

SYDNEY INDUSTRIAL VACANCY Q1 2020

Vacancy has increased by 10% over the quarter, as a result of below trend absorption levels.

- The COVID-19 outbreak has resulted in a significant slowing of leasing market momentum over the first quarter of 2020 with absorption levels totalling 77,611 sq m, almost half the long term average.
- Total vacant stock increased by 10% over the quarter to record 530,827 sq m, although still below the long term average. Limited absorption levels over the quarter in conjunction with a number of large 10,000 sq m + warehouses becoming available have been the key contributors.
- The Outer West and South West precincts dominate the level of vacant stock, accounting for 51% and 23% respectively. The Outer West precinct recorded its highest level of available space in five years with 270,544 sq m now vacant in the precinct.
- Absorption over the quarter was well below the historical average with 77,611 sq m leased, whilst on an annual basis 388,648 sq m was leased. Take-up volumes were concentrated in the Outer West (46%), followed by the Inner West (24%), South West (22%) and South Sydney (8%).
- Whilst activity in the short term may be limited, in the longer term the virus will have a bigger impact on traditional bricks-and-mortar retail as it accelerates the trend towards online shopping and expands opportunities for warehouse and distribution services to those business that have yet to adapt and offer an online service, as well as potentially integrate automation tools into their supply-chain.



KATY DEAN
Associate Director

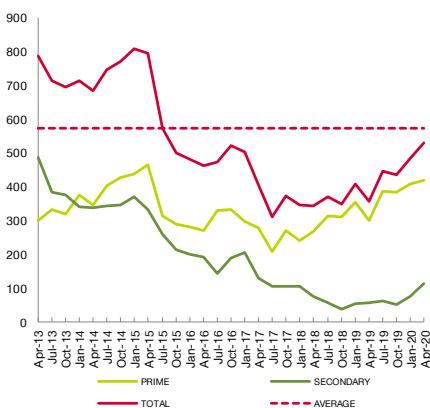


MARCO MASCITELLI
Senior Analyst

TABLE 1
Sydney Industrial Available Space 5,000m²+ as at April 2020

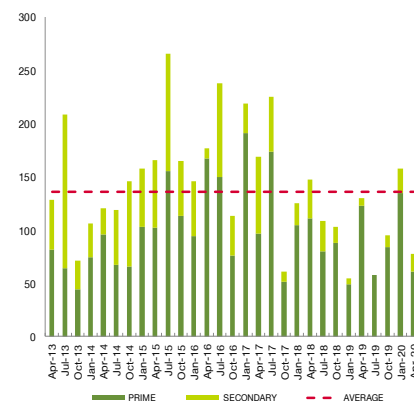
Precinct	Available Space m ²	No. of Buildings	Av Asking Rent \$/m ² net	Change Past Qtr (m ²)	Change Past Year (m ²)	Building Quality Prime %	Secondary %
Outer West	270,544	24	116	56,020	82,736	74	26
South West	121,803	13	115	-29,016	55,972	76	24
Inner West	94,632	11	131	-19,620	209	88	12
South	43,848	5	198	1,025	36,918	100	0
Total	530,827	53	126	47,649	174,835	79	21

FIGURE 1
April 2020 Available Space
'000sqm available space by quality



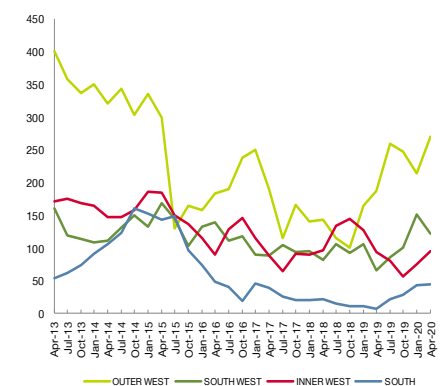
Source: Knight Frank Research

FIGURE 2
Gross Absorption
000m² - Apr 2013 to Apr 2020



Source: Knight Frank Research

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

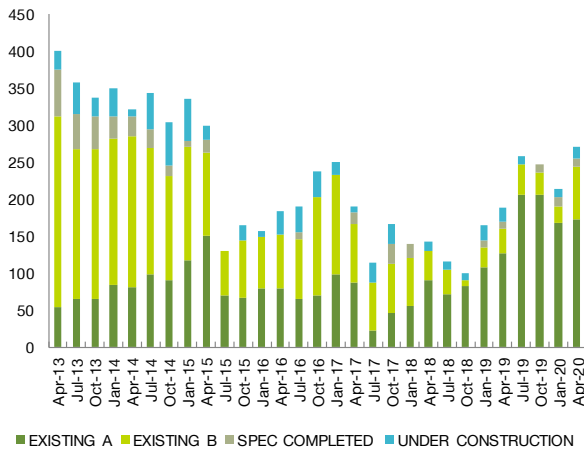


Source: Knight Frank Research

Outer West

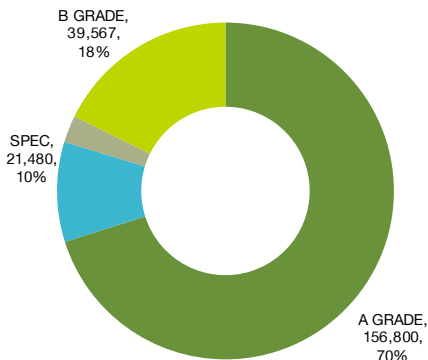
- Vacant space currently totals 270,544 sq m, a 26% increase on the previous quarter. This highest level of available space in the precinct since April 2015.
- Prime vacant stock accounts for 74% across the precinct. Goodman’s speculative development at 5 Entolasia Close (15,211 sq m), part of the Oakdale South Industrial Estate, is now complete and available for lease.
- Take-up in the precinct over the quarter represented 46% of the total Sydney market take-up, with 29,844 sq m leased. FDM warehousing has taken a short term lease at 50 Eastern Creek Drive (12,013sqm).

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 2020

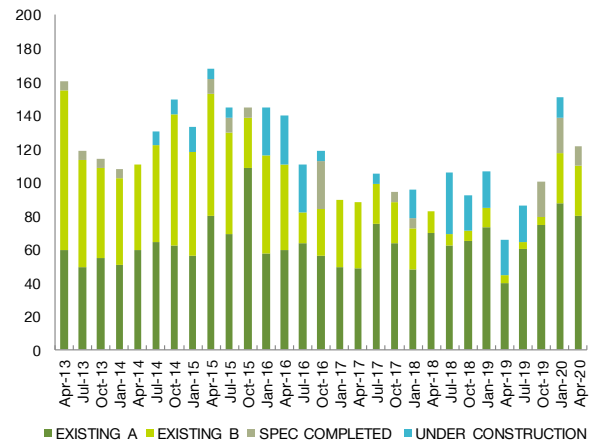


Source: Knight Frank Research

South West

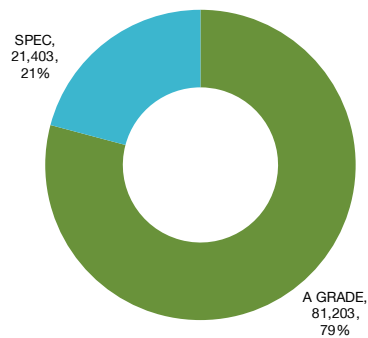
- Available space declined over the quarter to measure 121,803 sq m, a 19% reduction over the quarter. Prime stock accounts for 76%.
- Take-up for the quarter totalled 36,888 sq m, with an annual take-up of 102,606 sq m. Stockland’s WH3 at Ingleburn Logistics Park has now been leased.
- ISPT/Aliro Group are developing the Kookaburra Logistics Estate in Prestons. It is due to be completed towards the end of the year and will deliver 33,000 sq m of prime industrial space.

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 2020

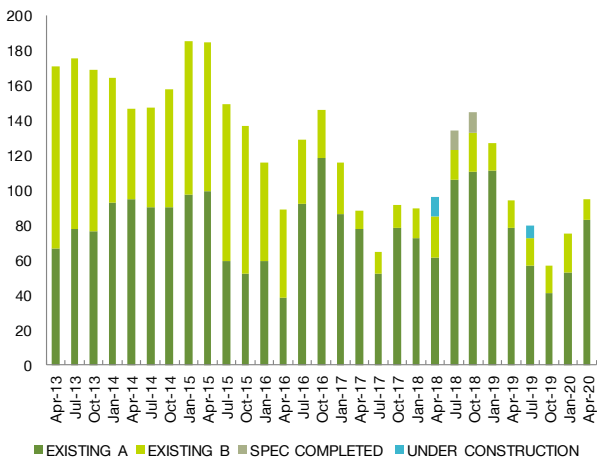


Source: Knight Frank Research

Inner West

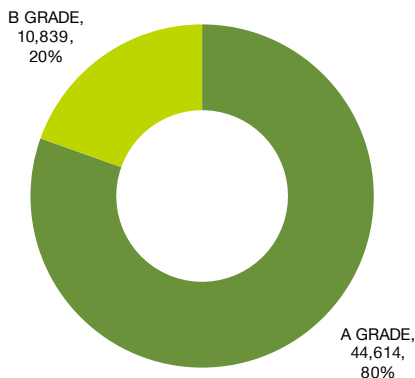
- Vacant stock has increased by 26% over the quarter to measure 94,632 sq m, its lowest level on record. The previous headquarters for Jaycar Australia at 318-322 Victoria Road, Rydalmere (20,217 sq m) is now for lease.
- Take-up over the quarter measured 10,839 sq m, taking annual take up to 100,364 sq m.
- Loop Logistics Park in South Granville, being developed by Dexus, is currently under construction and achieved a pre-lease to E-commerce supply chain group Winit Trade in Warehouse 2, across 20,500 sq m.

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 2020

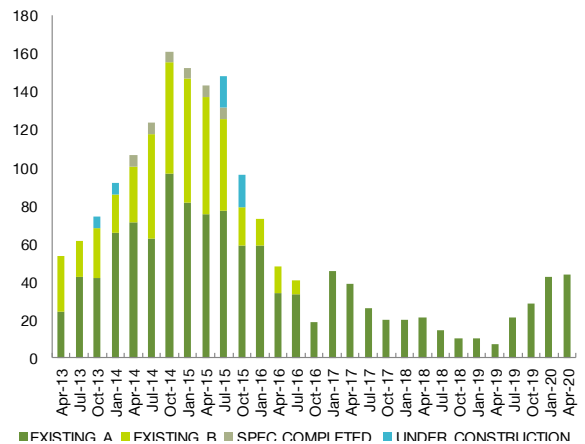


Source: Knight Frank Research

South

- Availability has remained steady over the quarter with 43,848 sq m available across five buildings. This is the largest amount of vacant space in the precinct since April 2016.
- All available assets within the South precinct are prime grade.
- Goodman's 46B Euston Road (6,525 sq m) was the only new asset to become available over the quarter.
- There has been no take-up over the last two quarters for assets (5,000 sq m+).

FIGURE 10
South Available Space
'000sqm space by type



Source: Knight Frank Research

FIGURE 11
South Annual Take-up
12 months to April 2020



Source: Knight Frank Research

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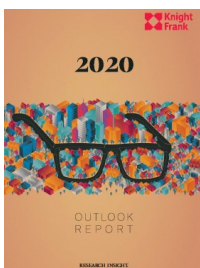
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Methodology:

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 6 months.

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