

BRISBANE

INDUSTRIAL VACANCY APRIL 2015

Key Facts

Total vacant space increased by 13.4% over the quarter to 680,151m²

Prime vacancy increased by 24%; the quantum of prime vacant space is higher than secondary for only the second time on record

Speculative space accounts for 7% of the market; with only one new start this quarter

Take-up was disappointing in Q1; following record levels in the prior quarter



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Total vacancy in the Brisbane industrial market has jumped in the first quarter of 2015, with much of the increase coming from sub-7,000m² buildings. Take-up has moderated, following last quarter's record high

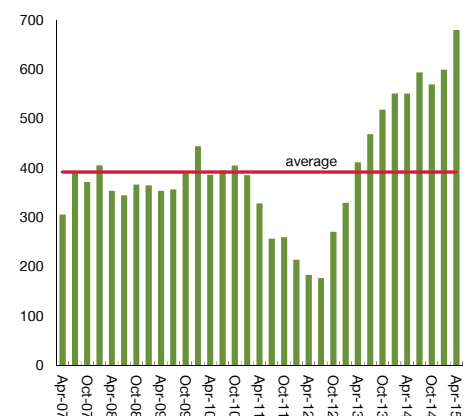
The level of available space within the Brisbane Industrial market increased by 13.4% over the past quarter to sit at 680,151m² as at April 2015, another historical high for the series. This places the current data some 73% above the average, recorded since 2007, of 392,520m². While the total vacancy recorded has increased by 350,000m² since the start of 2013, there has been new construction supplied to the market of 701,200m² over the same period, indicating good absorption of the backfill space.

Both prime and secondary available space has increased over the past quarter, however secondary space only increased by 11,191m² against prime accommodation, which grew by 69,265m².

Available space remains dominated by existing buildings (93%) with 6% coming from completed speculative buildings and a further 1% (6,300m²) in speculative development which is currently under construction.

Despite the higher total available space, the time on the market has remained relatively stable, increasing slightly to average 13.9 months across the whole market.

FIGURE 1
Brisbane Industrial Market
'000m² available space



Source: Knight Frank

Quality of Stock

In the past quarter the quantum of prime stock available has overtaken secondary stock for only the second time since the series began. Prime space now accounts for 53% of the total available space following a substantial increase of 24% over the past quarter.

In contrast, while secondary available space has increased over the past quarter, the sector appears to remain on a recovering trend. With the majority of take-up in the first quarter being secondary accommodation, that market is steadily absorbing space. Prime accommodation accounted for 66% of new additions to the available space list in the first quarter of 2015, headed by the 28,898m² prime warehouse at 62 Stradbroke Street, Heathwood.

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



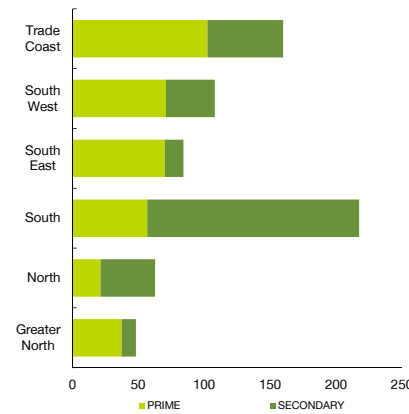
Source: Knight Frank

Distribution by Precinct

Over the past quarter all precincts with the exception of the Greater North (which fell by 1.6%) recorded increases to the level of available space. The North increased by 28% following the addition of four available buildings all between 3,900m² and 5,500m². The South, South West and South East all increased at relatively even rates up by 17%, 19% and 19% respectively. However with the South being by far the largest market it saw the greatest quantum of growth to available space of 32,084m² over the quarter.

The TradeCoast increased only marginally, up by 3.1%, as it remains the precinct with the second highest level of availability, dominated by prime space.

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



Source: Knight Frank

Size & Type of Stock

The proportion of available space which is warehouse accommodation has remained unchanged over the past quarter with 74% of the total available stock having primarily warehouse function as opposed to manufacturing. The Greater North (92%) and TradeCoast (84%) 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 increased to 20 as at April. There are 11 large prime buildings available, although five of these are sub-lease options and will not suit all users. The remaining six direct, prime larger options are mainly spread across the South, South East and South West North (the former SRG space).

There are nine larger secondary options available across the Brisbane market with three of these classified as manufacturing space and the remaining six warehouse.

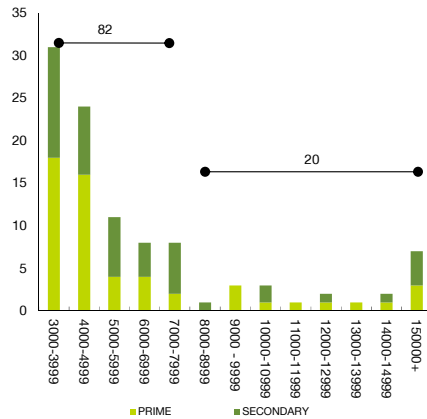
Completed speculative stock has remained unchanged over the past quarter at 42,634m², with no new completions and no absorption, most of this is located in the South West market. There is one speculative project currently under construction which will offer 6,300m² of warehouse space in the TradeCoast precinct. Speculative starts have slowed however are still expected to play a major part in the market over 2015.

TABLE 1
Brisbane Industrial Available Space 3,000m²+ as at April 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	159,757	20	113	4,796	99,549	64	36
North	62,784	12	112	13,746	-2,568	34	66
Greater North	48,099	9	105	-800	21,141	78	22
South	217,445	30	93	32,084	-14,404	26	74
South West	107,884	16	109	17,171	4,787	66	34
South East	84,182	15	108	13,459	33,416	83	17
Total	680,151	102	105	80,456	141,921	53	47

Source: Knight Frank

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



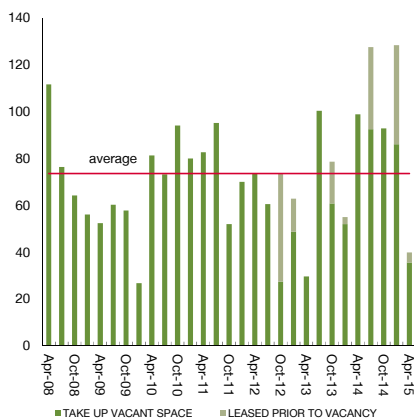
Source: Knight Frank

Building Take-up

Take-up, excluding D&C, was lower in the first quarter of 2015 after a record result in Q4 2014. Over the past three months there was take-up of 35,623m² recorded across eight buildings, with a further 4,350m² leased prior to the building becoming vacant. The total take-up of 39,973m² was less than a third of the level in the prior quarter.

The properties taken-up had been available for an average of 11 months made up of 7.5 months for prime and 12.0 months for secondary space. The largest lease this quarter was ED Oates, taking 7,304m² at Bancroft Rd, Pinkenba.

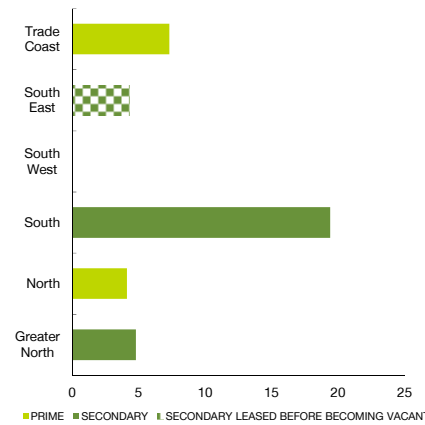
FIGURE 5
Brisbane Industrial Take-up
'000m² Est Take-up buildings (excl D&C)



Source: Knight Frank

Take-up was dominated by secondary space this quarter accounting for 71% of the total. Supported by this secondary demand the South recorded the highest take-up. The South has high availability in secondary product, accounting for 24% of Brisbane's total available space.

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



Source: Knight Frank

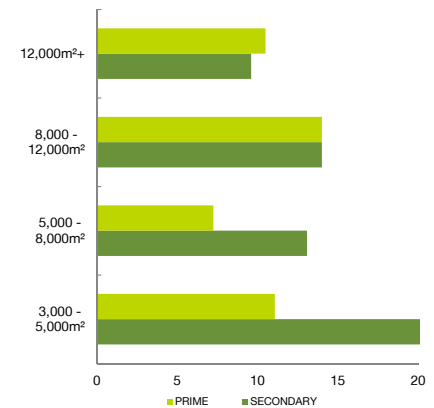
Outlook

The first quarter of 2015 began with relatively high enquiry levels however the combination of a state election and soft confidence indicators appear to have had an impact, with only modest leasing activity reaching completion in the three month period. As a result, the total vacancy has reached a new high at 680,151m². As the final quarter of 2014 saw exceptionally high take-up, this may have brought forward some demand from Q1 2015, the next quarter will likely demonstrate the real demand which exists in the Brisbane market.

The sustained low yield environment has meant that D&C options are offered to tenants at very competitive rental levels which is expected to continue to divert demand from existing stock towards both D&C and speculative developments. Market rents for existing accommodation is expected to remain under pressure in the short term, unless the property has outstanding utility or location. As shown in Figure 7 the time on the market varies across both quality and sector.

“After record levels of take-up in the last quarter of 2014, the first quarter of 2015 has seen much lower activity.”

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



Source: Knight Frank

The past two years have seen a return to higher levels of new industrial supply, with these completions not only growing the total Brisbane stock base but also creating high levels of backfill space. While the total supply has increased by 701,200m² over the past two years the vacancy has increased by 350,000m², indicating a solid level of absorption for the industrial market. Backfill space created by occupiers relocating to newly constructed stock is expected to remain a factor in the market over 2015. In the first quarter of the year the impact was limited to ARB relocating to new owner occupied premises (4,000m² of backfill) but is expected to be boosted by Sigma, TNT and Beaumont Tiles later in the year.



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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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