MARKETBEAT

SYDNEY

LOGISTICS & INDUSTRIAL Q3 2026



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.9% Vacancy Rate	▲	–
5.26% Average Prime Yield	▼	–
0.0% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% National GDP Growth	▲	▲
3.5% Gross State Product Growth	▲	▲
4.4% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

Economic conditions remain mixed, with growth improving modestly while inflationary pressures remain elevated. GDP rose by 0.4% in the June quarter and 2.1% over the year, marking a slight improvement in quarterly growth despite a moderation in the annual rate. Meanwhile, headline CPI reached 3.5% year-on-year in July, while trimmed mean inflation rose to 3.6%, indicating that underlying inflation remains persistent.

The RBA raised the cash rate by 25 bps to 4.60% in September, reflecting ongoing concerns around inflationary pressures and its commitment to returning inflation to the target range, while signaling that further tightening may be required if inflation remains elevated. NSW's State Final Demand is forecast to grow by 1.8% in 2026, before moderating to 1.7% in 2027.

DEMAND

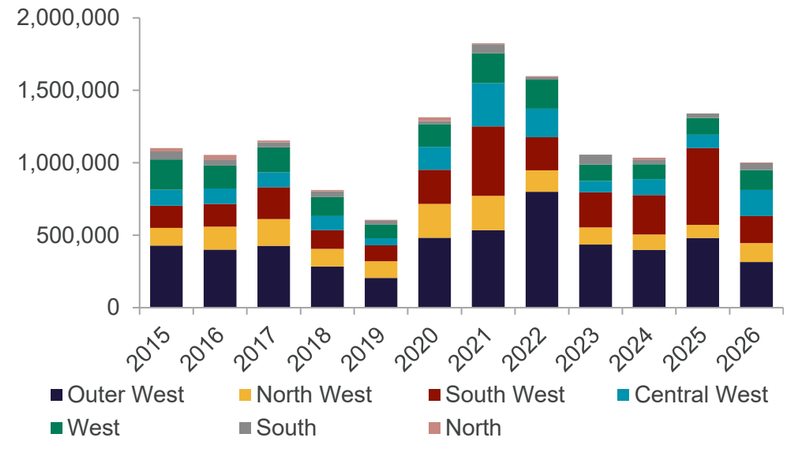
Sydney's leasing market continued to demonstrate resilience through Q3 2026 despite the measured economic backdrop. Gross take-up reached approximately 290,000 sqm for the quarter, taking 2026 volumes to just over 1.0 million sqm. Net absorption remained positive at almost 120,000 sqm (315,000 sqm so far in 2026).

The bulk of Sydney's net absorption stemmed from the Outer West and was underpinned by recent leasing commitments at estates including GPT's Yiribana West Logistics Estate and Stockland/Fife's Kemps Creek Industrial Estate. Encouragingly, multi-level warehouse space in infill precincts is also recording sustained demand, providing further evidence of occupier acceptance of the format.

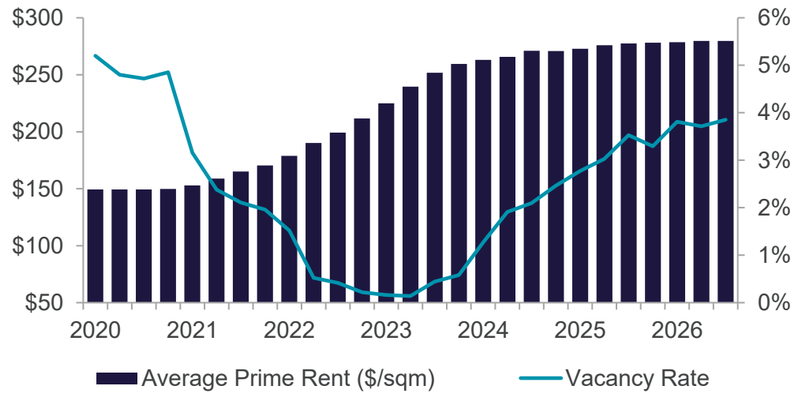
Activity remains supported by long-term operational requirements, with consolidation, network optimisation and efficiency upgrades continuing to underpin occupier demand. A number of larger requirements remain active, although transaction timeframes have lengthened as businesses apply greater scrutiny to location, specification and total occupancy costs.

By sector, transport and logistics businesses have remained active, albeit contract dependent, while a noticeable trend has been the demand uplift from data centre adjacent occupiers, supporting the build out of data centres.

GROSS TAKE-UP (SQM)



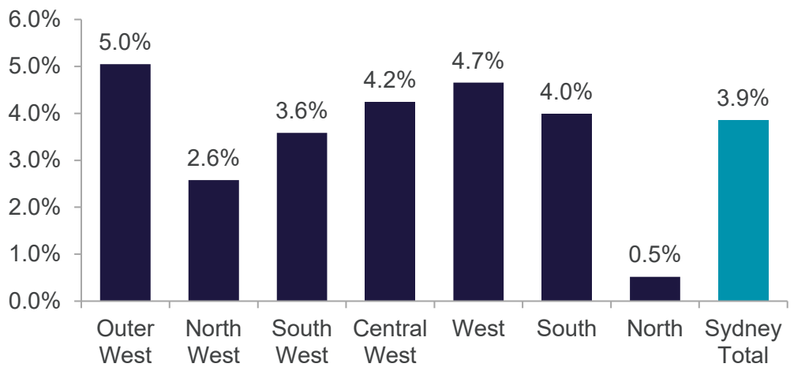
VACANCY & AVERAGE PRIME RENTS



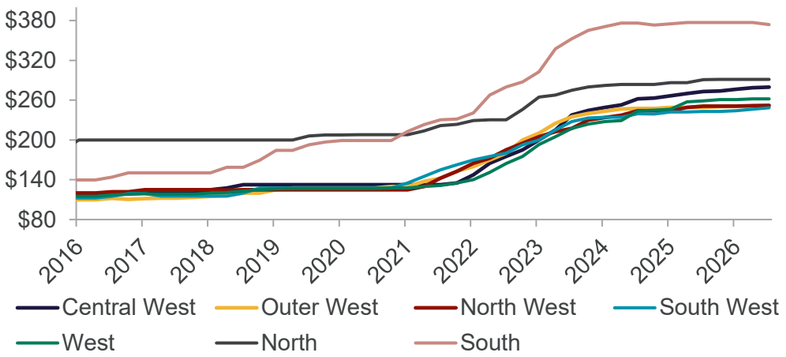
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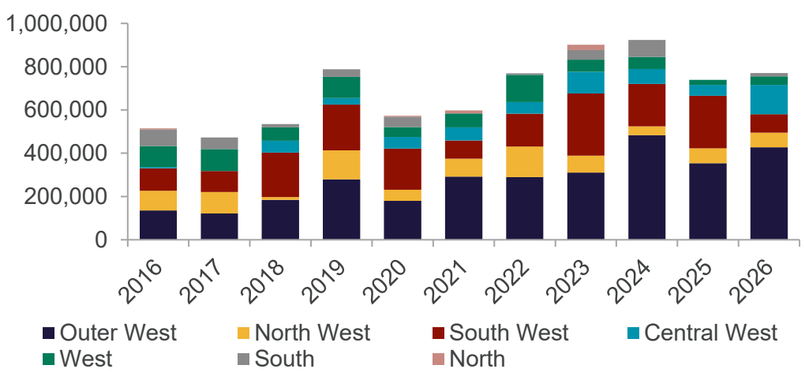
Q3 2026 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Sydney's vacancy rate recorded only a modest increase in Q3 2026 to 3.9%, as continued leasing activity offset the impact of speculative completions and secondary backfill additions. Availability remains highly concentrated, with 10 facilities or estates accounting for almost 25% of current leasing availability.

Conditions vary materially between submarkets. Larger options in Western Sydney account for a disproportionate share of available floorspace, while smaller prime-grade facilities remain more constrained. Quality is also increasingly important, with lease-up periods for prime facilities almost half those of secondary options in select submarkets.

Multi-level warehouse space now represents 8% of current availability, with just under half of completed stock currently vacant. However, several leasing transactions are close to being finalised, which are expected to reduce this share in Q4 2026.

RENTS & INCENTIVES

Rental growth was limited through Q3 2026 as greater occupier choice and landlord competition constrained further increases. Prime net face rents across Sydney have largely held steady over the past 12 months as occupiers digest the 90% increase recorded between 2020 and 2025. Stronger outcomes remain concentrated across select infill precincts, smaller size bands and facilities offering clear operational advantages, while larger, more generic facilities recorded subdued growth.

Incentives remain elevated, averaging above 20% in several submarkets, and are increasingly being used to preserve face rents, widening the gap between face and effective rental performance.

SUPPLY

The near-term development pipeline remains solid, with approximately 800,000 sqm under construction, including almost 200,000 sqm of speculative space. However, the medium-term outlook is more constrained as developers reassess project timing against construction costs, funding conditions, planning delays and leasing risk. A greater proportion of proposed supply now requires pre-commitment, reducing the likelihood that all identified projects will proceed within indicative timeframes.

Speculative supply is set to exceed 440,000 sqm in 2026, with the potential for a further 400,000 sqm in 2027. However, 65% of the 2027 pipeline is yet to commence construction and delays are likely.

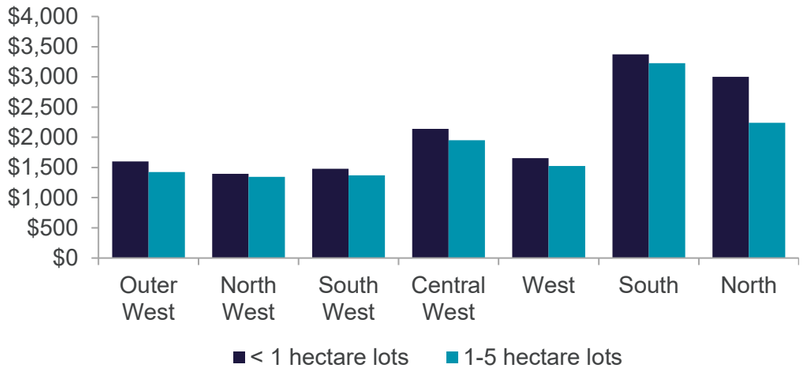
OUTLOOK

- Market conditions are expected to remain broadly balanced through the remainder of 2026. The potential for lower levels of supply in 2027 are expected to support a more proactive approach from occupiers.
- Vacancy is likely to remain around current levels or edge modestly higher in Q4 as further speculative projects complete. However, vacancy is forecast to ease in 2027, supported by the removal of a handful of larger leasing options. This includes the Coles sublease at Eastern Creek which will come out of the numbers in Q1 2027.
- Supply beyond 2026 is likely to be more measured than headline pipelines suggest. Pre-lease activity has been limited so far in 2026 and if this trend is to continue, a large share of projects in the pipeline for 2027 will not be activated or proceed within current timeframes.
- Effective rental growth is expected to remain subdued through early 2027, with incentives likely to remain elevated before stabilising as supply conditions improve. Net face rental growth of around 3.75% is forecast for 2027.

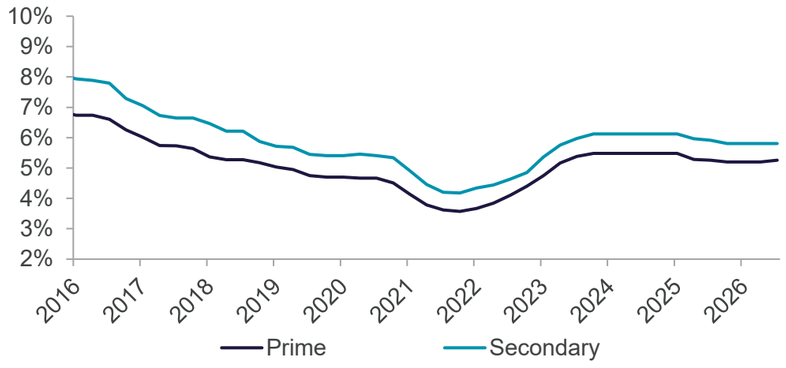
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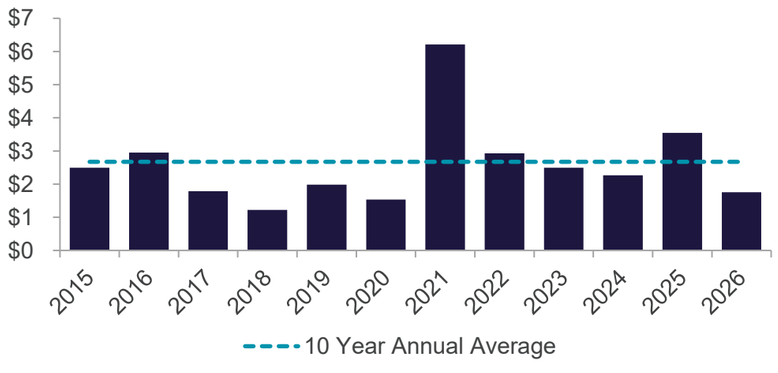
Q3 2026 LAND VALUES BY SIZE ($/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES ($B)



LAND VALUES

Industrial land values held steady through Q3 2026, supported by the limited availability of serviced, development-ready sites. While the broader pipeline of zoned land appears substantial, led by the Aerotropolis Precinct, infrastructure delivery, planning certainty and development feasibility continue to constrain the volume of land capable of being developed in the near term. This distinction is sustaining pricing for well-located sites with a clear pathway to delivery.

Currently, pricing for 1-5 hectare lots average $1,522/sqm across Western Sydney (South Sydney is closer to $3,225/sqm). Demand from data centre operators remains a major influence in selected Western Sydney precincts and in most cases are paying a substantial premium for sites with sufficient power capacity.

YIELDS

Despite the restrictive interest-rate environment, Sydney industrial yields remained stable through Q3 2026. Pricing discipline remains a key theme, while demand is strongest for prime assets with secure income, modern specifications and within strategic locations. Recent evidence also highlights an increasing distinction between core facilities and assets carrying leasing, capital expenditure or obsolescence risk.

The narrow spread to long-term government bond yields remains a consideration for investors. However, the sector continues to benefit from strong structural demand drivers, constrained land supply and embedded rental growth potential once current supply is digested. Pricing is therefore increasingly being assessed through a total-return lens, with particular emphasis placed on income durability and future rental growth prospects

INVESTMENT

Investment volumes in Sydney have exceeded $1.7 billion in 2026; however, 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 Holdmark Group acquiring 2a Factory Street, Granville from Australia Post via a sale and leaseback for $110.0 million, while Stockland have extended their partnership with M&G, which for Sydney included the Coopers Paddock estate at Warwick Farm. Beyond this, there have been several other trades which are yet to be announced.

OUTLOOK

- Increased institutional demand for development-ready land is expected to support growth in land values over the coming six months. Similarly, in select precincts, demand from data centre operators is forecast to remain strong, resulting in continued two-tiered market pricing.
- Investment activity is expected to remain selective as investors continue to balance income growth prospects against higher funding costs and economic uncertainty. While Sydney continues to attract significant domestic and offshore capital, buyer discipline is expected to remain a key feature of the market.
- Any movement in yields is expected to become increasingly asset specific rather than market wide. Investor focus on leasing risk, functionality and future capital expenditure requirements is likely to support continued pricing divergence between core and non-core assets.

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Q3 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	5.0%	315,433	$251	$54	21.5%	5.25%	$4,778	$1,400
North West	2.6%	130,226	$252	$57	18.8%	5.63%	$4,481	$1,325
South West	3.6%	187,082	$249	$60	18.8%	5.24%	$4,745	$1,408
Central West	4.2%	178,504	$280	$78	17.5%	5.20%	$5,379	$1,950
West	4.7%	137,622	$262	$60	17.5%	5.23%	$5,003	$1,521
North	0.5%	5,010	$291	$66	8.8%	5.25%	$5,548	$2,240
South	4.0%	47,573	$374	$95	17.7%	5.00%	$7,480	$3,225
PRIME AVERAGE	**3.9%**	**1,001,450**	**$280**	**$67**	**17.2%**	**5.26%**	**$5,345**	**$1,867**
SECONDARY								
Outer West	-	-	$230	$58	20.0%	5.81%	$3,957	-
North West	-	-	$223	$50	18.8%	5.88%	$3,801	-
South West	-	-	$222	$59	17.3%	5.88%	$3,779	-
Central West	-	-	$245	$75	17.5%	5.88%	$4,170	-
West	-	-	$228	$60	17.5%	5.96%	$3,818	-
North	-	-	$225	$62	7.5%	5.88%	$3,830	-
South	-	-	$329	$102	17.7%	5.38%	$6,121	-
SECONDARY AVERAGE			**$257**	**$75**	**15.0%**	**5.77%**	**$4,485**	**-**

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.*

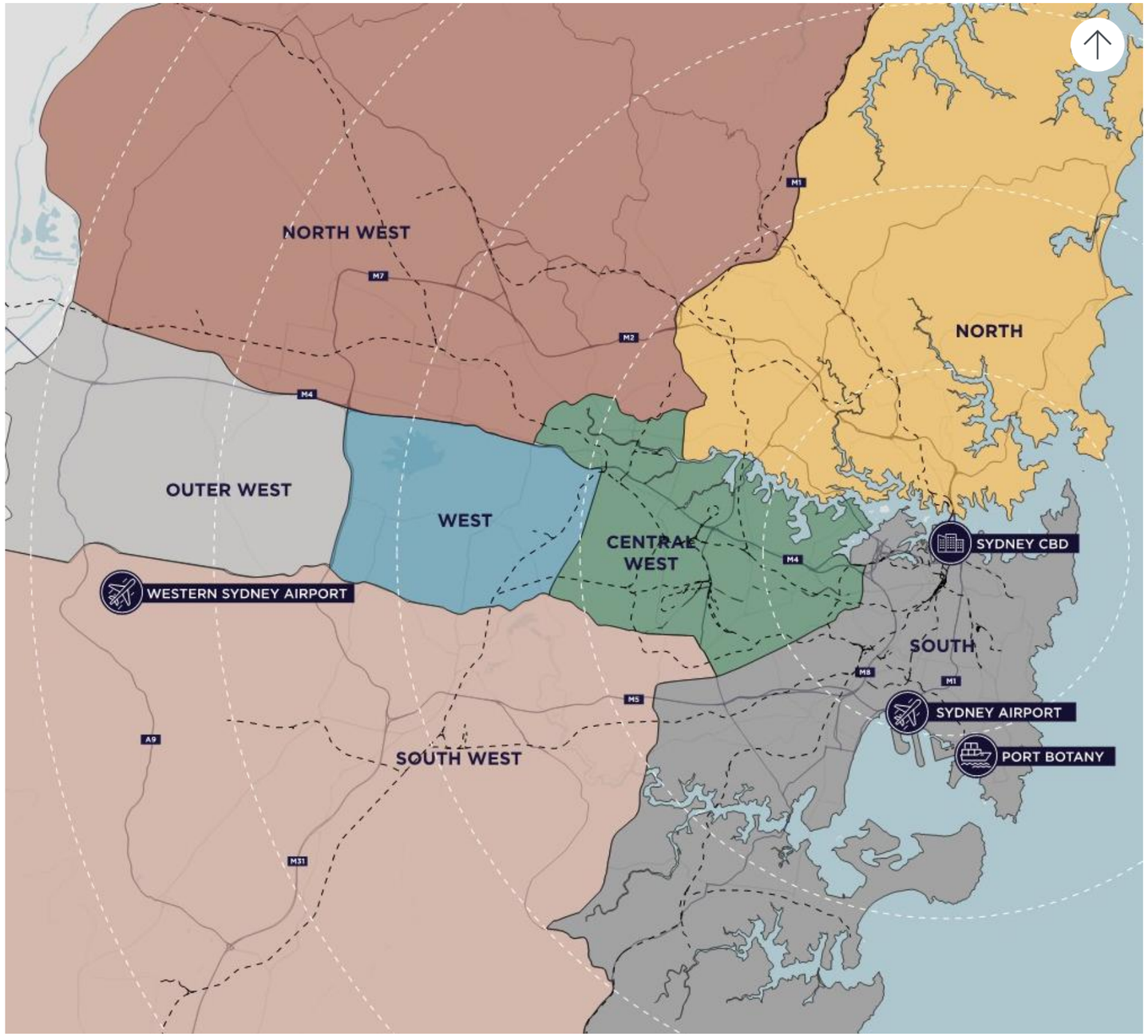
Net Absorption: *The net change in occupied floor space over a specified period, reflecting changes in tenant occupancy.*

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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