

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.

This report provides an analysis of the value of industrial approvals from custom 2021 ABS data (as at October 2022) 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 and supply for industrial property over 2021-2022 based on property analysts' reports.

Industrial Lands Policy Review

The Greater Cities Commission (GCC) led a multi-agency review of the Industrial and Urban Service Lands Retain and Manage policy (the Policy) under the *Greater Sydney Regional Plan – A metropolis of Three Cities*. On 30 June 2022, the Commission released the [Industrial Lands Policy Review Findings Paper](#), which reports the final outcomes of the Review.

The key outcomes of the Review are:

- A 'Retain and Manage' Policy is needed for the protection of industrial lands in Greater Sydney. The existing Policy will continue to apply
- Draft Guiding Principles will strengthen and support the continued implementation of the 'Retain and Manage' Policy. The next Region Plan will consider the findings of this Review and include the vision, objectives and draft Guiding Principles for industrial lands

Employment Zones Reform

The reform of employment zones aims to support long-term economic recovery through job creation and encourage increased productivity in NSW.

In December 2021, the reform of the employment zones was finalised with the introduction of 5 new employment zones and 3 supporting zones into the Standard Instrument (Local Environment Plans) Order 2006.

The Department of Planning and Environment is now implementing the employment zones with proposed amendments to individual local environment plans (LEPs) across NSW.

The employment zones will be in place within individual LEPs by 1 December 2022 when the Business and Industrial zones will be repealed.

Value of industrial approvals in 2021

Analysis of ABS data shows the value of industrial development approvals by district during the 2021 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 contributed the highest value of approvals in Sydney in 2021. The LGA with the highest value of approvals was Liverpool with 24% of total industrial approvals. Blacktown contributed the second highest value of approvals (13%).

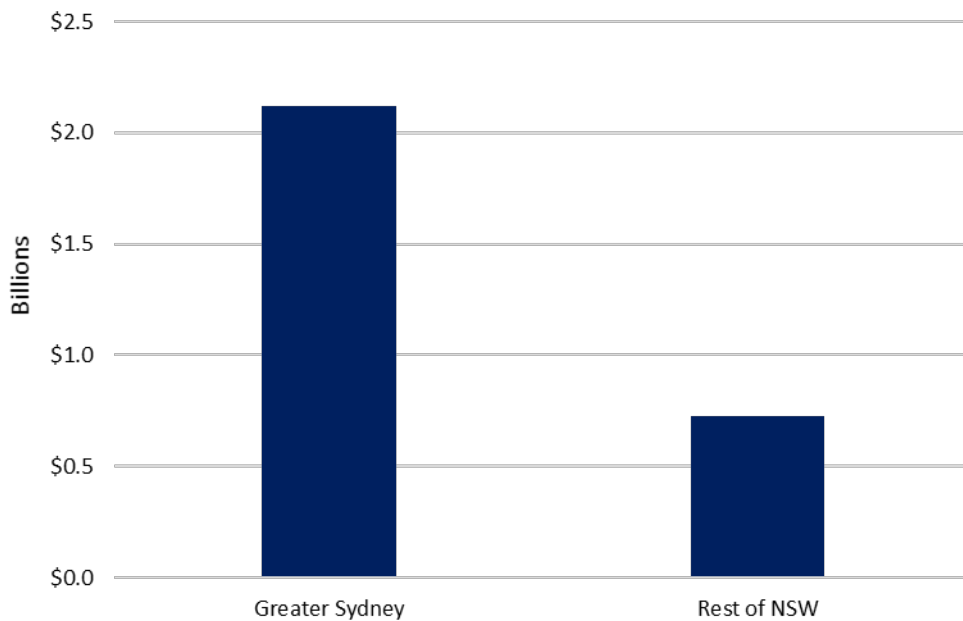
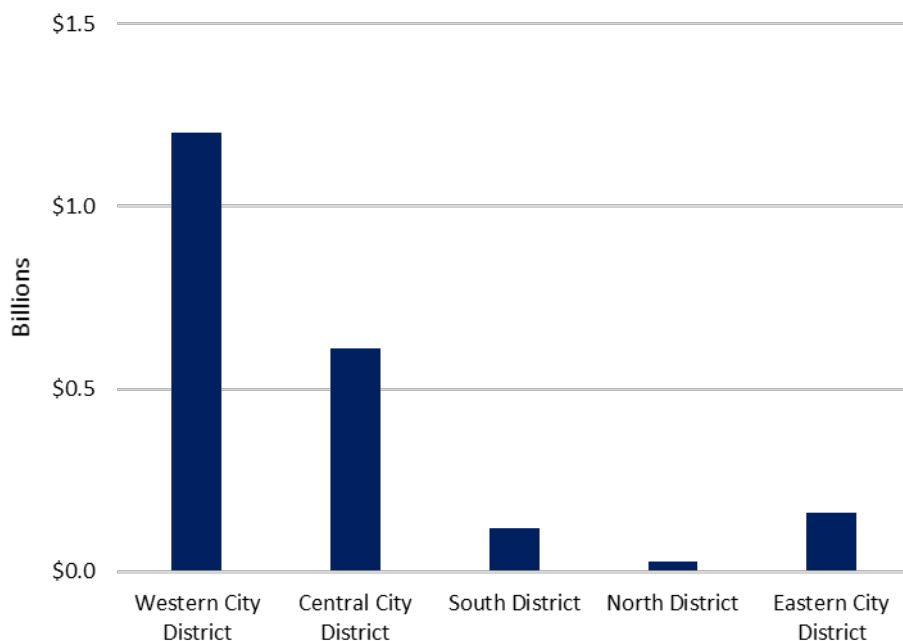


Figure 2. Value of Industrial approvals by Sydney District in 2021



Warehouse building activity remained the most dominant type of building approval in 2021 as shown in Figures 3 and 4. The sector accounted for \$2.1 billion, or 73% of total industrial building approvals. Activity was predominately located in the Western and Central City Districts. A sizeable amount of warehouse building activity also occurred in the rest of NSW. Examples of approvals from the different districts are included in Table 1. The LGA with the highest value of warehouse approvals was Liverpool with over \$669 million for 2021, representing 32% of total warehouse approvals. Blacktown recorded the second highest value of warehouse approvals, representing 17% of total warehouse approvals.

Figure 3. Value of Industrial approvals in NSW by District and Type 2021

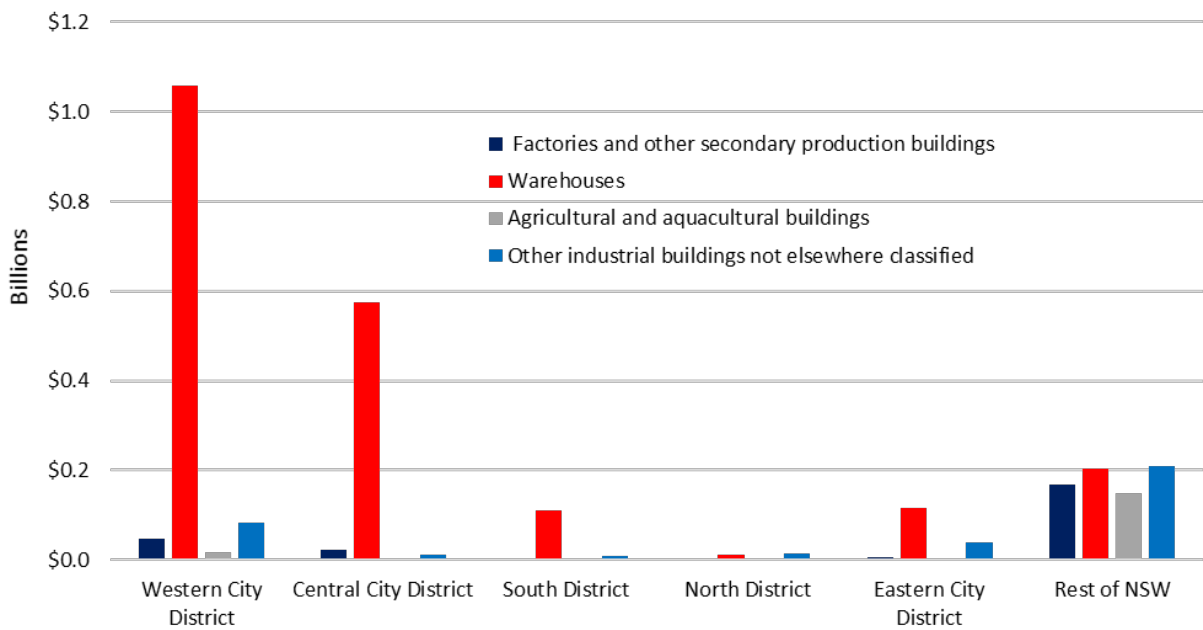


Figure 4. Value of Industrial approvals in NSW by Type 2021

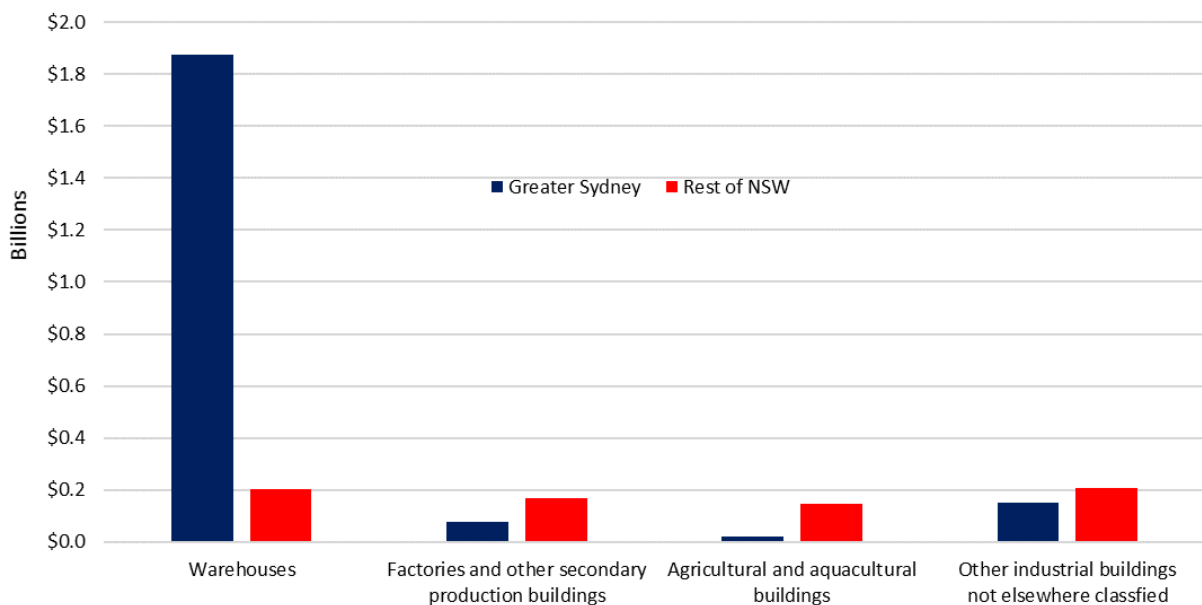


Table 1. Examples of industrial approvals in 2021

LGA	Suburb	Project	DA Value (\$m)	Approval date
Blacktown	Marsden Park	Sydney Business Park Stage 3	157.4	28/01/2021
Fairfield	Horsley Park	ESR Horsley Logistics Industrial Park	110.0	31/03/2021
Penrith	Kemps Creek	Oakdale West Industrial Estate Stage 3 Development	92.6	16/12/2021
Bayside	Banksmeadow	Orica Southlands Warehouse Estate	56.2	8/04/2021
Canterbury Bankstown	Chullora	Resource Processing and Recovery Facility	54.0	12/08/2021
Cumberland	Smithfield	Modifications to Existing Industrial Buildings for Scientific Laboratory Purposes	49.9	9/12/2021

Industrial sector performance overview

Sydney's industrial property market has been very strong over 2021. Factors driving the strong demand include a robust economic recovery, continued growth in online retail spending, consumers switching from services to goods during lockdowns, and businesses switching from the 'just in time' inventory model to the 'just in case' model amid ongoing global supply disruptions. These factors have created an unprecedented demand for goods manufacturing, logistic and warehousing activities, requiring a record amount of industrial floor space. Net absorption was estimated to be around 800,000 sqm over calendar year 2021, a record high¹.

The supply side is catching up to buoyant demand for industrial property space. However, construction activity has been constrained by material and labour shortages as well as weather disruptions¹. New floor space stock delivered in the Greater Sydney area was estimated to be between 550,000 and 600,000 sqm in 2021¹. This new space is similar to what was supplied in 2020 but is still well below its pre-pandemic level in 2018 and 2019.

Strong demand and constrained supply have resulted in extremely low vacancy rates and a sharp increase in rents. As at December 2021, the industrial property vacancy rate within Greater Sydney fell to an estimated 0.5 per cent, from around 3 per cent at the beginning of 2021. Prime net stated rents rose by 8 to 15 per cent across regions in 2021.

Looking ahead, demand for industrial property is expected to continue while construction activity will continue to face headwinds of labour shortages, supply chain and weather disruptions. The CBRE estimated that of the total annual development supply pipeline in Australia, only 8 per cent was completed in Q1 2022, and 15 per cent was completed in Q2 2022^{2,3}. This means further rental growth and extremely tight rental vacancy are expected throughout 2022. BIS Oxford

Economics and Knight Frank are estimating more than 600,000 sqm of floor space stock to be completed in NSW in 2022^{1,2}. Over 95 per cent of the new development activity is in the Outer West and South West precincts.⁴

References

1. BIS Oxford Economics. (2022). Sydney Industrial Property Prospects 2022-2032. May 2022
2. CBRE Research. (2022). Australia Industrial and Logistics Figures Q1 2022
3. CBRE Research. (2022). Australia Industrial and Logistics Figures Q2 2022.
4. Knight Frank. (2022). Australian Industrial Review - Q2 2022.

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