Australian Industrial Review

Q2 2024

Investment liquidity lifting with institutional and offshore buyers active. Strong supply and slower tenant demand lifts vacancy higher.

knightfrank.com.au/research

Key Insights

The following are significant insights extracted from our data and research that provide a deeper understanding of the Australian Industrial Market.

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+17%

Vacancy grew further in Q2

Vacancy has continued to increase across the East Coast, tripling over the past year to 1.74m square metres in Q2. This is 7% above the 10-year average.

$3.11b

Investment volume Q2-2024

Investment did increase strongly in Q2, reflective of the greater liquidity observed from the start of the year. This is expected to remain in place for 2024.

2.8m

Sqm of new supply in 2024

With 1.1 million sqm completed to date in 2024, supply for 2024 appears on track to exceed the record levels of 2023 (2.6m sqm). 55% of 2024 supply has been pre-committed.

+4.6%

Q/Q prime rental growth in Brisbane

Brisbane had the highest quarterly and annual (+8.0%) prime rental growth, taking average prime net face rent up to $165/sqm.

Stable

Prime yields for Sydney & Perth

Increased transaction volumes have brought greater certainty to yields with the overall trend stable, the exceptions were Brisbane (-5bps) and Melbourne (+5bps) in Q2.

+4.0%

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

Annual growth of 12.9% across the Perth land market has been largely driven by owner occupier activity, particularly in the Inner and Outer South.

Key Indicators Q2-2024

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**	245	200	5.00-5.50	2,005	1,716
Brisbane	165	146	5.50-6.10	683	593
Melbourne***	141	118	5.00-5.50	1,171	925
Adelaide	132	98	5.75-6.25	592	428
Perth	144	122	5.75-6.00	519	393

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 $202/sqm, secondary: $166/sqm; small lots: $1,359/sqm, 1-5ha lots: $1,262/sqm. ***Melbourne (excluding the Fringe) prime net face rents average $131/sqm, secondary: $113/sqm; small lots: $914/sqm, 1-5ha lots: $706/sqm.

Leasing Market

High development completions amidst easing occupier demand has increased availability to above average levels

VACANCY RISES ABOVE 10 YEAR AVERAGE

Eastern Seaboard industrial vacancy increased 16.8% over the quarter which sits 7% above the 10-year average. Each city increased with Brisbane (+166,208sqm) ahead of Melbourne (+63,368sqm) and Sydney (+21,647sqm). Vacancy has now more than tripled across the Eastern Seaboard since the start of 2024. The uplift in Brisbane vacancy stemmed from a surge in new speculative building starts and more availability in the secondary market, given a strong upgrading trend in the high supply environment. Speculative construction on the East Coast is at an all-time high of 504,694sqm, led by Brisbane and Melbourne, speculative space currently accounts for 37% of total available space on the Eastern Seaboard.

INCREASED TAKE UP IN BRISBANE AND MELBOURNE

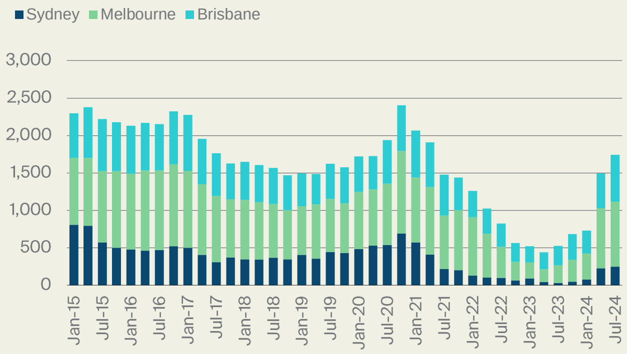
Leasing take-up increased 31% in Q2 to 715,038sqm, in line with the 10 year average. Leasing take-up increased by 67% over the quarter in Melbourne to 327,689sqm along with Brisbane take up increasing 44% to 227,407sqm, whilst in Sydney take up levels dipped 16% to 159,942sqm. Annual take-up across the East Coast is 2.98 million square metres, still 24% above the 10-year average but a slowdown compared to the recent past, reflecting a scaling back of expansionary intent after the recent efficiency-driven surge in demand.

Development completions are forecast to reach 2.8 million square metres across the East Coast for 2024, eclipsing the 2.6 million of 2023. With 1.55 million square metres (55%) already pre-committed in the 2024 expected completions, the leasing risk is mitigated. The drive for efficiency and ESG standards will continue to support above-trend demand for new space.

RENTAL GROWTH RETURNS TO BRISBANE

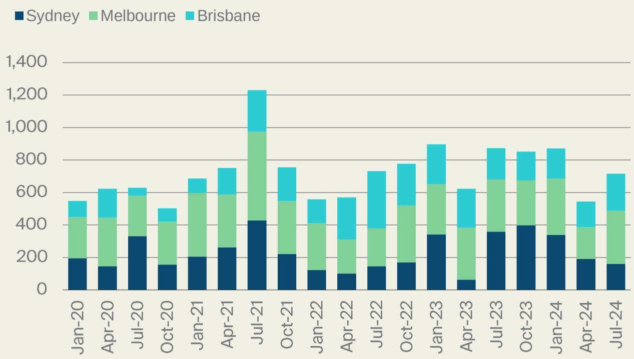
Rents remained stable over the quarter in Sydney, highlighting the stabilisation phase for rents in that market. In Melbourne rents edged slightly higher with 0.7% q/q growth which was driven by uplift particularly in the East precinct. The Perth market has continued to record steady growth of 1.8% over Q2, although some precincts have now stabilised. The Brisbane market was the standout this quarter, following a flat Q1, prime rents have lifted 4.6% over Q2 to average $165/sqm, with rental growth across all precincts.

Eastern Seaboard industrial vacancy
'000 sqm, quarterly, 5,000 sqm+



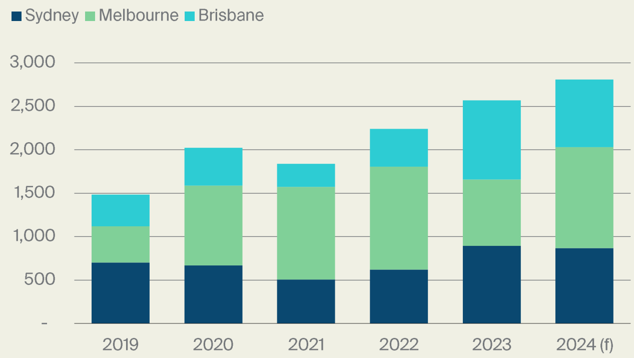
Source: Knight Frank Research

Eastern Seaboard industrial take-up
By quarter, '000sqm, (>5,000sqm)*



Source: Knight Frank Research

Eastern Seaboard industrial supply
By city, '000sqm, completed 2019-2024(f)



Source: Knight Frank Research

Investment

Investment volumes recovering and yields stable as logistics assets remain highly sought

AUSTRALIA NOW LAGGING GLOBAL MONETARY POLICY TIGHTENING

With the EU, Canada and the UK moving to ease cash rates, and the US considered imminent, Australia is now seen to be lagging. Higher monthly CPI reads had raised fears that the RBA would be forced into another increase. However, recent data has eased sentiment with inflation at 3.8% for Q2-24 and, despite being higher than Q1 (3.6%), the result was mild enough to reduce pressure for further cash rate uplift. The trimmed mean CPI at 3.9% was in line with the RBA forecasts, removing any immediate need to push rates again this cycle. As it stands, most forecasters are not factoring in a further increase, but many have pushed out any reduction until Q1-25. The 10-year bond rate is forecast to settle below 4.0% in the first half of 2025, before returning to neutral levels of c3.5% by 2026.

LIQUIDITY IS RETURNING TO THE MARKET

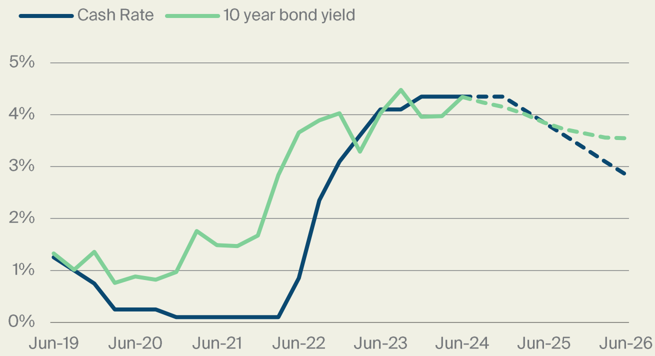
As foreshadowed in Q1 the limited completed sales in that quarter did not reflect the underlying market activity. Following turnover of just over $1 billion in Q1, Q2 has delivered more than $3 billion in sales, back on par with 2022 turnover levels. The notable transaction was the $780 million portfolio purchased by the Rest Super/Barings JV from Goodman Group. However, this was supported by big ticket transactions which included the fund through purchase of cold storage in Lytton Brisbane by Hale Capital for $110 million; Gateway Estate, Sydney for $102 million and the Marsden Park turn key purchase by EQT Exeter for $100 million. This was supported by ten sales $50 – 100 million as a broader range of super funds, offshore entities and local institutional investors were active.

Ongoing offshore penetration into the sector is expected with the latest Knight Frank APAC Active Capital report highlighting Australia as the #1 market for cross border investment volumes during 2024 with industrial the joint #1 target along with office assets.

PRIME YIELDS STABLE TO FIRMING

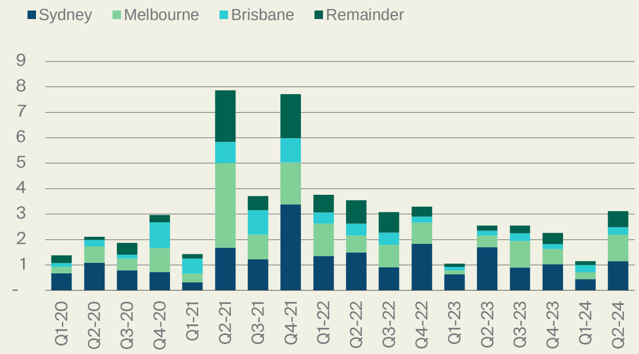
Prime yields held firm in Q2 across the Sydney (5.46%), Adelaide (6.38%) and Perth (6.38%) markets, Brisbane firmed by 5bps to (6.20%) and the Melbourne average softened by 5bps to 5.55% due to softening in the North and West markets with all other precincts firm. Secondary yields show minor variability across the markets, but overall have also stabilised.

Interest rate outlook
Cash rate and 10 year bond outlook



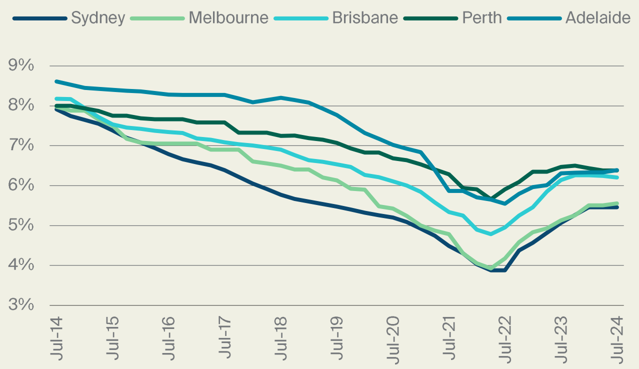
Source: Knight Frank Research, Oxford Economics

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	13-19 William Angliss Drive, Laverton North	92.00	56,111	1,640	KordaMentha / PGIM	Dexus	5.30	5.3
Melbourne	182-198 Maidstone Street, Altona	65.50	37,852	1,730	Fife Capital	ESR-LOGOS REIT	2.50	undisclosed.
Melbourne	270-276 Bay Road & 1 Brixton Road, Cheltenham	31.19	14,526	2,148	Troon Group/MaxCap Group	Arrow Capital / Starwood Capital	4.60	Undisclosed.
Sydney	7-15 Gundah Road, Mt Kuring-gai	101.80	32,844	3,100	Arrow Capital	ESR JV GIC	6.28	2.5
Sydney	247 King Street, Mascot	75.00	10,852	6,911	Goodman	Pittwater Industrial	5.50	0.3
Sydney	133 Vanessa Street, Kingsgrove	55.75	13,102	4,255	Blackstone	Charter Hall	5.88	0.7
Brisbane	347 Lytton Rd, Morningside	110.00	19,555	5,625	Hale Capital	Fife Capital	5.67	VP
Brisbane	441 Nudgee Rd, Hendra	50.08	15,409	3,250	Blackstone/151 Property	Dexus Wholesale PF	6.50	1.8
Brisbane	18 Motorway Cct, Ormeau	17.90	4,901	3,652	Qualitas	Dexus REIT	7.19	7.7
Adelaide	Thebarton Portfolio	23.63	13,100	1,803	Local private investors	Curated Capital	6.07	0.8
Adelaide	Lot 1 Kilkenny Road, Kilkenny	52.70	36,500	1,444	Charter Hall	Straits Real Estate	6.29	10.6
Adelaide	1506 Main North Road, Salisbury South	45.00	50,028	899	Harmony Property Investments	Owner Occupier	6.75	5.4
Perth	48-50 Baile Road	12.30	15,289	2,070	Harmony Property Investments	Westbridge Funds Management	6.10	4.5
Perth	47 Hope Valley Road, Naval Base	9.75	4,200	2,321	Hayes Metals	M&J Metals	VP	VP
Perth	78 Sparks Road, Henderson	12.875	3,965	3,247	AME	FLDSmidth	VP	VP

[1] Core Market Yield ^part of a larger portfolio offering

Sydney

Institutional investor activity picks up on the back of portfolio acquisitions

LEASING MOMENTUM HAS EASED

The Sydney market recorded leasing volumes 32% below the 3-year average for Q2, totalling 159,942 sqm and bringing the half-yearly take-up to 351,827 sqm. Whilst overall leasing activity has slowed, Inner West experienced a pick up in deal flow with volumes 78% above its 3-year average, supported by Pac Trading securing c.11,000 sqm in Goodman's Rosehill Industrial Estate, and Ninja Logistics committing c.9,600 sqm at Brookfield Properties Villawood industrial site.

Transport/logistics occupiers remain active in Q2, accounting for 38% of take-up. Manufacturers follow closely behind with 24% which includes Signify Australia (14,600sqm) and SPC (8,700sqm). Pre-commitments and spec-built facilities accounted for 34% of take-up in Q2.

VACANCY CONTINUES TO RISE

In conjunction with easing leasing activity, vacancy continued to rise over the quarter to 249,525 sqm, but is still 8% below the 5-year average. The uplift in vacancy was driven by prime space availability increasing 11% to 214,493 sqm in Q2.

Available space in Outer West and South West account for 47% and 33% of total vacancy in Q2. Several prime warehouses in the inner precincts have been available to the market for more than a quarter, whereas in the past available space in these precincts had been near non-existent.

RENTS HOLD FLAT FOR ANOTHER QUARTER

Net face rents have held flat since Q3 2023 for both prime and secondary markets, with the blended average prime net face rent standing at $245/sqm (up 3.2% y/y) and secondary net face rent at $200/sqm (up 1.5% y/y). Incentives have also remained flat across the board which has resulted in steady net effective rents. Looking ahead, rents are likely to remain at current levels given steady demand levels and increasing availability of stock from both new developments and increased vacancy.

Leasing volumes totalled c.352,000 sqm in H1 2024

81% of new supply in H1 2024 was pre-committed

Incentives have edged up slightly to range between 9%-12%. Rents are forecast to remain flat for the remainder of 2024 as vacancy rises and new developments reach completion which is easing the demand side pressure.

PRE-COMMITTED DEVELOPMENT DOMINATES NEW SUPPLY IN H1 2024

The first half of 2024 had 342,771 sqm of new space delivered, dominated by pre-commitments (85%). Major completions over the quarter include preleased WH 3 & WH 9 at Aspect Industrial Estate (c.86,000 sqm) and WH 3 at Elevation at Greystanes (c. 28,000 sqm).

Looking ahead, a further 523,649 sqm is under construction which will take development completions to 866,420 sqm by the end of the year. Additionally, with 61% of the incoming supply already committed, the market will see over 200,000 sqm of speculative space available in H2 2024. Construction is well underway at WH 4A-4C at Oakdale West Industrial Estate (c. 69,100 sqm), 2 Christina Road, Villawood (c.64,000 sqm) and WH 1 & WH 4 at Light Horse Interchange Warehouse (c. 61,800 sqm), for estimated delivery in Q3 2024.

INCREASED INVESTOR ACTIVITY

Investment volumes ticked up in Q2 on the back of active institutional investors acquiring industrial portfolios. Notable transactions include Arrow Capital acquiring ESR's Gateway Industrial Estate for $101.8 million, representing a 62% gain for ESR since 2019, additionally, Blackstone paid $55.8 million for Charter Hall's industrial complex in Kingsgrove with a WALE of 0.66 years on a core market yield of 5.50%, reflecting a 51% markup for Charter Hall from its purchase in 2019.

With increased transactional evidence over the past quarter, yield metrics have become clearer. Prime and secondary yields remained stable over the quarter at 5.46% and 6.38% respectively.

160K

Take-up (sqm)

Q2-24 | -17% Q/Q

250K

Vacancy (sqm)

Q2-24 | +9% Q/Q

38%

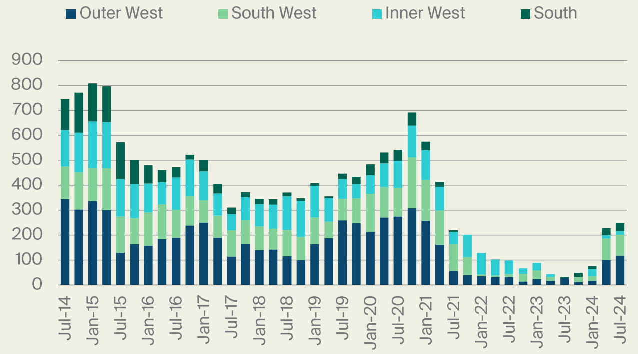
Most active sector Q2-24 | Transport/logistic occupiers

343K

New development (sqm) - Completed H1-24

Sydney industrial vacancy

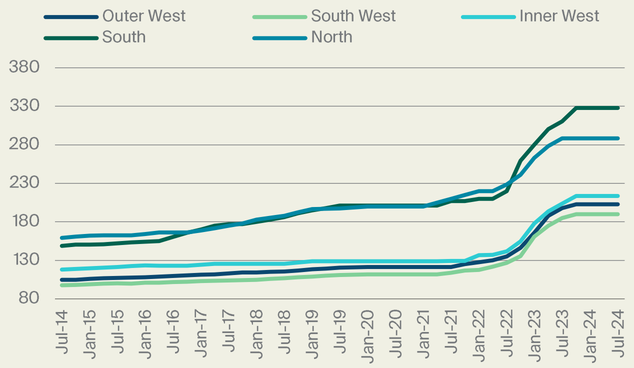
By precincts, floorspace in '000sqm, 5,000sqm+



Source: Knight Frank Research

Sydney prime industrial net face rents

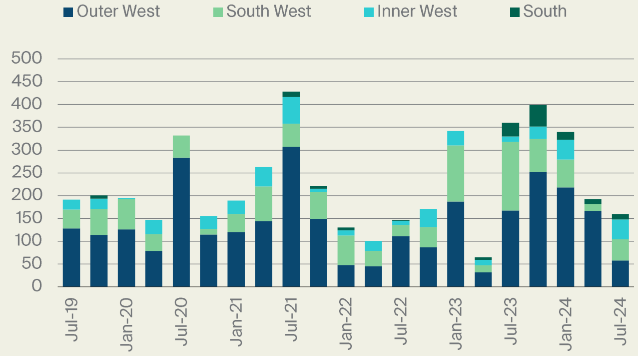
By precinct, $/sqm



Source: Knight Frank Research

Sydney industrial take-up by precincts

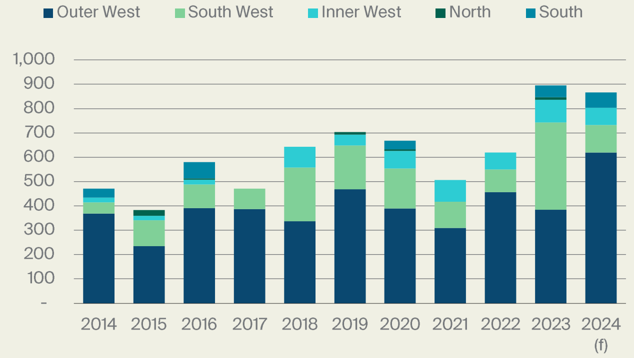
Take-up per quarter, '000sqm



Source: Knight Frank Research

Sydney industrial supply

By precincts, '000sqm, completed 2014-2024(f)



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Term (years)
DB Schenker ^	WH 4A, 2 Cuprum Cl, Kemps Creek	Outer West	17,435	220	3
Signify Australia ^	S2B, 400 Moorebank Ave, Moorebank	South West	14,569	228	5
Area Safe Products #	17 Sterling Rd, Minchinbury	Outer West	4,430	230	7
Wallace International ~	1 Nancy Ellis Leebold Drive, Bankstown	South West	8,807	250	5+5
Pac Trading ~	Bld C North, 3-11 Shirley St, Rosehill	Inner West	11,178	280	5

Pre-commitment ~Existing space ^ Spec space

Melbourne

Take–up bounces back after quiet Q1

TAKE-UP RETURNS TO NORMALITY

Following a surprisingly quiet Q1, leasing activity recovered in Q2, up 68% and totalling 327,689 sqm. All precincts (excl. City Fringe) saw a rise in take-up, the largest of which was in the West, up 120% to 125,887 sqm. The increases were also significant in the North and Southeast, up 68.6% and 22.4%, respectively. Despite take-up increasing, the overall level so far for 2024 remains modest at 523,262 sqm. This figure is suggestive that leasing deals are taking longer to complete, as tenants now have some choice, hence a flow effect that impacted Q1. There is still not enough evidence that leasing activity has cooled down, as since the pandemic average volumes have been 312,673 sqm quarterly (2020 to 2023), similar to this quarter's result. The second half of 2024 will provide more clarity to the market regarding what a normal volume of take-up will look like moving forward.

Take-up rises 68% to return to its average volume level

STRONG SUPPLY IN 2024 IS EXPECTED TO CONTINUE INTO 2025

Meanwhile, on the supply side, to date in 2024 roughly 548,188 sqm of industrial warehousing has been added to the market with another 615,572 sqm expected to be completed by the end of the year. Most of this new space will be added to the West (61.2%), followed by the Southeast (24.2%) and then the North (14.6%). The total amount of new space being delivered in 2024 (1,163,760 sqm) will be almost double Melbourne's 10-year average of 667,169 sqm.

The development pipeline for 2025, is forecasted to be even stronger, with 1,199,625 sqm of space planned. Activity is expected to pick-up in growth areas in the North (45.1% of new supply) and Outer Southeast (26.7%). The West, Melbourne's largest industrial precinct, and until now most rapidly expanding, will only account for 25.1% of the new space in 2025, but this follows rapid expansion in the last decade. This forecast will need take-up to remain robust otherwise, with vacancy levels continuing to rise, the expectation is that many of these new industrial estates will be delayed until pre-commitments are locked-in (only 28.7% of 2025 developments are under construction at the moment).

Investment activity remains well below its long-term average

VACANCY LEVELS TICK UP AGAIN

Strong take-up meant, despite a series of new developments hitting the market this quarter, vacancy levels only rose 7.9%. Uplift was concentrated in the Northern precinct (up 80.6% or 111, 678 sqm to 250,237 sqm).

The impact of this extra space has seen rent levels stabilise. Apart from the Fringe and the North which saw no change, prime net face rents generally ticked up a dollar. The largest increase was the East where prime rents rose $3 to $123/sqm. The secondary market saw rents remain flat. Outside of the Fringe and East, incentives were rising 100-200bps. The West stood out with secondary incentives up 500bps to 15%. Consequently, across Melbourne (excl. the Fringe) net effective rents fell by a dollar (to $110/sqm for prime and $97/sqm for secondary).

LAND VALUES RISE OUTSIDE LARGE LOTS

Land values for small sized lots increased 2.0% in Q2 and currently sit at $1,171/sqm ($914/sqm excl. Fringe), just a dollar shy of their Q2-2022 peak. Medium sized lots also increased, up 2.4% q/q sitting at $925/sqm ($706/sqm excl. Fringe) which is a new high. There were increases across all precincts (excl. the Fringe), except for small lots in the North (no change) and medium lots in the West, which saw a fall of 2.9% to $665/sqm.

There was a fall in large lot size values (10+ ha) down 5.8% q/q to $325/sqm. However, this was solely due to land in prominent industrial locales, (particularly in the Western suburbs of Laverton, Tottenham and Sunshine), having been sold and developed.

INVESTMENT VOLUMES REMAIN LOW

Prime yields softened in Q2-2024 by 6bps to 5.63% excl. the Fringe (up 5bps to 5.55% incl.). Investment volumes remain sluggish across Melbourne with only 33 sales in H1-2024, the half yearly average for the last decade is 47. However, Q2 saw a rise to over $1bn in sales (RCA), which is a slight improvement on 2023's figure. Interest rate uncertainty and rising vacancy levels are expected to keep investment volumes muted.

328K

Take-up (sqm) Q2-24

+67.6% Q/Q

866K

Vacancy (sqm) Q2-24

+7.9% Q/Q

44%

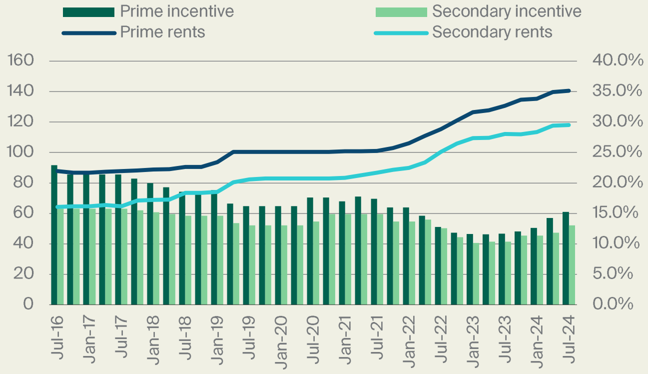
Most active sector 2024 TD

Transport, Postal, Warehousing

1.16M

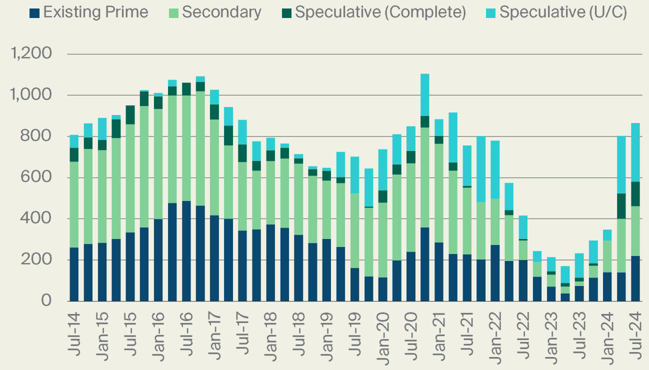
New development (sqm) - Estimated 2024 (f)

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



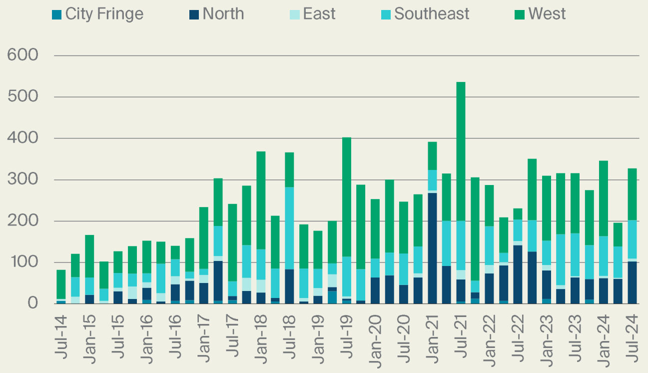
Source: Knight Frank Research

Melbourne industrial vacancy
by grade, floorspace in sqm, 5,000sqm+, 000's sqm



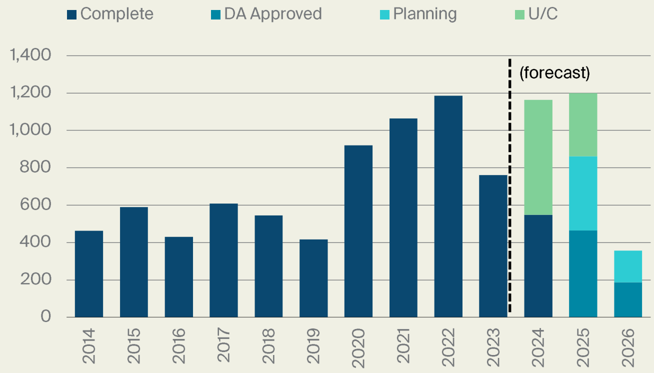
Source: Knight Frank Research

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



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	Term (years)
Stellantis	45 Innovation Drive, Mickleham	North	Spec	14,009	$120
XL Express	24-32 Stanley Drive, Somerton	North	New	24,350	$135
Beaumont Tiles	135-145 Atlas Boulevard, Dandenong South	Southeast	Spec	14,590	$145
Axima Logistics	35 Boundary Road, Laverton North	West	New	25,000	$124
PRG	6A Whitfield Boulevard, Cranbourne West	Southeast	Pre-comm	8,121	$150

Brisbane

Tenant activity has remained at above average levels in Q2 with broad-based demand. Vacancy continues to rise sharply with the combination of backfill space and new speculative development starts behind this increase.

LEASING TAKE-UP REMAINS STEADY IN Q2 WITH ABOVE AVERAGE ACTIVITY

Leasing activity in Q2 was 44% above the level of the previous quarter at 227,407 sqm, remaining in line with the activity levels of early 2023. Annual take-up sits at 747,000 sqm, 4% below the five-year average as the surge of demand has now returned to more normal market conditions.

Almost half (112,485 sqm) of leasing activity in Q2 came from existing stock as higher vacancy provides greater opportunity for tenants to act. Prime existing take-up of 46,609 sqm was only just behind secondary at 64,876 sqm. Tenant focus on new stock remains a key theme with pre-commitments making up 33% of activity and speculative 17%.

RETAIL DOMINATED ACTIVITY IN Q2

Retail tenants were most active in Q2 with 38% of take-up, including Wurth (pre-commitment of 10,465 sqm) and Q Automotive taking 20,542 sqm of speculative space in Crestmead. In general, car retailers and delivery partners are particularly active in the market both for improved and hardstand facilities. Transport users accounted for 29% of activity while wholesale tenants were slightly quieter at 10%.

VACANCY CONTINUES TO GROW

Available industrial space increased 36% from 462,979 sqm in Q1-24 to 629,187 sqm in Q2-24 and is now back in line with the levels of 2020. Prime vacancy has grown to 362,033 sqm; however more than half is from speculative space under construction with new starts of almost 100,000 sqm in Q2. Completed speculative space fell in Q2 and sits at only 25,783 sqm. Secondary vacancy increased by 48% in the last quarter to 267,154 sqm and has more than trebled in the past year, with the two large Coles backfill spaces (37,165 sqm and 55,433 sqm) major contributions to this.

Analysing newly vacant space to date in 2024, exactly half is backfill due to tenants relocating into newly built space. A further 31% is speculatively developed with only 14% due to any contraction or relocation out of the market.

Half of new vacancy during 2024 to date is due to tenants relocating to newly built space

Prime yields have contracted slightly to sit at 6.20%

PRIME RENTAL GROWTH RETURNS

After remaining essentially flat in the previous quarter, Q2 saw a return to growth for prime face rents, jumping by 4.7% in Q2 to be up by 8% y/y to $165/sqm net on average. Average incentives are in the range of 10-12%. There is isolated upward pressure in incentives, particularly for new builds, to maintain elevated face rents. Secondary net rents also grew, up by 4.6% in the quarter (+7.4% y/y) to $146/sqm even as availability is lifting. As the amount of secondary vacancy begins to weigh on the market tenants may well begin to select their location based on price rather than utility, thus expectations for future secondary rent remain modest. In contrast, prime rental growth is expected to continue to be linked to economic rent and while pre-commitment activity remains high, this will continue to form the reference point for existing assets.

2024 SUPPLY MAY BE SLIGHTLY LOWER THAN 2023

The development pipeline for 2024 is sitting at 780,000 sqm, falling below the 913,000 sqm of completions in 2023. At the end of Q2 there has been 235,589 sqm completed in 2024 with 544,353 sqm under construction with expected completion in 2024. A further c120,000 sqm is under construction with an expected early 2025 completion, but some of which could still fall within 2024. Supply for 2024 will be dominated by pre-commitments (55%) with a further 30% speculatively developed and 15% owner occupier as businesses take control of their own premises.

PRIME YIELDS FIRM SLIGHTLY

Investor demand for Brisbane has steadily improved over 2024. The significant transaction in Q2 was the purchase of 441 Nudgee Rd, Hendra for $50.08 million by Blackstone/151 Property, reflecting a core market yield of 6.50%. The remaining Q2 sales were all under $25 million but did reflect greater institutional buyer presence. Roughly $250 million is currently in due diligence which will boost Q3 volumes. While super-prime yields remain stable at 5.85%, prime yields have tightened slightly to 6.20%. The secondary yield band has begun to tighten with the median 7.25%.

227K

Take-up (sqm) Q2-24 | 17% above the 5-year average

629K

Vacancy (sqm) Q2-24 | +36% Q/Q

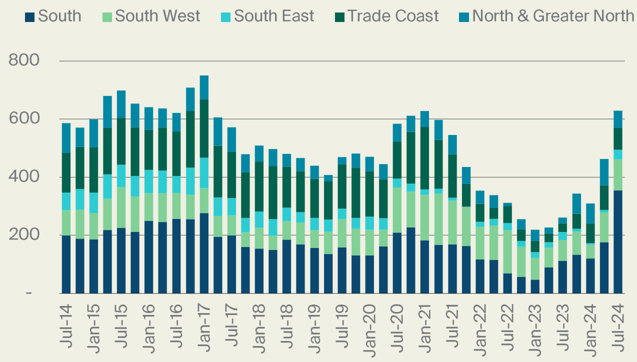
38%

Most active sector Q2-24 – Retail Trade

780k

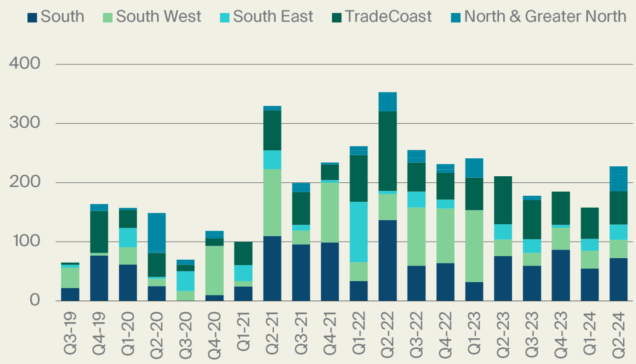
New development (sqm) – Estimated 2024

Brisbane Industrial Vacancy
'000sqm by precinct



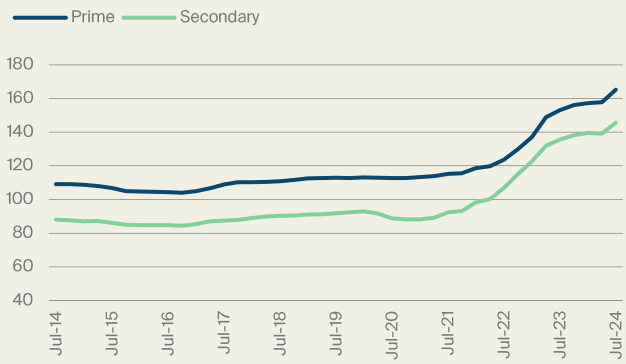
Source: Knight Frank Research

Brisbane leasing take-up
'000sqm by precinct



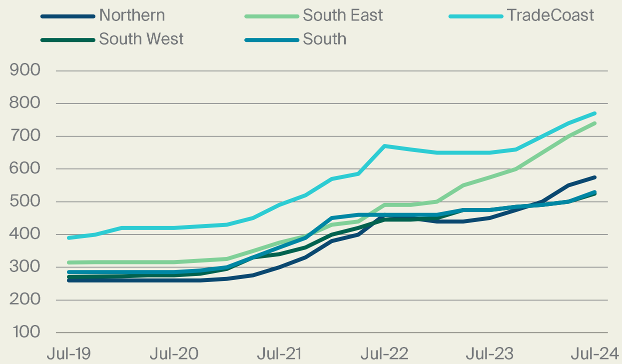
Source: Knight Frank Research

Brisbane Industrial Rents
$/sqm average net face



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	Term (years)
Q Automotive*	Bld 3 Mapletree Logistics, Crestmead	South	20,542	135	3
Sime Darby Motors^	80 Schneider Pl, Eagle Farm	Trade Coast	14,055	164	5
Geodis~	28 Brickworks Pl, Rochedale	South East	10,481	190	5
Wurth#	Eastridge St, Yatala	South East	10,465	159	10
Freeform Modular^	11 Inghams Pl, Hemmant	Trade Coast	8,691	155	2

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

Perth

Land prices show strong growth, while rents continue to rise as the market strength continues.

LAND DEMAND REMAINS, TRANSACTION VOLUME HAS MODERATED

Demand for industrial land in Perth remained strong. This, combined with constrained land availability, is pushing prices up, even with fewer transactions in Q2. Both smaller, sub 5,000 sqm lots and larger (1-5ha) lots have shown double digit growth y/y to Q2. However, whilst smaller lots eased back marginally to 11.0% growth (2.0% q/q), larger lots accelerated with y/y growth moving from 10.9% in Q1 to 12.9% this quarter (and 4.0% q/q). This has been driven by strong land value growth in the North (14.3% y/y and 7.0% q/q) and Outer South (25.0% y/y and 4.1% q/q).

Wangara in the North has been a particularly strong market in the last 12 months with both small and larger lots growing substantially, small lots are now at $420/sqm, up 20.0% on the year and 5.0% for the quarter. Large lot sizes have grown even faster by 22.8% y/y and 12.9% q/q to stand at $350/sqm.

In the established East both small and larger lots showed their strongest annual growth for 12 months (10.1% and 8.2% respectively) due to premium prices being paid for what land is available. Forrestdale has been particularly buoyant with small lot sizes up 33.3% y/y to $400/sqm and large lots up 30.0% to $325/sqm.

In areas where land availability is greater, particularly the Outer South, values continued to trend upward across the board with overall increases of 24.8% and 25.0% y/y respectively for small and larger lots. Large lot sizes at Naval Base is up from $230/sqm in Q2-2023 to $310/sqm this quarter. Quarterly growth rates are slowing but remain positive. We expect this growth to continue as the southern corridor remains the area of Perth where land availability exists in any substantial quantum.

With prices high and increasing for land plus existing high construction costs developers are finding project feasibility more difficult to achieve. Because of this, owner occupiers remain the dominant force in the land market.

Land values continue to strengthen on limited supply

Yields stable but on limited market activity

RENTS STILL INCREASING, SECONDARY THE BIG MOVER IN Q2

With availability of land constrained, and this translating to limited new stock additions, there is a consequent increase in rents across existing prime and secondary assets. In Q2 the biggest upward movements in rents was identified in the secondary market, at an average increase of 7.1% y/y, although average prime rents were not far behind at 5.5% y/y. In the prime market, space generally tracked similarly in the North and the Inner South with rents moving up $5 throughout warehousing and manufacturing across all locales. In the East and Outer South precincts rents were stable in Q2.

Secondary face rents showed strength across all regions increasing $5/sqm, save for the East where the increase was a more modest $2.50/sqm. On an annual basis the Inner and Outer South growth rates were the strongest, 8.9% and 14.3% respectively, but both the North and the East moved from no growth in Q1 to increase 4.4% and 2.0% respectively in Q2. This is indicative of the broader strength in the WA economy.

YIELDS STABILSING AS MARKET ACIVITY SLOWS

Yields have remained stable for a second consecutive quarter in Perth's industrial market; with prime at 6.38% and secondary 7.0%.

After marginal tightening in certain areas in Q1 there have been limited transactions, reducing market information, and so contributing to continued yield stability.

The consensus view is that both buyers and sellers are wary of broader economic conditions. This has helped to pause the market while stakeholders await clarity in the economic and finance data over coming months.

It is hoped an uptick in the resources sector will drive new project commencements and reinvigorate the market. It is expected that when transaction volumes increase, a much clearer picture of yield levels and market sentiment will emerge.

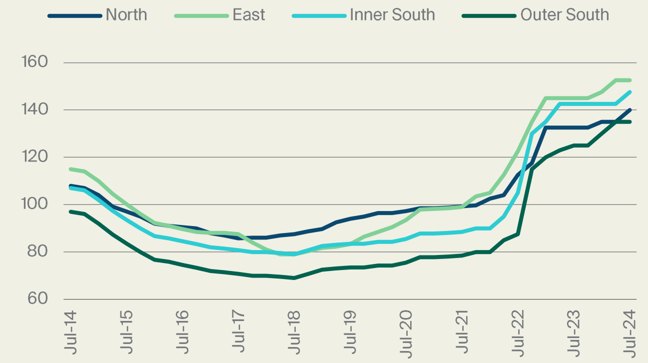
3.7%
Q/Q prime net face rental growth in the North

5.5%
Y/Y prime net face rental growth across all precincts

12.9%
Y/Y land value growth on large lots across all precincts

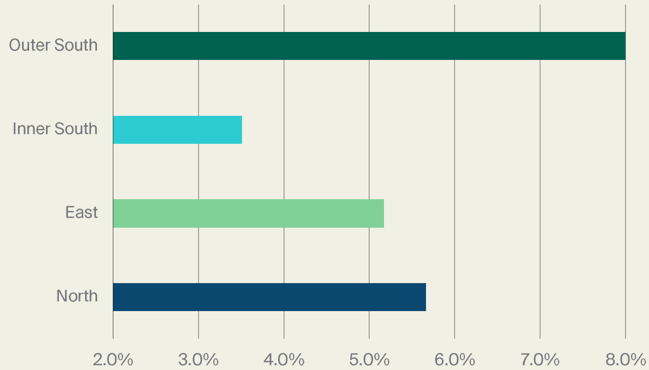
6.4%
Prime yields were stable Q/Q

Perth prime industrial net face rents
by precinct, $/sqm pa



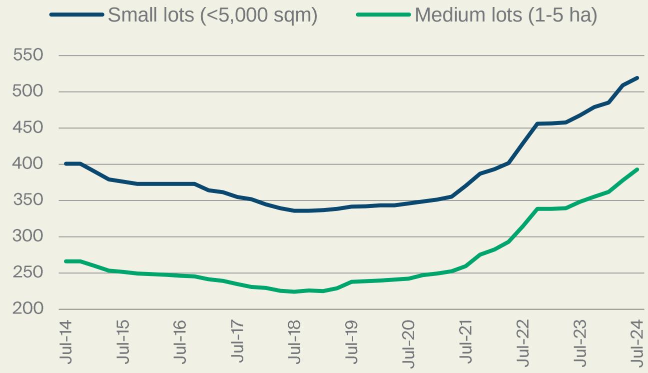
Source: Knight Frank Research

Prime net face rental growth
by precinct, y/y rental growth



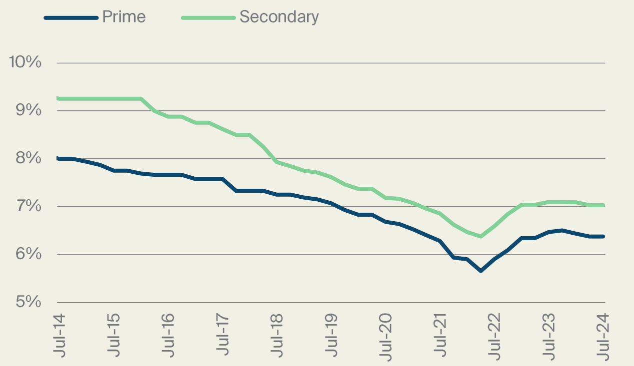
Source: Knight Frank Research

Perth industrial land values
by lot size, $/sqm



Source: Knight Frank Research

Perth industrial yields
Prime vs secondary (averages)



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Term (years)
ND	7-25 Gauge Circuit, Canning Vale	South	9,490	155	2
Elders	77-83 McDowell Street, Welshpool	South East	4596	135	5

Adelaide

Asset sales above $5 million experience significant quarterly growth. New supply forecasts increase with northern precincts being the focal point.

VACANCY CONTINUES UPWARD TREND

The Adelaide industrial property market for space over 5,000 sqm has seen a continued rise in vacancy over the last 12 months, recording approximately 306,276 sqm as at Q2-2024. However, this vacancy figure includes approximately 50,552 sqm of speculative space under construction and not currently available to occupy.

Accompanying this surge in supply, there has been a steady increase in leasing activity, with take-up growing each quarter and 20,619 sqm recorded in Q2-24.

The Inner North precinct held the highest vacancy in Q2 with 108,624 sqm, making up 35.5% of total vacant space. This is followed by the Outer North with 80,911 sqm, or 26.4%. Combined, these northern precincts account for the majority (61.9%) of total vacancy.

RENTS SLOWLY RISE IN Q2

Both prime and secondary rents increased in Q2-24, with prime net face rents rising 3.7% to $132/sqm net of GLA and secondary net face rents rising 4.3% to $98/sqm net of GLA. Economic rents have continued to increase on the back of persistent growth in construction costs and the rise in the cost of capital. While rents are continuing to climb, the rate at which this is occurring has slowed from previous periods.

Among the precincts, the Outer South experienced the largest 12-month growth in prime net face rents up to July 2024, up by 11.6%, reflecting a robust demand for high-quality industrial space in this area. Recent growth has been fuelled by a shortage of high-quality space pushing tenants to pay more for better facilities.

GROWTH IN NEW SUPPLY FORECAST

The vibrancy of the Adelaide industrial market is underscored by ongoing development activity. As of Q2-24, future development supply is projected to total 214,230 sqm over the next three years, marking a 14.2% increase from the pipeline a quarter ago.

Vacancy levels continue to rise despite increased take-up

Sales activity picks up markedly with yields stabilising

At a precinct level, the inner precincts have the most forecasted new supply, with the Inner North precinct accounting for 55% of forecasted space and the Inner South precinct accounting for just under 10%. Also worth noting is the proportion of proposed new development within the northern precincts, with both the Inner and Outer Northern precincts accounting for 81% of proposed new space.

LAND VALUES REACHING PEAK

In Q2-24, land values remained largely unchanged, partly due to limited transaction activity. Values on smaller allotments are performing well due to higher demand in part because of the displacements occurring along South Road due to compulsory acquisitions. However, value growth in larger allotments has slowed considerably, with this potentially being the peak of land values in this cycle.

SALES ACTIVITY PICKS UP STEAM

The market was more active during Q2-24 for assets above $5 million, with 15 properties sold for a total of $263.7 million, for a 2024 calendar YTD total of $357.0 million. This marks a significant improvement over Q1 sales, in which only nine transactions were recorded for a value of $93.3 million.

The market is still active with several investors looking for opportunities. Whilst not settling during the Q2, a significant recent transaction of note which exemplifies this is the sale of the ex-Coca Cola site in Thebarton. The property settled in July 2024 for $23.625 million (excl. GST) for a market yield of 6.1%. The site comprises 26 Certificates of Title forming an irregular shaped allotment with a total site area of approximately 21,448 sqm for rate of $1,102/sqm on the land. The GLA totals 13,100 sqm and is leased to ten different tenants.

The asset was purchased by a local private group with multiple underbidders to support pricing and demonstrate there is still depth in the investor market. Most interest came from long-term local investors.

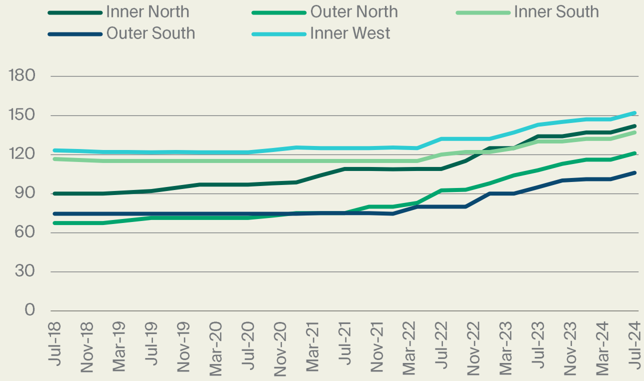
20.6K
Take-up (sqm) Q2-24
+52% Q/Q

306K
Vacancy (sqm) Q2-24
+22% Q/Q

421M
New development ($) 3-year rolling forecast

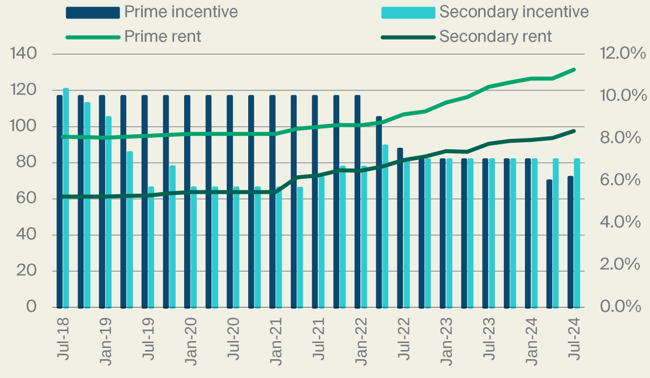
214K
New development (sqm) 3-year rolling forecast

Adelaide industrial rents
Prime rents by precinct, $/sqm



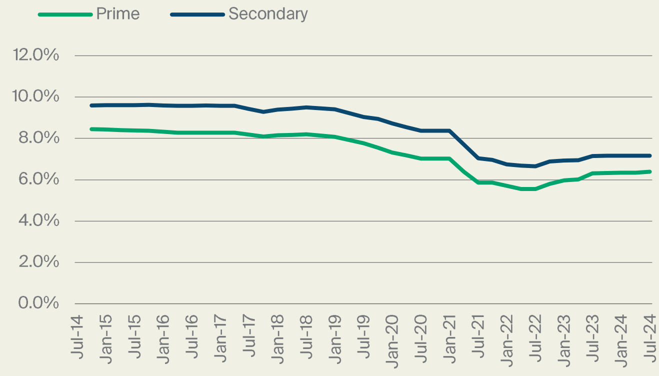
Source: Knight Frank Research

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



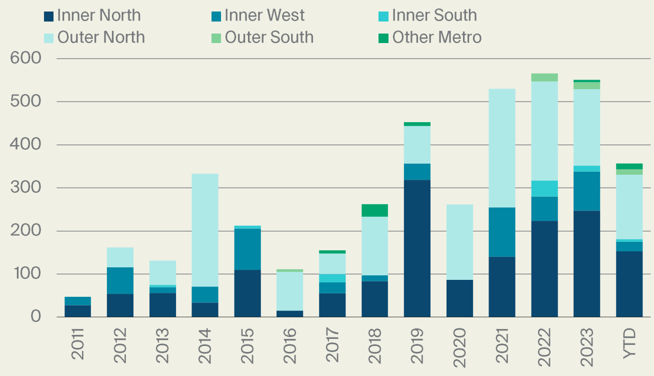
Source: Knight Frank Research

Adelaide industrial yields
by grade, %



Source: Knight Frank Research

Adelaide industrial sales
by $M; excl. sales <$5M



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net Rent $/sqm	Term (years)
Confidential	Confidential – Inner Northern Suburbs	Inner North	3,670	$135	5.0
Consolidated Power Projects Australia	334-344 Cormack Road, Wingfield	Inner North	4,978	$139	10.0
Novita Services	169 Regency Road, Croydon Park	Inner West	2,394	$146	7.0

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.

Build to Rent Report 2023

Australian Horizon Report 2024

Active Capital 2023

Sydney Office Market Report March 2024

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