

26 February 2026

NSW Department of Planning, Housing and Infrastructure
4 Parramatta Square, 12 Darcy Street,
Parramatta NSW 2150

Submission on the Draft Statewide Policy for Industrial Lands (December 2025)

Dear Industrial Lands team

Business NSW welcomes the opportunity to provide feedback on the Draft Statewide Policy for Industrial Lands (December 2025).

Industrial land plays a critical role in supporting the New South Wales economy. It accommodates freight and logistics activity, construction inputs, manufacturing, utilities, clean energy infrastructure, defence industries, recycling, food production and other essential services. Maintaining an adequate pipeline of serviced and development-ready land is necessary to support housing delivery, enable the net zero transition and sustain efficient goods movement across the state.

The Draft Policy recognises that industrial land across NSW is under increasing pressure. The Minister's foreword notes that in 2024 only 3 per cent of Sydney's industrial land was serviced and development-ready, compared with 16 per cent across key regional areas including the Central Coast, Hunter, Newcastle and Illawarra-Shoalhaven. This reflects a clear structural gap in development-ready supply.

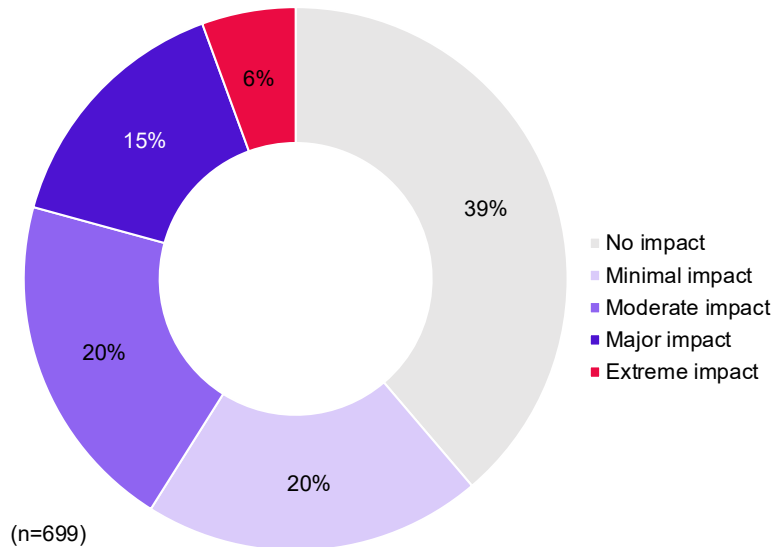
Constrained supply has contributed to rising industrial rents and land values, particularly in Sydney where demand from logistics and warehousing operators remains strong. Higher occupancy costs are ultimately reflected in construction expenses, infrastructure delivery costs and consumer prices. Reform of the industrial land framework should therefore be regarded as both an economic and cost-of-living priority.

New South Wales is home to more than 850,000 businesses, around 97 per cent of which are small and medium-sized enterprises. Many rely on access to suitable industrial premises. Where supply is limited, smaller operators are displaced from metropolitan markets, pushed further from customers and labour pools and exposed to higher operating costs.

In November 2025, we surveyed our members about the impacts of NSW's shortage of industrial land.¹

61% of surveyed businesses reported at least some impact on their operations from NSW's shortage of fit-for-purpose industrial land. One in five (21%) businesses reporting suffering major or extreme impacts from the industrial land shortage.

Figure 1: Impact of the industrial lands shortage on business^{2 3}



45% of respondents reported being affected by industrial land shortages. Of those businesses, over half (58%) reported it had increased the cost of doing business, 39% said it had prevented or delayed business investment and 31% noted increased costs or complexity in freight and logistics. More than one in ten (12%) considered closing their business, and 8% contemplated moving interstate to access to industrial land.

“Very little land and buildings available in the Illawarra suitable for medium/large size manufacturing. Land that is being developed is predominantly set-up for small warehousing and distribution not for manufacturing. Lack of industrial properties has driven up lease pricing to the point re-location is now being considered moving forward.” – Manufacturing business | Illawarra

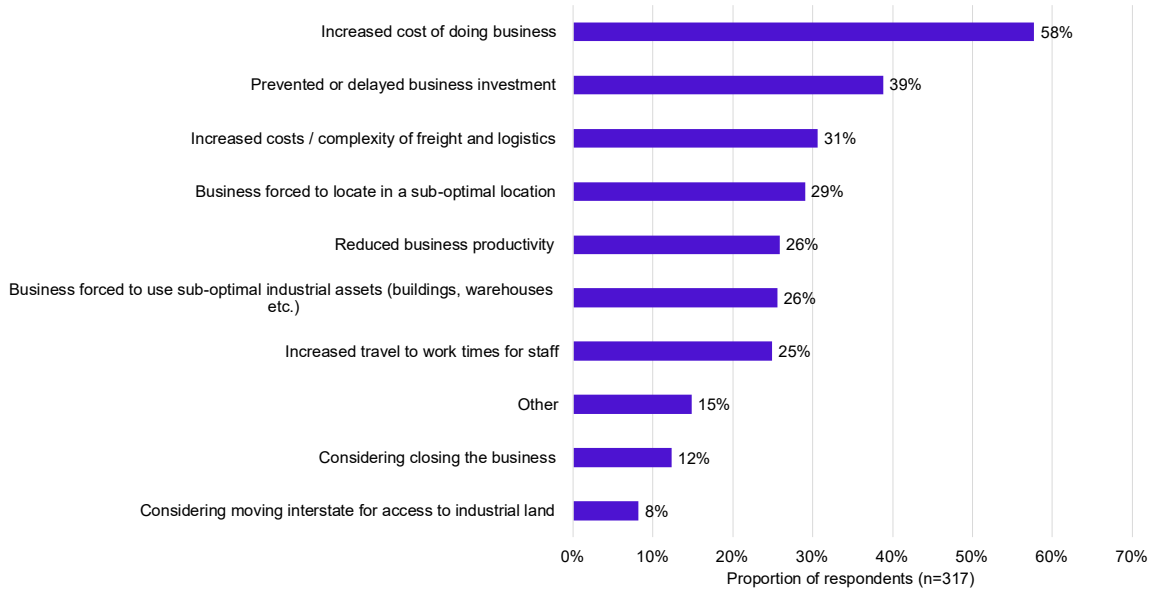
“Finding suitable warehouse/retail space at an affordable sqm rate is very difficult and cost prohibitive due to high land and building costs.” Arts and Recreational services business | Richmond – Tweed

Figure 2: Impacts of industrial land shortage on business

¹ Business NSW, [Business Conditions Report](#), December 2025

² Note: For the purposes of this survey, industrial land means any space used by businesses, except for retail premises. By 'fit-for-purpose' we mean that the land is currently suitable for business needs or could be developed so that it meets business needs.

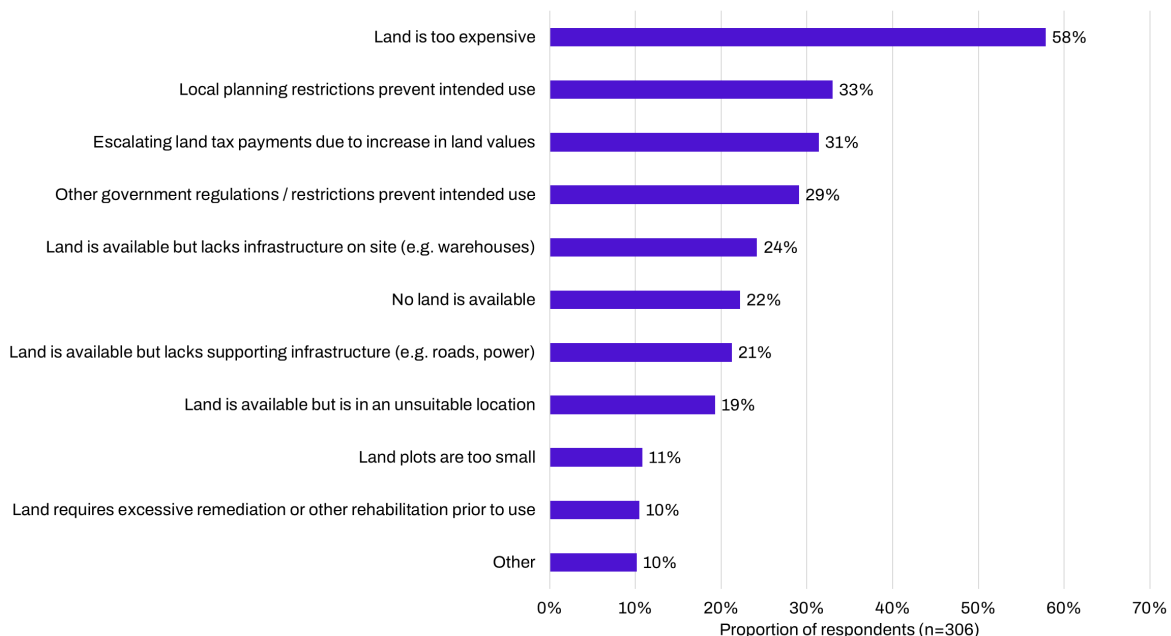
³ Businesses were asked to rate the scale of impact from 0 – 10, with 10 being extremely impactful. Scores from 1-10 have been grouped for analysis: 0 = No impact. 1-3 = Minimal impact. 4-6 = Moderate impact. 7 – 9 = Major impact. 10 = Extreme impact.



44% of businesses expressed interest in growth, expansion or relocation but cited industrial land shortages as a barrier. Among these:

- 33% said local planning restrictions prevented their intended use of available industrial space
- 22% reported that no land was available
- 11% reported that land plots were too small.

Figure 3: Barriers to growth, expansion or relocation due to industrial land shortage



Industrial Land as Core Economic Infrastructure

Industrial land should be formally recognised as core economic infrastructure within the NSW planning framework. Designated precincts function as integrated economic platforms that enable production, distribution and industrial activity across multiple sectors, including advanced manufacturing and emerging clean industries.

Their contribution extends beyond individual sites. These precincts support employment, facilitate freight connectivity and enable the efficient operation of supply chains that underpin broader economic activity. Decisions affecting industrial land therefore have system-wide implications.

Business NSW recommends that industrial land decisions be assessed through an explicit productivity lens that considers economic output, employment generation, freight performance and long-term economic resilience. Recognising industrial land as infrastructure will ensure that rezoning or downgrading proposals properly account for whole-of-economy impacts rather than short-term land use pressures.

Recommendation 1: The NSW Government should formally recognise industrial land as core economic infrastructure and apply an explicit productivity lens to all industrial land decisions.

Establishing a Dedicated Industrial Lands Authority

The scale and complexity of industrial land planning, servicing and protection requires coordinated, whole-of-government oversight. Responsibility is currently dispersed across planning authorities, infrastructure agencies, utilities and local government, often resulting in fragmented decision-making and delayed delivery.

Business NSW recommends consideration of a dedicated Industrial Lands Authority to:

- Coordinate identification, protection and release of strategic industrial precincts
- Align land use planning with infrastructure sequencing and funding
- Monitor supply, vacancy and development readiness across NSW
- Prevent inappropriate loss or downgrading of employment lands
- Act as a single point of accountability for unlocking development-ready supply

Similar delivery-focused authorities have been successfully used in other sectors to accelerate priority outcomes. An Industrial Lands Authority would ensure industrial land is treated as core economic infrastructure and managed accordingly.

Recommendation 2:

The Government should establish a dedicated Industrial Lands Authority to coordinate industrial land planning, infrastructure sequencing and supply monitoring across NSW.

Strengthening Industrial Land Categorisation and Protection

Clear and consistent categorisation of industrial land is essential to prevent incremental erosion of strategically significant precincts. Business NSW supports a strengthened classification system that clearly distinguishes between state-significant, regionally significant and locally significant industrial lands.

However, categorisation must be transparent, economically justified and consistently applied across local government areas. It must also explicitly recognise emerging industries. Clean manufacturing, renewable fuel production, battery assembly, hydrogen logistics, data infrastructure and circular economy facilities require industrial zoning and should be incorporated within strategic industrial classifications.

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There should be a strong presumption against the loss, fragmentation or downgrading of strategically significant industrial land, similar to the approach taken in Queensland. Queensland's planning framework gives the state government clearer powers to identify and protect key industrial areas. Under the State Planning Policy (SPP), Queensland designates State-interest industrial land, including Priority Industry Areas (PIAs) and State Development Areas (SDAs). These areas receive strong protection from rezoning or incompatible development.

Business NSW believes NSW should take on a similar approach to protect industrial land and where a rezoning proposal is advanced, it should only proceed where a clear net public and economic benefit is demonstrated and where replacement industrial supply is secured in advance. In the absence of such safeguards, NSW risks permanently diminishing its productive capacity.

Recommendation 3: The Government should strengthen transparency and consistency in industrial land categorisation, explicitly recognise emerging and clean industries, and apply a strong presumption against the loss of strategically significant industrial land.

Enabling Vertical and Intensified Industrial Development

Industrial land constraints across metropolitan NSW, particularly in Greater Sydney, require a strategic shift toward higher-intensity and multi-storey industrial development. Leading global cities have adopted vertical industrial formats to maximise scarce land, retain employment close to markets and maintain efficient supply chains. NSW should proactively enable similar models where they are commercially viable and operationally practical.

Business NSW supports increased permissible floor-space ratios, multi-storey industrial facilities and the adaptive reuse of existing industrial buildings. However, intensification must be grounded in operational reality. Effective freight access, heavy vehicle circulation, appropriate road geometry, loading dock functionality, adequate floor loadings, reliable energy supply and servicing infrastructure are essential prerequisites. Planning settings that permit additional height or density will not translate into investment unless infrastructure capacity and technical requirements are addressed upfront.

A clear, statewide industrial intensification framework is therefore required to align planning controls with infrastructure capability, provide practical design and operational guidance, and introduce streamlined approval pathways in precincts that can accommodate higher-intensity uses. This approach will improve land productivity, protect strategically located industrial capacity and strengthen NSW's competitiveness and supply chain resilience.

Recommendation 4:

The NSW Government should establish a statewide industrial intensification framework that enables multi-storey and higher-intensity industrial development through updated planning controls, infrastructure alignment and streamlined approvals in precincts with demonstrated capacity.

Commercial Feasibility and Development-Ready Industrial Land Supply

Planning permission alone does not deliver industrial development. Intensification and new land release are capital intensive and require substantial upfront investment in utilities, freight access, site preparation and servicing infrastructure. Without coordinated

infrastructure delivery and streamlined approvals, planning uplift will not translate into viable projects.

The draft Policy identifies that in 2024 only three percent of Sydney's industrial land was serviced and development-ready. This statistic highlights a serious structural constraint. Zoned capacity does not equate to usable supply. Development-ready industrial land requires confirmed provision of water, wastewater, stormwater infrastructure, heavy vehicle road access, electricity capacity and digital connectivity. Where these elements are absent or uncertain, land remains technically zoned but commercially stranded.

Industrial precincts are becoming increasingly electricity-intensive due to automation, electrification of vehicle fleets, advanced manufacturing processes and integration of energy storage systems. Where network capacity is constrained or augmentation timelines are unclear, development viability is compromised. Land use planning decisions must therefore be coordinated with electricity network investment planning to avoid capacity shortfalls that delay or prevent delivery.

Similarly, rezoning new industrial land without committed infrastructure provision risks creating supply that cannot be brought to market. Roads, freight corridors, water, sewer, stormwater systems and electricity capacity must be sequenced alongside land release. Poor coordination increases project timeframes, raises site preparation costs and limits location choice for businesses. These constraints reduce investment confidence and increase operating expenses across supply chains.

To ensure industrial land policy delivers real economic outcomes, infrastructure alignment and assessment efficiency must be embedded within planning settings. Accelerated assessment pathways should be available for industrial redevelopment and intensification projects that align with strategic economic objectives and are located within infrastructure-capable precincts.

Greater transparency and measurable supply benchmarks are also required. A rolling minimum five-year development-ready industrial land supply target for Greater Sydney and major regional centres would provide market certainty, improve sequencing discipline and align infrastructure agencies with land release decisions

Recommendation 5:

The NSW Government should integrate industrial land rezoning and intensification decisions with committed enabling infrastructure delivery, including freight access, water, wastewater, stormwater, electricity network capacity and digital connectivity, and provide streamlined assessment pathways for projects aligned with strategic economic objectives to ensure development is commercially viable and deliverable.

Recommendation 6:

The NSW Government should establish a rolling minimum five-year development-ready industrial land supply target for Greater Sydney and major regional centres, supported by transparent infrastructure sequencing and servicing plans.

Sequencing New Industrial Land with Infrastructure Delivery

The rezoning of new industrial land without committed infrastructure provision risks creating stranded supply that cannot be brought to market. Roads, freight corridors, water and sewer

services, electricity capacity and digital connectivity must be sequenced alongside land release.

Industrial land supply decisions should therefore be tied to infrastructure readiness. Furthermore, outer-metropolitan and regional industrial lands should be treated as strategic buffers that preserve long-term employment capacity and protect freight efficiency.

Business NSW strongly supports the principle that replacement supply should be secured before any net loss of industrial land occurs. This requirement would prevent cumulative erosion and provide greater certainty to businesses making long-term investment decisions.

Recommendation 7: The Government should ensure that rezoning of new industrial land is aligned with committed infrastructure delivery and require replacement supply before any net loss of industrial land occurs.

Managing Land Use Conflict Without Sterilising Industrial Land

Land use conflict continues to present a material risk to the viability and long-term functionality of industrial precincts across NSW. The encroachment of sensitive uses - particularly residential development - into or adjacent to established industrial areas can constrain lawful operations, generate uncertainty for existing businesses and limit opportunities for future intensification and investment.

Business NSW supports a performance-based approach to managing interface issues rather than an over-reliance on rigid buffer controls that may unnecessarily sterilise strategically significant land. Contemporary design responses, building standards and operational management measures can often mitigate amenity impacts more effectively than blanket separation distances. Where new sensitive uses are introduced near established industrial precincts, mitigation responsibilities should not be transferred onto existing businesses that are operating lawfully and in accordance with their zoning.

Environmental approval processes must also support the continued operation and evolution of industrial land. While robust environmental protections are essential, assessment pathways should be proportionate, risk-based and aligned with the strategic intent of industrial zoning. Duplicative or overly prescriptive approval requirements can delay investment, discourage reinvestment in existing precincts and inadvertently constrain lawful industrial activity. Greater alignment between planning controls and environmental assessment frameworks would improve certainty, reduce delay and ensure that industrial land can continue to perform its economic function.

Industrial use should remain the default outcome within designated industrial zones unless a clear and demonstrable net public and economic benefit justifies an alternative use. Protecting industrial functionality is essential to safeguarding employment capacity, supply chain resilience, and long-term productivity across NSW.

Recommendation 8:

The NSW Government should prioritise performance-based interface standards, ensure environmental approval pathways are proportionate and aligned with strategic industrial zoning, prevent new sensitive uses from constraining existing lawful operations, and retain industrial use as the default planning outcome within designated industrial land.

Locally Significant Industrial Lands and SME Viability

Locally significant industrial lands serve smaller catchments but collectively support substantial employment and economic activity. Section 3.3 of the draft Policy recognises that these precincts accommodate construction trades, automotive services, storage operators, small manufacturers and urban service providers that underpin housing delivery and local supply chains

For small and medium-sized enterprises, affordable and accessible industrial space close to customers and labour markets is critical. Displacement to outer locations increases transport costs, reduces productivity and can undermine business viability. Once converted to residential use, industrial land is rarely reinstated due to higher land values and amenity constraints.

Section 3.4 of the draft Policy states that retention of industrial land should be the default outcome where there is insufficient strategic or economic justification for alternative use. Business NSW strongly supports this principle. Incremental rezonings of locally significant precincts can cumulatively erode employment capacity and weaken local economic resilience.

Rezoning decisions should therefore be evidence-based and demonstrate sustained industrial oversupply and clear strategic justification, rather than being driven by short-term land value pressures.

Recommendation 9:

Rezoning of locally significant industrial lands for non-employment purposes should require demonstrated evidence of sustained industrial oversupply and clear strategic justification, rather than being driven by short-term land value pressures.

Aligning Industrial Land Policy with the Energy Transition

Industrial precincts will play a critical role in delivering NSW's energy transition. Renewable fuel production, energy storage, electrified freight depots, grid-support infrastructure and clean manufacturing facilities all depend on appropriately zoned and serviced industrial land.

Industrial land planning must be integrated with energy network investment planning to ensure sufficient electricity capacity, timely grid augmentation and system resilience. Coordinated planning will reduce connection delays, strengthen investor confidence and enable emerging clean industries to scale.

A failure to align land use and energy infrastructure planning risks constraining clean industry development, increasing project costs and undermining NSW's broader economic and decarbonisation objectives.

Recommendation 10: The Government should explicitly recognise industrial precincts as critical to the energy transition and align industrial land planning with energy network investment.

Infrastructure Funding and Delivery

Infrastructure funding remains the primary constraint on bringing industrial land to market as *development-ready* supply. While Section 5.1 of the draft Policy identifies established mechanisms such as development-funded enabling works and infrastructure contributions,

these levers are not consistently delivering the upfront, precinct-scale investment required to service industrial land at the pace and scale NSW needs.

Across many industrial precincts, the limiting factor is not zoning intent, but delivery of enabling infrastructure, often spanning multiple agencies and funding sources. Without early certainty on “who pays, who delivers and when,” rezonings can translate into years of delay, cost escalation and reduced investment confidence.

Business NSW supports expanded use of developer-delivered infrastructure pathways, including works-in-kind arrangements and more flexible contribution frameworks, where they accelerate delivery and provide clearer sequencing and accountability. Recent NSW reforms to works-in-kind arrangements illustrate the direction of travel: enabling earlier consideration of developer-led infrastructure delivery and formal assessment pathways to align projects with precinct priorities.

However, bridging the enabling infrastructure gap will also require innovative funding models that leverage both public and private capital. This should include structured public–private partnerships and co-investment models (including special purpose vehicles for precinct servicing), and further investigation of other models such as Tax Increment Financing, value capture and revolving-fund mechanisms that can bring forward critical infrastructure ahead of development revenue. A coordinated approach is especially important given the Government’s stated objective to use the Employment Land Development Program to advise on servicing and infrastructure investment to unlock zoned industrial land.

Existing statewide contribution mechanisms can also play a stronger role in enabling employment land outcomes where aligned to precinct delivery plans. For example, NSW’s Special Infrastructure Contributions program demonstrates the scale of funds that can be mobilised and the role of works-in-kind in delivery, providing a platform for more deliberate prioritisation of enabling infrastructure in strategic employment areas where appropriate.

Critically, delivery responsibility and sequencing should be identified at the rezoning stage and not deferred so that industrial land does not remain “zoned but unserviceable.” This requires integrated infrastructure opportunity planning, transparent prioritisation, and clear governance across State agencies, councils and utilities.

Recommendation 11:

The Government should develop a coordinated infrastructure funding and delivery framework alongside the Employment Lands Development Program that expands flexible contribution pathways and establishes innovative public–private partnership and co-investment models to accelerate the delivery of development-ready industrial land.

Reforming Land Tax, Rates and Land Banking Incentives

Fiscal settings play a significant role in shaping land use behaviour and development timing. Land tax, council rates and holding costs directly influence whether industrial land is redeveloped, intensified or withheld from the market. If poorly calibrated, these settings can either discourage productive redevelopment or unintentionally incentivise speculative land banking that constrains supply and drives up prices.

In NSW, industrial land values have increased substantially in recent years, particularly in metropolitan Sydney and key regional centres. As land values rise, so too do holding costs. During redevelopment or intensification phases, sites may be partially vacant or undergoing

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construction, which can result in businesses facing significant land tax liabilities without corresponding revenue streams. This can discourage precinct renewal, vertical industrial development and modernisation of ageing stock.

Conversely, where fiscal settings do not create sufficient incentive to bring underutilised land to market, long-term land banking can occur. When strategically located industrial sites are held without development, effective supply tightens, rents increase and entry barriers rise for small and medium-sized enterprises seeking premises.

Business NSW considers that fiscal reform should support active and productive land use aligned with employment, supply chain resilience and economic growth objectives. This could include:

- Targeted, time-limited land tax relief or deferrals linked to demonstrated redevelopment or intensification commitments
- Concessional arrangements during construction or staged redevelopment to reduce upfront financial pressure
- Mechanisms that discourage prolonged vacancy of serviced industrial land without genuine development intent
- Alignment between State land tax settings and local government rating approaches to ensure consistent signals

These reforms would help reduce redevelopment risk, improve project feasibility and accelerate the delivery of modern industrial floorspace. Importantly, relief mechanisms should be conditional, transparent and tied to measurable development milestones to avoid unintended windfall gains.

Industrial land should be treated as core economic infrastructure. Fiscal policy should therefore reinforce its productive use rather than inadvertently constraining supply or encouraging speculative holding patterns that undermine economic outcomes.

Recommendation 12:

The Government should introduce targeted, time-limited land tax relief or deferral mechanisms tied to redevelopment and intensification commitments, and consider broader fiscal reforms that discourage long-term land banking while encouraging the timely and productive use of industrial land in support of employment and productivity.

Monitoring and Transparency

The draft Policy proposes monitoring industrial land through the Employment Lands Development Monitor and the Employment Lands Development Program (Section 7). Business NSW supports the establishment of these monitoring mechanisms and recognises the importance of evidence-based policy to inform land use decisions and investment planning.

However, monitoring will only be effective if it is accompanied by clear, regular and transparent reporting. Greater visibility of industrial land supply, demand and development readiness will assist governments, councils, infrastructure providers and businesses to make more informed planning and investment decisions.

Business NSW recommends that monitoring frameworks include a broader set of publicly reported indicators, such as industrial vacancy rates, rental growth trends, land conversion rates, infrastructure servicing timelines, and development approval performance. Tracking

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these indicators over time will help identify emerging supply constraints, infrastructure bottlenecks and pressures on industrial land availability.

Improved transparency will also strengthen investor confidence by providing clearer signals about the availability of industrial land and the progress of precinct development across NSW.

Recommendation 13:

The Department should publish an annual State of Industrial Lands in NSW report that provides comprehensive data on industrial land supply, demand, infrastructure readiness, development activity and land conversion trends

Conclusion

Industrial land is essential to NSW's housing delivery, freight efficiency, regional economic transition, net zero implementation and long-term productivity growth.

Business NSW strongly supports the direction of the Draft Statewide Policy for Industrial Lands. With strengthened statutory protections, development-ready supply targets, infrastructure alignment and transparent monitoring, the Policy can become a cornerstone reform supporting sustainable economic growth across NSW.

Business NSW looks forward to continuing to work constructively with the NSW Government to support the effective implementation of the Statewide Industrial Lands Policy and associated reforms, ensuring strategically significant industrial land is protected, appropriately serviced, and activated to enable business investment, job creation and long-term economic growth across NSW.

We welcome further engagement on this matter and are available for discussions at your convenience. Should you require additional information, please contact Leah Tucker, Senior Policy Manager, Energy and Infrastructure (leah.tucker@businessnsw.com).

Yours sincerely,

Leah Tucker

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