MARKETBEAT
SYDNEY
LOGISTICS & INDUSTRIAL Q4 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.3% Vacancy Rate	▲	▲
5.20% Average Prime Yield	▼	▼
0.2% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% National GDP Growth	▲	▲
1.8% State Final Demand Growth	▲	▲
4.4% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

Economic conditions remain steady, supported by solid domestic demand and a strong labour market, though inflationary pressure has been more persistent than expected. Headline CPI rose 3.4% year-on-year (yoy) in November, it's fourth month above the Reserve Bank of Australia's (RBA) 2%-3% target band, while trimmed mean inflation also stayed above 3%. Recent RBA commentary indicates the current easing cycle is likely complete, with policymakers taking a longer-term view before considering further adjustments. Australian economic growth eased slightly in the second half of 2025, with GDP rising 0.4% quarter-on-quarter (qoq) in Q3, down from 0.6% in Q2. Momentum is expected to build through 2026. New South Wales' Gross State Product is forecast to grow by 1.8% in 2025, before strengthening to 2.4% by 2026-year end, then moderating slightly to 2.1% growth in 2027.

DEMAND

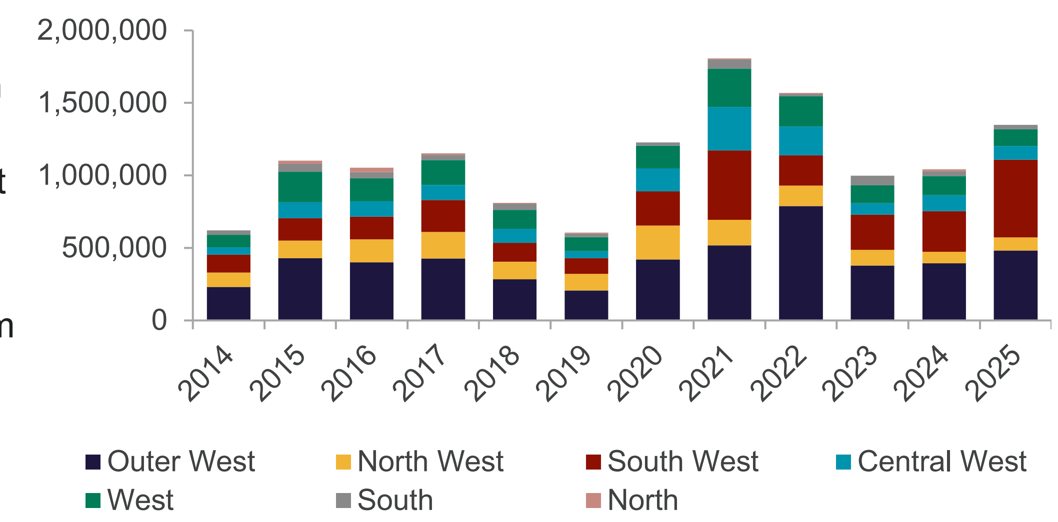
Occupier demand across Sydney's logistics market remained solid through the final quarter of 2025, supported by improving trading conditions and a continued focus on operational efficiency.

While leasing decisions remained measured, enquiry levels improved towards the end of the year, led by 3PLs, food and beverage, and construction-related sectors. Consolidation strategies also remained evident, with several occupiers opting to rationalise footprints into fewer, higher-specification facilities.

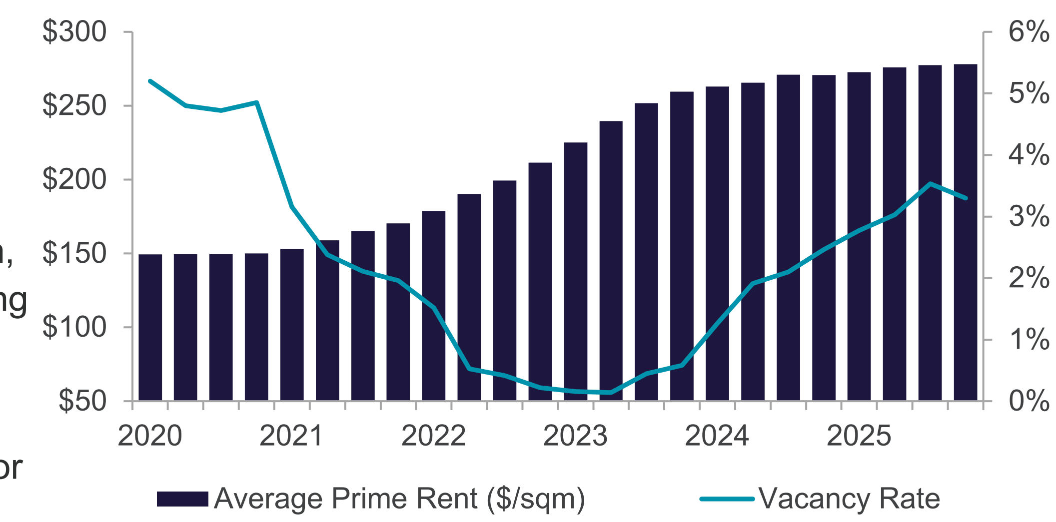
Almost 320,000 sqm was leased in Q4 2025, taking the 2025 total to approximately 1.3 million sqm. Notably, this was the strongest level of take-up since 2022 and is well above the 2010-2025 annual average of around 1.0 million sqm. Net absorption, on the other hand, was more measured, reaching 445,000 sqm for the year, reflecting a more cautious approach from occupiers around their future space needs. Encouragingly, absorption in Q4 2025 reached its highest level in over two years.

By submarket, the Outer West and South West submarkets collectively accounted for 75% of gross take-up, underpinned by deals above 20,000 sqm, including Icehouse Logistics leasing 41,401 sqm at Eastern Creek.

GROSS TAKE-UP (SQM)



VACANCY & AVERAGE PRIME RENTS



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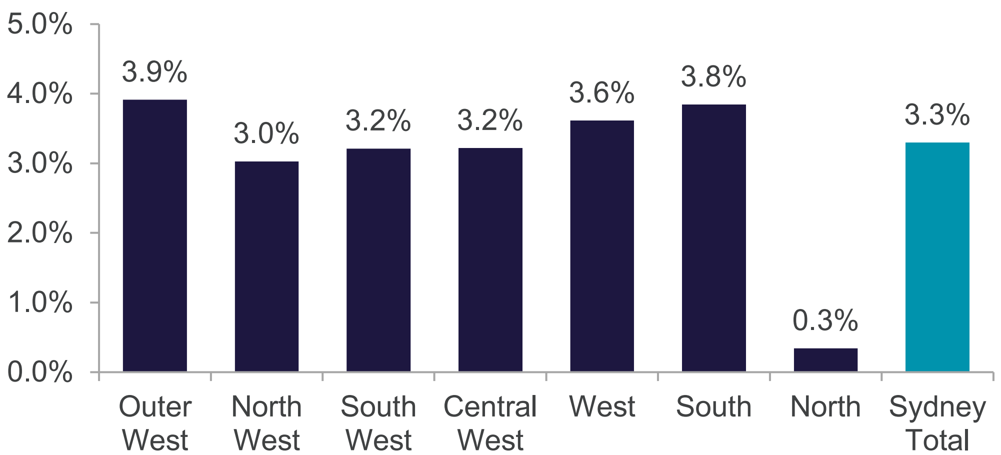
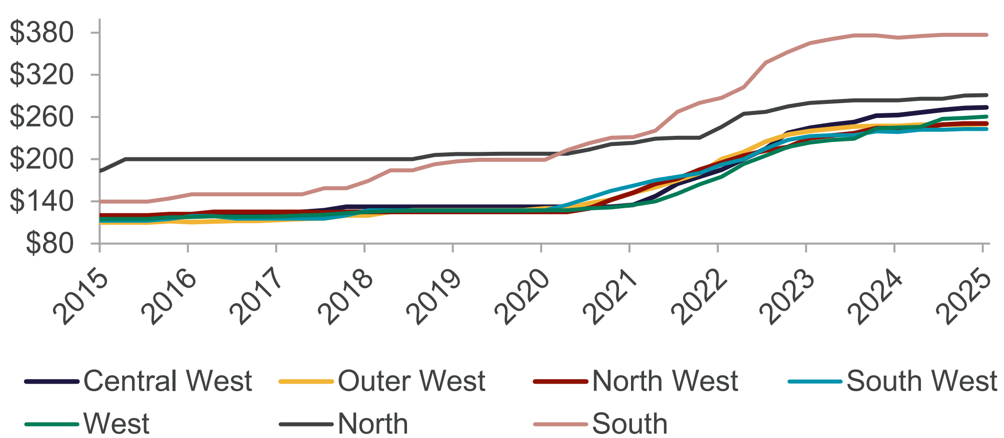
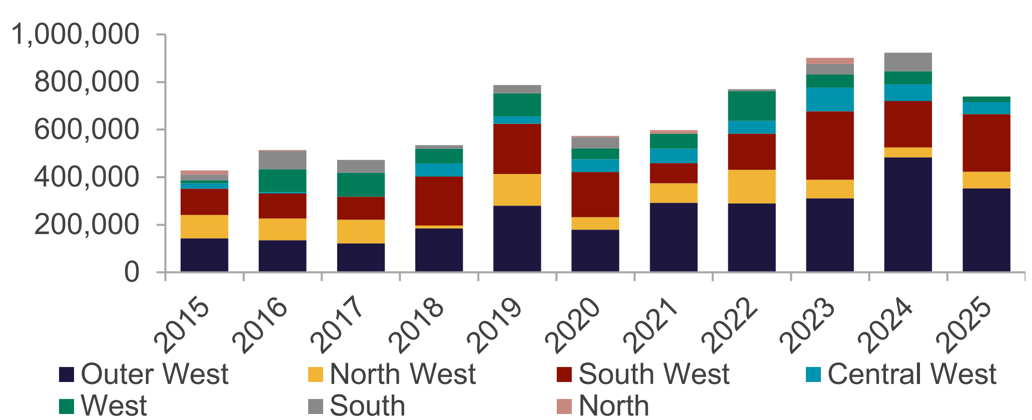
Q4 2025 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Following ten consecutive quarterly rises, Sydney's vacancy rate has edged lower to 3.3% in Q4 2025, down from 3.5% in Q3 2025. The Outer West and West submarkets underpinned the decline and follows the leasing of several large options.

The share of speculative availability has continued to decline, currently representing 25% of available floorspace and reflects a pullback in supply from developers. Alternatively, sublease availability has increased 17% over the past six months, with almost half of this located in the Outer West submarket.

More broadly, leasing availability is dominated by the 3,000 – 10,000 sqm segment, accounting for 45% of current vacancy, while leasing options in the 10,000 – 15,000 sqm is limited, with only a handful of vacancies in each submarket.

RENTS & INCENTIVES

In response to higher vacancy levels over the past year, the pace of rental growth has reverted to long-term averages across the Sydney market, particularly on an effective basis. However, there remain pockets where solid rental growth is still being recorded, led by select precincts in Sydney's Central West. In Q4 2025, prime rents increased by 0.2%, representing the lowest level of growth since 2020 (2.7% year-on-year). The blended prime average for Western Sydney now stands at $256/sqm, while pre-lease rents in the Outer West are closer to $245/sqm.

Incentives have largely stablised across each precinct and broadly range between 12.5% and 20.0% for existing assets, while recent pre-commitment evidence suggests the range is higher at between 20.0% and 25.0%.

SUPPLY

Approximately 250,000 sqm of supply was added to the market in Q4 2025, taking the 2025 total to around 740,000 sqm. This is moderately lower than earlier forecasts with the timing for several projects pushed into 2026. For the year, speculative supply accounted for 60% of new additions, representing a record high for the Sydney market and was underpinned by deliveries within the South West, Outer West and North West submarkets. More recently, this included Dexus' Vertex Industrial Estate at Marsden Park (43,800 sqm).

Looking ahead to 2026, there is potential for 875,000 sqm of new supply; however, a large share of this is contingent on pre-commitments being secured. Speculative supply is forecast to fall to around 45% of total floorspace added.

OUTLOOK

- Occupier demand is expected to strengthen through 2026 as improving consumer conditions and higher trade volumes support retailers, 3PLs and manufacturers. Activity is forecast to remain skewed toward consolidation and flight to quality. The improvement in demand is forecast to be more evident in net absorption figures as businesses become more comfortable with their medium and long-term revenue targets.
- Supply over the next six months will remain elevated, pushing the vacancy rate to above 4.0% by mid-2026. However, it will not be uniform across the market as supply is concentrated in a select few precincts.
- Beyond the projects already underway, development feasibility and planning challenges remain, which will impact the timing of supply. Further, the continued pivot by developers to a pre-lease strategy will remain an ongoing theme.
- Rental growth in the order of 4.2% is expected in 2026 for Sydney; however, select markets are forecast to record growth in excess of 5.0%.

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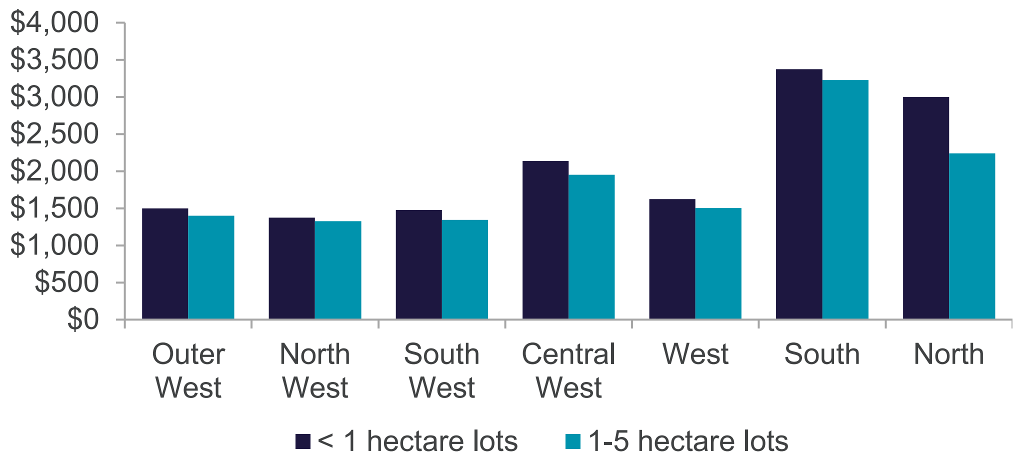
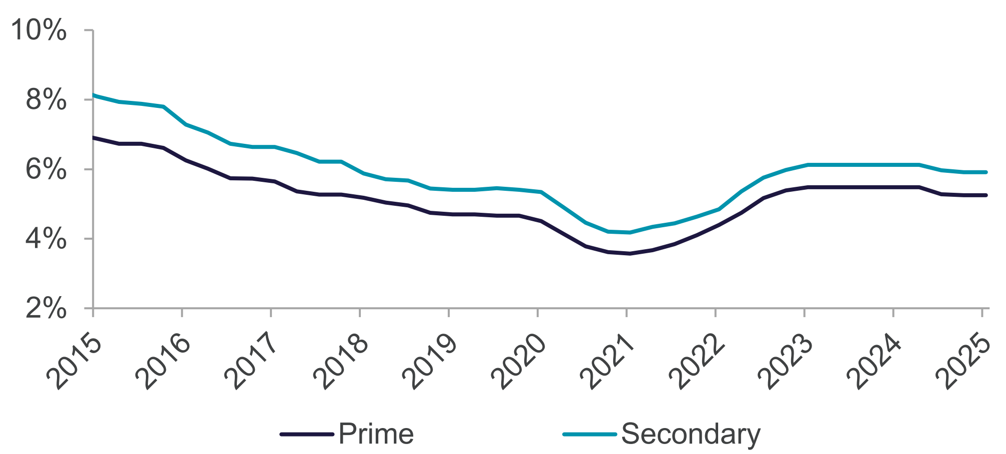
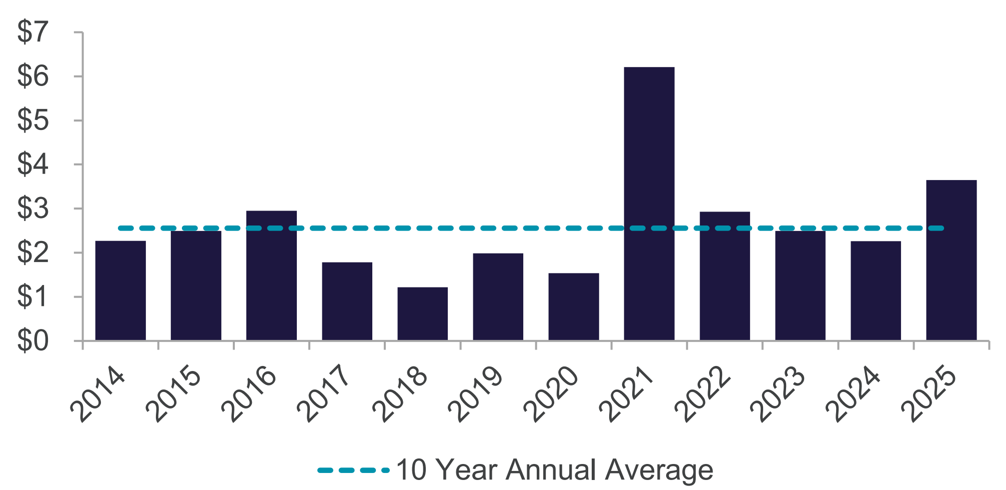
Q4 2025 LAND VALUES BY SIZE ($/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES ($B)



LAND VALUES

Modest upward pressure on land values was recorded in Q4 2025, with 1-5 hectare lots increasing by 0.7%, reaching $1,522/sqm as a blended average across Western Sydney (South Sydney is closer to $3,225/sqm).

Given pre-lease and speculative take-up activity in recent years, several major developers have almost exhausted their Sydney land banks, with many currently active in the market for opportunities. Similarly, data centre demand for large tracts of land in Western Sydney remains strong. Highlighting this was ISPT reaching a conditional deal with AirTrunk for 52 hectares of land within the Mamre Road Precinct at Kemps Creek. The deal reflects ~$1,500/sqm, with the acquisition being conditional on the site being approved.

More broadly, a modest decline in construction costs and yield compression has supported the feasibility of projects; however, it remains challenging in many pockets where economic rents exceed current market levels.

YIELDS

Capital allocation into Sydney remains the strongest in the country, supported by tax implications in Victoria. As a result, the yield compression cycle that has been evident since mid-year 2025 has continued into Q4 2025 with prime core market yields tightening 5 basis points to average 5.20% (35 basis points of compression in the current cycle). There is evidence of deals trading at core market yields closer to 5.00%.

Secondary yields recorded 11 basis points of compression in the quarter (31 basis points in 2025), taking average midpoint yields to approximately 5.81%.

INVESTMENT

Investment volumes for Sydney reached just over $3.5 billion in 2025, well eclipsing the $2.3 billion recorded in 2024. Notably, this is the second strong year on record, only surpassed by 2021 when $6.2 billion traded. The average asset value reached $58.0 million with nine assets trading above $100 million across the year.

Trades in Q4 2025 include the Sydney-based assets as part of the Frasers and Morgan Stanley partnership, while Busways acquired 32 Sargents Road, Minchinbury from Dexus for $77.5 million. Beyond this, there were several confidential trades that occurred in the quarter, one of which exceeded $100 million.

OUTLOOK

- Increased institutional demand for development-ready land is expected to support further growth in land values in 2026. Similarly, in select precincts, demand from data centre operators is forecast to remain strong, resulting in continued two-tiered market pricing.
- The recent uptick in inflation is expected to result in no further rate cuts in 2026; however, the weight of capital seeking to be deployed into the logistics sector is forecast to maintain pressure on pricing. 2026 is expected to see the emergence of new capital sources, particularly out of Japan who have recently undertaken thorough market and sector due diligence.
- By the end of 2026, our base case is for a further 10-20 basis points of compression to occur, taking the average midpoint yield in Sydney to ~5.00%. However, yield movements will not be uniform across all markets, and risk is expected to be more appropriately priced.

Q4 2025 SYDNEY MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	YTD 2025 TAKE-UP (TOTAL MARKET SQM)	AVERAGE NET FACE RENT ($/SQM P.A.)	AVERAGE OUTGOINGS ($/SQM P.A.)	AVERAGE INCENTIVES	AVERAGE YIELDS	AVERAGE CAPITAL VALUES ($/SQM P.A.)	AVERAGE LAND VALUES (1-5ha, $/SQM)
PRIME								
Outer West	3.9%	481,339	$250	$54	18.8%	5.33%	$4,695	$1,400
North West	3.0%	90,643	$251	$57	17.5%	5.38%	$4,667	$1,325
South West	3.2%	535,776	$243	$59	16.0%	5.33%	$4,563	$1,408
Central West	3.2%	95,205	$274	$75	16.3%	5.25%	$5,214	$1,950
West	3.6%	116,075	$261	$60	16.0%	5.26%	$4,952	$1,521
North	0.3%	0	$291	$66	7.5%	5.25%	$5,548	$2,240
South	3.8%	30,749	$381	$87	14.5%	5.00%	$7,540	$3,225
PRIME AVERAGE	**3.3%**	**1,349,787**	**$278**	**$65**	**15.2%**	**5.26%**	**$5,311**	**$1,867**
SECONDARY								
Outer West	-	-	$223	$58	17.5%	6.00%	$3,708	-
North West	-	-	$223	$50	17.5%	5.95%	$3,754	-
South West	-	-	$222	$59	16.0%	5.96%	$3,723	-
Central West	-	-	$245	$75	17.5%	5.95%	$4,118	-
West	-	-	$228	$60	16.0%	6.08%	$3,740	-
North	-	-	$225	$62	7.5%	5.95%	$3,782	-
South	-	-	$336	$92	14.5%	5.50%	$6,100	-
SECONDARY AVERAGE			**$258**	**$72**	**13.9%**	**5.87%**	**$4,435**	**-**

RESEARCH

LUKE CRAWFORD
Head of Logistics & Industrial Research – Australia
+61 421 985 784
luke.crawford@cushwake.com

LOCAL MARKET AGENCY LEADS

TOM BARNIER
Director
Joint Head of Brokerage, Logistics & Industrial – South Sydney
+61 499 888 024
tom.barnier@cushwake.com

CARL PEARCE
Director
Head of Brokerage Logistics & Industrial – Sydney West
+61 409 483 202
carl.pearce@cushwake.com

NICK MALLETT
Director
Joint Head of Brokerage, Logistics & Industrial – South Sydney
+61 410 807 877
nick.mallett@cushwake.com

FAB DALFONSO
National Director
Brokerage Logistics & Industrial – Sydney South West
+61 412 549 766
fab.dalfonso@cushwake.com

NATIONAL LEADS

TONY IULIANO
International Director
Head of Logistics & Industrial – Australia and New Zealand
+61 412 992 830
tony.iuliano@cushwake.com

DAVID HALL
National Director
Head of Brokerage Logistics & Industrial – Australia and New Zealand
+61 428 242 410
david.j.hall@cushwake.com