

Logistics & Industrial Market Overview

National | Adelaide | Brisbane | Melbourne |
Perth | Sydney



Foreword

As we move into 2024, increasing challenges in global and domestic supply-chain is generating demand for space as retailers and wholesalers look to mitigate inventory risk. Conversely, goods movement in and out of Australian ports is slowing as shipping freight access and routes remain congested.

That being said, the occupier demand for modern warehouse space to fulfil net zero sustainability targets is still driving still pre-lease activity, albeit at lower levels that previous years.

The yield decompression cycle continued for a sixth consecutive quarter, maintaining the softening cycle nationally that commenced in Q2 2022.

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Occupier activity increased moderately in Q4 2023, driven by demand along the Eastern seaboard markets. National quarterly gross take-up increased by 21.8% in Q4 2023, reaching 648,595 sqm – a level above the pre-COVID long-term 10-year quarterly average of 580,415 sqm. As has been the case for most of 2023, the transport, postal & warehousing sector accounted for the largest proportion of the national quarterly gross take-up total (29.8%, 192,966 sqm). The manufacturing sector (16.3%, 105,724 sqm) and the retail trade sector (15.5%, 100,575 sqm) were also active over the quarter.

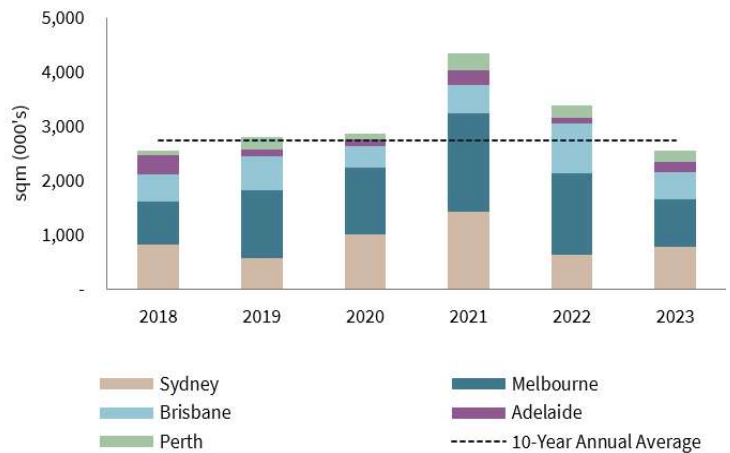
Project completions this quarter reached the highest total since Q3 2022. Supply in Q4 2023 increased by 28.8% q-o-q to 624,728 sqm, driven largely by completions in Sydney and Melbourne. This brought annual supply in 2023 to 1.76 million sqm – almost one million sqm less than the 2022 annual supply total, but still above the long-term 10-year average of 1.58 million.

Average land values for larger parcels again trended downwards in Q4 2023. However, similarly to last quarter, average land values for smaller 2,000 sqm lots increased marginally. Nationally, the average value of 2,000 sqm parcels increased by 0.9% to AUD 1001 per sqm quarter-on-quarter. As a result, the average value of 2,000 sqm land parcels nationally was stable year-on-year (0.1%) after peaking at 45.6% growth y-o-y in Q2 2022. Average land values for the larger size cohorts of 1 hectare lots and 2-5 hectare lots continued to trend downwards in Q4 2023. The growth of average values for 1 hectare land lots was -1.6% q-o-q, taking annual growth to -2.8%. Quarterly growth in the 2-5 Ha land lot size cohort decreased sharply by -4.6% q-o-q, resulting in annual growth slowing to -7.5%.

Average markets rents continue to trend upwards across Australia. Apart from Perth, average net face rents in every Australian market increased q-o-q in Q4 2023. The supply / demand mismatch and the ongoing challenges for businesses seeking modern, efficient warehouse space is still placing upwards pressure on asking rents. As a result, national prime average weighted net face rents increased by 3.9% to AUD 186 per sqm p.a. This increased annual growth to 18.1% - marginally down from peak annual rental growth of 24.9% y-o-y recorded at the start of the year.

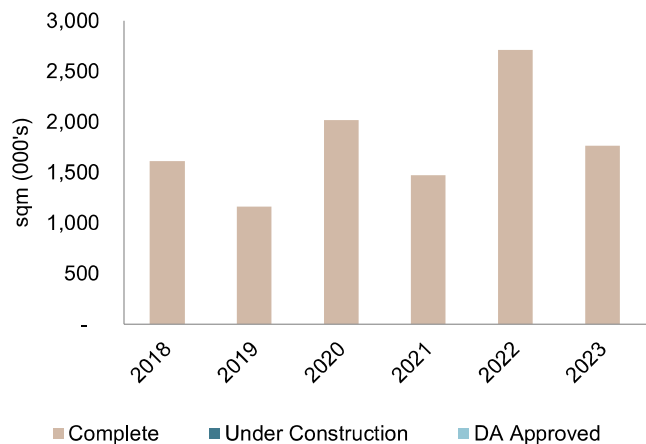
Transaction volumes decreased in Q4 2023 as institutional capital remains cautious. Quarterly transaction volumes in the Australian industrial sector decreased in Q4 2023, reaching AUD 1.17 billion. This represents a 30.4% quarter-on-quarter decrease compared to Q3 2023 and the lowest quarterly transaction total since Q1 2020 when the COVID-19 pandemic hit. The significant fall in investment activity was recorded across almost all markets nationally, with Brisbane the only market where transaction volumes increased over the last 3 months. The ongoing economic uncertainty surrounding the drivers that underpin the industrial sector, coupled with long-term 10-year Australian Government bond yields persisting well above 4.0% in 2023 has given pause to investment appetite. As a result, weighted prime national yields continued to decompress in Q4 2023, softening by 27 basis points to 5.64%. This is a continuation of the decompression cycle nationally that commenced in Q2 2022.

National leasing volumes



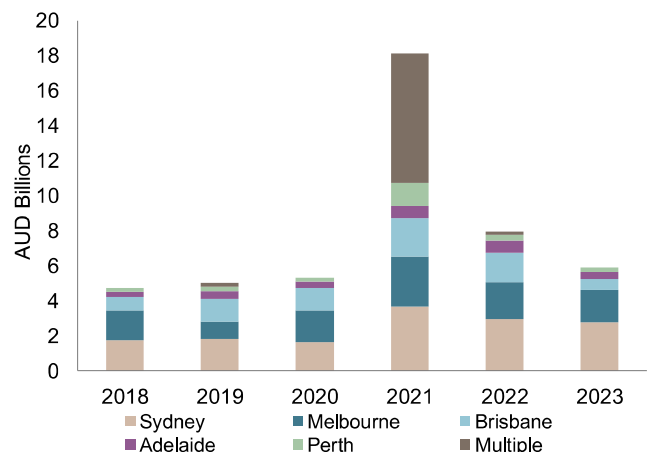
Source: JLL Research as at Q4 2023

National construction activity



Source: JLL Research as at Q4 2023

National transaction volumes



Source: JLL Research as at Q4 2023



Adelaide

Australia | Q4 2023

Gross take-up increased quarter-on-quarter to Q4 2023. Occupier activity increased in Q4 2023 with approximately 51,200 sqm of gross take-up recorded. Geographically, gross take-up was mainly spread across the Inner West/East and North West precincts.

Pre-lease demand falls in Q4 2023. The slowing supply delivery is symptomatic of softening pre-lease demand over the previous 18 months, which has continued this quarter with only one out of the nine major occupier moves being a pre-lease deal.

The strongest average land value growth in Q4 2023 was recorded in the Outer South. Average industrial land values increased across most precincts in Q4 2023, as opportunistic owner-occupiers boosted demand for development sites, with the strongest quarter-on-quarter growth recorded in the Outer South – Lonsdale precinct (19.0%).

There were three major transactions recorded in Q4 2023 totalling AUD 91.6 million, with all sales exceeding the AUD 10.0 million price cohort. It is expected that lower leveraged, high net worth private investors may continue to pursue counter-cyclical opportunities in the market.

1.2%

North West Prime Quarterly Rental Growth

On a rolling annual basis, rental growth remains positive but is slowing from the COVID-19 peak. The strongest year-on-year growth was recorded in the Outer North precinct (16.1%). This was followed by 9.8% year-on-year growth in the North West precinct, 8.8% year-on-year growth in the Outer South, 8.1% in the North East, 4.9% in the Inner South and 3.9% in the Inner West/East.

51,200 sqm

Quarterly gross take-up (≥5,000 sqm):

Geographically, occupier activity was spread across three precincts. The largest proportion of gross take-up was recorded in the North West precinct (47.2%), followed by the Inner West/East (39.8%) and the Inner South (13.0%).

5.50-6.75%

Adelaide Inner West/East Prime Yield Range

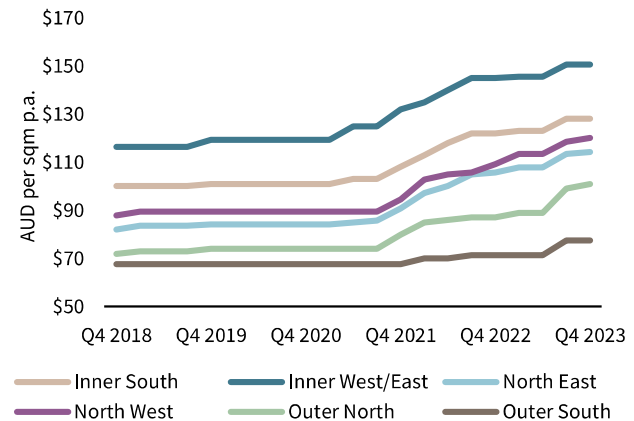
Yields softened 25 bps across most of Adelaide's precincts in the prime and secondary grades. In the Inner West/East precinct, prime yields decompressed to a range of 5.50%-6.75% and secondary yields decompressed to 6.75%-8.00%, continuing the yield decompression cycle that commenced earlier in the year.

66,300 sqm

Under Construction:

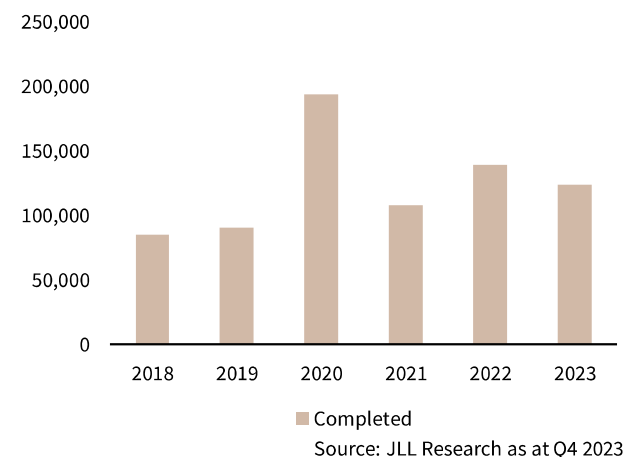
The future supply pipeline increased with 66,300 sqm of new supply currently under construction, expected to be delivered in Q3 2025. Beyond that, there is 141,200 sqm with plans approved and 64,900 sqm with plans submitted in Adelaide's supply pipeline.

Prime Rents



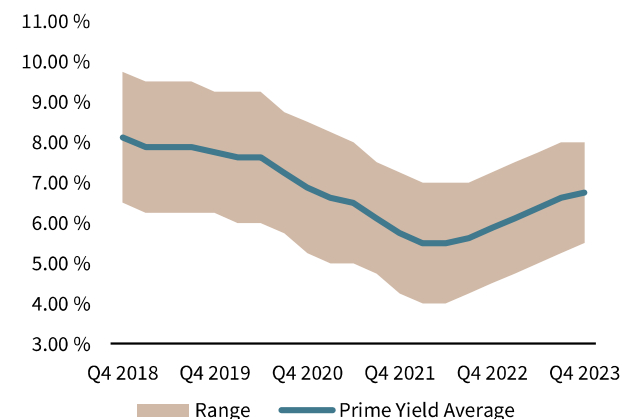
Source: JLL Research as at Q4 2023

Supply Pipeline



Source: JLL Research as at Q4 2023

Prime Yield Range



Source: JLL Research as at Q4 2023



Brisbane

Australia | Q4 2023

Gross take-up (>3,000 sqm) has increased in Q4 2023, as demand for Brisbane industrial remains strong.

Gross take-up of 123,800 sqm has equated to a 46.6% increase in demand, quarter-on-quarter. The transport, postal and warehousing industry accounted for the largest quarterly contributor to gross take-up.

In Brisbane, 81,100 sqm of industrial construction has completed in the final quarter of 2023. Supply has moderated, after a backlog of completions coming to the market in Q3 2023. A large supply pipeline (circa 800,000 sqm) is anticipated between now and 2027.

Land values have been stable, with no quarterly growth recorded. For 2,000 sqm sized lots, Northern (Geebung) land values are AUD 850 per sqm for 2000 sqm lots. Southern (Acacia Ridge) land values are AUD 600 per sqm and AUD 1,200 per sqm in the Trade Coast (Eagle Farm).

The investment market in Brisbane remains subdued, AUD 172.4 million transacted in Q4 2023. Investment volumes have contracted below the long-term 10-year quarterly average of AUD 258.4 million. Prime yields have softened further, in all three industrial precincts.

2.5%

Southern prime rent growth:

Quarterly rent growth has continued in Brisbane's industrial market and strong year-on-year rental increases were recorded across all precincts. Southern prime rents have increased 2.5% in Q4 2023, to AUD 141 per sqm. Trade coast rents have increased 2.3% quarter-on-quarter and 21.7% annually to AUD 169 per sqm.

123,800 sqm

Gross take-up:

Tenant demand in the Brisbane industrial market has stemmed from a broad base of industries. Transport, postal and warehousing occupiers have leased 34,500 sqm of space in Q4 2023, the largest of any industry type. The Southern precinct has accounted for 86% of take-up, in the final quarter of 2023, this is Brisbane's largest industrial precinct.

5.25% - 6.50%

Southern prime yields:

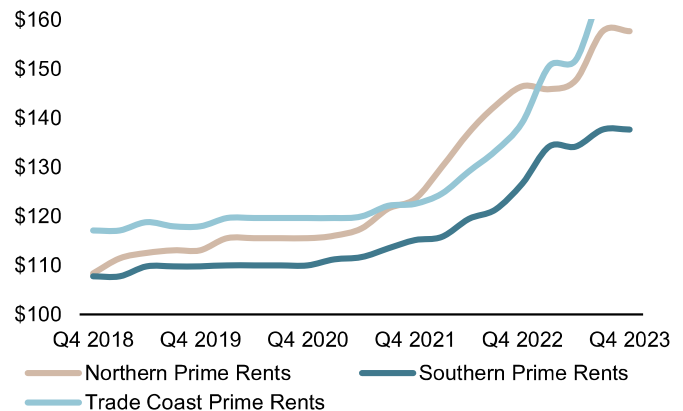
The southern and northern precincts have softened 25 bps on the upper yield and 50 bps on the lower, with a range of 5.25% to 6.50%. The Trade Coast yield softened 25 bps on the upper and maintained on the lower, to range between 5.25% and 6.00%. A tighter yield spread remains in the Trade Coast, as reduced availability and strong location have maintained the attraction of investment to this area.

805,100 sqm

Under construction:

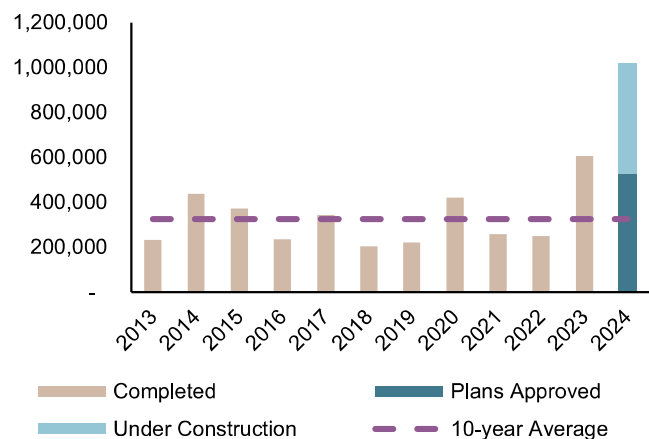
A total of 81,800 sqm of new industrial space has been delivered to the Brisbane market in Q4 2023. Within the Breakdown of supply by precinct, 59,600 sqm of new stock completed in the south, 15,500 sqm in the trade coast and 6,000 sqm in the northern suburbs. As 2024 commences, 244,320 sqm is currently under construction with a completion date in Q1 2024.

Prime Existing Nominal Net Rent



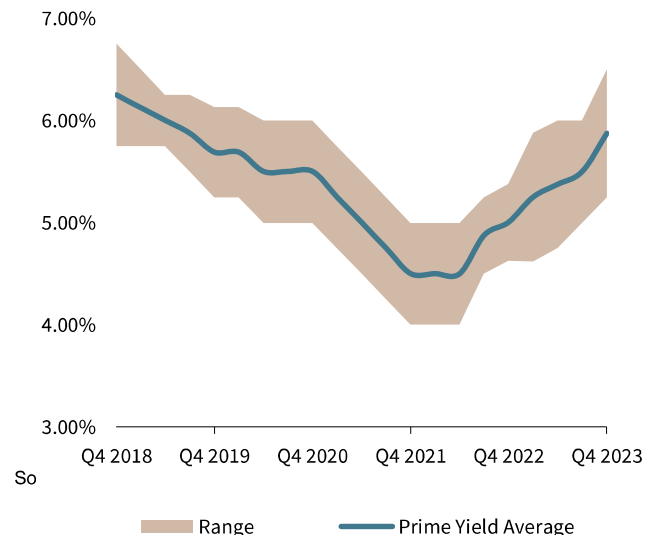
Source: JLL Research as at Q4 2023

Market Balance



Source: JLL Research as at Q4 2023

Prime Yield Range



Source: JLL Research as at Q4 2023



Perth

Australia | Q4 2023

Occupier demand slowed in Q4 2023. Occupier demand in the Perth industrial and logistics market slowed over Q4 2023, with 47,800 sqm of gross take-up recorded across five major occupier moves ($\geq 3,000$ sqm). Occupier activity this quarter was below the two-year quarterly average of 66,200 sqm.

An uptick in future supply. Two major developments ($\geq 3,000$ sqm) reached completion in Q4 2023, totalling 32,300 sqm. There are 13 projects totalling 135,800 sqm currently under construction, expected to complete by Q3 2024.

Five industrial sales (\geq AUD 5.0 million) were recorded over Q4 2023, totalling AUD 51.1 million. Over the last 12 months, investment volumes totalled AUD 266.7 million across 22 transactions. This figure sits below the 10-year average of 429.9 million.

The industrial and logistics market is expected to outperform other commercial property markets with robust demand fundamentals. The industrial space will continue to be supported by the transport, postal and logistics industry expanding operations to handle the increased movement of goods resulting from the rise in eCommerce activity.

3.7% (year-on-year)

Perth East Annual Rental Growth

Across all precincts, rental growth remains positive on an annual basis. However, there has been a noticeable moderation in rental growth, as rents have remained unchanged over the past three quarters. Prime rents in the South precinct increased by 4.1% year-on-year, while the North and East precincts recorded increases of 4.0% and 3.7%.

47,800 sqm

Gross Take-up:

Gross take-up over the last 12 months in the Perth industrial market totalled 200,800 sqm; marginally below the 10-year average of 205,000 sqm. Demand was led by occupiers within the transport, postal and warehousing (36.0%), retail trade (16.0%) and manufacturing (13.4%) sectors.

6.00-6.50%

Perth East Prime Yield Range

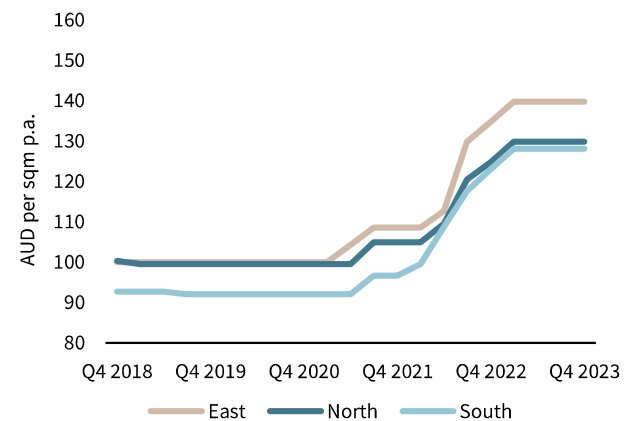
Elevated cost of debt pressures has continued to slow investor demand, leading to further yield decompression over Q4 2023. However, it is unlikely to be a trend over the long run as interest rates and economic conditions stabilise. Prime yields decompressed by 25 bps across all precincts to a midpoint of 6.25%. Secondary yields also decompressed by 25 bps to 6.88% across all precincts over the quarter.

135,800 sqm

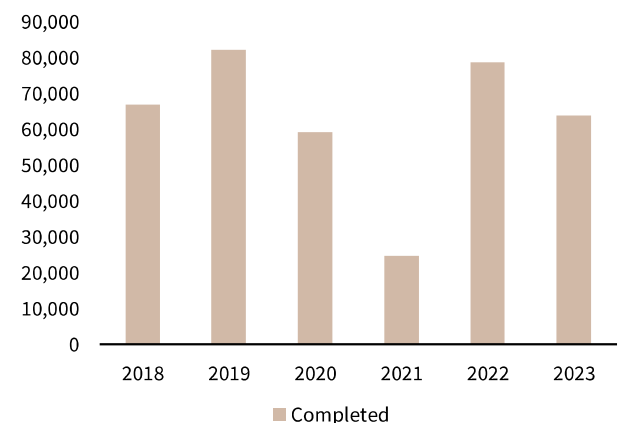
Under Construction:

Three of the five completions over the last 12 months were delivered in the South precinct. Playing to its advantage of being close to existing gas, power, water and port infrastructure, the precinct attracts investment from large government, national and international companies.

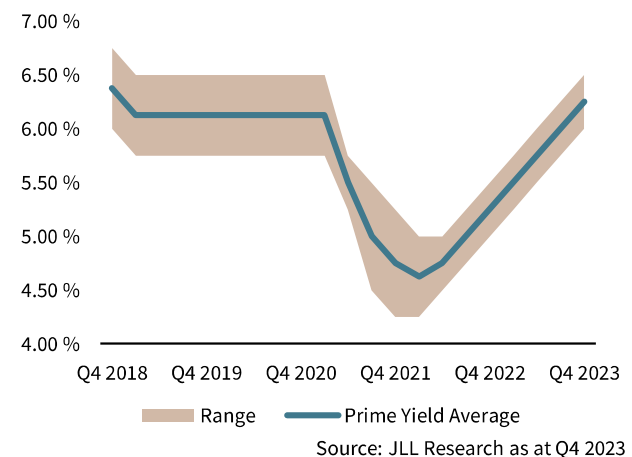
Average Prime Rents



Annual Supply Pipeline



Average Prime Yield Range (East)





Melbourne

Australia | Q4 2023

Occupier activity in the Melbourne industrial market rebounded in Q4 2023, with 239,090 sqm of gross take-up (≥ 5,000 sqm) recorded. This is on the back of subdued take up in Q3 2023 (168,230 sqm) and is in line with the 10-year quarterly average (254,210 sqm). Despite an elevated take-up quarter, leasing activity is ultimately restricted by below average availabilities.

There was an increase in supply brought to market in Q4 2023, with 234,300 sqm of industrial space reaching practical completion. This was 51% above the 10 year quarterly completion average. The year saw a total of 476,000 sqm reaching completion with an annual pre commitment rate of 39%. This was across 30 projects with the largest being a 50,000 sqm project by Lendlease in Q4.

Melbourne land values held stable in Q4 2023 across all precincts and size allotments, except for 2-5 HA lots in Melbourne's North precinct (-5.0% quarter-on-quarter). Despite land value rates following a negative trajectory since the cyclical peak recorded in Q4 2022, values remain significantly elevated compared to historical averages.

The Melbourne market investment volume totalled AUD 220.5 million in Q4 2023. This was 41% below the 10 year quarterly average of \$376.8 million. There was \$1.5 Billion recorded in total sales over the year coming from 591 separate transactions. The largest transactional sale of the year was \$315 million and Q4's largest sale was \$215 million.

16.7%

City Fringe quarterly prime rent growth

Rental growth continued in Q4 2023, following a record year of growth in 2022 and strong growth in the first three quarters of 2023. Average prime net rents increased 3.88% over the quarter, taking the annual growth figure to 18%. Despite elevated completion levels throughout 2022, the rental market continues to be driven by solid demand and limited availabilities.

239,085 sqm

Gross Take-Up

The South East precinct accounted for the largest portion of quarterly leasing activity, accounting for 49% of gross take-up. This was followed by the West precinct accounting for 40%, the City Fringe with 8% and the North precinct comprising the remaining 3%. Pre-lease take-up was subdued in comparison to Q3 2023 levels, with 35.1% of occupier moves being taken up via pre-lease (40.1% in Q3).

5.25%– 6.00%

Melbourne West prime yield range

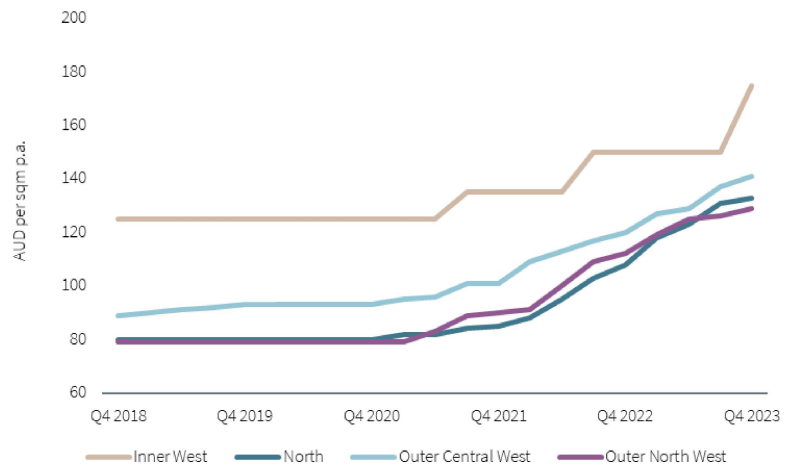
Macroeconomic conditions continue to evolve and drive yield decompression across core asset classes. Prime and secondary yields softened further for the sixth consecutive quarter in Q4 2023. Yields decompressed 25bps quarter-on-quarter bringing the prime midpoint average to 5.53% and secondary midpoint average to 6.19%.

850,300 sqm

Under construction:

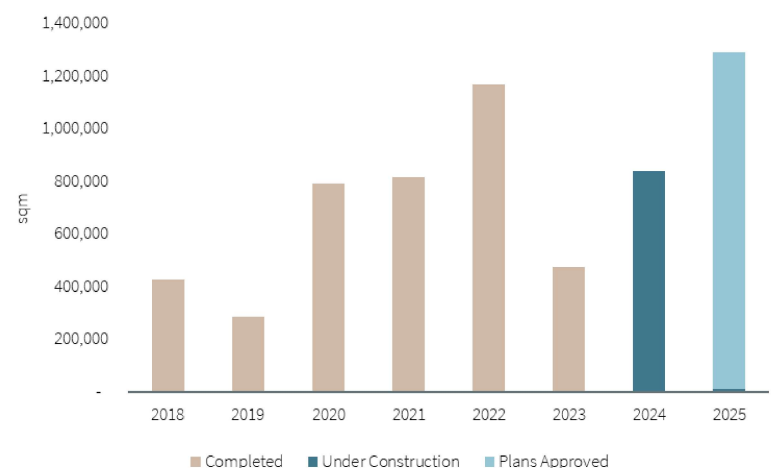
As at Q4 2023, JLL research is currently tracking 850,300 sqm of stock currently under construction for the Melbourne market, 48% of which is already pre-committed. 610,800 sqm is expected over the next 6 months. As costs of debt, construction costs, materials and wages have risen substantially, the feasibility for future projects, specifically speculative projects, has become unclear and the risk associated with delivering these projects has increased.

Prime rental growth



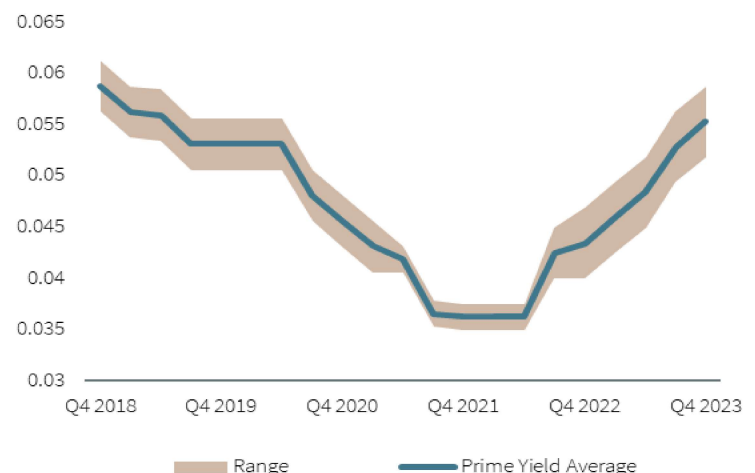
Source: JLL Research as at Q4 2023

Annual supply pipeline



Source: JLL Research as at Q4 2023

Prime yield range



Source: JLL Research as at Q4 2023



Sydney

Australia | Q4 2023

Occupier activity in the Sydney Industrial market was subdued for a second quarter. Gross take up totalled 156,200 sqm, a level 31% below the 10-year quarterly average of 227,200 sqm. Lower occupier activity reflects the scarcity of available warehouse space, high occupancy costs relative to other domestic markets, and challenging macroeconomic conditions.

266,800 sqm reached practical completion in Q4 2023, more than three times the amount of completed space recorded in the previous quarter. Despite a quarterly increase in completions, the development pipeline has slowed in 2023 relative to 2022, impacted by the increased cost of capital and construction costs and limited available land for industrial development.

Ongoing developer headwinds have resulted in a continued correction in land values following last quarter. 2000 sqm allotment land rates remained stable quarter-on-quarter. 1 Ha plots declined by 3.6% on average across precincts, whilst 2-5 Ha parcels declined more markedly by 7.9% quarter-on-quarter. Despite decreasing land value rates, values remain significantly elevated compared to historical averages.

In Q4 2023 investment volume totalled AUD 659.2 million, a 20% decline from Q3 2023. This brought the total volume of transactions by value in 2023 to AUD 2.4 billion, a 14% decline from 2022 levels. Prime and secondary yields softened for a sixth consecutive quarter, decompressing across all precincts barring the North where they remained stable. The prime midpoint average was brought to 5.31% and the secondary to 5.81%.

37.4%

South Sydney Prime Q4 year-on-year rental growth

Despite lower occupier demand, restricted supply of assets and serviced land has continued to raise prime rents across all precincts except the North where they remained stable. The strongest quarterly increase was the South Sydney precinct with prime rent increasing by 9%, and secondary rent increasing by 9.8%.

156,200 sqm

Quarterly gross take-up (≥5,000 sqm):

The Outer Central West precinct continued to lead gross take-up, comprising 47% of the Q4 leasing activity. The Outer North West followed, accounting for 25%. The remaining balance of gross-take up was recorded in the Outer South West with 18%, Inner West 7%, and South Sydney 3%.

5.00%– 5.50%

Outer Central West Prime Yield Range

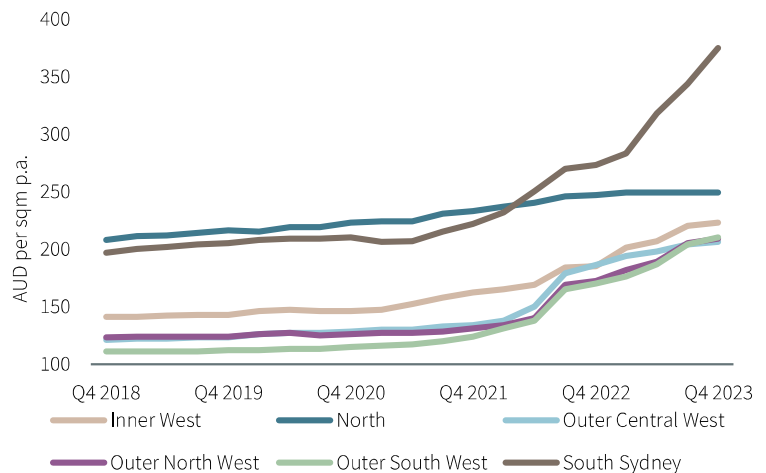
Prime and secondary yields softened for a sixth consecutive quarter, decompressing by 25bps across all precincts and grades barring the North where they remained stable. Softening yields are being driven by high debt costs and bond yields, as investors are increasingly side-lining capital and observing ongoing macroeconomic conditions.

872,900 sqm

Under Construction:

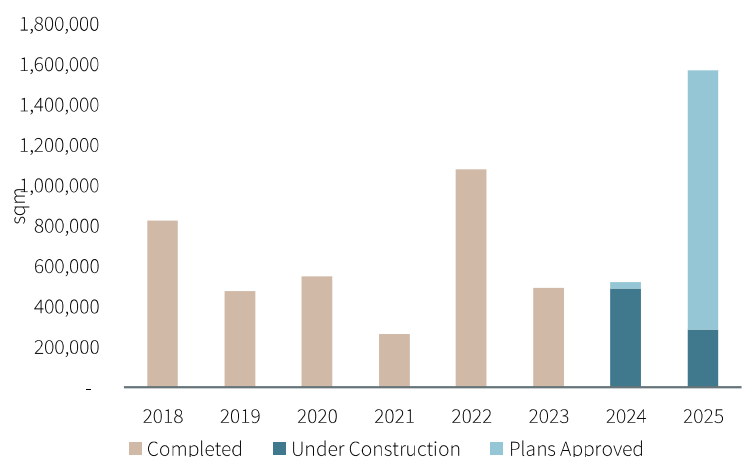
JLL Research is currently tracking 872,900 sqm of stock currently under construction for the Sydney market, 36% of which is currently pre-committed. 616,400 sqm is expected to reach completion over the next 6 months and 256,500 sqm is expected over the latter half of the year.

Average Prime Rents



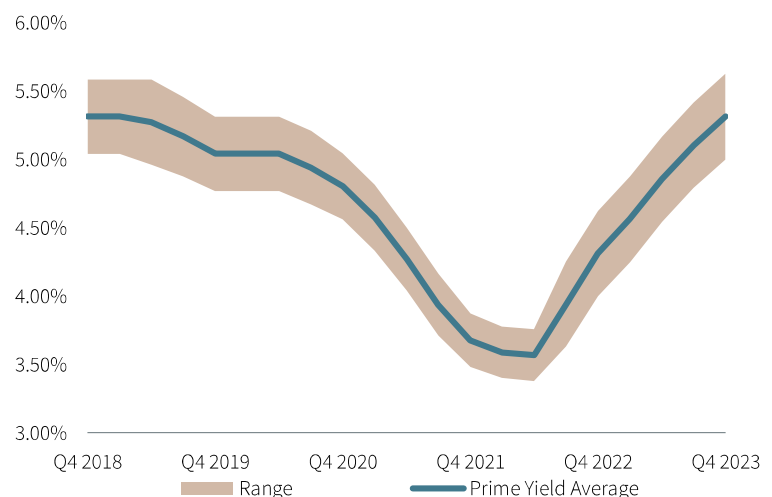
Source: JLL Research as at Q4 2023

Annual Supply Pipeline



Source: JLL Research as at Q4 2023

Average Prime Yield Range



Source: JLL Research as at Q4 2023



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