

FIGURES | INDUSTRIAL & LOGISTICS | Q1 2026

Sydney industrial market remains resilient amid shifting conditions

▲ 2.9%

2H25 Sydney Industrial Vacancy

▲ c. 260,000 sqm

New industrial supply 1Q26

▼ c. 91,000 sqm

Gross take-up 1Q26

▶ 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 4Q25, totalling c. 91,000 sqm over 1Q26. Transport, Postal & Warehousing led total floorspace leased (43%).
- Average vacancy rate rises marginally and remains relatively low at 2.9% (as at 2H25).
- Development supply increased this quarter with 260,000 sqm of new floorspace added.
- The pre-commitment rate for 2026-2028 pipeline stands at 27%.
- Super prime net face rents recorded y-o-y growth rate of 1.8%.
- Average land values remained unchanged over the quarter across all lots sizes tracked.
- A total of AUD 523 million in investment sales has been recorded in 1Q26, across 8 transactions (for sales ≥ AUD 5 million).
- Super prime, prime and secondary midpoint yields remained unchanged q-o-q sitting at 5.17%, 5.50% and 5.81%, respectively.

Demand

Take-up volumes slow in 1Q26; however, enquiry levels increase

Gross take-up decreased significantly in 1Q26 compared to the previous quarter (c. 195,000 sqm in 4Q25), totalling c. 91,000 sqm. Take-up over the quarter was also lower than in 1Q25 (c. 212,000 sqm). The 12-month rolling total stands at c. 943,000 sqm.

Leasing enquiry continued to strengthen this quarter, underpinned by renewed uplift in 3PL activity as capacity across existing networks tightens. Demand is being supported by occupiers increasingly favouring capital-light, fee-for-service logistics models, driving additional space requirements. Overall enquiry is considered more genuine than a year ago, with fewer speculative requirements and a higher proportion of active mandates.

Notable lease transactions in 1Q26:

- An existing warehouse leased by Belway (Outer North West)
- A pre-lease by Geodis (Outer South West)
- An existing warehouse leased by TFM Express (Outer North West)

Pre-lease transactions accounted for 29% 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 Outer North West precinct represented 55% 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 83% of Sydney’s projected new supply by floorspace is scheduled for delivery through to the end of 2027.

By sector, floorspace leased in 1Q26 was dominated by Transport, Postal & Warehousing (43%), followed by Wholesale Trade (24%).

FIGURE 1: Sydney Gross Take-Up 2016-2026YTD by Precinct

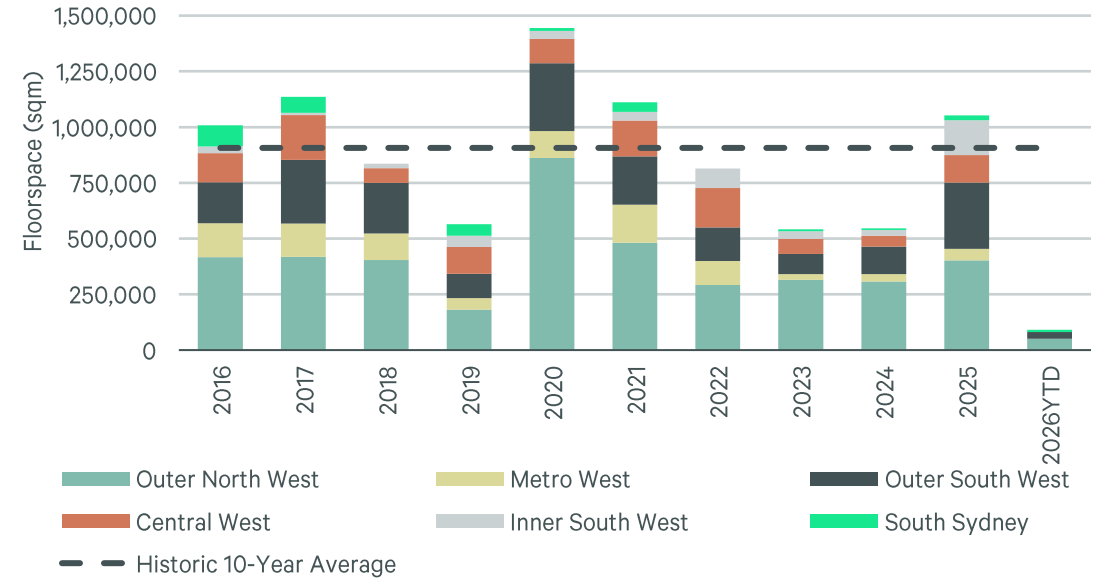
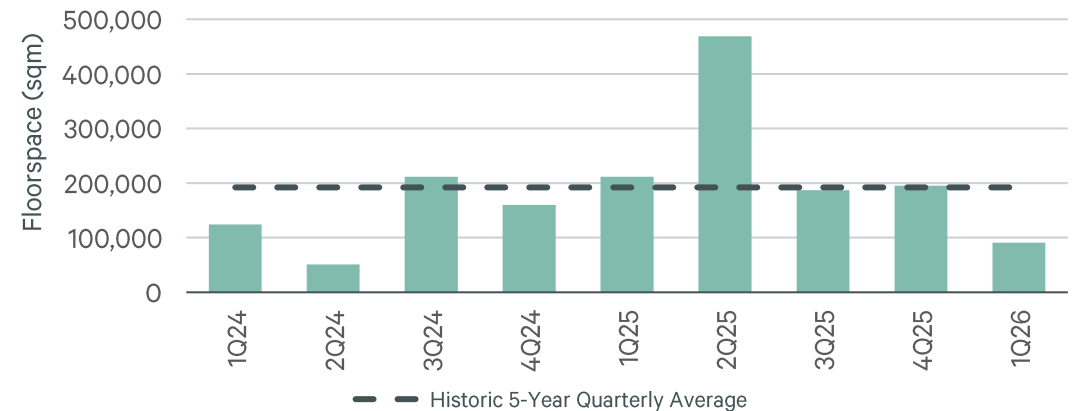


FIGURE 2: Sydney Quarterly Gross Take-Up, 1Q24-1Q26



To note: Reflects leasing transactions >5,000 sqm.
Source: CBRE Research Q1 2026

Supply

Approximately one-third of the 2026-2027 pipeline is already pre-committed

New floorspace added to the market over the quarter totalled c. 260,000 sqm, above the 2025 quarterly average of c. 167,000 sqm.

Project completions over the quarter were concentrated in the Outer North West, accounting for 68% of total new floorspace.

Major projects that reached practical completion in 1Q26 included:

- Warehouse 8A+B, Aspect Industrial Estate, Kemps Creek (c. 42,000 sqm)
- MOD 4, Lot 10, 813-913 Wallgrove Road, Eastern Creek (c. 41,000 sqm)

The CY2026 supply pipeline is expected to total c. 1,226,000 sqm. Around 50% is expected to be delivered in 1H26, with the remainder in 2H26. Pre-commitments for 2026 remain strong at 37%, reflecting steady demand and providing landlords with confidence as new space comes to market.

Major projects expected to reach practical completion next quarter are:

- Lot 4, Westlink Industrial Park, Kemps Creek
- Warehouse 2, Light Horse Business Hub, Eastern Creek
- Lot 1, Grand Avenue Multi-Level Warehouse, Rosehill

High build costs and elevated land prices continue to suppress development activity, with a growing number of projects previously slated for delivery in 2027 now shifting into later timeframes.

Approximately three-quarters of the 2027–2028 pipeline is still progressing through early planning and approval phases, while around 3% of schemes are no longer expected to proceed and others remain contingent on securing pre-commitments before works can commence.

FIGURE 3: Sydney Development Supply Pipeline 2015-2028F

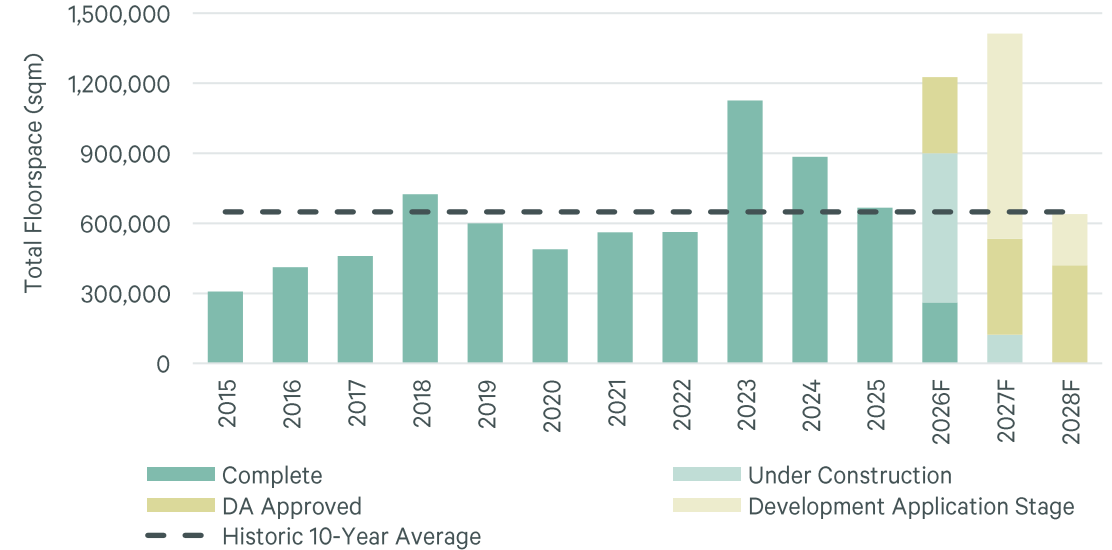
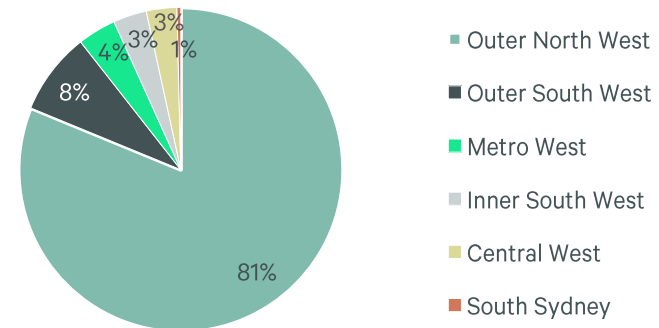


FIGURE 4: Development Supply 2026F-2028F Floorspace Share, by Precinct



To note: Reflects new projects >5,000 sqm.
Source: CBRE Research Q1 2026

Leasing Market

Elevated incentives continue to weigh on effective rents

Sydney’s average super prime, prime and secondary net face rents remained flat over the quarter. On a y-o-y basis, super prime and prime rents increased by 1.8%, while secondary rents grew by 2.3%.

On a y-o-y basis, the Metro West precinct recorded the strongest growth in super prime net face rents, increasing by 4.0%, followed by the Outer North West at 3.3%.

Net effective rents across super prime assets declined in 1Q26, falling 0.9%, as rising incentives continued to offset face rental growth. Over the quarter, prime and secondary grades recorded increases of 0.5% and 1.7%, respectively.

Super prime incentive levels rose by 83 bps q-o-q and now average 19.3%.

Incentives across most precincts are expected to continue rising, with a peak anticipated around 4Q26, reflecting a CY26 forward supply pipeline that sits approximately 90% above the long-run average. From 2H27 onwards, incentives are expected to come under downward pressure as the supply pipeline contracts materially.

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

Average outgoings across all asset grades were flat in 1Q26 and increased 3.9% y-o-y, following consecutive 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. While outgoings stabilised in 4Q25, the cumulative increase in occupancy costs over the year constrained tenants’ ability to absorb further rental growth, contributing to a moderation in rental growth from 2H25 onwards.

FIGURE 5: Average Sydney Net Effective Rent Growth y-o-y, by Asset Grade (2016-2026)

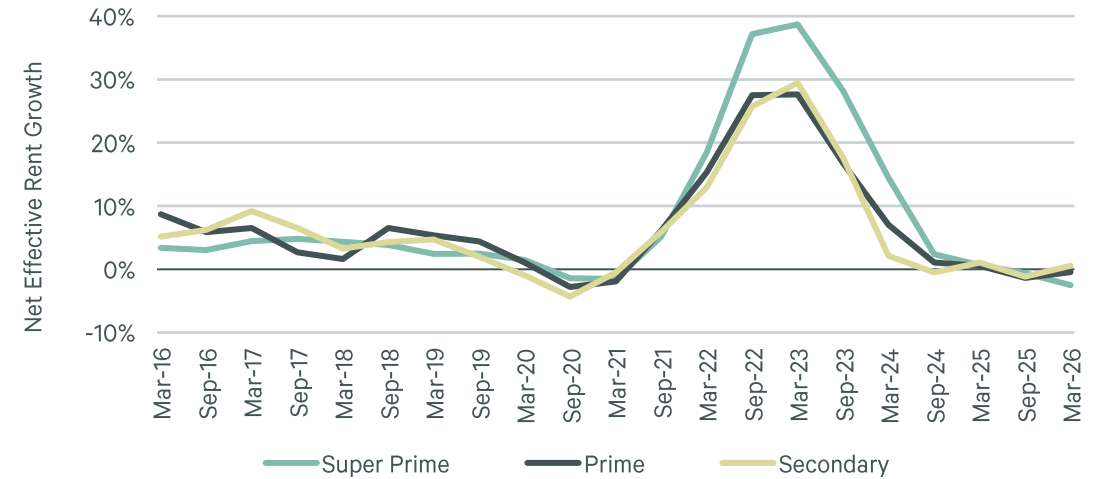
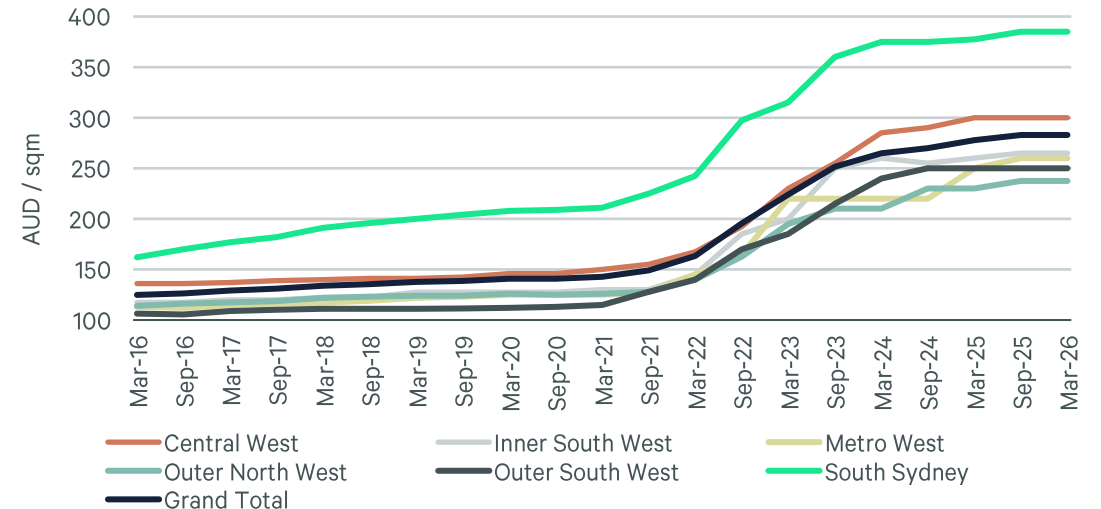


FIGURE 6: Average Super Prime Net Face Rents, by Precinct (2016-2026)



Source: CBRE Research Q1 2026

Land Values

Land values remain unchanged over the quarter

Demand for industrial-zoned land parcels of 0.25 ha, 1.6 ha and 3–5 ha remained steady over both the quarter and the year, supported by ongoing owner-occupier interest and selective investor engagement.

Recent upward moves in interest rates, with the cash rate now at 4.1% and forecast to peak around 4.35%, have reinforced a more cautious capital markets environment. Higher funding costs continue to weigh on investor decision-making, particularly for land acquisitions tied to development feasibility and shorter hold periods. However, improved visibility on the interest rate outlook is beginning to bring some investors back to the market where long-term fundamentals remain compelling.

Development viability continues to be constrained by elevated financing costs, high construction expenses and rising land values, with further pressure from higher energy prices linked to ongoing conflict in the Middle East. The increasing power requirements of modern warehouses, driven by automation, cold storage and technology-enabled logistics, are also lifting both development and operating costs. Despite strong rental growth across the Sydney industrial market, a gap remains between achievable market rents and total development costs. CBRE Research estimates economic rents have increased by approximately 60–90% over the past five years, depending on precinct and are around 12% above current market levels, though this has not yet been sufficient to restore widespread development feasibility. As a result, new supply remains constrained, providing ongoing support to underlying land values.

Owner-occupiers continue to represent a key source of demand, typically adopting a long-term operational focus and showing less sensitivity to short-term interest rate movements. This continued owner-occupier activity, combined with limited speculative development, is helping to maintain a relatively stable pricing environment despite broader capital market volatility. Inner-city industrial markets remain the strongest-performing locations, underpinned by severe land scarcity and proximity to key infrastructure and labour pools. Land values in South Sydney and North Sydney continue to trade at more than double those in outer western precincts, reflecting the premium for well-located sites, and these markets are expected to remain resilient over the medium term amid persistent demand and limited new supply opportunities.

FIGURE 7: Average Land Values (0.25 ha lots), by Precinct (1Q25 vs. 1Q26)



FIGURE 8: Average Land Values (1.6 ha lots), by Precinct (1Q25 vs. 1Q26)



Source: CBRE Research Q1 2026

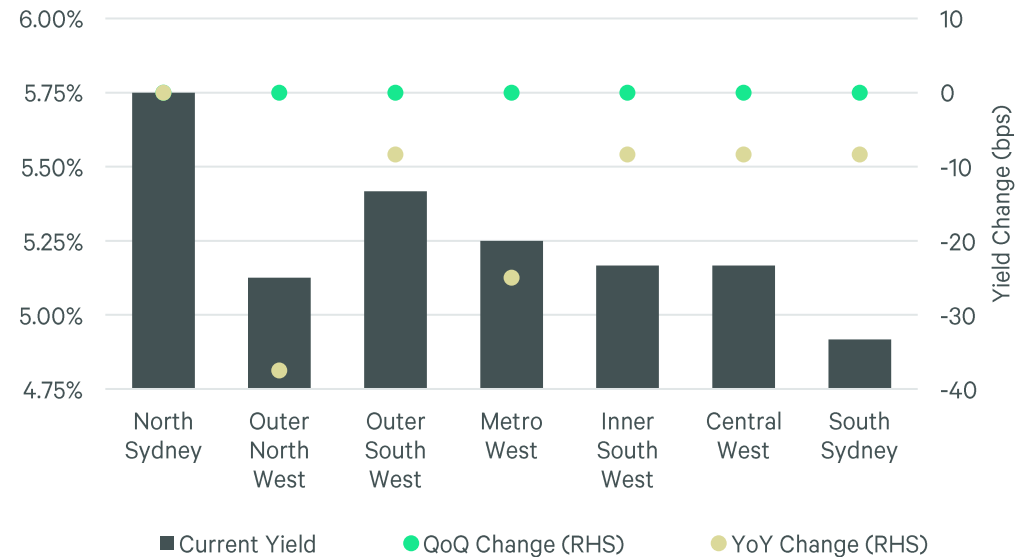
Investment Market

Transaction volumes remain muted amid elevated rates

Investment sales totalled AUD 523 million in 1Q26 across eight transactions of AUD 5 million or more, led by Goodman’s AUD 336 million sale of Greystanes East at 1 Reconciliation Road. This result was well below the 2025 quarterly average of AUD 946 million, reflecting a more cautious investment environment, with near-term activity expected to remain subdued amid inflation volatility and elevated borrowing costs.

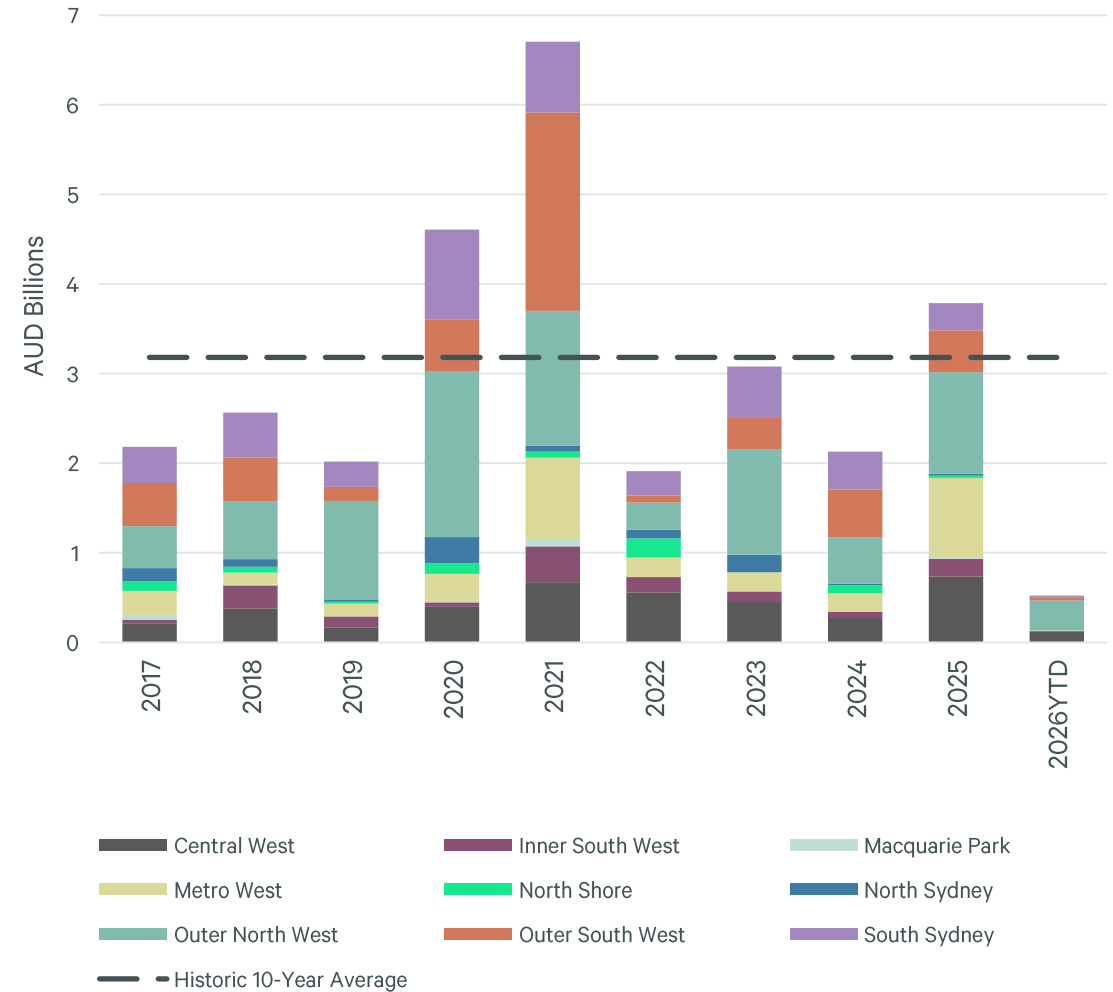
Super prime, prime and secondary yields remained unchanged at 5.17%, 5.50% and 5.81%, respectively. However, for 2026 we now expect modest widening in super prime yields, shifting from our earlier view of mild compression. This reflects tighter monetary conditions following the recent cash rate increase, rising expectations of further rate hikes and higher long-term interest rates, with 10-year government bond yields averaging around 5%.

FIGURE 9: Super Prime Midpoint Yield, by Precinct



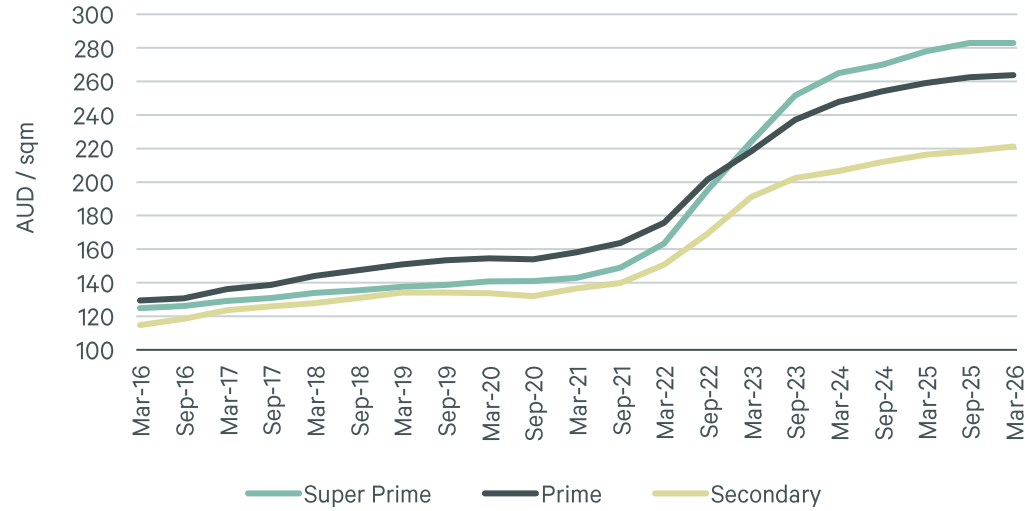
To note: North Sydney reflects prime grade assets.
Source: CBRE Research Q1 2026

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



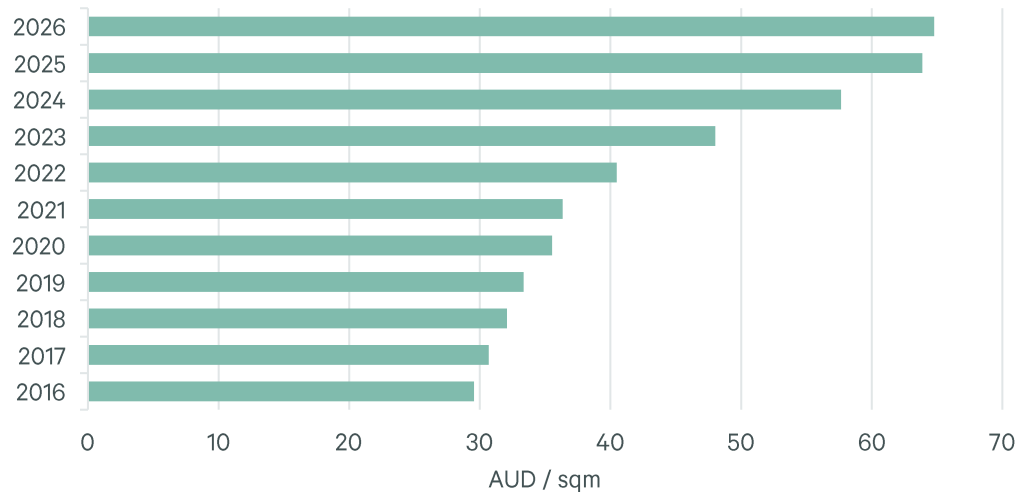
To note: Does not include land/development sales.
Source: CBRE Research Q1 2026

FIGURE 11: Average Sydney Net Face Rents, by Asset Grade (2016-2026)



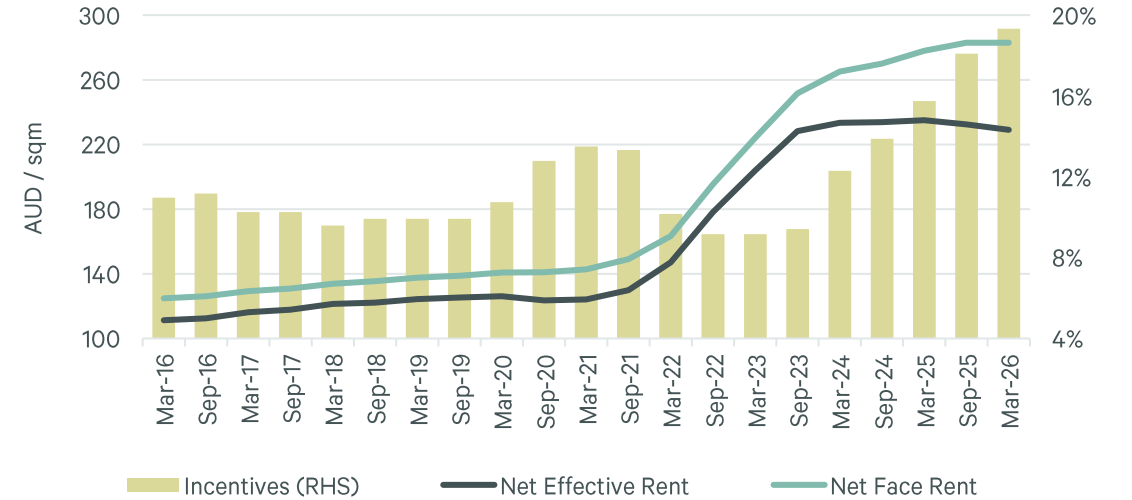
Source: CBRE Research Q1 2026

FIGURE 12: Average Sydney Historical Outgoings, 2016-2026 (excludes Strata and Hi-Tech)



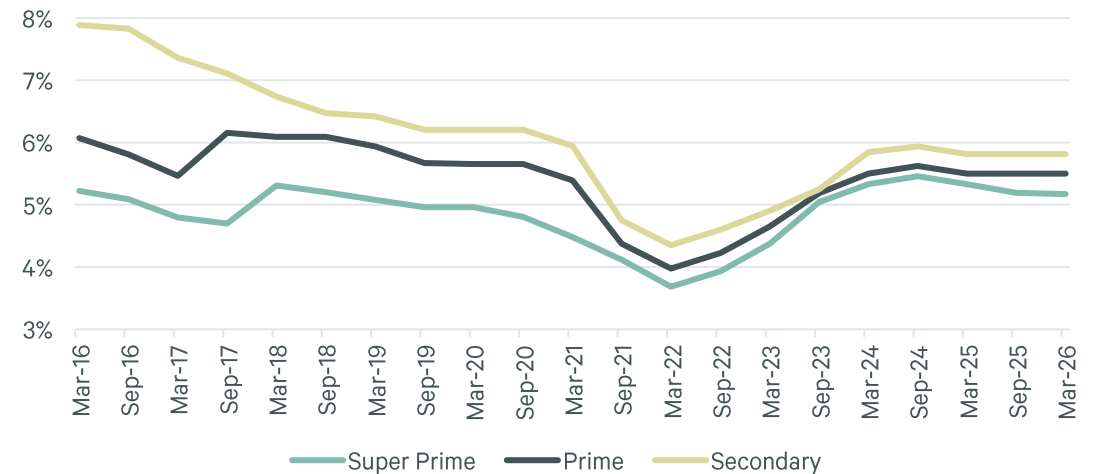
Source: CBRE Research Q1 2026

FIGURE 13: Average Sydney Super Prime Rents and Incentives (2016-2026)



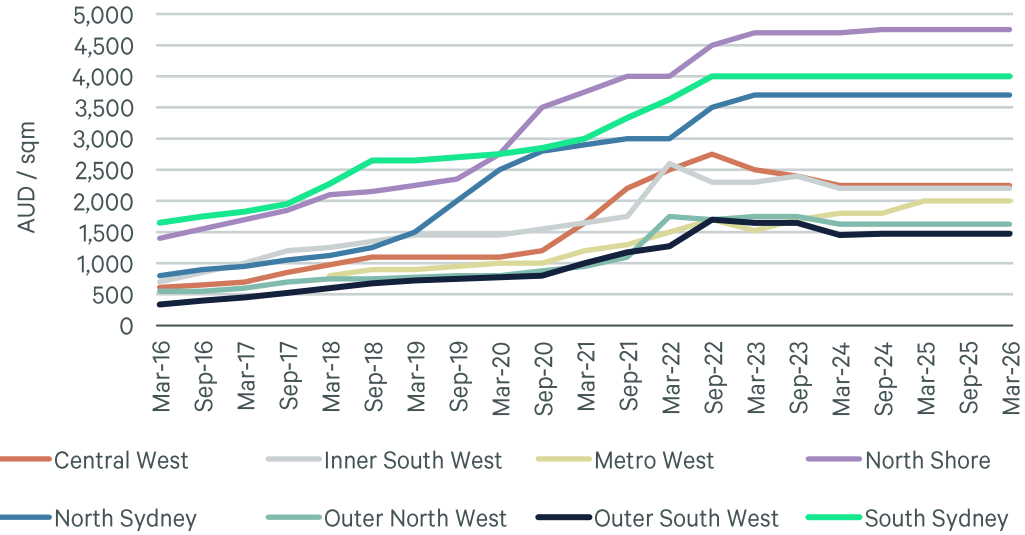
Source: CBRE Research Q1 2026

FIGURE 14: Midpoint Sydney Yields, by Asset Grade (2016-2026)



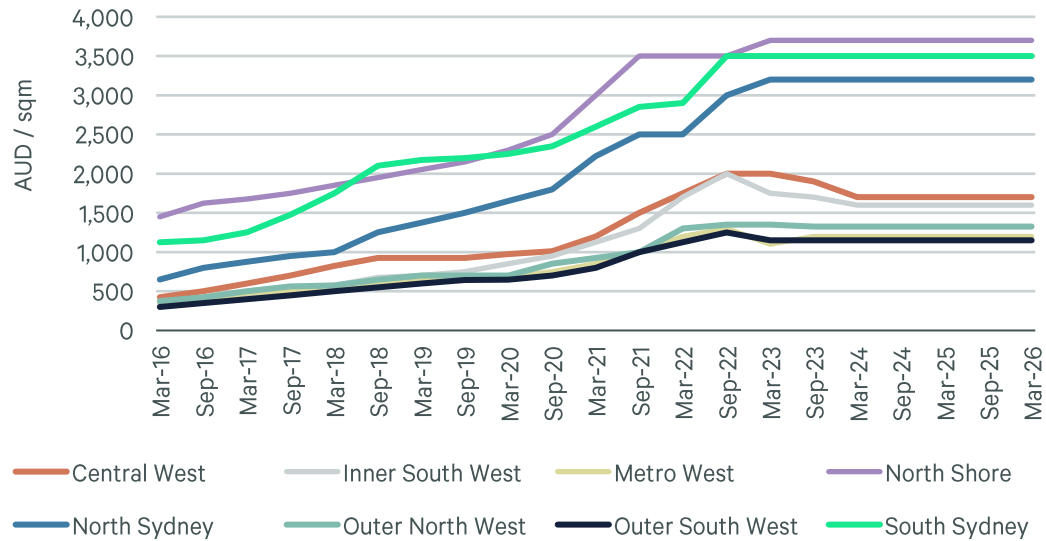
Source: CBRE Research Q1 2026

FIGURE 15: Average Land Values (0.25 ha lots), by Precinct (2016-2026)



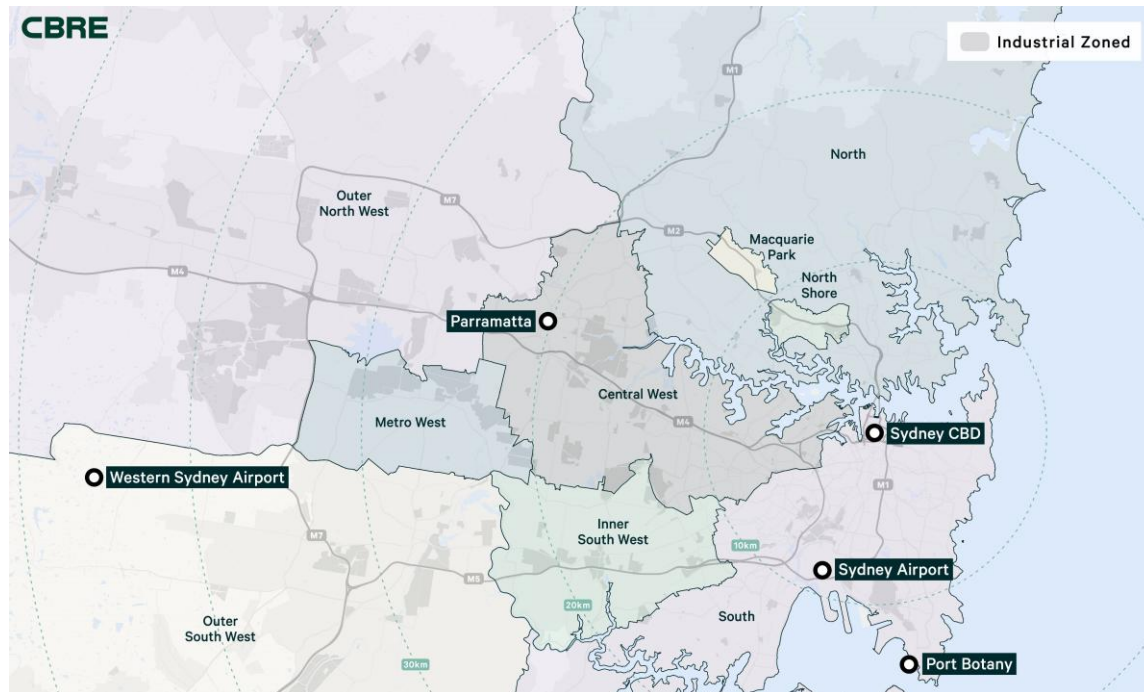
Source: CBRE Research Q1 2026

FIGURE 16: Average Land Values (1.6 ha lots), by Precinct (2016-2026)



Source: CBRE Research Q1 2026

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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