



PRECINCT OVERVIEW

APRIL 2010

BRISBANE SOUTH WEST

Industrial Market Overview

Knight Frank

ACTIVITY IN THE SOUTH WEST HAS BEEN DOMINATED BY OWNER OCCUPIERS

Market Indicators – January 2010

	Av Prime Rent		Av Secondary Rent		Median Yield		Av Land Value	
	\$/m ² net	% p.a	\$/m ² net	% p.a.	Prime	Secondary	>5,000m ² (% p.a)	1ha–5ha (% p.a)
South West	105	-4.5	91	-7.1	8.65%	9.67%	295 (-11.9%)	220 (-25.4%)
Brisbane Whole market	109	-4.2	93	-7.0	8.67%	9.55%	305 (-17.0%)	243 (-18.6%)

Source: Knight Frank Research

Infrastructure/Development

The south west industrial market has limited active Greenfield developments with Citiswih Industrial Estate the largest land bank of immediately available lots. Radius City Estate at Larapinta is now half developed and recent speculative activity at the Metro West Estate, Darra has absorbed several lots. The two largest recent developments in the region have been the 19,000m² API and 25,000m² The Reject Shop commitments to D&C facilities within the Citiswih estate at rents of approx \$110/m² net.

Infrastructure projects have been concentrated on main road upgrades. The Centenary Highway extension to Springfield and the Ipswich Mwy/Logan Mwy Interchange has recently been completed. Work has continued on the Wacol – Darra upgrades for the Ipswich Motorway with a seamless interchange between the Centenary Highway and widening of the motorway. Further projects such as motorway works from Dinmore – Goodna and the road/rail corridor expansion to Springfield have continued to progress. This improvement to the Ipswich motorway was long overdue and has allowed more users to consider relocation further to the west as land continues to come on line within the Ipswich Council boundaries.

Sales Activity

Recent purchasing activity across the south west region has been within the sub-\$20million price bracket as institutional purchasers remain largely absent. Purchasing activity has been dominated by owner occupiers as companies move early to secure accommodation for the future expansion of their businesses while demand remains weak. Financing covenants have also led to owner occupiers favouring sites which also feature holding income from additional tenant/s. Private investors have continued to operate selectively within the market, seeking long leases with good covenants, with financing still a hurdle for many prospective purchasers.

The two largest recent sales across the precinct demonstrate both of the above purchaser types. A new facility at Radius Drive, Larapinta with a new 12 year lease in place is reported to have sold to a private investor for \$15.3 million. The property is leased to CMC Coils for \$125/m² net with the tenant understood to be paying all land tax.

In Darra an owner occupier has purchased 2828 Ipswich Rd with the intention to occupy just over a quarter of the building. This provides the company with potential future expansion plus holding income.

Leasing Activity & Vacancy

Vacancy levels across the south western sector have fallen since the start of the year. In stock tracked by Knight Frank (>3,000m²) there was takeup of approx 25,500m² during the first quarter of 2010. Some 86% of this was within secondary stock as bargain hunters were active in the market. Of the industrial accommodation identified as available for lease 170,000m² is available in the south west, of which 80% is classed as secondary stock.

In general, rents have stabilised over the past six months although still show falls on an annual basis. Rents in the south west are generally slightly lower than the Brisbane average, to some extent representing that the south west has the largest stock base of the Brisbane markets. Prime rents have now bottomed out with some potential remaining for secondary rents to soften further. In recent months rents have been stable and instead tenants are seeking greater incentive levels, particularly for secondary space, reaching into the realm of 6-12 months depending on the lease term. With little prime, new or speculative stock remaining for lease across the region, the D&C market is expected to re-awaken during the second half of 2010.

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KF Case Study



Property: 2828 Ipswich Rd, Darra
 Vendor: Grosvenor Properties
 Purchaser: Insulect Group
 Sale Price: \$12.1 million
 Yield: n/a
 Time on Market: Available for lease – not marketed for sale
 Agent: Peter Turnbull & Tim Armstrong

Comment:
 Industrial complex of four separate tenancies. The purchaser will occupy 3,700m² with approx 7,000m² under lease and the remaining space is also offered for lease.

Recent Building Sales

Address	Suburb	Price \$m	NLA m ²	Site M ²	Passing Yield	Vendor	Purchaser	Date
2828 Ipswich Rd	Darra	12.10	13,928	25,900	n/a	Grosvenor Properties	Insulect Group	Mar 10
Radius Dr	Larapinta	15.30	10,081	19,180	8.22%	George Group	Private Investor	Jan 10
50 River Rd	Redbank	5.48	6,630	31,500	VP	Private Investor	Transblast	Nov 09
56 Antimony St	Carole Park	1.70	1,586	4,004	VP	Pole Foundations	TNN Engineering	Dec 09
10 Cobalt St	Carole Park	3.75	3,969	10,000	8.80%	Private Investor	JEG Properties	Dec 09
50 Colebard St W	Acacia Ridge	4.73	n/a	8,655	VP	Richers Transport	Pickles Property Holdings	Nov 09
57 Campbell Ave	Wacol	3.60	2,759	5,000	VP	Benmar Trading Pty Ltd	Hilton Manufacturing	Nov 09
32 Perrin Pl	Salisbury	2.60	1,787	3,105	7.50%	Acrol Parts (Vendor Leaseback)	Private Investor	Nov 09

Recent Land Sales

Address	Suburb	Price \$m	Site m ²	Site \$/m ²	Zoning	Vendor	Purchaser	Date
Ashburn Rd	Ebbw Vale	0.94	3,760	250	n/a	Walker Bremer Pty Ltd	Private Investor	Jan 10
64 Tile St	Wacol	3.00	16,190	185	Future Industry	Private Investor	GELS Nominees Pty Ltd	Dec 09
1 Hawkins Cres	Ebbw Vale	1.91	7,791	245	n/a	Walker Bremer Pty Ltd	KSB Australia	Nov 09

Recent Leasing Transactions

Address	Suburb	NLA m ²	Rent \$/m ²	Term	Type	Lessor	Lessee	Start Date
1979 Ipswich Rd	Rocklea	10,800	Undis	7	Existing	Valad Property Group	Aussie Living	Mar 10
2025 Ipswich Rd	Rocklea	1,870	135 n	5	Spec	Private Developer	Undisclosed earthmoving maintenance co	Apr 10
21 Colebard St	Acacia Ridge	4,476	90 n	3+3	Existing	Private Investor	Freight Specialists	Mar 10
174 Stradbroke St	Heathwood	3,288	Undis	5+5	Sub-lease	Mirage Doors	Graham Lusty Trailers	Jan 10
Radius Dr	Larapinta	10,081	125 n	12	Pre-com	George Group	CMC Coil Steel	Jan 10
836 Boundary Rd	Coopers Plains	5,187	110 n	3+3	Existing	Goodman International	All Purpose Transport	Nov 09

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