HERRON TODD WHITE

# Month in Review

## Commercial - September 2024

The Month in Review identifies the latest movements and trends for property markets across Australia.

# CEO's Address

## Welcome to our September edition of Month in Review

Land is the scarce and finite resource which anchors all structures from houses and unit blocks through to inner city office towers, industrial developments and retail accommodation.

While built structures inevitably depreciate, land rarely diminishes in value and is frequently repurposed as property cycles continue, and cities evolve. Land is the scarce and finite resource which anchors all structures from houses and unit blocks through to inner city office towers, industrial developments and retail accommodation.

This month's contributions in our residential space explore how this basic component is being treated by buyers and sellers across the nation. Because land is fundamentally the same resource, our report could well be regarded as the ultimate exercise in relativity.

While we have covered the end product in terms of vacant homesites in this report, it's interesting to also consider the foundational raw resource that is greenfield englobo land, i.e. original sites prior to subdivision or development.

We live in unusual times. In major capital-city growth corridors, rapidly rising construction costs would ordinarily render development of many sites unfeasible, and negatively impact englobo land values. However, the relentless population surge currently being experienced continues to drive developable land markets higher, and essentially overpowers the impact of higher construction costs. However, where is the break point?

The reality is that it is still far cheaper to create housing in outer suburbs and fringe areas. Increasing supply in such locations is far quicker and cheaper than more central medium density urban development. This is bolstering englobo land prices, and developers are continuing to land bank accordingly.

We are however possibly starting to see the break point come in the inner city areas of major cities, where construction activity is well below the levels required to satisfy current demand, and only sites which can command premium end prices are stacking up.

On the commercial side, the greatest user and driver of demand for land is the industrial market. In recognition of this, entry-level industrial investment is the theme we've homed in on in this issue of Month in Review. While now moderating, there has been exceptionally high demand for land in strong growth areas. Across most major centres, good quality developable land in the industrial sector is scarce and this has driven price growth. Demand and price growth for the end product is, however, strong enough to justify higher construction costs and longer development time frames.

For other commercial asset classes, land take up is far more gradual as the increased construction cost environment has impacted the feasibility of new development with lesser levels of demand and extremely tight profit margins now being the norm.

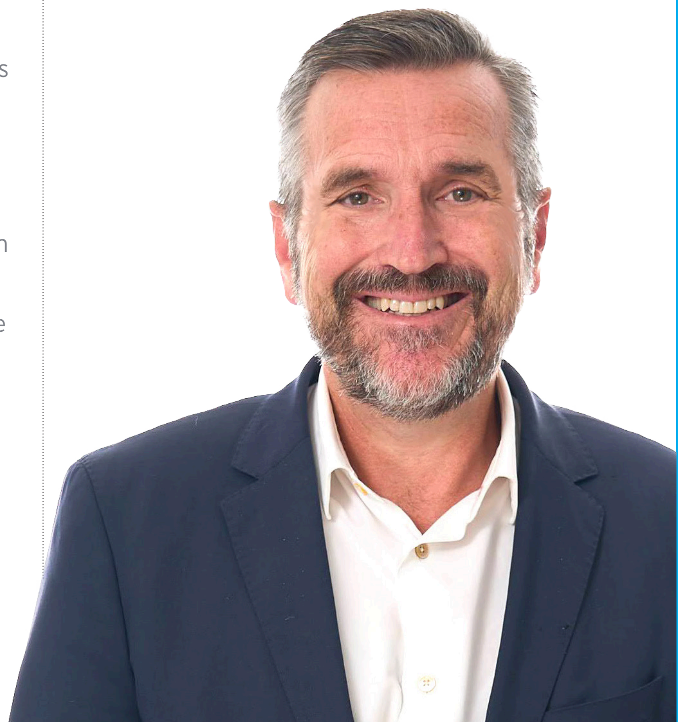
Comprehending the complexities and nuances of land markets is a skill earned via years of experience and repetition, and Herron Todd White has the most comprehensive team of high-level professionals in the nation. It is essential for stakeholders to talk to our specialist teams in any given asset class to determine their most profitable property strategy.

Finally for our rural readers, one of Australia's most respected professionals, Graeme Whyte, delivers comprehensive coverage of horticultural property markets around the country. For those with an interest in the sector, this month's rural report is essential reading.

Please enjoy our September edition of Month in Review.

Gary Brinkworth
CEO

*Because land is fundamentally the same resource, our report could well be regarded as the ultimate exercise in relativity.*



EXECUTIVE ADDRESS

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# Commercial

September 2024

# National Industrial Overview

This market segment has shown resilience since the onset of the COVID-19 pandemic and continued to strengthen throughout the second half of 2022, however showed signs of levelling out in the first half of 2023, with a reduced volume in transactions. This is largely the result of a sharp increase in interest rates since May 2022, an uncertain construction sector and declining consumer confidence. In the 12 months to June 2024, there has been a reported reduction in transaction volumes, however industrial asset values generally remain stable.

The industrial sector continues to be the strongest of the three main commercial asset classes with demand outpacing supply. Both metro and regional industrial property markets nationally continue to perform relatively well despite the economic headwinds recently experienced due to the above factors.

As a result of the COVID induced e-commerce boom, e-commerce penetration in Australia has leapt to being four years ahead of the pre-COVID trend as Australian consumers increasingly shift their buying preferences to online. It is expected that e-commerce penetration will continue to grow to a forecast share of 15 per cent by 2027.

Furthermore, the surge in demand for "last mile logistics" has been particularly notable in major Australian cities such as Sydney, Melbourne and Brisbane, where a thriving urban population relies heavily on rapid and reliable last-mile deliveries. The strategic positioning of warehouses near these urban centres has become a critical factor in meeting consumer expectations and ensuring timely deliveries in the final stretch of the supply chain.

There are weaknesses to consider as well. Inflationary pressures, increased interest rates and declines in the residential markets are expected to have flow on effects to the industrial segment moving forward. Higher construction costs, as well as planning and servicing delays in several key precincts have added further complexity and costs to the feasibility of new projects which is likely to have an impact on the future supply pipeline of industrial space.

There remains opportunities in the industrial sector. Supply in Melbourne's south-east, Sydney's central west and west, and Brisbane's Trade Coast falls short of annual demand levels, which is expected to drive an outperformance of rental growth.

Entry point industrial assets with current or potential income streams, close proximity to key transport infrastructure and potential redevelopment upside typically attract strong interest from high net worth investors and developers as land bank propositions.

Despite approximately 2.3 million square metres of warehouses currently under construction across the country and a normalisation in demand following the pandemic boom, Australia's industrial market is set to remain severely undersupplied, with construction costs and servicing delays set to temper supply completions in the coming years.

Furthermore, there has been a notable demand shift in 2024 to smaller facilities following years of robust demand for facilities above 20,000 square metres, with smaller leases being the most active by a considerable margin. In the first half of 2024, 77 per cent of lease deals nationally by number were in the 3000 to 10,000 square metre size bracket, while the average deal size has fallen 45 per cent from the level recorded in 2022. Additionally, regional industrial markets are attracting owner-occupier buyers from metro locations that are either priced out of that market or selling and relocating with ample capital remaining to reinvest into their business.

The industrial sector has strengthened significantly over the past five years and is showing signs of overheating. Submarkets where supply moderately outpaces long-term take-up volumes include Brisbane's west, Melbourne's north and Adelaide's outer north, however in each case, vacancy rates remain well below balanced levels.

Richard Gell
Commercial Director

# National Property Clock: *Industrial*

Entries coloured purple indicate positional change from last month.



**Peak of Market:** Bundaberg, Fraser Coast, Gold Coast, Lismore, Melbourne, Perth

**Approaching Peak of Market:** Cairns, Coffs Harbour, Illawarra, Southern Highlands

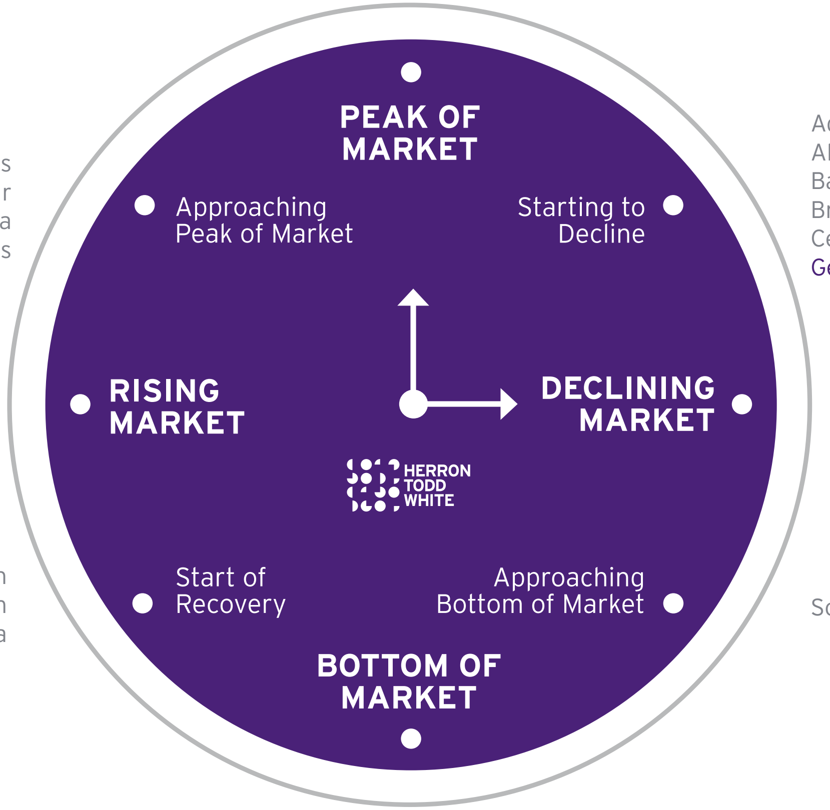
**Starting to Decline:** Adelaide, Alice Springs, Ballina/Byron Bay, Brisbane, Central Coast, Geelong, Hobart, Ipswich, Sunshine Coast, Sydney, Toowoomba, Townsville

**Rising Market:** C'berra/ Q'beyan, Echuca, Gladstone, Mackay, Newcastle, Rockhampton

**Declining Market:** Orange

**Start of Recovery:** Darwin, Horsham, Mildura

**Approaching Bottom of Market:** South West WA



# New South Wales - Industrial 2024

## Sydney

Since the pause on the official cash rate in November 2023 at 4.35 per cent, most property markets have experienced a state of stabilisation. Inflation has eased albeit is still higher than the target range, reducing the chance of rate cuts this year. Yields have softened to varying degrees depending on property fundamentals, however the lack of supply has tempered the full impact of the cash rate increases since May 2022. It is also notable that the price point and depth of market are critical to saleability.

The market for industrial stock in Sydney has generally seen significant increases in values in recent years, particularly since the beginning of 2021. This significant market movement has been driven by a lack of available stock listed for sale, higher levels of e-commerce, historically low interest rates and a general resurgence in confidence in the market since the emergence of COVID-19.

Despite inflationary pressures and interest rate rises, Sydney's industrial markets have outperformed other asset types, with the market having stabilised from a capital rate perspective around early to mid 2022. Capital values generally remain stable to date, with reasonable demand and lack of supply, however without the substantial growth experienced in the preceding years.

Interest within the majority of industrial locales predominantly emanates from the owner-occupier sector. It appears that properties that are leased with substantial remaining lease terms have been struggling from a sales perspective in comparison to their vacant, owner-occupied counterparts, particularly when considering expected returns and the current comparatively high interest rate environment.

The industrial rental market in the region has seen strong increases in the past 18 months, particularly since interest rate increases, around mid-2022. This significant market movement has been driven by a lack of available stock listed for lease and a lower-than-expected volume of new development completions, combined with elevated levels of occupier activity, resulting in increases to net face rental growth, a reduction in offered incentives, and yield growth. More moderate growth has been predicted moving forward in the short-medium term.

Current vacancy levels for industrial property generally appear low.

Entry level industrial assets are typically older to semi-modern style strata industrial units under 150 square metres. These assets typically provide a good entry point at a sub $1 million price point, with achieved yields generally between 3.5% and 4.5%.

*Interest within the majority of industrial locales predominantly emanates from the owner-occupier sector.*


53/93-97 Newton Road, Wetherill Park Source: domain.com.au

A 131 square metre, semi-modern, part two level, strata titled, medium clearance industrial unit sold on 17 May 2024 for $815,000 excluding GST. The property sold subject to an existing lease which is due to expire on 3 October 2025, with a further five year option period. The property has a passing income of $30,720 per annum net plus GST ($235 per square metre), resulting in a net passing yield of 3.77%.

Entry level price points are typically experienced in Sydney's western industrial precincts, as precincts closer to the eastern seaboard are generally considered to transact at higher rates and price points given locational differences.

22/15 Meadow Way, Banksmeadow is a 135 square metre, semi-modern, part two level, strata titled, medium clearance industrial unit sold on 17 May 2024 for $1.1 million excluding GST.



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22/15 Meadow Way, Banksmeadow Source: realcommercial.com.au


73/1-13 Leland Street, Penrith Source: realcommercial.com.au

4D/4 Louise Avenue, Ingleburn Source: realcommercial.com.au

312/23-27 Mars Road, Lane Cove West Source: realcommercial.com.au

4D/4 Louise Avenue, Ingleburn is a 94 square metre, older style, single level, strata titled, low clearance industrial unit sold on 9 May 2024 for $575,000 plus GST. This is one of the lower price points I've seen recently.

In recent times, development of industrial storage unit facilities or mixed industrial and storage unit developments have become increasingly popular. Whilst traditionally centred around Sydney's Northern Beaches and Sutherland Shire, newer developments have been arising in Sydney's west, in areas such as The Hills, greater Penrith, Blacktown and Liverpool. These assets typically provide an affordable price point generally below $300,000.

Yields for these assets are typically slightly higher than their standard industrial counterparts.

73/1-13 Leland Street, Penrith is a 40 square metre, part two level, medium clearance storage unit sold on 26 April 2024 for $195,000 plus GST.

Whilst these generally follow the same locational trends as industrial units, smaller storage units become more common the further east you look.

312/23-27 Mars Road, Lane Cove West is a 13 square metre, part two level, medium clearance storage unit sold on 29 May 2024 for $65,000 excluding GST.

**David Unkovic**
Associate Director

## Newcastle

As the industrial market continues to weather the economic challenges, as it has consistently over the past few years, once again (and this will come as little surprise), there is no stock! This has been a constant challenge for the industrial market and local agents are not seeing any change to this in the short term. The demand for industrial property in the Newcastle area, which has proved the best performing commercial asset class in recent years, is simply outstripping supply.

Looking at the last quarter, there have been limited sales of large format industrial properties. Again, this is a supply issue, not a demand issue. We are aware that buyer enquiry is increasing, after a small slowdown mid year. The slowdown was due more to economic uncertainty rather than a dwindling appetite for industrial property.

The general view for industrial property is positive in the region. But let's look at one of the stronger performing assets within this market. Small format industrial strata units are possibly the most sought-after industrial asset, particularly in industrial precincts with close proximity to housing. As more medium to high density residential properties

> *The demand for industrial property in the Newcastle area, which has proved the best performing commercial asset class in recent years, is simply outstripping supply.*

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come online, there is a demand for additional space which these residential developments simply do not provide. The industrial market is catering to this need for space with small scale industrial strata developments in precincts such as Mayfield West and Carrington. Units in these precincts at 100 square metres or less provide a perfect storage option for recreational assets like boats, caravans, etc.

In the same way, these smaller units are attractive to tradespeople looking for additional storage space for tools and equipment. We are seeing rents for these units steadily rising and purchasing these units is a very viable option for people needing additional space. Small to mid sized units in precincts with arterial road access, like Bennetts Green, Beresfield and Warrabrook, service this need for these buyers. The majority of recent transactions have been in these precincts.

The industrial market continues to weather the economic headwinds in the overall property market at the moment. There does not appear to be any indication that demand will taper off any time soon.

**Scott Beker**
Valuer

# Victoria - Industrial 2024

## Melbourne

In 2024, the industrial market in Melbourne continued to perform well, although not as strongly as in 2022 and 2023. Since the pause on the official cash rate in November 2023 at 4.35 per cent, most property markets have experienced a state of stabilisation, especially concerning debt cost and commercial yield uncertainties.

The industrial property supply has been limited due to high absorption rates in the previous three years, creating a pressing need for more stock to satisfy the demand and supply constraints. These challenges on the supply side have resulted in substantial rental growth, while the investment market, particularly for higher-grade assets, has displayed signs of softening with yields winding out.

That said, demand is surging for high-quality industrial space within close proximity to city centres. Businesses are looking for warehouses that are ready for automation and sustainability features. A large proportion of older style warehouse buildings are inadequate for modern day business, with many unable to house the simplest of automation systems. Many older assets offer sub-par clearance heights which don't meet broad racking and warehouse store requirements, whilst new warehousing in some cases is being built to 15 metre height clearances and has the capacity to hold 40 per cent more product on the same footprint. With the continual rise in holding and building costs and inflationary pressures, we may see demand for new builds soften.

Despite a slight decline in the number of sales in some sub-industrial property sectors, prices remain steady and continue to trend upward. However, the combination of interest rate increases and the COVID debt repayment plan, including land tax obligations, has undoubtedly impacted smaller investors. Further to the above we offer the following:

In recent years, industrial property has become one of the most sought-after asset classes for investors, largely driven by the rise of online shopping and the increased demand for warehouse space to store, sort and distribute goods.

Industrial properties can offer long leases with secure cash flows, reliable tenants, attractive returns and strong capital growth. This appeal has only grown during the pandemic and beyond, as the boom in e-commerce led more people to shop from their homes.

Newly built strata unit warehouses present an excellent opportunity for smaller investors interested in purchasing small-sized warehouses, either as owner-occupiers or as investors seeking rental income. Several upcoming developments stand out in this sector:

- **Fusion Business Park:** Located in Mickleham, this industrial park offers a range of industrial properties, including warehouses, distribution centres and office space. It is one of Melbourne's largest industrial parks, spanning 67 hectares.
- **Southeast Business Park:** A major development in the industrial sector, this park includes warehouses, distribution centres and office space. It is situated in Pakenham and the Shire of Cardinia and is also one of Melbourne's largest industrial parks, covering 165 hectares.

These are just a few examples of the significant industrial and business park developments within Melbourne available to meet the rising warehouse demands of a growing city.

**Nick Michael**
Director

*Industrial properties can offer long leases with secure cash flows, reliable tenants, attractive returns and strong capital growth.*

# Queensland - Industrial 2024

## Brisbane

Industrial property can be an excellent choice for first time investors looking to gain some exposure to the commercial markets. 100 per cent of outgoings can be recovered from tenants, management is straightforward and healthy rental returns can be expected in the current environment. However, due to the insatiable demand in the past three years for industrial property, values have experienced incredible growth which may create some barriers to entry for first time investors.

For those looking to acquire an entry level opportunity in Brisbane's industrial market, strata titled industrial properties would be an excellent opportunity to purchase a high yielding industrial investment. This market is performing particularly well at the current time with strong demand conditions from small businesses (as tenants or owner-occupiers) which result in minimal expected vacancy periods or incentives required to secure tenants. Generally speaking, prices for these units range from $500,000 to $2 million depending on the size, location and quality. Rental yields in recent times have ranged from 5.50% to 6.50%, noting the strong rental growth has enabled many investors to experience strong uptick in both returns and capital values.

For those in a stronger cash position looking to enter the industrial market, smaller freestanding buildings would also be a secure investment option in the circa $2 million to $5 million price range. It has also become common for savvy investors to buy existing older style buildings and undertake refurbishments to the property to reposition the asset and gain healthy capital and rental value uplift.

A good example of this is a development in Sumner which was previously a circa 1800 square metre, older style building purchased for $2.8 million in 2022. This reflected a rate per square metre of lettable area of circa $1500. The building has since been refurbished by the developer and partitioned into strata titled industrial units, now generally achieving over $4000 per square metre on the lettable area.

In both instances, these types of assets are very common across all precincts in Brisbane, however be prepared to pay premium prices for industrial property in prime locations such as the TradeCoast industrial precinct, the inner northern suburbs and the south-western corridor. It should also be noted that there is strong competition for assets in both price ranges, especially from owner-occupiers, who will pay premium prices to secure a property essential to operate their business from. Due to existing shortages for industrial properties and continued strong demand conditions, this is expected to continue in the foreseeable future.

**Mackenzie Osborne**
Valuer

*Industrial property can be an excellent choice for first time investors looking to gain some exposure to the commercial markets.*

## Gold Coast

The Gold Coast's industrial property market has undergone significant changes in recent years, particularly in entry-level opportunities. Once a haven for budget-conscious buyers, the market has seen substantial increases in land values and construction costs, making it more challenging to find affordable industrial properties. This shift has led to a marked decline in the availability of smaller, older freestanding metal sheds in the central and northern Gold Coast, with prices for such properties now often exceeding $1 million. The limited supply of these properties has forced many prospective buyers to explore alternative options, primarily in the form of strata title industrial units.

As traditional entry-level options have become scarce, strata titled industrial units have emerged as the go-to choice for many buyers. These units, ranging from newly built to approximately 20 years old, can be found in various estates across the Gold Coast. Historically, industrial properties in the sub-$500,000 category were available, but the sharp increase in industrial values over recent years has pushed most transactions into the $500,000 to $1.25 million range.

*Despite the current challenges, the Gold Coast continues to see a number of new industrial developments coming out of the ground.*

These strata units primarily attract owner-occupiers, particularly small business operators, with some interest from private investors. For example, a semi-modern, 215 square metre concrete unit, street-fronting and vacant, sold in Upper Coomera in April 2024 for $1.1 million (excluding GST). This sale, at just over $5000 per square metre, reflects the strong demand for such properties, with an analysed yield of around 5%.

Leased units in the industrial market generally offer slightly higher yields, appealing to investors focused on returns. The industrial sector provides several advantages over residential investments, including lower maintenance costs (owing to the concrete box structure), higher returns and longer lease terms. However, a larger deposit is typically required for lending purposes in the industrial sector.

The industrial leasing market on the Gold Coast has been exceptionally strong in recent years, with rental rates reaching historic highs and vacancy rates remaining low. However, agents are now reporting more challenging leasing conditions, with signs of tenant rental stress and an increase in lease abandonment. This shift suggests that the market may be entering a period of adjustment after several years of rapid growth.

Despite the current challenges, the Gold Coast continues to see a number of new industrial developments coming out of the ground. Strata warehouse and self-storage complexes were highly popular in the aftermath of the COVID-19 pandemic, but agents are now observing a slowdown in market conditions, with a declining rate of sale for new developments. Additionally, there is growing awareness among buyers about the limitations of units approved solely for self-storage use, which could further impact demand in this sector.

For everyday investors, opportunities to purchase freehold industrial assets remain limited due to restricted supply and strong underlying demand. The entry-level price for a small freestanding industrial building or complex in central Gold Coast is now approximately $2 million to $2.5 million. However, these assets typically offer lower yields, often below 6%, as investors face stiff competition from owner-occupiers who are less focused on yield and more on affordability.

The industrial market in the southern Gold Coast and northern New South Wales remains strong, though there are early signs of softer rents. This trend is expected to be temporary as new supply comes online and inflationary pressures ease. At the time of writing, there were eight listings on realcommercial.com.au in the under $1 million price range within the Tweed Shire. The expected yield for investors on these industrial units would likely be under 5.5% on market value, but this price point is still attractive to owner-occupiers anticipating capital growth. However, the downside risk is that these units are at record price levels and have been on the market longer than usual.

Looking ahead, the Gold Coast's industrial market is expected to remain strong, although sales volume will likely moderate. Freestanding industrial assets will likely continue to be the best performers, though finding options under the $2 million price point will be increasingly difficult. The scarcity of available properties, coupled with sustained demand, suggest that the market will continue to favour sellers in the near term. Investors and owner-occupiers alike will need to navigate these dynamics carefully to find the right opportunities in this evolving market.

**Ryan Kohler**
Director

## Sunshine Coast

The industrial sector on the Sunshine Coast has performed exceptionally well over the past two years, driven by previously record-low interest rates that benefited both owner-occupiers and investors. This has led to significant price growth for both land and built assets. However, the broader commercial sector has seen a decline in sentiment due to rising borrowing costs. While the industrial market remains supported by low supply levels, it is not entirely immune to the impact of higher interest rates. Demand for industrial assets has softened but not as drastically as in other asset classes.

The entry-level market on the Sunshine Coast is primarily driven by owner-occupiers, who typically seek strata-titled units or small stand-alone properties. This demand has encouraged new developments over the past three years, particularly in emerging estates like Coolum Beach, Baringa (within Stockland's Aura master-planned community), and Corbould Park. However, investment opportunities in the current market are limited, as the prices paid by owner-occupiers do not align with the target returns for investors given current commercial borrowing costs. Entry-level strata units in these developing estates start at approximately $400,000, with notional yields being around 4.0% to 4.5%.

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For stand-alone assets in developing estates or central locations, entry-level prices begin at circa $1.5 million. Although investor appetite for leased assets has softened, well-located properties have still achieved strong yields recently, supported by limited supply. A notable example is 5 Dual Avenue, Warana, which sold in March 2024 to a private investor for $2.75 million, reflecting a yield of approximately 5.5%.

5 Dual Avenue, Warana Source: realcommercial.com.au

Stand-alone assets priced under $1.5 million typically consist of older properties located in secondary or hinterland industrial precincts such as Nambour, Yandina, and Landsborough. While recent transactions in these areas have been limited due to tight supply, they may offer better yield prospects for entry-level investors. Despite a general softening of yields across commercial sectors, the local industrial market appears to be showing resilience.

**Jaydon McDowell**
Associate Director

## Townsville

The Townsville industrial sector has continued to perform strongly throughout the first half of 2024 albeit at a less frenzied pace. The industrial market is influenced by the continued activity in the mining and resources sector and the large pipeline of local infrastructure projects currently underway.

An entry level industrial asset in Townsville could be classified as anything under a million-dollar price tag. This includes small industrial strata units that generally range from $350,000 to $600,000 and are reflecting yields in the order of 5.5% to 7.5% and larger freestanding industrial sheds that range from $600,000 to $1 million which generally reflect yields in the order of 6% to 8% and may also require some form of capital outlay. There is a very limited amount of this stock available within the central industrial areas of Townsville and yield profiles have been tightening as small-scale investors and owner-occupiers are competing for the same assets which is pushing potential buyers into the outer and secondary industrial areas.

Entry level assets are generally lower yielding than your typical larger industrial asset types. In the current market environment, liquidity risk would be minimal as there is high demand for assets within this discussed price point. Entry level assets are not risk free; generally these assets are older or original builds that although considered affordable, can be subject to "as is where is" clauses and will likely require capital expenditure including potential service upgrades. It is recommended that proper due diligence be undertaken on all asset classes.

In the current market environment and with reference to the current cost of construction in regional areas, it is expected that the established and entry-level industrial market will continue to see high levels of demand and competition between owner-occupiers and investors.

**Jamison Sayce**
Associate Director

## Cairns

The industrial market has seen significant value increases over the past two years and values are now at record levels with the market overall very heated. There is pent up demand for all forms of industrial property and very limited stock available in the prime industrial precinct of Cairns or industrial estates to the north and south of Cairns.

The smaller and more affordable industrial market is dominated by owner-occupiers with agents advising strong buyer activity and pent-up demand in the sub $2 million and particularly the sub $1 million industrial space. Pure investment stock is limited with the market strong, however properties in the sub $2 million space typically achieve higher value levels if sold with vacant possession unless offered to the market with a quality lease covenant.

New small industrial strata complexes are achieving sales up to $3500 per square metre with limited stock available.

Land values have increased substantially over the past 24 months due to a near total lack of vacant land stock and it is assumed this will correlate to higher unimproved land values moving forward

*Land values have increased substantially over the past 24 months due to a near total lack of vacant land stock.*

(and associated land tax). This along with increased insurance premiums may negatively impact net incomes moving forward.

It is difficult to gauge how market conditions will fare in the coming 12 months, Overall the market is very heated and considered to be nearing or at its peak. While economic conditions suggest softening of the market, we consider the limited availability of industrial land, high land values and high building costs will result in property maintaining reasonably high value levels in the short term.

**Shane Quinn**
Director

## Toowoomba

Toowoomba's industrial market is influenced by a range of factors, including growth in the region's manufacturing and agricultural sectors, growth in e-commerce and the relocation of business into regional areas. Strong economic conditions resulted in continued demand for secure investment properties during 2023 resulting in record low yields, however economic conditions, in particular interest rate uncertainty, have seen reduced demand in the first half of 2024.

There has been minimal speculative development of industrial property over the past two to three years with activity generally restricted to refurbishment of small industrial tenancies to attract tenants or construction of new premises for owner-occupation.

The majority of new construction activity has been owner-occupiers who have outgrown existing premises and have developed or plan to develop new premises in developing industrial estates in the Charlton Wellcamp area to the west of Toowoomba. A negative impact of the above activity is that several large industrial buildings may be offered for sale or lease over the next six to twelve months.

The recent completion of a new industrial estate in Torrington under a Community Management Scheme with lots ranging from 1000 to 6875 square metres has seen a good level of activity comprising a mix of new construction for both investment and owner-occupation. Construction costs for two new industrial sheds within this estate have ranged from $2200 per square metre for a metal clad shed to $2700 for a tilt panel shed resulting in a total outlay, include land purchase, of $2700 to $4200 per square metre for an entry level shed.

The smaller owner-occupier and investor market is generally steady with very little activity over the past six to twelve months attributed to several factors:

- The small entry level industrial market is tightly held with a large percentage owner-occupied or owned by mum and dad investors who are more interested in the revenue stream than capital gain;
- There are currently only two strata industrial units listed for sale in Toowoomba, with some under construction. Strata units have historically been the entry point to industrial assets for both owner-occupiers and investors. Having been over-supplied in the past, the market is now balanced;
- Availability of small industrial land is very limited with the price point for any vacant land exceeding 1,500 to 2,000 square metres well above the budget of smaller industrial users; and
- The current interest rate environment has and is likely to continue to place pressure on the availability of funding.

The above is supported by the low level of listings for smaller industrial properties within the region.

Opportunities exist within fringe or secondary industrial areas that are progressively transitioning from residential properties through development of small industrial workshops, generally by existing businesses looking for their own space.

**Ian Douglas**
Director

*There has been minimal speculative development of industrial property over the past two to three years with activity generally restricted to refurbishment of small industrial tenancies to attract tenants or construction of new premises for owner-occupation.*

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# South Australia - Industrial 2024



## Adelaide

Industrial and commercial property in general remains subject to the broader economic pressures facing Australia as we enter the final few months of 2024. With real GDP indicating a cyclical slowdown, inflation still at high levels and the threat of interest rate rises still current, yields have continued to taper for industrial assets after the record lows we saw in 2022, and the evident yield increases throughout 2023.

The western industrial precinct continues to be the most sought after and tightly held corridor, with rental levels higher and yields lower for industrial assets in Thebarton, Mile End, Hindmarsh, Richmond and the like. The inner north and inner south remain competitive throughout Regency Park, Wingfield, Edwardstown and Melrose Park, whilst the outer northern and southern suburbs continue to record lower gross rents and higher yields in comparison.

The assets available to entry-level investors and owner-occupiers alike are primarily office/warehouse buildings located in the northern suburbs, such as Salisbury Plain, Smithfield, Edinburgh North and Pooraka. Closer to the CBD, fewer opportunities arise in Athol Park, Royal Park and Edwardstown, whilst the south has options at Seaford. Looking further afield, there are a number of smaller entry-level industrial assets for sale in Port Lincoln.

For investors, 19A Ween Road, Pooraka offers a strata titled office/warehouse which is listed for sale through CBRE, offering a net income of $33,563 per annum. Similarly, 8/3A Palina Road in Smithfield comprises a community titled office/warehouse listed for sale at $429,000 to $449,000 through Ray White.

8/3A Palina Road, Smithfield Source: realcommercial.com.au

In terms of vacant possession entry-level industrial buildings that purchasers could look to occupy themselves or offer to the market for lease, opportunities are similarly strata or community titled assets. 2/10A Dunn Street, Seaford offers 150 square metres of office/warehouse space in a community titled property. The neighbouring office/warehouse at 1/10A transacted for $477,000 in May this year. In one of Adelaide's premier inner-west industrial suburbs, 3/36 Tikalara Street in Royal Park offers a strata titled office/warehouse of 96 square metres which is on the market through LJ Hooker.


3/36 Tikalara Street, Royal Park Source: realcommercial.com.au

As with any level of asset in commercial property classes, entry-level industrial buildings are not without risks. Typically, entry-level buildings are subject to shorter lease covenants with local tenants and therefore can be at greater risk of vacancy. In addition, tenants looking for small industrial space have a multitude of options, as industrial development in northern and southern areas in recent times has resulted in the

*With real GDP indicating a cyclical slowdown, inflation still at high levels and the threat of interest rate rises still current, yields have continued to taper for industrial assets after the record lows we saw in 2022, and the evident yield increases throughout 2023.*

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construction of more modern, office/warehouse spaces that cater to local tenants. Similarly, the rewards are the potential to tap into capital growth opportunities - however this may be more limited given the yield compression that saw industrial property values top out in recent years.

Like the broader industrial market, yields have begun to stagnate along with rental levels for entry-level industrial assets. Given the compression in yields and increase in rents over 2022/23, there was limited capacity for a continued drop in yields for 2024. Whilst land values have continued to creep upwards and vacancy rates remain low, industrial property still looks to be the go-to choice for investors despite the slowing growth of these metrics.

**Chris Winter**
Commercial Director

# Western Australia - Industrial 2024





## Perth

The more affordable industrial assets across the Perth metropolitan area tend to be located within secondary industrial precincts. Development in these estates typically comprises a not insignificant volume of small scale, often strata titled industrial (warehouse and factory) units. However, entry level assets in the sub $500,000 bracket can be found in all industrial precincts throughout metropolitan Perth.

These types of assets are popular with small business owners together with hobbyists or those requiring more space simply for storage purposes.

The historically low-interest rate environment has provided small businesses with a conducive, cost-effective opportunity to acquire such property at occupancy cost levels (i.e. mortgage repayments) that often prove more competitive than renting similar accommodation. Owner-occupied premises also avert the ongoing problem of regular rent reviews where rental liabilities can escalate through the duration of the lease term as opposed to mortgaged property where payments can be fixed.

Often owner-occupier business proprietors incorporate such property holdings in self-managed superannuation funds whereby the related business pays a rental to the superannuation fund. Such an arrangement enables the asset and the rental payments to remain with the owner essentially, as opposed to being lost to a third-party investor landlord.

*These types of assets are popular with small business owners together with hobbyists or those requiring more space simply for storage purposes.*

Accordingly, the market for such assets is primarily driven by owner-occupiers with the level of rental return derived from these properties, particularly noting the current interest rate environment, often insufficient to satisfy the appetite of a private investor. Properties subject to a lease may potentially achieve lower sale prices in comparison, as the purchase price tends to be dictated by the target yield.

The different motivations for the two market participants for acquiring a comparable property can lead to two notably different values being applicable.

The quality of tenants that tend to occupy these low-end industrial properties should be carefully scrutinised as part of any potential acquisition by an investor. Such tenants are often susceptible to fluctuations in cash flow and the security of tenure can be feeble.

Whilst re-letting such premises can prove a costly exercise in the event of vacancy, prospective landlords should be encouraged by the prevailing strong industrial leasing climate. Rents for modern strata titled industrial units and small-scale green titled properties are now circa $140 to $160 per square metre per annum net.

Pricing is a function of a variety of factors but typically rates per square metre of floor space for these strata titled industrial units start at circa $1250 per square metre for an older style, basic quality unit in an outer lying suburb to as high as say $3500 per square metre in the prime industrial estates closer to the CBD. Aside from location, other key drivers of value for these types of property include age of construction, floor area and quality of specification.

Recent sales of similar leased properties around Perth indicate market yields tend to range between 5.5% and 7.0% with variation in yield largely a function of age and quality of improvements, location, quantum of value and nature of lease covenant.

A plethora of options exist in Perth's southern suburbs including Cockburn Central, Bibra Lake, Forrestdale, Canning Vale and O'Connor. Suburbs such as Wangara and Malaga in the north are not in short supply either plus there remain recent additions to the marketplace in the newly developed Tonkin Highway Industrial Estate located east of the Perth CBD and Meridian Park Industrial Estate in Neerabup, some 32 kilometres north-west of Perth. Despite the prevalence of such developments, there is limited stock available for acquisition.

For both owner-occupiers and investors, newly constructed units also carry the added benefit of depreciation benefits making more modern units more sought after in the marketplace relative to older stock.

The local industrial property market is, arguably, at the peak of the sector's property cycle. Demand for entry-level stock has demonstrated strong capital growth in the past 12 to 18 months. Market rental rates for such assets have also shown pronounced uplift over this period. The clear lack of supply in the market, especially for contemporary built-form facilities, is likely to hold the key to the sustainability of the industrial market performance for the remainder of the year.

**Greg Lamborn**
Director



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# Northern Territory - Industrial 2024

## Darwin

Historically, the Darwin industrial sector focused on domestic functions, providing accommodation for businesses that service the local NT population. Local manufacturing was virtually non-existent and there was limited other demand for space.

Over the years, the segment grew, firstly around infrastructure such as the Alice Springs to Darwin rail line. We have seen the development of the East Arm Logistics Precinct near the Port of Darwin expand with many larger scale properties, mainly supporting logistics industries.

The next wave was the development of the offshore gas industry, specifically the two LNG processing plants on Darwin Harbour. The Inpex project especially led to a surge in demand for industrial accommodation from businesses associated with the construction of that project. However, the completion of construction in 2014 saw a decline in demand which has not really been restored today.

At the very entry level end of the Darwin industrial market are older style strata storage units which are not much more than the size of a garage. These start in price from about $35,000. These are mainly purchased by owner-occupiers. Investors may be able to get a 10% gross return or so, but this is quickly eroded by costs so that the net return is nowhere near as attractive.

Moving up the scale, larger storage units are available from about $110,000 but there is a further jump in values for strata units with a bit more accommodation and an office. Again, investor activity has been slow, because the net returns (after deducting costs such as Council rates and body corporate levies) eat up a large proportion of the gross rent achievable.

*At the very entry level end of the Darwin industrial market are older style strata storage units which are not much more than the size of a garage*

An older style Torrens Title warehouse and office in the Darwin area will generally start from about $700,000 to $800,000 and go up from there according to land area and building size and quality. But again, the majority of purchasers of these types of properties are owner-occupiers, whose main concern is to secure their own accommodation rather than see an immediate return on their capital investment.

The industrial property market has been fairly static for some time now but there are some early signs that it may be on the improve. We are starting to see some interstate investment in residential property in Darwin, attracted by the rental yields which are higher than in other capitals. We expect this will only spill over into the industrial property sector if we see some rental growth for these types of properties, which has been lacking in recent years.

Terry Roth
Director

COMMERCIAL - INDUSTRIAL

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# Property Market Indicators

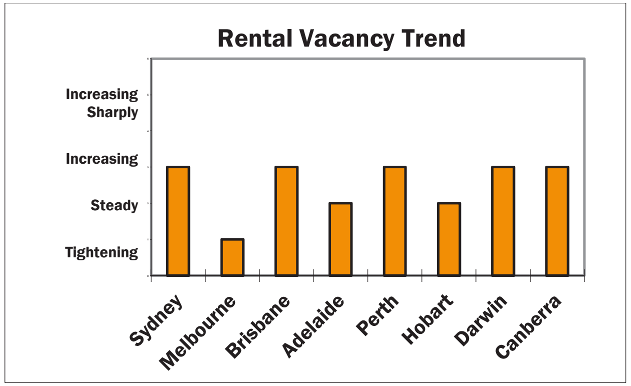
## September 2024

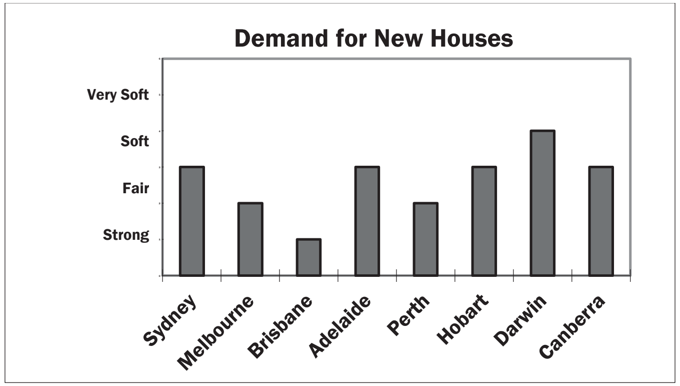
# Capital City Property Market Indicators – Houses

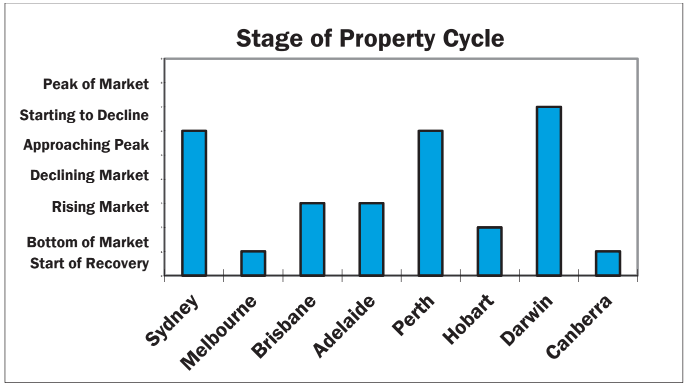
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Tightening sharply | Steady | Tightening | Steady | Tightening | Steady | Steady |
| Demand for New Houses | Fair | Strong | Very strong | Fair | Strong | Fair | Soft | Fair |
| Trend in New House Construction | Steady | Increasing | Declining | Increasing | Steady | Steady | Increasing | Increasing |
| Volume of House Sales | Steady | Steady | Increasing | Declining | Steady | Declining | Steady | Increasing |
| Stage of Property Cycle | Approaching peak of market | Start of recovery | Rising market | Rising market | Rising market | Bottom of market | Starting to decline | Start of recovery |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Occasionally | Frequently | Frequently | Almost never | Almost never | Occasionally |

*Red entries indicate change from previous month to a higher risk-rating*

*Blue entries indicate change from previous month to a lower risk-rating*



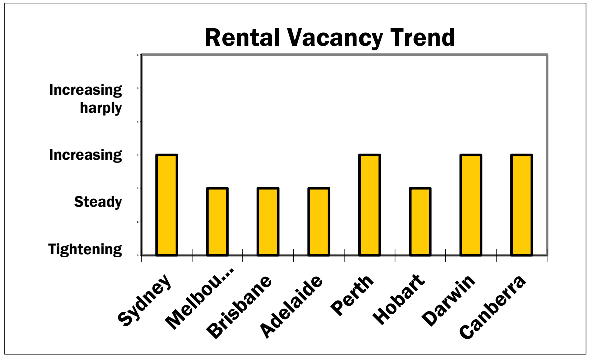



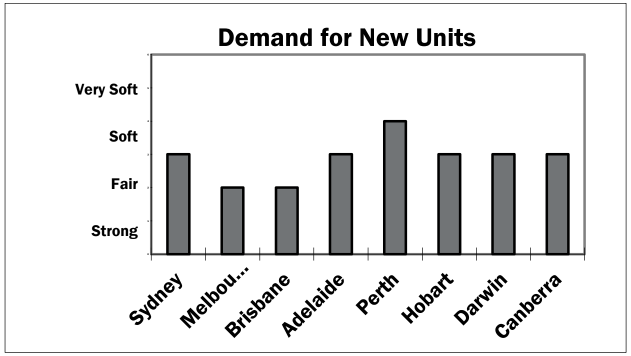
## Capital City Property Market Indicators – Units

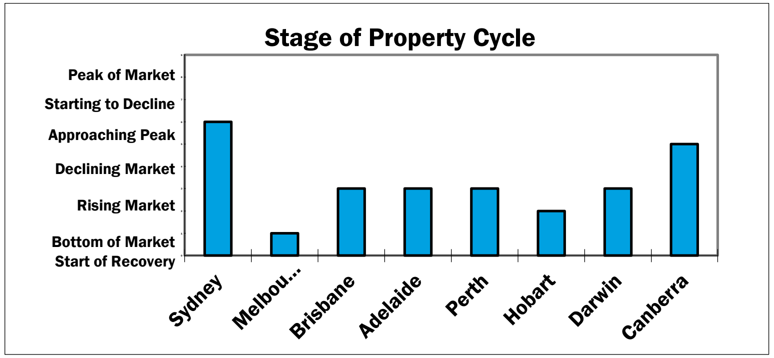
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Tightening | Tightening | Tightening | Steady | Tightening | Steady | Steady |
| Demand for New Units | Fair | Strong | Strong | Fair | Soft | Fair | Fair | Fair |
| Trend in New Unit Construction | Increasing | Steady | Increasing | Increasing | Increasing | Steady | Increasing | Steady |
| Volume of Unit Sales | Steady | Steady | Steady | Declining | Steady | Declining | Steady | Increasing |
| Stage of Property Cycle | Approaching peak of market | Start of recovery | Rising market | Rising market | Rising market | Bottom of market | Rising market | Declining market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Occasionally | Frequently | Occasionally | Almost never | Almost never | Occasionally |

*Red entries indicate change from previous month to a higher risk-rating*

*Blue entries indicate change from previous month to a lower risk-rating*



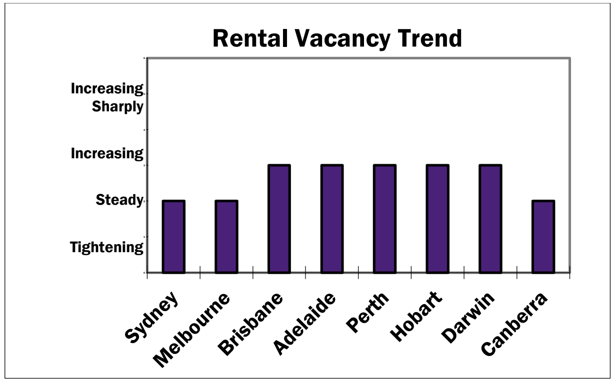



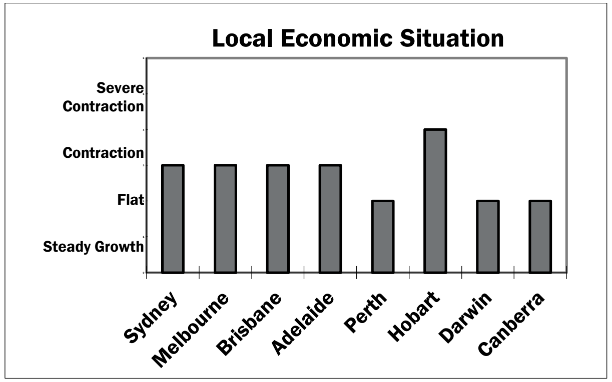
# Capital City Property Market Indicators – Industrial

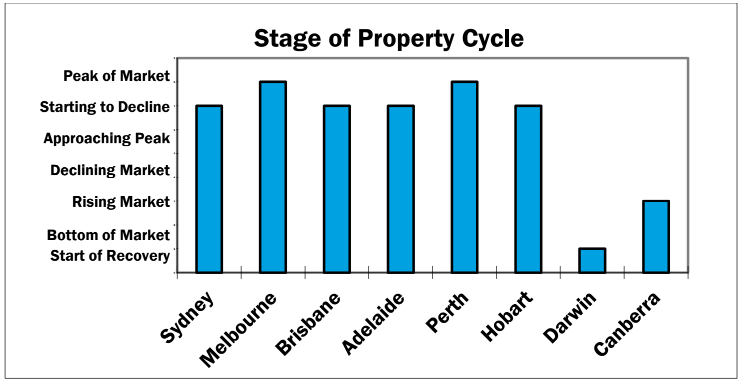
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Over-supply of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Tightening | Steady | Steady | Steady | Steady | Steady | Tightening |
| Rental Rate Trend | Increasing | Increasing | Stable | Increasing | Stable | Increasing | Stable | Increasing |
| Volume of Property Sales | Declining | Steady | Declining | Steady | Declining | Declining | Steady | Increasing |
| Stage of Property Cycle | Starting to decline | Peak of market | Starting to decline | Starting to decline | Peak of market | Starting to decline | Start of recovery | Rising market |
| Local Economic Situation | Flat | Flat | Flat | Flat | Steady growth | Contraction | Flat | Steady growth |
| Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants | Small | Small | Significant | Large | Small | Significant | Large | Small |

*Red entries indicate change from 3 months ago to a higher risk-rating*

*Blue entries indicate change from 3 months ago to a lower risk-rating*



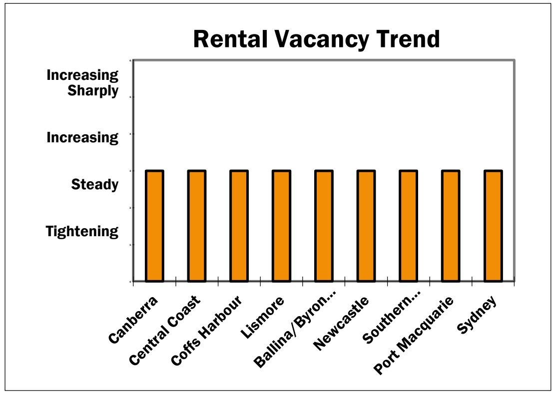



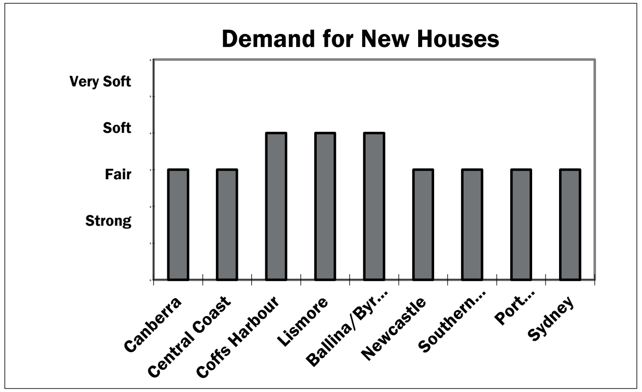
# East Coast New South Wales Property Market Indicators – Houses

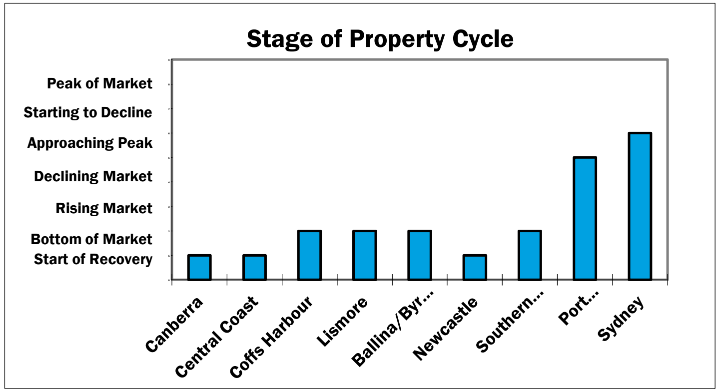
| Factor | Canberra | Central Coast | Coffs Harbour | Lismore | Byron Bay/Ballina | Newcastle | Southern Highlands | Port Macquarie | Sydney |
|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market | Severe shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Steady |
| Demand for New Houses | Fair | Fair | Soft | Soft | Soft | Fair | Fair | Fair | Fair |
| Trend in New House Construction | Increasing | Steady | Increasing strongly | Increasing | Increasing | Steady | Steady | Steady | Steady |
| Volume of House Sales | Increasing | Increasing | Steady | Steady | Steady | Increasing | Steady | Increasing | Steady |
| Stage of Property Cycle | Start of recovery | Start of recovery | Bottom of market | Bottom of market | Bottom of market | Start of recovery | Bottom of market | Declining market | Approaching peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Almost never | Almost never | Almost never | Occasionally | Frequently | Occasionally | Occasionally |

*Red entries indicate change from previous month to a higher risk-rating*

*Blue entries indicate change from previous month to a lower risk-rating*



# Country New South Wales Property Market Indicators – Houses

| Factor | Albury | Bathurst | Wodonga | Dubbo | Tamworth | Illawarra |
|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Balanced market | Balanced market | Shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Steady |
| Demand for New Houses | Fair | Soft | Fair | Fair | Strong | Fair |
| Trend in New House Construction | Steady | Increasing | Steady | Steady | Steady | Steady |
| Volume of House Sales | Declining | Steady | Declining | Increasing | Steady | Steady |
| Stage of Property Cycle | Approaching bottom of market | Starting to decline | Approaching bottom of market | Peak of market | Peak of market | Start of recovery |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Occasionally | Very frequently | Occasionally | Frequently |

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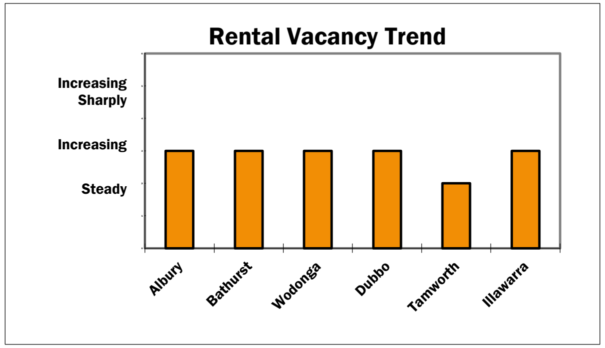
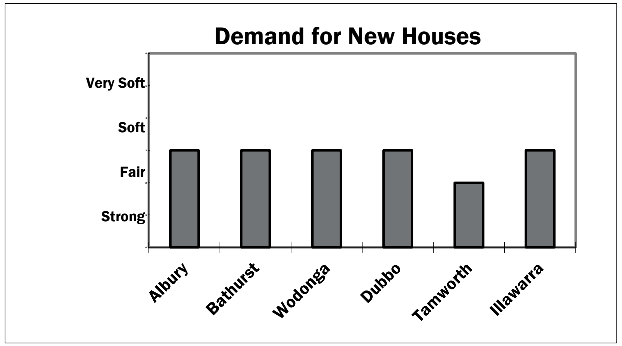
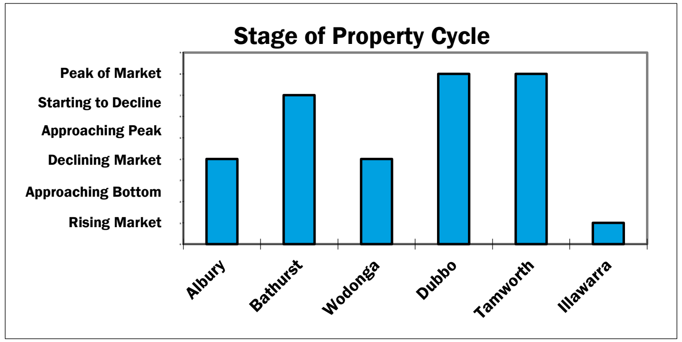
*Blue entries indicate change from previous month to a lower risk-rating*



# East Coast New South Wales Property Market Indicators - Units

| Factor | Canberra | Central Coast | Coffs Harbour | Lismore | Byron Bay/Ballina | Newcastle | Southern Highlands | Port Macquarie | Sydney |
|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Balanced market | Balanced market | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market | Severe shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Steady | Tightening | Steady | Steady | Steady |
| Demand for New Units | Fair | Strong | Fair | Fair | Strong | Strong | Fair | Fair | Fair |
| Trend in New Unit Construction | Steady | Declining significantly | Declining | Steady | Declining | Steady | Declining | Steady | Increasing |
| Volume of Unit Sales | Increasing | Increasing strongly | Steady | Steady | Increasing | Increasing | Steady | Steady | Steady |
| Stage of Property Cycle | Declining market | Start of recovery | Bottom of market | Bottom of market | Bottom of market | Start of recovery | Bottom of market | Declining market | Approaching peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Almost never | Almost never | Almost never | Occasionally | Frequently | Occasionally | Occasionally |

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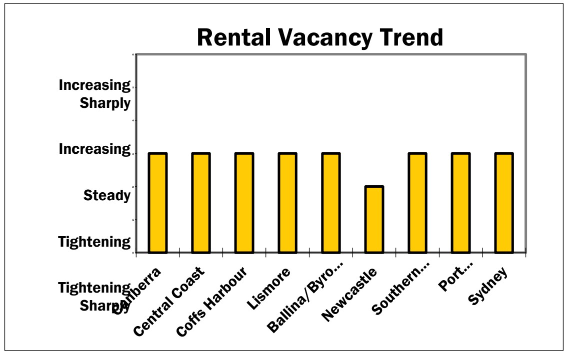
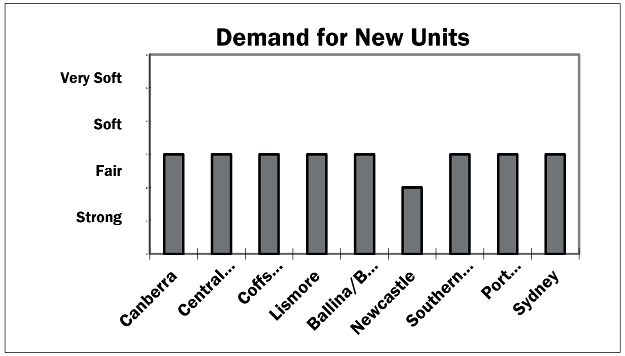
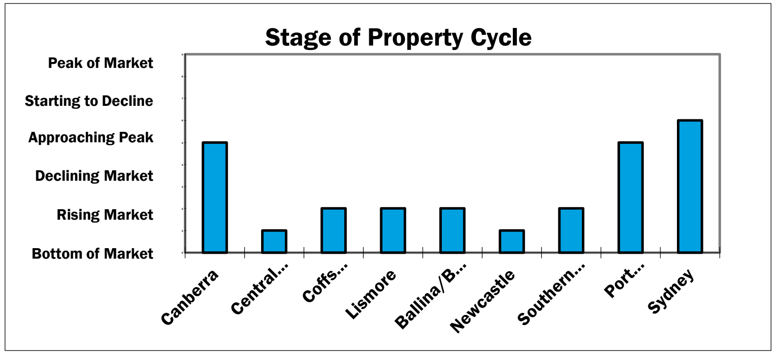
*Blue entries indicate change from previous month to a lower risk-rating*



# Country New South Wales Property Market Indicators - Units

| Factor | Albury | Wodonga | Bathurst | Dubbo | Tamworth | Illawarra |
|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Balanced market | Balanced market | Shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Steady |
| Demand for New Units | Fair | Fair | Soft | Fair | Strong | Fair |
| Trend in New Unit Construction | Steady | Steady | Increasing | Declining | Steady | Steady |
| Volume of Unit Sales | Steady | Steady | Steady | Steady | Steady | Steady |
| Stage of Property Cycle | Approaching bottom of market | Approaching bottom of market | Starting to decline | Rising market | Peak of market | Start of recovery |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Frequently |

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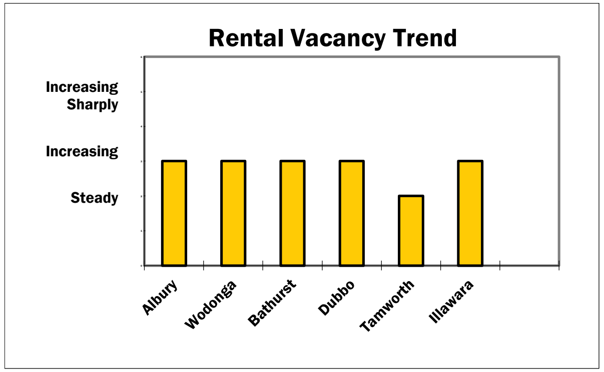


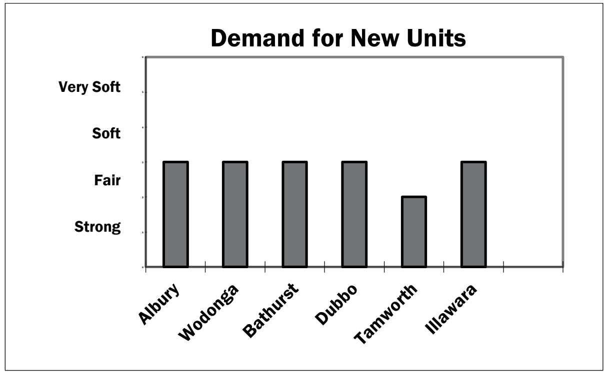


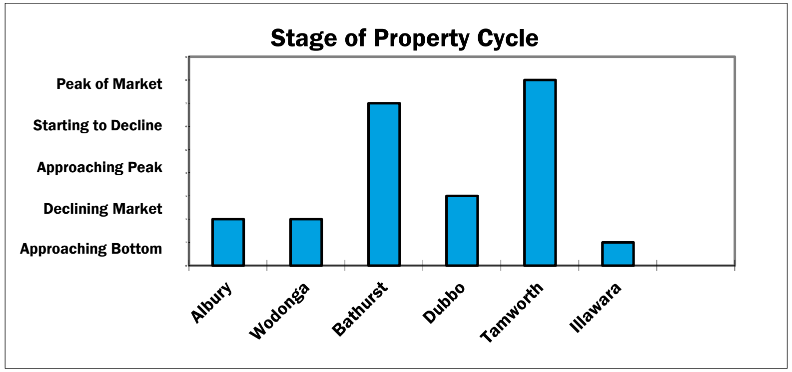

# East Coast & Country New South Wales Property Market Indicators – Industrial

| Factor | Canberra | Central Coast | Coffs Harbour | Lismore | Ballina/Byron Bay | Newcastle | Southern Highlands | Sydney |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Balanced market | Balanced market | Balanced market | Balanced market | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Steady | Steady | Steady | Steady | Steady | Tightening | Tightening |
| Rental Rate Trend | Increasing | Stable | Stable | Increasing | Stable | Increasing | Increasing | Increasing |
| Volume of Property Sales | Increasing | Declining | Declining | Declining | Declining | Steady | Increasing | Declining |
| Stage of Property Cycle | Rising market | Starting to decline | Approaching peak of market | Peak of market | Starting to decline | Rising market | Approaching peak of market | Starting to decline |
| Local Economic Situation | Steady growth | Flat | Steady growth | Flat | Flat | Flat | Steady growth | Flat |
| Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants | Small | Significant | Significant | Significant | Small | Small | Significant | Small |

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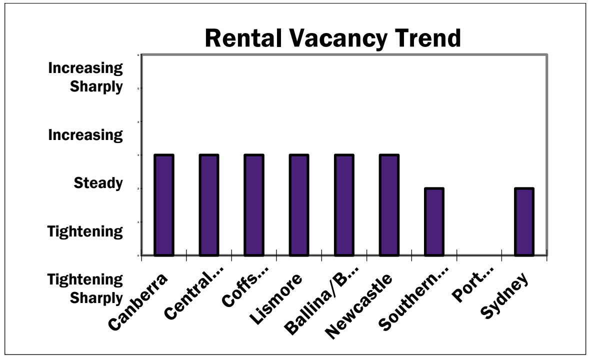
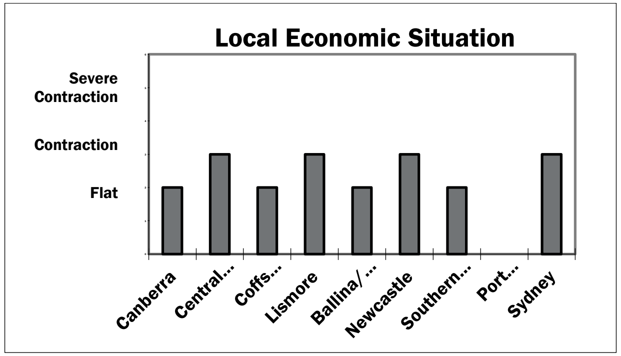
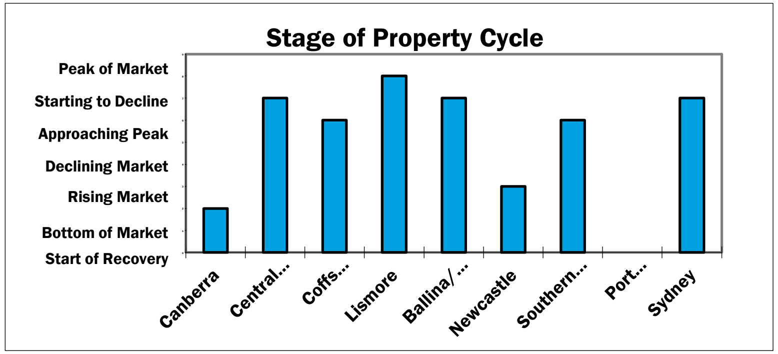
*Blue entries indicate change from 3 months ago to a lower risk-rating*



# Victorian and Tasmanian Property Market Indicators – Houses

| Factor | Geelong | Melbourne | Shepparton | Mildura | Mount Gambier | Hobart | Burnine/ Devenport | Launceston |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Tightening sharply | Steady | Steady | Steady | Tightening | Steady | Steady |
| Demand for New Houses | Fair | Strong | Soft | Fair | Fair | Fair | Fair | Fair |
| Trend in New House Construction | Increasing | Increasing | Increasing | Steady | Steady | Steady | Increasing | Increasing |
| Volume of House Sales | Steady | Steady | Steady | Steady | Declining | Declining | Steady | Steady |
| Stage of Property Cycle | Bottom of market | Start of recovery | Starting to decline | Peak of market | Peak of market | Bottom of market | Starting to decline | Starting to decline |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Almost never | Occasionally | Occasionally | Almost never | Occasionally | Occasionally |

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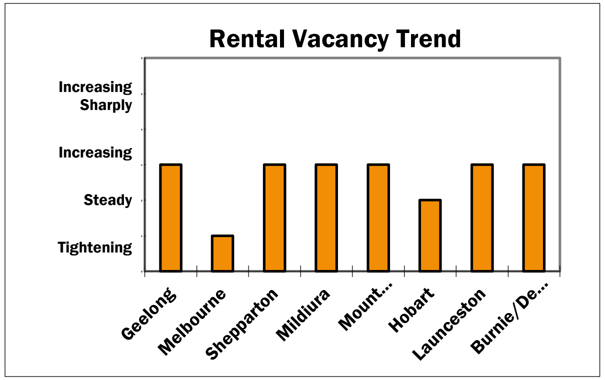
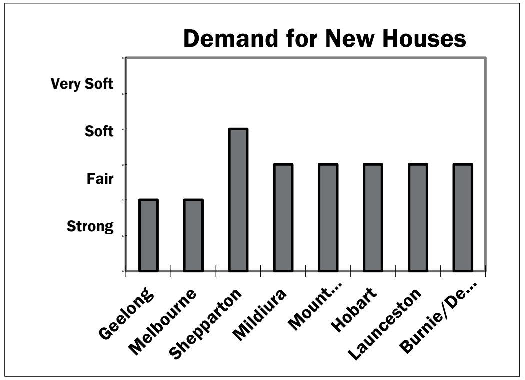
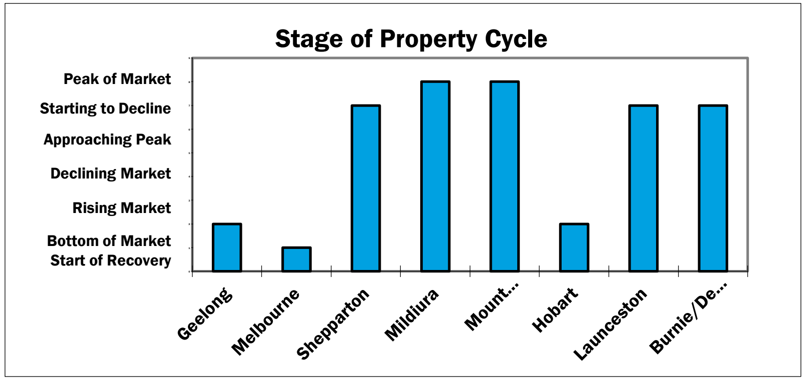


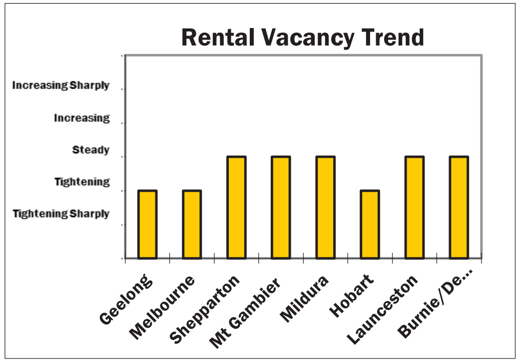



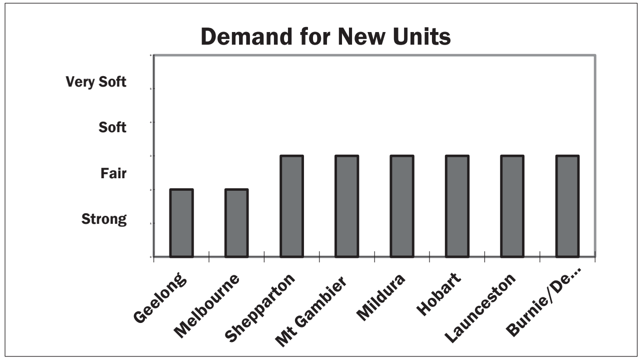



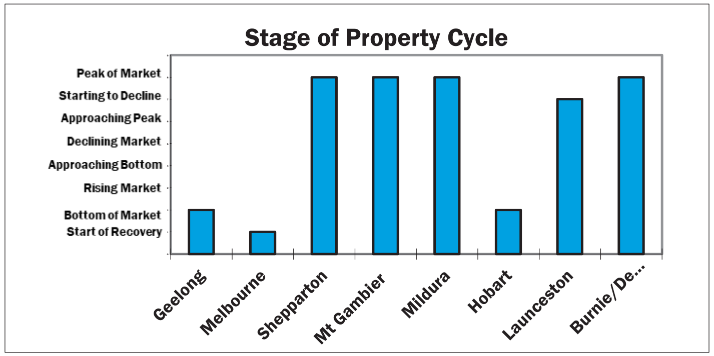
# Victorian and Tasmanian Property Market Indicators – Units

| Factor | Geelong | Melbourne | Shepparton | Mount Gambier | Mildura | Hobart | Launceston | Burnie/Develport |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Tightening | Steady | Steady | Steady | Tightening | Steady | Steady |
| Demand for New Units | Fair | Strong | Fair | Fair | Fair | Fair | Fair | Fair |
| Trend in New Unit Construction | Increasing | Steady | Declining | Steady | Steady | Steady | Increasing | Increasing |
| Volume of Unit Sales | Steady | Steady | Steady | Steady | Steady | Declining | Steady | Steady |
| Stage of Property Cycle | Bottom of market | Start of recovery | Peak of market | Peak of market | Peak of market | Bottom of market | Starting to decline | Peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Almost never | Occasionally | Occasionally | Almost never | Occasionally | Occasionally |

*Red entries indicate change from previous month to a higher risk-rating* *Blue entries indicate change from previous month to a lower risk-rating*



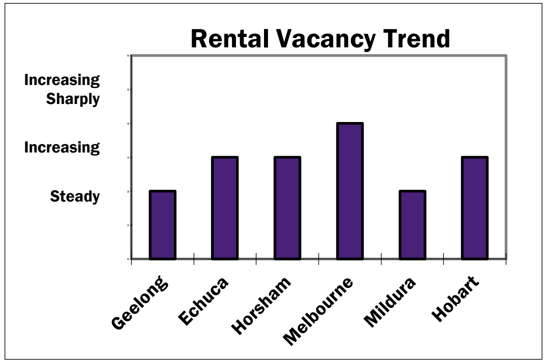



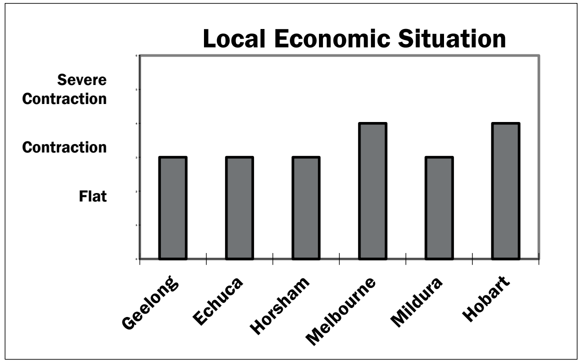
# Victorian and Tasmanian Property Market Indicators – Industrial

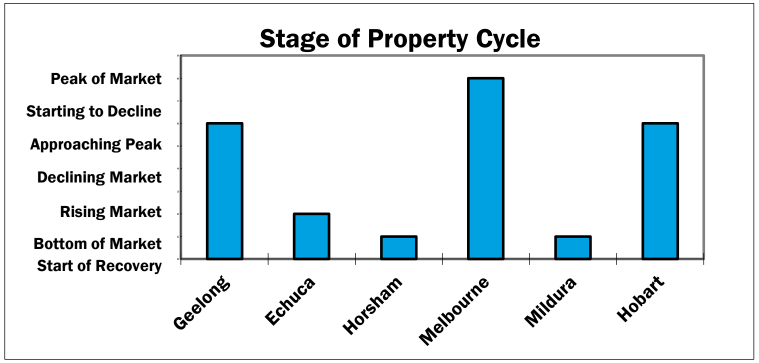
| Factor | Geelong | Echuca | Horsham | Melbourne | Mildura | Hobart |
|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Steady | Steady | Tightening | Steady | Steady |
| Rental Rate Trend | Increasing strongly | Stable | Stable | Increasing | Stable | Increasing |
| Volume of Property Sales | Steady | Steady | Steady | Steady | Steady | Declining |
| Stage of Property Cycle | Starting to decline | Rising market | Start of recovery | Peak of market | Start of recovery | Starting to decline |
| Local Economic Situation | Flat | Flat | Flat | Flat | Steady growth | Contraction |
| Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants | Significant | Small | Significant | Small | Small | Significant |

*Red entries indicate change from 3 months ago to a higher risk-rating*

*Blue entries indicate change from 3 months ago to a lower risk-rating*



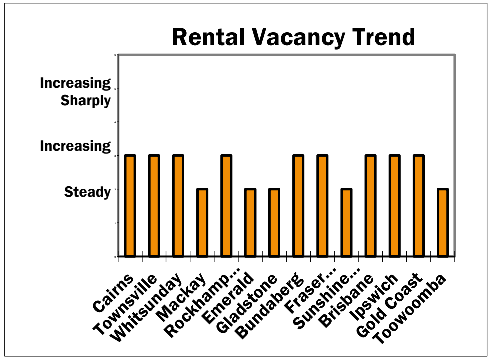



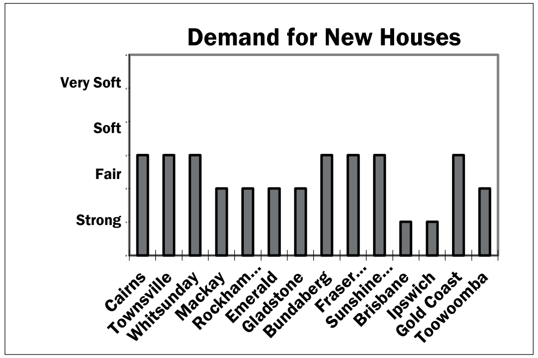
# Queensland Property Market Indicators – Houses

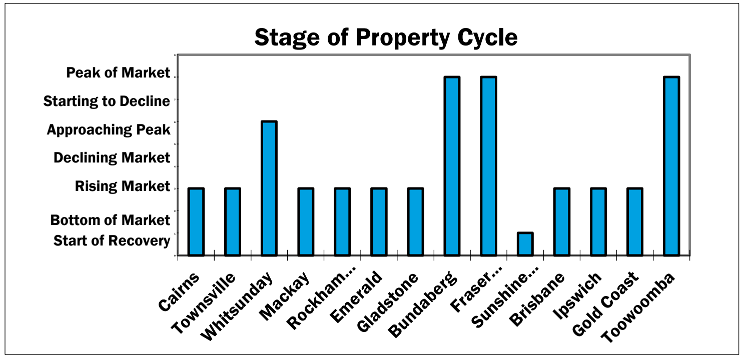
| Factor | Cairns | Townsville | Whitsunday | Mackay | Rockhampton | Emerald | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Ipswich | Gold Coast | Toowoomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Tightening | Steady | Tightening | Tightening | Steady | Steady | Tightening | Steady | Steady | Steady | Tightening |
| Demand for New Houses | Fair | Fair | Fair | Strong | Strong | Strong | Strong | Fair | Fair | Fair | Very strong | Very strong | Fair | Strong |
| Trend in New House Construction | Steady | Steady | Steady | Declining | Declining | Steady | Declining | Steady | Steady | Steady | Declining | Declining | Steady | Declining |
| Volume of House Sales | Declining | Declining | Steady | Increasing | Increasing strongly | Increasing | Increasing strongly | Steady | Steady | Declining | Increasing | Increasing | Steady | Increasing |
| Stage of Property Cycle | Rising market | Rising market | Approaching peak of market | Rising market | Rising market | Rising market | Rising market | Peak of market | Peak of market | Start of recovery | Rising market | Rising market | Rising market | Peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Frequently | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Frequently | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally |

*Red entries indicate change from previous month to a higher risk-rating*

*Blue entries indicate change from previous month to a lower risk-rating*



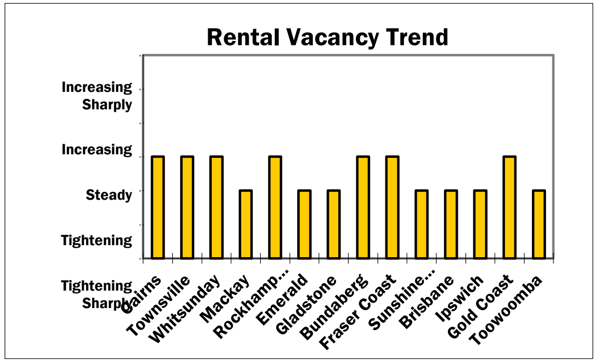



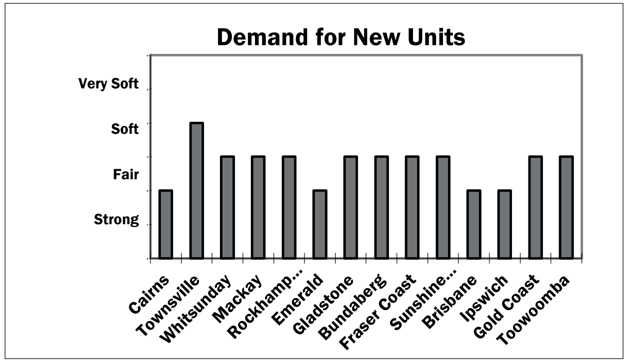



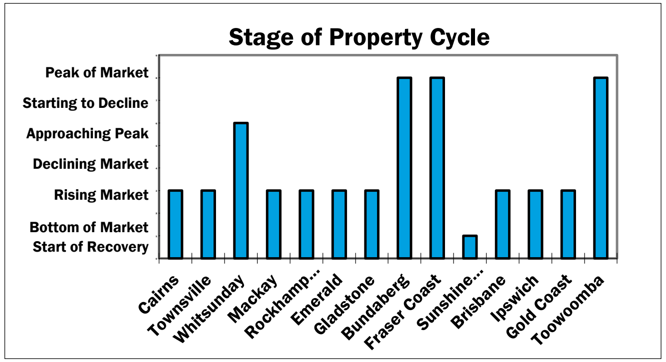
# Queensland Property Market Indicators – Units

| Factor | Cairns | Townsville | Whitsunday | Mackay | Rock-hampton | Emerald | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Ipswich | Gold Coast | Toowoomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Tightening | Steady | Tightening | Tightening | Steady | Steady | Tightening | Tightening | Tightening | Steady | Tightening |
| Demand for New Units | Strong | Soft | Fair | Fair | Fair | Strong | Fair | Fair | Fair | Fair | Strong | Strong | Fair | Fair |
| Trend in New Unit Construction | Steady | Increasing | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Increasing | Increasing | Steady | Steady |
| Volume of Unit Sales | Increasing | Increasing | Increasing | Increasing | Increasing | Increasing | Increasing | Steady | Steady | Declining | Steady | Steady | Steady | Increasing |
| Stage of Property Cycle | Rising market | Rising market | Approaching peak of market | Rising market | Rising market | Rising market | Rising market | Peak of market | Peak of market | Start of recovery | Rising market | Rising market | Rising market | Peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Frequently | Occasionally | Occasionally | Occasionally | Occasion-ally | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Occasion-ally | Occasion-ally | Occasionally | Occasionally |

*Red entries indicate change from previous month to a higher risk-rating* *Blue entries indicate change from previous month to a lower risk-rating*



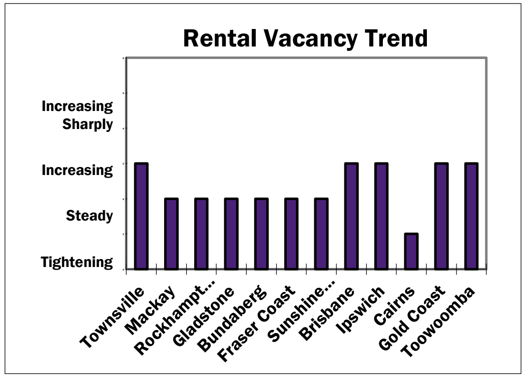



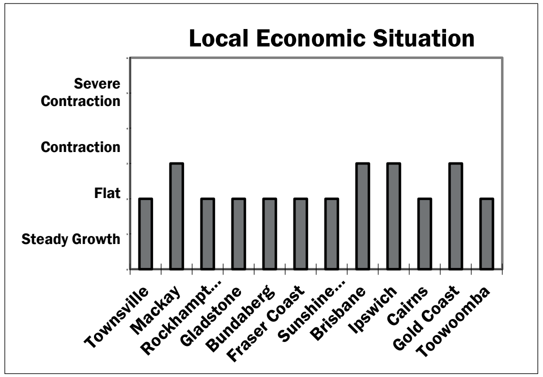
# Queensland Property Market Indicators – Industrial

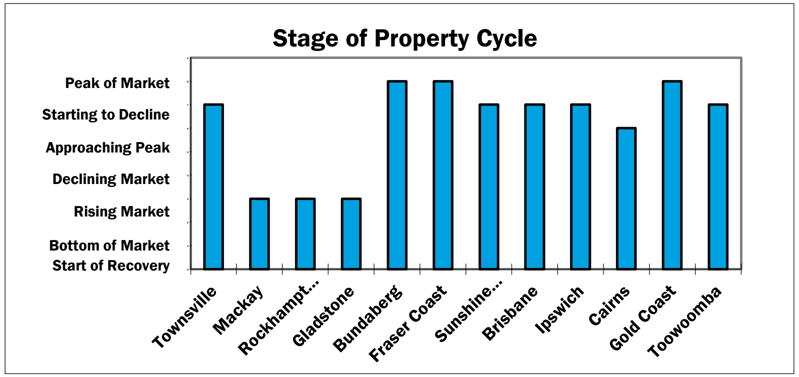
| Factor | Townsville | Mackay | Rockhampton | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Ipswich | Cairns | Gold Coast | Toowoomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Over-supply of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Tightening | Tightening | Tightening | Tightening | Tightening | Tightening | Steady | Steady | Tightening sharply | Steady | Steady |
| Rental Rate Trend | Stable | Stable | Increasing | Increasing | Increasing | Increasing | Increasing | Stable | Stable | Increasing | Stable | Stable |
| Volume of Property Sales | Steady | Steady | Increasing | Increasing | Declining | Declining | Steady | Declining | Declining | Steady | Declining | Declining |
| Stage of Property Cycle | Starting to decline | Rising market | Rising market | Rising market | Peak of market | Peak of market | Starting to decline | Starting to decline | Starting to decline | Approaching peak of market | Peak of market | Starting to decline |
| Local Economic Situation | Steady growth | Flat | Steady growth | Steady growth | Steady growth | Steady growth | Steady growth | Flat | Flat | Steady growth | Flat | Steady growth |
| Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants | Significant | Significant | Significant | Significant | Significant | Significant | Significant | Significant | Significant | Small | Small | Large |

*Red entries indicate change from 3 months ago to a higher risk-rating*

*Blue entries indicate change from 3 months ago to a lower risk-rating*



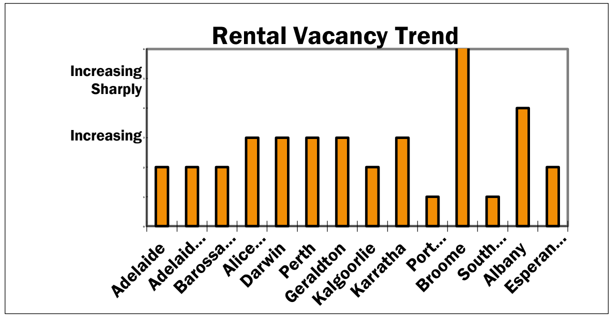



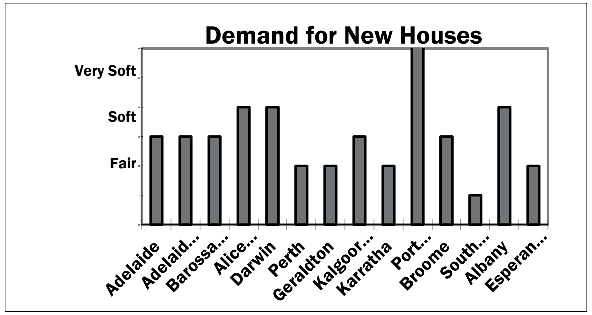
# SA, NT and WA Property Market Indicators - Houses

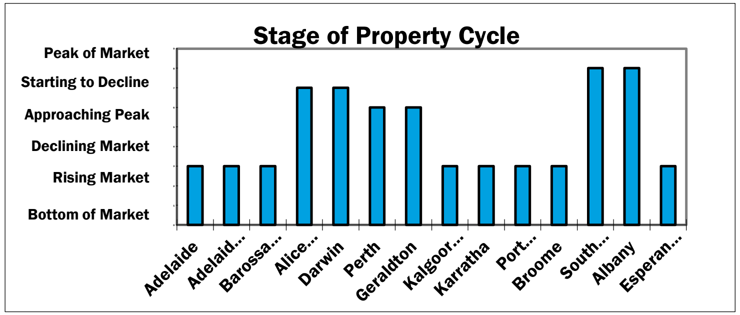
| Factor | Adelaide | Adelaide Hills | Barossa Valley | Alice Springs | Darwin | Perth | Geraldton | Kalgoorlie | Karratha | Port Hedland | Broome | South West WA | Albany | Esperance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Tightening | Tightening | Steady | Steady | Steady | Steady | Tightening | Steady | Steady | Tightening | Tightening sharply | Increasing | Steady |
| Demand for New Houses | Fair | Fair | Fair | Soft | Soft | Strong | Fair | Fair | Strong | Strong | Strong | Very strong | Soft | Fair |
| Trend in New House Construction | Increasing | Increasing | Increasing | Increasing | Increasing | Steady | Declining | Declining | Declining | Declining | Declining | Declining significantly | Increasing | Declining |
| Volume of House Sales | Declining | Declining | Declining | Declining | Steady | Steady | Increasing | Steady | Steady | Steady | Steady | Increasing | Declining | Increasing |
| Stage of Property Cycle | Rising market | Rising market | Rising market | Starting to decline | Starting to decline | Approaching peak of market | Approaching peak of market | Rising market | Rising market | Rising market | Rising market | Peak of market | Peak of market | Rising market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Frequently | Frequently | Frequently | Almost never | Almost never | Frequently | Occasion-ally | Occasion-ally | Occasion-ally | Almost never | Occasionally | Very frequently | Occasionally | Almost never |

*Red entries indicate change from 3 months ago to a higher risk-rating*

*Blue entries indicate change from 3 months ago to a lower risk-rating*



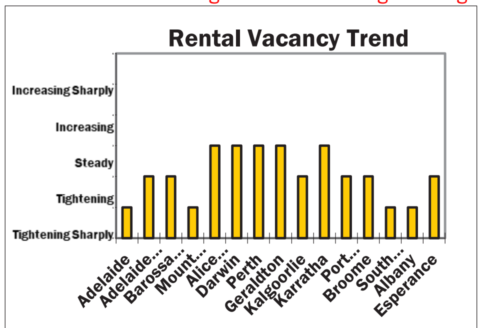



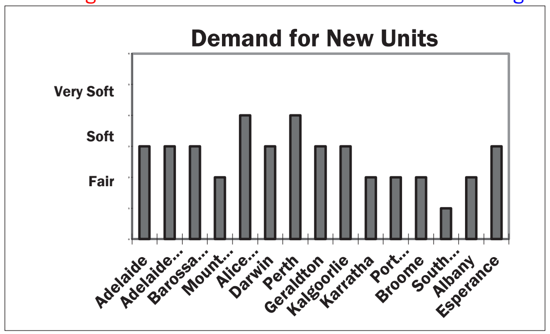



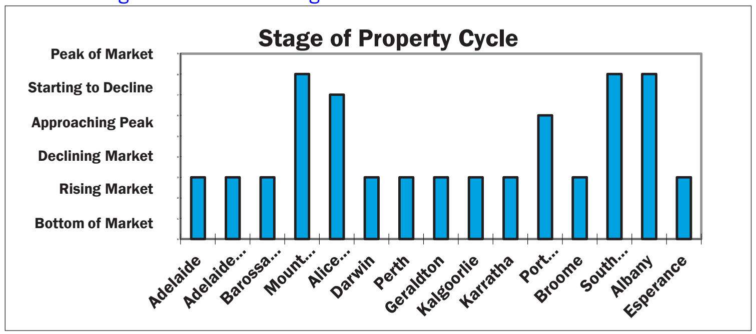
# SA, NT and WA Property Market Indicators – Units

| Factor | Adelaide | Adelaide Hills | Barossa Valley | Mount Gambier | Alice Springs | Darwin | Perth | Geraldton | Kalgoorlie | Karratha | Port Hedland | Broome | South West WA | Albany | Esperance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Tightening | Tightening | Steady | Steady | Steady | Steady | Steady | Tightening | Steady | Tightening | Tightening | Tightening sharply | Tightening sharply | Steady |
| Demand for New Units | Fair | Fair | Fair | Fair | Soft | Fair | Soft | Fair | Fair | Strong | Strong | Strong | Very strong | Strong | Fair |
| Trend in New Unit Construction | Increasing | Increasing | Increasing | Steady | Increasing | Increasing | Increasing | Steady | Steady | Steady | Steady | Steady | Declining significantly | Declining significantly | Steady |
| Volume of Unit Sales | Declining | Declining | Declining | Steady | Declining | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Increasing | Increasing | Steady |
| Stage of Property Cycle | Rising market | Rising market | Rising market | Peak of market | Starting to decline | Rising market | Rising market | Rising market | Rising market | Rising market | Approaching peak of market | Rising market | Peak of market | Peak of market | Rising market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Frequently | Frequently | Frequently | Occasionally | Almost never | Almost never | Occasionally | Occasionally | Occasionally | Occasionally | Almost never | Almost never | Very frequently | Occasionally | Almost never |

*Red entries indicate change from 3 months ago to a higher risk-rating* *Blue entries indicate change from 3 months ago to a lower risk-rating*



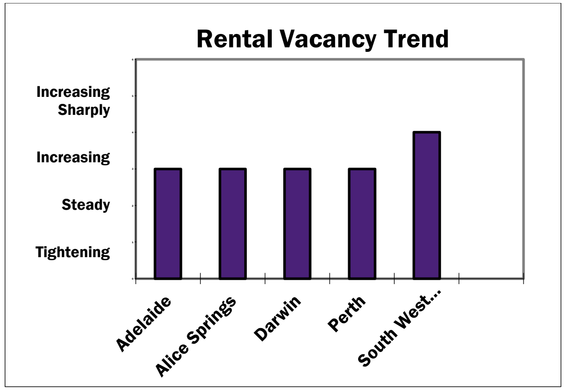



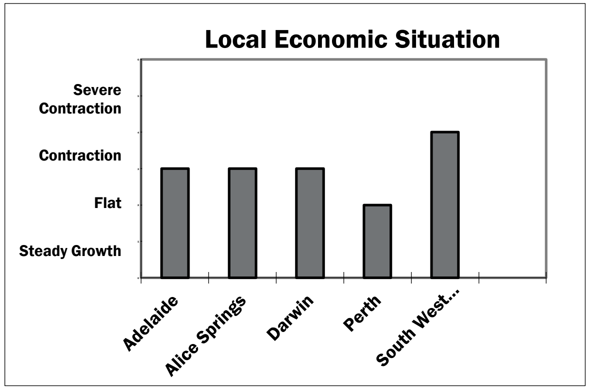
# SA, NT and WA Property Market Indicators – Industrial

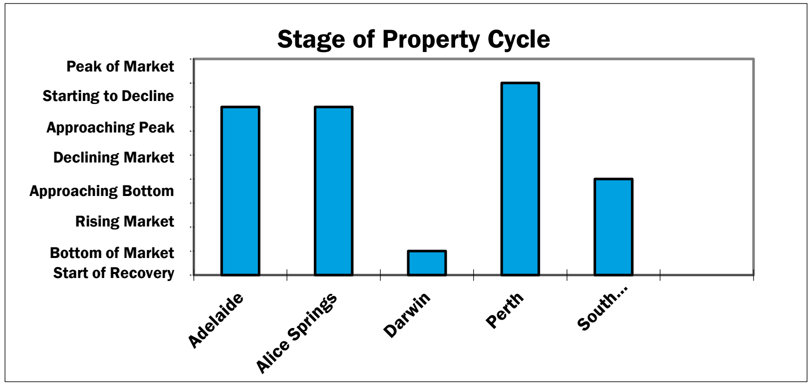
| Factor | Adelaide | Alice Springs | Darwin | Perth | South West WA |
|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Severe shortage of available property relative to demand | Over-supply of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Increasing |
| Rental Rate Trend | Increasing | Stable | Stable | Stable | Declining |
| Volume of Property Sales | Steady | Steady | Steady | Declining | Steady |
| Stage of Property Cycle | Starting to decline | Starting to decline | Start of recovery | Peak of market | Approaching bottom of market |
| Local Economic Situation | Flat | Flat | Flat | Steady growth | Contraction |
| Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants | Large | Small | Large | Small | Large |

*Red entries indicate change from 3 months ago to a higher risk-rating*

*Blue entries indicate change from 3 months ago to a lower risk-rating*



## TALK TO YOUR LOCAL EXPERT

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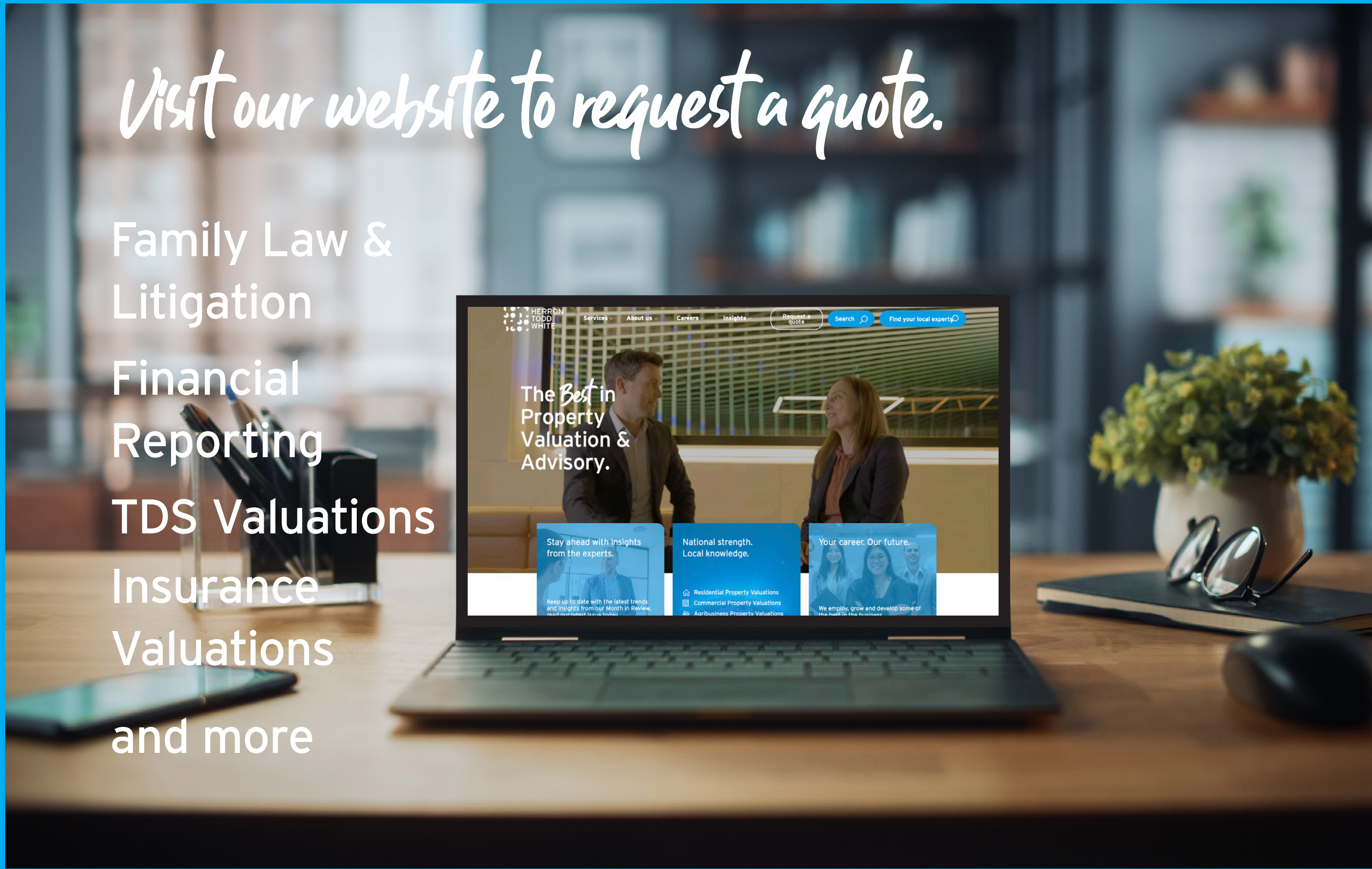


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