

Sydney Industrial Precincts



Q2 2024

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

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Elevation at Greystanes, Prospect

Investment

Improving transaction volumes as Institutional investors acquire assets in sought-after locations

■ **5.25%**
Super prime yield
Stable q/q
Up by 50 bps y/y

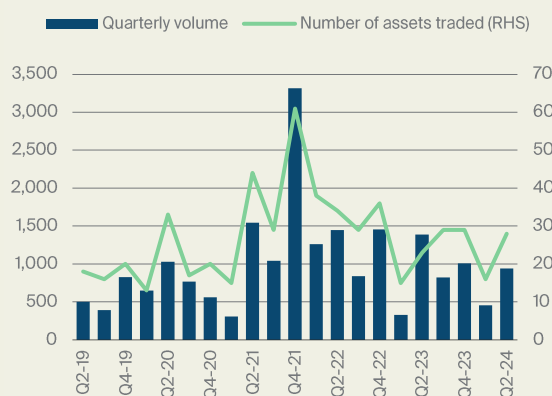
■ **5.46%**
Prime yield
Stable q/q
Up by 39 bps y/y

■ **6.38%**
Secondary yield
Stable q/q
Up by 62 bps y/y

KEY TRENDS

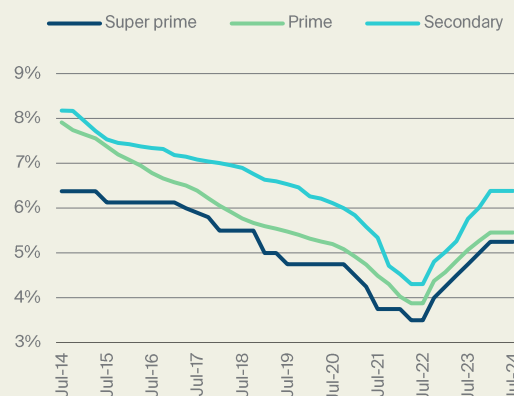
- Investment volume across Sydney ticked up in Q2, with 28 assets traded and \$939 million recorded, taking the half-year transaction turnover to \$1.4 billion.
- Recovering investment activity has been backed by institutional investors acquiring facilities in sought after locations. Significant transactions include Goodman buying 28-40 Lord St, Botany for \$170 million, 263 King St, Mascot for \$72 million and 247 King St, Mascot for \$75 million; Arrow Capital purchasing 7-15 Gundah Rd, Mt Kuring-gai for \$102 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.
- With the economic environment becoming clearer and more encouraging, institutional investors are back to acquisition mode.
- Yields appear to have stabilised and are expected to hold firm over the remainder of 2024.

Sydney industrial investment volume
A\$ million (sales, A\$10m+)



Source: Knight Frank Research, RCA

Sydney industrial yields
By grade, average %



Source: Knight Frank Research

Recent Significant Sales

Property	Precinct	Price (\$m)	Size (sqm)	\$/sqm	Purchaser	Vendor	Yield (%)	WALE
28-40 Lord St, Botany	South	170.0	31,923	5,325	Goodman	Dexus	6.14	4.7
7-15 Gundah Rd, Mt Kuring-gai	North	101.8	32,844	3,100	Arrow Capital	ESR JV GIC	6.28	2.5
247 King St, Mascot	South	75.0	10,852	6,911	Goodman	Pittwater Industrial	5.50	0.3
133 Vanessa St, Kingsgrove	South West	55.8	13,102	4,255	Blackstone	Charter Hall	5.88	0.7
275 Kurrajong Rd, Prestons	South West	40.0	9,197	4,349	Bachechi Bros.Realty Inc	Fife Capital	5.25	9.5

Outer West

Solid demand for speculative space despite easing leasing activity

58k

Sqm leasing take-up in Q2

Spec development accounted for 40%

118k

Sqm vacancy in Q2

Up by 17% q/q

\$203/sqm

Prime net face rent

Stable q/q

Up by 2.5% y/y

10.8%

Incentives for both prime and secondary

Stable q/q

619k

Sqm new supply expected in 2024

42% completed in H1

5.50%

Prime yield

Stable q/q

Up by 45 bps y/y

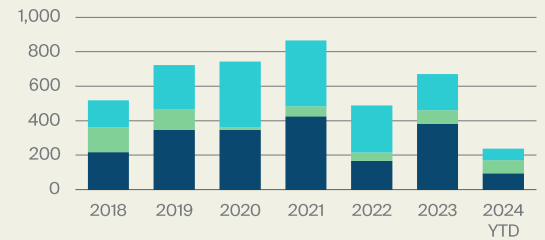
KEY TRENDS

- Take-up volume fell to a year low at 57,517 sqm in Q2, consisting of 40% speculative deals backed by DB Schenker securing c.17,400 sqm speculative space in Oakdale West Industrial Estate.
- Vacancy rose 17% over the quarter to c.118,000 sqm, accounting for 47% overall vacancy in Sydney.
- Net face rents have held flat since Q4 2023, with prime rent standing at \$203/sqm and secondary at \$168/sqm.
- The first half of 2024 saw c.261,000 sqm of new space delivered to the market. With a further 358,000 sqm under construction, the new development in 2024 is expected to achieve the historical high of 619,356 sqm.
- Completions in Q2 include WH3 in Elevation at Greystanes (28,000 sqm) and WH9 in Aspect Industrial Estate (65,000 sqm)
- Yields stabilised at 5.50% for prime and 6.45% for secondary.

Outer West industrial leasing take-up

'000sqm by type

Existing Speculative Pre-release

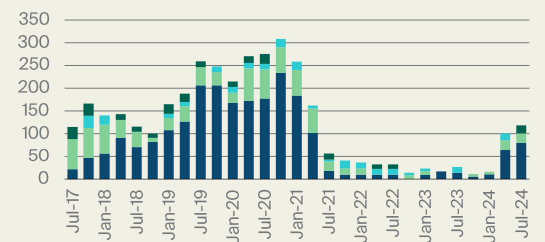


Source: Knight Frank Research

Outer West vacancy

Available space by type, '000sqm

Existing A Existing B Spec Completed Under Construction

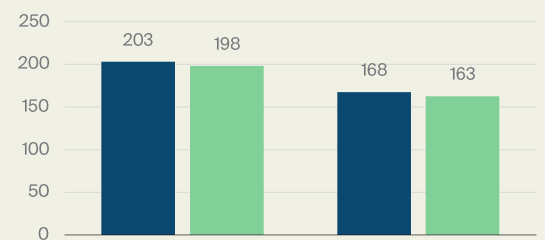


Source: Knight Frank Research

Outer West industrial rents

\$/sqm net face

Q2-24 Q2-23

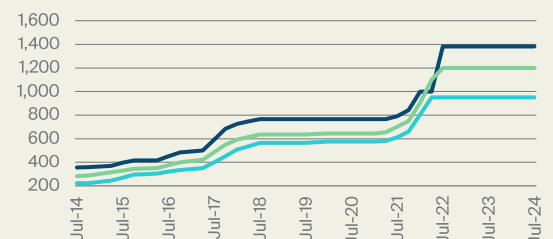


Source: Knight Frank Research

Outer West industrial land values

\$/sqm

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



Source: Knight Frank Research

South West

Rising vacancy presenting opportunity for occupiers

47k

Sqm leasing take-up in Q2

27% below 5-year average

83k

Sqm vacancy in Q2

Down by 2% q/q

\$190/sqm

Prime net face rent

Stable q/q

Up by 2.7% y/y

11.6%

Prime incentive

Stable q/q

Up by 200 bps y/y

113k

Sqm new supply expected in 2024;

63% completed in H1

5.65%

Prime yield;

Stable q/q

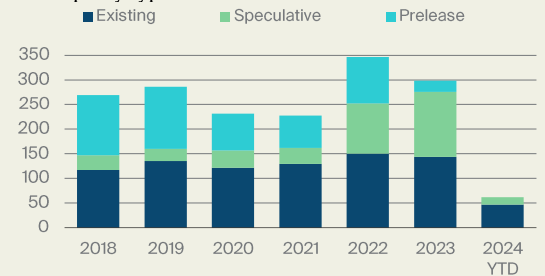
Up by 60 bps y/y

KEY TRENDS

- Leasing volume in Q2 totalled 46,866 sqm, comprising 31% speculative deals and 69% of existing space.
- Tenant demand in Q2 was led by manufacturers and wholesalers, taking up a combined 58% of space over the quarter. This includes Cosentino committing c.13,000 sqm in Crossroads Logistics Centre, Casula.
- Total available space was reported at a similar level in Q1 at c.83,000 sqm, while the existing prime vacancy lifted by 28% in Q2.
- Net rent averaged \$190/sqm for prime and \$115/sqm for secondary, with incentives holding at 11.6% and 12.0% respectively.
- Over 71,000 sqm new space has been brought to the market in H1 2024, including preleased WH9 (c.23,000sqm) at Moorebank Intermodal Precinct. The further 41,000 sqm under construction will bring the development pipeline in 2024 to over 113,000 sqm.
- Yields have held stable over the quarter at 5.65% for prime and 6.38% for secondary.

South West industrial leasing take-up

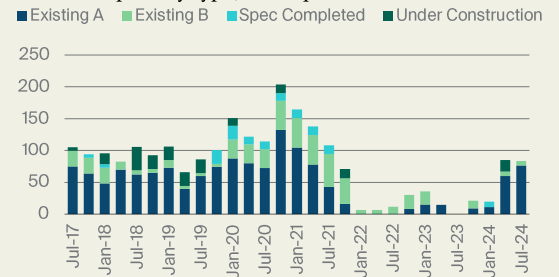
'000sqm by type



Source: Knight Frank Research

South West vacancy

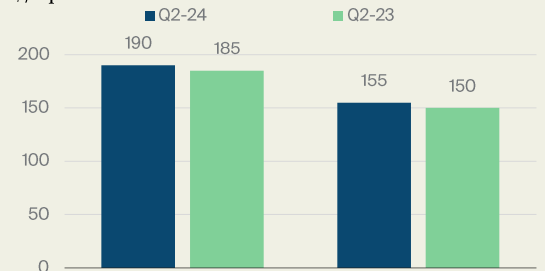
Available space by type, '000sqm



Source: Knight Frank Research

South West industrial rents

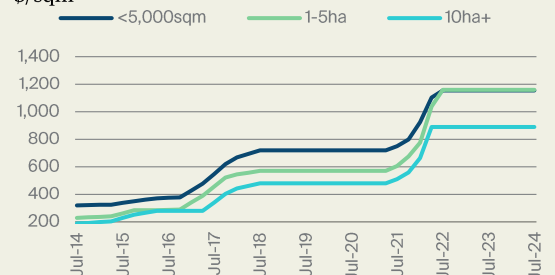
\$/sqm net face



Source: Knight Frank Research

South West industrial land values

\$/sqm



Source: Knight Frank Research

Inner West

The only precinct vacancy remains lows

44k

Sqm leasing take-up in Q2
74% above 3-year average

\$214/sqm

Prime net face rent
Stable q/q
Up by 4.9% y/y

70k

Sqm new supply expected in 2024
25% lower than 2023

14k

Sqm vacancy in Q2
Stable q/q
59% below 3-year average

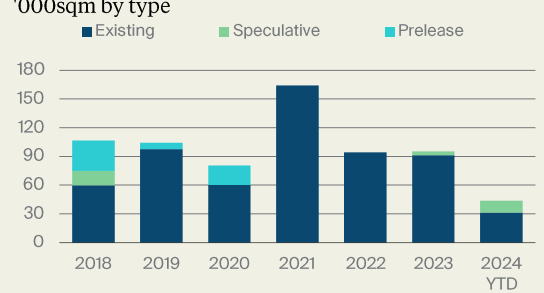
8.3%

Prime incentive
Stable q/q
Stable y/y

5.25%

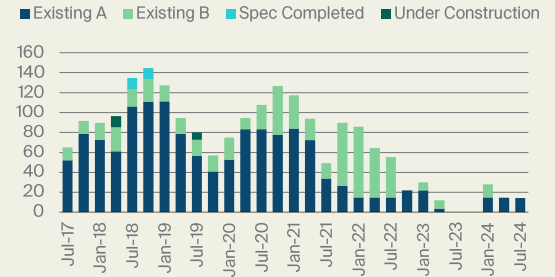
Prime yield;
Stable q/q
Up by 25 bps y/y

Inner West industrial leasing take-up



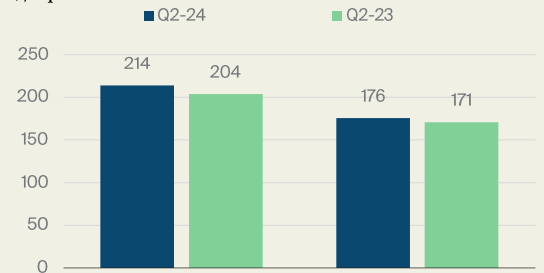
Source: Knight Frank Research

Inner West vacancy Available by space, '000sqm



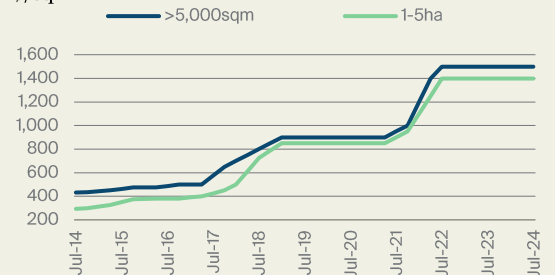
Source: Knight Frank Research

Inner West industrial rents \$/sqm net face



Source: Knight Frank Research

Inner West industrial land values \$/sqm



Source: Knight Frank Research

KEY TRENDS

- Leasing activity in Q2 recorded 43,672 sqm, well above the 3-year average of 25,000 sqm.
- Manufacturing, as the most active sector over the quarter, contributed 46% of total take-ups, supported by Pac Trading taking c.11,200 sqm in Goodman's Rosehill Industrial Estate.
- The robust leasing demand kept the vacancy at the lowest among precincts. With vacancies normalising in other submarkets, available space in Inner West remains well below the 3-year average.
- Average prime net face rent reported at \$214/sqm. Secondary rent averaged at \$176/sqm. Incentives across both prime and secondary grades averaging at 8%
- Two major developments – WH A1-A3 in Chullora Distribution Centre and 2 Christina Road, Villawood are taking the pipeline to c. 70,000sqm in 2024.
- Yields averaged 5.25% for prime and 6.22% for secondary.

South

Multi-storey warehouses lead the supply pipeline in 2024

12k

Sqm leasing take-up in Q2

65 % above 5-year average

34k

Sqm vacancy in Q2

Up by 22% q/q

\$328/sqm

Prime net face rent

Stable q/q

Up by 5.6% y/y

5.0%

Prime incentive

Stable q/q

Stable y/y

64k

Sqm new supply expected in 2024

15% completed in H1

4.88%

Prime yield

Stable q/q

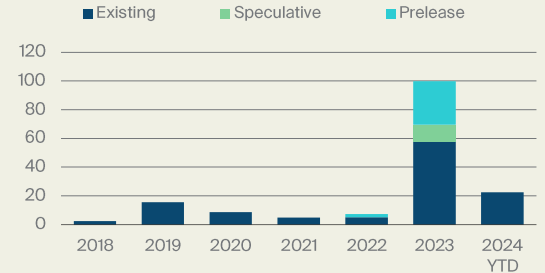
Up by 24 bps y/y

KEY TRENDS

- Occupier demand in the 'last mile' precinct has been dominated by transport/logistic operators.
- Availability increased by 22% over the quarter to 33,500 sqm, the highest vacancy level in three years.
- Premium rents are still achieved in the precinct, with current prime rental spreads to Other West at 38%, South West at 42% and Inner West at 35%.
- Prime net face rents averaged \$328/sqm and secondary averaged \$268/sqm. Incentives averaged 5% for prime and 8% for secondary.
- Supply additions in 2024 are expected to reach 65,407sqm, of which, multi-level facilities Ascent on Bourke and Portal will see 27,500sqm and 17,600sqm on the market.
- Completions in H1 2024 include WH2 (c.10,000sqm) in MCP28, Banksmeadow.
- Yields averaged 4.88% for prime and 5.88% for secondary.

South industrial leasing take-up

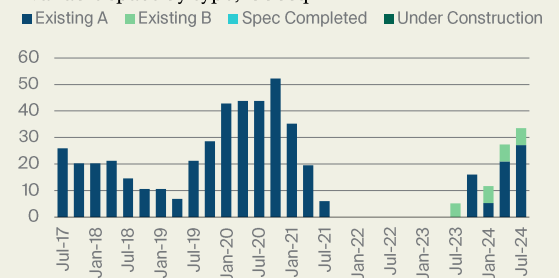
'000sqm by type



Source: Knight Frank Research

South Sydney vacancy

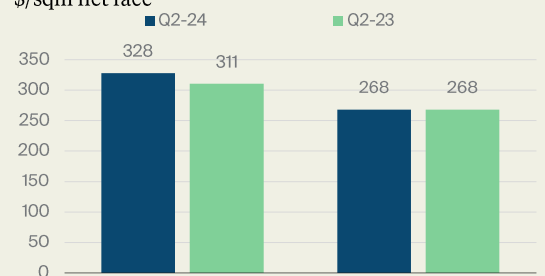
Available space by type, '000sqm



Source: Knight Frank Research

South industrial rents

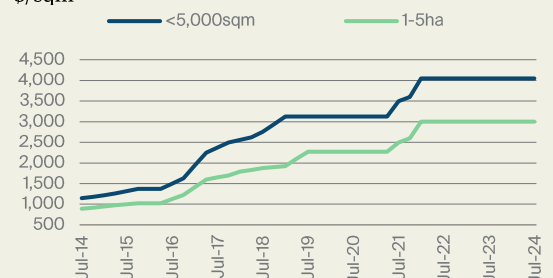
\$/sqm net face



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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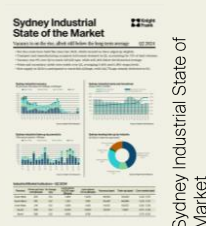
Recent Research



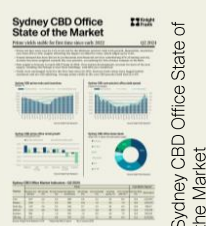
Australian Industrial Review



Sydney City Fringe Office Market Report



Sydney Industrial State of the Market



Sydney CBD Office State of the Market



Economic Indicators Report



Australian Horizon Report



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