MARKETBEAT

# PERTH

## LOGISTICS & INDUSTRIAL Q2 2025

### MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---|---|
| **2.8%** Vacancy Rate | ▲ | — |
| **6.33%** Average Prime Yield | — | ▼ |
| **0.5%** Prime QoQ Rental Growth | ▲ | ▲ |

### ECONOMIC INDICATORS

| | YOY Chg | Outlook |
|---|---|---|
| **1.3%** National GDP Growth | ▼ | ▼ |
| **3.6%** State Final Demand Growth | ▲ | ▲ |
| **4.1%** National Unemployment Rate | ▲ | ▲ |

*Source: ABS*

### ECONOMIC OVERVIEW

The Reserve Bank of Australia responded to continued disinflation and the ongoing tariff negotiations by cutting rates in May for the second time this year as the central bank's focus has shifted from fighting inflation to supporting growth and maintaining full employment. Against this backdrop growth is expected to improve throughout 2025 and 2026 on the back of improved consumer and business sentiment. GDP growth slowed in Q1 2025 reaching 0.5% (1.3% year-on-year but is forecast to recover to 1.8% by the end of the year and 2.1% for 2026. Western Australia's economic growth is expected to grow at a faster pace than other states, with Gross State Product forecast to increase by 2.5% in 2025 and 4.3% in 2026.

### DEMAND

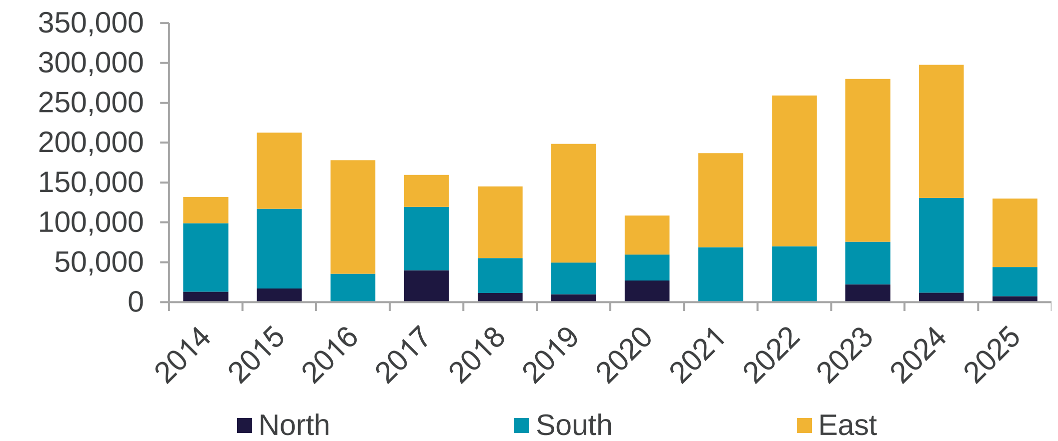
A continuation of recent themes has played out across the Perth leasing market in Q2 2025 as occupiers navigate higher rents and limited availability.

Leasing volumes over the past quarter were almost identical to Q1 2025, with approximately 65,000 sqm being leased, taking year-to-date volumes to 130,000 sqm. Beyond this, there is a large volume of floorspace in the final stages of negotiation, which will support take-up levels in the coming quarters, underpinned by the South market.

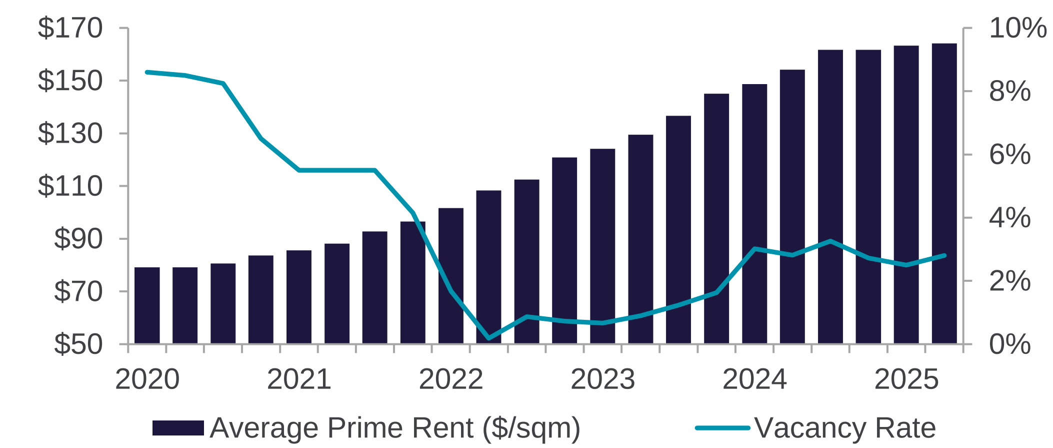
Recent leasing evidence continues to support the sweet spot of demand, which is in the 3,000 – 8,000 sqm size bracket, highlighted by pre-commitments to Toll Healthcare (5,801 sqm) and Polyaire (5,399 sqm) at Hazelmere, while Samsung SDS leased 6,698 sqm at Canning Vale.

A more recent trend that has emerged is smaller occupiers who have traditionally leased existing space are now looking at pre-lease options due to the low level of availability in core markets. This is resulting in pre-leases being done below 3,500 sqm.

### GROSS TAKE-UP (SQM)




### VACANCY & AVERAGE PRIME RENTS



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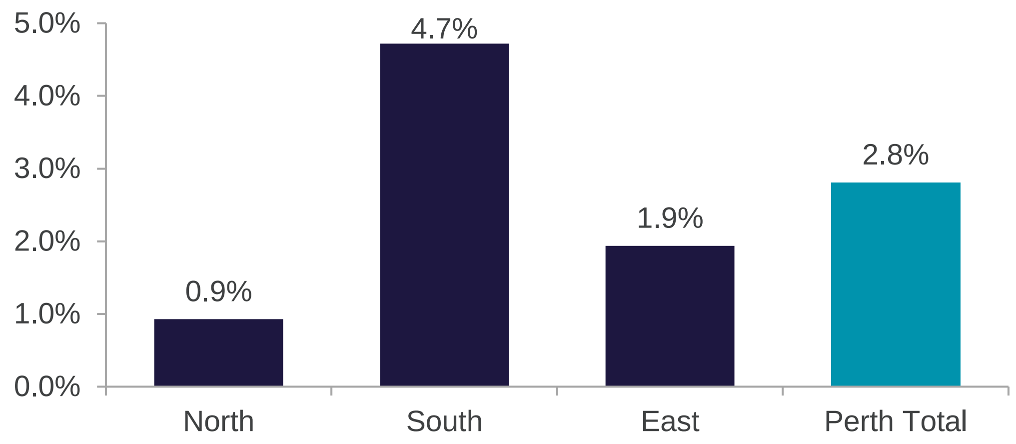
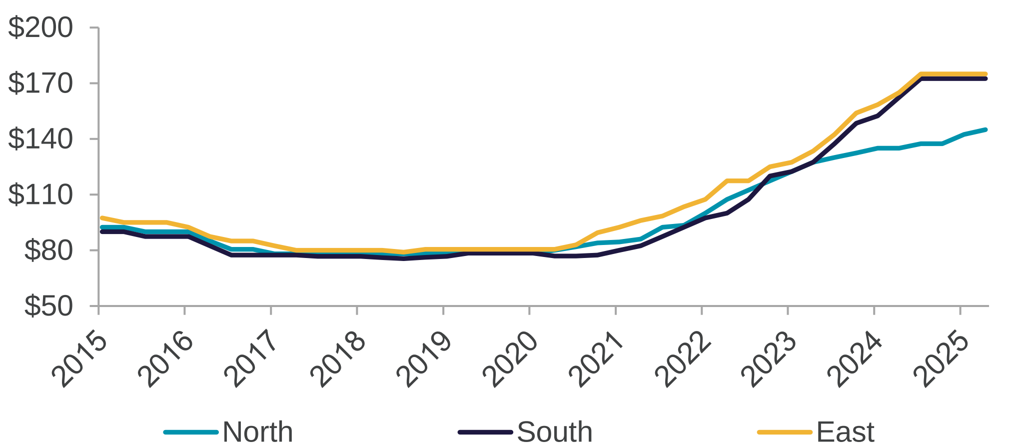
## LOGISTICS & INDUSTRIAL Q2 2025

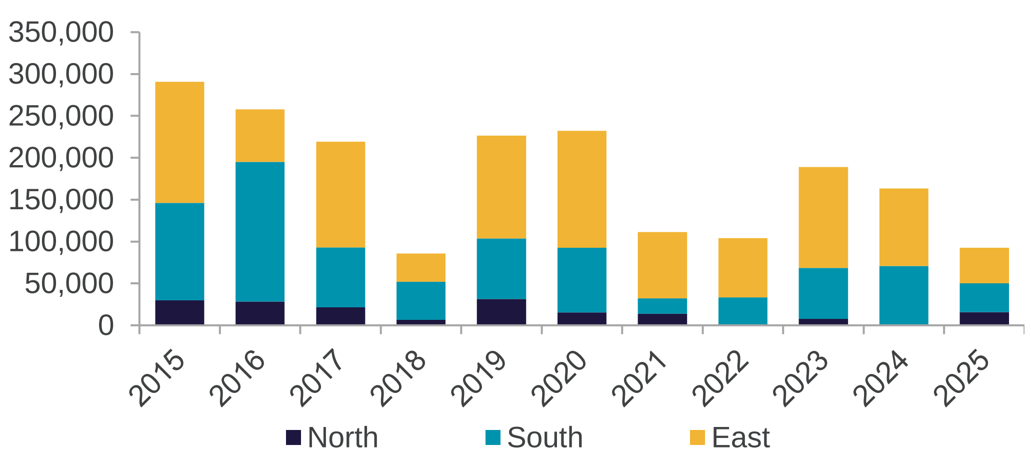
### Q2 2025 VACANCY RATES BY SUBMARKET




### PRIME NET FACE RENTS BY SUBMARKET ($/SQM)




### SUPPLY BY SUBMARKET (SQM)




### VACANCY

Perth's vacancy rate saw a minor increase to 2.8% in Q2 2025 and is largely attributable to the refurbishment of 7-13 Magnet Road, Canning Vale which was completed in the quarter (34,211 sqm). Outside of the South submarket, vacancy rates declined with limited options across key precincts in the North and East.

Vacant floorspace is skewed to the 10,000 sqm+ bracket, representing almost 60% of vacant floorspace, while availability under this remains low, highlighting the mismatch between vacancy and the sweet spot of demand.

### RENTS & INCENTIVES

The pace of rental growth has continued to slow across Perth, with net face increasing 0.5% in Q2 2025 (6.5% year-on-year) to $164/sqm. Rents remain higher in the South and East submarkets at $160 - $190/sqm, while there is select deal evidence above $200/sqm.

Due to the high private ownership of the Perth market, incentives haven't seen the same upward shift as East Coast markets, which partly explains why face growth has eased. Incentives currently range between 7.5% and 15.0% for existing prime assets, while incentives for pre-leases or speculative stock can be up to 20%, reflecting the higher share of institutional presence in the development market.

### SUPPLY

Perth has continued to record a downward shift in supply additions, reflecting feasibility challenges with economic rents needed to activate developments. For 2025, there is just over 90,000 sqm in the pipeline, the majority of which is pre-leased, meaning there will be minimal impacts to the vacancy rate. Supply includes multiple facilities within Hesperia's Hazelmere Interchange, consisting of occupiers such as CEVA Logistics and Lynch Flowers.

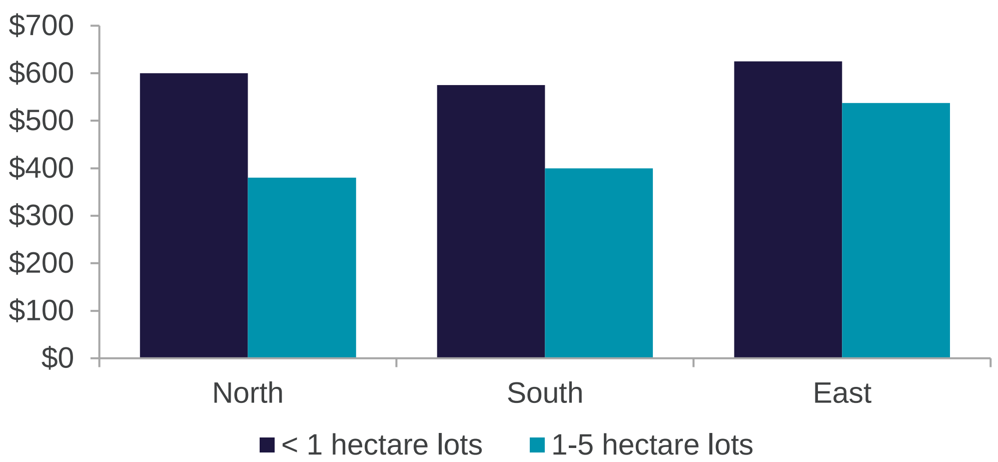
The speculative supply pipeline is forecast to slow sharply, with only a handful of additions expected. This is underpinned by Dexus' ASCEND estate at Jandakot Airport where they have commenced construction for over 25,000 sqm across lots 510 and 511. The balance of supply over this period will only proceed once a pre-commitment is secured.

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 is more than double the current supply pipeline.

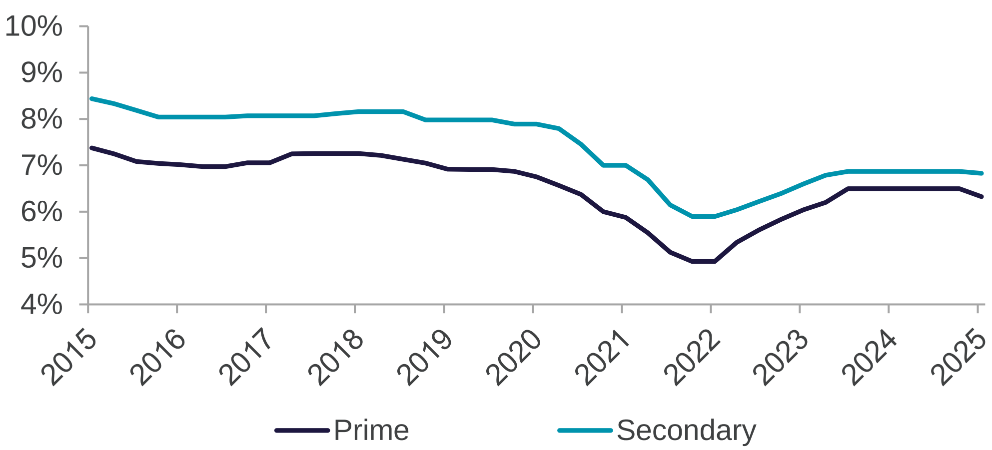
### OUTLOOK

- A focus on costs is expected to result in a further occupier shift towards floorspace and locations that provide efficiencies and transport cost savings. As a result, occupiers are expected to remain proactive over the next 12 months, with a shift towards pre-lease demand.
- Population-driven sectors such as transport and logistics, construction and manufacturing are forecast to remain the most active. Alternatively, demand from larger national and global occupiers is expected to remain patchy in the near term, reflecting leasing decisions being made from other states or countries where economic conditions are more subdued.
- The Perth vacancy rate is expected to moderate in H2 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.
- Rental growth in the order of 4.5% expected for 2025, albeit bifurcated by precinct and size bracket.

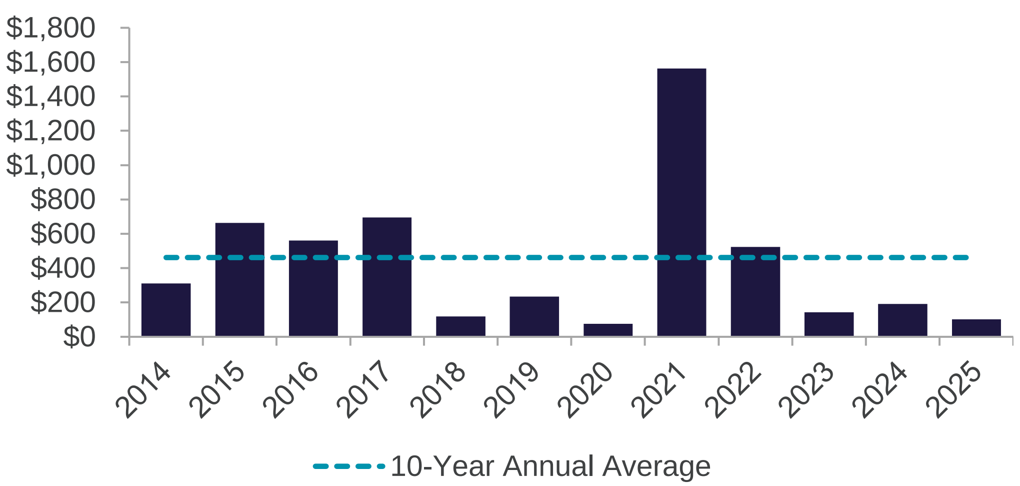
## Q2 2025 LAND VALUES BY SIZE ($/SQM)




## YIELDS BY GRADE




## INVESTMENT VOLUMES ($M)




## LAND VALUES

Industrial land values have remained unchanged this quarter, which is reflective of the limited transaction evidence that has occurred. Notwithstanding this, there remains solid appetite for industrial land in Perth from both developers and owner occupiers.

Industrial land values for Q2 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

Following over 12 months of stabilisation, the returning weight of capital and lower debt costs have resulted in yield compression within the Perth market in Q2 2025. This represents the first time since 2021 when yields have tightened in Perth.

Prime yields recorded compression of 18 basis points over the quarter and now average 6.33% on a core market basis, while the rate of compression in the secondary market was less pronounced at 4 basis points to now average 6.83%.

The three-month Bank Bill Swap rate (BBSW) has reduced to ~3.7%, which in combination with tighter lending margins has reduced overall debt costs to sub 5.00% in some cases, making prime yields in Perth look increasingly attractive.

The yield spread to East Coast markets is generating solid interest from institutional, syndicator and high-net-worth buyer pools seeking yield, the latter of which have been sharper on pricing over the past quarter.

## INVESTMENT

Transaction activity for assets above $10.0 million sits at just over $100 million for H1 2025, which more recently included the sale of 101-111 Ewing Street, Welshpool for $10.6 million. Low volumes at the larger end of the market is more a reflection of how tightly held stock is rather than demand; however, there is a healthy pipeline of assets currently in the market or upcoming which will provide a boost to investment volumes over the coming quarters.

The relative outperformance of the WA economy and compelling value proposition given the current yield arbitrage to the East Coast markets, new capital sources are being drawn to the Perth market.

## 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 further yield compression in 2025 will provide support to development feasibilities and the rates developers can pay for land.
- Further rate cuts in 2025 will provide the backdrop to improved liquidity, with further investment momentum expected in the second half of 2025.
- For the second half of 2025, there is the potential for a further 25 basis points of compression 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.
- Greater appetite for core long WALE assets has re-emerged, and this is likely to trigger greater activity for sale and leaseback opportunities.

## Q1 2025 PERTH MARKET STATISTICS

| SUBMARKET | VACANCY RATE (TOTAL MARKET) | YTD 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 | 0.9% | 7,427 | $145 | $30 | 11.3% | 6.33% | $2,292 | $380 |
| South | 4.7% | 36,498 | $173 | $30 | 13.8% | 6.33% | $2,727 | $400 |
| East | 1.9% | 85,858 | $175 | $30 | 13.8% | 6.33% | $2,767 | $538 |
| **PRIME AVERAGE** | **2.8%** | **129,783** | **$164** | **$30** | **12.9%** | **6.33%** | **$2,596** | **$439** |
| SECONDARY | | | | | | | | |
| North | - | - | $120 | $30 | 11.3% | 6.83% | $1,758 | - |
| South | - | - | $120 | $30 | 13.8% | 6.83% | $1,758 | - |
| East | - | - | $123 | $30 | 13.8% | 6.83% | $1,795 | - |
| **SECONDARY AVERAGE** | **-** | **-** | **$121** | **$30** | **12.9%** | **6.83%** | **$1,770** | **-** |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