



GOING UP! HOW MULTI-STOREY WAREHOUSING IS CHANGING THE LOGISTICS LANDSCAPE

AUGUST 15, 2023



SHARE

Low vacancies and high land prices are becoming the norm in Industrial. Causing Australian developers to consider building *up* rather than *out*.

Enter multi-storey warehousing: an increasingly popular solution to support last-mile logistics.

In this article, we explore how multi-storey warehouses benefit supply chains. And take a look into the future to find out if this trend is here to stay.

What are multi-storey warehouses?

Multi-storey warehouses are facilities that are built vertically, stacking storage areas on top of each other.

Much like a multi-storey car park, they include ramps and dock-loading facilities on each floor for heavy vehicle access. So each storey can essentially act as its own individual warehouse, allowing multiple occupants within the one building.

In urban areas like Sydney, where land supply is low – but prices are high – multi-storey warehouses are a great way to maximise space and increase the efficiency of supply chain processes.

The need for speed – and space

The efficiency and accessibility of multi-storey warehousing bring benefits that ecommerce businesses, in particular, are finding irresistible.

With increasing promises of next-day or same-day shipping, these retailers need last-mile facilities that are more urban – and more local to their customers – to reduce transport costs and speed up delivery.

But for *all* companies, a core benefit of multi-storey warehousing is the clever use of space. A traditional plot size can now be more than four times its original footprint. So in urban areas, where land is the most expensive (and the least available), multi-storey warehouses provide opportunities to maximise land usage in a unique way.

Then there's the sustainability factor. By cutting the number of transport miles between warehouse and customer, these multi-level facilities can help the industry cut emissions, too.



High prices, low vacancy

The main driver of demand for multi-storey warehouses in Australia? Land availability and cost.

These were the factors that led Vaughan Constructions – a Women in Industrial partner organisation – to begin building multi-storey warehouses for their Australian clients in 2023.

Mark Cormack is Vaughan's General Manager in NSW. He points to Sydney as an example where multi-storey warehousing is becoming more viable due to high land prices and low vacancy rates.

'If you look at all the countries where multi-storey warehousing is being employed, you'll notice that they're all countries experiencing a shortage of land. And the available land is expensive.

'Similar conditions are occurring in Sydney. The land to the west of the Sydney CBD, and around the airports, is in low supply. And it's becoming costly.'

In fact, Sydney is home to Australia's tightest and most expensive industrial rental market. CBRE estimates that South Sydney's land values, in particular, average \$2850 / sqm for 1.6 ha lots.

And land values like those make it hard to justify the cost of expanding horizontally. So, the industry is building up.

At the time of writing, there were 14 projects in development across Sydney slated for delivery between 2022 and 2026. Signalling a growing interest in the market.

Vaughan is leading two of those projects, including a 40,000m² development in Milperra.

And ESR Australia – another WIN partner – has acquired a large site in South Sydney, with plans to develop it into a \$300 million three-storey warehouse facility



A gradual growth story

The multi-storey warehouse trend has been slow in its ascent in Australia. Because, as Mark points out, you can't look past the construction requirements.

'You need a team of consultants that truly understand how to put something like this together. For example, when it comes to getting semi-trailers up onto the facility's first, second, third or fourth level, you need experts to design the most efficient and safest way to do that.'

For Vaughan Constructions, this meant investing in design research trips to Vietnam and Singapore to understand how multi-storey warehouses are being built there. Then, they had to modify their supply pipeline – and bring in the right prefabricated products to facilitate this new style of building.

A promising trend – but not a one-size-fits-all

While multi-storey warehousing is showing early signs of success in Australia, it won't be necessary – or financially possible – for everyone.

Construction costs can be high. And CBRE Research EMEA estimates that multi-storey warehousing only becomes a more viable option once land costs make up more than 50% of construction costs. A figure that is still unachievable in some urban markets.

But given that Australia will continue to navigate low land availability, low vacancy rates and high land prices, this barrier may not be in place for much longer.

In Sydney especially, construction costs can be offset in areas with premium land values. And being closer to the consumer brings significant supply chain cost reductions.

The bottom line? This trend is on its way to cementing itself within the Australian industrial landscape.

Want to stay informed on industrial property trends? Connect with Women in Industrial on LinkedIn.

ONE
FIVE
ONE
PROPERTY

CBRE

CharterHall

FRASERS
PROPERTY

Goodman

GPT

JLL

TMX

LOGOS

VAUGHAN
CONSTRUCTIONS

REALTERM

ESR