

SYDNEY INDUSTRIAL VACANCY OCTOBER 2018

Vacant stock tightens to 12 month low.

- Total vacant stock declined by 11.5% over the quarter to measure 345,545 sq m, whilst on an annual basis vacancy has declined by 9.0%. Limited supply and strong tenant demand from 3PL and transport operators have been the key contributors.
- The Inner West precinct dominates vacant stock accounting for 40% whilst the Outer West and South West precincts account for 28% and 29% respectively. The limited space available in the South Sydney region is due to constrained land supply and owners opting for residential re-developments.
- Absorption over the quarter was well below the historical average with 102,821 sq m leased, whilst on an annual basis 465,968 sq m was leased. Prime stock accounted for 78% of take up over the past 12 months, partly due to new developments and speculative stock coming to the market.
- The speculative market remains robust with 114,932 sq m across 10 buildings leased over the past 12 months. With approximately 45,000 sq m of speculative developments all within the Outer West precinct earmarked for completion over the next six months we anticipate this to be well received by the market.

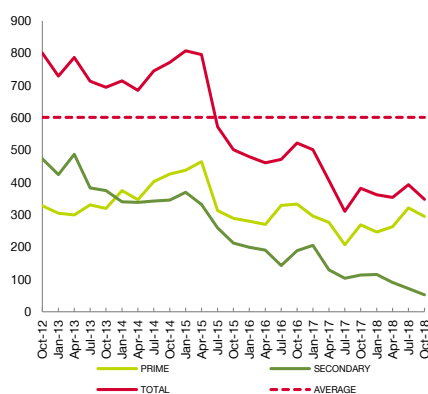


MARCO MASCITELLI
Senior Analyst

TABLE 1
Sydney Industrial Available Space 5,000m²+ as at October 2018

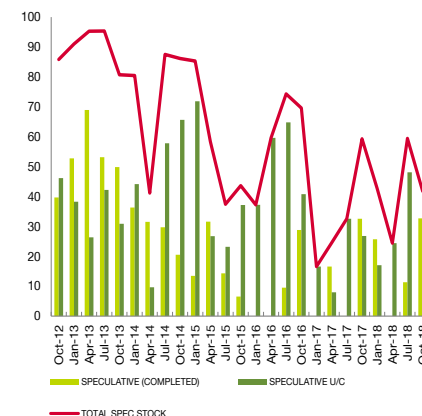
Precinct	Available Space m ²	No. of Buildings	Av Asking Rent \$/m ² net	Change Past Qtr (m ²)	Change Past Year (m ²)	Building Quality Prime %	Secondary %
Outer West	98,358	11	110	-33,373	-77,769	81	19
South West	99,111	11	110	-24,053	5,090	88	12
Inner West	139,507	13	130	16,122	47,978	84	16
South	10,569	2	170	-4,001	-9,745	100	0
Total	347,545	37	119	-45,305	-34,446	85	15

FIGURE 1
October 2018 Available Space
'000sqm available space by quality



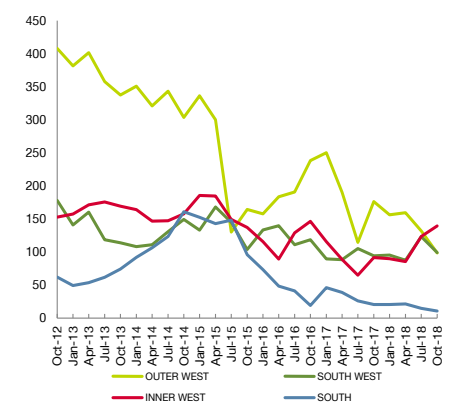
Source: Knight Frank Research

FIGURE 2
Speculative Stock
000m² - October 2012 to October 2018



Source: Knight Frank Research

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

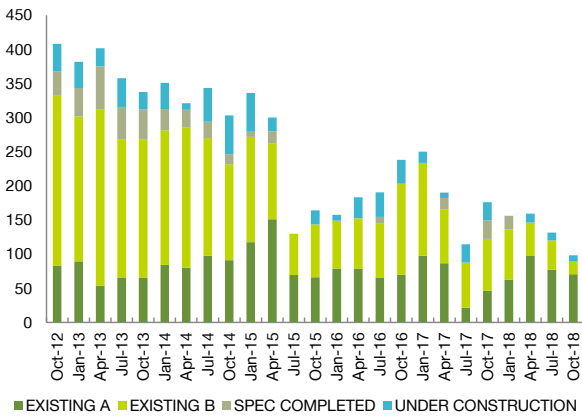


Source: Knight Frank Research

Outer West

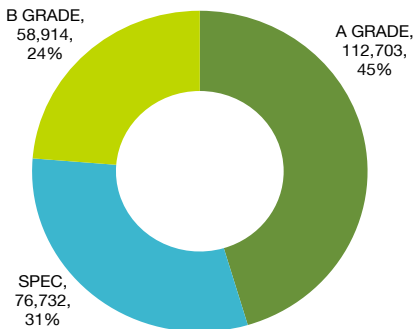
- Vacant space currently totals 98,358 sq m, its lowest level on record and a 44% reduction YoY.
- Over 45,000 sq m of speculative stock is anticipated to come online over the next six months, including Dexus' Quarry at Greystanes (c35,000sq m)
- Take-up in the precinct over the quarter represented 69% of the total Sydney market take-up with 59,911 sq m leased. GPTs speculative development at 1B Huntingwood Drive, Huntingwood (11,260 sq m) has been leased to Cahill Transport on a five year term.

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



Source: Knight Frank Research

FIGURE 5
Outer West Annual Take-up
12 months to October 2018

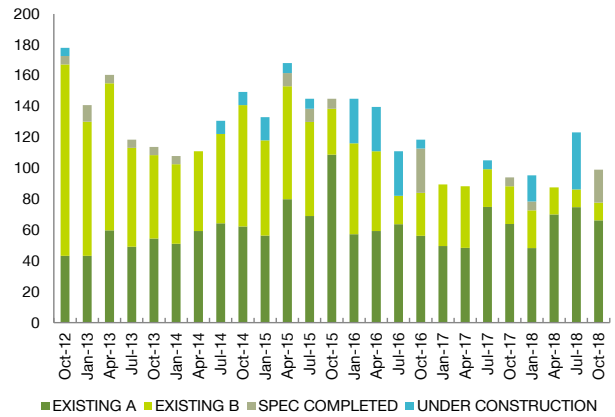


Source: Knight Frank Research

South West

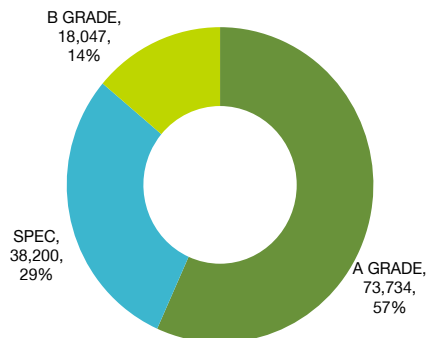
- Available space decreased by 19.5% over the quarter to measure 99,111 sq m, this being below the series average of 128,281 sq m.
- Prime vacant stock dominates the precinct accounting for 88% of the available space.
- Take-up for the quarter totalled 32,009 sq m across four assets taking annual take-up to 129,981 sq m.
- Speculative take-up for the quarter represented over 50% of absorption for the period with 15,500 sq m leased at Stockland's Ingleburn Logistics Park

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



Source: Knight Frank Research

FIGURE 7
South West Annual Take-up
12 months to October 2018

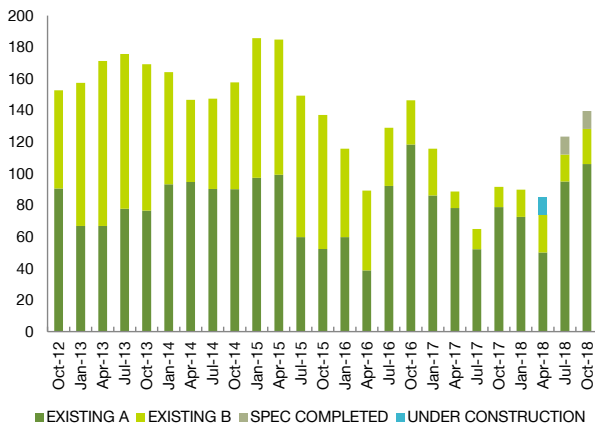


Source: Knight Frank Research

Inner West

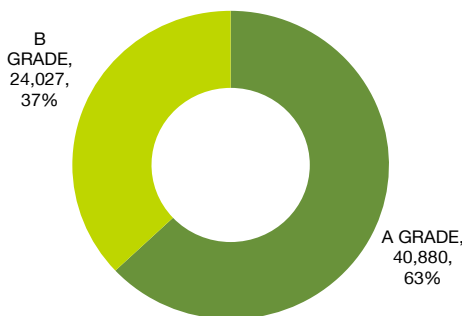
- Vacant stock has increased by 52% in the 12 months to October 2018 to record 139,507 sq m.
- Charter Hall’s speculative development; Building 4, 2 Hume Highway, Chullora comprising of 11,205 sq m reached practical completion.
- Take-up over the quarter has been minimal with just one lease deal (6,900 sq m) taking annual take up to 64,907 sq m.
- Dexus owned asset, 391 Park Road, Regents Park (16,834 sq m) was the only asset to become available over the quarter in the Inner west.

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



Source: Knight Frank Research

FIGURE 9
Inner West Annual Take-up
12 months to October 2018

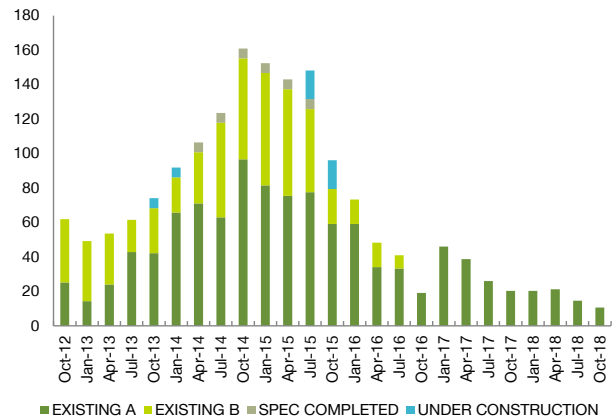


Source: Knight Frank Research

South

- Availability has declined by 48% over the last 12 months to measure 10,569 sq m across two properties
- Goodman’s Unit 9 at Discovery Industrial Estate has been the only property leased over the period.
- Whilst leasing activity has been subdued with only 22,731 sq m absorbed over the past 12 months 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 October 2018



Source: Knight Frank Research

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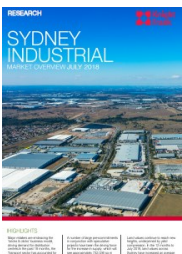
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Methodology:

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 12 months.

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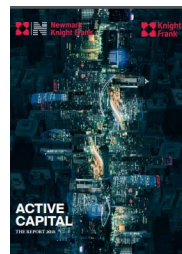
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