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HD **Goodman lifts China focus**

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Goodman Group is to increase its presence in China after signing off on a $US500million ($581million) increase in its equity allocation to its Goodman China Logistics Holding (GCLH) joint venture.

The deal will see $US400 million contributed by Canada Pension Plan Investment Board and $US100million by Goodman.

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Goodman chief executive Greg Goodman said the increased cash - the joint venture partners have allocated a combined $US2billion - is to invest in and develop prime logistics space across mainland China. GCLH was formed in 2009 with an initial equity commitment of $US300million.

Speaking at the group's annual general meeting in Sydney on Thursday, Mr Goodman said the growing significance of urban renewal was changing the industrial investment landscape in Australia.

"Goodman's urban renewal pipeline will provide opportunity for sources of long-term capital, create significant future value and we are forecasting these activities to result in $150million to $170million valuation uplift for first half of the 2015 financial year," Mr Goodman said.

He said the ability to sell non-core land and buildings for residential conversions, was providing a solid cash flow for the business.

This comes as the strength of industrial investment activity is indicating that 2014 may be the strongest year of industrial sales volumes on record. Transaction volumes for the first nine months of 2014 have already reached $2.9 billion, edging close to the 2013 volumes of $3.2 billion.

With the current strong pipeline of industrial transaction activity across Australia, JLL is predicting volumes could in fact exceed the 2007 record of $4.4billion.

JLL's Australian head of industrial, Michael Fenton, has estimated there is a pipeline of more than $1.6 billion of potential transactions that will exchange or settle in the next few weeks. That means Australian industrial markets are looking at a record year, with volume not seen this strong in seven years.

"Figures for the first nine months show industrial sales volumes in 2014 increased 40 per cent on the same period in 2013 and have risen steadily each year since 2008," Mr Fenton said.

It's looking like 2014 may be the strongest year of industrial sales volume on record, eclipsing the previous highest volume of $4.4 billion in 2007."

Washington H. Soul Pattinson has sold its two distribution centres at Erskine Park for $153 million to Logos Property. They have long-term leases with the Super Retail Group.

Mr Fenton said Sydney remains the strongest investment market for industrial across Australia, making up a 47 per cent share of sales in 2014.

"Australian industrial market activity in the third quarter alone was $1.19 billion, which was led by activity in Sydney.

"There has been a clear shift in demand for Sydney and Melbourne assets. As a result, the share of capital being invested into the likes of Perth and Brisbane is shrinking."

Mr Fenton said industrial investments remain highly sought after. "Demand for Australian industrial investments is very high. Investors are attracted to the high entry yields on offer relative to the other **commercial property** sectors, the yield spread to the risk-free rate and the income return outperformance of industrial over other non-**residential** sectors.

"This highlights the depth of buyer demand across the spectrum of quality grades, locations and functions that the industrial sector offers.

"Very strong industrial **property** investment yield tightening has occurred in the last 18 months, particularly for prime grade assets. The industrial sector is being rerated as an asset class and investors have aggressively chased core logistics assets with long-dated leases. We expect this will entice some vendors into the market in 2015.

"As a result, there remains an exceptional spread available between secondary grade assets and prime grade assets in many markets and we expect to see investors exploring this space more in 2015."

CO cinveb : CPP Investment Board | magmgp : Goodman Group | vaero : Hutech21 Co

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