Experience First

Freight Expectations:

Assessing the recalibration in logistics

January 2026

Executive Summary

We see the logistics market outlook as having solid structural tailwinds, disciplined supply that is better aligned with demand and a re-established growth profile, leading to strong investment appeal.

Supply has caught up, having been chronically undersupplied from 2020-2023 which led to exceptionally low vacancy levels. However, development economics and delivery challenges remain.

As legacy land banks are developed out, the next phase of the pipeline will have a higher cost base and require higher economic rents.

We see limited potential for economic rents to decline, and therefore rental growth to accelerate as vacancy rates stabilise and start to contract.

Leasing demand across the East Coast markets is well supported by a cyclical rebound in goods consumption and underpinned by structural factors such as e-commerce and population growth.

Occupiers are focused on gaining efficiency through consolidation and automation offered by modern facilities.

In Sydney, investment appetite for logistics assets has remained firm and has driven competition for assets. As a result, a widening yield spread is emerging between Sydney and Melbourne.

We believe risk premiums for logistics will be narrower than they have been in the past given institutionalisation and reduced volatility, and that the sector can achieve attractive core returns above the required return hurdle over a five and 10-year horizon.

Global lead indicators

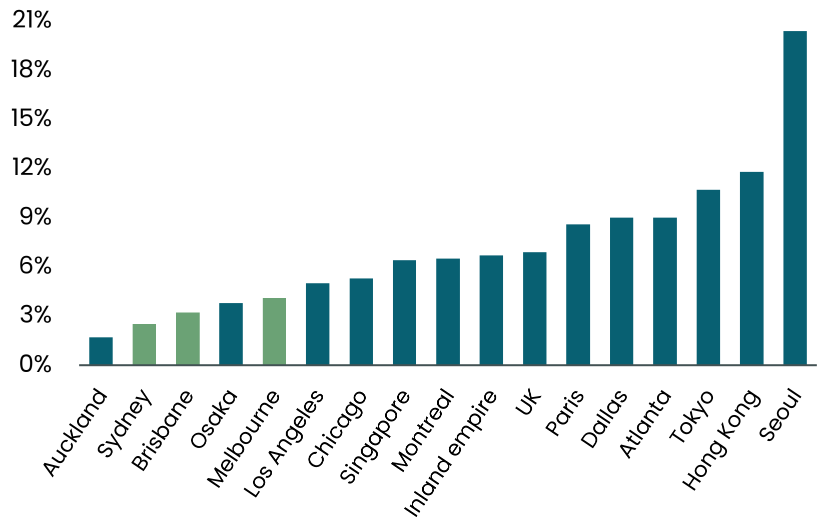
What we are seeing in logistics overseas, and how do we compare?

Australia ranks as one of the tightest logistics markets in the world, with relatively low vacancy and strong structural tailwinds from population growth and rising e-commerce.

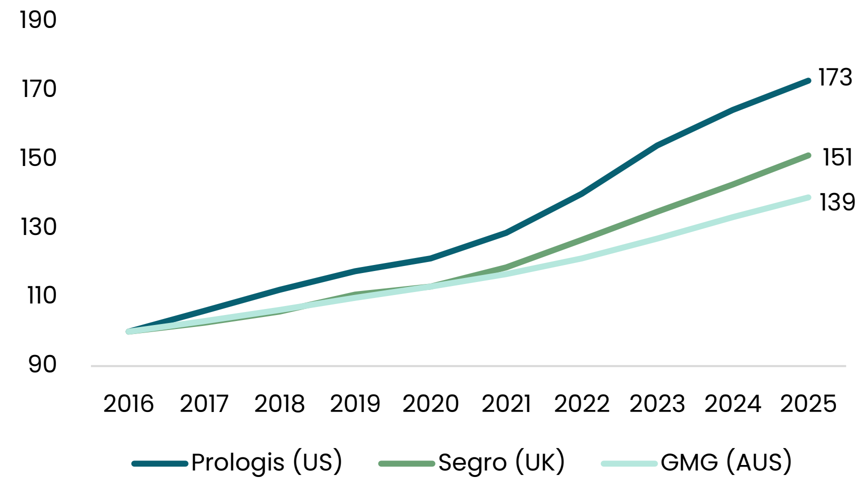
Globally, new supply alleviated capacity constraints leading to a moderation in rental growth. Supply peaked in 2023 globally.

More recently, there has been a normalisation in both demand and rental growth across most markets globally.

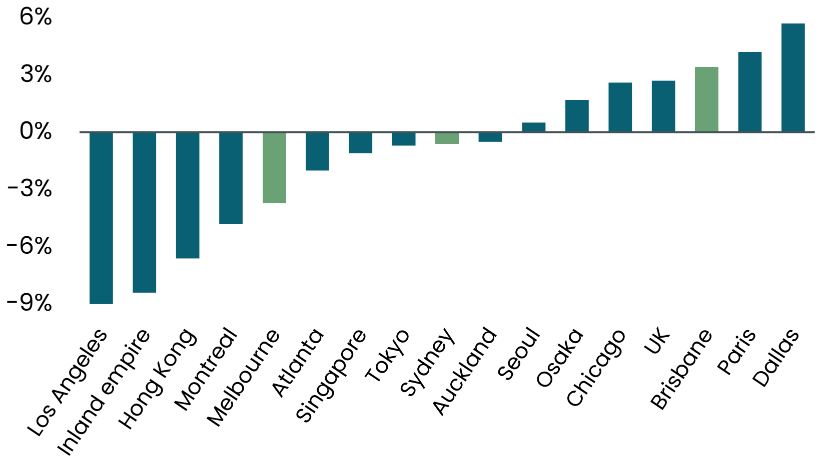
Australian vacancy rates remain low in a global context[1,4]



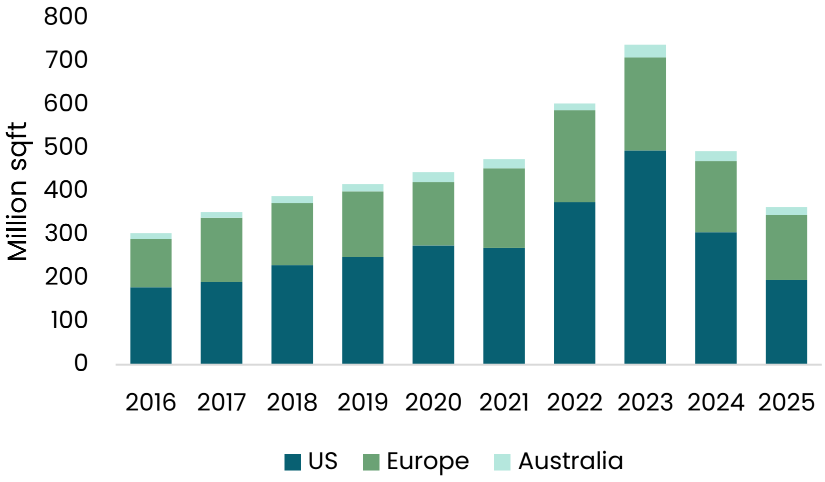
Like-for-like income has grown 1.5-2x in the last decade[2,5]



Net effective rental growth (YoY)[1,4]



Supply slowing from the 2023 peak[3]



Source: (1) CBRE (2) Green Street, Macquarie (3) Prologis Research. Notes: (4) as at Q3 2025 (5) Like-for-like net operating income (NOI) / net rental income (NRI) index

What's happened in Australia

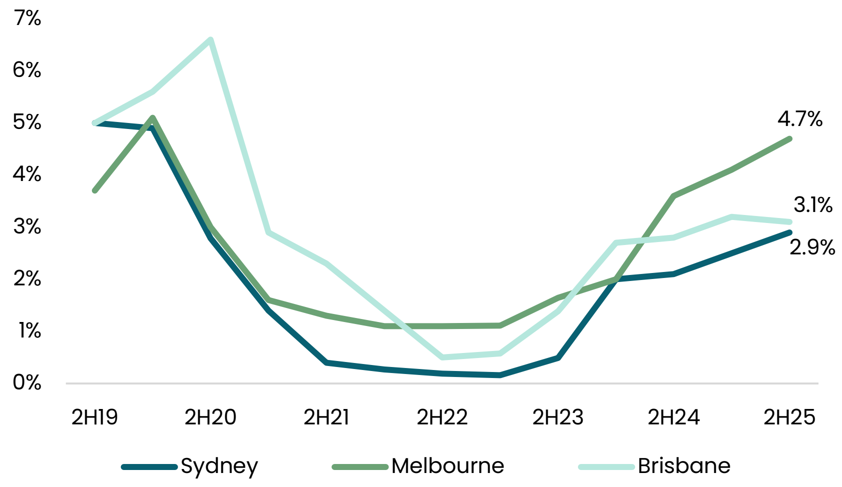
Summary of trends in key metrics

Despite elevated levels of supply, Brisbane has achieved the strongest effective rental growth in 2025 and a stable vacancy rate, reflecting resilient demand.

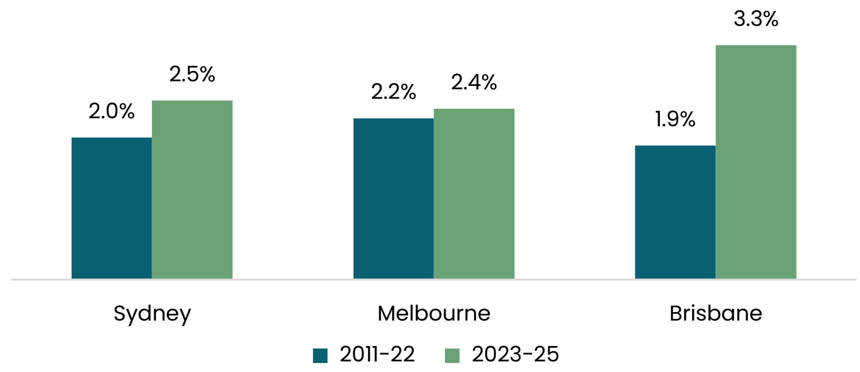
The rise in the Melbourne vacancy rate has been demand-led, with supply (% of stock) being in-line with historical levels.

Sydney vacancy has been trending upwards, from a low base and remains below historical levels, resulting in a moderation in rental growth.

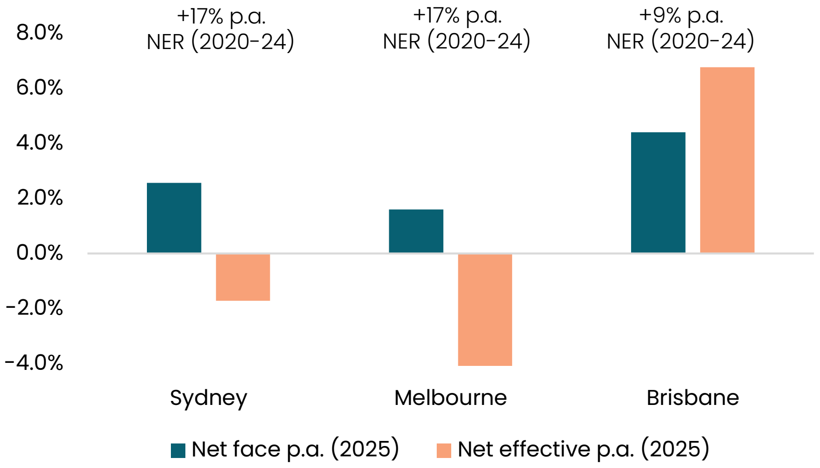
Melbourne has led the charge on rising vacancy rates[1]



Supply as a % of total stock[1]

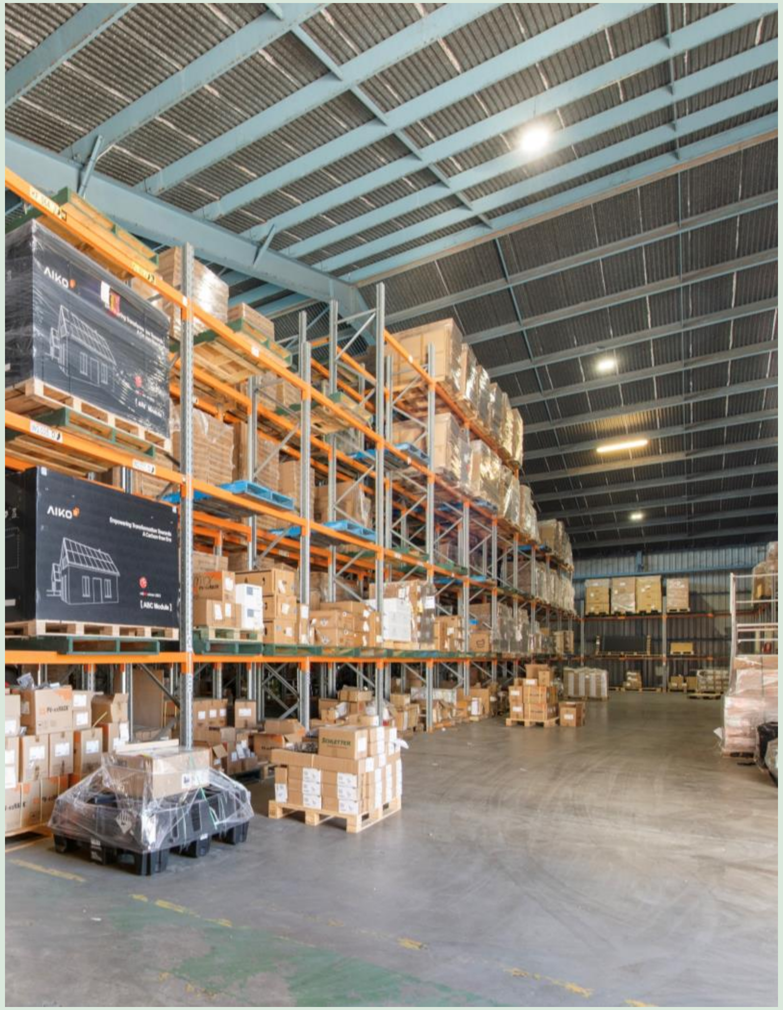


Rental growth has moderated from historical highs[1,2]



Cap rate compression from recent peak in Sydney and Brisbane[1]

Source: (1) CBRE. Notes: (2) super-prime metropolitan average.

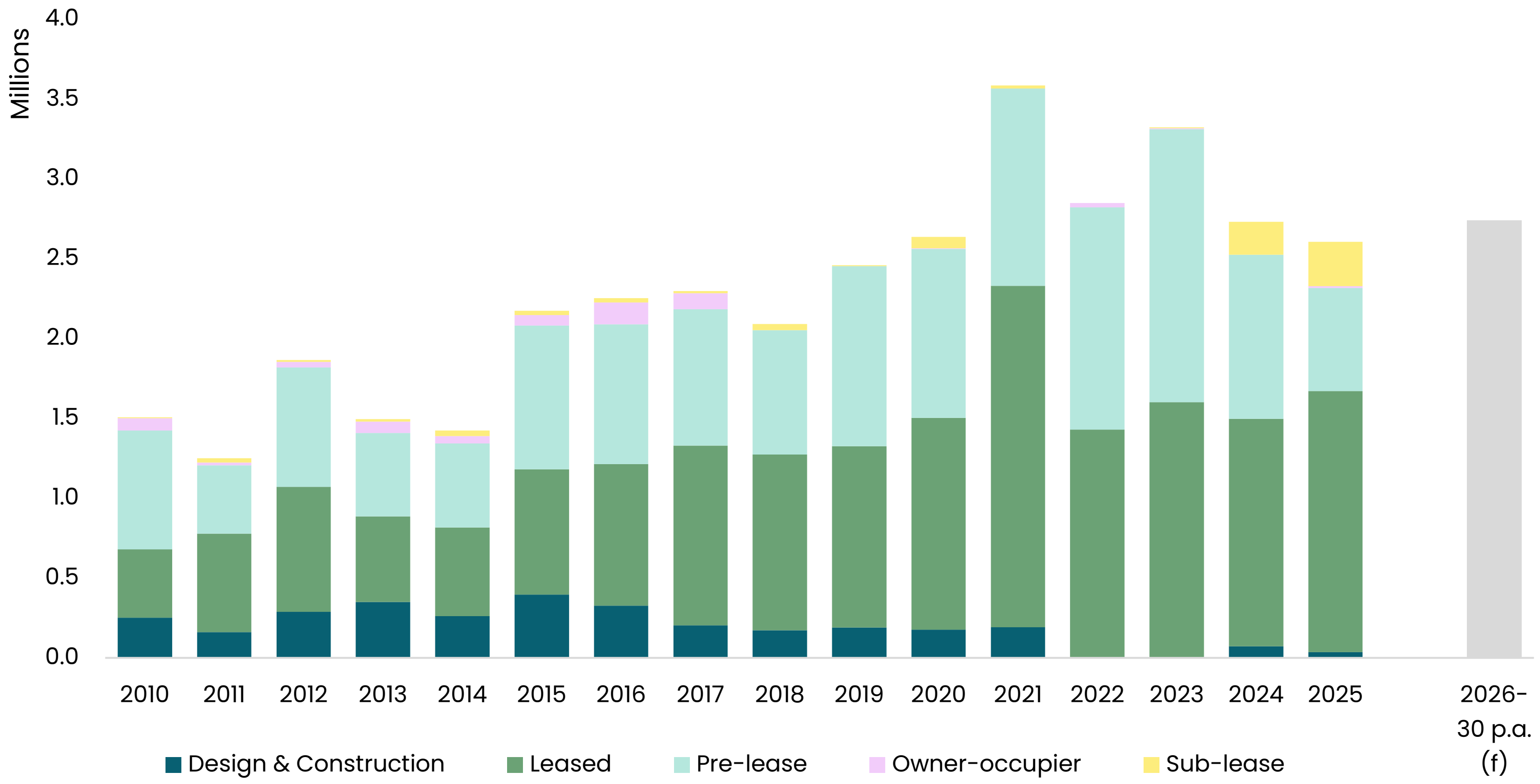


176 Eastern Parade, Gillman – South Australia

Unpacking the state of the occupier market

Leasing profile skewed to existing assets

Take up by type (East Coast >5,000 sqm)[1]



Gross take up remains strong, despite less pre-leasing.

Pre-leasing for new development activity continued to slow to 650,000 sqm in 2025, from 1.7 million sqm at the peak in 2023. The slowdown in 2025 pre-leasing activity is further highlighted given a small number of large leases drove the 2025 result (top five accounted for 51% vs 25% in 2024).

Tenants were cautious about future space requirements in early 2025 as the impact of trade disruption from tariffs was assessed.

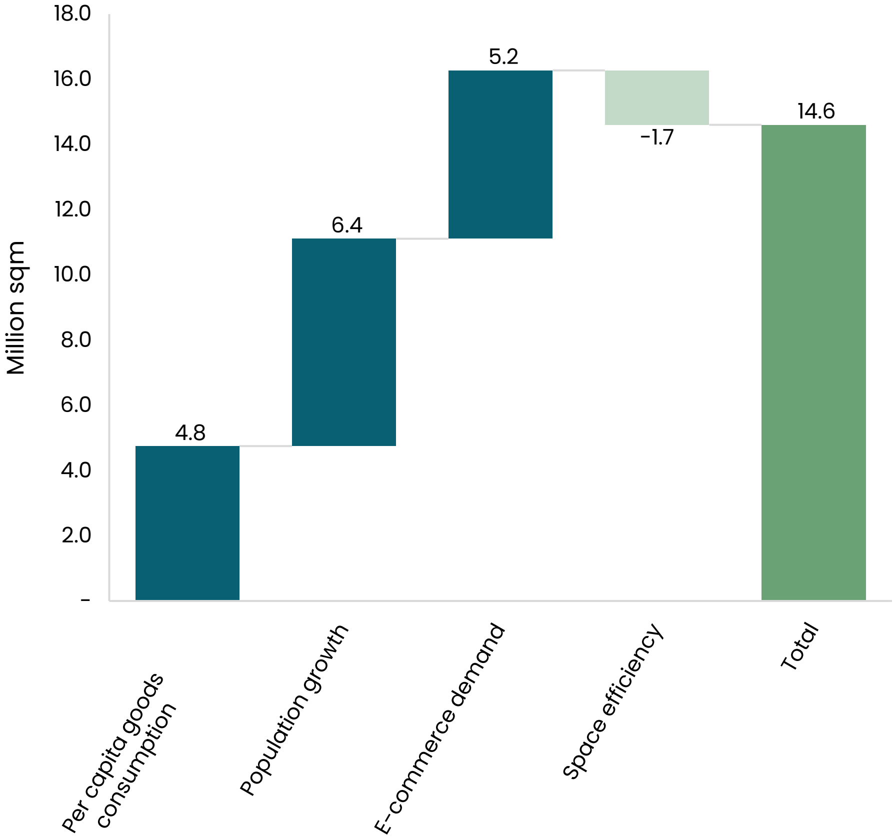
Tenant reluctance to pre-lease in 2025 resulted in more leasing in existing assets and speculative developments near completion.

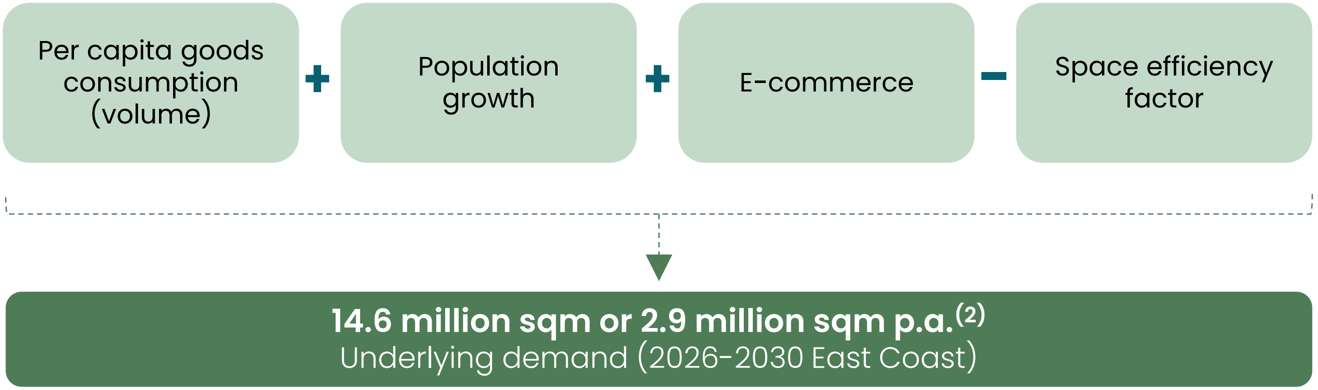
We estimate underlying demand across the East Coast over the next five years (2026-30) to be positive at 2.9 million sqm p.a.

Source: (1) JLL

Structural drivers support long term underlying demand

Five-year outlook: drivers of underlying tenant demand (1)





Per capita goods consumption
Goods consumption by the existing population base is expected to grow by 1.2% p.a. over five years[1] which translates to organic growth in demand of 4.8 million sqm by the end of 2030 (950,000 sqm p.a.).

Population growth
A 4.5 sqm per capita population multiplier[2,3] provides potential for a further 6.4 million sqm over five years (1.3 million sqm p.a.) based on Deloitte Access Economics population growth projections of +1.8 million by December 2030.

E-commerce
We estimate online retail sales to grow by $33 billion by December 2030 equating to 18% of total retail spending, up from 14.9% in October 2025. The structural growth in e-commerce is likely to drive a requirement for approximately 5.2 million sqm in isolation (1.0 million sqm p.a.) over the next five years.

Space efficiency
Occupiers are seeking more space and cost efficiency through density (i.e. cubic capacity) and automation. The efficiency gains vary significantly depending on the type of tenant and facility. Given the wide range reported, we adopt a space efficiency factor of 15% to incremental demand, excluding the e-commerce component.

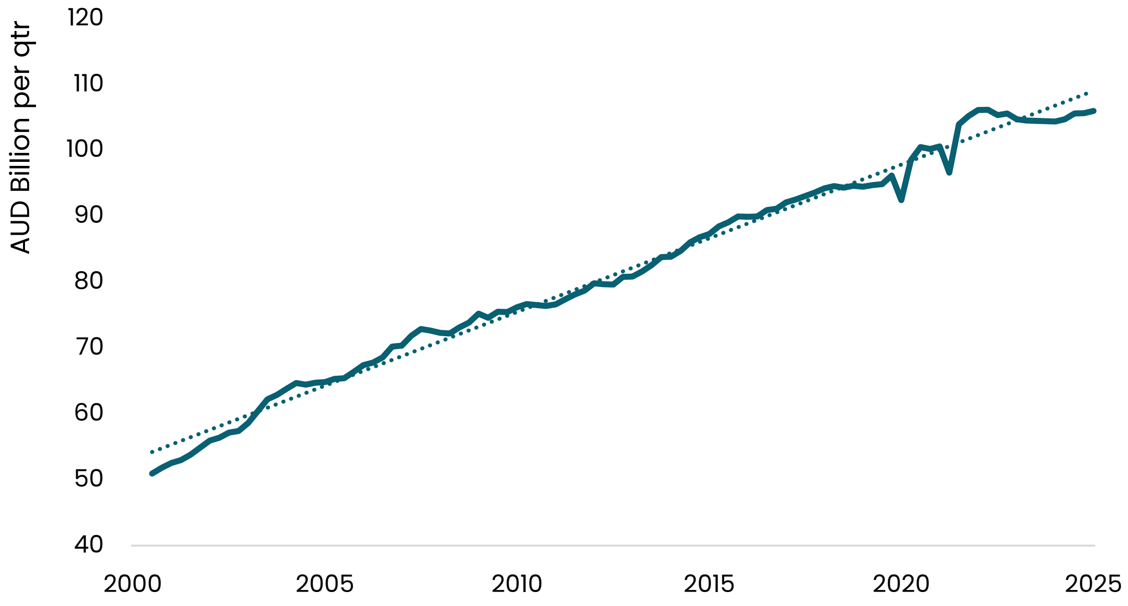
Source: (1) GPT Research, Deloitte Access Economics and NAB Online Retail Sales Index. (2) GPT Research (This is based on management assumptions, the accuracy of which is unpredictable), Notes: (3) pre-2014 average excludes the impact of e-commerce

Cyclical rebound in goods consumption, near-term demand driver

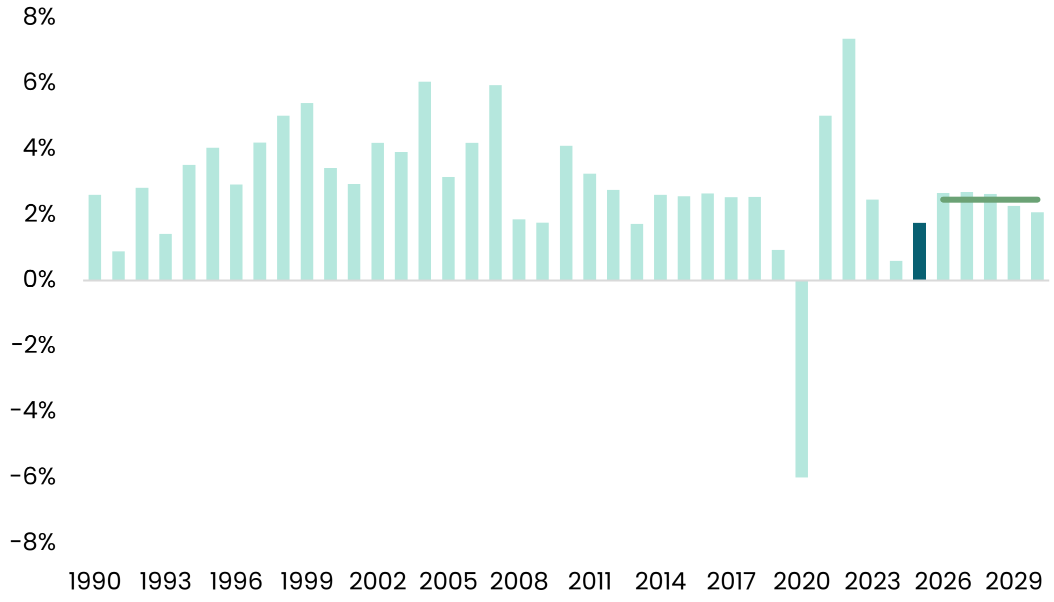
Goods consumption in volume terms has historically grown steadily at 3.0% p.a. and has been a key demand driver for logistics floorspace. Following a surge between 2020 and 2022, there was a lull between 2022 and 2025 which resulted in an easing of leasing demand from 2024. A recovery in the volume of goods sold has been underway since Q2 2024 which we expect to continue and will support leasing demand in the near term.

The outlook for goods consumption growth is underpinned by household income growth (6.7% p.a. September 2025). The recent upward revision to the outlook for the official cash rate poses some risks to the rebound in goods consumption. However, consumption will be underpinned by high levels of savings, low levels of unemployment, strong income growth and a household wealth tailwind. Economists forecast a continued recovery in household consumption growth in 2026 (+2.7% up from 1.8% in 2025).

Goods consumption (volumes) [1]



Household consumption forecast [2,3]



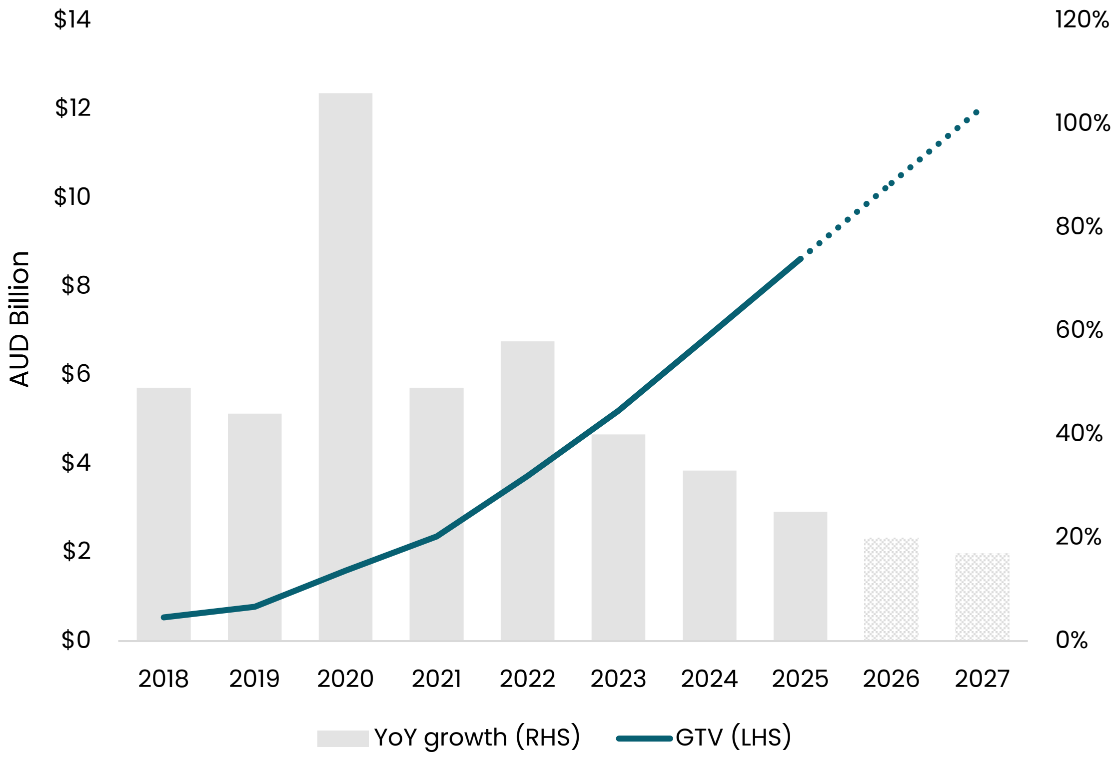
Source: (1) ABS (2) Deloitte Access Economics. Notes: (3) forecast household consumption includes services

Amazon still in its early days Down Under

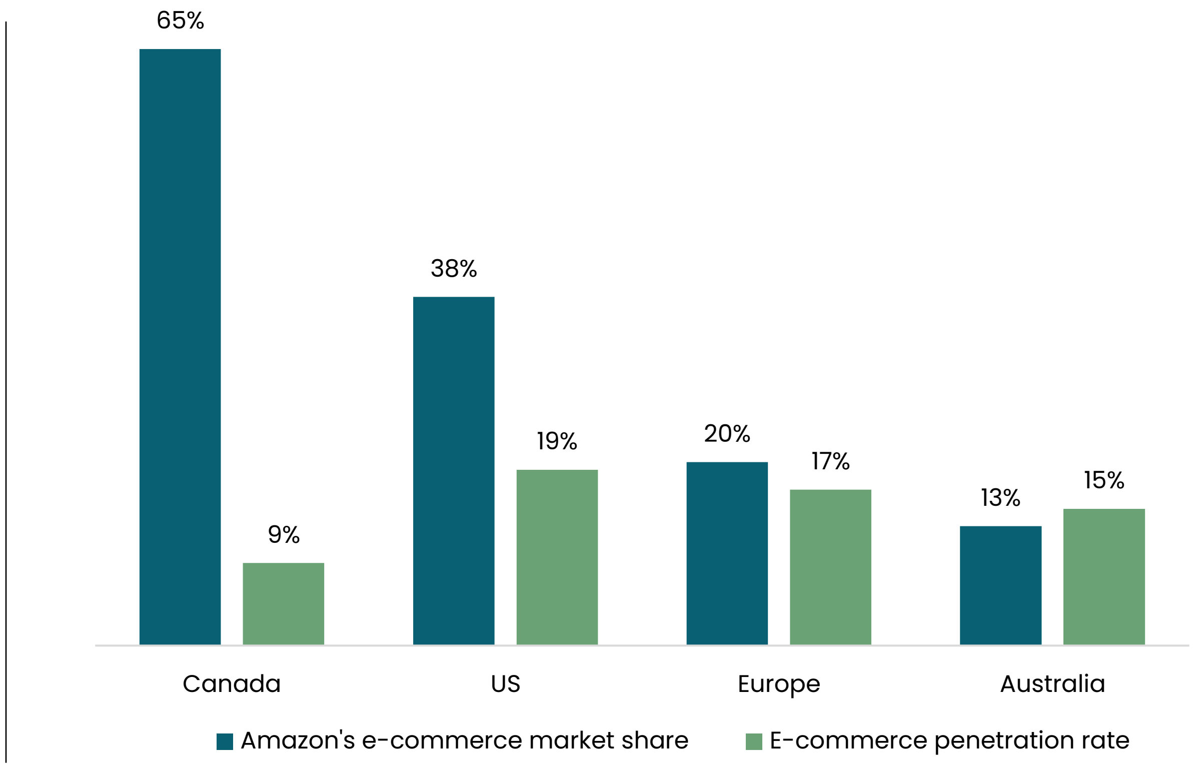
E-commerce continues to provide a structural tailwind to logistics demand, particularly given the recent acceleration in online retail sales growth in Australia. Amazon is recording strong growth in the United States, where it now accounts for 38% of the online market, demonstrating its ability to scale in mature markets.

Amazon launched in Australia in December 2017. It has recorded strong growth in sales with significant potential to expand further based on international market share benchmarks. As Amazon continues to invest in local fulfilment centres, delivery infrastructure, and product offerings, it is well-positioned to capture a larger share of Australian online retail sales. Assuming e-commerce growth of 8-9% p.a. in-line with the historical average, we estimate the e-commerce penetration rate in Australia to reach 18% by 2030 with Amazon being a key component of the growth.

Amazon's gross transaction values (GTV) – Australia [1]



Amazon's market share vs market e-commerce penetration rate – global [2,3]



Source: (1) MST Marquee (2) Green Street, NAB, MST Marquee, US Census Bureau. Notes: (3) US & Canada's e-commerce penetration rate excludes motor vehicles and parts

A shift to larger facilities for efficiency

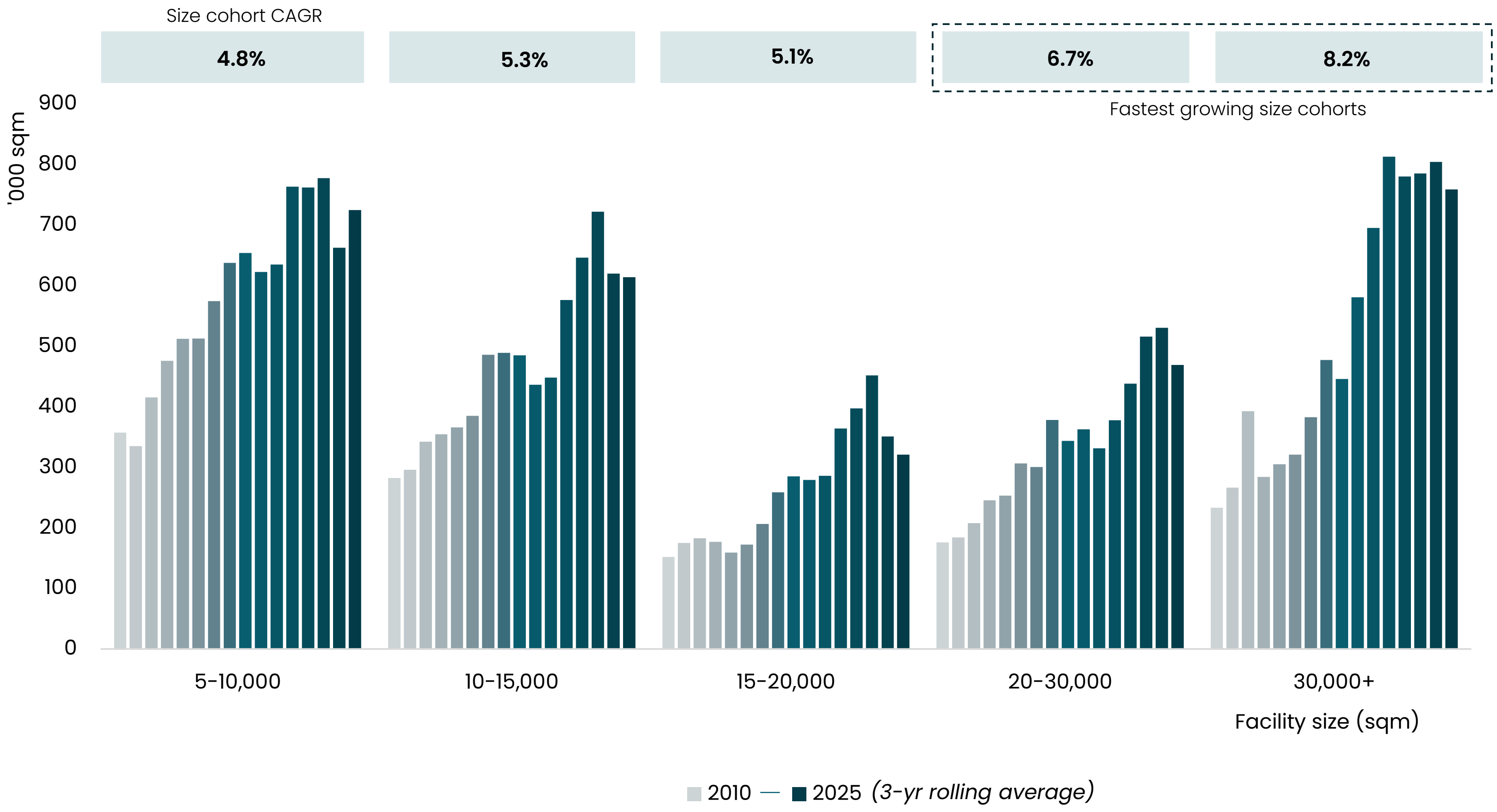
The fastest growing size cohorts of tenant demand have been the >30,000 sqm and 20–30,000 sqm facilities.

The preference for large facilities reflects occupiers consolidating and seeking cost and operational efficiencies through higher density and the use of robotics & automation achievable in new modern high-spec facilities.

The efficiency gains vary significantly depending on the type of tenant.

The buildings vacated following consolidation often require upgrading and redevelopment.

Demand by size cohort (East Coast)[1]



Source: (1) JLL

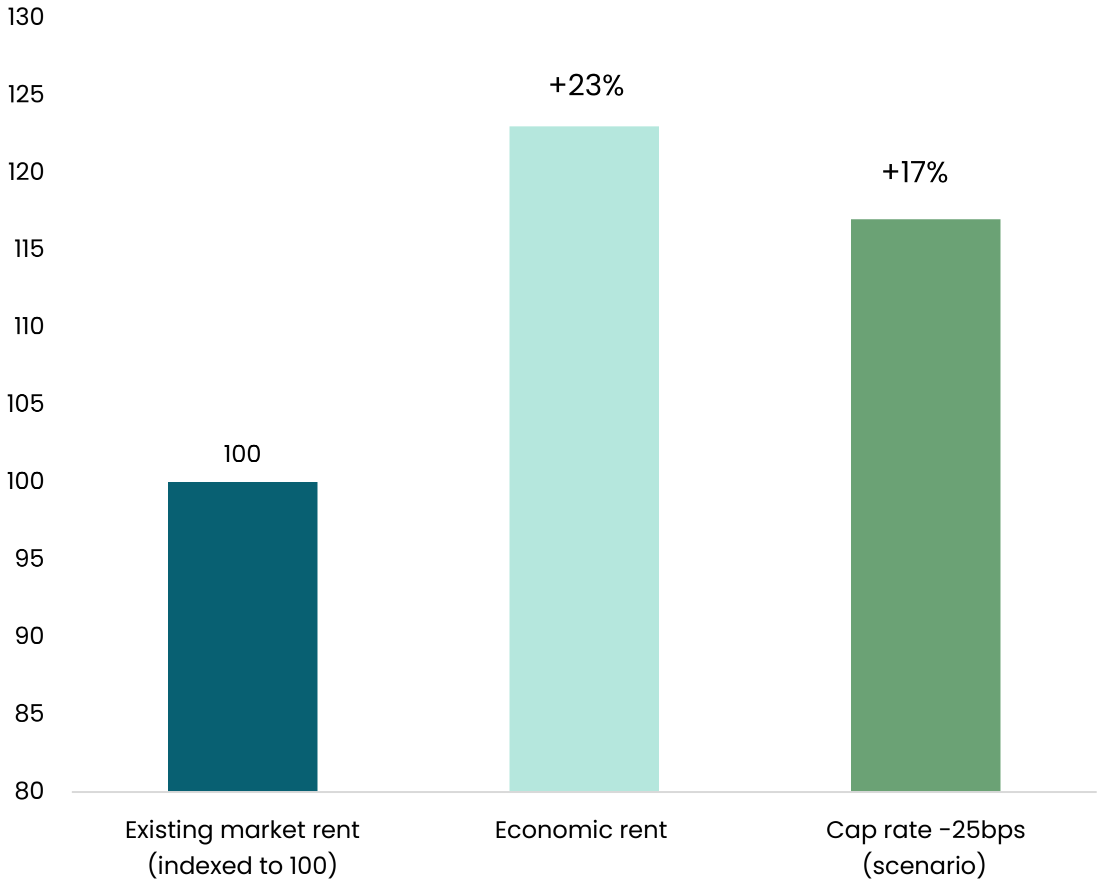

Yiribana West, Kemps Creek – New South Wales (render)

Assessing the cost constraints on supply

What needs to happen to close the economic rent gap?

Rent (not land) is the variable to adjust this cycle

Economic rent threshold – Sydney [1,2]



What needs to happen to close the gap?

In Sydney, we estimate economic rents are 23% above existing assets which will constrain the amount of new supply coming online and support rental growth in existing assets.

Cap rate compression has reduced the economic rent gap in 2025 (from 27%), any further compression of 25bps has the potential to reduce the gap by another 6 ppts (from 23% to 17%).

However, we see limited scope for economic rents to reduce over the next 12-24 months. Construction cost and land values are unlikely to decline, and prospects for further cap rate compression remains uncertain across markets.

Why is rent and not land value the residual variable this time?

While land is typically the residual variable in a development feasibility exercise, we believe in the current cycle, rent is the factor that is most likely to adjust.

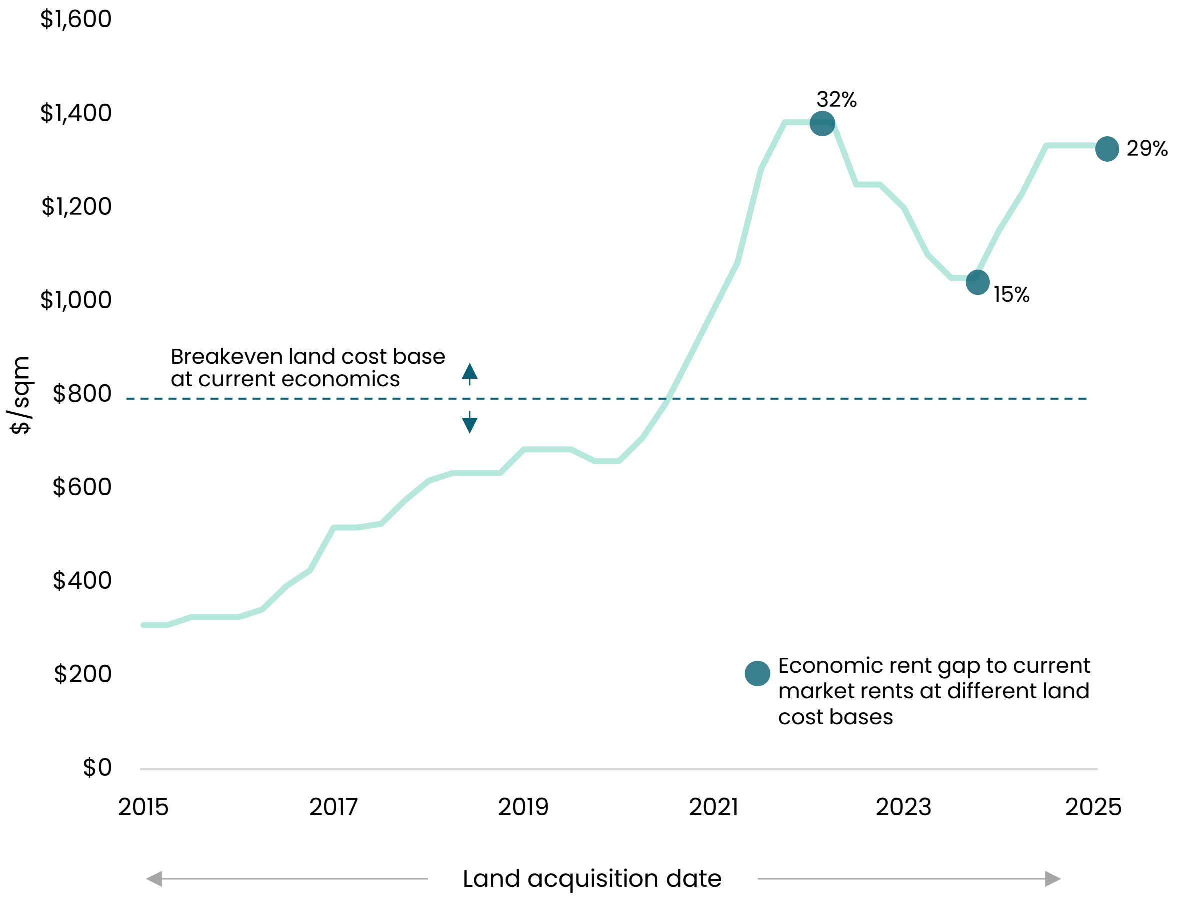
Land values have been resilient, driven by:

- Competing uses - primarily data centres and to a lesser extent, residential in infill locations,
- Tightly held ownership of zoned and serviced land, and
- Expectation of future development potential.

Source: (1) GPT Research. Note: (2) assumes 2024 land acquisition

Land cost base is key to understanding supply pipeline activation

Land values - Sydney Outer Central West (2-5 h.a)[1]



What proportion of the pipeline is feasible?

- We estimate that ~65% of earmarked developments in the Kemps Creek precinct were acquired in 2021 or later which require an economic rent premium (over existing assets) of up to 32% depending on land acquisition date. Land acquired pre-2021 (i.e. below $800/sqm) can be delivered at an economic rent in line with market rents for existing assets.

- As land banks at legacy pricing are developed out, we expect pre-lease rents will need to rise, leading to rental growth in existing assets as tenants compete for existing stock.

Upside risk factors to new supply

- One risk which may drive more supply is the impact of holding costs, primarily, capitalised interest costs, which may result in some developers compromising on margin.

- Another factor which could activate new supply is any change in the potential appetite to speculatively commence projects. We would only expect this to happen if there was strong leasing demand or evidence of strong rental growth.

Source: (1) JLL

Supply to be demand-led, driving more balanced market dynamics

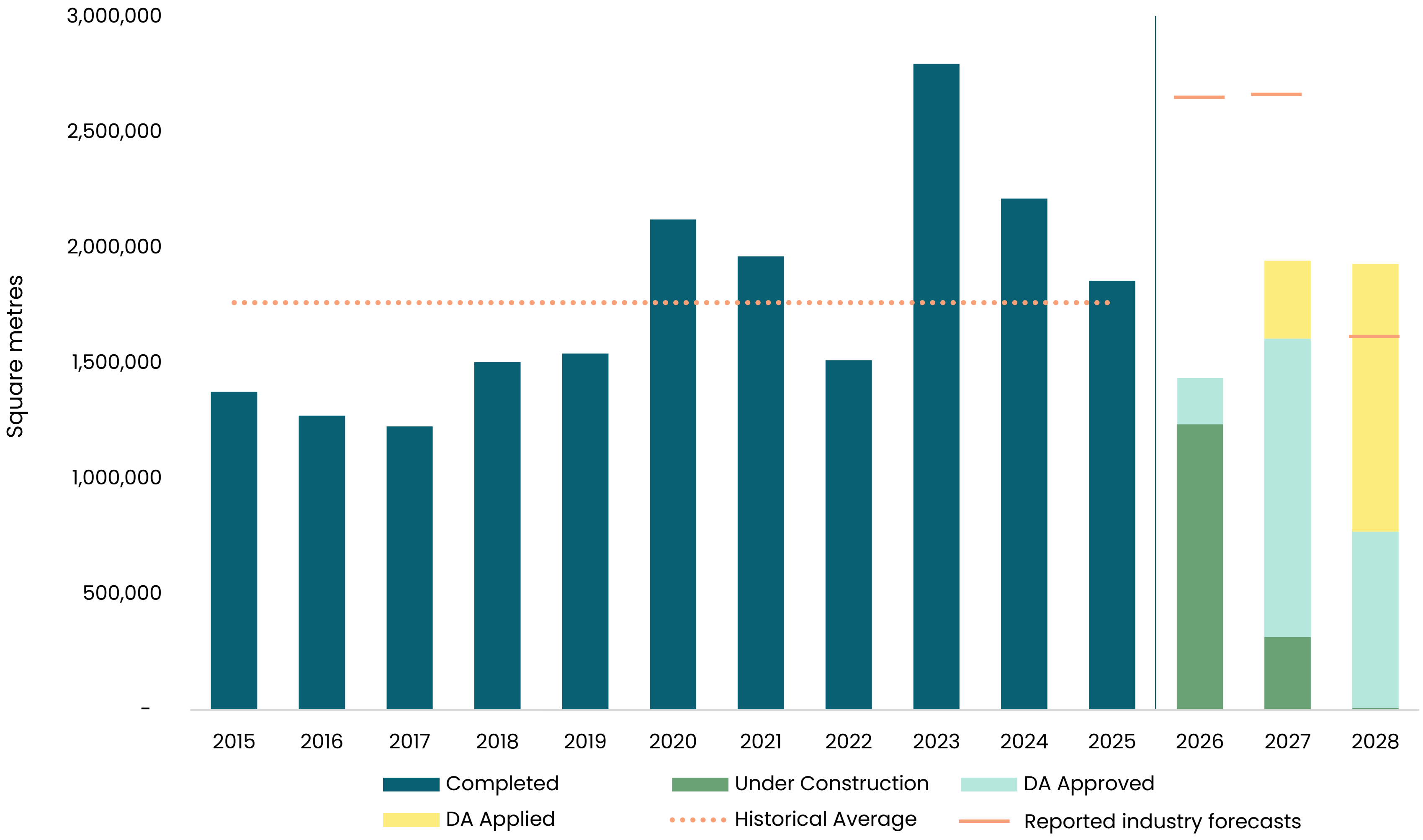
Developers are taking a more disciplined approach to development which is likely to require more pre-leasing.

Elevated land costs and construction costs have made development economics more challenging, constraining new project commencements.

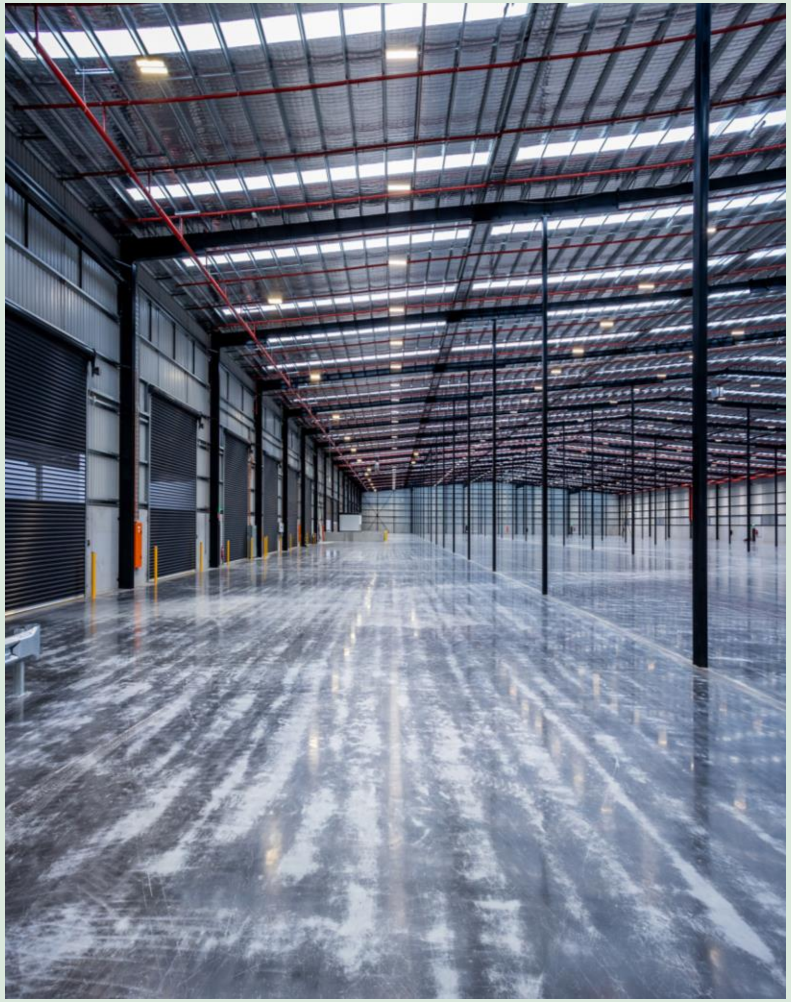
We have compared our expectations for completions against reported pipelines. Assessment of the viability of individual developments at a project level, given land acquisition date, is one factor that informs our adjustment to the expected timing of new supply, along with an adjustment for the staged nature of estates and timing of infrastructure delivery.

Currently 65% of developments under construction are pre-committed (by area) but only 17% of developments in DA stages have been pre-committed.

Supply outlook (East Coast)[1]



Source: (1) Historical: CBRE, Outlook: GPT Research (bars), industry forecasts (lines). This is based on management assumptions, the accuracy of which is unpredictable.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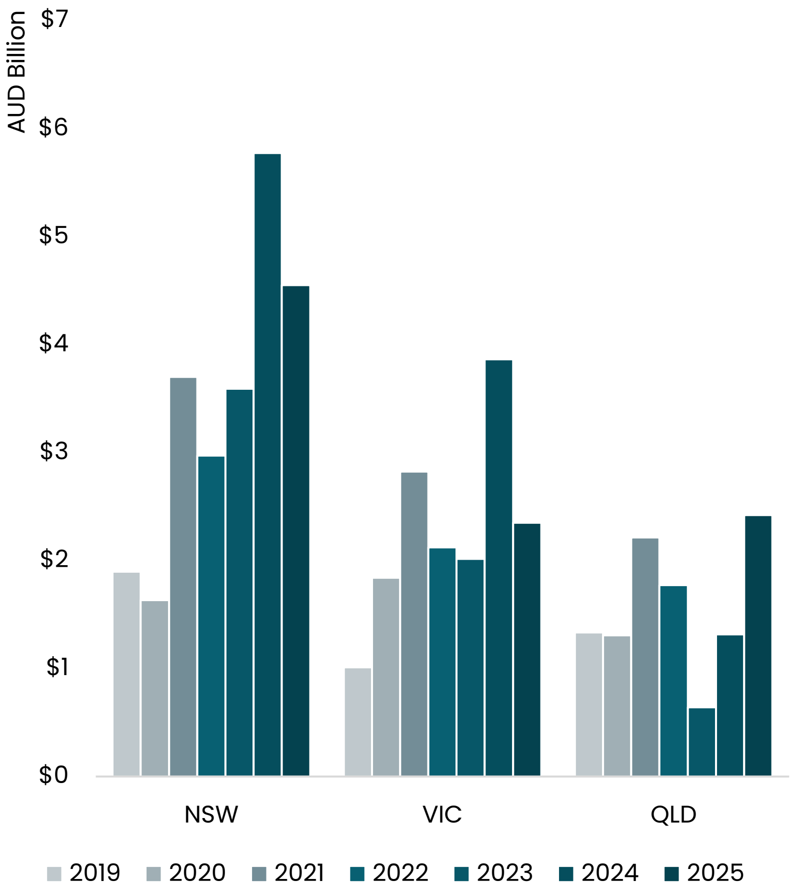
Investment landscape: competition and divergence

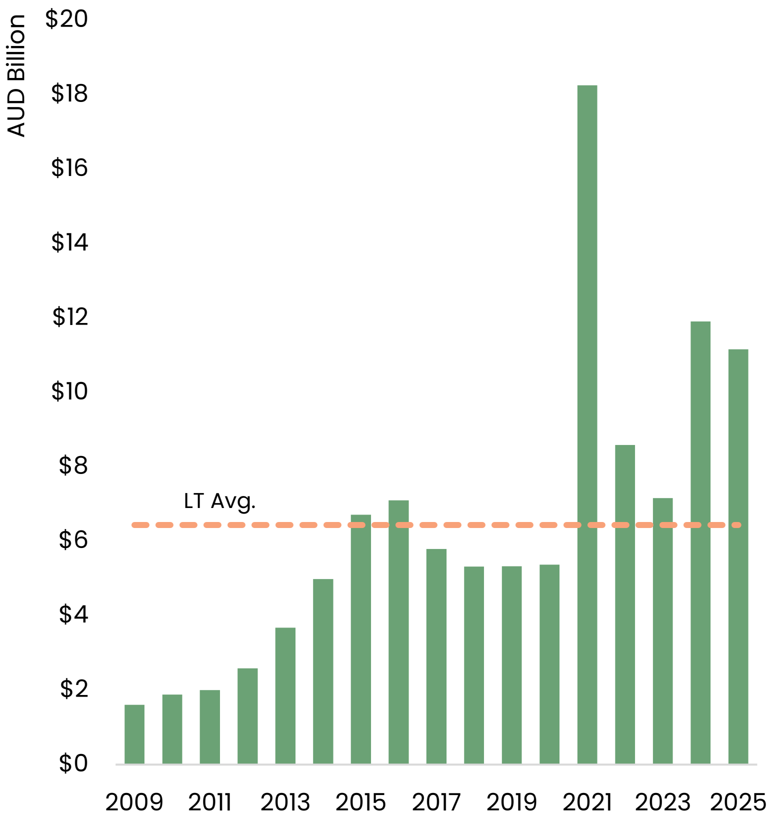
Redirection of capital to NSW and QLD

Strong investment activity, but equity redirecting to NSW and QLD, driving competition

Transaction volumes by State (1)



Total transaction volume – national (1)



Victoria losing share of investment

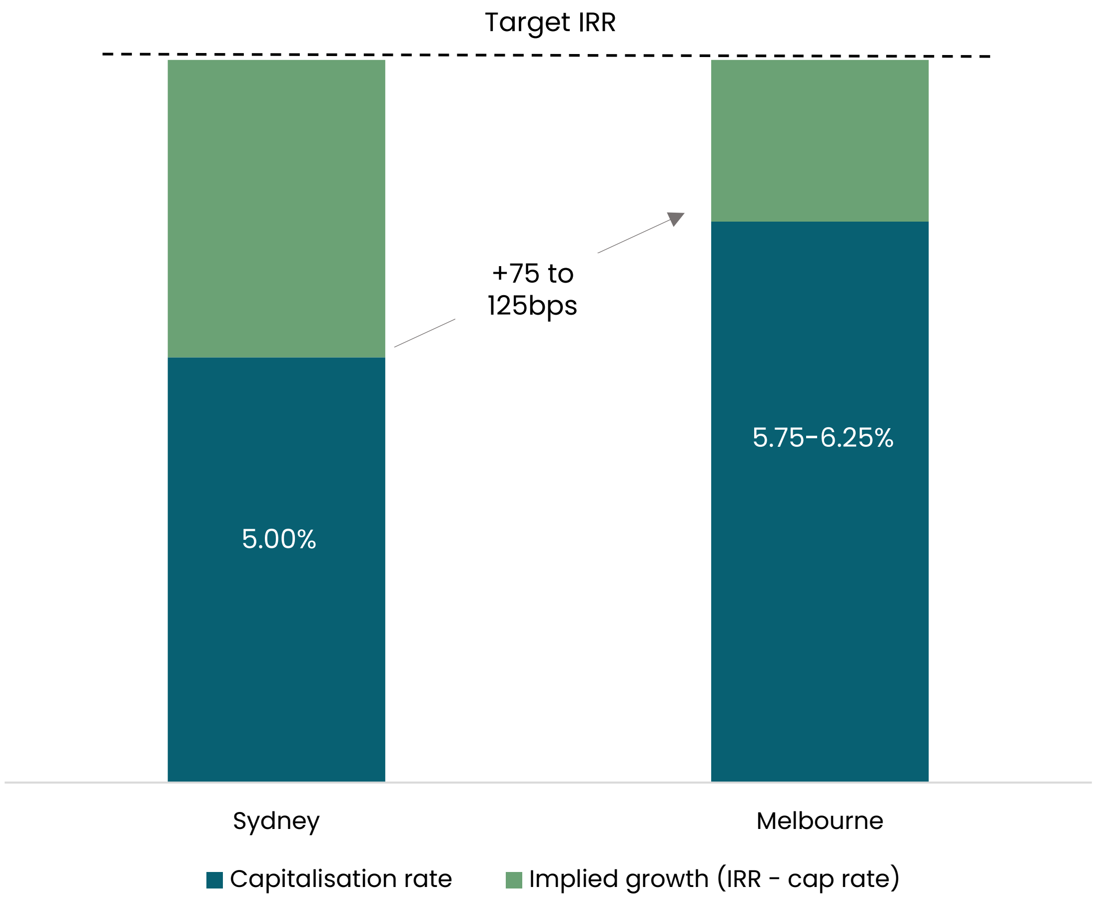
- The foreign owners land tax (FOLT), or absentee owner surcharge, in Victoria (additional 4% land tax) is having an impact on investment appetite with international equity redirecting to Sydney and Brisbane.
- The lack of competition in Melbourne from international capital may present an opportunity for domestic investors.
- We expect to see competitive conditions in the Sydney market given the growing focus and interest from capital.
- Melbourne remains an attractive location for tenants given the relative affordability of rental costs, the higher population growth and Australia's busiest port.

Source: (1) JLL

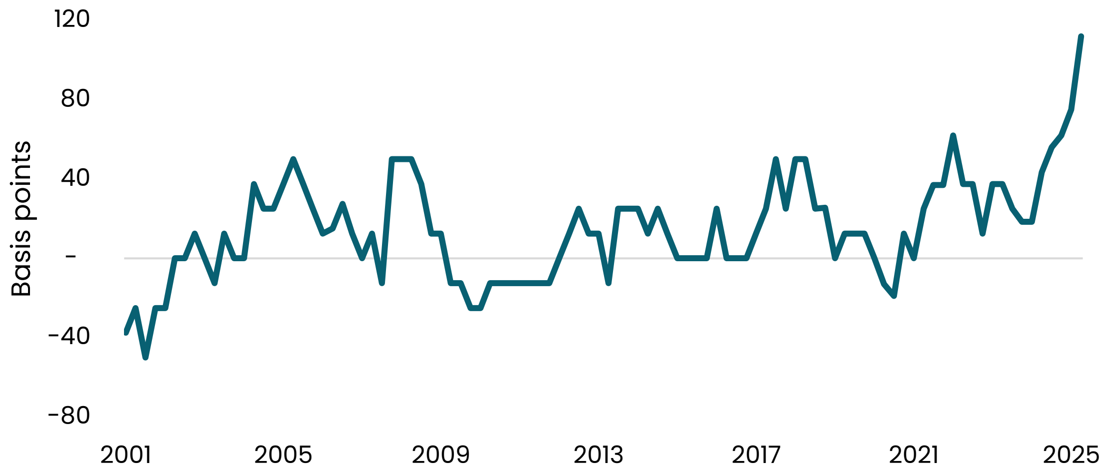
Victoria: It's not our 'FOLT'... actually, it is

The yield spread between Sydney and Melbourne would need to be around 120bps to solve for the same return hurdle to compensate for the impact of the foreign owner's land tax (FOLT) surcharge in Victoria.

Cap rate differential required to achieve the same IRR (FOLT surcharge impact)



Melbourne-Sydney yield spread [1,2]



Impact on pricing and State relativities

- Sydney cap rates have tightened through 2025. Meanwhile, Melbourne cap rates have softened. The Melbourne-Sydney yield spread has widened to 112 basis points (bps), its widest in over 25 years, and wider than the long run average of just 10 bps since 2001.
- We estimate the impact of FOLT (also known as absentee owner surcharge) equates to around 75-125bp cap rate differential based on land values of 20-30% of asset value. We note that land values used for assessment tend to lag and can range from 15-40% of asset value.
- The spread between Sydney and Melbourne now reflects the tax impact which is mostly priced, alongside the differences in market fundamentals.

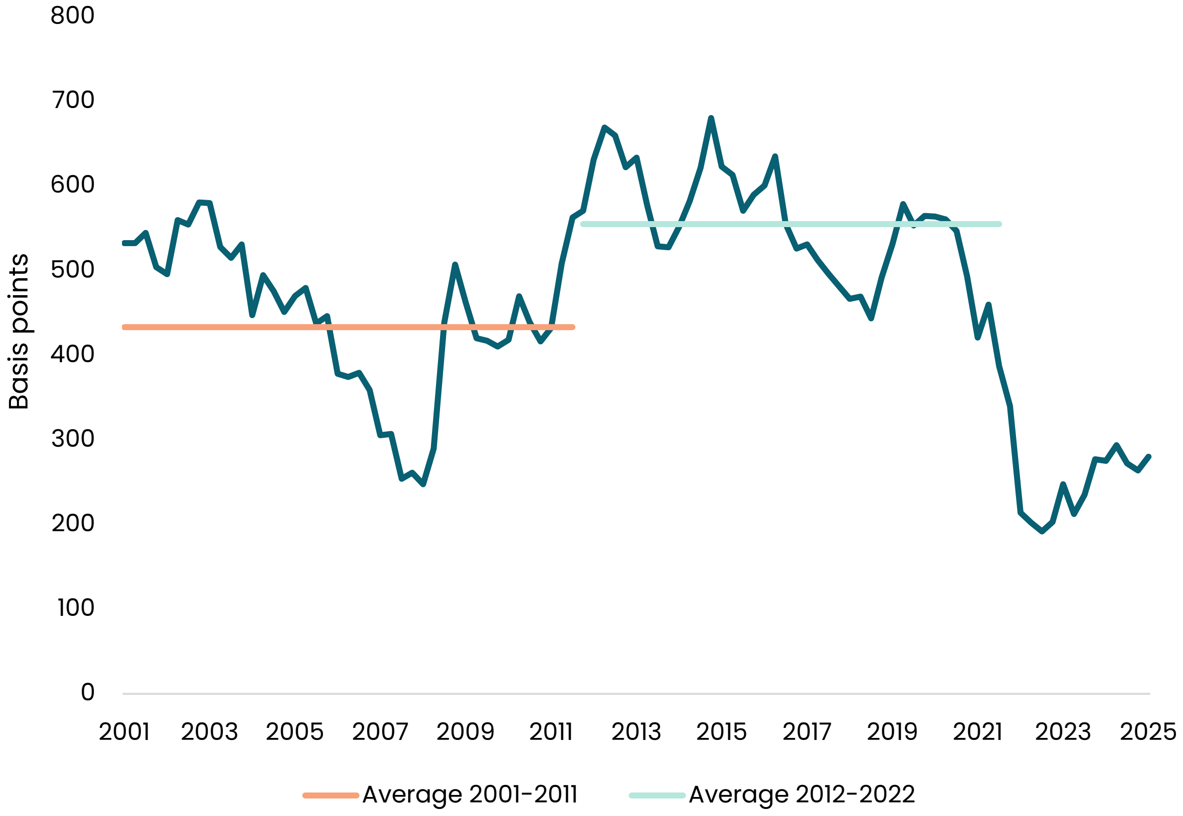
Source: (1) JLL. Notes (2) Outer Central West precinct (Sydney) and West precinct (Melbourne)

What is an acceptable return hurdle for logistics?

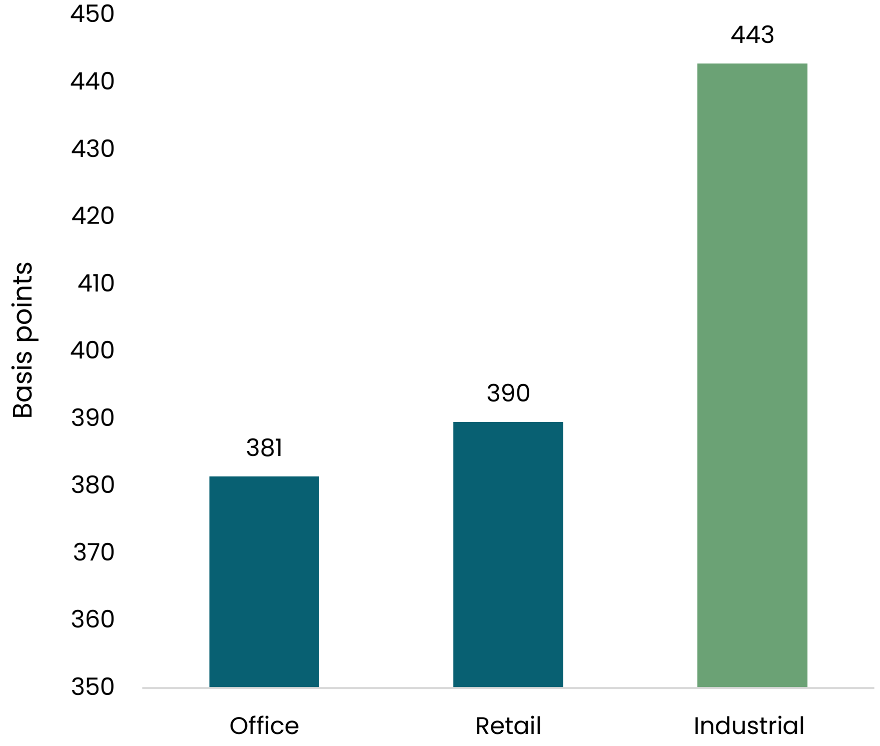
We expect forward returns to exceed current discount rates reflecting a higher growth profile

Historical benchmarks may not be reflective of future risk premiums. Institutionalisation of the sector drove re-rating of risk. The sector is larger and more sophisticated leading to reduced volatility compared with history. Adopting a 380-390 basis point risk premium in line with office and retail (rather than the 443bps historical logistics benchmark) and a through-the-cycle nominal 10-year Government bond yield of 4.25% suggests a minimum return hurdle of 8.00-8.25%, which the sector is well positioned to exceed.

Industrial discount rate spread to nominal 10-year Australian Government bond rate [1]



Discount rate spread to 10-year Australian Government bond rate [1,2]
(2001-2011 historical benchmark)



Source: (1) MSCI, DAE. Notes: (2) benchmark adopted as decade to 2012 prior to treasury yields moving ultra low

Outlook

Supply and demand dynamics are likely to be more balanced going forward as development economics command more discipline. As a result, we expect vacancy rates will stabilise in the near term and trend down over the medium term.

Structural demand remains supportive over the medium term, with a **cyclical recovery in goods consumption** driving activity in the near term.

Strengthening **economic growth** will help to provide greater certainty for businesses that have held off making leasing decisions.

The two main **key risks** to the outlook for industrial and logistics real estate are 1) a slowdown in economic growth and consumption, and 2) speculative activation of the supply pipeline.

While the sector is unlikely to deliver the super-sized returns that it did in the last cycle, we expect it will deliver an **attractive core return profile** supported by income growth and low capital intensity.

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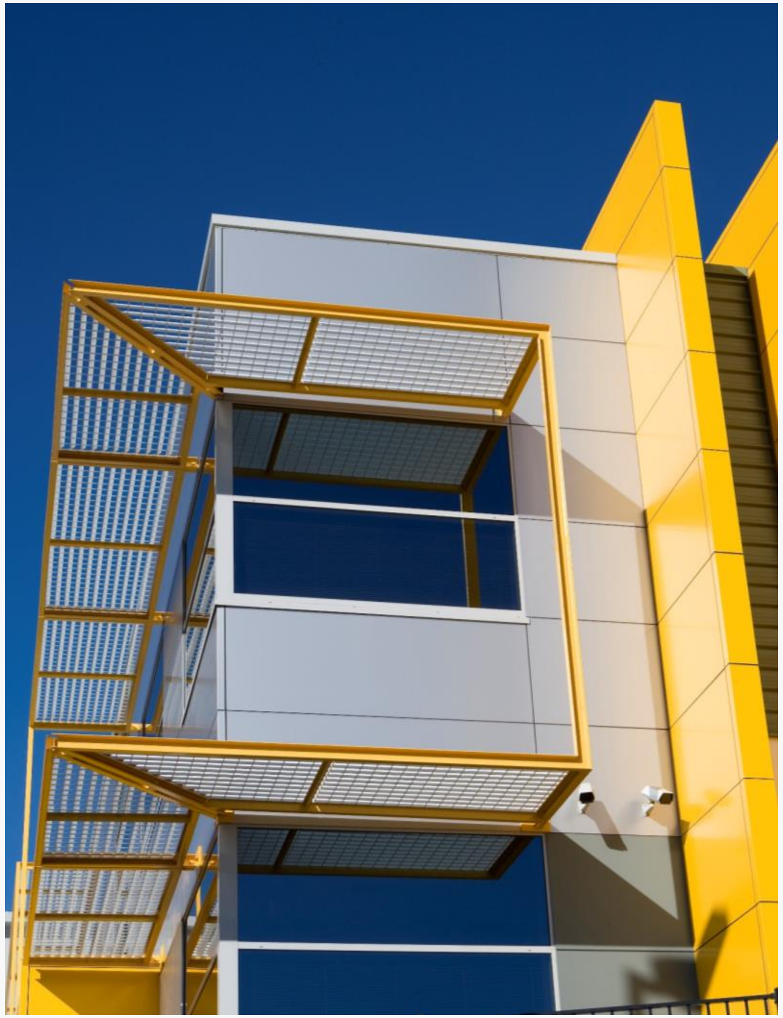
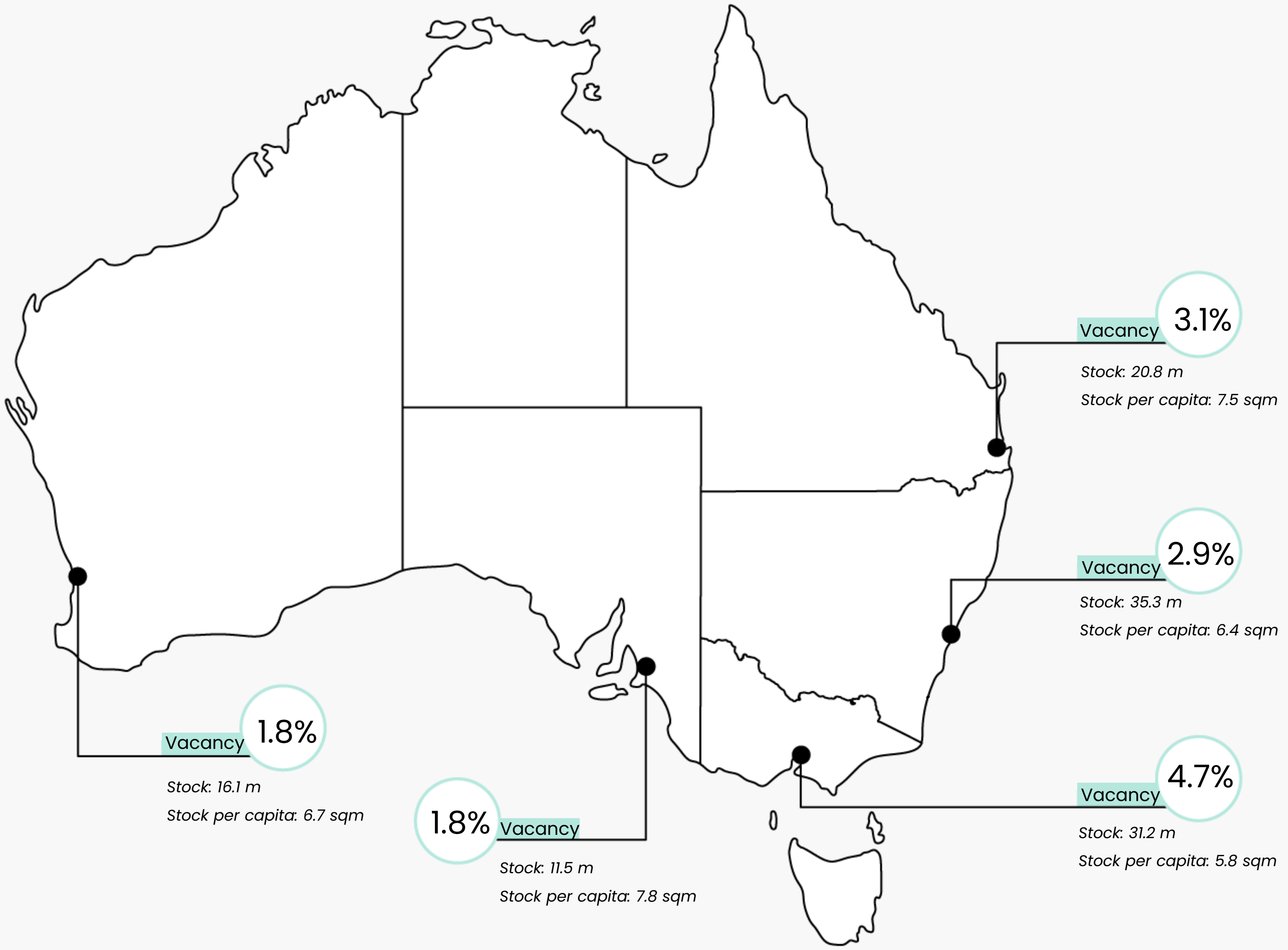


16-34 Templar Road, Erskine Park – New South Wales

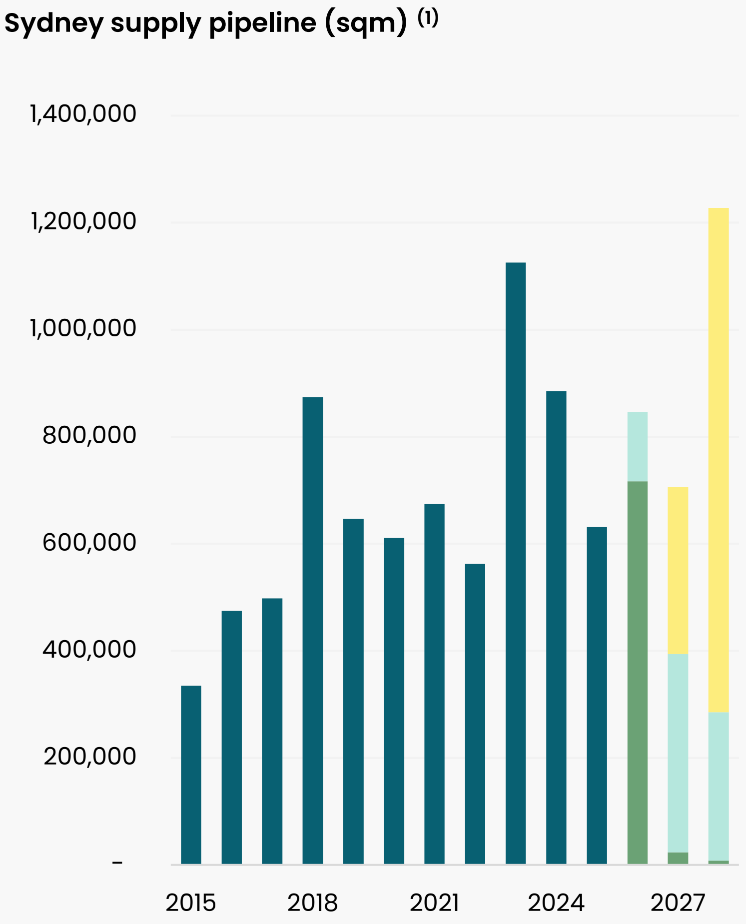
Appendix

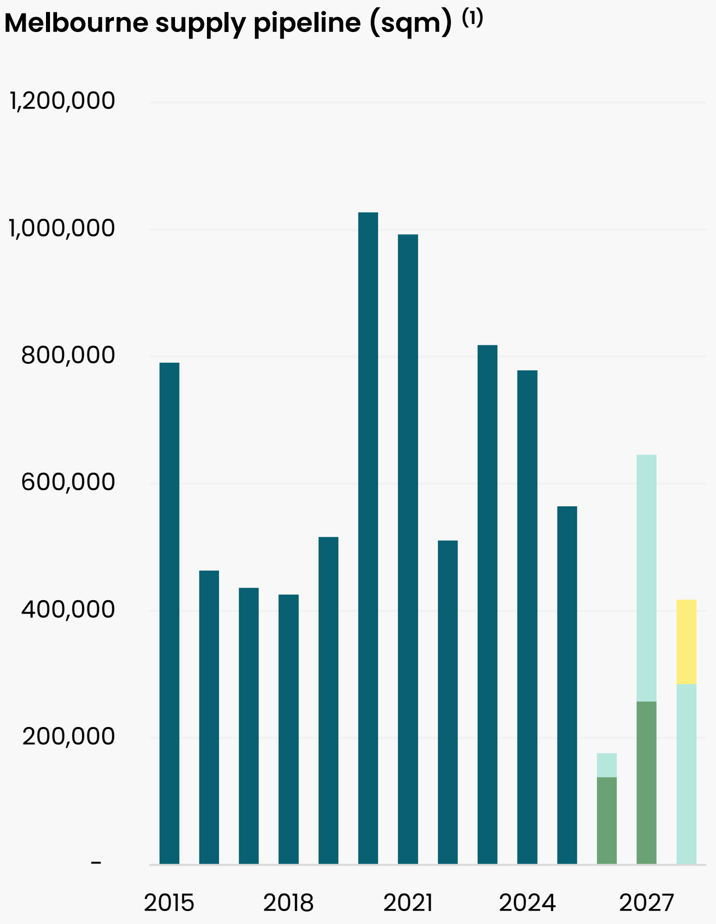
Appendix: Key market figures (Q4 2025)

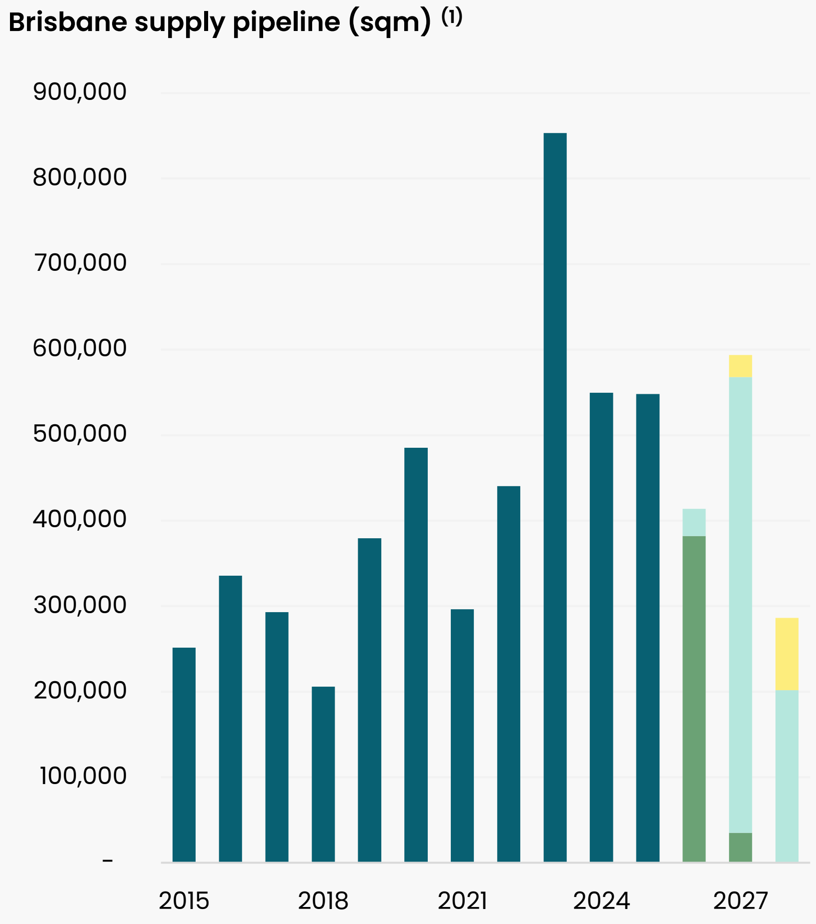


Source: (1) CBRE, ABS

Appendix: Supply by city







Completed Under Construction DA Approved DA Applied

Source: (1) Historical: CBRE, Outlook: GPT Research (This is based on management assumptions, the accuracy of which is unpredictable)

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