MARKETBEAT

SYDNEY

LOGISTICS & INDUSTRIAL Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.7% Vacancy Rate	▲	▲
5.20% Average Prime Yield	▼	▼
0.4% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5% National GDP Growth	▲	▲
4.6% Gross State Product Growth	▲	▲
4.3% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

Economic conditions remain mixed, with growth moderating while inflationary pressures continue to build. GDP rose by 0.3% in the March quarter and 2.5% over the year, reflecting softer household and government consumption. Meanwhile, headline CPI rose 4.2% year-on-year in April, while trimmed mean inflation ticked higher to 3.4%.

The RBA held the cash rate at 4.35% in June following three increases earlier in 2026; however, the full impact of tighter monetary policy will continue to flow through the economy over coming months. New South Wales is set to record economic growth of 1.1% for 2026, down from an earlier forecast of 2.2%.

DEMAND

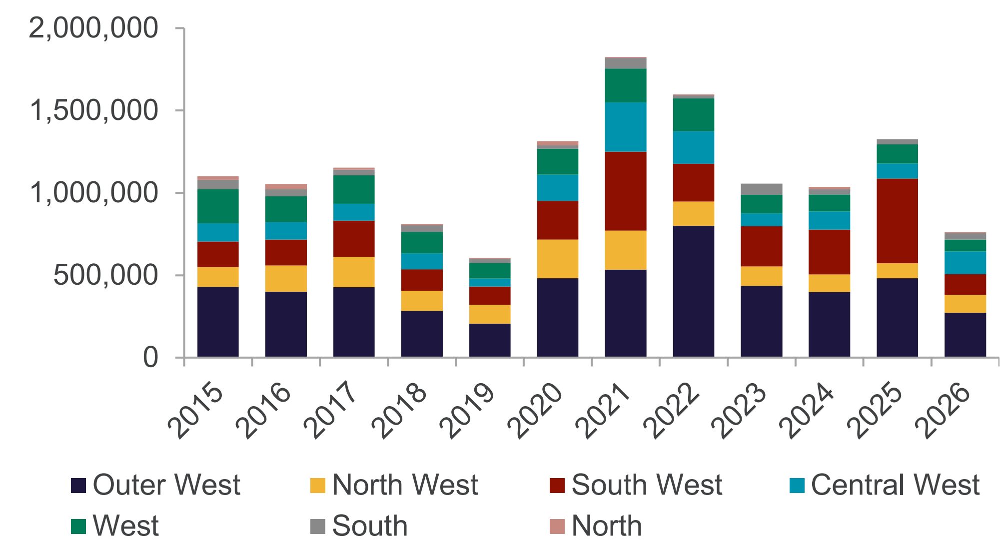
Despite global geopolitical headwinds and a measured economic backdrop, leasing demand surprised on the upside in Q2 2026, with gross take-up of almost 375,000 sqm recorded (675,000 sqm leased in H1 2026). We note, there are several large lease deals close to being finalised which will push take-up substantially higher.

Notable deals in Q2 2026 include O'Brien Glass pre-committing to 17,000 sqm at Charter Hall’s Western Sydney International Airport Business Precinct, Acer Computers taking 7,405 sqm at GPT’s Yiribana West Logistics Estate, while Toll leased 30,581 sqm at 10 Buda Way, Kemps Creek.

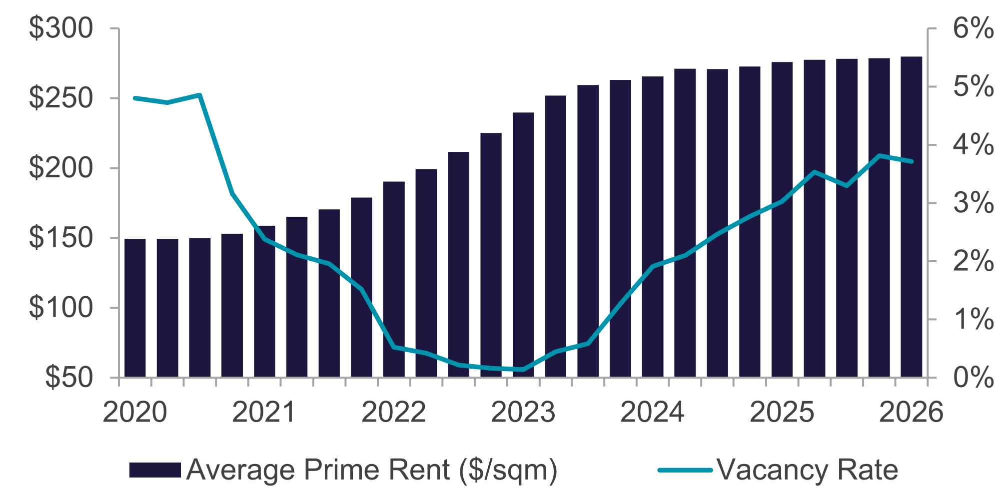
Encouragingly, net absorption rebounded strongly in Q2 2026, reaching approximately 215,000 sqm. Net absorption was strongest in the Central West where only a modest increase in the vacancy rate was recorded despite the addition of around 90,000 sqm of speculative supply.

While occupiers remain measured in their decision-making amid elevated operating costs and uncertainty around consumer spending, underlying demand continues to be supported by long-term strategic requirements. Leasing activity is increasingly driven by consolidation initiatives and a preference for modern, high-quality facilities that enhance operational efficiency, with tenants willing to take longer to secure assets that align with their long-term business objectives.

GROSS TAKE-UP (SQM)



VACANCY & AVERAGE PRIME RENTS



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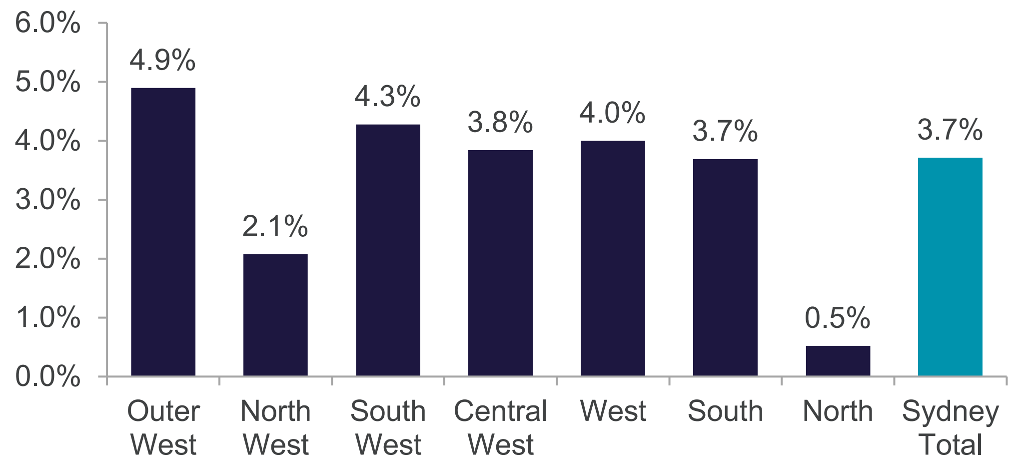
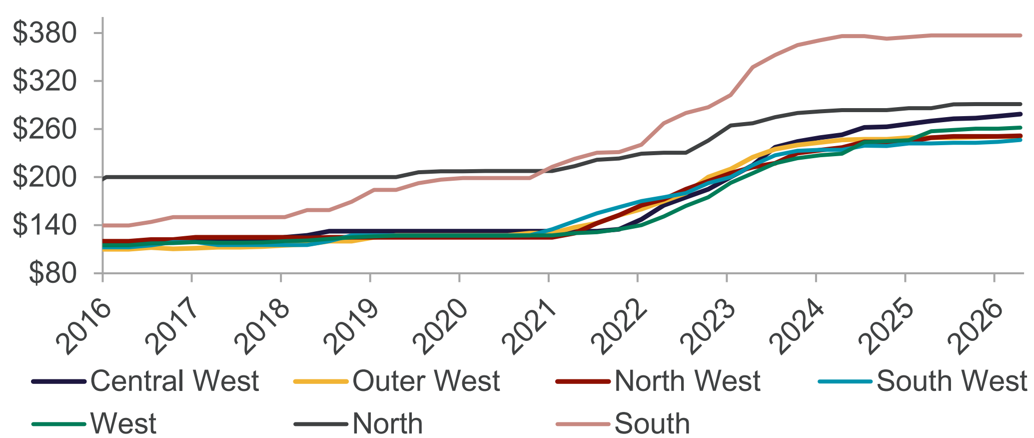
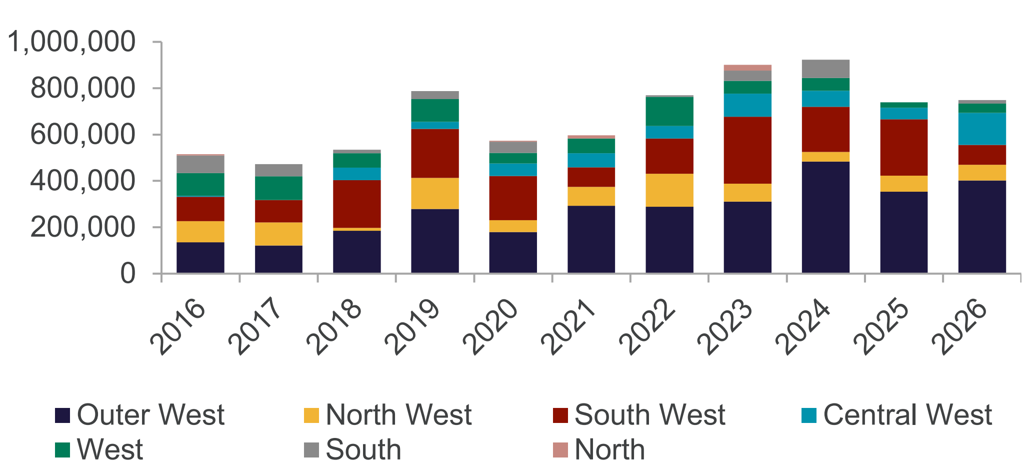
Q2 2026 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Despite expectations that vacancy would exceed 4.0% in Q2 2026 following speculative completions, strong leasing demand saw the market tighten modestly to 3.7% for the period (from 3.8% in Q1 2026). The North West recorded the strongest reduction in leasing availability over the quarter and stemmed from solid leasing outcomes at Dexus' 311 South Street development at Marsden Park.

Speculative completions, including Hale's 'Central' multi-level facility at Lidcombe and ESR's Birmingham Industry Park at Villawood lifted vacancy in the Central West to 3.8%, although the increase was more modest than anticipated. More broadly, speculative stock availability jumped by 10% in Q2 2026, and now represents 27% of total leasing availability.

Across most submarkets, there remain a handful of larger options that are skewing the headline vacancy figure. This continues to be most apparent in the Outer West, where facilities sized above 20,000 sqm account for 40% of vacant floorspace.

RENTS & INCENTIVES

The pace of rental growth continues to revert towards long-term averages, with prime rents increasing by 0.4% in Q2 2026 (1.4% year-on-year). However, the market remains highly bifurcated, with select pockets continuing to see stronger levels of growth, led more recently by infill precincts in the South West submarket. Similarly, rental growth in the sub-10,000 sqm segment remains more pronounced.

Landlords remain motivated to lease space, with incentives pushing moderately higher and generally range between 12.5% to 23.0% for existing stock and 20.0% to 25.0% for pre-leases.

SUPPLY

Development timing and strategy continue to be evaluated against current market dynamics and the macroeconomic environment, and as a result, the medium term supply pipeline has shifted lower. 2026 remains on track to see almost 750,000 sqm delivered to the market across speculative and pre-lease additions. While the 2027 pipeline totals approximately 975,000 sqm, almost 40% of this will only be activated following a pre-commitment.

Speculative supply for 2026 is set to exceed 450,000 sqm, while a 35% reduction is forecast in 2027 as developers pivot towards a pre-lease strategy.

OUTLOOK

- Strong leasing momentum through the first half of 2026 and a healthy pipeline of transactions under negotiation point to continued demand over the remainder of the year, although occupier decision-making is expected to remain measured.
- Vacancy is likely to edge higher as speculative completions and secondary backfill space enter the market. However, resilient leasing activity should limit any material softening in market fundamentals.
- 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 is expected to moderate towards long-term averages, with the strongest performance likely to be concentrated in infill precincts and smaller assets where supply remains relatively constrained. Incentives may drift modestly higher but are expected to stabilise towards the end of 2026.

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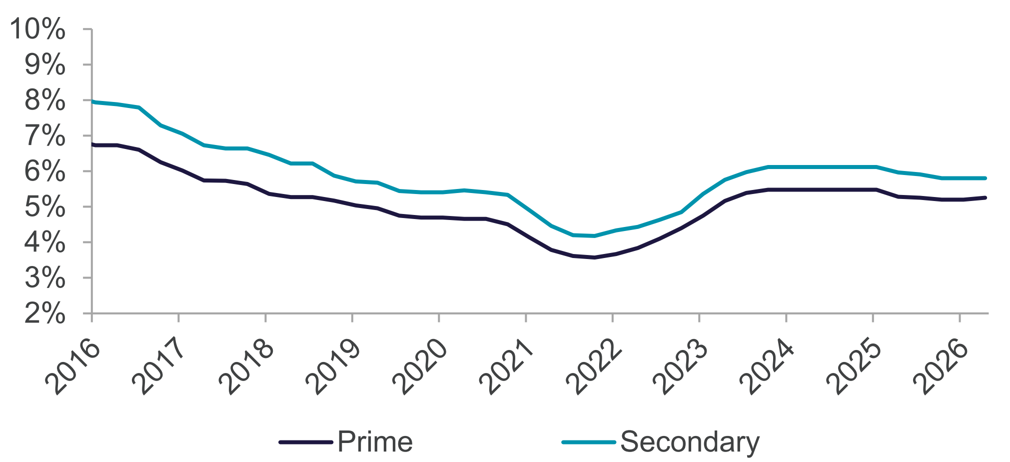
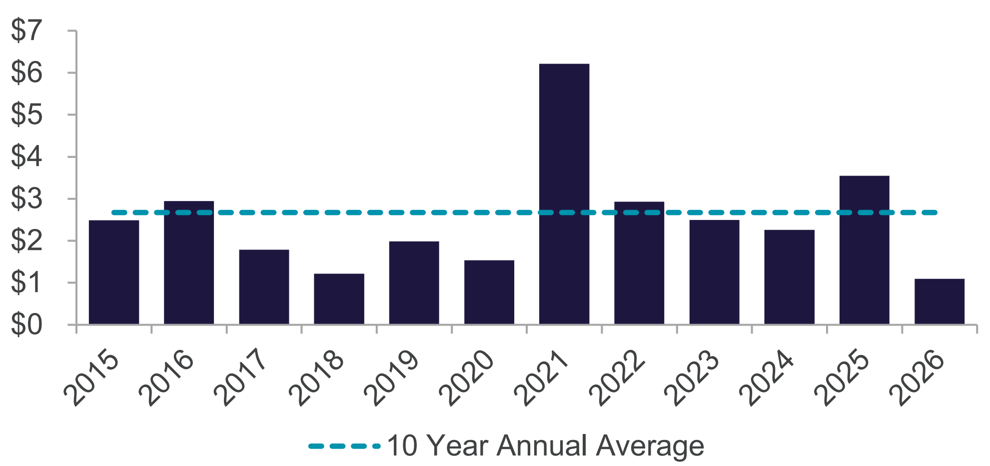
Q2 2026 LAND VALUES BY SIZE ($/SQM)

YIELDS BY GRADE



INVESTMENT VOLUMES ($B)



LAND VALUES

Land values held steady in Q2 2026, with 1-5 hectare lots averaging $1,522/sqm as a blended average across Western Sydney (South Sydney is closer to $3,225/sqm). Supporting this was Gateway Capital's acquisition of 26 Ferndell Street, South Granville from Greystar for $1,500/sqm.

Demand from data centre operators remains significant, with over 60 hectares acquired so far in 2026, and given recent announcements by global data centre hyperscalers and operators suggest that demand for industrial land in Sydney is unlikely to slow.

YIELDS

Despite a further 25 basis point increase in the cash rate during Q2 2026, industrial yields across the Sydney market remained steady. Prime core market yields held firm at an average of 5.20%, while secondary midpoint yields were unchanged at 5.81%, reflecting continued pricing discipline and resilient investor demand. We note, there has been deal evidence sharper than these averages.

Although the spread to long-term government bond yields has narrowed, values continue to be underpinned by the significant weight of capital targeting the sector. Sydney remains the preferred market for many domestic and offshore investors, supported by its strong long-term fundamentals, constrained land supply, and favourable rental growth outlook.

INVESTMENT

Despite a cautious and more selective approach from investors, transaction volumes in Sydney have remained solid, with almost $1.1 billion trading so far in 2026. We note, this does not include Goodman acquiring Brickworks' 50% interest in its partnership known as BGAI, which includes Oakdale West and Oakdale East estates.

Major trades in the past quarter have included BKC acquiring 3 Herbert Place, Smithfield for $127.5 million from Goodman. With a core market yield of around 5.00%, it confirms strong pricing for strategically located infill assets. Similarly, Bidfood acquired 67-69 Mandoon Road, Girraween for $98.0 million from Centuria (vacant possession), while AsheMorgan purchased 11 Amour Street, Milperra for $52.0 million (core market yield of approximately 5.85%).

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.
- Looking ahead, improving confidence around the interest rate outlook and the depth of capital targeting the sector are expected to underpin investment activity through the second half of 2026.
- Upward pressure on yields is likely for non-core less functional assets, as capital is pricing in risk more appropriately given the slower pace of rental growth. Alternatively, yields for prime assets is strong locations are expected to be maintained, supported by recent sales evidence.
- Competition for development-ready land is expected to remain elevated, particularly from data centre operators, supporting land values in key Western Sydney precincts and reinforcing the divergence between prime and secondary locations.

Q2 2026 SYDNEY MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	YTD 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)	AVERAGE LAND VALUES (1-5ha, $/SQM)
PRIME								
Outer West	4.9%	271,876	$251	$54	20.5%	5.25%	$4,778	$1,400
North West	2.1%	108,069	$251	$57	17.5%	5.24%	$4,789	$1,325
South West	4.3%	126,428	$244	$60	18.0%	5.24%	$4,659	$1,408
Central West	3.8%	138,387	$276	$75	16.3%	5.20%	$5,315	$1,950
West	4.0%	72,143	$261	$60	16.0%	5.23%	$4,979	$1,521
North	0.5%	5,010	$291	$66	7.5%	5.25%	$5,548	$2,240
South	3.7%	38,824	$377	$89	14.5%	5.00%	$7,540	$3,225
PRIME AVERAGE	**3.7%**	**760,737**	**$279**	**$66**	**15.8%**	**5.20%**	**$5,372**	**$1,867**
SECONDARY								
Outer West	-	-	$223	$58	17.5%	5.81%	$3,828	-
North West	-	-	$223	$50	17.5%	5.88%	$3,801	-
South West	-	-	$222	$59	16.0%	5.88%	$3,779	-
Central West	-	-	$245	$75	17.5%	5.88%	$4,170	-
West	-	-	$228	$60	16.0%	5.96%	$3,818	-
North	-	-	$225	$62	7.5%	5.88%	$3,830	-
South	-	-	$336	$93	14.5%	5.38%	$6,242	-
SECONDARY AVERAGE			**$258**	**$72**	**13.9%**	**5.77%**	**$4,515**	**-**

DEFINITIONS:

Prime: *Built since 2010, with warehouse clearances above 10 metres (super prime above 13.5 metres), ESFR sprinkler systems, B-double approved access and strong ESG credentials, including Green Star and/or NABERS ratings.*

Secondary: *Built prior to 2010 with clearances between 8m and 11m, lower specifications than prime assets which provide lower warehouse efficiency.*

Gross Take-up: *The total floor space leased during a specified period above 3,000 sqm, excluding lease renewals.*

Net Absorption: *The net change in occupied floor space over a specified period, reflecting changes in tenant occupancy.*

Vacancy Rate: *Buildings above 3,000 sqm that are available now. This includes existing buildings, completed speculative buildings and sublease space.*

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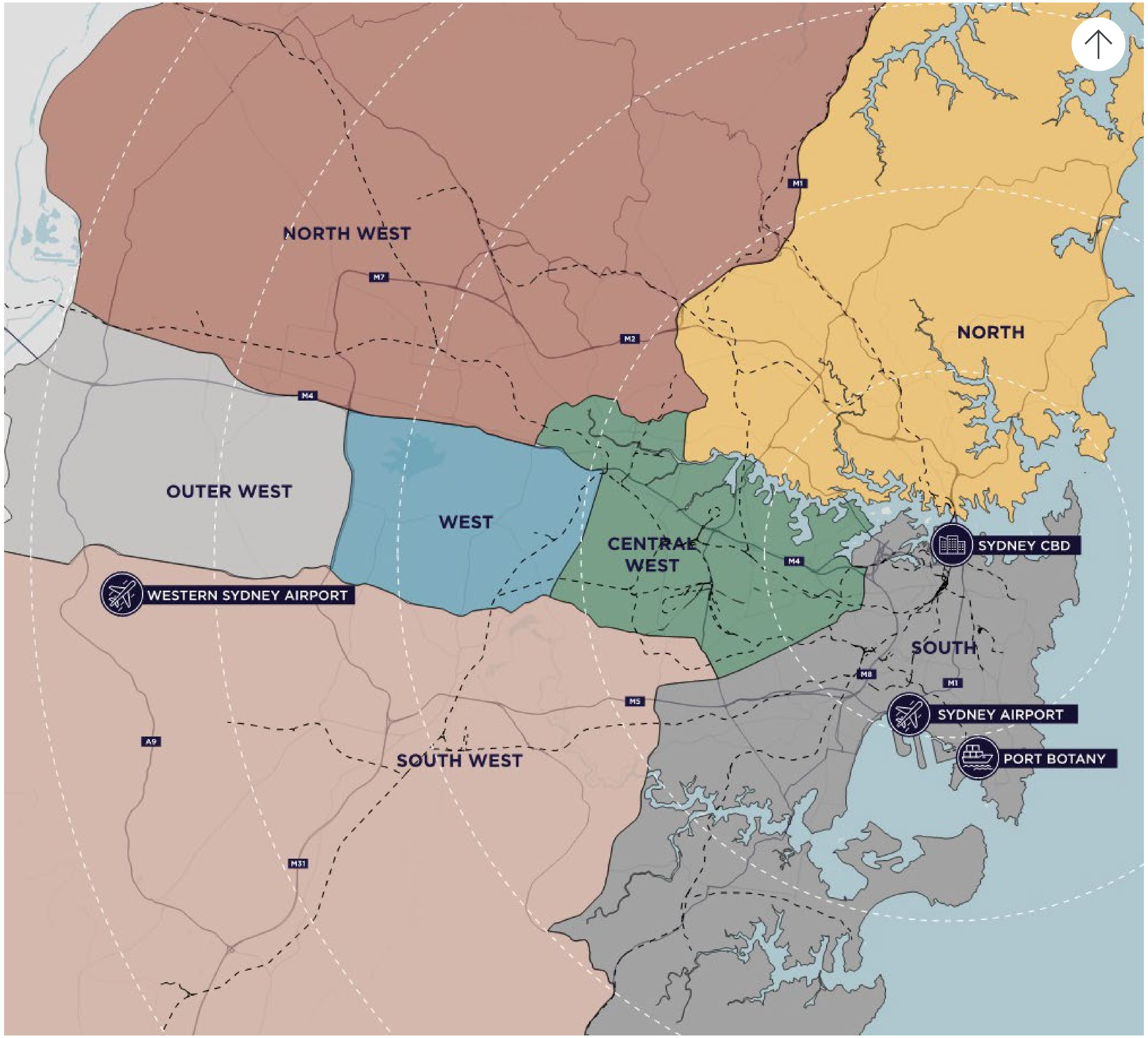
SYDNEY SUBMARKET OVERVIEW



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