

SYDNEY INDUSTRIAL MARKETBEAT

MARCH 2018



55%

OF PURCHASING VOLUME
CAME FROM PRIVATE
CAPITAL IN 2017

10

LEASES >10,000
SQ M
(Q4 2017 - Q1 2018)

\$254_M

INVESTMENT
VOLUME Q1 2018

HIGHLIGHTS

Large leases from transport and logistics sector

Increased demand from the transport and logistics sector, largely in the Outer West precinct, have led to a number of large (>5,000sq m) lease deals. Notable recent deals include DB Schenker taking 50,000 sq m at Hoxton Park, AM solutions taking 31,515 sq m at Huntingwood, and WSI Logistics securing 20,389 sq m at Padstow.

After hiatus, privates back in acquisitive mode

REITs have dominated purchasing activity for the past few years. However, over the past 12 months Australian private investors have returned to the market. Leda Holdings and LOGOS have been two of the most active purchasers on this front. In the South Sydney precinct, LOGOS recently purchased 2-6 Moore Street, Banksmeadow for \$72.4m, marking the largest transaction of Q1 2018.

Lack of stock stifling investment volume

Rolling annual investment volume has trended lower for the best part of 3 years to record just \$869m in Q1 2018. The decline in transaction volume has coincided with a tightening in cap rates, as the average yields for all Sydney markets have now declined to be at or below 6.5%. Despite the persisting weight of foreign capital, limited stock availability and the current low yield environment has restricted activity.

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DATA
INTO
ACTION

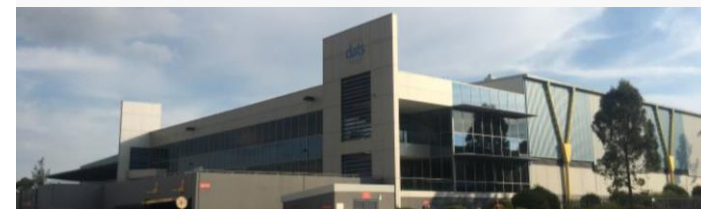
ECONOMIC INDICATORS

	Q3 17	Q4 17	12-Month Forecast
GDP Growth (National)*	2.3%	2.3%	▲
State Final Demand Growth (NSW)*	3.4%	2.9%	▲
Unemployment (NSW)†	4.7%	4.8%	▼

*Average annual growth rate, †Seasonally adjusted

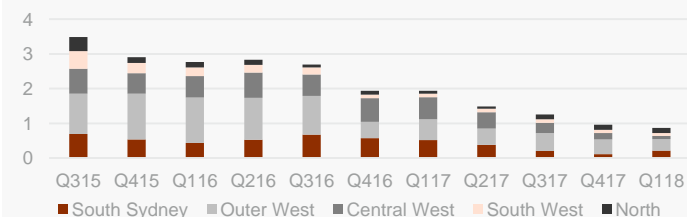
Source: ABS; Deloitte Access Economics; Cushman and Wakefield Research

FEATURE C&W LISTING



51 EASTERN CREEK DRIVE

ROLLING ANNUAL INVESTMENT VOLUME PER SUBMARKET (AUD Bn)



Source: Cushman & Wakefield Research; RCA



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SUBMARKET	PROPERTY TYPE	PRIME NET FACE RENT / SQ M	OUTGOINGS	AVG YIELD	SECONDARY NET FACE RENT / SQ M	OUTGOINGS	AVG YIELD
South Sydney	<4,000 sq m	\$190 - \$200	\$55 - \$65	6.00%	\$145 - \$150	\$45 - \$55	6.25%
	>4,000 sq m	\$175 - \$185	\$50 - \$60	6.00%	\$120 - \$130	\$50 - \$60	6.25%
Outer West	<4,000 sq m	\$115 - \$135	\$20 - \$25	6.25%	\$85 - \$110	\$20	7.50%
	>4,000 sq m	\$110 - \$120	\$20 - \$25	6.25%	\$85 - \$105	\$20 - \$25	7.50%
Central West	<4,000 sq m	\$130 - \$145	\$30 - \$35	6.25%	\$100 - \$115	\$30	6.50%
	>4,000 sq m	\$110 - \$135	\$30 - \$35	6.50%	\$95 - \$105	\$30 - \$35	6.50%
South West	<4,000 sq m	\$95 - \$125	\$17 - \$28	6.50%	\$70 - \$85	\$15 - \$25	7.00%
	>4,000 sq m	\$90 - \$120	\$17 - \$25	6.50%	\$70 - \$85	\$15 - \$25	7.50%
North Sydney	<4,000 sq m	N/A	N/A	N/A	\$180 - \$190	\$35 - \$52	6.38%

Source: Cushman & Wakefield Research

Average capital values – Building Area (\$ / sq m)

	<2,000 SQ M	2,000 – 5,000 SQ M	5,000 – 10,000 SQ M	>10,000 SQ M
South Sydney	\$3,900	\$3,400	\$2,900	\$2,400
Outer West	\$1,600	\$1,800	\$1,600	\$1,400
Central West	\$2,500	\$2,000	\$2,000	\$1,800
South West	\$1,200	\$1,400	\$1,200	\$1,100
North Sydney	\$3,250	\$2,900	N/A	N/A

Source: Cushman & Wakefield Research

Average capital values – Vacant Land (\$ / sq m)

	<2,000 SQ M	2,000 – 5,000 SQ M	5,000 – 10,000 SQ M	>10,000 SQ M
South Sydney	\$2,500	\$2,000	\$1,600	\$1,200
Outer West	\$650	\$600	\$550	\$500
Central West	\$1,000	\$1,000	\$1,000	\$600
South West	\$500	\$500	\$450	\$400
North Sydney	\$800	\$550	N/A	N/A

Source: Cushman & Wakefield Research

Key recent leasing transactions

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Hoxton Park	South West	DB Schenker	50,400	Direct
36 Huntingwood Drive, Huntingwood	Outer West	AM Solutions	31,515	Direct

Source: Cushman & Wakefield Research

Key investment transactions Q1 2018

PROPERTY	SUBMARKET	PURCHASER	AREA (SQ M)	PRICE (AUD)
2-6 Moore Street, Banksmeadow	South Sydney	LOGOS	44,000	72,400,000
8-10 Moore Street, Banksmeadow	South Sydney	Leda Holdings	18,500	36,000,000

Source: Cushman & Wakefield Research