Sydney Industrial State of the Market

Q1 2026

This report provides a precinct-by-precinct quarterly update of the Sydney industrial market

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ESR Wetherill Industry Park

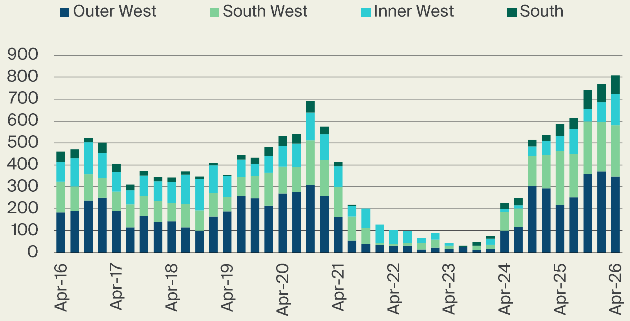
Leasing overview

Pressure on effective rents as vacancy and incentives rise

- Prime industrial rents across Western Sydney were steady over Q1 2026, ranging between $200 - $300/sqm across the different precincts.
- Incentives continued to rise, reaching a historical high of 22%, which resulted in net effective rents declining by 4.6% over the last 12 months in Western Sydney.
- Leasing volumes were strong, lifting 36% y/y to total 1.3 million sqm in 2025, driven by some large pre-commitments. The Outer West and South West accounting for 89% of take up.
- Vacancy climbed to a new high in Q1 2026, reaching 808,488sqm, with sublease space making up 20% of total availability.

Sydney industrial vacancy

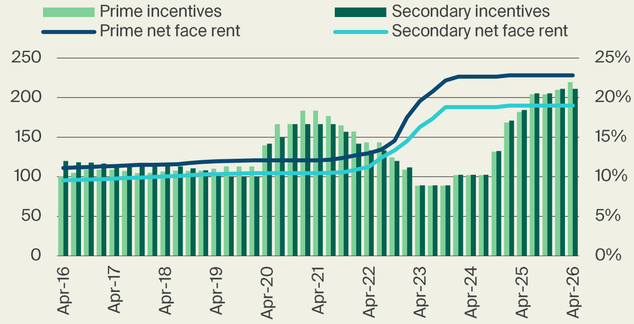
By precincts, floorspace in '000sqm, 5,000sqm+



Source: Knight Frank Research

Western Sydney net face rents and incentives

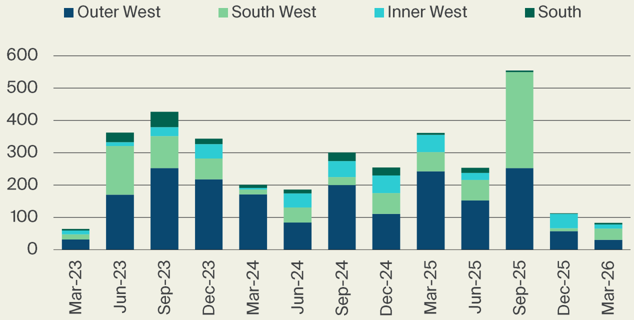
$/sqm (LHS), %(RHS)



Source: Knight Frank Research

Sydney leasing take-up by precinct

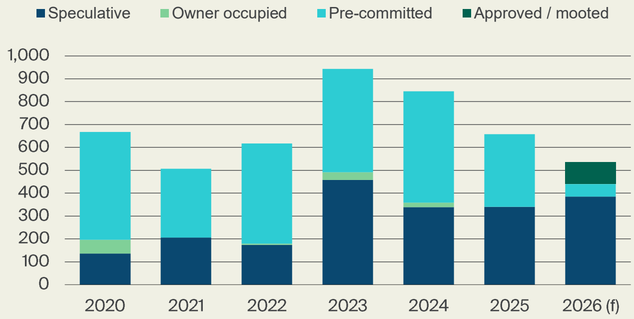
By quarter, '000 sqm



Source: Knight Frank Research

Sydney industrial supply

By types, '000sqm, completed 2020-2026 (f)



Source: Knight Frank Research

Industrial Market Indicators – Q1 2026

Precinct	Prime net face rent range ($/sqm)	% change q/q	Land values <5,000 sqm ($/sqm)	Land values 1-5 ha ($/sqm)	Vacancy (%)	Core market yield
Outer West	200 - 250	0.0	1,383	1,300	2.8	4.75 – 5.75
South West	200 - 250	0.0	1,155	1,160	3.9	4.75 – 5.75
Inner West	220 - 300	0.0	1,538	1,425	2.7	4.75 – 5.50
South	350 - 475	0.0	4,050	3,000	2.8	4.50 – 5.00

Source: Knight Frank Research

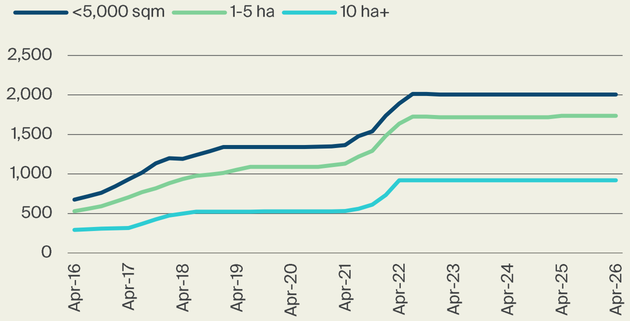
Investment overview

Yields remain steady over Q1

- Following a strong Q4, which lifted total transaction volumes to $4 billion in 2025, investment activity has experienced a slower start to the year.
- There are multiple properties that are currently running on and off market campaigns which will see investment activity pick up through the year.
- One of the more recent transactions include, Aliro Group acquiring two assets for $438 million in Greenacre and Pemulwuy.
- Prime yields are ranging between 4.75%-5.75% across Western Sydney.

Sydney industrial land values

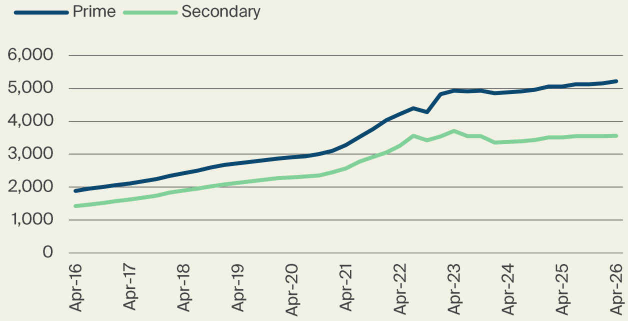
$/sqm



Source: Knight Frank Research

Sydney industrial capital values

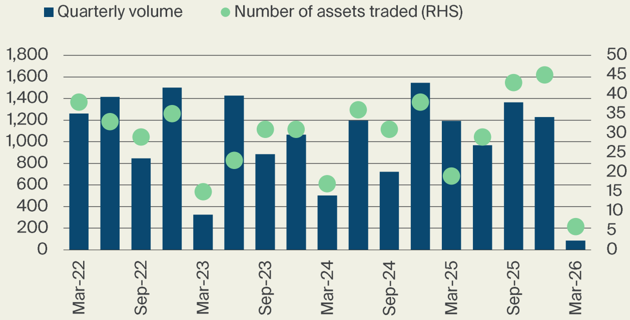
Blended average, $/sqm



Source: Knight Frank Research

Sydney industrial investment volumes

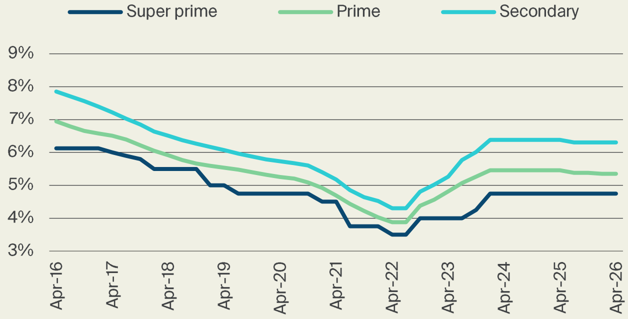
A$ million (sales, A$10m+)



Source: Knight Frank Research

Sydney industrial yields

By grade, average %



Source: Knight Frank Research

Recent Significant Sales

Property	Precinct	Price ($m)	Size (sqm)	$/sqm	Purchaser	Vendor	Yield (%)	WALE
63 Jedda Rd, Prestons	South West	108.0	22,492	4,802	Aliro Group	Blackstone	5.13	9.7
5-9 Lancaster St, Ingleburn	South West	39.8	10,900	3,651	Realterm	Oakvell Property	5.14	2.6
32 Sargents Rd, Minchinbury	Outer West	77.5	20,059	3,864	Busways	Dexus	5.13	1.1
6 Ash Road, Prestons	South West	29.75	7,585	3,922	Centenial	Idalab Pty Ltd	5.31	3.8

Source: Knight Frank Research

Outer West

Vacancy remains high

705k

Sqm leased in 2025

347k

Sqm vacancy in Q1

60% increase y/y

$220/sqm

Prime net face rent

Stable q/q

Stable y/y

23%

Prime incentive

Up 160 bps q/q

Up 390 bps y/y

331k

Sqm new supply forecast in 2026

60% total new supply

5.3%

Prime yield

Stable q/q

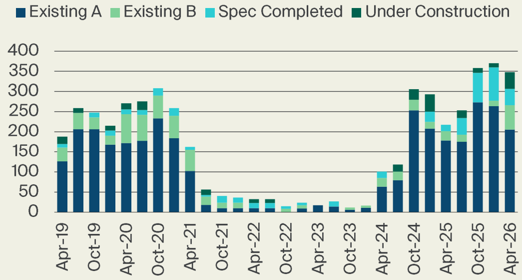
Tightening 19 bps y/y

KEY TRENDS

- Leasing activity in Outer West totalled 705,000 sqm in 2025, sitting 44% above the 2024 volume. This is supported by 65% existing space and 27% pre-commitments.
- Transport/logistics (29%), retailers (22%) and manufacturers (21%) led the annual take-up in2025. Major commitments include Aldi's prelease of c.87,000 sqm in Bradfield, Kimberly Clark securing c.43,000 sqm in Horsley Park.
- Vacancy remains high in the Outer West precinct, 60% higher than the same time last year.
- Net face rents remained stable since Q4 2023, prime rents held between $200-$250/sqm.
- A total of 442,000 sqm of new space was delivered in 2025. New developments are forecast to be lower in 2026 with 331,611sqm.
- The average prime yield tightened 19 bps over the year to average between 4.75-5.75% as at Q1 2026.

Outer West industrial vacancy

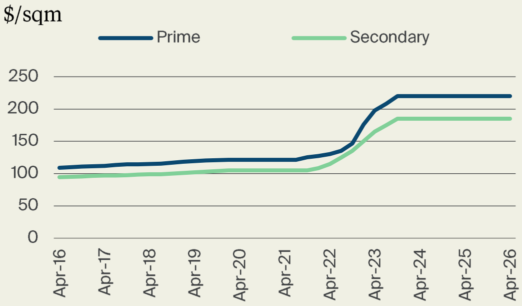
'000sqm available space



Source: Knight Frank Research

Outer West net face rents

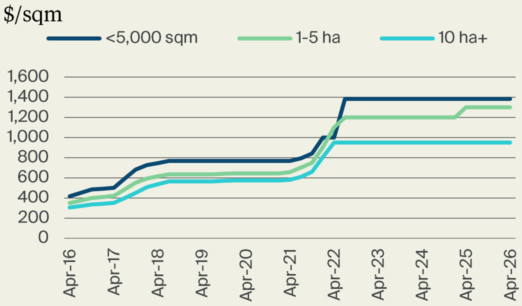
$/sqm



Source: Knight Frank Research

Outer West land values

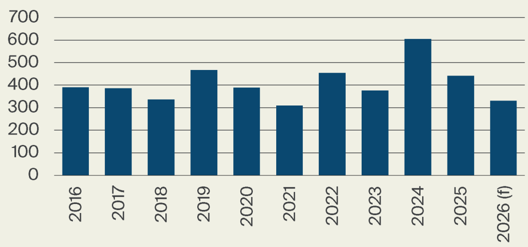
$/sqm



Source: Knight Frank Research

Outer West industrial supply

'000sqm, completed 2016-2026(f)



Source: Knight Frank Research

South West

Below trend development activity in 2026

430k

Sqm leasing take-up in 2025

232k

Sqm vacancy in Q1

Share of 29% total vacancy

$220/sqm

Prime net face rent

Stable q/q

Stable y/y

23%

Prime incentive

Up 130 bps q/q

Up 330 bps y/y

87k

Sqm new supply forecast in 2026

5.4%

Prime yield

Stable q/q

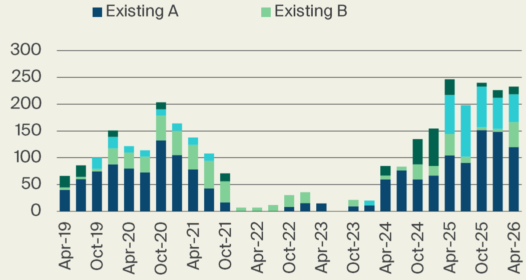
Tightening 23 bps y/y

KEY TRENDS

- Occupier activity strengthened in the South West in 2025, with 420,370 sqm of take-up, accounting for 33% of total leasing volumes across Sydney.
- Transport/logistics occupiers led the demand (33%), followed by manufacturers (30%) and retailers (27%) in 2025. Significant deals include Kmart preleasing c.104,000 sqm in Moorebank and Jennmar committing c.31,000 sqm in Smeaton Grange.
- Vacancy edged up to 232,624 sqm in Q1 2026, with speculative developments representing 30% of available space.
- Average net rents remained flat, with prime holding between $200-250/sqm and secondary at $176/sqm. Incentives averaged 23% across both prime and secondary assets.
- New development completions totalled 170,000 sqm in 2025, with the 2026 forecast significantly lower at sub 100,000sqm.
- Prime yields compressed by 23bps over the year to range between 4.75%-5.75%.

South West industrial vacancy

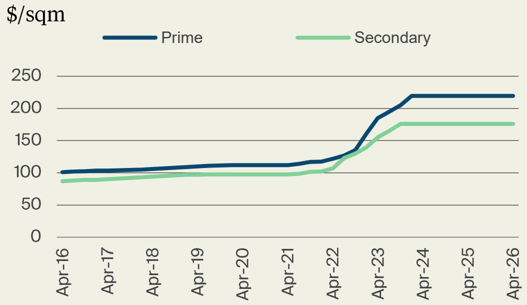
'000sqm available space



Source: Knight Frank Research

South West net face rents

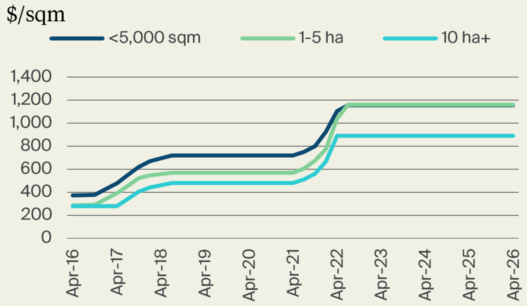
$/sqm



Source: Knight Frank Research

South West land values

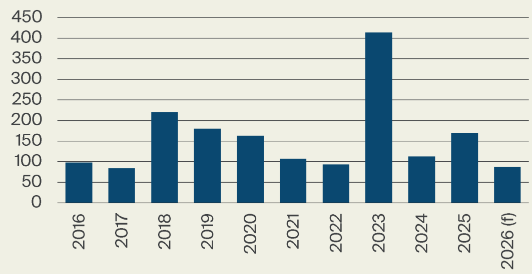
$/sqm



Source: Knight Frank Research

South West industrial supply

'000sqm, completed 2016-2026(f)



Inner West

Solid development pipeline for 2026

118k

Sqm leasing take-up in 2025

143k

Sqm vacancy in Q1

Share of 18% total vacancy

$245/sqm

Prime net face rent

Stable q/q

Stable y/y

20%

Prime incentive

Stable q/q

Up by 413 bps y/y

105k

Sqm new supply forecast in 2026

20% total new supply

5.1%

Prime yield

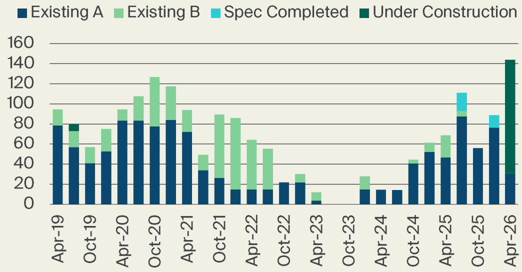
Stable q/q

Tightening 13 bps y/y

KEY TRENDS

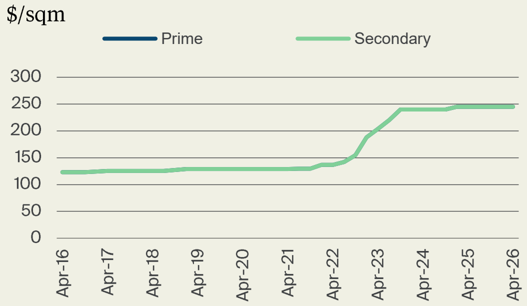
- Tenant demand in Inner West eased by 23% in 2025, with total take-up of 118,184 sqm.
- Retailers accounted for 31% of leasing activity, followed by transport/logistics occupiers (21%). Notable transactions include Carter Sport taking c.5,000 sqm in Lidcombe.
- Vacancy increased to 143,857 sqm in Q1 2025, representing 18% of total vacancy across Sydney.
- Prime net face rents are steady, averaging $220-300/sqm, whilst incentives increased to 20% for both prime and secondary space.
- Development completions in 2026 is forecast to eclipse over 100,000sqm which is driven by Hale Capital's developments in Rosehill and Lidcombe.
- Yields were stable, holding between 4.75%-5.50% for prime and 5.50%-6.50% for secondary.

Inner West industrial vacancy
'000sqm available space



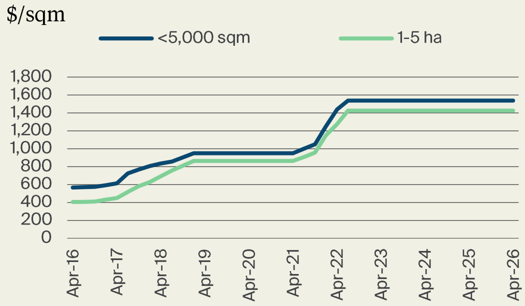
Source: Knight Frank Research

Inner West net face rents
$/sqm



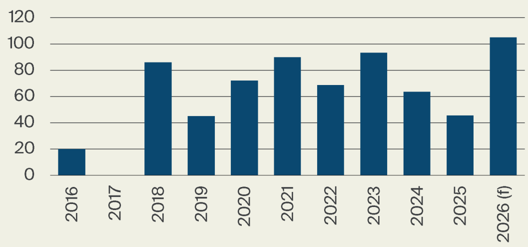
Source: Knight Frank Research

Inner West land values
$/sqm



Source: Knight Frank Research

Inner West industrial supply
'000sqm, completed 2016-2026 (f)



Source: Knight Frank Research

South

Rental growth has stalled as incentives rise

30k

Sqm leasing take-up in 2025

84k

Sqm vacancy in Q1

$405/sqm

Prime net face rent

Stable q/q

Stable y/y

17.5%

Prime incentive

Up 250 bps q/q

Up 750 bps y/y

11k

New developments in 2026

4.9%

Prime yield

Stable q/q

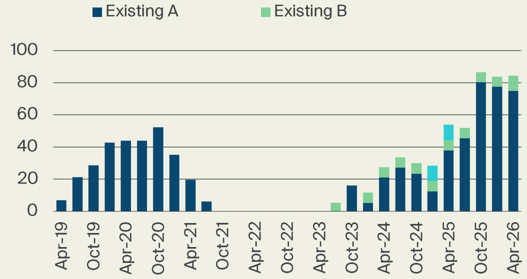
Stable y/y

KEY TRENDS

- Leasing demand subdued in 2025, with 29,937 sqm of activity recorded, 55% below the three-year average.
- Major tenant commitments include Glassons securing a c.7,800 sqm speculative facility in Banksmeadow and Avion Australia leasing c.5,000 sqm in Matraville.
- Net face rents held steady over the year, averaging $405/sqm for prime and $318/sqm for secondary, while incentives increased to 17.5%.
- Stockland's multi level warehouse in Banksmeadow (11,000sqm) is now complete.
- Yields have remained tight since Q3 2023, averaging 4.88% for prime and 5.88% for secondary.

South industrial vacancy

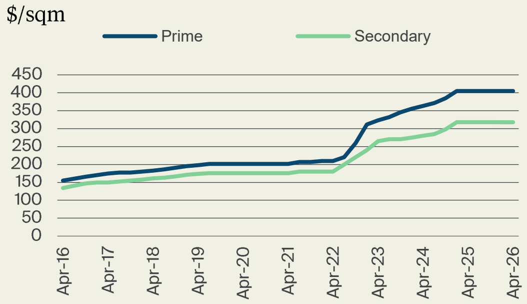
'000sqm available space



Source: Knight Frank Research

South net face rents

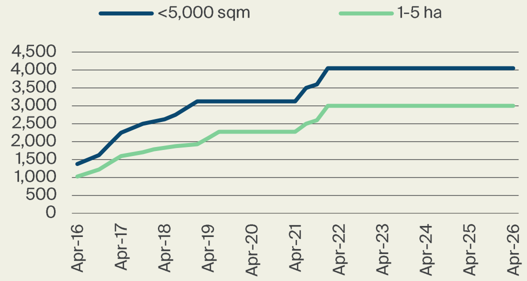
$/sqm



Source: Knight Frank Research

South land values

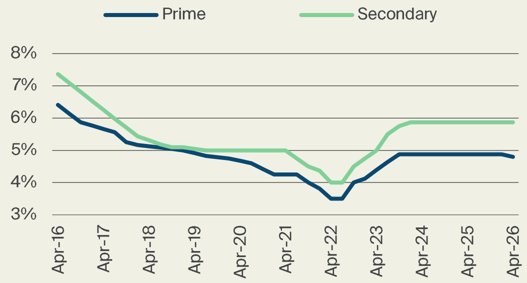
$/sqm



Source: Knight Frank Research

South industrial yields

%



Source: Knight Frank Research

Data Digest

Prime Grade: Asset with modern design, good condition & utility with an office component 10-30%. Located in an established industrial precinct with good access.

Secondary Grade: Asset with an older design, in reasonable/poor condition, inferior to prime stock, with an office component between 10-20%.

Take-up: Take-up represents the absorption of existing assets, speculative developments, or pre-commitments

Vacancy Methodology:

This analysis collects and tabulates data detailing vacancies (5,000m²+) within industrial properties across all of the Sydney Industrial Property Market. The buildings are categorised into 1) Existing Buildings – existing buildings for lease. 2) Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant. 3) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.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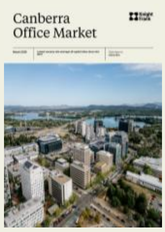

Canberra office market
March 2026

North Shore office market
H1 2026
