

SYDNEY INDUSTRIAL VACANCY Q1 2019

Available stock 40% below historical average.

- Total vacant stock declined by 13% over the quarter to measure 354,530 sq m, whilst on an annual basis available stock has remained relatively stable, increasing by 3% YoY. Ongoing demand from logistics, particularly 3PLs and retail trade sectors, continues to be a catalyst for below-average availability levels.
- The Outer West and Inner West precincts dominate the level of vacant stock, accounting for 56% and 27% respectively. Both the South West and South Sydney recorded their tightest vacancy levels on record.
- Robust first quarter results saw take-up volumes reach 130,311 sq m, its strongest quarter since Q1 2018. This was also a significant increase from the previous quarter which saw only 54,532 sq m leased. Take-up volumes were evenly distributed within the Western Sydney precincts, including the Outer West (29%), South West (31%) and Inner West (37%).
- The strong take-up trends continue to buoy developers confidence and appetite for speculative projects, with 48,233 sq m of speculative stock currently on the market. A further 180,000 sq m of speculative stock is earmarked for development over the next 12 months.

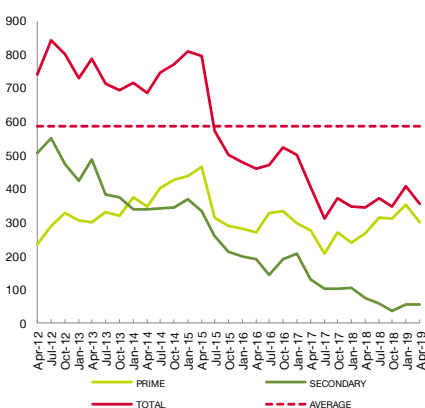


MARCO MASCITELLI
Senior Analyst

TABLE 1
Sydney Industrial Available Space 5,000m²+ as at April 2019

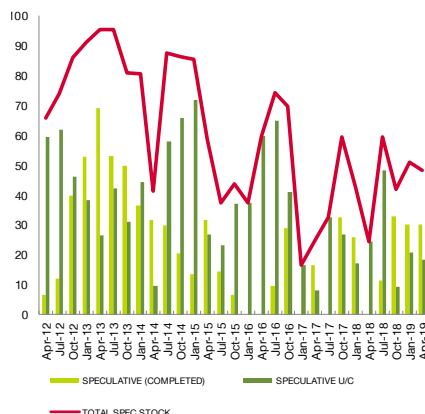
Precinct	Available Space m ²	No. of Buildings	Av Asking Rent \$/m ² net	Change Past Qtr (m ²)	Change Past Year (m ²)	Building Quality Prime %	Secondary %
Outer West	198,588	17	111	23,393	55,365	83	17
South West	54,589	6	108	-40,455	-27,810	92	8
Inner West	94,423	11	130	-32,757	-2,048	83	17
South	6,930	1	175	-3,639	-14,292	100	0
Total	354,530	35	118	-53,458	11,215	85	15

FIGURE 1
April 2019 Available Space
'000sqm available space by quality



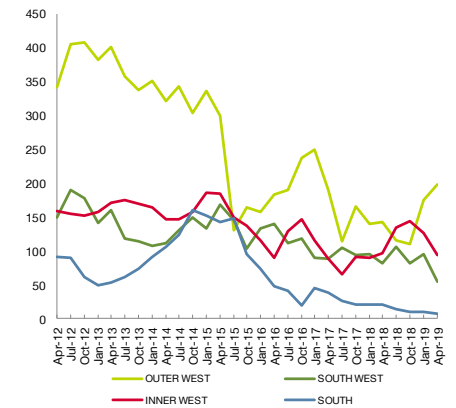
Source: Knight Frank Research

FIGURE 2
Speculative Stock
000m² - April 2012 to April 2019



Source: Knight Frank Research

FIGURE 3
Location of Vacant Stock
'000sqm Available Space by Region

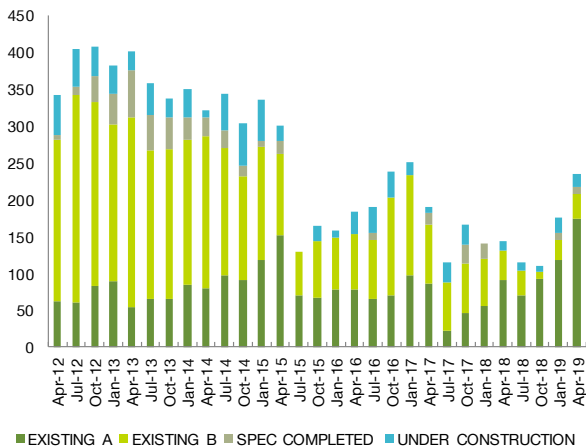


Source: Knight Frank Research

Outer West

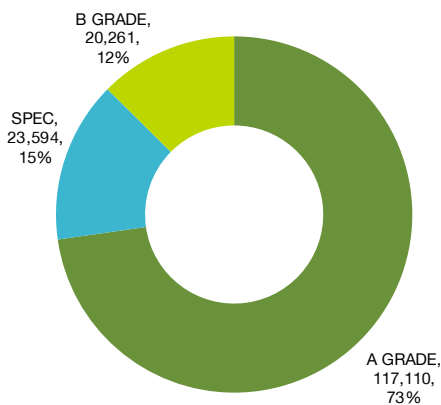
- Vacant space currently totals 198,588 sq m, a 13% increase on the previous quarter. This represents 56% of total vacant stock across all precincts surveyed.
- Available speculative stock currently totals 27,292 sq m. A further 120,000 sq m of speculative stock is expected to reach practical completion by the end of 2019, including Charter Hall's Compass Logistics Centre at Eastern Creek (32,000 sq m).
- Take-up in the precinct over the quarter represented 29% of the total Sydney market take-up with 37,646 sq m leased. GPTs speculative development at Lot 21 Old Wallgrove Road, Eastern Creek (15,000 sq m) has been leased to ACR Supply Partners.

FIGURE 4
Outer West Available Space
'000sqm space by type



Source: Knight Frank Research

FIGURE 5
Outer West Annual Take-up
12 months to April 2019

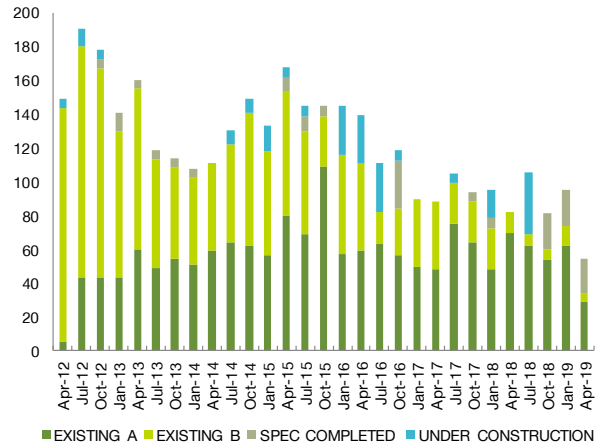


Source: Knight Frank Research

South West

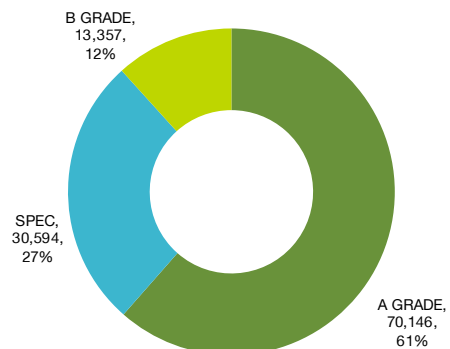
- Available space decreased by 43% over the quarter to measure 54,589 sq m, its lowest level on record.
- Prime vacant stock dominates the precinct, accounting for 92% of available space.
- Take-up for the quarter totalled 40,455 sq m across four assets, bringing annual take-up volumes to 114,097 sq m.
- Over 80,000 sq m of speculative and existing stock is set to become available over the next six months. This is expected to bolster availability levels in the South West, which has traditionally been tightly held.

FIGURE 6
South West Available Space
'000sqm space by type



Source: Knight Frank Research

FIGURE 7
South West Annual Take-up
12 months to April 2019

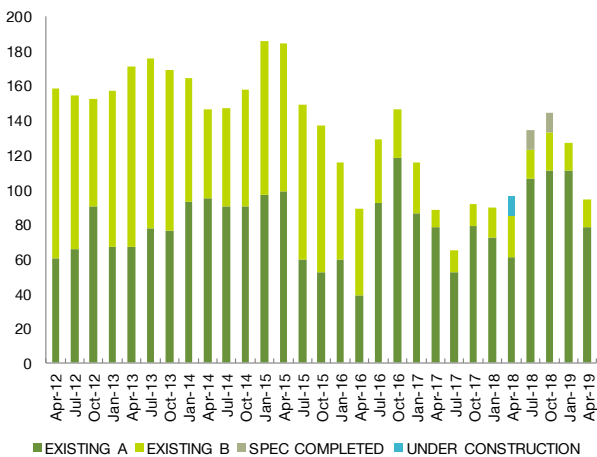


Source: Knight Frank Research

Inner West

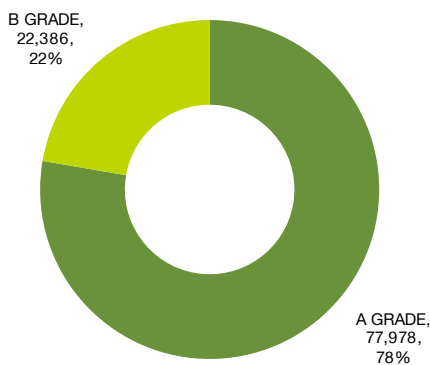
- Vacant stock has decreased by 26% over the quarter to measure 94,423 sq m, its lowest level since January 2018.
- Take-up over the quarter measured 48,591 sq m, the strongest level of take up since July 2017 for the precinct. A large portion of 55 Kirby Street, Rydalmere (18,207 sq m) was leased, headlining the take-up levels for the precinct.
- 15 Berry Street, Granville (10,025 sq m) and Unit 7B, 81-85 Roberts Road, Chullora (5,809 sqm) were the new additions over the quarter.

FIGURE 8
Inner West Available Space
'000sqm space by type



Source: Knight Frank Research

FIGURE 9
Inner West Annual Take-up
12 months to April 2019

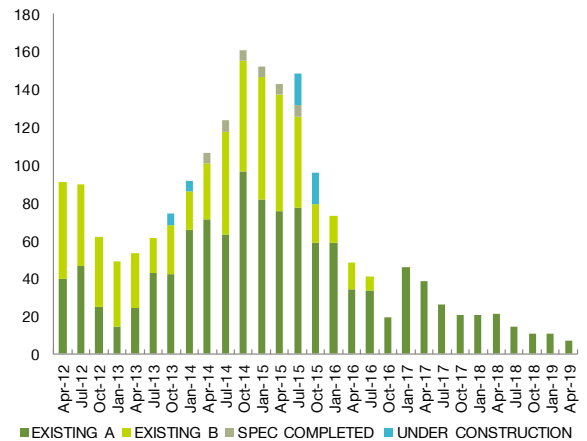


Source: Knight Frank Research

South

- Availability has declined to its lowest level on record with only 6,930 sqm now available at Goodman's Perry Park Industrial Estate.
- Goodman's 546 Gardeners Road development is currently under construction and set for completion mid 2019, This is expected to add 8,572 sq m to the precinct.
- 21,222 sq m of absorption has been recorded over the past 12 months. Whilst leasing activity has been subdued relative to the previous period, this has been due to the lack of stock rather than the lack of demand.

FIGURE 10
South Available Space
'000sqm space by type



Source: Knight Frank Research

FIGURE 11
South Annual Take-up
12 months to April 2019



Source: Knight Frank Research

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Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Sydney Industrial Property Market. The analysis only includes building vacancies which meet the following criteria. 1. The sample data includes buildings with a minimum floor area of 5,000m². 2. Buildings are categorized into the below three types of leasing options. A) Existing Buildings – existing buildings for lease. B) Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant. C) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

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