

Sydney Industrial State of the Market



Q4 2024

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

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Connect Central Sydney Logistics Estate, Villawood

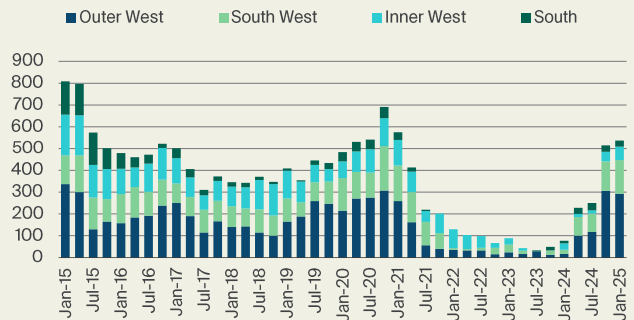
Leasing overview

Incentives continue to rise as vacancy edges higher

- Prime industrial net face rents averaged \$267/sqm in Q4 across Sydney, representing a 3.9% increase y/y. Incentives have edged higher, resulting in a fall of net effective rents.
- Easing tenant demand saw annual leasing volume drop by 30% to 818,100 sqm in 2024.
- Transport and manufacturing led tenant demand over the year, accounting for 63% of deal volumes.
- Vacancy climbed to 536,786 sqm over Q4, well above the 5 year average. New development in 2024 totalled 862,615 sqm, with 58% being pre-committed and 39% being speculative built.

Sydney industrial vacancy

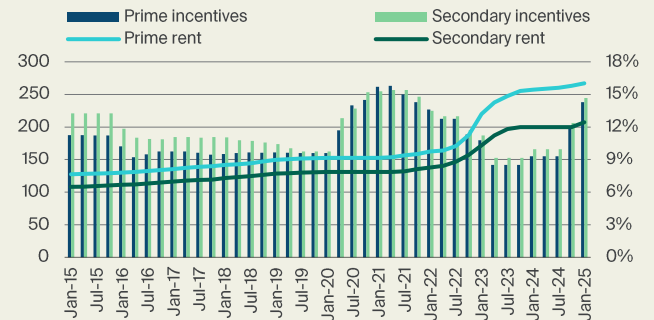
By precincts, floorspace in '000sqm, 5,000sqm+



Source: Knight Frank Research

Sydney industrial rents and incentives

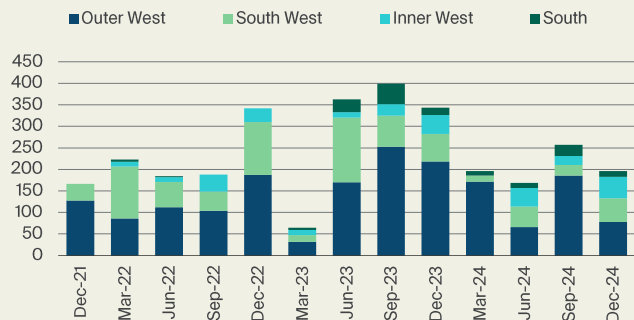
\$/sqm (LHS), % (RHS)



Source: Knight Frank Research

Sydney leasing take-up by precinct

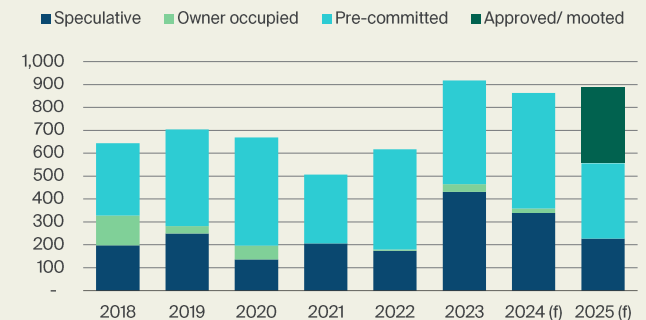
By quarter, '000 sqm



Source: Knight Frank Research

Sydney industrial supply

By types, '000sqm, completed 2018-2025(f)



Source: Knight Frank Research

Industrial Market Indicators – Q4 2024

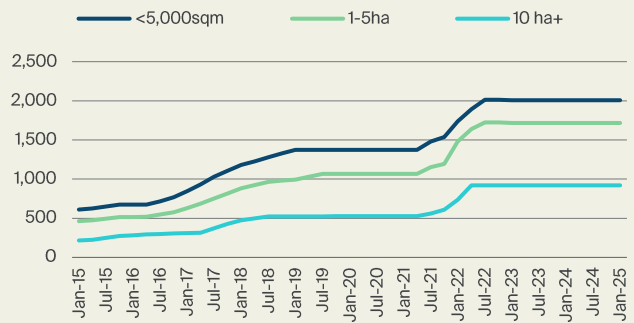
Precinct	Prime net face rent (\$/sqm)	% change q/q	Land values <5,000 sqm (\$/sqm)	Land values 1-5 ha (\$/sqm)	Vacancy (sqm)	Take-up (sqm)	Core market yield
Outer West	213	0.0	1,383	1,200	292,540	78,193	5.25 - 5.75
South West	205	0.0	1,155	1,160	154,350	54,578	5.25 - 5.75
Inner West	224	0.0	1,538	1,425	61,420	50,127	5.00 - 5.50
South	405	5.3	4,050	3,000	28,476	12,968	4.75 - 5.00

Investment overview

Private and institutional investment drive transactional activity

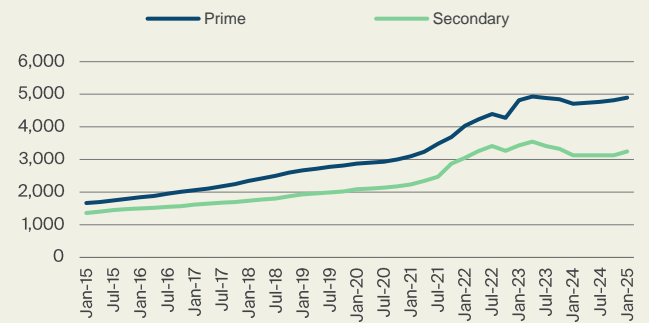
- The last quarter of 2024 recorded \$655 million investment volume, bringing annual investment activity close to \$3 billion. Investment volumes are now on par with pre pandemic levels.
- In addition to the institutional investors acquiring facilities in sought after locations, private investors also have been active in the market. Significant transactions include Goodman acquiring 118 Bourke Road, Alexandria for \$76 million on a 6.4 year WALE. Additionally, Irongate bought 5 Williamson Road, Ingleburn, offloaded by EG Funds for \$62 million.
- Yields remain stable over the quarter at 5.46% for prime and 6.38% for secondary.

Sydney industrial land values
\$/sqm



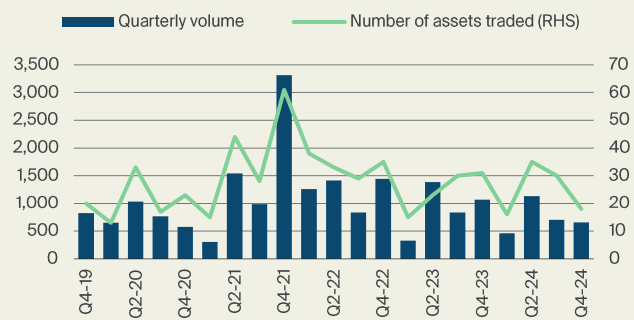
Source: Knight Frank Research

Sydney industrial capital values
Blended average \$/sqm



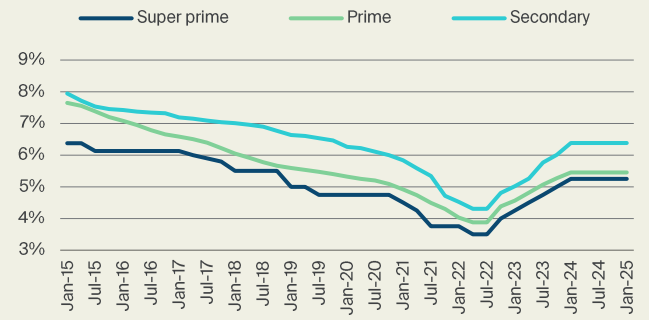
Source: Knight Frank Research

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



Source: Knight Frank Research, MSCI

Sydney industrial yields
By grade, average %



Source: Knight Frank Research

Recent Significant Sales

Property	Precinct	Price (\$m)	Size (sqm)	\$/sqm	Purchaser	Vendor	Yield (%)	WALE
118-124 Bourke Rd, Alexandria	South	76.0	10,019	7,586	Goodman	Private	4.99	6.4
5 Williamson Road, Ingleburn	South West	62.0	19,415	3,193	Irongate	EG Funds	5.89	3.2
81-87 Beauchamp Road, Matraville	South	39.1	6,240	6,266	Centennial	EG Funds	5.01	VP
18 Williamson Road, Ingleburn	South West	29.5	8,505	3,469	Pittwater Industrial	Charter Hall	5.80	4.7

Outer West

Development activity hits highest level in 2024

502k

Sqm leasing take-up in 2024

292k

Sqm vacancy in Q4
Share of 54% total vacancy

\$213/sqm

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

17.1%

Prime incentive
Up by 330 bps q/q

621k

Sqm new supply expected in 2025

5.50%

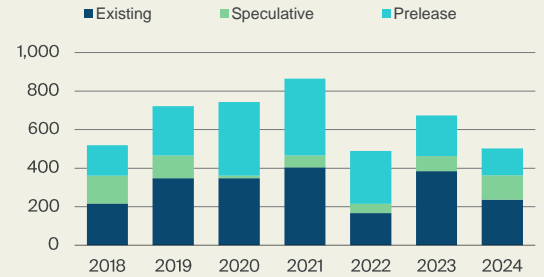
Prime yield
Stable q/q
Stable y/y

KEY TRENDS

- Leasing activity slowed in Q4 with 78,193 sqm reported over the quarter and brought the annual take-up to 501,648 sqm. While leasing demand has slowed, Outer West accounted for 61% of lease volumes across Sydney in 2024.
- Transport/logistics and manufacturing occupiers accounted for 62% of activity in 2024, including CTDI Australia securing c.57,000 sqm in Eastern Creek and Kemps Creek.
- Net face rents have held flat since Q4 2023, whilst incentives have increased which has seen a drop in net effective rents by 7.1% in 2024.
- Outer West experienced record high development activity in 2024, with over 622,000 sqm completed. Looking ahead, new supply in 2025 is expected to reach a similar level of c.620,000 sqm, with 45% currently under construction.
- Yields have stabilised at 5.50% for prime and 6.45% for secondary.

Outer West industrial take-up

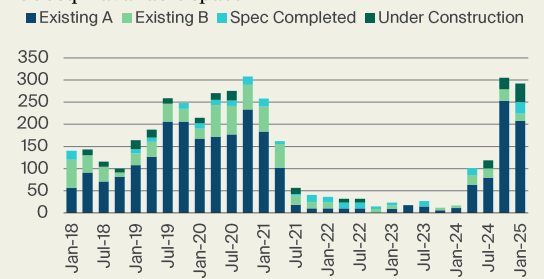
By lease type, '000 sqm



Source: Knight Frank Research

Outer West industrial vacancy

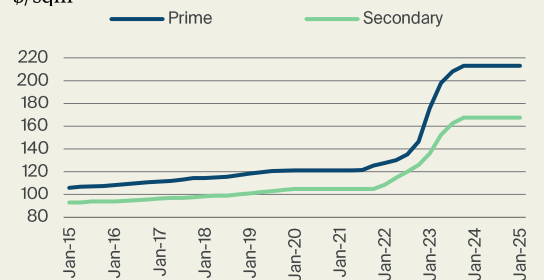
'000sqm available space



Source: Knight Frank Research

Outer West net face rents

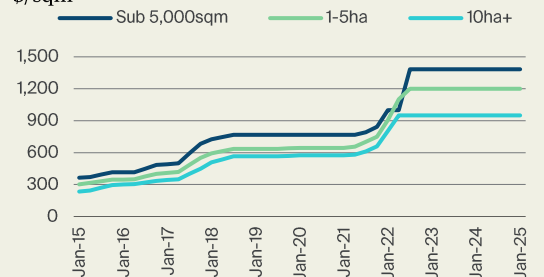
\$/sqm



Source: Knight Frank Research

Outer West land values

\$/sqm



Source: Knight Frank Research

South West

Vacancy on the rise

140k

Sqm leasing take-up in 2024

154k

Sqm vacancy in Q4
Share of 29% total vacancy

\$205/sqm

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

17.7%

Prime incentive
Up by 310 bps q/q

135k

Sqm new supply forecast in 2025

5.65%

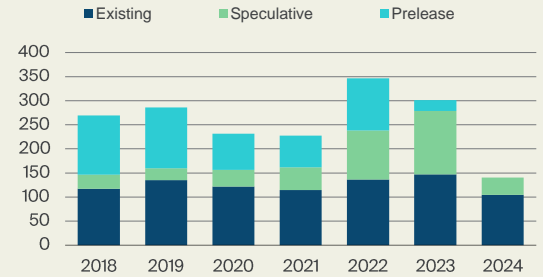
Prime yield
Stable q/q
Stable y/y

KEY TRENDS

- Occupier activity subdued in the South West in 2024, accounting for 17% of the leasing volumes across Sydney.
- Manufacturing, as the most active industry in the South West, represented 41% of tenant demand over the year. This is supported by Signify Australia taking 14,569 sqm in Moorebank and Apex Building Products leasing 11,400 sqm in Campbelltown.
- Vacancy continued to rise to 154,350sqm in Q4, where speculative developments accounted for 45% of the vacant space.
- Whilst net rents have held firm, incentives have risen to a 3-year high and dragged effective rents down by 6.9% in the last 12 months.
- A total of 113,090 sqm of new space has been delivered to the market in 2024, underpinned by 64% pre-committed development.
- Yields have held stable over the quarter at 5.65% for prime and 6.38% for secondary.

South West industrial take-up

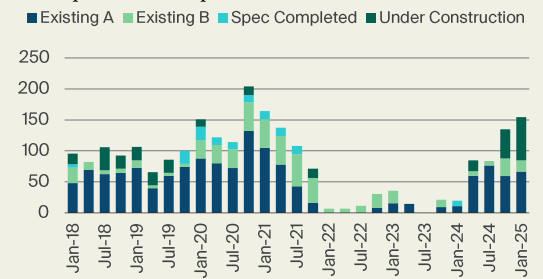
By lease type, '000 sqm



Source: Knight Frank Research

South West industrial vacancy

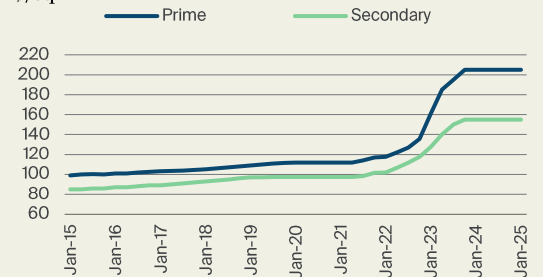
'000sqm available space



Source: Knight Frank Research

South West net face rents

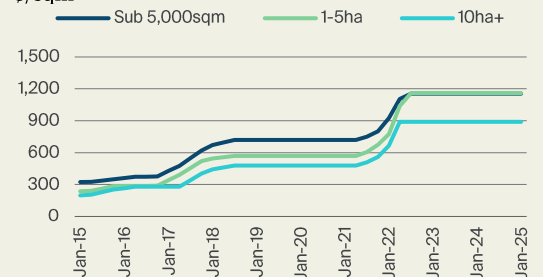
\$/sqm



Source: Knight Frank Research

South West land values

\$/sqm



Source: Knight Frank Research

Inner West

Solid demand for inner west properties

114k

Sqm leasing take-up in 2024

61k

Sqm vacancy in Q4
Share of 11% total vacancy

\$224/sqm

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

15.8%

Prime incentive
Up by 463 bps q/q

75k

Sqm new supply forecast in 2024

5.25%

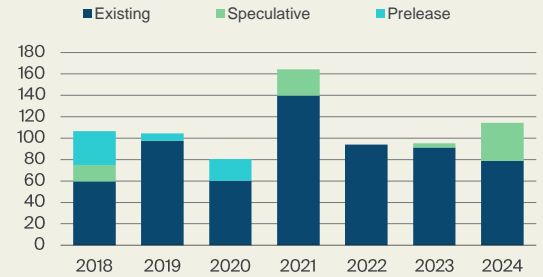
Prime yield
Stable q/q
Stable y/y

KEY TRENDS

- While leasing momentum has eased in other precincts, leasing volume in Inner West was up by 20% y/y and totalled 114,379 sqm in 2024. This was aided by strong leasing activity in Brookfield's new developed Connect Central Sydney Logistics Estate.
- Vacancy rose to 61,420 sqm in Inner West.
- Average net face rents reported at \$224/sqm for prime and \$176/sqm for secondary. Incentives have surged from 8.3% in the middle of the year to 15.8% in Q4 2024.
- Connect Central Sydney Logistics, Villawood, as the major development of the year in Inner West, brought c.64,000 sqm of new space to the market which has seen high commitments.
- New developments in 2025 is anticipated to total 75,000 sqm including 30% pre-committed space.
- Yields remain steady at 5.25% for prime and 6.22% for secondary.

Inner West industrial take-up

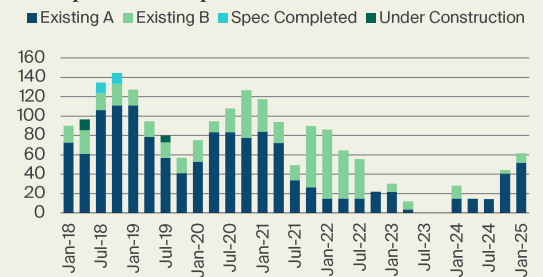
By lease type, '000 sqm



Source: Knight Frank Research

Inner West industrial vacancy

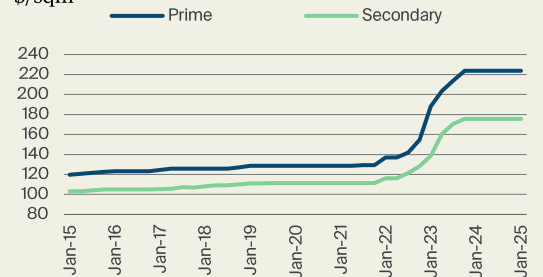
'000sqm available space



Source: Knight Frank Research

Inner West net face rents

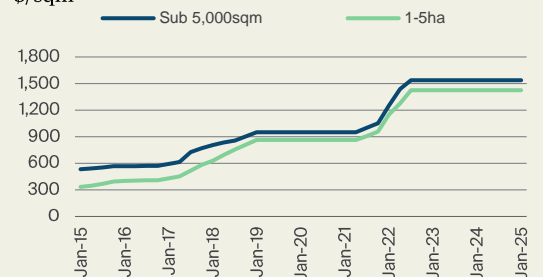
\$/sqm



Source: Knight Frank Research

Inner West land values

\$/sqm



Source: Knight Frank Research

South

Rents in South have surged to a new high

62k

Sqm leasing take-up in 2024

28k

Sqm vacancy in Q4
Share of 5% total vacancy

\$405/sqm

Prime net face rent
+5.3% q/q
+14.1% y/y

10.0%

Prime incentive
Stable q/q

56k

Sqm new supply forecast in 2025

4.88%

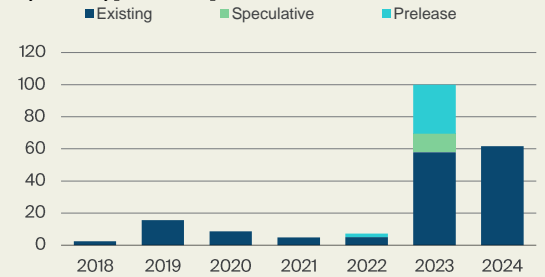
Prime yield
Stable q/q
Stable y/y

KEY TRENDS

- Despite the moderating occupier demand in 2024, take-up volumes in the South remains well above the historical average levels, totalling c.62,000 sqm over the year.
- Transport/logistics operators led the demand by accounting for 86% of leasing deals over the year. Logistics giants UPS, DHL and CEVA Logistics committed over 42,000 sqm in Banksmeadow and Matraville in 2024.
- Whilst vacancy has increased over the year, available space is still relatively restricted.
- Robust demand from logistics industry and limited availability lifted the net rents by 5.3% in Q4, raising the annual growth rate to 14.1%.
- Supply in 2024 added 63,625 sqm to the market, including multi-level facilities Ascent on Bourke by Goodman (27,500sqm) and Portal Matraville by Hale (27,500sqm).
- Yields are steady and average 4.88% for prime and 5.88% for secondary.

South industrial take-up

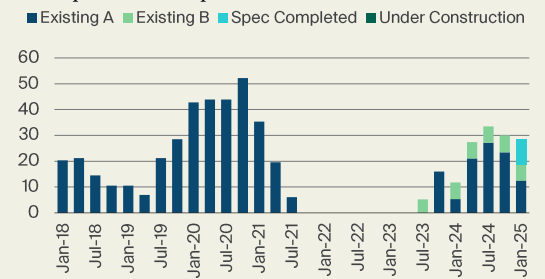
By lease type, '000 sqm



Source: Knight Frank Research

South industrial vacancy

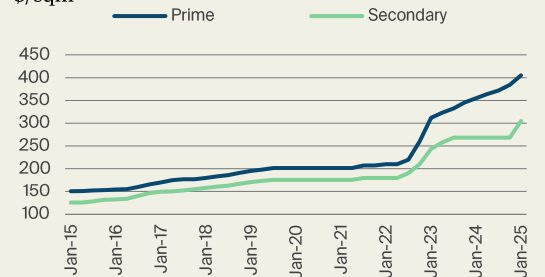
'000sqm available space



Source: Knight Frank Research

South Sydney net face rents

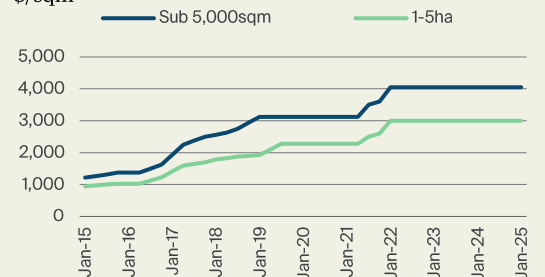
\$/sqm



Source: Knight Frank Research

South Sydney 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



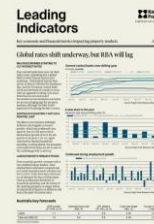
Sydney City Fringe Office Market



Sydney Industrial State of the Market



Sydney CBD Office State of the Market



Economic Indicators Report



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