



**Preston  
Rowe  
Paterson**

®  
International Property Consultants

# Sydney *Impact* Report

## Industrial Market

### About This Report

Preston Rowe Paterson prepare research reports covering the main markets within which we operate in each of our capital cities and major regional locations. This Industrial Market research report provides analysis and detail of economic factors which impact on the Industrial Market within the Sydney region.

Within this report we have analysed sales in the past six months to the reported quarter in the various Sydney Industrial regions of; North West, North Shore, Central West, Outer West, South Sydney, South West & Southern Shire. We have also conducted yield analysis on significant sales \$5 million and over.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

**2014**

**December Quarter Update**

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Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: [research@prpsydney.com.au](mailto:research@prpsydney.com.au)

Follow us: Visit [www.prpsydney.com.au](http://www.prpsydney.com.au) to follow us

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## Economic Fundamentals

### GDP

GDP figures for the December quarter are not available until the 4th March 2015 however Preston Rowe Paterson Research over the September 2014 quarter revealed that the Australian economy recorded growth of 0.3% seasonally adjusted which reflected growth of 2.7% seasonally adjusted over the twelve months to September 2013.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services which increased by 0.2%, Mining and Information media and telecommunications each increased by 0.1% to the increase in GDP.

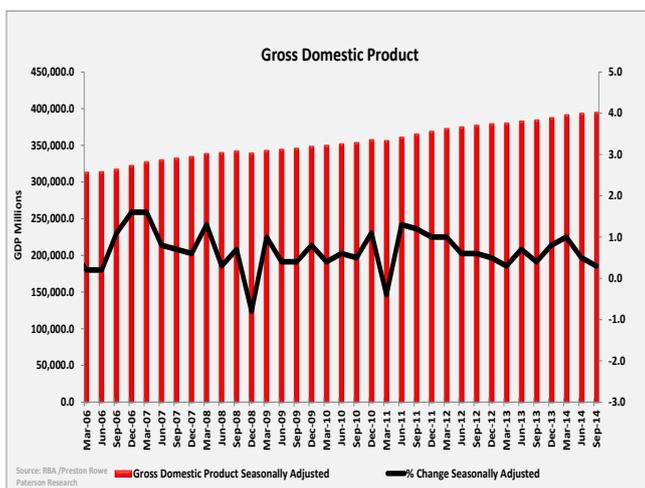


Chart 1 – Gross Domestic Product (GDP) – Source ABS

### Labour force

Over the month to December 2014, the number of unemployed people decreased by 16,220 from 775,377 in November to 759,156 in December which is a 2.09% decrease. In comparison to December 2013, the number of unemployed people has increased by 40,135 which reflected an annual increase of 5.58%. The unemployment rate as at December 2014 is 6.1%.

The number of unemployed seeking full time employment recorded an increase over the month of December by 6,048 to 551,459 persons, reflecting a growth of 1.11%. The number of unemployed seeking part time employment recorded a decreased over the month by 22,269 to 207,697 persons, reflecting a growth of 2%.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by 3,700 persons to 3.633 million persons. The unemployment status in New South Wales over the December Quarter decrease by 0.1% to 5.9%.

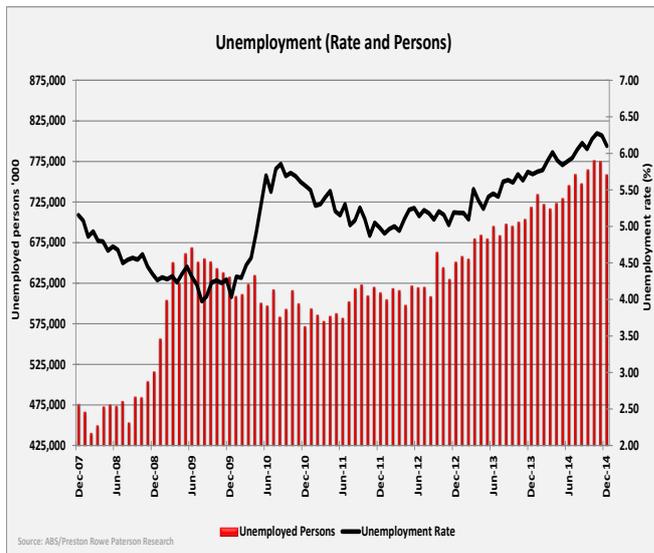


Chart 2 – Unemployment – Source ABS

### Interest Rates

As at the date of publishing, the official Cash Rate over the December quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for December 2014, released 2nd December 2014 explained that;

*"In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend for the next several quarters."*

The media release also stated that inflation is as expected to be consistent with its 2%-3% target over the next two years. The cash rate has remained unchanged since September 2013.

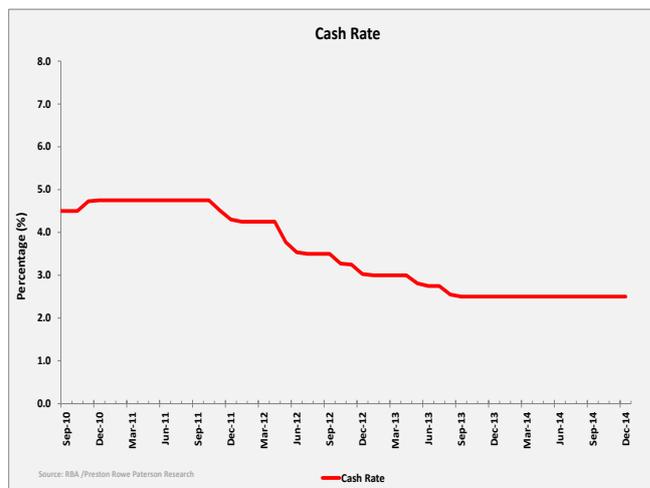


Chart 3 – Cash Rate – Source RBA



## Bond Market

### 10 Year Bond & 90 Day Bill Rate

In the twelve months to December 2014, the 10 Year Bond Rate has decreased by 128 basis points to 2.96%. Conversely, the 90 Day Bill Rate increased by 14 basis points to 2.75%.

Over the December 2014 quarter, 10 Year Government Bonds recorded a decline of 59 basis points from 3.55%. The 90 Day Bill Rate recorded a steady increase over the December quarter of 9 basis points. Year on year analysis has revealed that the 90 Day Bill Rate has increased by 147 basis points since December 2013.

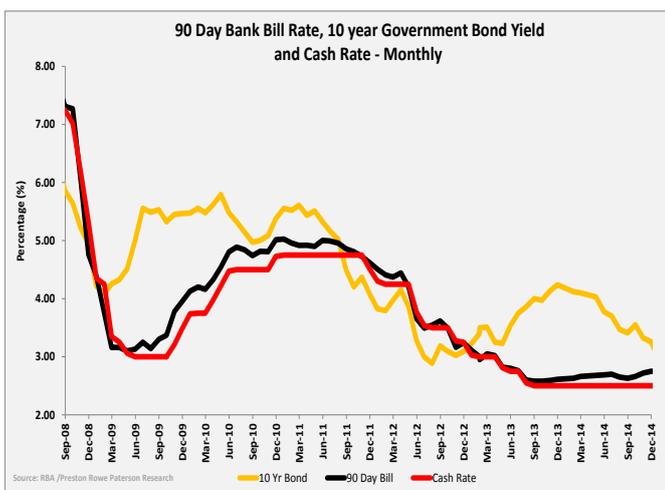


Chart 4 – 90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Analysis of 10 Year Government Bonds has revealed an increase of 30 basis points over the month of December 2014 with the 10 year bond rate currently at 2.96%. 90 day bill rates experienced no changes in the December month, remaining at 2.75%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 4 basis points.

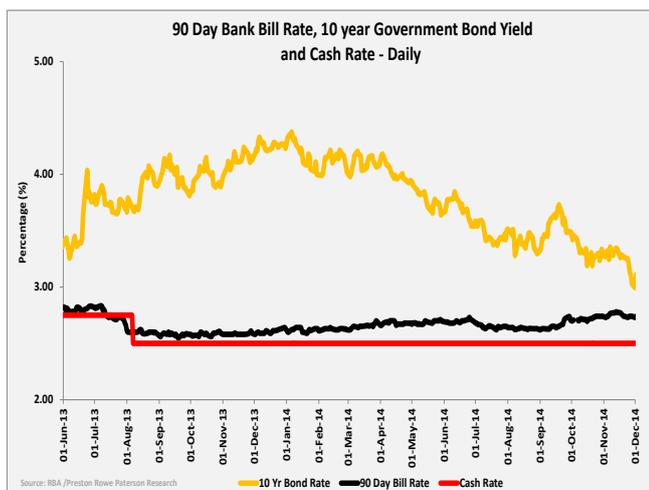


Chart 5 – 90 Day Bill, 10 year bond and cash rate – DAILY – Source RBA

## CPI

According to the Australian Bureau of Statistics (September 2014), the Australia's All Groups CPI increased by 0.5% over the September quarter from 105.9 to 106.4. The annual CPI change to September 2014 recorded a growth of 2.3%.

The most significant price rises over the September quarter were for fruit (+14.7%), and property rates and changes (6.3%). The greatest price fall over the quarter was attributed to electricity (-5.1%) and automotive fuel (-2.5%).

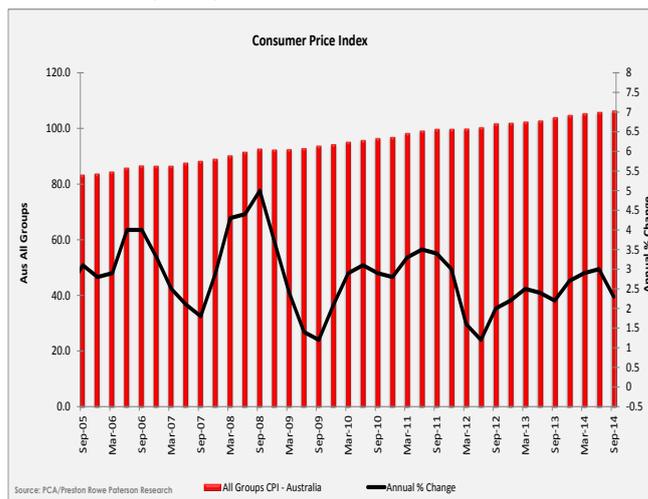


Chart 6– Consumer Price Index—Source—ABS

## Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 5.7% in December from 96.6 index points in November to 91.1 index points in December. Over the quarter the index has decreased by –2.9 points, a 3.09% fall. Over the twelve months to December the index declined by –13.9 index points, reflecting a percentage decline of –13.24%.

The Index has fell below the August 2011 record low. Westpac's Chief Economist, Bill Evans stated; "This is a very disturbing result... the economy had been limping along at a 1.6% annualised growth pace for the last six months, with national incomes declining and overall activity contracting in the quarter in every state except NSW."

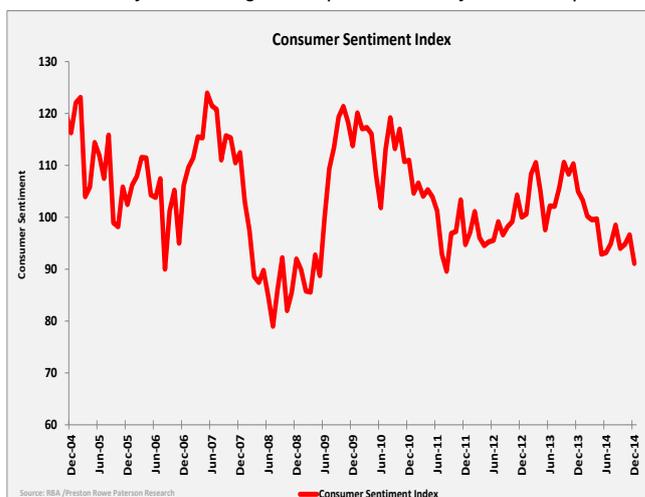


Chart 7– Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey

## Industrial Market—Economic Statistics

Data and information from the National Australia Bank Quarterly Australian Commercial Property Survey: Q4 2014 has been analysed to derive at the following findings; industrial property capital values recorded no changes in the December quarter of 2014, however, it is expected to grow in 1 & 2 years time of 1% and 0.6% respectively.

Industrial market rents tightened by 0.1% over the December quarter of 2014. Over the next 2 years industrial rents are expected to improve by 0.7% and 1.1%. Leasing incentive are expected to decrease as well as vacancy rates over the first quarter of 2015.

Supply conditions in the NSW industrial property market were considered balanced, forecasting a slight undersupply of industrial space in the next 3 years. The expectation of industrial undersupply may be attributed to the acquisition of CBD and city fringe industrial properties that are redeveloped into residential or mixed-use developments.

Over the December quarter 2014, the NAB Industrial Property Index is 0 which was an increase of 1 index points since the September quarter 2014 index points. Over the next year, the industrial property index is expected to rise to +42 points and in 2 years to +51 points. The index showed that property professionals are expecting the NSW industrial conditions to 'strong and most optimistic in next 1-2 years'.

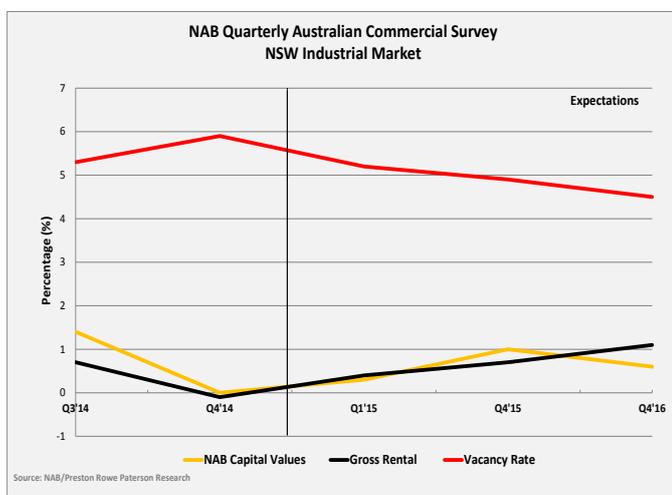


Chart 4 – NSW Industrial Market Expectations - Source NAB

## Industrial Property Market

### North Shore Region

Preston Rowe Paterson Research classifies the North Shore region of Sydney's industrial market to include suburbs of: **Artarmon, Balgowlah, Belrose, Brookvale, Chatswood, Frenchs Forest, Hornsby, Lane Cove, Manly Vale, Mona Vale, Mount Ku-ring-gai, St Leonards, Turramurra, Warringah and Willoughby**

### Building/Investment Sales

The North Shore market had been relative stable in investment sales where there has been a few significant sales greater than \$5 million in the region over six months to December 2014.

The most significant sales transaction in the North Shore region over six months to December was the sale of **St Leonards Corporate Centre** located at **39 Herbert Street, Artarmon**. The 35,530 sqm office/warehouse complex sits on a 37,160 sqm site with 400 parking spaces was sold for **\$150 million** on a yield of 9.20%. The building is leased to corporate tenants Australian Post, SBS, Stryker, CISCO and SKM with a WALE of 9 years. There is residential development potential on the property should the site be rezoned for mixed-use/high density residential.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
<b>31-33 Gibbes Street, Chatswood NSW 2067</b>	\$4,435,000	Aug-14	undisclosed	Hamak Pty Ltd	Feseno Pty Ltd	1,895
<b>3-5 West Street, Pymble NSW 2073</b>	\$4,900,000	Aug-14	undisclosed	Australian Public Trustees Ltd	Mormatsal Investments Pty Ltd	3,186
<b>39 Herbert Street, Artarmon NSW 2064</b>	\$150,000,000	Oct-14	9.20%	Altis Property Partners	Mirvac Group	35,530
<b>290 Bobbin Head Road, North Turramurra NSW 2074</b>	\$5,800,000	Oct-14	7.77%	undisclosed	undisclosed	1,024
<b>567-573 Pacific Highway, St Leonards NSW 2065</b>	\$8,330,000	Nov-14	undisclosed	Imperial Apartments Pty Ltd and Aceb	St Leonards Real Estate Development Pty Ltd	1,004
<b>7-15 Gundah Road, Mount Kuring-Gai NSW 2080</b>	\$55,000,000	Dec-14	8.40%	undisclosed	Propertylink	41,880

Table 1—North Shore Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

### Rentals

The following table displays reported leasing transactions which occurred over six months to December 2014.

There was a higher demand for sites less than 5,000 sqm in the North Shore region, particularly in the Frenchs Forest area. A lack of supply for large spaces on the North Shore might have raised the rental price to almost double the average rent per square metre across Sydney.

The most significant rental transaction in the North Shore region over six months to December was **Unit 7 at 25 Frenchs Forest Road, Frenchs Forest**. The property was leased by NDC Automation which outgrew its unit in Chatswood. The office/warehouse unit is rented out at a gross rent of \$379,000 per year on a 5 year term.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
<b>Unit 7/25 Frenchs Forest Road, Frenchs Forest NSW 2086</b>	\$222	\$379,000 Gross	1,706	LIF Pty Ltd	NDC Automation	5	Aug-14
<b>72-74 Gibbes Street, Chatswood NSW 2067</b>	\$200	\$249,000 Gross	1,245	Greame Dobson	Sports Acrobatics Australia	5 + 5	Aug-14
<b>3 McLachlan Avenue, Artarmon NSW 2064</b>	\$297	\$326,700 Gross	1,100	Mark Donnelly	North Sydney Charters	5 + 5	Sep-14
<b>Unit 8/25 Frenchs Forest Road, Frenchs Forest NSW 2086</b>	\$222	\$337,329 Gross	1,520	LIF Pty Ltd	Greenwood Prep 10	10	Oct-14

Table 2—North Shore Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

## North Western Region

Preston Rowe Paterson Research classifies the NSW North Western region of Sydney's industrial market to include suburbs of: **Baulkham Hills, Bella Vista, Castle Hill, Epping, Kings Park, Macquarie Park, Meadow Bank, North Rocks, North Ryde, Seven Hills and Thornleigh.**

### Building/Investment Sales

The following table displays reported several building/investment sales transactions over \$5 million which occurred over six months to December 2014.

The demand for industrial space in the North West was relatively moderate with many transactions focused in the North Ryde/ Macquarie Park business area. Most sales in the area were sold in vacant possession and a few properties were sold with the intention of future residential conversion.

The most significant sale recorded by Preston Rowe Paterson Research is the sale of the CSIRO complex at **11 Julius Avenue, North Ryde.** The Chinese development group Aqualand has paid **\$170 million** for the 6.5 ha site and plans to develop residential units on the site after the lease to CSIRO ends in 2021.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
<b>920 Richmond Road, Marsden Park NSW 2765</b>	\$20,000,000	Jul-14	undisclosed	Sydney Busines Park Pty Ltd	Swire Cold Storage Ltd	70,000
<b>12 Victoria Avenue, Castle Hill NSW 2154</b>	\$6,655,000	Jul-14	undisclosed	Australian Motor Group Pty Ltd	Katie Invest Pty Ltd	1,100
<b>40-42 Carrington Road, Castle Hill NSW 2154</b>	\$20,000,000	Aug-14	9.04%	Leda Holdings	undisclosed	13,359
<b>15 Talavera Road, Macquarie Park NSW 2113</b>	\$34,000,000	Aug-14	undisclosed	AMP Capital Funds Management Limited	MITSA Pty Ltd	12,892
<b>11 Julius Avenue, North Ryde NSW 2113</b>	\$170,000,000	Sep-14	undisclosed	Challenger Life Company	Aqualand Projects Pty Ltd	35,652
<b>45 Epping Road, North Ryde NSW 2113</b>	\$4,950,000	Oct-14	VP	Tanabo Pty Ltd	Total Forms Pty Ltd	1,799

Table 3—North West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

### Rentals

The following table displays reported leasing transactions which occurred over six months to December 2014.

There has been few significant leases signed to industrial properties over 1,000 sqm. In the December quarter 2014, Preston Rowe Paterson Research have observed that the Seven Hills area had experienced a more active leasing market than the relatively more sought after Macquarie Park.

The most significant rental transaction in the North West region six months to December was a 9,000 sqm office/warehouse at **11-13 Gibbon Road, Winston Hills.** The property is leased to Toshiba International Corporation on a 15 year lease at a gross annual rent of approximately \$1.575 million.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
<b>Unit 2/17 Stanton Road, Seven Hills NSW 2147</b>	\$115	\$207,575	1,805	undisclosed	Assa Abloy Entrance System Australia	3	Aug-14
<b>36 Bearing Road, Seven Hills NSW 2147</b>	\$110	\$301,730 Net	2,743	Australian Industrial Sands Pty Ltd	City Mining	5	Sep-14
<b>217 North Rocks Road, North Rocks NSW 2151</b>	\$70	\$93,170 Net	1,331	Ej Fairburn	Marydias Pty Ltd	3	Nov-14
<b>11-13 Gibbon Road, Winston Hills NSW 2153</b>	\$175	\$1,575,000 Gross	9,000	undisclosed	Toshiba International Corporation	15	Dec-14

Table 4—North West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

## Central West Region

Preston Rowe Paterson Research classifies the Central West Region of Sydney's Industrial Market to include the suburbs of: **Auburn, Croydon, Ermington, Granville, Homebush, Lidcombe, Melrose Park, Parramatta, Regents Park, Rhodes, Rosehill, Rydalmere, Silverwater, Strathfield**

### Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to December 2014.

The Central West region has been relatively active in the sales of large industrial spaces, however, many significant sales over \$5 million have development proposals or re-zoned for mixed-use residential developments. The trend seems to highlight that the closer an industrial site is to a CBD, the higher the chances of developers buying with the intention for a residential redevelopment.

The most significant sales transaction in the Central West region over six months to December was a 14 ha warehouse complex at **44 Wharf Road, Melrose Park**. The industrial site was sold for **\$95 million** was sold to listed developer Payce Consolidated. Payce has entered into a joint venture with the Japanese group Sekisui House to redevelop both 44 Wharf road and 44A Wharf Road (2 ha site) for residential purposes.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
<b>100 Elliot Street, Balmain NSW 2041</b>	\$58,000,000	Aug-14	undisclosed	Peakhurst Properties Pty Ltd	Toga Group	12,375
<b>44 Wharf Road, Melrose Park NSW 2114</b>	\$95,000,000	Aug-14	undisclosed	R & C Assets Pty Ltd	Payce Consolidated	140,000
<b>44a Wharf Road, Melrose Park NSW 2114</b>	\$23,500,000	Sep-14	undisclosed	R & C Assets Pty Ltd	Sekisui House	20,000
<b>5 Devon Street, Rosehill NSW 2142</b>	\$51,000,000	Dec-14	undisclosed	Brookfield Asset Management	Charter Hall	60,000
<b>5 Devon Street, Rosehill NSW 2142</b>	\$40,000,000	Dec-14	undisclosed	Brookfield Asset Management	James Hardie	54,300

Table 5—Central West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

### Rentals

The following table displays reported leasing transactions which occurred over six months to December 2014.

The rental market in the Central West region has remained somewhat stable in the past six months to December.

The most significant rental transaction in the Central West region over six months to December was **90 Wetherill Street, Silverwater**. Pet accessory wholesaler Kazoo Pet Co moved from three separate warehouses to the warehouse, paying an annual net rent of \$300,000. The 2,703 sqm property features two high clearance roller shutter doors and an office.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
<b>90 Wetherill Street, Silverwater NSW 2128</b>	\$111	\$300,000 Net	2,703	private investor	Kazoo Pet Co.	undisclosed	Sep-14
<b>9-11 South Street, Rydalmere NSW2116</b>	\$160	\$127, Gross	793	undisclosed	Q-Store Pty Ltd	7	Aug-14
<b>2 Slough Avenue, Silverwater NSW 2128</b>	\$120	\$188,760 Net	1,573	Goodman	Quantum Services and Logistics	2	Oct-14

Table 6—Central West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

## Outer West Region

Preston Rowe Paterson Research classifies the Outer West region of Sydney's Industrial Market to include the suburbs of: **Arndell Park, Blacktown, Bonnyrigg, Eastern Creek, Erskine Park, Fairfield, Glendenning, Girraween, Greystanes, Holroyd, Huntingwood, Penrith, Smithfield, St Marys, Wetherill Park and Yennora.**

### Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to December 2014.

Preston Rowe Paterson Research had observed that significant investment of improved industrial asset activity in the Outer West region had remained rather passive over six months to December. This was especially noted in the few transactions recorded in the December quarter.

The most significant sales transaction in the Outer West region over six months to December was a **6,825 sqm** warehouse complex at **492-494 Victoria Street, Wetherill Park**. The property that sits on a 1.8 ha site was sold to Victoria Street Syndicate for \$10.25 million.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
<b>7 Squill Place, Arndell Park NSW 2148</b>	\$4,950,000	Sep-14	5.91%	Rega Holdings Pty Ltd	Dhollandia Australia Pty Ltd	2,543
<b>29 Yennora Avenue, Yennora NSW 2161</b>	\$5,650,000	Oct-14	VP	NWEC	Tyrone Place Properties Pty Ltd	6,762
<b>137 Gilba Road, Girraween NSW 2145</b>	\$7,950,000	Nov-14	owner occupy	MSA Safety	private owner-occupier	8,215
<b>492-494 Victoria Street, Wetherill Park NSW 2164</b>	\$10,250,000	Nov-14	undisclosed	Simonson Properties Pty Ltd	Victoria Street Syndicate Pty Ltd	6,825

Table 7—Outer West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

### Rentals

The observed Outer West industrial rent ranges from \$107-\$121.50 psm for both primary and secondary assets. The leasing market had remained strong over the past 6 months with growing interests for large industrial spaces in Wetherill Park.

The most significant rental transaction in the Outer West region over six months to December 2014 was a 4,992 sqm high clearance office/warehouse property at **1-47 Percival Road, Smithfield**. The industrial property was leased by Voith Turbo Pty Ltd on a 10 year term at a **net rental of \$125.17 per sqm**, reflecting **\$624,849 p.a.** The complex is located with frontage to the Cumberland Highway at Smithfield and provides access to the M4 motorway. The 22,545 sqm industrial complex also houses other tenants like Sandvik Australia and Clark Equipment Sales.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
<b>Unit 2/429-431 Victoria Street, Wetherill Park NSW 2164</b>	\$113	\$202,496	1,792	undisclosed	A. Noble & Sons Ltd	5 + 3	Aug-14
<b>Unit 1/511 Victoria Street, Wetherill Park NSW 2164</b>	\$107	\$353,100 Gross	3,300	Maralex Pty Ltd	Futsal Institute	5	Aug-14
<b>1-47 Percival Road, Smithfield NSW 2164</b>	\$125.17	\$624,849 Net	4,992	Mirvac Funds	Voith Turbo Pty Ltd	10	Aug-14
<b>511-513 Victoria Street, Wetherill Park NSW 2164</b>	\$107	\$353,100 Gross	3,300	Alem Pty Ltd	Futsal Institute	5	Aug-14
<b>2 Davis Road, Wetherill Park NSW 2164</b>	\$121.50	\$1,248,291 Gross	10,274	Stockland	Freight Specialist	5	Sep-14
<b>Eucalyptus Drive, Eastern Creek NSW 2766</b>	\$115	\$1,831,375 Net	15,925	Australian Property Group	Freight & Distribution Management System	7	Nov-14

Table 8—Outer West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

## South Sydney Region

Preston Rowe Paterson Research classifies the South Sydney region of Sydney's Industrial Market to include the suburbs of: **Alexandria, Banksmeadow, Botany, Erskineville, Marrickville, Mascot, Matraville, Redfern, Rosebery, Tempe and Waterloo**

### Building/Investment Sales

The following table displays reported building/investment sales transactions over \$1 million which occurred over six months to December 2014.

The supply of large industrial sites are becoming a rarity as many developers are buying in the South Sydney industrial region with the purpose of redeveloping or converting the older styled industrial buildings to designer residential apartments. Although it is within close proximity to Port Botany, the South Sydney industrial demand seems to be losing out to the relatively inexpensive Western regions and its larger industrial space.

The most significant sale in the South Sydney region over 6 months to December was the an industrial estate **Lakes Business Park** located at **2-13 Lord Street, Botany**. The business park was sold to DEXUS for \$153.5 million and comprise of 43,000 sqm of office and warehouse space. The industrial park is leased to over 50 tenants at 95.9% occupancy and has a WALE of 6.2 years, major tenants include Telstra, Sunbeam, Mazda and Bosch.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
<b>52-54 O'dea Avenue, Waterloo NSW 2017</b>	\$50,000,000	Aug-14	VP	undisclosed	JQZ Pty Ltd	14,000
<b>20 Rochester Street, Botany NSW 2019</b>	\$3,910,000	Sep-14	undisclosed	Happy 1 Pty Ltd	Southern Han Botany Pty Ltd	2,308
<b>689 Gardeners Road, Mascot NSW 2020</b>	\$4,200,000	Sep-14	VP	Treles Pty Ltd	Pal Group Pty Ltd	3,508
<b>18-20 Edinburgh Road, Marrickville NSW 2204</b>	\$2,400,000	Nov-14	3.79%	private investor	Parg Pty Ltd	984
<b>2-13 Lord Street, Botany NSW 2019</b>	\$153,500,000	Dec-14	undisclosed	Mitchell family	DEXUS Property Group	43,000

Table 9 —South Sydney Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

### Rentals

The following table displays reported leasing transactions which occurred over six months to December 2014.

The rental market of significant leases remained relatively stable in the South region due to the limited supply. The observed rental rates ranged from \$122-\$140 psm.

The most significant rental transaction in the South Sydney region over six months to December was an industrial property at **1/6-10 Durdans Avenue, Rosebery**. The 1,937 sqm site was leased by Gemini Accident Repair over a 5 year term with a 5 years option at \$140 per sqm to an net annual rent of approximately \$271,180.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
<b>1/6-10 Durdans Avenue, Rosebery NSW 2018</b>	\$140.00	\$271,180 Net	1,937	The Two Comrades Investments Pty Ltd	Gemini Accident Repair Pty Ltd	5 + 5	Aug-14
<b>38 Sir Joseph Banks Street, Botany NSW 2019</b>	\$124.00	\$105,400 Gross	850	Farburn Holdings Pty Ltd	K & W Signs Pty Ltd	3	Nov-14
<b>12 Rich Street, Marrickville NSW 2036</b>	\$122.00	\$95,160 Gross	780	Eady & Witts	Kidstuff Pty Ltd	3	Nov-14

Table 10 —South Sydney Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

## South West Region

Preston Rowe Paterson Research classifies the South West region of Sydney's Industrial market to include suburbs of: **Bankstown, Bexley, Campbelltown, Chipping Norton, Chullora, Enfield, Ingleburn, Kingsgrove, Lakemba, Liverpool, Milperra, Minto, Moorebank, Padstow, Peakhurst, Prestons, Punchbowl, Revesby, Riverwood, Smeaton Grange and Villawood**

### Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to December 2014.

In the past 6 months to December, there has been an ongoing growth and interests in industrial investments in the South West region because of the future expansion of satellite city Campbelltown. The news of widespread upgrades to the surrounding infrastructures, M9 and the Camden Valley Way, were an extra incentive for many investors to choose the South West region.

The most significant transaction in the South West region over 6 months to December was a **7,606 sqm** office/warehouse facility at **50 Airds Road, Minto**. The property was sold to for **\$21.6 million** on a **yield of 9.50%**. The property is located in the Minto industrial area, within close proximity to the M5 Motorway and the Macarthur Intermodal Shipping Terminal is located behind the property.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
50 Airds Road, Minto NSW 2566	\$21,600,000	Aug-14	9.50%	Mitsa Pty Ltd	Propertylink	23,063
33 Bryant Street, Padstow NSW 2211	\$14,000,000	Sep-14	undisclosed	Lincoln Electric Company	Nicker Miles Holding	61,100
91 Ashford Avenue, Milperra NSW 2214	\$4,800,000	Sep-14	undisclosed	Ashcourt Property Holdings Pty Ltd	The Supernova Alpha Investment Pty Ltd	5,583
202-214 Milperra Road, Milperra NSW 2214	\$6,300,000	Sep-14	VP	First Radio	Luson & ATF Calautti Family Trust III	3,611
230 Hoxton Park Road, Prestons NSW 2170	\$9,000,000	Sep-14	7.62%	JLAD Investments	undisclosed	6,533
29 Hoskins Avenue, Bankstown NSW 2200	\$4,750,000	Oct-14	VP	Ke	KNJ Pty Ltd	3,473
356-358 Edgar Street, Condell Park NSW 2200	\$4,350,000	Oct-14	undisclosed	undisclosed	Leighton Contractors Pty Ltd	2,274
60 Gibson Avenue, Padstow NSW 2211	\$3,650,000	Oct-14	7.89%	undisclosed	undisclosed	2,400
37-41 Jemma Road, Prestons NSW 2170	\$9,750,000	Nov-14	2.69%*	Shaye Investments	Swire Cold Storage Ltd	24,380
20 Williamson Road, Ingleburn NSW 2565	\$13,200,000	Dec-14	8.60%	Manora	Lester Property Investments	11,283
318 Horsley Road, Milperra NSW 2214	\$12,100,000	Dec-14	owner-occupier	undisclosed	private investor	33,400

Table 11 —South West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

\*equated yield

## Rentals

The following table displays reported leasing transactions which occurred over six months to December 2014.

Tenant demand for larger industrial warehouse and facilities had been one of the driving forces behind the development and sales in the South West region. The observed rental rates were lower than elsewhere in Sydney ranging between \$37-\$131 per sqm.

The most significant rental transaction in the South West region over six months to December was a 1,023 sqm office/warehouse unit located at **11/350 Edgar Street, Condell Park**. The property was leased by Protector Glass Industries at a **net rental of \$131.43 per sqm**, reflecting an annual rent of **\$13,452.89**.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
24 Wendlebury Road, Chipping Norton NSW 2170	\$85.00	\$382,500 Net	4,500	Finochiaro	ISS	4	Jul-14
Unit 11/350 Edgar Street, Condell Park NSW 2200	\$131.00	\$134,519 Gross	1,023	undisclosed	Protector Glass Industries	4	Jul-14
361 Milperra Road, Bankstown NSW 2200	\$80.00	\$182,960 Gross	2,287	Bankstown Airport Ltd	THA Nationwide Pty Ltd	4	Sep-14
230 Hoxton Park Road, Prestons NSW 2170	\$105.00	\$685,965 Net	6,533	JLAB Investments Pty Ltd	ARB Corp Ltd	7 + 5 + 5	Sep-14
15 Kerr Road, Ingleburn NSW 2565	\$80.00	\$118,720 Gross	1,484	Calane Pty Ltd	Motyaj Pty Ltd	2 + 2	Oct-14
1/11 Shaw Road, Ingleburn NSW 2565	\$102.00	\$108,000 Gross	1,060	undisclosed	DDK Commercial Interiors	3	Nov-14
92 Gow Street, Padstow NSW 2211	\$37.00	\$350,000 Gross	9,344	SB Investments Australia	Transport Australia Linfox Australia	3	Nov-14
25 Helles Avenue, Moorebank NSW 2170	undisclosed	undisclosed	3,368	Thinking Works by Thinking Ergonomix	Dick Smith	4	Nov-14

Table 12—South West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

## Southern Shire Region

Preston Rowe Paterson Research classifies the Southern Shire region of Sydney's Industrial market to include suburbs of: **Kirrawee, Kurnell, Sutherland and Taren Point**

The Southern Shire industrial market has been sluggish in the past six months that there had been limited significant sales and leases in the region over six months to December 2014.

The only recorded industrial property rental was a unit at **7-11 Parraweena Toad, Taren Point**. The 1,764 sqm area was leased out to NRMA Motoring & Services on a net rent of \$140 per sqm, approximately \$246,960 per annum. The NRMA motor servicing centre has signed on for a 10 year lease.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
7-11 Parraweena Road, Taren Point NSW 2229	\$140	\$246,960 Net	1,764	Kingsmede Pty Ltd	NRMA Motoring & Services	10	Aug-14

Table 13—Southern Shire Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM



## Land Sales

Significant industrial land sales in the past 6 months to December was centred in the North West and Outer West of the Sydney industrial regions. The following table displays reported significant sales transactions which occurred over six months to December 2014.

The most significant land sales in Sydney over six months to December was the sale of a 50 ha land parcel located at **Mamre Road, Erskine Park** in the Outer West industrial region. Altis Property Partners bought the industrial site for **\$80 million**, reflecting a rate of \$160 per sqm.

ADDRESS	SALE PRICE	RATE /SQM	AREA (SQM)	VENDOR	PURCHASER	SALE DATE
<b>920 Richmond Road, Marsden Park NSW 2765</b>	\$20,000,000	\$286	70,000	Sydney Busines Park Pty Ltd	Swire Cold Storage Ltd	Jul-14
<b>2-28 McPherson Street, Banksmeadow NSW 2019</b>	\$33,100,000	\$356	93,000	Orica Limited	Goodman Group	Jul-14
<b>52-74 Quarry Road, Erskine Park NSW 2759</b>	\$5,450,000	\$277	19,700	Tap li Erskine Park Pty Ltd	The Trust Company (Australia) Ltd	Aug-14
<b>712 Botany Road, Mascot NSW 2020</b>	\$5,000,000	\$4,859	1,029	Trailblazing	SDA Developments	Aug-14
<b>Mamre Road, Erskine Park NSW 2759</b>	\$80,000,000	\$160	500,000	private investor	Altis Property Partners	Dec-14

Table 15—Industrial Land Sales in NSW—Source Preston Rowe Paterson Research/CPM

There was higher demand for industrial land in the Outer West and the North West region of Sydney due to the scarcity of large industrial development sites in South Sydney and Central West industrial regions. The NSW government had announced that the Outer and North West regions are future industrial growth areas. Many industrial properties that were purchased in South Sydney and Central West regions had DA approvals or are purchased with the purpose to redevelop the site into a mixed-use/residential development.

There were many major tenants that leased larger industrial facilities and estates in the 6 months to December, particularly in the Outer West region which is closely located to major distribution routes. There was relatively high competition for large parcels of land between institutional developers had driven up the demand for large development sites in the Outer and South West regions. Improvements and upcoming development for infrastructure were a major factor in attracting investors to the regions.



## Investment Yield Analysis

### \$5 million to \$20 million

Listed below are all the major reported investment transactions between \$5 million and \$20 million which have occurred over six months to December 2014 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
<b>290 Bobbin Head Road, North Turramurra</b>	\$5,800,000	Oct-14	7.77%	undisclosed	undisclosed	1,024
<b>230 Hoxton Park Road, Prestons</b>	\$9,000,000	Sep-14	7.62%	JLAD Investments	undisclosed	6,533
<b>37-41 Jemma Road, Prestons</b>	\$9,750,000	Nov-14	2.69%*	Shaye Investments	Swire Cold Storage Ltd	24,380
<b>20 Williamson Road, Ingleburn</b>	\$13,200,000	Dec-14	8.60%	Manora	Lester Property Investments	11,283

Table 15—\$5 million to \$20 million Sales—Source Preston Rowe Paterson Research/CPM  
\*equated yield

### Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research had observed the average yield of industrial property at approximately 6.67%. Observed yields ranged from 7.62% for a 24,380 sqm industrial building in Prestons to 8.60% for a 25,860 sqm manufacturing facility in Ingleburn.

### Sales Information:

Preston Rowe Paterson Research had observed that there were many significant industrial transactions recorded with several companies purchasing more than one property over six months to December 2014.

The largest sales transaction that was recorded below \$20 million in the December quarter was the purchase of a manufacturing facility located at **20 Williamson Road, Ingleburn**. Lester Property Investments bought the industrial facility from Manora for **\$13.2 million**. The property comprise of 11,283 sqm NLA on a 25,860 sqm site and is currently leased to ship building company Forgacs, which acquired Broens Industries and its manufacturing facility in Ingleburn in August 2014. The property has a WALE of 6 years and was sold on a yield of 8.6%.

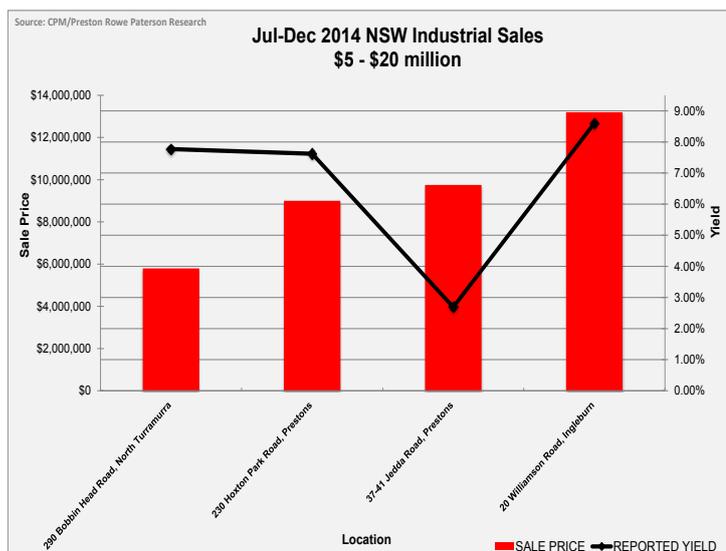


Chart 9 – Jan-Jun 2014 NSW Industrial Sales \$5 million to \$20 million—  
Source Preston Rowe Paterson Research/CPM



## Investment Yield Analysis

### \$20 million and Over

Listed below are all the major reported investment transactions over \$20 million that occurred over six months to December 2014 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
39 Herbert Street, Artarmon	\$150,000,000	Oct-14	9.20%	Altis Porperty Partners	Mirvac Group	35,530
7-15 Gundah Road, Mount Kuring-Gai	\$55,000,000	Dec-14	8.40%	undisclosed	Propertylink	41,880
40-42 Carrington Road, Castle Hill	\$20,000,000	Aug-14	9.04%	Leda Holdings	undisclosed	13,359
50 Airds Road, Minto	\$21,600,000	Aug-14	9.50%	Mitsa Pty Ltd	Propertylink	23,063

Table 15—\$5 million to \$20 million Sales—Source Preston Rowe Paterson Research/CPM

### Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research had observed the average yield of industrial property at approximately 9.04%. Observed yields ranged from 8.40% for an 41,880 sqm office/warehouse property in Artarmon to 9.50% for a 23,063 sqm office/warehouse property in Minto.

### Sales Information:

Preston Rowe Paterson Research had observed that there were many significant industrial transactions recorded with several companies purchasing more than one property over six months to December 2014. Many of the significant sales in the over \$20 million price range were located at the South West industrial region.

The one of largest transaction recorded in the December quarter was the purchase of the **St Leonards Corporate Centre** located at **39 Herbert Street, Artarmon** which was purchased by Mirvac for a reported **\$150 million**. The 37,150 qm office/warehouse estate was bought on an initial yield of 9.20% and has a WALE of 9 years. The estate has corporate tenants including Australia Post, SBS, Stryker, CISCO and SKM. The industrial site has the potential to be rezoned as an urban activation precinct with the potential for mixed-use/high density residential development.

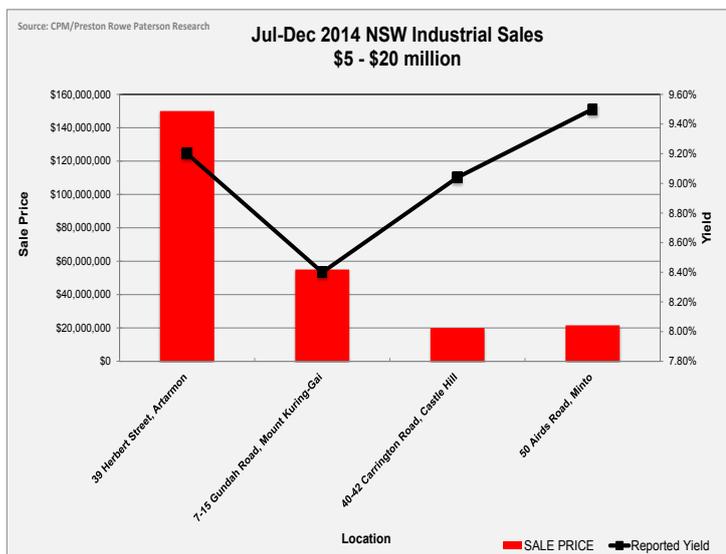


Chart 9 – Jul-Dec 2014 NSW Industrial Sales \$5 million to \$20 million—Source Preston Rowe Paterson Research/CPM





## **Our Research**

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

### **We have property covered**

- Investment
- Development
- Asset
- Corporate Real Estate
- Mortgage
- Government
- Insurance
- Occupancy
- Sustainability
- Research
- Real Estate Investment Valuation
- Real Estate Development Valuation
- Property Consultancy and Advisory
- Transaction Advisory
- Property and Asset Management
- Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- Plant & Machinery Valuation
- General and Insurance Valuation
- Economic and Property Market Research

### **We have all real estate types covered**

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of real estate including:

- CBD and Metropolitan commercial office buildings
- Retail shopping centres and shops
- Industrial, office/warehouses and factories
- Business parks
- Hotels (accommodation) and resorts
- Hotels (pubs), motels and caravan parks
- Residential development projects
- Residential dwellings (individual houses and apartments/units)
- Rural properties
- Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- Infrastructure including airports and port facilities

## **We have all types of plant & machinery covered**

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- Mining & earth moving equipment/road plant
- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
- Heavy, light commercial & passenger vehicles
- Industrial manufacturing equipment
- Wineries and processing plants
- Special purpose plant, machinery & equipment
- Extractive industries, land fills and resource based enterprises
- Hotel furniture, fittings & equipment

### **We have all client profiles covered**

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- Accountants
- Banks, finance companies and lending institutions
- Commercial and Residential non bank lenders
- Co-operatives
- Developers
- Finance and mortgage brokers
- Hotel owners and operators
- Institutional investors
- Insurance brokers and companies
- Investment advisors
- Lessors and lessees
- Listed and private companies corporations
- Listed Property Trusts
- Local, State and Federal Government Departments and Agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property Syndication Managers
- Rural landholders
- Self managed super funds
- Solicitors and barristers
- Sovereign wealth funds
- Stock brokers
- Trustee and Custodial companies



### **We have all *locations* covered**

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices or special purpose real estate asset classes, infrastructure and plant & machinery.

### **We have your *needs* covered**

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning



## Sydney (Head Office)

Level 14, 347 Kent Street  
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: [research@prpsydney.com.au](mailto:research@prpsydney.com.au)

W: [www.prpsydney.com.au](http://www.prpsydney.com.au)

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**ABN: 061 003 139188**

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## Directors

### **Greg Preston**

M: 0408 622 400

E: [greg.preston@prpsydney.com.au](mailto:greg.preston@prpsydney.com.au)

### **Greg Rowe**

M: 0411 191 179

E: [greg.rowe@prpsydney.com.au](mailto:greg.rowe@prpsydney.com.au)

## Associate Directors

### **Neal Smith**

M: 0448 656 647

E: [neal.smith@prpsydney.com.au](mailto:neal.smith@prpsydney.com.au)

### **Michael Goran**

M: 0448 757 134

E: [michael.goran@prpsydney.com.au](mailto:michael.goran@prpsydney.com.au)

### **Erika Griffin**

M: 0448 886 335

E: [erika.griffin@prpsydney.com.au](mailto:erika.griffin@prpsydney.com.au)

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