



Report for the Property Council of Australia

LAND LOCKED

The economic potential of
unlocking Adelaide's industrial
land supply



May 2024

“Everyone knows about the nation’s housing crisis, however, there is another class of property facing a supply shortage – and it is pronounced in South Australia.

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01 FOREWORD

Everyone needs somewhere to live, therefore, awareness of the issues associated with the undersupply of housing as a property class are broadly acknowledged and understood.

However, there is another class of property facing a supply shortage – and it is pronounced in South Australia.

Industrial and employment lands accommodate the buildings where we work, manufacture, receive, store and distribute goods.

Furthermore, industrial property will be essential to supporting Adelaide's future, especially considering the step change in development required to support population growth and endeavours such as AUKUS and a future increasingly powered by renewable energy.

These places of work have a tremendous economic and social value.

With the South Australian Government actively considering the Greater Adelaide Regional Plan, the role that land and the built environment plays in supporting economic growth and social cohesion for the next thirty years is at a critical juncture.

The South Australian Division of the Property Council is proud to release this research titled, **"Land locked: The economic potential of unlocking Adelaide's industrial land supply"**.

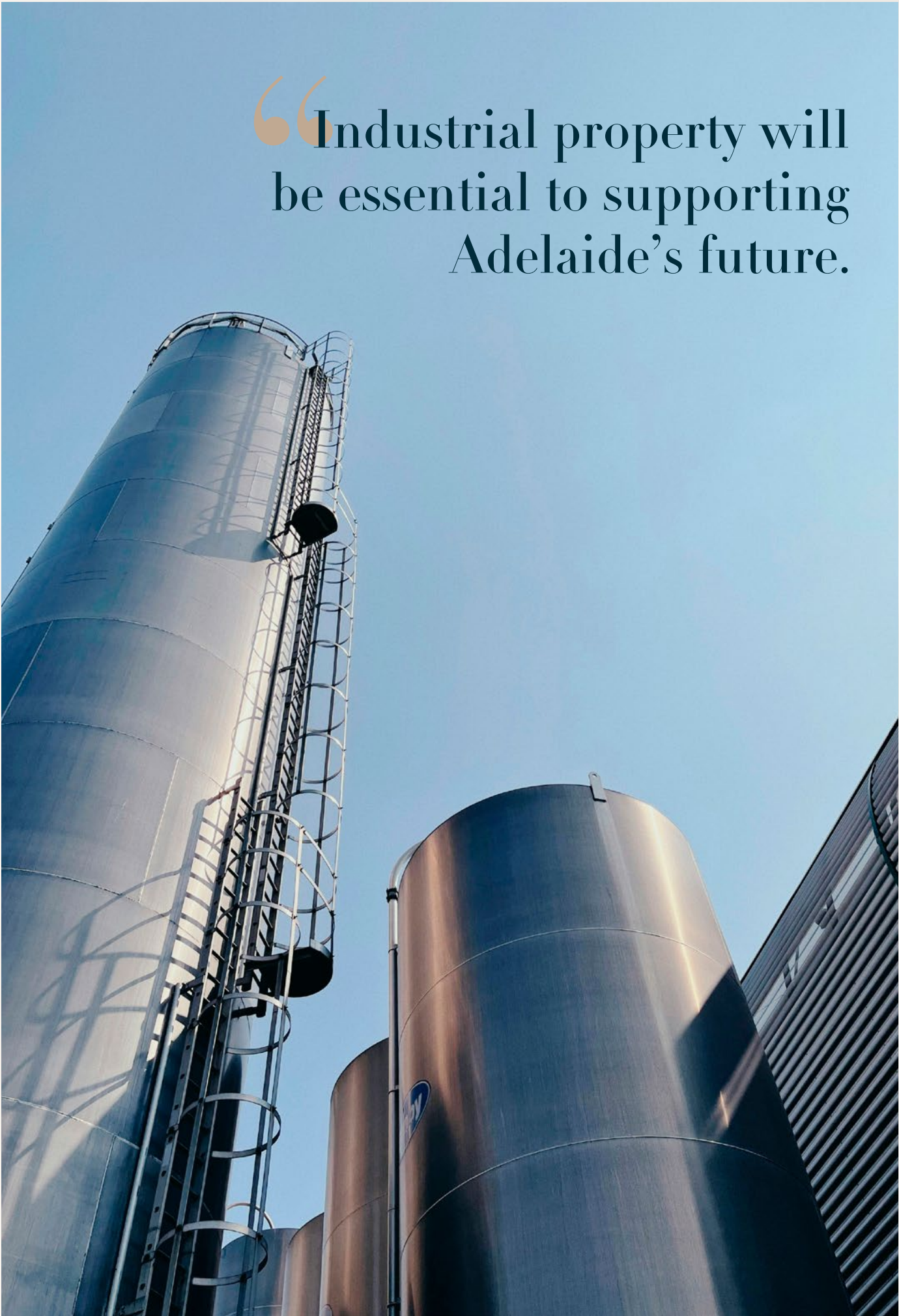
The Property Council seeks to highlight both the value and contribution this asset class makes to our state and will work to ensure that policy makers understand the significance of developing industrial property.

Further, we seek to ensure that those charged with shaping our city factor into their economic and planning decisions the need for a consistent and adequate supply of development-ready land to support the economic growth trajectory of South Australia.

We look forward to working with the Government and all stakeholders, so that the recommendations of this report are not only acknowledged but adopted.



Bruce Djite
Executive Director
South Australia
Property Council of
Australia



02 EXECUTIVE SUMMARY

INDUSTRIAL LAND SUPPLY CRISIS

Of the ~1,500 hectares of Adelaide's vacant 'employment lands' identified by Plan SA in 2021, **over 90% is no longer available or is not development-ready**

Industrial land values in Adelaide's Outer North are **the strongest in Australia**.



Over the last four years, industrial land in Adelaide has been absorbed at over **60 hectares per year**.

Without immediate action, currently zoned industrial land could disappear in just over

two years

POPULATION GROWTH SUPPORTS INDUSTRIAL DEMAND



EVERY 60 HECTARES OF INDUSTRIAL LAND DEVELOPED SUPPORTS



Adelaide has the same per capita industrial space demand profile as Melbourne



03 INTRODUCTION

PROJECT BACKGROUND

This project’s primary purpose is to quantify the availability of industrially zoned land in Metropolitan Adelaide and examine the consequences of inadequate land supply.

The Property Council of Australia has engaged JLL and AsiaAustralis to undertake an analysis of industrial land in Metropolitan Adelaide to assess the availability of land for development and the impact of industrial development on South Australia’s economy.

This report collates the quantitative and qualitative analysis undertaken to answer the questions:

- + How much industrially zoned land remains in Adelaide, and how much of this is development-ready?
- + What does Adelaide’s population growth mean for the industrial sector?
- + What can be done to ensure Adelaide’s industrial sector has the platform to grow in the future?

This report aims to provide an overview of Adelaide’s industrial sector for the purpose of understanding its function and economic importance to ensure that access to land for development is efficient and simple.

This report is structured as follows;

Adelaide Market Overview:
An analysis of historic and future demand against a backdrop of key economic and infrastructure sector drivers to provide context for industrial land demand in Adelaide.

The Demand for Industrial Land:
A granular analysis of Adelaide’s industrial land market from a geographic and economic standpoint, highlighting the scarcity of available lots and the increasingly challenging market for industrial developers.

The Economic Contribution of Industrial Land:
An analysis of four key industrial precincts in Adelaide and recommendations to ensure that these locations are preserved in order to drive future economic and employment growth.

Conclusion and Recommendations:
The report provides seven key recommendations, which if adopted, would significantly improve the supply of industrial property and in doing so, attract capital, businesses and support local jobs.

DEFINITIONS

This report references the following terms throughout. For clarity, we have provided a glossary of commonly used terms.

Industrial Land: Any land zoned as industrial within the boundaries of Metropolitan Adelaide. We also consider land referred to ‘employment lands’ in the Plan SA Land Supply Report for Greater Adelaide (2021) as industrial land. This broadly matches the Plan SA definition, which is ‘all land that envisages and supports industrial (employment) development and all currently zoned land for ‘infrastructure use’. These lands have been used as the baseline for the report’s analysis of vacant industrial land.

Industrial Usage: We define industrial usages as manufacturing, storage, distribution and logistics, maintenance and recycling.

Area: This report uses both square metres and hectares as spatial references of area. Square metres (sqm) is used when referencing built-form areas such as warehouse area or occupier gross take-up. Hectares (Ha) is used when referencing unimproved land.

Metropolitan Adelaide Area: This report defines the Metropolitan Adelaide industrial area as all industrially zoned land in Adelaide between Edinburgh North and Penfield (northern boundary) and Hackham (southern boundary). All industrial land located outside this geographic boundary – namely the adjacent regional areas of the Adelaide Hills, Gawler, McLaren Vale, Barossa, Goolwa and Victor Harbor – are not included in the analysis. See Map 1.

Absorption: This report defines absorption as the removal of warehouse floorspace or industrial land from the market. Absorption is referenced as

a volume of square metres removed from existing warehouse floorspace through leasing or owner-occupation. It is also referenced as a volume of industrial land removed from the market through the development of unimproved land and the acquisition of industrially zoned land for the future purpose of development or occupation.

Development-Ready: This report defines ‘development-ready’ as land that is unencumbered by development barriers such as lack of servicing, contaminated or otherwise environmentally impacted land such as flood zones, atypical acquisition and/or lease structures such as ground leases, and areas subject to restricted access of public use, namely the Mawson Lakes technology precinct, which is unavailable for traditional industrial usages and all lands along the LeFevre Peninsula, which are earmarked for future defence usage.

Medium-to-Large Blue-Collar Businesses: This report adopts the Australian Bureau of Statistics analysis of businesses with 20-199 employees defined in the data as ‘medium-to-large blue-collar businesses’. The range commences at 20 employees, reflecting the lower end of medium sized businesses, with the other end of the range (199 employees) reflecting the upper end of large businesses.

METHODOLOGY

This report references analytical models.

This report references the following terms throughout:

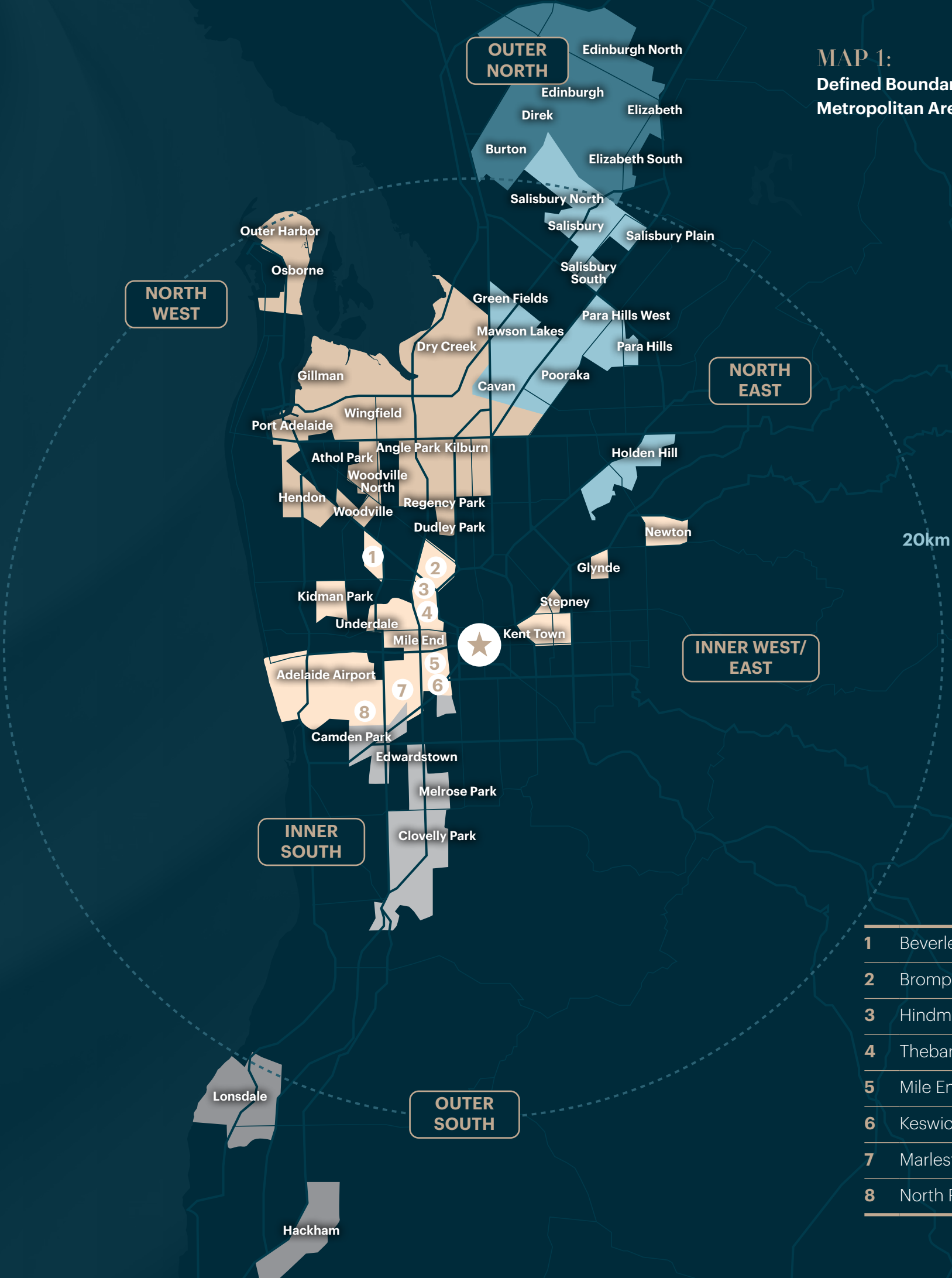
Requirement ratio of warehouse supply per person:

In this report we have used total new industrial supply delivered to market over the 15-year period from 2007 to 2019 and measured it against the population growth of Australia's major metropolitan cities over the same period. This model provides a square metre of industrial space per person ratio referenced in this report.

Vacant Industrial Land:

In 2021, the Plan SA Land Supply Report for Greater Adelaide (The Plan) stated that there is approximately 12,600 hectares of recognised 'employment' lands in Metropolitan Adelaide. At the time of publishing, only ~1,800 hectares was vacant which we have termed industrial land. This report has analysed the Plan SA vacant land and placed it within the geographical boundaries used by JLL Research and defined as per Map 1. We have calculated that there is approximately 7,300 hectares of industrial land, of which ~1,500 hectares is vacant.

MAP 1:
Defined Boundaries of Adelaide
Metropolitan Area



ADELAIDE MARKET OVERVIEW

THE EVOLUTION OF ADELAIDE’S INDUSTRIAL MARKET

Since the Playford era (1940s to 1960s), South Australia has developed a reputation as an attractive industrial and commercial investment option based on abundant and relatively inexpensive land, housing and labour.

As a consequence, during the 1900s, South Australia was an attractive destination for migrants taking advantage of available and inexpensive housing along with ample job opportunities. Several major international and national businesses established a presence in South Australia, contributing to the state's economic development. Some notable companies include:

- + General Motors Holden

+ Mitsubishi

+ Actil/Sheridan
- + BHP

+ Adelaide Steamship Company

+ BP

These companies played pivotal roles in shaping South Australia's economy, contributing to sectors like automotive manufacturing, mining and shipping. However, as the heavy manufacturing industry exited the state over the last ten years, a newer, more agile industrial sector has emerged. With renewed focus on high-value-low-volume manufacturing and the significant growth of the third-party logistics sector, tenant activity in Adelaide began to grow again.

Recently the way we access and consume goods changed forever and turbo-charged the industrial sector. The onset of the global COVID-19 pandemic in 2020 and associated lockdowns accelerated an already evolving retail landscape, pushing an entire population online to source groceries, clothes, homewares and other goods.

Movement restrictions compounded this trend, resulting in discretionary spend pivoting away from holidays and experiential purchases towards consumer goods. As a result, retail trade growth increased to levels not seen since the mid-1980s.

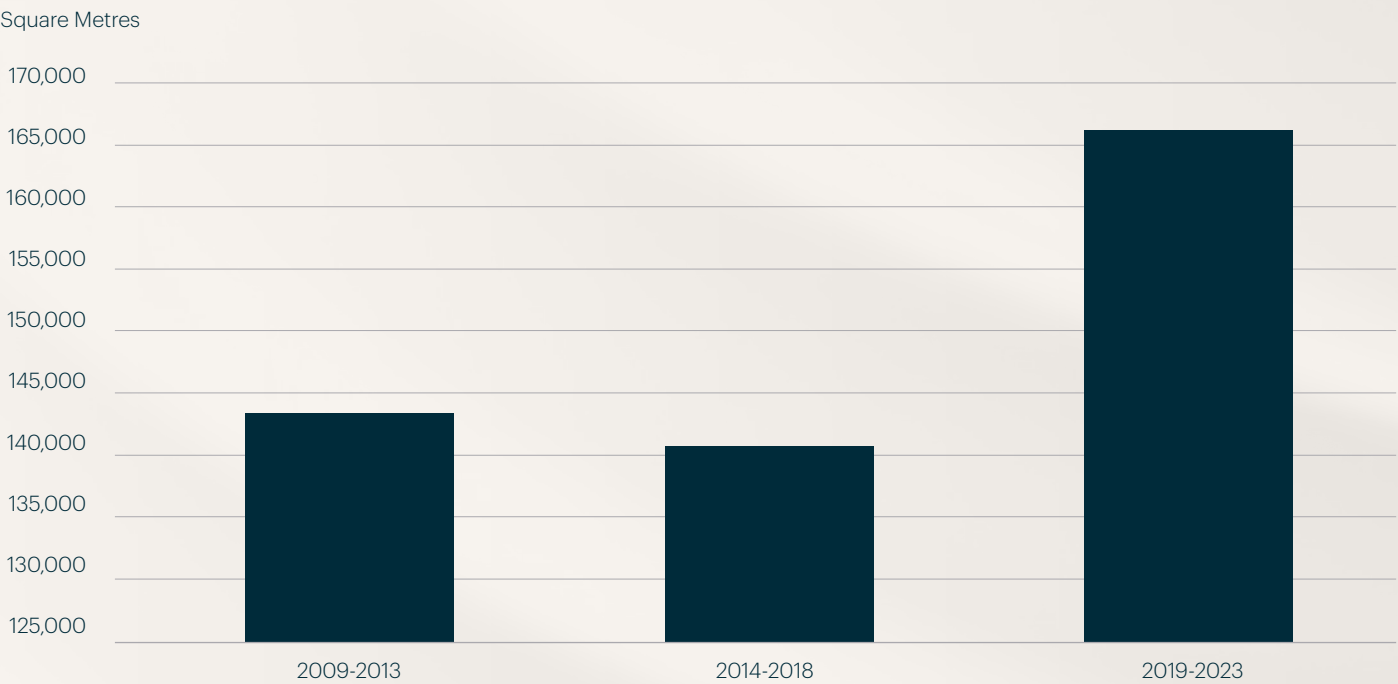




TENANTS ARE EXPANDING

The delivery of the growing volume of goods purchased over 2019-2023 underpinned unprecedented growth in the logistics sector. As a result, the average annual total of warehouse space leased jumped by 18.4% compared to 2014-2018 (Chart 1).

Chart 1: Adelaide Industrial Average Annual Gross Take-Up, 2009-2023



Source: JLL Research

As a consequence of this sudden growth, industrial tenants needed space immediately, resulting in the leasing of large amounts of existing warehouse floorspace. This created a demand-supply imbalance which, in 2024, is yet to be rectified. However, this is not for a lack of trying. Developers were quick to react to this spike in tenant demand by rapidly acquiring industrial land for development. Additionally, owner-occupiers, buoyed by low interest rates, also looked to future-proof operations and secure land for their next business accommodation.

In the middle of this escalation in developer demand for land came one of the most important pieces of infrastructure ever delivered in South Australia - the completion of the Northern Expressway in 2020. This important roadway provided connectivity from Adelaide's key freight hub of Port Adelaide to the industrial precincts in the Outer North and beyond into South Australia's regional agricultural lands and main interstate road networks.

This critical piece of infrastructure enhanced the viability of Adelaide's Outer North industrial precinct and unlocked large residential greenfield community development in the area to accommodate Adelaide's growing population.

THE IMPORTANCE OF THE NORTH-SOUTH CORRIDOR

The North-South Corridor – Adelaide’s generational piece of infrastructure

The demand for industrial land has followed the incremental completion timeline of the central piece in South Australia’s infrastructure pipeline over the last fifteen years - the North-South Corridor. Upon completion, the road infrastructure project will be a 78- kilometre uninterrupted freeway spanning Adelaide’s northern suburbs through to the southernmost suburbs.

Since 2010, the project has been incrementally built, beginning with the Northern Connector and completing additional stages moving south towards the last piece of the project, the Darlington Connector. The project is edging closer to completion with the last stages, south of the CBD, expected in 2030.

When considering the growth of Adelaide’s North as an employment centre for the broader Adelaide economy, the importance of the North-South Corridor road infrastructure project cannot be understated. This critical piece of infrastructure will be a conduit between

Adelaide’s industrial heartland in the North and Adelaide’s strongest residential growth areas in the South. Additionally, it is expected to unlock the viability of industrially zoned land in Adelaide’s southern suburbs, which historically have been constrained by poor connectivity to the major freight hubs of Port Adelaide and the Adelaide Airport. Additionally, the North-South Corridor will be the gateway to interstate road freight routes and intrastate economic areas of importance like the hydrogen production centres at Port Bonython and Cape Hardy.

The North-South Corridor will be the arterial motorway connecting all of Adelaide. It will improve travel times for workers travelling to the major employment zones and is critical to the industrial sector, providing efficiencies in goods movements and logistics, manufacturing, supply-chain, and labour force movements.



INDUSTRIAL PROPERTY IS ESSENTIAL TO GROWING CITIES

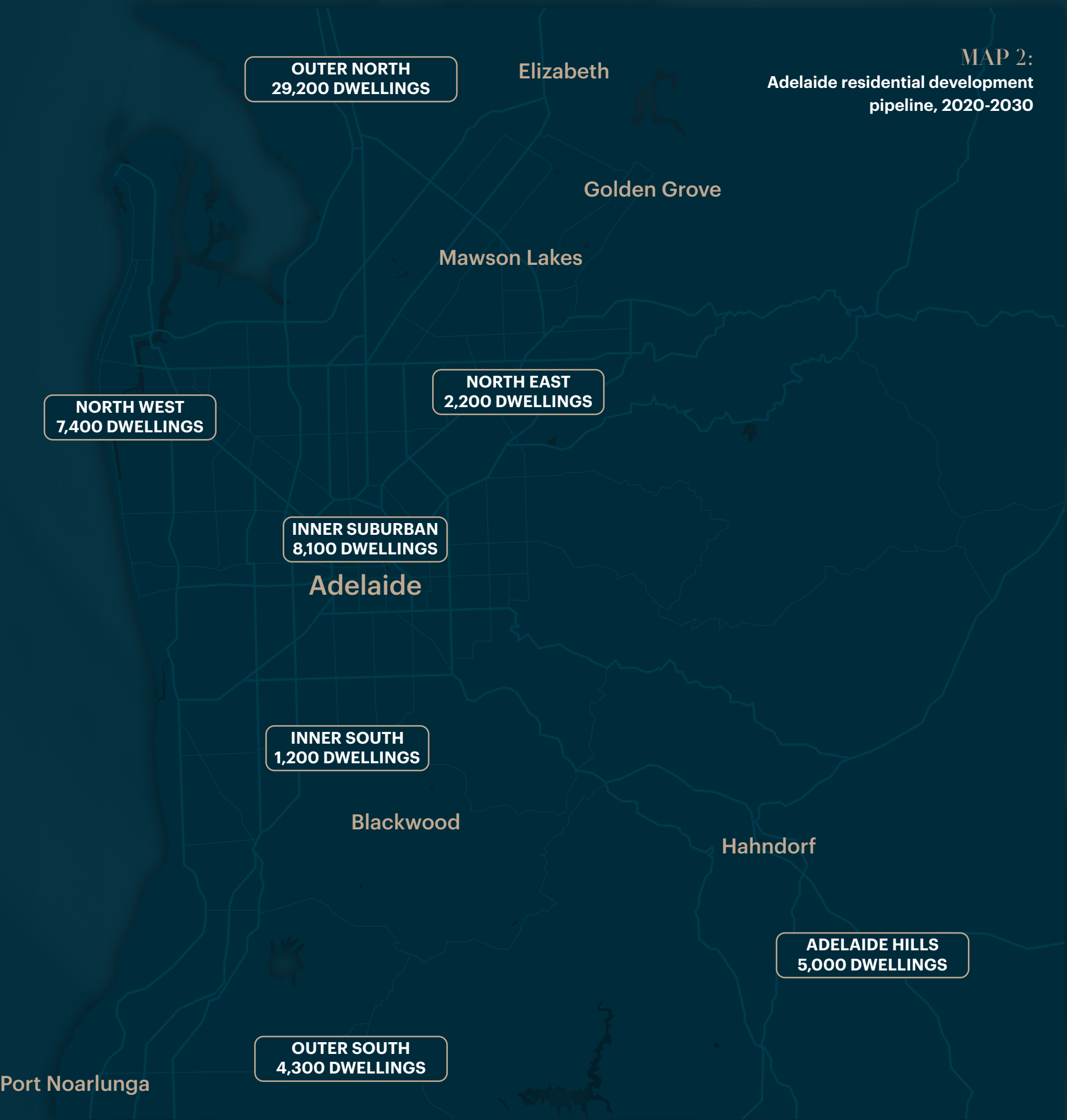
Adelaide’s population to increase by 165,000 people by 2030

The future demand metrics for the South Australian industrial market is strong, underpinned by population growth. Annual population growth in SA increased by 1.7% in June 2023 – the fastest rate of year-on-year population growth since 1975.

The North-South Corridor infrastructure project has reduced travel time for a large proportion of Adelaide’s workforce and has also been the catalyst for the creation of significant industrial employment precincts in the Outer North. Mirroring this, residential development is now concentrated in Adelaide’s northern suburbs.

Analysis of the residential pipeline of greenfield communities and medium-to-high density mixed-use developments from 2020 to 2030 shows there is an estimated ~57,800 potential residential dwellings to be built in Adelaide. Of these, over half of this potential residential supply is in the Outer North area which typically is over 40 minutes commute to the Adelaide CBD.

Plan SA forecasts that the population of the Metropolitan Adelaide area will increase by 165,000 people from 2023-2030. With over half of the forecast residential dwelling pipeline located in the Outer North, it is essential that industrial sector growth moves in line with population growth – this is particularly the case given the Government of South Australia’s key future economic growth engines of health, AUKUS, hydrogen, and modern manufacturing will require a large skilled labour force from interstate and overseas to support these industries. The unlocking of industrial development land in areas of significant population growth is critical to the growth of the city with a focus on the Outer North in the near term, and the Outer South as the North-South Corridor completes in 2030.



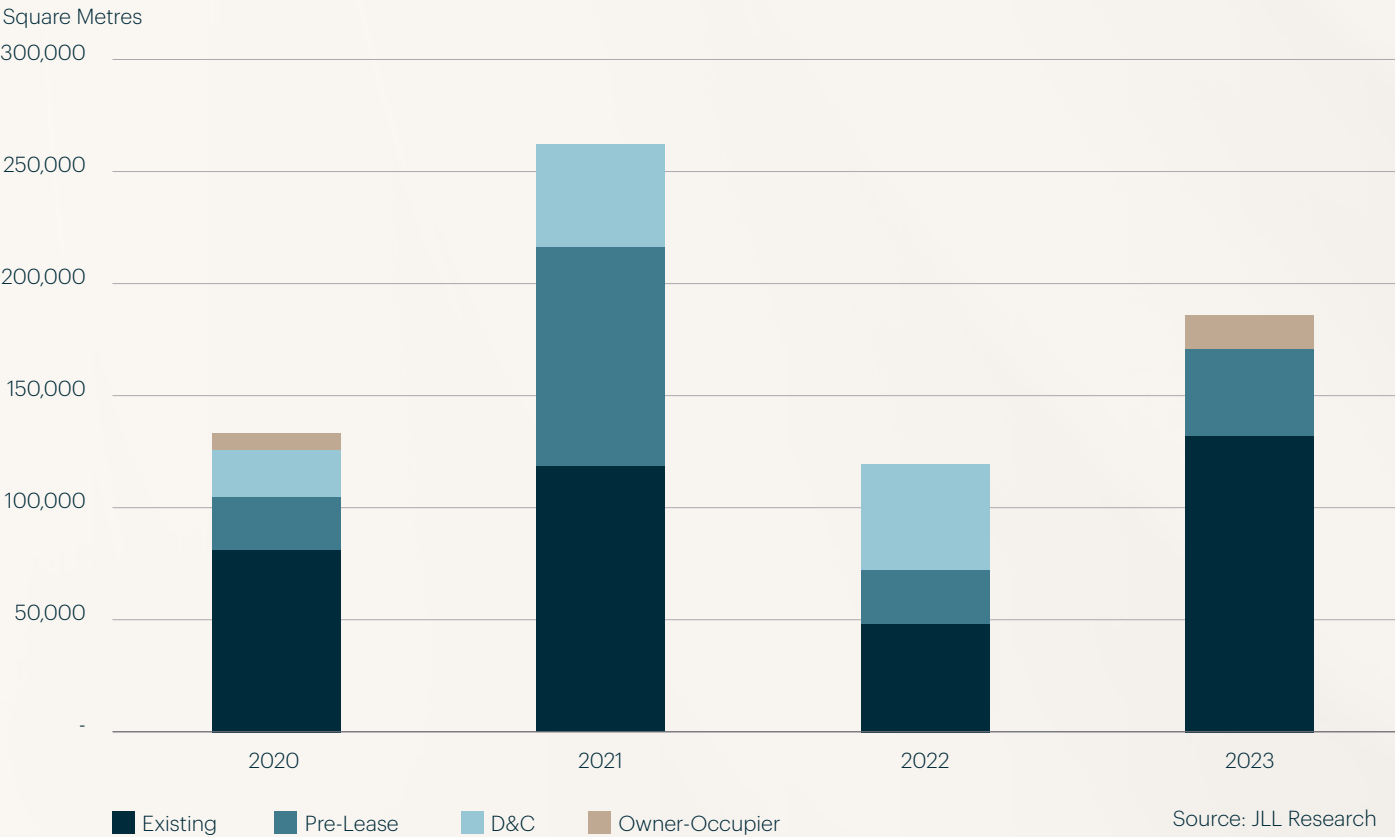
ADELAIDE’S INDUSTRIAL DEMAND SPIKE

THE RAPID ESCALATION OF DEMAND FOR WAREHOUSE SPACE LAID THE FOUNDATION FOR ADELAIDE’S CURRENT INDUSTRIAL LAND SHORTAGE

The COVID-19 pandemic impacted the industrial sector globally. This impact was profoundly felt in Adelaide. As the population quickly pivoted from being bricks-and-mortar retail consumers to online shoppers, retailers suddenly required more warehouse floorspace. Goods storage and distribution needed to be increased rapidly as the lean inventory supply-chain model of ‘just-in-time’ was quickly supplanted by the ‘just-in-case’ model, where more inventory was held to de-risk supply-chain volatility and accommodate growing retail trade growth. As a result, most existing warehouse space in Adelaide was quickly leased by industrial tenants.

Between 2020-2023, industrial tenants absorbed a total of 701,400 sqm of warehouse floorspace in Adelaide. Over half of this gross absorption (57% - 402,700 sqm) was into existing warehouse space (Chart 2). With little development delivered to the Adelaide market over the five-year period from 2015-2019, coupled with a period of very strong industrial demand just prior to 2020, this sharp escalation of demand for existing warehouse space quickly created an acute shortage of available stock in the market.

Chart 2: Adelaide Industrial Gross Absorption by Commitment Type, 2020 - 2023



TENANT DEMAND CONCENTRATED ALONG NORTHERN CONNECTOR ACCESS ROUTES

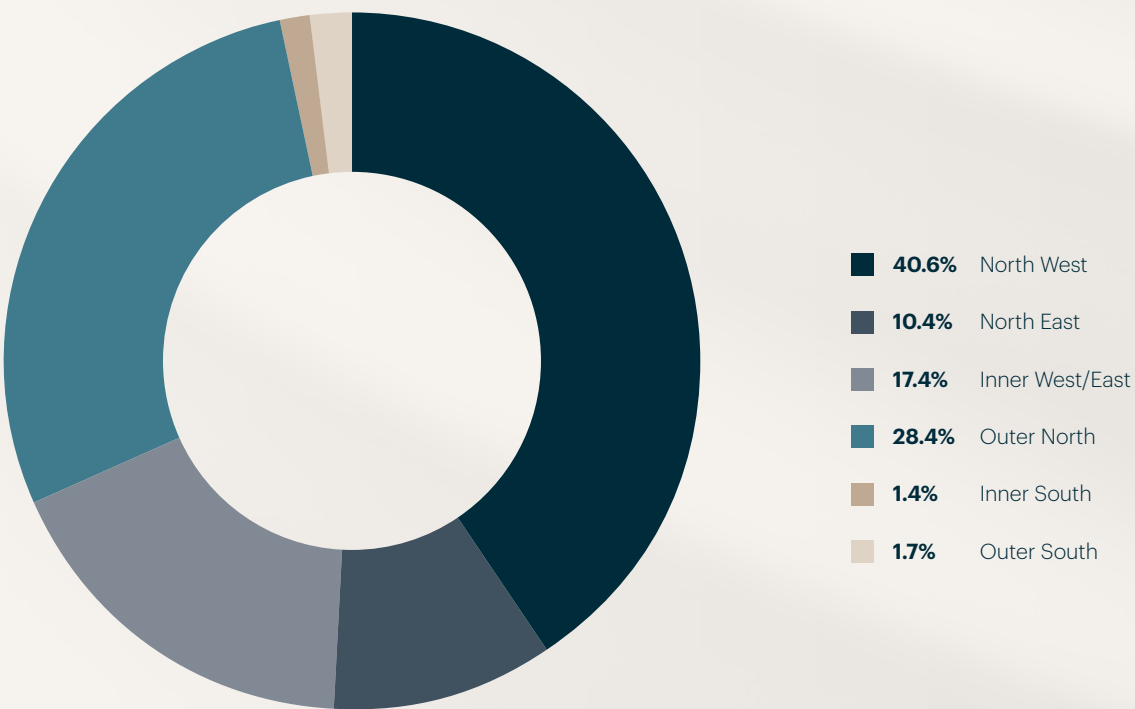
Strong tenant demand coupled with the dwindling availability of existing warehouse space in Adelaide prompted a wave of industrial land acquisitions from developers and owner-occupiers from 2020-2023. With little existing industrial floorspace available to lease in the market, tenants looking to expand or relocate were left with little option but to commit to new buildings, either through pre-commitments with developers, or to secure development land and build new owner-occupier facilities. Between 2020-2023, over 298,700 sqm of commitments were recorded.

The majority of this tenant demand (>3,000 sqm) from 2020-2023 was recorded in areas with strong connectivity to the Northern Connector. Predominantly, in the North West and Outer North precincts, which accounted for almost 70% of the four-year total (Chart 3).

With very low availability of existing warehouse space and very limited development-ready industrial land remaining in the Outer North and North West precincts, occupiers looking to relocate to the precincts are left with few options. This low availability of warehouse floorspace underpins the importance of unlocking more industrial land in Adelaide.

As illustrated in Chart 4 on page 22, industrial tenant demand is expected to grow to service Adelaide’s forecast population growth.

Chart 3: Adelaide Industrial Gross Take-up by Precinct (>3,000 sqm), 2020-2023



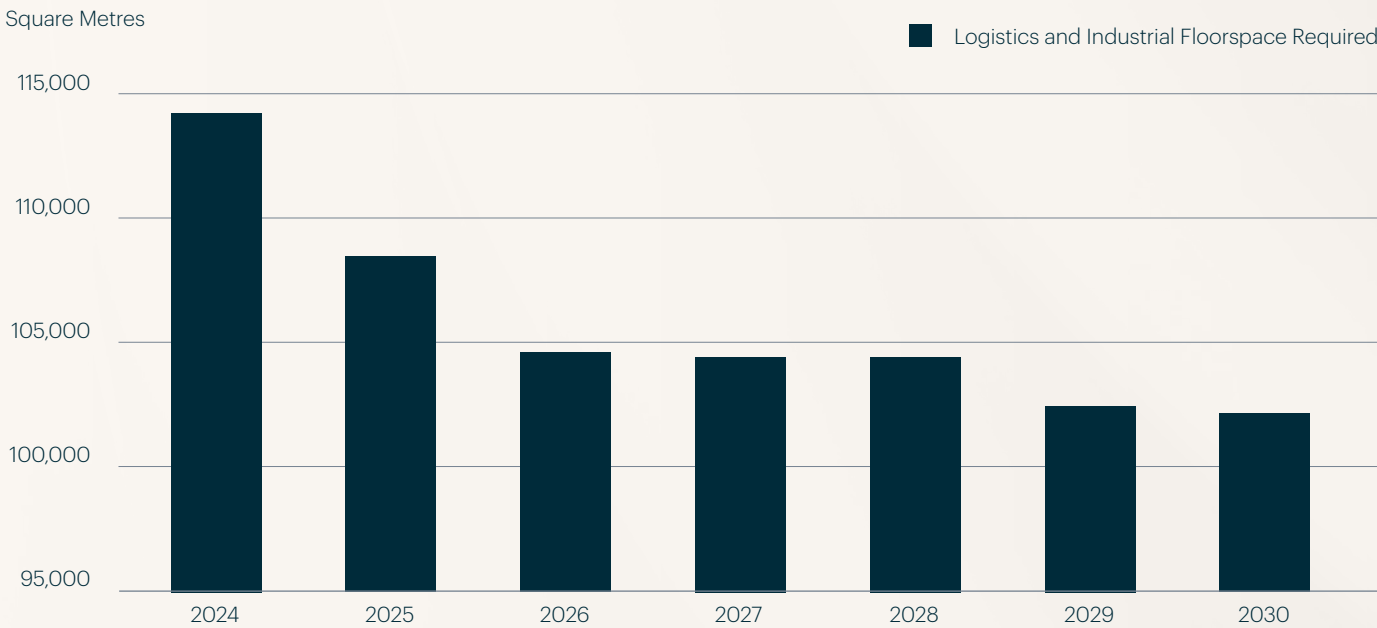
LOGISTICS AND INDUSTRIAL SPACE UNDERSUPPLIED

THE CONTRIBUTION OF GOODS CONSUMPTION TO THE INDUSTRIAL SECTOR IS SIGNIFICANT

The contribution of goods consumption to the industrial sector is significant. In the 2024 Property Council of Australia’s report ‘The Value of Goods Through Australia’s Industrial Assets’, Oxford Economics Australia estimated that \$1.2 trillion worth of goods flowed through industrial assets in FY22. Additionally, household consumption of goods which travelled through industrial assets reached \$423 billion in FY22 with these goods accounting for around 38% of total household consumption.

As population growth and wages increase in Adelaide, household consumption will be a key driver of industrial sector growth. Currently, South Australia has the second strongest retail trade growth rate in Australia (4.2% y-o-y as at February 2024). Using the industrial space requirement ratios defined on page 13, in line with population growth forecasts from Plan SA, there is a need for up to 743,700 sqm of logistics and industrial floor space in Adelaide over the medium term to 2030 (Chart 4).

Chart 4: Metro Adelaide Industrial & Logistics supply requirement 2024 - 2030



Source: Plan SA, JLL Research



“How much currently zoned industrial land remains, and how much is required over the medium-term to 2030?”

Given the persistent industrial tenant demand through to 2030, the question arises: Where can we accommodate this industrial sector growth? This report plans to address this question.

The Plan SA Land Supply Report for Greater Adelaide (2021) outlined vacant ‘employment lands’ as a baseline for industrial land in Metropolitan Adelaide. We have examined the data to ascertain how much industrially zoned land remains available in the market. Using future demand modelling, we have then estimated how long before this land is exhausted. We also explore the economic implications and impacts of this dwindling land supply on the broader South Australian economy.

This paper analyses how much currently zoned industrial land remains, and how much is required over the medium-term to 2030.

04 THE DEMAND FOR INDUSTRIAL LAND

ADELAIDE’S INDUSTRIAL LAND CRISIS

Over 60 hectares of industrial land has been absorbed each year over the last four years from 2020-2023

The acquisition of industrial land in Adelaide from 2020 onwards has been strong. Using a typical site coverage ratio of 50% and applying it to the ~298,700 sqm of new build tenant commitments (categorised as pre-lease and design & construction commitments) recorded from 2020-2023, it is estimated that approximately 59.7 hectares was absorbed to accommodate these commitments.

Additionally, a total of ~65.9 hectares of industrial land sales (over a price threshold of AUD 5.0 million) was recorded over the same period, with only one owner-occupier land transaction included in the total.

When combining all tenant commitments for new space, and all new land acquisitions (over AUD 5.0 million), an estimated ~126 hectares of industrial land has been absorbed from the market.

Compounding this, industrial vacancy in the market decreased from over 6.0% in 2020 to under 2.0% in 2023 (Chart 5) – indicative that tenant demand still outpaces supply in the market despite this strong level of land acquisition.

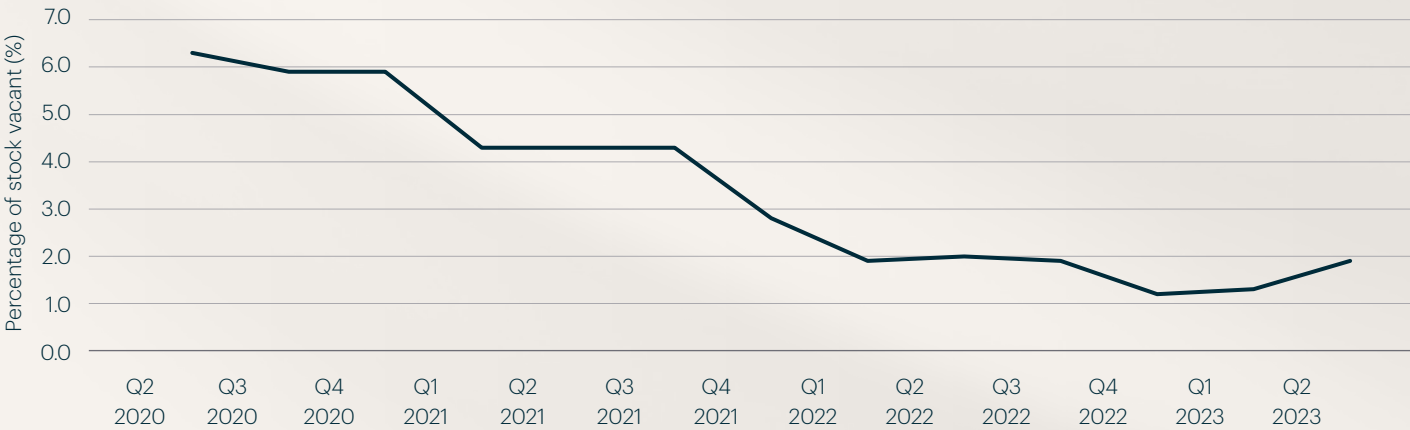
Whilst the above analysis only captures large-scale users (>3,000 sqm) for industrial tenant moves and construction projects, and a minimum of AUD 5.0 million for all industrial land transaction activity, in a market of the scale of Adelaide, these thresholds do not tell the whole story.

Deeper analysis of industrial land acquisitions between 2020-2023 found that an additional 121.7 hectares of industrial land (>0.4 hectares) has been purchased in the AUD 1.0 million – AUD 4.99 million price cohort.

“We estimate that 247 hectares has been absorbed since 2020, equating to an annual industrial land absorption rate of 62 hectares per year over the four-year period from 2020 to 2023.



Chart 5: Adelaide Industrial Vacancy, 2020-2023

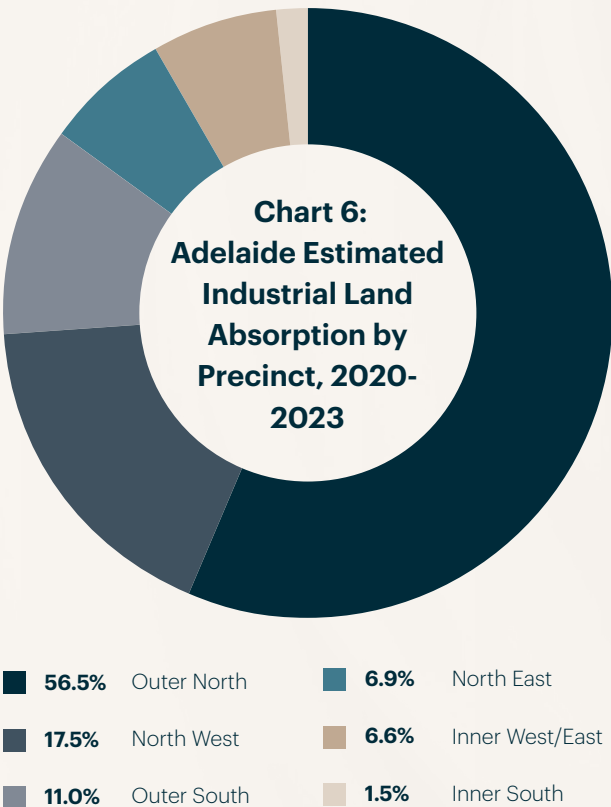


Source: Colliers International

ALMOST 60% OF ADELAIDE’S INDUSTRIAL LAND ABSORPTION WAS IN THE OUTER NORTH

Of the estimated 247 hectares of industrial land absorbed between 2020 to 2023, the largest proportion was recorded in the Outer North precinct. A total of 141 hectares were absorbed in the Outer North over the period, equating to 56.5% of the total – reinforcing the area as Adelaide’s major blue-collar employment zone.

The second largest volume of employment land absorption was recorded in the North West precinct (43.9 hectares, 17.5%). This was followed by the Outer South (27.5 hectares, 11.0%), North East (17.3 hectares, 6.9%), the Inner West/East (16.6 hectares, 6.6%), and the Inner South (3.7 hectares, 1.5%) (Chart 6).



Source: JLL Research

LAND COSTS

The low supply of industrially zoned land is increasing land values to historical levels

The challenges acquiring industrially zoned land has placed significant upward pressure on land values across Adelaide. Since 2020, average land values have increased between 100% - 300%. The 300% growth in land values that has been recorded in Adelaide’s Outer North precinct since 2020 is the strongest rate of growth across all tracked industrial markets nationally.

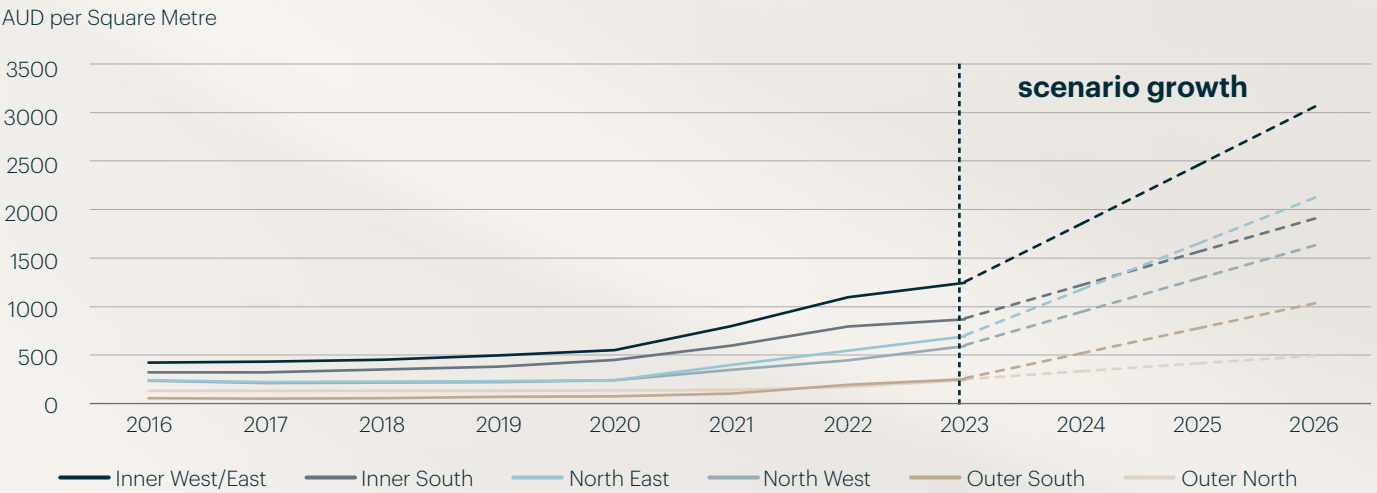
This growth is broadly attributable to the increased viability of the area through the completion of the Northern Connector, which resulted in a sharp escalation in demand from occupiers from 2020 onwards. However, it was also exacerbated by a severe shortage of acquirable development-ready land across the market – particularly for development-ready sites over one hectare.

“Since 2020, average industrial land values in Adelaide’s Outer North have grown faster than anywhere else in Australia.

If average land values continue to increase at the same percentage growth rate recorded over 2020 – 2023, land values in the Outer North could reach over \$1,000 per sqm and average land values in the North West and Inner West/East could reach over \$2,100 per sqm and over \$3,000 per sqm respectively (Chart 7). These are the types of land values currently seen in Sydney’s land-constrained South Sydney and Outer Central West precincts.

It is noted that the current rate of average land value growth used in this high growth scenario is the strongest ever recorded in Adelaide. Nevertheless, the demand for industrial land in Adelaide remains strong. If land values continue to trend upwards in line with this high growth scenario, industrial development will become unfeasible for developers and will be uneconomical for tenants. To avoid the further escalation of this crisis is a fluid industrial land market with development-ready industrial land lots available to the private market.

Chart 7: Adelaide Average Industrial Land Values, 2016-2026



Source: JLL Research

LAND SIZE REQUIREMENTS

LAND SIZE REQUIREMENTS ARE INCREASING

The size of land lots sold in Adelaide from 2020 to 2023 have historically been split between <0.7 hectares and >1 hectare. The small size lots have typically been sold for owner-occupier developments for warehouses smaller than 3,000 sqm.

However, the large land sales are intended for warehouses of scale large enough to attract national and international industrial tenants looking to expand business operations or set up new businesses in Adelaide.

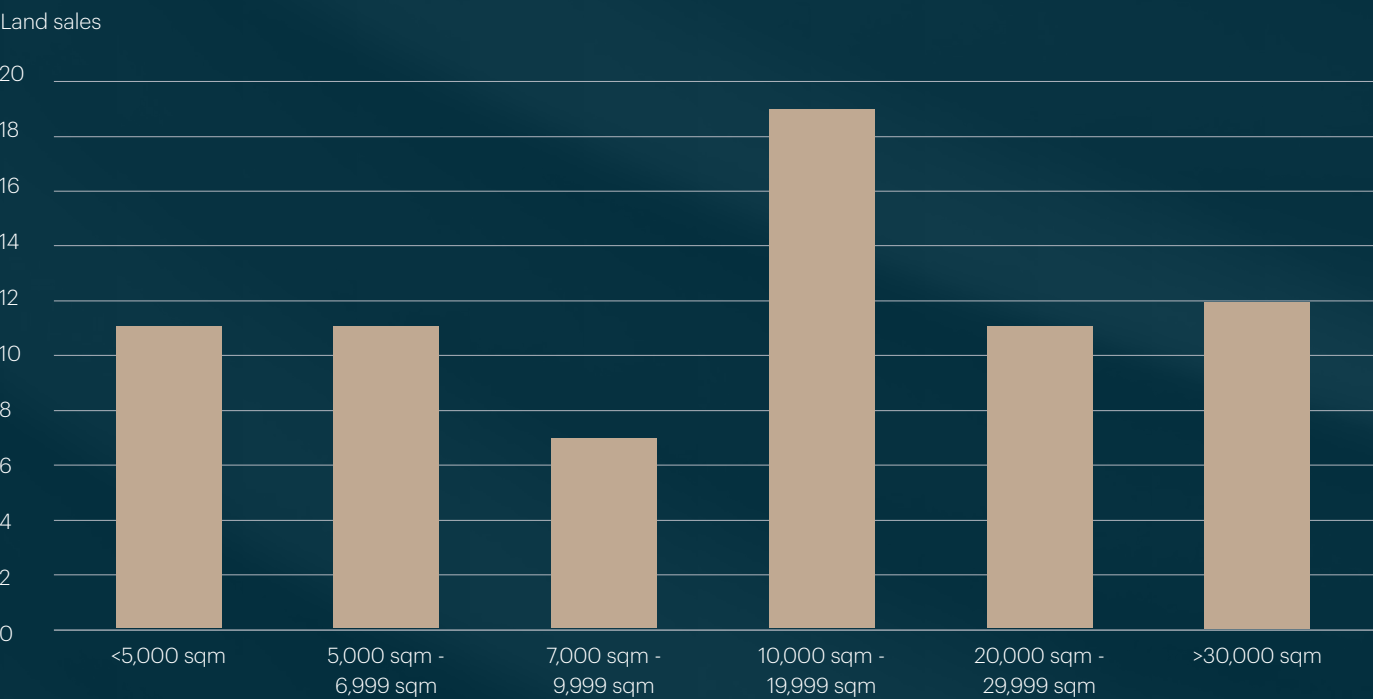
It is expected that logistics and warehousing businesses, retailers, and wholesalers, will need to expand operations in the future to accommodate population growth and the shift towards eCommerce. More inventory will need to be held and more goods will need to be delivered more frequently. Therefore, it is expected that demand for small sub-1 hectare lots will be limited to small local enterprises. Whereas, demand for larger industrial lots will increase in-line with Adelaide's population and consumption growth – particularly in areas close to growing residential populations.

Without a readily available supply of development-ready industrial land in the market, developers are unable to attract and accommodate industrial tenants looking for new or improved facilities. Industrial tenants are increasingly unwilling to wait on development timeframes exceeding 12-15 months for new accommodation.

It is evident that demand for both warehouse space and industrial land is growing. However, the critical problem remains the shortage of land in Adelaide. In this next section, we take a deep dive into where the land is.

“Without a readily available supply of development-ready industrial land in the market, developers are unable to attract and accommodate industrial tenants looking for new or improved facilities

Chart 8: Adelaide Industrial Land Sales by Size Cohort, 2020-2023



Source: JLL Research

ADELAIDE INDUSTRIAL LAND ANALYSIS

MOST VACANT INDUSTRIAL LAND AVAILABLE IN 2021 IS NO LONGER AVAILABLE OR VIABLE

Using the vacant land methodology and geographical boundaries outlined on page 11 and measuring them against the ‘employment lands’ identified in the Plan SA report from 2021, we have calculated that there is approximately 7,300 hectares of industrial land in the Metropolitan Adelaide area, of which ~1,500 hectares is vacant. Most of the designated vacant land outlined in the 2021 report was in the North West and Outer North precincts.

However, to get a true picture of Adelaide’s industrial land market, we have incorporated additional criteria critical to our analysis to identify whether this vacant industrial land is truly usable. The criteria is:

SCALE

We have evaluated every individual lot of ‘vacant’ industrial land included in the Plan and have removed any individual land lot under 10,000 sqm (1 hectare). This size threshold was adopted as it is generally the smallest feasible land holding capable of accommodating an industrial development of a scale attractive to blue-chip industrial tenants in Adelaide.



VIABILITY

We also evaluated every individual lot of ‘vacant’ industrial land included in the Plan and removed any individual land lot that is subject to natural environmental impediments such as flooding or lands currently requiring significant capital expenditure on contamination remediation. These lands do not meet the criteria of ‘development-ready’. Examples of this include Gillman, where contamination prohibits immediate use, and areas prone to flooding.

LOCATION

Additionally, we removed any individual land lot that falls outside of our defined Metropolitan Adelaide industrial boundaries. This includes Roseworthy in the North and regional areas inclusive of Adelaide Hills, Fleurieu, Northern Plains & Barossa, and Murray Bridge.

ACCESSIBILITY

Finally, we evaluated every individual lot of ‘vacant’ industrial lands included in the plan and removed any individual land lot that is subject to restricted access of public use. Namely, this refers to the Mawson Lakes technology precinct, which is unavailable for traditional industrial usages, the Adelaide Airport lands, which are subject to ground lease structures and approvals from AAL Limited, and all lands along the LeFevre Peninsula, which are earmarked for future defence usage.

“Industrially zoned land in Adelaide could be exhausted in just over two years.

ADELAIDE INDUSTRIAL LAND ANALYSIS

WE NEED ACTION NOW TO AVOID THE LAND EXHAUSTION POINT

Of the ~1,500 hectares of vacant industrial lands first published in the Plan SA Land Supply Report for Greater Adelaide in 2021, only 146 hectares are development-ready, having the potential for immediate development.

Furthermore, using the current rate of industrial land absorption recorded in Adelaide from 2020 to 2023, there is significant concern that the current available industrially zoned land in the market will be exhausted in just over two years.

This short-term supply of industrially (strategic employment) zoned land may be bolstered by the South Australian Government's April 2024 announcement that it has initiated three proposed Code Amendments to rezone 120.5 hectares of currently Rural Zone land at Waterloo Corner in the outer northern suburbs of Adelaide into Strategic Employment Zone. However, applying the methodology used throughout this report, these lands are currently not serviced and therefore do not meet 'development-ready' criteria. While the initiation of the proposed Code Amendments at Waterloo Corner is welcomed, it does not mitigate the critical land shortage currently in the market. It should be noted that the initiation of a Code Amendment is not a rezoning and does not guarantee that the land will be rezoned.

This again reiterates the importance of timely servicing provision to industrial land. While this land is being considered for industrial usage, any inability to access electricity, water and sewerage brings into question the immediate viability of any development site currently included in the list as 'vacant'.

05 THE ECONOMIC CONTRIBUTION OF INDUSTRIAL LAND

The retention of industrial land is critical to a growing city. The industrial sector provides space for manufacturing, production, goods storage and logistics activities. It contributes to productivity, job creation, and economic growth. Conversely, the loss of industrial land can lead to negative economic impacts, including job losses and lower wages.

Direct and indirect employees associated with the SA manufacturing sector contribute on average \$149,788 to Gross State Product per annum. This includes direct on-site jobs, the jobs of supplying industries and the jobs associated with the spend of salaries and wages on consumption. For every direct job on-site in an industrial precinct contributing \$149,788 to Gross State Product, there are 2.07 jobs created elsewhere in the economy through the induced effects contributing another \$300,000 to Gross State Product[^]. For context, employees associated with the construction sector, SA's largest blue-collar employment sector, contribute \$139,692 to Gross State Product. SA's

three largest white-collar employment sectors; healthcare, education and professional services contribute \$137,081, \$137,290 and \$129,883, respectively.

Therefore, the loss of every hectare of productive industrial land for urban development in Metropolitan Adelaide could result in the loss of 90 direct jobs and \$13.5 million of direct contribution to Gross State Product in existing precincts. It is also worth noting that this economic activity could be transferred interstate should the zoned land be available.

These economic implications highlight the importance of preserving industrial precincts. With Adelaide's strong population growth, employment zones and industrial and logistics precincts in proximity to these growing residential areas must be maintained.

We have identified four precincts in Adelaide that should remain free from future encroachment from other uses.



* Economic modelling is based upon 55 sqm per manufacturing employee at 50% utilisation of land and 2020/21 SA Input/Output Tables
+ GSP Output as at 2024
^ conservative approach methodology

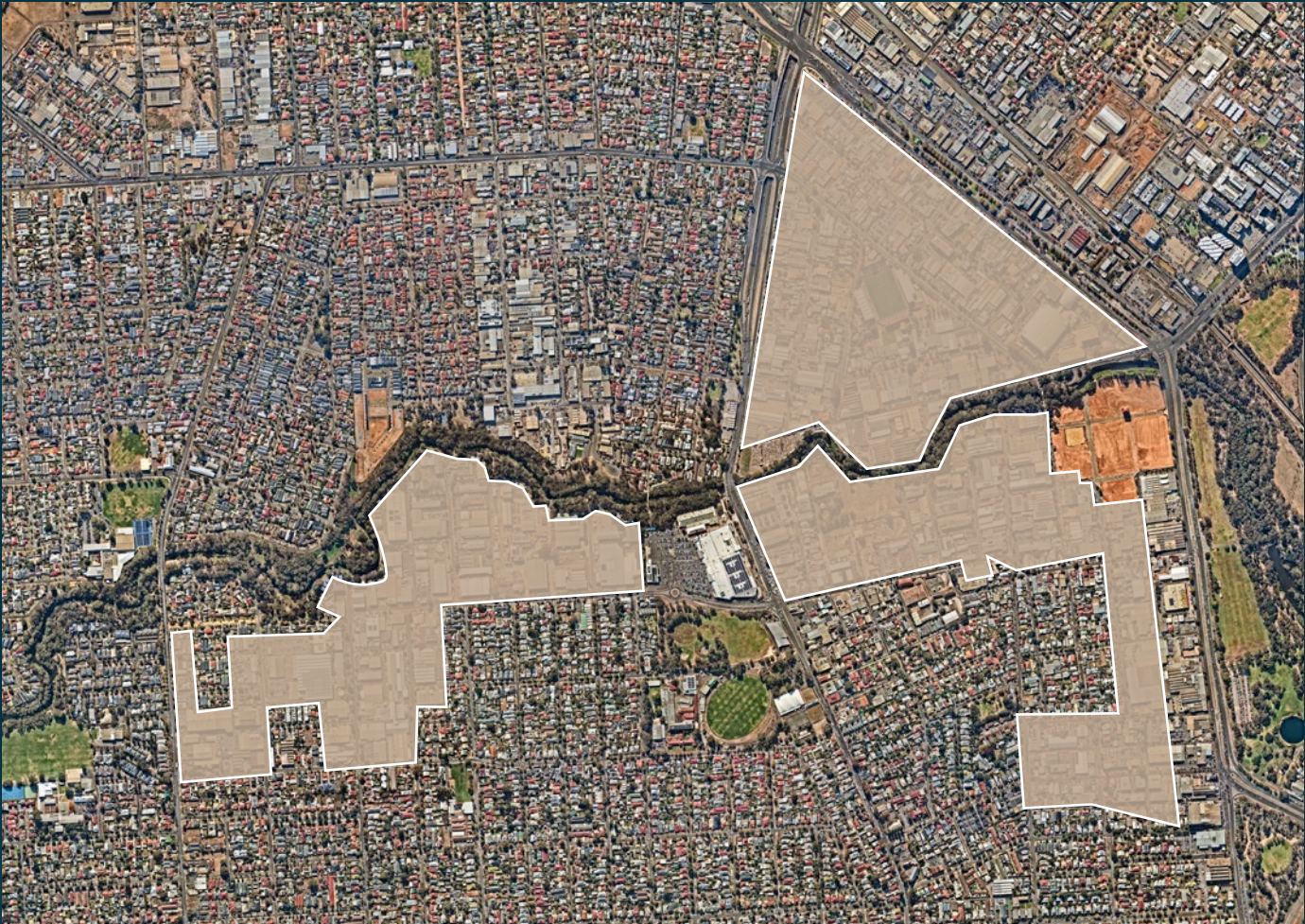
MILE END / THEBARTON / TORRENSVILLE

Adjacent to the growing urban populations of Bowden, Brompton, the Adelaide CBD and existing residential populations in the Inner West, these traditional industrial zones provide important ‘last-mile’ logistics space for inner-suburban Adelaide.

These industrial areas are also the closest to the \$4.2 billion BioMed City precinct on the western edge of North Terrace in the CBD. It is expected that private sector biotechnology companies will cluster in proximity to BioMed City as the precinct grows over the next 10 years.

*Economic modelling is based upon 55 sqm per manufacturing employee at 50% utilisation of land

Total Hectares:	120 Hectares
Retaining this precinct for industrial use could support capacity for:	
Current and Future Jobs:	10,800
GSP Output:	\$1.62 billion
Key Future Industrial Sectors:	
Last-Mile Logistics Health and Biotechnology	
Recommendation:	
Protect existing zoning from encroachment from other uses	



EDINBURGH PARKS - NORTH

Adjacent to the strongest area of residential growth in Metropolitan Adelaide, Edinburgh North, a 129 hectare unserviced industrial land precinct will be essential to servicing the almost 30,000 new dwellings to be developed in the Outer North over the medium-term to 2030.

The land’s proximity to the Edinburgh RAAF Base and existing defence sector businesses also supports future demand from defence companies that will require manufacturing and distribution space.

*Economic modelling is based upon 55 sqm per manufacturing employee at 50% utilisation of land



Total Hectares:	129 Hectares
If fully developed, retaining this precinct for industrial use could support capacity for:	
Future Jobs:	11,600
GSP Output:	\$1.74 billion
Key Future Industrial Sectors:	
Logistics and Distribution Defence Manufacturing	
Recommendation:	
This government-owned land should be made development-ready and subdivided into lots ranging from 3,000 sqm to one plus hectare lots. This should be considered a key priority to accommodate future industrial sector growth in the Outer North.	

FUTURE EDINBURGH PARKS LANDS

This land has been identified as ‘future industrial land’ and is not zoned as employment lands. This significant land holding is situated in the heart of the growing Outer North residential greenfield area. It is imperative for this land to be rezoned industrial to accommodate future industrial sector growth.

Additionally, the strong connectivity to the North-South Corridor supports logistics efficiency for third-party logistics and warehousing companies, as well as improved freight capacity for retailers, wholesalers and manufacturers.

*Economic modelling is based upon 55 sqm per manufacturing employee at 50% utilisation of land



Total Hectares: 1719 Hectares

If fully developed, retaining this precinct for industrial use could support capacity for:

Future Jobs: 154,710

GSP Output: \$23.2 billion

Key Future Industrial Sectors:

Warehouse and Distribution | Defence | Food Manufacturing | Retail and Wholesale

Recommendation:

Prioritise the rezoning and release of this land to ensure that affordable opportunities to acquire industrial land is available to the market.

PORT STANVAC

This land is not yet classified as functional development land. In the future, as the only identified future major large scale industrial land holding in the Outer South, the importance of Port Stanvac as a last-mile distribution hub for retailers and a job-creating service centre to the major residential populations in the southern suburbs is significant.

This land can also provide important manufacturing efficiencies. Given the large population of 180,185 residents living in the City of Onkaparinga, travel times for manufacturing sector workers could be reduced significantly if Port Stanvac became a manufacturing base.

*Economic modelling is based upon 55 sqm per manufacturing employee at 50% utilisation of land



Total Hectares: 247 Hectares

If fully developed, retaining this precinct for industrial use could support capacity for:

Future Jobs: 22,230

GSP Output: \$3.33 billion

Key Future Industrial Sectors:

Last-Mile Logistics | Manufacturing | Retail and Wholesale

Recommendation:

Preserve a portion of this land for industrial purposes to support the future economic growth in the southern suburbs of Adelaide.

06 CONCLUSION

Based on the analysis and findings outlined in 'Land locked: The economic potential of unlocking Adelaide's industrial land supply' report, it is evident that a severe shortage of adequate industrial land poses significant challenges for Adelaide's growth and economic development. Industrial land in Adelaide has been absorbed at a rapid rate, with approximately 60 hectares per year being absorbed due to strong growth in the logistics and manufacturing sectors.

This report reveals an urgent need for a fluid and readily available supply of development-ready industrial land for an expanding population. Without such provisions, the future growth of industrial sectors, including job creation, contribution to Gross State Product (GSP), retail spending, housing construction, future sector clustering, and business attraction may be at risk.

The recommendations made in this report create an action plan for addressing these urgent issues. These include encouraging the availability of suitable land for industrial development, streamlining planning and development processes, promoting collaboration between government and industry, investing in infrastructure and fostering a business-friendly environment.

In conclusion, to sustain Adelaide's growth and development, immediate actions should be taken to address the significant shortage of industrial land and the associated implications. Implementing the recommendations could provide a roadmap for resolving these critical issues. For Adelaide to thrive, it will require balance and strategic planning between residential development and the industrial space vital for economic growth and productivity.



RECOMMENDATIONS

01 LAND RELEASE TARGETS

Implement a land release target on Renewal SA, which ensures that a minimum of 25 hectares of fully-serviced government owned industrial land is released to the market annually to service ongoing industrial occupier spatial requirements. This is in alignment with the Government of South Australia's existing State Planning Policy Section 9: Employment Lands – "Providing a suitable supply of land for employment uses is critical to support job growth and the economic prosperity of communities. The planning system needs to support the diversification of our economy and remove barriers to innovation. It is critical that the right signals are sent to the market to attract interest, investment and tourism opportunities across South Australia."

02 FUNDING TO UNLOCK INDUSTRIAL LAND

Establish a minimum \$250m fund to enable Renewal SA to fast-track industrial projects by delivering enabling infrastructure and supporting land preparation and remediation. This funding would assist in unlocking critical industrial land and ensure that South Australia is primed for sustainable growth and development. It would promote investment into the state, grow industries and further support local jobs.

03 DEVELOPMENT APPLICATION AND CODE AMENDMENT FAST-TRACKING

Implement a fee structure for developers to fast-track the development application and code amendment process. This recommendation will ensure faster job creation through improved planning process efficiency, while simultaneously increasing state government revenue.

04 IMPROVE SERVICING EFFICIENCY

The Government of South Australia (through Renewal SA) should commit to removing development constraints for future industrial land through ensuring an ongoing pipeline of government owned land is at a serviced 'development-ready' stage. Previous successful government-led industrial land releases like Edinburgh Parks were fully serviced prior to offering lots to the private market. This pre-emptive strategy should now be implemented across all other government owned land holdings in Adelaide.

Additionally, the South Australian Government should expand HIPDU's remit and create a coordination team to facilitate future water, electricity and sewer service planning between utilities companies and the private development sector. This will provide a proactive approach to tackle existing infrastructure issues such as lack of coordination, inefficient development timeframes, and excessive fees.

05 SERVICING FLEXIBILITY

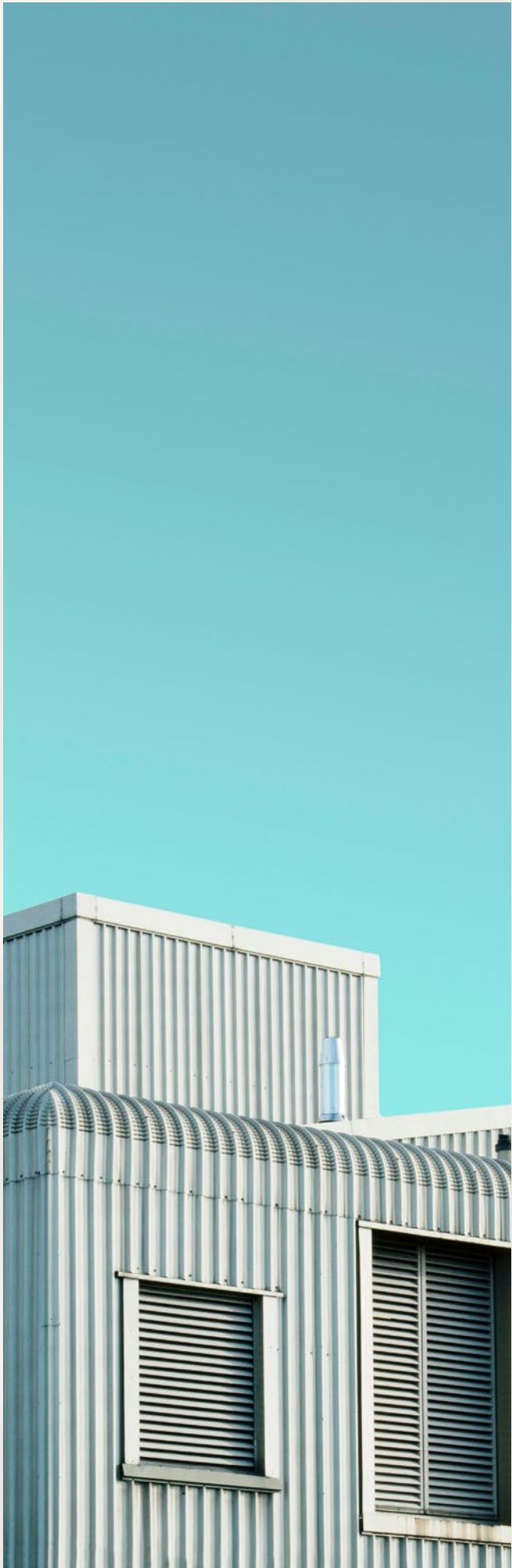
The Government of South Australia should consider alternative strategies to servicing sites with items such as sewer where it can be demonstrated that industrial uses can operate on a temporary or permanent basis adopting alternative methods until such time when services can be provided. Considering, that we are in a housing crisis and the focus of all service providers is currently on addressing residential development, increased flexibility of utility servicing could alleviate development timeframe bottlenecks and excessive fees.

06 PROTECT KEY INDUSTRIAL PRECINCTS

Ensure the draft Greater Adelaide Regional Plan, slated for release in late 2024, protects key existing industrial precincts in Adelaide as well as identifying new locations for employment zones across the Greater Adelaide Region and actively rezones suitable land. This should ensure job-creating industrial businesses operate near essential residential areas and freight infrastructure, with no risk of future encroachment by residential developments.

07 STATE GOVERNMENT GUIDANCE

The Government of South Australia should provide clear guidance to local governments and the private sector on how to identify, assess, and rezone various employment precincts through the development of a real-time industrial land availability tracker website, utilising data from the 2021 Plan SA Land Supply Report for Greater Adelaide.





Report for the Property Council of Australia

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