

INDUSTRIAL OUTLOOK

EDITION 3 | SPRING 2007

ACTION AT THE AUSTRALIAN MARINE COMPLEX 01 | INSTITUTIONAL INVESTORS SET THEIR SIGHTS ON WA 02 | ATTRACTING INDUSTRY TO THE PEEL REGION 03 | SUPPORTING THE GROWTH OF THE PILBARA 03 | LATITUDE 32: ECONOMIC POWERHOUSE OF THE FUTURE 04 | EXPERTS TEAM UP TO FOCUS ON INDUSTRIAL ISSUES 04 | A FOCUS ON CONTAMINATED SITES 04 |

ACTION AT THE AUSTRALIAN MARINE COMPLEX



Two naval ships berthed at the Eastern wharf

The rapid development of the Australian Marine Complex (AMC) has continued this year, with a major upgrade of its infrastructure and the release of additional land providing growth opportunities for businesses in the marine, defence, and oil and gas industries.

In parallel, a \$174million upgrade of the AMC Common User Facility's infrastructure is underway. Recent developments include:

- ▶ Henderson shipbuilder Strategic Marine Pty Ltd was awarded the contract for construction of a \$60million floating dock;
- ▶ the opening of a 225m wharf extension;
- ▶ power upgrades to 8.5mVA facilitating operation of the floating dock and the ASC Pty Ltd submarine repair and maintenance facility currently under construction; and
- ▶ dredging of a deep pocket to accommodate the floating dock.

Floating dock and eastern wharf extension

The planned infrastructure upgrades at the AMC took a major step forward in July when Strategic Marine was named as the preferred tenderer for construction of a floating dock.

Announcing the decision, Planning and Infrastructure Minister Alannah MacTiernan said the floating dock would be a 99m long by 53m wide structure capable of providing the land transfer of docked vessels up to 3,500t, with the capacity to lift 12,000t vessels out of the water for service and maintenance work.

It will allow WA to bid for a range of maintenance and construction projects such as: repairing and maintaining the Australian Navy's ANZAC frigates; commercial ship repair work; servicing the growing super-yacht industry; and testing subsea oil and gas components.

The floating dock will support the \$35million submarine repair and maintenance facility being constructed by defence contractor ASC Pty Ltd and will be invaluable in the ongoing contract to repair and maintain the Royal Australian Navy's Collins class submarine fleet.

The floating dock decision followed completion of the Eastern Wharf extension, which doubled its capacity so that it can hold four vessels at any one time.

In addition, the world's biggest and most powerful dredge, the Leonardo Da Vinci, has undertaken a three-week dredge program to create a 17.5m deep pocket to accommodate the floating dock.



Artist impression – Eastern wharf extension and floating dock

Support Industry Precinct

The latest land release in the Support Industry Precinct has been designed to maximise opportunities for companies in the target industries of marine, defence and oil and gas.

The 15 new serviced lots range from 2,800sqm to 3,500sqm providing opportunities for small to medium sized businesses compatible with the area's specialist use.

Reflecting LandCorp's focus on sustainable development, six hectares of heavily degraded bushland adjacent to the precinct will be rehabilitated over the next three years at a cost of nearly \$1million.

The sustainability initiatives are considered an asset for the area. For instance, an artificial lake designed to manage stormwater run-off has become home to around 300

Sacred Ibises and will soon be upgraded with transplanted flora, walking paths, benches, lookouts and bird roosting structures.

Another notable environmental initiative, and a first for Western Australia, is a requirement that rainwater tanks be installed on all Stage 3 lots. LandCorp will provide a \$5,000 subsidy for the tanks, which are likely to help satisfy many industrial water requirements.

The ThyssenKrupp Technologies subsidiary Polysius is planning to use its lot at the AMC to substantially upgrade its service capability in Australia.

The German based ThyssenKrupp group is a world leader in the provision of equipment and services for the mining, materials handling and mineral processing industries and employs more than 190,000 people globally.



Support industry precinct

INDUSTRIAL OUTLOOK

ACTION AT THE AUSTRALIAN MARINE COMPLEX from page 1

Subsea Cluster

The AMC's specialist focus is highlighted by the planned development of a subsea cluster for companies servicing the oil and gas sector.

This opportunity reflects the increasing number of deepwater (>500 metres) oil and gas projects, which utilise subsea plant and equipment.

FMC Technologies, a major international manufacturer and supplier of subsea production systems, has leased premises at the AMC Common User Facility (CUF) for a customer support, servicing and maintenance facility until it can establish its own permanent facility within the AMC. Ferguson Seacabs is also another supplier to the oil and gas industry currently leasing an area within the AMC CUF.

LandCorp and the Department of Industry and Resources conducted a Registration of Interest process in August 2007 to help determine the level of interest and the infrastructure needs of a subsea cluster, which could occupy an area of approximately 25ha.

Submissions were received from a number of international and national companies.



Australian Centre for Energy and Process Training

The State Government is building the Australian Centre for Energy and Process Training (ACEPT) facility at the AMC's Technology Precinct to increase the future supply of skilled workers.

ACEPT brings together training providers and private industry to provide a one-stop training centre for the oil and gas, chemical and minerals processing industries.

Hosted by Challenger TAFE, the centre will cater for about 350 students on-site and through remote web-based learning programs. It has received \$19million in State Government funding and substantial cash and in-kind support from oil and gas and service companies.

For instance, the centre features a fully operational process train capable of separating gases and liquids in a closed loop. Students will be able to train in live situations or via computer based simulations provided by the Centre's partner, technology company Honeywell.

ACEPT brings together training providers and private industry to provide a one-stop training centre for the oil and gas, chemical and minerals processing industries.



INSTITUTIONAL INVESTORS SET THEIR SIGHTS ON WA

Western Australia's industrial property market has traditionally been dominated by local developers and owner occupiers but that is starting to change as institutional investors move into the Perth market.

Colliers International associate director of research consultancy David Cresp said that the stronger presence of institutional investors in local industrial property was a trend that had emerged in most Australian markets.

"There is a growing interest in industrial property from the big institutions," Mr Cresp said.

"For example, we are currently dealing with a 33ha property in Hazelmere and have received strong interest from most of the major institutions across Australia."

He pointed to the State's booming economy which has helped create a strong demand for industrial property, as one of the main reasons for the majors' new-found interest in the Perth market.

"...the WA market has increased substantially in value but there is still capital growth to be had in the future."

Buoyed by the opportunities in the Perth area Australia's largest listed industrial property group, the Sydney-based Goodman Group (formerly Macquarie Goodman), opened a Perth office this year.

Goodman general manager WA Travis Hardman said the opening of the Perth office reflected the group's focus on meeting customer needs in the WA market.

"With a WA portfolio of around \$60million, we have provided ourselves the perfect platform to extend our operations, service our extensive

client base and actively investigate further opportunities in the Perth market," Mr Hardman said.

A cornerstone of Goodman's success nationally has been creating industrial estates and office parks and the group would consider developments on either greenfields or brownfields sites in Perth.

CB Richard Ellis property analyst Michael Olsen is another who concurs on the trend of an increasing institutional presence in the WA industrial property market.

He commented that the WA market has increased substantially in value but there is still capital growth to be had in the future.

"The Eastern States' players are becoming more educated about WA and where previously we had been seen as a boom and bust market, Perth is now viewed as having sustainable long term growth," Mr Olsen said.

He cited companies such as Stockland, Charter Hall, GE Capital, along with Goodman as examples of institutional players eyeing off the Perth market. At the same time he expressed a word of caution on the plans the majors have for Perth.

"The Perth market has been very tightly held and dominated by high net worth individuals," Mr Olsen said. "Recently there has been a big push by the institutions and there should be more in the future but it will remain a difficult market."

INDUSTRIAL OUTLOOK

ATTRACTING INDUSTRY TO THE PEEL REGION

The opening of a new industrial estate at Pinjarra is expected to support the growth of new and existing industry in the Peel region.

Peel has been one of Australia's fastest growing regions over the past decade and that is likely to continue, with the regional population projected to grow up to 49 per cent to 131,000 by 2016.

LandCorp plans to develop 50ha of land to create approximately 40 lots for light and general industry. Pre-sales of the first 17 lots are anticipated for release in the first half of 2008.

The new estate, located immediately south of the existing Pinjarra industrial area, has already attracted an anchor tenant.

ByrneCut Mining, one of Australia's biggest mining contractors, has agreed to purchase a 5.5ha lot for its subsidiary Murray Engineering as part of the inaugural land release.

Murray intends to establish a purpose-built facility for the repair and refurbishment of mining equipment, initially with 20 to 30 full-time staff but with plans for substantial growth. It also plans to establish an on-site training facility.

The development of the \$2billion Boddington gold project near Pinjarra added to the attraction of the area for ByrneCut.

The estate is likely to appeal to local business operators with small, medium or large factories or workshops, and will provide an alternative lower-cost location for businesses servicing Mandurah.



Peel Development Commission CEO Maree De Lacey said industrial land supply had been identified as the region's highest infrastructure priority for a number of years.

"The development of Pinjarra Industrial Estate is part of the solution to those needs," she said.

"It will provide land for new businesses and enable existing businesses to expand, meaning much-needed jobs in the Peel region and business growth to meet the needs of our rapidly growing population."

Ms De Lacey said she was delighted with the positive approach of LandCorp, the Shire of Murray, the Department of Water and the Department for Planning and Infrastructure to resolving a number of challenges along the way to finalising Stage 1 of the estate.

The Pinjarra estate is seen as a short to medium term solution to the region's needs while long term options such as the development of the Nambelup Industrial Estate are evaluated.

"It will provide land for new businesses and enable existing businesses to expand, meaning much-needed jobs in the Peel region and business growth to meet the needs of our rapidly growing population."



Pictured from left: Peel Development Commission Chairman Hon John Cowdell; Shire of Murray President Noel Nancarrow, Planning and Infrastructure Minister Alannah MacTiernan, ByrneCut Mining Group representative Steve Coughlan.

SUPPORTING THE GROWTH OF THE PILBARA

The Pilbara region's iron ore boom has created strong demand for additional industrial land in centres like Port Hedland, Newman and Dampier.

The lots are located 1.5km from the town centre and adjacent to the existing light industrial area, and range in size from 3,000sqm to 4,627sqm.

The keen demand for industrial land in the Pilbara is directly tied to the region's extraordinary mining boom, which has been much stronger and lasted longer than most pundits had anticipated.

The boom kicked off in 2002 when BHP Billiton commenced its first big expansion project. Since then, BHP and Rio Tinto have each spent or committed to spend about \$6.5billion in the region. Newcomer Fortescue Metals Group has added to the boom by agreeing to invest nearly \$3billion in the region.

Importantly, only a small part of the spending has been on the actual mines. The majority of spending has been on the associated port and rail infrastructure.

BHP, Rio and Fortescue have all stated that they are evaluating further substantial expansion projects. If these proceed, the region is likely to need at least one major new port to accommodate the growth in export volumes.

The region's growing population is adding to the business opportunities. In response to this growth, LandCorp has delivered more than 500 residential lots in the Pilbara since 2006 and further releases are also planned throughout the region.



LandCorp has responded by releasing new industrial lots this year at Port Hedland's Wedgefield industrial estate and in south Newman. This is in addition to several residential land releases undertaken by LandCorp to support the Pilbara's rapid population growth.

There was strong demand for the 22 lots at Wedgefield, which were sold by tender in July.

Wedgefield is situated in Port Hedland's existing industrial area and the zoning of the light industrial lots suits various industrial uses, as well as showrooms and warehousing.

As part of the conditions of the land release, purchasers are required to build within 30 months and design guidelines are in place to ensure new buildings meet design and sustainability standards.

At Newman, 15 lots were released for tender in March and 10 were sold through that process. The remaining lots are to be sold by private treaty.



LANDCORP'S COMMITMENT TO SUSTAINABILITY.



A sustainable approach to our use of land will strongly shape the future of our society. To meet the needs of both current and future generations, we must consider all the effects of our actions: environmental protection, social advancement and economic prosperity.

As the State Government's land property developer, LandCorp applies the principles and practices of sustainable development across Western Australia, learning more and improving outcomes on all projects.

At LandCorp, we are committed to reducing our ecological impact and enhancing the community's quality of life.

INDUSTRIAL OUTLOOK

LATITUDE 32 INDUSTRY ZONE: ECONOMIC POWERHOUSE OF THE FUTURE

LandCorp is proceeding with planning for the Flinders Precinct, the first development area of Latitude 32 Industry Zone, following a Registration of Interest (ROI) that revealed strong demand for industrial land in the area.

Latitude 32 is Western Australia's largest industrial redevelopment project. It will supply 1,400ha of prime industrial land in Perth over the next two decades, making it a pivotal aspect of the State's future development.

The ROI was designed to gain a better understanding of industry's preferences for the design of the Flinders Precinct, specifically lot size and configuration and the associated service and infrastructure requirements.

The Flinders Precinct will cater for transport and general industry uses, providing an alternative location for businesses that traditionally would have looked to locations like Kewdale, Welshpool and Canning Vale.



LandCorp chief executive Ross Holt said the ROI was very successful with more than 100 responses received during the process.

"As well as highlighting the strong demand for new industrial land, the responses also indicated that sustainability issues were at the forefront of industry thinking," he said.

"This is going to be a world leading industrial development, not just in its size and economic importance but also its quality - setting a new standard for industrial developments in WA."

The first land release in the 35ha Flinders Precinct is anticipated to occur in the first half of 2008.

The Latitude 32 project area comprises five different types of land uses: general industry, transport and logistics, business park/ eco industry, commercial centre, and resource recovery and recycling.

While LandCorp currently owns just 157ha of the entire Latitude 32 project area, it is acting as the State Government's planning authority for the overall redevelopment.

EXPERTS TEAM UP TO FOCUS ON INDUSTRIAL ISSUES

The industrial property committee is developing policies on a range of issues, and also plans to run seminars and produce newsletters to improve industry understanding of prevailing issues and emerging trends.

LandCorp business manager John Hackett has been appointed the inaugural chairman of the Property Council's newly formed industrial property committee.

The establishment of the committee early this year reflects an increased focus on the industrial property market in Western Australia.

The Property Council already has advisory committees dealing with other property sectors, such as commercial, offices, retail and residential.

The industrial property committee is developing policies on a range of issues, and also plans to run seminars and produce newsletters to improve industry understanding of prevailing issues and emerging trends.

Key issues on its agenda include the Contaminated Sites Act, which came into effect late last year, yet many industry players are not aware of its potential ramifications.

The limited supply of industrial land is another key issue. The committee will be undertaking

a study to improve the quality of information available to the market. It will also focus on the need to upgrade transport and other infrastructure to support existing industrial estates and new developments.

The entry of institutional investors and developers in the WA market, and their impact on property yields, is another significant trend the committee will monitor.

The committee has 11 members representing industrial property agents, developers and lawyers.



John Hackett gets down to business with students from Tranby College

DISCLAIMER: This brochure is published by LandCorp to provide information on industrial news. The information contained in this brochure is in good faith, however neither LandCorp nor any of its directors, agents or employees give any warranty of accuracy nor accepts any liability as a result of reliance upon the information, advice, statement or opinion contained in this brochure. This disclaimer is subject to any contrary legislative provisions.

A FOCUS ON CONTAMINATED SITES

In 2003, State Parliament introduced the Contaminated Sites Act after a range of community and other groups expressed concern about the possible health impacts of contaminated land.

The Act became law on 1 December 2006, but many property owners and developers are unaware of the extent of its implications.

Former Environment Minister Mark McGowan was explicit when he described the significance of the Act.

"Western Australia will have the most stringent rules in the country when it comes to managing and cleaning up contaminated sites," Mr McGowan said when the Act took effect.

Under the Act, a site is contaminated if it has a substance present – in soil or water – at above background concentrations that presents or has the potential to present a risk to human health, the environment or any environmental value.

LandCorp business manager Dr John Yeates has dealt with many contaminated sites and said that hundreds of industrial sites could be judged to be contaminated under the provisions of the Act.

"Property owners and developers have to ask whether any of their properties are contaminated, if so what they might have to do about it, and who would have to bear the cost of any clean-up," he said.

The Contaminated Sites Act operates on the principle that the polluter should pay for any remediation but in practice the owner may be liable if the polluter cannot be identified. The Act also introduced mandatory reporting of contaminated sites, by the owner, the occupier of the site, the polluter or even a member of the public who suspects a site is contaminated.

Although only recently introduced, LandCorp has been applying the requirements of the Act for a number of years to ensure redevelopment sites are compliant under the new legislation. It was used to guide the remediation and eventual rezoning of the former Leighton railway marshalling yards, from an industrial site with residual hydrocarbon, asbestos and heavy metal contamination into a high quality residential development.

The Act mandates a process to classify the status of a site which is suspected or known to be contaminated. Sites classified as contaminated may be subject to remediation requirements, or to restrictions on use. In the case of Leighton the contamination was such that LandCorp remediated the site to DEC requirements for the proposed new land use.

Dr Yeates explained the management of environmental risk should be treated the same as any other type of risk.

"It should include bringing in expert advisers, conducting a robust investigation of the site and making a realistic assessment of remediation costs and timeframes," he said.

Investigations must meet published DEC guidelines and remediation required, under the Act's provisions must be signed off by an accredited Contaminated Sites Auditor.

Due diligence should always be undertaken before a site is acquired or a development plan finalised. Developers purchasing a site should make themselves fully aware of a site's contamination status before acquisition, or alternatively acquire a 'clean' site, or full indemnification from the vendor on all relevant costs, including possible delays for investigation and remediation.