

MELBOURNE INDUSTRIAL

TOP SALES TRANSACTIONS 2015

Key Facts

Industrial sales in 2015 totalled **\$493.7 million**, **49% below** the sales of 2014

Domestic institutions continued to remain **key buyers**, accounting for **81%** of total sales by value

The Western region continued to lead all industrial precincts with sales totalling **\$140.3 million**

Yield compression continued with **prime core market yields tightening** by 79 basis points over 2015



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Industrial sales (\$10 million+) across Melbourne in 2015 totalled \$493.7 million from 22 properties, down from \$969.3 million transacted during 2014, across 33 buildings.

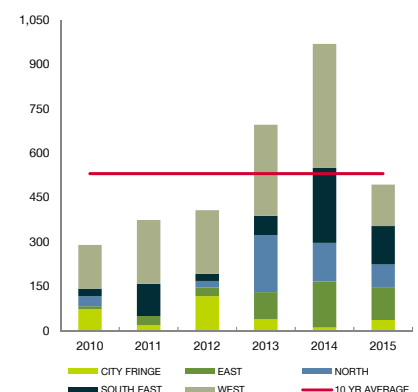
Melbourne's industrial sales volumes in 2015 declined by 49% compared to the preceding year after steadily growing since 2010. However, a number of assets were sold within national portfolios without values apportioned to individual assets publicly and therefore excluded from Melbourne's total sales which may, in part, explain the decline.

The current low interest rate environment and depreciation of the AUD led many domestic and offshore investors to look at increasing their exposure to higher yielding investments, with several portfolio sales providing such an opportunity. Whilst demand for prime industrial property remains strong, significant weight of capital coupled with the limited Core assets offered for sale has led some buyers to shift their focus to secondary grade properties.

This increasing weight of capital resulted in competitive bidding which resulted in yield compression with average prime core industrial yields contracting by 79 basis

points over the year to now range between 6.88% and 7.50%. Secondary yields compressed by 72 basis points over 2015 to now range between 8.38% and 9.25%.

FIGURE 1
Melbourne Industrial Sales
\$ million total sales (\$10mill+)



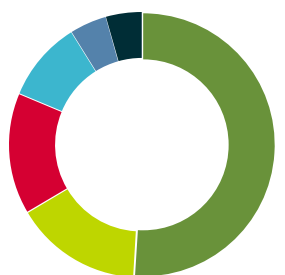
Source: Knight Frank Research

INDUSTRIAL TOP 10 SALES 2015

Melbourne's industrial sales (\$10 million+) in 2015 totalled \$493.7 million from 22 properties, 49% down from the \$969.3 million transacted during 2014, across 33 properties. Transactional levels in 2015 were the lowest since 2012 and also marginally below the 10-year average. This decline in Melbourne industrial sales volume was impacted by the rise in the number of assets within national investment portfolios but which were not allocated individual prices publically and therefore could not be included in Melbourne's total transactional volume. Key national portfolio sales that included Melbourne assets were: Goodman's portfolio sale to Charter Hall for approximately \$650 million and Ascendas' purchase of 26 industrial properties from GIC for \$1.07 billion.

Unlisted funds and syndicates continued to remain the most prominent purchasers, accounting for 51% of industrial sales by value. Though the West continued to attract the highest proportion of the total sales by value at 28%; Melbourne's top three industrial sales in 2015 occurred in the East and the South East. The largest sale by value over the year was recorded in the Eastern precinct with ISPT purchasing the Scoresby Industrial Park from Perfection Private Group for \$72.95 million.

FIGURE 2
2015 Melbourne Industrial Sales
Breakdown by purchaser type (\$10mill+)



Source: Knight Frank Research

1. SCORESBY INDUSTRIAL PARK, SCORESBY

Price: \$73.0 million

Date: September 2015

GLA: 50,017m²

Rate/m² of GLA: \$1,459

Yield: 6.52% core market (7.03% initial)

Vendor: Perfection Private Group

Purchaser: ISPT

Comments: Four logistics facilities set on a site area of 11.2ha. The vendor retained 24 flexible industrial units totalling 14,000m². The property was 99% leased at the time of the sale with a WALE of 5.2 years.

2. PART 81-125 PRINCES HWY, DANDENONG

Price: \$39.3 million

Date: February 2015

GLA: 27,475m²

Rate/m² of GLA: \$1,429

Yield: 7.70% initial

Vendor: Cbus Property

Purchaser: Warrington Property Group

Comments: The 8ha site is part of Estate-One Business Park, which Cbus is developing out of former GM Holden site. The property was sold subject to lease to GPI, CEVA and Australia Meat Holdings with a WALE of 4.2 years.

3. 1500 FERNTREE GULLY RD (& 8 HENDERSON RD), KNOXFIELD

Price: \$36.6 million*

Date: May 2015

GLA: 22,009m²

Rate/m² of GLA: \$1,661

Yield: 7.86% initial

Vendor: Brown & Watson Intl Pty Ltd

Purchaser: Growthpoint Properties (GOZ)

Comments: The warehouse is set on a 4.1ha site and was purchased in a portfolio sale comprising three properties. Vendor sold the property with a leaseback deal in place with a WALE of 8.4 years.

4. 704-744 LORIMER ST, PORT MELBOURNE

Price: \$36.2 million

Date: October 2015

GLA: 26,252m²

Rate/m² of GLA: \$1,379

Yield: 7.59% core market (7.41% initial)

Vendor: Centennial Property Group

Purchaser: AMP Capital

Comments: Located in close proximity to the Fishermans Bend precinct, the 3.34 ha site includes seven office and warehouse units fully leased to six tenants with a WALE of 6.0 years.

5. 78-118 CHERRY LN & 3 JAMES ST, LAVERTON NORTH

Price: \$35.5 million

Date: May 2015

GLA: 9,170m²

Rate/m² of GLA: \$3,871[^]

Yield: circa 6.03% initial

Vendor: Asciano

Purchaser: AIMS Property Securities Fund

Comments: In addition to the warehouse and storage facilities, the property also offers development potential upside on the 23.8ha site. It was sold with a new 10 year lease to Patrick Autocare.

6. 72-76 CHERRY LN, LAVERTON NORTH

Price: \$29.0 million*

Date: February 2015

GLA: 20,500m²

Rate/m² of GLA: \$1,415

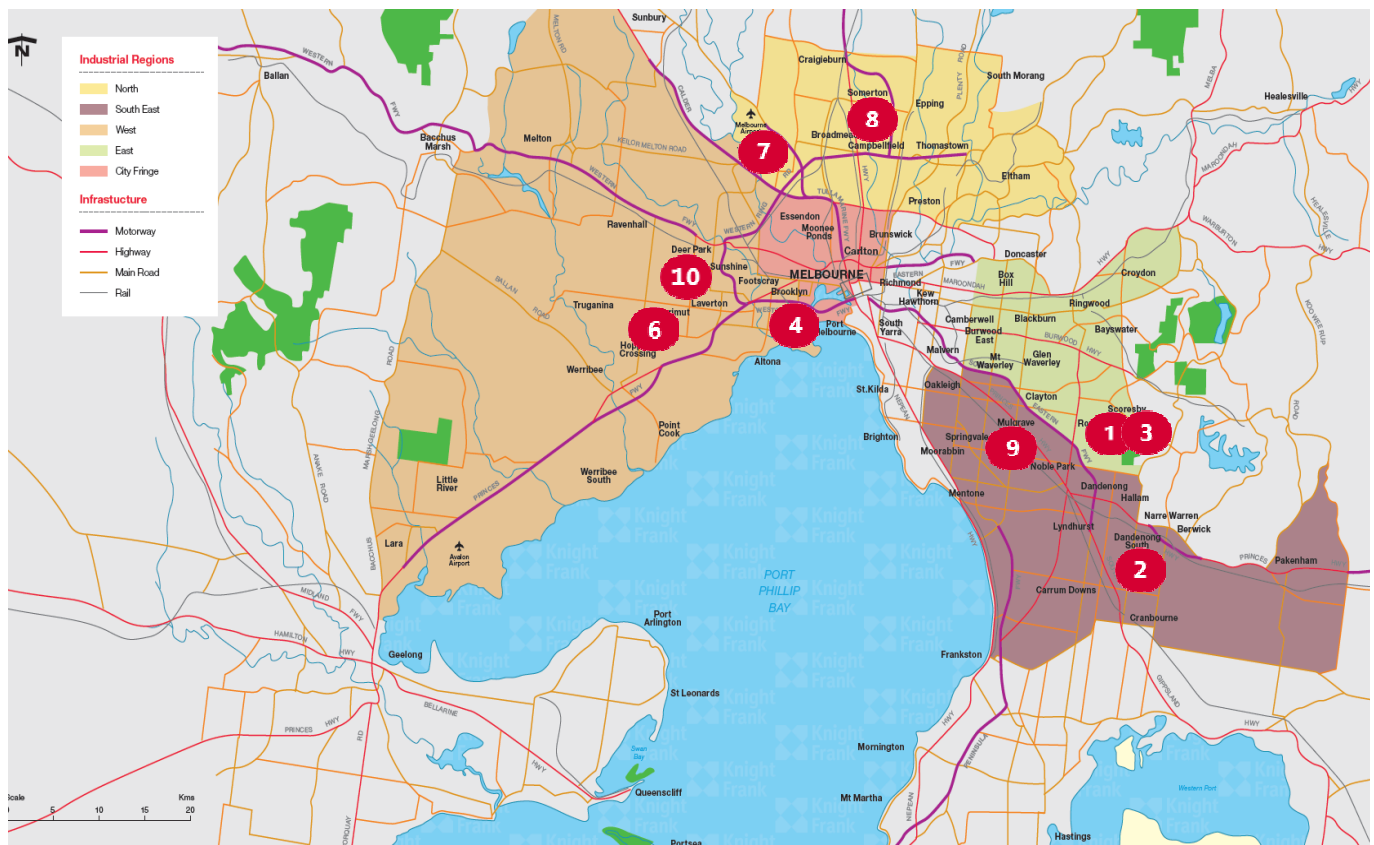
Yield: 7.80% initial

Vendor: Toll Transport

Purchaser: Stockland

Comments: Toll Transport's facility is set on a site of 9.8ha, consisting 4.5ha of container-rated hardstand. The property was sold with a leaseback of 5 years.

[^] Skewed due to surplus land * vendor leaseback & part of portfolio



7. 1 INTERNATIONAL DRV, TULLAMARINE

Price: \$23.9 million

Date: June 2015

GLA: 25,724m²

Rate/m² of GLA: \$927

Yield: 6.03% initial

Vendor: DEXUS Wholesale Property Fund

Purchaser: Warrington Property Group

Comments: The Melbourne International Airfreight Centre incorporates 41 office units and 36 warehouses set on a site of 5.6ha, including surplus land. It was sold with 23 sitting tenants.

8. 16-28 TRANSPORT DRV, SOMERTON

Price: \$22.3 million

Date: February 2015

GLA: 21,269m²

Rate/m² of GLA: \$1,048

Yield: 7.01% initial

Vendor: McPhee Transport

Purchaser: Cache Logistics Trust

Comments: The distribution centre set on 4.5ha site is leased to Linfox Australia until 2018. The vendor has a 10 year lease-back deal signed then-after. The property was purchased in a portfolio sale of three properties across New South Wales, Queensland and Victoria.

9. 71-97 WHITESIDE RD, CLAYTON

Price: \$20.7 million

Date: June 2015

GLA: 28,195m²

Rate/m² of GLA: \$735

Yield: 11.21%

Vendor: CWH Australia Trust

Purchaser: Propertylink & Goldman Sachs JV

Comments: The warehouse is set on 6.6ha of land, with a potential for future expansion. Corning Cable Systems had 1.58 year lease expiry and the property was sold within a portfolio of eight properties.

10. 41-55 ELGAR RD, DERRIMUT

Price: \$18.6 million

Date: August 2015

GLA: 21,888m²

Rate/m² of GLA: \$850

Yield: 6.50% initial

Vendor: Centreland Property

Purchaser: Lend Lease Australian Prime Property Fund Industrial

Comments: Positioned within the Paramount Industrial Estate on 3.6ha land, the logistics facility is fully leased to AirRoad Express, which was already four years into a 10 year lease at the time of sale.



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