



PERTH

INDUSTRIAL VACANCY OCTOBER 2017

Key Facts

Total available space has increased to 695,000 sq m as at October 2017.

The **vast majority** of stock available for lease is **older secondary buildings at 75%** of total stock.

Vacancy is primarily in the southern corridor (47%) and the eastern corridor (41%).



DAVID LANG
 Director, Valuations & Consultancy—WA

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The Perth industrial market has continued to experience absorption of quality prime grade stock with limited new supply, whilst older secondary buildings remain on the market with limited enquiry.

Knight Frank’s biannual analysis of the industrial market has revealed total available space has increased to 695,000 sq m (2,000 sq m+) as at October 2017.

The vast majority of stock available for lease is older secondary buildings accounting for 75% of total stock. Vacancy is primarily in the Southern corridor (47%) and the Eastern corridor (41%).

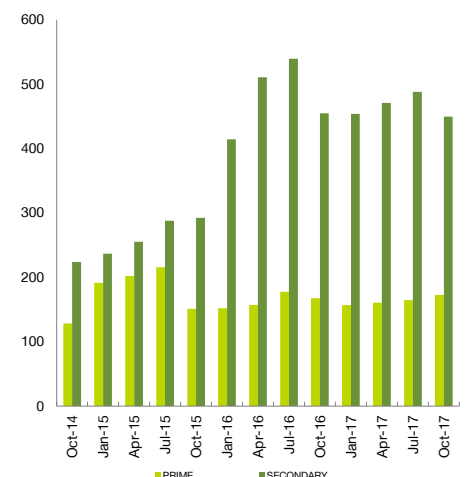
Limited A-grade warehousing and workshop facilities were found to be available, particularly above 3,000 sq m. Sitting tenants are renegotiating lease terms and remaining in their existing facilities, which is limiting the take-up of the vacant space.

Tenants continue to be attracted to the prime industrial precincts and quality facilities at competitive rents.

A continuing trend of vacancy shifting to older, secondary facilities has emerged with limited tenant demand despite lower rents and higher incentives.

Older, secondary facilities have experienced extended vacancy periods, with an increasing number for lease for longer than 12 months.

FIGURE 1
October 2017 Available Space
 '000m² prime versus secondary space



Source: Knight Frank Research

“Two successive months of positive absorption should result in rents stabilising, particularly for better quality, well located buildings”

Jarrad Grierson
Senior Director—Industrial

Eastern corridor

In the Eastern corridor, total vacancy of 285,130 sq m was recorded as at October 2017. There was a high proportion of vacant secondary stock at 242,743 sq m or 85%. Of the 65 properties available for lease, 26 have been marketed for over 12 months where only 3 modern office/warehouses available for lease between 2,000 and 4,000 sq m. Limited A-grade opportunities were found, with no workshops available and only eight warehouses.

Northern corridor

Total vacancy of 85,717 sq m was recorded in the Northern corridor. The majority of the vacancy is in Malaga, with 14 buildings equating to 54,095 sq m or 63% of the total vacancy.

“Malaga has seen strong enquiry for prime buildings and a recovery in rents for these facilities”

Sam Hammond
Industrial Sales & Leasing Executive

Osborne Park has five vacant, older secondary warehouses between 2,000 and 4,500 sq m, representing 16% of the total vacancy, however the suburb is transitioning away from large industrial uses. Within Wangara, there are only two buildings above 3,000 sq m for lease and no speculative construction of similar large properties. The majority of properties (21) available for lease are between 2,000 and 4,000 sq m. There are only two warehouses and two workshops above 4,000 sq m available for lease and only three ‘A’ grade workshops available for lease, limiting options for tenants.

Southern corridor

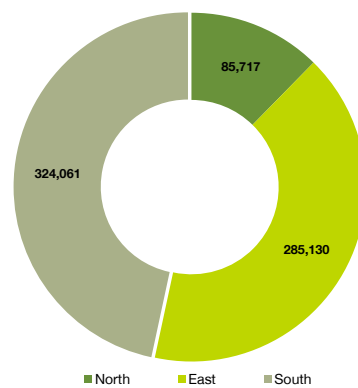
As at October 2017 there was 324,061 sqm of vacancy across 65 properties in the Southern corridor. The majority of the vacant warehousing is located in Bibra Lake and Canning Vale. There is a very limited supply of A-grade workshops within the southern corridor, limiting

options for tenants. There are 12 vacant workshops representing 14% of the vacant stock, but only two of these facilities are considered to be modern. Canning Vale has two large office/warehouses above 5,000 sq m available for lease due to tenant relocation and five new warehouses between 2,000 and 6,500 sq m that have been recently developed in the Swan Brewery Estate.

“Low rents continue to entice tenants to larger and more functional buildings. There has also been an increase in owner occupier activity, assisting in the absorption of vacant stock”

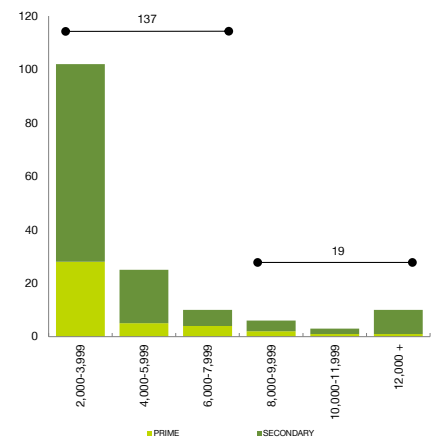
Scott Bailey
Associate Director—Industrial

FIGURE 2
October 2017 Available Space
m² by precinct



Source: Knight Frank Research

FIGURE 3
October 2017 Available Space
No of buildings by size and quality



Source: Knight Frank Research

TABLE 1
Perth Industrial Available Space 2,000m²+ as at October 2017

Precinct	Available Space m ²	Warehouses				Workshops			
		Prime (m ²)	#	Secondary (m ²)	#	Prime (m ²)	#	Secondary (m ²)	#
North	85,787	23,948	8	33,845	10	14,828	4	13,166	4
East	285,130	34,671	7	218,683	48	7,716	1	24,060	9
South	324,061	83,025	18	197,193	35	8,400	3	35,443	9
Total	694,978	172,588	33	449,721	93	30,944	8	72,669	22

Source: Knight Frank Research

Outlook

Across Perth's industrial precincts there continues to be a trend of consolidation, particularly in the logistics sector. It's likely extended vacancy periods will result for secondary buildings with limited tenant enquiry.

In Perth's Northern corridor there is a shortage of large warehousing above 3,000 sq m, with developers reluctant to undertake speculative construction. This is likely to assist owners of existing facilities while alternative options for tenants will remain limited.

In Perth's Eastern corridor, a shortage of modern office/warehouses between 2,000

and 4,000 sq m has transpired, particularly those that are sprinklered with good access.

There will continue to be a slow take-up of secondary facilities in all precincts, due to limited tenant demand for older dated facilities that do not present to the required corporate standards, or do not provide functional accommodation. This is despite lower rents and increased incentives. Owners are encouraged to refurbish or redevelop their older facilities.

Given the more limited supply of prime grade facilities and ongoing absorption, it is expected that rents for these facilities will stabilise and recover, with reduced incentives going forward.

Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Perth Industrial Property Market. The analysis only includes building vacancies which meet the following criteria. 1. The sample data includes buildings with a minimum floor area of 2,000m². 2. Buildings are categorized into the below three types of leasing options. A) Existing Buildings – existing buildings for lease. B) Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant. C) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

East: Bassendean, Bayswater, Bellevue, Belmont, Forrestdale, Hazelmere, High Wycombe, Kewdale, Midvale, Perth Airport, Redcliffe, South Guildford, Welshpool

North: Balcatta, Embleton, Gnangara, Landsdale, Malaga, Neerabup, Osborne Park, Wangara.

South: Bibra Lake, Canning Vale, Cockburn Central, East Rockingham, Forrestdale, Henderson, Hope Valley, Jandakot, Kelmscott, Kenwick, Kwinana Beach, Maddington, Myaree, Naval Base, O'Connor, Yangebup.

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