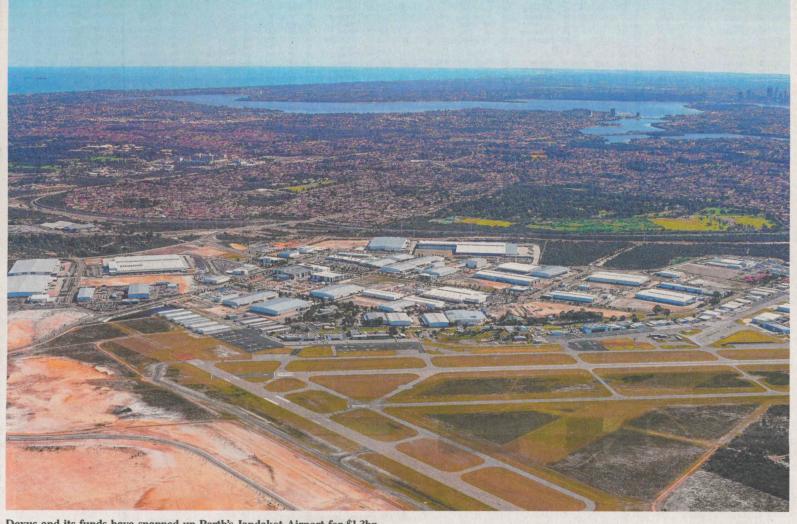
The investment forces driving property shift



Dexus and its funds have snapped up Perth's Jandakot Airport for \$1.3bn

BEN WILMOT

The great industrial property reset is under way with the country's warehouses and sheds in hot demand, leaving the traditional prizes of super-regional malls and city skyscrapers behind.

The big shift was on display with property stalwart Dexus announcing it would buy Perth's Jandakot airport for \$1.3bn, and Centuria blew away the competition for a major western Sydney complex that sold for just over

The moves are just part of a series of big plays by property companies this week, with funds manager Logos and Australian-Super heading the pack for an \$800m parcel next to Sydney Airport being sold by Qantas.

In the same week rival companies including Lendlease and traditional sector giant Goodman have unveiled deals where they have bought close to \$1bn worth of industrial assets, with e-commerce driving the big plays.

If anything, values are expected to rise further as offshore players are applying the values which top warehouses attract in international markets to local holdings, which will mean the sheds which were once overlooked by big institutions remain in hot demand.

Listed investors are backing the trend with capital raisings on Thursday supporting the Dexus play, via a raising by its Industria REIT, and Centuria Industrial REIT also tapping the equity mar-

Dexus chief executive Darren Steinberg said industrial property was now being priced on a global basis. "There are good underlying drivers behind this and the demand from tenants for industrial has increased," he said.

The company will lift its industrial property empire to \$11bn with the airport purchase and will draw on both its listed Industria vehicle and big pension funds for the deal.

The demand for industrial product from third party capital is also very strong," Mr Steinberg said. "There's strong tenant demand and strong capital demand for the product, which is leading to increased pricing.

The recent run of deals was dominated by unlisted funds but Thursday's successful capital raisings shows listed companies are still competitive.

"I think there still remains

strong listed appetite," Mr Steinberg said, although he expects this to be matched by other capital. "We are in dialogue with several other listed capital partners to join us in this acquisition as well."

Dexus bought Perth's Jandakot airport and surrounding parcels for \$1.3bn from Ascot Capital and Kirsh and will develop it into a major logistics hub. The company teamed with its recently acquired Industria REIT to buy the airport.

'Demand for industrial product from third party capital is strong

DARREN STEINBERG

Jandakot is Perth's major general aviation airport and spans 620 hectares, with the location appealing to logistics companies as it is near Fremantle Port and major roads.

Mr Steinberg said the deal gave Industria an opportunity for a change "as it secures an interest in quality logistics-oriented real estate with embedded development potential".

The airport will be at first held two-thirds by Dexus and onethird by Industria. Industria tapped Citi and Macquarie for the \$350m raising to fund the purchases

Centuria Industrial REIT snapped up eight industrial properties in cities around Australia for \$351m. The deal will see the trust, the country's largest listed pure play in the hot industrial property area, expand in distribution centres, cold storage and transport logistics.

The fund is riding the accelerating consumer shift to online retail to build new facilities and expand existing sites into ever more valuable holdings. It launched an institutional placement to raise about \$300m via Morgan Stanley and JPMorgan.

The purchases were anchored by a \$200.2m super-prime distribution centre in the Sydney suburb of Fairfield which was secured on a 3.6 per cent initial yield. The remaining seven assets, worth \$151.1m, are scattered across NSW, Victoria, Queensland and Western Australia.

The largest deal and two others were negotiated by Colliers, with Gavin Bishop and Sean Thomson handling the Fairfield

Many of the big value jumps have come in Sydney but Centuria fund manager Jesse Curtis also pointed to the larger forces transforming the area.

"The industrial sector is currently in a super-cycle supported by strong e-commerce and last mile tenant demand, coupled with record low vacancy rates," he said.

The company and its rivals have been jostling for position in Sydney's tightly-held market, even buying sites that were once earmarked for apartments.

CBRE head of industrial and logistics research Pacific Sass J-Baleh said some industrial transactions are being struck at yields of less than 4 per cent and noted that average yields offshore are currently 50 basis points or more lower than in Australia, "which gives you an indicator on where it could go".

The likely total returns being generated out of the sector continue to be compelling for all sorts of investors as we are witnessing in Australia and more broadly in the global market," Ms J-Baleh