# corval conversations

## Corval Conversations Q&A

### Gareth Dingle | Head of Industrial Transactions



Gareth joined Corval in 2015 and works within the capital transactions team, where he is focused on identifying and assessing investment opportunities and overseeing the due diligence process.

Before joining Corval, Gareth held several roles with CBRE, including as a commercial valuer specialising in institutional assets and prior to this, in CBRE's Global Research and Consulting division.

Gareth holds a Bachelor of Property Economics from the University of Western Sydney and is a Certified Practising Valuer.

### Q1) What is the Corval industrial investment strategy?

Our most active industrial strategy is the Urban Infill Industrial strategy. We buy industrial properties, typically 3,000 to 10,000 sqm of Gross Lettable Area (GLA), in the inner and middle-ring suburbs of Australia's major cities, where supply is tightest and demand, growth and liquidity are strongest.

The starting point is always supply. We look for precincts where availability is tightly constrained, both in the immediate and surrounding areas. Inner Sydney, for example, has only around 2.6 sqm of industrial space per person as reported by JLL Research, well below the 4.5 sqm average across the major capitals.

We target assets with features that tenants value, such as low site cover, yard space and high-power supply. These attributes are increasingly important to a broad mix of occupiers, such as trade businesses, cold storage, manufacturers and EV fleets, and are often difficult to replicate in newer sites.

Pricing is the other critical factor. We like to buy at a discount to replacement cost. High construction costs mean new buildings need much higher rents to stack up, with the gap supporting rental growth for existing stock. Ideally, there is a lease expiry in the near term, so we can reset the rent to market and lift both income and valuation fairly quickly. Underpinning this, we also seek high land value, which gives us flexibility on strategy over time.

Finally, we look to add value. Many of these assets have been privately owned for years and have lacked proactive management or capital expenditure. We bring the assets up to standard and manage them properly to ensure we maximise the upside.

The Corval Industrial Infill Fund #2 remains open for investment until Q1 2027, allowing the fund to continue capitalising on current market conditions as it completes its portfolio.

### Q2) What are the structural demand drivers for industrial and logistics space in Australia, beyond the post-COVID e-commerce surge?

The biggest structural driver is population growth. Australia is set to add roughly 3.5 – 4 million people over the next decade, mostly in the capital cities. Behind the scenes, every person relies on industrial space. The rule of thumb is around 4.5 sqm per person, for the warehouses, distribution centres and workshops that keep a city running, which implies roughly 16–18 million sqm of additional floor space will be needed to support growth.

With construction costs as high as they are, that leaves two likely outcomes. New space will still get built, but at much higher economic rents, which widens the gap between new and existing stock and pulls existing rents up. Or, high costs will keep new supply constrained, and existing stock will benefit from the shortage. Either way, the likely outcome is rental growth for well-located existing assets.

Online shopping also continues to be critical to demand. Australia sits an approximately 14% e-commerce penetration, while the UK and US are well above 20%. This remains a steady tailwind and particularly favours space close to where people live.

Businesses also think differently about their supply chains now. After COVID, occupiers moved away from running lean and 'just-in-time'. They hold more stock onshore and spread it across more locations. Manufacturing is also coming back home in areas including defence, medical and food, all requiring more industrial space.

At Corval, we focus on the inner and middle-ring suburbs where land is scarce. As industrial land is increasingly rezoned for apartments and mixed use, supply close to the city is shrinking while demand continues to grow.

We are also seeing a much broader mix of tenants than traditional warehousing: cold storage, industrial outdoor storage, trade businesses, data centres, EV fleets and battery storage. These users want high power, yard space and low site cover, which older infill sites often can provide and new estates can't easily offer.

### Q3) Strong rental growth has made industrial a favoured sector for investors in recent years however growth appears to be slowing. What are you seeing in the tenancy market?

Tenant demand has eased across the market against a backdrop of persistent inflation, interest rate pressure and geopolitical uncertainty. The slowdown is most evident in generic stock, particularly in locations that are exposed to new supply.

By contrast, properties with a genuine point of difference continue to see solid demand. These include assets with low site coverage that give tenants extensive yard or laydown space, as well as those with high power capacity or crane infrastructure.

We're also seeing a clear divergence by size. Warehouses under 5,000 sqm continue to perform well from a tenant demand standpoint because there is very little new supply in that segment. Most new development is concentrated in the 5,000 sqm-plus market, where tenants have multiple options. In that segment, face rents have largely plateaued and incentives are rising, which is putting downward pressure on effective rents.

That said, softer leasing conditions are being priced in, with larger assets now trading at a discount. For well-located, functional assets in this part of the market, this creates a compelling buying opportunity, with lower entry prices and higher initial yields.

For investors, this means asset selection matters more than it did during the extreme rental growth years of 2021-2024.

### Q4) What are the implications of the rising interest rate environment on industrial asset values and what does this mean for entry pricing today?

Since the interest rate outlook shifted again in Q3 2026, the gap between buyer and vendor expectations has widened, significantly slowing transaction activity. We expect this to continue until vendor expectations reset and transactions establish new benchmarks at softer cap rates.

That softening isn't happening evenly though. Assets with compromised risk profiles, whether an existing or upcoming vacancy, capex or compliance issues are taking the biggest hit. More stabilised assets have been better protected, particularly those with a clear point of difference such as high underlying land value or surplus land that gives you room to pivot or specialised features like high power capacity or cranes, which are hard to find and expensive to replicate. Those assets tend to hold onto tenants and appeal to both investors and owner-occupiers and that scarcity, backed by the land value, has limited cap rate softening.

For buyers, we think this creates a good entry point, provided you can price leasing risk properly and find vendors who are willing to meet the market. Our focus is on managing vacancy risk and targeting assets where rental growth can offset any yield expansion, rather than relying on cap rates tightening to drive returns.

### Q5) How does Corval source, add value to and manage assets in the industrial sector?

With most of our deals secured off market, strong relationships are vital. We work closely with the major agencies, but we equally value smaller local agencies and their strong connections into the private owners that make up a large part of the infill market. We also deal directly with owners, developers and tenants.

Proactive management starts well before we own an asset. During due diligence, we ensure our teams are aligned on the strategy, so everyone understands the investment plan from day one, with no handover gap at settlement. It's also when our relationship with the tenant begins. We build our understanding of how they use the property, its restrictions and growth opportunities, so we can hit the ground running from day one. Satisfied tenants are the foundation of everything we do, because a tenant who is managed well is far more likely to stay, renew and pay a market rent. This keeps vacancies low and income secure.

Many of the assets we acquire have had limited capital investment, so we focus on upgrades that genuinely help the tenant run their business more efficiently. This might include upgrading power, improving the yard, or bringing the building up to modern compliance and amenity standards. When the property is optimised for the tenant, it provides an opportunity to re-cut the lease on better terms, whether that's a longer term, at market rent or both.

Typically, the process flows as follows: Buy well off market, deliver on the capex strategy, look after the tenant, and lock in stronger lease terms. Each step lifts income and valuation, and that's how we create value beyond relying on the market dynamic or cycles.