

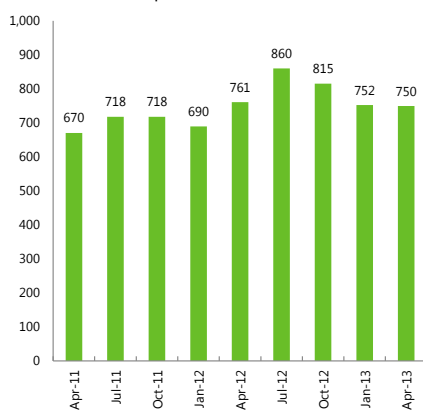
APRIL 2013 SYDNEY INDUSTRIAL VACANCY ANALYSIS

After recording two successive quarterly declines in vacancy over the second half of 2012, the level of vacant industrial space in Sydney was broadly stable, recording only a very modest decrease in the three months to April (refer Figure 1). This decrease takes the total level of available space to 749,647m², a figure 13% below the peak recorded in July 2012.

Gross take up (excl. D&C's) of 112,083m² was recorded during the quarter. Although demand still remains relatively inconsistent, gross take up has been demonstrating steady improvement. Over the past year, gross take up on a 12 months rolling basis has on average increased by 9% each quarter.

Approximately 200,000m² of pre-lease supply is anticipated to be added to the market in the second half of 2013. The majority of resulting backfill space will stem from secondary buildings, which is likely to see a rise in secondary vacancies as the year progresses.

Figure 1
Sydney Industrial Market
'000m² available space

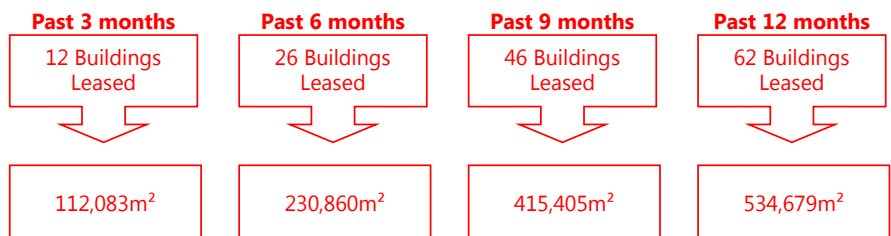


Source: Knight Frank

Table 1 Summary of Available Industrial Space – April 2013						
Market	Available Space (m ²)	Number of Buildings	Av. Asking rent (\$/m ² net)	Change past quarter (m ²)	Change past 6 months (m ²)	Change past 12 months (m ²)
Precinct						
Outer West	394,720	26	99	6,437	-25,050	41,240
South West	130,311	10	95	-17,430	-42,039	-18,867
Inner Central West	173,978	18	103	13,868	12,882	6,958
South	50,638	7	119	-5,415	-11,201	-40,375
Total	749,647	61	102	-2,540	-65,408	-11,044
Building Quality						
Prime	272,885	26	119	-27,969	-49,588	39,017
Secondary	476,762	35	89	25,429	-15,820	-50,061
Building Type						
Existing Stock	659,645	53	100	-6,825	-74,895	-35,322
Speculative (Completed)	63,642	6	116	16,205	23,967	57,222
Spec. Under Construction	26,360	2	115	-11,920	-14,480	-32,944

Source: Knight Frank

Figure 2
Sydney Industrial Market
Est Take-up of buildings 5,000m²+ (excl D&C)



Source: Knight Frank

Of the gross take up recorded over the past 12 months, 48% has been made up of prime stock, which appears relatively low given the bulk of enquiry in the market is for prime stock. However, taking into consideration pre-lease activity, the proportion of leasing

activity being accounted for by prime stock by area is closer to two thirds of the total, or double the level of activity for secondary stock. Nevertheless, there remains steady demand from tenants looking for relatively cheaper storage and warehousing options.

Quality of Stock

As at April 2013 prime vacancies totalled 272,885m² compared with 476,762m² for secondary. This marked the second consecutive quarterly decline in available prime stock and underpinned the proportion of total vacancies consisting of prime stock declining to 36% compared to 40% in the January quarter. The proportion of vacancies consisting of prime stock is expected to decline further during 2013 given the majority of backfill space anticipated to enter the market over 2013 consists of secondary stock.

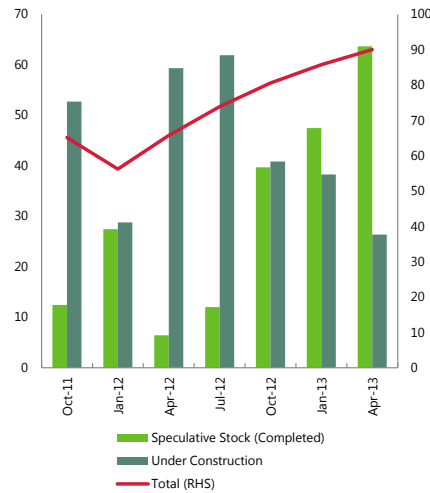
Figure 3
Sydney Industrial Available Space '000m² by grade - April 2011 to April 2013



Source: Knight Frank

Of the 272,885m² of prime stock available, 90,000m² or 33% is made up of speculative stock as shown in Figure 4 (both completed and under construction). However there has been a steady rise in speculative stock that has been completed, however is yet to be leased. A large portion of this consists of residual space within a larger building anchored by a pre-lease tenant. While a year ago, there was a greater depth of tenant demand for larger lease sizes, recent leasing and enquiry indicates improved demand from 5,000m² to 10,000m² sized tenants. This has seen the average lease size for speculative product decline since the beginning of 2012. Some additional speculative stock is expected to progress in the near term with the imminent commencement of a 15,000m² speculative development by Australand at Eastern Creek.

Figure 4
Speculative Stock '000m² - October 2011 to April 2013



Source: Knight Frank

Distribution by Precinct

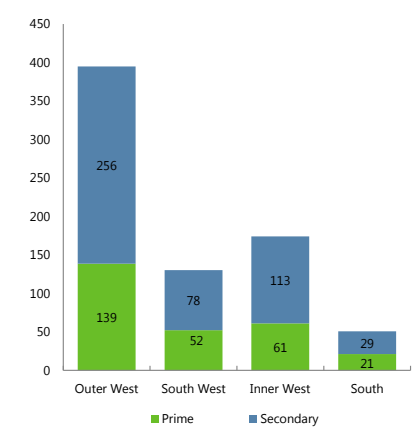
The market with the most available space is the Outer West with 394,720m² of vacancies. However it is noted that a quarter of this amount consists of secondary space at Yennora Distribution Centre. With the vast majority of speculative activity concentrated in the Outer West, 61% of Outer West prime vacancies consist of either completed speculative stock or speculative stock under construction.

In the South West, prime vacancies remain dominated by a large 37,564m² sub lease, which accounts for 70% of prime vacancies. The region recorded the largest fall in vacancies during the April quarter with a 17,430m² fall in vacant stock.

The Inner Central West recorded the largest rise in vacancy during the quarter increasing by 13,868m². This increase was predominantly a result of secondary vacancies. With some tenants such as Bunnings relocating to the Outer West later in the year, vacancies are likely to rise in the region in 2013.

The South region remains the precinct with the lowest amount of vacant stock. Of the 50,638m² of vacant stock in the South, only 21,156m² consists of prime stock. Secondary vacant stock amounts to 29,482m², with 47% of this located in Kingsgrove.

Figure 5
April 2013 Available Space '000m² by quality & precinct

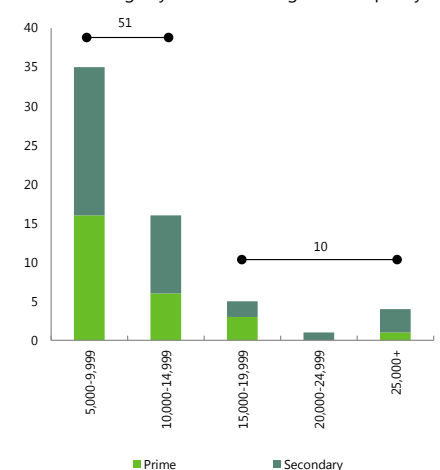


Source: Knight Frank

Size of Available Stock

Analysis of the size of industrial vacancies in 5,000m² intervals (refer Figure 6) shows that there is a greater availability of options for tenants at the smaller end of the market. Only 10 large options in excess of 15,000m² currently exist, of which four are prime grade. By comparison, 51 options are available below 15,000m².

Figure 6
April 2013 Available Space No of buildings by size of building m² and quality

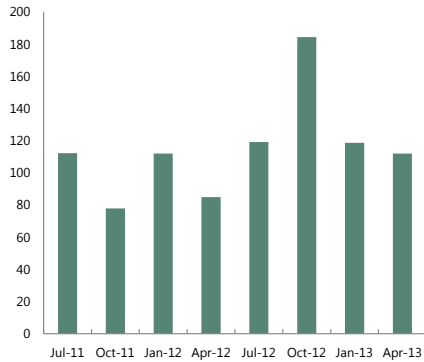


Source: Knight Frank

AVAILABLE SPEC STOCK ON THE INCREASE

Building Take-up

Figure 7
Sydney Industrial Take - up by quarter
'000m² Est Take-up buildings 5,000m² + (excl D&C)

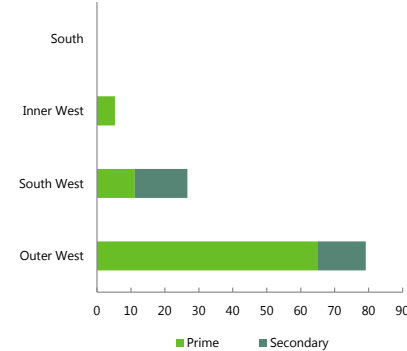


Source: Knight Frank

During the April quarter, 12 buildings greater than 5,000m² (excl. D&C's) were leased covering an area of 112,083m². 73% of this take up constituted absorption of prime stock. Despite demand levels still

being somewhat patchy, both the April quarter and the past 12 months have recorded higher take up levels compared to previous corresponding periods.

Figure 8
Sydney Industrial Take-up 3 months to April 2013
Estimated Take-up buildings 5,000m² + (excl D&C)



Source: Knight Frank

Summary

With the majority of backfill over the second half of 2013 expected to be secondary grade, the weighting of prime options as a proportion of total market vacancies is set to decline from current levels. This trend will favour the outlook for prime rents compared to secondary.

Although the majority of vacancies by number are for sub 15,000m² options, improving demand from smaller tenants should help to gradually absorb the number of smaller prime options in the market. The shortage of large options with a high level of utility, is expected to see bigger users continue to look to the pre-lease market to satisfy new space requirements. Currently, the strongest pre-lease enquiry is coming from circa 5,000m² occupiers as opposed to the larger users.

Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Sydney Industrial Property Market. The analysis only includes building vacancies which meet the following criteria.

1. The sample data includes buildings with a minimum floor area of 5,000m² (ex. D&C).
2. Buildings are categorized into the below three types of leasing options
 - o Existing Buildings – existing buildings for lease.
 - o Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant.
 - o Spec. Under Construction – buildings available for lease which are being speculatively constructed and will be available for occupation within 12 months.

Data collection and analysis represents a snap shot of market vacancy as at 1 April 2013, ie. the beginning of the second quarter.

The Sydney Industrial Property Market has been divided into 4 distinct industrial precincts, as follows:

Inner Central West	West of Concord Road to Cumberland Highway including the suburbs of Silverwater, Rydalmere, Auburn, Lidcombe, Rosehill, Regents Park, Chullora
Outer West	West of Cumberland Highway including the suburbs of Wetherill Park, Smithfield, Eastern Creek, Erskine Park, Arndell Park, Huntingwood, Greystanes, Blacktown, Seven Hills, Kings Park, Marayong
South	Located South of the CBD including the suburbs of Alexandria, Botany, Banksmeadow, Mascot, Roseberry, Matraville, Hillsdale, Waterloo
South West	Predominantly made up of precincts surrounding the M5 and Hume Highway including the suburbs of Liverpool, Moorebank, Prestons, Ingleburn, Bankstown, Milperra, Minto, Smeaton Grange, Campbelltown

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