Australia Industrial – February 2025

SPOTLIGHT
Savills Research

Shed Briefing

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Rate cut(s) now a reality • Investment surge sets the tone • Sydney and Brisbane step ahead

Trumped!

Recovery amidst uncertainty as surge in industrial investment sets a promising tone for 2025.

Rate cut(s) now a reality
The RBA has delivered the first rate cut of the cycle, [easing by 25bps in February to 4.10%]. Further rate cuts are expected this year. The median expectation among market economists and financial markets has been for cumulative 75 basis points (bps) of cuts in 2025, which suggest there are two more to follow the February cut.

'Trump effect' pushes bond yields higher
Unusually early in the rate-cutting cycle, longer-term bond yields have increased in recent months. Bond markets anticipate higher growth and inflation, with fewer central bank rate cuts than previously expected.

This trend is driven by stronger-than-expected economic data, particularly from the US, and the anticipation that certain policies under President Trump's agenda will promote stronger growth and higher inflation.

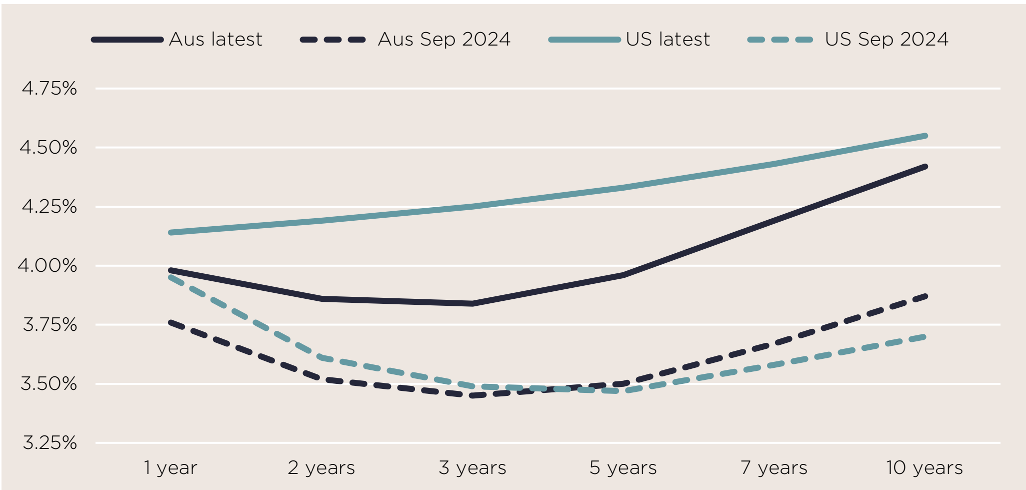
For instance, the 10-year US Treasury yield has risen by 90bps since the first Federal Reserve rate cut in September of the previous year, while the equivalent Australian yield has climbed by 58bps over the same period.

Trade wars and tariffs...
Australian exports to the US typically account for a small portion of the country's GDP. However, ongoing US tariffs on importers could impact select Australian industries. Similarly, tariffs on China could slow its economy, reducing demand for Australia's key exports like iron ore, coal, and other essential minerals. Yet, a February 2025 Citi Australia research note published on Bloomberg suggests that while global trade disruptions might slightly reduce incomes and GDP growth, natural buffers like the exchange rate and strong economic ties with other countries are expected to minimise the economic impact on Australia.

Lower AUD appeals
Expectations for interest rate cuts in the US have also been pared back due to better-than-expected economic data and expectations that some aspects of Trump's policy agenda will fuel stronger growth and higher inflation. The Australian dollar has depreciated sharply against the US dollar (and to a lesser extent against other major currencies) in recent months, increasing the appeal of the Australian market for offshore investors.

Strong finish to 2024
Investors are strategically repositioning for returns, driven by the favourable demographics and strong demand profile in industrial and logistics. This trend continues to make it a top choice in global investor surveys. Annual volumes for 2024 are sitting just above $12.5 billion, significantly surpassing the $8.2 billion recorded in 2023, and there are still some deal metrics to be finalised.

Financial markets pricing in higher growth outlook
Australian and US bond yield curve, by maturity per cent



Source Savills Research using Macrobond (futures pricing as at 28 January 2025)

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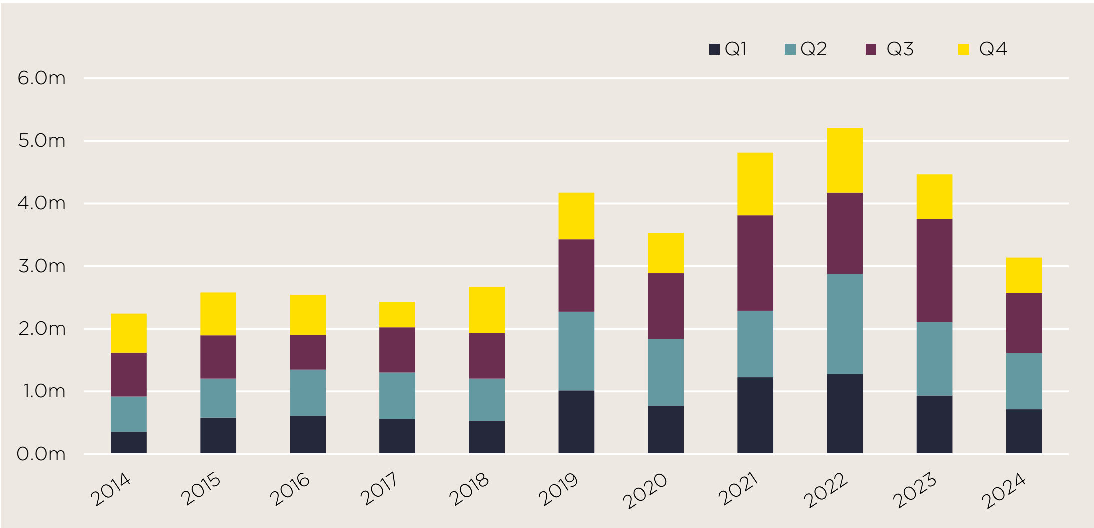
Market divergence

After the record growth cycle that spanned the last few years, some markets continue to consolidate while others step ahead.

Leasing take-up dips but reduced pipeline halts pre-leasing and spec activity
Quarterly east coast leasing volumes (+3,000 sqm) by year for the last decade



Source Savills Research

Markets with limited pipeline and low vacancy are starting to outperform
Limited new supply helps take-up of existing stock and keeps vacancy steady for now

Strategic adjustment or market correction?
After achieving much-needed stability in the previous quarter, Q4 presented several surprises. Preliminary data for Q4 shows c.565,500 sqm in leases (for deals over 3,000 sqm) across East Coast markets, bringing the annual total to c.3.1 million sqm, its lowest level since 2018. Despite lower take-up rates, signs of rental growth have also begun to surface in some precincts. This suggests that positive demand drivers, coupled with the broad-based pullback in new supply in 2024, have set the stage for continued improvements in 2025.

Pre-commitments and spec deals drop below average
Pre-commitment and speculative leasing have been major drivers of take-up volumes since 2019, typically representing 40-47% of annual transactions. However, in Q4, this figure fell to 21%, bringing the yearly average down to 31%. Elevated construction costs and economic challenges have slowed new building starts, prompting developers to delay speculative projects and concentrate on completing existing developments, many of which were already committed. This shift in leasing dynamics and fewer project completions have helped rebalance the market and stabilise rents. With a focus mainly on existing stock, vacancy rates have maintained a range of between 3.4% and 3.5% since June 2024.

Growth signal
Notably, pockets of stronger demand in Sydney and Brisbane are beginning to influence market dynamics significantly. It will be those markets with limited pipelines and low vacancies that will outperform in the near term.

Sydney steps ahead as rental growth returns
Nationally, core markets are showing varied trends, with Sydney West leading the pack, experiencing a 5.4% growth Q/Q and becoming increasingly competitive as vacancy rates decline. In contrast, Melbourne West, Brisbane Southside, and Perth Core markets have remained stable, while Adelaide's North West saw a modest increase of 2.8% Q/Q.

In Sydney, early signs indicate a positive shift in market demand, highlighted by the rapid absorption of sublease supply and a rise in direct market deals, signalling heightened competition for space. This resurgence is prompting developers, particularly in Western Sydney, to expand their speculative development projects to align with the anticipated demand into 2025.

Fewer completions helps rebalance the market and keep vacancy steady. As pockets of stronger demand in Sydney and Brisbane signal a turning point.

+1.7%
Prime net face rents increased on average 1.7% Q/Q, across the five key core markets.

+2.0%
Secondary net face rents increased on average 2.0% Q/Q, across the five key core markets.

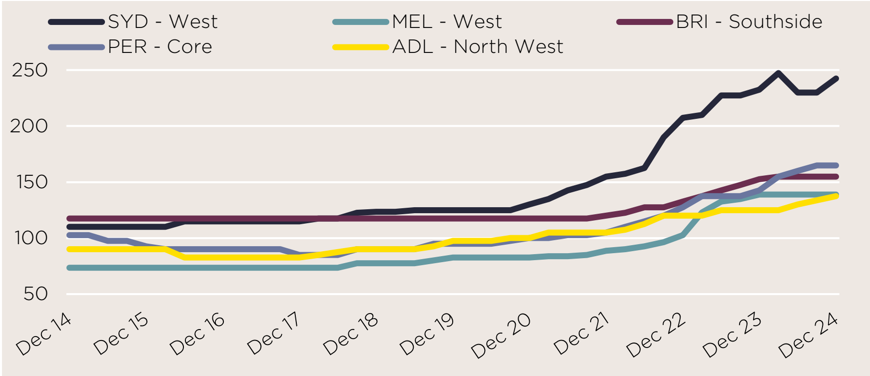
565,500 sqm
Estimated east coast leasing take- up (+3,000 SQM) in Q4, including pre-commitments.

3.55%
Average vacancy on the East Coast is 3.55% in December 2024* (Savills & SA1 Property).

Source Savills Research
* vacancy at 6 December 2024

Key Markets - Prime net face rents

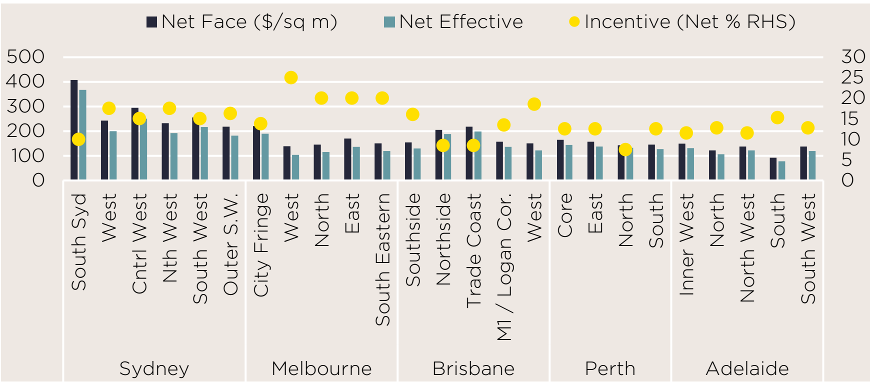
By key core market, $/sqm net face rent average



Source Savills Research

Net face and effective rents v incentives

By submarket, prime average $/sqm and %



Source Savills Research

Wholesalers, transport & logistics dominate take-up

Share of east coast leasing volumes by sub sector, % share of leasing in Q4-24

*Other includes undisclosed, property & business services, IT, government

Source Savills Research

QUARTER HIGHLIGHTS

Incentives stability helping effective rent growth

Effective rents have faced significant pressure due to rising incentives, which have doubled in some submarkets since 2023, leading to a decline in net effective rental growth. This trend was pronounced in areas where net face rents had either contracted or stagnated.

Despite this, the stability that emerged in Q3 has persisted through Q4, with most markets reporting either no change or only a small adjustment to average incentives.

In Sydney's West, South West, Outer South West, and Brisbane's Northside and West, a rebound in net face rental growth in Q4 has helped mitigate some of the downturn in net effective rental levels observed throughout 2024. This resilience is expected to bolster investor confidence, enabling landlords to maintain competitive lease terms and preserve the reversionary value accumulated over the past three years.

Limited new supply helping low vacancy

The East Coast vacancy rate has been hovering around 3.4-3.5% since June 2024. As of December, the average vacancy is 3.55%, according to SA1 Property and Savills. By city location, Sydney's whole building vacancy (over 3,000sqm) is unchanged at 3.75%. Melbourne vacancy declined marginally to 3.07% from 3.09% in the previous quarter, while Brisbane's whole building vacancy increased to 3.82% after two static quarters at 3.38%. The rise in Brisbane is due to new spec supply coming online in the Southside, Trade Coast and Northern precincts.

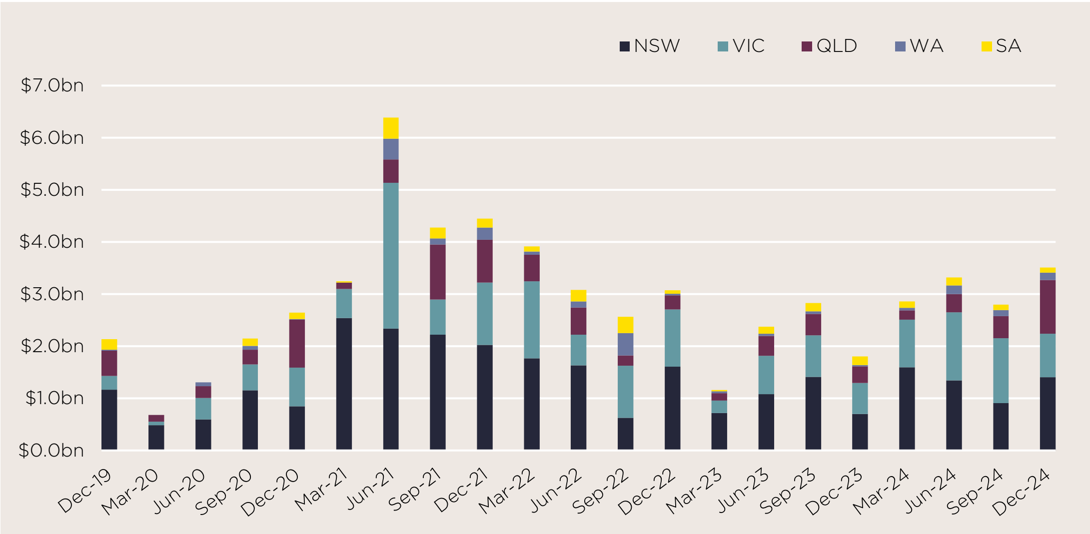
Small product vacancy near 2.0%

Smaller properties, ranging from 3,000 to 5,000 sqm, continue to experience limited availability, with vacancy rates averaging around 2.0%. This suggests that some tenants may postpone decisions or maximise their use of existing capacity until the economic climate clarifies and the pipeline for new spec developments increases. Most markets are witnessing slight delays in the pipeline for new supply, potentially boosting demand for existing facilities or backfill spaces, particularly among small to medium-sized tenants in growth phases or exploring new markets.

Beyond expectations

52% Y/Y increase in investment volumes marks a significant rebound from the slowdown in 2023.

Cross-border and domestic institutional investors increase acquisition activity
$10m+ industrial investment transactions quarter on quarter since 2019



Source Savills Research

Investment surge demonstrates strong and resolute investor commitment
The strong finish to 2024 sets a positive tone for 2025

Investment surge is steadfast
Total investment reached approximately $3.5 billion in Q4 (for deals valued at $10 million or above), marking a 24% increase from Q3 and the highest since the March 2022 quarter.

Annual volumes are just above $12.5 billion, significantly surpassing the $8.2 billion recorded in 2023. The investment spike seen in Q4 is expected to be further boosted by the recent transaction involving ESR and ADIA's sale of a partial stake in the LALV portfolio to Hankyu Hanshin and JV partners including KWAP, likely to be around $1 billion. This transaction, amongst many others in 2024, highlights enhanced liquidity and solidifies ongoing investor confidence as they continue to recalibrate their risk and return expectations.

Q4 marks an important turning point
The strong finish to 2024 sets a promising tone for 2025. While some deal metrics are still to be finalised, the 52% Y/Y increase in investment volumes marks a significant recovery from the slowdown in 2023, and that's not counting any of the data centre transactions that have occurred!

Major institutions made a strong comeback, making up 52% of $10m+ deals in Q4, more than double the low of nearly 20% in Q2-2024.

Both cross-border and domestic institutional investors increased acquisitions in the second half of 2024, taking back some market share from the smaller private investors, who stepped up during 2023 and early 2024.

Joint venture partnerships and portfolio acquisitions have also been more prominent, as have superfunds, helping to push up the investment volumes through the year.

Land of opportunity
Land acquisition activity has been a notable surprise, representing nearly 20% of investment turnover in 2024, compared to around 12% over the previous four years. Superfunds, institutions, and select private groups have targeted large land parcels in Sydney and Melbourne, betting on demographic and structural tailwind trends.

Meanwhile, other investors actively channel funds into developing or repositioning properties within high-demand and growth-oriented markets to boost their sector exposure and enhance returns.

Investors remain committed to capitalising on structural tailwinds to secure returns. A shift in the rate cycle will keep the investment momentum running in 2025.

+20%
Land accounted for nearly 20% of investment turnover in 2024.

+52%
Transaction volumes have increased 52% Y/Y, as at December 2024 quarter.

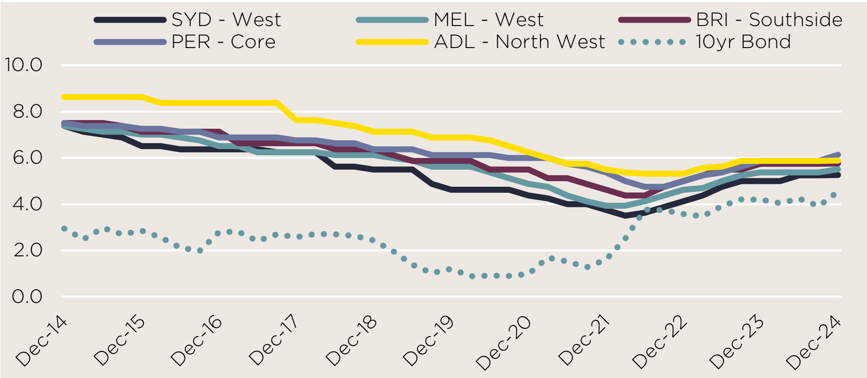
52%
Institutional buyers (funds, trusts) accounted for 52% of total investment volumes in Q4.

$3.5bn
Total investment reached c.$3.5 billion in Q4 (+$10m), the highest quarter since March 2022.

Source Savills Research

Key Markets - prime yield & 10yr bond rate

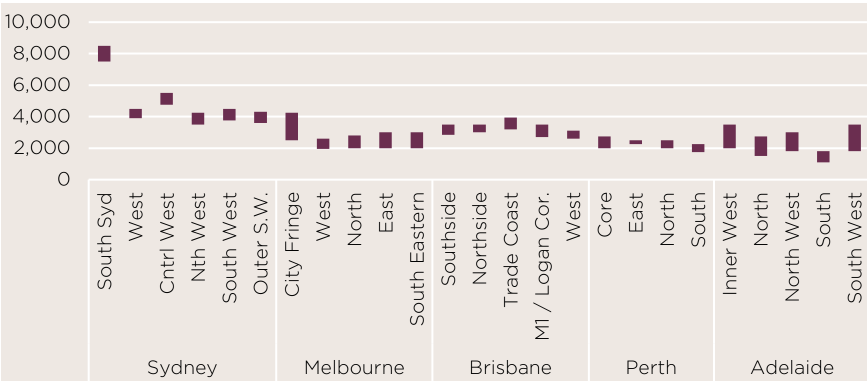
By key core market, average prime yield v 10yr bond rate, %



Source Savills Research / RBA

Typical capital value range

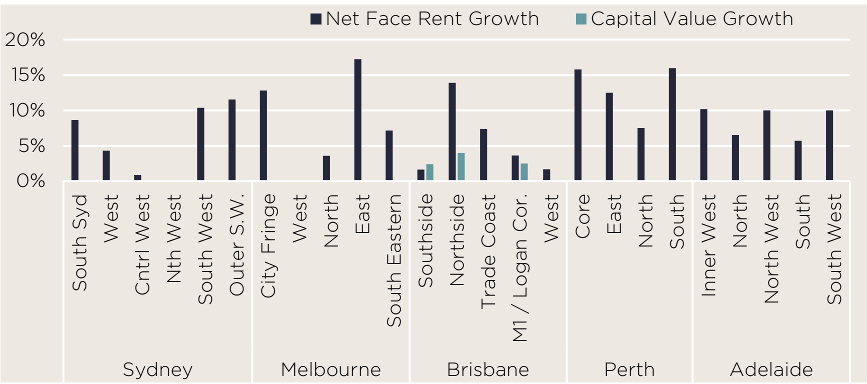
$/sqm prime average by submarket



Source Savills Research

Face rental and capital growth rates

12 month face rental and capital growth rate by submarket, prime averages, %



Source Savills Research

QUARTER HIGHLIGHTS

Industrial preferred

Industrial and logistics has been Australia's most invested commercial property asset class since 2023 and has held the leading spot in the annual poll taken by ANREV# for the last two years. ANREV surveyed 81 global institutional investors who manage 1.036 trillion USD in real estate assets and recently released their 2025 findings on investor intentions for the Asia Pacific region. They revealed that the sector now takes second place just behind residential, with 83% of respondents indicating they would invest in the sector.

Notably, Sydney Industrial shared the top spot with Sydney Residential and Tokyo Residential as the preferred city/sector combination for investment in Asia Pacific. Melbourne Industrial was a close third for investor preference.

Yields stabilising but early signs in Brisbane emerge

Yield stabilisation in Q3 fuelled speculation that the market was nearing a cyclical bottom and that major pricing adjustments were largely complete. The holding pattern on interest rates since November 2023 has provided much needed optimism and enhanced pricing certainty as bid-ask spreads began to narrow, catalysing increased investment activity. While prime market yields have remained stable overall, precinct discrepancies began to emerge in Q4. For example, in Brisbane's Trade Coast, West, and M1/Logan Corridor, heightened competition has led to early signs of yield compression, averaging nearly 10bps. However, yields in its largest precinct, Southside, have remained unchanged. In contrast, Sydney and Adelaide's prime market yields have stayed stable, whereas Melbourne and Perth have experienced yield expansions of 13bps and 25bps, respectively.

The Property Council/MSCI Australia Annual Property Index for Q4 2024 shows nearly stable capital growth just above zero for the year in the Industrial sector, with total returns strengthening to 4.4% due to an income growth of 4.3%.

The Investment Intention Survey is carried out by three regional real estate associations, including the Asian Association for Investors in Non-Listed Real Estate Vehicles (ANREV), European Association for Investors in Non-listed Real Estate Vehicles (INREV) and the Pension Real Estate Association (PREA). The 2025 survey attracted responses from 81 participants globally, of which 76 are institutional investors, and 5 multi managers. Respondents hail from 21 countries. The survey coverage reached more than 1.036 trillion USD of AUM in real estate.

City Highlights

Signs of rental growth in Sydney and Brisbane, amid stable rents and vacancy in other Australian markets is driving an investment surge.

Summary - Key Prime Averages

Q4-2024 indicators by sub-market

	Net Face Rent $/sqm	Market Yield (%)	IRR (%)	Capital Value $/sqm	Land Value $/sqm
SYD - South Syd	408 (+8.7%)	5.13 (n/c)	7.13 (n/c)	8,000 (n/c)	3,500 (n/c)
SYD - West	243 (+5.4%)	5.25 (n/c)	7.13 (n/c)	4,200 (n/c)	1,375 (n/c)
SYD - Cntrl West	295 (n/c)	5.13 (n/c)	7.13 (n/c)	5,125 (n/c)	2,125 (n/c)
SYD - Nth West	233 (n/c)	5.25 (n/c)	7.13 (n/c)	3,875 (n/c)	1,300 (n/c)
SYD - South West	255 (+8.5%)	5.25 (n/c)	7.13 (n/c)	4,125 (n/c)	1,475 (n/c)
SYD - Outer S.W.	218 (+2.4%)	5.25 (n/c)	7.13 (n/c)	3,950 (n/c)	1,200 (n/c)
MEL - City Fringe	220 (n/c)	5.13 (n/c)	6.63 (n/c)	3,375 (n/c)	2,625 (n/c)
MEL - West	139 (n/c)	5.50 (+13 bps)	6.88 (n/c)	2,275 (n/c)	950 (-9.5%)
MEL - North	145 (n/c)	5.63 (+25 bps)	6.88 (n/c)	2,400 (n/c)	950 (-2.6%)
MEL - East	170 (n/c)	5.63 (+25 bps)	6.88 (n/c)	2,500 (n/c)	1,050 (-4.5%)
MEL - South Eastern	150 (n/c)	5.38 (n/c)	6.88 (n/c)	2,500 (n/c)	900 (-5.3%)
BRI - Southside	155 (n/c)	5.75 (n/c)	7.25 (+25 bps)	3,175 (n/c)	625 (n/c)
BRI - Northside	205 (+5.1%)	5.75 (n/c)	7.25 (+25 bps)	3,250 (n/c)	750 (n/c)
BRI - Trade Coast	218 (n/c)	5.38 (-13 bps)	7.00 (+63 bps)	3,575 (n/c)	850 (n/c)
BRI - M1 / Logan Cor.	158 (n/c)	5.75 (-25 bps)	7.25 (n/c)	3,100 (n/c)	625 (n/c)
BRI - West	150 (+3.4%)	5.88 (-13 bps)	7.50 (+25 bps)	2,850 (n/c)	525 (n/c)
PER - Core	165 (n/c)	6.13 (+25 bps)	7.13 (+25 bps)	2,375 (n/c)	550 (+2.3%)
PER - East	158 (n/c)	6.13 (+25 bps)	7.13 (+25 bps)	2,375 (n/c)	550 (+2.3%)
PER - North	143 (n/c)	6.75 (+25 bps)	7.50 (+25 bps)	2,250 (n/c)	525 (+2.4%)
PER - South	145 (n/c)	6.63 (+25 bps)	7.50 (+25 bps)	2,000 (n/c)	410 (+2.5%)
ADL - Inner West	149 (+2.6%)	5.75 (n/c)	7.00 (n/c)	2,750 (n/c)	888 (n/c)
ADL - North	123 (n/c)	5.88 (n/c)	7.00 (n/c)	2,125 (n/c)	320 (n/c)
ADL - North West	138 (+2.8%)	5.88 (n/c)	7.00 (n/c)	2,400 (n/c)	523 (n/c)
ADL – South	93 (n/c)	6.75 (n/c)	7.63 (n/c)	1,450 (n/c)	230 (n/c)
ADL - South West	138 (+1.9%)	5.75 (n/c)	6.88 (n/c)	2,650 (n/c)	825 (n/c)

Source Savills Research

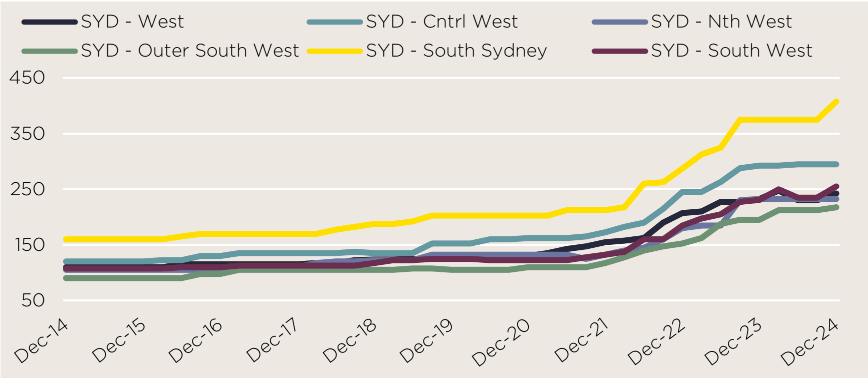
3 month change shown in brackets, land values reflect 'serviced & benched' sites (3,000 - 5,000 sqm). Metrics includes marketable commercial industrial buildings within defined precinct boundaries, generally inclusive of an improved building area of greater than 5,000 square metres. However, for smaller sub-markets, a building area of greater than 1,000-3,000sqm is considered when adopting the house-view.

Sydney

Investment surges as amid rising rents as Sydney comes up over the other markets on the list for investors.

Prime net rents are on the rise

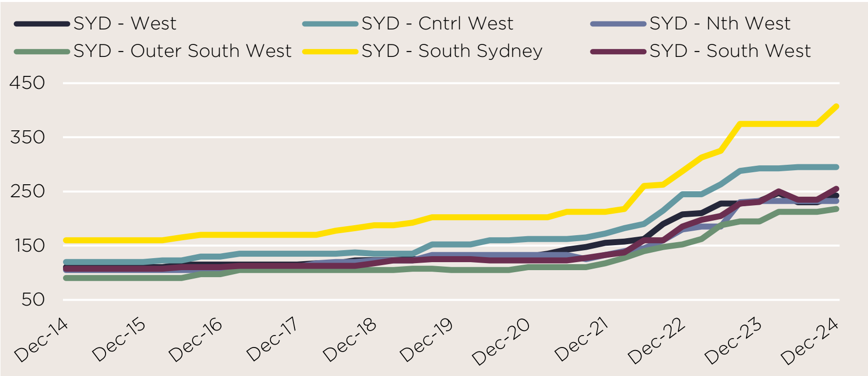
Prime net face rents by precinct, $/sqm average



Source Savills Research

Prime yields

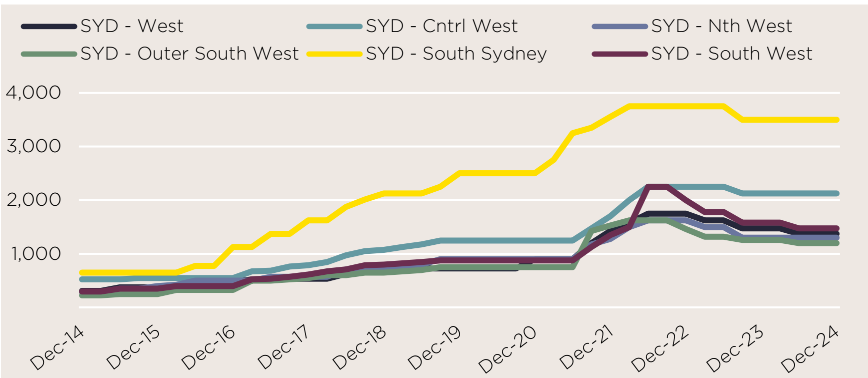
Prime market yield by precinct, % average



Source Savills Research

Land prices find their footing

Land values by precinct, small lots, $/sqm, average



Source Savills Research

QUARTER HIGHLIGHTS

Investment activity
Investment volumes reached c.$1.7 billion (+$5M) in Q4, marking a 64% increase from Q3 and bringing the annual total for 2024 to around $6.0 billion—40% higher than in 2023 and the highest since 2021. Institutions accounted for nearly half of all acquisitions, while private investors remained notably active, comprising just over a third of the investment volume. This demonstrates their competitiveness, even with the resurgence of institutional buyers.

Yields unchanged
Despite increasing competition for Sydney assets, average market yields are holding stable at 5.2% for prime and 5.7% for secondary (in blended terms).

Rents climb in some
Prime average net face rents increased by 4.4% on average, driven by growth in constrained pockets of South Sydney (+8.7%), Western Sydney (+5.4%), and the Outer South West (+2.4). This continues a decade-long trend of robust growth. Secondary rents remain the same.

Vacancy tightens in the West
While overall vacancy remained stable at 3.75% in Q4, according to SA1 Property and Savills, there were notable shifts across different precincts. Availability decreased in the West, Sydney's largest industrial precinct, but increased in the Outer South West 20,000sqm+ and Sydney South 10,000-15,000sqm segments.

Leasing activity
Leasing volumes reached c.193,000sqm (3,000sqm+) in Q4, down 48% compared to the previous quarter, but broadly in line with the same period in 2023. Manufacturing/engineering tenants were the primary drivers of demand in Q4, comprising 42.2%, transport & logistics at 26.4% and wholesale (retail) tenants at 21.8%.

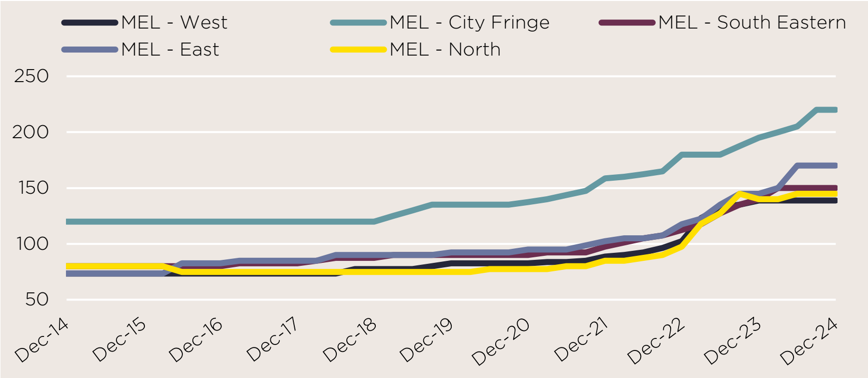
Land ahoy, steady as she goes
Land values remain steady for the second consecutive quarter. Over the past year, average prices for small lots (<5,000 sqm) declined by 2.3%, medium lots (1-5 Ha) by 4.1%, and large lots (10 Ha+) by 0.2%. These declines were mainly seen in peripheral markets, while core markets have remained resilient.

Melbourne

As land prices cool, market conditions recalibrate, stabilising rents and vacancy, helping to sustain optimism amidst a slightly weaker investment landscape.

Prime net face rents find stability

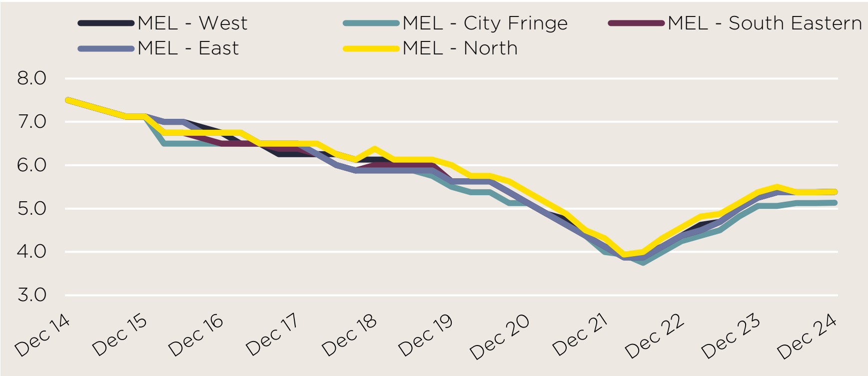
Prime net face rents by precinct, $/sqm average



Source Savills Research

Yields move outwards

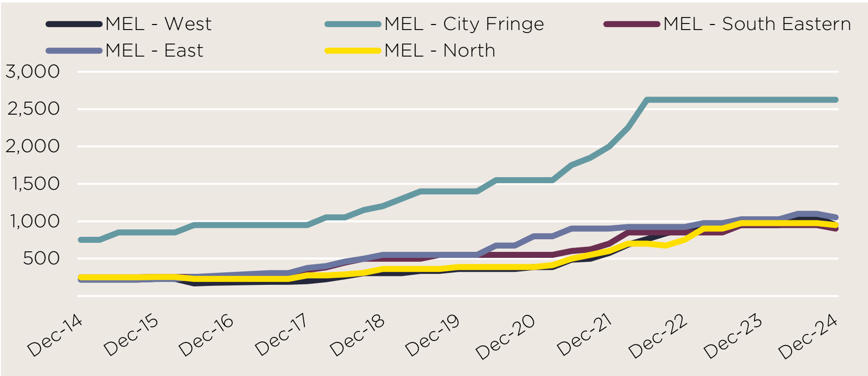
Prime vs Secondary market yield, % average



*Other includes undisclosed, Construction, mining, agriculture **Source** Savills Research

Land values adjust

Land values by precinct, small lots, $/sqm, average



Source Savills Research

QUARTER HIGHLIGHTS

Investment activity
Investment reached c.$1.0 billion in Q4, a 21% decline from the previous two quarters but still significantly higher than in 2023. Year-end volumes totalled c.$4.8 billion, a 66% increase over 2023 and approaching the record levels of 2021, which were about $5.3 billion. Private investors, syndicates, and developers were the most dominant, accounting for nearly 60% of acquisitions, primarily in the sub $50M market. This suggests that institutional-grade stock remains tightly held.

Yields still adjusting
Average prime market yields expanded a further 13bps in Q4 to reach 5.5% (blended), driven by the West (+10bps), East (+30bps) and North (+30bps).

Rents holding
Average prime net face rents were stable across all precincts for the second consecutive quarter, reflecting a Y/Y growth rate of +8.6%.

Vacancy patterns
Despite doubling from its lowest point in 2023, the vacancy rate for existing buildings (+3,000sqm) has stabilised near 3.0% for the past three quarters, as SA1 Property and Savills reported. Vacancy rates in the West are declining, while slight increases in smaller precincts offset significant overall changes.

Take-up trends
Leasing volumes reached c.221,000sqm (3,000sqm+) in Q4, marking a 41% decrease from the previous quarter's total of c.375,000sqm. This represents a nearly 40% Y/Y decline relative to the peak periods observed in 2022 and 2023. The slowdown in pre-commitment activity and the need to absorb the elevated speculative space completed in the second half of 2024 contribute to this adjustment.

Land values
After stabilising for two consecutive quarters, land values have declined across all precincts except the City Fringe. This shift is partly due to higher construction costs and feasibility concerns.

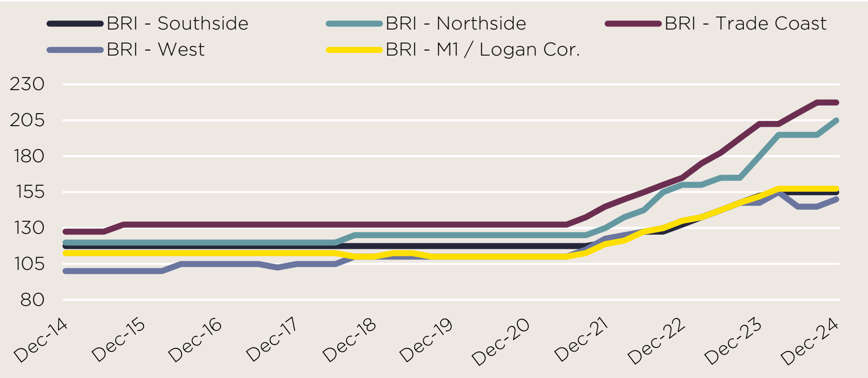
Additionally, a significant amount of new stock, including spec developments, is set to come online in 2025, which may decrease land demand and, consequently, lower land values. In Q4, the average price for small lots (<5,000sqm) decreased by 3.3%, medium lots (1-5Ha) declined by 2.7%, and large lots experienced a 2.8% decline.

Brisbane

Rental growth and tightening yields define the market, as high-demand precincts saw yield compression, reflecting investor appetite.

Prime net face rents climb in key areas

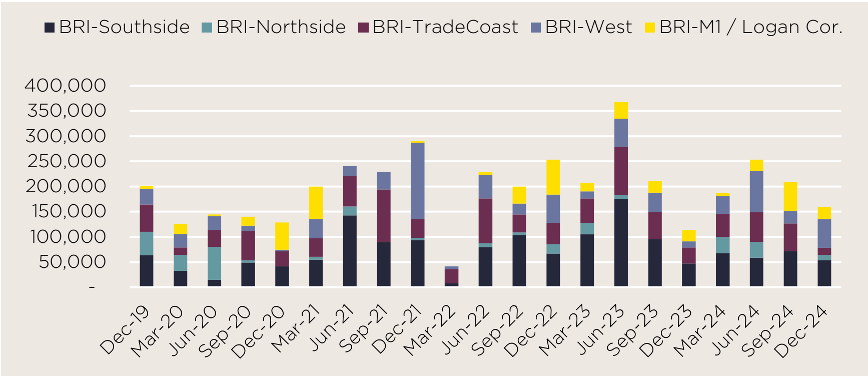
Prime net face rents by precinct, $/sqm average



Source Savills Research

Leasing activity plateau

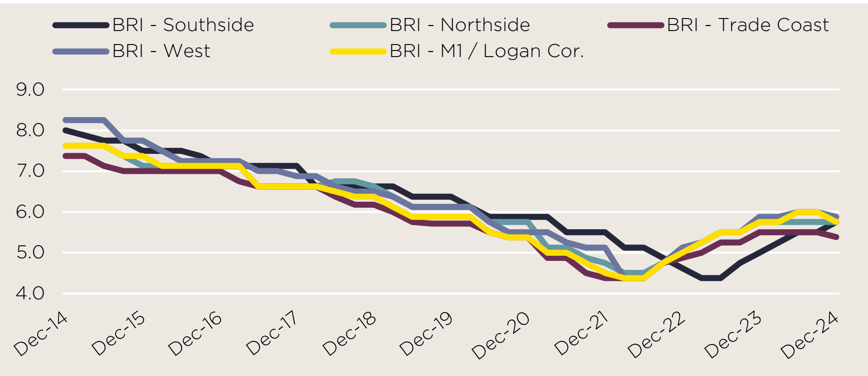
Leasing volumes by precinct, in sqm by quarter (+3,000sqm)



Source Savills Research

Competition drives yield compression

Prime market yield by precinct, % average



Source Savills Research

QUARTER HIGHLIGHTS

Investment activity
Investment reached c.$1.2 billion (+$5M) in Q4, more than double the previous quarter, bringing the 2024 to c.$2.5 billion, which is 49% higher than in 2023. Institutional investors accounted for 48% of deals tracked, private investors 24.3% and developers 21.3%.

Select rental growth
Net face rents rose 5.2% Q/Q in the Northside and 3.5% in the West, holding stable elsewhere to reflect an all precinct average growth rate of 1.8% Q/Q.

Incentive shift but face growth helps
Incentives continue to rise slightly, moving a further 0.6ppts to 13% average in Q4, led by an increase in Trade Coast and Southside. Net face rental growth in the West and Northside raised the average net effective rental rate by +1.1% Q/Q and +4.1% Y/Y, after a slight decline in Q3 and Q4 2024.

Vacancy nudge
The vacancy rate for existing buildings (3,000sqm+) increased to 3.82% in Q4, following two stable quarters at 3.38%, according to SA1 Property and Savills, predominantly due to new spec supply coming online in the Southside, Trade Coast and Northern precincts.

Yields compress?
Average prime market yields were stable in Southside and Northside, while increased investor competition in the Trade Coast, West and M1/Logan Corridor saw yields compress on average 16bps.

Leasing eases
Leasing volumes (3,000sqm+) totalled c.159,000sqm, down from the previous quarter of c.201,000sqm. Despite the dip, annual volumes came in at c.822,000sqm, about 9% less than 2023 but similar to its average over the last five years (840,000sqm). Notably, most of the leasing activity was from existing floorspace (81%), with pre-leasing activity only accounting for about 3%, well down on its quarterly average of c.23%.

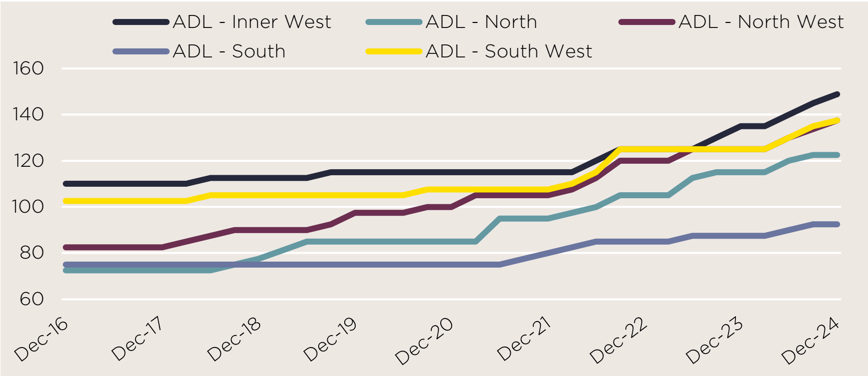
Land values rise
Small lots (<5,000 sqm) remained stable. However, increased competition among institutions led to some parcels selling for prices higher than the averages from the previous quarter. There has also been a rise in small strata development, driven by demand from owner-occupiers at these lower price points. Medium (1-5Ha) lots rose 6.3% Q/Q in the West and 5% in the Southside, pushing the average up 1.9%. Large (10Ha+) lots saw a substantial increase of 25% Q/Q in the West and 15.4% in Northside.

Adelaide

Investment activity stays muted, but low vacancy and demographic trends continue to drive investor confidence for future growth.

Prime net face rental growth

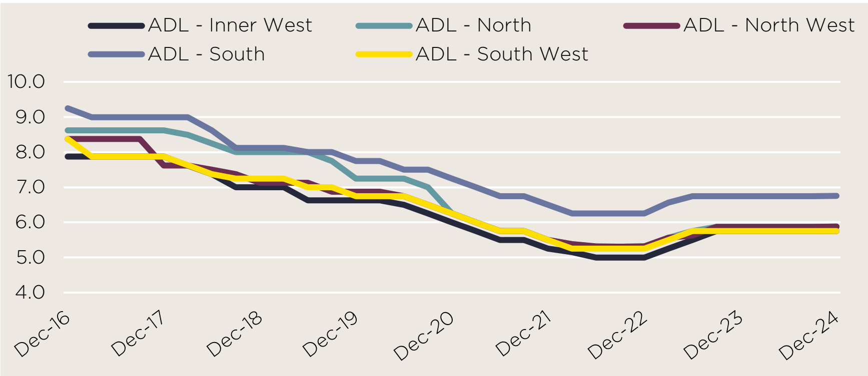
Prime net face rents by precinct, $/sqm average



Source Savills Research

Yields stable but limited activity

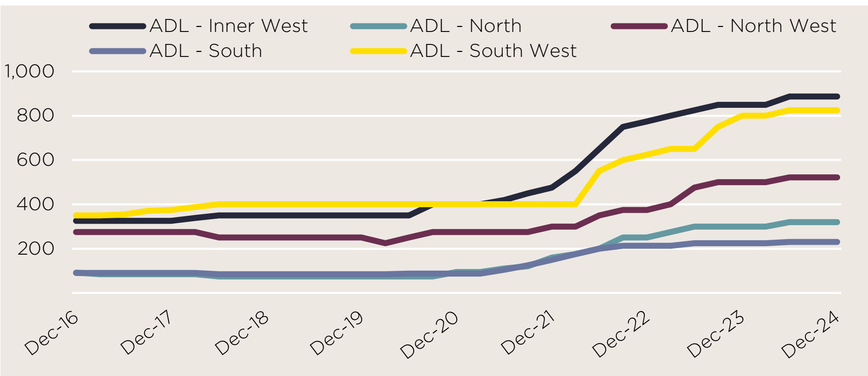
Prime market yield by precinct, % average



Source Savills Research

Land price growth stable

Land values by precinct, small lots, $/sqm, average



Source Savills Research

QUARTER HIGHLIGHTS

Investment activity
Sales volumes ($5m+) reached c.$148.6 million in Q4, similar to the previous quarter's total of c.$148.4 million.

Similarly, annual sales volumes totalled c.$640.7 million, close to the $636 million in 2023. Private capital was the most active in 2024, comprising 78% of total transactions.

Rental growth
Prime net face rents in the inner submarkets rise as competition for space heats up, the North West clocking 2.8% growth Q/Q, while the Inner West grew 2.6% and South West net rents were up 1.9% Q/Q. Net rents in the North and South held stable.

In blended terms, secondary net face rents were up 1.2%, averaging $84/sqm.

Yields stable but limited activity
Market yields remain stable amidst limited transactional activity, holding at 6.0% for prime and 7.1% for secondary (in blended terms).

Land values on solid ground
Land scarcity in key areas drove a significant uplift in values over 2023. However, growth rates began to steady in the March 2024 quarter, with no change in quarterly terms since then.

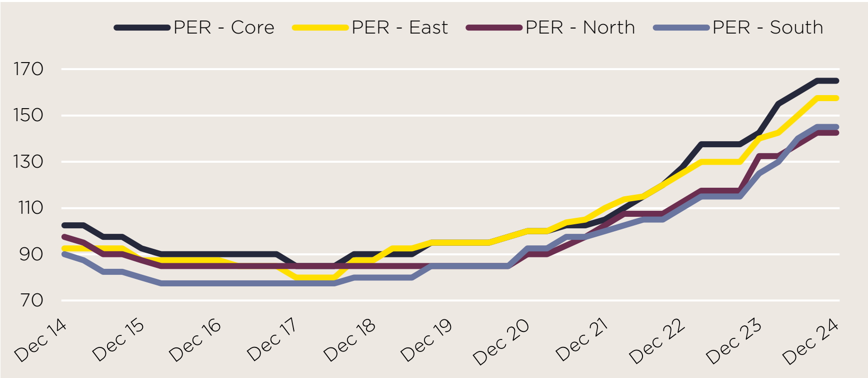
In annual terms, average small lot land values increased 4.1%, medium lots (1-5Ha) were up 5.4%, with large lots (10Ha+) up 4.6%.

Perth

Market adjusts yield benchmarks as rental growth stabilises, and investment activity starts to lift.

Prime net face rents holding

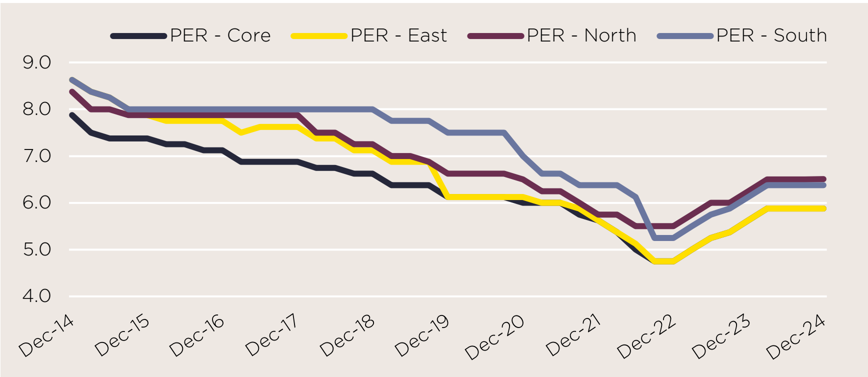
Prime net face rents by precinct, $/sqm average



Source Savills Research

Market yields adjust

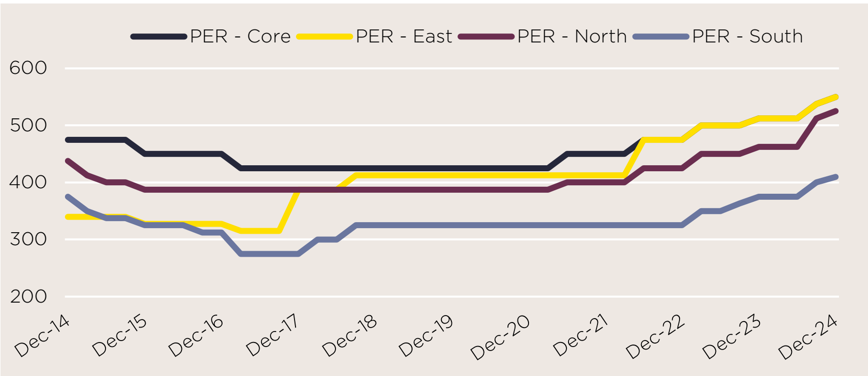
Prime market yield by precinct, % average



Source Savills Research

Land values still showing growth

Land values by precinct, small lots, $/sqm, average



Source Savills Research

QUARTER HIGHLIGHTS

Investment activity
Activity took a positive rebound in Q4 amid improved sentiment. Transaction volumes ($5m+) totalled $228.7 million in Q4, a significant increase from the $126.4 million recorded in the previous quarter, bringing the year-end total to c.$632 million—nearly triple the deal volume of 2023. While the market continues to be dominated by private investors, syndicators, and local developers, institutional capital is returning, accounting for nearly 30% of transactions in 2024, up from less than 1.0% of deals the previous year. This resurgence suggests that institutional investors are increasingly positioning themselves on the sidelines, ready to capitalise on emerging opportunities.

Yields recalibrate
Despite limited transactions through 2024, the market is starting to recalibrate with prime and secondary market yields having expanded 25bps in Q4 to average 6.4% and 7.0%, respectively.

Rental growth stabilising
The rental growth cycle has paused, with average prime and secondary net face rents stabilising in Q4 after annual increases of 13% and 9.2%, respectively. Increased availability in the East and South has eased pressure on incentives, which rose slightly in Q4 by 2.5ppts, pushing the prime average to 11.3%, up from 10% in Q3. This trend has exerted downward pressure on prime effective rents, which declined by 2.7% Q/Q in those areas.

Wholesale/retail tenants most active
Leasing activity (for spaces over 3,000sqm) reached c.378,000sqm over the 12 months to Q4. The leading sectors were transport and logistics, accounting for 43.2% of total lease deals tracked, followed by wholesale/retail at 26.8%, construction, mining, and agriculture at 18.8% and manufacturing at 5.6%.

Land value trends
The availability of serviced and benched land continues to be a challenge across all submarkets, with examples of prices exceeding expectations due to sustained demand from early 2024. This has led to a 2.4% Q/Q increase in the average value of small lots (under 5,000 sqm). Similarly, medium lots (1-5 hectares) and large lots have seen average growth rates of 2.2% and 2.0%, respectively.

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