

FEBRUARY 2014

PERTH INDUSTRIAL

Vacancy Analysis

HIGHLIGHTS

- The level of vacant space within the Perth Industrial market has continued to track upwards over the past quarter. Total available industrial space is 287,661m² as at January 2014, representing another record high for the survey, which commenced in April 2012, and is 85% higher than the low point reached 15 months ago of 155,210m²
- The proportion of prime stock to secondary stock reduced over the past quarter. Although there was an increase in available prime space of 12,696m² to 142,219m², larger additions in secondary space (22,021m²) saw the proportion of prime GLA fall from 51% to 49% of the market during the past three month period.
- Knight Frank recorded eleven leases greater than 2,000m² (excl. D&C) covering an area of 38,381m² during the three months to January 2014. The majority of this take up was recorded in properties under 4,500m² with ten of the eleven properties absorbed falling within this size range.

FEBRUARY 2014

PERTH INDUSTRIAL

Vacancy Analysis

Table 1
Perth Industrial Available Space 2,000m²+ as at January 2014

Precinct	Available Space (m ²)	No. of Buildings	Av Asking Rent \$/m ² net	Change Past Qtr (m ²)	Change Past Year (m ²)	Building Quality	
						Prime %	Secondary %
North	60,157	17	118	11,755	23,222	69.8	30.2
East	126,361	29	112	-4,643	24,616	38.5	61.5
South	101,143	21	114	27,605	60,921	51.1	48.9
Perth Total	287,661	67	114	34,717	108,759	49.4	51.6

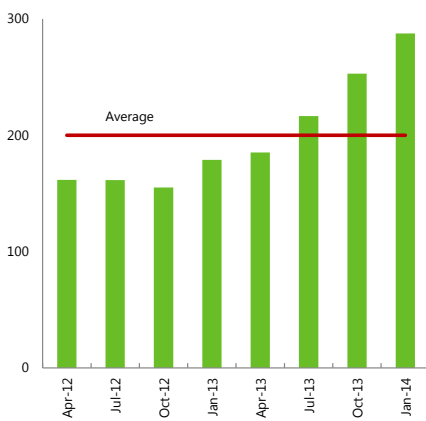
Source: Knight Frank

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, inferior to prime stock, with an office component between 10%-20%.

The level of vacant space within the Perth Industrial market has continued to track upwards over the past quarter. Total available floor space as at January 2014 stands at 287,661m², representing another record high for the survey which commenced in April 2012 and is 85% higher than the low point reached 15 months ago of 155,210m².

Figure 1
Perth Industrial Market
'000m² available space



Source: Knight Frank

The greatest increases were seen in the North (up 24%) and South (up 38%) while the East recorded a 4% reduction in vacancy with five properties absorbed (totalling 22,395m²) outweighing six new available properties (comprising 19,624m² of GLA). The level of available space within warehouse and manufacturing facilities has increased over the past quarter with manufacturing increasing from 65,687m² to 82,364m² (29% of total available space). At the same time, available warehouse

accommodation has increased from 187,257m² to 205,297m² to represent 71% of total available space.

The proportion of prime stock to secondary stock in the market reduced over the past quarter. Although available prime space increased by 12,696m² to 142,219m², an increase in secondary space of 22,021m² saw the actual proportion of prime GLA fall from 51% to 49% of the total market during the past three month period.

Figure 2
Perth Industrial Available Space
'000m² by grade – April 2012 – January 2014

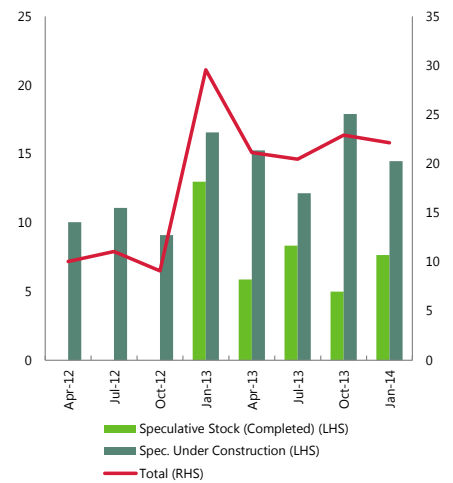


Source: Knight Frank

Only one significant A grade addition came to market over the past quarter in excess of 11,000m². The remaining new additions include a variety of properties in the 2,000m²-8,000m² size range. Of the 287,611m² currently available in the market, 22,137m² (or 7.7%) is made up of speculative stock as shown in figure 2 (both completed and under construction). This figure falls slightly below last quarters following the

commencement of two spec. developments in the North being offset by a speculative lease of 2,732m² at 21 Horus Bend in Bibra Lake for an initial term of five years at \$110/m².

Figure 3
Speculative Stock
'000m² - April 2012 - January 2014



Source: Knight Frank

Sub-lease space has increased within the market, and while it does not suit all requirements it tends to provide relatively cheaper and shorter term options for tenants. At this stage Knight Frank is tracking just under 50,000m² of sub-lease space, representing approximately 17% of the total available GLA.

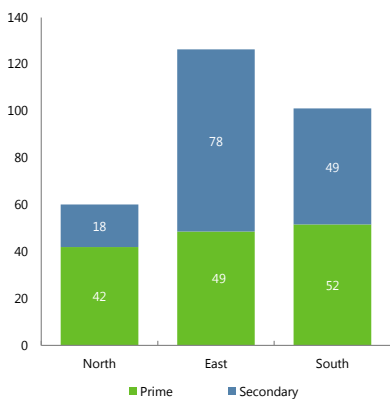
Distribution by Precinct

The South precinct experienced the greatest increase in the level of available industrial space, growing by 38% (27,604m²) over the past quarter to a total of 101,143m². This

represents 35% of the Perth region total. The most significant addition to the South was an 11,582m² facility at 18 and 30 Clarence Beach Road in Henderson. In addition, a further 11,453m² of vacant space became available within two properties in North Fremantle. The old Matilda Bay Brewery, at 130 Stirling Highway, is currently for sale and comprises 7,173m² of space available for short term lease. Secondly, the One Steel site at 140 Stirling Highway, which sold in April 2010 for \$30 million, is offering 4,280m² of space for short term lease.

The proportion of prime and secondary stock in the South is fairly well balanced with prime levels at 51%. The North market is dominated by prime stock at 70% with vacant prime assets mainly concentrated in the areas of Malaga and Wangara. The East on the other hand has the highest concentration of secondary space at 61%.

Figure 4
January 2014 Available Space
'000m² by quality & precinct



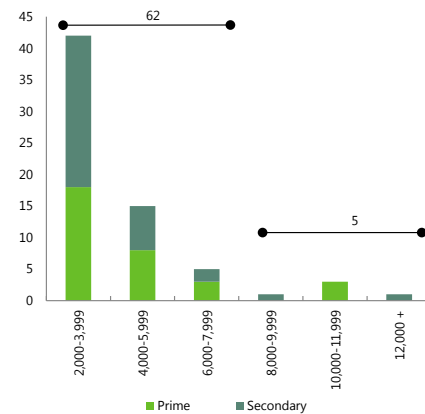
Source: Knight Frank

Size & Type of Stock

There are currently five buildings available which cater for users of 8,000m² plus. Three of these larger options are within prime accommodation, however two of these represent sub-lease space which does not suit every user. There is only one prime, direct lease, existing warehouse opportunity in excess of 8,000m² available at the current time. Knight Frank anticipates additional large prime properties will become available during 2014. As a result, tenants who were previously forced into the pre-lease market

will have greater options within existing facilities. Greater availability exists for tenants at the smaller end of the market with 62 options smaller than 8,000m², of which 29 are considered prime.

Figure 5
January 2014 Available Space
No of buildings by size of building m² and quality

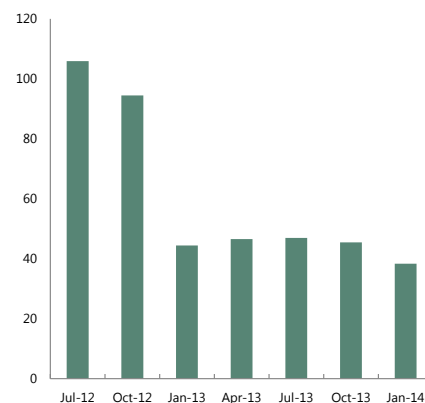


Source: Knight Frank

Building Take-up

During the previous quarter, eleven leases greater than 2,000m² (excl. D&C) were recorded by Knight Frank covering an area of 38,381m². The majority (63%) of this absorption comprised secondary stock. However, this figure is slightly distorted resulting from the lease of a large secondary grade premise in excess of 10,000m².

Figure 6
Perth Industrial Take-up
'000m² Est Take-up buildings 2,000m² + (excl D&C)

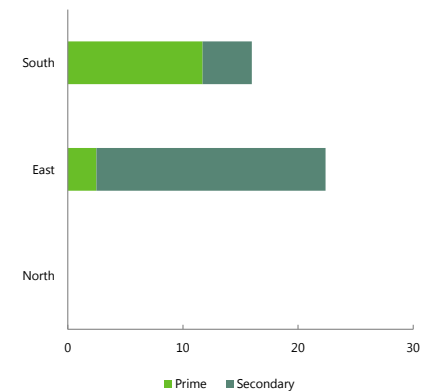


Source: Knight Frank

SUB-LEASE REPRESENTS 17% OF AVAILABLE SPACE

The bulk of take-up this quarter was recorded in assets under 4,500m² with ten of the eleven properties absorbed falling within this size range. The balance between warehousing and manufacturing was largely as expected with 50% of take-up stemming from each. Take-up was dominated by the East and South regions recording 22,395m² and 15,986m² respectively. No assets greater than 2,000m² were absorbed in the North over the past three month period.

Figure 7
Perth Industrial Take-up 3 months to January 2014
'000m² Est take-up buildings 2,000m² + (excl D&C)



Source: Knight Frank

Summary

There remains competition within the pre-lease market from developers. Approximately 80,000m² of pre-lease supply is expected to be added to the Perth market over the next 15 months. The majority of resulting backfill space will stem from secondary buildings, which is likely to see a rise in secondary vacancy as the year progresses. Enquiry has tracked along at the subdued levels experienced in previous periods. Upward pressure on rents is beginning to ease.

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

Knight Frank Research

Gabriel Payne

Research WA
+61 8 9225 2412
Gabriel.payne@au.knightfrank.com

Matt Whitby

National Director – Head of Research and Consulting
+61 2 9036 6616
Matt.whitby@au.knightfrank.com

Knight Frank Valuations

Marc Crowe

Director, Valuations WA
+61 8 9225 2521
Marc.crowe@au.knightfrank.com

Industrial Agency Contacts

Jarrad Grierson

Director, Industrial
+61 8 9552 2411
Jarrad.grierson@au.knightfrank.com

Craig Rowe

Associate Director, Industrial
+61 8 9225 2413
Craig.rowe@au.knightfrank.com

Scott Bailey

Senior Executive, Industrial
+61 8 9225 2421
Scott.bailey@au.knightfrank.com

Sam Hammond

Senior Sales and Leasing Negotiator, Industrial
+61 8 9225 2471
Sam.hammond@au.knightfrank.com

Martin Vogt

Senior Sales and Leasing Negotiator, Industrial
+61 8 9225 2437
Martin.vogt@au.knightfrank.com

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 2,000m². 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.

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, financial and corporate institutions. All recognise the need for the provision of expert independent advice customised to their specific needs.

Knight Frank Research reports are also available at KnightFrank.com.au

© Knight Frank 2014

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not permitted without prior consent of, and proper reference to Knight Frank Research.