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## City's west has signs of rebound

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THERE are growing indications of a rebound in the industrial market in Melbourne's west, with several projects, including speculative developments, under way.

In another important sign, the number of containers through the Port of Melbourne reached record levels late last year as businesses became more confident and started to rebuild inventories. The west is Melbourne's prime location for warehouses.

Jones Lang LaSalle's head of research, Andrew Ballantyne, said lead indicators for the industrial sector continued to firm, but he warned that the outlook for other key indicators was more stable, with little change likely in prime rents (\$68 a square metre a year) and land values (\$160 a sq m).

According to JLL's latest research report on Melbourne's western industrial region, land values in the fourth quarter were \$170 a sq m in Sunshine and \$160 a sq m in Altona, Derrimut and Laverton North.

Mr Ballantyne said recent transactions pointed to a firming in rents. The prime equivalent yield range had tightened by 25 basis points to between 8 and 9 per cent.

Secondary equivalent yields were unchanged at 9-10 per cent, with the spread between prime and secondary yields now 100 basis points, in line with the 10-year average.

Mr Ballantyne said there were projects totalling 67,200 sq m under construction and scheduled to be completed this year.

This included the Salmat project at the Orbis business park in Ravenhall.

There were also 46,200 sq m of speculative developments under way at the West Park industrial estate.

"It has become apparent that the hidden vacancy created by the inventory drawdown in the industrial sector is being absorbed," he said.

"This, coupled with the improvement in tenant sentiment, is a precursor for increasing leasing activity from mid-2010 onwards."

Supply levels last year were well below the levels reached in 2007 and 2008. Eleven major projects totalling 131,500 sq m were completed last year, including NXQ Freight at Horsburgh Drive, Altona (18,100 sq m), and P&O at Boundary Road, Laverton North (10,000 sq m). More than 95 per cent of this total space was pre-leased.

In contrast, in previous years more space was built speculatively.

Similarly, industrial demand in the west was relatively subdued last year.

Nevertheless, gross take-up was 31,800 sq m in the final quarter and 254,400 sq m for the whole year - more than the five-year average of 206,400 sq m for the region.

*This story was found at: <http://www.theage.com.au/business/citys-west-has-signs-of-rebound-20100223-p0wq.html>*