

# News Release

## **Industrial commentary: 2018 end of year wrap and 2019 outlook**

### **According to Ben Burston, Partner, Head of Research, Australia**

"In 2019, we expect the industrial market to experience another year of strong returns as it continues to benefit from the structural uplift in demand driven by evolving supply chains and the push to improve operational efficiency and shorten delivery times for the consumer.

Across all markets, forward looking indicators of demand are encouraging, and point to upward pressure on rents that will induce more speculative supply over the next 12 months.

The sector has effectively been re-rated as a more secure investment proposition, and while the pace of yield compression is expected to slow during 2019, we believe that the structural uplift in demand, and its consequent impact on the market, has yet to fully play out."

### **According to Matthew Lee, Partner, Head of Industrial, NSW**

"As the year continues to fly past and the Christmas season approaches we are seeing sustained activity across the NSW Industrial market. We expect that a number of transactions will be concluded in November and the early part of December before the traditional slow down.

"From a leasing perspective we are seeing upward momentum on rental in almost every market. A prime example of this is the strong results achieved by Dexus at their final development of Quarry. We anticipate the trend of reduced vacancy and rental growth to continue as supply struggles to keep up with demand. There remains a number of specialised style enquiries in the market and we expect that these will also find a home over the next few months.

"The sales market continues to be dominated by aggressive capital but genuine supply of opportunities is below the historic average. The market awaits the result of the First Estate portfolio being offered by Altis as this will most likely set the benchmark for premium grade industrial in Western Sydney. We expect that the mean will remain robust and there may be a slight increase in supply as parties eye the top of the market."

### **According to Mark Clifford and Chris Wright, Partners, Joint Heads of Industrial, QLD**

The recent surge in tenant commitment means that there are now very limited opportunities for tenants seeking A-grade space larger than 5,000 sqm across all precincts of Brisbane. Those developers with the ability to speculative construct facilities will see the benefit of tenant commitment as the design and construct market continues to be fairly subdued.

"Leading into 2019, this shortage of both land and existing facilities over 5,000 sqm will result in shorter decision timeframes from tenants as the urgency finally sinks in. We expect to see strong leasing activity continuing into 2019.

"Land continues to be a focus for major developers with recent studies estimating the industrial land supply in Brisbane currently having a 3.5 year supply.

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"The lack of investment stock has driven many groups to reassess their approach to the market and take a more active approach in creating income opportunities from the ground up. We expect to see this resulting in some strong speculative activity in 2019."

## **According to Gab Pascuzzi, Partner, Head of Industrial, VIC**

"The Melbourne Industrial market is showing no signs of slowing down with vacancy at a five-year low and rentals on the rise in all industrial precincts.

"We see speculative space on the rise in 2019, however the strong appetite for prime space by occupiers will ensure absorption will continue at a rapid rate.

"The Western market continues to go from strength to strength with institutions and developers acquiring and seeking larger land parcels to continue to grow their pipelines and portfolios.

"We are seeing limited stock available in the industrial investment sector, which will result in further yield compressions with local and offshore groups continuing to have demand for long WALE assets."

## **According to Jarrad Grierson, Partner, Head of Industrial, WA**

"Improving sentiment towards the Western Australian economy has emerged in line with commodity price growth and announcements of new large scale projects.

"Encouraging signs in the Perth Industrial market have continued, with tenant enquiry improving from increased business confidence.

"Vacancy is down with strong absorption in buildings 2,000 sqm plus.

"Quality leased investment assets continue to achieve sub 7 per cent yields due to limited opportunity, combined with strong institutional and A-REITs interest.

"We have seen increased activity from large occupiers as a result of a number of factors, both endogenous to the Perth industrial market, and more broadly tied to an improved outlook aligned with the Western Australian economy."

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## **Notes to Editors**

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