

**3.8%** Y-O-Y increase for Vacant Land (>10,000SQM) – Outer West

**4.75%** Average Prime Yield – South

**\$230** Average Prime Net Face Rents (< 2,000SQM) - South

**ECONOMIC INDICATORS  
Q4 2019**

	Q319	Q4 19	12-Mo. Forecast
GDP Growth (National)*	2.0%	1.8%	▼
State Final Demand Growth (NSW)*	2.1%	1.4%	▼
Unemployment (NSW)†	4.5%	4.5%	▲

\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

**ECONOMY:**

The current COVID-19 pandemic has resulted in a high degree of uncertainty. The extent of the pandemic and its potential impact on the Australian economy remains unknown. However, current estimates from Deloitte Access Economics suggest a sharp downturn in Real GDP in the June and September quarters followed by a rebound in activity from the December quarter.

**RENTS:**

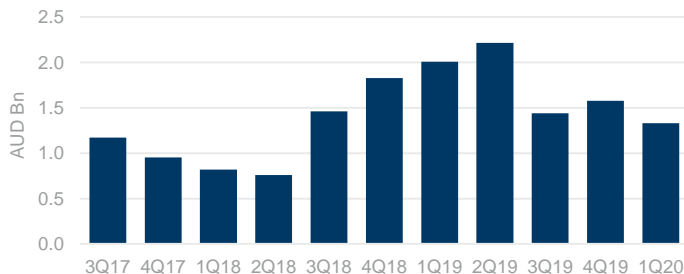
Prior to the COVID-19 pandemic, average prime net effective rents had steadied across Sydney, with only occupancies under 2,000 sqm in the Outer West (+4.9%) and South West (+2.5%) showing Year-on-Year (YoY) increases. Incentives in the Southern precinct of Sydney increased to 10% across all occupancy sizes resulting in a YoY decrease of 3.2% in net effective rents.

Social distancing measures associated with the COVID-19 pandemic initially resulted in a sharp drop in tenant enquiry, but a number of factors suggest tenant demand for Sydney industrial property can return relatively quickly. Enquiry levels are rising, particularly from e-commerce related industries, which have benefited strongly from the 'work-from-home' environment. While forecasts for a rebound in economic growth later in the 2020 and into 2021 point to a return of the tailwinds that have supported the industrial sector for the past few years, e.g. expansion of the logistics sector and the streamlining of supply chains to take advantage of technological innovation.

**PRICING:**

After a strong period of sales during Q4-2019, which included the \$397.8 million acquisition of the Arnott's Huntingwood plant and distribution centre by Charter Hall Prime Industrial Fund and Charter Hall Long WALE REIT. Industrial building sales for Q1 2020 comprised under 25% of the total volume of the preceding quarter with no single transaction recording in excess of \$20m. Over the past quarter a combination of continued demand and low interest rates maintained average prime yields ranging from 4.75% (in Southern Sydney) to 5.0% (in Central West Sydney). With the diminishing supply of industrial land in Sydney's Southern precinct, land values recorded year on year increases of 10% and 16% for small lot and large lot sizes respectively.

**ROLLING ANNUAL BUILDING INVESTMENT VOLUME (>\$5M)**



Source: Cushman & Wakefield Research; RCA

**FEATURE C&W LISTING**



Kemps Creek, Outer Western Sydney – 59ha land parcel

## MARKET STATISTICS\*

PRIME GRADE	Size Range	South	Central West	South West	Outer West	North West
NET FACE RENT	<2,000 sqm	\$220 - \$240	\$150 - \$200	\$130 - \$140	\$135 - \$140	\$130 - \$140
	2,000 - 5,000 sqm	\$210 - \$230	\$135 - \$150	\$125 - \$135	\$125 - \$140	\$120 - \$130
	5,000 -10,000 sqm	\$185 - \$205	\$130 - \$135	\$125 - \$130	\$125 - \$130	\$115 - \$125
	10,000 + sqm	\$170 - \$190	\$125 - \$135	\$110 - \$120	\$120 - \$130	\$110 - \$120
OUTGOINGS	<2,000 sqm	\$40 - \$70	\$25 - \$40	\$20 - \$30	\$25 - \$30	\$25 - \$35
	2,000 - 5,000 sqm	\$40 - \$70	\$25 - \$40	\$20 - \$30	\$25 - \$30	\$25 - \$35
	5,000 -10,000 sqm	\$40 - \$60	\$25 - \$40	\$20 - \$30	\$25 - \$25	\$25 - \$35
	10,000 + sqm	\$40 - \$60	\$25 - \$40	\$20 - \$30	\$25 - \$25	\$25 - \$35
NET INCENTIVES	<2,000 sqm	10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
	2,000 - 5,000 sqm	10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
	5,000 -10,000 sqm	10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
	10,000 + sqm	10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
AVG YIELDS	<2,000 sqm	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%
	2,000 - 5,000 sqm	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%
	5,000 -10,000 sqm	4.00% - 5.50%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%
	10,000 + sqm	4.00% - 5.50%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%
BUILDING CAPITAL VALUES	<2,000 sqm	\$4,950	\$4,950	\$3,300	\$3,300	\$4,950
	2,000 - 5,000 sqm	\$4,400	\$4,000	\$2,750	\$2,750	\$3,850
	5,000 -10,000 sqm	\$4,100	\$2,650	\$2,550	\$2,550	\$2,400
	10,000 + sqm	\$3,800	\$2,600	\$2,300	\$2,500	\$2,300
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$2,750	\$1,500	\$1,000	\$1,000	\$1,100
	2,000 - 5,000 sqm	\$2,200	\$1,250	\$800	\$800	\$900
	5,000 -10,000 sqm	\$1,800	\$1,000	\$650 - \$700	\$650 - \$700	\$650 - \$700
	10,000 + sqm	\$1,400	\$750 - \$850	\$650 - \$700	\$650 - \$700	\$650 - \$700

\* Market statistics were collected prior to the impact of the COVID-19 pandemic.

## KEY LEASE TRANSACTIONS Q4 2019 + Q1 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
The Loop - Bldg 2, 54 Ferndell Street	Central West	@Winit (AU) Trading	20,500	Pre-Commitment
28 Britton Street, Smithfield	Outer West	OzSale	12,910	Direct
Marsden Park Logistics Estate	Outer West	JB Hi-fi	11,640	Direct

## KEY SALES TRANSACTIONS Q4 2019 + Q1 2020

PROPERTY	SUBMARKET	PURCHASER / VENDOR	SQM	PRICE (AUD)
61 Huntingwood Drive, Huntingwood	Outer West	Charter Hall Group / KKR (Arnott's)	59,000	\$397,800,000
247 King Street, Mascot	South	Leda Holdings / N/A	10,852	\$48,000,000
56-62 Glendenning Road, Glendenning	North West	Charter Hall CLP / N/A	21,000	\$26,000,000

**JOHN SEARS**

Head of Research, Australia & New Zealand  
+61 2 82439973 / [John.Sears@cushwake.com](mailto:John.Sears@cushwake.com)

**ORLANDO MACIEL**

Head of Industrial – NSW  
+61 2 9224 8032 / [Orlando.Maciel@cushwake.com](mailto:Orlando.Maciel@cushwake.com)

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