RESEARCH

JULY 2012
BRISBANE INDUSTRIAL
VACANCY ANALYSIS

Knight Frank

The level of available space within the Brisbane Industrial market has fallen slightly over the past quarter, to remain at historically low levels. At 170,938m² the total available space is 6,505m² lower than the April 2012 figure, and is 50% below the average of 337,773m² recorded since the start of the series in early 2007.

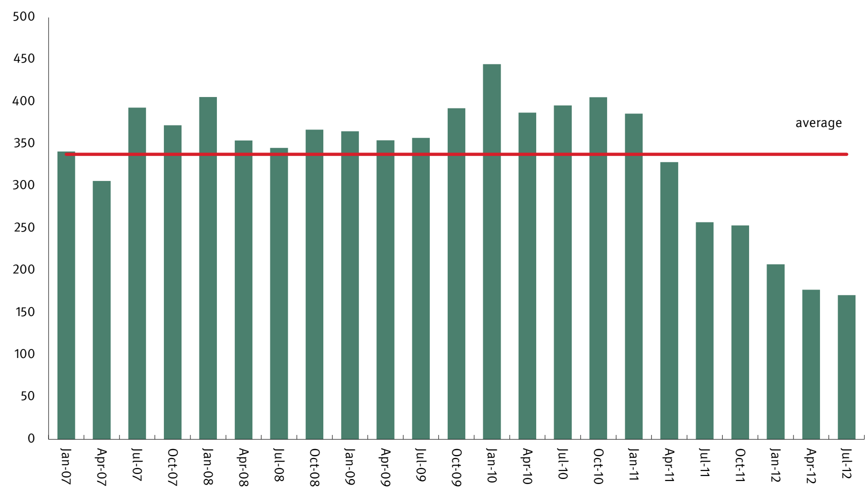
While there has been no new speculative stock entering the market over the past quarter, the level of prime available space has increased. This is due to a combination of factors including; tenant relocation, consolidation from tenants of multiple holdings and also sub-lease space from tenants seeking to exit the Brisbane market. Therefore more good quality buildings have become available. Despite a number of speculative developments being progressed by developers, none have officially commenced construction as yet, however we remain of the expectation that this will occur shortly.

Table 1
Summary of Available Industrial Space – July 2012

Market	Available Space (m²)	Number of Buildings	Av. Asking rent ($/m² net)	Change past quarter (m²)	Change past 6 months (m²)	Change past 12 months (m²)
Precinct						
Fringe	8,282	2	120	-	-850	-850
TradeCoast	19,272	3	132	15	-26,655	-38,416
North	37,788	7	98	-7,651	-7,651	-14,929
Greater North	-	-	-	-	-	-
South	73,208	18	87	-6,641	-9,680	-12,979
South West	22,803	4	111	6,513	2,513	-9,487
South East	9,585	1	110	1,259	5,822	-9,729
Total	**170,938**	**35**	**99**	**-6,505**	**-36,501**	**-86,390**
Building Quality						
Prime	68,134	13	117	19,642	5,702	-2,919
Secondary	102,804	22	87	-26,147	-42,203	-83,471
Building Type						
Existing Stock	170,938	35	99	1,058	-33,501	-70,480
Speculative (Completed)	-	-	-	-7,563	-3,000	-15,910
Under Construction	-	-	-	-	-	-

Source: Knight Frank * rental skewed by large office component in one building

Figure 1
Brisbane Industrial Market
'000m² available space



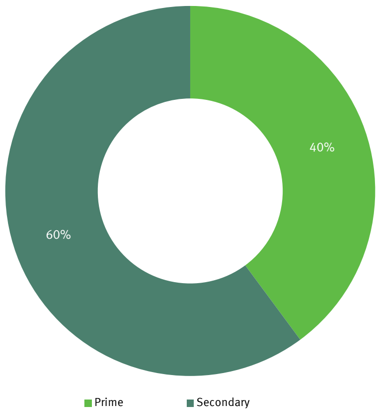
Source: Knight Frank

170,938M² IS AVAILABLE ACROSS 35 BUILDINGS; THIS IS 50% BELOW THE RECORDED AVERAGE

Quality of Stock

The level of prime space available over the past quarter has increased by 19,642m² to be 68,134m², increasing the proportion of available space from 27% as at April 2012 to currently be 40%. This prime space has an average net asking rental of $117/m² compared with secondary space at $87/m².

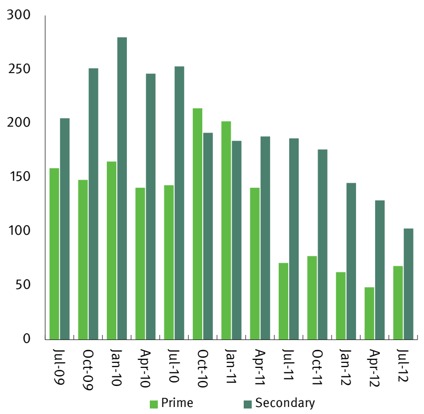
Figure 2
Brisbane Industrial Available Space
Break-up of Available Space by Grade



Source: Knight Frank

Available secondary space has fallen steadily during 2012 as tenants have absorbed this space while the level of choice in the prime market has been low. Despite remaining relatively low, the increase in prime space has broadened the choice for tenants. There is expected to be increasing backfill vacancy due to tenant relocation with users such as KMart and Campbells Cash & Carry to relocate over the next quarter to new accommodation.

Figure 3
Brisbane Industrial Available Space
'000m² by grade July 2009 – July 2012

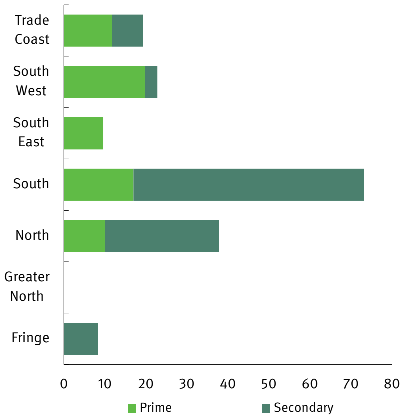


Source: Knight Frank

Distribution by Precinct

The greatest amount of space is within the Southern precinct, which is also the largest market. The 73,208m² of space within the South is dominated by secondary stock, covering 56,248m² or 77% of the available space. The South West market has the greatest amount of prime space available with 19,753m² over three buildings. This is followed by the Northern precinct, which again is dominated by secondary accommodation (73% or 27,724m²).

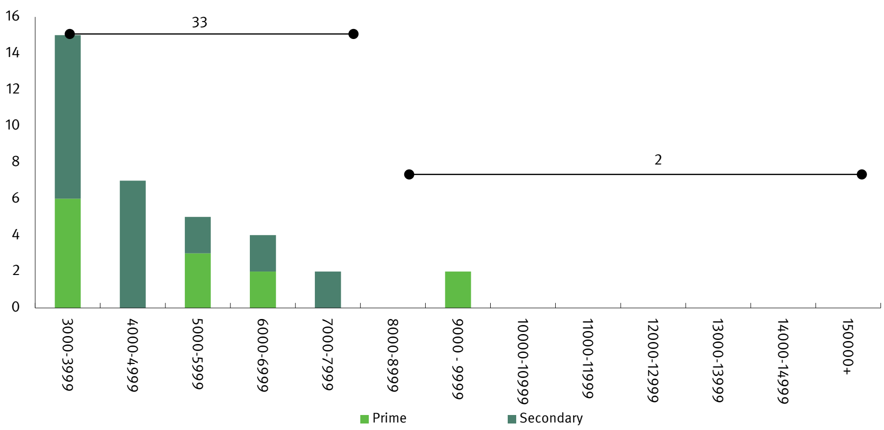
Figure 4
July 2012 Available Space
'000m² by quality & precinct



Source: Knight Frank

Prime space is also available in the South (16,960m²), TradeCoast (11,757m²), North (10,064m²) and South-East (9,585m²) markets. At this stage the Greater North and Fringe markets remain devoid of prime space.

Figure 5
July 2012 Available Space
No of buildings by size of building m² and quality



Source: Knight Frank

Size of Available Stock

There remains a dearth of opportunities for larger tenants with only two buildings of over 8,000m² currently available (509 Boundary Rd, Darra 9,193m² & 34 Jutland St, Loganlea 9,585m²). Larger opportunities will arise due to major tenant relocations into new accommodation, however there has already been solid demand for some of these spaces. KMart is expected to release approx. 57,000m² as they consolidate into new purpose built space in Lytton in September 2012. Building B (13,456m²) and Building C (14,894m²) at 338 Bradman St, Acacia Ridge are expected to be vacated, with Building C understood to be already committed by a tenant. At Hendra Distribution Centre they are also expected to release 28,500m², which will be available in the third quarter of 2012. This trend of more, larger buildings returning to the market is expected to continue as the D&C activity continues to build.

MORE LARGE BUILDINGS WILL BECOME AVAILABLE AS MAJOR TENANTS RELOCATE TO PURPOSE BUILT SPACE

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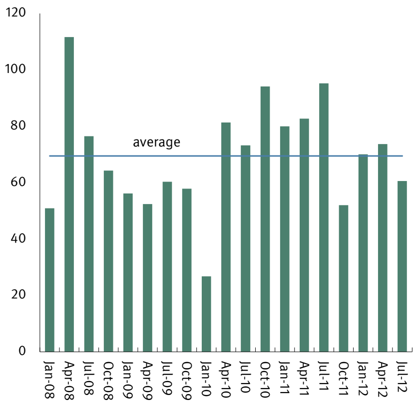
Building Take-up

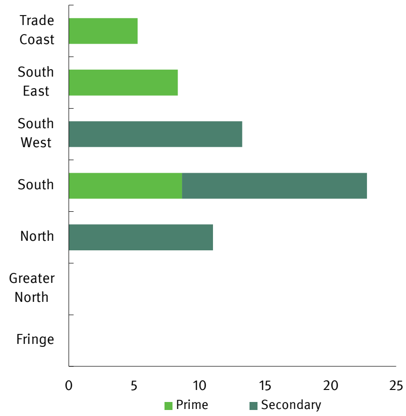
During the second quarter of 2012 there were 12 vacant buildings (60,582m²) over 3,000m², being tracked by Knight Frank which were absorbed. This excludes D&C commitments and leases which were concluded on properties before the previous tenant vacated.

Figure 6
Brisbane Industrial Take-up
'000m² Est Take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Figure 7
Brisbane Industrial Take-up 3 months to July 2012
Estimated Take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Most of this take-up was recorded in secondary buildings across the North, South and South West (38,351m² or 63%). Mirroring the availability for much of the quarter, the prime take-up was 37%, spread across the Trade Coast, South East and Southern precincts.

Summary

The level of building take-up recorded by Knight Frank was slightly lower over the past quarter at 60,582m², but remains in line with recent activity. Particularly with larger tenants, leasing activity is occurring before buildings have become vacant, hence missing this analysis. The level of available space is expected to gradually increase off the record lows over the next year as both speculative activity and backfill space from tenants moving to D&C space begins to flow through to the market.

The sustained low levels of available space, particularly in the prime market over the past 12 months has now begun to translate into rental growth, with the Brisbane average prime rents recording an increase of 3.5% over the year to April 2012. For tenants seeking prime accommodation within a relatively short time frame, the choice remains limited and this is expected to continue to support both modest rental growth and also speculative development activity.

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
    - *Existing Buildings* – existing buildings for lease.
    - *Speculative Buildings* – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant.
    - *Under Construction* – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

Data collection and analysis represents a snap shot of market vacancy as at 1 July 2012, the beginning of the third quarter.

The Brisbane Industrial Property Market has been divided into 7 distinct industrial precincts, as follows:

Fringe	CBD Fringe; incl. West End, Woolloongabba, East Brisbane, Fortitude Valley, Newstead, Albion, Bowen Hills, Kelvin Grove & Milton.
TradeCoast	The extended Port & Gateway area, incl. Eagle Farm, Pinkenba, Lytton, Murarrie, Morningside, Tingalpa & Wakerley.
North	The Northern region extends north from the TradeCoast, incl. Hendra, Northgate, Banyo, Virginia, Geebung & Zillmere.
Greater North	Outer northern suburbs incl. Brendale, Strathpine, North Lakes, Narangba & Deception Bay.
South	Those traditional industrial areas directly south of the CBD, but also east of Blunder Road, incl. Rocklea, Salisbury, Coopers Plains, Acacia Ridge, Archerfield, Heathwood, Larapinta, Browns Plains & Crestmead.
South West	West of Blunder Road & focused around the Ipswich Motorway and Centenary Highway, incl. Oxley, Darra, Sumner Park, Wacol, Richlands & Carole Park.
South East	Incorporates areas of Logan & the Yatala Enterprise Area. This includes the suburbs of Loganlea, Meadowbrook, Loganholme, Yatala, Ormeau & Stapylton

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