



MAY 2012

PERTH INDUSTRIAL

Market Overview
Knight Frank

HIGHLIGHTS

- New development around the Perth metropolitan area has mainly been focused on land releases in Henderson, Bibra Lake, Wangara and Neerabup. In addition, design and construct developments on long lease terms have emerged around Jandakot and Hazelmere, with almost 200,000m² under construction or recently completed.
- Companies associated with the resources sector and transport and logistics companies have been the biggest absorbers of space in the Perth metropolitan market. Average Prime net face rents have increased 4% since the end of last year. Modern, well-located facilities are achieving top line rents upwards of \$125/m² p.a. net.
- Core market yields have remained stable over the past year. Prime-grade yields range between 8.00-8.75% and Secondary-grade assets at 8.75-9.50%.

Table 1
Perth Industrial Market Indicators April 2012

Precinct	Avg Prime Rent	Avg Secondary Rent	Vacant Space (Build. >2,000m ²)*	Core Market Yields (%)		Avg Land Value	
	\$/m ² net	\$/m ² net		Prime	Secondary	<5,000m ² \$/m ²	1 – 5 ha \$/m ²
North	115	80	41,143	8.00 – 8.75	8.75 – 9.50	567	268
South	110	80	154,610	8.00 – 8.75	8.75 – 9.50	309	219
East	120	85	62,330	8.00 – 8.75	8.75 – 9.50	453	289

Source: Knight Frank

*includes premises which are either vacant or currently available for lease

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%.

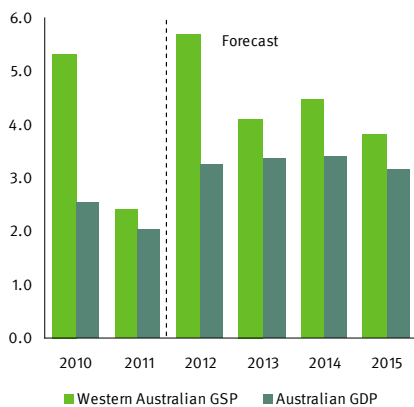
Core Market Yield: The percentage return/yield analysed when the assessed fully leased market income is divided by the adopted value/price which has been adjusted to account for property specific issues (ie rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies,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

Economic Snapshot

The Western Australian economy has remained resilient, despite international uncertainty, with strong growth forecast by the WA State Government and economists through to 2015.

The resources sector remains the driver behind this growth, with related industries, and in turn the industrial sector, seeing a boon from this through increased investment and production in the State.

Figure 1
Economic Growth



WA vs. Australia – 2010 to 2015

Source: Deloitte Access Economics

Recent major infrastructure announcements to benefit the industrial market include continued funding towards the Perth Airport upgrade and \$1 billion Gateway WA project, as well as improvements to the Great Eastern

Highway to further enhance the road freight network.

Development Activity

New development around the Perth metropolitan area has mainly been focused on land releases in the industrial areas of Henderson, Bibra Lake, Wangara and Neerabup.

In addition, design and construction development at Jandakot City by Ascot Capital has resulted in over 77,000m² of completed office/warehouse space, with a further 22,000m² due for completion this year. The Goodman Group have developed 34ha of land in Hazelmere with completed buildings for Coca-Cola Amatil, Toll IPEC, and MTU Detroit Diesel (68,514m²). Currently under construction is 27,085m² for Linfox.

Much of the new supply is being driven by tenants associated with the mining and logistics industries, seeking to either expand or develop buildings that meet their specific operational requirements.

Some medium-sized speculative developments have emerged in the market. For example in Wangara, where demand by tenants has supported this style of development, many buildings have leased prior to completion.

The supply of land ready for development, particularly larger lots, still remains the biggest inhibitor to expansion. Identifying and planning for future land supply has been

outlined by PlanningWA, with strategies developed to consider ways to deal with the constraints associated with identified future industrial land in the Perth metropolitan area.

Vacancy and Tenant Demand

Companies associated with the resources sector and transport and logistics companies have been the biggest absorbers of space in the Perth metropolitan market. Industrial areas with good transport and rail connections are seen as a major requirement for these tenants.

Of vacancies over 2,000m², 83% of this is existing stock, the rest consisting of buildings either under construction (13%) or seeking commitment.

The highest level of vacancy in the market is the “South” area, with 154,610m². However, this does include 103,000m² of space available for lease on Sudlow Road in Bibra Lake (where AWH is vacating the site to move to smaller neighbouring premises).

Much of the vacant space available is secondary-grade stock. The lack of suitable Prime-grade options is leading tenants to consider design and construct developments to meet their requirements.

Rental Levels

Prime-grade industrial assets have seen a small increase in rental levels since the end of last year. Average net face rents have increased 4% over the quarter to April 2012.



Modern well-located facilities are achieving top line rents upwards of \$125/m².

Rents for Secondary-grade assets have remained stable during this time, and are priced according to the market. Leasing deals continue to have minimal or no incentives.

A continued shortage of Prime-grade space is expected to place upward pressure on rents, compounded by a shortage of land supply and minimal speculative development.

Sales and Investment Activity

Sales activity remains subdued with high net-worth individuals and private syndicates being the most active investors within the industrial market. However, institutions are starting to look at Perth again, as evidenced by the sale of a 50% share sale in 218 Bannister Road, Canning Vale.

The purchase by Charter Hall of a 50% share of the Metcash leased facility in Canning Vale for \$61.5million is the largest industrial investment sale in the past five years. The 21ha 'A' Grade facility sold with passing initial and core market yields of 8.8%.

Core market yields have remained stable over the past year. Prime-grade asset yields generally range between 8.00-8.75% and Secondary at 8.75-9.50%.

Land sales have mostly been to owner-occupiers with developers remaining cautious.

INSTITUTIONS ARE STARTING TO LOOK AT PERTH AGAIN

Outlook

The Western Australian economy is forecast to grow by 5.7% over 2012, driven by the continued strength of the resources sector,

Table 2

Major Industrial Leasing Transactions Perth Region

Address	Office Rent (\$/m ²)	W/H Rent (\$/m ²)	Area (m ²)	Term (yrs)	Tenant	Date
2 Pavers Circle, Malaga	185	100	939	3.0	Not Disclosed	Apr 12
32 Guage Circuit, Canning Vale	190	105	5,650	MR	Mitre 10	Apr 12
3/17 Hazelhurst St, Kewdale	180	100	7,785	6.0	Agility Project Logistics	Jan 12
8/274 Rutland Ave, Welshpool	310	115	5,450	5.0	DHL	Feb 12
4/15 Walters Dve, Osborne Park	320	130	626	5.0	Roche Products	Feb 12
1 Kalgan Rd, Welshpool	250	115	810	3.0	Special Piping Materials	Jan 12

Major Land / Development Sales Activity Perth Region

Address	Price (\$ m)	Area (m ²)	\$/m ² of site area	Zoning	Purchaser	Date
Lt 1015 Armstrong Rd, Hope Valley	4.19	24,267	173	Ind	Under Contract	U/C
Lt 107 & 108 Enterprise Court, Canning Vale	6.35	19,828	320	Gen I	Under Contract	U/C
26 Mumford Place, Balcatta	2.028	2,535	800	Ind	Balcatta Strata Storage	Mar 12
16 Darlot Rd, Landsdale	0.55	1,188	463	Gen I	Private Investor	Mar 12
7 Edison Circuit, Forrestdale	0.67	3,013	222	Gen I	Private Investor	Feb 12
19 Howson Way, Bibra Lake	3.15	12,400	254	Ind	Private Investor	Jan 12

Major Improved Sales Activity Perth Region

Address	Price (\$m)	Land Area (m ²)	Bldg. Area (m ²)	Core Mkt. Yield (%)	Purchaser	Date
117 Radium St, Welshpool	4.31	4,423	2,708	7.80	Private Investor	Mar 12
497 Abernathy Rd, Kewdale	11.10	11,964	6,805	8.10	Private Investor	Mar 12
218 Bannister Rd, Canning Vale	61.50*	20.87ha	105,020	8.80	Charter Hall Ind. Fund	Feb 12
34-40 Vinnicombe Dve, Canning Vale	6.40	14,291	3,861	8.14	Private Investor	Dec 11
2 Modal Cres, Canning Vale	7.75	10,324	6,121	8.00	Private Investor	Dec 11
22-24 Tennant St, Welshpool	3.75	8,196	4,096	8.00	Private Investor	Oct 11

Source: Knight Frank * 50% Share MR = Market Review U/C = Under Contract

with the Perth industrial market being a major beneficiary.

The *Economic and Employment Lands Strategy: non-heavy industrial* report by the WA Planning Commission highlights the current supply of industrial land and areas identified in the short- and long-term periods for new industrial land. However, until this identified land is re-zoned and released to the market, industrial land shortages will

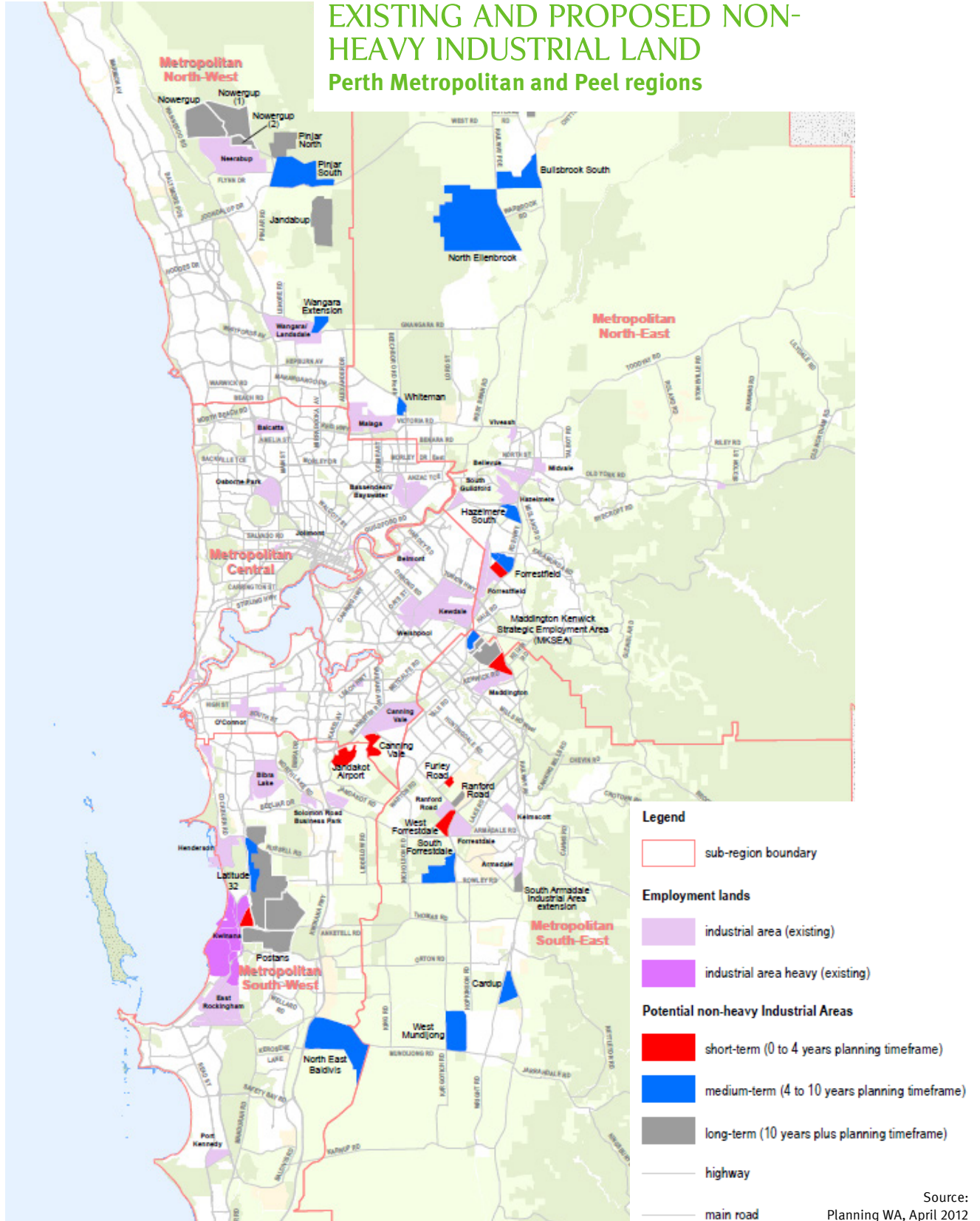
continue, potentially leading to higher occupancy costs.

Tight financing conditions have been a factor influencing the low levels of speculative development and volume of investment activity. With this unlikely to alter in the near future, activity in the market will continue to come from high net-worth individuals and syndicates with access to funds, with the major focus remaining on Prime-grade assets.

PERTH INDUSTRIAL

Market Overview

EXISTING AND PROPOSED NON-HEAVY INDUSTRIAL LAND Perth Metropolitan and Peel regions



Source:
Planning WA, April 2012



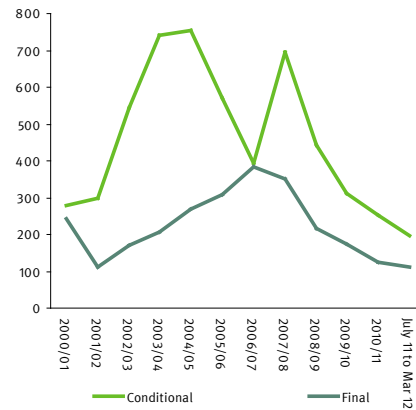
State Lot (Land) Activity

According to the Western Australian Planning Commission, the Perth metropolitan region had 122 applications for industrial lot subdivisions either lodged or under assessment during the March 2012 quarter. Of these, 98 were in the south-east sector.

During the March 2012 quarter, conditional approvals for subdivision were given to 39 lots, bringing the total developers stock of conditional approvals to 834 in the metropolitan area.

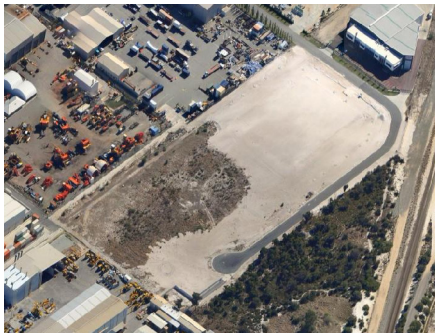
Final approval activity totalled 44 during the March quarter, with 12 lots in Wangara, 8 in Bassendean, 7 in Welshpool and 6 in Rockingham.

Figure 2
State Lot (Land) Approvals
Conditional vs. Final



Source: WA Planning Commission

THE SUPPLY OF
LAND READY FOR
DEVELOPMENT,
PARTICULARLY
LARGER LOTS,
STILL REMAINS
THE BIGGEST
INHIBITOR TO
EXPANSION



Property: 37 Tomah Road, Welshpool

Vendor: Samsara Developments Pty Ltd

Purchaser: International Explosives Equipment Pty Ltd

Sale Price: \$14.5 million

Sale Date: November 2011

NLA: 4.34 Ha

Yield: Vacant Land

Comments: The sale includes the development of an 8,000m² office/warehouse building on the site.

For further information
on this deal contact:

Craig Rowe

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Property: 5 Discovery Drive, Bibra Lake

Lessee: Factory Direct Fencing

Lessor: WA Timber Sales

Rental: Office: \$170/m² net Warehouse: \$90/m² net

Terms: 5 years

NLA: Office: 296m² Warehouse: 1,341m²

Comments: Newly completed industrial warehouse with 18% office component - the building was leased prior to completion.

For further information
on this deal contact:

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Latitude 32, Hope Valley

The Latitude 32 industrial area, a 1,400 hectare site developed by Landcorp, has been created to cater for mixed-use industrial and commercial businesses. The area is situated near the Henderson and Kwinana industrial areas.

The Flinders Precinct is the first release developed with Latitude 32. Stages 1A and 1B have all sold, with prices averaging between \$154/m² and \$200/m².

Two buildings have been constructed to date, the largest being Southern Steel at 16,500m² on a 3.45ha super lot.

Site works for stage 2 are currently under way, with flexibility available in the design of the lots to greater meet the requirements of users in the area.



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