

Melbourne



Leasing demand was steady in 1Q18, with 148,500 sqm of gross take-up recorded. The West precinct continues to lead occupier activity, with 55% of total gross take-up recorded in this precinct. With 13 leases recorded over the quarter, steady demand is expected to continue throughout the year.



Construction activity was strong over the quarter, with 181,000 sqm of space completing. Of the eight projects completed, 75% were pre-leased. The South East precinct recorded 63% of completions, whilst the remaining 37% completed in the West.



Prime yields remained unchanged in the North and West precincts, whilst compressing in the South East. Prime midpoint yields in the South East tightened by 25 basis points (bps) in 1Q18.



Eight individual transactions (≥AUD 5.0 million) and two portfolio sales with assets in the Melbourne market were recorded in 1Q18. Investment volumes totalled AUD 324.6 million, accounting for 46% of total national sales volumes.

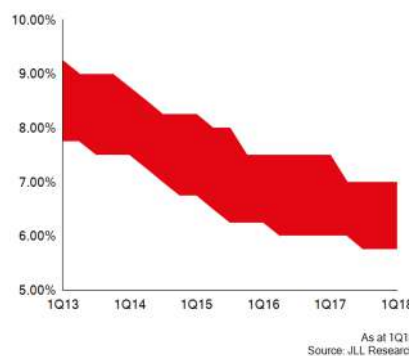
Melbourne Supply



Melbourne Rents



Melbourne Prime Yields



Melbourne West Annual Rental Growth:

3.6%

Rental growth:

Prime net rents remained unchanged in all precincts over the quarter. This followed a strong year of rental growth for the Melbourne market, with prime rents growing in the West (3.6%), North (2.4%) and South East (2.1%) precincts.

Melbourne South East Prime Yield Range:

5.75%-6.25%

Yields:

Prime yields remained unchanged in the North and West precincts, whilst tightening by 25 bps in the South East to 5.75%-6.25%. Compression was also recorded for secondary assets in the South East precinct, where yields compressed by 25 bps to 6.50%-7.50%.

148,533 sqm

Gross take-up:

The quarterly gross take-up volume of 148,500 sqm was concentrated in the Transport, Postal and Warehousing sector, accounting for 38% of total occupier activity over the quarter.

269,324 sqm

Construction:

A total of 269,300 sqm of industrial developments are currently under construction. The 2018 forward pipeline is predominantly concentrated in the West (52%) and South East (36%) precincts.