



North Perris Boulevard, Perris, California

## INDUSTRIAL SECTOR HIGHLIGHTS – NORTH AMERICA

**Portfolio value** \$1.7 billion (2008: \$1.9 billion)

**Like for like earnings** (4.6%) (2008: 7.2%)

**Occupancy (by area)** 88.0% (2008: 91.8%)

**Lease duration (by income)** 4.3 years (2008: 3.9 years)

### Results

The North American portfolio is valued at \$1.7 billion and contributed 25% of the Group's net property income or \$132.8 million (2008: \$110 million).

The key contributing factors to this increase in income were income from the Whirlpool properties acquired last year in California, USA and Toronto, Canada and changes in foreign currency rates.

The portfolio consists of 117 properties, covering more than 24,944,000 square feet (2,317,373 square metres) and providing space for 567 tenants.

The portfolio consists of 45.4% warehouses/distribution centres, 19.4% business parks, 30.8% industrial estates, 2.4% office parks and 2% land by market value.

### Revaluations

2009 was a particularly challenging year for the North American property markets with operating conditions and investor sentiment deteriorating significantly, resulting in sharp declines in property valuations.

In the year to 30 June 2009, the entire North American industrial portfolio was revalued externally, resulting in a decline of \$698 million or 27% to \$1.7 billion.

In the first six months to December 2008 devaluations reflected the change in outlook. Valuers were quick to adjust capitalisation rates aggressively, and assume increased vacancy downtime, capital expenditure and tenant credit risk.

Valuations for the six months to 30 June 2009 took into account falling market rents and a negative outlook for real rent growth.

The portfolio's weighted average capitalisation rate over the year increased by 1.3% to 8.2% (2008: 6.9%).

### Developments and acquisitions

During the year we completed several developments in San Antonio. No future developments will be commenced unless they are fully funded with tenant pre-commitment and meet our investment criteria.

Subsequent to year end, in July 2009 we acquired the fourth Whirlpool property in Columbus, Ohio for \$79.5 million, as part of the Whirlpool investment program. The final two properties to be acquired will be in Atlanta, GA and Seattle, WA. These are due to settle by December 2009 for a total estimated cost of \$196 million.

### Property sales

As part of our regular review of the investment portfolio, in October 2008, 3765 Atlanta Industrial Drive NW, Atlanta, GA was sold for \$7 million.

In April 2009, the Group announced the property sales program, and appointed CBRE to manage the sale of approximately US\$200 million of properties in the US. When completed, these sales will reduce the Group's overall footprint in the US, and is the commencement of our strategy to reposition the US portfolio to concentrate ultimately on four primary markets on the west coast.



Summit Oaks, Vanderbilt Way, Santa Clarita, California

### Leasing

Declining economic conditions have led to decreasing tenant demand, downsizing and some bankruptcies, which caused tenant retention to decline by 6% to 68%. Overall occupancy is also down by 4% to 88%, while the average lease duration increased to 4.3 years (2008: 3.9 years).

Our focus remains on actively managing our portfolio, demonstrated by strong leasing activity during the year with 343,300 square metres leased, representing 15% of the North American portfolio. Some of the larger leasing deals completed included:

- Fully leasing Summit Oaks, Santa Clarita, California, 13,563 square metres for 10 years to Advanced Bionics, who will take occupation in two phases – 33% in September 2009 and the remaining 67% in September 2010
- Renewing the US Greenfibre lease of 9,290 square metres in 601 South 55th Avenue, Mesa Scottsdale, Phoenix, Arizona for five years
- The forward renewal by Columbus Showcase of 13,935 square metres in Unit 1 4401 Equity Drive, Columbus, Ohio for four years

### Rent reviews

A significant proportion of the US industrial portfolio's income is subject to long-term leases, with an average duration across the portfolio of 4.3 years, providing regular and stable cash flows.

The majority of reviews are fixed in the range of 2-3% per annum with the balance linked to the inflation index, with market reviews only occurring at lease expiry.

An 8.5% drop in average market rents during the year resulted in the portfolio becoming over-rented by 8.2% as at 30 June 2009.

## INDUSTRIAL PORTFOLIO NORTH AMERICA

INDUSTRIAL PROPERTIES 117  
SQUARE METRES 2,317,373

### UNITED STATES

**ATLANTA**  
4 properties  
US\$31 million

**BALTIMORE**  
9 properties  
US\$107 million

**BOSTON**  
1 property  
US\$8 million

**CHARLOTTE**  
3 properties  
US\$28 million

**CHICAGO**  
1 property  
US\$18 million

**CINCINNATI**  
10 properties  
US\$81 million

**COLUMBUS**  
4 properties  
US\$48 million

**DALLAS**  
18 properties  
US\$101 million

**HARRISBURG**  
3 properties  
US\$40 million

**LOS ANGELES**  
5 properties  
US\$113 million

**MEMPHIS**  
1 property  
US\$5 million

**MINNEAPOLIS**  
8 properties  
US\$54 million

**NTH VIRGINIA**  
8 properties  
US\$173 million

**ORLANDO**  
3 properties  
US\$85 million

**PHOENIX**  
11 properties  
US\$91 million

**RIVERSIDE**  
7 properties  
US\$169 million

**SAN ANTONIO**  
12 properties  
US\$69 million

**SAN DIEGO**  
3 properties  
US\$29 million

**SEATTLE**  
3 properties  
US\$33 million

**SOUTH FLORIDA**  
2 properties  
US\$32 million

**CANADA**

**TORONTO**  
1 property  
C\$52 million