

BRISBANE

INDUSTRIAL VACANCY APRIL 2016

Key Facts

Total vacant space has decreased over the past three quarters to 636,288m²

There are **24 buildings** available which are **over 8,000m²**, almost **half** of these are **prime space**

There are seven completed speculative buildings available with a further three under construction; in total this accounts for **14% of the total vacancy**

Take-up was lower in Q1 at 67,398m², following three quarters which were above average.



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The vacancy decreased by 0.7% over the past quarter, with relatively modest take-up reflective of a quiet first quarter of the year. Steady improvement in the past three quarters has the vacancy 6.4% lower than a year ago.

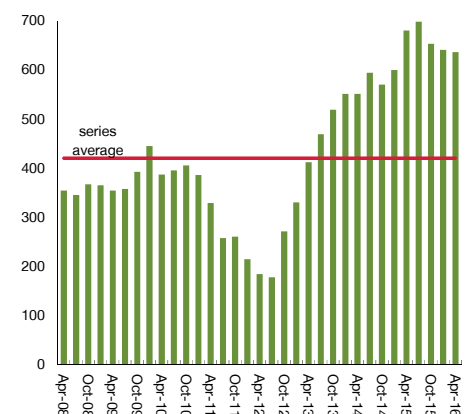
The level of available space within the Brisbane Industrial market has decreased only slightly over the past quarter to be 636,288m². Although falling by a modest 0.7% over the past quarter, the market has now recorded three consecutive falls which puts the vacancy 6.4% below the level of a year ago, albeit remaining well above the long term average.

Prime vacancy decreased by 0.5% over the quarter as the total amount of prime and secondary space remains closely aligned. Secondary space also fell over the quarter, down by 1.0%, to 324,359m² as the absorption of space was good, particularly in the South.

Completed speculative development accounts for 11% (68,432m²) of the total vacancy with speculative space under construction sitting at 3% with one building commencement during the quarter. The speculative stock has increased gradually over the past 12 months, up from 7% of the market in April 2015.

Accounting for 86% of the available space existing buildings remain dominant on the landscape.

FIGURE 1
Brisbane Industrial Market
'000m² available space



Source: Knight Frank Research

Quality of Stock

Prime vacancy has decreased slightly over the past quarter and appears to be maintaining a steadily improving trend, decreasing by 13.0% over the past year to 311,929m². The average time on the market for prime stock is currently sitting at 15.4 months, however this is influenced by a number of properties which have been on the market for some time, as the median time on the market is 12.0 months.

Available secondary space decreased by 1.0%, over the past quarter to be 324,359m², accounting for 51% of the Brisbane total. The amount of available secondary space has continued to fluctuate, however remains on a par with the levels seen 12 months ago as the secondary vacancy has remained stubbornly high.

FIGURE 2
April 2016 Available Space
'000m² prime versus secondary space



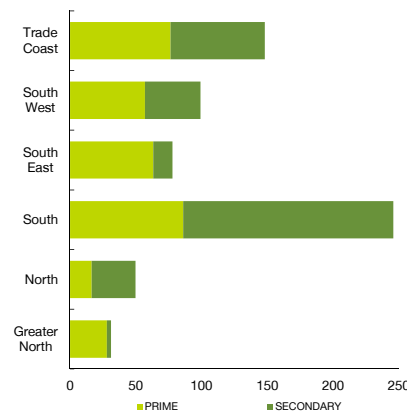
Source: Knight Frank Research

Distribution by Precinct

The TradeCoast and Greater North were the only precincts to record a material change in the first quarter of 2016. In the TradeCoast available space increased by 10,881m² (up 7.9%) due to former Yusen space in Hendra becoming available. To balance this, in the Greater North there was a drop of 12,842m² (-45%) with the backfill space created by Super Retail Group no longer available.

The South West (up 3,700m² or 3.9%) recorded a small increase in available space. Of the remaining precincts the North saw no change, South decreased by 3,650m² (down 1.5%) and South East fell by 2,797m² (down 3.5%).

FIGURE 3
April 2016 Available Space
'000m² by quality & precinct



Source: Knight Frank Research

Size & Type of Stock

The average size of vacancies was 6,698m² as at April, largely unchanged from the 6,668m² recorded a year ago, however the average size has continued to trend upwards over the past two years, currently 6.9% higher. There are 24 buildings available which are larger than 8,000m², of which six are above 15,000m². As shown in Figure 4, roughly half (11) of the buildings above 8,000m² are offering prime accommodation.

Warehousing space accounts for 79% of the vacancy by area, however the level of manufacturing vacancy has been increasing and given challenging conditions in the metal fabrication and resource sector industries, these vacancies tend to be more difficult to lease. There were four new manufacturing facilities added to the vacancy list this quarter and these style of facilities have an average time on the market of 20.6 months, compared with warehousing which has an average time on the market of 14.5 months. Given the recent placement of Arrium in voluntary administration there is the potential for more manufacturing or steel fabrication style properties to become available.

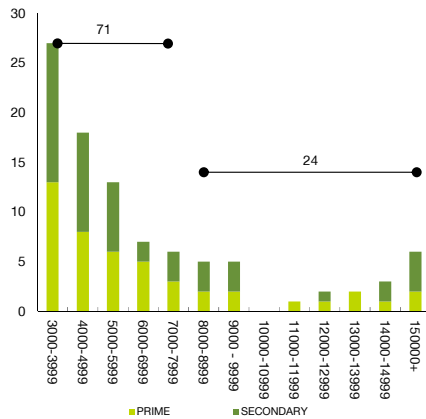
Available speculative stock across the Brisbane market now totals 85,724m², a slight increase of 3,362m² over the past quarter as some smaller leasing activity was balanced by one new start in Berrinba. There is now 68,342m² of completed vacant speculative space, the largest of which is the 22,000m² at 22 Radius Dr, Larapinta, with a further 17,382m² under construction.

TABLE 1
Brisbane Industrial Available Space 3,000m²+ as at April 2016

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	148,108	20	116	10,881	-11,649	52	48
North	49,671	8	112	-	-13,113	33	67
Greater North	15,835	5	112	-12,842	-32,264	80	20
South	245,699	35	94	-3,650	28,254	35	65
South West	99,211	13	106	3,700	-9,673	57	43
South East	77,764	14	106	-2,797	-6,418	82	18
Total	636,288	95	104	-4,708	-43,863	49	51

Source: Knight Frank Research

FIGURE 4
April 2016 Available Space
No of buildings by size and quality



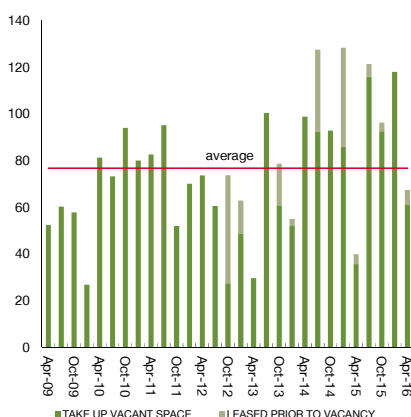
Source: Knight Frank Research

Building Take-up

Take-up, excluding D&C, was lower in Q1 2016 after the three prior quarters were well above average. Take-up was 67,398m² over the first three months of 2016 over 11 properties, however as seen in Figure 5, the take-up is frequently lower in the first quarter of a year.

The properties taken-up had been available for an average of 13.7 months (median 12.0), made up of 12.2 months for prime and 15.0 months for secondary space. There was a wide range of time on the market—from three months through to three years, with five on the market for less than nine months.

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



Source: Knight Frank Research

Take-up was evenly split between prime and secondary space over the quarter, with prime stock absorbed in South East, South West, South and the Greater North. The South clearly has the greatest level of activity with 39% of take-up. Only one of the properties absorbed was over 10,000m² with most of the activity in the smaller 3,000—6,000m² range.

FIGURE 6
Take-up 3 months to April 2016
'000m² est Take-up buildings (excl D&C)



Source: Knight Frank Research

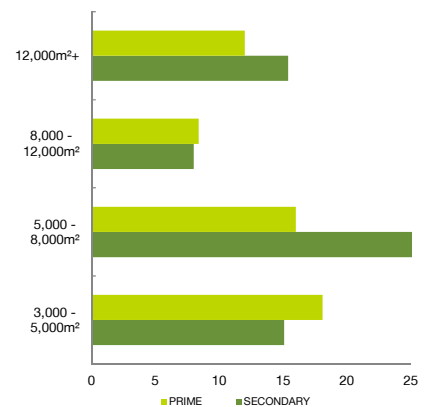
Outlook

The Brisbane industrial market has now seen three consecutive quarters where the total vacancy has decreased, albeit only by relatively modest amounts. The vacancy remains 51% above the long term average (from January 2007) and tenant demand is still patchy. There remains pressure on market rents with incentives becoming more entrenched in the marketplace and the majority of tenants can be expected to find market rents on a par or lower than their passing rents for similar styles of accommodation.

The time on the market has increased slightly across total available space to average 16.1 months, however this is becoming weighed by a number of longer vacancies, with the median slightly lower at 12 months. As shown in Figure 7, the size range which currently has the lowest time on the market is 8,000m² - 12,000m² at approximately 8 months.

“Take-up was evenly split between prime and secondary stock over the quarter.”

FIGURE 7
Brisbane Industrial Time on Market
Av months by size bracket and grade



Source: Knight Frank Research

Pre-committed new construction is expected to provide further backfill vacant space over the course of 2016 with Beaumont Tiles, Couriers Please, Lindsay Bros Transport and OI all expected to make significant relocations during the year.

Although occupier demand remains patchy the vacancy level within existing assets is continuing to decrease with tenants having the opportunity to upgrade their accommodation at lease end. Tenants 6,000m²+ with a sufficient lead time will continue to be attracted to new construction as the low yield environment for long WALE assets supports construction at relatively lower rental levels.



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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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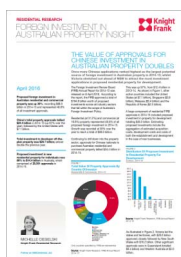
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