

APRIL 2014

# PERTH INDUSTRIAL

Vacancy Analysis

## HIGHLIGHTS

- After five consecutive quarters of increasing vacancy within Perth's industrial market, total available space as at April 2014 was 276,572m<sup>2</sup>, representing a marginal decrease from 280,150m<sup>2</sup> in January 2014. However, this remains 78% higher than the low point (155,210m<sup>2</sup>) reached 18 months ago.
- The proportion of available manufacturing stock (compared to warehousing space) decreased from 29% to 23% of total available accommodation over the past quarter, representing 63,112m<sup>2</sup>. Of the remaining 213,460m<sup>2</sup> of warehousing space available on the market, the majority (119,216m<sup>2</sup>) is located in the East.
- Knight Frank recorded 15 leases greater than 2,000m<sup>2</sup> (excl. D&C) covering a combined area of 46,839m<sup>2</sup> during the three months to April 2014. The majority of this take up (14 of the 15 properties leased) was recorded in assets under 4,000m<sup>2</sup>.

Table 1  
Perth Industrial Available Space 2,000m<sup>2</sup>+ as at April 2014

Precinct	Available Space	No. of Buildings	Av Asking Rent \$/m <sup>2</sup> net	Change Past Qtr (m <sup>2</sup> )	Change Past Year (m <sup>2</sup> )	Building Quality	
	(m <sup>2</sup> )					Prime %	Secondary %
North	34,951	10	115	-20,638	8,620	85	15
East	153,073	32	113	26,712	53,415	57	43
South	88,548	20	110	-9,652	29,250	46	54
<b>Perth Total</b>	<b>276,572</b>	<b>62</b>	<b>112</b>	<b>-3,578</b>	<b>91,285</b>	<b>57</b>	<b>43</b>

Source: Knight Frank

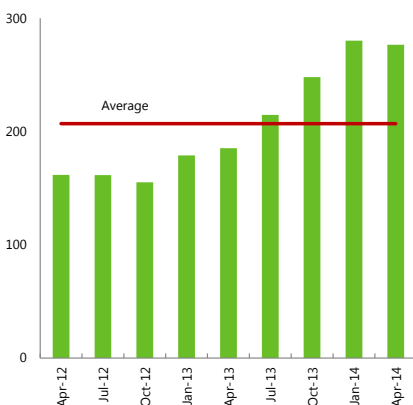
Prime: Asset with modern design, good condition & utility with an office component 10-30%. Located in an established industrial precinct with good access.

Secondary: Asset with an older design, in reasonable/poor condition, and which is inferior to prime stock.

The level of vacant space within the Perth industrial market remained largely unchanged during the first quarter of 2014, recording a modest 3,578m<sup>2</sup> decline (1.3%).

Total available space within manufacturing and warehousing assets (2,000m<sup>2</sup>+) now measures 276,572m<sup>2</sup>, representing the first contraction in vacancy since October 2012. However this remains 78% higher than the low point reached 18 months ago of 155,210m<sup>2</sup>.

Figure 1  
Perth Industrial Market  
'000m<sup>2</sup> available space



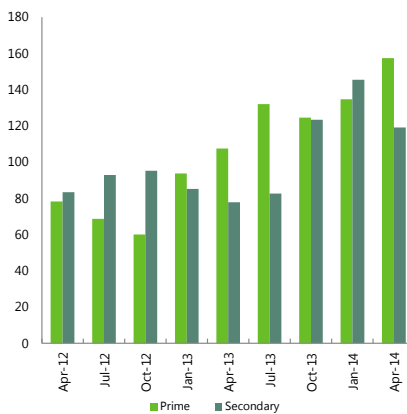
Source: Knight Frank

In the three months to April 2014 prime vacancies increased by 17% to 157,436m<sup>2</sup>. In contrast, secondary space contracted by 18% falling to 119,136m<sup>2</sup>. As a result, the proportion of prime vacancy increased from 48% to 57% during the quarter.

The level of vacant warehouse space increased by 7.9% during the quarter and

now totals 213,460m<sup>2</sup>. At the same time, vacant manufacturing space decreased by 23% to 63,112m<sup>2</sup>. This decrease can be attributed to 24,654m<sup>2</sup> of manufacturing stock absorption, including 2,475m<sup>2</sup> at 25-31 Kew Street, Welshpool and 2,333m<sup>2</sup> at 22 Ballantyne Road in Kewdale. As a result, the proportion of vacant manufacturing accommodation decreased from 29% to 23% during the quarter.

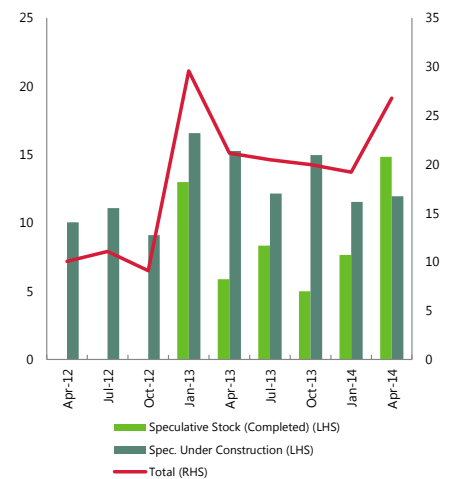
Figure 2  
Perth Industrial Vacancies  
'000m<sup>2</sup> by grade – April 2012 – April 2014



Source: Knight Frank

Speculative stock for lease (including both under construction and completed) accounted for 26,773m<sup>2</sup> or 9.7% of total vacancies. This represents a 39% increase over the past three months and can be attributed to a new spec build at 68 Beechboro Road in Bayswater (4,854m<sup>2</sup>), as well as 57 Conquest Way in Wangara (2,725m<sup>2</sup>) which is currently under construction.

Figure 3  
Speculative Stock  
'000m<sup>2</sup> - April 2012 - April 2014



Source: Knight Frank

## Distribution by Precinct

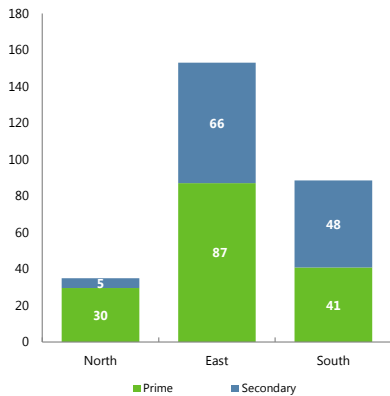
Approximately 153,073m<sup>2</sup> of space is available for lease in the East, representing 55% of total vacant stock. Over the past quarter, 64,962m<sup>2</sup> across ten properties became available causing the level of vacant space in this region to increase by 21%.

The most significant additions in the East include 94A Harrison Road and 857 Abernethy Road in Forrestfield comprising 10,000m<sup>2</sup> and 7,205m<sup>2</sup> respectively. In addition, a further 9,539m<sup>2</sup> at 18 Hudswell Road, Kewdale and 14,811m<sup>2</sup> at 33 McDowell Street in Welshpool became available.

The inclusion of several large vacant Prime properties in the East has caused the

proportion of prime stock to increase from 38% to 57% during the past quarter.

Figure 4  
April 2014 Available Space  
'000m<sup>2</sup> by quality & precinct

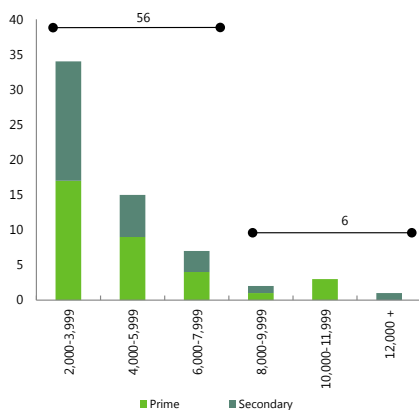


Source: Knight Frank

In contrast, vacancy in the North and South regions declined as a result of stock absorption, as well as few new vacancies. Vacancy in the North totalled 34,951m<sup>2</sup> and is mainly concentrated in the areas of Malaga and Wangara. Vacancy in the South totalled 88,548m<sup>2</sup>, which includes five large buildings in excess of 8,000m<sup>2</sup>.

### Size & Type of Stock

Figure 5  
April 2014 Available Space  
No of buildings by size of building m<sup>2</sup> and quality



Source: Knight Frank

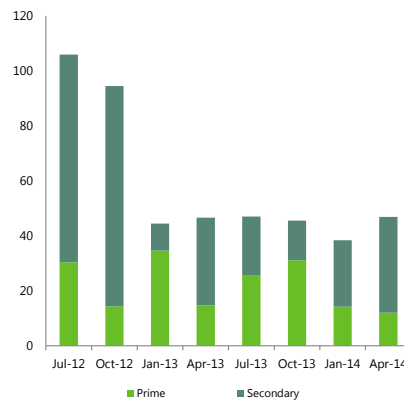
There are currently six buildings available which cater for users of 8,000m<sup>2</sup> plus.

However, one of these larger options, at 10 Clark Street, O'Conner, is a specialised facility that includes a 2,815m<sup>2</sup> cold store freezer which would only suit specific tenants. The potential exists for several large tenancies to become available during 2014 as a result of backfill space.

### Building Take-up

During the previous quarter, 15 leases greater than 2,000m<sup>2</sup> (excl. D&C) were recorded by Knight Frank covering a combined area of 46,839m<sup>2</sup>. The majority (74%) of this absorption was secondary stock indicating that tenants remain price sensitive when deciding on leasing requirements. Despite the availability of speculative stock all 15 leases occurred within existing buildings.

Figure 6  
Perth Industrial Take-up  
'000m<sup>2</sup> Est Take-up buildings 2,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

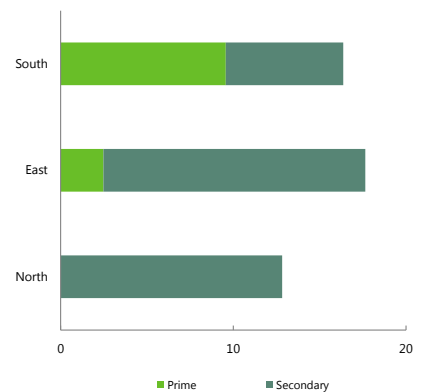
The bulk of take-up this quarter was recorded in assets under 4,000m<sup>2</sup> with 14 of the 15 properties absorbed falling within this size range. Take-up was fairly evenly spread between the major regions with the North, East and South recording 12,831m<sup>2</sup>, 17,643m<sup>2</sup> and 16,365m<sup>2</sup> respectively.

Although the majority of available stock in the North is considered prime, take-up in this region was dominated by secondary space, which is a result of greater affordability. This is demonstrated by the recent lease of 2,041m<sup>2</sup> at 6 Mulgul Road,

Malaga, for a term of 5 years at a reduced rate of \$90/m<sup>2</sup>.

## 74% OF TAKE-UP OCCURRED IN THE SECONDARY MARKET

Figure 7  
Take-up 3 months to April 2014  
'000m<sup>2</sup> Est take-up buildings 2,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

### Summary

The total vacancy within Perth's industrial market (+2,000m<sup>2</sup>) remained largely unchanged (down 1.3%) during Q1 2014. It is expected that backfill space will continue to increase vacancy levels as pre-leased warehouses are completed.

Absorption levels improved from the previous quarter with the bulk of activity stemming from medium sized tenants (2,000m<sup>2</sup> - 4,000m<sup>2</sup>). Large tenants (10,000m<sup>2</sup>+) remain cautious when deciding on leasing requirements.

Business activity has begun to shift away from mining towards other industries, including retail and construction. An improvement in labour and employment conditions within these market sectors is expected to have positive flow on effects through Perth's industrial market.

## Americas

USA  
Bermuda  
Brazil  
Canada  
Caribbean  
Chile

## Australasia

Australia  
New Zealand

## Europe

UK  
Belgium  
Czech Republic  
France  
Germany  
Hungary  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Romania  
Russia  
Spain  
The Netherlands  
Ukraine

## Africa

Botswana  
Kenya  
Malawi  
Nigeria  
South Africa  
Tanzania  
Uganda  
Zambia  
Zimbabwe

## Asia

Cambodia  
China  
Hong Kong  
India  
Indonesia  
Macau  
Malaysia  
Singapore  
South Korea  
Thailand  
Vietnam

## The Gulf

Abu Dhabi, UAE  
Bahrain  
Dubai, UAE  
Qatar

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## Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Perth 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 2,000m<sup>2</sup>. 2. Buildings are categorized into the below three types of leasing options. A) Existing Buildings – existing buildings for lease. B) Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant. C) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

## Industrial Areas:

North) Neerabup, Wangara/Landsdale, Malaga, Balcatta, Osborne Park. East) Bassendean/Bayswater, Midland/Midvale, Hazelmere, Belmont, Kewdale/Welshpool, Forrestfield, Beckenham, Maddington, Forrestdale. South) Myaree, O'Conner, Canning Vale, Bibra Lake, Jandakot/Banjup, Kwinana/East Rockingham, Naval Base, Rockingham, Henderson.

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