

News Release

Industrial booms in Melbourne's north

Record high industrial supply for Melbourne's north

Melbourne – 18 June, 2015: New industrial supply is set to continue to gain momentum over 2015 with more than 600,000 square metres being built across Melbourne – a 32% increase on the amount constructed in 2014.

Knight Frank's Head of Industrial for Melbourne, Gab Pascuzzi, said the bulk of new supply will be in Melbourne's north which will account for 46% of the total new supply above 5,000 square metres; up from 13% in 2014.

He said new supply in the north is forecast to total 286,000 square metres, surpassing previous record highs achieved in 2008 and greater than the western and south eastern regions for the first time ever."

Knight Frank Research Director, Richard Jenkins, said new supply in the north has been boosted by a number of major purpose built facilities concentrated in Airport region and Epping precincts.

In addition to the completion of the Melbourne Markets (76,070sqm), in MAB's Alliance Business Park, Mainfreight Logistics 36,000sqm warehouse is scheduled for completion in 2015. At the Melbourne Airport Business Park at Tullamarine, major pre-lease facilities forecast to be complete this year include Toll Transport (71,000sqm) and TNT Freight (38,000sqm).

"Elsewhere, across the industrial regions of Melbourne, new supply in the west in 2015 is forecast to increase to 202,886 square metres – its highest level since 2002.

"In contrast, constrained by the continued demand for residential development, gentrification within the eastern and city fringe industrial regions there are no industrial facilities in excess of 5,000 square metres forecast to be constructed in those regions in 2015,"he said.

Mr Pascuzzi said that looking forward, Victoria's high population growth continues to boost tenant demand from the housing, retail and food sectors. Paint maker Dulux has recently announced that it will establish a \$165 million paint manufacturing facility opening in 2017 at MAB's Merrifield Business Park in Melbourne's Northern region.

"In addition, fruit and vegetable wholesaler Rainfresh has committed to Alliance Business Park in Epping and Woolworths has revealed plans to build a \$350 million grocery distribution centre in the south eastern region.

"Outdoor clothing retailer Kathmandu has pre-committed to a 25,650 square metre warehouse at the DEXUS Industrial Estate at Laverton North, with construction commencing in mid-2015 and completion expected in mid-2016," he said.

According to Mr Pascuzzi, despite increased levels of speculative development and owner occupier transactions, pre-lease activity level of recent years still remain above the 10-year average. Pre-lease

News Release

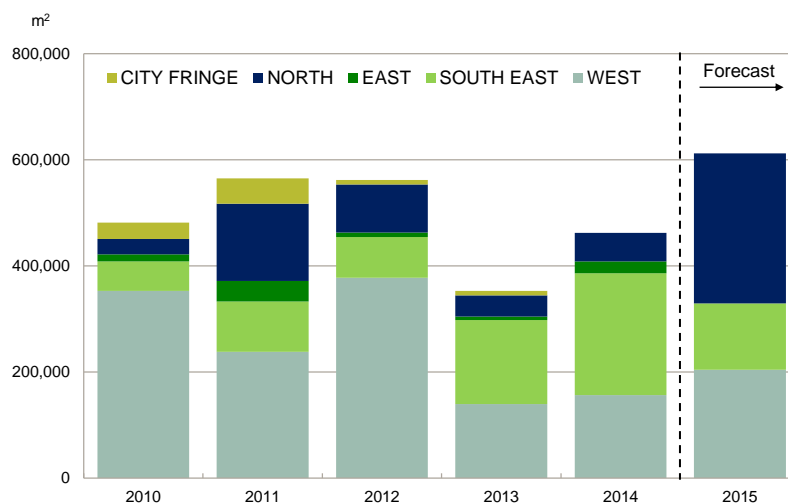
commitments totalled 189,000 square metres in 2014 with already 174,000 square metres announced in 2015 to date.

“Pre-lease activity remains to be underpinned by the transport and logistics sector who have accounted for 40% of total pre-lease commitments over the past three years.

“Purpose-built facilities are expected to total 415,000 square metres of the total stock constructed this year up from 241,000 square metres in 2014,” he added.

According to Knight Frank Research, land values for sites less than 5,000 square metres (excluding the city fringe where land values have soared due to diminishing availability) have increased by about 4% to an average of \$239 per square metre led by growth in the south east while larger sites above one hectare remained stable at \$181 per square metre.

Industrial new supply by region



Source: Knight Frank
Note: buildings greater than 5,000m²

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