

Sydney



Leasing activity was steady over the quarter, with 137,600 sqm of gross-take up recorded. Over the last 12 months, gross take-up exceeded 1 million sqm; surpassing the 10-year annual average of 707,900 sqm.



Completions were strong over the quarter, with 209,300 sqm of stock added to the Sydney market. This was Sydney's strongest quarter of supply since 3Q16. Of the ten projects that completed, eight were fully pre-committed, accounting for 92% of total completions.

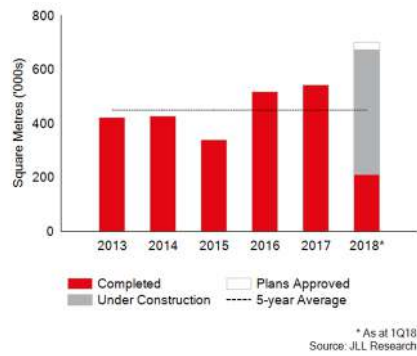


Prime midpoint yields compressed in all precincts bar the Outer South West over the quarter. The most notable tightening occurred in the Inner West, which recorded compression of 38 basis points (bps).

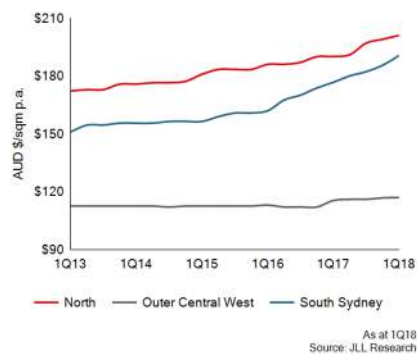


Transaction volumes increased over the quarter, with investments totalling AUD 258.6 million. Eleven individual asset transactions (\geq AUD 5.0 million) and two portfolio sales with assets in the Sydney market were recorded in 1Q18.

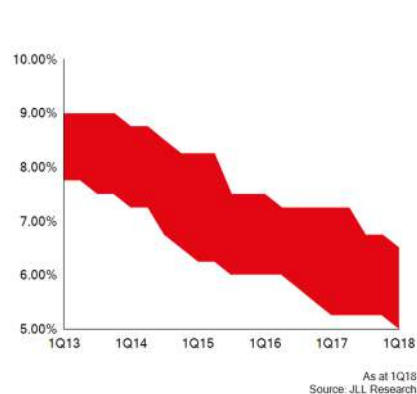
Sydney Supply



Sydney Rents



Sydney Prime Yields



Sydney Quarterly Prime Rental Growth:

0.7%

Rental growth (q-o-q):

Average prime net rental growth, across all tracked precincts in the Sydney industrial market, increased 0.7% q-o-q. Over 1Q18, there was robust growth recorded for prime existing net rents in the North (5.7%) and South Sydney (2.7%) precincts.

Inner West Prime Yield Range:

5.50%-6.00%

Yields:

Prime midpoint yield compression was recorded across all precincts bar the Outer South West. The Inner West prime yield compressed 38 bps to 5.50%-6.00% over the quarter.

137,600 sqm

Gross take-up:

Demand was concentrated in the Outer West precincts in 1Q18. Of the ten occupier moves recorded, 44% occurred in the Outer Central West, followed by the Outer South West (32%) and Outer North West (24%).

598,336 sqm

Construction:

Approximately 598,300 sqm is currently under construction in the Sydney market. The construction of four warehouses totalling 51,015 sqm at Stockland's Coopers Paddock completed over the quarter. Warehouse 1, 2 and 4 were pre-leased by Daikin in 2Q17. Warehouse 3A and 3B were leased in 1Q18, to an undisclosed tenant and Orora Packaging respectively.