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Industrial market on rebound

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EVIDENCE continues to build that Melbourne's industrial market is on the way back. In just two months, 20 per cent of the vacant industrial space in Melbourne has been snapped up, according to the latest survey by Knight Frank.

At the same time, Australand has paid \$30 million to buy the Altona Gardens industrial estate in Melbourne's inner west - a sign of growing confidence in the sector. The fully serviced 35-hectare site will be developed in five stages over two to three years, with 65 lots ranging from 3000 square metres to 15,000 sq m.

Knight Frank's national director industrial, James Templeton, said in February there was 940,000 sq m of industrial accommodation around Melbourne available for lease. Almost 200,000 sq m has since been snapped up.

As of April, 752,000 sq m of vacant industrial space was available - the lowest figure recorded in more than a year.

The survey covers industrial buildings with an area of more than 5000 sq m and totalling more than 20 million sq m of space, or two-thirds of the total market.

Mr Templeton said the big winners were Melbourne's northern and western regions.

In February, the west had 222,000 sq m of vacant space, but this had fallen by almost 30 per cent to 156,193 sq m.

New tenants included Queensland Cotton with 22,000 sq m in Laverton North, and Booth Transport, 23,000 sq m in the west.

In the north, the amount of vacant space retracted by 24 per cent, from 274,000 sq m to 209,574 sq m. Melbourne's south-east had the most vacant space with 316,400 sq m.

Mr Templeton said that because of the drop in new construction, vacancies in B-grade assets had decreased for the first time in 12 months. However, this category still had the most vacant space - 67 per cent, or 500,000 sq m of the total.

The number of vacant properties offering more than 5000 sq m of space had fallen from 96 to just 79. Seven were in the city fringe, 17 in the west and 20 in the north, while the south-eastern market had 35.

The vacancy rate had dropped due to high demand when no new buildings had been built. Industrial construction was just 600,000 sq m this year - 60 per cent lower than last year and the lowest in a decade.

Mr Templeton said Melbourne's industrial vacancy rate had been below 4 per cent for more than two years.

This was forecast to fall to 1 per cent by the end of next year "if limited new stock comes on stream", he said.

Rentals in Melbourne's north averaged \$68-\$70 per sq m while rentals in the south-east ranged from \$62-\$64 per sq m.

The head of research at Jones Lang LaSalle, Andrew Ballantyne, said the lead indicators for the industrial sector continued to firm. Restocking of inventories continued, with container movements at the Port of Melbourne up 23.6 per cent in February from a year earlier.

The Victorian economy was recovering and would increase its share of national output this year and next.

This story was found at: <http://www.theage.com.au/business/property/industrial-market-on-rebound-20100601-wver.html>