

P R E S S R E L E A S E

CB Richard Ellis Pty Ltd
ABN 57 057 373 574Level 26, 363 George Street
Sydney NSW 2000
DX 10262T 61 2 9333 3333
F 61 2 9333 3330www.cbre.com.au

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For further information:
Kathryn House
Communications Manager
61 2 9333 3585
61 402 465 440

New dynamics drive Brisbane's strongly performing industrial market

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New industrial construction in Brisbane is reaching record levels, with more than 1 million square metres of industrial space to be completed this year and a further 1.4 million square metres already in the pipeline for 2008, according to CB Richard Ellis research.

At the firm's annual Market Outlook breakfast today in Brisbane, CBRE's regional director of research Kevin Stanley said the city's industrial construction boom was occurring in tandem with a shift in the dynamics of the entire South East Queensland industrial sector.

In Brisbane, the proportion of new industrial building above 15,000 square metres was steadily increasing and would this year account for about 15 per cent of all new stock. Next year, CBRE estimates close to 40 per cent of all new industrial buildings, by area, will be above 15,000 square metres.

"This tells us South East Queensland has reached a critical mass where it needs larger distribution facilities to service the size and growth of the population," Mr Stanley said.

"This trend has implications for the take-up of land, the design and location of estates, the nature of stock for the investment market, as well as determining who the key players will be in the short term," Mr Stanley continued.

The shift will create significant areas of opportunity for investors, given the record levels of enquiry for larger industrial facilities.

CBRE's Queensland Director Industrial & Logistics Services, Aaron Bates, told attendees at today's presentation that enquiries from tenants of 10,000 square metres or more had reached record levels and the expected availability of stock would not be sufficient to meet demand.

“Tenant are looking to growth their South East Queensland operations in order to service the fastest growing population in Australia and, importantly, we’re finding that tenants are getting comfortable with the higher rental rates needed to justify development,” Mr Bates said.

“Be prepared to spec build big sheds in strategic locations. You’ll minimise your competition and be rewarded with a minimal vacancy period and a full rental rate,” Mr Bates continued.

Another emerging trend in Brisbane is the level of new building in Brisbane’s western and southern corridors – areas which are expected to account for almost two-thirds of all new industrial construction in Greater Brisbane in 2007.

“The strategic importance of these locations, the availability of large serviced sites, and the more attractive feasibilities, will probably see this share rise further in the future, especially in the west,” Mr Stanley said.

“We also predict the north to fill more completely the industrial donut around Brisbane. At present the north contributes only 15 per cent of all metropolitan industrial construction, yet we see great potential here,” Mr Stanley continued.

In the Pine Rivers and Caboolture Shires, nine new industrial estates had been proposed with over 320 hectares of land in the pipeline.

“It’s quite possible as these estates come on line, the industrial market of Brisbane’s outer south, west and north together could account for as much as 80 per cent of all new stock in the Greater Brisbane area,” Mr Stanley said.

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