

P R E S S R E L E A S E

CB Richard Ellis Pty Ltd
ABN 57 057 373 574Level 26, 363 George Street
Sydney NSW 2000
DX 10262T 61 2 9333 3333
F 61 2 9333 3330www.cbre.com.au

FOR IMMEDIATE RELEASE — 10 August 2010

For further information:

Frances Kearey

Marketing & Communications

Coordinator

61 2 9333 3585

61 411 967 287

Positive outlook for Adelaide's industrial market

Adelaide, SA (10 August 2010)

Renewed interest from private investors is driving a pick-up in industrial transactions in Adelaide, particularly in the \$2 million-plus price bracket, according to a new MarketView report from CB Richard Ellis.

CBRE's Senior Research Analyst, Kate Gray said 31 industrial sales over \$1 million had been negotiated in the first half of 2010 compared to 58 sales during the entire 2009 calendar year. The MarketView report also highlights a significant increase in leasing enquiry in the first half of 2010, particularly for prime industrial properties sub 1,000 square metres located in the West and North West.

The pick up in activity is forecast to continue in the second half, as investor confidence rises and South Australian industrial production rebounds, with Access Economics forecasting a return positive growth this year after a 7% fall in 2009. The latest forecasts are for 2.6% growth in 2010 with a further increase of 3.4% in 2011.

"The recent sales of 1 South Road, Thebarton to owner occupier Civil Contractors Federation, for \$4.84 million and 13 Birralee Road, Regency Park for \$3.685 million demonstrate the strength of the owner occupier market," Ms Gray said.

The next test of the market will be the upcoming sale of the Kilkenny Industrial Complex, which is expected to attract significant offers and would represent the largest industrial sale in Adelaide this year.

CBRE's Director David Reid said the substantial 30,357 square metre site, located in Adelaide's north-west, had attracted a considerable level of enquiry.

The complex comprises 51 tenancies of varying size and age, over three titles with the flexibility to improve income through rental reviews and/or refurbishment.

CBRE's MarketView report forecasts that industrial yields for most regions will remain stable for the remainder of 2010 with Prime inner city industrial yields expected to begin tightening. However, this tightening will be limited to prime quality buildings.

Mr Reid said warehouse yields ranged from 7.5% to 10.5% with the indicative yield being 8.5% as at June 2010.

"The stand out segment has been prime warehouses Adelaide's west where yields have tightened by 50 basis points in the year to June 2010, to range from 7.5% to 8.5% with an indicative yield of 8.0%," Mr Reid said.

"In contrast, secondary asset transactions remain limited particularly in secondary locations resulting in an indicative yield of 10.5%. Secondary stock has more difficult to lease and sell in the first half of 2010 which may place some downward pressure on rents in the second half of the year.

After a lull in new development during 2009, CBRE's MarketView report forecasts that construction activity will increase in the second half of 2010. The outer north will be one area of focus following the completion of the Northern Expressway in late 2010, which will make this area more accessible and a key land release area over the next few decades. We are experiencing a significant increase in genuine enquiry for land in the Outer north which will translate into increased construction activity.

Mr Reid said currently there were several large design and construct deals in negotiation which were likely to see new industrial stock delivered in 2011.

"A prime example is the completion of a 6,000 sq m facility for Toll NQX in Adelaide's outer north," Mr Reid said.

"This deal was the first design and construct transaction since the start of the Global Financial Crisis and represented the largest leasing deal secured in the first half of 2010."

Leasing conditions in Adelaide's industrial market have improved significantly from levels in 2009 with demand focused particularly in the west and north-west for Prime industrial properties.

Ms Gray said rents remained stable over the last 12 months however there had been an increase in leasing activity especially for properties located close to the CBD and under 1,500 square metres.

"Net rents for A grade warehouse stock ranged from \$75 a square metre to \$130 a square metre with Adelaide's west representing the upper end of the range and the outer north representing the lower end."

About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a *Fortune* 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2009 revenue). The Company has approximately 29,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices (excluding affiliates) worldwide. CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis has been named a *BusinessWeek* 50 "best in class" company for three years in a row. Please visit our Web site at www.cbre.com.au