

APRIL 2014

BRISBANE INDUSTRIAL

Vacancy Analysis

HIGHLIGHTS

- The level of available space within the Brisbane Industrial market fell marginally (by 0.8%) during the first quarter of 2014 to be 547,134m² as at April 2014. This is the first fall in the vacancy level since mid-2012, however it remains some 51% above the long term average.
- The proportion of prime stock has increased slightly over the quarter to 37% of total available accommodation or, 204,731m². This has been boosted by an increase in speculative construction which now accounts for 8.9% of vacant stock and overall the available prime space increased by 5.9% over the quarter. In contrast the secondary vacancy fell by 4.5%, however it still accounts for some 342,403m² of space.
- The first quarter of 2014 saw an improvement in take-up with 98,845m² recorded across 13 properties which is significantly higher than the average of 68,815m² per quarter. This is a testament to the anecdotally stronger activity which has been in evidence since late 2013. The take-up was evenly split between prime and secondary space and was well spread across tenant sizes, which is indicative of the broadening tenant enquiry which has been in place.

BRISBANE INDUSTRIAL

Vacancy Analysis

Table 1
Brisbane Industrial Available Space 3,000m²+ as at April 2014

Precinct	Available Space (m ²)	No. of Buildings	Av Asking Rent \$/m ² net	Change Past Qtr (m ²)	Change Past Year (m ²)	Building Quality	
						Prime %	Secondary %
Fringe	13,082	3	120	-	4,800	-	100
TradeCoast	60,208	11	116	-496	-25,356	60	40
North	65,352	9	104	8,990	18,168	27	73
Greater North	26,958	6	99	-	9,297	11	89
South	231,849	34	92	-20,725	50,947	14	86
South West	98,919	15	115	7,932	42,701	86	14
South East	50,766	10	105	-	34,575	62	38
Brisbane Total	547,134	88	103	-4,299	135,132	37	63

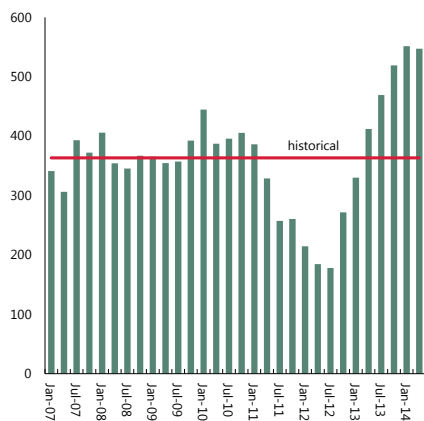
Source: Knight Frank

Prime: Asset with modern design, good condition & utility with an office component 10-30%. Located in an established industrial precinct with good access.

Secondary: Asset with an older design, in reasonable/poor condition, inferior to prime stock, with an office component between 10%-20%.

The level of available space within the Brisbane Industrial market has fallen slightly over the first quarter of 2014 to sit at 547,134m² as at April 2014. This is a welcome reduction in the market following a series of record highs and steady back to back increases since mid-2012. However the current level remains approx. 51% above the long term average.

Figure 1
Brisbane Industrial Market
'000m² available space



Source: Knight Frank

The improvement was made up of a slight fall in the TradeCoast (down 0.8%) and a good improvement in the South (down 8.2%). The Fringe, South East and Greater North markets were all steady. There was an increase of 16% in the North and 8.7% in the South West.

The level of available secondary space has fallen over the past quarter (down by 4.5%) whereas the prime vacancy grew by only 5.9%. This has seen the proportion of prime space change slightly up to 37% (from 35%). This leaves approx. 63% of the available stock as secondary, with the average time on the market for these tenancies 14.3 months (as opposed to prime at 7.5 months).

Available stock remains dominated by existing accommodation, but there have been recent increases in the speculative stock under construction. In terms of existing space there is currently 487,623m² available, this equates to 89.1% of the total available space (down from 94.6% last quarter).

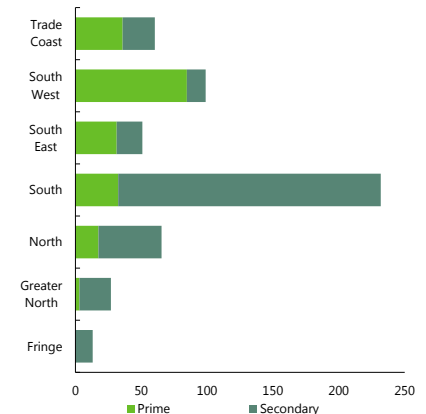
The amount of speculative space under construction has grown to 48,712m² (8.9% of stock). Three new construction starts have been added over this quarter with Goodman commencing further speculative development within the Redbank Motorway Estate with 10,822m² of space being constructed as part of the building being delivered to fulfil Northline's 12,479m² pre-commitment. DEXUS have commenced their 13,317m² Building 1 at Drive Industrial Estate, Richlands and in Berrinba Australand has also commenced construction on a 9,773m² speculative development.

The level of speculatively developed space, completed but not yet occupied, has fallen to 2% of stock following the take-up of 45 Argon Street, Carole Park (4,400m²)

Distribution by Precinct

The South remains the region with clearly the greatest level of available industrial space at 231,849m². However a reduction in available space over the past quarter has increased confidence within the region.

Figure 2
April 2014 Available Space
'000m² by quality & precinct



Source: Knight Frank

The South West now clearly has the second greatest amount of available stock. The precinct has the highest proportion of prime space at 86% and while speculative construction is a major part of this, the region has been the site of sustained quality developments over recent years. The North and TradeCoast have similar levels of stock availability, although the North is dominated by secondary space (73% of available space).

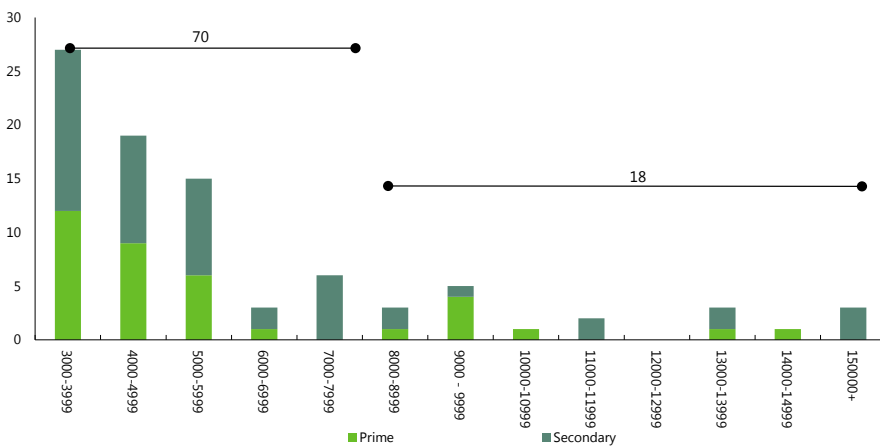
Size & Type of Stock

There are currently 18 buildings available which cater for users of 8,000m² plus. Eight of these larger options are within prime accommodation however four of these are speculative developments under construction; with only four available for immediate occupation. In addition three of the existing options tend more to manufacturing rather than warehouse uses. Therefore there is currently only one prime, warehouse asset over 8,000m² with immediate availability (8 Terrace Place, Murarrie).

Of the ten larger secondary facilities (8,000m²+) four of these are manufacturing with the remaining six offering warehouse accommodation. The South precinct has the greatest number of larger secondary facilities with seven of the ten buildings. Overall across the larger available buildings there is a greater proportion of manufacturing facilities with 39% of the available stock (from seven of the 18 properties) than across the market as a whole.

Across the whole market covered (above 3,000m²) 31% of the stock is considered to have a primary manufacturing use, as opposed to 69% warehouse use; which is a slight reduction in the proportion of manufacturing space over the past quarter.

Figure 3
April 2014 Available Space
No of buildings by size of building m² and quality



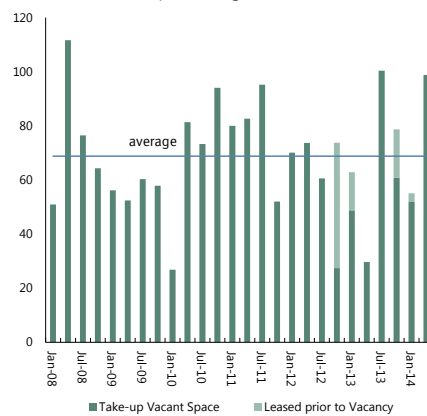
Source: Knight Frank

Building Take-up

The first quarter of 2014 recorded improved take-up with 98,845m² of space removed from the list across 13 buildings.

Unlike the final quarter of 2013, where almost all of the absorption came from properties under 5,000m², this quarter saw a number of more significant spaces taken up. The largest of these was the 24,751m² sub-lease at 62 Stradbroke Street, Heathwood which was leased to Silk Logistics Group.

Figure 4
Brisbane Industrial Take-up
'000m² Est Take-up buildings 3,000m² + (excl D&C)

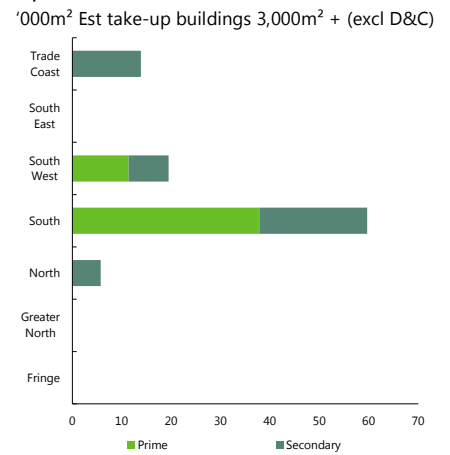


Source: Knight Frank

Take-up was evenly distributed between prime and secondary accommodation in terms of the total area absorbed. However

this was reflective that it was larger prime buildings absorbed, as only five of the 13 buildings were prime. The South saw the greatest level of activity, boosted by the Silk lease as well as Automotive Brands taking 9,712m². This was followed by the South West with just over 19,501m² of take-up, again dominated by prime space. The TradeCoast and the North also saw some secondary absorption.

Figure 5
Brisbane Industrial Take-up 3 months to April 2014



Source: Knight Frank

Summary

The total available space within the Brisbane market (over 3,000m²) fell for the first time since mid-2012. This is a testament to the anecdotally stronger activity which has been in evidence since late 2013. The fall in the vacancy rate was also assisted by the lack of any additional backfill coming to the market during the quarter. In the second half of 2014 this backfill factor is expected to build again as tenants such as Northline and Mainfreight relocate to purpose built facilities.

The growing activity from a broader size range of tenants is a good sign for the market and enquiry levels have held up during the first quarter of the year. There remains strong activity in the pre-lease market, however the limited number of large prime warehouse opportunities indicates this construction appears warranted.

Americas

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Brazil
Canada
Caribbean
Chile

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New Zealand

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Belgium
Czech Republic
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Germany
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Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
The Netherlands
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

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Malaysia
Singapore
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Thailand
Vietnam

The Gulf

Bahrain
Abu Dhabi, UAE

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Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Brisbane Industrial Property Market. The analysis only includes building vacancies which meet the following criteria. 1. The sample data includes buildings with a minimum floor area of 3,000m². 2. Buildings are categorized into the below three types of leasing options. A) Existing Buildings – existing buildings for lease. B) Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant. C) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

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