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MEDIA RELEASE

Industrial property's $1.2 trillion economic impact revealed in new report

A new report has shone a light on the importance of property's workhorse assets – industrial properties - revealing a staggering $1.2 trillion worth of goods flow through Australia's 'big sheds' every year.

The report by Oxford Economics Australia, commissioned by the Property Council of Australia, estimates 38 per cent of household consumption in FY22, totalling $423 billion, was from goods passing through industrial assets like warehouses, manufacturing facilities and distribution centres.

Property Council Group Executive Policy and Advocacy Matthew Kandelaars said the report reveals not only how important industrial assets are to the Australian economy, but how critical it is to ensure there's enough of them to lift our productivity and support efficient business activity.

"This is the first time we've been able to quantify the value of goods moving in and out of Australia's industrial facilities, and the number – more than a trillion - is significant," Mr Kandelaars said.

"While they don't always attract the same the attention as other forms of real estate, industrial facilities are critical to not only moving goods into Australian homes, but they are also our gateway to the world, with more than half of the goods moving through our sheds being imported or prepared for export.

"Just like the residential market, where we know about the impact of tight vacancy rates on renters, the supply of warehouses is also drastically short, with vacancy rates in industrial sites sitting around one per cent across the country.

"And just like in housing, the lack of supply can have major negative flow on effects on delivery times, logistics and of course cost.

"When you buy something online, whether you're a business or an individual, it must go through a series of industrial facilities, and a shortage of space may mean purchasers could be in for longer wait times and higher prices.

"To support the growth of online shopping and consumer demand for faster delivery times, we need more warehouse space near key population centres.

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"Considering how important these assets are to our economy, the status quo is not sustainable," he said.

The report found of all the goods moving through industrial sites 44 per cent are consumed by other businesses locally or overseas. It also found 34 per cent made their way into Australian homes, and 54 per cent were imports or exports.

Mr Kandelaars said governments need to rethink zoning and planning laws for industrial assets to support the efficiency of our supply chains.

"The pandemic showed exactly how important efficient supply chains are for our economy," Mr Kandelaars said.

"Finding suitable land for warehouse facilities is a tough task, with land and zoning constraints, delays in utility connections, inadequate public transport and infrastructure and encroachment on industrial corridors putting strain on the market.

"Meeting the needs of our growing population will require increased industrial assets. The important role these assets play in our economy cannot be understated," he said.

Mr Kandelaars said the need to free up more land applies equally in greenfield and infill settings across our major cities.

"Industrial zoned and development-ready land close to our population centres is needed to keep supply chain costs low and delivery structures efficient," he said.

"One solution includes the development of multi-storey warehouses – going up, not out - to optimise space, which is a common and growing practice worldwide.

"Our planning systems need to be flexible and encourage investment in a property class that every Australian relies on," he said.

Industrial assets are used by a range of industries to store and move goods across Australia's supply chain. A report identified the largest tenant in industrial assets is transport, postal and warehousing businesses (31 per cent) followed by retail trade (26 per cent) and wholesale businesses (11 per cent).

The report also found 51 per cent of the goods coming to industrial assets was from manufacturing and 35 per cent from imports, with mining and agriculture both representing seven per cent.

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The analysis focused on quantifying the value of goods flowing through industrial assets. This is conceptually different to quantifying economic activity or value add from the sector.

It is important to note that GDP represents the total value of all final goods and services production. Industrial assets are used to store both final and intermediate goods (i.e. components used in the production of final goods) and so will capture more than a pure GDP measure would estimate.