MARKETBEAT
PERTH
LOGISTICS & INDUSTRIAL Q1 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
2.5% Vacancy Rate	▲	▬
6.50% Average Prime Yield	▬	▼
1.1% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% National GDP Growth	▼	▼
2.7% State Final Demand Growth	▲	▲
4.1% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

The Australian economy has reached an inflection point as the RBA has pivoted and started the rate cutting cycle. Against this backdrop growth is expected to accelerate throughout 2025 and 2026 on the back of improved consumer and business confidence. GDP growth for Q4 2024 reached 0.6% (1.3% year-on-year), while growth in the order of 2.1% is expected for 2025 and 2.5% for 2026.

The outperformance of economic growth in Western Australia is expected to persist, with growth state product forecast to increase by 2.7% in 2025 and 4.2% in 2026.

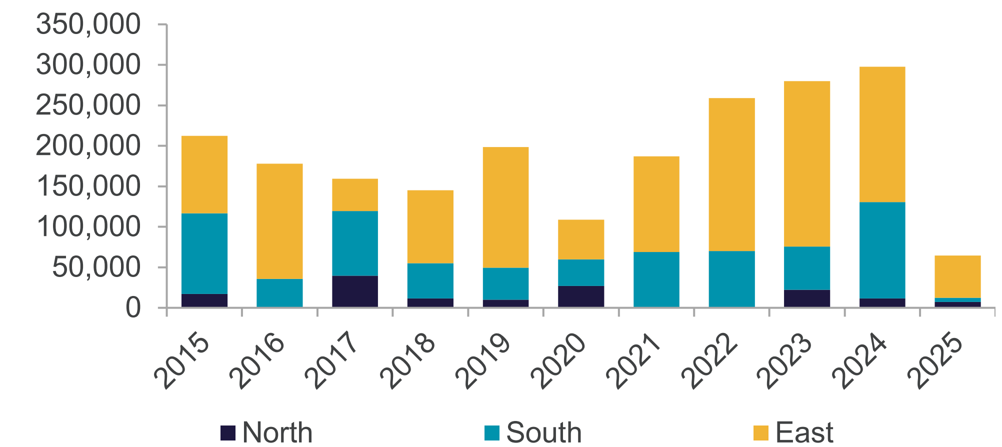
DEMAND

Leasing demand remains solid across Perth, reflective of buoyant local economic conditions, which is aiding business expansion plans. In Q1 2025, gross take-up reached almost 65,000 sqm (deals above 3,000 sqm) and compares to the long-term quarterly average of approximately 50,000 sqm.

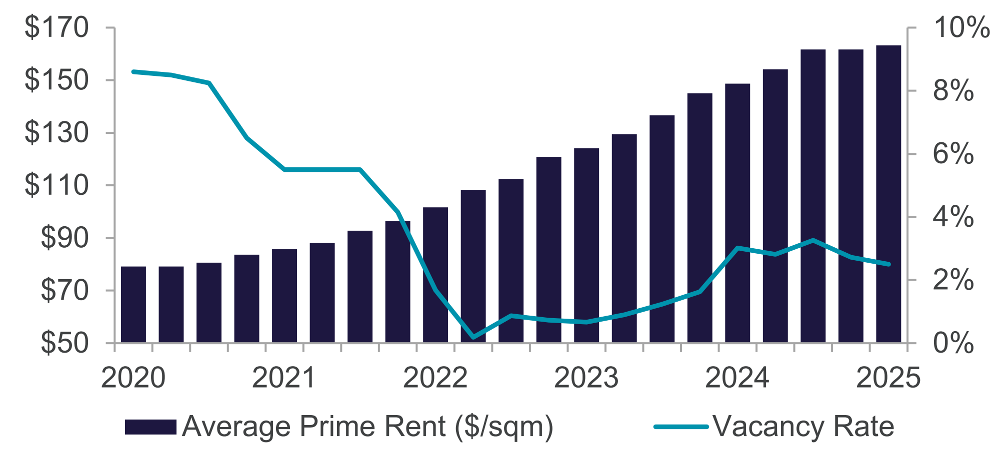
Tenant demand remains strongest for core precincts in the East, which accounted for over 80% of floorspace leased during the period. Limited leasing availability and supply within the North submarket continues to restrict leasing volumes.

There continues to be strong tenant depth within the 3,000 – 10,000 size bracket, which is a theme expected to remain over the coming months. There are over 200,000 sqm in active tenant briefs within the market, 72% of which exists for facilities sub 10,000 sqm. The forecast improvement in consumer spending in 2025 is expected to support greater enquiry and take-up from larger occupiers, led by transport and logistics groups.

GROSS TAKE-UP (SQM)



VACANCY & AVERAGE PRIME RENTS



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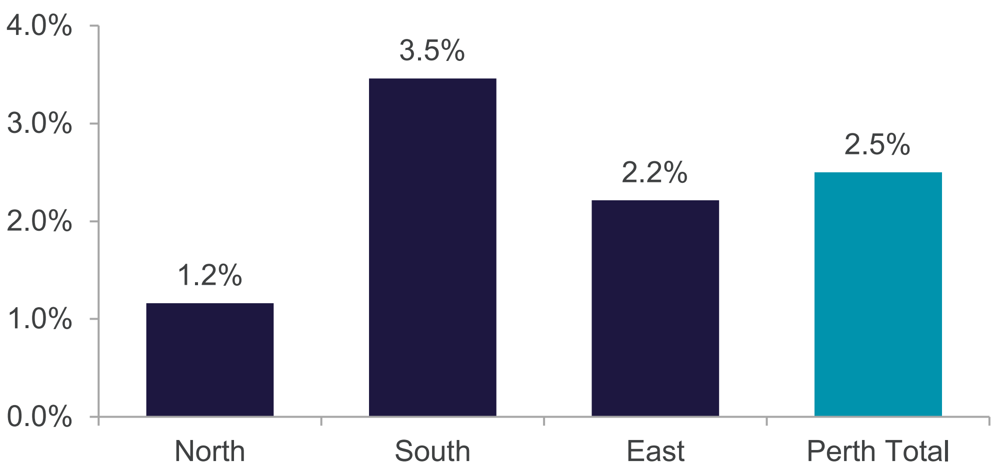
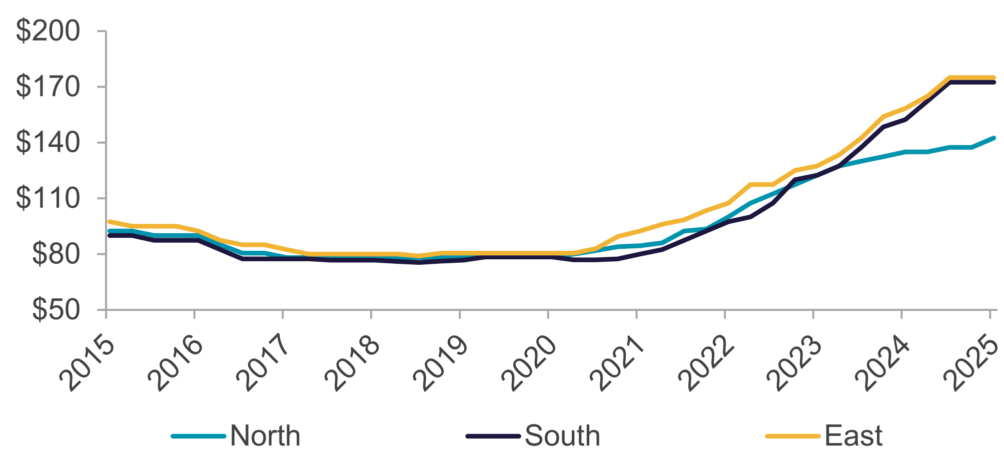
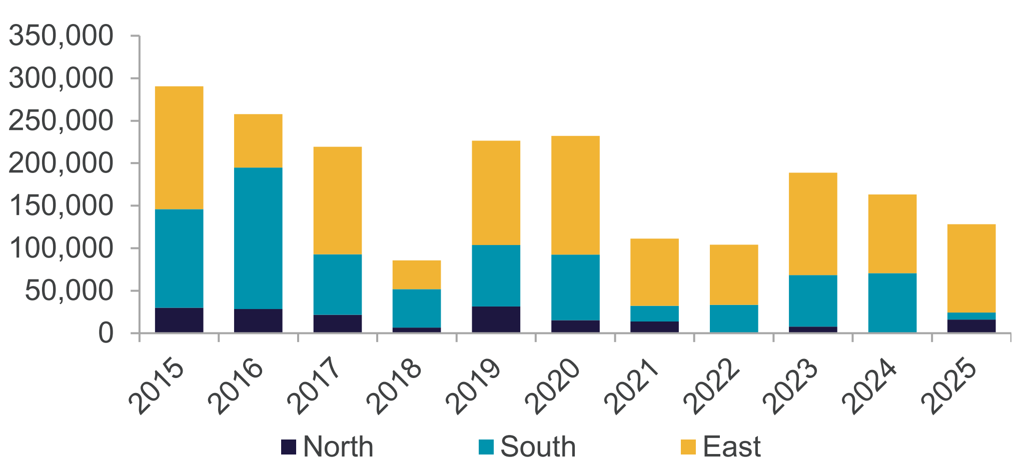
Q1 2025 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Solid leasing demand has placed downward pressure on the Perth vacancy rate, currently averaging 2.5% across the market (down from 2.7% in Q4 2024). Prime grade space accounts for almost 80% of vacant floor space, driven by speculative supply, particularly in facilities above 10,000 sqm.

The vacancy rate in the sub 10,000 sqm size bracket remains lower than the broader market at 1.8%, while over half of leasing options exists in buildings above 10,000 sqm. Vacancy levels are higher in the South, a large space of which is new space.

RENTS & INCENTIVES

Modest rental growth was recorded in Q1 2025, with the pace of growth slowing from the heights recorded in recent years. Prime rents grew by 1.1% in the quarter and was underpinned by the North submarket. Growth was more subdued in the East and South, and while there has been deal evidence above $200/sqm net, these have so far been outliers. Rents in the secondary market were unchanged in the quarter.

Incentive levels saw a modest increase to 12.4% across prime and secondary (range of 7.5% to 18.5%).

SUPPLY

Warehouse completions were weak in Perth for Q1 2025 and follows over 160,000 sqm of new space that was delivered to the market in 2024.

Looking to 2025, the supply pipeline is expected to moderate, with the potential for almost 130,000 sqm to come online. Already, 72% of this pipeline is committed, and as a result, the same impacts on vacancy as what was recorded in 2024 are not expected. Further, there are several projects that are only likely to proceed once a pre-commitment is secured so it is likely some of this supply pipeline is pushed into 2026.

Unlike 2024 which was dominated by additions in the South, supply for 2025 is led by the East submarket, representing approximately 80% of new additions. This includes CEVA Logistics' 37,170 sqm facility at Hazelmere.

Perth's population is forecast to grow by over 50,000 persons in 2025, driving warehouse demand in the order of 200,000 sqm, which outpaces the current supply pipeline, noting that close to 350,000 sqm of new floorspace would be needed to bring vacancy levels back to its market equilibrium.

OUTLOOK

- The outperformance of the WA economy is expected to persist in 2025, supporting sustained tenant demand. This is expected to be driven by the sub 8,000 sqm size range, while transport and logistics occupiers are expected to become more active at the larger end of the market.
- The Perth vacancy rate is expected to moderate further over 2025 as the impact of speculative additions has already filtered through to current metrics. The leasing of several larger speculative projects would dramatically reduce Perth's overall vacancy rate.
- The rental outperformance in Perth is expected to persist, with growth in the order of 4.5% expected for 2025. Bifurcation in the market by precinct and size bracket is forecast to remain, with the lack of options in the 3,000 – 8,000 sqm segment likely to drive superior levels of growth.

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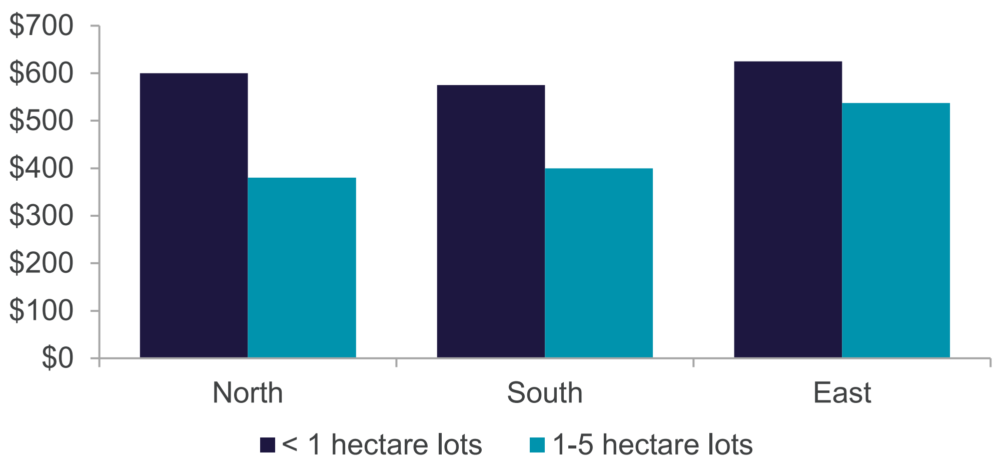
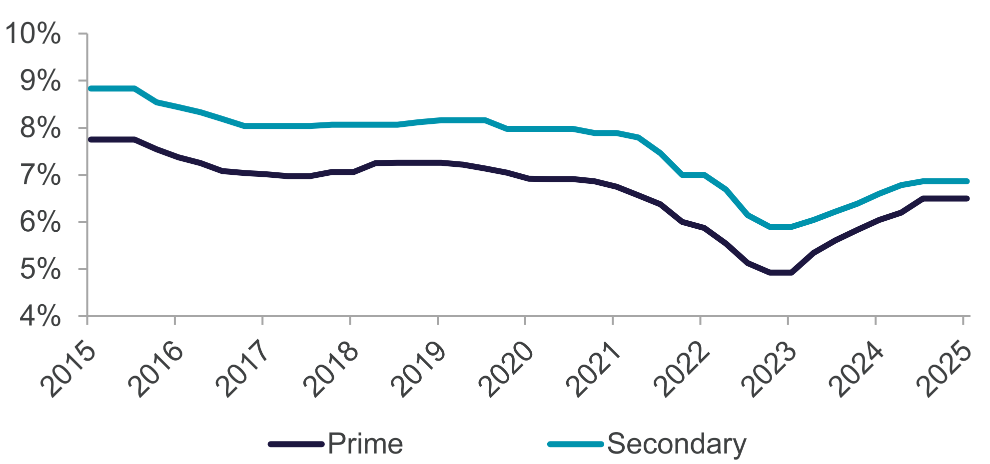
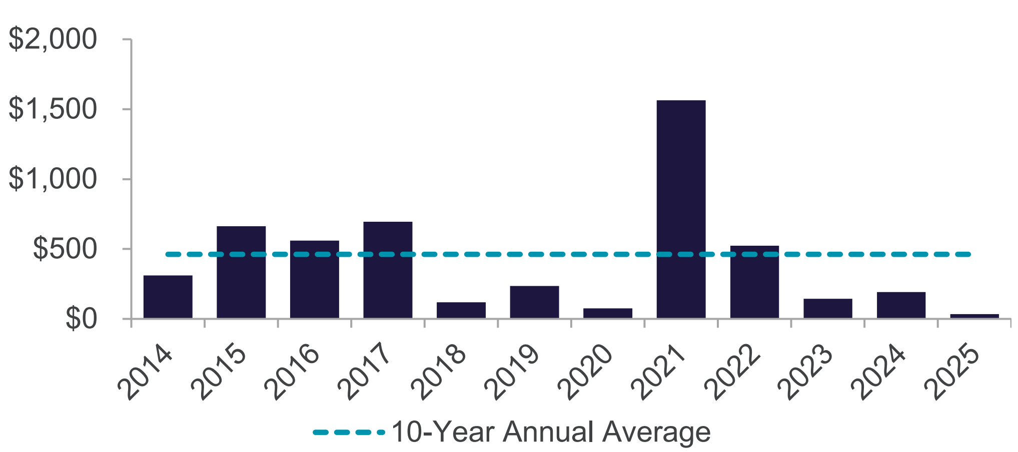
Q1 2025 LAND VALUES BY SIZE ($/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES ($M)



LAND VALUES

Industrial land values have remained unchanged this quarter, although appetite remains strong, led by both institutions and local developers who are still focused on land banking core infill sites to maintain their development pipeline for their customers. Most of Perth's land supply stems from the outer south and outer north precincts, while infill markets account for less than 20% of active land supply.

Industrial land values in Perth for Q1 2025 average $600/sqm for <1 hectare lots and $439/sqm for 1-5 hectare lots, while land in the East continues to attract a premium given the acute shortage of land availability

YIELDS

Yields have continued to stabilise, and with all in-debt costs declining, Perth looks attractive in a national context. Prime yields currently range between 6.25% to 6.75%, while secondary yields range between 6.75% to 7.25%. Recent transaction evidence supports these ranges, which are approximately 80-100 basis points above the Sydney and Melbourne markets. This yield spread is generating solid interest from institutional, syndicator and high-net-worth buyer pools seeking yield.

INVESTMENT

Despite an improvement in capital appetite, transaction activity remains limited as stock remains tightly held, particularly of scale. There is, however, a number of assets currently in the market that will provide a boost to investment volumes over the coming quarters once they trade.

The only sale above $10 million for the quarter was Hesperia's acquisition of 6 Magnet Road, Canning Vale for $35.0 million. The asset provides 22,538 sqm of GLA, reflecting an improved value of $1,553/sqm.

OUTLOOK

- A lack of land supply in core locations is expected to support some upward pressure on land values in 2025. Continued rental growth and potential for yield compression in late 2025 will provide support to development feasibilities.
- Further rate cuts in 2025 will provide the backdrop to improved liquidity, with a material jump in investment volumes forecast, supported by new capital sources from offshore markets.
- The movement of yields over the next two years will be heavily influenced by the outlook for rates – both interest rates and the risk-free rate, as well as the weight of capital seeking to be deployed, where in the absence of high stock levels will result in heightened competition for limited assets.
- Our modelling highlights the potential for 10 to 25 basis points of compression in late 2025 before a further 25 to 30 basis point reduction in 2026. Unlike the last cycle, the movement in yields will not be consistent across markets and grades.

Q1 2025 PERTH MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	TAKE-UP (TOTAL MARKET SQM)	AVERAGE NET FACE RENT ($/SQM P.A.)	AVERAGE OUTGOINGS ($/SQM P.A.)	AVERAGE INCENTIVES	AVERAGE YIELDS	AVERAGE CAPITAL VALUES ($/SQM P.A.)	AVERAGE LAND VALUES (1-5ha, $/SQM P.A.)
PRIME								
North	1.2%	7,427	$143	$30	11.3%	6.50%	$2,192	$380
South	3.5%	4,800	$173	$30	13.0%	6.50%	$2,654	$400
East	2.2%	52,466	$175	$30	13.0%	6.50%	$2,692	$538
PRIME AVERAGE	**2.5%**	**64,693**	**$163**	**$30**	**12.4%**	**6.50%**	**$2,513**	**$439**
SECONDARY								
North	-	-	$120	$30	11.3%	7.00%	$1,714	-
South	-	-	$120	$30	12.5%	6.88%	$1,745	-
East	-	-	$123	$30	12.5%	6.88%	$1,782	-
SECONDARY AVERAGE	**-**	**-**	**$121**	**$30**	**12.1%**	**6.92%**	**$1,747**	**-**

RESEARCH

LUKE CRAWFORD
Head of
Logistics & Industrial Research –
Australia
+61 421 985 784
luke.crawford@cushwake.com

LOCAL MARKET AGENCY LEADS

NICK GOODRIDGE
National Director
Head of Brokerage, Logistics & Industrial –
Western Australia
+61 421 812 159
nick.goodridge@cushwake.com

NATIONAL LEADS

TONY IULIANO
International Director
Head of Logistics & Industrial –
Australia and New Zealand
+61 412 992 830
tony.iuliano@cushwake.com

DAVID HALL
National Director
Head of Brokerage Logistics & Industrial –
Australia and New Zealand
+61 428 242 410
david.j.hall@cushwake.com