Australian Industrial Review

Q4 2024

Record development completions during 2024 has normalised vacancy and slowed the pace of rental growth.

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Key Insights

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+4%

Vacancy grew again in Q4

Vacancy continued to increase across the East Coast, tripling during 2024 to 2.2m square metres. This is 33% above the 10-year average but still only represents a 3% combined vacancy rate.

$10.6b

Investment volume CY 2024

Investment in 2024 was 23% above 2023 levels as activity picked up over the second half of the year, indicating investors long term confidence in industrial assets.

2.3m

Sqm of new supply in 2025

After what is likely to be a peak 2.6 million square metres of new stock delivered in 2024, completions for 2025 are forecast to be slightly lower with new starts being pushed out.

+12%

Y/Y prime rental growth in Adelaide

Adelaide had the highest annual prime rental growth and equal highest Q4 growth of 1.6% (with Sydney). This has taken average prime rents to $142/sqm.

Stable

Prime yields Sydney & Melbourne

Investor demand and easing monetary policy has brought stability to yields, the exceptions were slight tightening in Brisbane (-2bps) and Adelaide (-3bps).

+20%

Y/Y growth in Perth land values 1-5ha

Annual growth of 20% across Perth land 1-5ha leads the market with Brisbane and Adelaide close behind with 17% annual uplift. Sydney and Melbourne land values have plateaued.

Key Indicators Q4-2024

Market	Prime Net Face Rent $/sqm	Secondary Net Face Rent $/Sqm	Super*Prime Market Yield Range %	Land <5,000sqm $/sqm	Land 1-5 ha $/sqm
Sydney**	267	207	5.00-5.50	2,005	1,716
Brisbane	169	150	5.50-6.10	763	633
Melbourne***	144	120	5.00-5.50	1,149	901
Adelaide	142	98	5.75-6.25	655	457
Perth	147	130	5.75-6.00	559	434

Source: Knight Frank Research *Yield range assumes a near new 10,000sqm+, non-specialised, institutional high-grade industrial asset with a of WALE 7.0 years+ Indicators are based on a blended average of the city precincts. **Western Sydney prime net face rents average $214/sqm, secondary: $166/sqm; small lots: $1,359/sqm, 1-5ha lots: $1,262/sqm. ***Melbourne (excluding the Fringe) prime net face rents average $135/sqm, secondary: $115/sqm; small lots: $886/sqm, 1-5ha lots: $676/sqm.

Leasing Market

New supply construction to pull back in 2025, reacting to softer take-up and stagnating rents in some sub-markets

VACANCY HAS CONTINUED TO CLIMB

Eastern Seaboard industrial vacancy increased by 4.0% in Q4 and now sits 33% above the 10-year average. The largest uplift was in Melbourne (+95,624sqm) with a further jump in secondary vacancy. Sydney vacancy increased by 4.3% in Q4 (21,995sqm) due to accelerated speculative starts. Brisbane vacancy fell by 4.7%, led by greater take-up in existing stock. Vacancy is now considered to be back in line with long term levels after the extreme lows of 2022-2024. Speculative vacancy on the East Coast reached new highs to be 858,028sqm with high construction starts during 2024 in all three cities. Speculative space currently accounts for 38% of total available space on the Eastern Seaboard.

EAST COAST LEASING TAKE-UP DOWN BY 19% IN 2024

Leasing take-up softened over the course of 2024 with the Q4 East Coast total of 552,474sqm the lowest since Q3-20. Take-up was softer in each city during Q4 with Sydney down 24% q/q, Melbourne down 20% q/q and Brisbane down 12% q/q. The annual total for 2024 at 2.6 million square meters was 19.4% lower than the year before. Despite this decrease, this is still 8% above the 10-year average but a retreat from the space scramble of 2022 - 2023. Pre-commitment activity slowed over 2024 as project feasibility remained difficult, representing only 16% of total 2024 take-up, compared to 27% in 2023.

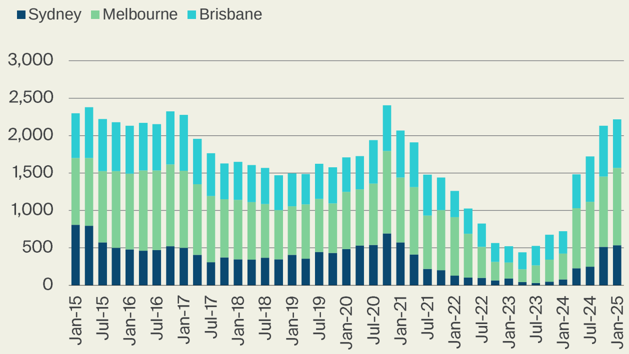
Development completions reached a record 2.6 million square metres during 2024 across the East Coast, with the 2025 total forecast to be a lower 2.3 million, with construction starts being pushed out, particularly in Melbourne.

RENTAL GROWTH ISOLATED TO PRECINCTS

Rents increased modestly during Q4 in all Australian prime industrial markets ranging from 0.7% - 1.6% q/q. Adelaide with +12% y/y had the highest prime growth for 2024. In the East Coast cities rental growth was driven by only one or two precincts – most notably South Sydney, East Melbourne and TradeCoast/North Brisbane – with rents flat in the others. Secondary rental growth was highest in Adelaide (13.8% y/y) and Perth (10.6% y/y) with more modest growth in other markets. Incentives have continued to rise, particularly in the precincts with substantial new supply, with Western Sydney now averaging 16.9%, West Melbourne averaging 19.5% and Brisbane South sitting at 13.5%.

Eastern Seaboard industrial vacancy

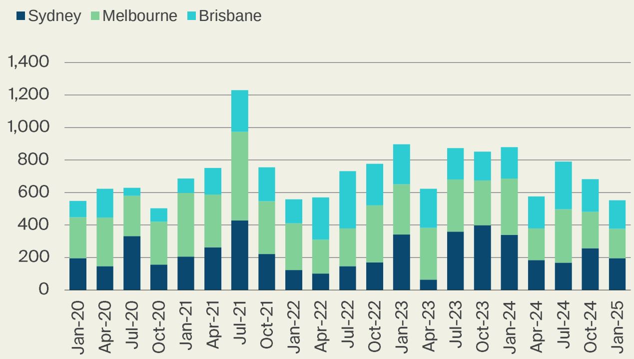
'000 sqm, quarterly, 5,000 sqm+



Source: Knight Frank Research

Eastern Seaboard industrial take-up

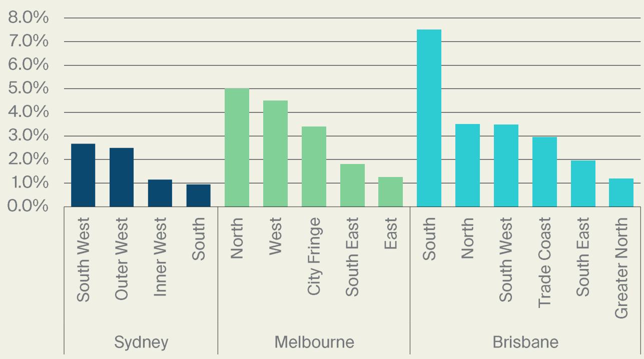
By quarter, '000sqm, (>5,000sqm)*



Source: Knight Frank Research

Eastern seaboard vacancy rates

by capital city and precinct Q4-2024, %



Source: Knight Frank Research

Investment

Uptick in investment volumes highlights improved economic outlook and investor confidence

IMPROVED OUTLOOK AS RBA MAKES ITS FIRST RATE CUT

Inflationary pressures have eased globally and in Australia. In Australia, headline CPI measured 2.4% and trimmed mean inflation fell to 3.2% in Q4 2024. The downward trend is a sign that the RBA's strategy to tolerate a slower path back to target in order to preserve gains in the labour market has paid off, with inflation seemingly returning to the target band of 2-3% ahead of schedule. Given the improved inflationary data, the RBA recently softened its monetary policy stance with a 25bps rate cut, the first rate cut since 2020 with the cash rate now down to 4.1%. Further rate cuts in 2025 are forecast given the improved outlook for inflation and the need to restore a faster rate of economic growth.

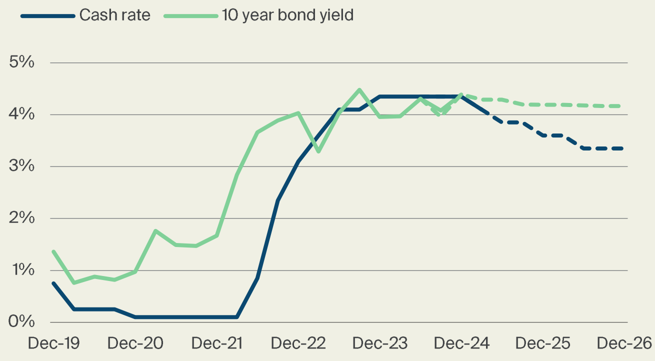
HIGHER TRADING VOLUMES WITH INVESTOR CONFIDENCE RETURNING

Investment activity picked up over the second half of 2024, displaying investors long term confidence in industrial assets. Sales volumes in Q3 and Q4 totalled $2.8 and 3.1 billion respectively, taking investment volumes for 2024 to over $10.6 billion, a 23% increase on 2023. Notable transactions over the period included Aware Super and Barings acquiring the Austrack Business Park in Melbourne for $600 million. Additionally, in Sydney, Goodman has expanded its holdings in South Sydney, acquiring 118-124 Bourke Road Alexandira for $76 million. In Western Sydney, Irongate purchased 5 Williamson Road, Ingleburn from EG funds for $62 million. In Brisbane, Hale Capital has made another acquisition in the market, acquiring 481 & 509 Boundary Road in Dara for $65 million. Looking ahead, investment activity is expected to accelerate further in 2025 with multiple transactions already executed and many investors retaining a strong preference for industrial assets.

EAST COAST YIELDS STABLE TO FIRMING

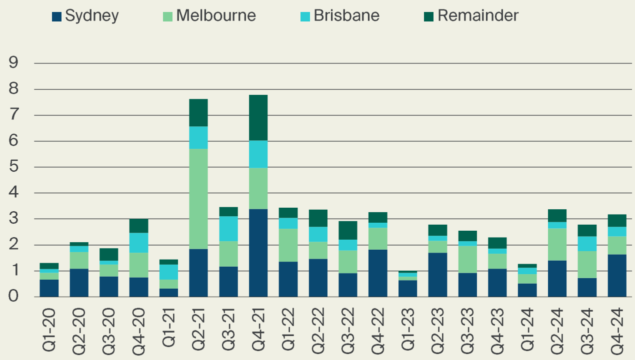
Prime yields held firm in Q4 across Sydney (5.46%), Melbourne (5.58%) and Perth (6.50%), whilst Brisbane and Adelaide tightened by 2bps and 3bps to average 6.14% and 6.28%, respectively. Secondary yields experienced minor movements except in Brisbane with yields tightening 22bps over Q4 to average 6.82%. Looking ahead, the market is likely to respond positively to the lower interest rate environment with average prime yields expected to start contracting in coming quarters.

Interest rate outlook
Cash rate and 10 year bond outlook



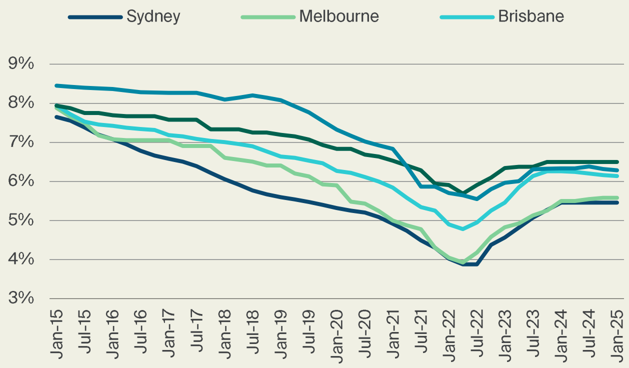
Source: Knight Frank Research, Oxford Economics

Australian industrial investment volumes
A$ billion, transactions $10m+



Source: Knight Frank Research, RCA

Industrial prime yields
Average across precincts (5,000 sqm assests, 5 yr WALE)



Source: Knight Frank Research

Recent Sales

Recent significant sales

City	Property	Price $M	Size sqm	$/sqm	Purchaser	Vendor	Yield %[1]	WALE
Melbourne	3 Millenium Court, Knoxfield	22.0	8,040	2,736	Conf.	Growthpoint	5.3	1.7
Melbourne	512-520 Geelong Road, Tottenham	40.0	30,814	1,298	RF CorVal	Nippon Paper Group	6.5	Undisclosed.
Melbourne	8 Dunlop Court, Bayswater	44.0	26,299	1,673	Centennial JV Brookfield	Private.	4.1	2.4
Sydney	6-7 John Morphett Pl, Erskine Park (95%)	84.00	24,880	3,554	TPG Angelo Gordon	Growthpoint	6.00	0.7
Sydney	118-124 Bourke Rd, Alexandria	76.00	10,019	7,586	Goodman	118 Bourke Road Pty Ltd	4.99	6.4
Sydney	5 Williamson Road, Ingleburn	62.00	19,415	3,193	Irongate	EG Funds Mgmt	5.89	3.2
Brisbane	99 Harcourt Road, Darra ^	80.55	17.023ha useable land	473 on site	Charter Hall	CSR	n/a	n/a
Brisbane	481 & 509 Boundary Rd, Darra	65.00	28,627	2,271	Hale Capital	Fife Capital	6.33	1.7
Brisbane	250 South Pine Road, Brendale	63.80	31,738	2,010	ISPT	Irongate	6.72	5.5
Adelaide	26-36 Stirling Street, Thebarton	22.00	14,510	1,516	Local Private	KM Funds	5.58	1.9
Adelaide	113-117 Bedford Street, Gillman	20.00	15,020	1,332	Local Private	Local Private	5.76	4.6
Adelaide	7 Brandwood Street, Royal Park	21.90	31,120	704	Local Private	Local Private	5.79	6.5
Perth	6 Magnet Road, Canning Vale	3.5	22,548	1,552	Hesperia	Austwide Wholesalers	7.97	1.9
Perth	133 Beringarra Avenue, Malaga	13.7	6,212	2,197	Local Private	Westbridge Funds Management	6.57	0.8
Perth	100 Chisholm Crescent, Kewdale	19.0	8,432	2,253	City of Subiaco	Local Private	6.80	1.7

[1] Core Market Yield   ^englobo development land

Sydney

A moderation in tenant demand and higher vacancy have resulted in higher incentives, particularly in Western Sydney

LEASING DEMAND EASED ACROSS ALL PRECINCTS EXCEPT INNER WEST

Leasing volumes totalled 818,000sqm in 2024, down 30% on 2023 volumes. Tenant demand eased across all precincts, except for the Inner West where take-up increased by 20% y/y. This is supported by the strong leasing activity in Brookfield's newly completed Connect Central Sydney Logistics Estate, which has achieved over 90% occupancy.

Transport, postal and warehousing occupiers dominated leasing activity accounting for 43% of leasing volumes. Of note is manufacturing occupiers accounting for 21% of take-up. Significant deals include Kimberly-Clark securing 41,000 sqm in Moorebank, CTDI pre-leasing 26,800 sqm in M7 Business Park, and Australia Post taking 18,460 sqm in Bessemer Business Park.

VACANCY LEVELS NOW NORMALISING

Vacancy climbed to over 2% across Sydney in Q4, well above the 5-year average. Existing vacancies on the market are now taking longer to secure tenants. Additionally, there has been an increase in tenants contracting their warehouse space, with 34% of the new vacancies in Q4 coming from tenant contractions.

By precinct, available space in Outer West accounted for 54% of total vacant space, including sublease vacancy close to 180,000 sqm. Vacancy in South West continued to rise to 154,350 sqm, where speculative development was 45% of the vacant space.

FLAT RENTS ALONG WITH A RISE INCENTIVES IN WESTERN PRECINCTS

Net rents held flat across Western precincts over the last 12 months, averaging at $214/sqm for prime and $166/sqm for secondary. However, rental momentum continues in the South, with 14% annual rental growth on both prime and secondary space in 2024. This has widened the rental discount between Western precincts and South Sydney to 89% by the end of 2024.

Tenants contracting created **34% of new vacancy** in Q4 2024

Rental growth momentum strongest in South Sydney

Incentives edged higher over the year, ranging 15-18% for Western Sydney markets. This decreased the net effective rents by 7% over the year in Western Sydney. In the South, incentives rose from 5% to 10% over 2024 and net effective rents increased by 8% as robust face rental growth offset the rising incentives.

With vacancy now normalising, rental growth is anticipated to be modest over the first half of the year, whilst incentives will likely remain elevated across Western Sydney.

HEALTHY DEVELOPMENT PIPELINE IN 2025

2024 finished with a total of 862,615 sqm of new supply being delivered to the market. Speculative development remains a priority for developers in inner precincts, accounting for 100% and 63% of new stock in the Inner West and South respectively. On the other hand, pre-commitments led the pipeline in Outer West and South West, accounting for 66% and 64% of the supply in 2024 respectively. Major developments over the year include WH 4 at Oakdale West Industrial Estate (69,100sqm), WH1 & WH4 at Light Horse Interchange Hub (61,800sqm) and 2 Christina Road, Villawood (63,700sqm).

Looking ahead, the market is expected to maintain a similar level of development with c. 887,000 sqm forecast for delivery in 2025, of which 52% is currently under construction.

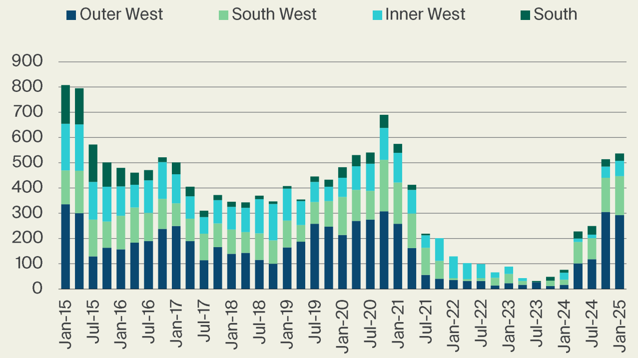
YIELDS UNCHANGED OVER THE YEAR

Blended average yields stabilised over the year, reported at 5.46% for prime and 6.38% for secondary in Q4 2024.

Investment volumes finished the year close to $3 billion, on par with the pre-pandemic levels. The market not only saw institutional investors acquiring facilities in sought after locations, but also active participation from private investors. Notable acquisitions include Goodman acquiring 118 Bourke Road, Alexandria for $76 million and Pax Australia purchasing 9 Williamson Road, Ingleburn for $54 million.

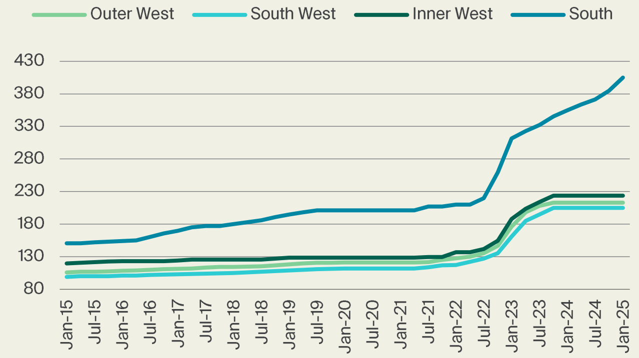
196K	537K	43%	863K
Take-up (sqm) Q4-24 | -24% Q/Q	Vacancy (sqm) Q4-24 | +4% Q/Q	Most active sector 2024 | Transport, Postal and Warehouse	New development (sqm) - Completed 2024

Sydney industrial vacancy
By precincts, floorspace in '000sqm, 5,000sqm+



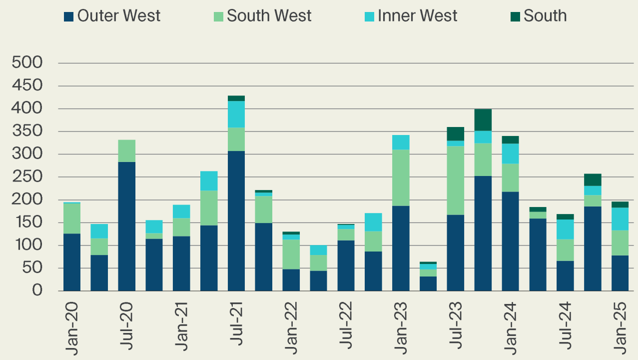
Source: Knight Frank Research

Sydney prime industrial net face rents
By precinct, $/sqm



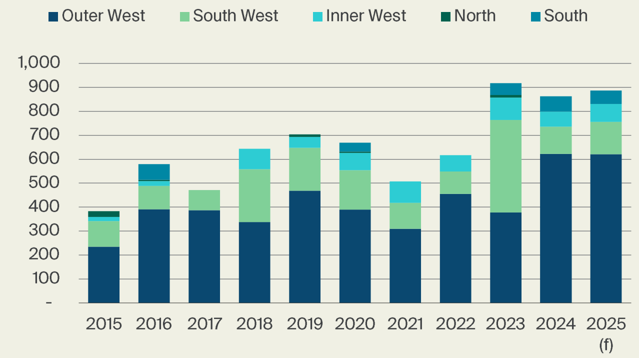
Source: Knight Frank Research

Sydney industrial take-up by precincts
Take-up per quarter, '000sqm



Source: Knight Frank Research

Sydney industrial supply
By precincts, '000sqm, completed 2015-2025(f)



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Incentive (%)	Term (years)
Harry the Hirer ~	Rosehill Industrial Estate (3-11 Shirley St, Rosehill)	Inner West	26,982	255	14	7
Austway Express ^	Connect Central Sydney Logistics Estate (2 Christina Road, Villawood)	Inner West	13,115	240	U/D	10
PACT Group ^	Elevation Industrial Estate (44 Clunies Ross Street, Greystanes)	Outer West	10,048	260	18	10
Apex Building Products ~	6 Hepher Road, Campbelltown	South West	11,400	235	13	10

Pre-commitment ~Existing space ^Spec space

Melbourne

Developers push back new supply as vacancy ticks up and take-up slows

TAKE-UP SLOWS IN 2024

Leasing activity remained quiet across Q4-24 with 180,356 sqm of take-up recorded. This total was down 19.6% from Q3-24 and was the lowest quarterly take-up since Q4-2018. The slowdown in leasing activity partly reflects economic headwinds, particularly the knock-on impact of a slowdown in consumer spending. There has also been a noticeable trend of logistics tenants consolidating their real-estate portfolios in 2024. Most of these occupiers were forced to lease less suitable assets when the vacancy rate bottomed out in Q1-22 and are consequently reorganising and rationalising their footprint now there is more supply and choice in the market.

The West precinct comfortably saw the most take-up over Q4-24 representing 68.3% of the total in Melbourne at 123,094 sqm. Leasing activity was more subdued in the North and Southeast with 37,538 sqm and 18,724 sqm recorded respectively. Expectations are that leasing volumes will pick up across all precincts as the economy recovers, with GSP growth expected to rise 60 bps to 1.6% in Victoria over 2025.

DEVELOPMENT PIPELINE CONTRACTS

Meanwhile, on the supply side, completions came in lower than expected with 1,083,740 sqm of new stock landing in 2025. Roughly 190,000 sqm was pushed back with completions at ESR Greenlink, Troups Road Logistics Estate, and a few other warehouses moving into Q1-25. Despite delivering less stock than forecast, new supply in 2024 still comfortably exceeded the 10-year avg. of 667,169 sqm. Most of the new space added came from the West (59.4%), followed by the North (24.0%) and then the Southeast (16.6%). Forecast new supply in 2025 has fallen markedly to 843,072 sqm after initially being predicted to deliver the most new-space in a single calendar year (1,199,625 sqm). Many developers have pushed back their prospective projects due to limited demand and higher vacancy. Construction costs are also an ongoing hurdle to feasibility, with some developers claiming only larger sized warehouses are considered feasible due to economies of scale.

1.08m sqm of new supply completed in 2024 with a 41.5% fall expected in 2025

Investment activity rises as several portfolio sales transact late in the year

Approximately 278,000 sqm of new supply planned to be delivered in 2025 has been pushed to 2026 and beyond because of these factors. It is also worth noting that 209,000 sqm of new supply in 2025 is accounted for by a new Amazon Warehouse in Coolaroo. Without this extensive development new supply is totalled to come in at 634,072 sqm, down 41.5% from 2024.

VACANCY RETURNS TO HISTORIC NORM

Weak take-up and strong supply in 2024 has meant that the total market vacancy rate in Melbourne has crept above the 10-year avg. of 2.9% to 3.3%. Vacancy is highest in the North (5.0%) followed by the West (4.5%) while the East (1.3%) and Southeast (1.8%) remain the tightest markets. Secondary grade warehouses account for the most vacant space (44%) as sustained strong supply has led to a greater divergence in quality. Net face rental growth remains moderate at 6.7% y/y. Prime rents average $144/sqm in Melbourne with the Southeast ($139/sqm) and the North ($138/sqm) demanding higher rents than the West ($132/sqm). Net effective rents stand at $121/sqm on average, having grown a mere 2.4% y/y with expectations that they will slow further with incentives forecast to rise.

PORTFOLIO SALES CAUSE INVESTMENT VOLUMES TO SPIKE IN 2024

Investment volumes reached $4.8b in Melbourne over 2024 up 116.1% from 2023. The significant increase is a result of several portfolio sales transacting late in the year, many of which included data centres. In fact, 93 industrial properties sold in 2024 which is only 14 higher than 2023 but still significantly adrift from the peak of 160 in 2021. Despite higher volumes, market feedback is that buyer sentiment remains cautious. Many potential purchasers are deterred by high tax rates in Victoria and this is weighing on sentiment and introducing policy uncertainty. However, the market still stands to benefit from the RBA's shift in stance to cut interest rates and the potential for further rate cuts is expected to spur growth in asset values as the year progresses.

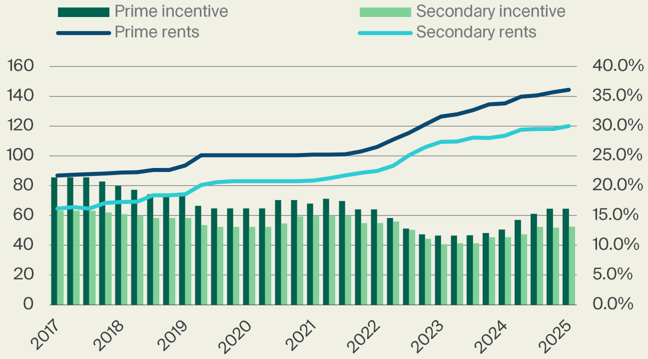
6.7%
Prime net face rental growth y/y (incl. Fringe)

180K
Take-up (sqm) Q4-24
-19.6% Q/Q

3.3%
Vacancy rate
Q4-24
+0.3% Q/Q

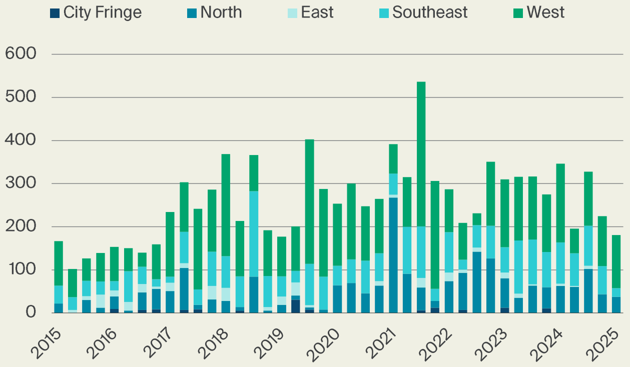
1.08M
New development (sqm) - completed 2024

Melbourne industrial rents
by grade, net face $/sqm (LHS), and % (RHS)



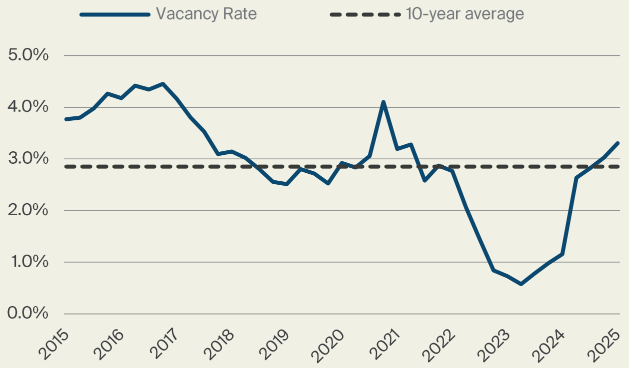
Source: Knight Frank Research

Melbourne industrial take-up
by precinct, 000's sqm



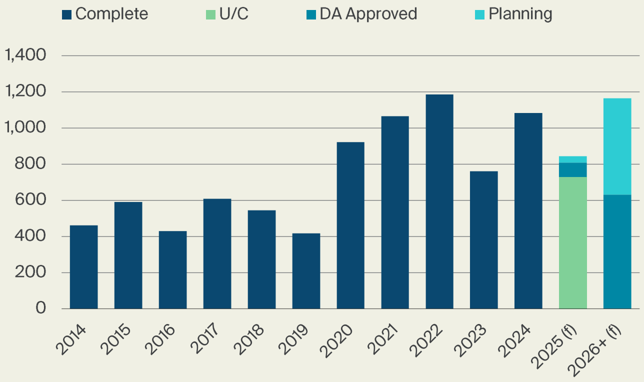
Source: Knight Frank Research

Melbourne industrial vacancy rate
excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

Melbourne industrial supply
by development stage, 000's sqm; excl. <5,000 sqm



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Incentive (%)	Term (years)
Select Plant	655-685 Somerville Road, Sunshine West~	West	14,058	Conf.	30	5
Ruggable	60 Sydney Road, Somerton ~	North	10,350	120	7	5
Greater Group	10 Fellowes Court, Tullamarine ~	North	5,680	110	Conf.	5
Comcater	WH 1D, 26 Slough Road, Altona ^	West	6,650	155	25	5
Jaybro	18-34 Aylesbury Drive, Altona ~	West	12,416	Conf.	Conf.	Conf.

Pre-commitment ^ Lease of speculatively developed space ~Existing space

Brisbane

Tenant activity slowed in Q4, however is still 7% higher y/y. Vacancy fell slightly in Q4 but remains elevated due to the combination of backfill space and new speculative development starts.

Q4 LEASING TAKE-UP SLOWS, SOUTH WEST LEADS ACTIVITY

Leasing take-up fell 12% in Q4 to 176,252 sqm, reflecting a slowdown in activity, this is 15% below the quarterly 5-year average. Annual take-up, however, was 867,296 sqm, 7% higher y/y and still 9% above the 5-year average. The uplift in vacancy has been matched by higher take-up within existing assets (132,401 sqm) in Q4. Secondary take-up dominated, accounting for 60% of quarterly take-up through deals like Centurian Trucks taking 14,564sqm in Richlands. Prime existing stock take-up was only 25,822 sqm, closely trailed by pre-commitments of 24,000sqm and speculative space of 19,851 sqm. The South West recorded the highest Q4 take-up with 66,364 sqm, nearly half of which was secondary.

TRANSPORT, POSTAL & WAREHOUSE DOMINATED LEASING ACTIVITY IN 2024

Transport, postal and warehouse tenants were most active in CY-24 with 31% of take-up, including CEVA (55,433sqm sublease at 44 Stradbroke St & 21,531sqm at 286 Queensport Rd, Murarrie). In general, car retailers and delivery partners have been particularly active in the market both for improved and hardstand facilities. Retail trade accounted for 17% of leasing activity while wholesale trade tenants were slightly quieter at 15%.

VACANCY REMAINS ELEVATED

Available industrial space fell 5% to 648,379 sqm in Q4-24, however remains elevated, 46% above the 5-year average. The South currently has the highest availability with 341,757sqm while the South East remains the tightest with only 33,000sqm, most of which is sublease space. Prime vacancy now sits at 432,271sqm with 186,218sqm of this speculative space still under construction. Two-thirds of this is in the South, led by Stockland's WDC 45,642sqm and Mapletree Logistics Park 46,828sqm.

Over the course of 2024, 42% of new vacancy was due to tenants relocating to newly built space and a further 35% was due to new speculative builds. Only 12% of new vacancy was due to any contraction or relocation out of the market.

42% of new vacancy in 2024 is due to tenants relocating to newly built space

Prime yields have contracted slightly to sit at 6.14%

SLOWER PRIME RENTAL GROWTH IN Q4 BUT STRONG LAND VALUE GAINS

Prime rental growth was modest across most precincts in Q4, with the Trade Coast showing the highest quarterly growth at 2.6%, up 11.1% y/y. Although prime vacancy has begun to weigh on the market, slowing rental growth in Q4, prime rents are still up 7.2% y/y on average. Secondary net rents saw slight quarterly growth of 1.4%, reaching $150/sqm, up 7.2% y/y.

Land values continued to show strong growth in Q4, with smaller lots up on average 6.4% and 1-5ha lots up 4.6% q/q. The South East precinct had the highest quarterly uplift, with overflow demand from the Gold Coast and limited availability pushing 1-5ha lots up 8.8% to $615/sqm, up a further 17.1% y/y.

2025 SUPPLY TO BE LOWER THAN 2024

In 2024, 666,832 sqm of new stock (3,000sqm+) was delivered, falling short of the 891,831 sqm completions in 2023. At the end of Q4, there was 405,703 sqm of space under construction, most of which is due to be delivered in 2025. Total supply for the upcoming year is forecast to be slightly lower than in 2024, at 567,257sqm. 2025 supply will again be dominated by speculative projects which account for 58% of currently expected supply, a further 34% is pre-committed and 8% owner-occupied. The South precinct is expected to deliver 42% of total supply for Brisbane during 2025.

PRIME YIELDS FIRM SLIGHTLY

Industrial turnover of $382 million (improved sales $10m+) was recorded in Q4, a step back from the $698 million in Q3 but remaining higher than the lows of 2023. The most significant transaction of Q4 was the purchase of development land at 99 Harcourt Rd, Darra for $80.55 million by Charter Hall. The site, with 17.023ha of useable land, is adjacent to the Connect West Business Park.

Super-prime yields remain largely untested, but the weight of capital seeking industrial indicated a slight firming to 5.73%, prime yields have also tightened slightly to 6.14%. Secondary yields have sharpened with the median falling 22bps q/q 6.82%.

176K

Take-up (sqm) Q4-24 | 15% below the 5-year average

648K

Vacancy (sqm) Q4-24 | -5% Q/Q

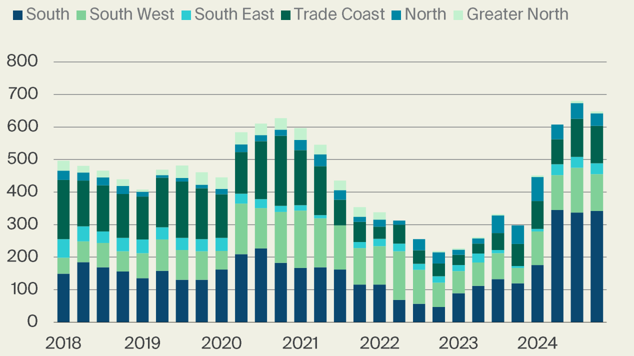
31%

Most active sector 2024 – Transport, postal & warehousing

667k

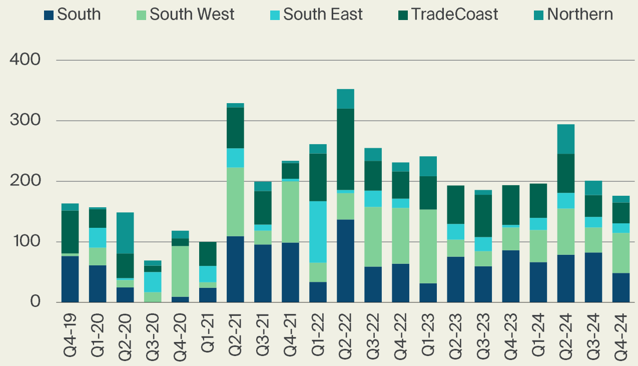
New development (sqm) – Delivered 2024

Brisbane industrial vacancy
'000sqm available space by precinct



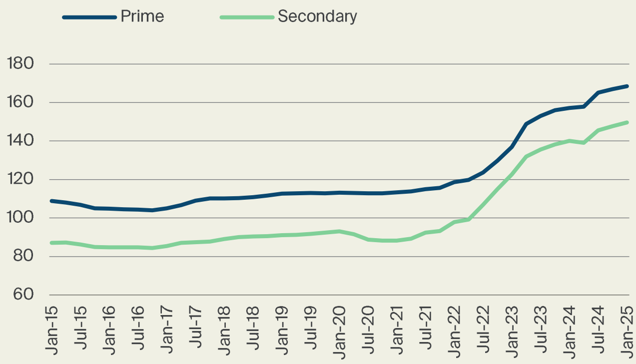
Source: Knight Frank Research

Brisbane leasing take-up
'000sqm by precinct



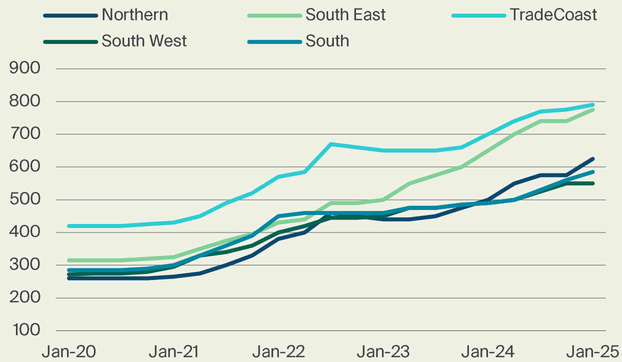
Source: Knight Frank Research

Brisbane industrial average net face rents
Prime vs secondary, $/sqm pa



Source: Knight Frank Research

Brisbane Land Values
$/sqm average for sites 1-5ha



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Incentive (%)	Term (years)
Bunnings*	Lot 1, 55 Barracks Road, Wacol	South West	27,083	155	12	5
CEVA^	286 Queensport Road, Murarrie	Trade Coast	21,531	160	-	1
Coles#	10 Weedman St, Redbank	South West	14,500	168	9	5
ITR Pacific^	9-13 Business St, Yatala	South East	8,951	155	10	10
GPC Asia Pacific^	B2, 301 Orchard Road, Richlands	South West	6,816	145	15	7

*speculative space ^ existing building ~ sitting tenant, early renegotiation # pre-commitment

Perth

Land values continue their strong rise with large lots (1-5 ha) up 4.9% q/q and 19.5% y/y

LAND VALUE GROWTH ACROSS THE BOARD

Strong interest in development land led to growth across all aggregate precincts and lot sizes. The South continued to be the spur to that growth, showing buoyant increases in value, and with every location in both Inner and Outer South showing positive quarterly and annual growth. Overall, the South averaged +20% for the year with development activity continuing. Fife Capital, for example, are expected to deliver several developments through 2025-2026 in the Southern precincts.

Neerabup, in the North showed the largest percentage increase in value, up 17.0% y/y (to $275/sqm) for sub-5,000 sqm and 20.0% y/y (to $210/sqm) for larger 1-5 ha lots, though this was partly catch-up having shown no growth for the previous year. This remains the cheapest location across Perth. Availability of larger lots in Muchea / Bullbrook has emerged as a separate market with first observations pricing it at only $185/sqm. However, quieter markets in the highly valued Balcatta and particularly Osborne Park meant the annual growth rate for small lots across the North was 'just' 10.1%. In larger lot sizes in the North, where Balcatta and Osborne Park no longer have stock, the growth rate was the highest of any precinct up 25.4% with strong growth also in Malaga and Wangara/Landsdale.

The East averaged 12.5% growth, with Forrestdale showing the strongest growth for both small and large lot sizes (3.7% and 7.1% respectively, q/q). However, they are still the cheapest in the East averaging $425/sqm for small lot sizes (the average in the East is $603/sqm) and $375/sqm for 1-5 ha (the average is $504/sqm). Outside of Forrestdale the market was showing steady growth, but Kenwick and Maddington were stable during the quarter.

RENTAL GROWTH SLOWS, PARTICULARLY FOR PRIME

Rental growth continued in Perth, but there was generally a marked slow down. Prime rental growth averaged 0.7% for the quarter (6.1%y/y) to stand at $147.25/sqm. The North was the strongest performer rising 1.75% q/q (7.4% y/y), with growth in both warehousing (up 1.8% q/q to $140/sqm) and manufacturing (up 1.7% to $150/sqm). Meanwhile, the South showed virtually no growth in the last quarter, but this follows its large increases in the last couple of years. The East averaged 0.81% q/q (5.1% y/y) but this was all in warehousing (up 1.69% to $148/sqm, whilst manufacturing rents were flat at $160/sqm.

Development land remains in demand with price rises across all lot sizes and all precincts

Leasing activity was concentrated in the East. Fisher & Paykel took 10,500 sqm for 5 years at $145/sqm net at Hazelmere in the East. Meanwhile a confidential deal at Kewdale/Welshpool saw a 7 year deal for 4,500sqm at $152/sqm net. Meanwhile, in the Inner South, Austral Construction paid $162/sqm net, for a 5-year lease on 2,000sqm at 20-22 Gauge Circuit in Canning Vale.

PRIME YIELDS REMAIN FLAT … AGAIN

Prime yields remained at 6.5% for the fifth quarter. Whilst capital markets have generally been under pressure, the strong performance in the Perth market means that prices have held up in the prime sector. The secondary markets have given up recent gains and moved back to 7.1%.

INVESTMENT VOLUMES UP, BUT REMAIN LOW

Investment volumes rose in 2024 overall, up 173% to $278m, though the number of sales only rose 5 to 23. This remains well below the long run average, which, even excluding 2021 & 2022, stands at $500m. After being largely untested, yields have been confirmed through recent deals, with 100 Chisholm Crescent selling for $19m on a 6.8% yield and a 1.68 WALE. The City of Subiaco purchased the property from a private vendor. A tighter yield came in at 133 Beringarra Avenue, where the purchase of $13.65m reflected a yield of 6.57% for a building with 0.75 WALE. Here, however the purchaser was to an owner occupier from Westbridge Fund Management. Overall, the signs were for a slowly recovering investment market and an underpinning of the yield stability mentioned above. Perth's market remains solid with continued demand for development land and pricing stability in what has been a volatile market.

Yields remain unchanged as investment volumes start to recover

$147

Prime net face rents $/sqm Q4-24

+0.7% Q/Q

6.5%

Prime yield Q4-24

No change Q/Q

$434

Land values (1-5 ha) Q4-24

+4.9% Q/Q

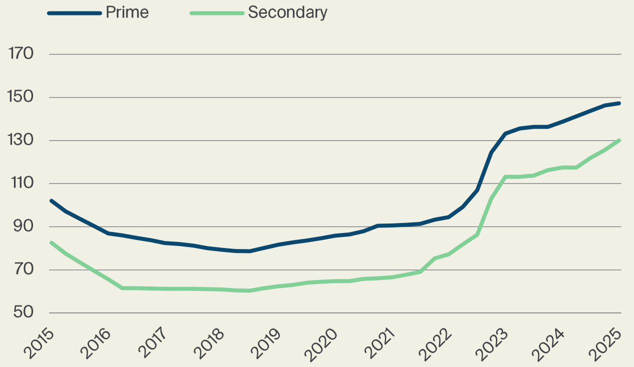
$342m

Total investment volume - 2024

+113.75% Y/Y

Perth industrial net face rents

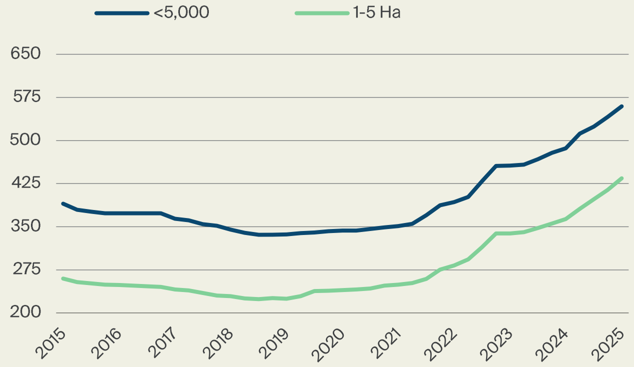
by grade, $/sqm



Source: Knight Frank Research

Perth industrial land values

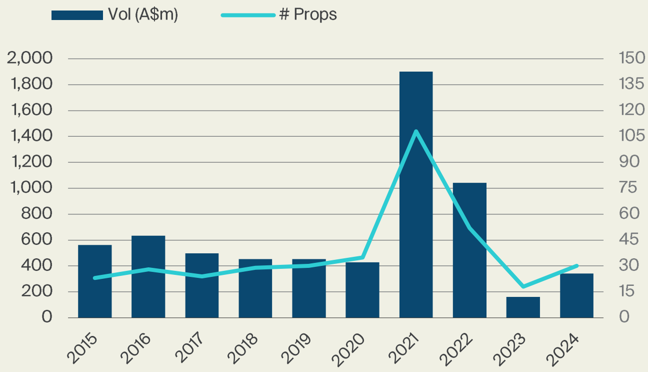
by lot size, $/sqm



Source: Knight Frank Research

Perth industrial investment volumes

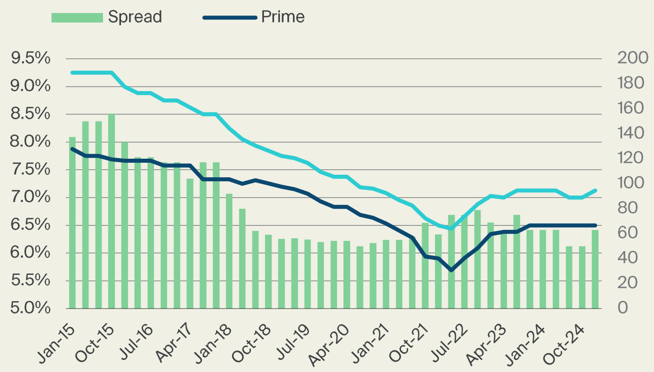
A$m (LHS), and no. of sales (RHS)



Source: Knight Frank Research, MSCI

Perth industrial core market yield

by grade % (LHS), and spread in bps (RHS)



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Incentive (%)	Term (years)
Confidential~	Kewdale/Welshpool	East	4,500	152	2	7.0
Austral Construction~	20-22 Guage Circuit, Canning Vale	Inner South	2,000	162 & 37 (hardstand)	Nil	5.0
Fisher & Paykel~	Hazelmere	East	10,500	145	10	5.0

Pre-commitment ^ Lease of speculatively developed space ~Existing space

Adelaide

Strong growth in land-values and rents over 2024 reflects high-demand for industrial warehousing across the city

STRONG RENTAL GROWTH ACROSS GRADES

Prime industrial net face rents in Adelaide are experiencing robust growth, sitting at $142/sqm, having increased 1.6% q/q and 12.1% y/y. Notably, secondary rents are rising at an even faster pace, having increased 3.9% q/q and 13.8% y/y to sit at $105/sqm. The narrowing gap between prime and secondary rents is likely a result of heightened demand coupled with limited forthcoming supply. Price-sensitive tenants, or those constrained by specific location requirements, are increasingly willing to occupy lower-quality space, thus driving up secondary rents.

The Inner West remains Adelaide's most expensive industrial precinct, with prime net face rents averaging $163/sqm. This elevated pricing is largely attributed to its proximity to the CBD and access to key transport hubs. Following the Inner West, the Inner South ($153/sqm) and Inner North ($152/sqm) are the next most expensive precincts. The strongest prime rental growth has occurred in the Inner South, with rents increasing 15.9% y/y. However, it is worth noting that every industrial precinct has seen annual prime rental growth over 10.0% and growth is not currently location specific.

OUTER NORTH DOMINATES TAKE-UP

Industrial take-up recorded in Adelaide totalled 94,752 sqm over H2 2024. Most of this total came from the Outer North (69.4%) followed by the Inner North (24.7%) and Inner West (5.9%). No leases over 5,000 sqm in the Inner South and Outer South were recorded over H2-2024 – these precincts are less built out and stock is mostly made up of smaller warehouses.

LAND-VALUES CONTINUE TO RISE

Land values continue to show extreme growth in Adelaide across both small (<5,000 sqm), and medium sized lots (1-5 ha). Small sized lots sit at $655/sqm on average having increased 1.6% q/q and 17.6% y/y, they are most expensive in the Inner West ($1,008/sqm) and Inner South ($900/sqm). Medium sized lots sit at $457/sqm having remained flat q/q but have risen 16.7% y/y.

Industrial land-values for small sized lots increase 17.6% y/y amid high demand.

Investment volumes fall 16% y/y but the number of sales only declined by 1 from 2023.

SUPPLY REMAINS FIRM

Supply in Adelaide remains stable, evidenced by modest vacancy levels and a strong development pipeline. As of the end of Q4 2024, 302,736 sqm of warehousing is available for lease. Additionally, new supply is projected to total 207,574 sqm over the next 3- years, with this forecast falling 3.2% q/q. Developers in Adelaide are currently in a similar position to other cities in Australia, increasingly awaiting pre-commitments before initiating construction on new developments amid high construction costs and high interest rates.

INVESTMENT VOLUMES FALL

Industrial investment volumes in Adelaide totalled $433m in 2024, down 16.0% from 2023. Whilst volumes notably fell, the number of sales only dropped 1 y/y from 27 to 26. The bulk of these sales transacted in Adelaide's Inner Northern suburbs of Kilburn, Wingfield and Regency Park with the other investments scattered around the city. Much like most Australian cities, expectations are that industrial sales are expected to pick-up in Adelaide over 2025. Lower interest rates and an improving economy are expected to drive this expected growth in investment. One significant industrial sales transacted in the Inner West at 26-36 Stirling Street, Thebarton. This property has 20 tenants and was sold in December 2024 for $22.0m at a core market yield of 6.69%. The site is located within 5-minutes of the CBD and has a total gross lettable area of 10,714 sqm.

YIELDS START TIGHTENING AGAIN

Prime and secondary yields in Adelaide have started to tighten following softening from Q-2022 to Q2-2024. Prime yields currently sit at 6.28%, reflecting a 3 bps fall q/q and 5 bps y/y. Meanwhile, secondary yields have decreased to 7.03%, down by 10 bps q/q and 13 basis points y/y. As noted, favourable expectations around interest rates and robust demand have contributed to this shift in yield direction. With improving market conditions, yields are expected to continue to tighten.

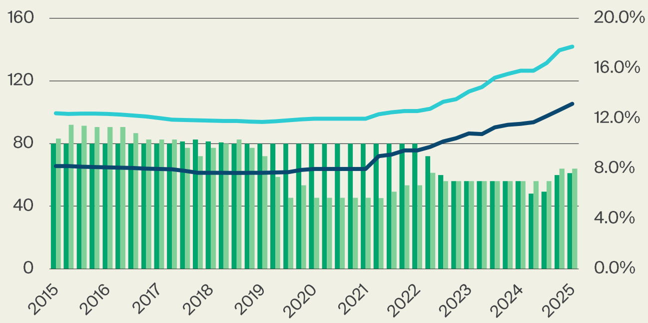
94.7K
Take-up (GLA) sqm H2 2024

302K
Vacancy (sqm) Q4-24

$1.6b
New development 3-year rolling forecast

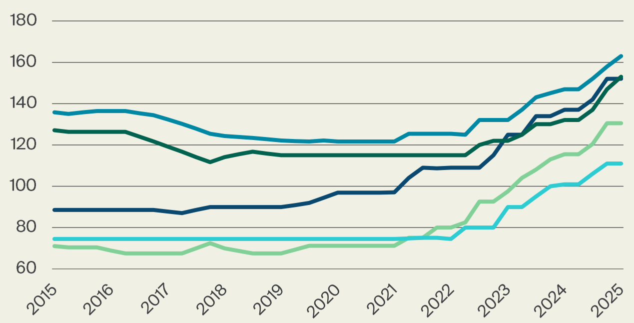
214K
New development (sqm) 3-year rolling forecast

Adelaide industrial rents and incentives
by grade, net face rents $/sqm (LHS), and incentives % (RHS)



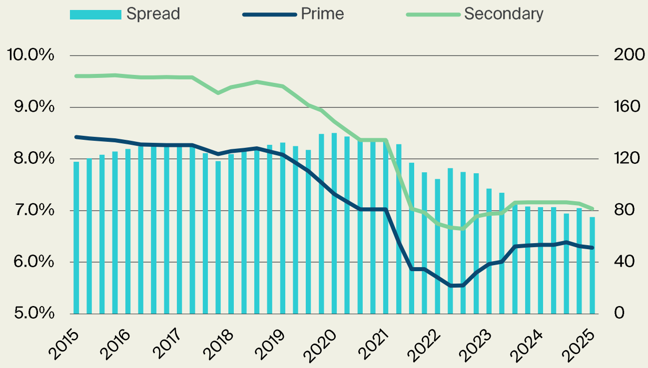
Source: Knight Frank Research

Adelaide industrial prime rents
by precinct, net face rents $/sqm



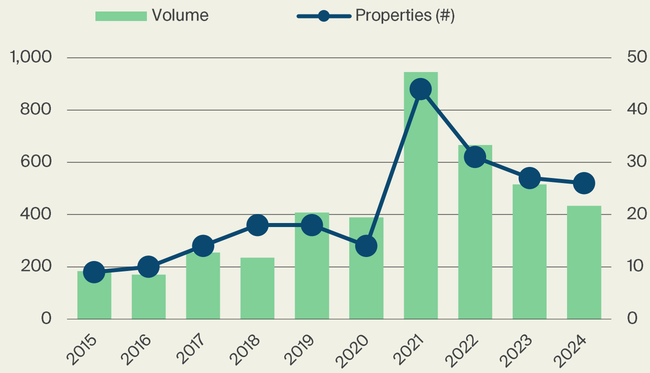
Source: Knight Frank Research

Adelaide industrial yields
by grade % (LHS), spread in bps (RHS)



Source: Knight Frank Research

Adelaide industrial investment volumes
in millions (LHS), and no. of sales (RHS)



Source: Knight Frank Research

Recent Significant Tenant Commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Incentive (%)	Term (years)
Winc	E1 / 20-22 Butler Boulevard, Adelaide Airport	Inner West	5,590	150	7.0	3.0
Southern Cross Cargo ~	2/113 Ledger Road, Beverley	Inner West	4,619	135	N/A	5.0
Confidential - Nylex Avenue ~	334-344 Cormack Road, Wingfield	Inner North	4,978	139	N/A	10.0

Pre-commitment ^ Lease of speculatively developed space ~Existing space U/D=Undisclosed

Data Digest

Prime Grade: Asset with modern design, good condition & utility with an office component 10-30%. Located in an established industrial precinct with good access.

Secondary Grade: Asset with an older design, in reasonable/poor condition, inferior to prime stock, with an office component between 10-20%.

Core Market Yield: The percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).

WALE: Weighted Average Lease Expiry

Vacancy Methodology: This analysis collects and tabulates data detailing vacancies (5,000m 2+) within industrial properties across all of the Industrial Property Market. The buildings are categorised into

1) Existing Buildings - existing buildings for lease.

2) Speculative Buildings - buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant.

3) Speculative Under Construction - buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Wealth Report 2025

Australian Horizon Report 2025

Australia Build to Rent Update Q4 2024

Leading Indicators February 2025

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