E-COMMERCE CHANGING INDUSTRIAL

- Altering consumer preferences towards e-commerce are driving opportunities and challenges within the industrial market.

- Rents and incentives have shown mixed results, with Sydney and Brisbane leading rental growth and Perth still discounting over the year to June 2018.

- Land values have risen, driven by solid demand for land, particularly in Sydney and Melbourne.

- Tenant demand for industrial space decreased in some states over the year to June 2018 compared to the year prior, with Adelaide and Perth seeing the largest falls. Sydney, on the other hand, saw positive growth over the same period.

- Supply remains largely pre-commitment driven, however, speculative development is increasing.

- Acquisition activity continues to slow, despite investor demand remaining for quality space and land.

- Yields across prime and secondary assets continued to tighten over the year to June 2018, except for Adelaide and Brisbane, which both stabilised.

- Forecasts indicate that yields are likely to reach cyclical lows in the national industrial markets over varying time frames starting from this year. Yield tightening is already slowing.
MARKET OVERVIEW

Industrial supply and demand are expected to increase over the next 12 months across Australia. Overall, rents have been mixed with strong growth in some areas and declines in others, while yields have continued to firm and land values rise over the year to June 2018. Sales activity has been moderate and this, combined with rising bond rates, is likely to result in slowing yield compression.

The key drivers of the industrial market in Australia at current are changing infrastructure, zoning and planning changes, international retailers looking to expand or enter into the Australian market and continued low interest rates.

These drivers are reducing the amount of available industrial land in inner submarkets, pushing up rents in these locations and increasing demand for outer submarkets.

Most tenants have a preference to locate in close proximity to major road, sea and air transport. Planning changes and congestion in the inner submarkets (compared to improvement in infrastructure, lower occupancy costs, greater choice and availability of space in outer submarkets) is driving a movement of tenants towards the outer precincts of most capital cities around Australia.

Prime and secondary net face rents across the metropolitan markets and submarkets over the year to June 2018 varied by city and submarket. Brisbane and Sydney have seen the most growth of the cities averaging 3.6% and 3.7% over the year, respectively. Perth continued to see rentals fall over the past 12 months although the rate of decline has slowed.

Yields firmed and land values increased over the year to June 2018 on the back of reduced supply and positive demand for industrial sites and buildings.
ECONOMIC GROWTH

Growth in the Australian economy is being driven by population growth, increasing infrastructure spending and sectors benefiting from a falling Australian dollar, such as tourism, agriculture and education. According to the Australian Treasury Budget Papers, in real terms Gross Domestic Product is forecast to grow by 2.50% in 2017-18 and improve to 3.0% in 2018-19.

INTEREST RATES

Interest rates have a dual impact on the industrial sector, firstly indirectly through other sectors and secondly through the investment market.

Record low official interest rates (currently at 1.50%) stimulate economic activity across a range of industries especially consumer related retailers (consumer discretionary and home improvement/building retailers), the construction sector and A-REITs.

With Banks raising interest rates independently of the Reserve Bank, rising bond rates and increased restrictions on lending to investors and taxes on overseas investors, yield compression has slowed over the past 12-18 months compared to the year prior.

INDUSTRIAL BUILDING APPROVALS

Australian industrial building approvals, by value, increased over the year to April 2018, compared to the year prior. This is likely to result in industrial building supply levels, remaining solid in the short-term. The loss of industrial space to other uses, such as residential and mixed-use, is resulting in an overall reduction of industrial land in inner areas of most Australian cities. This has been pushing industrial development to the outer submarkets and keeping approval levels high over recent years. The majority of growth in approvals over the year to April 2018, compared to the year prior, has been for factories and other secondary production buildings (71.8%), other industrial buildings not elsewhere classified (40.8%) and warehouses (26.2%).

VACANCY

Based on our sample of prime properties in Australia’s major industrial A-REITs, the vacancy rate decreased to 2.8% over the year to December 2017. This was down from 3.6% in December 2016. In the March quarter 2018, vacancy increased marginally to 2.9%.

The forecast is for vacancy to increase slightly over 2018 with supply likely to be slightly higher than net demand as speculative supply increases. It is likely that overall vacancy is higher in the wider market.
STATE INFRASTRUCTURE/DATA ROUND-UP

Western Australia Major Projects

- Mitchell Freeway widening and extension
- Kwinana Freeway upgrade
- NorthLink WA
- Great Northern Highway upgrade (Maggie Creek to Wyndham, Muchea to Wubin upgrade)
- Wanneroo Road upgrade and grade separation
- Murdoch Activity Centre Access
- Leach Highway upgrade Carrington Road to Stirling Highway
- Reid Highway upgrade
- Perth Metronet station upgrades tunnelling and line extensions including Forrestfield-Airport Link, Yanchep Rail Extension and Thornlie-Cockburn link
- Kwinana/Cockburn intermodal terminal stage 2

South East Queensland Major Projects

- Bruce Highway (Caloundra Road to Sunshine Motorway)
- Toowoomba Second Range Crossing
- Gateway Motorway North
- Logan Enhancement Project
- Ipswich Motorway (Rocklea to Darra)
- Pacific Motorway (Eight Mile Plains to Daisy Hill and Varsity Lakes to Tugun)
- Kingsford Smith Drive
- Cross River Rail
- Brisbane Metro
- Inland Rail Queensland Segments
- InterlinkSQ Freight Terminal
- Brisbane Airport Second Runway

South Australia Major Projects

- North South Corridor (Darlington Upgrade and Northern Connector)
- Torrens Road to River Torrens Project
- City Tram Extension
- Oaklands Crossing Grade Separation Project
- Flinders Link Project
- Gawler Rail Electrification Project
- Adelaide Airport Expansion (Main Terminal)
- South Australian Shipbuilding Infrastructure Upgrade (SASIU)
- GlobeLink (proposed)

South Australia Major Projects

- North South Corridor (Darlington Upgrade and Northern Connector)
- Torrens Road to River Torrens Project
- City Tram Extension
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- Gawler Rail Electrification Project
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- South Australian Shipbuilding Infrastructure Upgrade (SASIU)
- GlobeLink (proposed)

Victoria Major Projects

- CityLink-Tullamarine Widening
- West Gate Tunnel Project
- North East Link
- Monash Freeway upgrade
- M80 Ring Road
- Regional Network Development Plan
- Murray Basin Rail upgrade
- Tullamarine Airport Rail Link
- Inland Rail Queensland to Victoria

New South Wales Major Projects

- NorthConnex Linking M1 to M2
- WestConnex (M4 new and widening)
- M5 new and link to M4 and M12 new
- Outer Sydney Orbital and Bringelly Rd and Old Northern Rd upgrades
- Parramatta Light Rail ($3.5bn)
- Sydney CBD and South East Light Rail
- Inner West Light Rail
- Sydney Metro (North West, City South West) and Bankstown to Liverpool extn
- North South Rail Link via new airport
- Airport-Campbelltown/Macarthur Link
- Moorebank Intermodal Terminal
- Parkes National Logistics Hub Asciano
- Western Sydney Inland Container Terminal St Marys
- Badgerys Creek Airport (Aerotropolis)

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R: $65-100/m²
I: 15.0%
Y: 6.00-8.75%

R: $60-140/m²
I: 11.3%
Y: 7.00-9.50%

R: $100-140/m²
I: 12.7%
Y: 6.00-7.00%

R: $90-200/m²
I: 10.1%
Y: 4.75-7.50%

R: $70-90*/m²
I: 18.8%
Y: 5.75-6.75%

Prime Net Face Rents (capital city)
Prime Incentives (capital city)
Prime Yields (capital city)
* Excludes Melbourne City Fringe
Brisbane data excludes Ipswich
E-COMMERCE

The ‘last mile’ delivery of goods is increasingly becoming an issue for e-commerce operators around the world, as consumers progressively seek shorter delivery times and an easy and fast returns process. Retailers are key users of logistics in Australia, contributing 36.6% of revenue, according to IBISWorld (May 2018). With retailers continuing to grow their use of online platforms to expand customer bases and compete with online retailers, demand for logistics is set to rise.

This ‘last mile’ issue is resulting in shifting patterns of demand for industrial land. Infill locations are being sought in population centres to reduce delivery times, together with larger sites in outer areas for storage and distribution to the infill locations as well as delivery to customers in outer areas.

LAND CONSTRAINTS

Demand for infill sites, to solve the ‘last mile’ issue, and outer sites along transport corridors is impacting land values and starting to push up rental rates.

Inner submarkets in most states are facing supply constraints due to rezoning of prime industrial sites for residential and mixed-use purposes. While outer submarkets face constraints due to the slow turnaround in rezoning of land to industrial and the required addition of services and infrastructure.

In South Sydney for example, the supply of vacant industrial land is extremely limited, owing to the largely built up nature of the precinct, as well as ongoing stock withdrawals and rezoning of former industrial sites to accommodate higher order uses. This is driving up land values and rents. The next option is to build upwards, as some of the more dense and expensive industrial locations such as Mascot, Rosebery and Alexandria are considered suitable for multi-level warehouses as density increases are allowed.

TECHNOLOGY AND DESIGN

The desire for quick, efficient delivery of goods to consumers and the increased cost of operating in inner areas, where land supply is limited, is resulting in greater use of automation and changing building design.

Strategies for greater efficiency, lower inventory and new innovative ways to incorporate technology within warehouse design include automated stock management and storage systems, materials handling automation (including high-speed unit and voice picking and robots) intelligent conveyor systems, wireless communications and well-designed cross-docking. These techniques can make warehouses smarter, faster and more economical, as well as reduce order status calls, increase sales and reduce costs.

Due to land constraints, multi-level industrial has a foothold in locations such as Hong Kong and Singapore, and is expanding into cities such as Munich and Paris.

While Australia is unlikely to reach the heights of Hong Kong, due to planning restrictions, industrial buildings are still likely to reach up to five levels. This requires a complete change from the older warehouse model to one that maximises use, storage and access to meet new industrial needs.

NEW CHALLENGES

Multi-level warehouses are a game-changer. They are more specialised, will require new systems and new considerations when valued. The issue that property valuers and owners will have to grapple with is whether this new specialised building is going to result in buildings becoming too tenant-specific and therefore reduce future tenant appeal. While some of the technology incorporated in buildings may be transferable, others may not, resulting in it having to be removed/altered before another tenant is able to lease the building.

There is also no guarantee that the multi-level concept will work in Australia, like it has in Asia and the United States. In the United Kingdom, for example, the concept has had mixed success. The two-level SEGRO X2 located at Heathrow took eight years to fully let after completion and, following approval in 2014, Uniserve is still to build its multi-level warehouse in Felixstowe. Amazon, however, currently operates successful multi-level warehouses in the UK, with plans to build more.
MARKET OVERVIEW

Key drivers of the industrial market in Sydney at current are infrastructure, zoning and planning changes, e-commerce firms and international retailers looking to expand or enter into the Australian market and growing land constraints in some submarkets.

Demand for Sydney industrial space is changing in composition and location. Many tenants still prefer to locate in the South and Inner West submarkets due to proximity to customers and major road, sea and air transport. However, improving infrastructure in outer areas, lower comparable cost and availability of space is also driving an outward movement of tenants.

RENTS

Prime net face rents increased by 3.6% over the year to June 2018. This was primarily driven by the South and Central West submarkets. Withdrawal of stock for change of use, saw vacancy fall and building quality improve resulting in upward pressure on rents in these markets.

INVESTMENT MARKET

Over the year to June 2018 there was around $1,615,089,520 worth of assets traded in NSW, down from $1,977,583,060 over the year prior. Developers, with 22.1% of sales, by value, accounted for the largest portion of NSW industrial sales over the year to June 2018 (over $5,000,000 in value), followed by A-REITs (15.2%). Portfolio sales activity was strong over 2015-2017, however, slowed over the second half of 2017 and into 2018.

Prime investment yields overall in Sydney have surpassed their pre-GFC lows across all submarkets. While secondary yields still lag prime considerably, the gap is reducing.

LAND VALUES

Land values increased in a range from 17.0%-37.0% over the year to June 2018 across the submarkets.

“Land values are expected to continue to rise into the foreseeable future due to the finite supply of land and the lag time required to obtain zoning changes and servicing of land to enable further development.”

James Farrugia, Director

This turnaround time is likely to result in pent-up demand for industrial land and therefore sustained growth in land values.
MARKET OVERVIEW

The Melbourne industrial market remained strong, benefiting from solid population growth, residential construction and improved business confidence. An increase in tenant demand was witnessed, with tenants committing to good quality purpose-built facilities. Funds and developers are still supporting face rents with incentives, however, effective rents have started rising over the last year.

The Victorian Environment, Land, Water and Planning Department released their Urban Development Program, Metropolitan Melbourne Industrial 2017 report. According to the report, State Significant Industrial Precincts (SSIP) 2017, there was 28,750,000m² of industrial stock in the market in 2017. The West SSIP stated as having the largest amount of floor space with 11,920,000m² of built industrial space followed by the South East region with 8,870,000m².

TENANT DEMAND

Tenants continued to take advantage of the availability of new stock and easily move to new purpose-built facilities. These new facilities often represent a consolidation of existing facilities and provide greater efficiencies. This is leaving backfill space in secondary buildings.

A shift towards automation and ‘dark warehousing’ facilities is occurring, as industrial occupiers look to streamline their supply chain and capitalise on emerging technology, in particular picking distribution software which appeals to retail distribution operators. Data warehousing also falls within the ‘dark warehousing’ category having little demand for on-site staff.

Prime buildings in highly sought after locations with good infrastructure are experiencing stable levels of tenant demand while some secondary stock is struggling to attract tenants.

RENTS

At March 2018 incentives for prime grade stock continued to reduce, averaging 19%, whilst secondary grade averaged 7.50%. Net face rents were stable over the year to March 2018. This resulted in net effective rents increasing over the year to June.

“With continuing yield compression and land take up, localised rental movement is expected in the following twelve months.”

Josh Phegan, Associate Director

INVESTMENT MARKET

Melbourne’s industrial market experienced healthy transactional activity from investors (above $5,000,000 in value) in 2017 with 64 properties transacting. Sales volume was stable during 2018 with 13 sales occurring over the year to date. Over the year to May 2018 there were 51 transactions accounting for approximately $1,200,000,000, down from $1,790,000,000 the year prior.

Investor sentiment and activity reflects an increasing appetite for prime assets. This has been driven by improving market fundamentals and the spread between property yields and interest rates.

Prime industrial assets are generally trading at yields around 5.75% to 6.75% in Melbourne at March 2018. Over the past two years yields in Melbourne have tightened by 50 to 75 basis points. Lower yields have been recorded for high value or national grade investment properties.

LAND VALUES

Demand for industrial land above one hectare remains steady, driven by large owner occupiers and a trend towards larger facilities.

The average land value across Melbourne, for serviced 1-2 hectare allotments, as at March 2018 was $225/m² (excluding City Fringe) an increase of approximately 37% from the March quarter 2017. Land values ranged from an average of $150/m² in the West and North up to $1,500/m² in the City Fringe, where land is in short supply and alternative highest and best use is likely in the short- to medium-term.
BRISBANE

MARKET OVERVIEW

The Brisbane Industrial market is in an upturn. Leasing activity has increased, building approvals have strengthened, vacancy has reduced and rents have grown.

Growth is being supported by some key road infrastructure projects underway, notably the Gateway Upgrade North and the Logan Enhancement Project, improved business confidence and continued growth in e-commerce.

RENTS

Prime net face rents increased over the year to June 2018. Prime rents currently generally range between $100 and $140/m², with the Australia TradeCoast continuing to attract a premium to other precincts. Secondary net face rents typically range between $65 and $105/m².

Across both prime and secondary accommodation, owners continue to offer large incentives to tenants.

INVESTMENT MARKET

Over the year to March 2018, there was circa-$1,013,000,000 worth of industrial properties (sales over $5,000,000) traded across the Greater Brisbane Region, up from $693,845,000 over the year prior. Approximately 37% of sales (by value) occurred in the Australia TradeCoast and 35% of sales occurred in the Western Corridor (boosted by the sale of the Coca Cola Amatil facility in June 2017).

Key buyers in the Greater Brisbane market over the year to March 2018 included Sentinel Property Group, Garda Capital, ARA and Blackstone Group.

Prime investment yields were stable over the year to June 2018, typically ranging from as low as 6.00% in the Australia Trade Coast up to 7.00% in most other precincts. Secondary yields tightened by circa-10 basis points over the year to June 2018. Secondary yields ranged from as low as 7.00% in the Australia Trade Coast and up to 8.75% in the M1 and Northern Corridors as at June 2018.

“Whilst the gap between prime and secondary yields has reduced, secondary space remains higher on the risk scale due to tenants’ desire to lease the most efficient space possible.”

Mitchell Enright, Senior Valuer

Specialised assets (such as cold storage and food processing facilities) continue to be met with strong investor demand.

LAND VALUES

Land values increased over the past 18 months. The average land value across Greater Brisbane, for one to two hectare allotments, as at June 2018 was $290/m². Land values currently range from an average of $205/m² in the M1 Corridor up to $475/m² in the Australia Trade Coast submarket.
MARKET OVERVIEW

Confidence in the South Australian industrial market is gaining momentum, underpinned by significant infrastructure spend and growth in key areas such as defence, advanced manufacturing (renewable energy, medical devices, digital technologies etc.), agriculture and logistics. Although the market will continue to go through a transition period away from car manufacturing, the Adelaide industrial market is now in a better position to take advantage of key opportunities through Government supported initiatives, programs and packages aiming to upskill car manufacturing workers and supply chain workers.

Although the final Air Warfare Destroyer (AWD) was launched in May, the ramping up of the $535 million South Australian Shipbuilding Infrastructure Program (SASIU) at Osborne in readiness to build the navy’s new fleet of frigates is helping maintain positive sentiment levels currently being displayed within the market. The recent announcement of BAE Systems winning the $35 billion contract to build the frigates is likely to lift confidence further, with the company previously declaring it would partner with local steel suppliers (BlueScope and Liberty OneSteel) for more than 48,000 tonnes of steel, if it were to be awarded the contract.

RENTS

Prime net face rents were stable over the past 12 months. The West precinct continued to attract a premium due to the limited stock available, ranging between $100-$140/m² (based on deals of less than 3,000m²). Average secondary net face rents were also stable over the period.

“Although demand has started to pick up again, we expect there to be a time lag before we see some upward pressure on rents.”

Neil Bradford, Director

Incentives for prime and secondary stock started to pull back over the year, but remain above historical averages.

INVESTMENT MARKET

Over the year to June 2018, there was circa $94,500,000 worth of properties traded in SA (sales over $5,000,000 in value), significantly down from circa $210,000,000 over the year prior.

Owner occupiers with 30.4% of sales, by value, accounted for the largest portion of sales over the year. Owner occupiers continue to take advantage of the historically low cost of funds on offer, rather than rent.

Prime investment yields in Adelaide were stable over the 12 months to June 2018 ranging from 7.00% to 9.50%. Secondary yields still lag prime considerably, having also been stable over the past 12 months. Secondary yields, as at June 2018, were in a range from 8.00%-11.00%.

LAND VALUES

Land values have also been stable in Adelaide over the past 12 months. The most recent movement was for land in the West precinct, where values increased by 7.4% to $300-$425/m² (based on less than 3,000m²), reflecting reduced supply.

m3property Valuation:
80-92 Grand Junction Road, Kilburn, SA
PERTH

MARKET OVERVIEW

Perth's industrial market continues to show glimpses of improvement with tenant demand increasing, land values stabilising and rental declines slowing. Supply is also expected to remain moderate over 2018 resulting in a more positive short-term outlook for the market.

A key trend in the Perth market over 2017-18 has been the solid demand for larger new or higher quality, well-located space. Rental discounts over recent years have made this space competitive compared to some longer existing lease tails and have resulted in demand for this higher quality space. Most tenants are looking for space in the inner or outer south markets in close proximity to major road infrastructure.

RENTS

Prime net face rents have generally decreased in Perth since March 2014. While the trend has continued, the rate of discounting has slowed. Over the year to June 2018 rents fell 7.8% but have stabilised over the June quarter 2018. This indicates that the prime market may be at or near the nadir of the current cycle. Rental declines continued in secondary space, particularly for space without proximity to major road or rail infrastructure.

“Incentives rose over the year to June 2018 as owners looked to lease excess space in the core markets.”
Gary Longden, Director

LAND VALUES

Land values fell by 0.4% over the year to June 2018. Values in Perth dropped below the Australian average in the past six months for the first time in over a decade due to Sydney and Melbourne, in particular, seeing strong growth and Perth values declining. Constrained supply historically in Perth resulted in it being the most expensive state on average from March 2011 to June 2017. Land values vary significantly depending upon size and location, but freehold sites of around one hectare in Perth are generally in a range of between $150 and $500/m2.

INVESTMENT MARKET

Over the year to June 2018 there was around $447,546,600 worth of industrial assets traded in WA, down from $646,678,700 over the year prior. Developers with 18.7% of sales, by value, accounted for the largest portion of sales in the State over the year to June 2018 (in sales over $5,000,000 in value). Owner occupiers (16.4%) and overseas investors (16.0%) were also active.

Yields firmed over the past year despite falling rents, increasing incentives and generally subdued market conditions. This is largely on the back of continued investor demand. The divergence between prime and secondary markets remains, based on the primary market drivers of quality, location and lease covenant. Yields for prime assets as at June 2018 were typically in a range from 6.00% to 8.75%, while secondary yields are generally in a range from 7.00% to 10.00%.

TENANT DEMAND

Gross tenant demand, in terms of leases signed, increase over the year to June 2018, compared to the year prior (in deals over 1,000m2 in size). The increase was driven by solid activity in the Inner and Outer South submarkets. The south contains many of the larger industrial properties in Perth, which are favoured by the growing logistics and transport sector tenants. The Inner submarkets catering more to smaller tenants who require proximity to customers. The increase in demand has largely come from tenants committing to new estates, in close proximity to major roads, including the Mitchell Freeway.

Only two of the Perth submarkets witnessed increased demand over the year to June 2018. The suburbs with the highest levels of demand over the year were Bibra Lake in the Outer South, Hazelmere in the Inner East, Cannington Vale in the Inner South and Welshpool in the Inner East.
## SIGNIFICANT SALES

<table>
<thead>
<tr>
<th>Property sales</th>
<th>Qtr</th>
<th>Price</th>
<th>Rate/m²</th>
<th>Market Yield</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Percival Road, Smithfield, NSW</td>
<td>Q3 18</td>
<td>$45,000,000</td>
<td>$1,339</td>
<td>6.09%</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>1 Johnson Road, Campbelltown, NSW</td>
<td>Q2 18</td>
<td>$29,000,000</td>
<td>$1,743</td>
<td>5.83%</td>
<td>Mirvac Property Group</td>
</tr>
<tr>
<td>169-177 Australis Drive, Derrimut, VIC</td>
<td>Q2 18</td>
<td>$34,000,000</td>
<td>$1,095</td>
<td>6.84%</td>
<td>Ascendas</td>
</tr>
<tr>
<td>36-42 Hydrive Close, Dandenong South, VIC</td>
<td>Q2 18</td>
<td>$19,450,000</td>
<td>$1,329</td>
<td>6.22%</td>
<td>Investec Australia Property Fund</td>
</tr>
<tr>
<td>323 St Albans Road, Sunshine North, VIC</td>
<td>Q2 18</td>
<td>$12,000,000</td>
<td>$1,165</td>
<td>7.23%</td>
<td>Fife Capital</td>
</tr>
<tr>
<td>67 Noosa Street, Heathwood, QLD</td>
<td>Q2 18</td>
<td>$9,800,000</td>
<td>$1,627</td>
<td>7.37%</td>
<td>Garda Diversified Property Fund</td>
</tr>
<tr>
<td>25-33 Fourth Avenue, Sunshine, VIC</td>
<td>Q1 18</td>
<td>$74,000,000</td>
<td>$1,401</td>
<td>6.02%</td>
<td>GPT Group</td>
</tr>
<tr>
<td>2-6 Moore Street, Banksmeadow, NSW</td>
<td>Q1 18</td>
<td>$72,430,000</td>
<td>$3,472</td>
<td>4.68%</td>
<td>LOGOS</td>
</tr>
<tr>
<td>132 Wentworth Avenue, Banksmeadow, NSW</td>
<td>Q1 18</td>
<td>$36,000,000</td>
<td>$4,993</td>
<td>3.44%</td>
<td>LEDA Holdings</td>
</tr>
<tr>
<td>23-27 Bourke Road, Alexandria, NSW</td>
<td>Q1 18</td>
<td>$24,500,000</td>
<td>$4,966</td>
<td>4.03%</td>
<td>Tipalea Partners</td>
</tr>
<tr>
<td>3-19 Military Road, Matraville, NSW</td>
<td>Q1 18</td>
<td>$20,915,000</td>
<td>$7,488</td>
<td>4.92%</td>
<td>Private Investor</td>
</tr>
<tr>
<td>151-155 Woodlands Drive, Braeside, VIC</td>
<td>Q1 18</td>
<td>$16,000,000</td>
<td>$1,445</td>
<td>6.21%</td>
<td>Overseas Investor</td>
</tr>
<tr>
<td>681-687 Mersey Road, Osbourne, SA</td>
<td>Q1 18</td>
<td>$14,440,000</td>
<td>$1,287</td>
<td>7.05%</td>
<td>Australian Naval Infrastructure Pty Ltd</td>
</tr>
<tr>
<td>100 Lahrs Road, Ormeau, QLD</td>
<td>Q1 18</td>
<td>$10,252,600</td>
<td>$1,324</td>
<td>6.80%</td>
<td>Emy Midwest Secure Investment</td>
</tr>
<tr>
<td>18-26 Lahrs Road, Ormeau, QLD</td>
<td>Q1 18</td>
<td>$8,000,000</td>
<td>$1,790</td>
<td>7.51%</td>
<td>Stoddart Group's Steel House Frames</td>
</tr>
</tbody>
</table>

## Land Sales

<table>
<thead>
<tr>
<th>Land Sales</th>
<th>Qtr</th>
<th>Price</th>
<th>Site Area m²</th>
<th>Land rate/m²</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>43 Sargents Road, Minchinbury, NSW</td>
<td>Q3 18</td>
<td>$13,392,260</td>
<td>20,230</td>
<td>$662</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>2-10 Dunn Road, Smeaton Grange, NSW</td>
<td>Q2 18</td>
<td>$19,532,500</td>
<td>30,050</td>
<td>$650</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>96 Newton Road, Wetherill Park, NSW</td>
<td>Q2 18</td>
<td>$5,050,000</td>
<td>8,001</td>
<td>$631</td>
<td>Rega Investments Pty Ltd</td>
</tr>
<tr>
<td>291 Berkshire Road, Forrestfield, WA</td>
<td>Q4 17</td>
<td>$8,100,000</td>
<td>40,500</td>
<td>$200</td>
<td>Jeanetta Pty Ltd</td>
</tr>
<tr>
<td>27 Logistics Place, Larapinta, QLD</td>
<td>Q4 17</td>
<td>$5,000,000</td>
<td>17,000</td>
<td>$294</td>
<td>Undisclosed Developer</td>
</tr>
</tbody>
</table>

NA Not available. *Initial yield.

m3property Valuation:
681-687 Mersey Road, Osbourne, SA
Australia’s industrial property market is expected to continue to be positive over the short-term. Growth is likely to largely be driven by the high volume of export and import sales. Retail trade growth continued to reduce but is still driving solid demand for storage and distribution space due to new entrants to the market (in particular online retailers) and firms continuing to look for efficiencies in delivery, access to infrastructure and storage.

Supply of industrial stock increased over the year to June 2018. Supply mainly relies on owners obtaining pre-commitments, although speculative development has increased in some areas. This has largely been matched by demand prior to completion, however, it has resulted in a rise in backfill space. Supply is set to continue at solid levels in the short-term with approval of industrial space remaining high in 2018.

Demand for industrial property should remain positive over the short-term. In particular, the merchandise trade, construction and logistics sectors are likely to drive growth in demand for processing, distribution and storage facilities within most markets and particularly in areas of improved infrastructure.

While expected to remain subdued, in some states, rental growth should improve over the short-term, in selected submarkets, in particular inner city locations where infill space is sought by e-commerce firms.

Investment market activity is expected to be moderate over the short-term with many landlords looking to hold assets. There is scope for investment yields to tighten on selected assets over the next 6–12 months. However, this is likely to be constrained by rising 10-year bond yields.

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