

FIGURES | INDUSTRIAL & LOGISTICS | Q3 2025

# Effective rent growth in Sydney slips into negative territory

▲ 2.5%

1H25 Sydney Industrial Vacancy

▲ c. 289,000 sqm

New industrial supply 3Q25

▼ c. 170,000 sqm

Gross take-up 3Q25

▼ 5.19%

Super prime midpoint yield

Note: Arrows indicate change from previous quarter.

## Key Points

- Gross take-up for the year-to-date surpasses CY2024 levels, with 3Q25 totalling just over 170,000 sqm.
- Around 40% of the CY2025 supply pipeline reached practical completion this quarter and a further 17% is due to reach PC in 4Q25.
- The pre-commitment rate for 2026-2027 pipeline is elevated at 28%.
- Positive rental growth was recorded over the quarter, albeit at a slower pace. Super prime net face rents have increased 4.8% y-o-y.
- Average land values remained unchanged over the quarter across all lots sizes tracked.
- A total of AUD 542 million in investment sales has been recorded in 3Q25, across 16 transactions (for sales ≥ AUD 5 million).
- Super prime midpoint yields tightened by 6 bps q-o-q and stand at 5.19%, whereas prime and secondary midpoint yields remained unchanged q-o-q sitting at 5.5% and 5.81%, respectively.

## Demand

### Take-up volumes for CY2025 on track to exceed long-run average

Gross take-up totalled just over 170,000 sqm, which is below the two-year quarterly take-up average of 180,000 sqm. Despite lower take-up volumes over the quarter, the 2025YTD total is now significantly above the totals in CY2023 and CY2024 and is expected to surpass the 10-year long-run average by year-end.

Tenant renewals remain elevated at around 90%, supported by tight supply and landlords proactively offering incentives to hold on to tenants. Enquiry is being led by corporates, manufacturing groups and food-related occupiers, while 3PL demand has softened as operators continue to work through surplus space taken during the pandemic.

Notable lease transactions in 3Q25:

- An existing warehouse leased by Tempe Tyres (Inner South West)
- A pre-lease by World Wire Cables (Outer South West)
- A pre-lease by Independence Australia (Inner South West)

Pre-lease transactions comprised of 22% of total leased floorspace this quarter, owing to a relatively high volume of new supply in the pipeline over the next 18 months. Favourable lease terms, in the form of higher incentive levels, is expected to continue to drive pre-lease activity.

The Inner South West precinct accounted for 35% of total take-up by floorspace, followed by the Outer North West. Consistent with historic trends, leasing activity is expected to remain concentrated in the Outer North West, where around 70% of Sydney’s projected new supply (by floorspace) will be delivered through to the end of 2027.

Floorspace leased in 3Q25 was led by Transport, Postal & Warehousing (23%), followed by the Manufacturing sector (16%).

FIGURE 1: Sydney Gross Take-Up 2015-2025YTD by Precinct

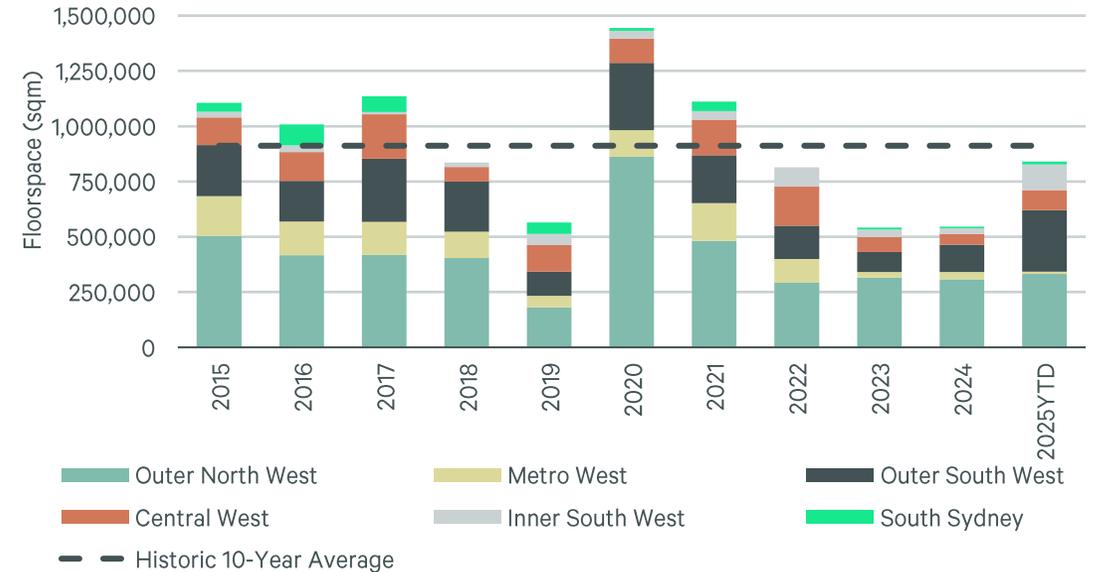


FIGURE 2: Sydney Quarterly Gross Take-Up, 3Q23-3Q25



To note: Reflects leasing transactions >5,000 sqm.  
Source: CBRE Research Q3 2025

## Supply

### Close to 30% of the 2026-2027 pipeline is already pre-committed

Around 40% of the CY2025 pipeline was delivered over the quarter, bringing the 2025 completion total to c. 602,000 sqm. Approximately c. 121,000 sqm of the 2025 pipeline is expected to complete next quarter, bringing the supply total for CY2025 to c. 722,000 sqm - 18% above the long-run average

Project completions over the quarter were concentrated in the Outer North West, accounting for 60% of total new floorspace.

Major projects that reached practical completion in 3Q25 included:

- Warehouse 16, 400 Moorebank Avenue, Moorebank (c. 27,000 sqm)
- Warehouse 2, 311 South Street, Marsden Park (c. 27,000 sqm)

The 2026 supply pipeline is well underway, with a significant portion already under construction. Around 53% is expected to deliver in 1H26, with the remainder in the second half. Pre-commitments for 1H26 remain strong at 38%, indicating steady demand and giving landlords confidence as new space comes to market.

Major projects expected to reach practical completion next quarter are:

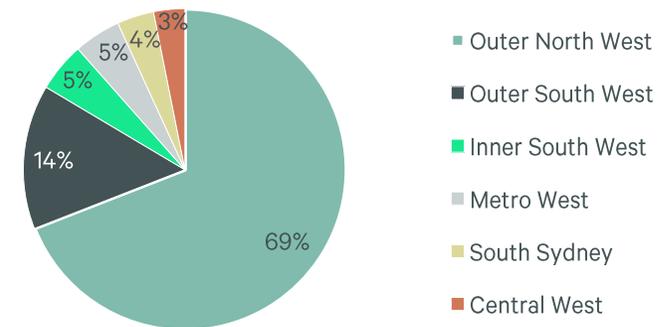
- A Purpose-Built fulfillment centre at Oakdale East Estate, Horsley Park
- Warehouse 1, 149-155 Airds Road, Minto
- Warehouse 3, 290-308 Aldington Road & 59-63 Abbots Road, Kemps Creek

Higher building costs and land prices have delayed around 8% of new supply expected to be added to the market in 2025. This has bolstered the 2026 and 2027 pipeline. However, it is important to note around 45% of the 2026-2027 pipeline is in the early stages of approval and a further 2% we have identified as unlikely to go ahead. There are several projects that will also require a pre-commitment before construction can commence. Therefore, we expect the forward pipeline to be significantly less than what has been added in pipeline (shown in Figure 3).

FIGURE 3: Sydney Development Supply Pipeline 2015-2028F



FIGURE 4: Development Supply 2025F-2027F Floorspace Share, by Precinct



To note: Reflects new projects >5,000 sqm.  
Source: CBRE Research Q3 2025

## Leasing Market

### Incentive rises offset effective rent growth

Sydney’s average super prime, prime and secondary net face rents increased by 0.7%, 0.8% and 0.6% (q-o-q), respectively. On a y-o-y basis, super prime rents increased by 4.8%, while prime and secondary rents grew by 3.3% and 3.1%, respectively.

Super prime net face rents in the South Sydney precinct recorded the strongest quarterly growth, rising 2.0%, followed closely by the Inner South West precinct with a 1.9% quarterly growth. These rental increases are supported by continued demand for infill locations. Despite the uplift in face rents, South Sydney’s incentives increased by 150 bps, whereas the Inner South West’s incentives remained flat, over the quarter.

Net effective rents declined across most asset grades in 3Q25, as rising incentives offset face rental growth. Super prime, prime and secondary grades fell by 0.8%, 0.2%, and 0.1%, respectively. Super prime incentive levels rose by 125 bps over the quarter and now average 18%. Incentives continue to climb as landlords compete to retain tenants and secure longer leases, particularly in super prime assets where institutions are focused on protecting valuations. With limited new supply due next quarter, incentives are likely to push higher again in the short term, before stabilising by mid-to-late 2026.

Sydney’s vacancy rate edged up to 2.5% as of 1H25, although remains relatively low. The Inner South West experienced the most significant increase, up 260 bps over six months, largely due to unabsorbed multi-level warehousing. Pre-committed developments are helping to cushion downward pressure on rents, though incentives are expected to become a key lever for landlords as existing leases roll over.

Average outgoings across all asset grades rose 1.9% over the quarter in 3Q25 and were up 10% y-o-y, driven primarily by a sharp 4.8% q-o-q increase in 4Q24. A modest increase is expected in 2H25, supported by the rise in surcharge land tax for foreign owners (from 4% to 5% effective January 2025) and higher council rates. These statutory outgoings, which represent around 75–85% of total outgoings are expected to flow through in 2H25. As tenants face rising operational costs, their ability to absorb further rent increases may be limited, potentially moderating rent growth.

FIGURE 5: Average Sydney Net Effective Rent Growth y-o-y, by Asset Grade (2015-2025)

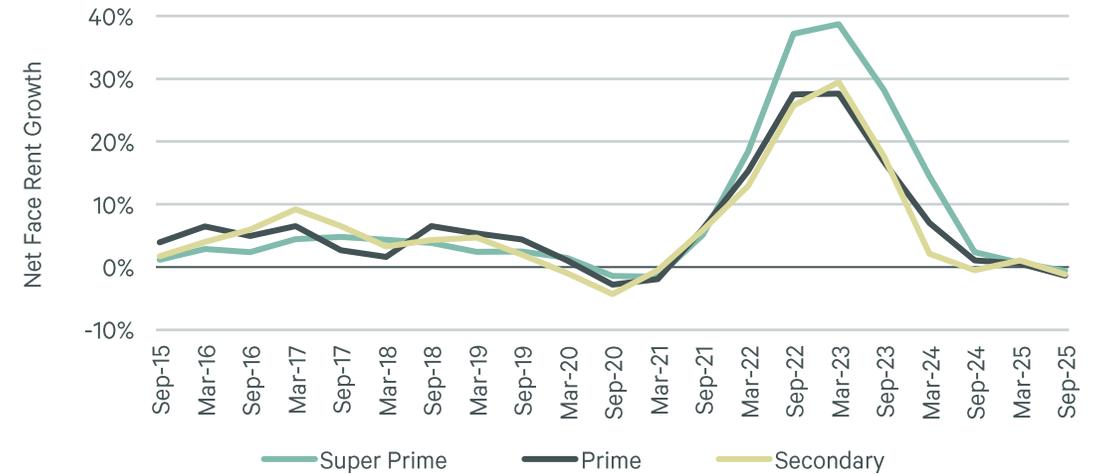
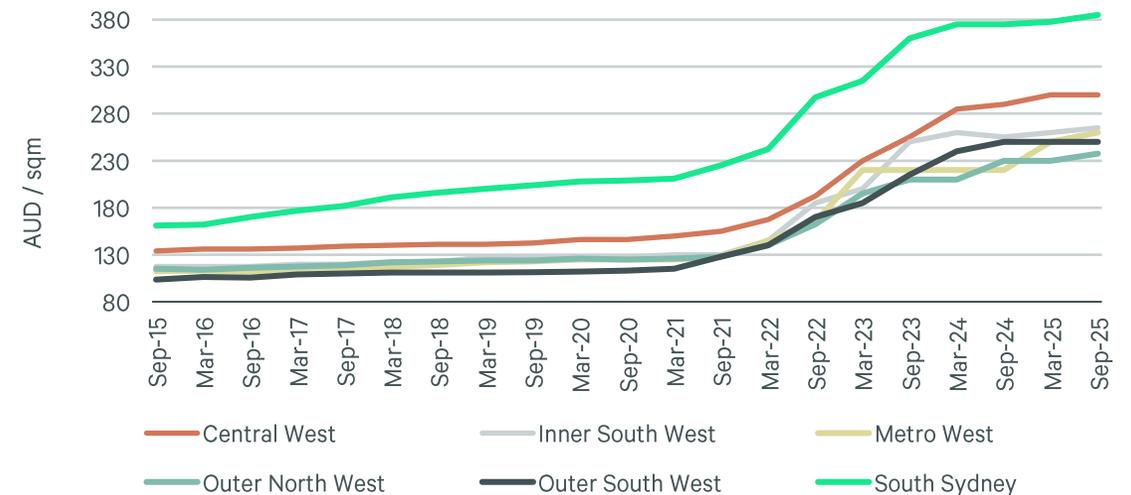


FIGURE 6: Average Super Prime Net Face Rents, by Precinct (2015-2025)



Source: CBRE Research Q3 2025

## Land Values

### Land values remain unchanged over the quarter

Demand for 0.25 ha, 1.6 ha, and 3-5 ha industrial zoned land in Sydney remained steady over the quarter. On a y-o-y basis, 0.25 ha lots rose by 1.5%, 1.6 ha lots were unchanged and 3-5 ha lots increased by 1.9%.

Ongoing uncertainty around the interest rate outlook and elevated capital costs has prompted institutional investors to adopt a more cautious approach to land acquisitions. Higher borrowing costs have lifted development funding requirements and compressed margins, reducing the viability of new projects. While some investors remain in a holding pattern, sentiment has improved slightly following the RBA's 25 bps rate cut in August, which brought the official cash rate to 3.6%. Future reductions in the cash rate are expected to be gradual and will depend on how economic conditions evolve.

High construction costs and ongoing economic pressures are weighing on project viability, with elevated prices for key materials further straining development budgets. Carrying costs, particularly for international investors, are squeezing returns and curbing speculative activity. According to CBRE Research, economic rents in Sydney remain roughly 20% above market levels, dampening appetite from both developers and investors. By contrast, owner-occupiers continue to pursue opportunities, often evaluating land through a longer-term operational perspective.

Inner-city precincts such as South Sydney and North Sydney continue to outperform, benefiting from scarce land supply and proximity to the CBD. Land values in these locations now exceed those in Outer Western precincts by more than twofold, underpinning a favourable medium-term outlook for well-positioned industrial assets.

FIGURE 7: Average Land Values (0.25 ha lots), by Precinct (3Q24 vs. 3Q25)



FIGURE 8: Average Land Values (1.6 ha lots), by Precinct (3Q24 vs. 3Q25)



Source: CBRE Research Q3 2025

## Investment Market

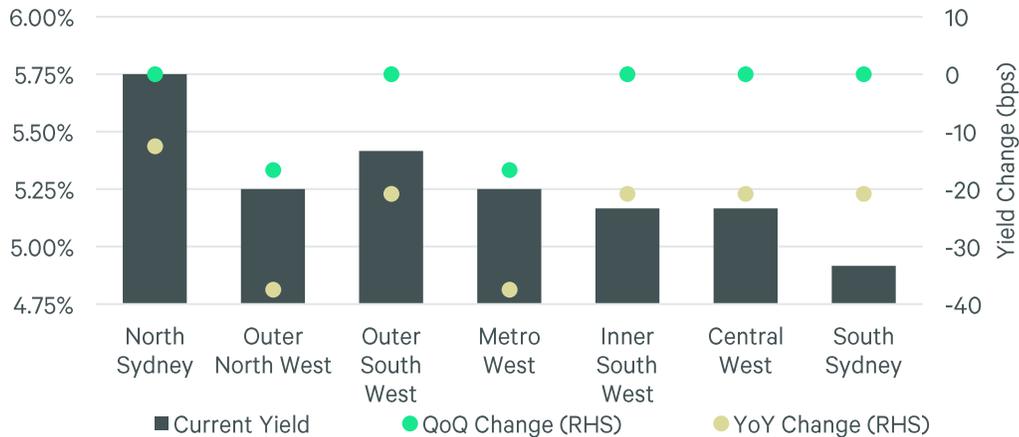
### Super Prime yields tighten

A total of AUD 542 million in investment sales was recorded in 3Q25 across 16 transactions ( $\geq$  AUD 5 million). The largest transactions over the quarter was Dexus’s sale of Metro Estate Rydalmere, for AUD 152 million. Another notable transaction includes Dexus’s sale of 149 Orchard Road, Chester Hill, for AUD 122 million.

Total investment sales in 3Q25 was significantly less than the previous quarter, where c. AUD 1.1 billion was recorded. We anticipate increased investment activity over the next 18 months amid interest rates decline as well as a relatively more favourable tax policy for offshore investors.

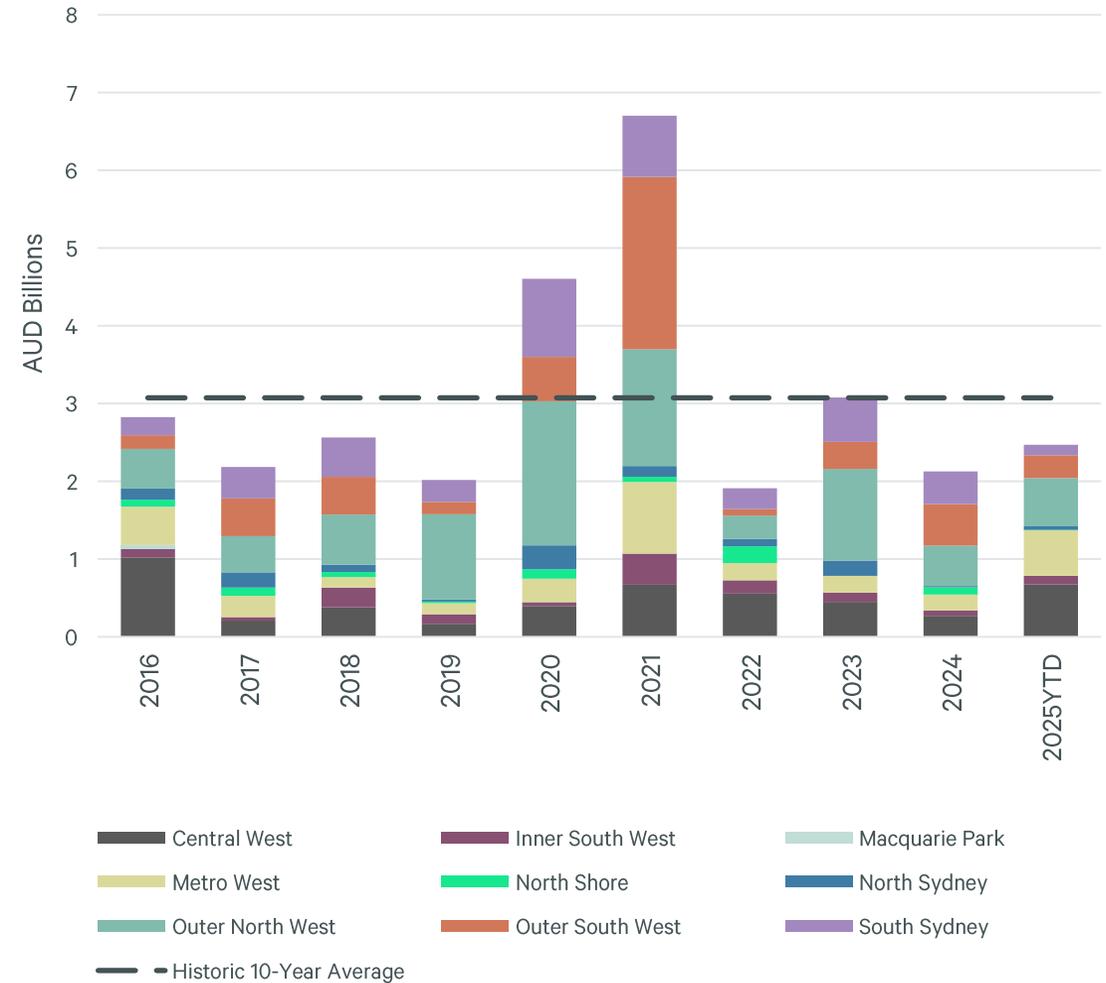
Super prime midpoint yields compressed further from 5.25% to 5.19% amid strong demand for top-tier stock. Prime and secondary yields remained stable at 5.5% and 5.81%, respectively. Compression was largely influenced by a major transaction in the Central West, which sold on a yield just above 5%. This set a new benchmark that prompted a re-rating across neighbouring precincts, with Metro West and Outer North West sharpening by 17 bps to 5.25%.

FIGURE 9: Super Prime Midpoint Yield, by Precinct



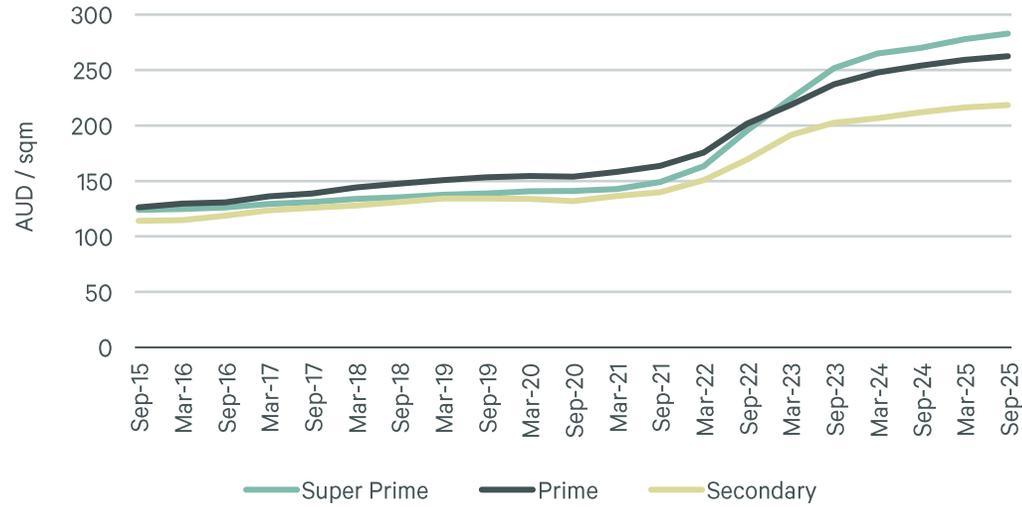
To note: North Sydney reflects prime grade assets.  
Source: CBRE Research Q3 2025

FIGURE 10: Sydney Industrial Investment Sales (greater than AUD 5 million)



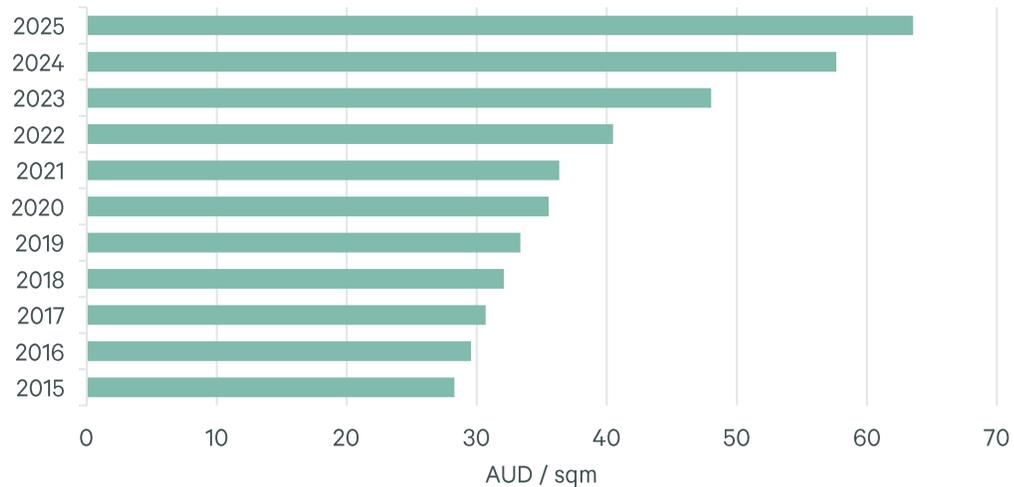
To note: Does not include land/development sales.  
Source: CBRE Research Q3 2025

FIGURE 11: Average Sydney Net Face Rents, by Asset Grade (2015-2025)



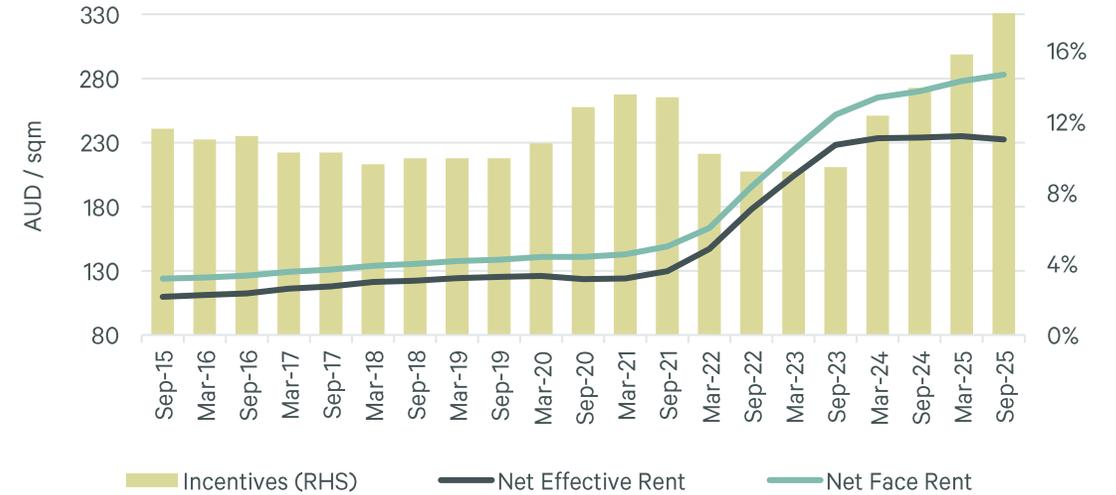
Source: CBRE Research Q3 2025

FIGURE 12: Average Sydney Historical Outgoings, 2015-2025 (excludes Strata and Hi-Tech)



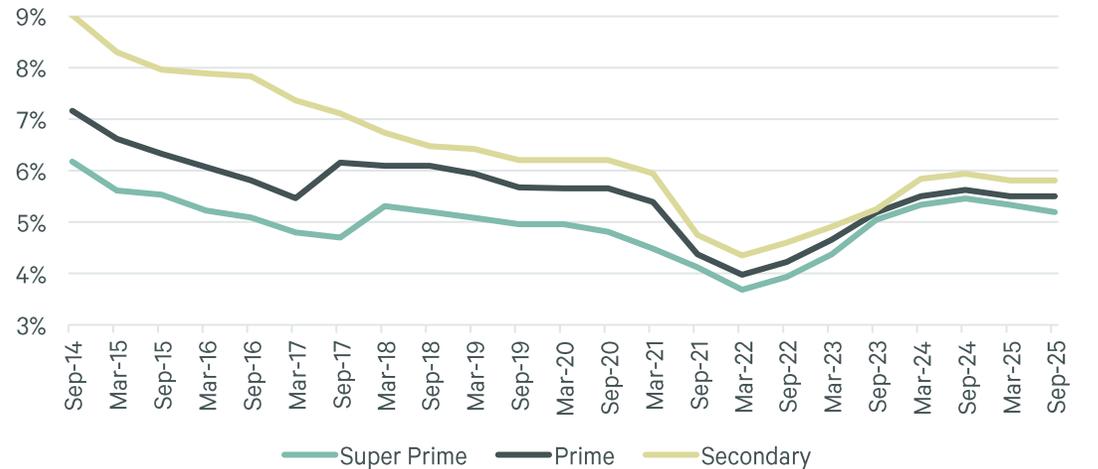
Source: CBRE Research Q3 2025

FIGURE 13: Average Sydney Super Prime Rents and Incentives (2015-2025)



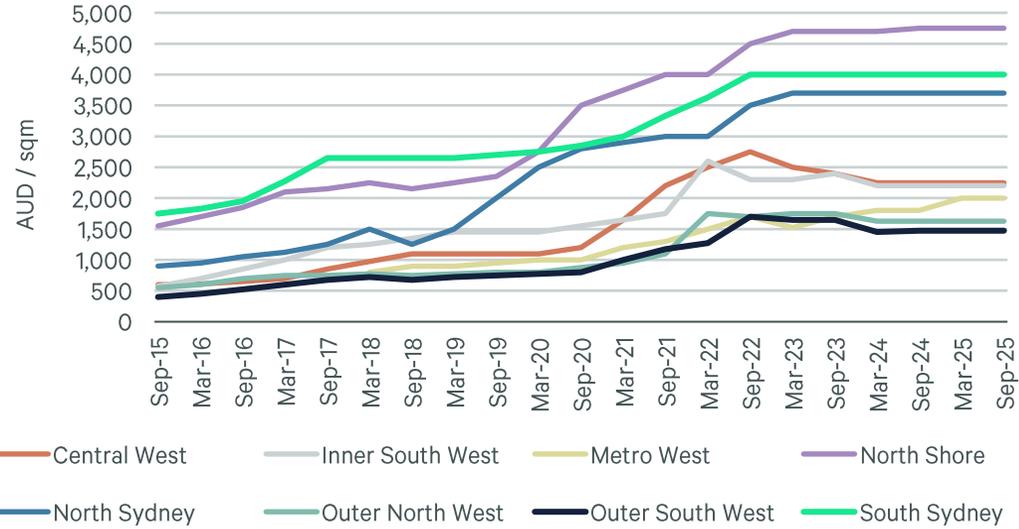
Source: CBRE Research Q3 2025

FIGURE 14: Midpoint Sydney Yields, by Asset Grade (2015-2025)



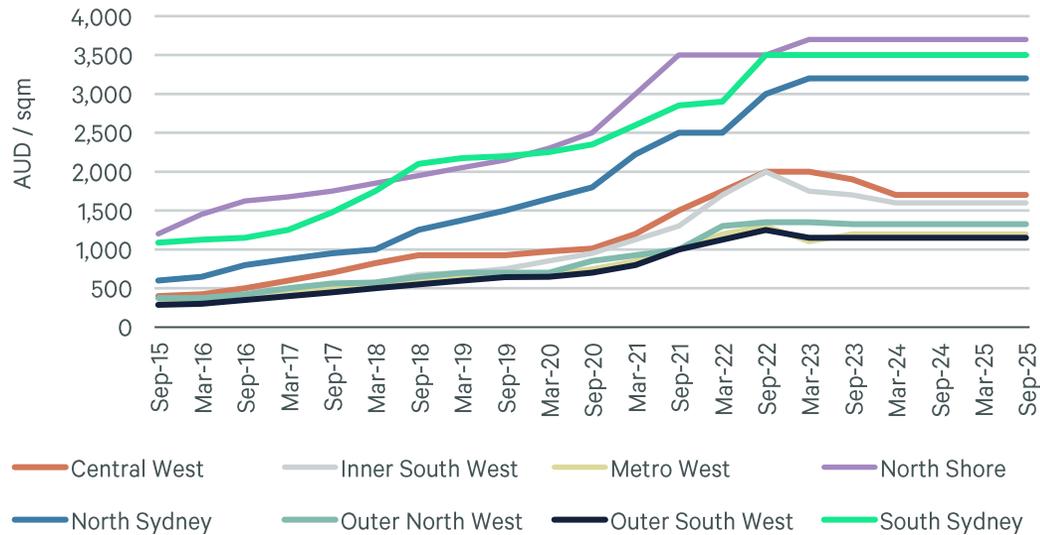
Source: CBRE Research Q3 2025

FIGURE 15: Average Land Values (0.25 ha lots), by Precinct (2015-2025)



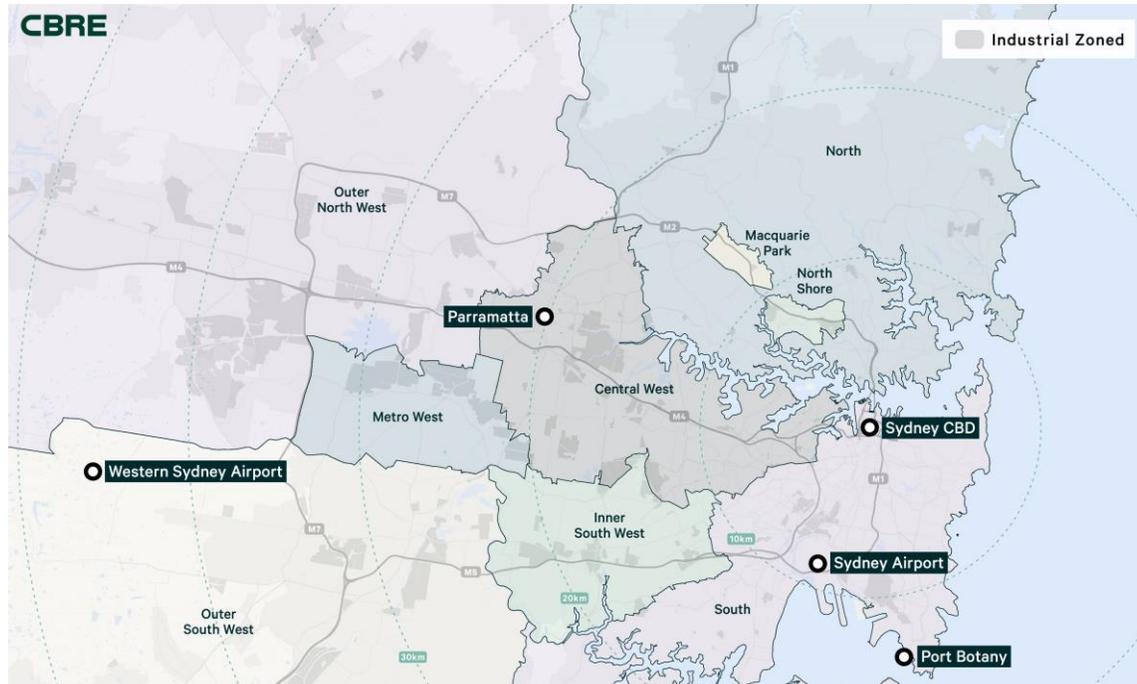
Source: CBRE Research Q3 2025

FIGURE 16: Average Land Values (1.6 ha lots), by Precinct (2015-2025)



Source: CBRE Research Q3 2025

## Market Area Overview



### Definitions

#### Super Prime:

Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

#### Prime:

Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

#### Secondary:

Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

## Contact

### Sass Jalili

Head of Industrial & Logistics, Data  
Centre Research Australia, and  
Director of NSW Research  
sass.jalili@cbre.com

### Jack Sywak

Research Analyst  
jack.sywak@cbre.com