



API



# 2025 Valuation Insights Report

Industrial |

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#### Areas not covered due to limitations in data

While capital city residential data covers 20 years, regional residential data in this report covers 10 years due to limitations in data availability.

Commercial CBD office values are not included for Hobart or Darwin due to a lack of data.

Industrial warehouse values are not included for Canberra, Hobart or Darwin due to lack of available data.

Agricultural land values for the Northern Territory in this report have not been discussed due to a lack of transaction volumes.

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Boardman (Source:  
<https://www.archdaily.com/966342/lume-residential-building-sjb>)

# Foreword

**There can be little doubt that Australians have a passion for property. Whether it is a place to call home, somewhere to build a business, or an investment to provide security for later years, Australians are excited by property like nothing else.**

But while that passion remains strong, there can be little doubt that the Australian property story is very much at an inflection point following the Covid-induced lull. We now have one of the fastest growing populations in the OECD, yet the construction sector is in the doldrums. For younger Australians in particular the dream of owning their own homes, let alone the fabled quarter-acre block, seems out of reach.

What is also clear is that the rise of the digital economy is transforming the property sector. Traditional retail strips are under threat, mega-malls are suffering declining foot fall and bricks and mortar retailers are going out of business almost weekly. Our obsession with online retailing accelerated during the pandemic and shows no sign of slowing down. Logistics hubs and transport nodes are the new anchor retail investments.

The structural shift from fossil fuels to renewables continues to gain momentum, which in some areas threatens the ongoing viability of agricultural land, to be replaced by vast new solar energy farms. Indeed, the

whole energy debate and the uncertainty it creates has become the “hot topic” around dining room tables.

Constrained by the three-year election cycle of our political system that promotes short termism and populism in the minds of our elected representatives, where this goes remains to be seen. How for example does Australia plan to power its sprawling cities and industries and meet the energy demands of the rise of mega datacentres that require huge amounts of power? In the United States, large organisations such as Google and Microsoft have signed deals with nuclear power operators to provide this energy. Will Australia follow suit? Is green energy the solution? What is viable and what is not?

Like most industrialised countries, Australia is becoming more urban.

By some estimates, Australia’s two major cities, Sydney and Melbourne, will have combined populations exceeding 11 million by the end of this year. Infill development to meet housing needs has become the mantra. However has our transport infrastructure investment kept pace with demand to make this viable? Will the work from home trend continue to reduce load and improve quality of life? Will we see new property investment classes gain popularity – such as build to rent – to meet rising demand? Will the flight to our cities draw the best and brightest talent away from rural and regional areas, hollowing out the demographic viability of our rural towns and the economic structures that underpin them as we have seen in Italy and elsewhere?

This is why the Australian Property Institute (API) has launched its inaugural Valuation Insights Report, that reveals for the first time the financial performance of residential, commercial, industrial and rural property in each state over the past two decades. In the case of residential property, the data extends back over the past 50 years.

This is the first time that any organisation has compared the record of these four key property sectors and as Machiavelli suggests, “Whoever wishes to foresee the future must consult the past; for human events ever resemble those of preceding times.” The experience of the past may well help investors understand where the smart money has been committed over the last generation and perhaps help them understand where opportunities may lie in the years’ ahead.

Our motivation for doing so is clear. The API is the independent, professional industry body representing residential, commercial and plant and machinery valuers, analysts, fund managers and property lawyers and being future focussed is a core strategic pillar.

We are independent of sectional property interests like banks, property developers, landlords and tenants. That puts us in a unique position to provide honest, data-driven analysis for Australian policymakers, investors and consumers alike.

We anticipate the 2025 Valuation Insights Report will be the first in a series of thought leadership initiatives over coming years that are designed to contribute to the national



**Paul Billingham,**  
Chair of API Board

debate, that may help policymakers develop frameworks that bring about fairness and prosperity for all Australians.

We commend it to you.

**Paul Billingham,**  
Chair of API Board



# Introduction

The API is delighted to present its inaugural *Australian Property Institute - Valuation Insights Report 2025*, the first comprehensive snapshot of the financial performance over 20 years of the nation's four key property sectors – residential, commercial, industrial and rural.



Amelia Hodge,  
API Chief Executive  
Officer

Property is central to the national economy in every asset class, essential for food production as well as generating taxation revenue that pays for our hospitals, schools, roads and national defence.

Indeed, Australia's residential property market is now worth more than \$11 trillion, about five times the value of the entire national economy<sup>1</sup>.

While most Australians aspire to own their own home, they are also indirect owners of critical industrial, commercial and farming infrastructure.

That is because Australia's \$4 trillion superannuation industry is a major investor in these sectors, reinforcing the critical factor property investment plays in not only our working lives but also in our retirements.

We hope this report helps Australian policymakers make better decisions on where to zone homes, offices, town centres, industrial precincts and farms to create an ordered, fair and efficient society.

This report reveals for the first time which Australian states have fared better than others and the performance of key property classes.

What factors led to their success and why did other regions perform relatively poorly?

In some cases, unavoidable global factors have been at play.

For example, the Covid pandemic caused a spike in valuations on Queensland's Gold Coast and Sunshine Coast as metropolitan residents fled restrictions and the closure of the international borders created a domestic tourism boom.

Residential valuations in other sea and tree change locations were also impacted.

Yet, commercial CBD office valuations in most cities have declined as Work from Home mandates reduced the need to attend the office. Will these mandates be permanent?

In contrast, industrial property valuations

have risen as companies increased their warehouse inventories in response to short-term disruption to global supply chains, along with longer-term consumer shifts to e-commerce sales over face-to-face retail transactions.

Finally, agricultural property has enjoyed a once-in-a-century boom as a commodity price spike has coincided with favourable seasons and low interest rates.

But what does the future hold?

Emissions reduction initiatives have thrust the valuation profession onto the front lines of new policy frontiers. As they seek to meet net zero targets, Corporate Australia's increasing appetite for energy efficient low emissions office buildings is changing the dynamics of commercial property valuation.

The renewable energy rollout and carbon farming initiatives are fundamentally changing the economics of farming. Compensation parameters are changing to cope with the impacts of thousands of kilometres of transmission lines being erected across the nation to link wind and solar projects with the electricity grid.

Carbon sequestration agreements are requiring the valuation profession to understand increasingly complex relationships between landholders and third parties.

There is much to ponder and many options available to politicians, banks, superannuation funds, regulators, property owners and potential buyers alike.

I hope this report sparks meaningful conversations about both the challenges and opportunities facing the property sector and the solutions required to secure the nation's economic future in the decades to come.

**Amelia Hodge**  
**API Chief Executive Officer**

*We acknowledge  
the traditional  
custodians of country  
throughout Australia  
and their continuing  
and unbroken  
connection to land,  
sea and community.*

*We pay our respects  
to Elders past, present  
and emerging and  
extend that respect  
to all Aboriginal and  
Torres Strait islander  
people today.*



# Acknowledgements

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**446,000**  
net overseas  
migration  
(2023-24)<sup>2</sup>



**QLD**  
regional  
housing  
winners



**171,394**  
**HOUSING**  
**APPROVED**  
**IN 2024**<sup>7</sup>



**154%**  
**HOUSING**  
**PRICE**  
**INCREASE**  
**SINCE 2005**



**3.2%**  
annual  
wage  
growth<sup>3</sup>

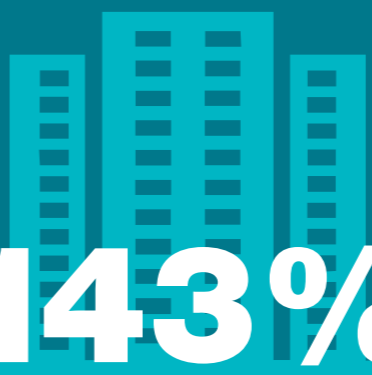


**ADELAIDE**  
best performing  
housing market  
in past  
20 years

**484,000**  
annual population  
increase<sup>8</sup>



**143%**  
**AVERAGE**  
**COMMERCIAL**  
**PROPERTY**  
**PRICE RISE**  
**SINCE 2005**



**256%**  
**AVERAGE FARM PRICE RISE**  
**IN TWO DECADES**

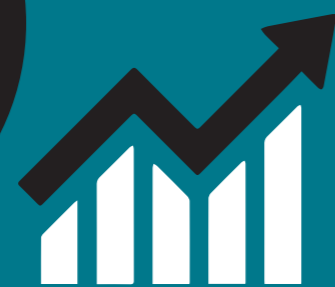


**\$11 trillion**  
value of Australian housing<sup>4</sup>

**2.4%**  
**ANNUAL**  
**INFLATION**  
**INCREASE**<sup>5</sup>



**BRISBANE**  
could shortly  
be Australia's best  
performing  
housing  
market



**1.3%**  
**economic**  
**growth**<sup>6</sup>

**SYDNEY**  
best performing  
housing market  
since 1974

**4%**  
unemployment rate<sup>9</sup>



**164%**  
**industrial**  
**property**  
**price rise**  
since 2005

# Methodology

The report analyses the long-term financial performance by comparing the % change in values of:

- Industrial property over 20 years (2005-2024)
- Rural property over 20 years (2004-2023)
- Commercial property over 20 years (2005-2024)
- Residential property over 20 years (2005-2024)



This report uses a combination of Australian Bureau of Statistics Residential Property Price Indexes, historical values and agent-advised sales in 2022, 2023 and 2024.

The Australian Bureau of Statistics (ABS) discontinued the Residential Property Price Indexes: Eight Capital Cities publication after the December 2021 release. This decision was part of a broader update to the ABS work program, aiming to streamline statistical outputs and focus on essential economic indicators. Consequently, the ABS no longer compiles the House Price Index (HPI) and the Attached Dwellings Price Index (ADPI). Suburbtrends filled this gap by compiling Greater Capital City Area medians based on published agent-advised sales using Suburbtrends data for 2022, 2023 and 2024 to complete the residential data analysis. Values quoted in this report are nominal face values and have not been adjusted for inflation. Averages are unweighted. Consumer Price Index figures quoted in this report are based on the percentage change in the CPI over the period specified.



Commercial property values in this report were compiled from Colliers Edge Q3 2024 CBD office market indicators, derived from a representative basket of prime and secondary grade properties in each precinct based on leasing and transaction activity and input from valuers.

Capital values are derived from a combination of average mean rents and yields and input from valuers in each precinct. Nominal values have been used to reflect actual market conditions at the time of measurement. CBD Office Capital Value changes were based on a comparison of average valuations in the September quarter result for each class of asset in the year measured.

Values quoted in this report have not been adjusted for inflation. Averages are unweighted. Consumer Price Index figures quoted in this report are derived from the percentage change in the CPI over the period specified.



Industrial values identified in this report were obtained from Colliers Edge Q3 2024 Industrial Master series. Market indicators were derived from a representative basket of prime and secondary grade properties in suburbs in each precinct based on leasing and transaction activity and input from valuers. Capital values are derived from a combination of average rents and yields and input from valuers. Nominal values have been used to reflect actual market conditions at the time of measurement. Fluctuations were compared based on the value of prime and secondary warehouses of 5000sqm or more. Results were compared based on the fluctuation in the September quarter average result for each precinct in the year examined. Values quoted in this report have not been adjusted for inflation. Values are unweighted. Consumer Price Index figures quoted in this report are derived from the percentage change in the CPI over the period specified.



Agricultural land values identified in this report used the Australian Bureau of Agricultural and Resource Economics Farmland Price Indicator. In line with ABARES methodologies values quoted in this report are nominal values and have not been adjusted for inflation. Averages are unweighted. Consumer Price Index figures quoted in this report are derived from the percentage change in the CPI over the period specified. ABARES uses raw data

from CoreLogic which is cleaned, processed, spatially linked and stratified, to generate a series of farmland price transactions. The data excludes family transactions. The sum of transactions in state figures may not equal the national average as some transactions cannot be spatially linked to states, zones or regions. More information on the methodology behind the ABARES Farmland Price Indicator is available at: <https://www.agriculture.gov.au/abares/research-topics/working-papers/abares-farmland-price-indicator-measurement-framework>

Given the ABARES data had only been published to 2023 at the time of writing, this report uses commentary from the Rural Bank Australian Farmland Values report to provide indicative commentary on projected price movements in 2024, however it has not been incorporated into the data sets in the report.

The ABARES data and the Rural Bank data use different geographical boundaries and different methodologies and should not be directly compared. The Australian Farmland Values report is based on farm sales information accessed through PriceFinder trading as Domain Insight (DI). This information is published and compiled by DI and in developing it DI also relies on the information supplied by a number of external sources.

## Data Limitations

The data presented in this report has been compiled from a range of different sources and different formats, for example, indexes, transaction information, asking prices and

generated values. This data has not been adjusted for Inflation (Consumer Price Index - CPI).

In order to enable comparison across the different sectors over time the authors have endeavoured to ensure a structured process to allow the value percentage change differentials to be compared across the sectors for the purposes of this report. This approach does have its limitations in how this information should be engaged with and what can be construed by the outcomes of the results of the research. This report may contain potential data discrepancies or issues related to data interpretation.

In the case of residential data, where two or more different data sources were used, due to the initial data source being discontinued, other public domain median sales data was used to create a sufficient sample size to provide confidence of approximate normal statistical distribution across SA3 or Greater Capital City Area statistical regions. The authors have used their best endeavours to align datasets where more than one dataset is used. Median prices were used in the residential section of this report rather than mean prices as the median is not as readily distorted by unusually high or low prices. However, it should only be read as a guide to market activity.



# Executive Summary

## ASSET CLASSES COMPARED

### Farm values produce best 20-year property returns while commercial offices lag

Australia may no longer ride on the sheep's back, but the nation's agricultural land has emerged as the best performing property sector over the past two decades. All Australian property sectors delivered robust growth with only commercial property failing

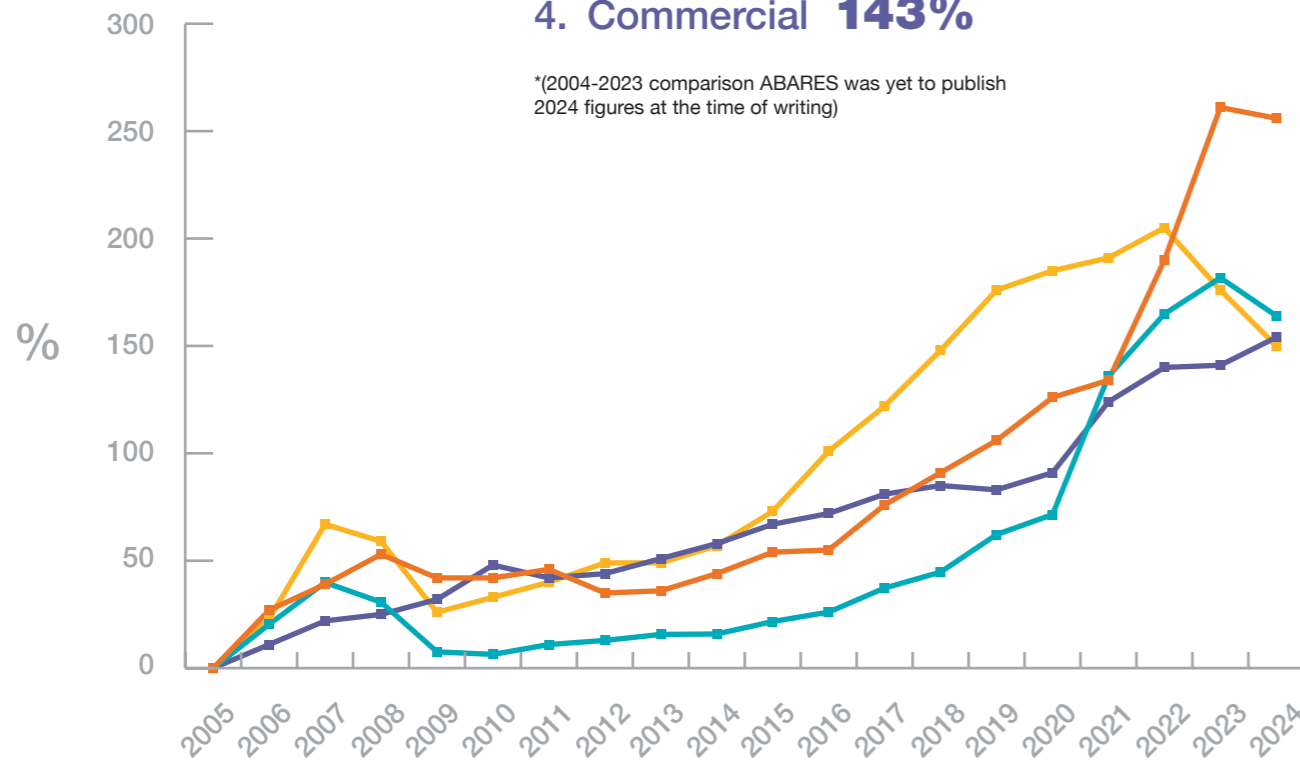
to produce a return that doubled the rate of inflation after suffering a fall in valuations due to work from home trends reducing office attendances.

Between 2005 and 2024, inflation pushed prices up by an accumulated 66.8%<sup>10</sup>. The average annual return for agriculture over two decades was 12.8%, while industrial land returned 8.2%, residential 7.7%, and commercial 7.2%.

Over 20 years, the returns on the four property classes were:

- 1. Agriculture **256%\***
- 2. Industrial **164%**
- 3. Residential **154%**
- 4. Commercial **143%**

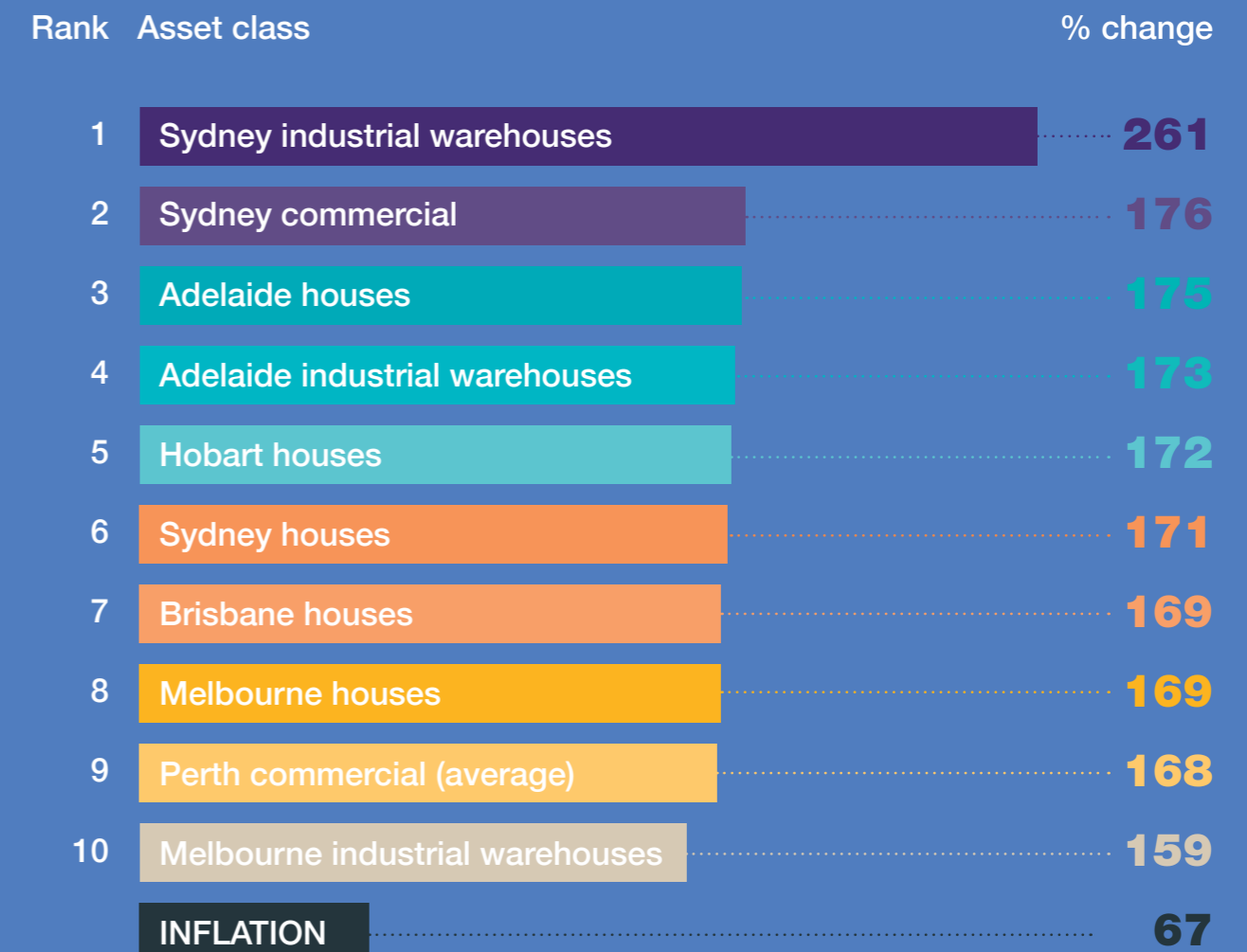
\*(2004-2023 comparison ABARES was yet to publish 2024 figures at the time of writing)



Graph 1 Source: ABS, Suburbtrends, Colliers Edge, ABARES Farmland Price Indicator

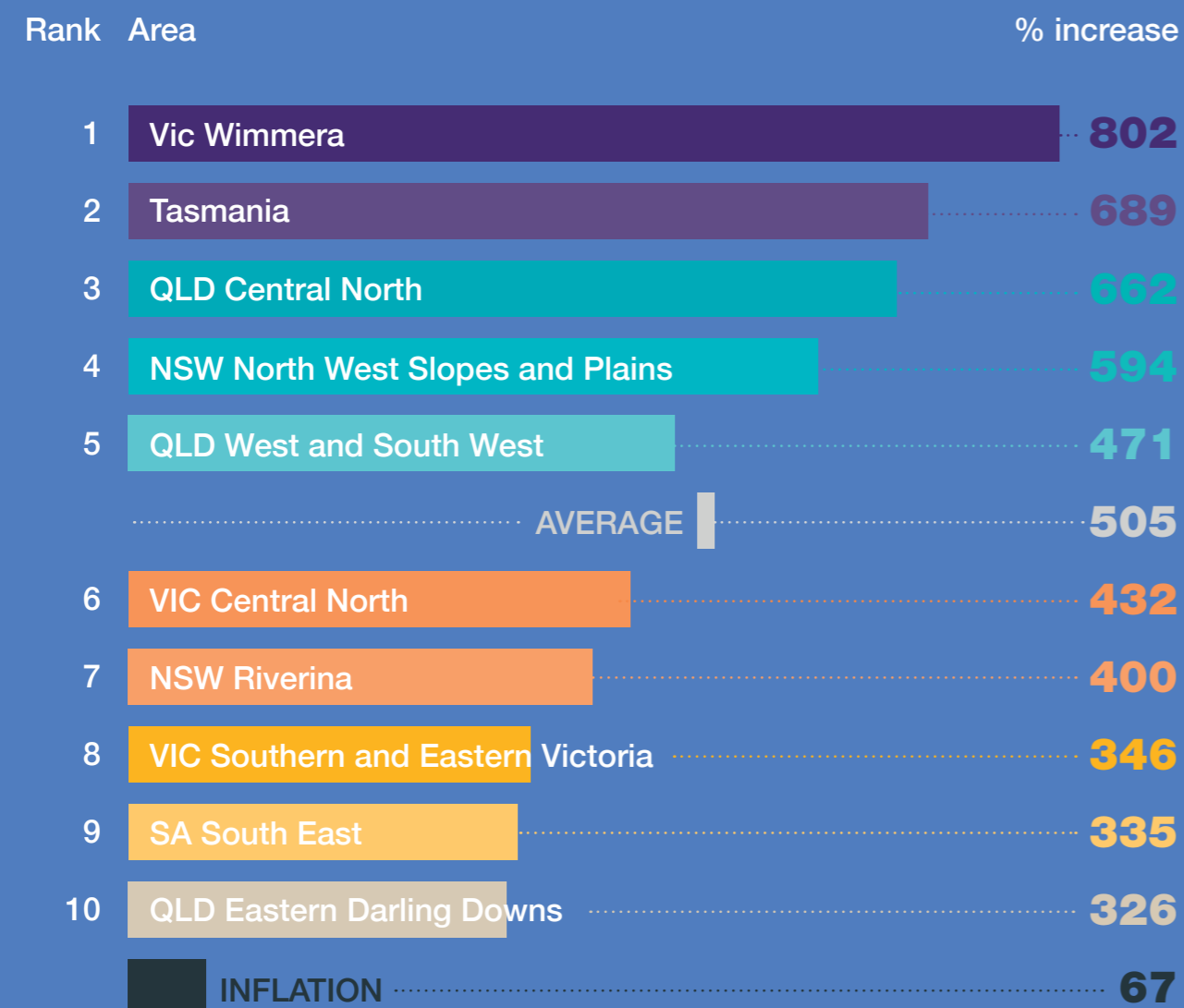
## Comparative performance of asset classes over 20 years

### Top non-farm performance over 20 years



Graph 2 Source: ABS, Suburbtrends, Colliers Edge

### Top 10 farmland highest price increases over 20 years (2004-2023)



Graph 3 Source: ABARES Farmland Price Indicator

Agricultural valuations surged between 2020 and 2022 as record commodity prices, exceptionally good seasons and low interest rates elevated farm profits. In some areas, including Victoria's Wimmera region, which was the highest returning region at 802%, renewable energy projects increased farm valuations as developers sought land to host projects.

The Covid pandemic elevated valuations in the industrial sector across all markets as companies sought more warehouse space to address global supply chains and the rise of e-commerce.

**Sydney industrial warehouses emerged as the highest performing non-farm property sector over the past two decades with a return of 261%.**

Despite significant reductions in valuations post Covid, Sydney prime commercial property produced the second-best return of the past 20 years of 176%. While Covid has cut valuations by more than 20% since the market peak in September 2022, the commercial property market experienced a strong decade of gains in the 2010s.

Record immigration levels, a failure of new house supply to meet demand, labour shortages and planning delays, pushed up residential property prices and reduced housing affordability. Mike Rowe, a Perth-

based valuer with Realmark and a former Australian Property Institute chairman said: "Delays are forcing up prices because developments are taking longer to get through."

Adelaide emerged as the strongest residential property market of the past two decades, rising 175% ahead of Hobart (172%) and Sydney (171%).

All property sectors returned outstanding investments over the past two decades with only commercial failing to produce a return double the rate of inflation.

## Top 100 assets by rise in value over 20 years

Rank	Asset	Category	Change %
1	Vic Wimmera farmland	Agriculture*	802
2	Tasmania farmland	Agriculture*	689
3	Qld Central North farmland	Agriculture*	662
4	NSW North West Slopes and Plains farmland	Agriculture*	594
5	Qld West and South West farmland	Agriculture*	471
6	NSW Riverina farmland	Agriculture*	400
7	Sydney secondary warehouse Central West precinct	Industrial	370
8	Sydney secondary warehouse Outer West precinct	Industrial	364
9	Vic Central North	Industrial	432
10	Vic Southern and Eastern Victoria farmland	Agriculture*	346
11	Sydney secondary warehouse North West precinct	Industrial	343
12	Sydney secondary warehouse West precinct	Industrial	343
13	SA South East farmland	Agriculture*	335
14	Qld Eastern Darling Downs farmland	Agriculture*	326
15	NSW Central West farmland	Agriculture*	324
16	Sydney prime warehouse South precinct	Industrial	323
17	Qld North Queensland Coastal farmland	Agriculture*	313
18	Qld Darling Downs and Central Highlands farmland	Agriculture*	312
19	Sydney secondary warehouse South precinct	Industrial	310
20	Sydney prime warehouse Outer West precinct	Industrial	301
21	Sydney secondary warehouse South West precinct	Industrial	294
22	SA Eyre Peninsula farmland	Agriculture*	291
23	Vic Mallee farmland	Agriculture*	289
24	SA Murray Lands and Yorke Peninsula farmland	Agriculture*	286
25	Sydney prime warehouse Central West	Industrial	282
26	Qld South Queensland Coastal farmland	Agriculture*	282
27	Sydney prime warehouse West	Industrial	271
28	Sydney CBD office B-Grade Core precinct	Commercial	271
29	Sydney prime warehouse South West precinct	Industrial	261
30	SA North Pastoral farmland	Agriculture*	257
31	Sydney prime warehouse North West precinct	Industrial	244
32	Sydney CBD office Premium Midtown precinct	Commercial	235
33	NSW Coastal farmland	Agriculture*	228
34	Sydney CBD office A-Grade Southern precinct	Commercial	216
	<b>AVERAGE</b>		<b>215</b>
35	Qld Charleville farmland	Agriculture*	215
36	Perth CBD B-Grade office	Commercial	212
37	Melbourne secondary warehouse North precinct	Industrial	206

Rank	Asset	Category	Change %
38	NSW Tablelands farmland	Agriculture*	205
39	Sydney CBD office B-Grade Southern precinct	Commercial	198
40	Melbourne prime warehouse City Fringe precinct	Industrial	196
41	Brisbane CBD Premium office	Commercial	195
42	WA North and East Wheat Belt farmland	Agriculture*	188
43	Melbourne secondary warehouse West precinct	Industrial	187
44	Perth CBD A-Grade office	Commercial	186
45	Melbourne CBD B-Grade office	Commercial	183
46	Melbourne Prime warehouse Outer East precinct	Industrial	182
47	Melbourne prime warehouse South East precinct	Industrial	182
48	Northern Territory farmland	Agriculture*	177
49	Adelaide houses - average annual median	Residential	175
50	Melbourne prime warehouse West precinct	Industrial	173
51	Hobart houses - average annual median	Residential	172
52	WA South West Coastal farmland	Agriculture*	171
53	Sydney CBD office A-Grade Core precinct	Commercial	171
54	Sydney houses - average annual median	Residential	171
55	Brisbane houses - average annual median	Residential	169
56	Melbourne houses - average annual median	Residential	169
57	Sydney CBD office Premium Core precinct	Commercial	169
58	Melbourne secondary warehouse Outer East precinct	Industrial	167
59	Sydney CBD office A-Grade Midtown precinct	Commercial	165
60	Adelaide secondary warehouse West precinct	Industrial	162
61	Sydney prime warehouse North precinct	Industrial	160
62	Melbourne secondary warehouse City Fringe precinct	Industrial	160
63	Sydney CBD office B-Grade Western precinct	Commercial	157
64	Adelaide secondary warehouse Outer North precinct	Industrial	154
65	Melbourne CBD A-Grade office	Commercial	153
66	Sydney CBD office A-Grade Western precinct	Commercial	152
67	Sydney secondary warehouse North precinct	Industrial	151
68	Canberra houses - average annual median	Residential	148
69	Perth CBD Premium office	Commercial	143
70	Sydney CBD office B-Grade Midtown precinct	Commercial	135
71	Melbourne CBD Premium office	Commercial	134
72	Hobart units - average annual median	Residential	133
73	Perth prime warehouses East precinct	Industrial	131
74	Adelaide units average annual median	Residential	129
75	Adelaide prime warehouses Outer South precinct	Industrial	129

Rank	Asset	Category	Change %
76	Brisbane CBD B-Grade office	Commercial	127
77	Sydney CBD office Premium Western precinct	Commercial	127
78	Perth houses - average annual median	Residential	123
79	Adelaide secondary warehouse Outer South precinct	Industrial	122
80	Perth secondary warehouse East	Industrial	120
81	Perth prime warehouses South precinct	Industrial	118
82	Melbourne units - average annual median	Residential	109
83	Melbourne prime warehouse North precinct	Industrial	109
84	Brisbane prime warehouses South West precinct	Industrial	108
85	Perth prime warehouses North precinct	Industrial	106
86	WA Central and South Wheat Belt farmland	Agriculture*	106
87	Brisbane units - average annual median	Residential	105
88	Darwin houses - average annual median	Residential	102
89	Adelaide prime warehouses Outer North precinct	Industrial	102
90	Perth secondary warehouse North precinct	Industrial	101
91	Adelaide CBD office A-Grade	Commercial	98
92	Sydney units - average annual median	Residential	98
93	Perth secondary warehouse South precinct	Industrial	98
94	Perth units average annual median	Residential	96
95	Brisbane prime warehouses South precinct	Industrial	95
96	Adelaide prime warehous West precinct	Industrial	94
97	Brisbane secondary warehouse Yatala precinct	Industrial	94
98	Brisbane prime warehouses Yatala	Industrial	92
99	Brisbane CBD office A-Grade	Commercial	91
100	Brisbane secondary warehouse South precinct	Industrial	90
INFLATION			67

Table 1 Source: ABS, Suburbtrends, Colliers Edge and ABARES Farmland Price Indicator

\*Agricultural farmland values are from 2004 to 2023  
 \*Residential, industrial and commercial values are from 2005 to 2024



## RESIDENTIAL PROPERTY

### Smaller cities shine as best destinations for investment returns

The great untold story of Australian housing over the past two decades has been the resurgence of the nation's smaller cities over the larger ones, in the quest for investment returns on the family home.

Adelaide experienced the fastest growth in average annual median house prices over the 20 years between 2005 and 2024 with a return of 175.09% which narrowly eclipsed Hobart's return over the same period of 171.86%. Sydney (170.92%), Brisbane (169.44%) and Melbourne (169.16%) returned above average growth over the period.

Hobart produced the strongest returns in average annual median unit prices of

133.47%, followed by Adelaide (128.87%) and Melbourne (109.06%). Average annual median unit price rises in Brisbane (105.35%) and Sydney (97.85%) were below the national average over the period.

Despite the vast bulk of immigrants surging into Sydney and Melbourne over this period, they trailed Adelaide and Hobart in returns.

This suggests the impact of migration on Australian domestic property prices may not be as pronounced as other unseen factors. Whether this continues is one of the great demographic and investment questions of our time.

A shortage of housing is expected to continue for the foreseeable future as a national housing supply problem continues. Labour shortages and increases in costs due to supply chain disruptions, have impacted the viability of new projects and caused the

financial collapse of several major building groups. The National Housing Supply and Affordability Council forecasts the average net new supply of housing of 173,000 over the next six years will fail to meet estimated average household formation of 174,000 over the same period.

Supply is also being held back by planning delays such as the lengthy time taken in obtaining project approvals etc.

The NHSAC's 2024 annual report<sup>11</sup> said the average time from approval to completion for a new house is around 12 months, up from 9 months in 2019-20.

Productivity has also declined in the building industry making it more difficult to increase production. A 2025 report by the Productivity Commission found the number of dwellings completed per hour worked by housing construction workers has declined by 53% over the past 30 years.

In contrast labour productivity in the broader economy increased by 49% over the same period.<sup>12</sup>

## Over 50 years

### The story is different when we look at intergenerational returns

Sydney residential real estate has been the best performing property asset class in Australia over the last 50 years, achieving a staggering 3,800% return on investment.

### Capital city house price increases 2005-2024

Rank	Area	% increase
1	Adelaide	175
2	Hobart	172
3	Sydney	171
4	Brisbane	169
5	Melbourne	169
	<b>AVERAGE</b>	<b>154</b>
6	Canberra	148
7	Perth	123
8	Darwin	102
	<b>INFLATION</b>	<b>67</b>

Table 2 Source: Australian Bureau of Statistics (ABS) | Suburbtrends

Average including Darwin and is on a non-weighted population basis

### Capital cities unit price 2005-2024

Rank	Area	% increase
1	Hobart	133
2	Adelaide	129
3	Melbourne	109
	<b>AVERAGE</b>	<b>106</b>
4	Brisbane	105
5	Sydney	98
6	Perth	96
7	Canberra	89
8	Darwin	88
	<b>INFLATION</b>	<b>67</b>

Table 3 Source: ABS | Suburbtrends

Average including Darwin and is on a non-weighted population basis

But in a surprise to many, Brisbane is not far behind with an almost 3500% return over the same period, underscoring its growing reputation as the quiet achiever of Australian property investment.

In the seven years between now and the 2032 Olympics, further growth could see Brisbane overtake Sydney as the best performing property market in Australia since the mid 1970s.

However, the exceptional rise in value has come at the expense of housing affordability which has deteriorated dramatically over the past 50 years.

The number of years of average ordinary time earnings required to pay off a capital city median house rose from 3.4 in 1975 to 8.1 in 2024.

Sydney has suffered the worst decline in affordability with the median house price rising from 4.2 years of average annual ordinary time earnings to 13 in 2024.

The result has been a decline in the proportion of Australians who own a home.

Research by the Reserve Bank of Australia cites low interest rates and state government taxes such as stamp duties for the decline in home ownership from 60% to 45% from 1995 to 2019.

Lower rates pushed up the price of housing and this pushed up the amount buyers were paying in stamp duties, the research said.<sup>13</sup>

Valuers cite improvements in infrastructure both within cities and to regional areas as one solution to the housing affordability issue. Alan Hives, a Certified Practising Valuer with Preston Rowe Paterson said road and rail linkages to regional communities fuelled growth in those communities as city dwellers priced out of the metropolitan market sought more affordable options.

### Average house price growth over 50 years (from 1975)

Rank	Area	% increase
1	Sydney	3802
2	Brisbane	3478
3	Melbourne	2905
4	Adelaide	2782
5	Perth	2732
6	Canberra	2663
7	Hobart	2496
	<b>INFLATION</b>	<b>775</b>
8	Darwin	576 (1986-2024)

Table 4 Source: ABS, Suburbtrends

Average including Darwin and is on a non-weighted population basis

Sydney and Brisbane's return over 50 years has also outpaced both Australian shares (excluding dividends) which returned 3120% based on the increase in the All-Ordinaries Index<sup>14</sup> and gold which returned 2737% between 1975 and 2004.<sup>15</sup>

## Regional property prices over the last 10 years

Queensland property owners have been major beneficiaries of ‘sea changers’ and ‘tree changers’ over the last 10 years. Indeed, Queensland has taken out seven of the top 10 best performing residential property regions across Australia in the 2014-2024 period.

### Top 10 increases in annual average regional median house prices over 10 years

Rank	Area	% increase
1	Coolangatta (QLD)	154.4
2	Broadbeach – Burleigh (QLD)	154.1
3	Gascoyne (WA)	144.2
4	Maroochy (QLD)	141.1
	<b>AVERAGE</b>	<b>136.8</b>
5	Noosa Hinterland (QLD)	134.3
6	Tweed Valley (NSW)	133.5
7	Mudgeeraba – Tallebudgera (QLD)	131.6
8	Moira (VIC)	126.4
9	Robina (QLD)	125.9
10	Noosa (QLD)	125.0
	<b>INFLATION</b>	<b>28.8</b>

Table 5 Source: Suburbtrends, ABS. Years: 2015-2024

Western Australia, NSW and Victoria had one region each in the best performing markets.

Queensland’s Gold Coast was the top performing region over the past decade. Coolangatta and Broadbeach experienced property price rises of 154%, followed by Gascoyne in Western Australia (144%), with Maroochy (141%) and the Noosa Hinterland (134%) rounding out the top 5.

While property markets on both coasts surged, inland areas continue to struggle in an ongoing challenge for Australian policy makers.

## CONCLUSIONS

- Red tape and planning delays are contributing to the housing supply shortage and increasing costs. Faster approvals would lower costs and increase supply.
- State Governments need to address property taxation issues, including the impact of stamp duties on property transactions, to address the decline in home ownership.
- The immigration program needs to address skills shortages in the building industry. Valuers should be included as a Visa Priority Occupation to help address the industry’s labour shortages.
- Increases in building industry productivity would improve project completion times and lower costs for new developments.
- Infrastructure improvements that improve links with regional areas can unlock new housing options for Australian families and help revitalise regional communities.



## COMMERCIAL PROPERTY (OFFICES)



### Covid hangover clips valuations

Commercial property prices have barely kept pace with inflation since 2015.

Over that time, Australia’s cumulative inflation rate (based upon the Consumer Price Index) was 28.8%<sup>16</sup>. By comparison, commercial property prices have risen by an average 35.5%.

Sydney (71.5%), Canberra (46.1%) and Brisbane (32.8%) all outperformed, while Perth (5.4%) and Adelaide (15.2%) both underperformed.

Canberra’s result is an interesting one, given that city’s historical reliance on the white-collar public sector to underpin its economic viability. Strong growth in commercial property prices suggests Canberra’s economy may be sufficiently

diversifying away from a reliance on public sector ownership to reach a critical size that supports a more sustainable private sector ownership structure.

### Office Capital Values September 2015 to September 2024 – A-Grade

Rank	Area	% increase
1	Sydney	71.5
2	Canberra	46.1
	<b>AVERAGE</b>	<b>33.9</b>
3	Brisbane	32.8
4	Melbourne	32.4
	<b>INFLATION</b>	<b>28.8</b>
5	Adelaide	15.2
6	Perth	5.5

Table 6 Source: Colliers Edge

The commercial property sector has been left reeling in the wake of the Covid

pandemic with CBD office capital values, with the exception of Brisbane, significantly below their 2022 peaks.

Higher interest rates and lower occupancy rates as a result of the work from home phenomenon have put landlords under pressure. Low occupancy rates have seen valuations slashed by more than 20% on average in Melbourne and Sydney since the market peak of 2022.

Melbourne is the biggest loser with more than 1 million sqm of vacant space and valuations under pressure. Victoria’s commercial property sector is also dealing with the imposition of a new land tax regime. The commercial and Industrial Property Tax (CIPT) took effect from 1 July 2024 and will impose a levy of 1% of the unimproved property valuation of a commercial or industrial asset and is payable in addition to land tax. The CIPT replaces transfer duties over a 10-year transition period.

Greg Preston, the Chair and Managing Director of Preston Rowe Paterson, said the new taxes were weighing on the market. “Melbourne is not the flavour of the month globally,” he said. Many leases did not allow for the new costs to be recovered from tenants which had an impact on landlords’ bottom lines and ultimately the valuation of the building.

Meanwhile optimism is growing that Sydney’s commercial office market has bottomed and will turn a corner in 2025. Brisbane has emerged as the most robust market with the city’s premium grade office valuations reaching a new peak in Q3 2024 as vacancy rates fell to 10.6%, their lowest

level since Q1 2023.<sup>17</sup>

Despite the Covid disruption, Sydney has emerged as the market with the strongest returns over the past decade. A-Grade office values rose 61.6%, followed by Canberra on 46.1% and Brisbane on 32.8%

### Looking ahead the commercial property sector faces a new round of disruption as major corporates seek to meet net zero commitments.

This will make 5.5-star NABERS buildings with ESG-aligned features — such as electrified hot water, HVAC (heating, ventilation, and air conditioning) systems, renewable energy, and fast-charging stations — more sought after over the second half of the decade..

This opens a potential early mover advantage for landlords that embrace ESG credentials through measures such as electrifying their buildings, powering them with renewable energy and providing electric car fast-charging stations in their car park. However, skills shortages and low productivity in the construction industry will remain impediments to new projects.

Valuers will be at the forefront of measuring the changes with ESG and Sustainability and will be a key source of advice and guidance.

ESG considerations have been included in

the International Valuation Standards Council (IVSC) standards for 2025 which took effect in January and adopted by the Australian Property Institute.

Valuers will also maintain their role as arbiters in rental disputes between landlords and tenants through the Australian Property Institute’s Chair Nomination Service, which provides a valuer to conduct an independent assessment of the disputed property.

## Recent doldrums failed to wipe away long-term gains

While the impact of Covid has impaired returns over 10 years, it has not wiped away gains accumulated in the past two decades where commercial property’s longer-term performance is stronger.

Valuations rose steadily after 2011 when the Reserve Bank of Australia began a prolonged period of monetary policy easing

### Commercial Office Values 2005-2024

Rank	Area	% increase
1	Sydney	176.0
2	Perth	168.5
3	Melbourne	150.0
NATIONAL AVERAGE		143.0
4	Brisbane	133.8
5	Adelaide	99.6
6	Canberra	67.2
INFLATION		66.8

Table 7 Source: Colliers Edge Industrial Market 2024

which saw the official cash rate reach a low of 1.5% in August 2016. Growth in Sydney’s commercial property market outperformed other cities during this period. Its return of 176% over two decades topped Perth’s 168.5% return and Melbourne’s 150% return over the same period. Only Canberra’s commercial office market has failed to substantially outperform inflation over the period.

## CONCLUSIONS

- Valuers will be at the forefront of measuring the ESG-driven changes to commercial office buildings such as electrification of hot water and air conditioning and will be a key source of advice and guidance.
- Governments need to address skills shortages in the construction industry ahead of a major round of commercial building renovations that will be driven by ESG considerations.
- New property taxes, particularly in Victoria, are deterring investors and undermining valuations of commercial properties with leases that do not allow for cost recovery of the new imposts from tenants.
- Valuers are called on to provide expert determinations in rental disputes through the Australian Property Institute (API) Chair Nomination Service.



## INDUSTRIAL

### Cinderella property sector finds favour in digital world

Often considered the Cinderella sector of the property industry, industrial property (such as warehousing and factories), has boomed as supply chain disruptions forced Australian companies to hold higher inventory levels and e-commerce increased its share of the Australian retail market.

Vacancy rates fell to zero at times during the Covid pandemic as businesses scrambling to deal with global supply constraints sought additional warehouse space, pushing rents higher and yields lower.

Average gross effective rents for warehouses 5000sqm or above surged 57.4% in Sydney between December 2021 and December 2023 as yields fell below 4%. This was the first time industrial yields fell below commercial office yields.

Sydney’s industrial market recorded the highest gains in values for warehouses of 500sqm or above in the 10 years to September 2024, followed by Melbourne on 126.4%.

Research by Colliers suggests that supply constraints could emerge within four years as demand reaches 3.3 million sqm of space each year to service a growing population and increased e-commerce.

“With a demand requirement of 3.3 million sqm per annum, the persistent land supply constraints are poised to increasingly restrict land take-up capacity, likely precipitating a revived supply-demand imbalance by 2029,” Colliers Managing Director Industrial & Logistics Gavin Bishop wrote in a 2024 report, *The Essential Core of I&L Demand*.<sup>18</sup> This creates a planning imperative to increase the supply of industrial land close to good transport links.

Tom Rowe, a partner with McGees Property in Adelaide, said a chronic undersupply of appropriately zoned land, close to existing infrastructure and transport was a challenge being faced in all cities.

Industrial precincts were being located further out on the edges of a major cities which would require governments to spend more on transport corridors for road and rail to make these precincts viable.

“For the next five, ten or even 20 years, it is going to be a supply-side story in industrial which will largely be determined by what governments are willing to do or not willing to do,” he said.

## Population growth fuels new demand

Demand for industrial and logistics warehouse space is directly linked to population growth, economic activity and changes in e-commerce and health expenditure.

### Colliers estimates:

- For every increase in Twenty Foot Equivalent Units (TEUs) an estimated 8000 to 13,000sqm of I&L space will be required.
- Every \$1 billion increase in online retail sales translates to additional demand for 300,000 to 350,000sqm of specialised industrial facilities.

- Every \$1 billion increase in health expenditure generates demand for 5500 to 6000sqm of temperature-controlled facilities.

The shift towards online retailing and a requirement for higher inventory levels as a result of global supply chain disruptions has changed the fundamental relationship between population and demand for I&L facilities.

Significant growth in the demand for data centres driven by the take-up of Artificial Intelligence is also intensifying competition for industrial land.

## Recent surge lifts values

Covid gains in the past five years make up the majority of the increase in industrial land over the past two decades in many markets.

Sydney industrial valuations recorded the biggest increase in valuations over 20 years rising 260.7% with most of this rise occurring in the Covid period. Melbourne recorded an increase of 159.2% over 20 years compared with an increase of 126.4% over the past decade.

With commercial property recording strong gains in valuations after 2011, it attracted strong investment interest at the expense of industrial land. That was reversed when Covid hit commercial occupancy rates and demand for industrial land was soaring.

Adelaide recorded the second highest increase over 20 years of 172.7%.

Prime Warehouse Values over 20 years (2005-2024)

Rank	Area	% increase
1	Sydney	260.70
2	Adelaide	172.70
3	Melbourne	159.20
	<b>AVERAGE</b>	<b>158.00</b>
4	Perth	118.50
5	Brisbane	76.23
	<b>INFLATION</b>	<b>66.80</b>

Table 8 Source: Colliers Edge

Prime Warehouse Values (Sept 2015 to Sept 2024)

Rank	Area	% increase
1	Sydney	167.80
2	Melbourne	126.40
	<b>AVERAGE</b>	<b>101.00</b>
3	Brisbane	91.50
4	Adelaide	63.00
5	Perth	56.40
	<b>INFLATION</b>	<b>28.80</b>

Table 9 Source: Colliers Edge

## Concerns Victorian foreign owner tax will deter international investors

Property industry leaders in Victoria have expressed concern about the impact of the Victorian Government’s decision to double the Absentee Owner Surcharge, which impacts foreign owners, to 4% for the 2024 land tax year.

In an opinion article published by The Property Council of Australia, Stefanie Frawley of TMX Transform said the tax disproportionately affected industrial land. This was because industrial properties usually required significant land holdings and were occupied by a single tenant who had to meet the full burden of the tax rather than being able to share it with other tenants.

## CONCLUSIONS

- Planning regimes need to accommodate likely increased demand for industrial land as e-commerce and last mile logistics grow to meet a modern economy.
- Supply constraints on industrial land threaten to push up prices and rents within four years which will add to costs and inflation.
- Increased industrial warehouse space will be needed to meet predicted population growth and technological developments such as the growth in e-commerce and demand for data storage produced by the uptake of Artificial Intelligence.
- Tax imposts, such as Victoria’s Absentee Owner Surcharge, which was doubled to 4% threaten to deter foreign investor interest in the sector.



## AGRICULTURE



### Tasmania tops farm growth over two decades

The average increase in agricultural property values across Australia between 2004 and 2023 was 256%.

Tasmania was again the strongest performer with a return of 689% in capital growth, followed by Victoria with 362.

### State by state increase in farmland price (2004-2023)

Rank	Area	% increase
1	Tasmania	689
2	Victoria	362
3	Queensland	332
<b>STATE AVERAGE</b>		<b>324</b>
4	South Australia	282
5	New South Wales	276
<b>NATIONAL AVERAGE</b>		<b>256</b>
6	Northern Territory	195
7	Western Australia	133
<b>INFLATION</b>		<b>67</b>

Table 10 Source: ABARES Farmland Price Indicator

\*National and state averages differ because some transaction cannot be linked spatially to states, zones or regions

### Top 10 farmland highest price increases over 20 years (2004-2023)

Rank	Area	% increase
1	Vic Wimmera	802
2	Tasmania	689
3	QLD Central North	662
4	NSW North West Slopes and Plains	594
5	QLD West and South West	471
<b>AVERAGE</b>		<b>505</b>
6	VIC Central North	432
7	NSW Riverina	400
8	VIC Southern and Eastern Victoria	346
9	SA South East	335
10	QLD Eastern Darling Downs	326
<b>INFLATION</b>		<b>67</b>

Table 11 Source: ABARES Farmland Price Indicator

### Rain and record commodity prices lift farm values

A significant proportion of the gains for agricultural land occurred over the past decade, in large part due to favourable climatic and growing conditions. The average increase in agricultural property values across Australia between 2014 and 2023 was 136.84%.

On a state-by-state basis, Tasmania performed best, returning 195.3% in capital growth, followed by Victoria with 189.9% and NSW with 163.5%.

The NSW Central West region experienced the highest growth in farm values over the decade to 2023 of 527.8%, according to figures released by the Australian Bureau of Agriculture Resource and Economics.

A combination of record commodity prices, plentiful rainfall, relatively low input prices and low interest rates saw farm prices surge.

Alan Hives, a Certified Practising Valuer with Preston Rowe Paterson in Victoria, said the boom represented a “generational, maybe once in a century” confluence of events.

While ABARES data for 2024 had not been released at the time of writing, Mr Hives said the return of more normal seasonal conditions, higher interest rates and lower commodity prices, saw land values retreat in Victoria in 2024. The market had experienced significant volatility and some values were down 20 to 25%, he said.

Transactions fell significantly. Many landholders had significant buffers after the run of good years and could afford to hold properties rather than meeting the market.

“But the buyers know... the market will adjust. It might take two or three years, it might be a little longer this time,” Mr Hives said.

### State by state increase in farmland prices (2014-2023)

Rank	Area	% increase
1	Tasmania	195.3
2	Victoria	189.9
3	South Australia	178.3
4	New South Wales	163.6
5	Queensland	148.9
<b>STATE AVERAGE</b>		<b>122.0</b>
6	Western Australia	66.3
<b>INFLATION</b>		<b>27.1</b>
7	Northern Territory	15.7

Table 12 Source: ABARES Farmland Price Indicator

### Top 10 farmland highest price increases over 10 years (2014-2023)

Rank	Area	% increase
1	West and South West (VIC)	729.2
2	Central West (NSW)	527.8
3	Wimmera (VIC)	504.6
<b>Average</b>		<b>357.4</b>
4	Wimmera (VIC)	352.2
5	Eyre Peninsula (SA)	281.4
6	Darling Downs and Central Highlands (QLD)	256.6
7	South East (SA)	237.0
8	Mallee (VIC)	234.4
9	Charleville (QLD)	233.4
10	Central North (VIC)	216.9
<b>INFLATION</b>		<b>27.1</b>

Table 13 Source: ABARES Farmland Price Indicator

### Looking ahead

Andrew Loughnan, Director Agribusiness at CBRE in Brisbane, said agriculture faces several challenges including a continued shortage of farm labour, low farm gate prices which were impacting cash flow and taxation imposts, particularly Queensland's Foreign-owned Land Tax which was deterring international buyers investing in the state. Continued access to global markets will be vital to the financial fortunes of the industry.

However, landholders had a number of significant opportunities to diversify their income streams from renewable energy projects, carbon farming or biodiversity which could provide weather resistant income in addition to agricultural earnings.

A long run of value increases has also intensified succession planning issues for many landholders who now face significant capital gains issues. Mr Loughnan said valuers, accountants and lawyers were becoming increasingly important for families as they navigated these issues.

"Financial structure has never been more important," he said.

### CONCLUSIONS

- Continued open access to global commodity markets is essential for the ongoing wellbeing of the Australian agricultural industry
- Taxation imposts, such as Queensland's Foreign-owned Land Tax, are deterring international buyers, such as international pension funds, from investing in agriculture.
- Labour shortages continue to impact the agricultural sector.
- Valuers will play a key role in assessing the highest best use for agricultural land which is increasingly coexisting with renewables, carbon farming and biodiversity projects.



Source: <https://agri-futures.com.au/news/increase-in-capital-investment-needed-australian-agriculture/>

## Other asset classes



### Valuers play key role in renewable energy rollout

Australia's valuers have been thrust into the frontlines of the renewable energy rollout which has become one of the nation's most contentious rural battlelines. The Australian Energy Market Operator (AEMO) has described the renewables rollout as a "once in a century change in the way electricity is generated and consumed in Australia"<sup>19</sup>.

With 90% of the National Electricity Market's coal-fired generation expected to have largely retired from the system by 2034-35, AEMO estimates 5000km of new transmission lines will need to be built in the next decade including 4000km in new transmission corridors and upgrades to 1000km of existing lines.

Five projects are already delivering 2500km of new and upgraded transmission lines and are projected to be at full capacity before the end of 2029.

### Impact on farm valuations

Renewables projects have boosted farmland prices through their payments to landholders to host wind turbines, solar farms and transmission lines, and Australia's valuers have been tasked with assessing

compensation for affected landholders.

Tom Everitt, Director of TDC Services has worked in the landholder engagement space for various energy projects in Victoria. "On one hand, we see some landholders seeking the best deal for themselves, whereas others are more conflicted and have broader issues with these types of projects; there is absolutely no one-size-fits-all approach. Therefore, it's critical that projects work closely with landholders to identify work to resolve these matters."

What further complicates this is the inconsistent frameworks and legislation in each state. Compensation and engagement approaches also differ substantially between generation infrastructure (think turbines and solar farms), versus transmission infrastructure (overhead/underground high voltage electricity transmission lines).

Valuers tasked with devising and evaluating compensation to landholders for the rollout are being forced to deal with this dichotomy head on, sometimes not knowing what they will face when they visit properties.

"A significant part of my work in the past couple of years has been focused on compensation for building transmission lines," said Alan Hives, a Certified Practising Valuer with Preston Rowe Paterson in Ballarat.

"Life has changed for me a bit in the sense that when I'm doing powerline work, I'm going out to inspect the properties and I'm compelled to take a carload of security with me,"

## New paradigm for valuers

Head of Infrastructure Advisory at JLL, Jamahl Waddington, said the renewables rollout had significantly impacted the traditional approach taken in assessing compensation. In the current environment, compensation assessed in accordance with the heads of compensation enshrined in legislation forms a baseline for compensation with incentivisation, voluntary hosting benefits, more attractive disturbance calculations and strategic benefits payments all becoming common place.

Traditionally acquiring authorities were government bodies that exercised land acquisition powers more freely when developing transmission line projects. However with the privatisation of power assets, voluntary agreement making has become the focus as the use of compulsory acquisition powers is less desirable and more difficult to access

We have seen a paradigm shift when acquiring easements for transmission lines from a more transactional approach in the past to now more of an engagement led and incentivised based voluntary agreement making environment. Whereas in the past, the focus was leaving a dispossessed landholder in a similar position insofar money can do once the scheme was completed, this is no longer the case. It is incumbent on acquiring authorities to leave landholders and communities in a better position than they were before the scheme existed to achieve social licence to develop successful projects.

## CONCLUSIONS:

- Valuers have a vital role to play in determining the 'highest best use' for agricultural properties engaging with the renewable energy rollout, carbon farming, or biodiversity initiatives.
- Valuers are at the forefront of the renewables rollout through their involvement in compensation assessments for impacted landholders.
- Effective public engagement with landholders affected by the renewables rollout is essential to maintaining a 'social licence' for the renewables program.
- State Governments must clarify any impact on 'primary producer status' for landholders engaging with renewables projects as negative taxation impacts will have a potential negative impact on future sale prices and undermine support for the rollout.



## CARBON FARMING

### Carbon farming gives landholders new options

Carbon farming is emerging as a potentially lucrative source of income for farmers.

The Clean Energy Regulator (CER) in March 2024 reported that 80 million tonnes of emissions had been reduced under the Emissions Reduction Fund (ERF) which was established in 2014 and incorporates the previous Carbon Farming Initiative<sup>20</sup>.

Under the Australian scheme farmers can generate Australian Carbon Credit Units (ACCUs) under accredited emissions reduction methods in projects registered with the Clean Energy Regulator.

One ACCU is issued for every tonne of emissions stored or avoided by an accredited carbon project.

There are now more than 800 ERF projects operating throughout Australia<sup>21</sup> aimed at reducing or removing greenhouse gas emissions from the atmosphere.

Since its inception the ERF has contracted more than 190 million tonnes of abatement at an average price of \$12 a tonne<sup>22</sup>.

**More than \$2 billion expected to flow to regional and rural areas participating in the schemes.**

Matt Egerton-Warburton, a partner with Mills Oakley, believes carbon farming initiatives will be lucrative sources of income for participating landholders.

“Big polluters are going to have to buy a lot of ACCUs in the next few years to reach their emissions reduction targets.

That provides a lot of demand for ACCUs which should make these projects profitable for farmers,” he said.

However, Mr Egerton-Warburton believes farmers will face a tension between selling their ACCUs or keeping them to prove they are carbon neutral to suppliers.

The Australian Government passed legislation Treasury Laws Amendment (Financial Markets Infrastructure and Other Measures Bill 2024) in late 2024 which will require all large “covered entities” to report Scope 3 emissions which are incurred in their supply chain as part of their formal reporting process.

Mr Egerton-Warburton believes the new regime will become an issue for the agricultural sector.

“If not Coles and Woolworths, then European buyers are likely to go to the 88,000 farmers in Australia and ask how much carbon did you use to produce that kilogram of beef?,” he said.

“There will be a situation in the next couple of years where they will say unless you provide that data, we can’t buy your produce.”

“The smart farmers will need to get in front of this.”

## Carbon farming changes valuation paradigm

Mr Egerton-Warburton said the advent of carbon farming was also changing the paradigm for valuers who are being required to assess complex legal commercial relationships which may require them to seek the assistance of qualified third party.

Mr Egerton-Warburton said there was a lack of comparative sales data for many properties that were engaging in carbon farming and the ultimate value of the property could be determined by the quality of the contract they had signed for their carbon project.

“You may have a landholder who signed a really good carbon project where they get all of the Australian Carbon Credit Units (ACCU), they are paying a very small service fee to a company to run it and that will be very value positive for their land.”

“But next door, you might have a landholder who signed a bad contract with a carbon developer that is taking a lot of the landholders share of the profit.”

“My point is unless a property valuer dives into the complex legal commercial relationship between the landholder and the developer, they can’t compare two properties.”

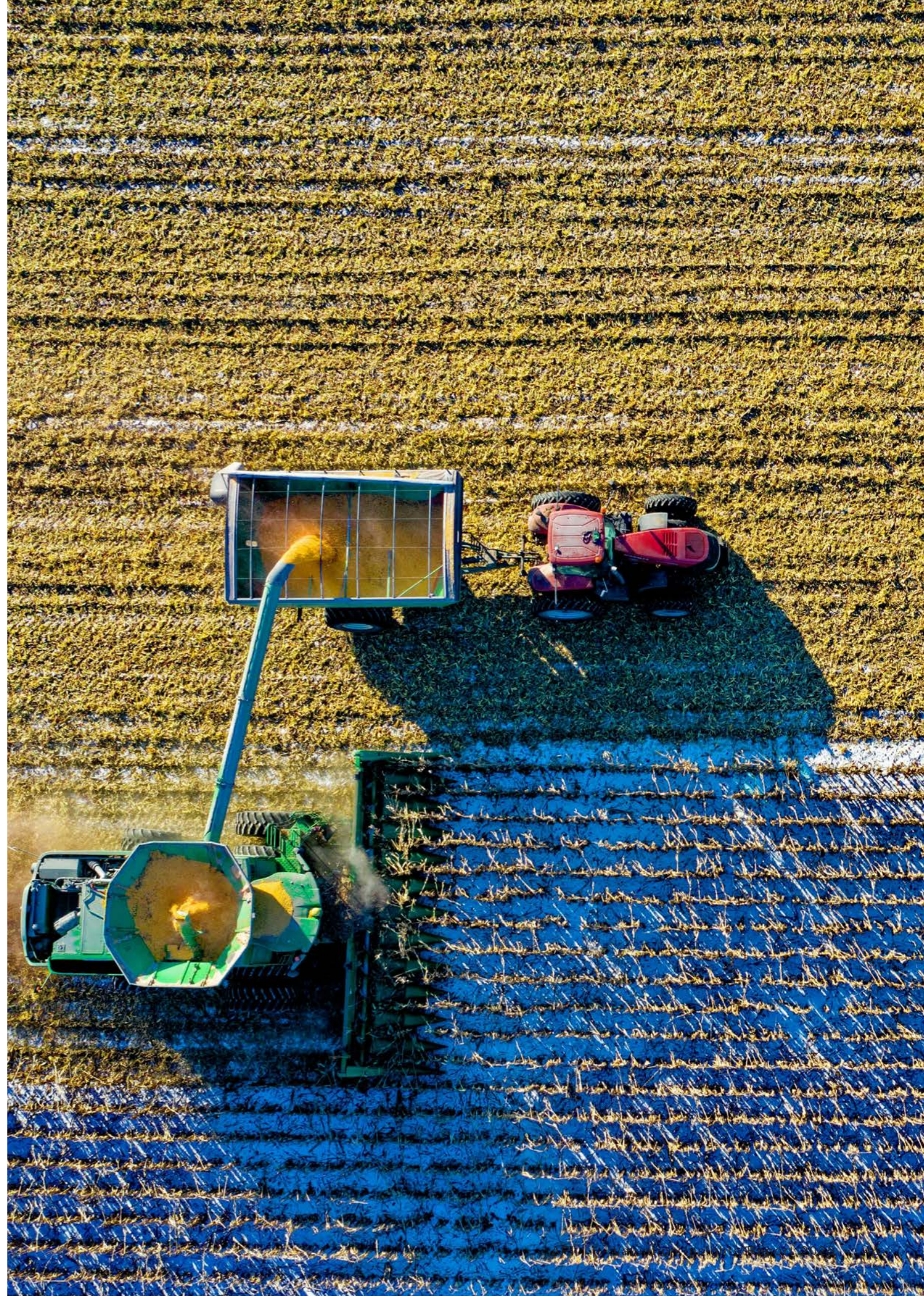
“These contracts are 50 to 100 pages long

and they are very technical, so my advice is you really need a third-party legal adviser to advise on the commercial aspects and realities of those agreements to work out whether they are value positive or value negative on the piece on land.”

Mr Egerton-Warburton said carbon farming was a good opportunity for farmers because landholders are receiving financial rewards for being good stewards of their land.

## CONCLUSIONS

- Emissions abatement schemes on agricultural land involve often complex legal agreements which must be understood when determining the value of a property.
- Carbon farming, biodiversity programs and the renewable energy rollout are creating new income streams for the agriculture sector which will impact farm values.
- Legislation requiring major corporates to report Scope 3 emissions in their supply chains will increase pressure on the agriculture sector to measure emissions from their farming operations.





## AI revolution powers Data Centre expansion

James Ruben, National Director of Specialised Assets at M3 Property, said the data centre sector is at the beginning of a major growth cycle of a magnitude that few appreciate.

This was being driven by the insatiable demand for data of new technologies such as Artificial Intelligence.

Mr Ruben cites IBM estimates that 90% of the world's data has been generated in the last two years, and that data generation is expected to increase exponentially every two years, as evidence of the growth to come. In line with this, the size of data centres is growing rapidly.

"Four or five years ago, a big data centre was storing four or five megawatts of power. Now you are not even in the game unless you are at 20MW plus," he said.

"A reasonable-sized data centre is 100-150MW."

## Data Centre growth to stretch nation's electricity sector

The realisation of the growth potential in the sector will in part depend on the capacity in Australia's national electricity grid to support it.

Mr Ruben said a major constraint on the placement of data centres was finding access to an area of the electricity grid that could accommodate such large power use.

But another constraint may be whether there is enough generation capacity to sustain it.

The National Energy Market is under pressure as the renewables rollout races to put new capacity in place ahead of the retirement of 90% of the NEM's 21GW in coal capacity power by 2034-35.

In its 2024 Integrated System Plan AEMO warned: "The possibility that replacement generation is not available when coal fired power stations retire is real and growing and a risk that must be avoided."

AEMO predicts 6GW of capacity will need to be added to the network every year to reach the 2034-35 replacement targets compared to the current rate of 3-4GW.

M3 Property research estimates growth in data centres is forecast to add at least 1.7Gigawatts of power demand to the national grid by 2029.

AEMO's 2024 Electricity Statement of Opportunities<sup>23</sup> also foreshadows an explosion in demand from data centres but predicts this will be more than offset by lower than previously forecast Electric Vehicle demand and lower business consumption.

## Competition for industrial land

M3 Property identifies a shortage of available land and high construction costs as key challenges for the development of the data centre sector.

"The primary challenge is finding suitable land for new developments with adequate access to power.

"There is a limited supply of appropriately zoned land within the major centres, with limited greenfield land being released by State Governments.

"The available land is also sought by developers looking to develop new logistics and distribution warehouses as well as new data centres.

**"The competition among developers for available land drives up land prices."**

M3 Property said one solution that was being examined was building data centres in regional areas with cheaper land close to renewable energy supplies.

It would have a further benefit of decentralising the network lowering the risk of exposure to natural disasters.

## CONCLUSIONS

- The Artificial Intelligence Revolution and the growth of e-commerce is driving an exponential expansion in demand for data centres.
- The renewable energy rollout will need to increase in pace to AEMO's target rate of 6GW of new capacity a year to ensure reliable electricity supply and underpin the expansion of the data centre industry in Australia.
- State and Local Government planning policies must ensure a reliable supply of industrial land to enable the expansion of the data centre industry.
- Government must address construction industry skills shortages to address labour supply.
- New technologies such as liquid cooled data centres could provide electricity consumption savings to reduce pressure on the NEM.
- Data Centres could provide a valuable source of new industry for regional areas.

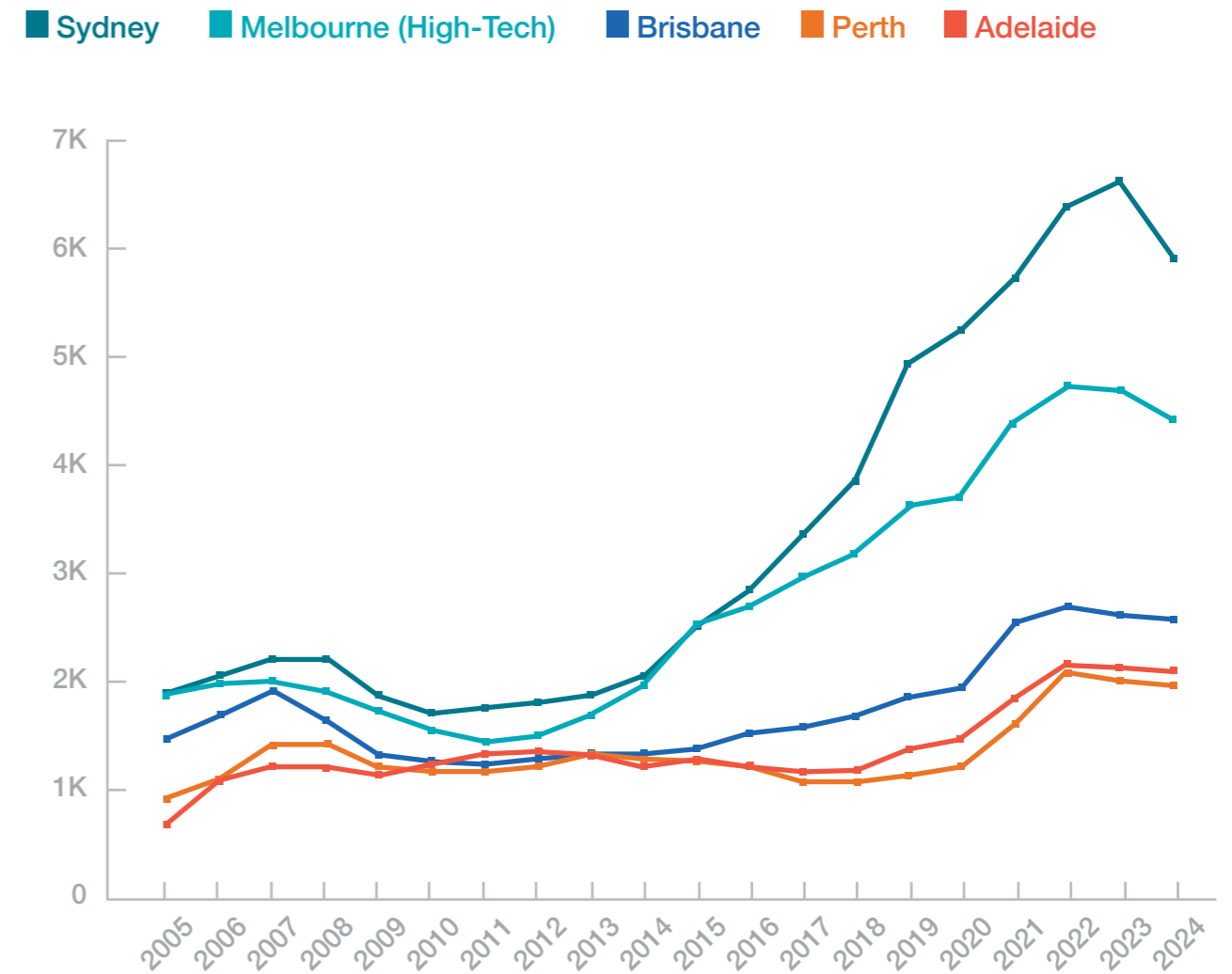


CHAPTER THREE

# Industrial Property

## Industrial Markets - Prime

Trends in industrial market values per square metre across major Australian cities from 2005 to 2024



Graph 62 Source: Colliers Edge

# INTRODUCTION

## Rents and valuations hold gains as dust settles from Covid frenzy

A collapse in global supply chains and a surge in e-commerce during the Covid pandemic sparked a race for space which produced unprecedented rises in rents and valuations in Australia’s Industrial and Logistics (I&L) sector.

As demand for I&L space soared, vacancy rates fell to zero in many markets as supply failed to keep up with demand<sup>88</sup>.

As a result gross face rents rose, and effective yields fell below 4% in some markets as capital values increased.

Vacancy rates increased in 2024 as conditions began to normalise but gross face rents appear to have been reset permanently at a higher level, and capital values in some markets have doubled since December 2019 before the Covid pandemic began.

However, the sector remains robust. Master Builders Australia’s September 2024 Building and Construction Industry Forecast said work in the industrial property sector rose 8.75% in 2023-24 \$11.8 billion, representing the largest gain in non-residential construction<sup>89</sup>.

Prime Warehouse values more than doubled in Sydney and Melbourne over the decade. Sydney rose 167.8% followed by Melbourne 126.4 and Brisbane 91.5%.

Mike Rowe, a valuer with Realmark in Perth

### Capital Warehouse Prime Values over 10 years (Sept 15 – Sept 24)

Area	% increase
Sydney	167.8
Melbourne	126.4
<b>AVERAGE</b>	<b>101.0</b>
Brisbane	91.5
Adelaide	63.0
Perth	56.4
<b>INFLATION</b>	<b>28.8</b>

Table 25 Source: Colliers Edge

and former Australian Property Institute Chair, said shortages of industrial land would push prices higher. “Industrial has been the Cinderella of the market and I don’t think we’ve actually put large enough areas aside for well-planned industrial development.”

### Covid gains produce two decade high

Covid gains in the past five years make up the majority of the increase in industrial land over the past two decades in many markets.

Prior to that commercial property recorded strong gains in valuations after 2011 as interest rates fell, attracting strong investment at the expense of industrial land. This trend was reversed as office occupancy rates fell during Covid and demand for industrial land surged.

Sydney industrial valuations recorded the

strongest increase, rising 261% over 20 years. However, their 10-year rise was 167.8%. Melbourne recorded an increase of 159.2% over 20 years compared with an increase of 126.4% over the past decade.

However, Adelaide, which recorded the second highest increase over 20 years of 172.7% experienced a rise in industrial warehouse values of only 63% over the past decade.

### Prime Warehouse Values over 20 years (2005-2024)

Rank	Area	% increase
1	Sydney	261.0
2	Adelaide	172.7
3	Melbourne	159.2
	<b>AVERAGE</b>	<b>157.5</b>
4	Perth	118.5
5	Brisbane	66.8
	<b>INFLATION</b>	<b>66.8</b>

Table 26 Source: ABS | Suburbtrends

### Supply constraints to remain

Looking ahead, new supply constraints remain on the horizon.

“With a demand requirement of 3.3 million sqm per annum, the persistent land supply constraints are poised to increasingly restrict land take-up capacity, likely precipitating a revived supply-demand imbalance by 2029,” Colliers Managing Director Industrial

& Logistics Gavin Bishop wrote in a 2024 report, *The Essential Core of I&L Demand*<sup>90</sup>.

Tom Rowe, a partner with McGees Property in Adelaide, said a chronic undersupply of appropriately zoned land, particularly in relatively close proximity to existing infrastructure and transport was a challenge being faced in all cities.

Industrial precincts were being located further out on the edges of a major cities which would require governments to spend more on transport corridors for road and rail to make these precincts viable.

“Every government around the country will be facing some decisions in terms of putting some better road and rail corridors to the outer areas where the industrial precincts are going to be,” Mr Rowe said.

“As long as they are committed to doing that, there is no reason why these precincts won’t work.

“For the next five, ten or even 20 years, it is going to be a supply-side story in industrial which will largely be determined by what governments are willing to do or not willing to do.”

### Population growth fuels new demand

Demand for industrial and logistics warehouse space is directly linked to population growth, economic activity and changes in e-commerce and health expenditure.

# Sydney

## Colliers estimates:

- For every increase in Twenty Foot Equivalent Units (TEUs) an estimated 8000 to 13,000sqm of I&L space will be required.
- Every \$1 billion increase in online retail sales translates to additional demand for 300,000 to 350,000sqm of specialised industrial facilities.
- Every \$1 billion increase in health expenditure generates demand for 5500 to 6000sqm of temperature-controlled facilities.

The shift towards online retailing and a requirement for higher inventory levels as a result of global supply chain disruptions has changed the fundamental relationship between population and demand for I&L facilities.

Colliers estimates that the national average I&L space per capita increased from 2.5sqm per capita in 2016 to 3.1sqm in 2023. Every additional person added to the economy over the past decade has resulted in a 5.5sqm increase in I&L space.

Based on operations in Melbourne Colliers suggests that the equilibrium space allocation could be around 4.1sqm per person.

“Projected annual I&L gross take-up remains 17% higher than the pre-pandemic average, reflecting the additional demand resulting from the structural shift in the I&L sector,” Colliers said.

## Looking ahead

Online retailing is expected to fuel further demand for I&L facilities as it increases its penetration in the economy. This will increase the requirement for speedy deliveries, increasing demand for properties close to major population centres or transport links.

Mike Rowe predicts last mile logistics will become increasingly important within a decade. “Within 10 years you will get your groceries delivered to you by drone,” he said. “The neighbourhood shopping centre will become the distribution warehouse and they will deliver to you.”

Australia’s population is projected to grow from 27.1 million in March 2024 to 31.3 million by 2034-35, fuelling additional demand for space<sup>91</sup>. Similarly, a rise in the population over 65 will drive an increase in health spending and a rise in demand for temperature-controlled facilities.

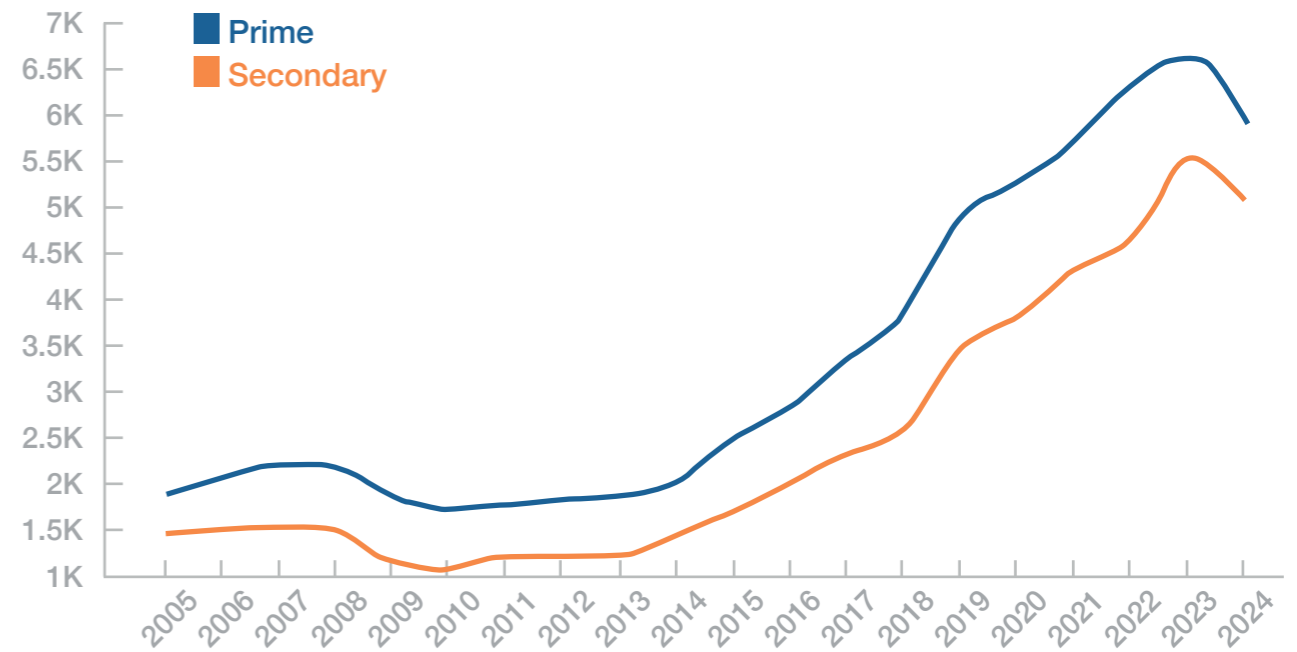
Tom Rowe said demand would soar and prices would continue to rise for industrial warehouses in established precincts.

“Landlords will become more creative in how they use their space and multiple-level warehouses are inevitable,” he said.

Mr Rowe said future warehouses were likely to have smaller footprints over multiple stories in the inner cities and be serviced by courier vans or drones if approvals were forthcoming to fly in built-up areas.

## Industrial Capital Values Sydney

Prime- Secondary - annualised averages (\$) per SQM



Graph 63 Source: Colliers Edge

## Covid crisis ends but new normal is higher rents and valuations

Sydney’s industrial property market endured an unprecedented period of growth between 2021 and 2023 as the Covid pandemic forged a surge in demand for space.

Average Gross Effective Rents for prime warehouses above 5000sqm surged 57.4%

between December 2021 and December 2023 as vacancy rates collapsed. Average vacancy rates fell to 0.2% across the Sydney industrial market from December 2022 until June 2023 and reached zero in some regions during 2022 and 2023.

Average Gross Effective Rents for prime warehouses above 5000sqm in the South-West sector increased 86.1% between December 21 and December 23, according to Colliers Edge data. In Sydney’s Central

West the rise over the same period was 75%.

Colliers National Director, Research Joanne Henderson said disruptions to supply chains and an increase in online retailing sparked by lockdowns forced companies to dramatically increase stockpiles which caused a surge in demand for space.

“There was literally no space and as a result rents increased dramatically,” Ms Henderson said.

With commercial office values impaired by a combination of question marks over work from home orders sparked by Covid lockdowns, Ms Henderson said Institutional investment in the industrial property sector surged and yields in Sydney fell below 4%.

She said this was the first-time industrial yields had moved below commercial office yields.

Equivalent yields for the total Sydney market fell from 4.69% in December 2019 to 3.48% in March 2022.

## Valuations surge

The dramatic increase in rents has resulted in sharp increases in valuations for both prime and secondary warehouses.

Between December 2019, just before Covid

hit, to the peak in the market in September 2023, average industrial capital values for prime warehouses of more than 5000sqm rose 74.6%.

## Market normalises but at higher level

While valuations and rents have dropped back in some areas in the past 12 months as trading conditions have normalised, they have stabilised at a higher level than before the Covid crisis marking a fundamental shift.

Average capital values for prime warehouses above 5000sqm fell 12% between September 2023 and September 2024. However, they remain 53.6% above their level in December 2019.

The increase in average capital values for the entire Sydney industrial market was 261% over 20 years and 167.8% over 10 years.

## Sydney's submarkets

### West

Gross face rents for prime warehouses larger than 5000sqm peaked in December 2023 at \$279sqm, a rise of 73.3% on their level of \$161sqm in December 2019, before the Covid pandemic began. They remained at \$279sqm in September 2024.

Vacancy rates fell from 4% in June 2020 to a low of zero in September 2022. They began recovering after December 2023 and reached 2.7% in September 2024.

Average equivalent yields fell from 4.75% in December 2019 to a low of 3.53% in March 2022. They have risen to 5.44% in September 2024, a rise of 66 points in 12 months.

Prime capital values peaked at \$5066sqm in September 2023, an 87.3% increase from their level \$2705 in December 2019.

Average prime capital values declined 11.2% from their peak to \$4497 in September 2024.

Prime warehouses in Sydney's West submarket have returned 271% over 20 years and 170.9% over 10 years.

### North

Gross face rents for prime warehouses larger than 5000sqm reached their post-Covid peak of \$353sqm in March 2024 and remained at that level in September 2024. This represents a rise of 34.2% on their pre-Covid level of \$263sqm in December 2019.

The peak in gross face rents coincided with vacancy rates falling to zero in March 2024 and remaining there in September 2024. Vacancy rates were 1.3% in the North submarket in June 2020.

Average equivalent yields fell to 3.50% in March 2022 from 4.75% in December 2019. They steadily increased from their Covid low to 5.50% in September 2024, a rise of 75 points in 12 months.

Prime capital values peaked at \$6548sqm in March 2022, a 48.6% increase from \$4406sqm in December 2019. In September 2024 they were 21.3% below their peak at \$5152sqm

Prime warehouses in Sydney's North submarket have returned 158.2% over the past 20 years and 160% over the past 10 years.

### South

Gross face rents in the South submarket peaked at \$446sqm in June 2024 and remained at that level in September 2024. This represents a rise of 74.9% since December 2019 when they were \$255sqm.

Vacancy rates reached zero in June 2023 and have since recovered to 2.5% in September 2024. They were 2.3% in June 2020.

Average equivalent yields fell from 4.38% in December 2019 to reach a low of 3.38% in September 2021. They were 5.38% in September 2024, a rise of 88 points in 12 months.



Prime capital values peaked at \$7911sqm in September 2023 a 75.8% rise from \$4500sqm in December 2019. Their level of \$6809sqm in September 2024 represented a 13.9% decline from their peak a year earlier.

The Sydney South submarket has been the strongest performing area over the past 20 years with prime capital values increasing 323% and 210.6% in the past decade.

## Southwest

Gross face rents in the South-West submarket peaked at \$292 in December 2023, an 89.6% rise on their level of \$154sqm in December 2019. After dropping to \$290sqm in the March and June quarters of 2024, they returned to \$292 in September 2024.

Vacancy rates were 10.3% in June 2020. They fell to 0.1% in June 2022, rose to 0.2% in the September and December quarters of 2022, and returned to 0.1% in March 2023, remaining at that level until September 2023. Vacancy rates had risen to 4.3% in September 2024.

Average equivalent yields reached a low

of 3.63% in March 2022 from 4.75% in December 2019. They rose to 5.50% in June 2024 and remained there in September 2024, a rise of 63 points in 12 months.

Prime capital values peaked at \$4903 in September 2023, an 88.2% rise from \$2605 in December 2019. In September 2024 they were \$4931, a decline of 10.4% from their peak a year earlier.

Prime capital values in the South-West Sydney submarket have risen 294% over the past 20 years and 179.5% over the past decade.

## North-West

Gross face rents for prime warehouses of 5000sqm or more were at their peak of \$286sqm in September 2024, a rise of 2.5% on the same corresponding period a year earlier and 75.5% above their level of \$163sqm in December 2019.

Vacancy rates reached zero in the September and December quarters of 2022 after being 3.7% in June 2020. They had recovered to 3.1% in September 2024.

Average equivalent yields reached a low of 3.50% in March 2022 after being 4.75% in December 2019. They rose to 5.50% in June 2024 and remained there in September 2024, a rise of 75 points in 12 months.

Prime capital values peaked at \$4926sqm in September 2023, an 83.5% rise on \$2684 in December 2019. They were \$4291sqm in September 2024, 12.9% below their peak of a year earlier.

Prime capital values have risen 244% over the past 20 years and 147.6% over the past decade.

## Central West

Gross face rents for prime warehouses of 5000sqm or more were at their peak of \$316sqm in September 2024, a 1.9% rise in 12 months and 98.7% higher than their pre-Covid level of \$159sqm in December 2019. Vacancy rates fell below 1% in June 2022 and reached a low of 0.2% in March 2023. They rose above 1% in March 2024 and had risen to 2.3% in September 2024. They were 6.0% in June 2020.

Average equivalent yields reached a low of 3.50% in December 2021 after being 4.75% in December 2019. They were 5.38% in September 2024, a rise of 63 points in 12 months.

Prime capital values peaked at \$5544 in

September 2023, a 99.8% rise on their level of \$2775 in December 2019. They were \$4940 in September 2024, a 10.9% decline on the peak a year earlier.

Prime capital values have increased 282% in the past 20 years in the Sydney Central West submarket and are 180.8% higher over a decade.

## Outer West

Gross face rents for prime warehouses of 5000sqm or more were at their peak of \$50sqm in September 2024, a rise of 11.1% in 12 months and 92.3% above the December 2019 level of \$26sqm.

Vacancy rates in the Sydney Outer West submarket were 3.5% in June 2020 but reached zero in June 2022. They rose to 0.2% in September 2022 and returned to zero in December 2022 and March 2023. They were 4.3% in September 2024.

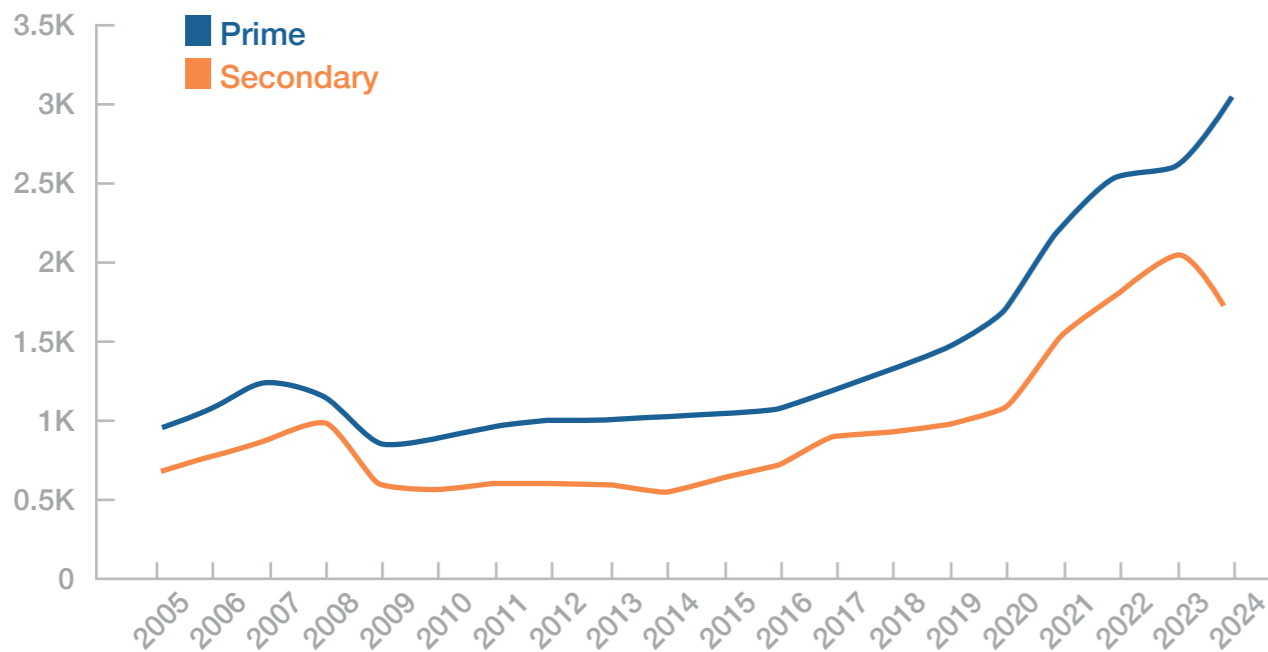
Average equivalent yields reached a low of 3.50% in December 2021 after being 4.75% in December 2019. They rose to 5.38% in June 2024 and remained there in September 2024, a rise of 63 points over 12 months.

Prime capital values peaked in September 2023 at \$4895, a 79.6% rise from \$2725 in December 2019. They were \$4375 in September 2024, down 10.7% from the peak 12 months earlier.

Prime capital values have increased 364% in the past 20 years and 175.8% in the past decade.

## Industrial Capital Values Melbourne

Prime- Secondary - annualised averages (\$) per SQM



Graph 64 Source: Colliers Edge

### Rents hold firm but tax hikes could threaten foreign buyer interest

Gross face rents for prime warehouses over 5000sqm in Melbourne have shown resilience despite new leasing activity falling below the long-term average in 2024.

Average gross face rents rose 47.9% between December 2021 (\$117sqm) and December 2023 (\$173sqm) as supply chain

issues and increased demand for online retailing forced companies to increase inventories.

They rose to a new peak of \$179sqm in September 2024, a 9% increase on the same period in 2023.

Capital values have also remained resilient. After peaking in June 2022 at \$2685sqm, they have declined 5.2% to \$2552sqm in September 2024. They remain 63.5% above

their level in December 2019 of \$1561sqm.

The rise in rents was fuelled by a fall in the vacancy rate in the Melbourne industrial market from 3.6% in June 2020 to a low of 0.5% in March 2023.

It has since recovered to 2.6% in September 2024.

Industrial warehouse supply issues were most acute between June 2021 and March 2023. The Outer East submarket reached a zero-vacancy rate in June 2022.

However, about 950,000sqm of new industrial space was delivered in Melbourne's industrial market in 2024, almost double the long-term average with the bulk of it in the western region<sup>92</sup>.

Urban Property Australia, in a report on the Melbourne industrial market, said transaction activity topped \$3 billion in 2024, 18% higher than the 10-year average<sup>93</sup>.

### Concerns foreign owner tax will deter international investors

Property industry leaders in the state have expressed concern about the impact of the Victorian Government's decision to double the Absentee Owner Surcharge, which impacts foreign owners, to 4% for the 2024 land tax year.

In an opinion article published by The Property Council of Australia, Stefanie Frawley of TMX Transform said the tax

disproportionally affected industrial land.

This was because industrial properties usually required significant land holdings and were occupied by a single tenant who had to meet the full burden of the tax rather than being able to share it with other tenants.

### South-East remains strongest

The south-east submarket remains the strongest in the city's industrial sector as vacancy rates remain constrained.

The introduction of more speculative supply in the West submarket is expected to constrain rents.

Capital values for prime warehouses across the Melbourne industrial sector have risen 159.2% in 20 years and 126.4% over the past decade.

## Melbourne submarkets

### City Fringe

Gross face rents in the City Fringe submarket for prime warehouses of 5000sqm or more peaked at \$295sqm in June 2023, a rise of 43.9% from December 2019. Rents had remained steady at \$295sqm to the September quarter of 2024.

Average equivalent yields declined from 5.38% in December 2019 to a low of 3.50%

in December 2021. They had risen to 5.50% by September 2024.

Capital values peaked at \$5333sqm in June 2022 from \$2698sqm in December 2019, a rise of 97.6%. They have since declined 30.3% to reach \$4091sqm in September 2024.

The City Fringe submarket has been the strongest performer in prime capital value growth in the Melbourne market in the past 20 years, rising 196%.

## North

Gross face rents in the North submarket peaked in March 2024 at \$168sqm for prime warehouses over 5000sqm, a rise of 68% from December 2019 when they were \$100sqm. Gross face rents declined 4.7% since the peak to be \$160sqm in the September quarter of 2024.

Vacancy rates in the North submarket for warehouses of 5000sqm or more fell from 8.4% in June 2020 to a low of 0.2% in March 2023.

They remained below 1% in the March 2024 quarter but recovered to 2.6% in September 2024.

Average equivalent yields declined from 6.25% in December 2019 to a low of 4% in

December 2021 and have trended upwards to 5.75% by September 2024.

Capital values peaked at \$2595 in September 2023 from \$1360 in December 2019, a rise of 90.8%. They were \$9.5% below their peak at \$2348 in September.

The North submarket has returned 109% over the past 20 years and 123.4% over 10 years in growth in prime warehouses over 5000sqm.

## South-East

Melbourne's South-East submarket has defied the downward trend since trading conditions normalised, with gross face rents for prime warehouses of 5000sqm or more peaking at \$203sqm in September 2024, a 19.9% rise in 12 months.

This represents a rise of 75% from its pre-Covid level in December 2019 of \$116sqm.

Vacancy rates remained tight in the South-East submarket in September 2024 at 0.9%.

After sitting at 3% in June 2020, vacancy rates declined to a low of 0.1% in the March 2023 quarter.

Average equivalent yields declined from 5.88% in December 2019 to 3.75% in December 2021 and have since trended upwards to reach 5.63% in September 2024.

Capital values peaked at \$2931 in March 2022 from \$1596 in December 2019, a rise of 83.6%. They were \$2907 in September

2024, a fall of 0.8%.

The South-East submarket has returned 182% in the past 20 years.

## West

Gross face rents in the West submarket for warehouses of 5000sqm or more have held steady after peaking at \$164sqm in December 2023 and remaining at that level until September 2024, which was 5.6% higher than the previous corresponding period.

Rents are 76.3% higher than their December 2019 level of \$93sqm.

Vacancy rates were 2.4% in the West submarket in June 2020 and reached a low of 0.9% in the December 2022 quarter. They had recovered to 4.4% in September 2024.

Average equivalent yields declined from 5.25% in December 2019 to a low of 3.63% in March 2022 and have since risen to 5.75%.

Capital values peaked at \$2524 in December 2023, from \$1543 in December 2019, a rise of 63.6%. They were \$2304 in September 2024, a decline of 8.7% from their peak.

Valuations in prime warehouses over 5000sqm rose 173% over the past 20 years and 113.1% over the past 10 years.

## Outer East

Gross face rents in the Outer East submarket remain at their post-Covid high of \$187sqm, after peaking at that level in June 2024. They are 52% above their level in the December 2019 quarter of \$123sqm.

Vacancy rates reached a low of zero in June 2022 from 2.3% in June 2020. They recovered to 1.3% in September 2024.

Average equivalent yields declined from 5.88% in December 2019 to a low of 3.88% in December 2021. They have since risen to 5.63% in September 2024.

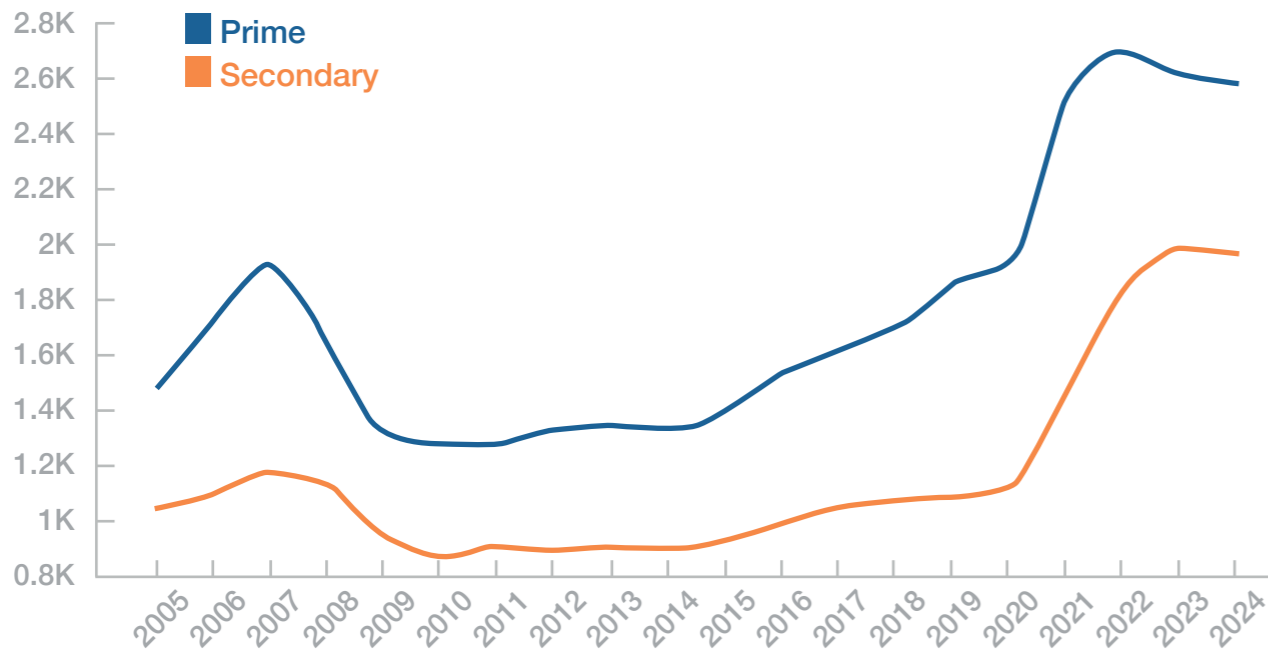
Capital values peaked at \$2988 in September 2022 from \$1745 in December 2019, a rise of 71.2%. They had fallen to \$2649 by September 2024, a decline of 11.3% from their peak.

Valuations in the Outer East submarket rose 182% over the past 20 years and 132.8% over the past 10 years.

# Brisbane

## Industrial Capital Values Brisbane

Prime- Secondary - annualised averages (\$) per SQM



Graph 65 Source: Colliers Edge

### Brisbane industrial market runs hot but land constraints loom

Brisbane’s industrial sector added 550,000sqm of new floorspace in the 2024 calendar year which was 26% above the long-run average, while transaction volumes totalled \$1.3 billion in line with the 10-year annual average<sup>94</sup>.

But research by CBRE warns a lack of

available land, particularly in the Australian Trade Coast precinct, but also in the North and South precincts, may put upward pressure on land prices moving forward.

Transport and Logistics, manufacturing and retail were the top three industries driving demand in Brisbane in 2024, according to CBRE.

Average gross face rents for prime warehouses of 5000sqm or more reached a

new peak in September 2024 of \$187/sqm, a 9.1% increase in 12 months. This represents a 42.7% increase on their level of \$131/sqm in December 2019 before the Covid pandemic began.

Vacancy rates in Brisbane’s industrial market declined from 5.8% in June 2020 to a low a 0.7% in March 2023 before recovering to 3.5% in September 2024.

Average yields were 5.94% in December 2019. They fell below 5% in March 2021 (4.93%), reached a low of 4.05% in March 2022 and remained below 5% until December 2022 before rising to 6.25% in March 2024.

Yields again began moving lower in June 2024 and were 6.13% in September 2024, a fall of 7.5 points on the previous quarter but still 37.5 points higher than the same period in 2023.

Average prime capital values for prime warehouses of 5000sqm or more across the Brisbane industrial market peaked in September 2023 at \$2642, 41% higher than their level in December 2019 of \$1874.

They were \$2620 in September 2024, a decline of 0.8% from their peak a year earlier.

**Brisbane average prime capital values have increased by 76.2% over 20 years and 91.5% over 10 years.**

## Brisbane submarkets

### Australian Trade Coast

Gross face rents in the Australian Trade Coast market for prime warehouses above 5000sqm in Brisbane have risen 11.1% to \$205/sqm in the 12 months to September 2024 and 36.6% over two years. Gross face rents are 46.4% higher than in December 2019.

Vacancy rates reached a low of 0.9% in September 2022 but remained tight at 1.2% in September 2024. They were 4.4% in June 2020.

Average equivalent yields reached a low 4% in March 2022 after being 5.75% in December 2019. They have risen to 5.88% in September 2024 a rise of 12.5 points in 12 months.

Capital values on prime warehouses over 5000sqm were at their peak of \$3018/sqm, a rise of 6.0% in 12 months. Capital values are 11.5% higher over two years and are 47.2% higher than December 2019 before the Covid pandemic struck. Capital values rose 37.6% in the 12 months between December 2020 and December 2021.

Capital values have risen 66.2% over 20 years and 91.9% over 10 years.

### North

Gross face rents for prime warehouses larger than 5000sqm in the Brisbane North submarket were at their peak of \$185/sqm in September 2024, a rise of 7.2% in 12

months and 25% over two years. Gross face rents are 42.3% over than in December 2019.

Vacancy rates fell from 4.8% in June 2020 to zero in June 2022 and remained there for 12 months. They were 1.2% in September 2024.

Average equivalent yields fell from 5.75% in December 2019 to a low of 4% in March 2022. They rose to 6.25% in June 2024 and remained at that level in September 2024, a rise of 50 points over 12 months.

Prime capital values peaked at \$3028sqm in June 2022, a rise of 57.7% on the December 2019 level of \$1920sqm.

Prime capital values in September 2024 were \$2535sqm, a decline of 4.9% in 12 months and 19.4% below the June 2022 peak.

Prime capital values have increased 40.8% in 20 years and 79.8% in 10 years.

## South

Gross face rents for prime warehouses larger than 5000sqm in the Brisbane South submarket were at their peak of \$182sqm in September 2024, a rise of 5.9% in 12 months and 25.5% over two years.

Gross face rents are 38.9% higher than in December 2019.



Vacancy rates declined from 6.2% in June 2020 to a low of 0.3% in March 2023. They had risen to 5.9% in September 2024.

Average equivalent yields reached a low of 4.00% in March 2022. They rose to 6.00% in September 2024, a 25-point increase in 12 months. They were 5.75% in December 2019.

Prime capital values peaked at \$2910sqm in June 2022, a rise of 49.6% from their level of \$1945sqm in December 2019. They were \$2558sqm in September 2024 a decline of 2.5% in 12 months and 12.9% below the June 2022 peak.

Prime capital values have risen 95% in 20 years and 91.91% from their level in September 2015 of \$1333.

## South-West

Gross face rents were at their peak of \$182sqm for prime warehouses above 5000sqm in September 2024, a rise of 5.9% in 12 months. Gross face rents are 37.9% higher than in December 2019 when they were \$132sqm.

Vacancy rates declined from 8.1% in June 2020 to a low of 0.8% in the March and June quarters of 2023. They were 4.0% in September 2024.

Average equivalent yields declined from 6% in December 2019 to a low of 4.00% in

March 2022. They were 6.25% in September 2024, a rise over 12 months of 50 points.

Prime capital values peaked at \$2961sqm in March 2022, a rise of 58.9% from their level of \$1864sqm in December 2019.

Prime capital values were \$2455 in September 2024, a decline of 6.5% in 12 months and \$17.1% below their March 2022 peak.

Prime capital values have grown 108% over 20 years and 87.3% over 10 years.

## Yatala

Gross face rents for prime warehouses larger than 5000sqm were trading at a new peak of \$183sqm in September 2024, a rise of 15.7% in 12 months and 51.2% above their level in December 2019.

Average equivalent yields declined from 6.45% in December 2019 to reach a low of 4.25% in June 2021.

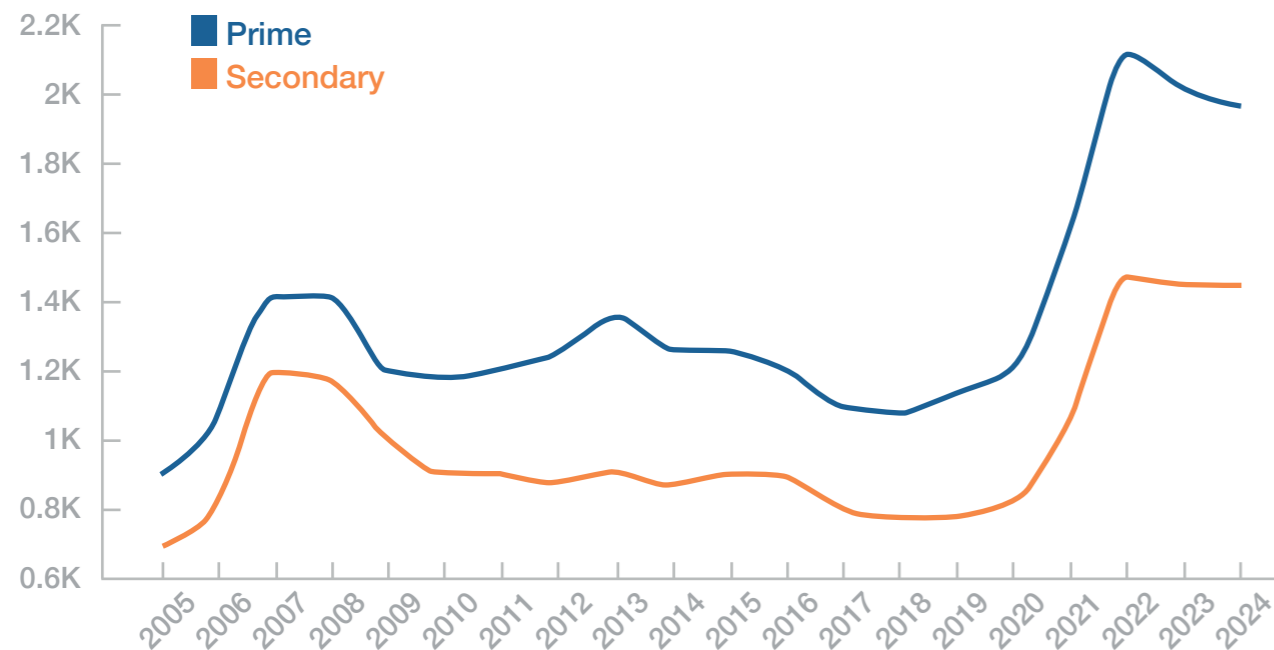
They remained at this level for 12 months before beginning to rise. Average equivalent yields were 6.25% in September 2024, a rise of 50 points in 12 months.

Prime capital values were at a new peak of \$2532 in September 2024, a rise of 3.5% in 12 months and 59% higher than the \$1592sqm level of December 2019.

Prime capital values have grown 92% in the Yatala submarket over 20 years and 108.7% over 10 years.

## Industrial Capital Values Perth

Prime- Secondary - annualised averages (\$) per SQM



Graph 66 Source: Colliers Edge

### Perth industrial sector runs hot on back of strong economy

Perth’s industrial property market showed continuing strength in 2024 as the transport, postal and logistics industries continue to expand to meet the increased movement of goods from e-commerce activity.

A research note by JLL said 222,400sqm of new supply had been added across

17 projects in Perth in the 12 months to September 2024, significantly above the 10-year average of 96,000sqm<sup>95</sup>.

Occupier demand in the Perth industrial and logistics market continued its upward trend in the September quarter of 2024, with 100,000sqm of gross take up recorded, significantly above the two-year quarterly average of 55,900sqm, JLL said.

Business was facing a shortage of prime

grade stock which should continue to put upward pressure on rents.

Average gross face rents in the Perth industrial market for prime warehouses of 5000sqm or more reached a new peak of \$168 in September 2024, a rise of 5.9% in 12 months. They are 50% higher than their pre-Covid level in December 2019 when they were \$112.

Vacancy rates recovered to 2.4% in September 2024, but the North submarket continued to exhibit supply constraints with a vacancy rate of 0.7%.

Late in 2024, the Western Australian Government released new industrial lots at Stage B Meridian Park Industrial Estate in the Northern corridor to increase supply.

Colliers Head of Research Joanne Henderson said the industrial property sector was being driven by Western Australia’s strong economy and investment volumes were running hot.

“It is not as connected to mining,” she said. “It is becoming a serviceability story in Western Australia where you are starting to see bigger retailers setting up fulfillment centres to address demand.”

Vacancy rates reached a low at the height of the Covid pandemic of 0.2% in June 2022

as demand surged. They had been 8.5% in June 2020.

The fall in vacancy rates coincided with average equivalent yields across the Perth industrial market declining from 6.91% in December 2019 to 4.93% in the March and June quarters of 2022. They reached 6.75% in June 2024, rising to 6.79% in September 2024, a rise of 46 points over 12 months.

Average capital values for prime warehouses of 5000sqm or more peaked at \$2209sqm in June 2022, a rise of 92.8% since their level in December 2019 of \$1146.

They declined to \$1963 in September 2024, which was 11.1% below the 2022 peak and a 1.5% decline over the past 12 months.

Average capital values in the Perth industrial market have risen 118.5% over the past 20 years and 56.4% over the past decade.

## Perth submarkets

### North

Gross face rents for prime warehouses larger than 5000sqm reached a new peak in September 2024 of \$160sqm, up 1.6% in the past 12 months.

Gross face rents are up 44.1% on their level in December 2019 of \$111.

Average equivalent yields fell from 6.88% in December 2019 to a low of 5% in the March and June quarters of 2022, before beginning to rise again.

# Adelaide

They reached 6.75% in September 2024, a rise of 25 points in 12 months.

Average capital values peaked at \$2150 in June 2022 an increase of 88.3% from their level in December 2019 of \$1142. They retreated to \$1852 in September 2024, a decline of 13.9% from the 2022 peak and 1.7% over 12 months.

Average capital values increased 106% over 20 years and 49.2% over a decade. The Covid spike reset capital values at a new higher level after more than a decade of low growth.

## South

Gross face rents for prime warehouses larger than 5000sqm reached a new peak of \$169 in the Perth South submarket in September 2024, a rise of 11.4% in 12 months.

They are 52.3% higher than in December 2019 before the Covid pandemic when they were \$111.

**Average equivalent yields declined from 7.00% in December 2019 to a low of 5.13% in the March and June quarters of 2022, before beginning to rise.**

They reached 6.88% in September 2024; a 12 month increase of 38 points.

Average prime capital values reached a new peak of \$1964sqm in September 2024, an increase of 4.2% in 12 months and 75.2% above the December 2019 level of \$1121. The new peak breached the \$1951sqm Covid peak reached in June 2022.

Average prime capital values have risen 118% in 20 years and 68.3% in 10 years.

## East

Gross face rents for prime warehouses of 5000sqm or larger reached a new peak of \$175sqm in September 2024, a rise of 5.1% in 12 months.

They are 54.9% higher than in December 2019 when they were \$113sqm.

Average equivalent yields were 6.85% in December 2019 but fell below 5% in the December quarter of 2021 before reaching a low of 4.65% in the March and June quarters of 2022.

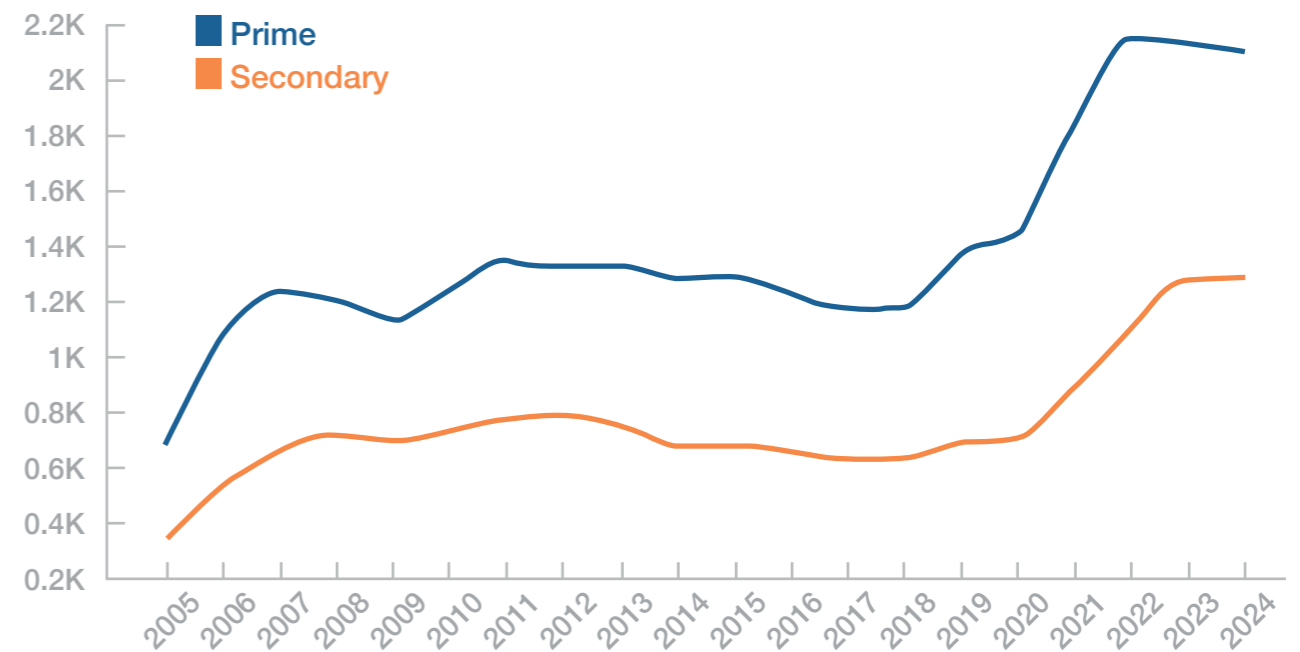
They moved above 5% in September 2022 and reached 6.75% in September 2024; a 12 month increase of 75 points.

Capital values peaked at \$2527sqm in June 2022, 115.1% above the December 2019 level of \$1175. They eased to \$2074 in September 2024, a 12-month decline of 6.1% and 17.9% below the June 2022 peak.

Average prime capital values increased 120% over 20 years and 52.8% over 10 years.

## Industrial Capital Values Adelaide

Prime- Secondary - annualised averages (\$) per SQM



Graph 67 Source: Colliers Edge

### Growing pains and lack of modern warehouses force up land prices and rents

The price of industrial land in Adelaide's outer north industrial area increased 200% between January 2020 (\$68sqm) and December 2023 (\$210sqm) driven by surging demand for warehouse space to accommodate a growing population<sup>96</sup>.

Tom Rowe, a partner with McGees Property in Adelaide, said Adelaide's South Road Project has sparked a surge of buyers and tenants into the market which had been a significant contributing factor to value and rent growth in the city's western precincts as well as its inner southern and northern precincts.

"Dispossessed owners and tenants impacted by acquisitions have been in the market seeking new accommodation and

adding to existing demand,” Mr Rowe said. “This has accelerated growth in both market values and market rents, particularly in nearby precincts.”

He said outer industrial precincts, particularly in the outer north, had benefited from improved transport corridors, which coupled with relatively more affordable land when compared with inner precincts, had resulted in sound levels of demand driving increases in both market values and rents.

“Limited supply of appropriately zoned industrial land, particularly within inner precincts, which coupled with a surge in demand in recent years has resulted in substantial increases in market values and market rents,” Mr Rowe said.

“Market rents across most industrial precincts have seen sharp increases in recent years,” he said.

In many cases the pace of market increases had outstripped formula driven rent increases within lease covenants which meant tenants were paying below market rents in existing leases.

But rent increases on market review/lease renewal had been commonplace in most precincts in recent years, he said.

Research by JLL for the Property Council of Australia suggested that current available industrial land could be exhausted in just over two years given the current absorption rate of about 60 hectares per year.

While SA land supply authorities in 2021 identified 1500 hectares for development, only 146 hectares was immediately available, JLL warned.

The South Australian Government in April 2024 moved to free up an additional 120.5 hectares at Waterloo Corner in Adelaide’s northern suburbs by announcing Code Amendments to create a Strategic Employment Zone.

After being 6.2% in June 2020, vacancy rates for prime warehouses of 5000sqm or more across the Adelaide industrial market reached a low of 1.3% in December 2022 and March 2023. Vacancy rates were 2.3% in September 2024.

Gross face rents for prime warehouses of 5000sqm or above across the Adelaide industrial market reached a new peak of \$167sqm in the June quarter of 2024 and maintained the same level in the September 2024 quarter, a rise of 8.5% on the \$154sqm level of September 2023.

Gross face rents were 31.5% higher than their \$127 average level in December 2019 before the beginning of the Covid pandemic.





Source: <https://createvic.com.au/navigating-commercial-vs-industrial-leases-in-australia/07/20/11/>

A shortage of large modern efficient warehouse space has been driving prime rental growth by intensifying competition among tenants.

Colliers Head of Research Joanne Henderson said defence industries underpinned the Adelaide industrial market, but it had also been boosted by retailers opening fulfillment and distribution centres in the city.

Average equivalent yields fell to a low of 5.19% in March 2022 after being at 7.44% in December 2019. They were 6.75% in September 2024, an increase of 66 points in 12 months.

Market values peaked at \$2222sqm in September 2022, a 57.6% rise on their level of \$1410sqm in December 2019.

Prime capital values were \$2093 in September 2024, down 1.6% in the past 12 months and 5.8% below their September 2022 peak.

**Market values have increased 172.7% in 20 years and 63% in 10 years.**

## Adelaide submarkets

### Inner North

Gross face rents for prime warehouses of 5000sqm or above reached a new peak of \$165sqm in March 2024 and remained at that level over three quarters to September 2024.

This represented a rise of 6.5% over the September 2023 figure of \$155. Gross face rents are 24.1% higher than their level of \$133sqm in December 2019 before the beginning of the Covid pandemic.

**After being 6.5% in June 2020, vacancy rates reached a low of 0.8% in March 2023 and remained below 1% in the following quarter at 0.9%. They were 2.5% in September 2024.**

Average equivalent yields fell to a low of 4.75% in the December 2021 and March 2022 quarters from 7.00% in December 2019. They were 6.75% in September 2024, a rise of 100 points in 12 months.

Capital values peaked at \$2318sqm in March 2023 a rise of \$50.9% from their level of \$1536sqm in December 2019.

They were \$2074sqm in the September

quarter of 2024, a decline of 8.3% in 12-months a 10.5% below the March 2023 peak.

Capital values grew 60.3% over 15 years and 50.8% over 10 years.

### West

Gross face rents for prime warehouses of 5000sqm or above reached a new peak of \$215sqm in March 2024 and remained at the same level over the three quarters to September 2024, a rise of 10.3% over the September 2023 figure of \$195sqm.

They are 20.8% higher than their level of \$178sqm in December 2019 before the beginning of the Covid pandemic.

Vacancy rates plummeted to 0.6% in September 2024 from 1.1% in June 2024. After beginning the Covid pandemic at 7.2% in June 2020 they fell to a low of 2.1% in September 2022 before recovering to 4.6% in September 2023 and then plunging again to 1.0% the next quarter.

Average equivalent yields reached a low of 4.75% in the March quarter of 2022 before moving above 5% the following quarter.

They reached 6.75% in September a 100-point increase in 12 months.

Capital values peaked at \$3220sqm in September 2022, 47.4% above their level of \$2185sqm in December 2019.

Their level in September 2024 of \$2741sqm was 14.9% below the September 2022 peak

and a decline of 4.5% in 12 months.

Capital values have increased 94% in 20 years and 41.9% in 10 years.

## Outer South

Gross face rents for prime warehouses of 5000sqm or above reached a peak of \$143sqm in June 2024 and remained steady in the September quarter of 2024, a rise of 14.0% over the September 2023 figure of \$125sqm.

Gross face rents are 50.5% higher than their level of \$95sqm in December 2019.

Average equivalent yields reached a low of 5.88% in March 2022 from 8.50% in December 2019. They were 6.75% in September 2024, a 38-point rise on the same period in 2023.

Capital values reached a new peak of \$1778 in June 2024 and held at the same level in September 2024, a rise in 12 months of 10.6% and 108.4% ahead of the December 2019 level of \$853sqm.

The new peak was 10.6% above the Covid peak of \$1608sqm reached in June 2023. Capital values have risen by 129% in 20 years and 106.5% in 10 years.

## Outer North

Gross face rents for prime warehouses of 5000sqm or more reached a new peak of \$146sqm in March 2024 and remained at that level in the September quarter of 2024.

This represented a rise of 3.5% on the September 2023 level of \$141sqm. Gross face rents are 40.4% higher than their level of \$104sqm in December 2019.

The area has been boosted by the completion of the Northern Expressway in 2020 which provides connectivity from Adelaide's key freight hub of Port Adelaide to the Outer North industrial precinct.

Vacancy rates began the Covid pandemic at 7.7% in June 2020 but fell to zero in the December 2022 and March 2023 quarters. They stood at 2.7% in September 2024.

Average equivalent yields fell from 7.50% in December 2010 to a low of 5.50% in June 2022 and remained at that level the following quarter.

They had risen to 6.75% in March 2024 and remained at that level for the June and September quarters of 2024. This represented a rise of 25-points compared with September 2023.

Prime capital values peaked at \$1957sqm in March 2023, a rise of 83.4% above the December 2019 level of \$1067sqm.

Prime capital values were \$1778sqm in September 2024, a rise of 0.5% in 12 months but 9.1% below the 2023 peak.

Prime capital values have risen by 102% in 20 years and 83.3% over 10 years.

## Industrial Property CONCLUSIONS

- Planning regimes need to accommodate likely increased demand for industrial land as e-commerce and last mile logistics grow to meet a modern economy.
- Supply constraints on industrial land threaten to push up prices and rents within four years which will add to costs and inflation.
- Increased industrial warehouse space will be needed to meet predicted population growth and technological developments such as the growth in e-commerce and demand for data storage produced by the uptake of Artificial Intelligence.
- Tax imposts, such as Victoria's Absentee Owner Surcharge, which was doubled to 4% threaten to deter foreign investor interest in the sector.

# Glossary

**Australian Bureau of Agricultural and Resource Economics (ABARES):**

A research branch of the Australian Government Department of Agriculture, Water and the Environment, located in Canberra, Australia.

**Australian Carbon Credit Units (ACCU):**

Tradable financial products that incentivise carbon abatement activities through projects ranging from reforestation to energy efficiency. One ACCU represents one tonne of carbon dioxide equivalent that would have otherwise been released into the atmosphere.

**Australian Energy Market Operator**

**(AEMO):** A national energy market operator and planner that manages Australia's electricity and gas systems and markets

**Clean Energy Council:** the peak industry body for the clean energy sector in Australia, representing and working with businesses across renewable energy, energy storage, and related technologies, with a focus on promoting the industry and advocating for policies that support a transition to a clean energy future.

**Clean Energy Regulator:** an independent statutory authority within the Australian Government, responsible for administering schemes that aim to reduce carbon emissions and increase the use of renewable energy.

**ESG:** Environmental, Social, and Governance, a framework used to assess a company's sustainability and ethical impact, encompassing environmental factors, social

impact, and corporate governance practices.

**Emissions Reduction Fund:** A voluntary scheme that incentivises businesses and individuals to reduce greenhouse gas emissions by providing incentives for projects that store or avoid emitting carbon dioxide, resulting in the creation of Australian Carbon Credit Units (ACCU) that can be sold.

**Industrial and Logistics (I&L):** The process of planning, implementing, and controlling the flow of resources and materials, from raw materials to finished goods, to meet customer needs, including transport, storage, and distribution.

**NABERS (National Australian Built Environment Rating System):** A

national rating system that measures the environmental performance of Australian buildings and tenancies.

**National Electricity Market (NEM):** An arrangement in Australia's electricity sector for the connection of the electricity transmission grids of the eastern and southern Australia states and territories to create a cross-state wholesale electricity market. Western Australia and the Northern Territory are not part of the NEM.

**Renewable Energy:** Includes solar, wind, biomass, hydro and hydrogen turbines.

**Renewable Energy Zones:** An area with high quality wind and solar resources where clusters of large-scale renewables projects can be developed using economies of scale.

**Reserve Bank of Australia (RBA):**

Australia's central bank, responsible for conducting monetary policy, ensuring financial stability, and managing the nation's banknotes and payments system.

**Safeguard Mechanism:** An Australian government policy that sets emissions limits (baselines) for the country's largest industrial facilities, aiming to reduce greenhouse gas emissions and contribute to Australia's climate targets.

**Scope 3 emissions:** Indirect greenhouse gas (GHG) emissions that occur in a company's value chain, encompassing activities outside of their direct control, such as those related to suppliers, transportation, and product use.

**Small Modular Reactor:** Small Modular Reactors are advanced nuclear reactors that have capacity of up to 300MW, about one third the size of a normal reactor. Given their smaller footprint they can be sited on locations not suitable for conventional nuclear reactors.

**Twenty Foot Equivalent Units:** A standard unit of measurement in the shipping industry, representing the capacity of a 20-foot-long shipping container, used to quantify the cargo-carrying capacity of container ships and ports.

**US Federal Reserve (the Fed):** The Central Bank of the United States conducts monetary policy and safeguards the stability of the US financial system.

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# The Home of Property Professionals

The Australian Property Institute is the peak body representing Australia's 5,000 property valuation professionals.

Operating for almost 100 years, the API has been the trusted source allowing lenders, regulators, owners and developers to buy and sell residential, commercial and rural property with confidence in a \$11 trillion market.



## What is property valuation and why is it so important

### Certainty

Accurate valuation is required to provide a fair, and independent, assessment of the value of any property asset, allowing banks to lend against them.

### Council Rates

Accurate valuation is required to inform our rating and taxation system by fairly distributing council rates to 11 million ratepayers.

### Economic Stability

Accurate valuations mean banks and lenders have greater confidence to lend to 670,000 buyers every year, which provides stability for the Australian economy.

### Expert Advice

Valuers are called upon to provide independent and expert advice to lenders, courts and insurers when asked "What is the value of my property?".

## The future of our profession

Accurate valuation will increasingly be needed for new asset classes like carbon farming, stronger ESG infrastructure and a diversified energy sector. API members will be needed to bring certainty to:

- government spending on major carbon and energy projects
- private sector investment decisions, and
- compensation terms for acquisition.

## What are the risks of a softer regulatory environment?

Whilst Australia is recognised as holding the gold standard internationally for professional property valuation, we have seen examples overseas of the impact of a weaker regulatory environment.

A key example of this was the 2007 Global Financial Crisis, which was largely precipitated by falling US house prices and a rising number of borrowers unable to repay their loans.

One of the key reasons for Australia's relatively strong performance through the crisis was the small share of high-risk lending in Australia as a direct result of our strong regulatory environment.

## By the Numbers Australia's Property Industry

Australia's 5,000 independent professional valuers are the trusted source that allows Australians to buy and sell residential, commercial and rural property with confidence, and for banks to lend money against these \$11 trillion worth of assets.

Independent valuers will increasingly be called upon to give certainty in future to emerging asset classes like carbon farming and sustainable energy sources.

Therefore, property valuers are a critical part of the Australian economy.



5,000 independent property valuers in Australia

\$11 Trillion

in Australia's residential property market.

\$230 Billion

spent on public infrastructure by Australian governments over five years.

10.9 Million

Australian homes, all requiring an annual valuation.

\$181 Billion

in Australian superannuation is tied up in property.

Each project requires development valuation, plant and machinery and compulsory acquisition.

11.5 Million

properties valued every year.

50-56%

of Australian household wealth is held in housing.

670,000

properties bought and sold in 2023.

2.3 Million

Australians with an investment property requiring an accurate annual valuation.

