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Developers urged to rethink planned projects in South Sydney

Sydney, NSW (3 July 2009)

Developers are being tipped to review major planned projects in South Sydney following a series of mid sized leasing deals.

CB Richard Ellis Associate Director Daniel O'Brien said specialist injury management provider Workcare had recently signed a pre-lease over a new 1,600 square metre facility at Mascot. In a second deal, fashion house Zimmerman had committed to lease 1,400 square metres of space in a new Platino Properties project in Rosebery.

Mr O'Brien said the deals followed a dearth of leasing activity in South Sydney, with the Zimmerman and Workcare commitments representing the first 1,400 square metre-plus lease deals in the last 12 months.

With several other 1,500 square metres-plus tenants currently scouting for space, Mr O'Brien said there was a growing impetus for developers to consider reworking development approvals to cater to the current market demand.

"There are a number of significant sites in South Sydney that have development approvals for circa 50,000 square metres of space," Mr O'Brien said.

"In each case, the approvals are for three or four, 12,000 square metre to 15,000 square metre buildings with the owners and their financiers chasing at least a 50% precommitment before construction can commence."

With little activity at this end of the market - but growing demand from mid sized tenants - Mr O'Brien suggested that some of these development approvals could be reworked to comprise nine or 10 low rise buildings of between 5,000 square metres and 8,000 square metres.

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"These smaller building sizes would no doubt result in faster pre commitments as there are far more smaller tenants in the market sized between 1,000 square metres and 3,000 square metres," Mr O'Brien said.

"Financiers are also likely to look more favourably on these smaller developments, which would involve considerably less leasing risk than is inherent in a larger building if commenced with a 50% precommitment."

Mr O'Brien said Workcare had been scouting for a South Sydney building for the past 12 months.

The privately owned Workcare currently operates four centres in Sydney at Bankstown, Wetherill Park, Ashfield and Bankstown.

The group works exclusively in the area of work-place injury prevention and management, with each of its medical facilities strategically placed near large industrial parks and estates.

A development approval was recently granted for the new Mascot facility at 244 Coward Street, which is being developed by private developer the Devcon Group.

Mr O'Brien said Workplace would occupy the entire building after agreeing a lease at a strong starting rental of \$360 a square metre net.

In a second significant lease deal, fashion house Zimmerman has committed to lease 1,400 square metres of space in a new Platino warehouse conversion in Rosebery. The 2 Hayes Road project involves the creative rejuvenation of a large industrial warehouse facility into four new units, each comprising of showroom, office and warehouse space.

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