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Freight companies underpin leasing activity in the South Sydney market

Sydney, NSW (5 March 2010)

Freight and logistics companies are driving a turnaround in the South Sydney industrial market following a spate of major lease deals.

A new market review from CB Richard Ellis shows that more than 35,000 square metres of space has been absorbed in the past three months in a series of deals involving freight and logistics operators.

CBRE South Sydney Managing Director Nathan Egan said the activity had left limited options for major space users, with just two A-grade facilities in South Sydney capable of accommodating a 10,000 square metre-plus tenant.

Two of the larger recent deals have involved Agility Logistics and TNT, with the logistics giants having both committed to 10,000 square metre-plus leases in Matraville and Botany respectively.

“A growing number of corporates are outsourcing their logistics requirements to save on property and staff costs,” Mr Egan said.

“Businesses are reviewing all operating costs from the warehouse floor to the shelves and, in doing so, are reverting to 3PL as a means of saving in the storage and distribution of their products. This has driven increased demand for warehouse space in the South Sydney market, which offers logistics providers ready access to the airport, Port Botany and major transport networks.”

In the case of Agility, the expanding logistics group has leased 12,141 square metres of space in 4 Military Road – an A-grade distribution facility adjacent to Port Botany. Agility has committed to a long term 10+10 year lease over the property at a rental of \$140 a square metre.

Mr Egan said the property’s 10 metre-plus roof height, secure hardstand yard area and the availability of 10 loading docks had helped secure the Agility deal – one of the largest leases in South Sydney in recent times.

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TNT has been similarly active, having recently secured a 10,027 square metre lease over Store 5 at 1A Hale Street, Botany.

The 10-year deal was struck at a starting rental of \$120 a square metre net. Located midway between the airport and Port Botany, the three-year-old facility offers ample parking and loading areas as well as multiple access doors, modern offices and high clearance warehouse space.

A series of smaller logistics deals have also been struck in recent months including a 5,244 square metre commitment by DSV Air & Sea Pty Ltd to Goodman's Portside estate at 2-8 McPherson Street, Banksmeadow.

The Portside estate is located minutes from Port Botany and is approved for 24/7 B-Double access. DSV has committed to a 3+3 year lease at a rental of \$130 a square metre net.

Also at Banksmeadow, SDV Australia has committed to 3,154 square metres of space at 2-12 Beauchamp Road. The five-year lease was struck at a rental of \$130 a square metre net.

UPS has meanwhile committed to 4,248 square metres of space at 3.1/1A Hale Street, Botany

Mr Egan said the leasing activity had left just two A-grade options for 10,000 square metre tenants in South Sydney - B1, Portside at Banksmeadow and 283 Coward Street, Mascot.

About CB Richard Ellis

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