HERRON TODD WHITE

Month in Review

Industrial - December 2024

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

National Industrial Overview

The Australian industrial market segment is going through an adjustment period of stabilisation after showing record growth post the COVID-19 pandemic (2021 to Quarter 2, 2023). The key factors to this stabilisation appear to be consistent interest rate rises post May 2022, declining consumer confidence, and the increased cost of construction materials and labour. Throughout 2024, a real measure of this was the reported reduction in transaction volumes, particularly for properties in excess of $20 million.

Nick Michael
Director

Further inflationary pressures and declines in residential markets are expected to have additional flow on effects to the industrial segment going forward. Higher construction costs as well as planning and servicing delays in several key precincts have created further complexity. These affect the feasibility of new projects which is likely to have an impact on the future supply pipeline of industrial space.

A key factor to stabilisation across this market is vacancy rates. For example, along the eastern seaboard our major capital cities have seen these rates increase. Sydney for example has seen vacancies increase nearly double (currently at 3.75 per cent), with Melbourne rising to approximately 3.1 per cent and Brisbane at near 3.4 per cent. This is largely due to ongoing supply additions, the market flipping to the tenant's favour and tenants taking longer to make occupation decisions.

In addition to vacancy increases, we are seeing higher incentives across all precincts. As a by-product, prime net face rents in Sydney's industrial market have held flat since late 2023, with prime net face rents still up marginally across all Melbourne, with six per cent growth over the past year as the flight to quality continues.

Overall transactional activity sub $20 million remains at somewhat steady levels, still driven by both opportunistic and value-add transactions, giving rise to the thinking that confidence in the longer term exists as investors recalibrate risk and return expectations. Continued talk of interest rate cuts next year should further boost investor sentiment, while the yield stabilisation and retraction over the four quarters suggests that the market is nearing its cyclical low.

The industrial investment market remains one of the most sought-after asset classes because it is relatively low risk and has long-term growth potential in comparison to retail or office style assets. Prime industrial yields have also stabilised more quickly than other sectors, indicating pricing adjustment has likely completed. Land values have generally held firm across the major Australian markets. This is due to a continued lack of land ready to be developed and available for purchase, continued land banking by major developers and more recently, a surge in owner-occupiers.

Lower inflation and interest rates, which we expect to see next year, will have a flow on effect to the logistics sector through a return to greater spending. Population growth will also contribute to a potential pickup in the industrial sector once more.

In final overview, the industrial market has strengthened significantly over the past five years yet is showing signs of overheating across 2024. Submarkets where supply moderately outpaces long-term take-up volumes include Brisbane's west, Melbourne's north and west and Adelaide's outer north, however in each case, vacancy rates remain well below balanced levels.

National Property Clock: *Industrial*

Entries coloured purple indicate positional change from last month.

Bundaberg
Fraser Coast
Gold Coast
Lismore
Perth

Cairns
Illawarra
Southern Highlands

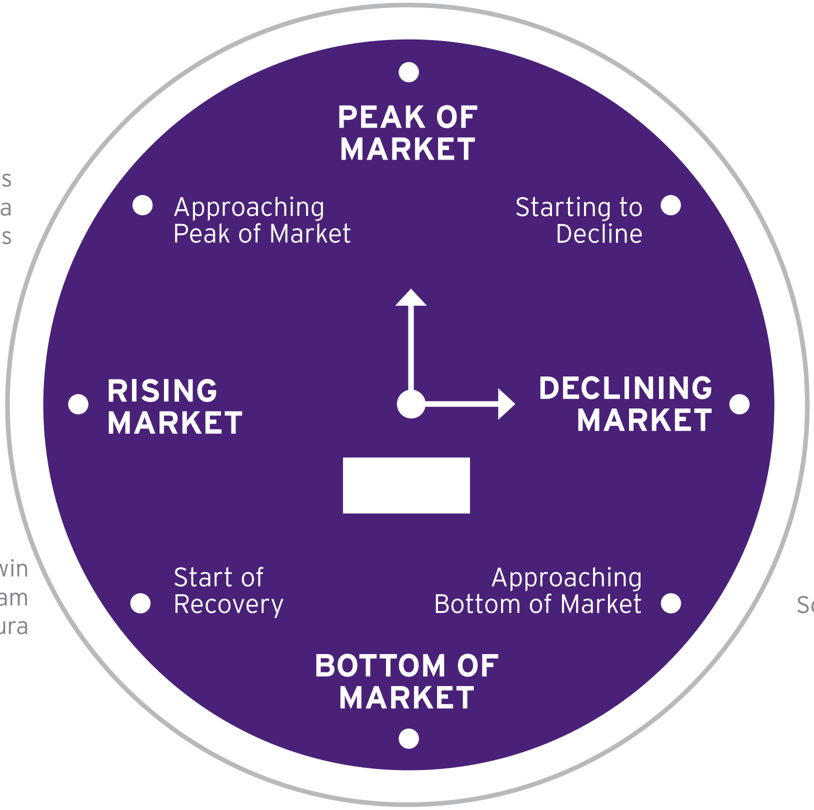
Adelaide
Alice Springs
Ballina/Byron Bay
Brisbane
Central Coast
Coffs Harbour
Geelong
Hobart
Ipswich
Melbourne
Sunshine Coast
Toowoomba
Townsville

C'berra/ Q'beyan
Echuca
Gladstone
Mackay
Newcastle
Rockhampton

Orange
Sydney

Darwin
Horsham
Mildura

South West WA



HERRON TODD WHITE

New South Wales - Industrial 2024

Sydney

The past 12 months have provided stagnant conditions across most of Sydney's industrial markets. The market is coming off a high that saw unprecedented growth over the past two years resulting in record breaking rates being paid and record low yields. The strong demand has been attributed to numerous factors including lack of stock, increased consumer spending for online goods, increased demand for building supplies and strong confidence in the market. This strong sentiment has passed, and we are seeing a decline in values associated with lower demand.

During most of 2024 there was a noticeable decline in the volume of sales for this sector with agents reporting much longer selling periods. On a positive note, we have seen a slight uptick in sales volumes in recent weeks.

Following a prolonged period of stagnation, rental rates lifted considerably during 2023 but this year we have seen the market return to a more stable position. There seems to still be reasonable demand and supply creating a more balanced market.

We are gradually seeing yields increase and may see more investors returning to the industrial market capitalising on the better returns. The increased rental rates may spur some interest from investors, but overall, the decline in market demand has resulted in higher yields. It would appear that the uncertainty in the market is being priced in.

Despite the more negative commentary generally, there are still some positive signs in the market. A recent sale in Western Sydney showed a near 100 per cent increase in value since 2020, proving that there are gains to be made and buyers are still showing interest in the market.

2025 should prove to be an interesting year with the potential for changes to interest rates and hopefully improvement in broader economic conditions.

Angeline Mann
Commercial Director

We are gradually seeing yields increase and may see more investors returning to the industrial market capitalising on the better returns.

Victoria - Industrial 2024

Melbourne

The first half of 2024 was relatively inactive with limited leasing transactions across the board compared to the levels recorded over the past three years. That said, activity increased considerably in Quarter 3, 2024 with just over 280,000 square metres of industrial space leased (for new lease agreements above 3000 square metres).

This result was the highest quarterly total in over a year and brought the total for 2024 year on year to approximately 750,000 square metres. This submarket is estimated to reach one million square metres by year's end.

Most leasing transactions in the quarter were for existing facilities, while pre-lease activity remains low, accounting for just under 25 per cent of floorspace leased in Quarter 3, 2024, a reduction from the 2020 to 2023 average of 38 per cent. However, rising incentives in select markets is expected to underpin further pre-lease activity as tenants take advantage of more favourable leasing metrics.

Melbourne's logistics and industrial vacancy rate increased moderately to 2.1 per cent in Quarter 3, 2024, a slight increase from 1.6 per cent in the last quarter. Incentives appear to be playing a larger role in rental negotiations today. In particular, the west submarket has seen deals with incentives in the mid to high 20 per cent range. That said, incentives are averaging between 15 and 20 per cent across both prime and secondary grades across the board.

> *Any previous growth has been stymied by higher yields and construction costs, and the cost of money which continues to test the feasibility of new projects.*

Aside from the above, yields for both prime and secondary grades held steady for the third consecutive quarter. Across Quarter 3, 2024, the average core market yield sat at 5.50 per cent.

Industrial land values in Melbourne have also remained steady. Any previous growth has been stymied by higher yields and construction costs, and the cost of money which continues to test the feasibility of new projects.

Whilst the above reflects what has occurred, we expect the market to include further adjustments with rising incentives and anticipated interest rate cuts next year expected to encourage more leasing and investment activity across the board. Structural drivers such as e-commerce growth and supply chain enhancements will continue to support demand, particularly in Melbourne's western industrial hubs, signalling resilience in the sector despite broader economic challenges and headwinds.

Nick Michael
Director

HERRON TODD WHITE

Queensland - Industrial 2024

Brisbane

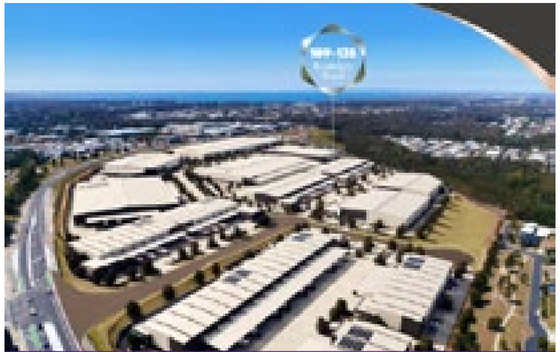
The industrial market has continued to go from strength to strength throughout 2024 amidst sustained levels of demand from investors and owner-occupiers, coupled with a general undersupply of industrial real estate. Land shortages have presented challenges to developers looking to make new development feasible and accordingly, there were constrained supply levels throughout the year, driving growth for existing properties.

Rental growth has been a prominent theme throughout the year with continued growth in the sub 5000 square metre, freestanding market however at an institutional level, it is becoming evident that growth is stagnant. Strata unit rental growth has also begun to slow as there has been an increasing amount of strata complexes, either currently under construction or recently completed and on the market which has aided in correcting supply levels throughout 2024. Notwithstanding, we are still in an environment where renewals for existing, older leases will realise some strong uplift in income and incentives remain subdued.

The investment market has demonstrated some levels of recovery in terms of transactional volumes with more certainty around interest rates in comparison to 2022 and 2023. In the $5 million plus investment market, yields have generally softened to levels north of 6.00% which is a factor of the cost of debt. There are some examples throughout Brisbane where cash buyers have acquired assets for firmer yields however for the most part, yields seem to have stabilised with a slight buffer over the cost of debt. Capital growth has however remained strong, piggy-backing off the rental growth. The sub $5 million market has demonstrated the strongest levels of capital value growth due to the strong owner-occupier demand.

Notable transactions include some freestanding, brand new industrial warehouses in Wright Place, Algester, developed by Castle Property Group, reflecting GLA value rates up to circa $3800 per square metre. These were purchased by owner-occupiers. Evidence has also emerged of secondary (older style or sheet metal) industrial assets in this price bracket reflecting capital value rates of between $2500 and $3000 per square metre on the GLA. This is attributable to the shortage of stock available for immediate occupation and the flow-on effect to properties which were once not so attractive.

Despite a perception early in 2024 that land values may be at their turning point, transactions have demonstrated that growth for development sites is still very prominent. Land sales in Brendale and Narangba have reflected rates north of $650 per square metre and particular transactions in the TradeCoast are now showing a minimum of $800 per square metre. This demonstrates the continued scarcity of readily developable industrial land across Brisbane, with developers now looking to secondary and tertiary locations such as North Maclean, Swanbank and Beaudesert to bring more land to the market.



Narangba sale Source: realcommercial.com.au

Finally, in a landmark transaction for 2024, North Lakes has set a new benchmark for the Brisbane land market with a $114 million deal, marking the largest englobo industrial land sale for Brisbane this year. This transaction underscores the rising demand for DA approved land in Brisbane, reflecting this wider area as a prime growth

The industrial market has continued to go from strength to strength throughout 2024 amidst sustained levels of demand from investors and owner-occupiers, coupled with a general undersupply of industrial real estate.

HERRON TODD WHITE

corridor with strong investment appeal. The site will be benched, serviced and ready to build on with a developable area of approximately 25.2 hectares and the ability to cater for in excess of 100,000 square metres of gross floor area.

The substantial sale price highlights investor confidence in the region's future, driven by its strategic location, infrastructure close to the master planned North Lakes estate, and lifestyle amenities. This record-breaking transaction signals continued strength in southeast Queensland's real estate landscape.

Mackenzie Osborne
Valuer

Gold Coast

The industrial property market on the central Gold Coast and Tweed Coast has shown remarkable resilience throughout 2024, navigating a challenging economic landscape shaped by high interest rates and rising construction costs. Despite these headwinds, key sectors and regions have maintained strong performance, while shifts in demand and supply dynamics have defined the year's trends.

The central Gold Coast industrial market continues to demonstrate robust performance, although growth has tempered following years of rapid expansion. Following unprecedented value growth from 2020 to 2023 driven by land shortages, industrial land values stabilised in 2024. Elevated interest rates and construction costs have constrained new developments, impacting project feasibility. A notable sale at 385 Southport Nerang Road, Molendinar, fetched $16.5 million ($689 per square metre on total land area or $963 per square metre adjusted for embankments), reflecting

> *Boutique developments like mancaves and workstores, which saw strong demand during the COVID years, reported slower sales, particularly in the self-storage segment.*

ongoing demand despite these pressures. Freehold industrial properties remained highly sought after by owner-occupiers and investors, with yields for high-quality assets holding firm below 6%. For example, 9 Distribution Avenue, Molendinar, sold for $4.2 million in August 2024, achieving a 5.24% yield on a lease term certain of 4.81 years.

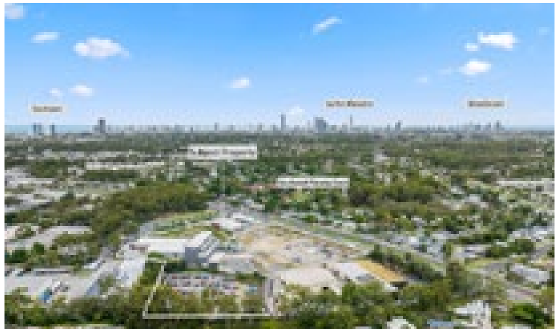
The strong demand for vacant possession properties was exemplified by the sale of 13 Ramly Drive, Burleigh Heads, on 18 October 2023. This property, offering an 810 square metre building area, sold for $4.65 million, equating to an impressive $5741 per square metre. The transaction underscores the continued appetite for high-quality assets in tightly held markets like Burleigh Heads, even as broader economic conditions apply pressure on some sectors.

The once-booming market for strata industrial units experienced a notable slowdown in 2024. Boutique developments like mancaves and workstores, which saw strong demand during the COVID years, reported slower sales, particularly in the self-storage segment. Developers have noted a shift in favour of warehouse units, reflecting evolving market preferences. Strata projects that launched earlier in the cycle faced challenges in achieving pre-sales and maintaining momentum as demand softened throughout 2023 and 2024.

While the industrial leasing market has stabilised following years of rapid growth, rental rates remain historically high. Low vacancy levels underscore the strength of the market, but agents have reported tougher leasing conditions in 2024. Some tenants have begun to experience rental stress, a trend worth monitoring in the year ahead.

The southern Gold Coast and Tweed Coast markets have continued to thrive, driven by strong demand for industrial properties and a scarcity of developable land. Limited availability of redevelopment sites on the southern Gold Coast has prompted developers to explore opportunities further south in Tweed Heads and Tweed Heads South. A record-breaking sale of an industrial property with vacant possession highlighted the strength of the market, with prices reflecting robust demand even in a high-interest-rate environment. Developers have adjusted to market preferences, favouring warehouse units over self-storage facilities in new developments.

The Gold Coast and Tweed Coast industrial property markets have shown resilience and adaptability in 2024, navigating a complex environment while maintaining strong performance in key segments. As the year ends, stabilisation



385 Southport Nerang Road & 4 Industrial Avenue, Molendina
Source: DevelopmentReady

trends and emerging market shifts set the stage for continued evolution in 2025, particularly in the context of economic conditions, tenant demand and development activity.

The Gold Coast and Tweed Coast industrial property markets have shown resilience and adaptability in 2024, navigating a complex environment while maintaining strong performance in key segments. As the year ends, stabilisation trends and emerging market shifts set the stage for continued evolution in 2025, particularly in the context of economic conditions, tenant demand and development activity.

Ryan Kohler
Director

Sunshine Coast

As 2024 draws to a close, we'd like to share some observations about our local industrial market.

Investors have become increasingly selective, carefully evaluating risk and return due to rising borrowing costs. This has contributed to a widening yield spread between prime assets in highly sought-after locations and secondary assets, particularly those with inherent challenges or in less desirable locations.

A persistent lack of supply has kept demand from owner-occupiers robust. These buyers are often willing to pay a premium over investors to secure properties, particularly stand-alone assets or larger strata units. Conversely, off-the-plan industrial strata units (sub 200 square metres) have seen a softening in interest. Higher borrowing costs, prolonged construction timelines, and concerns over project viability have deterred potential buyers. However, completed projects continue to attract reasonable interest, albeit at softened levels compared to the peak of 18 to 24 months ago.

Investors have become increasingly selective, carefully evaluating risk and return due to rising borrowing costs.

The vacant land market has remained buoyant, with limited availability bolstering values. Despite elevated construction costs, land rates per square metre have continued to rise. For example, a 5204-square-metre site in Coolum Beach traded multiple times in 2024, selling initially for $480 per square metre in January and subsequently for $500 per square metre in June. Demand for a new land release, Stage 2 of the Sunshine Coast Industrial Park at Corbould Park, has also been reported as strong.

Rents have continued their upward trajectory, particularly in tightly-held precincts. This growth is underpinned by low supply but is also influenced by rising land prices and elevated construction costs. Demand has remained strong, in particular for larger stand-alone facilities with some notable tenants seeking a presence on the Sunshine Coast.

In summary, 2024 has seen a varying industrial property market on the Sunshine Coast, characterised by heightened discernment among investors, strong owner-occupier activity, buoyant land values, and continued rental growth. However, challenges such as higher borrowing costs and construction risks have tempered certain segments of the market.

Jaydon McDowell
Associate Director

Wide Bay

Transactional sales activity remains low resulting from limited stock on the market, particularly where the market is traditionally most active under $700,000 and below 6000 square metres for vacant land. Supporting an as-if-complete valuation for the finished product is somewhat challenging with costs rising so quickly during 2022 and 2023 and gross effective rent growth now slowing.

We have noticed rises to landlords' insurance threatening the net income growth of assets, particularly for larger scale industrial premises on gross leases. We are likely to see insurance premiums and power consumption costs remaining a focal point during 2025 for industrial property owners and tenants as occupancy costs and rent affordability begin to bite.

We may begin to see industrial development spread into peripheral areas of Hervey Bay, Maryborough and Bundaberg as very low supply of land starts to encourage development away from the traditionally recognised localities.
We have begun to see the supply mix of the completed product change in the light industrial market - sales and leases in 2025 may start to trickle through if accepted by the market.

Grant Collins

Associate Director

Whilst larger scale industrial activity is certainly noticeable, it is probable that high construction costs are delaying or will thin-out new construction throughout 2025.

Mackay and Whitsundays

The local industrial property market in Mackay is driven largely by the coal mining industry which is currently performing well. Industrial rental rates are rising and yields for industrial investment properties have not softened to any great extent with interest rate rises in recent years.

Notable sales in 2024 include:

- 14-18 Boundary Road, Paget, sold in July for $10.625 million. The property has a land area of 3.625 hectares and a gross lettable area of 4864 square metres. This was a leaseback sale of an older heavy engineering complex. The lease term was 10 years, and the analysed market yield was 7.91%.
- 67-69 Evolution Drive, Paget sold in May for $3.45 million with a land area of 4,658 square metres and a gross lettable area of 1470 square metres. This is a semi-modern, heavy engineering property with an unexpired lease term of 2.8 years. The analysed market yield was 7.25%.
- 8 Caterpillar Drive, Paget sold in July for $8.75 million with a land area of 6444 square metres and a gross lettable area of 2,798 square metres. This is a semi-modern heavy engineering property with a high site coverage. It was sold with vacant possession to show a rate of $3,127 per square metre of gross lettable area.
- 77 Maggiolo Drive, Paget sold in September for $2.1 million. This is a vacant site of 1.128 hectares showing a rate of $186 per square metre.

Gregory Williams
Director

Townsville

Our prediction in January 2024 was that Townsville's industrial market sector was set for continued outperformance of the commercial and retail sectors by volume. We also anticipated strong demand and activity in the first half of 2024 with an expectation that the market would hold its nerve in the face of ongoing inflationary pressures, elevated unease around interest rates, and bobbling business confidence. Again, bold yet accurate with the benefit of hindsight.

The current state reveals continued activity in the mining and resources sector, growth in the engineering and manufacturing support services, infrastructure projects, and ultimately advancements in the road transport, logistics and larger scale warehousing sectors. We highlight continued investment in significant larger scale industrial assets at the Bohle, Stuart and Roseneath localities for either owner-occupation or built for purpose assets subject to long term leases.

Whilst larger scale industrial activity is certainly noticeable, it is probable that high construction costs are delaying or will thin-out new construction throughout 2025. Put simply, rental growth has not maintained pace with escalations in construction costs over the same periods. Research reveals that construction costs have risen by 35.1 per cent since 2020 with general rental growth being meek at circa 15 to 20 per cent by comparison.

The regional industrial sector will remain as a major investment market and as such, purpose-built assets and refurbishment of existing buildings to obtain NABERS, Green Star and environmental performance targets is emerging. Additional performance inclusions such as large coverage rooftop solar systems, rainwater capture and re-use, energy metering and monitoring, ventilation and cooling, and smart lighting increase cost profiles. They therefore typically require cost offsets via increased rents or economic face rents for built for purpose assets and often over a long lease term for capital value realisation. Such investment is targeting much larger scale business or government, however smaller scale business or owner-occupiers are simply not seeing any bang for buck in this area.

In closing the highest recorded sale in 2024 to date was that of the UGL complex at Bohle for $10.7 million revealing an analysed market yield of 8.35%. Statistical data reveals continued activity and whilst recorded sales for the 2024 financial year were 26 per cent lower than the 2022 financial year, the median price for the same period was five per cent higher. The current low sale volume as at November 2024 reflects data lag, limited supply, and no noticeable price diminution. We would anticipate that 2025 will continue along the same trajectory, with lower sale volume, increased median pricing, some marginal softening in yields and increase in new builds in the manufacturing and logistics sectors.

Jason Searston
Director

Cairns

The industrial sector in Cairns is relatively small and its manufacturing base is largely geared towards servicing the engineering requirements of local and regional industries. For this reason, most demand for industrial space is derived from businesses supporting the marine, tourism, sugar milling, residential construction, transport and mining services industries.

Sale conditions within this market over the past 12 months have been strong with the industrial market overall very buoyant and achieving values at record levels. The industrial market for existing industrial property appears to be further driven by the lack of developable industrial land and high building costs which limits overall project feasibility. Pure investment stock is limited, and the market is strong, however properties in the sub $2 million space typically achieve higher value levels if sold with vacant possession as it appears owner-occupiers have limited regard to returns when purchasing and these properties are considered more saleable with vacant possession unless there is a strong lease covenant in place.

The market appeared to peak (at least in terms of activity) in mid 2023, potentially because of overall economic conditions, however also due to a lack of overall stock. While economic conditions suggest softening of the market, value levels seem to be remaining steady at their current record levels. We consider the limited availability of industrial land and high building costs to be a significant contributor. There is some concern around the release of the updated unimproved land values which may have a detrimental impact on overall net income due to many entry level properties being subject to land tax for the first time and those already subject to land tax seeing substantial increases.

Leasing market conditions for industrial property have been strong over the past 12 to 24 months with limited stock driving up rentals to record levels. The limited availability of rentals is in part a result of very strong owner-occupier purchaser demand, though industrial rentals appear to have stabilised at their current levels. The limited recent rental evidence is testament to the lack of available rental stock rather than lack of demand.

Industrial vacant land is very scarce with no industrial land developments on the horizon.

Shane Quinn
Director

Toowoomba

Toowoomba's industrial market is largely influenced by growth in the region's manufacturing, e-commerce and agricultural sectors supported by the relocation of new business activities to the area. Strong economic conditions in the first half of 2024 resulted in continued demand for secure investment properties with several reported yields of sub-6.00% for vacant possession sales. Economic uncertainty, largely due to interest rate increases, has seen reduced demand in the second half of the year.

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, including 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:

Sale conditions within the Cairns market over the past 12 months have been strong with the industrial market overall very buoyant and achieving values at record levels.

- 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 1500 to 2000 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.

Overall, the Toowoomba industrial market has performed largely as expected with demand from both owner-occupiers and investors remaining high. The developing industrial estates in the Charlton Wellcamp area to the west of Toowoomba have continued to see strong occupation but do not appear to have had a significant impact on vacancies within the city at this stage, with properties that have been vacated being purchased by alternative users. The impact of these moves may become more apparent in 2025. We note that local agents have reported a surge in enquiry for commercial property, specifically within the industrial sector which bodes well for 2025 and has been attributed to Toowoomba's strategic advantages, including logistics and growth within the Wellcamp Industrial Estate.

Ian Douglas
Director

Overall, the Toowoomba industrial market has performed largely as expected with demand from both owner-occupiers and investors remaining high.

South Australia - Industrial 2024

Adelaide

With the release of Quarter 3 data since our last industrial market update, yield stabilisation has been the main indicator for industrial property in South Australia. Despite lower levels of investment in comparison to the previous two years and the record levels seen in 2021, yields remain at 6.0% to 6.5% for prime industrial assets and 6.75% to 7.50% for secondary assets.

Looking at the notable sales for 2024, the only sale above $10 million in Quarter 3 was 27-45 Port Road, Thebarton. Transacting for $23.625 million through Leedwell and Knight Frank, the property provides approximately 10,958 square metres of gross lettable area and reflects $2,156 per square metre. Zoned urban business and spread across 24 Certificates of Title, the multi-tenanted property produces an estimated gross income of $996,500 per annum.

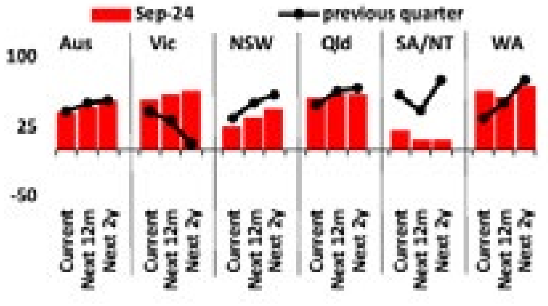
27-45 Port Road, Thebarton Source: realcommercial.com.au

23 Indama Street, Regency Park sold through Savills in April for $8 million, offering the purchaser vacant possession. The strategic employment zoned site features approximately 9171 square metres of land, improved with an office and warehouse facility of 4428 square metres, equipped with three six-tonne gantry cranes, a 100 kilowatt solar system, B-double drive-through access and a commercial truck wash bay. The sale reflects a market yield of 5.46% at $2025 per square metre of lettable area.

23 Indama Street, Regency Park Source: realcommercial.com.au

23 Indama Street, Regency Park Source: realcommercial.com.au

Stabilisation and rebalancing have been the two key words noted across insight reports for the South Australian industrial sector towards the end of 2024. Overall sales volumes align with the previous three years, while rental increases have been fuelled by the rise in construction costs and the cost of capital. Limited availability of new developments has restricted the inner-metropolitan areas where vacancy rates remain especially tight, and industrial space uptake is headlined by the inner-northern precinct.



Industrial Property Index by State Quarter 3, 2024 Source: NAB Commercial Property Survey

The NAB Commercial Property Survey for Quarter 3, 2024 indicates significant shifts in market sentiment for industrial property in South Australia. Expectations are lower for the current market and the next 12 and 24 months based on sentiment reports from the previous quarter. Despite this, industrial property records the highest sentiment levels across the nation, and sentiment in South Australia still outweighs retail and office property in these metrics for the current market and the next 12 months.

Matt Slack
Assistant Commercial Valuer

HERRON TODD WHITE

Western Australia - Industrial 2024

Perth

At the start of the 2024 calendar year, with the industrial property market in Western Australia touted to sit at the peak of the sector's property cycle, we asked the question: how sustainable was that performance? Now, at the end of the year, we can safely say the industrial property market has proven, again, to be robust and highly resilient.

Leasing demand for industrial premises continued unabated throughout the course of 2024, especially for newly built high specification facilities with such properties in limited supply, pushing overall vacancy to record lows.

Face net rental rates (i.e. before any incentives) for such premises consistently achieved $150 per square metre per annum of GLA and even higher in some cases, with often minimal disparity between premises located within core and secondary industrial estates. Leasing incentives were minimal, typically less than five per cent.

On the back of almost unprecedented rental growth, several prominent local developers chose to embark on speculative, large scale (over 10,000 square metre) built-form projects (i.e. without leasing commitments) and post completion, these are believed to still be vacant. However, this is likely a function of the shallow pool of tenants able to fill such premises.

The volume of new construction was constrained by a finite supply of land. With limited new land released in the Perth metropolitan region this year, industrial land values continued to climb. There was noticeable demand for mid-size lots (2500 to 5000 square metres) from both owner-occupiers and developers with sale prices demonstrating significant growth from previous price points.

Given the lack of suitable stock in the core industrial estates, we witnessed a rise in the number of new projects in peripheral, previously shunned secondary locations such as Neerabup, Hope Valley and Forrestdale.

The owner-occupier market remained steady given the limited stock of large scale and quality premises available which was compounded by lingering construction industry challenges. Whilst signs slowly emerged to indicate costs may have finally plateaued (welcome news for developers), labour shortages persisted.

Demand for securely-leased, newly-constructed built-form industrial property was strong during 2024, buoyed by eastern states based investors. Prospective buyers remain focused on the length of agreed lease terms, prospects for rental growth and depreciation benefits. Where all or a majority of these criteria were met, sub 6% yields were demonstrated in select instances.

Uncertainty over the short-term direction of interest rates appeared to do little to dampen activity in the industrial sector.

Owner-occupiers remained active and as such there has been a reasonable level of transaction activity in the sub $5 million market.

Overall, the clear lack of supply in the market, both in respect of development-ready land and contemporary built-form facilities, was by and large the key to the sustainability of the industrial market's performance in 2024.

The sector once again finds itself in a historically strong position as we welcome in 2025.

Greg Lamborn
Director

Uncertainty over the short-term direction of interest rates appeared to do little to dampen activity in the industrial sector.

Northern Territory - Industrial 2024

Darwin

To a large extent, the Darwin industrial property market has remained in a holding pattern for the past 12 months and this is reflected in the volume and range of sales experienced here. However, there is an air of optimism around the Top End which wasn't there to the same extent 12 months ago.

We have seen a surge of interstate investor activity in some segments of the residential property market in Darwin. Historically, that surge in interest doesn't extend to commercial and industrial property markets until six to 12 months after the residential property markets.

Why would activity surge in Darwin, after a period of stagnation for ten years? We are now well behind the growth that has been experienced in most southern capitals, and this is finally being recognised by interstate investors. Major projects such as onshore gas are continuing to make some progress as well, with these headlines having a positive effect on market sentiment.

We have seen increasingly positive market sentiment for better quality office space in the Darwin CBD but this has not yet extended to all other commercial and industrial property market segments.

In the industrial market sector, there has been relatively little rental growth over the past 12 months. There has also been a relatively limited number of sale transactions of better quality stock.

High building costs are making construction of new industrial premises unviable economically. If demand for growth is pushed into our limited stock, it would seem inevitable that rents and capital values should be under upward pressure. There are limited vacancies of industrial accommodation, although there is still a large supply of vacant land suitable for development. We would expect this land oversupply to continue into the medium term.

Darwin property markets have had a history of long periods of stagnation, punctuated by brief periods of rapid growth in their five minutes of economic sunshine. It is unlikely that this cycle of volatility will change and hopefully 2025 will see that next period of strong economic growth that we have all been waiting for.

Terry Roth
Director

If demand for growth is pushed into our limited stock, it would seem inevitable that rents and capital values should be under upward pressure.