Sydney industrial investment sales hit four-year high

▲ 2.9%
2H25 Sydney Industrial Vacancy

▼ c. 66,000 sqm
New industrial supply 4Q25

▼ c. 95,000 sqm
Gross take-up 4Q25

▼ 5.17%
Super prime midpoint yield

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up over the quarter has decreased significantly compared to 3Q25, totalling c. 95,000 sqm over 4Q25. Transport, Postal & Warehousing led total floorspace leased (56%).
- Average vacancy rate rises marginally and remains relatively low at 2.9% (as at 2H25).
- Around 10% of the CY2025 supply pipeline reached PC this quarter, bringing the total new supply for the year to c.667,000 sqm.
- The pre-commitment rate for 2026-2028 pipeline stands at 25%.
- Super prime face rents y-o-y growth rate stands at 2.6%.
- Average land values remained unchanged over the quarter across all lots sizes tracked.
- A total of AUD 624 million in investment sales has been recorded in 4Q25, across 15 transactions (for sales ≥ AUD 5 million).
- Super prime midpoint yields tightened slightly at stand at 5.17%, whereas prime and secondary midpoint yields remained unchanged q-o-q sitting at 5.50% and 5.81%, respectively.

Demand

Take-up volumes for CY2025 exceeds long-run average

Gross take-up decreased significantly in 4Q25, compared to the previous quarter (c. 187,000 sqm in 3Q25), totalling c. 95,000 sqm. Despite lower take-up volumes over the quarter, the CY2025 total has surpassed the 10-year long-run average.

Enquiries are increasing, supported by several large requirements in the market. 3PLs are returning, reflecting evolving space needs post-COVID. Many Outer West leases signed during COVID are approaching expiry, coinciding with a rise in sub-lease space. Occupiers are now looking to consolidate into more efficient warehouse layouts.

Notable lease transactions in 4Q25:

- A pre-lease by HDS (Outer North West)
- An existing warehouse leased by Everfast Worldwide Express (Inner South West)
- A sub-lease by Röhlig Logistics (Outer South West)

Pre-lease transactions accounted for 37% of total leased floorspace this quarter, reflecting the relatively high volume of new supply expected over the next 12 months. Favourable lease terms, including elevated incentive levels, are likely to continue supporting pre-lease activity.

The Metro West precinct represented 24% of total take-up by floorspace, followed by the Outer South West. Consistent with historical trends, leasing activity is expected to remain concentrated in the Outer North West, where approximately 80% of Sydney's projected new supply (by floorspace) is scheduled for delivery through the end of 2027.

By sector, floorspace leased in 4Q25 was dominated by Transport, Postal & Warehousing (56%), followed by Professional, Scientific & Technical Services (10%).

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

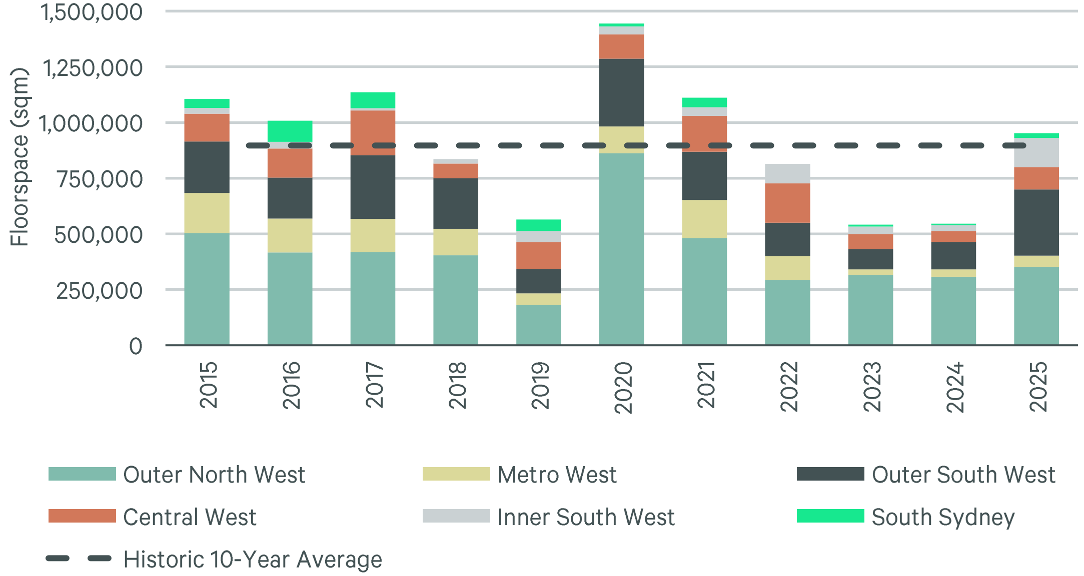
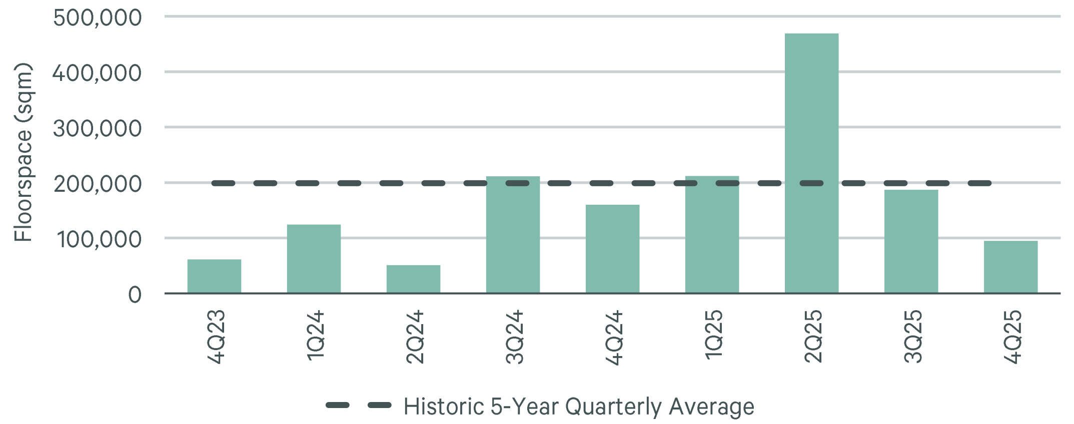


FIGURE 2: Sydney Quarterly Gross Take-Up, 4Q23-4Q25



To note: Reflects leasing transactions >5,000 sqm.
Source: CBRE Research Q4 2025

Supply

One quarter of the 2026-2028 pipeline is already pre-committed

New floorspace added to the market over the quarter totalled c. 66,000 sqm, bringing the CY2025 total to c. 667,000 sqm - slightly above the long-run average.

Project completions over the quarter were concentrated in the Outer North West, accounting for 55% of total new floorspace.

Major projects that reached practical completion in 4Q25 included:

- Warehouse 1, 149-155 Airds Road, Minto (c. 21,000 sqm)
- Warehouse 3, 290-308 Aldington Road & 59-63 Abbotts Road, Kemps Creek (c. 21,000 sqm)

Over three-quarters of development space due to complete in 2026 is currently under construction. Around 60% is expected to deliver in 1H26, with the remainder in 2H26. Pre-commitments for 1H26 remain strong at close to 50%, reflecting steady demand and giving landlords confidence as new space comes to market.

Major projects expected to reach practical completion next quarter are:

- Warehouse 2, Light Horse Business Hub, Eastern Creek
- A Purpose-Built fulfillment centre at Oakdale East Estate, Horsley Park
- Warehouse 8A+B, Aspect Industrial Estate, Kemps Creek

Higher building costs and land prices have delayed a significant portion of new supply originally expected in 2027, effectively pushing some projects into the 2028 pipeline. It is important to note that around 75% of the 2027–2028 pipeline is still in the early stages of approval, while a further 3% has been identified as unlikely to proceed. Several projects will also require pre-commitments before construction can commence. As a result, the actual forward pipeline is expected to be materially lower than the total currently recorded. Additionally, landlords are generally holding off on speculative development until their existing warehouses are leased, further delaying new supply.

FIGURE 3: Sydney Development Supply Pipeline 2015-2028F

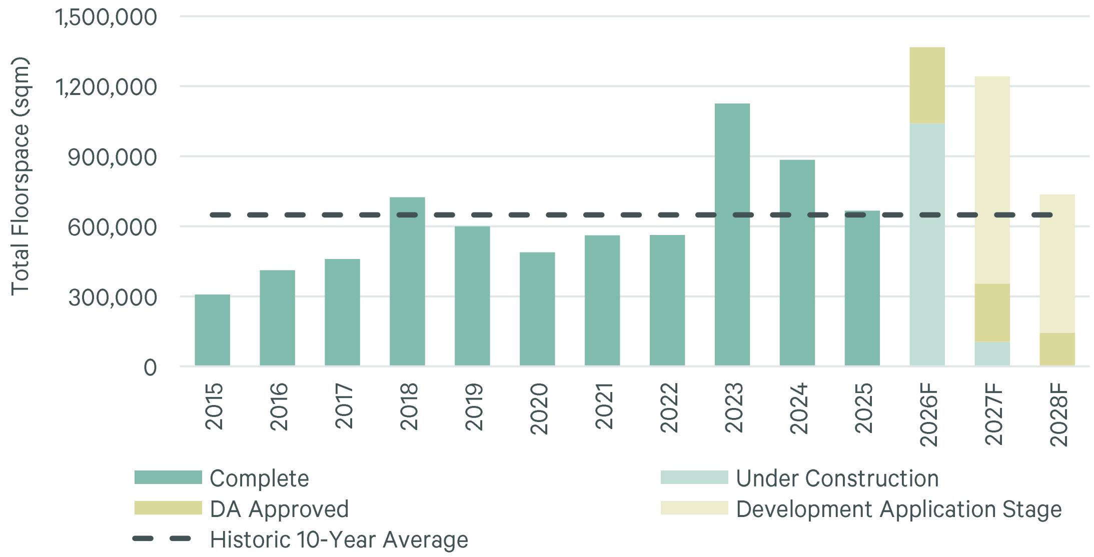
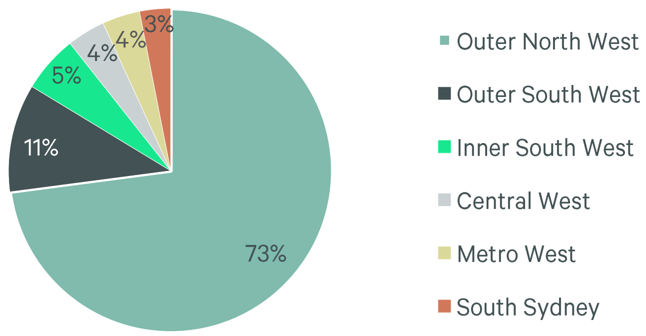


FIGURE 4: Development Supply 2026F-2028F Floorspace Share, by Precinct



To note: Reflects new projects >5,000 sqm.
Source: CBRE Research Q4 2025

Leasing Market

Rising incentives weigh on effective rent growth

Sydney's average super prime net face rents have remained flat over the quarter, prime and secondary net face rents increased by 0.5% and 0.3% (q-o-q), respectively. On a y-o-y basis, super prime rents increased by 2.6%, while prime and secondary rents grew by 2.8% and 2.5%, respectively.

On a y-o-y basis, the Metro West precinct saw the strongest growth in super prime face rents, rising 4.0%, followed closely by the Central West precinct with a 3.4% growth.

Net effective rents declined across Super prime grade assets in 4Q25, as rising incentives offset face rental growth, falling by 0.4%. Prime and Secondary grades rose over the quarter however by 0.2% and 0.0%, respectively. Super prime incentive levels rose by 40 bps over the quarter and now average 19%.

Current expectations are that incentives across most precincts will continue to rise, peaking around 4Q26, as the CY26 forward pipeline sits approximately 110% above the long-run average. From 2027 onwards, incentives are expected to come under downward pressure as the supply pipeline contracts significantly.

Sydney's vacancy rate edged up to 2.9% as of 2H25, although remains relatively low. South Sydney experienced the most significant increase, up 68 bps over six months. Rise in South Sydney vacancy was driven by lease expiries rolling vacant and slower backfilling of existing stock, resulting in negative net absorption.

Average outgoings across all asset grades remained flat in 4Q25, while rising 5.0% y-o-y, following very modest growth in 1Q25 and consecutive sharp q-o-q increases of around 2% in 2Q25 and 3Q25. With statutory charges accounting for approximately 80% of total outgoings, the mid-year uplift largely reflected the timing of statutory cost resets flowing through. Although outgoings stabilised in 4Q25, the cumulative increase in occupancy costs over the year limited tenants' capacity to absorb further rental growth, contributing to a moderation in rent growth in the second half of the year.

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

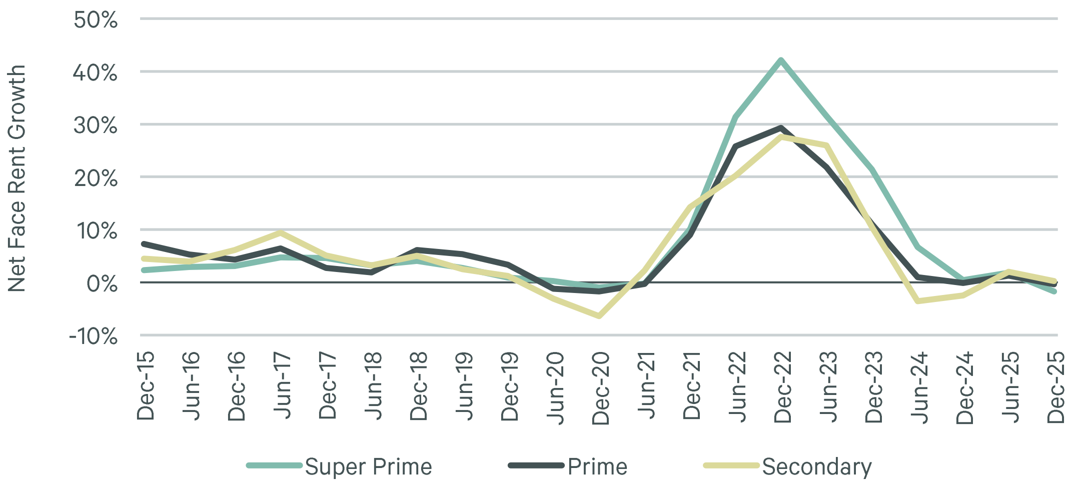
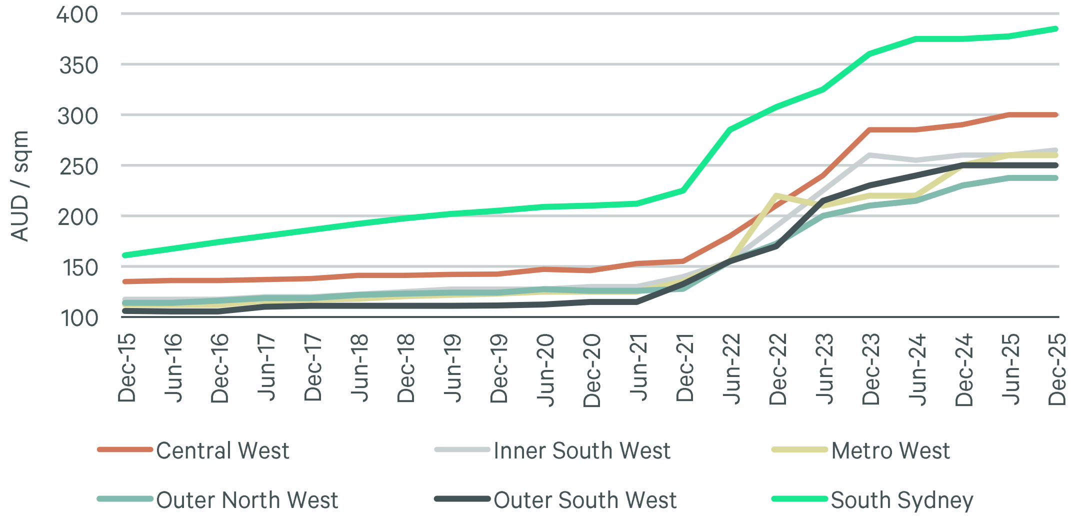


FIGURE 6: Average Super Prime Net Face Rents, by Precinct (2015-2025)



Source: CBRE Research Q4 2025

Land Values

Land values show resilience in 2025

Demand for 0.25 ha, 1.6 ha and 3-5 ha industrial zoned land remained steady over the quarter. On a y-o-y basis, 0.25 ha lots and 1.6 ha lots were unchanged and 3-5 ha lots increased by 1.4%.

Ongoing uncertainty around interest rates and elevated capital costs has prompted institutional investors to take a cautious approach to land acquisitions. Higher borrowing costs have increased development funding requirements and compressed margins, limiting speculative activity. The RBA maintained its cash rate at 3.6% in December 2025, following a 25 bp reduction in August, keeping borrowing costs at their lowest level since April 2023. Despite persistent global risks and domestic uncertainties, underlying fundamentals continue to support investor confidence in strategically located land.

High construction costs and rising prices for key materials, combined with strong economic rents, have constrained the feasibility of new warehouse development. According to CBRE Research, economic rents in Sydney have risen between 60–90% over the past five years, depending on precinct and remain roughly 12% above market levels as at December 2025. Many projects are financially unviable because market rents are insufficient to cover development costs, reducing forward supply and supporting existing land values.

Owner-occupiers continue to actively pursue land, often taking a longer-term operational view. Their sustained demand, coupled with limited speculative development, reinforces stability in land values.

Inner-city precincts, including South Sydney and North Sydney, remain standout performers. Scarce land availability and proximity to the CBD have pushed land values in these areas to more than double those in Outer Western precincts, highlighting the premium for strategically located industrial sites. Industrial land in well-positioned inner-city locations is expected to continue benefiting from strong demand over the medium term.

FIGURE 7: Average Land Values (0.25 ha lots), by Precinct (4Q24 vs. 4Q25)

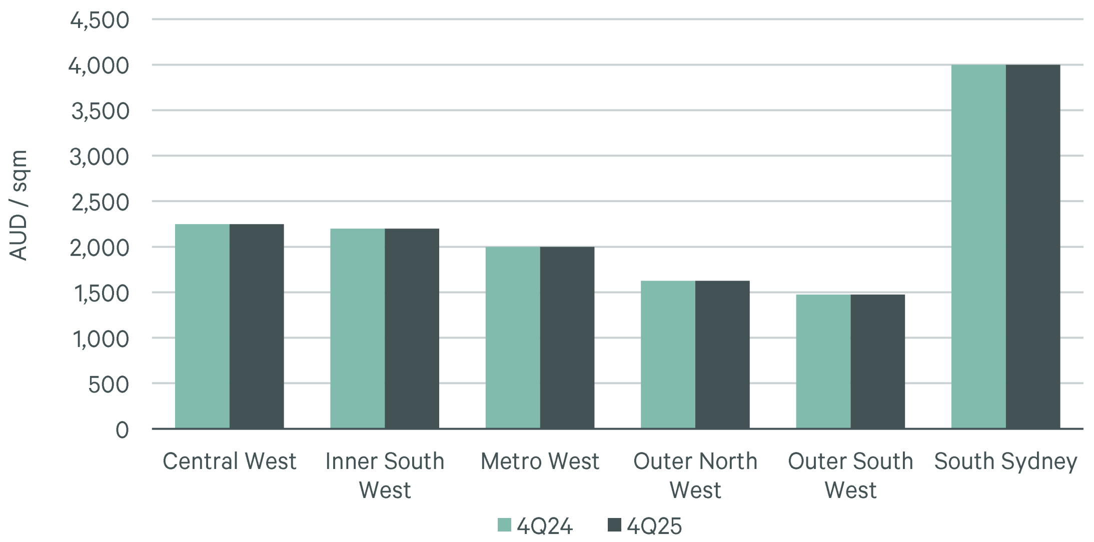


FIGURE 8: Average Land Values (1.6 ha lots), by Precinct (4Q24 vs. 4Q25)

Source: CBRE Research Q4 2025

Investment Market

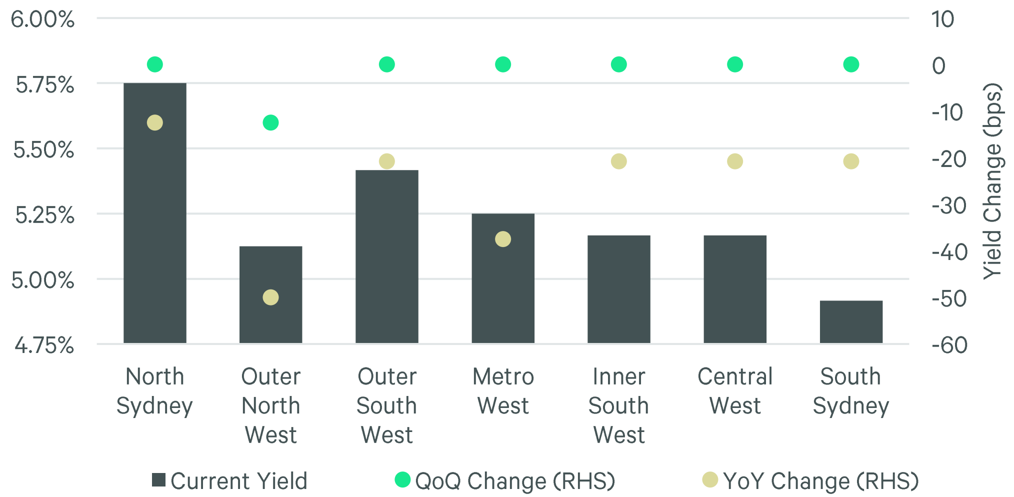
Investment sales surpass 10-year average

A total of AUD 624 million in investment sales was recorded in 4Q25 across 15 transactions (≥ AUD 5 million). A notable deal during the quarter was Dexus's sale of 32 Sargents Road, Minchinbury, for AUD 78 million, as part of the Perfect Pair Portfolio.

Total investment sales for 2025 reached approximately AUD 3.4 billion across 82 transactions, around 7% above the 10-year average of AUD 3.1 billion. Looking ahead, a steadier short-term outlook for investment activity is expected as investors adopt a cautious approach in response to inflation volatility and higher debt costs.

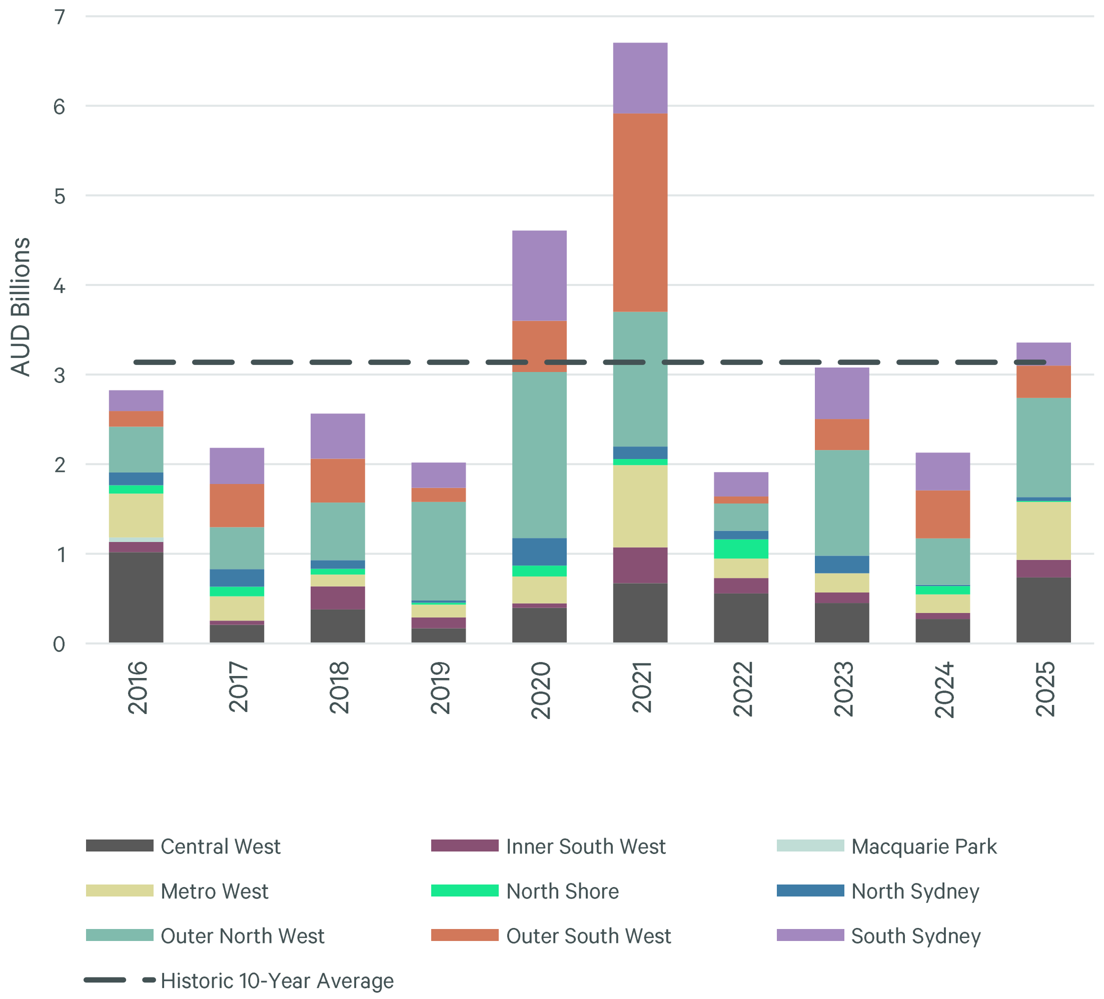
Reflecting ongoing demand for top-tier stock, super prime midpoint yields compressed slightly from 5.19% to 5.17%. Prime and secondary yields remained stable at 5.50% and 5.81%, respectively. In 2026, super prime yields are expected to tighten only marginally until inflationary pressures are better managed.

FIGURE 9: Super Prime Midpoint Yield, by Precinct



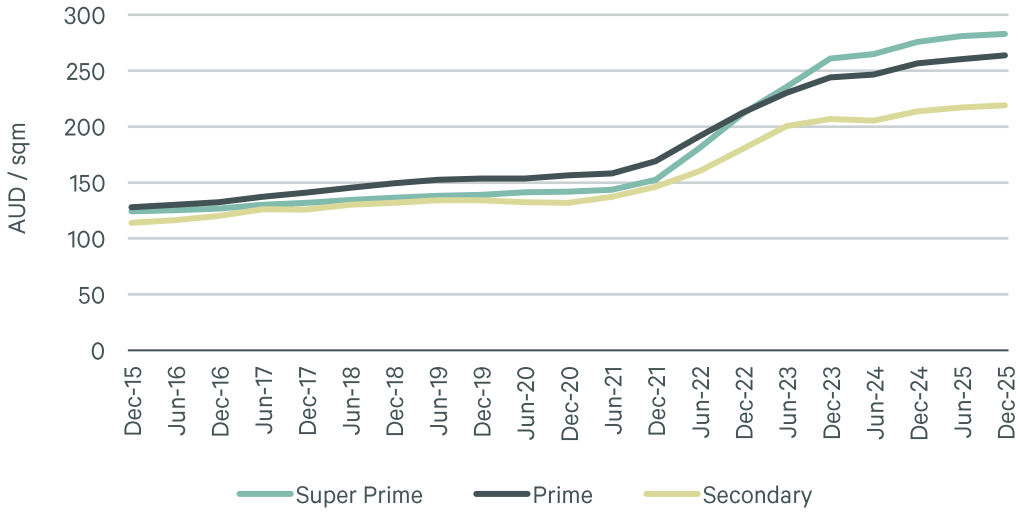
To note: North Sydney reflects prime grade assets.
Source: CBRE Research Q4 2025

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



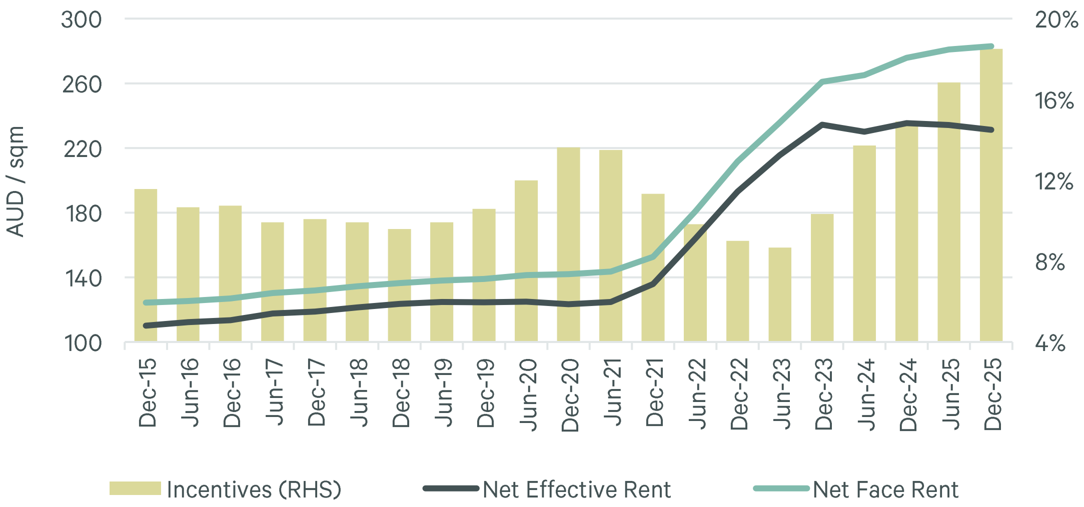
To note: Does not include land/development sales.
Source: CBRE Research Q4 2025

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



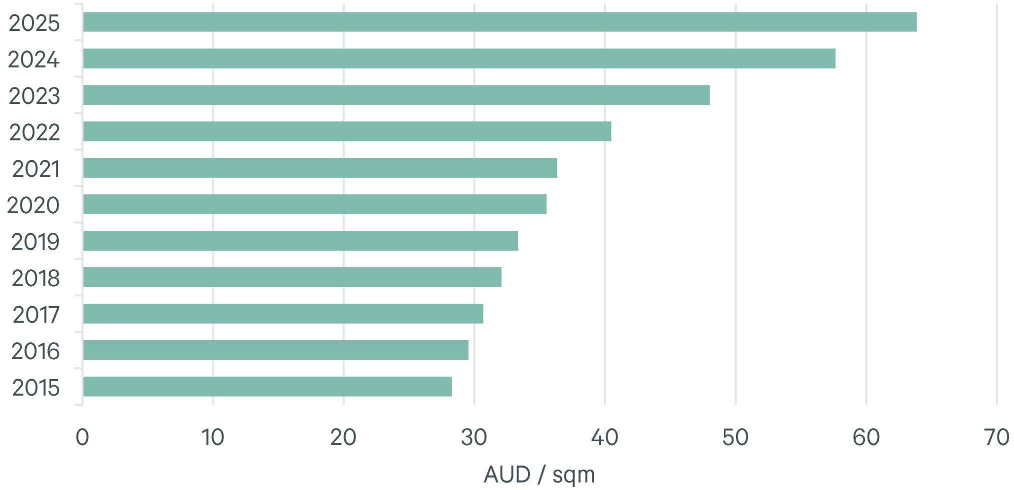
Source: CBRE Research Q4 2025

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



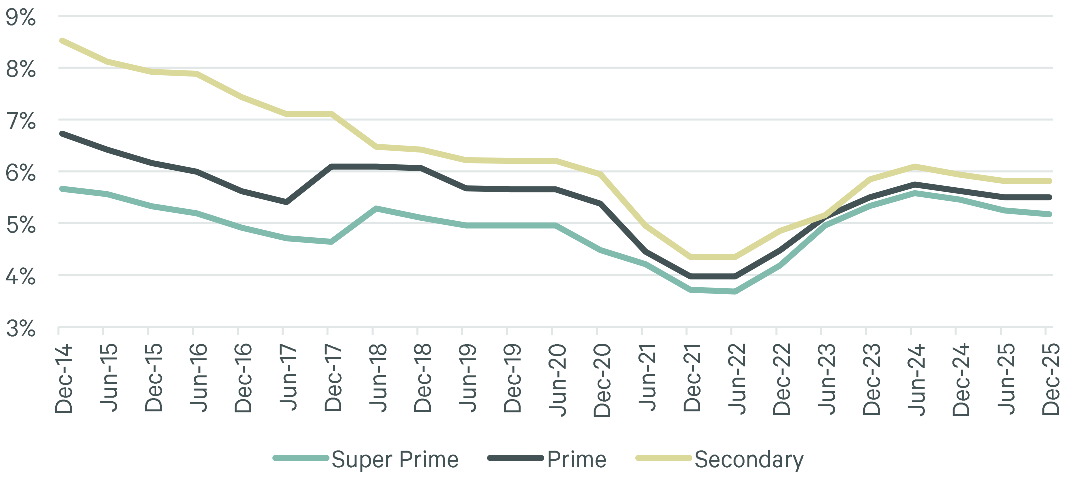
Source: CBRE Research Q4 2025

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



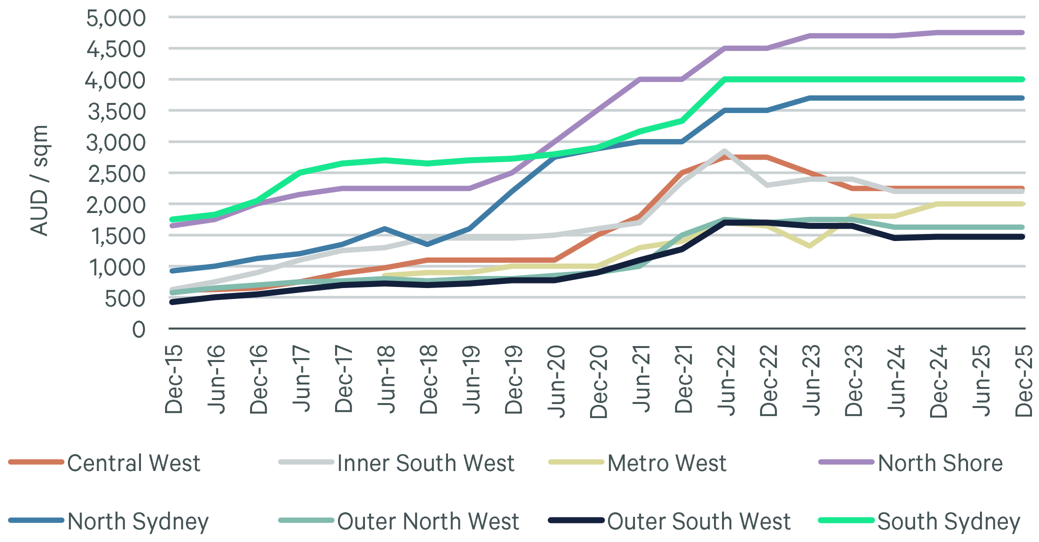
Source: CBRE Research Q4 2025

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



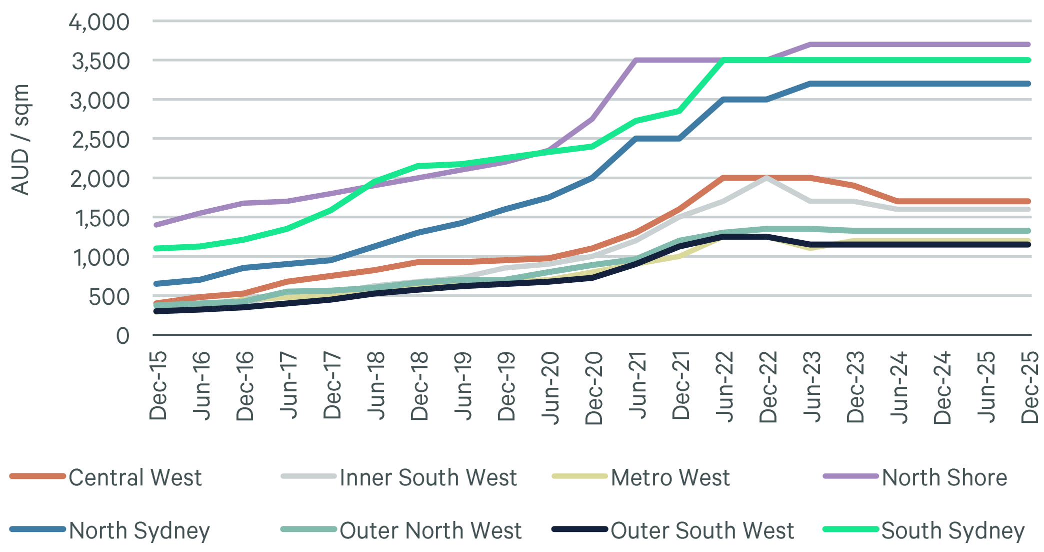
Source: CBRE Research Q4 2025

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



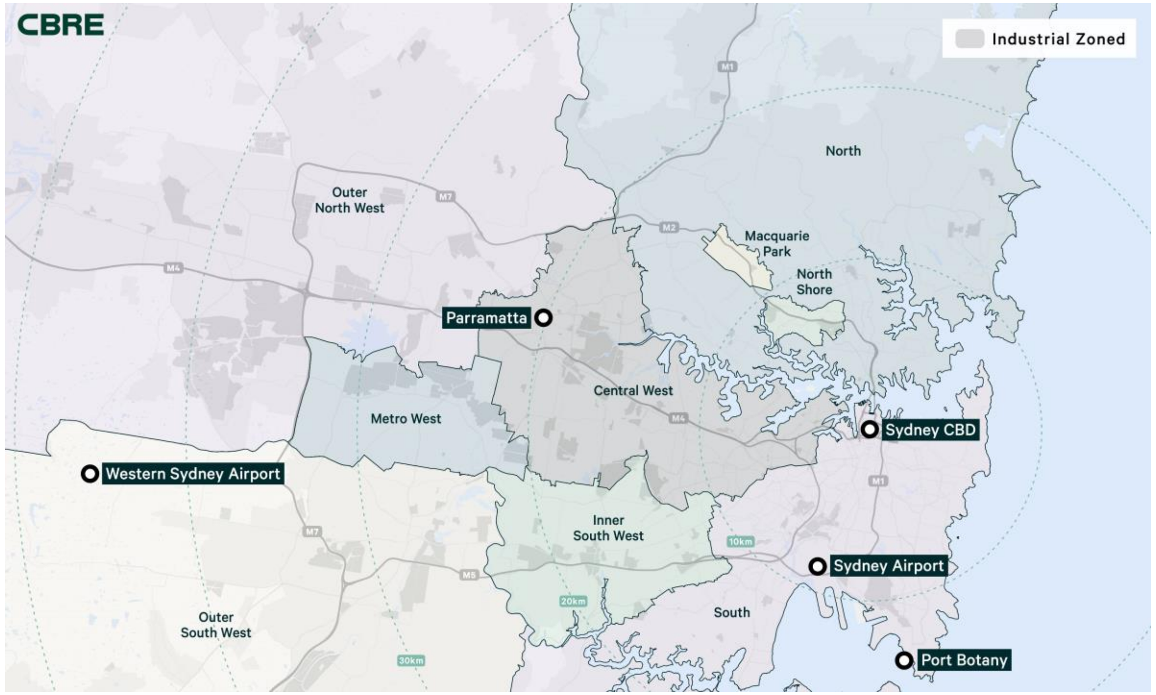
Source: CBRE Research Q4 2025

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



Source: CBRE Research Q4 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.

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