

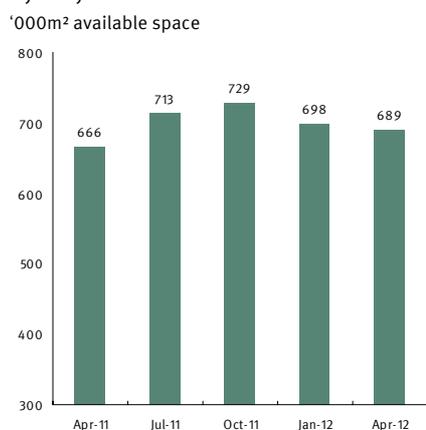
# RESEARCH

## APRIL 2012 SYDNEY INDUSTRIAL VACANCY ANALYSIS

### Knight Frank

The three months to April 2012 saw the Sydney industrial market record a second consecutive quarterly decline in available space. This resulted in total Industrial vacancies in excess of 5,000m<sup>2</sup> measuring 688,664m<sup>2</sup>. Despite the recent fall, vacant stock remain 3.5% higher compared with 12 months ago. Secondary leasing options account for the majority of vacancies and outweigh prime vacancies by three to one.

Figure 1  
Sydney Industrial Market

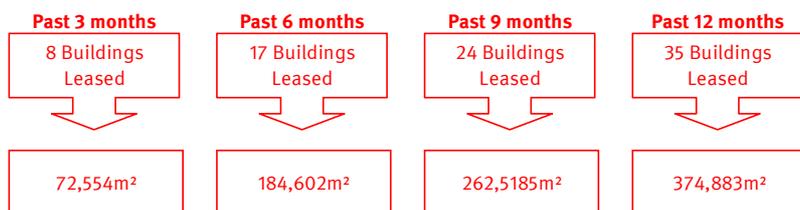


Source: Knight Frank

Take up has been steady from quarter to quarter with gross take up (excl. D&C) measuring 374,883m<sup>2</sup> for new lease deals in

Figure 2  
Sydney Industrial Market

'000m<sup>2</sup> Est Take-up buildings 5,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

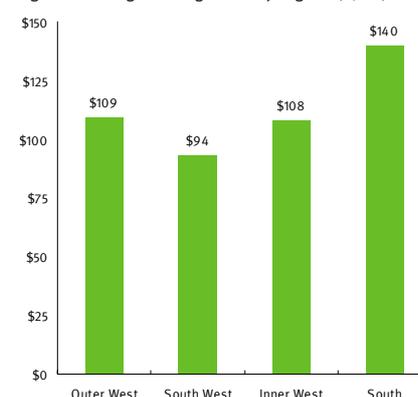
Table 1 Summary of Available Industrial Space – April 2012						
Market	Available Space (m <sup>2</sup> )	Number of Buildings	Av. Asking rent (\$/m <sup>2</sup> net)	Change past quarter (m <sup>2</sup> )	Change past 6 months (m <sup>2</sup> )	Change past 12 months (m <sup>2</sup> )
<b>Precinct</b>						
Outer West	278,853	25	90	-17,977	-29,917	14,851
South West	170,123	16	87	24,745	21,653	18,211
Inner West	160,348	14	94	-46,104	-71,035	-65,247
South	79,340	7	112	29,907	39,017	45,277
<b>Total</b>	<b>688,664</b>	<b>62</b>	<b>93</b>	<b>-9,429</b>	<b>-40,282</b>	<b>13,092</b>
<b>Building Quality</b>						
Prime	154,130	15	111	-15,473	-29,694	-67,631
Secondary	534,534	47	87	6,044	-10,588	90,723
<b>Building Type</b>						
Existing Stock	656,548	58	92	14,643	-7,277	
Speculative (Completed)	6,420	1	115	-21,000	-6,000	
Under Construction	25,696	3	105	-3,072	-27,005	

Source: Knight Frank

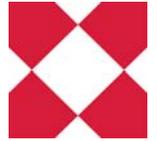
excess of 5,000m<sup>2</sup>. 62% of the take up accounted for new leasing deals in the Outer West. The speculative development pipeline remains relatively shallow and only 6,420m<sup>2</sup> of completed speculative stock remains vacant. 49,629m<sup>2</sup> in spec developments are currently under construction, however 48% has received pre-commitments meaning only 25,696m<sup>2</sup> spread over three projects remains uncommitted, however around half of this is in advanced negotiations.

Average asking A-grade rents are highest in the South at \$140/m<sup>2</sup> and range down to \$94/m<sup>2</sup> in the South West.

Figure 3  
Sydney Industrial Market  
A-grade average asking rents by region (\$/m<sup>2</sup>)



Source: Knight Frank

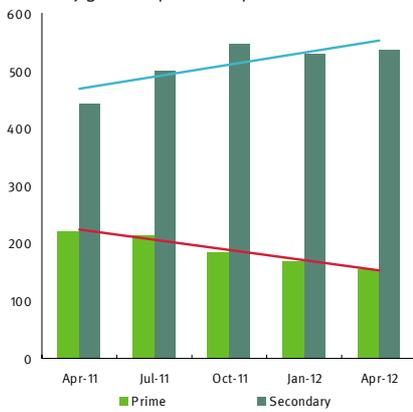


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## Quality of Stock

Industrial vacancies are predominantly made up of secondary stock. Total prime available space currently measures 154,130m<sup>2</sup>, which is only 22% of total vacancies. This ratio has steadily been decreasing over the last 12 months with secondary vacancies increasing 90,723m<sup>2</sup> and prime vacancies decreasing 67,631m<sup>2</sup> as tenants look to upgrade into more modern premises.

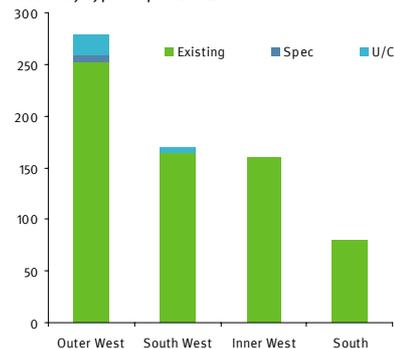
Figure 4  
Sydney Industrial Available Space  
'000m<sup>2</sup> by grade - April 2011-April 2012



Source: Knight Frank

There is only one completed speculative development available for lease, which is a relatively small 6,420m<sup>2</sup> option at Eastern Creek. At Erskine Park, Goodman have commenced ground works on two projects, amounting to almost 40,000m<sup>2</sup>. The projects, located at Reedy Creek and Westpark Industrial Estate, will potentially add to the pipeline of speculative stock under construction in the coming quarter.

Figure 5  
Sydney Industrial Available Space  
'000m<sup>2</sup> by type - April 2012



Source: Knight Frank

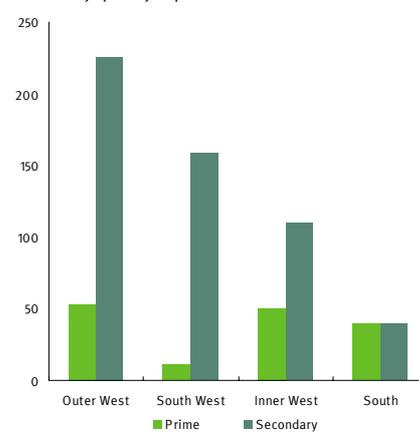
## Distribution by Precinct

The market with the most available space is the Outer West with 278,853m<sup>2</sup> of vacancies. Only a small proportion of this total is made up of prime leasing options for existing buildings (26,250m<sup>2</sup>) with the balance of prime vacancies being made up of speculative developments (6,420m<sup>2</sup> completed speculative and 25,696m<sup>2</sup> speculative under construction). Aside from one small privately owned speculative development under construction in the South West, the Outer West accounts for all speculative activity.

Prime options are most sparse in the South West region, where only 11,160m<sup>2</sup> of prime vacancies exist. This is made up of one existing building and one speculative project, which commenced construction during the first quarter. However the South West has a large amount of vacant secondary stock, currently measuring 158,963m<sup>2</sup>.

Vacant space in the Inner West has trended down in the last three quarters to now measure 160,348m<sup>2</sup>. Despite some evidence of downsizing and logistics outsourcing in the region, new leasing options added to the market in the last six months have been relatively limited.

Figure 6  
April 2012 Available Space  
'000m<sup>2</sup> by quality & precinct



Source: Knight Frank

There are 79,340m<sup>2</sup> of vacancies in the South, which by area are split relatively evenly between prime and secondary. However, by number, there are only two prime vacancies, compared with five secondary. This is a result of

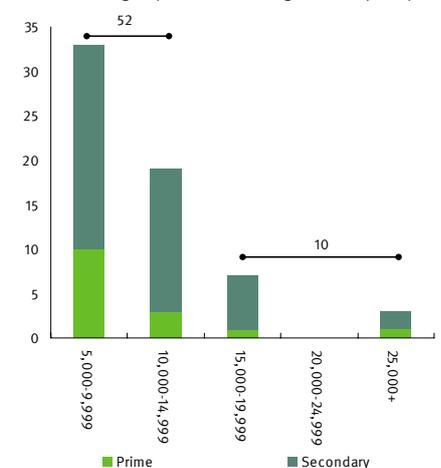
29,907m<sup>2</sup> at Matraville that was vacated during the first quarter by Ingram Micro, who have now moved to D&C premises at Interchange Park, Eastern Creek.

## Size of Available Stock

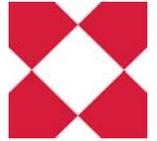
Looking at the size of industrial vacancies in 5,000m<sup>2</sup> intervals (refer Figure 7) shows that there is a greater availability of options for tenants at the smaller end of the market. Only ten large options in excess of 15,000m<sup>2</sup> currently exist, of which two are prime grade. In conjunction with relatively firmer demand from larger tenants, this lack of options has underpinned the relative success of larger speculative projects that have progressed over the last 18 months. By comparison, 52 vacant options exist below 15,000m<sup>2</sup>.

**ONLY TEN LARGE OPTIONS IN EXCESS OF 15,000M<sup>2</sup> CURRENTLY EXIST, OF WHICH TWO ARE PRIME GRADE**

Figure 7  
April 2012 Available Space  
No of buildings by size of building m<sup>2</sup> and quality



Source: Knight Frank

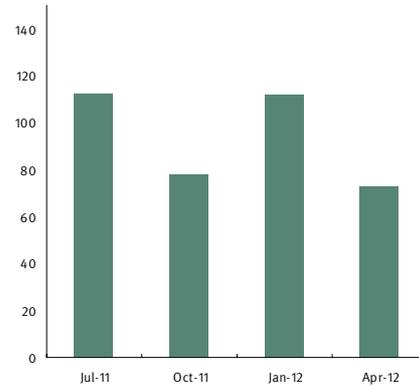


## Building Take-up

Knight Frank estimates that during the first quarter of 2012 there were eight buildings greater than 5,000m<sup>2</sup> leased covering an area of 72,554m<sup>2</sup>. In the Outer West gross take up totaled 29,502m<sup>2</sup> and was made up of two commitments to speculative developments. In other regions, all lease deals recorded were for existing stock.

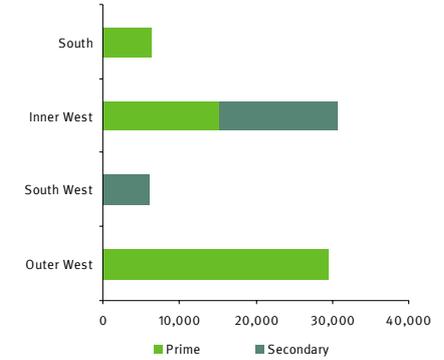
The take up of 50,912m<sup>2</sup> of prime stock in the first quarter outperformed the 21,642m<sup>2</sup> of secondary stock absorption. However the take up of space over the past 12 months has been more evenly spread between the grades with prime and secondary equating to 51% and 49% of the total absorption respectively. This is somewhat reflective of the relative shortage of prime leasing options.

Figure 8  
Sydney Industrial Take - up by quarter  
'000m<sup>2</sup> Est Take-up buildings 5,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Figure 9  
Sydney Industrial Take-up 3 months to April 2012  
Estimated Take-up buildings 5,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

### Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Brisbane 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 5,000m<sup>2</sup>.
2. Buildings are categorized into the below three types of leasing options
  - o *Existing Buildings* – existing buildings for lease.
  - o *Speculative Buildings* – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant.
  - o *Under Construction* – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

Data collection and analysis represents a snap shot of market vacancy as at April 2012, the beginning of the second quarter.

### The Sydney Industrial Property Market has been divided into 4 distinct industrial precincts, as follows:

<b>Inner West</b>	West of Concord Road to Cumberland Highway including the suburbs of Silverwater, Rydalmere, Auburn, Lidcombe, Rosehill, Regents Park, Chullora
<b>Outer West</b>	West of Cumberland Highway including the suburbs of Wetherill Park, Smithfield, Eastern Creek, Erskine Park, Arndell Park, Huntingwood, Greystanes, Blacktown, Seven Hills, Kings Park, Marayong
<b>South</b>	Located South of the CBD including the suburbs of Alexandria, Botany, Banksmeadow, Mascot, Roseberry, Matraville, Hillsdale, Waterloo
<b>South West</b>	Predominantly made up of precincts surrounding the M5 and Hume Highway including the suburbs of Liverpool, Moorebank, Prestons, Ingleburn, Bankstown, Milperra, Minto, Smeaton Grange, Campbelltown

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