

# BRISBANE

## INDUSTRIAL VACANCY FEBRUARY 2018

### Key Facts

Total vacant space has **increased by 6%** over the past quarter to **514,744sqm** after reaching a **four year low** in Q3 2017.

This increase came from both the **prime (up 2.8%)** and **secondary (up 9.1%)** markets.

Total **speculative space** available **increased** by 11% over the quarter to 75,562sqm with **one new construction start**.

**Take-up moderated in Q4 2017** at 56,286sqm after being at well above average levels for the majority of 2017.



JENNELLE WILSON  
Senior Director, QLD Research

Follow at @KnightFrankAu

The final quarter of 2017 resulted in an increase to total vacancy of 6%, with the market seeing a pause in activity. However, total vacancy remains 31% below the peak recorded a year earlier, with sentiment remaining stronger.

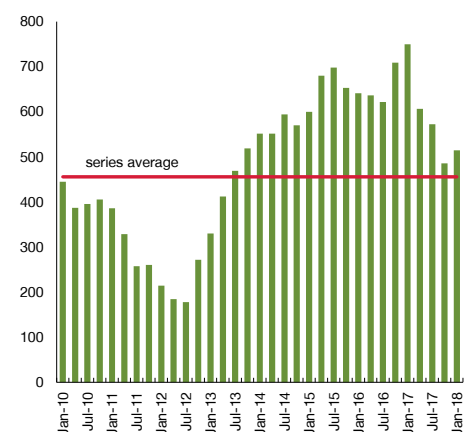
Despite increasing in the final quarter of 2017, the Brisbane Industrial vacancy appears to remain on a downward trend. While the total vacancy as at January 2018 was 514,744sqm, 6% above the recent low in Q3 2017, the result is still 31% (or 235,104sqm) below the level of vacancy a year ago.

Modest take-up of 56,286sqm of existing stock, combined with additional available space of 85,352sqm contributed to the increase in vacant space for the quarter. Both take-up and additional vacant space were relatively evenly split between prime and secondary accommodation with neither market dominating during the quarter.

Prime vacancy has plateaued over the past two quarters and remains at three year lows as absorption has been largely balanced by additions to available space. Secondary space continues to remain more volatile on a quarter by quarter basis, however, the overall trend remains positive.

Completed speculative space accounts for 13% (64,652sqm) of total vacancy with speculative space under construction accounting for 2% (10,910sqm) with one construction start during the quarter.

FIGURE 1  
**Brisbane Industrial Market**  
'000sqm available space



Source: Knight Frank Research

## Quality of Stock

The level of available space increased for both prime and secondary properties over the past quarter, however the increase to prime was only marginal. On an annual basis prime vacancy has fallen by 31% as low speculative starts and good absorption of quality stock have impacted the market. Despite the recent slight increase the prime vacancy remains at roughly three year lows.

Available space in the secondary market, which is traditionally more volatile than the prime, has increased by 9.1% in the past quarter. However, the annual trend for this market is also strongly down, with a 32% reduction in the year to January 2018. Cost sensitive tenants have continued to take advantage of static secondary rents to renegotiate or relocate within secondary facilities.

FIGURE 2

### January 2018 Available Space '000sqm prime versus secondary space



Source: Knight Frank Research

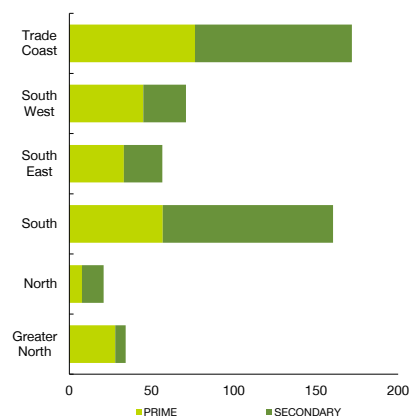
## Distribution by Precinct

The South has continued to build on recent positive momentum to record a further fall in available space of 3.5% in the past quarter. With available space now 115,946sqm lower than a year ago, at 160,350sqm, the South is no longer the precinct with the greatest availability — after having held that mantle for the past seven years. The Trade Coast, with an increase in vacancy of 9.6%, is now the region with the greatest availability.

The North (-26%) has the least availability following recent take-up, while the Greater North was stable. Of the other precincts the South West (+42%) and South East (+12%) remain at relatively low levels (Figure 3).

FIGURE 3

### January 2018 Available Space '000sqm by quality & precinct



Source: Knight Frank Research

## Size & Type of Stock

As shown in Figure 4, there are 22 buildings available which are larger than 8,000sqm, up from 20 in the previous quarter, with recent additions such as 10,185sqm in Bishop Drive, Lytton and 490 Freeman Road, Richlands (9,060sqm). Large space availability remains slightly skewed towards prime, with 12 options, compared to secondary with 10 options above 8,000sqm. The number of smaller vacancies was stable over the quarter, with 38 options of 3,000sqm—6,000sqm. The average size of vacancies was 6,685sqm as at January 2018, this is 4% smaller than a year ago as larger options have steadily reduced.

Warehouse space dominates the market and this is reflected in available stock, which is 85% warehouse and 15% manufacturing space. The precinct with the largest proportion of manufacturing space is currently the North with 36%, followed by the South East at 18%. The amount of vacant manufacturing space has remained quite stable over the past quarter at 78,477sqm.

Speculative stock available increased by 7,670sqm in the past quarter to 75,562sqm due to the commencement of 47 Logistics Place, Larapinta. There was no take-up of speculative space over the quarter, although a large commitment is imminent at Rochedale. There is currently 64,652sqm of completed speculative stock plus 10,910sqm under construction. Further construction starts of speculative space is expected in the medium term across the South, South East, South West and Trade Coast regions to capitalise on tenant preference for new space.

TABLE 1

### Brisbane Industrial Available Space 3,000sqm+ as at January 2018

Precinct	Available Space sqm	No. of Buildings	Av Asking Rent \$/sqm net	Change Past Qtr (sqm)	Change Past Year (sqm)	Building Quality	
						Prime %	Secondary %
Trade Coast	171,869	25	112	15,046	-29,221	44	56
North	20,808	5	115	-7,384	-36,742	37	63
Greater North	34,259	7	108	-	10,233	81	19
South	160,350	25	100	-5,819	-115,946	36	64
South West	70,929	8	106	21,162	-15,467	63	37
South East	56,529	7	100	6,061	-47,961	59	41
<b>Total</b>	<b>514,744</b>	<b>77</b>	<b>105</b>	<b>29,066</b>	<b>-235,104</b>	<b>48</b>	<b>52</b>

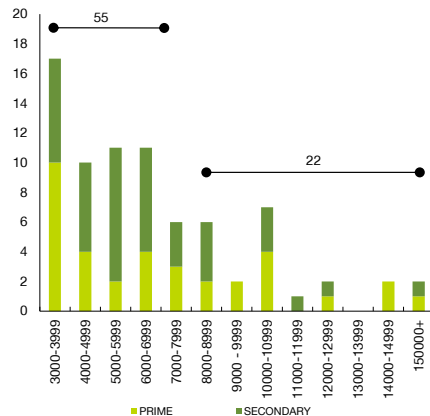
Source: Knight Frank Research



FIGURE 4

**January 2018 Available Space**

No of buildings by size and quality



Source: Knight Frank Research

## Building Take-up

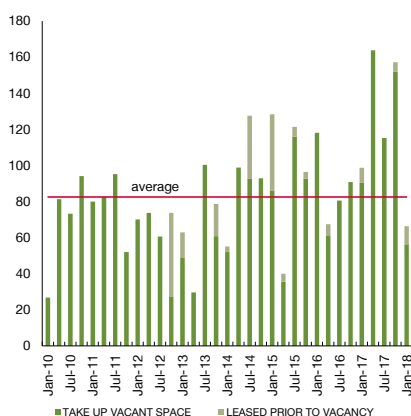
Take-up was lower in the final quarter of 2017 at 56,286sqm, with an additional 10,000sqm leased prior to becoming vacant. This comes after three very high quarters and represents a hiatus in activity. On an annual basis, the 2017 take-up of vacant space was 492,544sqm, 50% above the long term rolling average of 327,474sqm.

Take-up in the quarter was evenly spread between prime (56%) and secondary (44%) stock as market activity was generally lower. In part this was due to the State Government election in November 2017 which traditionally defers decision making from tenants.

FIGURE 5

**Brisbane Industrial Take-up**

'000sqm Est Take-up buildings (excl D&amp;C)



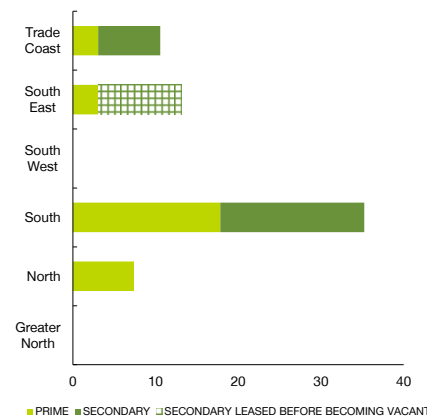
Source: Knight Frank Research

The South dominated take-up during the quarter, the most significant absorption being the lease of 50-70 Radius Drive, Larapinta (12,104sqm). Moderate absorption was also recorded in the Trade Coast, North and South East with 10,000sqm committed by Wetfix at 64 Lahrs Road, Ormeau prior to Baillieu's relocation from the asset. A number of assets available for a considerable time were taken up this quarter with four of the 11 properties absorbed available for greater than 30 months.

FIGURE 6

**Take-up 3 months to January 2018**

'000sqm est Take-up buildings (excl D&amp;C)



Source: Knight Frank Research

## Outlook

The dramatic improvement in the Brisbane industrial vacancy during 2017 was not quite sustained in the final quarter of the year, however the market remains in a significantly better state than a year ago. With vacancy reducing by more than a third (-235,104sqm) in the past year the choice for tenants has been vastly reduced. While remaining 13% above the long term average levels the market is returning towards a balanced state. Additionally, with available land for immediate development becoming scarce, market conditions have the potential to turn further towards landlords over the course of 2018.

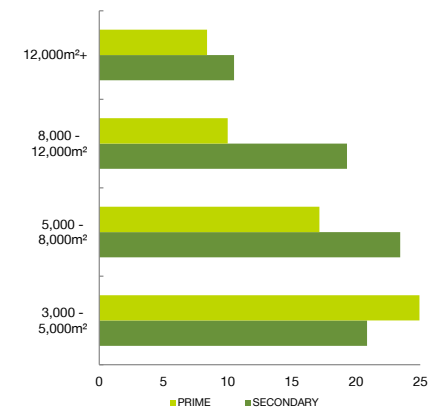
Anecdotally the level of activity in the leasing market is steady but below levels witnessed early to mid 2017, and the super-levels of take-up recorded in the first three quarters of 2017 are not expected to be replicated this year.

“The dramatic improvement to vacancy during 2017 was not quite sustained in the final quarter of the year.”

FIGURE 7

**Brisbane Industrial Time on Market**

Av months by size bracket and grade—Jan 2018



Source: Knight Frank Research

However for many tenants, particularly those seeking larger, new or high quality space, there are fewer choices in existing stock than may be expected and this is likely to continue to fuel both speculative and D&C for 7,000sqm+ users.

In a positive trend, the average time on the market has decreased to 17.7 months down from 18.9 months in the previous quarter, with a current median of 12 months. Prime space has fallen to 16.8 months (median 13.5 months) on average while secondary remains higher at 18.4 months (median 12 months). The number of “stale assets” or those available for two years or longer has reduced from 24 down to 22.

Demand was concentrated in logistics and retail sector users in Q4 2017 with Mainfreight, Concept Logistics, Bevchain and Dollars & Sense absorbing space, this is expected to continue in 2018.

## RESEARCH

### Jennelle Wilson

Senior Director, Queensland

+61 7 3246 8830

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

## INDUSTRIAL

### Chris Wright

Director, Joint Head of Industrial QLD

+61 7 3246 8861

[Chris.Wright@au.knightfrank.com](mailto:Chris.Wright@au.knightfrank.com)

### Mark Clifford

Director, Joint Head of Industrial QLD

+61 7 3246 8802

[Mark.Clifford@au.knightfrank.com](mailto:Mark.Clifford@au.knightfrank.com)

### Mark Horgan

Manager – Strathpine Office

+61 7 3482 6000

[Mark.Horgan@au.knightfrank.com](mailto:Mark.Horgan@au.knightfrank.com)

## NATIONAL

### Tim Armstrong

Head of Industrial, Australia

+61 2 9761 1871

[Tim.Armstrong@au.knightfrank.com](mailto:Tim.Armstrong@au.knightfrank.com)

### Greg Russell

Head of Industrial Investments,  
Australia

+61 7 3246 8804

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

## VALUATIONS

### Tim Uhr

Director

+61 7 3193 6877

[Tim.Uhr@qld.knightfrankval.com.au](mailto:Tim.Uhr@qld.knightfrankval.com.au)

### Ian Gregory

Director

+61 7 3193 6844

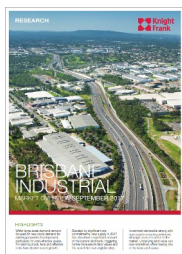
[IanGregory@qld.knightfrankval.com.au](mailto:IanGregory@qld.knightfrankval.com.au)

## 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 3,000sqm. 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.

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



**Brisbane Industrial  
Market Overview**  
September 2017



**Sydney Industrial  
Vacancy Analysis**  
February 2018



**Student Housing  
2018**



**Active Capital  
2017**

Knight Frank Research Reports are available at [KnightFrank.com.au/Research](http://KnightFrank.com.au/Research)

## Important Notice

© Knight Frank Australia Pty Ltd 2018 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.

