

PRESS RELEASE



Victoria Drives National Industrial Leasing Market

Melbourne has enhanced its standing as Australia's leading industrial property market by dramatically bucking the national trend of decreased leasing activity in 2009, according to new Savills research.

Savills' analysis of total industrial space leased in 2009 shows Melbourne posted a stunning 78% surge in industrial leasing last year for a total of 726,000 sq m leased, up from 407,000 sq m in 2008.

This was achieved against the backdrop of a national 6% decline in industrial leasing, which saw a total of 2.121 million sq m leased in 2009, down from 2.252 million sq m the previous year.

According to the Savills research, all states bar Victoria recorded a fall in industrial space leased in 2009.

However, this downturn is attributable more to the shortage of available stock from a slowdown in construction due to the Global Financial Crisis, which is affecting all markets. Melbourne bucked the trend because of the size of its industrial market and an abundance of suitable, available options last year.

"The surge in industrial leasing in Victoria last year not only highlights the strong fundamentals of that market, but also the importance of general business confidence," said Tony Crabb, Savills National Head of Research.

"Industrial leasing is a good barometer of the broader economy and the upswing in Victoria in 2009 mirrored a similar rise in business confidence."

"It is not that the other states have weak industrial demand but rather they don't have the existing vacant stock nor do they have the ability to build. Other industrial markets are smaller and have less available options for tenants and the GFC has choked supply," Mr Crabb said.

"We may now see the beginnings of rental pressure as tenants compete for ever declining options. Design and construct should really gather pace as existing options dwindle."

Victoria

"Victoria has retained the strongest market fundamentals, including affordability and access to freeways, the airport and the country's largest industrial sea port," said David Norman, Savills VIC Divisional Director, Industrial.

"This year's 78,000 sq m lease to Kmart in Laverton North - the largest ever industrial pre-lease in Victoria - underlines just how important Melbourne is regarding by the country's largest corporations for their warehousing and distribution requirements."

New South Wales

“Industrial leasing was steady over most of 2009 in Sydney, particularly in the key western precincts, though activity was noticeably more buoyant in the last quarter and into this year,” said Darren Curry, Savills NSW Divisional Director, Industrial.

“There have been a number of recent major leases in large facilities and overall tenants are showing a greater willingness to get back into the market. There is a real undersupply of prime stock in the greater Sydney industrial market due to the inability of trusts, funds and developers to build on spec over the last year. This should create added pressure on rents going forward.”

Queensland

“In Brisbane, the number of industrial leases last year was not down as much as the size of the leases, which indicates we will need more large spaces to lease at top end of the market,” said Graham Norris, Savills QLD Divisional Director, Industrial.

“Overall, the market is active with a lot of tenant enquiry in the key precincts of Southside corridor and Trade Coast with emerging areas such as Swanbank and North Lakes.”

South Australia

“Adelaide is a tightly held industrial market and the availability of stock has limited opportunities for the larger industry users,” said Steve Bobridge, Savills SA, Divisional Director, Industrial.

“We are seeing increased activity in the key North and North West precincts and emerging areas benefitting from new infrastructure, including the Northern Expressway and South Road Superway. We anticipate improved logistics will increase demand into the future.”

Western Australia

“The significant drop in industrial leasing volumes in Western Australia last year reflected the limited availability of stock and downturn in resources activity,” said James Condon, Savills WA Divisional Director, Industrial.

“On the back of the state’s rejuvenated resources sector, we are seeing a noticeable increase in leasing enquiry. Any available stock in prime precincts is leasing quickly, but there is currently limited supply for large spaces.”

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