

MELBOURNE INDUSTRIAL

TOP SALES TRANSACTIONS 2014

Key Facts

Of the 31 properties transacted, **13 assets totalling \$265.7 million** were offered as part of **portfolio sales**

Domestic institutions continued to remain key buyers, accounting for **77.0%** of the total sales value

Offshore buyers returned to invest in industrial property after an inactive 2013, with **14.3%** share of total sales

The Western region continued to lead industrial sales transactions with a total value of **\$409.5 million**



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Industrial sales volumes (\$10 million+) over 2014 reached a record high value, totalling \$921.8 million across 31 properties, led by domestic funds and increasing investment by offshore groups.

After a seven-year high was set for Melbourne industrial investment sales last year, transaction levels increased by 31% in 2014, setting an all-time high record.

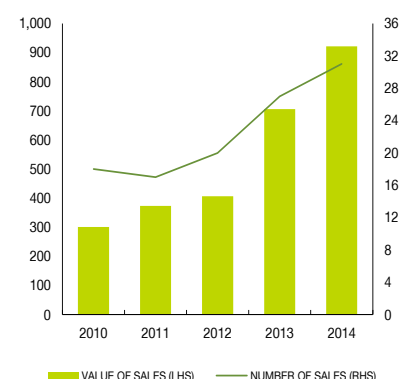
The current low interest rate environment led many institutional investors looking to increase their exposure to higher yielding investments, with several portfolio sales providing such an opportunity.

While the investor demand has been particularly strong for prime grade facilities, high levels of capital availability coupled with limited core asset offerings has led some buyers to shift their focus to secondary assets.

The imbalance between available core assets with long leases to blue-chip tenants, and growing investor capital resulted in a number of forward funding arrangements over 2014. This competitive bidding setting also resulted in yield compression with average prime industrial yields contracting

by 25 basis points over the year to now range between 7.70% and 8.25%. However assets with WALEs in excess of 10 years are now transacting below 7.00%.

FIGURE 1
Melbourne Industrial Sales
(\$m) industrial sales \$10million+



Source: Knight Frank

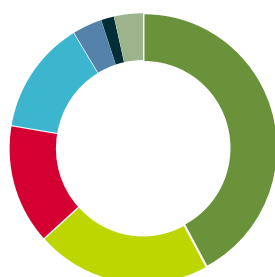
Sales & Investment Activity

Melbourne's industrial sales (\$10 million+) in CY 2014 totalled \$921.8 million from 31 properties, up from \$706.2 million transacted during the 2013 year, across 27 properties. Transactional levels in 2014 reached a record high, surpassing the 10-year average by 85%. This increase in industrial sales value was predominantly due to the rise in investment portfolios that were transacted over 2014. Of the 31 properties transacted, 13 assets totalling \$265.7 million were offered as part of portfolio sales.

Unlisted funds and syndicates continued to remain the most dominant purchasers, accounting for 42.1% of industrial sales by value, followed by AREITs who contributed 21.2% of the total sales. Offshore groups were once again active purchasers after an inactive CY 2013. While in the past years, offshore capital was largely driven by Asian-based groups; in 2014 however, investment was led predominantly by North American and UK-based investors.

The West continued to attract the highest proportion of the total sales activity by value at 44%, followed by South East at 23%.

FIGURE 2
2014 Melbourne Industrial Sales
By purchaser type \$10million+



Source: Knight Frank

1. 2-12 BANFIELD CRT, TRUGANINA

Price: \$94.10 million

Date: November 2014

GLA: 76,735m²

Rate/m² of GLA: \$1,226/m²

Yield: 6.5% (reported)

Vendor: Goodman Property Group

Purchaser: Pramerica & Invesco

Comments: A pre-committed distribution centre built for Kmart in 2011 set on a 14.6ha site with warehouse (75,000m²) and office (1,735m²) and a container hardstand area. The property sold with a WALE of 10.9 years.

2. 315 COOPER ST, EPPING

Price: \$77.40 million

Date: August 2014

GLA: 76,070m²

Rate/m² of GLA: \$1,017/m²

Yield: n/a

Vendor: Victoria State Government

Purchaser: Propertylink (PAIP)

Comments: New Melbourne Markets, due for completion in mid-2015, will have five separate warehouses that are interconnected to the trading floor, with a diversified tenant mix and lease expiries between five to 10 years.

3. SOUTH GIPPSLAND HWY & ABBOTTS RD, DANDENONG

Price: \$76.00 million (50% share)

Date: February 2014

GLA: 142,748m²

Rate/m² of GLA: \$1,064/m²

Yield: 8.00% initial

Vendor: Pellicano Property Trust 3

Purchaser: SunSuper

Comments: Portfolio of assets on a site area of 34.9ha, including 53,000m² of surplus land in M1 & M2 industrial estate. It had a WALE of 7.48 years at the time of its sale.

4. 441 DOHERTYS RD, LAVERTON NORTH

Price: \$70.00 million

Date: November 2014

GLA: 25,000m²

Rate/m² of GLA: \$2,800/m²

Yield: n/a

Vendor: Citius

Purchaser: Charter Hall

Comments: Woolworths pre-committed to lease a fresh food distribution centre for an initial term of 20 years. The cold storage facility will be built on a 6ha site in the Drystone Industrial Estate.

5. 495-501 BLACKBURN RD, MT WAVERLEY

Price: \$63.00 million

Date: September 2014

GLA: 23,724m²

Rate/m² of GLA: \$2,656/m²

Yield: 8.64% core market (8.60% initial)

Vendor: AMP Wholesale Fund

Purchaser: EG Funds Management

Comments: In addition to the warehouse and storage facilities, the property also includes a fully leased 6,654m² office to Metricon. The property was sold with a WALE of 5.4 years.

6. 254-294 WELLINGTON RD, MULGRAVE

Price: \$62.00 million

Date: February 2014

GLA: 20,000m²

Rate/m² of GLA: \$3,100/m²[^]

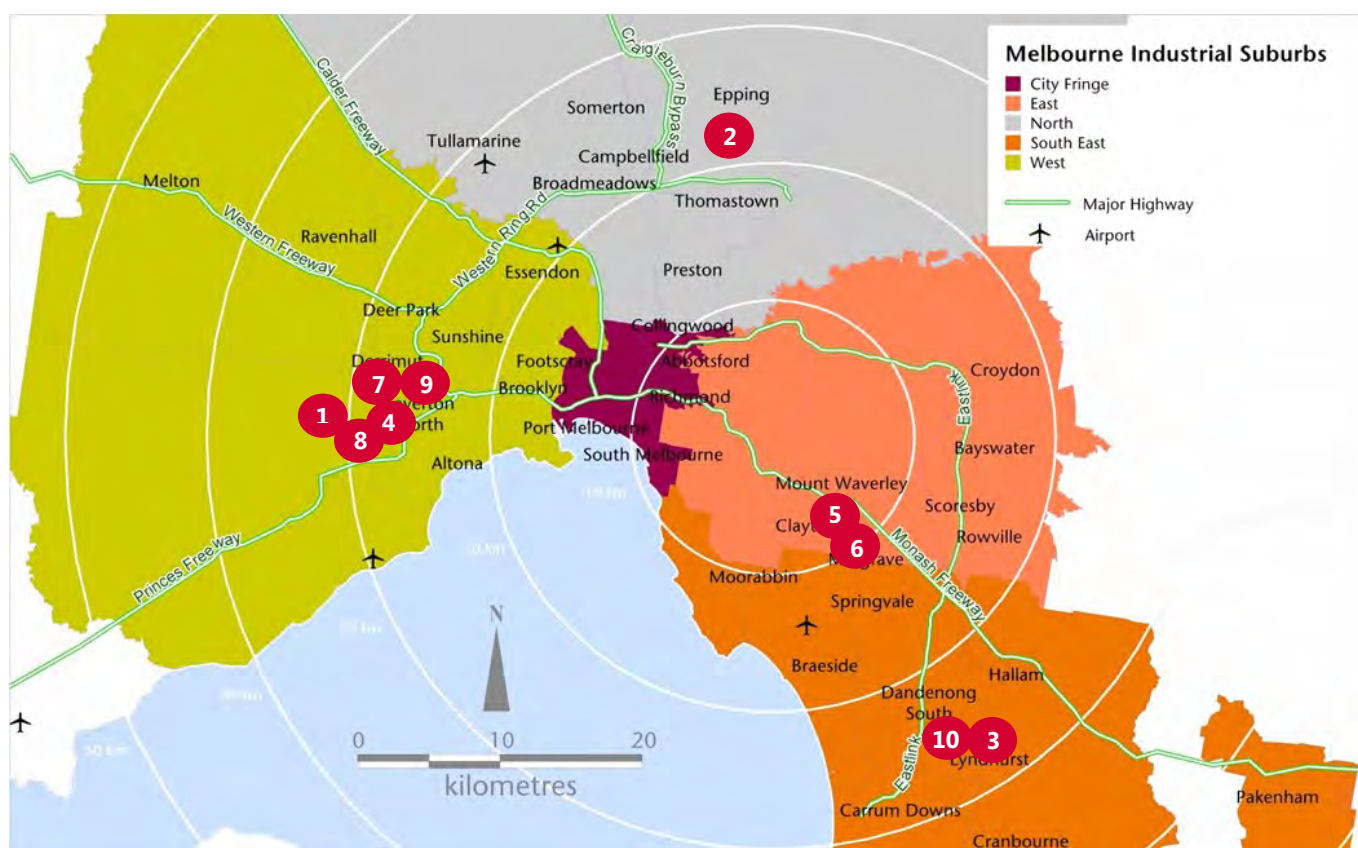
Yield: 7.44% core market (6.94% initial)

Vendor: Australasian Food Group Pty Ltd

Purchaser: Charter Hall (CLP)

Comments: Peter's ice cream factory is set on a site of 14.4ha, consisting 5.5ha of surplus land. The property was sold with a leaseback of 20 years by the owner-occupier.

[^] Skewed due to surplus land



7. 13-19 WILLIAM ANGLISS DRV, LAVERTON NORTH

Price: \$49.00 million

Date: September 2014

GLA: 56,112m²

Rate/m² of GLA: \$873/m²

Yield: 7.29% initial

Vendor: Goodman Property Group

Purchaser: AMP Capital

Comments: Older style facility of three warehouses and an office set on a site of 12.1ha, including surplus land (circa 15,608m²). ACI Operations is the sitting tenant with a lease expiry in October 2019.

9. 32-58 WILLIAM ANGLISS DRV, LAVERTON NORTH

Price: \$43.50 million

Date: September 2014

GLA: 46,218m²

Rate/m² of GLA: \$941/m²

Yield: 8.08% core market (8.03% initial)

Vendor: Goodman Property Group

Purchaser: Charter Hall (CLP)

Comments: The property set on 10.4ha of land with 45% site coverage, providing opportunity for future expansion. The property is leased to an array of tenants with a WALE of 3.4 years.

8. 7-23 DUNMORE DRV, TRUGANINA

Price: \$47.64 million

Date: March 2014

GLA: 16,960m² (first stage)

Rate/m² of GLA: \$2,472/m² (excluding expansion land)

Yield: 8.00% core market (8.00% initial)

Vendor: Montague Pty Ltd

Purchaser: Corval Partners'

Comments: The owner-occupier, Montague, sold an under-construction (at the time of sale) cold storage facility with a 20 year lease-back deal on a site area of 9.16ha. Two stages may be built to add a further 29,000m² of gross area on surplus land.

10. 324-332 FRANKSTON-DANDENONG RD, DANDENONG

Price: \$24.60 million

Date: March 2014

GLA: 28,316m²

Rate/m² of GLA: \$869/m²

Yield: 9.40% initial

Vendor: Primewest Management

Purchaser: Australian Industrial REIT

Comments: Acquired as a part of six property portfolio, the property has three warehouses and two single level offices. It was sold with a WALE of 2.5 years, fully leased to Gerard Land, who has further sublet the property to a range of tenants.



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