

268,419 Q2 2024
Gross Take-up

5.48% Average
Prime Yield

1.0% Q2 2024 Prime
Rental Growth

ECONOMIC INDICATORS To Q2 2024

| | Current | 12-Mo. Forecast |
|------------------------------|---------|--------------------|
| GDP Growth (National)* | 1.1% | ▲ |
| Population Growth† | 2.5% | ▼ |
| E-commerce Penetration Rate~ | 13.4% | ▲ |

*Year-on-year to Dec-23

† Year-on-year to Dec-23

~As of Apr-24

Source: ABS, NAB, Oxford Economics, Cushman & Wakefield Research

Economic Overview

The Australian economy has slowed through 2024 amid continued inflationary pressures. Real GDP increased at a modest 0.1% over the first quarter of 2024, a clear indication that the Australian economy is in the midst of a cyclical slowdown. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2 2024 before recovering in the second half of the year, with their first forecast rate cut now pushed back to Q1 2025.

OE forecasts the New South Wales economy to increase by just 0.6% in 2024 before recovering to grow by 3.3% in 2025 and 2026.

Occupier Demand

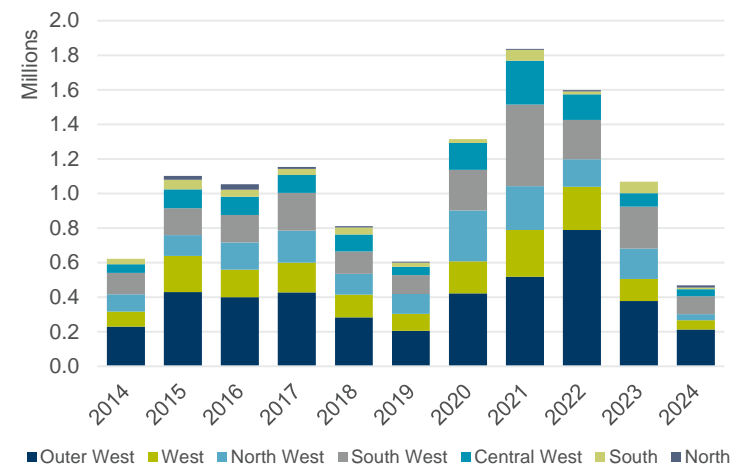
Gross take-up across Sydney increased in Q2 2024, with just over 265,000 sqm being leased in the quarter, taking the year-to-date total to approximately 470,000 sqm. However, despite the pick-up, deals are taking longer to execute, and occupier enquiry has normalised from the peak levels recorded in recent years.

Higher levels of gross take-up stemmed from an increase in the average deal size, increasing from 6,900 sqm in Q1 2024 to 12,670 sqm in Q2 2024, underpinned by several large pre-commitments in the Outer West and South West submarkets. Notwithstanding, 60% of deals by number in Q2 2024 were in the 3,000 – 10,000 sqm bracket which remains the most liquid part of the leasing market.

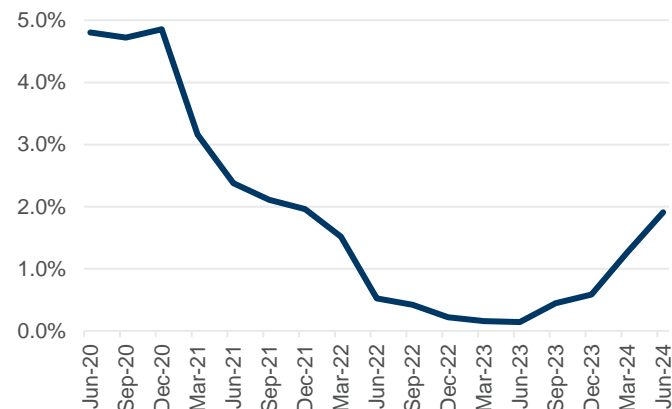
By sector, the retail trade was the most active sector for the first time since 2021, accounting for 33% of deals by GLA, underpinned by Amazon's commitment at Goodman's Oakdale East Estate. The transport and logistics sector was second at 21% by GLA and included deals with B-Dynamic and DB Schenker.

Deal activity was highest in markets with land availability, with the Outer West and South West accounting for 80% of deals by GLA.

SYDNEY L&I GROSS TAKE-UP (SQM)



SYDNEY L&I VACANCY RATE



Source: Cushman & Wakefield Research

Vacancy

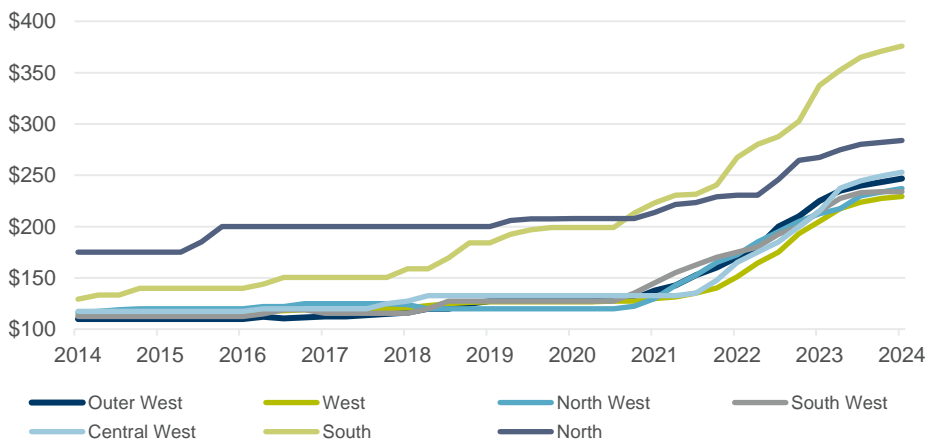
Sydney's vacancy rate increased to 1.9% in Q2 2024, up from 1.3% last quarter, and is now at its highest level since late 2021. The rise in vacancy levels is attributable to continued speculative additions, including the 151 Property facility at 63 Jemma Road, Prestons, while modest levels of sublease vacancy became available. However, drilling down further, Sydney's sublease vacancy rate measures 0.6%, underpinned by three 30,000 sqm + facilities, which if removed would reduce the overall vacancy rate to 1.5%.

Rents & Incentives

Rental growth has continued to moderate, increasing 1.0% for the prime market in Q2 2024, representing the slowest level of quarterly growth since late 2020. Infill markets continue to outperform, increasing by 1.3% over the quarter, compared to 0.8% for non-infill markets. On an annual basis, prime rents are up 10.9% since mid 2023.

As rent growth and take-up slows from historical highs, owners continue to be aggressive in their efforts to lease space and a modest uptick in incentives was recorded over the past quarter. However, the level of incentive on offer can vary widely depending on the landlord and submarket. Broadly, incentives range between 8.0% and 15.0%, while pre-commitment incentives are higher at 10.0% to 15%.

SYDNEY PRIME L&I NET FACE RENTS (\$/SQM)



Source: Cushman & Wakefield Research

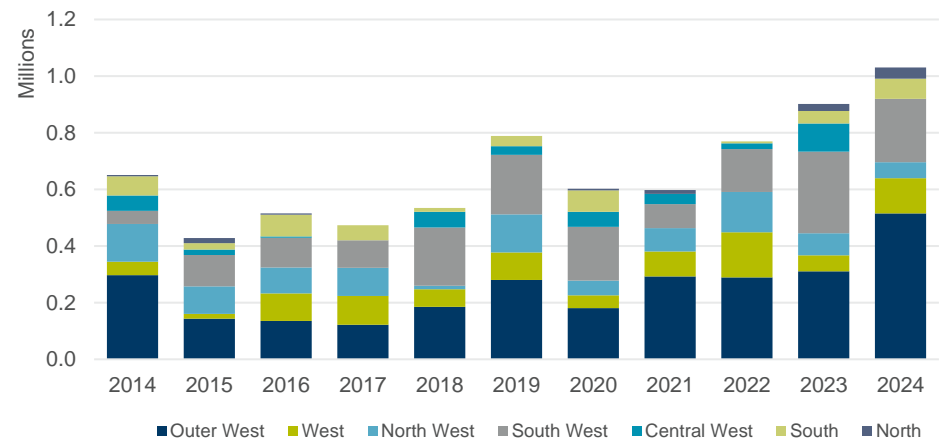
Supply

Approximately 285,000 sqm was delivered to the market in Q2 2024, almost three times the level recorded in Q1 2024. Major projects to complete include facilities within Goodman's Oakdale West estate and the Couriers Please and Harris Farm facilities within the Aliro/ISPT Elevation at Greystanes estate.

Construction and planning delays continue to impact the delivery of new supply and the timing of a number of projects has been pushed back to 2025 as a result. For the balance of 2024, there is approximately 640,000 sqm in the pipeline, taking the 2024 total supply delivery to just over 1.0 million sqm. At this stage, the 2025 supply pipeline stands at almost 1.2 million sqm; however, further delays in the Mamre Road Precinct could push some of this supply into 2026. Commitment rates for 2024 stand at almost 80%, while this reduces to approximately 20% in 2025.

In terms of speculative supply, there is almost 240,000 sqm in the pipeline for the second half of 2024, dominated by additions in the Outer West and South West submarkets. For 2025, we are currently tracking close to 850,000 sqm of speculative additions across Sydney, again dominated by the Outer West and South West submarkets, while the North West and Central West will see an increase on the levels recorded for 2024.

SYDNEY L&I SUPPLY BY SUBMARKET (SQM)



Source: Cushman & Wakefield Research

Land Values

The appetite for industrial land remains strong, supported more recently by increased owner-occupier demand. So far in 2024, approximately \$1.5 billion in land transactions have been recorded, dominated by the Q1 2024 acquisition of UniSuper and ISPT acquiring the 280-hectare Burra Park estate adjacent to the Western Sydney Airport. Multiple other sites are currently in due diligence.

Land values have remained unchanged, averaging \$1,855/sqm across Sydney (\$1,500/sqm in Western Sydney) for 1-5 hectare lots. South Sydney remains the highest at \$3,225/sqm.

Investment & Yields

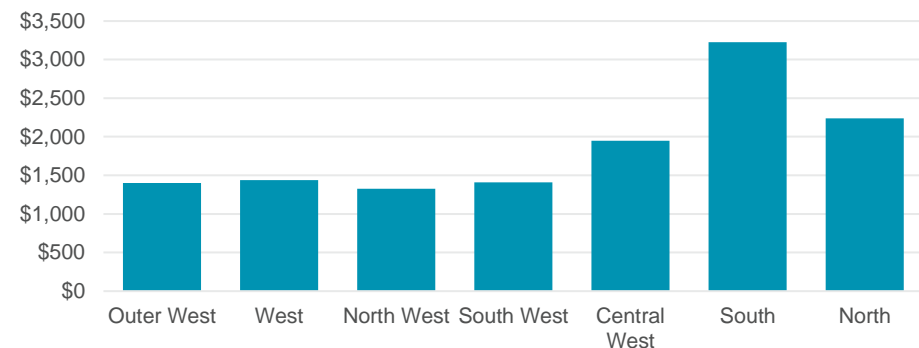
Following a subdued Q1 2024, transaction volumes increased sharply in Q2 2024 with over \$600 million trading. Major acquisitions include the Sydney based assets as part of the Goodman portfolio sold to Rest Super and Barings.

Recent deal evidence supported no change in yields in Q2 2024. Initial yields for the assets that traded over the quarter averaged 4.30%, while core market yields were closer to 5.50% - 6.00%. As per our basket, prime core market yields range between 5.15% and 5.90%, while secondary core market yields range between 5.75% and 6.50%.

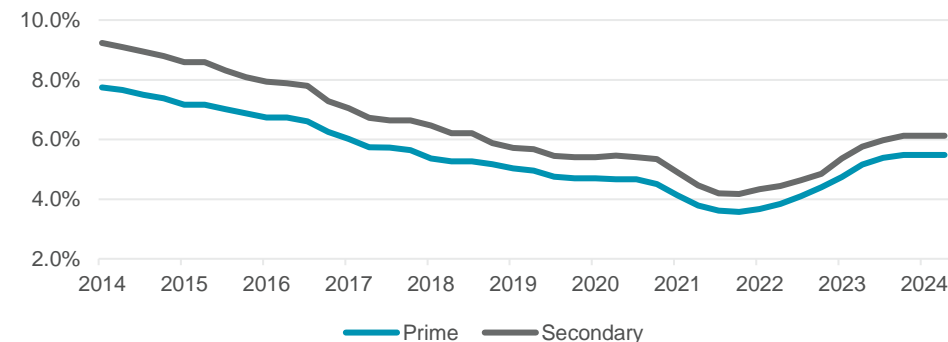
Outlook:

- The vacancy rate is expected to rise further in the second half of 2024, reaching between 2.5% and 2.8% by the end of the year. While this is off the record lows recorded in recent years, it remains well below the long-term average of 5.0%. Speculative stock additions will underpin the further rise.
- Leasing activity has moderately softened, albeit this is off a record-high base. Tenants are taking longer to commit to new space, as the biggest challenge for most occupiers remains inventory management. Enquiry levels remain healthy, underpinned by the transport and logistics sector.

SYDNEY L&I LAND VALUES Q2 2024 (\$/SQM)



SYDNEY L&I YIELDS BY GRADE



Source: Cushman & Wakefield Research

- Supply is increasing, with just over 1.0 million sqm expected to have been delivered by the end of 2024. This is set to increase further to approximately 1.2 million sqm in 2025, just over 70% of which stems from speculative additions.
- Yields are expected to stabilise at their current levels for the balance of 2024. While the case for an interest rate cut may be pushed into 2025, both buyers and vendors have greater clarity around where pricing sits, which will continue to support a pick-up in investment volumes in the second half of 2024.

MARKET STATISTICS

| Submarket | Net Face Rent (\$/sqm p.a.) | | | Outgoings | | | Incentive | | | Average Yield | | | Average Capital Values (\$/sqm) | | | Land Values 1-5 hectares |
|--------------------------|-----------------------------|--------------|--------------|-------------|-------------|-------------|--------------|---------------|--------------|---------------|--------------|--------------|---------------------------------|----------------|----------------|-----------------------------|
| | Low | High | Average | Low | High | Average | Low | High | Average | Low | High | Average | Low | High | Average | |
| Central West | \$233 | \$273 | \$253 | \$54 | \$73 | \$63 | 8.0% | 12.0% | 10.0% | 5.15% | 5.75% | 5.45% | \$4,043 | \$5,307 | \$4,641 | \$1,950 |
| Outer West | \$233 | \$260 | \$247 | \$40 | \$57 | \$48 | 8.0% | 13.0% | 10.5% | 5.25% | 5.80% | 5.53% | \$4,023 | \$4,952 | \$4,465 | \$1,400 |
| North West | \$223 | \$251 | \$237 | \$40 | \$60 | \$50 | 8.0% | 12.0% | 10.0% | 5.35% | 5.90% | 5.63% | \$3,785 | \$4,688 | \$4,215 | \$1,325 |
| South West | \$221 | \$247 | \$234 | \$37 | \$52 | \$44 | 10.0% | 15.0% | 12.5% | 5.15% | 5.90% | 5.53% | \$3,746 | \$4,796 | \$4,235 | \$1,408 |
| West | \$216 | \$243 | \$229 | \$35 | \$55 | \$45 | 5.0% | 12.0% | 8.5% | 5.25% | 5.80% | 5.53% | \$3,728 | \$4,619 | \$4,152 | \$1,425 |
| North | \$260 | \$308 | \$284 | \$60 | \$72 | \$66 | 0.0% | 10.0% | 5.0% | 5.15% | 5.75% | 5.45% | \$4,522 | \$5,971 | \$5,206 | \$2,240 |
| South | \$345 | \$450 | \$376 | \$75 | \$98 | \$87 | 8.0% | 15.0% | 11.5% | 5.00% | 5.50% | 5.25% | \$6,273 | \$8,140 | \$7,162 | \$3,225 |
| Prime Average | \$233 | \$273 | \$253 | \$54 | \$73 | \$63 | 8.0% | 12.0% | 10.0% | 5.15% | 5.75% | 5.45% | \$4,043 | \$5,307 | \$4,641 | \$1,950 |
| Secondary Grade | Low | High | Average | Low | High | Average | Low | High | Average | Low | High | Average | Low | High | Average | |
| Central West | \$214 | \$253 | \$234 | \$53 | \$73 | \$63 | 8.0% | 12.0% | 10.0% | 5.85% | 6.50% | 6.18% | \$3,295 | \$4,330 | \$3,785 | |
| Outer West | \$210 | \$230 | \$220 | \$40 | \$60 | \$50 | 8.0% | 12.0% | 10.0% | 6.00% | 6.50% | 6.25% | \$3,231 | \$3,833 | \$3,520 | |
| North West | \$197 | \$227 | \$212 | \$38 | \$58 | \$48 | 8.0% | 12.0% | 10.0% | 6.00% | 6.50% | 6.25% | \$3,026 | \$3,778 | \$3,387 | |
| South West | \$201 | \$226 | \$214 | \$37 | \$51 | \$44 | 10.0% | 15.0% | 12.5% | 5.85% | 6.50% | 6.18% | \$3,092 | \$3,863 | \$3,457 | |
| West | \$190 | \$210 | \$200 | \$35 | \$55 | \$45 | 5.0% | 8.0% | 6.5% | 6.00% | 6.50% | 6.25% | \$2,923 | \$3,500 | \$3,200 | |
| North | \$200 | \$250 | \$225 | \$52 | \$72 | \$62 | 0.0% | 10.0% | 5.0% | 5.75% | 6.50% | 6.13% | \$3,077 | \$4,348 | \$3,673 | |
| South | \$310 | \$372 | \$341 | \$97 | \$86 | \$92 | 8.0% | 15.0% | 11.5% | 5.25% | 6.00% | 5.63% | \$5,167 | \$7,086 | \$6,062 | |
| Secondary Average | \$217 | \$253 | \$235 | \$50 | \$65 | \$57 | 6.71% | 12.00% | 9.36% | 5.81% | 6.43% | 6.12% | \$3,401 | \$4,391 | \$3,869 | |

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