

# artarmon MARKET UPDATE Industrial



Property Consultants, Land Economists, Real Estate Agents, Valuers, Asset Managers & Auctioneers

Sydney Property Market Update

Autumn 2004

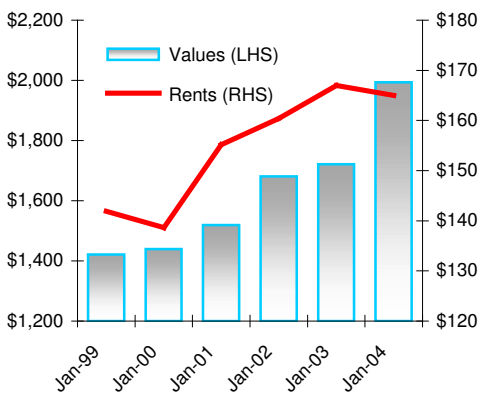
## EXECUTIVE SUMMARY

Artarmon continues to be one of Sydney's more dynamic established industrial markets. Covering some 75 hectares, the area consists of mostly older-style, light industrial buildings resting on lots of 1,000 square metres or less. The area is sometimes referred to as "Panel Beater Alley", as this is visibly the dominating tenancy profile. Other uses include software, technology and back office film & television activities. Vacancy has been relatively high over the last 12 to 18 months, but this trend appears to be stabilising. Local agents are reporting increased leasing inquiry over the last 2 months, however the increased interest has yet to materialise into a significant amount of signed deals. Current lease rates for reasonable quality secondary space ranges between \$130 to \$160 net, while new prime space typically falls within the \$275 to \$375 range net.

Despite high vacancy and a sluggish leasing market, the Artarmon market continues to attract buyers. This can be attributed to a number of factors, including relatively low interest rates and the underperformance of other asset classes. Ironically, at the same time, supply of quality investment stock has dried up, with competition fierce as investors vie to acquire prime properties. Older stock of reasonable quality is currently achieving, on average, in the range of \$1,800 to \$2,100 per square metre. Chesterton International recently negotiated the sale of a 1,271-sqm industrial building at 35-37 Dickson Avenue for \$2.5 million, reflecting a rate per square metre of \$1,967. New high-tech strata is achieving considerably more, ranging from \$3,500 to \$4,200 per square metre. The recently completed North Shore Business Centre and the soon-to-be-completed 2a Herbert Street will help to alleviate some of the pent-up investor demand, providing the market with more than 75 new high-end units, many of which have already been pre-sold.

The Artarmon industrial precinct is expected to continue to perform well. As interest rates rise, purchasing demand from many owner-occupiers should shift to leasing demand. That, coupled with the expected increase in employment growth, will lead to a tightening in the vacancy factor. Since Artarmon has a chronic shortage of vacant industrial sites, opportunists will seek to refurbish or redevelop existing buildings, driving buyer demand. Over the long term, the Lane Cove Tunnel, which begins construction in May with an anticipated completion in 2007, will further increase the precinct's accessibility... and values.

Artarmon Industrial Values/ Rents (\$/ sqm)



Source: Chesterton Research

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## RECENT ARTARMON SALES TRANSACTIONS

Building Type	Address	Area	Price	\$/ sqm
New warehouse/office	1 Marden Street	2,884	\$19.0 m	\$6,588
Modern office/warehouse	50 Broughton Road	2,102	\$4.20 m	\$1,998
Office/warehouse	24 Carlotta Street	2,100	\$2.80 m	\$1,333
Modern office/warehouse	22 Lambs Road	2,046	\$7.25 m	\$3,544
Warehouse/office	14-16 Whiting Street	1,383	\$2.01 m	\$1,453
Warehouse/office	35-37 Dickson Avenue	1,271	\$2.50 m	\$1,967
Warehouse/office	8-10 Whiting Street	1,033	\$1.88 m	\$1,820
Industrial	27 Clarendon Street	994	\$1.85 m	\$1,861
Modern factory/office	59 Whiting Street	926	\$1.66 m	\$1,793
Warehouse/office	20 Carlotta Street	729	\$1.45 m	\$1,989
Warehouse/office	72 Whiting Street	697	\$1.55 m	\$2,224
Warehouse/office	29 Dickson Avenue	570	\$1.25 m	\$2,193
Modern Warehouse/showroom	40 Dickson Avenue	564	\$1.20 m	\$2,128
Warehouse/office	10 Waltham Street	400	\$1.60 m	\$4,000