

BRISBANE

INDUSTRIAL VACANCY FEBRUARY 2015

Key Facts

Total vacant space increased by 5.2% over the quarter to 599,695m²

Secondary vacancy fell by 4%; but Prime reversed recent gains—up by 18%

Speculative space accounts for 7% of the market; with development and absorption steady

Take-up was strong; the highest level ever recorded by Knight Frank



JENNELLE WILSON
Director, QLD Research

Follow at @KnightFrankAu

Total vacancy in the Brisbane industrial market increased over the final quarter of 2014, but appears to be stabilising. While backfill space remains a major factor, demand has lifted with take-up the highest ever level recorded.

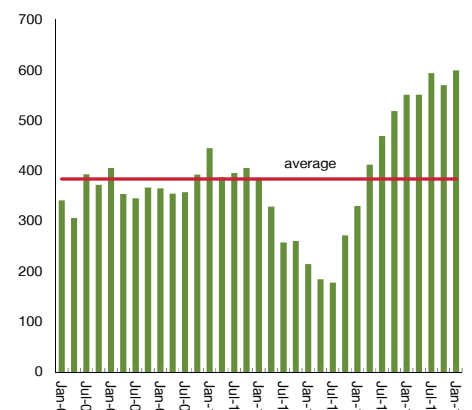
The level of available space within the Brisbane Industrial market increased by 5.2% over the past quarter to sit at 599,695m² as at January 2015. While this represents another historical high for the market (being 5,504m² above the July 2014 result) there are signs over the past three quarters that the vacancy level is showing some signs of stabilisation.

The level of secondary available space has continued to show gradual improvement, however prime space reversed the gains of the previous quarter, increasing by 18%. Available space remains dominated by existing buildings (93%) as new stock, either speculatively developed or D&C, has attracted strong demand. While prime yields remain low, particularly for newly constructed, core assets, these properties will continue to be offered at rentals which attract occupiers away from existing stock.

The residential development demand in inner city suburbs is further reducing the remnant Fringe industrial market and there

are a number of industrial or light industrial users which are being forced to seek new premises further afield. This may improve the fortunes of existing smaller vacant stock in the short term.

FIGURE 1
Brisbane Industrial Market
'000m² available space



Source: Knight Frank

Quality of Stock

The total quantum of prime and secondary available stock has continued to converge over the past quarter, with prime space increasing by 18% and secondary falling by 4%. Despite a small fall in the previous quarter the January results show that prime space has continued to increase. Additions to available space such as the sub-lease of 12,500m² by Chalmers Transport at Lytton and the 15,311m² of backfill space created by Super Retail Group in Lawnton, have been contributing factors.

In contrast, the secondary market has fallen steadily each quarter since peaking in January 2014 as tenants react to the greater flexibility in rental rates and lease terms which have emerged over the past year.

FIGURE 2
January 2015 Available Space
'000m² prime versus secondary space



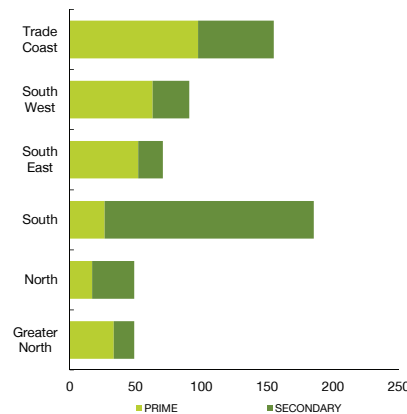
Source: Knight Frank

Distribution by Precinct

Over the past quarter, three precincts recorded falls in total available space. The South West fell by 10%, while the South and South East fell only marginally. With 185,361m² the South accounts for just over a third of Brisbane's total available space, with 86% of this being older style secondary accommodation, competition is high in the precinct.

Despite increases of 124% and 12%, the Greater North and North respectively remain the precincts with the lowest available space. While prime space dominates the Greater North, this is reversed in the North. Despite strong leasing activity, the TradeCoast increased by 6.8%, with all the space added of prime quality.

FIGURE 3
January 2015 Available Space
'000m² by quality & precinct



Source: Knight Frank

Size & Type of Stock

The Brisbane market remains dominated by warehouse accommodation with 74% of the total available stock having primarily warehouse function as opposed to manufacturing. The North (85%), Greater North (93%) and TradeCoast (87%) have the greatest proportion of available warehouse space, with the three southern precincts more likely to contain available manufacturing accommodation.

The number of larger buildings (over 8,000m²) has remained stable at 19 over the past quarter and larger tenants continue to have relatively more choice in existing stock than was the case two years ago. There are 10 larger A grade buildings available, with six of these sub-lease options. The remaining four direct, prime larger options are made up of two completed speculatively developed buildings by Goodman at Redbank, 34 Jutland St, Loganlea and the recently vacated former Super Retail Group facility at Lawnton. There are nine larger secondary buildings available and only two of these are sub-lease options.

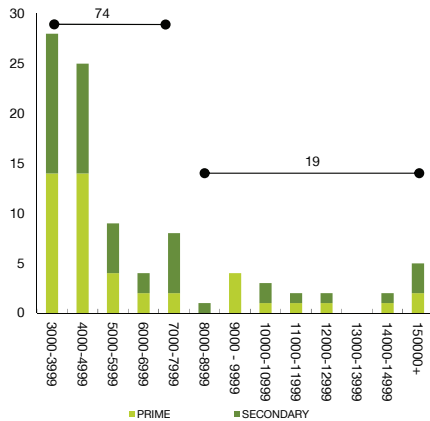
There is currently 42,634m² of completed speculatively developed space remaining available for lease, accounting for 7% of the market. There was no speculative stock under construction which remained available following commitments made by Yusen and Silk Logistics to the Goodman development in Lytton. Further speculative development starts, particularly by DEXUS at Richlands in the South West, are expected in the first quarter of 2015.

TABLE 1
Brisbane Industrial Available Space 3,000m²+ as at January 2015

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 %
TradeCoast	154,916	19	113	9,845	94,257	63	37
North	49,083	9	108	5,350	-7,342	35	65
Greater North	48,899	9	101	27,043	21,941	68	32
South	185,361	31	93	-2,160	-67,213	14	86
South West	90,713	12	112	-10,216	-274	70	30
South East	70,723	13	108	-200	19,957	74	26
Total	599,695	93	104	29,662	61,344	48	52

Source: Knight Frank

FIGURE 4
January 2015 Available Space
No of buildings by size and quality



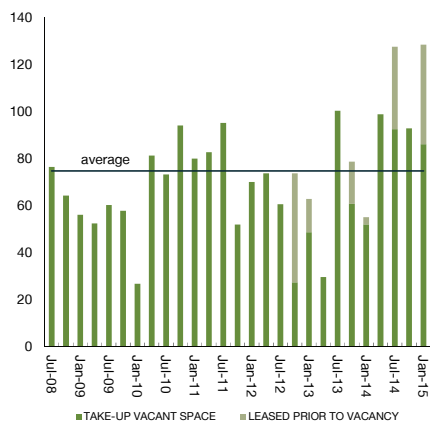
Source: Knight Frank

Building Take-up

During the final quarter of 2014 take-up (excl D&C) of 128,388m² was recorded across 19 buildings. These properties had been available for an average of 10.3 months, and as expected there was divergence between the time on the market for the prime taken-up properties (8.0 months) versus the secondary assets (14.1 months).

Three of the properties leased were committed prior to the vacancies coming onto the available stock list. These were all larger properties located in the TradeCoast which illustrates the demand remaining in that precinct for the right

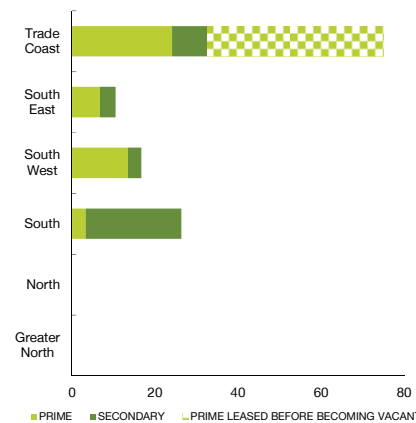
FIGURE 5
Brisbane Industrial Take-up
'000m² Est Take-up buildings (excl D&C)



Source: Knight Frank

product. As a result of these deals the take-up was dominated by the TradeCoast market, accounting for 58% of non D&C take-up over the quarter. Good absorption of secondary space saw the South record a total of 26,308m² with the second highest total. The South West and South East also saw good take-up of space with both dominated by prime space absorption.

FIGURE 6
Take-up 3 months to January 2015
'000m² est Take-up buildings (excl D&C)



Source: Knight Frank

Outlook

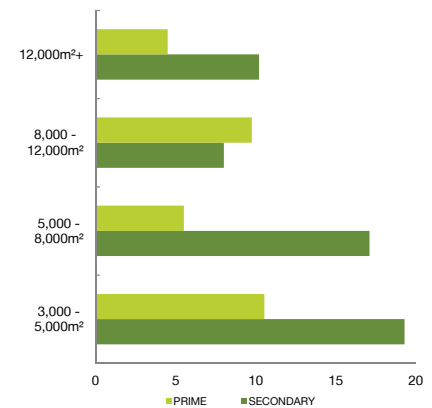
Over the final quarter of 2014 the total amount of available space within the Brisbane market (3,000m²+) increased by 5.2%, taking the level to a new record high and just under the 600,000m² barrier. This level is more than 50% above the eight year average recorded for the market.

Backfill space due to tenants relocating to newly constructed accommodation was again a factor over the past quarter with impacts ranging from the larger 15,311m² left by Super Retail Group to the smaller 3,731m² vacated by Best Doors in Eagle Farm. This is expected to remain a factor in the market over the coming year as a number of pre-committed buildings reach completion such as TNT, Beaumont Tiles and Sigma.

The average time on the market for space which remains available has increased

“Both total available space and take-up are at record highs; the market appears poised for a phase of higher activity.”

FIGURE 7
Time on the Market by Size & Grade
Average No. months for available space



Source: Knight Frank

over the past quarter to average 13.6 months across the market. On average, prime space has been on the market for 9.3 months while secondary space averages 17.7 months. As evidenced in Figure 7, even within the prime and secondary markets there is marked divergence in time on the market across the different sizes of property. The shortest time is recorded by larger, prime assets at 4.5 months followed by prime 5,000—8,000m² buildings which average 5.5 months.

With both available space and take-up at record highs the market appears poised for a phase of higher activity.



RESEARCH

Jennelle Wilson

Director, Queensland
+61 7 3246 8830
Jennelle.wilson@au.knightfrank.com

Matt Whitby

Group Director, Head of Research & Consulting
+61 2 9036 6616
Matt.Whitby@au.knightfrank.com

INDUSTRIAL

Greg Russell

Head of Industrial, Australia
+61 7 3246 8804
Greg.Russell@au.knightfrank.com

Tim Armstrong

Senior Director
+61 7 3246 8890
Tim.Armstrong@au.knightfrank.com

Mark Clifford

Director
+61 7 3246 8802
Mark.Clifford@au.knightfrank.com

Mark Horgan

Manager – Strathpine Office
+61 7 3482 6000
Mark.Horgan@au.knightfrank.com

Chris Wright

Associate Director
+61 7 3246 8861
Chris.Wright@au.knightfrank.com

John Slater

Associate Director
+61 7 3246 8837
John.Slater@au.knightfrank.com

VALUATIONS

Tim Uhr

Director
+61 7 3246 8816
Tim.Uhr@qld.knightfrankval.com.au

Ian Gregory

Director
+61 7 3246 8864
IanGregory@qld.knightfrankval.com.au

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.

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



Brisbane Industrial Market Brief
November 2014



Australian CBD & Non-CBD Office Top Sales 2014



Australian Retail Investment Overview
February 2015



Global Capital Markets
Q1 2015

Knight Frank Research Reports are available at KnightFrank.com.au/Research

© Knight Frank 2014 This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not permitted without prior consent of, and proper reference to Knight Frank Research.

