RWC

WESTERN SYDNEY INSIGHTS

Western Sydney Industrial

ISSUE 3 RWC WESTERN SYDNEY MAR 2025

Contents

Western Sydney Industrial

Executive Summary

The Western Sydney industrial market has demonstrated remarkable resilience in 2025, solidifying its position as *Sydney's premier industrial location.*

Despite some economic uncertainty, the region continues to attract significant investment, underpinned by strategic infrastructure developments including the Western Sydney International Airport, which remains on schedule to open in late 2026.

Low vacancy rates of below 1% continue to characterise the market, substantially outperforming other key Australian industrial markets of Melbourne and Brisbane. This tightness, combined with a structural shortage of serviced land, has maintained upward pressure on rents despite moderation in growth rates. The Aerotropolis now represents 60% of Greater Sydney's undeveloped zoned employment land, making it critical to Sydney's industrial future. The recently released NSW Employment Lands Development Monitor and Aerotropolis Sector Plan identify approximately 4,448 hectares that could be serviced by 2030, providing much-needed supply to this constrained market.

Infrastructure investment continues to grow with the NSW and Australian Governments committing over $25 billion to transport projects, including the recent $1 billion upgrade to Fifteenth Avenue and the $1 billion Mamre Road Stage 2 upgrade. These investments are key to unlocking serviced employment land and enhancing the region's connectivity.

Investment appetite has strengthened following recent interest rate reductions, particularly among owner-occupiers and smaller private investors seeking stable income streams. The shift to positive capital returns in both Outer West and Central West markets signals a turning point as the market transitions from adjustment to growth phase. With an improving funding environment, yield growth is expected to pause and potentially trigger increased transaction activity through 2025.

The demand profile is evolving, with traditional logistics and distribution requirements now complemented by significant growth in data centre infrastructure. The expansion of artificial intelligence applications has spurred demand for specialised facilities with enhanced power and cooling capabilities, with multiple hyperscale projects under construction across the region. Cold storage and self-storage facilities are also continuing as substantial components of the development pipeline, reflecting changing consumer behaviours and supply chain requirements.

If you'd like to discuss this report in more detail, we would be delighted to engage in a conversation with you.

PETER VINES
Managing Director
RWC Western Sydney
0449 857 100

Sydney's West continues to lead industrial supply growth, with a strong pipeline of zoned, undeveloped land set to accommodate future demand."

OUTER WEST

150 PROJECTS IN PIPELINE

$6.8B OF VALUE

LAND VALUE AV 5 YEAR GROWTH
22.10%p.a

PRIME RENT AV 5 YEAR GROWTH
13.54%p.a

CURRENT PRIME YIELD RANGE
4.50% - 6.75%

LGA's of Fairfield, Blacktown, Penrith and Blue Mountains

SOUTH WEST

114 PROJECTS IN PIPELINE

$4.4B OF VALUE

LAND VALUE AV 5 YEAR GROWTH
25.07%p.a

PRIME RENT AV 5 YEAR GROWTH
14.01%p.a

CURRENT PRIME YIELD RANGE
4.50% - 6.75%

LGA's of Canterbury/Bankstown, Liverpool, Camden, Campbelltown and Wollondilly

INNER CENTRAL WEST

59 PROJECTS IN PIPELINE

$5.9B OF VALUE

LAND VALUE AV 5 YEAR GROWTH
19.13%p.a

PRIME RENT AV 5 YEAR GROWTH
15.55%p.a

CURRENT PRIME YIELD RANGE
4.50% - 6.75%

LGA's of Burwood, Strathfield, Canada Bay, Cumberland and Parramatta

NORTH WEST

34 PROJECTS IN PIPELINE

$5.5B OF VALUE

LAND VALUE AV 5 YEAR GROWTH
14.12%p.a

PRIME RENT AV 5 YEAR GROWTH
9.52%p.a

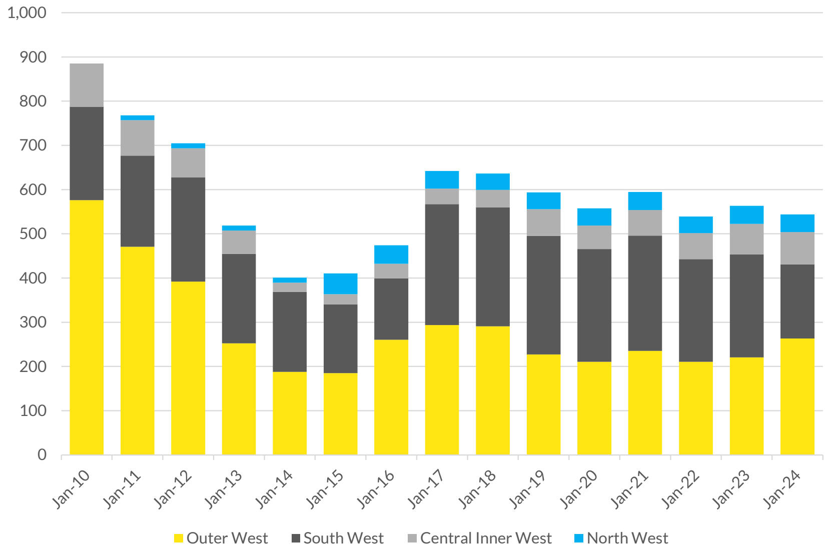
CURRENT PRIME YIELD RANGE
4.50% - 6.75%

LGA's of Ryde, Kur-ring-gai, Hornsby and The Hills Shire

Western Sydney: The industrial land powerhouse

UNDEVELOPED, ZONED & SERVICED EMPLOYMENT LAND

BY REGIONS



*SOURCE: NSW DEPT OF PLANNING & ENVIRONMENT, RWCWS *2024*

The Western Sydney region continues to dominate Sydney's industrial land supply landscape, containing approximately 7,100 hectares of undeveloped employment land.

This represents 60% of Greater Sydney's total undeveloped zoned employment land, cementing the region's strategic importance to Sydney's industrial future.

Outer West	51% of undeveloped land, primarily in Penrith and Blacktown LGAs
South West	39% of undeveloped land, concentrated in Liverpool and Camden LGAs
Inner Central West	6% of undeveloped employment land
North West	4% of remaining undeveloped land

The recently released NSW Employment Lands Development Monitor 2024 highlights the critical role the Western Sydney Aerotropolis will play in addressing Sydney's industrial land shortage. The Aerotropolis Sector Plan indicates that approximately 4,448 hectares which could be serviced by 2030, alleviating development pipeline constraints and providing much-needed supply to a market.

With Melbourne and Brisbane maintaining 15-year and 12-year supply pipelines respectively, the servicing of Western Sydney's land bank is essential for Sydney to maintain its competitive position in attracting industrial investment and supporting economic growth.

INFRASTRUCTURE INVESTMENT

The Aerotropolis and broader Western Sydney region are benefiting from unprecedented infrastructure investment, which is crucial to unlocking the potential of industrial land:

- More than $25 billion in NSW and Australian Government funding for transport projects including the Western Sydney International Airport, M12 Motorway, Sydney Metro–Western Sydney Airport, and major road upgrades
- More than $1 billion in the Upper South Creek Advanced Water Recycling Centre with an additional $1 billion investment for supporting water servicing networks
- More than $1 billion in enabling works to kick-start development at Bradfield City Centre
- The 2024-25 NSW and Australian Government budgets included more than $2 billion for additional road upgrades and transport improvements

The Western Sydney Aerotropolis Sector Plan identifies several priority infrastructure projects needed to maximise development potential, including:

- Airport Precinct Safety and Access Program to improve road safety and efficiency
- Badgerys Creek Road South upgrade to increase capacity in the Aerotropolis Core
- Devonshire Link Road to connect key precincts
- Western Sydney Bus Services expansion to enhance public transport connectivity

This infrastructure pipeline will be critical to addressing the current disconnect between rezoned land and serviced land. At present, while significant land has been rezoned for industrial purposes, only a portion is serviced and ready for immediate development. Infrastructure provision (particularly roads) has not kept pace with development, potentially delaying or deferring development application approvals due to capacity and servicing constraints.

Sydney's
Outer West

The Outer West remains the dominant force in Sydney's industrial supply pipeline, underpinned by strategic infrastructure investments and the region's abundant undeveloped land in key locations such as Kemps Creek, Marsden Park, and Eastern Creek.

With 150 active projects in various stages of development, the area is poised to deliver significant new industrial space, further cementing its role as a critical hub for logistics, warehousing, and emerging industries such as data centres.

SUPPLY

NET FACE RENTS

LAND VALUES

YIELDS

LGA's of Fairfield, Blacktown, Penrith and Blue Mountains

Outer West continues to dominate the new ***supply pipeline***

The outer regions of Western Sydney continue to lead Sydney's industrial supply landscape, with significant development activity underway and in planning stages.

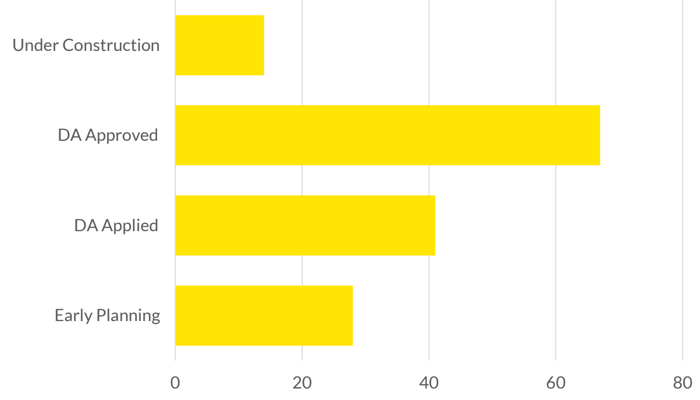
Currently, the area is home to 150 projects in various stages of development, representing a potential addition of 4.7 million sqm of industrial space to the market over the next five years.

DEVELOPMENT STATUS

- 14 projects under construction, delivering 346,316 sqm of new space within 18-24 months
- Substantial backlog of DA-approved projects that have been hesitant to commence
- Projects now increasingly moving forward as demand grows and construction cost growth moderates
- Improving serviced land availability, as highlighted in the NSW Employment Lands Development Monitor
- Enhanced infrastructure investment creating more viable development opportunities

NEW INDUSTRIAL SUPPLY PROJECTS

OUTER WEST, BY DEVELOPMENT STAGE



SOURCE: CORDELL CONNECT, RWCWS

The supply pipeline is dominated by traditional warehousing and logistics facilities, but a significant shift toward data centre developments is emerging as a major trend. More than 650,000 sqm of potential data centre space is now in the development pipeline, reflecting the growing importance of digital infrastructure in the region's industrial landscape.

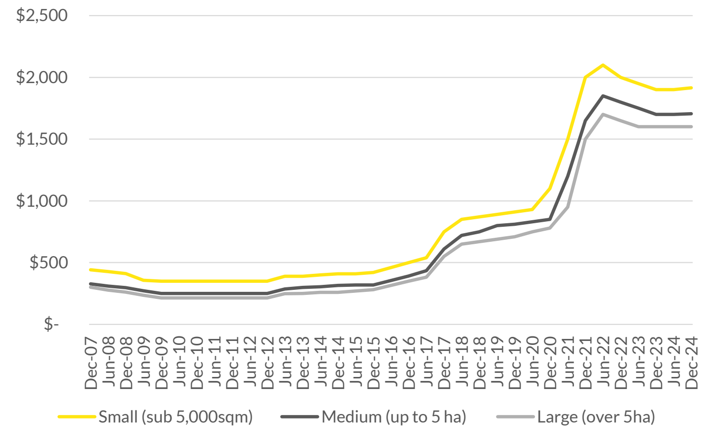
Development momentum is being further accelerated by the approaching completion of Western Sydney International Airport, improved regional connectivity through new transport infrastructure, and stabilising construction costs after a period of significant volatility.

> "With 150 projects representing 4.7 million sqm of potential space in the pipeline, the Outer West is positioned to address Sydney's critical industrial supply shortfall, while the emergence of data centres with 650,000 sqm under development signals the region's evolution toward higher-value digital infrastructure."

Land value stabilisation creates development opportunity

SYDNEY INDUSTRIAL LAND VALUES

OUTER WEST, BY SIZE RANGE ($/SQM)



SOURCE: RWCWS

Land values in the Outer West have entered a period of stabilisation after extraordinary growth during the COVID-19 period.

This consolidation phase is creating improved conditions for development feasibility while still reflecting the strategic importance of the region.

Smaller parcels (<5,000sqm):
$1,915/sqm (stabilised after peaking at $2,100/sqm)

Medium lots (5,000-10,000 sqm):
$1,705/sqm

Large lots (>10,000 sqm):
$1,600/sqm

While values haven't returned to 2022 peaks, the five-year perspective reveals remarkable appreciation:

- **Small lots:** 22.1% per annum average growth
- **Medium lots:** 22.1% per annum average growth
- **Large lots:** 25.1% per annum average growth

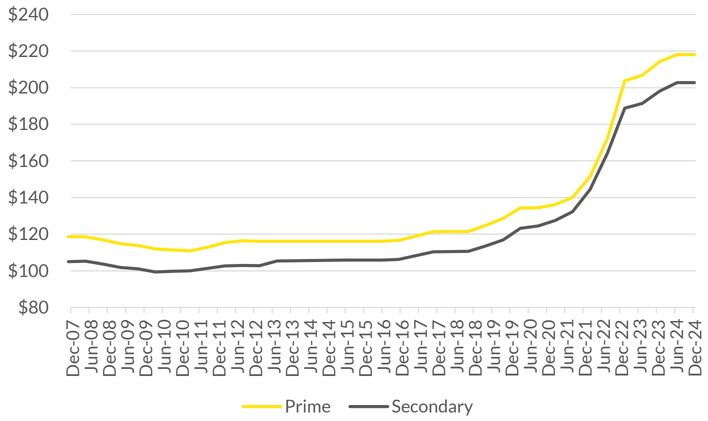
The recent interest rate reductions are expected to place upward pressure on values in prime locations, particularly those with infrastructure delivery certainty. The increasing stability in construction pricing is further enhancing development feasibility, creating conditions for the next wave of supply in strategically located precincts.

Areas adjacent to completed or committed infrastructure projects, particularly the M12 Motorway and upgraded arterial roads, continue to command premium values, reflecting their superior accessibility and reduced development risk.

> "Land values have stabilised at sustainable levels, creating improved development viability while maintaining impressive long-term (10 year) growth of 36.7% annually for smaller parcels."

Rental growth moderating to sustainable levels

INDUSTRIAL NET FACE RENTS
OUTER WEST, BY QUALITY GRADE ($/SQM)



SOURCE: RWCWS

The industrial rental market has entered a more sustainable growth trajectory after unprecedented increases during the pandemic period.

Prime assets in the Outer West have experienced 1.9% growth over the past year to reach $218/sqm, while secondary assets recorded slightly stronger growth of 2.5% to $202/sqm.

KEY MARKET INDICATORS

Prime net face rents:	$218/sqm (↑ 1.9% year-on-year)
Secondary net face rents:	$202/sqm (↑ 2.5% year-on-year)
Incentives:	Stable at 10-15% for prime assets, 15-20% for secondary
Prime-secondary spread:	7.9% (narrowed from 10.2% in 2023)

The narrowing gap between prime and secondary rents reflects ongoing space constraints and affordability pressures, with occupiers prioritising securing space over building quality. However, a new tier of premium rents is emerging for facilities with strong ESG credentials, enhanced power capacity for automation, and strategic locations with quality transport access.

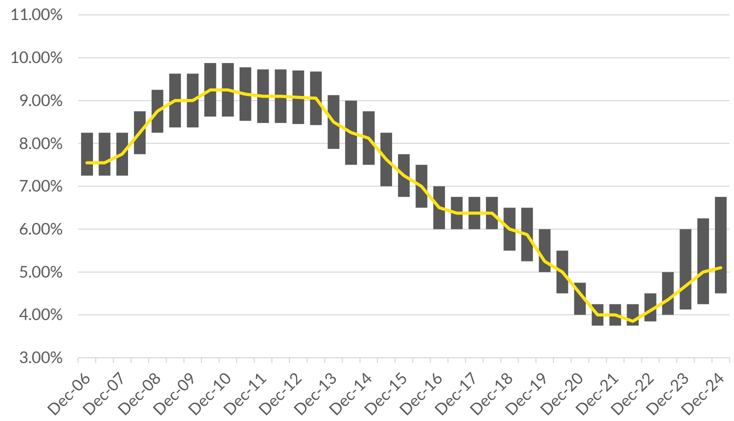
Multi-national tenants with specific requirements for sustainable facilities, enhanced clear heights (>14m), and advanced technological infrastructure are establishing new rental benchmarks, often exceeding $250/sqm in prime locations.

The three-year perspective highlights the extraordinary market conditions, with average annual growth of 15% for both prime and secondary assets—rates historically unseen in this market but now moderating to more sustainable levels.

"Annual two-year rental growth of 14.1% for prime assets demonstrates sustainable market strength, while the narrowing quality gap reflects ongoing space constraints as occupiers prioritise securing space in a sub-1% vacancy environment."

Investment yields find the floor

PRIME INDUSTRIAL YIELD RANGE
OUTER WEST



SOURCE: RWCWS

The investment market for industrial assets has entered a period of stabilisation following two years of upward yield movement.

The Outer West, historically Sydney's most tightly held industrial precinct, now demonstrates prime yields averaging 5.10%, with recent interest rate reductions expected to prevent further softening.

MARKET SEGMENTATION

Super prime (10+ year WALE, blue-chip tenant)	4.50%-5.00%
Prime (modern facility, strong covenant)	5.00%-5.75%
Secondary (older assets, shorter lease)	5.50%-6.75%
Prime-secondary spread:	7.9% (narrowed from 10.2% in 2023)

The spread between prime and secondary assets has widened to approximately 175 basis points, reflecting investors' flight to quality and increased scrutiny of asset fundamentals. Properties with the following characteristics continue to achieve premium pricing:

- Strong ESG credentials and green building certifications
- Long WALE with structured rental growth
- Strategic locations with superior transport connectivity
- Enhanced power capacity supporting automation and AI

Transaction activity has begun to recover in late 2024 and is expected to continue after recent interest rate reductions, particularly among private investors and owner-occupiers looking to capitalise on improved funding conditions. Institutional investors remain selective but are actively pursuing strategic opportunities, especially for assets with development potential or those supporting data centre infrastructure.

"Prime yields have stabilised between 4.50% and 6.75%, with recent interest rate cuts providing a floor for valuations after two years of softening, while investors increasingly differentiate based on asset quality and futureproofing."

Sydney's *South West*

Sydney's South West has firmly established itself as a key growth region for industrial development, driven by its strategic position near the Western Sydney International Airport and its increasing supply of serviced industrial land.

With 114 projects currently in the pipeline, this region is seeing strong demand from logistics operators, manufacturers, and high-tech industries, positioning it as a major beneficiary of the area's rapidly expanding infrastructure network.

SUPPLY

NET FACE RENTS

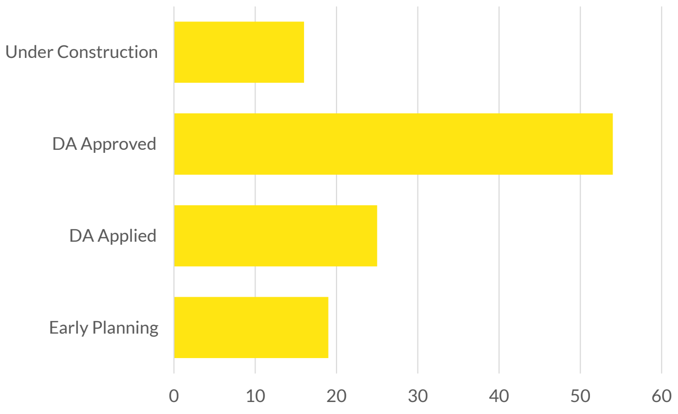
LAND VALUES

YIELDS

LGA's of Canterbury/Bankstown, Liverpool, Camden, Campbelltown and Wollondilly

South West continues as a key growth region

NEW INDUSTRIAL SUPPLY PROJECTS
SOUTH WEST, BY DEVELOPMENT STAGE



SOURCE: CORDELL CONNECT, RWCWS

The South West region of Sydney has firmly established itself as a critical growth area for industrial development, fuelled by strategic proximity to the Western Sydney International Airport and comparative affordability.

Emerging areas such as Leppington, Bradfield, Oran Park, and Badgery's Creek are gaining momentum, while established locations like Chipping Norton, Minto, Ingleburn, and Prestons continue to contribute significantly to supply growth.new stock to the south west market.

DEVELOPMENT PIPELINE

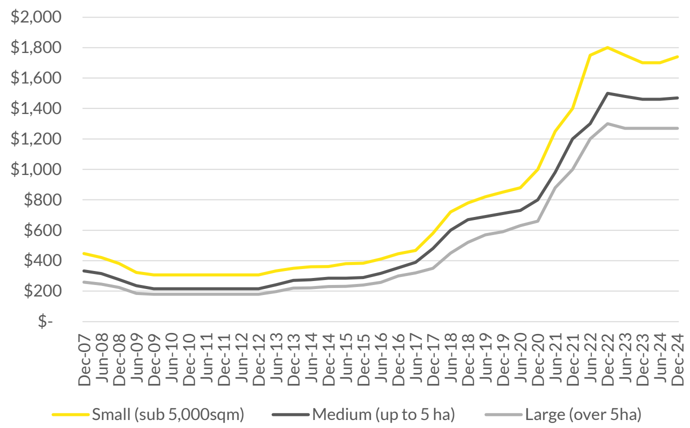
- 114 active projects with a combined value of $4.4 billion
- 16 projects currently under construction, delivering nearly 200,000 sqm of new stock within 24 months
- 53 projects with Development Approval representing 710,000 sqm of potential space
- 11 projects in early planning phases potentially adding 1 million sqm of future stock
- Increased serviced land availability as identified in recent employment lands monitoring

The market is experiencing improved momentum as developers respond to the imminent opening of Western Sydney International Airport, with many strategically positioned projects advancing to capture the anticipated demand surge. While a significant number of DA-approved projects remain in the pipeline, economic conditions and improved infrastructure are accelerating their progression to construction stage.

The development profile is predominantly warehousing and distribution facilities, complemented by light industrial uses and a growing self-storage sector. The airport's 2026 opening is expected to further enhance demand for serviced industrial land in this precinct, particularly for logistics operations supporting air freight capabilities.

Strategic location to drive ***land value*** growth

SYDNEY INDUSTRIAL LAND VALUES
SOUTH WEST, BY SIZE RANGE ($/SQM)



SOURCE: RWCWS

Land values in the South West have demonstrated resilience, remaining stable at $1,740/sqm for smaller lots, $1,470/sqm for medium lots, and $1,270/sqm for larger parcels over the past 18 months.

This stability follows a period of extraordinary growth during which this historically affordable region experienced substantial appreciation.

Long-term growth metrics highlight the region's transformation:

- **Small lots:** 20.1% per annum over 5 years
- **Medium lots:** 21.4% per annum over 5 years
- **Large lots:** 23.1% per annum over 5 years

DEVELOPMENT PIPELINE

The South West's strategic location between the Western Sydney International Airport and Sydney's established logistics hubs continues to drive investor interest. The region's transformation has been aided by significant infrastructure investments, including:

SOURCE: TRANSPORT NSW

The $1 billion Fifteenth Avenue upgrade (Liverpool to Airport Transit Corridor)

SOURCE: TRANSPORT NSW

M12 Motorway construction providing direct airport access

SOURCE: TRANSPORT NSW

Planned Western Sydney Rail Extensions linking the region to Greater Sydney

These infrastructure commitments are progressively unlocking developable land, with much of the region's growth potential being realised through the Western Sydney Aerotropolis Sector Plan. The significant infrastructure pipeline, coupled with the region's relative affordability, positions the South West for continued robust performance.

"With 114 projects valued at $4.4 billion in the pipeline and 16 under construction delivering 200,000 sqm of new space, the South West's strategic position adjacent to Western Sydney International Airport is seeing development momentum across both emerging and established industrial precincts."

"The South West region's strategic position between Western Sydney International Airport and established logistics hubs has driven impressive five-year land value growth of over 20% annually, with infrastructure investments providing further uplift potential."

Premium to emerge for South West *rents* given airport proximity

The South West continues to demonstrate strong rental growth, with prime assets experiencing 4.6% year-on-year increases to reach $205/sqm, outperforming all other regions.

Secondary assets have seen growth of 2.2% to $185/sqm, reflecting continued tenant demand across the quality spectrum.

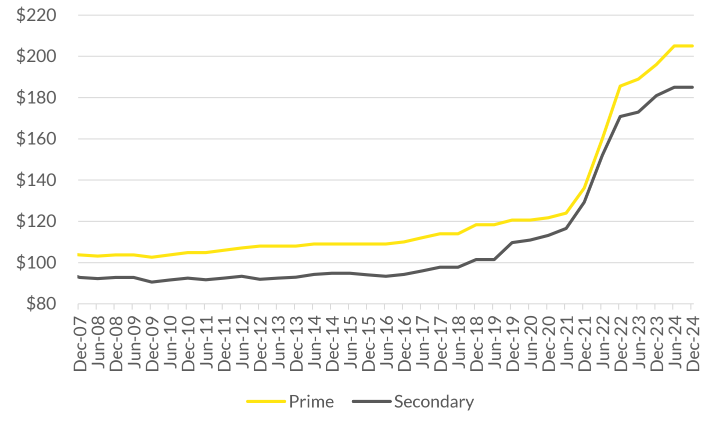
The South West's superior rental performance reflects its strategic positioning adjacent to the Western Sydney International Airport, with an emerging premium evident for properties with direct airport access. Property owners are increasingly seeking:

- Shorter lease terms (3-5 years vs. traditional 5-7 years)
- Stronger rent review mechanisms (fixed 3.5-4% vs. CPI)
- Enhanced sustainability provisions in new leases

The long-term growth trajectory remains impressive, with prime assets recording average annual growth of 16.9% over three years, while secondary assets have experienced 14.4% per annum growth.

INDUSTRIAL NET FACE RENTS

SOUTH WEST, BY QUALITY GRADE ($/SQM)



SOURCE: RWCWS

This sustained performance highlights the region's transformation from a secondary market to a prime logistics destination.

Demand is particularly strong for properties capable of supporting:

- Advanced logistics operations with high clearance
- Last-mile distribution with superior access to growth corridors
- Air freight-related activities with direct airport connectivity

Yields continue their *upward* momentum

The South West corridor has added significantly to Sydney's industrial landscape, transitioning from a cheaper option compared to the Outer West markets.

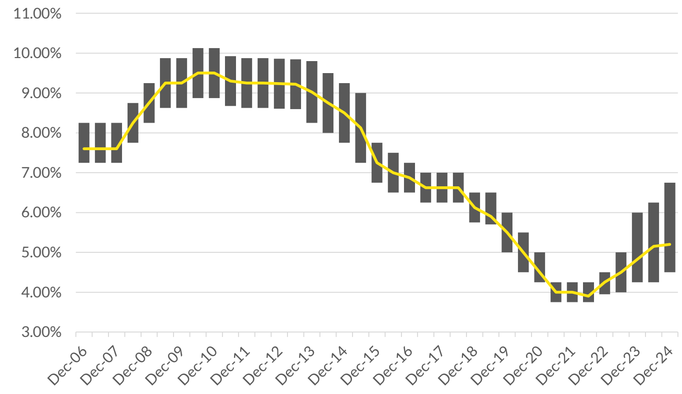
Significant infrastructure development and strategic land availability have elevated this region to closer on par with the Outer West. This area comprises two distinct sections: the established core inner market and the developing outer South West region, both of which have successfully attracted capital from institutional investors and private wealth alike.

MARKET YIELD TRENDS AND INVESTMENT PERSPECTIVE SHIFTS:

- The South West industrial precinct witnessed extraordinary yield compression during the pandemic era
- Premium industrial assets achieved historically tight yields between 3.75% and 4.25% throughout late 2021 and into early 2022
- The monetary policy tightening cycle has triggered a substantial readjustment in market pricing
- Current yields have expanded, now ranging from 4.50% to 6.75%

PRIME INDUSTRIAL YIELD RANGE

SOUTH WEST



SOURCE: RWCWS

During the 2021/2022 period, compressed yields were evident across all industrial asset categories, from smaller industrial units to major logistics facilities and portfolio acquisitions. Despite the current yield expansion, select investor groups remain strategically focused on assets with robust rental growth profiles, particularly valuable in today's high-inflation climate. This has allowed certain properties to maintain relatively attractive yield positions.

This transformation in the South West's industrial investment landscape marks a big change from traditional market perceptions, repositioning these assets from conventional yield-focused investments to strategic holdings with significant appreciation potential in Sydney's industrial landscape.

> "South West rental growth of 14.1% for prime assets over the last two years reflects the region's increasing desirability as airport-adjacent logistics becomes the next frontier for occupiers seeking strategic advantage in Western Sydney's evolving industrial landscape."

> "The South West's transformation from affordable alternative to strategic logistics hub has redefined investment metrics, with yields now ranging from 4.50% to 6.75% as investors increasingly value the region's growth potential in Sydney's industrial landscape."

Sydney's *Inner Central West*

Despite severe land constraints, the Inner Central West remains one of Sydney's most sought-after industrial locations, with demand far exceeding supply.

This land-scarce region is home to 59 active projects, largely focused on infill development, self-storage, and logistics facilities. S

trong rental growth and high land values continue to define this market, making it a prime destination for last-mile logistics and businesses seeking strategic metropolitan access.

SUPPLY

NET FACE RENTS

LAND VALUES

YIELDS

LGA's of Burwood, Strathfield, Canada Bay, Cumberland and Parramatta

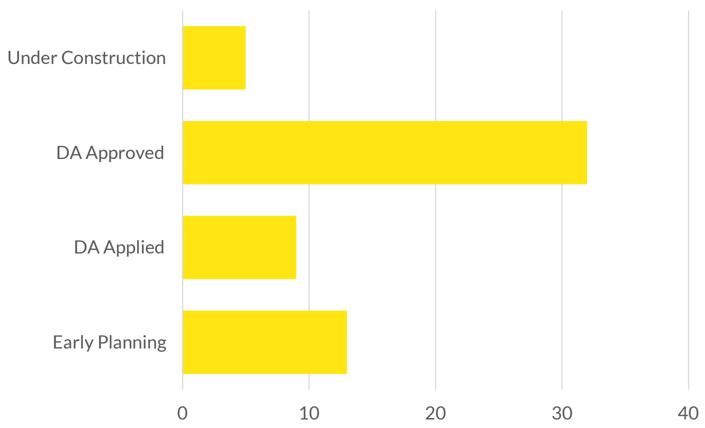
Limited projects in this key infill location

The inner central west region of Sydney faces significant supply constraints due to limited land availability.

Despite these challenges, the area boasts 59 projects in various stages of development, representing a potential addition of 638,000 sqm of new industrial space representing development costs of approximately $6 billion. These projects, concentrated in suburbs like Lidcombe, Rosehill and Rydalmere demonstrate continued investor confidence in this established market.

NEW INDUSTRIAL SUPPLY PROJECTS

INNER CENTRAL WEST, BY DEVELOPMENT STAGE



SOURCE: CORDELL CONNECT, RWCWS

DEVELOPMENT PIPELINE

- Only 5 projects currently under construction, adding a modest 90,000 sqm of supply
- Projects primarily located in Rydalmere, Greenacre, and Lidcombe
- Record number of DA-approved projects (over 30) representing the pipeline's largest segment
- Approved projects could deliver 293,000 sqm of new space contingent on advancement to construction
- Additional projects in early planning phases indicating continued development interest

The development profile is dominated by traditional warehousing assets, but emerging trends show increasing activity in both self-storage facilities and even data centre developments in early planning phases. This diversification reflects the evolution of this mature market to accommodate changing industrial needs despite severe land constraints.

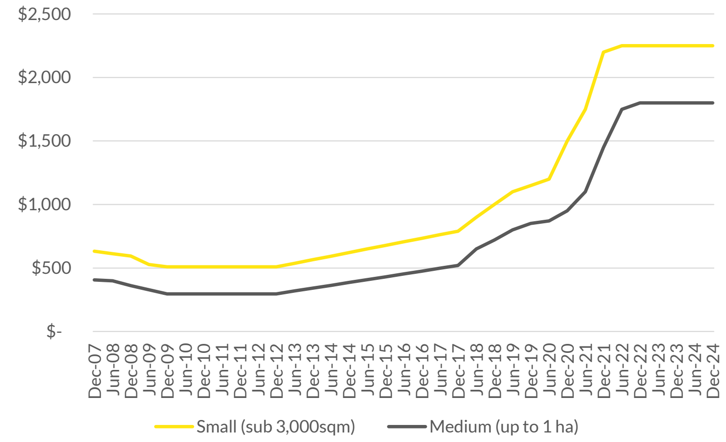
This tightly held market presents unique opportunities for investors and developers willing to navigate the challenges of limited space availability. The significant backlog of approved projects suggests potential increased activity as market conditions improve, although developments will remain primarily infill in nature due to the absence of large greenfield opportunities.

"Despite severe land constraints limiting current construction to just 5 projects totalling 90,000 sqm, the inner central west's robust pipeline of DA-approved developments and $6 billion potential investment value highlight its enduring appeal as Sydney's premier infill industrial location."

Land values remain stable

SYDNEY INDUSTRIAL LAND VALUES

INNER CENTRAL WEST, BY SIZE RANGE ($/SQM)



SOURCE: RWCWS

Sydney's Inner Central West industrial land market is the smallest of the regions with the scarcity of land contributing to market performance.

This region leverages its central positioning and established infrastructure networks to show price consistency in recent quarters compared to other Western Sydney markets, largely attributable to the lack of vacant, zoned, developable parcels.

In the current market, smaller industrial lots within the Inner Central West are fetching premium rates of **$2,250/sqm**, with medium-sized parcels up to one hectare maintaining values around **$1,800/sqm**. These prices have held steady throughout the past two years, demonstrating both the sector's strength and underlying demand within this established industrial pocket despite restricted transaction activity.

HISTORICAL TRENDS AND LONG-TERM PERFORMANCE

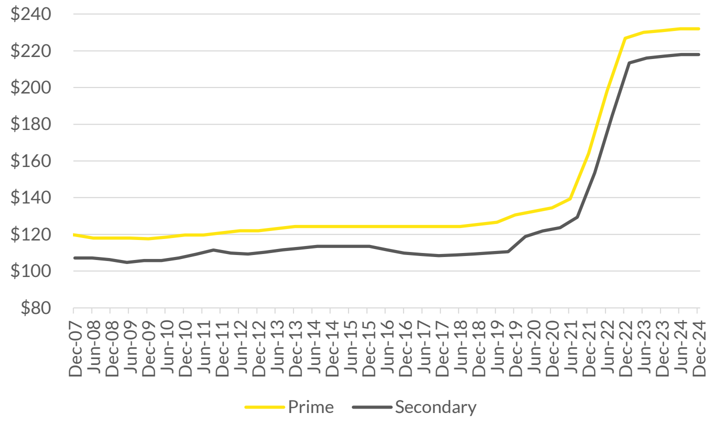
- Historical data reveals a period of solid growth prior to recent stability
- Competition from other asset classes, notably retail showroom and residential has led to a reduction in industrial land
- Five-year averages show average rates are exceeding 22% per annum for both small and medium-sized lots
- Ten-year average growth rates outstrip these figures, which highlight the dwindling land supply and continued demand for land in this location

"Despite limited developable land and increased competition from other asset classes, the inner central west's industrial market demonstrates remarkable stability, with five-year growth rates exceeding 22% annually for both small and medium lots."

Rents steady out

INDUSTRIAL NET FACE RENTS

INNER CENTRAL WEST, BY QUALITY GRADE ($/SQM)



SOURCE: RWCWS

The industrial property sector has cemented itself as the standout performer across all commercial asset classes throughout the past five years, recording extraordinary tenant demand.

This upswing in activity resulted in strong space absorption resulting in consistent upward momentum in rents. Constrained available supply have resulted in occupiers to seek out secondary facilities, reducing the spread between prime and secondary rents. However more recently, some increases in vacancies have resulted in a more noWrmalised premium to be attributed to prime assets, a trend expected to maintain in the short term.

DEMAND DRIVERS AND CURRENT RENTAL LANDSCAPE

- Last mile" logistics has been a major source of warehousing demand
- After a period of strong increases, rents have now stabilised with the historic gap between prime and secondary re-emerging
- Given the location attributes and limited development pipeline rents remain some of the most expensive in Western Sydney
- **Prime net face rents:** $232/sqm
- **Secondary net face rents:** $218/sqm

LONG-TERM GROWTH TRENDS

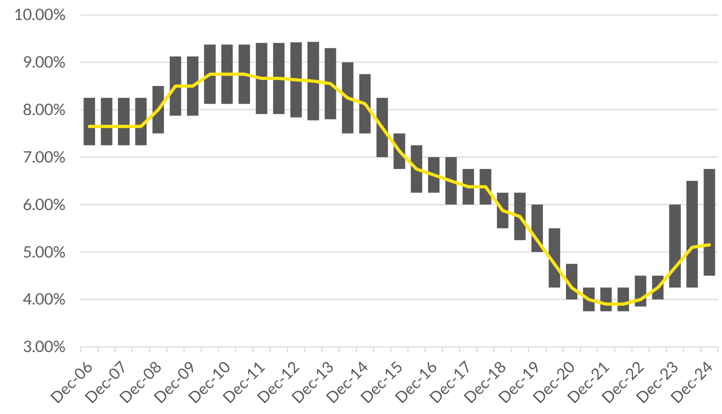
- Over the past three years, rents have grown by approximately 14% per annum across all quality grades
- Strong levels of rental growth have solidified industrial real estate's position as the premier performing asset class drawing attention from a growing buyer pool

"Despite recent moderation, the Inner Central West's remarkable three-year rental surge of 14% per annum across all quality grades has solidified industrial real estate's position as the premier performing asset class post-pandemic."

Range grows with *yields*

PRIME INDUSTRIAL YIELD RANGE

INNER CENTRAL WEST



SOURCE: RWCWS

The Inner Central Western region of Sydney has long held a premium position in the industrial real estate market, distinguished by its central location, high land values, and historically institutional ownership.

Despite some areas lacking the accessibility of more western precincts, the region's importance to the local economy remains significant. The scarcity of land in this area has consistently supported elevated property values, underscoring its desirability among investors and businesses alike.

During the pandemic, as interest rates plummeted, demand surged across the full spectrum of investors seeking quality, income-producing industrial assets. This heightened interest led to a compression of prime yields, reaching an impressive range of 3.75% to 4.25%. Some transactions even attracted yields outside this range, influenced by factors such as property age, lease covenant strength, and accessibility.

CURRENT MARKET LANDSCAPE AND YIELD TRENDS

- Last mile" logistics has been a major source of warehousing demand
- After a period of strong increases, rents have now stabilised with the historic gap between prime and secondary re-emerging
- Given the location attributes and limited development pipeline rents remain some of the most expensive in Western Sydney
- **Prime net face rents:** $232/sqm
- **Secondary net face rents:** $218/sqm

LONG-TERM GROWTH TRENDS

- The current market landscape has shifted, reflecting a more cautious and selective approach from buyers
- The range of achievable yields has broadened considerably, now spanning from 4.50% to 6.75%
- Average yields settling around 5.15%
- Investors are carefully weighing various factors before committing to purchases

Despite these changes, the fundamental attractiveness of the Inner Central Western region remains intact. The persistent scarcity of prime industrial land in well-located areas like this suggests that the sector may continue to perform strongly. Recent interest rate reductions are expected to stabilise yield movements and potentially stimulate renewed investment activity in the coming months. However, broader economic conditions and evolving business needs will continue to influence transaction volumes and pricing in this tightly held market.

"Despite the yield spread widening to 4.50%-6.75%, recent interest rate cuts should provide a floor for valuations in the inner central west, where enduring land scarcity and an attractive 5.15% average yield continue to underpin investor demand for quality industrial assets."

Sydney's *North West*

The North West continues to face significant supply limitations, with constrained land availability shaping its industrial development landscape.

With only 34 projects in the pipeline, much of the region's growth is focused on infill and redevelopment opportunities, with data centres emerging as a key sector within the Ryde LGA.

Strategic connectivity and a growing commercial base underpin the area's long-term potential, making it an attractive market for investors and occupiers alike.

SUPPLY

NET FACE RENTS

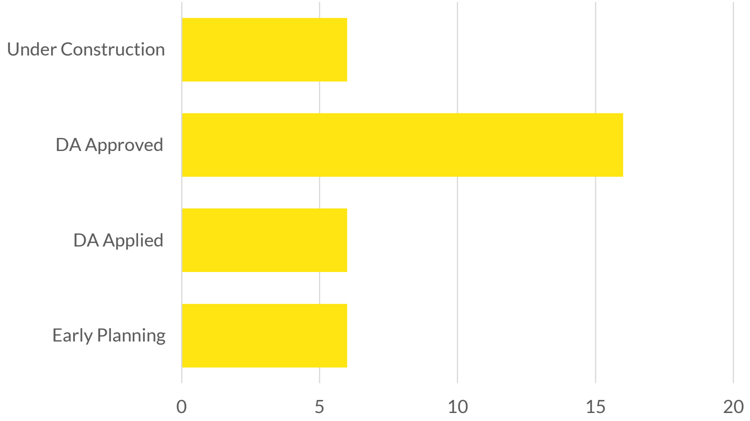
LAND VALUES

YIELDS

LGA's of Ryde, Kur-ring-gai, Hornsby and The Hills Shire

North West supply opportunities continues to be limited

NEW INDUSTRIAL SUPPLY PROJECTS
NORTH WEST, BY DEVELOPMENT STAGE



SOURCE: CORDELL CONNECT, RWCWS

The North West sector's development landscape continues to trend similarly to the Inner Central West, due to limited land availability.

This area is currently home to 34 projects in various planning stages, with only six under active construction. These ongoing projects are expected to contribute less than 100,000 sqm of space through new constructions and expansions of existing warehouse facilities.

POTENTIAL FOR FUTURE GROWTH

- 16 projects with Development Approval could add close to 200,000 sqm of new stock across the region, from Macquarie Park to Rouse Hill
- 12 projects in earlier planning stages could potentially contribute a further 200,000 sqm
- Notably, 5 data centres are in early planning phases, all located within the Ryde LGA
- Most current construction activity represents extensions and small infill development

MARKET DYNAMICS

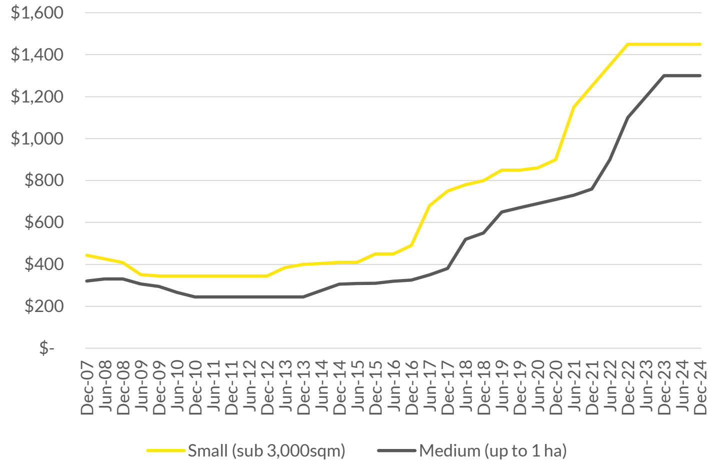
The ongoing concerns surrounding construction costs and lack of labour remain an issue for the development market. While industrial offer some of the more affordable building methods the escalating costs will result in higher economic rents to ensure project viability. This is expected to a particularly evident in those assets which involve advanced automation and robotics technologies which are growing features in modern warehouse designs.

As a result, the near to mid-term industrial supply outlook for this region will likely remain aligned to verified market requirements. The land limitations within this industrial location is an indication that future development activities consist of redevelopment or optimising existing facilities as well as strategic infill.

"Despite a substantial pipeline of 34 projects representing over 370,000 sqm of potential stock, the north west's severe land constraints limit current construction to just six small projects, while the emergence of five data centre proposals in Ryde signals a shift toward higher-value development in this land-constrained market."

Land values sit *flat*

SYDNEY INDUSTRIAL LAND VALUES
NORTH WEST, BY SIZE RANGE ($/SQM)



SOURCE: RWCWS

The North West has benefited from significant infrastructure investments and population growth, driven largely by residential land releases.

Strong local business expansion has positively impacted both industrial and office sectors in this area. While transactions remain limited, land values have stabilised this year following rapid increases during COVID-19 and the low-interest rate environment.

This market has seen value fluctuations over the past 15 years, with local investors playing a vital role in regional economic health. Current land values are $1,450/sqm for small lots and $1,300/sqm for medium parcels.

Though growth rates appear less dramatic than other Western Sydney regions, long-term performance has been impressive:

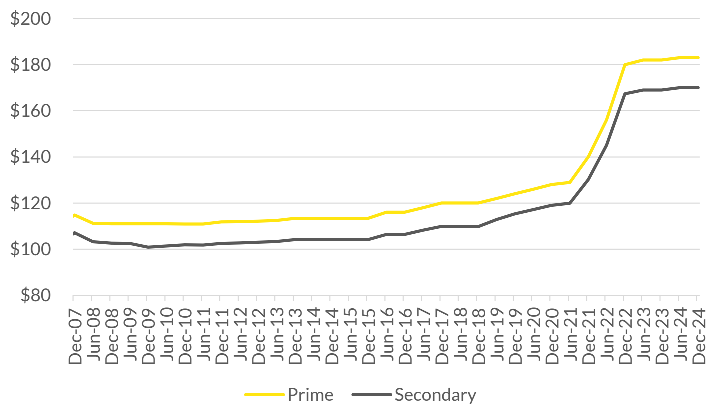
- **Small lots:** over 25% annual increase over 10 years
- **Medium lots:** 31.9% annual growth over the same period

The investor composition in this region suggests we'll likely see greater market stability over the next 12 months until broader economic conditions become more certain.

"Despite more modest current growth compared to other western regions, the north west's remarkable decade-long appreciation—with medium lots surging by 31.9% annually—reflects the transformative impact of infrastructure investment and the strong local investor base underpinning market stability."

Rental growth stalling

INDUSTRIAL NET FACE RENTS
NORTH WEST, BY QUALITY GRADE ($/SQM)



SOURCE: RWCWS

Similar to other industrial zones across Western Sydney, the North West region has experienced substantial increases in net face rents in recent years, driven by historically tight vacancy conditions.

This combination of minimal space availability, constrained new development, and expanding business requirements helped sustain rental rates at these elevated levels. However, the past two years we have has witnessed a moderation in tenant demand, resulting in slight vacancy increases that have restored more traditional spreads between prime and secondary rental rates while bringing greater equilibrium to overall rental values.

SUPPLY CONTRAINTS AND MARKET DYNAMICS

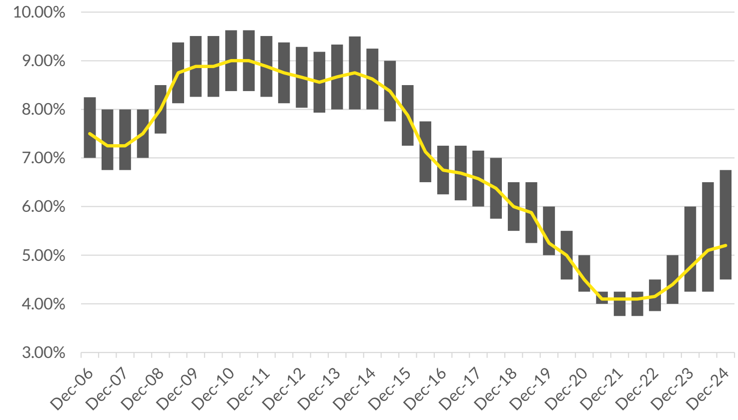
- Despite vacancy increases, the limited supply pipeline is expected to put pressure once again on the rental market
- Current net face rents average $183/sqm for prime assets and $170/sqm for secondary properties
- While these figures have stabilised over the past 24 months after strong ongoing rental growth rates, expectations surround continued face growth in 2025 is high, narrowing the gap between prime and secondary assets once again
- This market has attracted investment activity, which is expected to grow as interest rates reduce and as return levels improve

As economic conditions stabilise, the North West industrial market is well-positioned to resume its growth trajectory, supported by its strategic location, local population and established economy that continues to attract a diverse range of occupiers seeking quality industrial space with excellent connectivity.

"Despite recent stabilisation in rental rates averaging $183/sqm for prime assets, the North West's decade-long annual rental growth close to 10% demonstrates the region's enduring appeal to domestic businesses and owner-occupiers."

Yields range broadens

PRIME INDUSTRIAL YIELD RANGE
NORTH WEST



SOURCE: RWCWS

The North West precinct of Sydney's industrial market is one of the more tightly held markets with high private investor and occupier ownership.

Limited investment activity in quality assets has seen the range in yields expand while average yields increase in line with financing costs, returning to more normalised levels.

RECENT MARKET ACTIVITY AND ECONOMIC INFLUENCES

- Sales activity has declined over the past two years, with both buyers and sellers adopting a cautious "wait and see" approach
- Hesitancy stems primarily from increased financing costs, though owner-occupiers have viewed this as an opportunity
- While private investors remain willing to transact opportunistically, institutional activity has largely paused

EMERGING TRENDS AND YIELD ADJUSTMENTS

Low vacancy rates and limited new supply signal potential return growth. Recent transactions have concentrated in the smaller asset segment, driven by owner-occupiers seeking protection against rising rents and private investors targeting steady cash flows with growth potential.

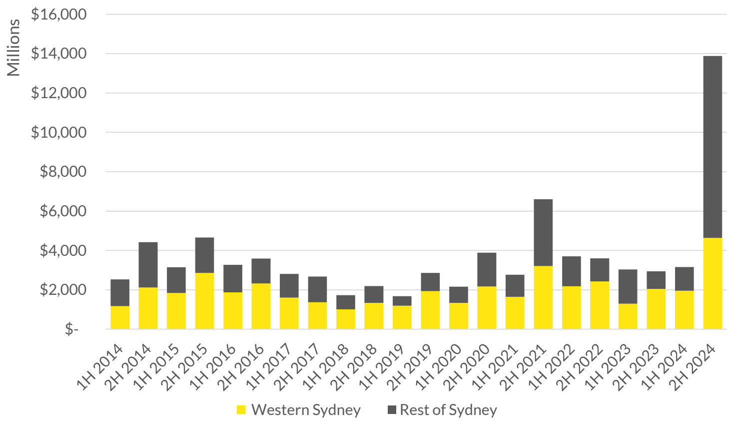
This shift in buyer demographics has expanded the average yield range, currently averaging 5.20% but extending to 6.75% for certain properties. Buyer advocates representing individual investors have become increasingly active across Sydney's industrial submarkets, with warehouse and logistics assets remaining highly sought-after.

Recent interest rate reductions are expected to establish a yield floor, potentially rekindling institutional investor interest, particularly in Ryde LGA where the emerging data centre market is creating a new investment class within this traditionally constrained market.

"The North West's yield movement from pandemic lows of 3.75%-4.25% to a current range of 4.50%-6.75% reflects broader financing challenges, but recent interest rate cuts may stabilize this trajectory, particularly for emerging institutional-grade data centre assets in the Ryde LGA."

Investment activity shows signs of recovery

INDUSTRIAL SALES VOLUMES
SYDNEY METROPOLITAN AREA



SOURCE: RWCWS, REAL CAPITAL ANALYTICS

The second half of 2024 saw exceptional transaction volumes across Sydney's industrial market, driven by significant portfolio sales including several major data centre transactions.

This surge contributed to a remarkable annual total of $17 billion for 2024, with Western Sydney accounting for 39% of this activity.

The momentum appears to be continuing into 2025, with Q1 already recording over $540 million in sales across Western Sydney alone, including notable institutional activity. This early performance suggests growing investor confidence following recent interest rate reductions and renewed institutional appetite for stock, notably data centres.

Total Sydney industrial sales (2024):
$17 billion

2025 Q1
$540 million
In Western Sydney transactions

The investment landscape continues to evolve with several significant trends:

- Accelerating institutional appetite for data centre sites and power-rich locations
- Strategic land banking by major developers anticipating infrastructure delivery
- Renewed interest from offshore capital targeting scale and portfolio opportunities
- Strengthening owner-occupier activity as rental growth continues to outpace moderating funding costs

Data centres have emerged as a transformative force in the market, with multiple transactions exceeding $100 million for sites with enhanced power infrastructure or future development potential. These specialised assets now represent approximately 15% of investment volume, up from negligible levels three years ago.

The completion of key infrastructure projects, particularly around the Western Sydney International Airport and major arterial road upgrades, is creating renewed investment confidence in strategic locations. Meanwhile, the widening yield spread between prime and secondary assets presents opportunities for well-capitalised investors with value-add capabilities.

Yield spread: Finding equilibrium

The relationship between Australian industrial yields and the 5-year bond rate has begun to normalise following recent interest rate reductions.

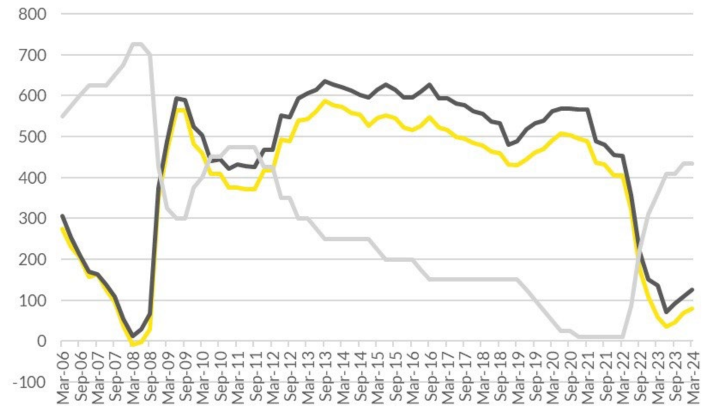
The spread between average prime industrial yields (5.0%) and the bond rate has improved to approximately 100 basis points, enhancing the relative attractiveness of industrial assets compared to other investment classes.

KEY INDICATORS

- **Prime yield range:** 4.25%-6.50%
- **Average prime yield:** 5.0%
- **Current spread to bond rate:** 100 basis points
- **Historical average spread:** 275-325 basis points

While the current spread remains below historical averages of 275-325 basis points, continued rental growth provides compensating income returns for investors with medium to long-term horizons. The recent yield expansion to 4.25%-6.50% represents a more sustainable level compared to the compressed yields of 3.75%-4.25% observed during the pandemic period.

INDUSTRIAL YIELD SPREAD TO 5-YEAR BOND RATE
AUSTRALIAN INDUSTRIAL BY QUALITY GRADE
(BPS)



SOURCE: RWCWS, MSCI, RBA

The yield expansion has been more pronounced for secondary assets and those in non-strategic locations, creating a clear flight to quality among institutional investors. Assets with the following characteristics continue to achieve premium pricing:

- Strategic locations with superior transport connectivity
- Modern facilities with strong ESG credentials
- Long-weighted average lease expiry (WALE) with structured rental growth
- Sites with future development potential or intensification opportunity

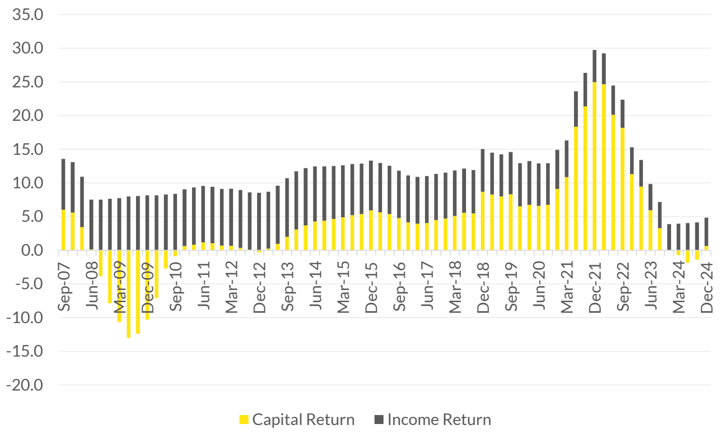
"Western Sydney's industrial investment market demonstrated exceptional strength in late 2024 with portfolio and data centre transactions driving record volumes, while Q1 2025's $540+ million in transactions signals renewed institutional confidence as infrastructure delivery and interest rate reductions enhance the region's investment proposition."

"The recent interest rate reductions have improved the yield spread to 100 basis points, enhancing industrial assets' relative value proposition, though still below the historical average spread of 275-325 basis points."

Outer West income resilience and emerging capital growth

OUTER WESTERN SYDNEY INDUSTRIAL RETURNS

% ANNUAL RETURNS BY TYPE



SOURCE: PCA/MSCI

Total returns for Outer Western Sydney industrial assets have rebounded to 4.9% over the past year, marking a shift as the market transitions from adjustment to renewed growth.

The positive capital value improvement of 0.7% signals a significant turnaround after two consecutive periods of negative capital returns, while steady income returns of 4.2% provide a solid foundation for investors.

RETURN COMPONENTS

Income return	4.2% (↑0.3% year-on-year)
Capital growth	0.7% (↑0.3% year-on-year)
Total return	4.9% (↑1.1% year-on-year)

This emerging pattern suggests the market has moved beyond its trough phase and is entering an upswing, with longer-term performance metrics reinforcing the compelling investment narrative:

3-year average annual return	8.0%
5-year average annual return	13.8%
10-year average annual return	13.5%

The Outer West's proven ability to maintain consistent income returns throughout economic cycles has been key to investor appeal. These resilient income streams are supported by:

- Continued rental growth in a supply-constrained environment
- Near-record low vacancy rates of below 1%
- Strong tenant covenant quality and lease structures
- Strategic infrastructure improvements enhancing location premiums

The positive shift in capital returns, combined with recent interest rate reductions, points to a recovery trajectory through 2025-2026. This timing aligns perfectly with the opening of Western Sydney International Airport, potentially creating an uplift in both capital and income performance.

"The Outer West's positive capital growth of 0.7% marks a turning point as the market shifts from adjustment to recovery phase, with total returns of 4.9% signalling renewed momentum ahead of Western Sydney International Airport's 2026 opening."

Central West returns signal renewed strength

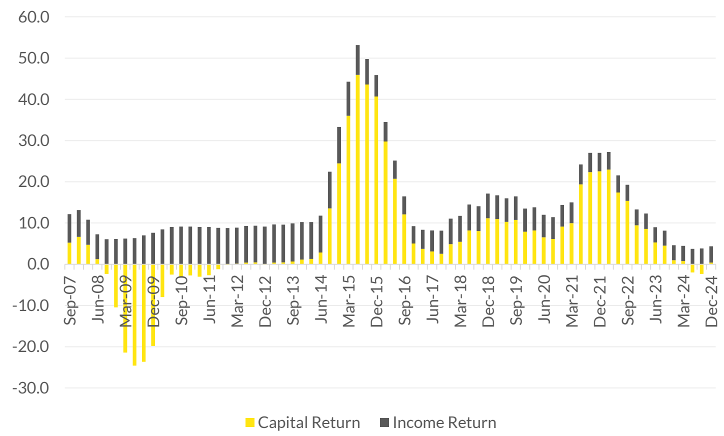
Sydney's Central West industrial market is demonstrating remarkable resilience, transitioning into renewed growth with total returns of 4.4% over the past year.

Most significantly, after two periods of negative performance, capital returns have shifted into positive territory, confirming the market's entrance into a new growth cycle while reliable income returns continue to provide stability.

This tightly held precinct, dominated by institutional ownership and characterised by severe land constraints, has consistently delivered Australia's strongest long-term industrial performance. The ten-year average annual return of 15.8% firmly establishes the Central West as the nation's premier industrial investment market, substantially outperforming all other major precincts.

CENTRAL WESTERN SYDNEY INDUSTRIAL RETURNS

% ANNUAL RETURNS BY TYPE



SOURCE: PCA/MSCI

KEY DRIVERS OF RENEWED MOMENTUM INCLUDE

- Transition from negative to positive capital growth, signalling a new growth phase
- Stable income returns underpinned by low vacancy rates and structured rental growth
- Critical mass of infrastructure and connectivity advantages that cannot be replicated
- Growing premium for last-mile logistics operations in land-constrained locations
- Emerging multi-level industrial concepts unlocking new value in established locations

The precinct's positive capital growth trajectory is particularly noteworthy given its historically higher entry yields compared to other commercial asset classes. With interest rates stabilising and continued rental growth, the Central West is perfectly positioned to improve its performance through 2025-2026.

"The Central West's shift to positive capital returns marks the beginning of a new growth cycle, with its unmatched 15.8% ten-year performance confirming this land-constrained precinct's status as Australia's premier industrial investment market, now perfectly positioned to accelerate as interest rates stabilise."

Future *projections*

1

RENEWED INVESTMENT ACTIVITY

Transaction volumes expected to increase 15-20% in the 2025 as improved funding conditions attract institutional capital.

2

TARGETED RENTAL GROWTH

Prime assets will see continued growth of 5-7%, while secondary assets may experience more modest increases of 3-5% as the quality gap widens.

3

DATA CENTRE SURGE

Purpose-built AI and cloud computing facilities will represent 20-25% of new development, with power access becoming a critical site selection factor.

4

YIELD STABILISATION

Prime yields expected to compress slightly to 4.00%-5.75% by year-end as improved funding conditions support valuations for trophy assets.

5

AIRPORT PRECINCT PREMIUM

Areas within 10km of Western Sydney International Airport likely to see 10-15% value premium as opening date approaches.

6

ESG DIFFERENTIATION

Assets with strong sustainability credentials achieving rental premiums of 10-15% and 50-75 basis point yield compression compared to non-certified buildings.

7

SPECIALISED FACILITY DEMAND

Cold storage, pharmaceutical, and advanced manufacturing facilities commanding rental premiums of 20-30% over standard warehousing.

8

MULTI-LEVEL INDUSTRIAL EMERGENCE

First generation of multi-level industrial facilities to emerge in land-constrained precincts, setting new benchmarks for land utilisation.

Outlook

Western Sydney's industrial market is positioned for its next growth phase, driven by several factors that promise to reshape the region's industrial landscape.

The positive shift in capital returns, combined with steady income returns averaging 4.2% in the Outer West, strongly suggests the market has moved beyond its trough phase and is entering an upswing that could accelerate through 2025-2026.

The Western Sydney International Airport's 2026 opening will be transformative, creating an uplift in both capital and income performance as logistics operations pivot to capture air freight capabilities. Areas within 10km of the airport are already commanding premium values, a trend expected to intensify as the opening approaches. The Aerotropolis, containing 60% of Greater Sydney's undeveloped employment land, will be critical in addressing Sydney's supply constraints while supporting future-focused industries.

Investment activity is projected to increase in 2025 as improved funding conditions attract institutional capital that had previously retreated during the interest rate adjustment period. The Q1 2025 performance of $540+ million in Western Sydney transactions signals this renewed confidence, with recent interest rate reductions providing further stimulus.

The evolution of industrial demand continues to accelerate, with data centres now representing approximately 15% of investment volume and more than 650,000 sqm of potential space in the development pipeline. Purpose-built AI and cloud computing facilities will likely represent 20-25% of new development, with power access becoming a critical site selection factor. Specialised facilities including cold storage, pharmaceutical, and advanced manufacturing spaces will continue to command rental premiums over standard warehousing.

ESG considerations will increasingly drive investment decisions, with green-certified assets achieving rental premiums also and tighter yields compared to non-certified buildings. The first generation of multi-level industrial facilities are expected to emerge in land-constrained precincts, setting new benchmarks for land utilisation and addressing the critical shortage of serviced industrial land.

Despite challenges including construction cost inflation and planning constraints, Western Sydney's unprecedented infrastructure investment, emerging data centre demand, and strategic positioning underscore the region's dominant role in Sydney's industrial future.

PETER VINES
Managing Director
RWC Western Sydney
0449 857 100

OUR OFFICE

With a strong foundation of experience and expertise, we bring a winning combination of dynamism and operational rigour to the commercial agency space.

We are *Western Sydney.*

Who we are, *what* we do, *why* we do it

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Managing Director


JOSEPH ASSAF
Director


VICTOR SHEU
Director


TROY WANG
Sales Executive


OWEN WHITE
Industrial Sales Executive


VASILI VASILIOU
Industrial Sales Executive


DANNY SHI
Sales - AIS


TAO SHI
Sales - AIS


ANDREW SACCO
Sales Executive


VEE LI
Sales Executive


ALEX EL HAZOURI
Sales Associate


MARCUS AUDDINO
Sales Associate


CHRISTIAN FINIANOS
Commercial Property Researcher


CHANTEL BRILLANTES
Marketing & Design


MONH LY
Campaign Manager


LACHLAN HETHERINGTON
Team Assistant


MARINA STAVRAKIS
EA to Peter Vines

LEASING


ROBERT NAPOLI
Senior Leasing Executive


SAMUEL GONG
Senior Leasing Executive

ASSET MANAGEMENT


JOYCE ELKOUBERCI
Director


CALLUM MCKAY
Asset Manager


SUZIE NIU
Senior Asset Manager


AALIYAH CHAMI
Junior Asset Manager


ADRIAN HARB
Junior Asset Manager


MARCUS FUNG
Junior Asset Manager


ANNIKA WARD
Junior Asset Manager


ZEINA TAJIK
Accounts

OPERATIONS


RUBY ROZENTAL
Director of Strategy


HANNAH CARNEY
Director of Operations


PAULINE WATERFORD
Finance Manager


CHRISTIAN BRILLANTES
Office Assistant

PROJECTS


MARK BERNBERG
Managing Director


LIAM SIMPSON
Senior Sales Executive


NATASHA SANDERS
Sales Associate


SHANI FERDMAN
Sales Assistant


BETTY NGUYEN
Marketing Coordinator

RWC WESTERN SYDNEY

Level 1, 15-17 Argyle Street
Parramatta NSW 2150

(02) 8074 4884

rwcws.com