

Employment lands 2020 report on industrial lands

Industrial lands are areas that contain a variety of land uses, including major freight and logistics, heavy manufacturing, light industry, urban services and new economy or creative uses.

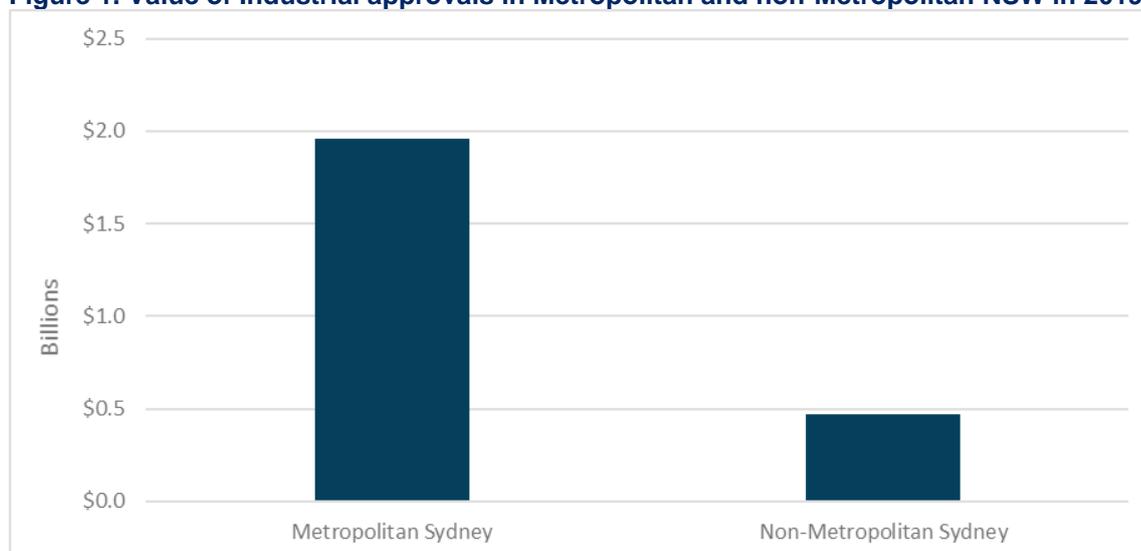
These industries generate significant economic activity and investments for the state and are essential to the effective functioning of urban areas. The Greater Sydney Commission acknowledged the importance of industrial lands in its plan *A Metropolis of Three Cities*, which states that maintaining and retaining these lands ensures the delivery of critical services to support businesses and residents.

This report provides analyses the value of industrial approvals from custom 2019 Australian Bureau of Statistics data (as at January 2020) including the value of alterations, additions and conversions (worth more than \$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 serves 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 2020 based on property analysts' reports, without yet fully considering the impacts of COVID-19 on the market.

Value of industrial approvals in 2019

Analysis of Australian Bureau of Statistics data shows the value of industrial development approvals by district during the 2019 calendar year. Figure 1 illustrates the value of industrial development approvals in metropolitan and non-metropolitan NSW with the highest value of approvals occurring in metropolitan Sydney. Figure 2 demonstrates that the Western and Central City Districts contained the highest value of approvals. The local government area (LGA) with the highest value of approvals was Blacktown, which represented 30% of total industrial approvals. Penrith contained the second highest value of approvals representing 12% of total approvals. Blacktown and Penrith are in the Central and Western City Districts respectively.

Figure 1. Value of Industrial approvals in Metropolitan and non-Metropolitan NSW in 2019



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Figure 2. Value of Industrial approvals by District in 2019

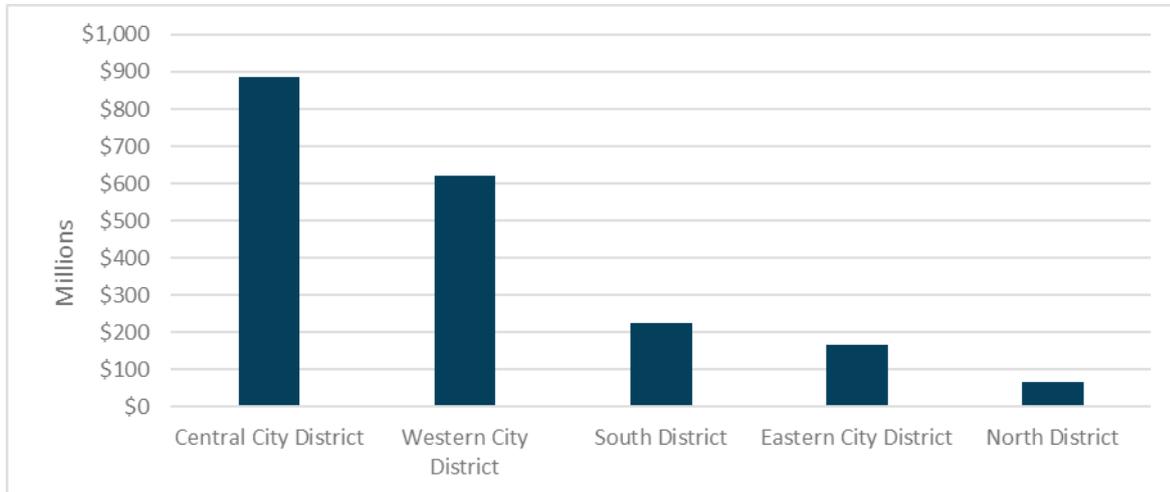
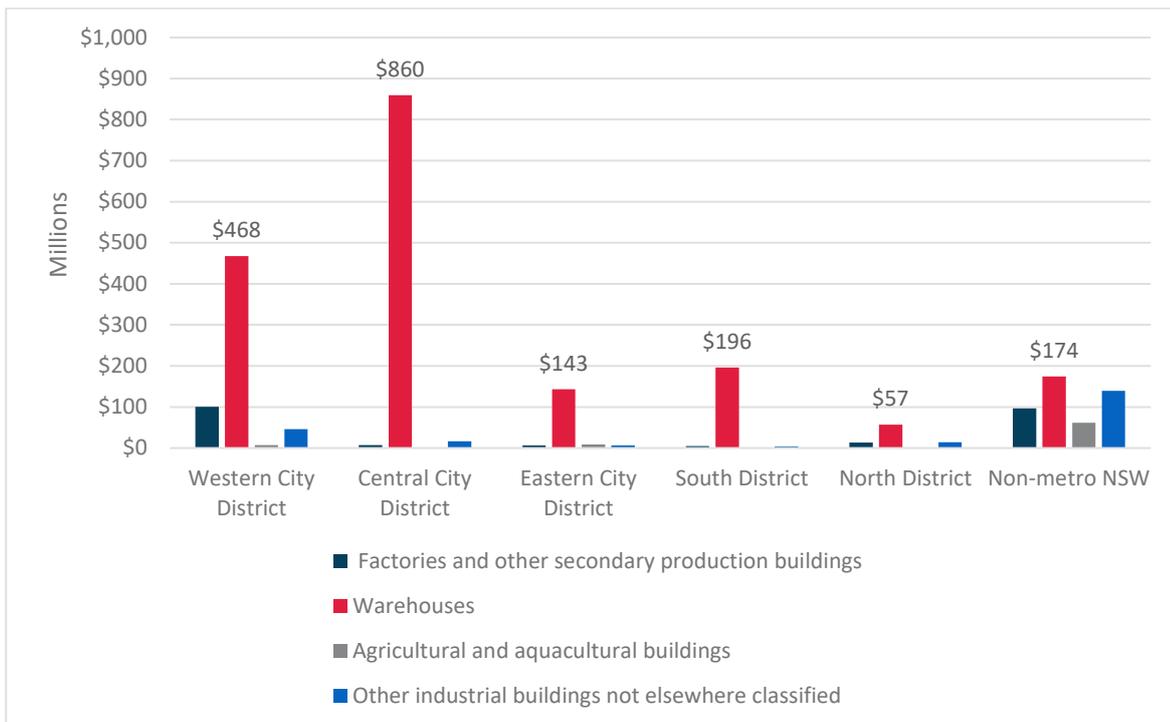


Figure 3 and Figure 4 show that warehouse building activity remained the most dominant type of building approval. The sector accounted for \$1.9 billion, or 78% of total industrial building approvals, and was predominantly in the Western City and Central City Districts. Table 1 includes examples of approvals from the different Districts. The LGA with the highest value of approvals was Blacktown, with more than \$700 million in approvals for 2019, or 38% of total warehouse approvals. Penrith contains the second highest value of approvals, with 14% of total warehouse approvals.

Figure 3. Value of Industrial approvals in NSW by District and Type 2019



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Figure 4. Value of Industrial approvals in NSW by Type 2019

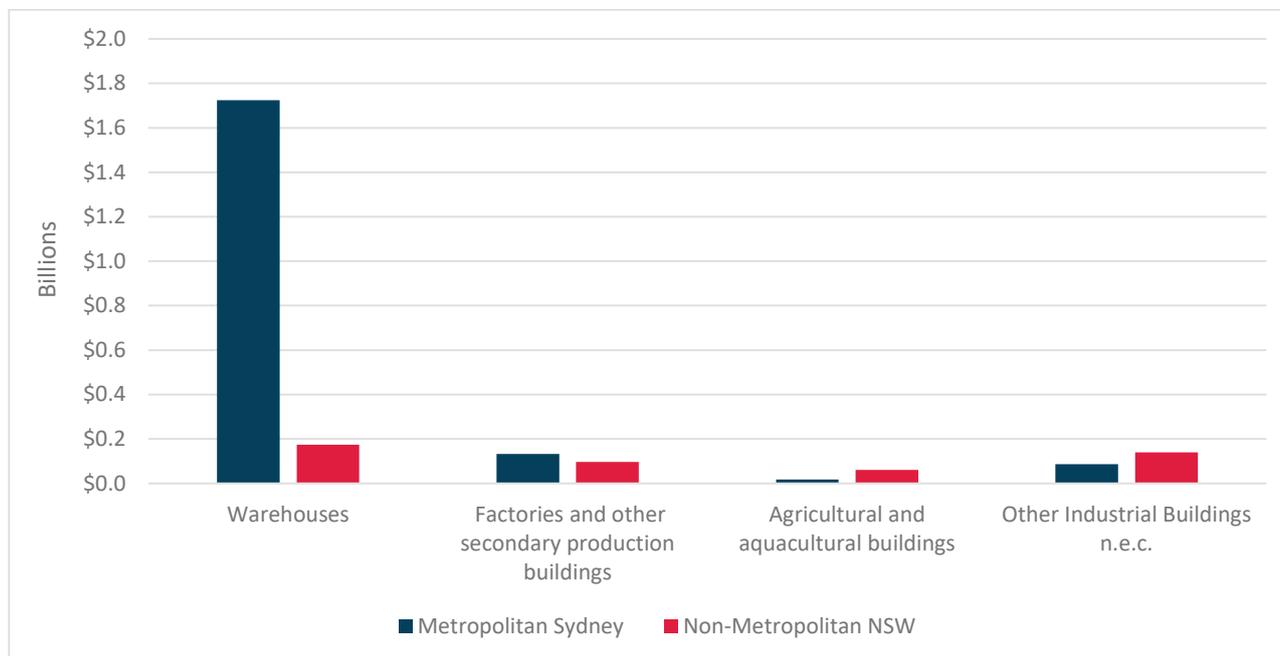


Table 1. Examples of industrial approvals

LGA	Suburb	Project	DA Value	Approval date
Blacktown	Minchinbury	Aldi Minchinbury Distribution Warehouse	\$29,257,000	08/01/19
Canterbury-Bankstown	Revesby	The Mavis Quad	\$20,000,000	04/12/19
Cumberland	Smithfield	G James Holdings	\$11,847,000	28/11/19
Penrith	Erskine Park	Lenore Drive Warehouse & Distribution Centre	\$11,454,000	02/04/19
Penrith	Kemps Creek	Oakdale South Estate Precinct 6	\$28,628,000	12/03/19
Penrith	St. Marys	Borg Manufacturing	\$9,600,000	28/10/19

In addition, a state significant development approval was issued in September 2019 for Oakdale West Industrial Estate in the Western City District, which will include an 200,000 square metre Amazon fulfilment centre.

Industrial performance overview

Investment was strong in the 2019 calendar year, totalling more than \$2 billion in transactions.¹ In the Greater Sydney area, 677,000 square metres of new stock were, surpassing 2018's total of 643,000sqm.¹ The highest concentration of this new stock was in the Western Sydney, accounting for more than 90% of this new activity.¹ Before COVID-19, the expectation was that 700,000 square metres would be delivered, based on the pipeline of projects either committed to or underway.² This above average new supply is set to raise vacancy rates, dampening rental growth. However, we do not expect oversupply as speculative construction pauses due to the uncertain environment.²

In January 2020 the industrial vacancy rate was 16%, which is below the long-term average.¹ Weaker demand due to the economic downturn combined with above-average supply will likely see lower net absorption and higher vacancy rates in the short-term.^{2,3} Over the first quarter of 2020, leasing volumes were half of the long-term average^{1,3} following strong growth over 2018-19. However, demand for industrial property is projected to remain robust in the medium to long-term, reflecting a strong appetite for warehousing space given the rise of e-commerce and the necessary logistics and supply-chain efficiencies.

Across all precincts, prime net face rents rose 2.1% over the year to January 2020 (below the 10-year average of 2.3%), with rental growth highest in the Southern district.¹ There was slightly less growth in the secondary markets, with rents rising 1.9%.¹ In the year to August 2020, face rents remained steady at the expense of rising incentives.⁴

The Employment Lands Development Monitor shows that there are around four years of zoned, undeveloped and serviced land available across Sydney, with most of the land in Western Sydney. Supply constraints in the traditional core Sydney markets are creating spill over demand in areas such as the South West and Outer West precincts, where there is a large pipeline and significant infrastructure investment.

General sources

CBRE Research, 2020, Australia Industrial and Logistics Market View Q2 2020.

Greater Sydney Commission, 2018, *A Metropolis that Works*, retrieved from: <https://gsc-public-1.s3.amazonaws.com/s3fs-public/gsc-thought-leadership-tlp2018-1-metropolis-that-works-181023.pdf>.

¹ Knight Frank, 2020, *Sydney Industrial Market Overview—February 2020*.

² BIS Oxford Economics, 2020, *Sydney Industrial Property Prospects 2020–2030*.

³ Knight Frank, 2020, *Sydney Industrial Vacancy Q1 2020*.

⁴ Colliers International, 2020, *Western Sydney Industrial Development Update—August 2020*.

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