

OCTOBER 2013

# BRISBANE INDUSTRIAL VACANCY ANALYSIS

The level of available space within the Brisbane Industrial market has continued to track upwards over the past quarter. The available industrial space is 521,840m<sup>2</sup> as at 1 October, representing another record high for the survey, which commenced in early 2007, and is almost 50% above the long term average of 350,172m<sup>2</sup>.

The greatest increases were seen in the South (up 30%) and South East (up 16%) while the Trade Coast was stable with four properties absorbed balanced by four new available properties. Reductions in available space were seen in both the North (down 9%) and South West (down 13%) precincts. The level of both warehouse and manufacturing available space has increased over the past quarter with manufacturing increasing from 145,495m<sup>2</sup> to 179,610m<sup>2</sup> (34% of total available space). At the same time available warehouse accommodation has increased from 326,585m<sup>2</sup> to 342,230m<sup>2</sup> to represent 66% of total available space.

Table 1

Summary of Available Industrial Space – October 2013

Market	Available Space (m <sup>2</sup> )	Number of Buildings	Av. Asking rent (\$/m <sup>2</sup> net)	Change past quarter (m <sup>2</sup> )	Change past 6 months (m <sup>2</sup> )	Change past 12 months (m <sup>2</sup> )
<b>Precinct</b>						
Fringe	8,282	2	120	-	-	-
Trade Coast	75,869	14	107	187	-9,695	38,702
North	46,522	5	90	-4,516	-662	28,376
Greater North	23,888	5	97	-	6,227	2,827
South	249,636	36	94	57,413	68,734	123,329
South West	66,028	13	102	-10,270	9,810	9,912
South East	51,615	10	105	6,946	35,424	47,177
<b>Total</b>	<b>521,840</b>	<b>85</b>	<b>102</b>	<b>49,760</b>	<b>109,838</b>	<b>250,323</b>
<b>Building Quality</b>						
Prime	182,890	32	112	18,583	65,588	90,523
Secondary	338,950	53	91	31,177	44,250	159,800
<b>Building Type</b>						
Existing Stock	503,600	81	99	58,939	114,617	252,898
Speculative (Completed)	10,799	2	113	-12,220	-	10,799
Spec. Under Construction	7,441	2	110	3,041	-4,779	-13,374

Source: Knight Frank

Figure 1  
Brisbane Industrial Market

'000m<sup>2</sup> available space

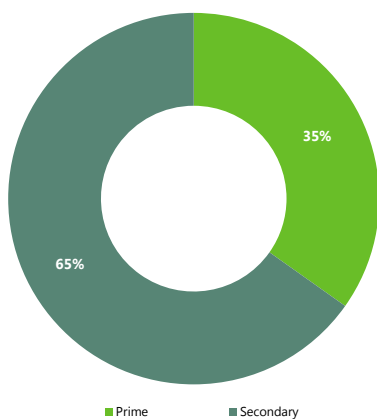
Source: Knight Frank

521,840M<sup>2</sup> IS  
AVAILABLE  
ACROSS 85  
BUILDINGS; 65%  
IS SECONDARY  
SPACE

## Quality of Stock

The proportion of prime stock to secondary stock has remained stable over the past quarter. The quantum of available prime space has increased by 18,583m<sup>2</sup> over the quarter to be 182,890m<sup>2</sup>, however this was balanced by additional secondary space, maintaining the prime proportion of space at 35% of the market. There was no single significant A grade addition to the market over the past quarter, rather a variety of properties in the 3,600 – 9,000m<sup>2</sup> size range.

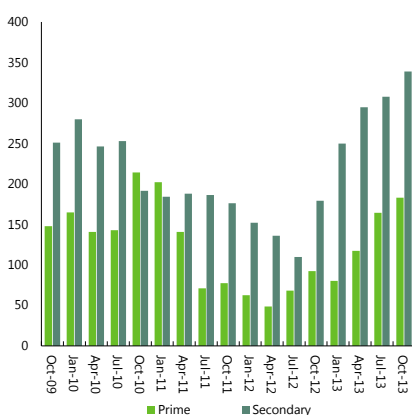
Figure 2  
Brisbane Industrial Available Space  
Break-up of Available Space by Grade



Source: Knight Frank

The amount of available secondary space grew by 31,177m<sup>2</sup> to be 338,950m<sup>2</sup> with larger additions such as 35 Evans Rd, Salisbury and 338 Bradman St, Acacia Ridge impacting on the market.

Figure 3  
Brisbane Industrial Available Space  
'000m<sup>2</sup> by grade October 2009 – October 2013

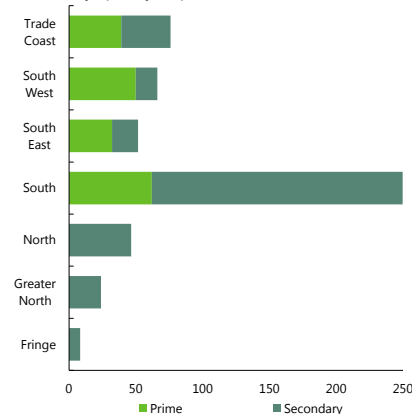


Source: Knight Frank

## Distribution by Precinct

The South precinct continues to see the greatest growth in the level of available industrial space, growing by 30% over the past quarter to total 249,636m<sup>2</sup>. This represents 48% of the Brisbane region total. The South market is dominated by secondary stock with 75%, along with the North precinct, the regions with the highest concentration of secondary space.

Figure 4  
October 2013 Available Space  
'000m<sup>2</sup> by quality & precinct



Source: Knight Frank

Prime space is relatively evenly allocated between the Trade Coast, South West, South East and South markets. However there are no prime options in the northern precincts after the absorption of 115 Crockford St, Northgate in the past quarter.

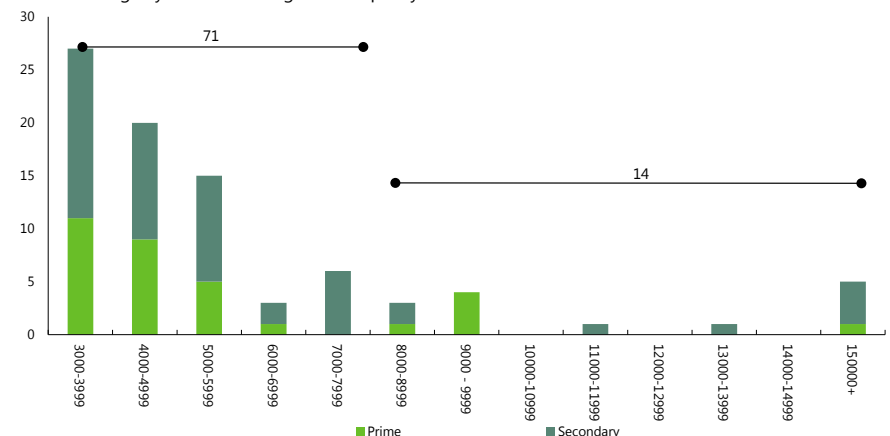
## Size of Available Stock

There are currently 14 buildings available which cater for users of 8,000m<sup>2</sup> plus. Six of these larger options are within prime accommodation; however three of these represent sub-lease space, which does not suit every user. There is only one prime, direct lease existing warehouse opportunity in excess of 8,000m<sup>2</sup> (26 Industrial Ct, Acacia Ridge) available at the current time. Therefore there remains a relative shortage of larger prime, warehouse accommodation which will continue to drive users towards D&C or spec opportunities in the medium term.

In general, across the larger facilities currently available, there is a higher proportion of manufacturing space represented than within the wider market. Of the 194,253m<sup>2</sup> of space available within buildings of 8,000m<sup>2</sup> or above, 49% of this space is within manufacturing facilities; against 34% across all size ranges.

**SUB-LEASE  
REPRESENTS 21%  
OF AVAILABLE  
SPACE;  
WAREHOUSING  
66%**

Figure 5  
October 2013 Available Space  
No of buildings by size of building m<sup>2</sup> and quality

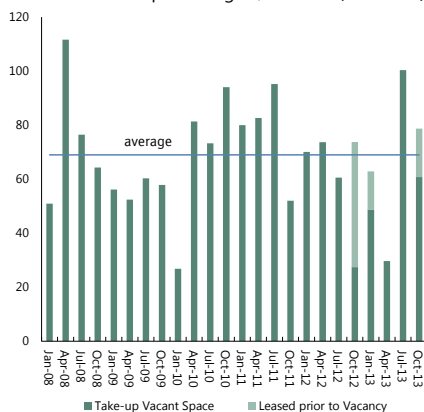


Source: Knight Frank

## Building Take-up

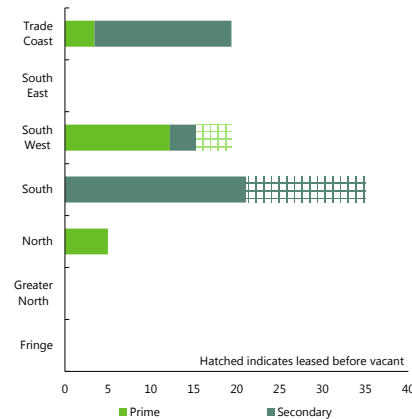
The third quarter of 2013 has seen steady take-up recording levels 13% above the long term average of 69,389m<sup>2</sup>. Total take-up was 78,700m<sup>2</sup> across 14 properties, with two of these representing leases prior to the building becoming vacant. The majority of take-up came from properties under 5,000m<sup>2</sup> with 11 of the 14 properties absorbed in this size range.

Figure 6  
Brisbane Industrial Take-up  
'000m<sup>2</sup> Est Take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Figure 7  
Brisbane Industrial Take-up 3 months  
to October 2013  
'000m<sup>2</sup> Est take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Take-up was dominated by the South with wholly secondary take-up over the past quarter. The Trade Coast and South West precincts recorded similar take up of circa 19,500m<sup>2</sup> each. Overall the take-up was dominated by secondary space with 69% against 31% for prime accommodation. The balance between warehousing and manufacturing was largely as expected with 71% of take-up warehouse accommodation.

## Summary

Despite another stronger quarter of take-up, indicating some improved demand activity, the Brisbane market recorded a further material increase in the total available space, growing by 11% over the quarter (and close to doubling over the past year). Increases were recorded across both prime (which grew by 11% over the quarter) and secondary market (up by 10%).

Contraction activity was still in evidence within the market with occupiers such as Alstom (28,800m<sup>2</sup>) and Crisco (18,800m<sup>2</sup>) closing their Brisbane operations over the past quarter. In addition backfill space due to CEVA relocating to new purpose built facilities added 23,512m<sup>2</sup> to vacancy, however 13,800m<sup>2</sup> of this has been leased prior to becoming formally vacant. With a number of larger buildings still under construction such as Toll NQX at Berrinba and Super Retail Group and Aldi at Brendale backfill space will continue to be a factor. The past two quarters have shown recovering leasing activity and take-up across Brisbane which provides hopes for a stronger 2014.

### 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 3,000m<sup>2</sup>.
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 October 2013, the beginning of the fourth quarter.

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

<b>Fringe</b>	CBD Fringe; incl. West End, Woolloongabba, East Brisbane, Fortitude Valley, Newstead, Albion, Kelvin Grove & Milton.
<b>TradeCoast</b>	The extended Port & Gateway area, incl. Eagle Farm, Hendra, Pinkenba, Lytton, Murarrie, Morningside, Tingalpa & Wakerley.
<b>North</b>	The Northern region extends north from the TradeCoast, incl. Northgate, Banyo, Virginia, Geebung & Zillmere.
<b>Greater North</b>	Outer northern suburbs incl. Brendale, Strathpine, North Lakes, Narangba & Deception Bay.
<b>South</b>	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.
<b>South West</b>	West of Blunder Road & focused around the Ipswich Motorway and Centenary Highway, incl. Oxley, Darra, Sumner Park, Wacol, Richlands & Carole Park.
<b>South East</b>	Incorporates areas of Logan & the Yatala Enterprise Area. This includes the suburbs of Loganlea, Meadowbrook, Loganholme, Yatala, Ormeau & Stapylton

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### Research Contact

#### Jennelle Wilson

Director – Research QLD  
+07 3246 8830

[Jennelle.Wilson@au.knightfrank.com](mailto:Jennelle.Wilson@au.knightfrank.com)

### Industrial Contact

#### Greg Russell

Managing Director – Industrial  
+07 3246 8804

[Greg.Russell@au.knightfrank.com](mailto:Greg.Russell@au.knightfrank.com)

### Knight Frank Industrial

Brisbane + 07 3246 8888

Strathpine + 07 3482 6000

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