



# NATIONAL INDUSTRIAL MARKET INSIGHT

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# “RECORD-BREAKING RENTS ARE PROPPING UP VALUES AS YIELDS SOFTEN ACROSS THE INDUSTRIAL SECTOR”

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M3 Property's National Industrial Market Snapshot for H1 2023 finds that although sales volumes have decreased across the country, fundamentals remain strong with tight vacancy rates in many markets fuelling strong rental growth and reduced incentives. As a result, record-breaking rents and land values are continuing across Australia's industrial sector.

Although there has been a softening of yields in some industrial markets, the robust underlying fundamentals including strong land values and limited stock is ensuring the continuation of historically record-breaking rents ([see figure 2](#)), such as Queensland's Logan Motorway, which has gone up to \$133 per square metre from \$123 over the past 12 months.

Over the past few years, buyer behaviour has changed rapidly with an increase in online buying. This has resulted in a higher need to store imported goods in warehouses across Australia, which has had a flow-on positive effect on the requirement for warehouse space and industrial markets. Limited supply and good occupier demand has pushed up rental rates in all industrial precincts across Brisbane.

## INDUSTRIAL TRANSACTION VOLUMES TRACK SLOWER DUE TO MARKET CONDITIONS, BUT FUNDAMENTALS REMAIN STRONG

The volume of industrial property transactions has been tracking at a slower rate during the first half of 2023 compared to previous years. It is anticipated that investment activity will remain subdued for the remainder of 2023 due to the prevailing inflationary market conditions and likelihood of further interest rate rises. Once interest rates start to decrease, we anticipate we'll see more activity on the market.

The limited number of recent sales indicates that yields softened in the first half of 2023. Further softening is expected over the short term although fundamentals remain strong. There remains

a divergence in buyer and seller expectations which has resulted in limited transaction activity. Investment activity is anticipated to remain subdued until such time that greater certainty exists around the level at which the cash rate will peak.

Recent industrial sales giving an insight into yields achieved are summarised in the table below:

Property	Sale Date	Sale Price	GLA (m <sup>2</sup> )	WALE (Income)	IY (%)	EMY (%)	IRR (%)	GLA Analysis (\$/m <sup>2</sup> )
Quarry Road, Stapylton	Jun-23	\$66,900,000	40,983	1.88	6.07%	6.04%	7.66%	\$1,632
Arthur Dixon Court, Yatala	May-23	\$55,000,000	27,246	4.98	5.46%	5.82%	6.83%	\$2,019
Coulson Street, Wacol	May-23	\$14,500,000	7,254	15.00	6.38%	6.38%	8.46%	\$1,999
Guardhouse Road, Northgate	Apr-23	\$5,900,000	1,530	7.00	6.00%	6.00%	-	\$3,856
Bellwood Street, Darra	Apr-23	\$12,275,000	4,564	6.87	5.88%	5.87%	7.58%	\$2,690

## INDUSTRIAL LAND RATES INCREASE SUBSTANTIALLY ACROSS MARKETS

According to RCA data ([see figure 3](#)), industrial land rates increased substantially in most markets over the year to June 2023, which continues to create challenges for developers – particularly within the major capital cities – in acquiring land at justifiable value levels. Higher interest rates are likely to challenge values for industrial development sites over the short term and increases in construction costs is also putting pressure on land values.

There is a substantial pipeline of new speculative and pre-committed development underway, albeit supply chain disruptions, construction costs and the rising cost of debt are expected to delay some projects in the short term.

To find out more about the national Industrial market, contact [info@m3property.com.au](mailto:info@m3property.com.au).

FIGURE 2

City	Rent (\$/m <sup>2</sup> )		Incentive		Yield		State Sales Volume (Millions)*
	Jun-23 Qtr	YoY Change	Jun-23 Qtr	YoY Change	Jun-23 Qtr	YoY Change	Jan to Jun-23
Sydney	\$222	▲	7.9%	▼	3.65% - 4.50%	▲	\$1,277
Melbourne	\$117	▲	11.0%	▼	3.75% - 5.25%	▲	\$727
Brisbane	\$140	▲	9.5%	▼	4.85% - 5.75%	▲	\$212
Adelaide	\$117	▲	7.5%	▼	4.75% - 6.00%	◄►	\$67

Source: RCA, M3 Property

FIGURE 3

City	Average Land Values \$/m <sup>2</sup>	
	Jun-23 Qtr	YoY Change
Sydney	\$1,869	▲ 2.7%
Melbourne	\$831	▲ 24.3%
Brisbane	\$515	▲ 5.1%
Adelaide	\$319	▲ 18.6%

Source: M3 Property  
Note: 1-2 hectare lots

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