

APRIL 2013

BRISBANE INDUSTRIAL VACANCY ANALYSIS

The level of available space within the Brisbane industrial market has continued to increase in line with the past three quarters. The current available industrial space is measured to be 415,402m² as at April 2013, which has taken the total above the long term average for the first time since mid-2011.

In addition to the increasing levels of existing industrial space via a combination of backfill space and some tenant contraction activity, the level of speculative stock has continued to build. With the completion of the 5,799m² component of DEXUS's first building at Viking Drive, the level of completed but not occupied speculative space has increased to 10,799m². In addition DEXUS has commenced their second stage at Viking Drive which will provide 12,220m² of space, due for completion mid-2013. Construction of new accommodation is likely to feature strongly over the coming 18 months as both speculative activity and also pre-commitment activity increases, particularly at the larger end of the market.

Table 1 Summary of Available Industrial Space – April 2013						
Market	Available Space (m ²)	Number of Buildings	Av. Asking rent (\$/m ² net)	Change past quarter (m ²)	Change past 6 months (m ²)	Change past 12 months (m ²)
Precinct						
Fringe	8,282	2	120	-	-	-
TradeCoast	85,564	11	122	17,031	48,397	56,243
North	47,184	6	98	15,538	29,038	11,809
Greater North	21,061	5	95	-	-	13,933
South	180,902	31	95	33,365	54,595	101,053
South West	56,218	10	113	15,696	102	39,928
South East	16,191	4	121	3,630	11,753	7,865
Total	415,402	69	111	85,260	143,885	230,891
Building Quality						
Prime	117,302	22	123	37,058	24,935	68,810
Secondary	298,100	47	94	48,202	118,950	162,081
Building Type						
Existing Stock	392,383	66	103	73,040	141,681	215,435
Speculative (Completed)	10,799	2	113	5,799	10,799	3,236
Spec. Under Construction	12,220	1	120	6,421	-8,595	12,220

Source: Knight Frank

Figure 1
Brisbane Industrial Market
'000m² available space



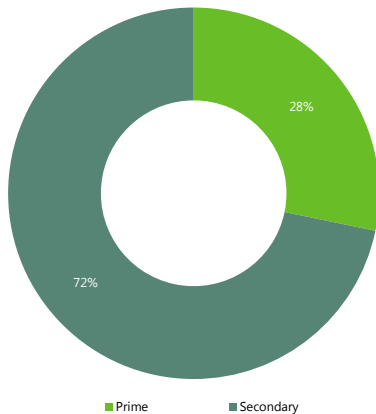
Source: Knight Frank

415,402M² IS
AVAILABLE
ACROSS 69
BUILDINGS; 72%
IS SECONDARY
SPACE

Quality of Stock

There has been a slight increase in the proportion of prime stock available in the market over the past quarter. The level of available prime space has increased by 37,058m² over the past quarter to be 117,302m², increasing the proportion of available space from 24% as at January to currently be 28% (see Figure 2).

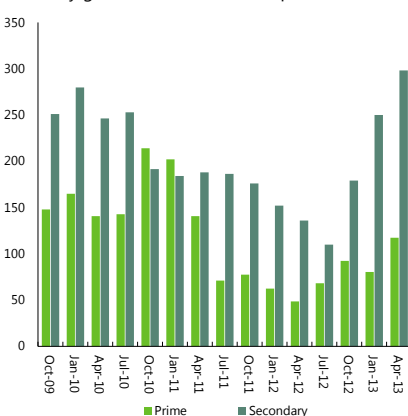
Figure 2
Brisbane Industrial Available Space
Break-up of Available Space by Grade



Source: Knight Frank

At the same time the level of secondary space available has continued to climb to now be just under 300,000m², representing 72% of the available space within the market. Over the past quarter the level of available secondary space has grown by 48,202m². This has taken the secondary space available to the highest recorded level since the series began in 2007.

Figure 3
Brisbane Industrial Available Space
'000m² by grade October 2009 – April 2013

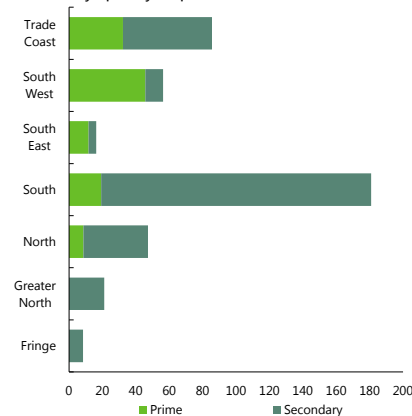


Source: Knight Frank

Distribution by Precinct

The greatest amount of space is within the Southern precinct, which is also the largest market. The 180,902m² of space within the South is dominated by secondary stock, covering 161,681m² or 89% of the available space. The TradeCoast precinct has the second greatest amount of vacant space at 85,564m², with 62% of this secondary space. The level of prime stock in the TradeCoast has grown over the past quarter to be 32,186m² (71% of which is sub-lease space).

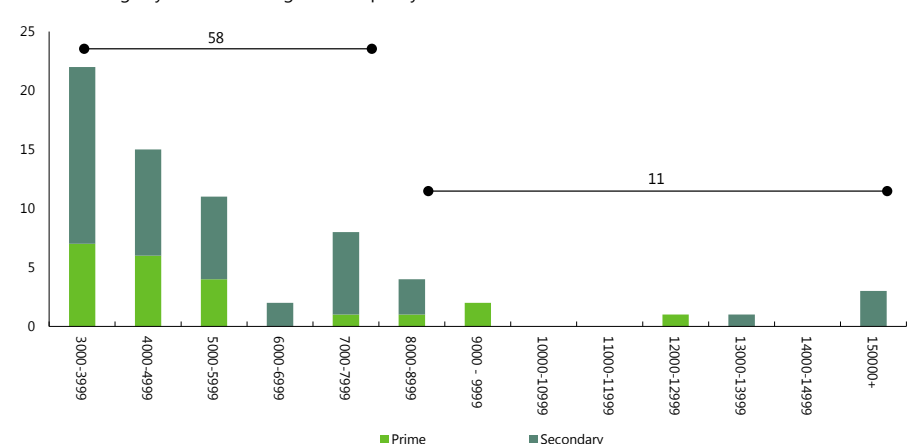
Figure 4
April 2013 Available Space
'000m² by quality & precinct



Source: Knight Frank

The South West market has the greatest amount of prime space available with 45,644m² over seven buildings (one of which is spec under construction). The North and Greater North markets are quite stable.

Figure 5
April 2013 Available Space
No of buildings by size of building m² and quality



Source: Knight Frank

Size of Available Stock

There are currently 11 buildings available which cater for users of 8,000m² plus. In contrast to previous results, four of these represent prime accommodation. However with one of these speculative space under construction (12,220m² project in Wacol), another a manufacturing facility (509 Boundary Rd) and the remaining two sub-lease opportunities in Pinkenba and Northgate, the choice for users seeking large prime warehousing accommodation remains quite scarce.

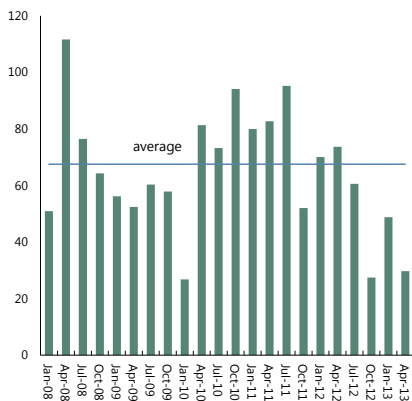
Backfill space has been an impact on the market over the past year (Kmart, Campbells Cash & Carry etc) and this phenomenon will continue to return larger scale space to the market over the remainder of the year. During 2013 tenants such as CEVA (up to 35,600m²), Stoddart (17,700m²), Mainfreight and ATCO could add to the level of backfill space within the market, with the majority of this space representing secondary accommodation.

LARGER PRIME WAREHOUSING OPPORTUNITIES FOR IMMEDIATE OCCUPATION REMAIN SCARCE

Building Take-up

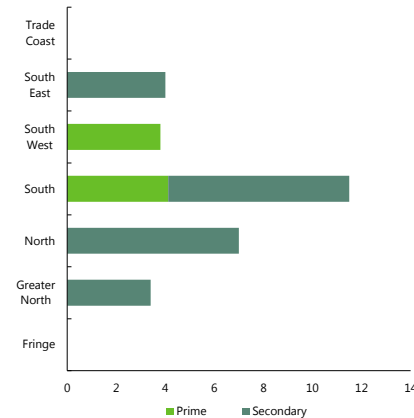
During the first quarter of 2013 there has been relatively modest take-up of buildings over 3,000m² being tracked by Knight Frank, with seven buildings representing 29,696m² of space absorbed over the period. This is below the average levels recorded for the market and represents a continuation of the relatively subdued activity seen within the market over the past year.

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 April 2013
'000m² Est take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Most of the recent take-up was within secondary buildings (73%) across the South East, South, North and Greater North precincts. The take-up for prime space was limited to relatively smaller buildings of 4,119m² and 3,800m² in the South and South West precincts respectively.

Summary

The level of available space has continued to grow across the first quarter of 2013 with well over 100,000m² identified in newly available space outweighed by the relatively modest take-up of 29,696m², resulting in a net increase to the available space of 85,260m². Although the level of prime vacancy did increase by 46% (+37,058m²) over the most recent quarter, the greatest weight of available space continues to come from the secondary market which grew by 48,202m² over the past three months. With backfill space to continue to be a factor over the remainder of the year, secondary space will continue to grow.

With the majority of tenant demand for transport and distribution space with a high level of utility, this sector of the market is still poorly serviced by the space available. While there has been a noticeable uplift in tenant enquiry during 2013, there is a greater chance that tenants will be drawn into renewing their existing accommodation as landlords, particularly for secondary space, are more willing to discount to keep a tenant, even for relatively short terms.

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
 - o *Existing Buildings* – existing buildings for lease.
 - o *Speculative Buildings* – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant.
 - o *Spec. 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 April 2013, ie. the beginning of the second 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, Hendra, Pinkenba, Lytton, Murarrie, Morningside, Tingalpa & Wakerley.
North	The Northern region extends north from the TradeCoast, incl. 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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