

MARKET UPDATE

HUNTER REGION INDUSTRIAL

MAY 2020

HUNTER REGION INDUSTRIAL MARKET REMAINING RESILIENT TO LATEST COVID-19 IMPACTS

The industrial sector in the Hunter region continues to perform well, despite recent impacts from COVID-19 restrictions. Enquiries received by Colliers International were down approximately 23% in March and April compared to record enquiry levels received in the first two months of 2020. Enquiries have improved in the first half of May and we have received a number of significant mandates from national companies seeking industrial accommodation to lease in the Hunter Region.

Colliers International research indicates relatively low underlying vacancy rates across most of the major industrial areas in the Lower Hunter Region, with the overall vacancy rate across the entire market as at Q1 2020 sitting at a low 4.63%. Vacancies have increased by 1.5% over the last 12 months, however six industrial estates have recorded vacancy rates of less than 2%.

The latest vacancy result was mainly due to the increase in supply and flight to quality by users to new industrial buildings, with net absorption of approximately 20,000sqm over the last 12 months. The industrial estate with the highest net absorption over the last 12 months was the Steel River precinct, whilst Cardiff was a top performing estate with the vacancy rate dropping from 4.9% to just 3.3% over the last 12 months. The timing could not be better for Cardiff as the Munibung Road extension, which opened this month, makes the estate even more attractive to tenants, investors and occupiers.

Over the past 12 months the Hunter Region saw approximately 88,000sqm of buildings added to the market, which was on top of 58,000sqm of new supply constructed during 2018. This construction activity was a response to underlying low vacancy rates and the take up of serviced industrial land that was readily available to be developed. The market that saw the most construction activity was in the North West industrial precinct, comprising the major industrial areas of Beresfield and Thornton where over 29,000sqm of buildings were constructed in 2019. This precinct has benefited from recent releases of industrial land with demand drivers including proximity to the M1 Motorway and access to labour, with major urban growth corridors nearby.

Consequently, the outlook for the Hunter industrial market remains positive given the high proportion of essential services operating in the region, including mining, port activities and construction. As COVID-19 restrictions ease continued occupier demand and the low Australian dollar and export market will also help to maintain an underlying low vacancy environment.

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