Melbourne’s North precinct.
- A pre-lease by DSV for c.17,000 sqm within Brisbane’s Port.

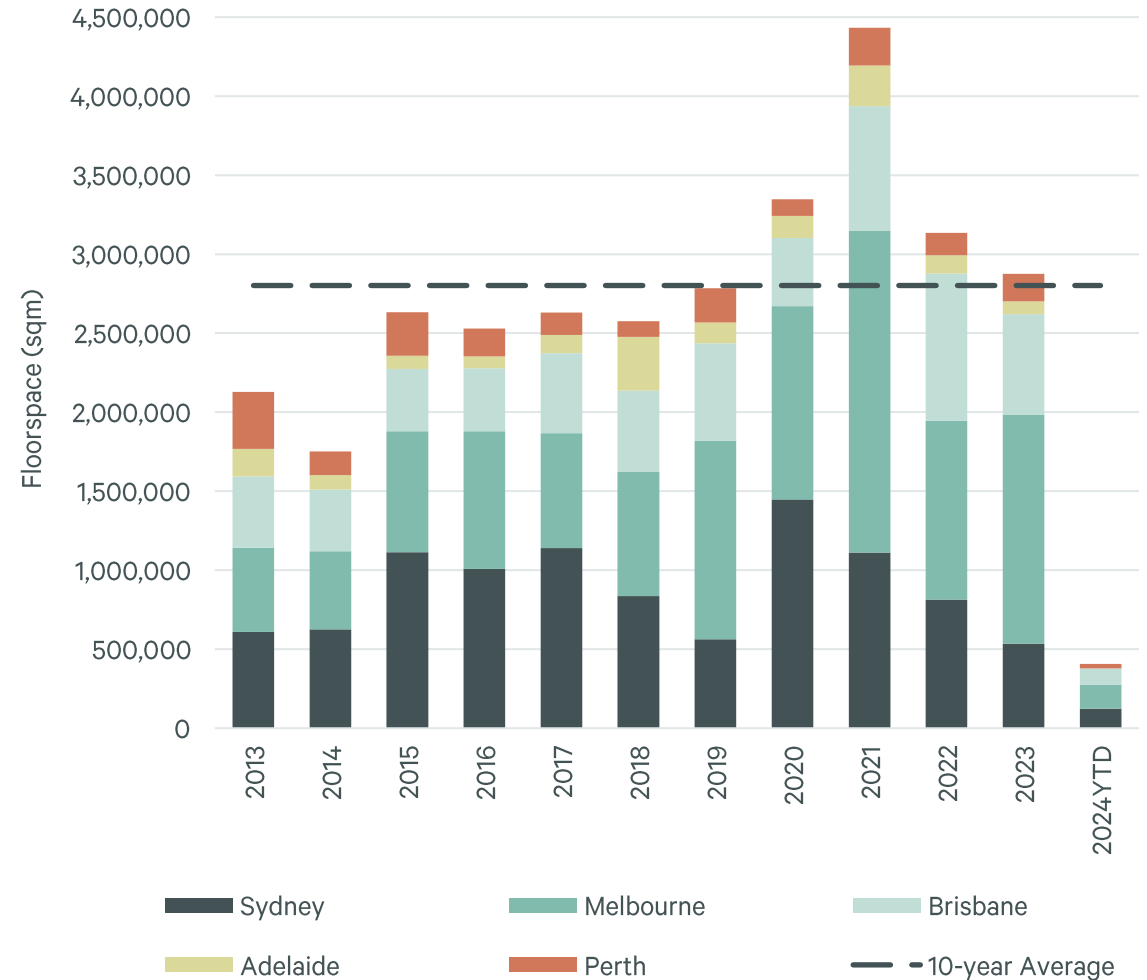
Pre-lease transactions made up 38% the deals over the quarter (by floorspace) - mainly within the Eastern Seaboard markets where a higher amount of new floorspace is in the supply pipeline.

Although vacancy rates have begun to move upwards, since 1H23, for all major markets across Australia, the vacancy rate remains tight (averaging 1.1%, as at 2H23). As a result, take-up levels have continued to be at low levels due to the lack of availability in existing space. We expect there to be greater leasing activity throughout the year ahead and therefore take-up reaching/surpassing the long-run average of 2.8 million sqm.

### The transport, postal and warehousing sector contributes to half of leasing transactions over 1Q24

In line with historic demand trends, the Transport, Postal and Warehousing sector was the most active in 1Q24, accounting for 50% of gross take-up this quarter. This was followed by Manufacturing (29%).

FIGURE 2: National Gross Take-Up by City



To note: reflects transactions >5,000 sqm for Sydney and Melbourne, transactions >4,000 sqm for Brisbane and Perth, transactions >3,000 sqm for Adelaide.

Source: CBRE Research Q1 2024

## Supply

### The 2024 pipeline is over 50% pre-committed

Approximately 15% of the 2024 development supply was completed over 1Q24, across 25 projects. The concentration of new floorspace over the quarter was delivered in Melbourne (39%), followed by Brisbane (31%) and Sydney (20%).

In 1Q24 just over half of the completed developments (by floorspace) were speculative builds. The share of speculative developments in 2023 was 47%, and for 2024 it is 62%.

The 2024 pipeline is just over 50% pre-committed and the 2025 pipeline is already 1/3 pre-committed.

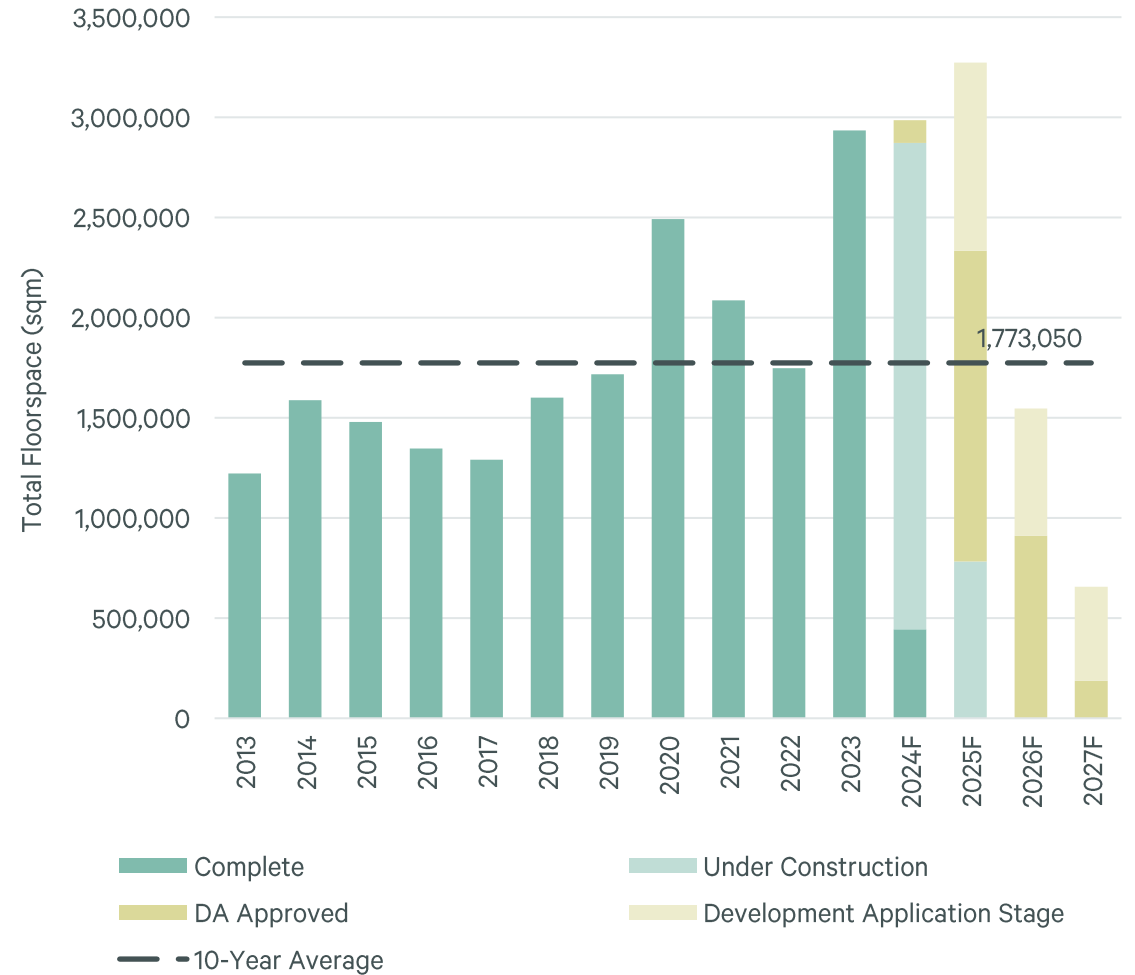
Notable development completions over the quarter included:

- Part of Aspect Industrial Estate by Mirvac (c.67,000 sqm) in Sydney’s Outer North West.
- Dexus’s warehouse for Visy in Brisbane’s Gateway South, delivering c.45,000 sqm.
- A speculative development in Melbourne’s West (Ravenhall), delivering c. 40,000 sqm.
- A speculative development in Brisbane’s Outer South for Ceva Logistics, developed by ESR, delivering c. 36,000 sqm.

The CY2024 supply pipeline is forecast to total a record high of c.3 million sqm – close to double the above long-term average. Unlike 2023, most of this supply is expected to be delivered in the Sydney market (38%).

There is c.2.4 million sqm of stock currently under construction for completion in 2024. Cloe to one third of the floorspace currently under construction is expected to be delivered in 2Q24.

FIGURE 3: Development Supply Pipeline



To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.

Source: CBRE Research Q1 2024

## Leasing Market

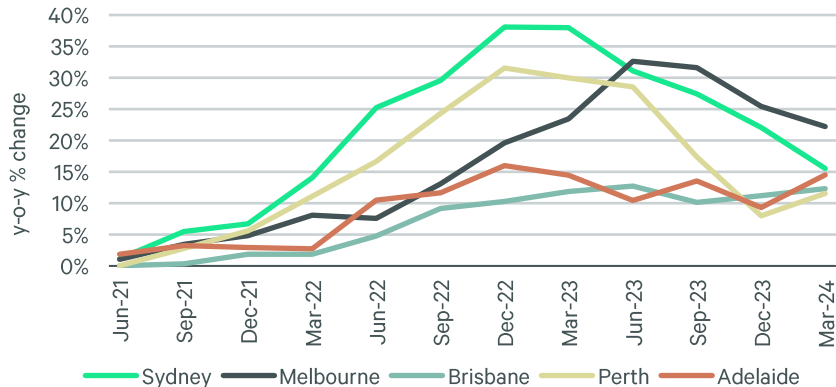
### Rental growth continues across all markets

The national super prime weighted-average net face rent has increased by 3.4% over the quarter and now averages AUD 174/sqm. This is higher than what was recorded the previous quarter (2.6%). Effective rents for super prime assets have also increased - recording 1.7% (q-o-q) growth.

Super prime net face rental growth over 1Q24 was recorded for all major markets across Australia, with rent rise higher (on a quarterly basis) in Melbourne (+4.2%), Perth (+7.4%) and Adelaide (+4.8%). National prime and secondary grade weighted-average rents increased by 2.5% (averaging AUD 158/sqm) and 1.6% (averaging AUD 130/sqm), respectively. Incentives over the quarter increased by 2% for super prime grade assets, now averaging 14%.

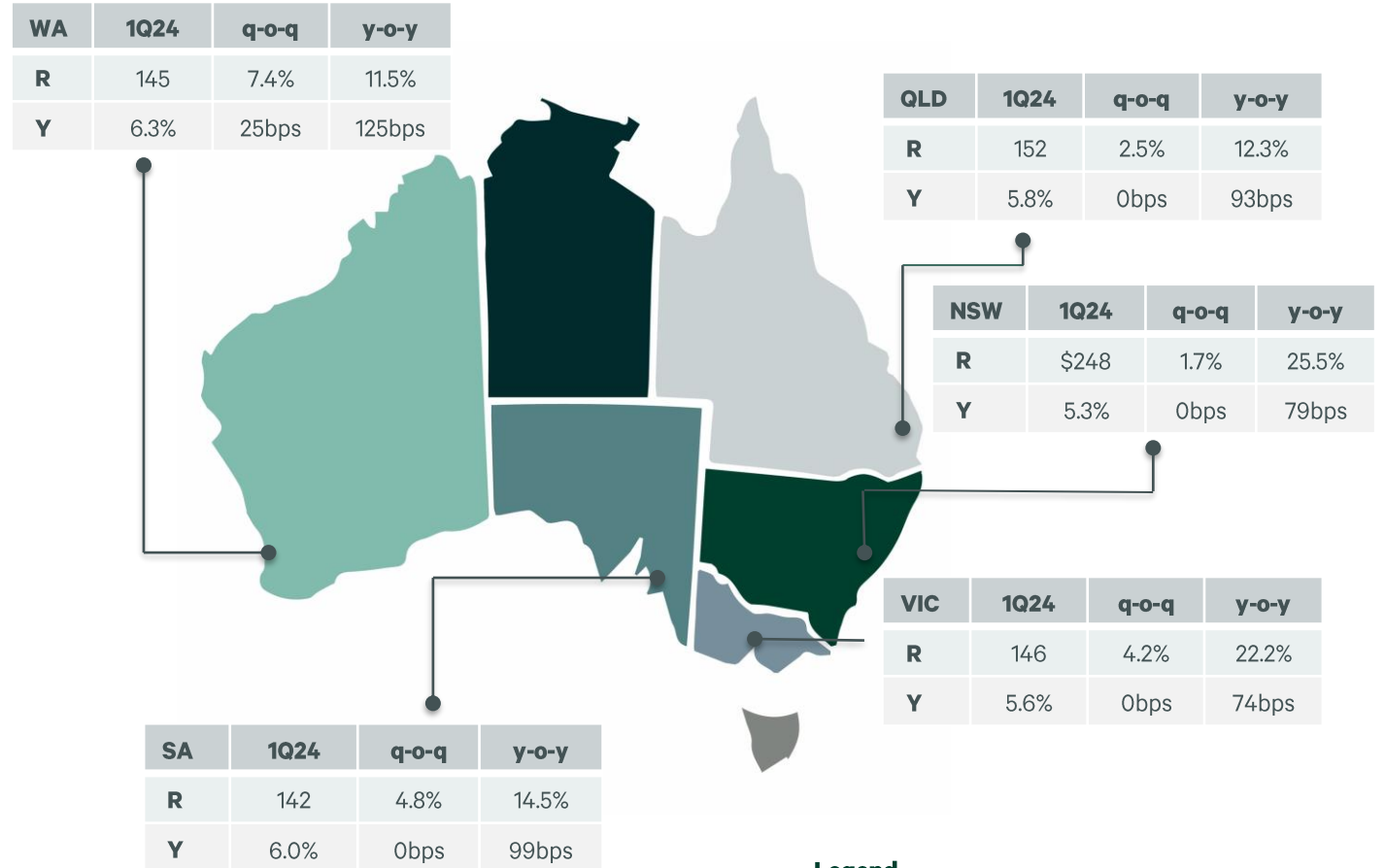
On a y-o-y basis, national super prime, prime and secondary supply-weighted-average face rents have grown by 16% and 15% and 11%, respectively. Melbourne recorded the strongest growth, with super prime y-o-y rent growth of 22%, followed by Sydney at 16% and Adelaide at 15%.

FIGURE 4: Super Prime weighted-average net face rent, y-o-y % change



Source: CBRE Research Q1 2024

FIGURE 5: Super Prime key metrics



**Legend**

R - Net Face Rents (supply-weighted average)  
Y - Yields (midpoint)

To note: Rents reflect the supply-weighted average face rent value, and yields reflect the midpoint. Source: CBRE Research.

\* CBRE Research provide detailed rent forecasts via a paid subscription service.

## Investment Market

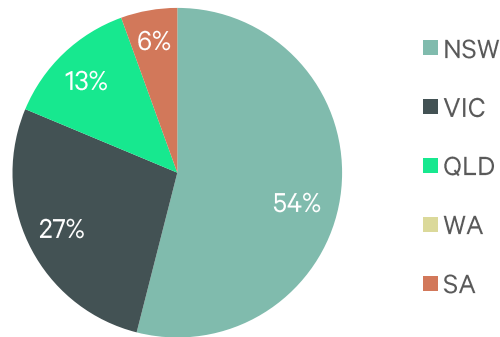
### Transaction volumes remain low

Australia’s industrial and logistics investment sale volumes have slowed significantly in the last 12 months amid a lack of stock on market, coupled with higher bond yields and rising cost of debt. Investment sales for income producing assets over AUD 10 million totaled AUD 0.4 billion in 1Q24, with the concentration of activity occurring within Australia’s the Eastern Seaboard. We expect greater investment sale activity within 2H24 and, as such, for volumes to surpass the level recorded in 2023.

### Yield expansion slowing

Yields have expanded by 5bps over the quarter– with the national midpoint yield over 1Q24 for super grade assets at 5.8%. The only yield expansion recorded was for the Perth market, all other markets have ha unchanged yields since 4Q23. Whilst there has been significant increase in capital costs off the back of historic lows, it is anticipated there may be some further cap rate expansion, of around 25 over the next six months. However, sub-4% vacancy across Australia is expected to maintain some rental growth, which is anticipated to offset potential capital depreciation.

FIGURE 6: State share of industrial investment Sales by value 1Q24



Reflects sales of income producing assets (greater than AUD 10 million)  
Source: CBRE Research

FIGURE 7: Industrial Investment Sales for income producing assets (greater than AUD 10 million), 2013 to 2024YTD

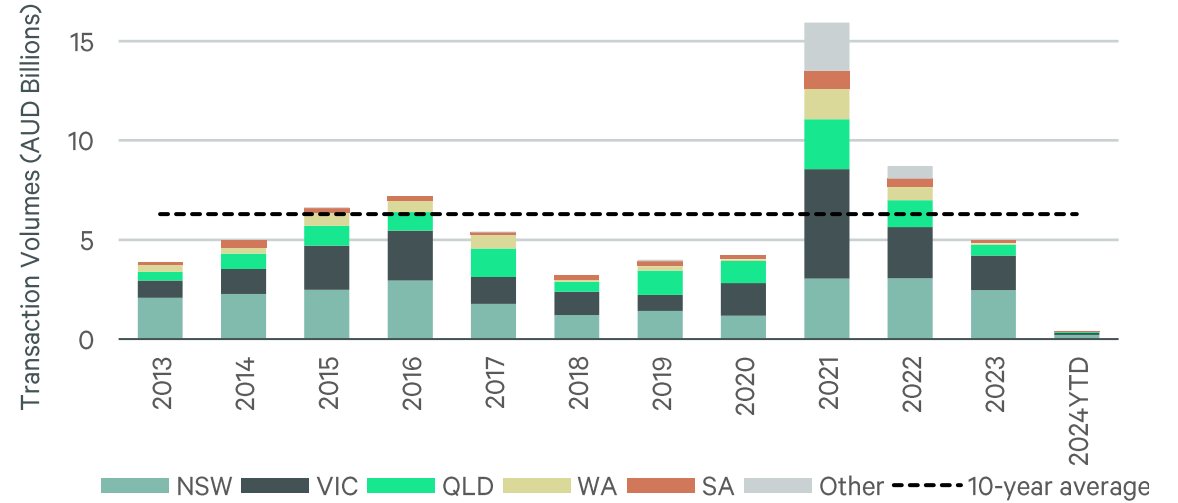
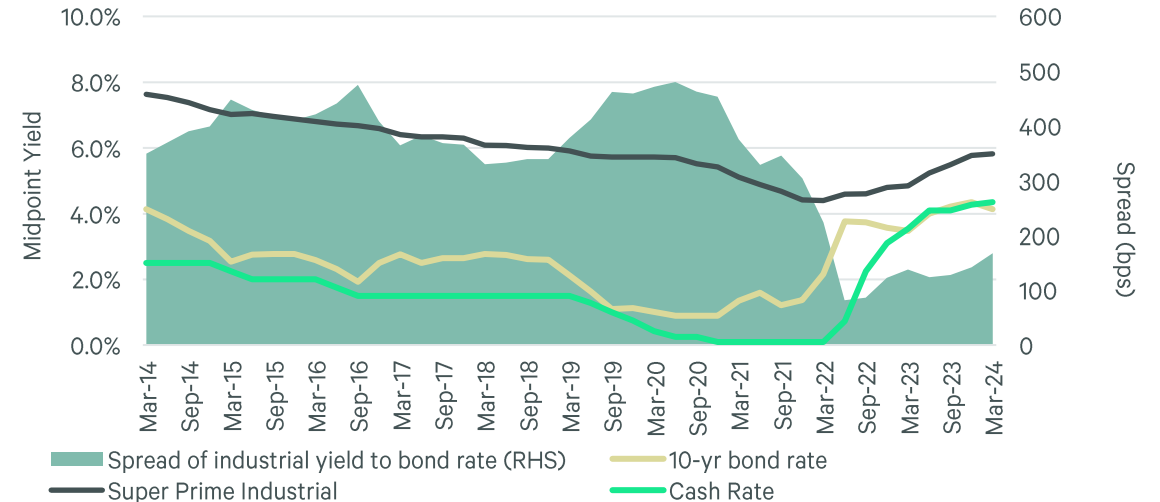
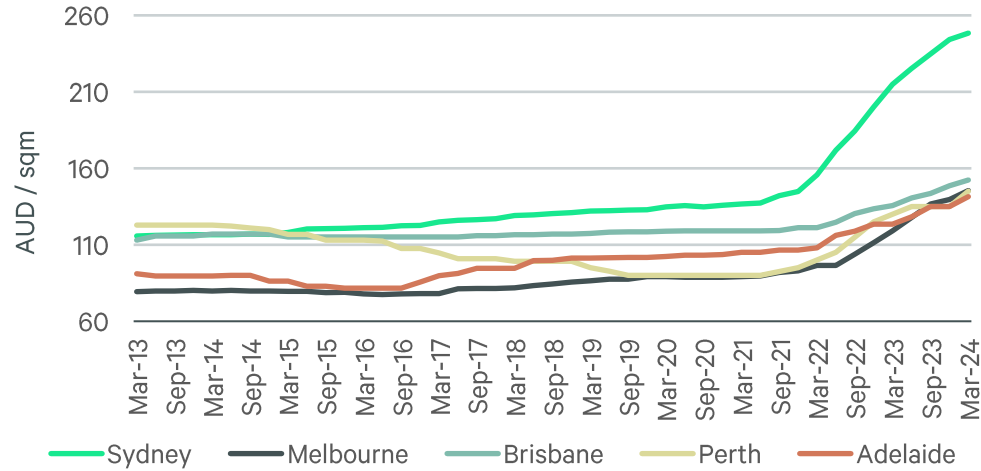


FIGURE 8: Industrial & Logistics Super Prime Midpoint Yields and Australia 10yr Government Bond



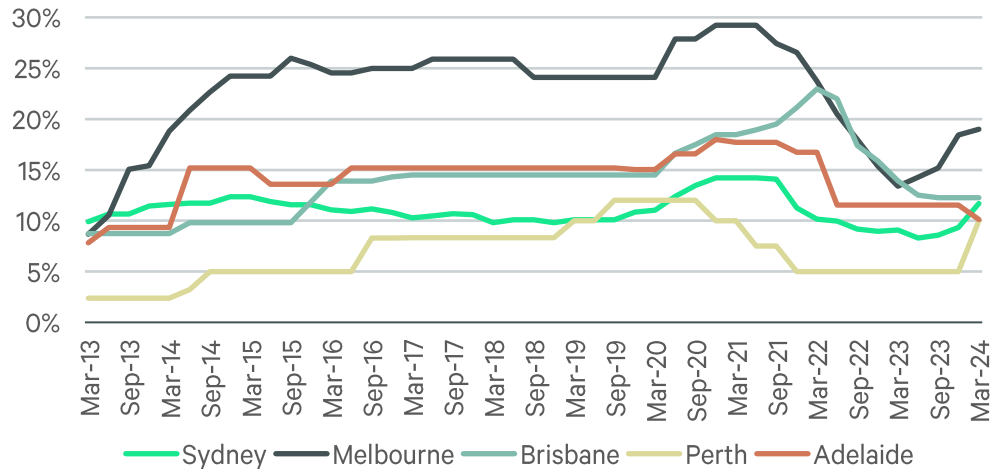
Source: RBA, CBRE Research Q1 2024

FIGURE 9: Super prime weighted-average net face rent, by City



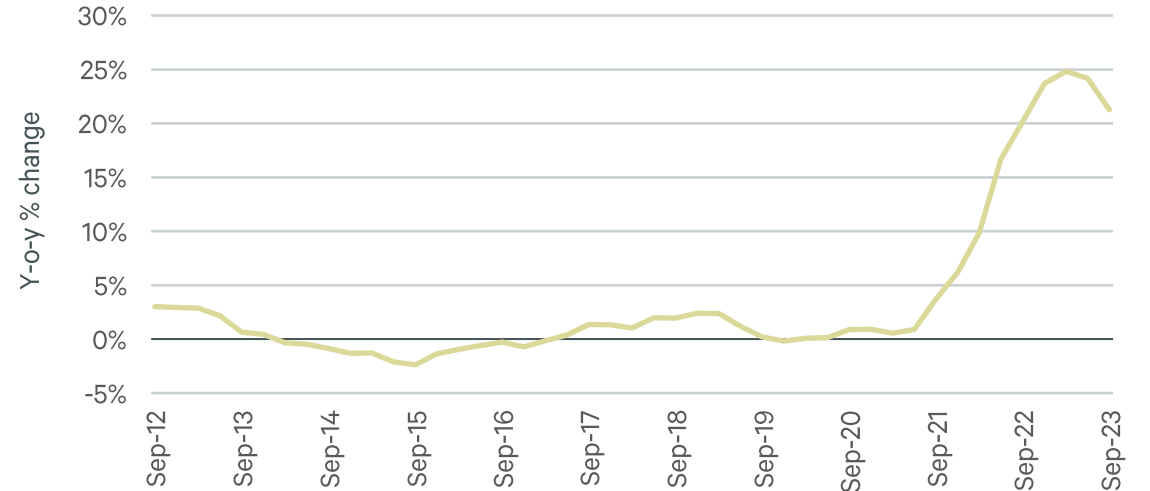
Source: CBRE Research Q1 2024

FIGURE 10: Super prime weighted-average incentives



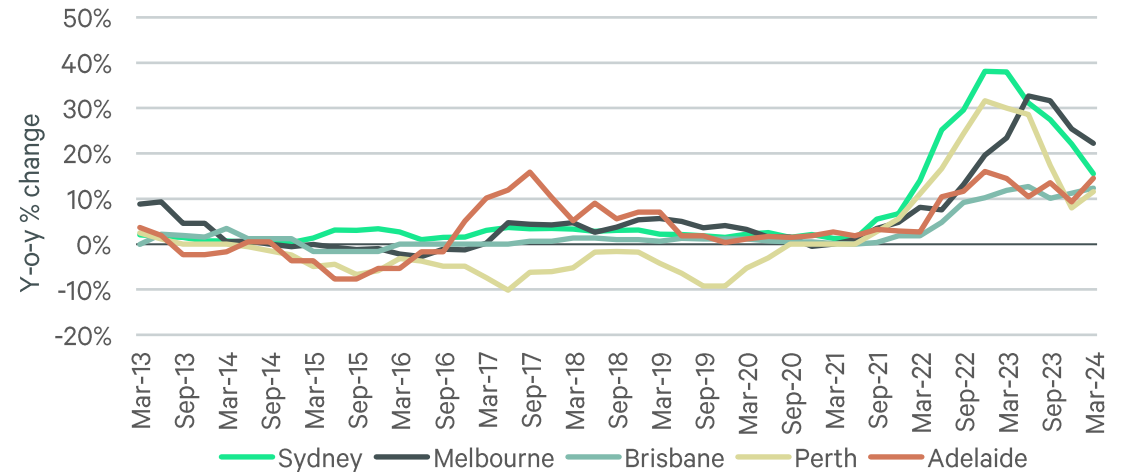
Source: CBRE Research Q1 2024

FIGURE 11: Australia prime weighted-average net face rent growth y-o-y



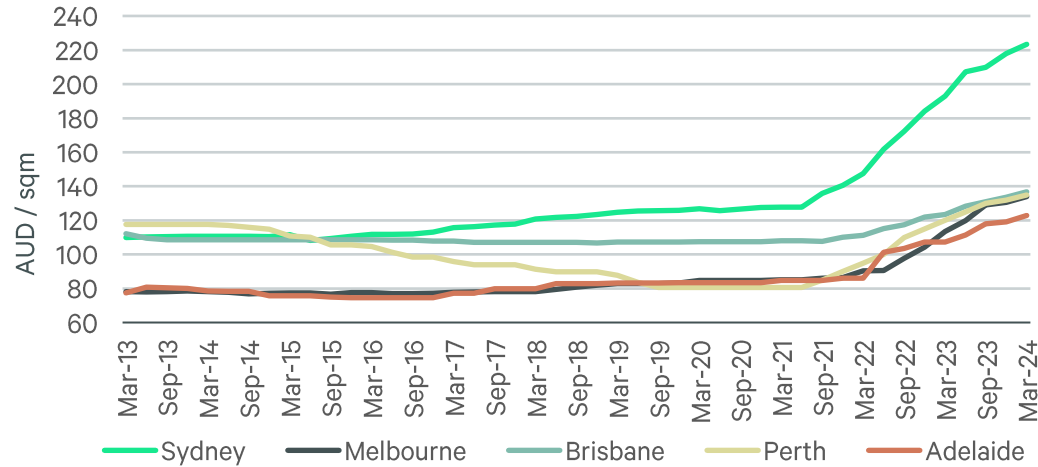
Source: CBRE Research Q1 2024

FIGURE 12: Super prime weighted-average net face rent y-o-y % change



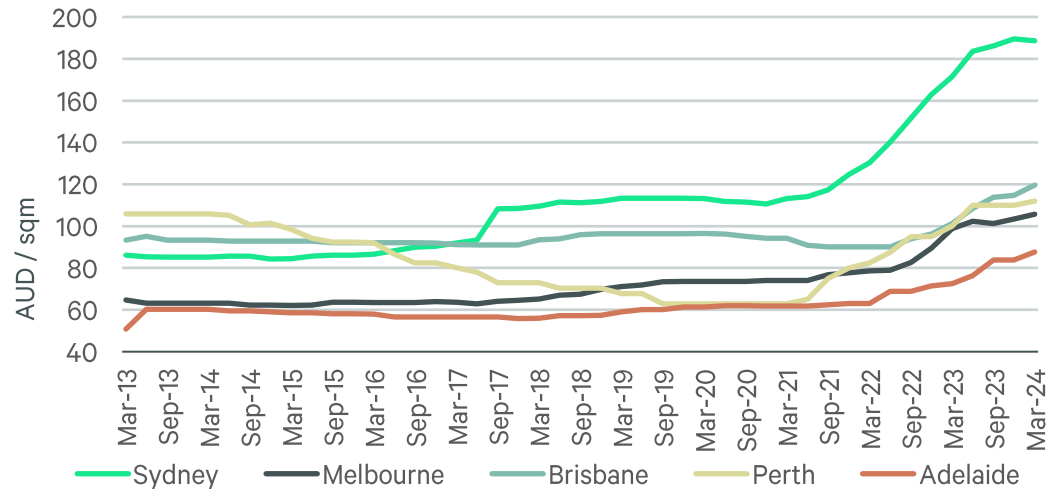
Source: CBRE Research Q1 2024

FIGURE 13: Prime weighted-average net face rent, by City



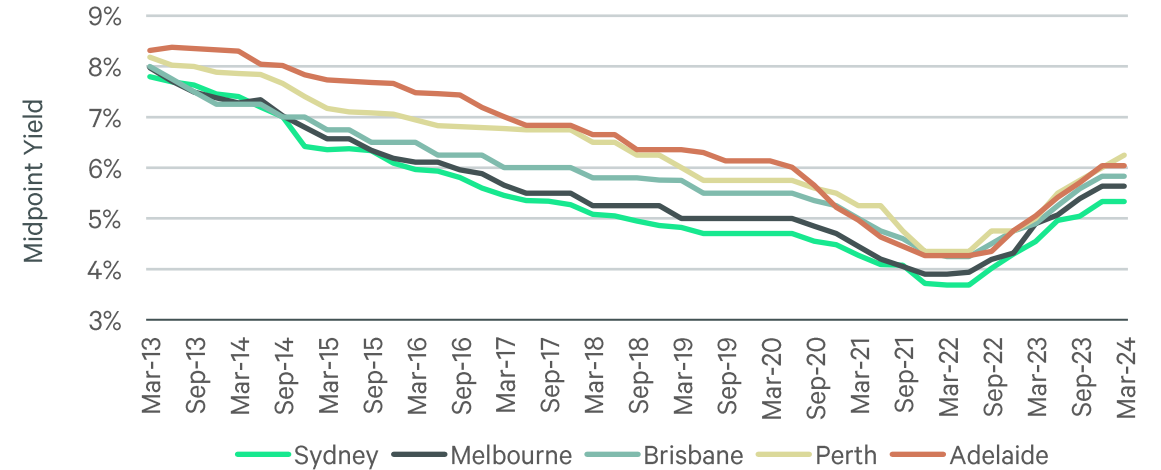
Source: CBRE Research Q1 2024

FIGURE 14: Secondary weighted-average net face rent, by City



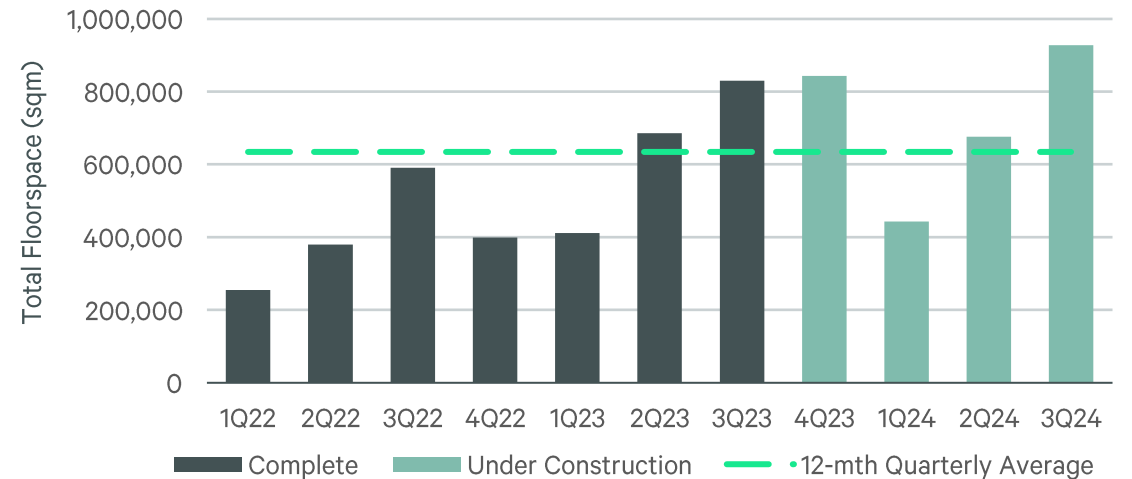
Source: CBRE Research Q1 2024

FIGURE 15: Super Prime Industrial & Logistics Midpoint Yields, by City



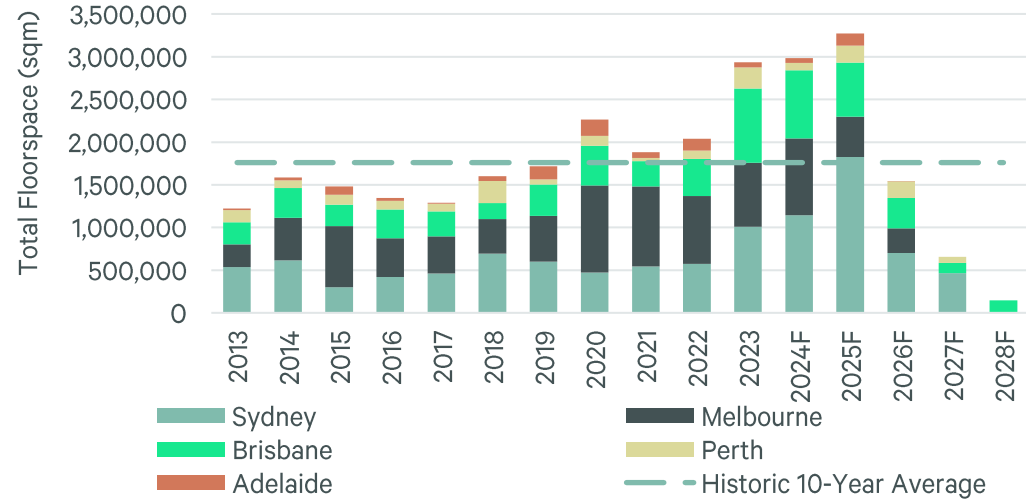
Source: CBRE Research Q1 2024

FIGURE 16: Quarterly Development Supply Pipeline, 1Q22-3Q24F



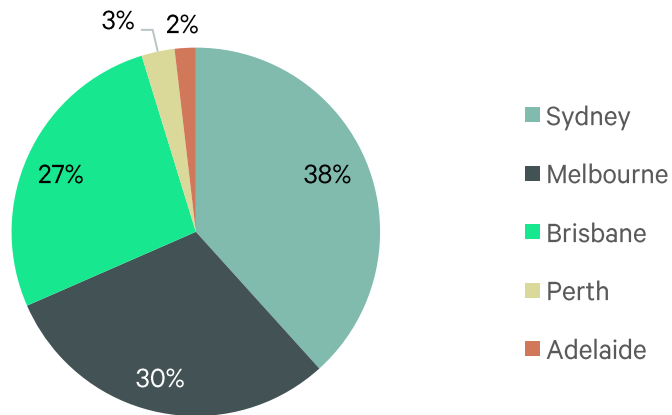
Source: CBRE Research Q1 2024

FIGURE 17: Development supply pipeline by City



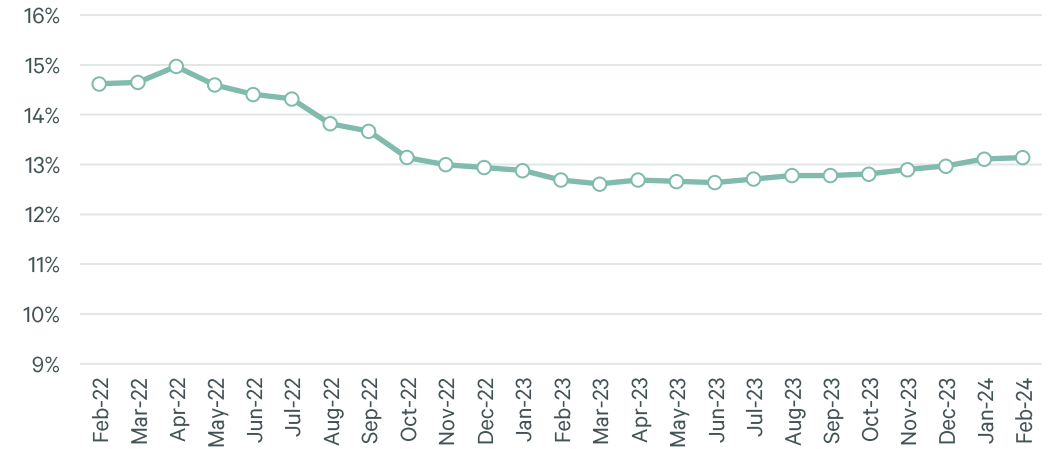
To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.  
Source: CBRE Research Q1 2024

FIGURE 18: Development supply by floorspace % 2024F



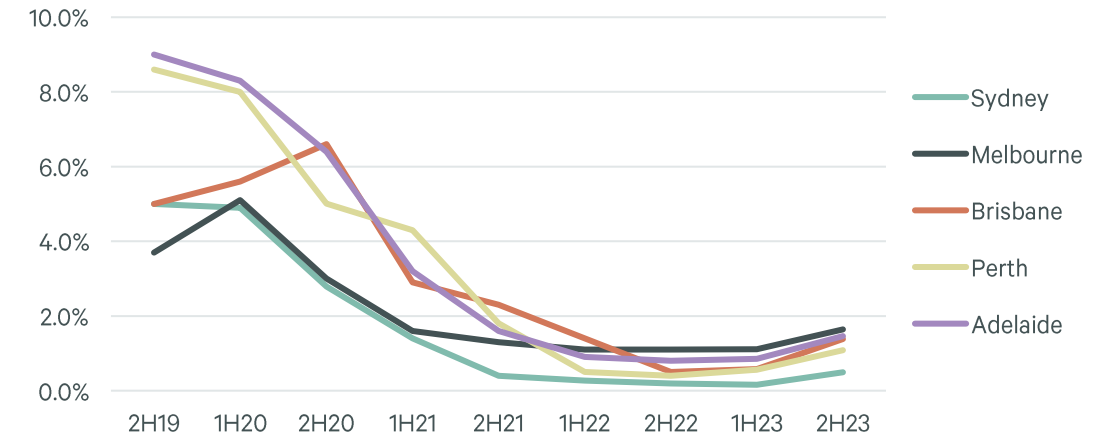
Source: CBRE Research Q1 2024

FIGURE 19: Australia's e-commerce penetration rate, monthly Feb-22 - Feb-24



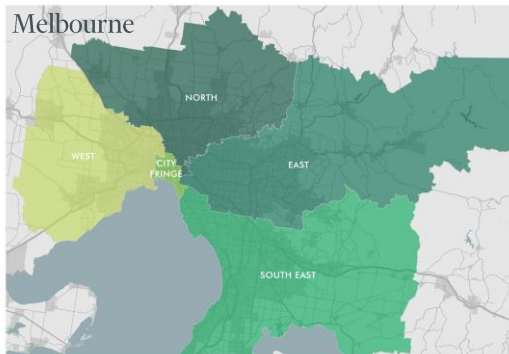
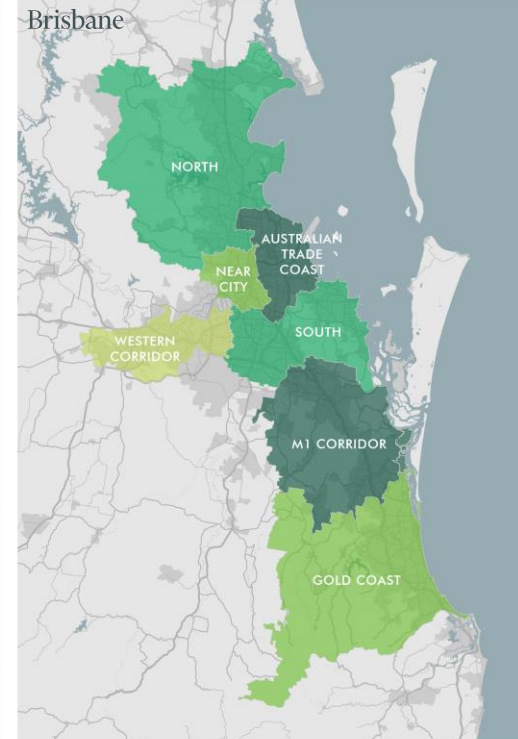
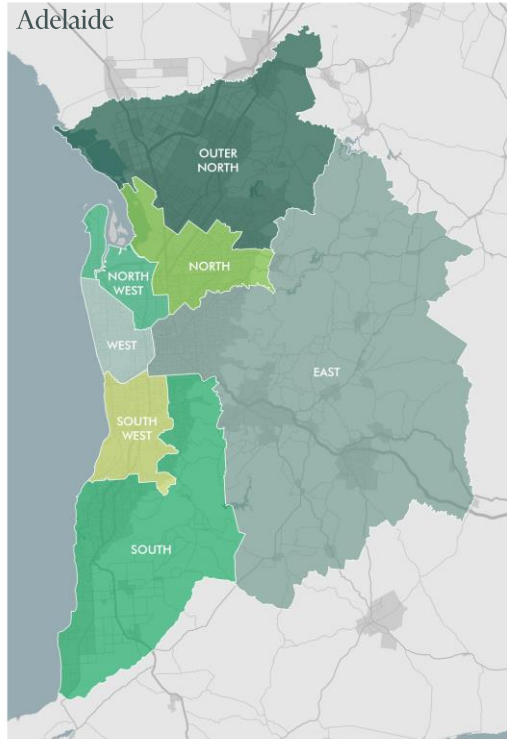
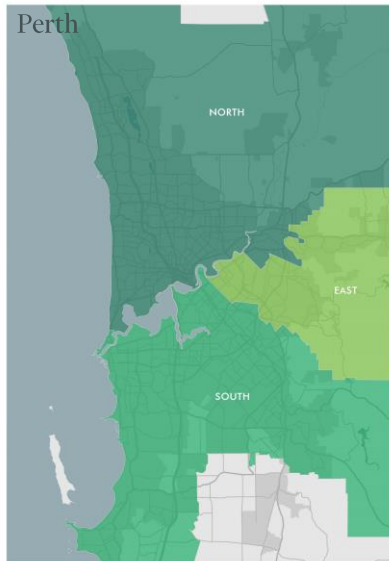
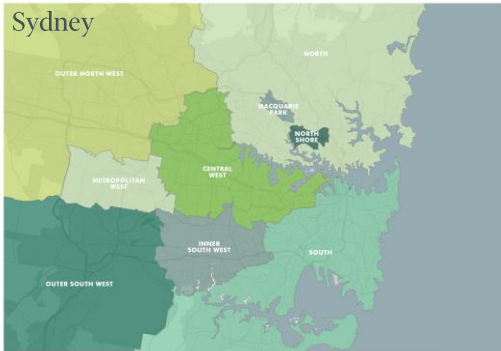
Source: NAB, ABS, CBRE Research. Latest data available as of February 2024.

FIGURE 20: Australian major markets vacancy rates 2H19-2H23



Source: CBRE Research

### Market Area Overview



**Definitions**

**Super Prime:** Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

**Prime:** Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

**Secondary:** Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

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To note: CBRE Research provide detailed data, including rent forecasts, via a paid subscription service.