

# P R E S S   R E L E A S E

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## Port trade signals strong warehouse demand, retailers follow suit

Melbourne, VIC (11 August 2010)

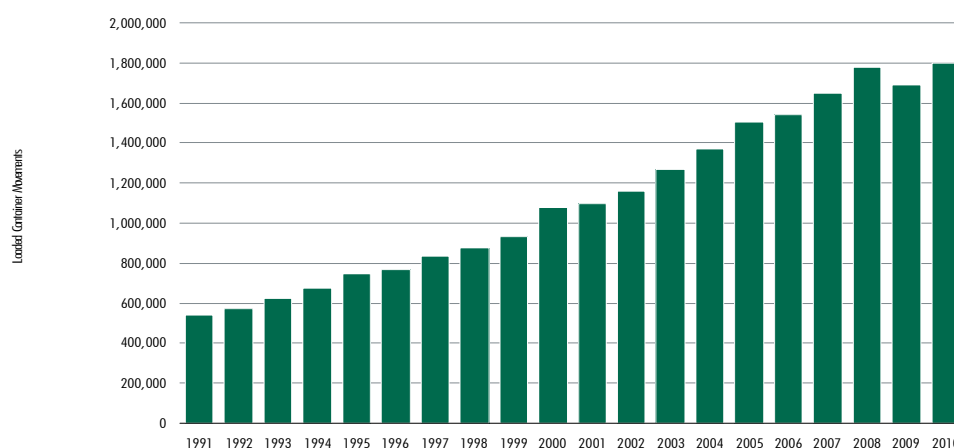
A surge in container trade is expected to underpin high levels of enquiry and demand for industrial warehouse space throughout Melbourne according to a new market analysis from CB Richard Ellis.

CBRE Global Research and Consulting Associate Director Craig Olde said new figures from the Port of Melbourne Corporation showed that trade had surpassed pre-GFC levels, led by new motor vehicle trade which grew by a massive 27.4% in the year to June 30. In the first half of 2010 average monthly growth rates for total trade were 15.8% above last year's levels and the strongest on record for the January to June period.

"Sustained monthly trade figures reflect an economy that has recovered, with trade movements viewed as a good barometer of the overall strength of the domestic economy," Mr Olde said.

"Importantly this is occurring at a time when the government's economic stimulus measures are being withdrawn."

### Port of Melbourne Loaded Container Movement



Source: PaMC

Note: Data refers to import and export loaded container T.E.U's, both domestic and international. Years represent Financial Years ending June.

CBRE's Victorian Senior Director of Industrial Walter Occhiuto said the strengthening trade figures had coincided with a significant rise in enquiries from larger retailers seeking to consolidate into major distribution centres.

"The efficiencies associated with being located on one site, coupled with a competitive market, have seen businesses taking advantage of the current set of circumstances," Mr Occhiuto said.

"Greater confidence in the economy is also assisting and influencing businesses that the time is right to make major decisions on future space requirements."

Mr Olde said ABS statistics indicated retailers were trading with low inventory levels during late 2008 and 2009. However, it now appeared evident that retailer strategies were realigning, with businesses looking to consolidate and improve their inventory levels and the efficiency with which they handled their stock.

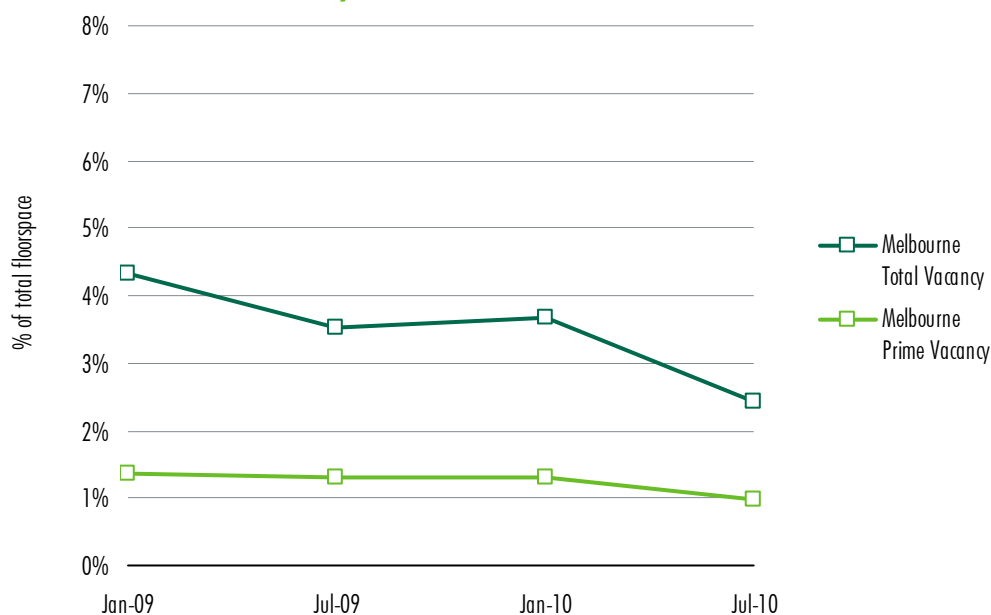
"The result is a rapidly tightening vacancy level in larger (>5,000 sq m) prime warehouse and distribution centres, with tenants finding fewer modern quality alternatives to consider," Mr Olde said.

"If you go back to early 2009, vacant larger prime industrial facilities in Melbourne comprised 1.36% of total stock. This has now dropped back to just 0.93%, with only 22 occupancy options for larger tenants."

Finding suitable space would be even tougher for "geographically stubborn" tenants, Mr Olde said, with one Melbourne sub-region having just three large prime industrial vacancies.

This is having a knock-on effect to secondary stock, with the total vacancy rate in this area having tightened significantly, from 4.34% to 2.44%.

### Melbourne industrial vacancy

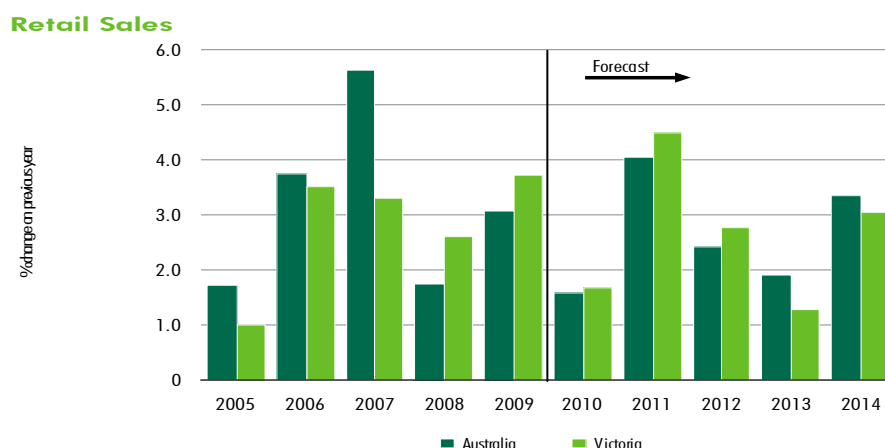


Source: CB Richard Ellis

Note: indicative vacancy based on vacant buildings against CBRE analysed total floorspace, >5,000sq m

“Flow on effects are also expected for the broader retail market, with Access Economics forecasting a resurgence in retail turnover,” Mr Olde said.

“Backed by tightening employment figures, retailers are now seeking out premises and growth opportunities.”



Source: Access Economics (July 2010)

CBRE Senior Retail Services Negotiator Max Cookes said retailers were positioning themselves to take advantage of improved conditions in 2011 and beyond by securing leases on Prime CBD retail locations.

“There have been a number of retailers strategically positioning themselves in Prime retail locations to not only take advantage of a strengthening economy, but also to reconfirm their presence and market share against international retailers looking to penetrate the Australian retail market,” Mr Cookes said.

“There has been a lot of movement over the past couple of months in Melbourne’s CBD, with some retailers committing to flagship stores, whilst others have relocated to more suitable locations.”

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