

Industrial Report

Introduction

Industrial lands are areas that contain a variety of land uses from major freight and logistics and heavy manufacturing to light industry, urban services and new economy or creative uses. These industries generate significant economic activity and are essential to the effective functioning of urban areas. The Greater Sydney Commission (GSC) acknowledged the importance of industrial lands in its plan *A Metropolis of Three Cities*, which stated that maintaining and retaining these lands ensures the delivery of critical services to support businesses and residents (Retain and Manage Policy). In line with the recommendations from the NSW Productivity Commission's White Paper 2021, the GSC is reviewing its Retain and Manage Policy for industrial and urban services lands under the Greater Sydney Region Plan. The Department of Planning and Environment (DPE) is also currently undertaking a suite of reforms which includes the delivery of a simplified employment zones framework that suits the future of work, is fit for purpose, supports productivity and jobs growth while facilitating delivery of strategic plans and planning priorities.

This report provides an analysis on the value of industrial approvals from custom 2020 ABS data (as at August 2021) including the value of alterations, additions and conversions (worth over \$50,000). This data provides information about industrial buildings used for warehousing and the production and assembly activities of industrial establishments, such as factories and plants. The data is used as a proxy to provide an estimate of the levels of development activity on industrial lands in NSW. This report also contains commentary on the demand for industrial property over the first half of 2021 based on property analysts' reports, with the impacts of the Delta variant COVID-19 lockdown yet to be fully considered on the market.

Value of industrial approvals in 2020

Analysis of ABS data shows the value of industrial development approvals by District during the 2020 calendar year. Figure 1 illustrates the value of industrial development approvals in Greater Sydney and Rest of NSW with the highest value of approvals occurring in Greater Sydney. Figure 2 demonstrates that the Western and Central City Districts contained the highest value of approvals in Sydney. The LGA with the highest value of approvals was Penrith, which represented 19% of total industrial approvals. Fairfield contains the second highest value of approvals representing 12% of total approvals. Penrith and Fairfield are both in the Western City District.

Figure 1. Value of Industrial approvals in Greater Sydney and Rest of NSW in 2020

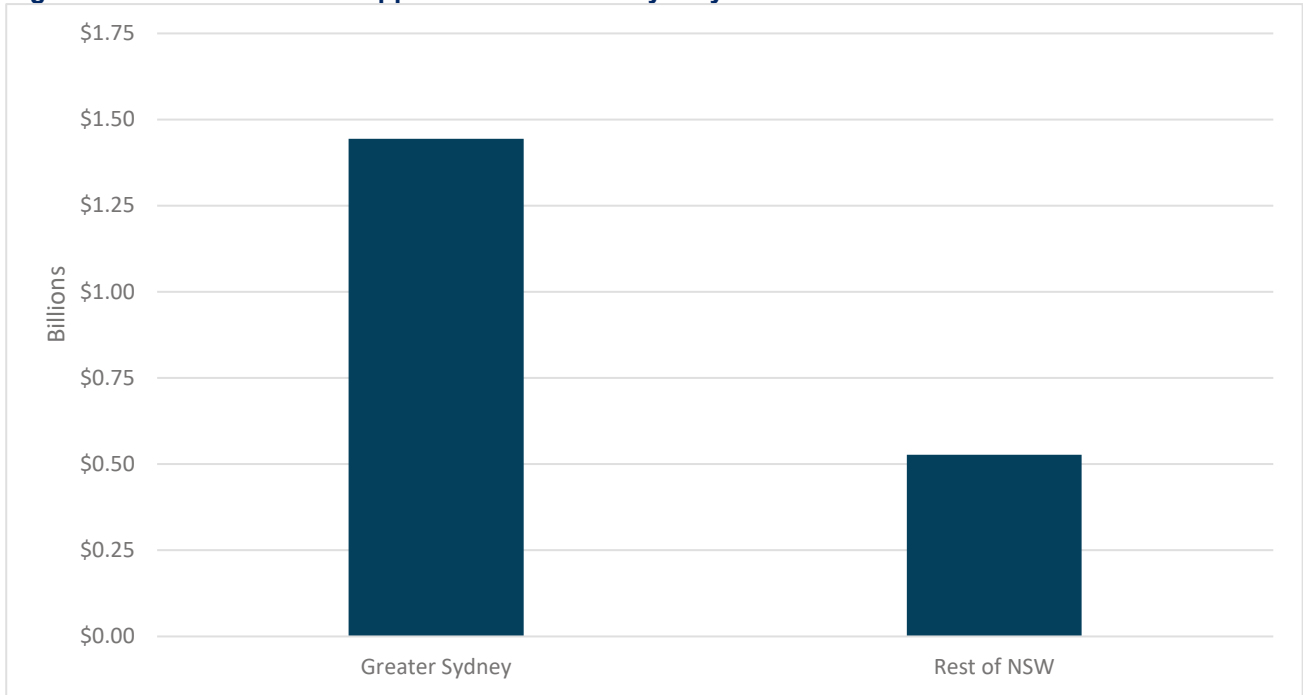
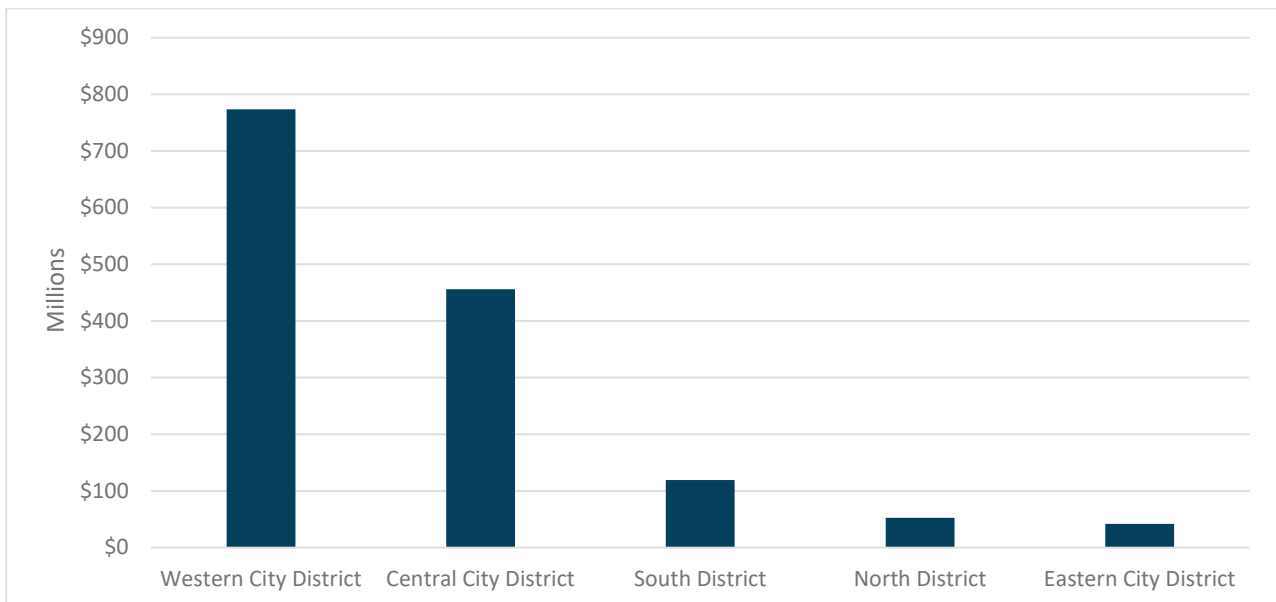


Figure 2. Value of Industrial approvals by Sydney District in 2020



As illustrated in Figures 3 and 4, warehouse building activity remained the most dominant type of building approval. The sector accounted for \$1.3 billion, equating to 68% of total industrial building approvals and was predominately located in the Western and Central City Districts and a sizeable amount in regional areas. Examples of approvals from the different Districts are included in Table 1. The LGA with the highest value of warehouse approvals was Penrith with over \$340 million in approvals for 2020, representing 25% of total warehouse approvals. Fairfield contains the second highest value of warehouse approvals, representing 16% of total warehouse approvals.

Figure 3. Value of Industrial approvals in NSW by Sydney District and Type 2020

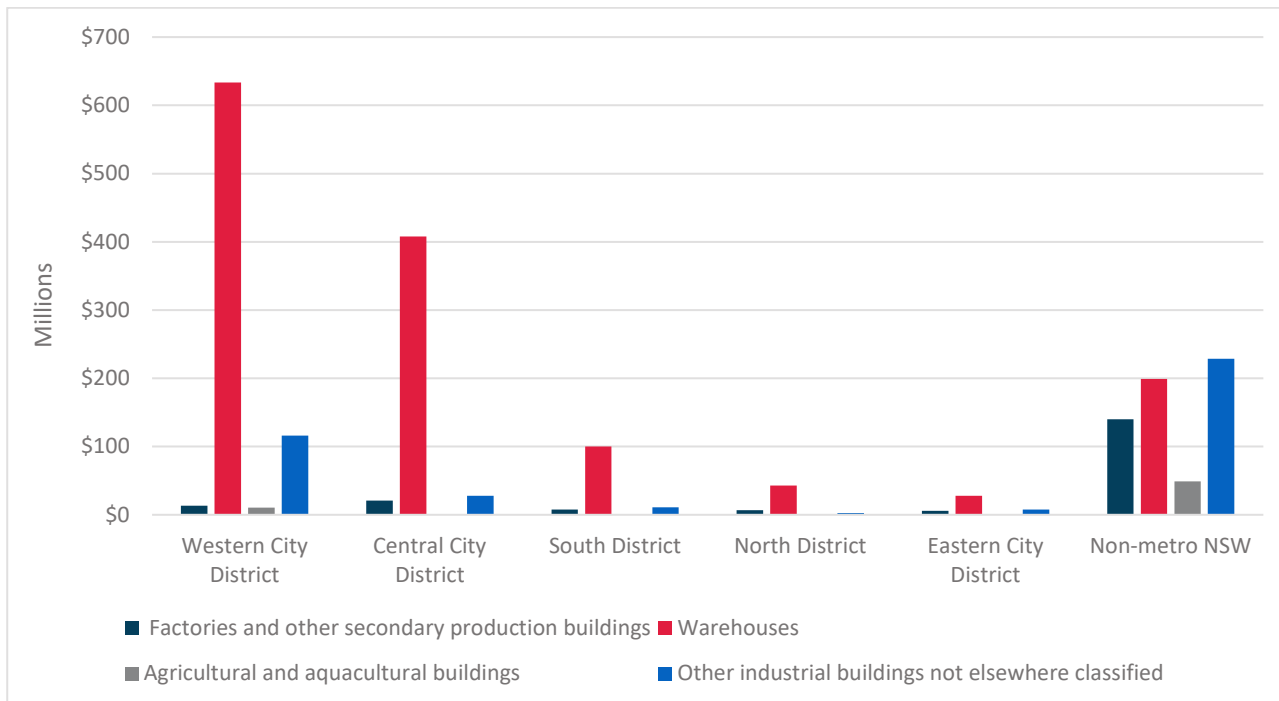


Figure 4. Value of Industrial approvals in NSW by Type 2020

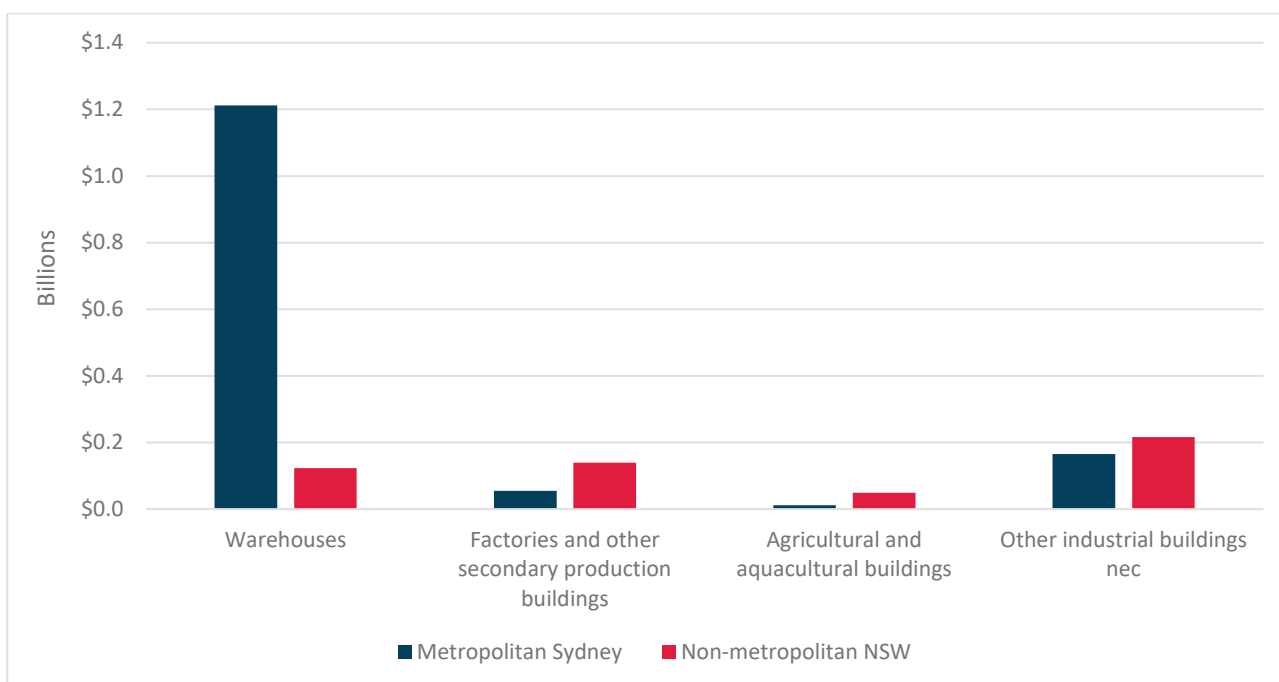


Table 1. Examples of industrial approvals in 2020

LGA	Suburb	Project	DA Value	Approval date
Liverpool	Prestons	Yarrunga Road Warehouse and Industrial complex	\$104,981,000	12/11/2020
Blacktown	Eastern Creek	Roberts Road Data Centre	\$291,465,000	14/07/2020
Fairfield	Horsley Park	Burley Road Industrial Complex	\$55,839,000	01/04/2020
Parramatta	Rosehill	Equinix Data Centre	\$44,717,000	03/08/2020
Liverpool	Leppington	Bringelly Road Temperature Controlled Warehouse	\$41,851,000	30/11/2020
Newcastle	Kooragang	Greenleaf Road Warehouse and Distribution Centre	\$16,082,000	22/05/2020

Industrial performance overview

Investment in 2020 was down on the previous year, with approximately \$1.6 billion in sales activity¹. The amount of new stock delivered in the Greater Sydney area also decreased relative to 2019, with around 600,000 sqm contributed³. Of this new stock, 35 projects greater than 5,000 sqm were completed, delivering 580,000 sqm¹. Most of this supply continues to be concentrated in the Western and South Western Sydney areas³. BIS Oxford Economics and Knight Frank are projecting 820,000 sqm of stock is due to be completed in calendar year 2021^{1,3}. This is driven by above average speculative construction and includes the Amazon Fulfilment Centre (200,000 sqm). The impact of COVID-19, as well as supply chain issues with raw materials and skills shortages in the construction industry remain to be seen.

As at June 2021, the industrial vacancy rate within Greater Sydney was at a record low of 3%¹ with 219,500 sqm of available stock (for developments with floor space greater than 5,000sqm²). Other sources estimated the vacancy rate to be even lower³. Strong consumer demand led by the accelerating adoption of e-commerce during the pandemic and lockdown⁴ and businesses opting for a 'just-in-case' inventory model rather than the 'just-in-time' approach in recent years, led to higher net absorption rates and lower vacancy rates³. Leasing volumes in the second quarter are evidence of this with over 704,000 sqm leased so far in 2021, with 516,000 sqm leased in the second quarter alone².

This low level of supply and high amount of demand has flowed through to rents. Across all regions in Greater Sydney rents increased by 1.1% on average through the second quarter of 2021². Incentives on offer also decreased resulting in net effective growth of 2.2% for the quarter².

During 2020, more than 4,500 Hectares of land were rezoned for employment land purposes. This record number has been a result of significant rezoning of land at Mamre Road and The Western Sydney Aerotropolis. The additional supply should help to ease the demand pressure in the short term.

References

1. BIS Oxford Economics. (2021). Sydney Industrial Property Prospects 2021-2031.
2. Knight Frank. (2021). Australian Industrial Review - August 2021 - Overview - February 2020.
3. CBRE Research. (2021). Australia Industrial and Logistics Vacancy Report H1 2021.
4. CBRE Research. (2021). Australia's E-commerce Trend and Trajectory - June 2021

© State of New South Wales through Department of Planning and Environment 2021. The information contained in this publication is based on knowledge and understanding at the time of writing (August 2021). However, because of advances in knowledge, users are reminded of the need to ensure that the information upon which they rely is up to date and to check the currency of the information with the appropriate officer of the Department of Planning and Environment or the user's independent adviser.