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Planning changes required to accommodate the warehouse of the future

Sydney, NSW (25 June 2009)

A major overhaul of council planning schemes is required to accommodate the warehouse of the future according to a new market analysis from CB Richard Ellis.

CBRE Director, Industrial & Logistics Services, Andrew Maher said the current drive by corporates to reduce costs was reshaping the industrial landscape and leading to a major rethink of current warehouse standards.

The new mantra for corporates is “hi-bay” warehousing, which involves buildings with internal clearances up to three times the present standard.

“The recent development of Coca Cola’s warehouse in Northmead represented one of the first true “hi-bay” developments with an internal clearance of up to 30 metres and the ability to store three times the amount of product that a typical warehouse could accommodate,” Mr Maher said.

“The issue for the development of this product, however, is the council planning schemes which in many cases limit industrial development to 15 metres. A fundamental shift in planning policy will be required across many councils for the sector to evolve, especially in areas which are starved of available land and where the only way to increase capacity is to go skyward.”

Mr Maher said an ever increasing desire to reduce warehousing costs was driving the shift towards more efficient “hi-bay” warehousing. While the current standard was for a warehouse clearance of 10 metres, Mr Maher said buildings like the new Coca Cola premises, with an internal clearance of up to 30 metres, were being heralded as the way of the future.

In this environment, Mr Maher said companies were reviewing council planning schemes and in some cases bypassing sites situated in council areas with onerous height restrictions.

The concept of super "hi-bay" warehousing is not a new phenomenon with CBRE currently marketing 56 Anzac Street in Chullora - a Charter Hall facility with an internal clearance height of 19 metres.

Mr Maher said the clearance of the Chullora property would allow up to 50% more pallet spaces than a competing building of more standardised proportions.

However, Mr Maher said the Chullora facility was 20 years old and had been well ahead of its time.

Such facilities were now becoming increasingly sought after and corporates like Coca Cola were looking to stretch the boundaries even further through the development of warehouses with clearance heights of up to 30 metres.

"Without amendments to height guidelines, redevelopment options for warehouses in some locations will become increasingly limited and are not likely to be economically viable," Mr Maher said.

"If councils were able to recognise the forward thinking nature of the logistics sector, many owners would have the foundations of being able to construct new "hi-bay" buildings suited to the evolving way goods are being stored."

Industrial areas in inner Sydney are likely to be the primary target for "hi bay" warehousing according to CBRE's analysis.

In these suburbs, where zoned industrial land is scarcely available, Mr Maher said buildings with a clearance height of up to 30 metres should become increasingly common.

"Such facilities would have the capacity to store more product in a location that is closer to the end user and would therefore provide efficiencies in transport costs and time," Mr Maher said.

"It is estimated that a 30 metre high building within a 20 kilometre radius of the Sydney CBD would provide cost benefits in the order of 40% when compared to a typical industrial facility with a 10 metre internal clearance within a 30-40 kilometre radius of the city."

As industrial tenants reassess costs, Mr Maher said it was likely that rents could in future be charged on a cubic capacity basis, which would accurately reflect a building's storage capacities.

"Similarly land values may shift to being calculated on a height allowance basis, not unlike commercial land where the FSR is the ultimate driver of value."

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