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Sydney's Central West industrial market back in favour

Sydney, NSW (12 February 2010)

Sydney's infill industrial suburbs are regaining favour as major occupiers seek out cost effective leasing options close to major infrastructure and business amenity.

A new market analysis from CB Richard Ellis highlights that 130,000 square metres of space has been pre-committed in Sydney's central west over the past three years.

CBRE Industrial & Logistics Services Director Andrew Maher said the increased activity followed a shift in focus from outer west locations such as Eastern Creek and Erskine Park as major industrial users sought out facilities in areas offering both amenity and access to infrastructure and labour.

"While the abundance of affordable industrial land in the outer north-west will see that market continue to attract major industrial users, there has been a clear increase in demand for opportunities in infill suburbs such as Yennora, Fairfield and Smithfield," Mr Maher said.

"This will underpin growth in land values in the central west this year, given an emerging shortage of vacant industrial sites."

Aluminium giant Alcoa Australia is moving to capitalise on the shift in market dynamics with the sale of a former manufacturing facility in Yennora.

The major infill industrial site comprises 9.6ha of land with 44,000sqm of improvements across four buildings

Utilised since the 1960s as an aluminium can manufacturing facility, the property is now redundant to Alcoa's needs. Mr Maher and CBRE's Jason Edge are steering the Expressions of Interest campaign, which has already generated significant buyer enquiry given the property's location and surrounding infrastructure.

Mr Maher said the buyer interest highlighted the growing developer and tenant focus on industrial opportunities in the Central West.

"Increasingly, developers are looking for brownfield or infill sites for development due to the value add proposition they present," Mr Maher said.

"Demand for the area, along with competitive land values, will allow developers who create innovative schemes to maximise their returns."

CBRE's latest Sydney Industrial MarketView report shows that 62,000 square metres of new stock is due to be completed in the Central West this year, with the majority of the space involving the new Enfield Intermodal Logistics Centre.

CBRE Research Analyst Luke Nixon said developments in the area were incorporating large amounts of ancillary office space to give tenants the option of co-locating the office and industrial needs of their businesses.

"This follows a trend first seen in the North and South sub-regions and is gradually spreading out from the centre of Sydney," Mr Nixon said.

CBRE's MarketView report highlights that – along with the rest of the Sydney market – industrial rents in the Central West came under pressure during 2009. A grade warehouse rents have declined to \$122 a square metre (a 4% fall since December 2008) while B grade space is averaging \$115 a square metre (a 2.5% fall since December 2008).

However, with industrial production and real output forecast to increase during 2010, both in Australia and overseas, coupled with limited supply CBRE is forecasting a moderate recovery over the next 12 months.

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