

FEBRUARY 2014

# BRISBANE INDUSTRIAL

Vacancy Analysis

## HIGHLIGHTS

- The level of available space within the Brisbane Industrial market grew by 6.9% over the final quarter of 2013 to be 551,433m<sup>2</sup> as at January 2014. This is the sixth consecutive quarter of increased vacancy for the market; however this is the smallest quarterly increase over that period as additions to the list slowed.
- The proportion of prime stock has remained stable at 35% of total available accommodation, representing 193,413m<sup>2</sup>. Of the remaining 358,020m<sup>2</sup> of secondary stock on the market, the majority is located within the South precinct (202,181m<sup>2</sup> or 56% of the secondary stock).
- The final quarter of 2013 saw a reduction in take-up when compared with the previous two quarters at 55,053m<sup>2</sup> across 13 properties. The absorbed space was dominated by prime accommodation and all but one of the properties was 5,000m<sup>2</sup> or less, reflecting the relatively higher demand from medium sized occupiers within the market at the current time.

Table 1  
Brisbane Industrial Available Space 3,000m<sup>2</sup>+ as at January 2014

Precinct	Available Space (m <sup>2</sup> )	No. of Buildings	Av Asking Rent \$/m <sup>2</sup> net	Change Past Qtr (m <sup>2</sup> )	Change Past Year (m <sup>2</sup> )	Building Quality	
						Prime %	Secondary %
Fringe	13,082	3	-	4,800	4,800	-	100
Trade Coast	60,704	12	103	-12,165	-7,829	49.8	50.2
North	56,362	6	95	9,840	24,716	17.5	82.5
Greater North	26,958	6	99	3,070	5,897	11.4	88.6
South	252,574	35	92	2,938	105,037	20.0	80.0
South West	90,987	16	104	24,959	50,465	75.4	24.6
South East	50,766	10	105	-849	38,205	61.6	38.4
<b>Brisbane Total</b>	<b>551,433</b>	<b>88</b>	<b>97</b>	<b>32,593</b>	<b>221,291</b>	<b>35.1</b>	<b>64.9</b>

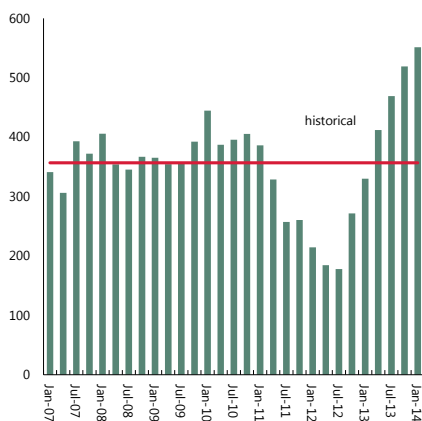
Source: Knight Frank

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 increased further over the past quarter to sit at 551,433m<sup>2</sup> as at January 2014. This represents another record high (from the series start in 2007) for Brisbane and represents a result approx. 55% above the long term average.

Figure 1  
Brisbane Industrial Market  
'000m<sup>2</sup> available space



Source: Knight Frank

The greatest increases were seen in the South West (up 33%) and North (up 19%) while the Fringe saw the addition of a 4,800m<sup>2</sup> vacancy. The Greater North and South saw only modest changes to the overall available space, while TradeCoast (-17%) and the South East (-1.9%) both recorded falls.

While the level of both prime and secondary space increased over the past quarter, the proportion of prime space has remained stable at 35%. This leaves approx. 65% of the available stock as secondary accommodation, much of which has been on the market for some time.

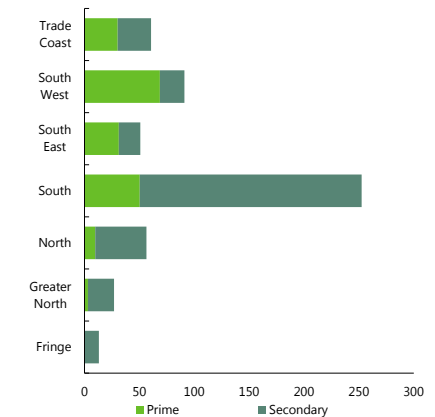
There is currently 521,343m<sup>2</sup> of existing stock available for lease, which equates to 94.6% of the total available space. The level of speculative space under construction has grown to 14,800m<sup>2</sup> (2.7%) due entirely to the construction start at Goodman's Redbank Motorway Estate. The 14,800m<sup>2</sup> is being developed as part of the building under construction to fulfil the DB Schenker 31,400m<sup>2</sup> pre-commitment to the estate. Further speculative starts are expected during 2014 with additional space to be constructed by Goodman at the Redbank Motorway Estate, as well as other commencements such as Australand's 9,700m<sup>2</sup> speculative development at Berrinba.

The level of speculatively developed space, completed but not yet occupied, has been swelled by the completion of 45 Argon Street, Carole Park (4,400m<sup>2</sup>) which remains available for either purchase or lease. At a total of 15,199m<sup>2</sup> the completed spec space also accounts for 2.8% of all available accommodation.

## Distribution by Precinct

The South remains the region with clearly the greatest level of available industrial space at 252,574m<sup>2</sup>. However with an increase of only 1.5% over the past quarter; there was a slowing in the growth of available space that was seen during 2013.

Figure 2  
January 2014 Available Space  
'000m<sup>2</sup> by quality & precinct



Source: Knight Frank

The South West has the second greatest amount of available stock, however it differs from the South due to the high proportion of prime accommodation, with a significant spec development under construction part of this. The Trade Coast and North precincts have similar levels of available space, however are distributed differently in terms of the grade of stock.

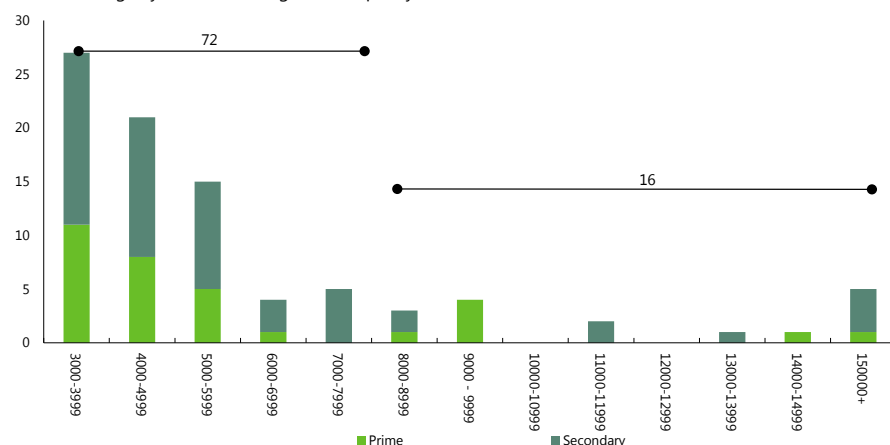
## Size & Type of Stock

There are currently 16 buildings available which cater for users of 8,000m<sup>2</sup> plus. Seven of these larger options are within prime accommodation; one in the early stages of construction and one sub-lease accommodation. Despite this, the five remaining options reflects more larger, prime accommodation than has been available within the Brisbane market for some time. However only two of these are warehousing buildings with the remaining three manufacturing facilities. These prime facilities are evenly spread across the precincts.

Of the nine larger secondary facilities four of these are warehousing with the remaining five manufacturing buildings. The South precinct has the greatest number of larger secondary facilities with six of the nine buildings. Overall across the larger available buildings there is a greater proportion of manufacturing facilities with 48% of the available stock (from eight of the 16 properties) than across the market as a whole.

Across the whole market covered (above 3,000m<sup>2</sup>) 36% of the stock is considered to have a primary manufacturing use, as opposed to 64% which represents warehouse space, as reflects the Brisbane industrial landscape.

Figure 3  
January 2014 Available Space  
No of buildings by size of building m<sup>2</sup> and quality



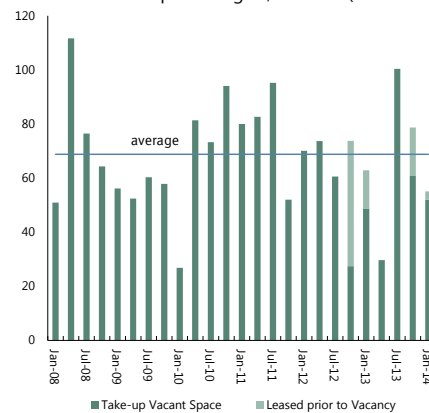
Source: Knight Frank

## 64% OF AVAILABLE SPACE IS WAREHOUSE

### Building Take-up

The last quarter of 2013 saw take-up fall back below average levels at 55,055m<sup>2</sup> after strong results in Q2 and Q3 injected much needed confidence into the market. This was made up of take-up of 52,053m<sup>2</sup> across 12 properties, plus one smaller property leased prior to becoming vacant. Much of this activity was at the smaller end of the market with all but one of the properties absorbed 5,000m<sup>2</sup> or under.

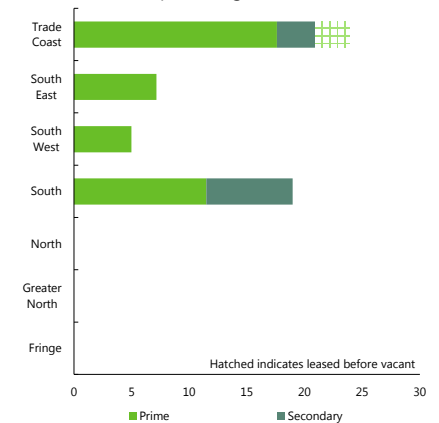
Figure 4  
Brisbane Industrial Take-up  
'000m<sup>2</sup> Est Take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

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

'000m<sup>2</sup> Est take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Take-up was dominated by prime space and nine of the 12 properties recently taken-up were on the market for nine months or less. The Trade Coast was the dominant precinct with total take-up of 23,921m<sup>2</sup>. This was followed by the South with 18,970m<sup>2</sup> of take-up which had a greater representation of secondary accommodation, reflective of the precinct as a whole.

## Summary

The total available space within the Brisbane market (over 3,000m<sup>2</sup>) grew by a further 6.9% over the final quarter of 2013 to record another record high for the series, which commenced in 2007. Additions to the list have slowed slightly in comparison to recent quarters with Fielders (8,940m<sup>2</sup>) and Nomad (5,704m<sup>2</sup>) the only major contractions for the quarter. Further backfill space emerged from CEVA Logistics' relocation to newly built facilities and backfill space is expected to remain a factor over the course of 2014.

Steady activity from medium sized tenants (3,000 – 5,000m<sup>2</sup>) bodes well for good levels of activity during 2014, with the hope that the return to confidence and activity will spread also to larger tenants. With a number of spec or pre-lease options being offered on favourable terms by developers which are also end owners, supported by tightening yields, owners of larger existing options need to be aware of this competition.



## Americas

USA  
Bermuda  
Brazil  
Canada  
Caribbean  
Chile

## Australasia

Australia  
New Zealand

## Europe

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

## Africa

Botswana  
Kenya  
Malawi  
Nigeria  
South Africa  
Tanzania  
Uganda  
Zambia  
Zimbabwe

## Asia

Cambodia  
China  
Hong Kong  
India  
Indonesia  
Macau  
Malaysia  
Singapore  
South Korea  
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 3,000m<sup>2</sup>. 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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