

MELBOURNE INDUSTRIAL VACANCY STUDY

October 2016

VACANCY RATES

NORTH

5.2%
(↑ 1.1%)

WEST

5.1%
(↑ 0.5%)

INNER

0%
(↔ 0%)

EAST

3.2%
(↓ 1.0%)

Overall vacancy

3.9%
(↑ 0.1%)

SOUTH
EAST

2.7%
(↓ 0.7%)

port
phillip
bay



Shane Robb
Director

“As the only provider of a detailed Melbourne industrial vacancy report, we are now pleased to have completed our eighth detailed market study and can report not only the current industrial vacancy rate for buildings over 10,000m² (our study area includes 752 buildings with over 14,500,000m² of floor space) but also a change in vacancy between sub-markets from 6 to 42 months prior. We trust the findings provide you with a greater insight into Melbourne's industrial landscape.”

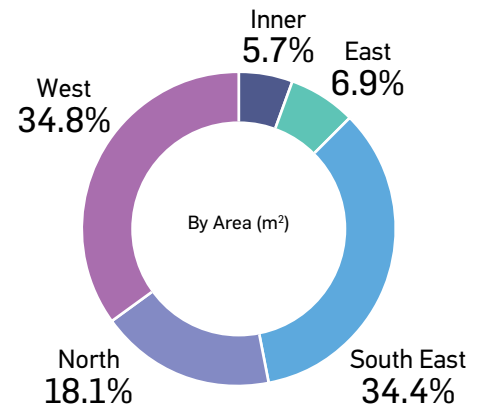
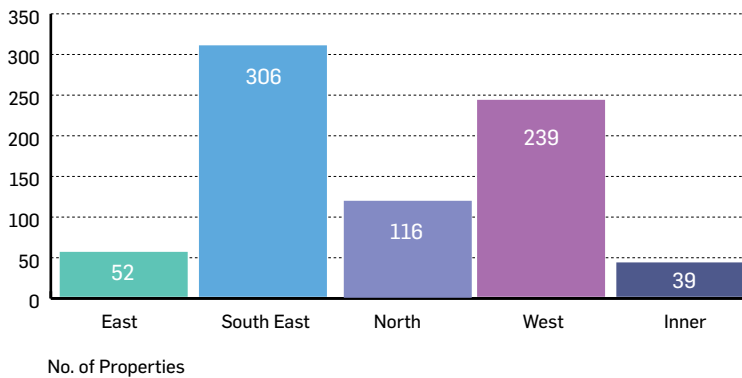
MARKET SIZE & COMPOSITION

KEY TOTAL MARKET OBSERVATIONS

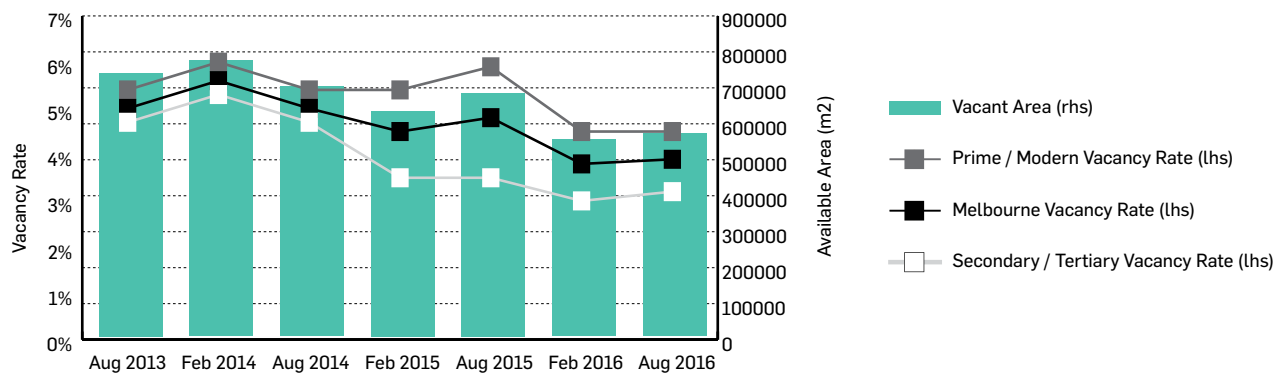
- Melbourne's West and South East industrial submarkets are the two largest, each providing around 5,000,000m² of industrial floorspace.
- The Melbourne market includes 76 buildings with areas greater than 35,000m². Of these, 33 buildings are over 50,000m² in size.
- The average (>10,000m²) building size is approximately 19,300m², slightly larger in the North and West at around 21,600m² and slightly smaller in the South East at 16,300m².
- Of the total floorspace 54% is graded Prime or Modern with almost half of this higher quality space located in the West submarket.

MARKET SIZE + COMPOSITION

Industrial facilities > 10,000m²



VACANCY SHIFTS (AUG '13 TO AUG '16)



CHANGE IN VACANCY

THE FOLLOWING TABLE REFLECTS THE MAJOR SHIFTS IN VACANCY

Industrial facilities >10,000m²

INDICATOR	AUG-13	FEB-14	AUG-14	FEB-15	AUG-15	FEB-16	AUG-16	CHANGE
Vacant Area	731,792m ²	767,139m ²	694,312m ²	625,753m ²	676,463m ²	546,672m ²	563,255m ²	↑
Average Size of Vacancy	15,246m ²	15,656m ²	14,773m ²	14,222m ²	13,805m ²	13,667m ²	14,442m ²	↑
Overall Vacancy Rate	5.0%	5.6%	5.0%	4.5%	4.8%	3.8%	3.9%	↑
Prime / Modern Stock	5.4%	6.0%	5.4%	5.4%	5.9%	4.5%	4.5%	↓
Secondary Tertiary Stock	4.7%	5.3%	4.7%	3.5%	3.5%	3.0%	3.2%	↑
Western Sub Market	3.1%	5.6%	4.7%	3.8%	5.9%	4.6%	5.1%	↑
Northern Sub Market	6.2%	9.7%	7.2%	6.9%	5.3%	4.1%	5.2%	↑
South Eastern Sub Market	6.0%	5.1%	5.8%	5.0%	4.2%	3.4%	2.7%	↓
Eastern Sub Market	2.0%	2.6%	1.0%	2.0%	4.2%	4.2%	3.2%	↓
Inner Sub Market	6.4%	1.2%	1.2%	1.2%	0.0%	0.0%	0.0%	↔
No. of Vacant Buildings	47	49	47	44	49	40	39	↓
Vacant Buildings 10-15K	23	24	23	33	35	29	27	↓
Vacant Buildings 15-25K	17	21	17	9	12	10	10	↔
Vacant Buildings 25K+	7	4	7	2	2	1	2	↑

THE INNER SUBMARKET, DESPITE HAVING OVER 80% OF ITS STOCK CLASSIFIED AS EITHER SECONDARY OR TERTIARY, MAINTAINS A ZERO VACANCY FOR THE THIRD CONSECUTIVE SURVEY



Average Size of Vacancy

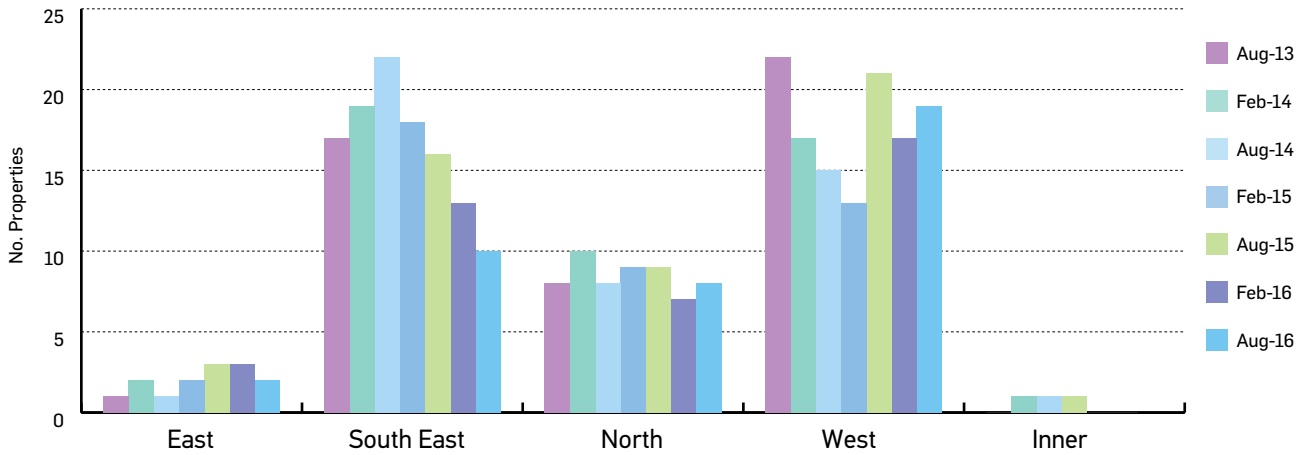
16,962M²

Northern Submarket

CHANGE IN VACANCY

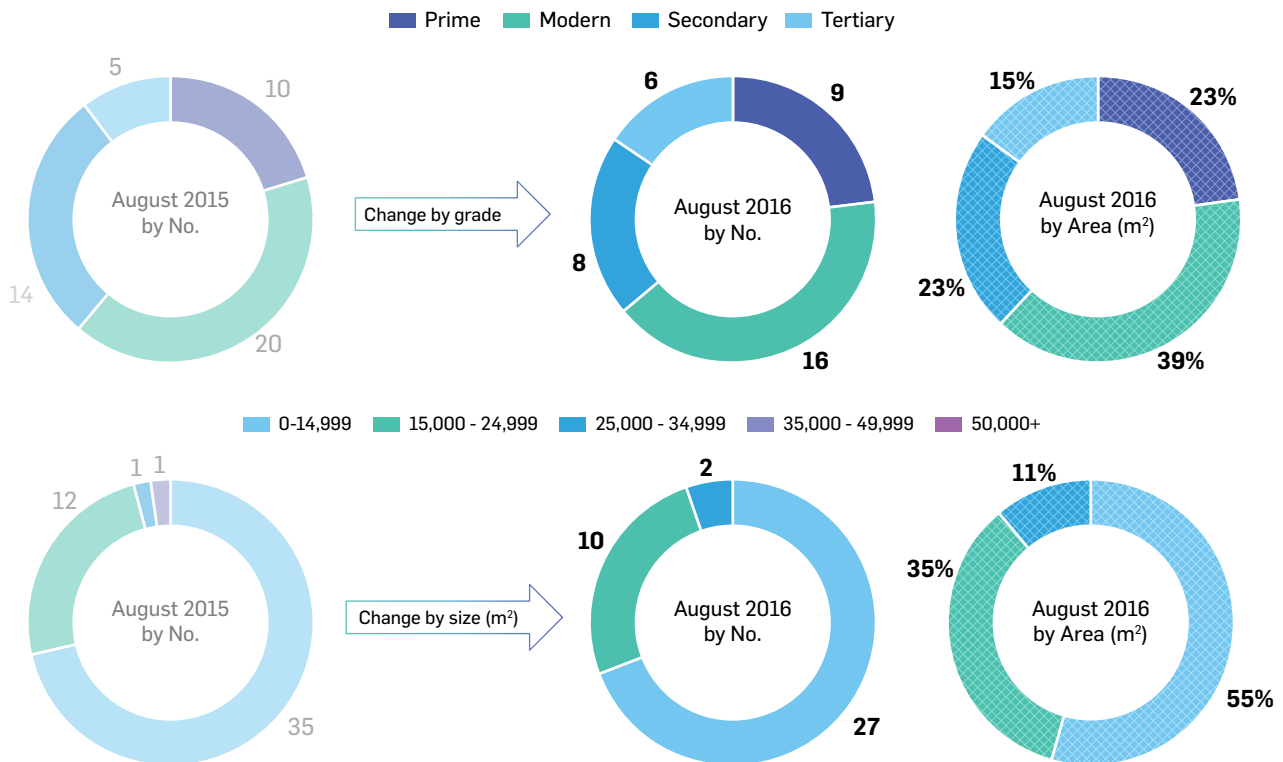
VACANCY BY SUBMARKET

Industrial facilities >10,000m²

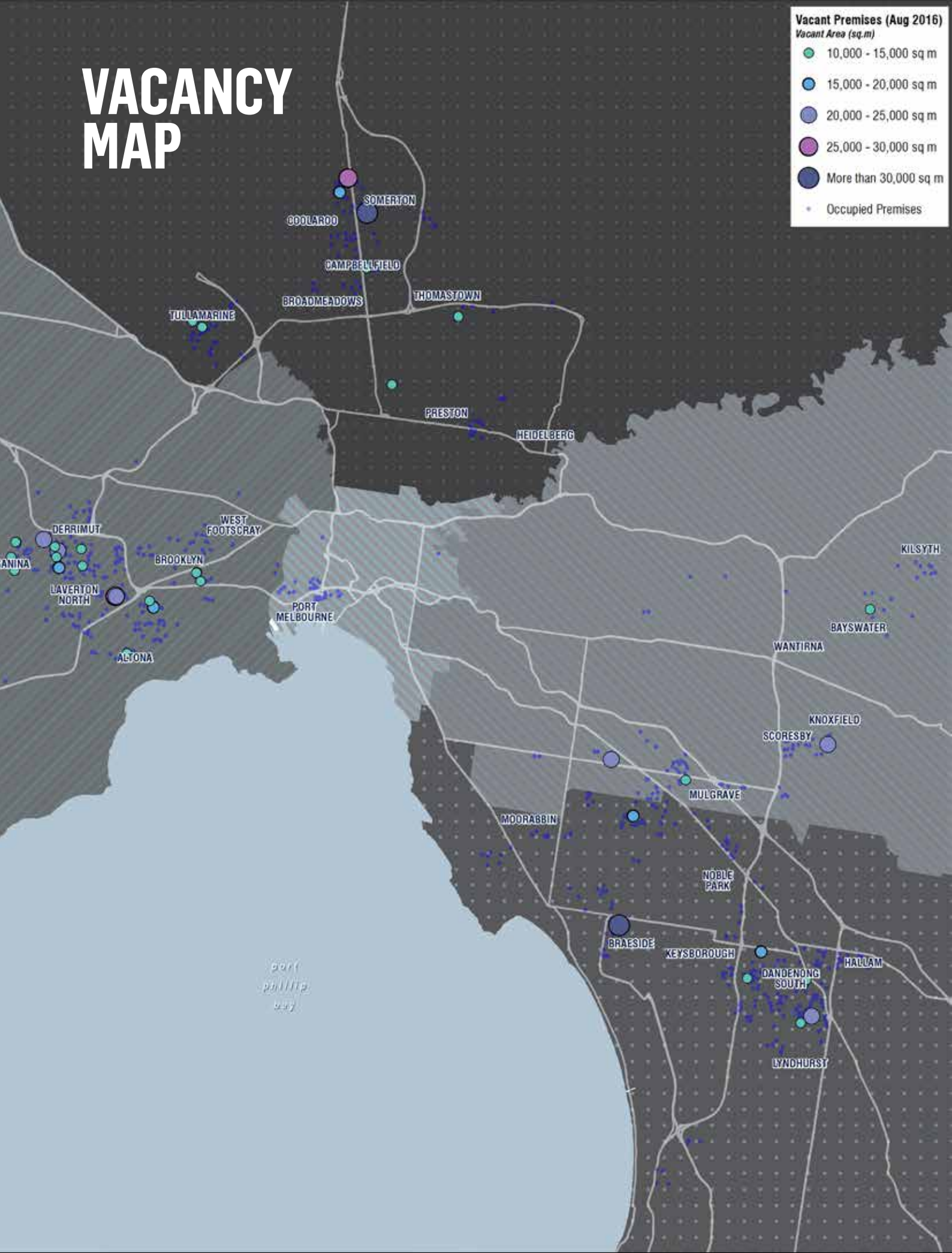


MOVEMENT IN VACANCY BY GRADE AND SIZE

Industrial facilities >10,000m²



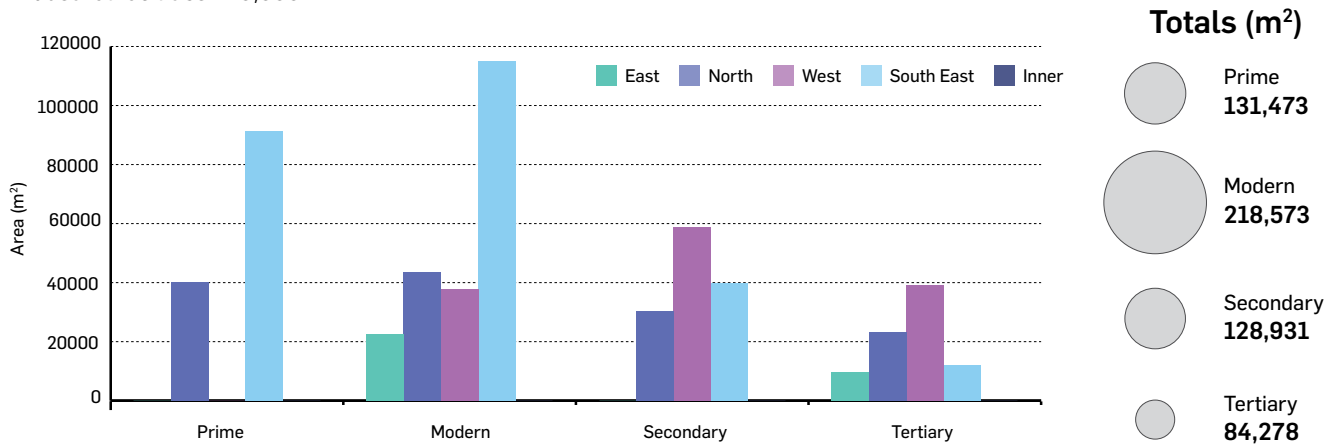
VACANCY MAP



VACANCY

VACANCY (BY SUBMARKET & GRADE)

Industrial facilities >10,000m²



KEY OBSERVATIONS

- By area the vacancy is spread between the major submarkets, with 46% in the West, 24% in the South-East and 24% in the North.
- The combined Prime/Modern Vacancy Rate is 4.5% whilst the Secondary/Tertiary Vacancy Rate is lower at 3.2% primarily as a result of owner occupier transactions, a feature of the market in this low interest rate environment.
- Of the 25 Prime/Modern Building Vacancies, 15 are located in the West, 6 are in the South-East, 3 are in the North and 1 is in the East.
- The average size of a Prime/Modern vacant facility is 14,000m² while Secondary/Tertiary vacant facilities average 15,230m².

Interpreting the Analysis

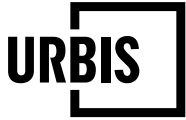
With an objective of establishing a Melbourne Industrial Vacancy Rate relevant to our clients, who are major industrial owners and occupiers, our study has targeted buildings of 10,000m² or greater. In total our analysis covers 752 buildings and 14,500,000m² of industrial floor space. Excluded from the study are buildings within the Port of Melbourne precinct as they represent a narrow and specific industrial user group and buildings outside Metropolitan Melbourne (e.g. Geelong, Hastings).

Quality gradings have been applied to all buildings summarised as follows:

- Prime** – Buildings no older than five years which suit a diverse range of occupiers. A minimum 8.5 metre internal clearance and extensive truck marshalling and hardstand areas.

- Modern** – Buildings between 5 and 15 years old, generally providing in excess of 7 metre internal clearance.
- Secondary** – Buildings between 15 and 30 years old, generally providing a minimum 6 metre internal clearance.
- Tertiary** – Buildings over 30 years old, most of which are unlikely to have many alternate users, other than discount short-term storage, upon vacation by the current occupier.

Included as vacant buildings, beyond those physically vacant, are buildings under construction and to reach practical completion (PC) within three months in addition to those currently occupied on a monthly tenancy or those where the current occupier is known to be relocating to alternate premises within the next three months.



In today's dynamic and complex markets, putting a value on property involves much more than local knowledge and simple sums.

Our valuations take account of everything likely to impact the value of a property, now and in the future. Drawing on extensive experience across every sector, we look at property from more angles to give institutional and private investors, corporate clients and government more insightful analysis, more nuanced advice plus a clearer sense of value – and how to maximise it.

With consultants specialising in the industrial, residential, retail, commercial and self-storage sectors, we provide insightful analysis and accurate reporting to help minimise risk and maximise opportunities.

Our national business model ensures our clients get access to the right people to deliver timely and reliable advice. Work is shared amongst consultants in our Sydney, Melbourne and Brisbane offices to make sure we deliver optimum results within the required timeframes.

Contact one of our industrial specialists to find out how we can assist you.



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