

Sydney Industrial State of the Market



Q3 2024

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

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Elevation at Greystanes, Prospect

Leasing overview

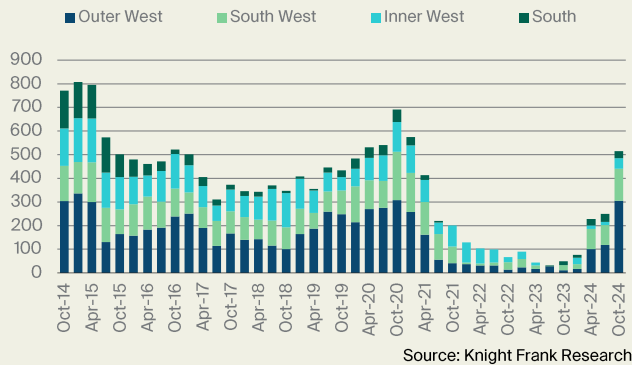
Vacancy on the rise as incentives edge higher

Q3 2024

- Net face rents have held flat since late 2023, except in South Sydney which has seen positive rental growth. Incentives continue to edge higher across all precincts.
- Transport and Wholesale occupiers led tenant demand in Q3, accounting for 74% of deal volumes.
- Vacancy has doubled over Q3 to reach 514,791 sqm, now above the historical average.
- New supply in 2024 is anticipated to reach 866,709sqm, with 77% delivered YTD.

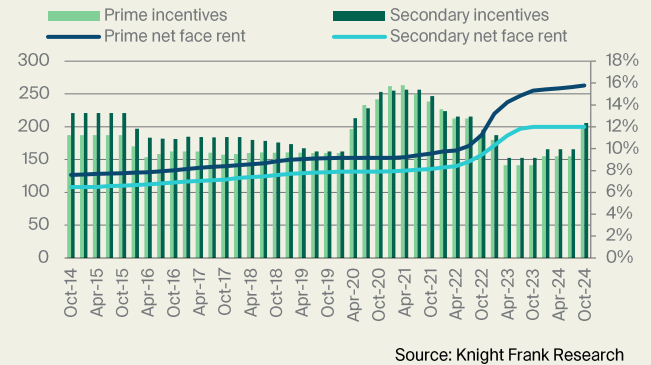
Sydney industrial vacancy

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



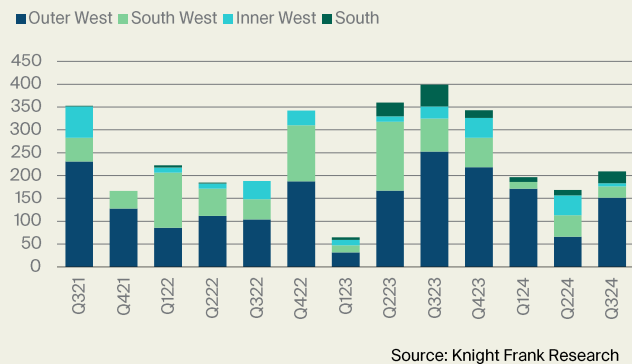
Sydney industrial rents and incentives

Net face rent \$/sqm (LHS), Incentives % (RHS)



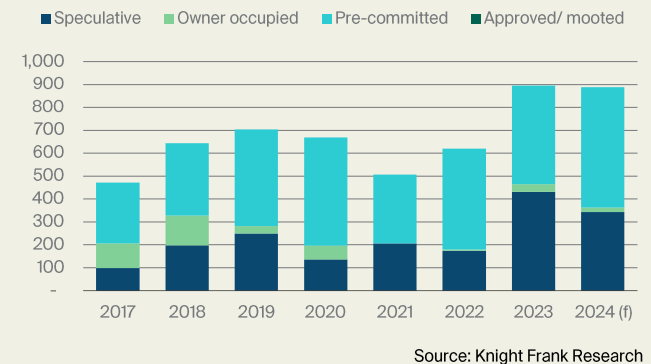
Sydney leasing take-up by precinct

By quarter, '000sqm



Sydney industrial supply

By types, '000sqm, completed 2017-2024(f)



Industrial Market Indicators – Q3 2024

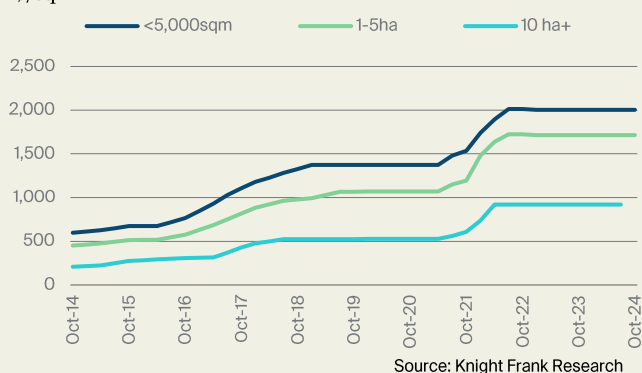
Precinct	Prime net face rent (\$/sqm)	% change q/q	Land values <5,000 sqm (\$/sqm)	Land values 1-5 ha (\$/sqm)	Vacancy (sqm)	Take-up (sqm)	Core market yield
Outer West	213	0.0	1,383	1,200	305,455	151,495	5.25 - 5.75
South West	205	0.0	1,155	1,160	134,888	24,379	5.25 - 5.75
Inner West	224	0.0	1,538	1,425	44,452	7,059	5.00 - 5.50
South	385	3.5	4,050	3,000	29,996	26,286	4.75 - 5.00

Investment overview

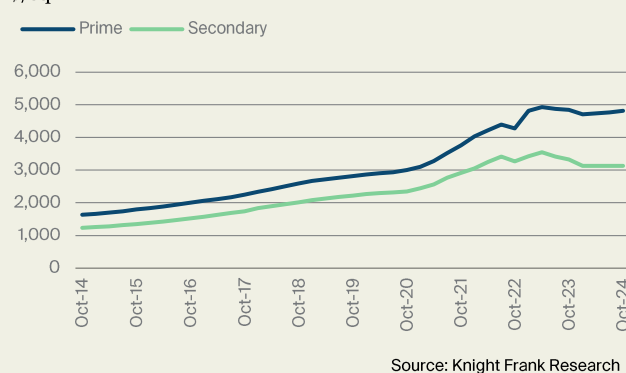
Improved investor sentiment towards industrial assts

- Following a strong Q2 in terms of investment volumes, transaction activity eased over Q3 with \$292 million. This takes investment volumes for 2024YTD to \$1.83 billion.
- Investment activity has been backed by institutional investors acquiring facilities in sought after locations. Significant transactions include Pittwater Industrial acquiring 18 Williamson Road, Ingleburn for \$29.5 million. Gateway Capital acquired 2-34 Davidson Street, Chullora from Fife Capital for 115.5 million.
- Yields remain stable over the quarter at 5.46% for prime and 6.38% for secondary. Average yields have now softened by 160 bps for prime and 200 bps for secondary, since mid 2022.
- Yields appear to have stabilised and are expected to hold firm over the remainder of 2024.
- With a more encouraging economic outlook and improved investor confidence, transactional activity will likely pick up more pace.

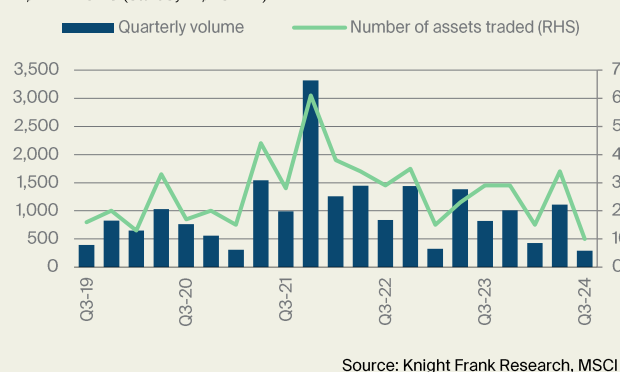
Sydney industrial land values
\$/sqm



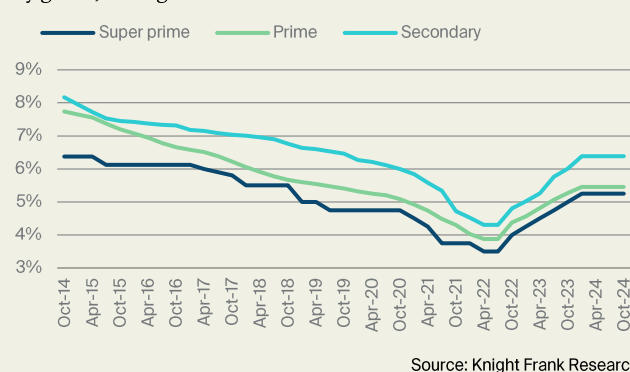
Sydney industrial capital values
\$/sqm



Sydney industrial investment volumes
A\$ millions (sales, A\$10m+)



Sydney industrial yields
By grade, average %



Recent Significant Sales

Property	Precinct	Price (\$m)	Size (sqm)	\$/sqm	Purchaser	Vendor	Yield (%)	WALE
18 Williamson Road, Ingleburn	South West	29.5	8,505	3,469	Pittwater Industrial	Charter Hall	5.78	4.7
2-34 Davidson Street, Chullora	Inner West	115.5	25,846	4,469	Gateway capital	Fife Capital	5.69	4.5
2 Kookaburra Road, Prestons	South West	115.0	13,102	3,418	Avahana Pty Ltd	ISPT	5.72	7.1
28-40 Lord St, Botany	South	170.0	31,923	5,325	Goodman	Dexus	5.50	4.7

Outer West

Vacancy reaches highest level in four years

▲ **151k**

Sqm leasing take-up in Q3

▲ **305k**

Sqm vacancy in Q3
Share of 59% total vacancy

■ **\$213/sqm**

Prime net face rent
Stable q/q
Stable y/y

▲ **13.8%**

Incentives for both prime and secondary
Up by 300 bps q/q

▲ **622k**

Sqm new supply expected in 2024
78% completed YTD

■ **5.50%**

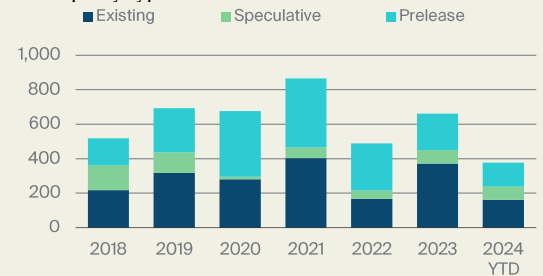
Prime yield
Stable q/q
Up by 20 bps y/y

KEY TRENDS

- Take-up volumes improved over Q3 to 151,495sqm, this was driven both existing stock being leased and pre commit activity. Major deal over the quarter includes CTDI Australia preleasing 26,814sqm at WH3, 9 Rousell Road, Eastern Creek.
- Vacancy rose to its highest level in four years to 305,455sqm, accounting for 59% of vacancy in the Sydney market.
- Net face rents have held flat since Q4 2023, with prime rent standing at \$213/sqm and secondary at \$168/sqm.
- The Outer west has seen 487,374sqm of new space delivered 2024YTD, with a further 134,869sqm under construction this will be new development for 2024 to a historical high of 622,243sqm .
- Yields have stabilised at 5.50% for prime and 6.45% for secondary.

Outer West industrial leasing take-up

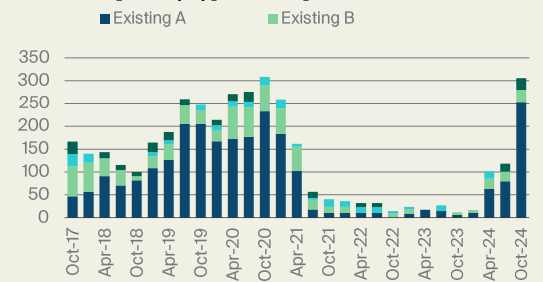
'000sqm by type



Source: Knight Frank Research

Outer West vacancy

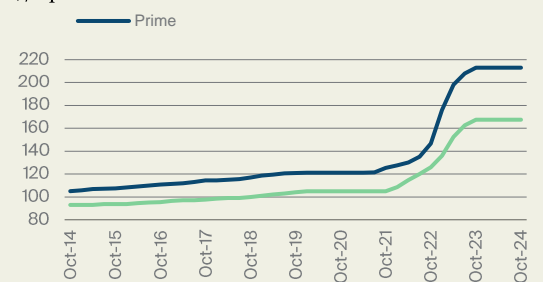
Available space by type, '000sqm



Source: Knight Frank Research

Outer West net face rents

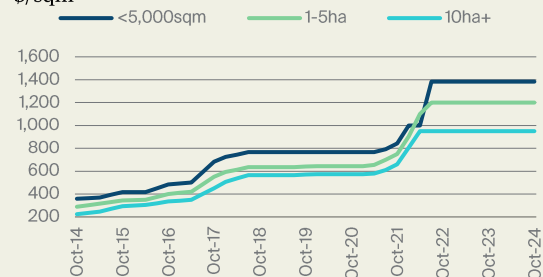
\$/sqm



Source: Knight Frank Research

Outer West industrial land values

\$/sqm



Source: Knight Frank Research

South West

Rising vacancy presenting opportunity for occupiers

24k

Sqm leasing take-up in Q3, down on average levels

135k

Sqm vacancy in Q3
Share of 26% total vacancy

\$205/sqm

Prime net face rent
Stable q/q
Stable y/y

14.6%

Prime incentive
Up by 300 bps q/q

117k

Sqm new supply expected in 2024;
79% completed YTD

5.65%

Prime yield;
Stable q/q
Up by 35 bps y/y

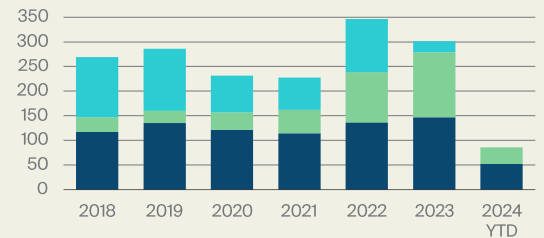
KEY TRENDS

- Leasing volume in Q3 totalled 24,379 sqm, well down on its historical average.
- Tenant demand in Q3 was led by Transport/logistic operators and manufacturers. This includes Bracknells Warehousing leasing 15,011sqm at 400 Moorebank Avenue.
- Vacancy in the South west reached a three year high of 134,888sqm in Q3.
- Net rents were steady over the quarter to average \$205/sqm for prime and \$155/sqm for secondary, whilst incentives increased to 14.6% and 15% respectively.
- Over 92,000 sqm of new development has been brought to the market in 2024YTD. A further 24,770 sqm under construction will bring the development pipeline in 2024 to over 117,000 sqm.
- Yields have held stable over the quarter at 5.65% for prime and 6.38% for secondary.

South West industrial leasing take-up

'000sqm by type

Existing Speculative Prelease

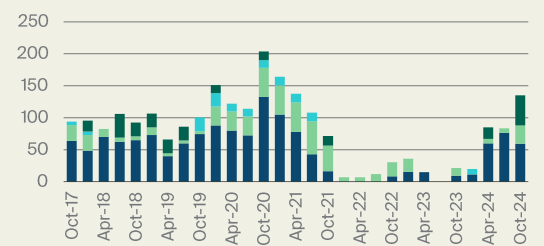


Source: Knight Frank Research

South West vacancy

Available space by type, '000sqm

Existing A Existing B Spec Completed Under Construction

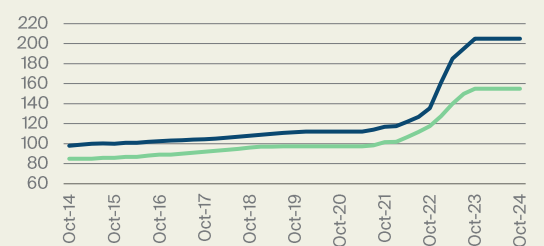


Source: Knight Frank Research

South West net face rents

\$/sqm

Prime

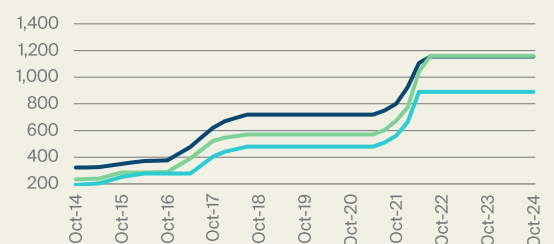


Source: Knight Frank Research

South West industrial land values

\$/sqm

<5,000sqm 1-5ha 10ha+



Source: Knight Frank Research

Inner West

Vacancy still below its historical average

7k

Sqm leasing take-up in Q3

44k

Sqm vacancy in Q3
Share of 9% total vacancy

\$224/sqm

Prime net face rent
Stable q/q
Stable y/y

11.1%

Prime incentive
Up by 288 bps q/q

64k

Sqm new supply expected in 2024
All completed

5.25%

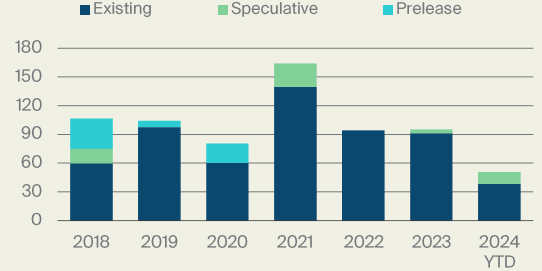
Prime yield;
Stable q/q
Stable y/y

KEY TRENDS

- Leasing activity in Q3 was limited to 7,000sqm, this was more due to the limited options for occupiers with vacancy in the precinct still well below average levels unlike other precincts.
- With vacancies normalising in other submarkets, available space in Inner West remains well below the 5-year average.
- Average prime net face rent reported at \$224/sqm. Secondary rent averaged at \$176/sqm. Incentives across both prime and secondary grades averaging over 11%
- Two major developments – WH A1-A3 in Chullora Distribution Centre and 2 Christina Road, Villawood are now complete taking development completions to 63,657sqm for 2024.
- Yields remain steady at 5.25% for prime and 6.22% for secondary.

Inner West industrial leasing take-up

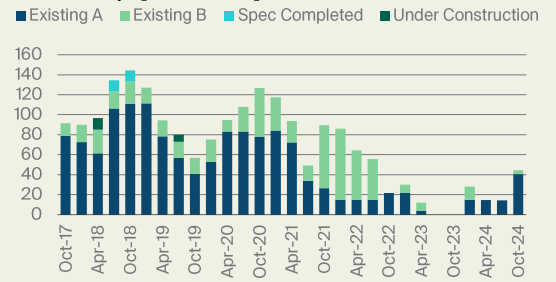
'000sqm by type



Source: Knight Frank Research

Inner West vacancy

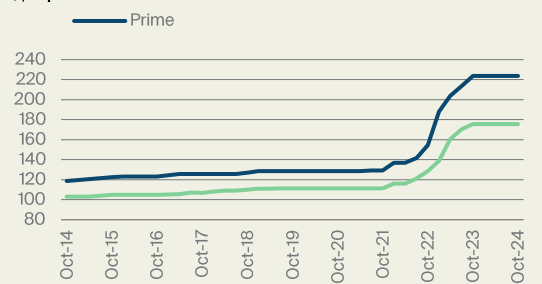
Available by space, '000sqm



Source: Knight Frank Research

Inner West net face rents

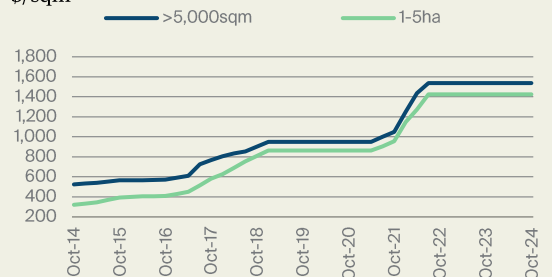
\$/sqm



Source: Knight Frank Research

Inner West industrial land values

\$/sqm



Source: Knight Frank Research

South

Only precinct to see rental growth

26k

Sqm leasing take-up in Q3

30k

Sqm vacancy in Q3
Share of 6% total vacancy

\$385/sqm **10%**

Prime net face rent
+3.5% q/q
+11% y/y

Prime incentive
Up by 500 bps q/q

64k

Sqm new supply expected in 2024
43% completed YTD

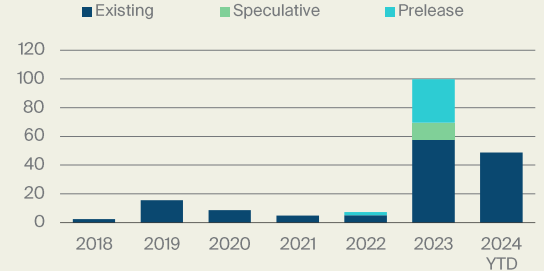
4.88%

Prime yield
Stable q/q
Stable y/y

KEY TRENDS

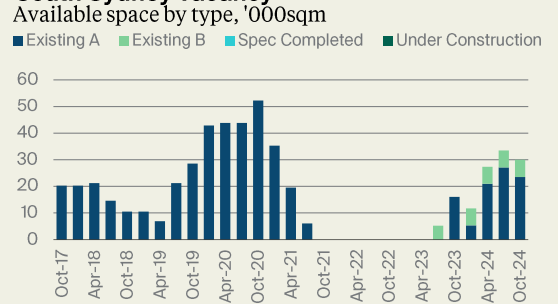
- Occupier demand in the 'last mile' precinct has been dominated by transport/logistic operators.
- Over the quarter vacancy dropped by 11% to 29,996sqm, this remains above the 5 year average and presents opportunity to occupiers that have historically had limited options in South Sydney.
- Rents in South Sydney are at a premium compared to the Western Sydney precincts given its superior access to air, train and road transport hubs. The rental spread to the Outer west sits at 45%.
- Prime net face rents averaged \$385/sqm and secondary averaged \$268/sqm. Incentives have increased and average over 10%.
- Supply additions in 2024 are expected to reach 63,625sqm, of which, multi-level facilities Ascent on Bourke and Portal will see 27,500sqm and 17,600sqm on the market.
- Yields are steady and average 4.88% for prime and 5.88% for secondary.

South industrial leasing take-up '000sqm by type



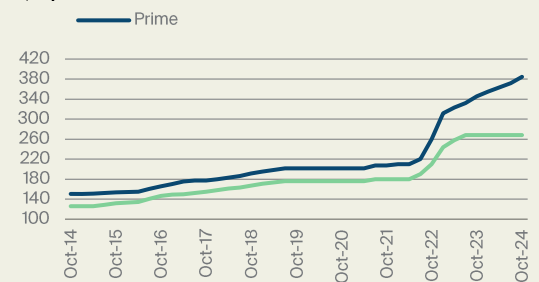
Source: Knight Frank Research

South Sydney vacancy Available space by type, '000sqm



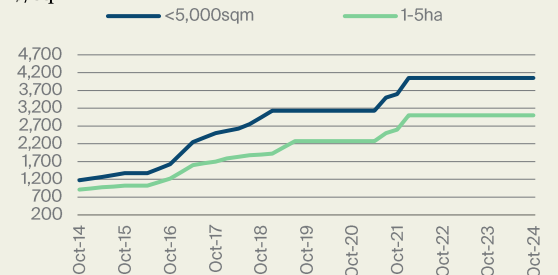
Source: Knight Frank Research

South Sydney net face rents \$/sqm



Source: Knight Frank Research

South industrial land values \$/sqm



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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Australian Industrial Review



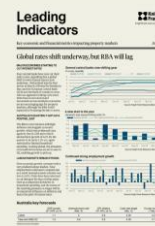
Sydney City Fringe Office Market Report



Sydney Industrial State of the Market



Sydney CBD Office State of the Market



Economic Indicators Report



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