



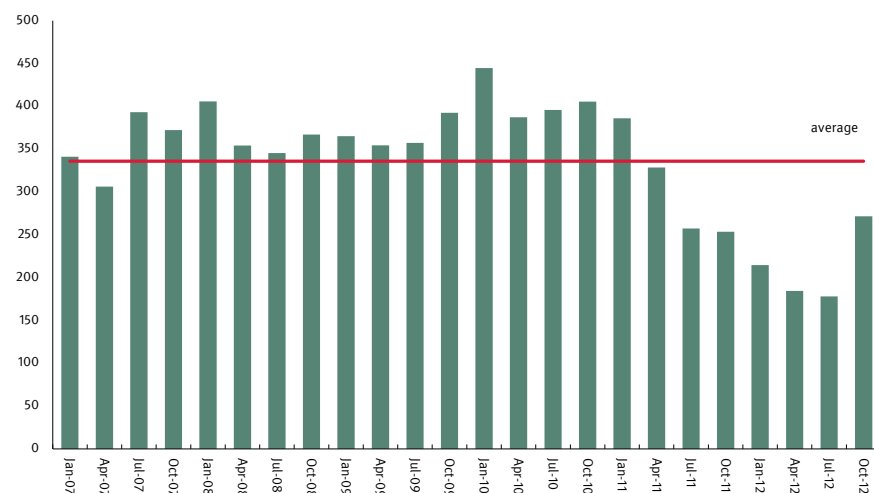
OCTOBER 2012 BRISBANE INDUSTRIAL VACANCY ANALYSIS

Knight Frank

The level of available space within the Brisbane Industrial market has increased substantially over the past quarter, although it remains well below the historical average. At 271,517m² the total available space is 93,511m² higher than the July 2012 figure, however is 19% below the average of 335,895m² recorded since the start of the series in early 2007.

This increase has come about due to a combination of additional vacant B grade space as tenants upgrade, some companies choosing to downsize/consolidate to a single premises and some sub-lease space. The increase in A grade accommodation can largely be attributed to the inclusion of two new speculative assets which are under construction, totalling 20,815m². After falling to unsustainable levels the available space is now returning towards trend levels, and this increase is expected to continue in the short term.

Figure 1
Brisbane Industrial Market
'000m² available space



Source: Knight Frank

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	-	-	-850
TradeCoast	27,103	5	133	7,831	7,846	-25,255
North	28,210	5	99	-9,578	-17,229	-22,816
Greater North	21,061	5	95	13,993	13,993	13,993
South	126,307	26	91	53,099	46,458	29,745
South West	56,116	9	97	33,313	39,826	31,065
South East	4,438	1	130	-5,147	-3,888	-14,876
Total	271,517	53	99	93,511	87,006	11,006
Building Quality						
Prime	92,367	17	121	24,233	43,875	14,987
Secondary	179,150	36	88	69,278	43,131	-3,981
Building Type						
Existing Stock	250,702	51	98	72,696	73,754	5,789
Speculative (Completed)	-	-	-	-	-7,563	-7,260
Under Construction	20,815	2	118	20,815	20,815	12,477

Source: Knight Frank

271,517M² IS AVAILABLE ACROSS 53 BUILDINGS; WITH 18 BUILDINGS ADDED IN THE LAST QUARTER

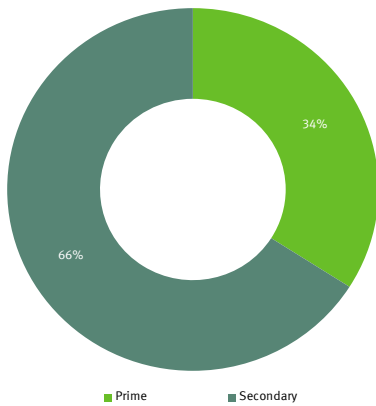


RESEARCH

Quality of Stock

The available space across the Brisbane region remains dominated by secondary accommodation with 179,150m² of secondary space available, representing 66% of the available stock. This secondary accommodation has an average asking rental of \$88/m² net, steady over the past quarter.

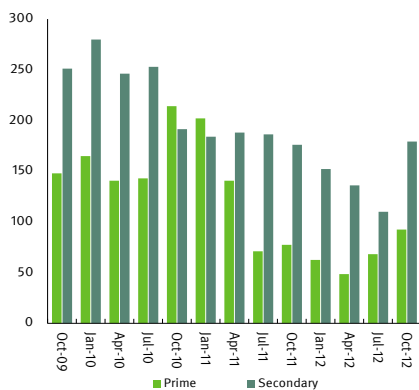
Figure 2
Brisbane Industrial Available Space
Break-up of Available Space by Grade



Source: Knight Frank

While the amount of prime space available has increased over the past quarter, it remains relatively scarce on a historical basis. Making up 34% of the total available space, prime accommodation has an average asking rental level of \$121/m² net. This is an increase from \$117/m² net in the previous quarter and represents the influence of some specialised premises and also landlords seeking to grow rents.

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

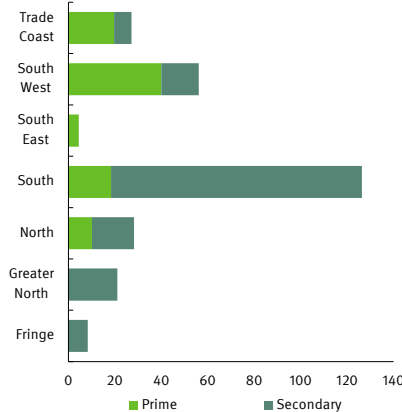


Source: Knight Frank

Distribution by Precinct

The greatest amount of space remains within the South precinct (the largest market). Its available space of 126,307m² has increased by 53,099m² over the past quarter. A significant portion of this space, 85% (108,009m²), is secondary accommodation, with only 18,298m² of prime accommodation available. All of the prime space is located within smaller buildings of 4,500m² or less. The South West market has the greatest amount of prime space available with 39,964m² over five buildings (two of which are spec under construction).

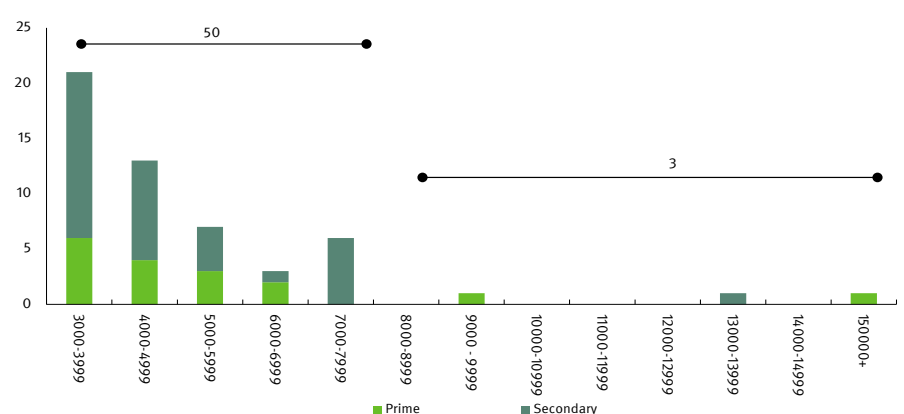
Figure 4
October 2012 Available Space
'000m² by quality & precinct



Source: Knight Frank

The Trade Coast precinct, similar to the South West, is dominated by prime space with 19,603m² (72%) of available space prime accommodation.

Figure 5
October 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 three buildings of over 8,000m² currently available (Bld B, 338 Bradman St, Acacia Ridge 13,456m², 509 Boundary Rd, Darra 9,193m² & a speculative development at Flint St, Richlands 15,016m²). This limited availability comes within a climate of solid demand for quality larger accommodation. This is evidenced by 48 Randolph St, Rocklea (8,899m²) and Bld C 338 Bradman St, Acacia Ridge (14,894m²) both being leased by logistics providers, prior to becoming vacant.

Following their relocation into a new 51,000m² facility, Kmart is expected to continue to release backfill space with 28,500m² in Hendra Distribution Centre and approx. 8,000m² of short term space in 400 Nudgee Rd expected to become vacant in early 2013. Other upcoming backfill space includes the Cash & Carry accommodation of 5,000m² at Coopers Plains.

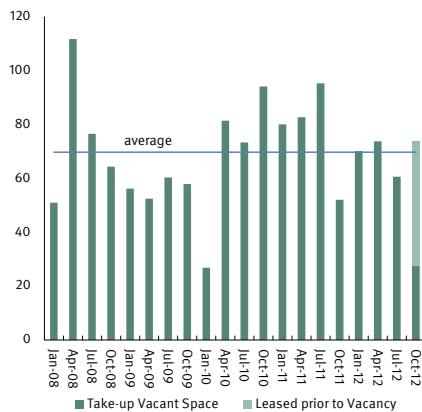
LIMITED PRIME SPACE AVAILABLE IN BUILDINGS OVER 6,000M² - ONLY 4 TENANCIES.



Building Take-up

During the third quarter of 2012 there were 5 vacant buildings (27,424m²) over 3,000m², being tracked by Knight Frank, which were absorbed. However there were an additional 6 buildings covering 46,329m² leased before they formally fell vacant. This returns absorption to average levels and indicates the degree to which there is still pent up demand in the market for the right product.

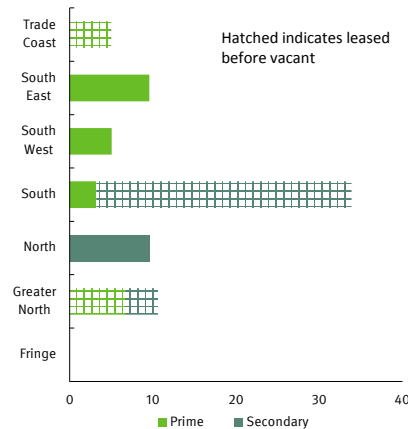
Figure 6
Brisbane Industrial Take-up
'000m² Est Take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Figure 7
Brisbane Industrial Take-up 3 months to
October 2012

Estimated Take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Most of the recent take-up was recorded in secondary, but larger functional space within the South market. The influence of a long period with little vacant space can be seen in the Greater North market with prime opportunities limited, and leased prior to vacancy.

Summary

It now appears that the level of vacancy within the Brisbane market bottomed in the first half of 2012, with the recent increase in available space bringing the market back to more normalised levels. Tenant activity remains relatively strong, however there was greater lease activity in buildings before they were vacant than across already vacant space, which indicates that the market will move quickly for buildings which provide the correct utility for tenants.

The increase in vacancy levels has occurred in a relatively low supply phase for the market, and given the continued interest from major tenants for new D&C space we can expect construction and therefore vacancies to continue to grow in the short term.

At the same time there is an imbalance between the stock which makes up a large proportion of vacancy (secondary space under 5,000m²) and the current demand from logistics users and metal fabrication users. This discord is likely to continue to fuel demand for prime larger space and manufacturing facilities with high utility

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 (excl D&C).
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 *Under Construction* – buildings available 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 October 2012, the beginning of the fourth 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

www.knightfrank.com.au

Research Contact

Jennelle Wilson

Director – Research QLD
+61 7 3246 8830

Jennelle.Wilson@au.knightfrank.com

Industrial Contact

Greg Russell

Managing Director – Industrial
+61 7 3246 8804

Greg.Russell@au.knightfrank.com

Knight Frank Industrial

Brisbane + 61 7 3246 8888
Strathpine + 61 7 3248 6000

© Knight Frank 2012 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.