

# BRISBANE

## INDUSTRIAL VACANCY OCTOBER 2017

### Key Facts

Total vacant space has **fallen by 15%** over the past quarter to **479,388m<sup>2</sup>**.

This improvement was driven by the **secondary market (down 26%)**, while **prime was largely stable**.

Total **speculative space** available **increased** by 13% over the quarter to 61,602m<sup>2</sup> with **one new construction start**.

**Take-up remained high in Q3** at 152,005m<sup>2</sup>, building on the strong start to the year, **secondary dominated with 73%** of take-up.



JENNELLE WILSON  
Senior Director, QLD Research

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Sustained high take-up has resulted in the vacancy falling a further 15% in Q3, with a cumulative reduction of 36% over the course of 2017. Demand has remained broad-based and reflective of an improving Queensland economy.

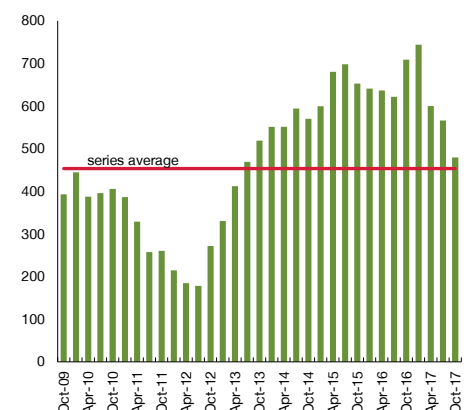
The Brisbane industrial market has continued the strong run of space absorption during 2017, with a further 15% fall in total vacancy during the third quarter. The current level of 479,388m<sup>2</sup> is now 36% below the January 2017 cyclical high of 743,558m<sup>2</sup>.

This result was driven by strong take-up of 152,005m<sup>2</sup> and modest additions to vacancy of 70,324m<sup>2</sup>. Unlike the previous two quarters, the reduction in vacancy was driven by the secondary market which fell by 26% in the quarter.

Secondary space dominated take-up with 73% of the space absorbed, with a number of larger secondary tenancies absorbed on both a short and longer term basis. This has gone some way to reducing the number of larger secondary stock options, with six 10,000m<sup>2</sup>+ options remaining available.

Completed speculative space accounts for 10% (47,927m<sup>2</sup>) of total vacancy with speculative space under construction accounting for 3% (13,675m<sup>2</sup>) with one new project commencement.

FIGURE 1  
**Brisbane Industrial Market**  
'000m<sup>2</sup> available space



Source: Knight Frank Research

## Quality of Stock

Improvement to vacancy levels have occurred across both prime and secondary during 2017 with prime down by 34% and secondary down by 37% since January 2017. However over the past quarter the vacant prime stock was largely stable, falling only slightly to 233,823m<sup>2</sup>. This has kept the prime vacancy at the lowest level seen since April 2014.

After increasing slightly in Q2, the secondary market has recorded another strong fall in Q3, reducing by 26% to 245,565m<sup>2</sup>. Take-up was strong at 111,394m<sup>2</sup> with limited additions to vacancy. Significant secondary take-up included 19,560m<sup>2</sup> at 33 Iris Place, Acacia Ridge, 10,000m<sup>2</sup> at 278 Orchard Rd, Richlands and 16,392m<sup>2</sup> absorbed at 733 Nudgee Rd, Northgate.

FIGURE 2

### October 2017 Available Space

'000m<sup>2</sup> prime versus secondary space



Source: Knight Frank Research

## Distribution by Precinct

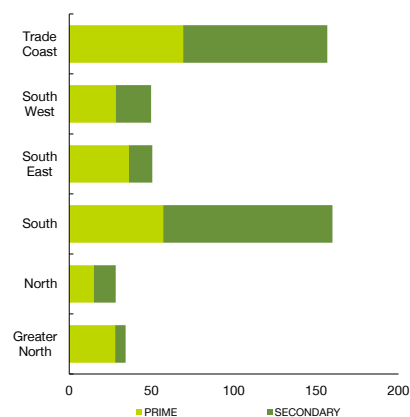
All precincts recorded a reduction in available space during the past quarter. The most significant falls were in the North (down 37% to 28,192m<sup>2</sup>) due to good absorption and the South West (falling by 28% to 49,767m<sup>2</sup>), with that precinct halving the quantum of available vacancy since the start of the year.

The Greater North (-16%), South (-17%) and South East (-16%) all recorded similar falls in the past quarter. The Trade Coast, with a fall of 1%, had the least improvement during Q3, after strong results during H1. The Trade Coast and South now have similar levels of vacancy at 156,823m<sup>2</sup> and 159,879m<sup>2</sup> respectively, although the South still has more secondary space (Figure 3).

FIGURE 3

### October 2017 Available Space

'000m<sup>2</sup> by quality & precinct



Source: Knight Frank Research

## Size & Type of Stock

As shown in Figure 4, there are 20 buildings available which are larger than 8,000m<sup>2</sup>, down from 22 in the previous quarter, as demand for larger properties has been sustained. This is currently slightly skewed towards prime space with 11 options, compared to secondary with nine options above 8,000m<sup>2</sup>. The number of smaller vacancies also reduced with 38 options of 3,000m<sup>2</sup>—6,000m<sup>2</sup>; this is 14 fewer (a 27% fall) since July 2017. The average size of vacancies was 6,524m<sup>2</sup> as at October 2017, this is 6.1% smaller than a year ago as larger options have diminished.

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 27%, followed by the Trade Coast at 20%. The amount of vacant manufacturing space has decreased by 31% over the past quarter with high take-up of 32,857m<sup>2</sup> and no new additions to vacancy.

Speculative stock available in the Brisbane market increased by c7,000m<sup>2</sup> in the past quarter to 61,602m<sup>2</sup> with the take up of a small development in Yatala overshadowed by the start of construction on a 10,435m<sup>2</sup> project at Rochedale. There is currently 47,927m<sup>2</sup> of completed speculative stock available with 13,675m<sup>2</sup> under construction. There remains a number of proposed speculative developments across the Trade Coast, South and South West, with further significant building construction starts expected in the new year.

TABLE 1

### Brisbane Industrial Available Space 3,000m<sup>2</sup>+ as at October 2017

Precinct	Available Space m <sup>2</sup>	No. of Buildings	Av Asking Rent \$/m <sup>2</sup> net	Change Past Qtr (m <sup>2</sup> )	Change Past Year (m <sup>2</sup> )	Building Quality	
						Prime %	Secondary %
Trade Coast	156,823	24	108	-1,462	-38,297	44	56
North	28,192	7	118	-16,392	-31,358	54	46
Greater North	34,259	7	108	-6,645	13,424	81	19
South	159,879	24	97	-33,139	-95,964	36	64
South West	49,767	5	106	-19,367	-33,270	57	43
South East	50,468	6	107	-9,512	-43,915	72	28
<b>Total</b>	<b>479,388</b>	<b>73</b>	<b>105</b>	<b>-86,517</b>	<b>-229,380</b>	<b>49</b>	<b>51</b>

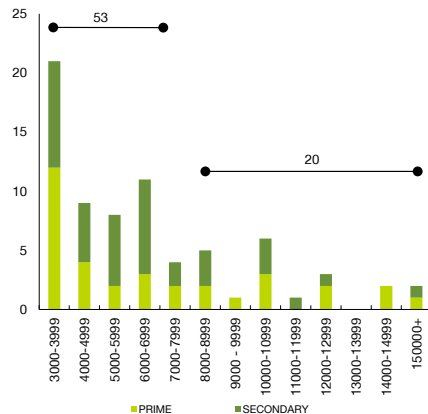
Source: Knight Frank Research



FIGURE 4

**October 2017 Available Space**

No of buildings by size and quality

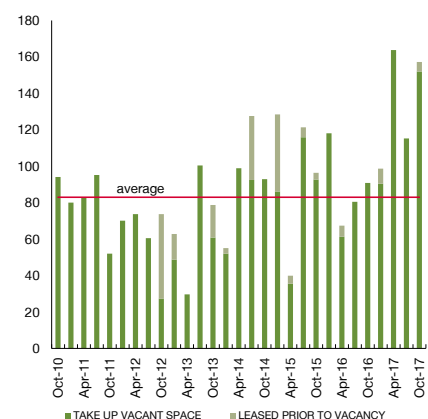


Source: Knight Frank Research

## Building Take-up

Take-up remained high in the third quarter with 152,005m<sup>2</sup> recorded. This is 90% above the long term average and the fifth consecutive quarter of above average take-up recorded. In this past quarter take-up was dominated by secondary space (73%) across 17 properties with a good mix of large and smaller assets absorbed. Prime take-up was 40,611m<sup>2</sup> across eight assets with the largest the 11,608m<sup>2</sup> leased at 30 Main Beach Rd, Pinkenba by the AFP. The average time on the market for space absorbed was 19.3 months with prime at 22.0 months and secondary 18.1 months.

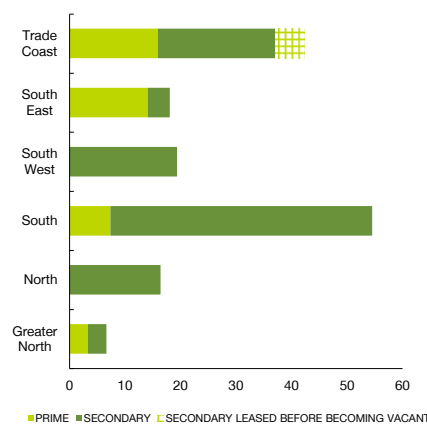
FIGURE 5

**Brisbane Industrial Take-up**'000m<sup>2</sup> Est Take-up buildings (excl D&C)

Source: Knight Frank Research

The South dominated take-up over the past quarter and largely this was within secondary assets, with a number of logistics providers securing relatively low-cost facilities. The Trade Coast also recorded high take-up levels—again weighted to secondary stock. The South East, South West and North all recorded similar take-up levels with the South East the only precinct to be dominated by prime absorption this quarter.

FIGURE 6

**Take-up 3 months to October 2017**'000m<sup>2</sup> est Take-up buildings (excl D&C)

Source: Knight Frank Research

## Outlook

The turn-around in take-up across the Brisbane industrial market during 2017 has been enhanced by relatively low new speculative development starts and limited backfill arising from D&C completions, to result in significant reductions to total vacancy. Since January 2017 total vacancy has fallen by 36%, returning the total close to the long term average and the lowest vacancy levels in almost three years.

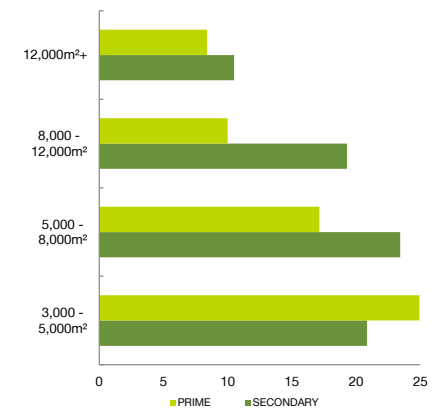
Anecdotally the level of activity in the leasing market is still elevated, with further reductions in total vacancy expected through to the end of 2017. While still at relatively high historical levels, the reduction in available stock may trigger additional speculative construction or drive more tenants to consider a longer term D&C option. The leasing environment still favours tenants, with short term leases available, enhancing the potential for tenants to

“There have been five consecutive quarters of above average take-up.”

FIGURE 7

**Brisbane Industrial Time on Market**

Av months by size bracket and grade—Oct 2017



Source: Knight Frank Research

hold-over in their current premises while seeking a D&C solution for their longer term business needs.

Despite the sustained improvement to the total vacancy, the average time on the market has continued to increase, up to 18.9 months across the market. In part this is due to a number of assets which have been available for a significant time. There are currently 24 assets which have been available for two years or longer. The time on the market for prime space increased to 18.3 months (median 12 months) and secondary increased to 19.5 months (median 18 months).

Demand has remained broad-based with logistics providers, retailers (particularly furniture and household goods) and building product suppliers being the most active. Packaging tenants have also been active, although to date, have favoured D&C options over existing product.

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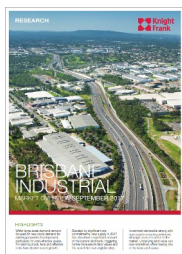
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## Methodology:

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. 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.

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