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Port activity points to industrial market bounce

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RISING container trade through the ports is a good sign the industrial property market is on the rebound, according to researchers at Jones Lang LaSalle.

JLL's associate director of research, Andrew Ballantyne, told BusinessDay that container trade was a good pointer to rising demand for goods, which would in turn feed through to rising demand for industrial land.

Container movements through the Port of Sydney had risen dramatically in the past quarter to just under 180,000 TEU (twenty-foot equivalent units), the highest level in almost three years, he said.

Figures for the Port of Melbourne show a similar, though less-marked, trend. Exports are up 3 per cent in the past four months, and although imports are still down 9 per cent, "they are improving every month", said Port of Melbourne Corporation chief executive Stephen Bradford.

Mr Ballantyne said there was an increasing discrepancy between the level of inventories - the lowest on record - and the broader economic indicators, which showed the economy was picking up. These ranged from rises in company profits to the fact that consumers were still spending.

"There is a strong labour market, people have kept their jobs, fuel prices are down ... so families have more money," he said. "Restocking must occur. There is a contrast between the level of investment and spending."

Mr Ballantyne said in the past year, tenants had been reluctant to pre-lease and thus little stock had been built. The only exception was Australand, which had built two 12,000-square-metre factories in western Melbourne. It had also completed four warehouses of 5000-6000 sq m, making a total of 50,000 sq m on spec, he said. No factories had been built on spec.

"Now, there are the first tentative signs and I think it will drive the next development cycle. Inventories are close to exhaustion," he said. But Dubai was a reminder that "shocks remain in the system".

Mr Ballantyne said rents had proven fairly resilient, and 85 per cent of space under construction was pre-leased. "There will be a lag in supply, so there will be upward pressure on rents in 2010," he said.

This story was found at: <http://www.smh.com.au/business/port-activity-points-to-industrial-market-bounce-20091208-khpo.html>