RESEARCH

NOVEMBER 2012

SYDNEY INDUSTRIAL

Market Overview

Knight Frank

HIGHLIGHTS

- The last six months has seen increased leasing activity, however it is yet to translate into meaningful rental growth with Sydney prime net rents increasing by an average of 1.1% in the year to October 2012. Secondary rental growth has been sub 1.0% with conditions more inconsistent and rental rates are dependent on the urgency of landlords to secure tenancy income.

- Gross supply of industrial projects (in excess of 5,000m²) is expected to total 541,397m² in 2012, the highest level of supply in four years. Supply is set to reduce in 2013, however some emerging signs of pre-lease activity and enquiry indicates that supply is likely to increase again in 2014. Improving leasing absorption and contracting supply in 2013 is anticipated to see prime vacancies reduce in the coming year, which will stimulate the pre-lease market.

- While some larger developers have sought to replenish inventory levels in selected transactions over 2012, development land remains thinly traded and continues to trade at the bottom of the cycle.

- Led by strong offshore demand, the past six months has seen a solid pick-up in industrial transactions, particularly for joint venture portfolios. This has seen some modest yield tightening for prime assets, which are estimated to range on average from 8.0% to 8.75% for five year lease terms. However it is noted that modern, prime assets with WALEs in excess of 10 years would trade below this range, but are extremely tightly held.

NOVEMBER 2012

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Market Overview

INDUSTRIAL OVERVIEW

Table 1

Sydney Industrial Market Indicators October2012

Precinct	Avg Prime Rent		Avg Secondary Rent		Core Market Yields		Avg Land Value			
					Prime	Secondary	<5,000m^2		1 - 5 ha	
	$\$/m^2$ net	(%p.a)	$\$/m^2$ net	(%p.a)	%	%	$\$/m^2$	(%p.a)	$\$/m^2$	(%p.a)
Outer West	104	1.6%	94	1.6%	8.00 - 8.75	9.00 - 10.00	350	0.0%	250	0.0%
Inner/Central West	118	1.7%	102	1.2%	8.00 - 8.75	9.00 - 10.00	509	0.0%	296	0.0%
South West	95	1.1%	82	1.2%	8.25 - 9.00	9.25 - 10.00	306	0.0%	215	0.0%
North	162	0.5%	135	0.0%	8.75 - 9.25	9.25 - 10.00	580	0.0%	465	0.0%
South	141	0.5%	124	0.0%	7.75 - 8.50	8.50 - 9.50	1,050	0.0%	800	0.0%
Sydney Average	**124**	**1.1%**	**107**	**0.8%**	**8.00 - 8.75**	**9.00 - 9.75**	**388***	**0.0%**	**254***	**0.0%**

Source: Knight Frank *Average Outer West, Inner/Central West and South West

Prime: Asset with modern design, good condition & utility with an office component 10-30%. Located in an established industrial precinct with good access.

Secondary: Asset with an older design, in reasonable/poor condition, inferior to prime stock, with an office component between 10%-20%.

Core Market Yield: The percentage return/yield analysed when the assessed fully leased market income is divided by the adopted value/price which has been adjusted to account for property specific issues (ie rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc)

Economic Snapshot

Despite commodity prices and labour market conditions showing some signs of easing, the RBA forecasts the Australian economy to generate growth of 3.5% for the 2012 calendar year. However, softer revisions to the timing and size of Australia's mining investment cycle have underpinned a moderation in consensus growth forecasts over 2013 to slightly below trend. The declining terms of trade and sustained strength in the Australian dollar remain a challenge, although market expectations continue to anticipate further monetary easing to ensure growth is maintained as the investment boom eases. The easing cycle has thus far delivered a 150bp reduction in the cash rate with 75bps of further easing by mid 2013 priced in by the futures market.

Monetary stimulus is of particular benefit to NSW given the softness in interest rate sensitive parts of the NSW economy such as retail spending and housing construction, however some signs of traction are evident. As at September, NSW retail expenditure growth, while still below the long term average, had risen to 3.2% in trend terms compared to the soft 1.0% at the end of 2011 when the easing cycle commenced. Trend residential building approvals in NSW have increased by 12.6% since the start of 2012.

However, with the majority of business investment located in mining states, the NSW economy is likely to continue expanding at a rate below that of the national average for the next two years. Nevertheless, the NSW labour market has been outperforming the national market with October data indicating a 5.2% unemployment rate (vs 5.4% for Australia) and annual employment growth of 1.0% year on year (vs 0.6% for Australia).

The strong $AUD remains favourable for import volumes with Sydney Ports data indicating full container imports for year to date September 2012/13 increasing 2.3% on the same period last year. Conversely, exports are down 3.5%, which has constrained full container trade growth to 0.5%. A contributor of import volumes has been internet sales. The NAB online retail sales index for September recorded online retail sales growth of 23% year on year taking online spend to a level equivalent to 5.5% of traditional retail sales.

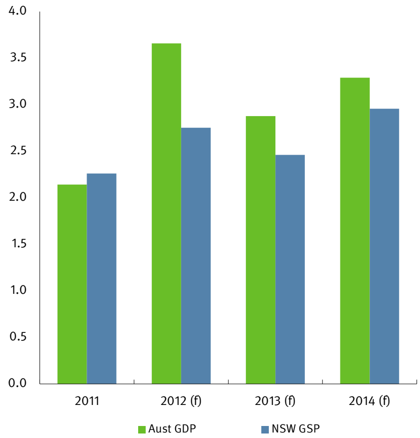
While the import volumes are a positive for industrial property that facilitates transport and warehousing functions, conditions for traditional industrial manufacturing related industrial property remains soft. The October PMI figures measured 45.2, indicating the eighth consecutive month where manufacturing activity declined.

On a cautionary note, offshore risks could have a flow on effect and slow the Australian economy. However on balance, downside risk is largely related to European sovereign debt concerns. Deceleration in China's economy appears to have stabilised with the IMF projecting growth in 2012 and 2013 to be above the revised government target of 7.5%. In the US, moderate growth is anticipated to continue assuming the US government agrees to a resolution of legislated fiscal consolidation.

Figure 1

Economic Growth

NSW vs Australia – 2011 to 2014



Source: Deloitte Access Economics

Industrial Overview

Take up of industrial space during the last six months showed signs of improvement, albeit from a relatively modest base. While some large backfill options constrained the impact that improved leasing had on the amount of vacant stock, the next 12 months is set to see prime vacancies decline given an anticipated reduction in the supply pipeline.

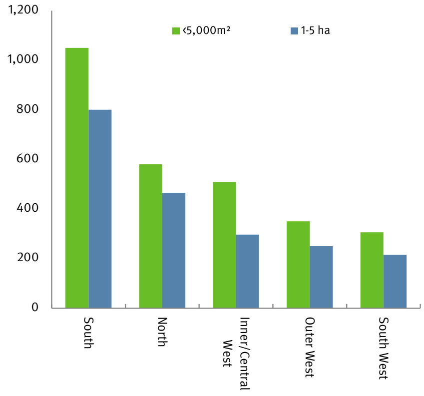
Rental growth has been relatively modest, with annual average growth of only 1.1% for Sydney prime net rents. With only 38% of current vacancies being prime grade and the prospect of declining supply in 2013, prime rents stand to improve over the course of the coming year. The majority of growth is expected to occur in larger facilities, where leasing options remain most scarce.

Land sales continue to track at the bottom of the cycle with no material change in values recorded over the past 12 months. Several larger parcels have been acquired by institutional developers in 2012, however smaller parcels remain thinly traded. Development finance appears to remain a constraint for many developers, which has limited sales despite improved conditions for leasing new product.

Figure 2

Sydney Industrial Land Values

Avg value serviced lots by precinct (\$/m²) – October 2012



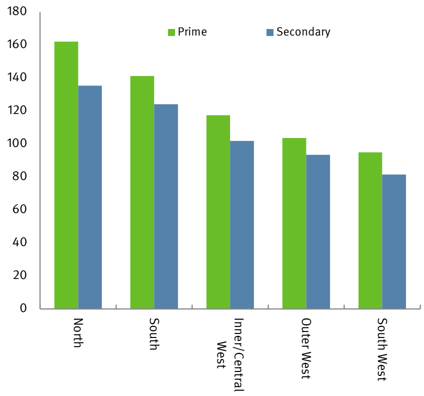
Source: Knight Frank

Sales momentum has shown a solid pickup in the last six months with a number of large wholesale JV partnerships as well as some portfolio sales underpinning the bulk of activity. Offshore interest is strong for well tenanted new facilities with local developers such as DEXUS and Goodman able to facilitate this demand. At the smaller end, the steady flow of sub \$15 million sales has continued with private investors and owner occupiers the major buyer types. Average prime yields range from 8.0% to 8.75% for five year leases. This range indicates a relatively stable six month period, however circa 25bps of tightening at the upper end of yield ranges in some outer west markets such as Eastern Creek and Erskine Park was recorded. However buyer depth for prime assets with WALEs in excess of 10 years has seen around 25bps of tightening for prime assets with the market accepting yields in the order of 7.5% to 8.0%.

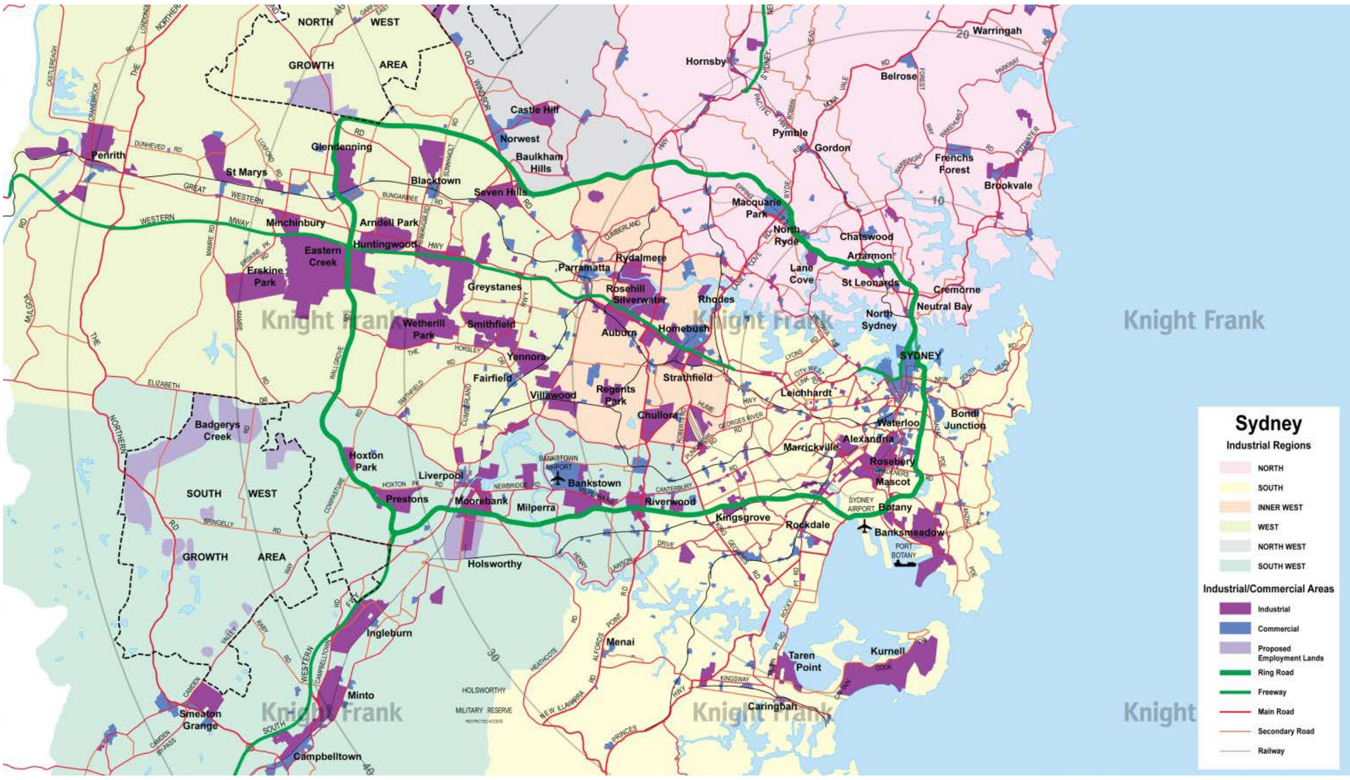
Figure 3

Sydney Industrial Rents

\$/m² net rent by precinct – October 2012



Source: Knight Frank



OCCUPIER DEMAND & RENTS

Despite some inconsistencies in demand, leasing conditions have shown signs of improvement over 2012. In the year to October, gross take up (excl. D&C's) for lease deals in excess of 5,000m² amounted to 382,325m² with 178,013m² recorded in the October quarter alone. Although the impact of improved take up on vacant stock levels was stifled somewhat in the first half of 2012 by some large backfill vacancies, the anticipated softening in the 2013 supply pipeline suggests that prime vacancies are likely to reduce over the next 12 months. This is forecast to exacerbate the relative shortage of prime leasing options, which is already outweighed by secondary stock that accounts for 62% of leasing options above 5,000m². This should help support both the pre-lease market as well as the absorption of the limited amount of speculative supply. Relative success has been achieved amongst recent speculative projects with Knight Frank recording 10 leases of speculative product totalling 73,940m² in the year to October.

Leasing demand remains firmer for prime options, however the relative shortage of prime options in addition to moderate business confidence has underpinned a high rate of leasing renewals which are currently tracking at around 80%. This saw an unusual October quarter where for the first time in more than a year, secondary take up outpaced prime. This was also driven by some tenants seeking cheaper storage options with shorter lease terms. This strategy allows not only cost savings, but also increases tenancy flexibility before an anticipated improvement in business conditions.

The Outer West continues to be the focal point for the majority of leasing deals, accounting for 54% of gross take up over the last six months excluding D&C's. The regions proximity to the M4/M7 interchange is a key attraction for businesses focussing on supply chain efficiencies and operating costs, while the relatively lower rents compared to regions closer to the CBD is a further benefit.

Rental growth remains relatively benign with average prime net rents across Sydney increasing 1.1% over the past 12 months. Rental growth for secondary assets at 0.8% has been even softer, although rates have been inconsistent and often vary depending on the landlord. Some landlords have been prepared to hold off for higher rents, while others seek to reduce leasing periods and lock in rental income albeit often at a lower rental rate. However the lack of large A-grade options now favours landlords with larger prime assets, where net rents are anticipated to start recording rental growth over the coming 12 months.

Table 2
Major Industrial Leasing Transactions Sydney Region

Address	Region	Net Rent ($/m²)	Area (m²)	Term (yrs)	Lease type	Tenant	Date
Lenore Lane, Erskine Park	OW	Conf	~45,000	15	Pre-comm	Super Retail Group	P/C
John Morphett Place, Erskine Park	OW	105	~37,000	12	Pre-comm	Bluestar Logistics	P/C
62 Hume Highway, Chullora	ICW	124	11,500	5	New	Allied Express	Nov-12
33-41 Military Road, Matraville	S	Conf	19,619	5	New	DHL	Sep-12
33-41 Military Road, Matraville	S	140	20,899	5	Renewal	DHL	Sep-12
8 Contaplas Street, Arndell Park	OW	95	11,700	5	New	MPM Marketing	Sep-12
Macarthur Industrial Estate, Smeaton Grange	SW	80	11,009	3	New	Schneider Electric	Sep-12
3 Herbert Place, Smithfield	OW	Conf	10,031	5	Renewal	Toll Transport	Sep-12
1 Herbert Place, Smithfield	OW	Conf	8,353	10	Renewal	Hettich Holdings	Sep-12
111 Vanessa Street, Kingsgrove	S	130	6,366	5	New	Silcar	Sep-12
5 Contaplas Street, Arndell Park	OW	Conf	41,216	10	Renewal	Nestle	Aug-12
7a Bessemer St, Blacktown	OW	95	11,926	2	New	Linfox Australia	Aug-12
39 Hill Road, Homebush	ICW	95	5,385	2	New	Toll Fast	Aug-12
39 Hill Road, Homebush	ICW	105	3,706	6	New	Nolans Transport	Aug-12
17 Shale Place, Eastern Creek	OW	125	3,053	8	New	Century Batteries	Aug-12
The Junction Stage 2, Enfield	ICW	Conf	20,200	10	Pre-comm	Bunzl	Jul-12
79 Owen Street, Glendenning	OW	100g	6,325	4.5	New	AM Solutions	Jul-12
1-47 Percival Rd, Smithfield	OW	95	5,437	5	New	Clark Equipment	Jul-12
33 Maddox St, Alexandria	S	155	1,588	3	New	4Cabling	Jul-12
Wonderland Drive, Eastern Creek	OW	115	7,662	Conf	Speculative	Ceva	Jun-12
2 Secombe Pl, Moorebank	SW	118	6,670	3	New	Clemenger Int'l Logistics	Jun-12
350 Edgar Street, Condell Park	SW	95	4,094	5	New	NAK Australia	Jun-12

Source: Knight Frank g refers gross OW Outer West SW South West ICW Inner Central West N North S South Conf refers to confidential

DEVELOPMENT & LAND VALUES

Gross supply of industrial projects (in excess of 5,000m²) is forecast to measure 541,397m² in 2012. Although this level of supply is the largest in four years, it remains below the annual average gross completion rate of 743,986m² that was recorded in the five years to 2008. With the majority of 2012 supply stemming from a spike in large pre-lease deals signed in late 2010/early 2011, the subsequent period of softer pre-lease environment is anticipated to underpin a fall in supply levels during 2013.

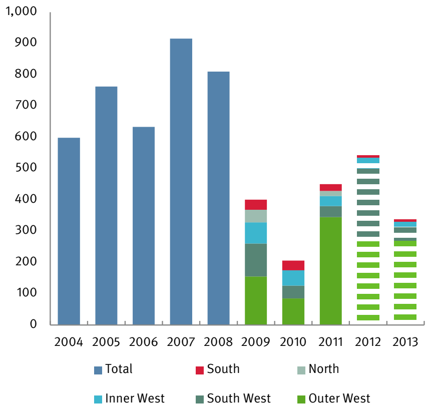
As at October, there was 38,618m² of unleased completed speculative stock across four projects with a further three projects amounting to 35,455m² under construction. The most significant speculative project under construction consists of two warehouses DEXUS are developing at Templar Road in Erskine Park, which amount to 30,140m². The warehouses will likely be split into smaller units of circa 5,000m². Speculative construction broadly remains limited to well capitalised AREITs such as DEXUS, Goodman and, to a lesser extent, Australand.

Some signs of improved activity in the pre-lease market are now emerging, predominantly from the transport and logistics sector. Logos Property has achieved success with Super Retail Group and Blue Star Logistics each reportedly signing pre-lease deals of approximately 45,000m² and 37,000m² respectively. Two other large pre-lease deals are currently under negotiation in addition to provisional pre-lease enquiry of approximately 80,000m². In terms of timing, it is likely that these pre-lease deals will add to the 2014 supply pipeline.

Figure 4

Sydney Industrial Development

Annual Gross Supply* (000s m²)



Source: Cordell Connect/Knight Frank

* includes developments with industrial floor area >5,000m² and excludes deferred/abandoned projects

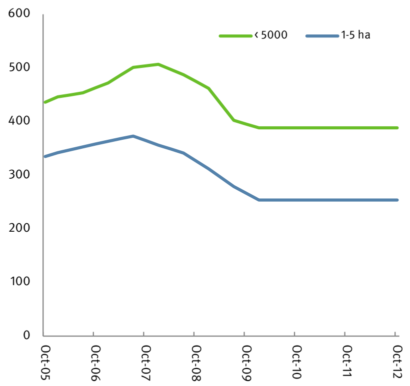
Land sales remain reasonably patchy with parcels continuing to trade at the bottom of the cycle. With development finance still relatively limited, it is likely that improvement in the pre-lease market will need to become more entrenched before land sales start to pick up. While the majority of larger developments over the last few years have utilised existing inventory, some larger developers are starting to replenish stock. Following on from Australand acquiring 32ha at Eastern Creek earlier in the year, Charter Hall (CPIF) acquired 11.79ha in Smithfield respectively, while DEXUS have settled the purchase of 5.6ha in Erskine Park, albeit on terms agreed in 2011.

At the smaller end, in select circumstances, some private buyers with access to capital have also bought. In Strathfield South a private developer acquired a 1.56ha site, which included an old sawtooth factory. Although fully leased, the purchaser bought the site with the intention of demolition and re-development. In the owner occupier space, National Cold Storage and Distribution Services have acquired 1.7ha in Wetherill Park where they intend to develop some new freezer and cold storage facilities.

Figure 5

Sydney Industrial Land Values*

Avg. value serviced lots – October 2012 ($/m²)



Source: Knight Frank

* Average Outer West, Inner/Central West and South West

Table 3

Major Land / Development Sales Activity Sydney Region

Address	Region	Price ($ m)	Area (m²)	$/m² of site area	Vendor	Purchaser	Date
68 Newton Road, Wetherill Park	OW	5.33	17,400	306	Dolso	National Cold Storage and Dist. Services	Aug-12
50-60 Cosgrove Rd, Strathfield South	ICW	4.95	15,560	400*	Sydvane Pty Ltd	Undisclosed (Developer)	Aug-12
57-75 Templar Rd, Erskine Park	OW	10.00	56,000	179	GPT	DEXUS	Jun-12
2 Burows Rd, St Peters	S	4.20	4,047	1,038	Aldi Pty Ltd	Private	Jun-12
15 Long Street, Smithfield#	OW	16.00	117,900	151^	Transgrid	Charter Hall (CPIF)	May-12
8-14 Egerton St, Silverwater	ICW	11.115	16,820	661	Chandru Enterprises	Metronode	May-12

Source: Knight Frank * Analysed rate ^Usable rate reflecting a reduced rate applied to small portion of site encumbered by an easement
Settlement conditional upon DA Approval OW Outer West SW South West ICW Inner Central West N North S South

SALES & INVESTMENT YIELDS

After a soft start to the year, sales momentum has started to pick up as the buyer depth, particularly for prime assets with long lease expiries, has started to translate into transactions. A large proportion of these have stemmed from either portfolio sales or off market JV wholesale capital funding partnerships between local developers and offshore parties. Three of these have involved listed AREITs selling to offshore parties. The most recent was the DEXUS joint venture transaction with the National Pension Service of Korea (NPS) with the initial portfolio valued at $359.5 million including five assets within the Quarry at Greystanes Estate. Four of the assets have been completed at various stages between 2010 and 2012 with WALEs ranging from 7.5 years to 14.8 years. The fifth asset is still under construction, however pre-leased to Brady for a 10 year term. This deal followed the June announcement by Goodman of a relationship with the Malaysian Employees Provident Fund (EPF). The initial investment comprised six logistics assets totalling circa $400 million, including Greystanes Park East ($128 million plus an additional $4 million pending a tenant lease renewal), Greystanes Park West ($75 million) and 50 Yarrawaa Road, Prestons ($46.6 million). The Goodman/EPF ownership share will be on a 40/60 basis. Both partnerships plan to increase invested capital.

More traditional portfolio sales include the Mirvac sale of three assets to Aviva Investors for $65.3 million. The assets will form the seed properties for the Australian Value Enhanced Logistics Trust with the fund looking to grow its asset base with further acquisitions. One of the assets was 64 Biloela Road, Villawood, which was an older, secondary asset that had reflected a book value capitalisation rate of 10.5% prior to sale. It is expected that more AREITs will look to opportunistically sell down non-core secondary industrial assets. Another example was the DEXUS sale of 114-120 Pittwater Road, Brookvale, where the asset, which was built in 1976, sold to the WA syndicate Primewest Management for $40.5 million on a passing yield of 11.0%.

Other portfolio sales have consisted of Goodman Group acquiring three properties from AMP Capital's Wholesale Australian Property Fund including one asset in Perth and two in Sydney (85 Waterloo Rd, Macquarie Park and 111 Vanessa St, Kingsgrove, for apportioned amounts of $16.0 million and $48.5 million respectively). Additionally, Goodman Australia Industrial Fund (GAIF) acquired the Blackrock industrial portfolio for $115.2 million, including assets such as 31-33 Maddox Street, Alexandria and 60 Holbeche Road, Arndell Park. GPT have also continued their strategy to increase their portfolio weighting towards business parks and logistics assets by acquiring two assets in Sydney for $53.6m from Fitzpatrick for a combined core market yield of 8.2%.

Table 4
Major Improved Sales Activity Sydney Region

Address	Region	Price ($ m)	Bld Area (m²)	Core Mkt Yield (%)	WALE (yrs)	Vendor	Purchaser	Date
Portfolio Sale - NSW component‡	OW	126.15	~71,700	N/A	N/A	DEXUS	NPS	Oct-12»
7-9 Underwood St, Homebush	ICW	11.29	15,806	11.0	2.5	Lymarn Hldgs	Baba Developments	Oct-12
3 Brooks Rd, Ingleburn	SW	6.50	6,664	VP	VP	Darrell Lea	Quinn Corp≥	Oct-12
23 O'Riordan St, Alexandria	S	Conf	7,515	VP	VP	DHL	Private	Sep-12
105-111 Vanessa St, Kingsgrove	S	48.50	33,213	8.75	5.8	AMP Capital	Goodman	Sep-12
100 Silverwater Rd, Silverwater	ICW	7.50	8,142	VP	VP	Private	All Pumps Sales & Services≥	Sep-12
31-33 Maddox St, Alexandria	S	51.65	30,756	8.0	3.7	Blackrock	GAIF	Aug-12
60 Holbeche Rd, Arndell Park	OW	19.90	17,343	8.7	1.2	Blackrock	GAIF	Aug-12
Portfolio Sale†	ICW/OW	65.3	64,601	~10.5#	~4.0	Mirvac	Aviva Investors›	Jul-12
114-120 Old Pittwater Rd, Brookvale	N	40.50	30,600	11.0#	4.4	DEXUS	Primewest Mgmt	Jul-12
41 Mandible St, Alexandria	S	18.00	~15,000	VP	VP	Trivest	Sydney Council	Jul-12
10 Interchange Drv, Eastern Creek & 81 Derby St, Silverwater	OW/ ICW	53.60	32,019	8.2	N/A	Fitzpatrick	GPT	Jul-12
Portfolio Sale/JV Partnership	OW/SW	249.60	149,617	N/A	N/A	Goodman	EPF Malaysia	Jun-12
94-106 Lenore Lane, Erskine Park	OW	28.02	21,143	8.2	6.8	DEXUS	GIC	Jun-12
12 Rodborough Rd, Frenchs Forest	N	6.90	2,774	9.2	8.1	Elderslie Finance Corp	Private Investor	Jun-12

Source: Knight Frank
‡ comprises four completed assets and one asset under construction
≥ Purchased for owner occupation
VP refers vacant possession
Conf refers confidential
† assets included 32 Sargents Rd, Minchinbury; 52 Huntingwood Dr, Huntingwood; & 64 Biloela St, Villawood
# Passing yield
› Aviva Investors Australian Logistics Property Trust
NPS refers National Pension Service of Korea
» Reported settlement date
OW Outer West SW South West ICW Inner Central West N North S South

Further evidence of offshore interest in new assets with long lease dates was the DEXUS sale of 94 Lenore Lane, Erskine Park, which was acquired by Logos property on behalf of GIC. The asset, which was completed in late 2011, was pre-leased to Schenker and at the time of sale reflected a WALE of 6.8 years and a core market yield of 8.15%.

The last six months has seen a continuation of the steady flow of sub $15 million sales with buyer profiles varied between private investors, developers and owner occupiers. With yield to bond spreads showing a relatively large spread at present, buying is becoming an attractive alternative to renting for owners when the right property is available. Examples include All Pumps Sales & Services, who acquired 100 Silverwater Road, Silverwater. Quinn Corp (VIP Pet Foods) acquired the former Darrel Lea distribution site in Ingleburn for $6.5 million in October, however they plan to develop additional manufacturing facilities on the large 40,680m² site.

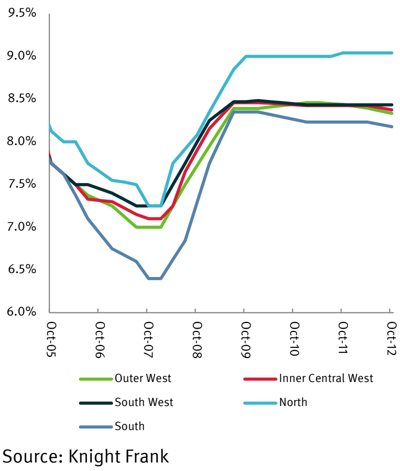
Across Sydney, five year prime yields are estimated to average between 8.00% and 8.75%. However, prime logistical assets for sale with longer average lease expiries of between 10 and 15 years are more heavily contested amongst investors and have exhibited additional tightening of 25bps compared to yields on assets of circa five year WALEs with the market accepting yields in the order of 7.5% to 8.0%. Buyer depth is somewhat two tiered with many local investors more opportunistic, prepared to take on re-leasing risk and seeking yield. Other investors, mostly offshore, are more passive and seeking assets with long WALE.

With competition amongst buyers stronger for well tenanted, prime assets, the yield premium between prime and secondary, that increased sharply during the GFC, remains at a level not seen for 14 years (refer Figure 7). Secondary core market yields are estimated to average between 9.0% and 9.75%. This range implies a yield spread between prime and secondary of 90bps compared to the 10 year average of 70bps. Availability of capital and relatively firmer leasing demand for prime stock is likely to see this spread remain over the medium term.

OUTLOOK

Despite subdued growth in consumer spending, retailing trends are expected to remain a strong source of demand for industrial facilities. Etailing continues to increase market share and will continue to do so with annual growth rates in online retail sales in excess of 20% being much higher than the growth in traditional retailing of around 3%. A growing number of retailers are embracing multichannel marketing, however the strategy can only be effective with efficient supply chain management systems. Traditional third party logistics also continues to grow with demand for modern premises being sought by firms such as Toll and DHL. Recent cuts to interest rates are expected to provide further benefits to discretionary spending and with the November's Westpac Melbourne Institute consumer sentiment index reaching its highest level in 19 months, there is scope for retail spending to improve.

Figure 6
Average Prime Core Market Yields
Sydney Industrial Regions



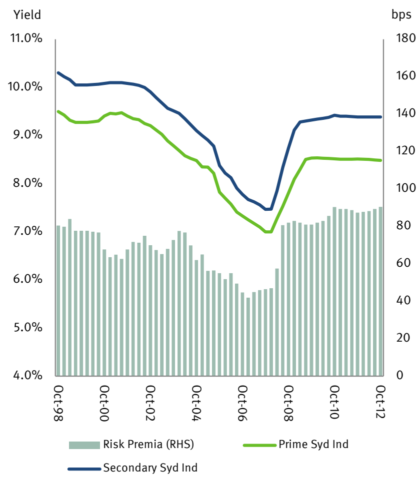
Source: Knight Frank

These drivers will benefit well located, modern warehouse and distribution type facilities. With prime vacancies forecast to decrease over 2013 as new supply completions reduce, conditions are likely to be favourable for well capitalised developers to progress speculative developments. Although recent pre-lease activity has been modest to steady, there are some emerging signs of improved deal flow with several larger deals in final negotiations in addition to a further 80,000m² of provisional enquiry in the market. As at October, only 15 large leasing options in excess of 15,000m² existed, of which five are prime grade. This shortage of options is expected to see larger users look to the pre-lease market to satisfy new space requirements with a likely upturn in supply levels to occur in 2014.

With vacant stock levels set to reduce in 2013, the relatively modest rates of prime rental growth recorded over 2012 are expected to improve in 2013, particularly for larger assets, where leasing availabilities are most scarce. Secondary rents are anticipated to hold steady given the larger amount of older stock available for lease in addition to a shallower depth of leasing enquiry compared with prime.

Relative value measurements (such as yield spreads to inflation indexed bonds) and reasonable buyer depth for prime assets suggests a tightening bias for yields. The emergence of new wholesale JV partnerships (predominantly with offshore investors) looking to increase industrial exposure is likely to see modern facilities with long lease terms outperform. Yields for smaller assets are likely to hold steady until capital becomes more readily accessible with privates continuing to demand relatively large risk premiums before acquiring.

Figure 7
Sydney Industrial Core Market Yields
Prime vs Secondary – 1998 to 2012



Source: Knight Frank

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Tanzania
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