

BRISBANE INDUSTRIAL VACANCY OCTOBER 2018

Market activity was dominated by speculative stock absorption

- Vacant space reduced by 3.0% over the quarter, and by 2.8% over the past year, as the recent falls in vacancy continue to be consolidated. Activity was dominated by improvement to the A grade market, largely due to speculative space absorption, falling by 18%, 227,161 sqm, whereas available secondary accommodation increased by 18% (238,921 sqm).
- Take-up increased over the past quarter to 110,424 sqm, which is above the long term average levels. More than half of this take-up (60,704 sqm) was for tenancies of 10,000 sqm +.
- Available speculative space fell from 97,553 sqm to 55,838 sqm (down 43%) over the quarter with 60,215 sqm of speculatively developed space (all of which had been completed) leased across six deals. It should be noted that three of these were for relatively short initial lease terms, indicative of the immediate but initially short term demand from users requiring significant additional space, but also the flexibility from landlords carrying completed speculative space. With 18,500 sqm under construction in Willawong, speculative space available now totals 55,838 sqm across four projects.
- There are 15 tenancies of 10,000 sqm+ available, split evenly between prime and secondary space. Spaces of 10,000 sqm+, recently the most active market sector, have an average time on the market which is lower than for the wider market (20 months)—at 7.5 months for prime and 10 months for secondary. Ten of the 15 tenancies have been available for six months or less.

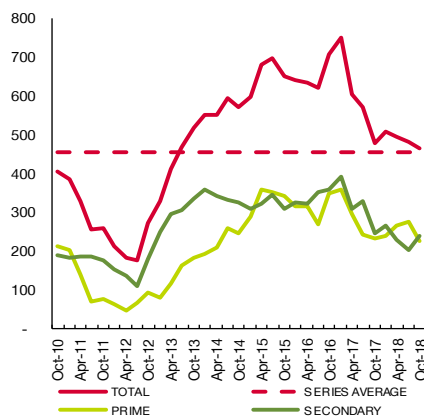


JENNELLE WILSON
Partner

TABLE 1
Brisbane Industrial Available Space 3,000sqm+ as at October 2018

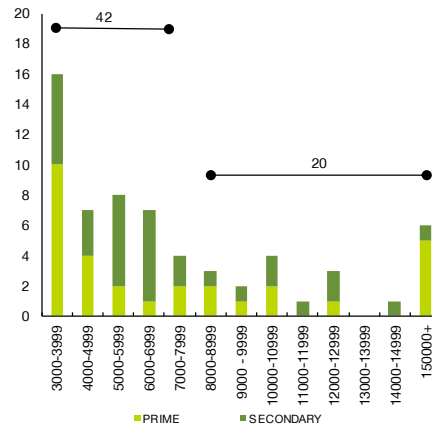
Precinct	Available Space sqm	No. of Buildings	Av Asking Rent \$/sqm net	Change Past Qtr (sqm)	Change Past Year (sqm)	Building Quality Prime %	Building Quality Secondary %
Trade Coast	141,713	19	113	-1,218	-15,110	51	49
North	24,161	6	108	-	-4,031	44	56
Greater North	20,761	5	110	-	-13,498	85	15
South	168,730	22	99	-16,039	8,851	47	53
South West	74,392	6	100	10,809	24,625	32	68
South East	36,325	4	108	-10,435	-14,143	63	37
Total	466,082	62	107	-4,331	-3,190	49	51

FIGURE 1
October 2018 Available Space
'000sqm prime versus secondary space



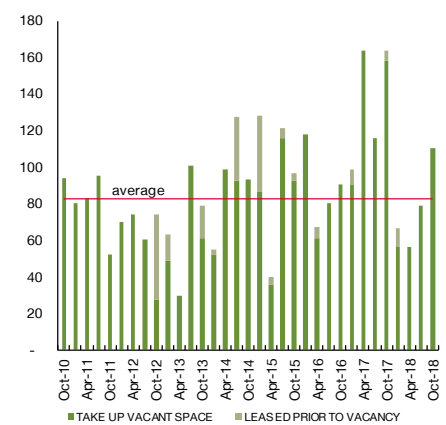
Source: Knight Frank Research

FIGURE 2
October 2018 Available Space
buildings available prime & secondary



Source: Knight Frank Research

FIGURE 3
Brisbane Industrial Take-up
'000sqm Est Take-up buildings (Excl D&C)



Source: Knight Frank Research

Trade Coast

- Little change in total vacancy over the quarter with take-up of 23,853 sqm matched by new vacancy of 25,071 sqm.
- Prime space continues to diminish, falling by a third over the past six months.
- With land sub-5,000sq m recording price growth of 23% in FY18, the recent rental weakness is unlikely to continue.

FIGURE 4
Trade Coast Available Space
'000sqm space by type

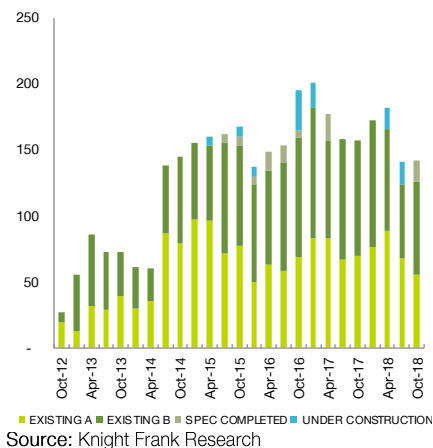
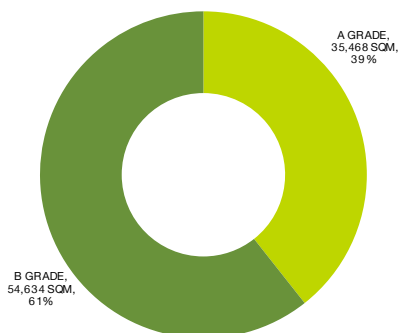


FIGURE 5
Trade Coast Annual Take-up
12 months to October 2018



Source: Knight Frank Research

North

- Available space was unchanged in the past quarter, however is down 14% on an annual basis and remains at historically low levels.
- Vacancy in the built-up North is all existing stock with 44% prime and 56% secondary.
- Available stock in the North is limited to six tenancies with an average size of 4,027 sqm.

FIGURE 6
North Available Space
'000sqm space by type

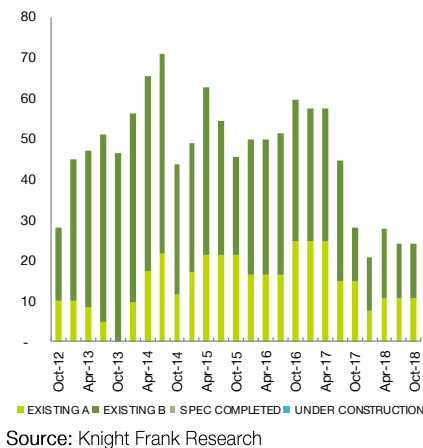
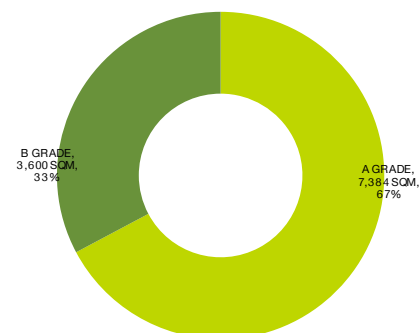


FIGURE 7
North Annual Take-up
12 months to October 2018



Source: Knight Frank Research

Greater North

- Vacancy in Greater North was unchanged in the past quarter, but is a substantial 39% lower than a year ago.
- Demand has remained skewed towards prime space, although activity has remained sporadic.
- Available space is dominated by prime accommodation (84%).

FIGURE 8
Greater North Available Space
'000sqm space by type

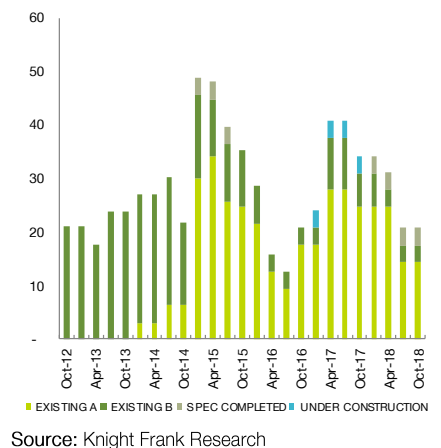
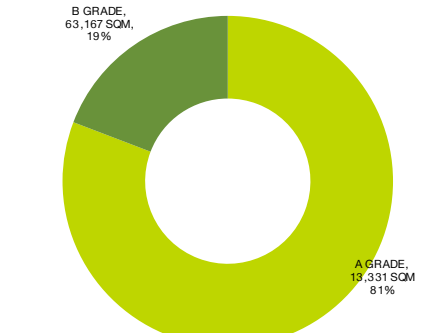


FIGURE 9
Greater North Annual Take-up
12 months to October 2018

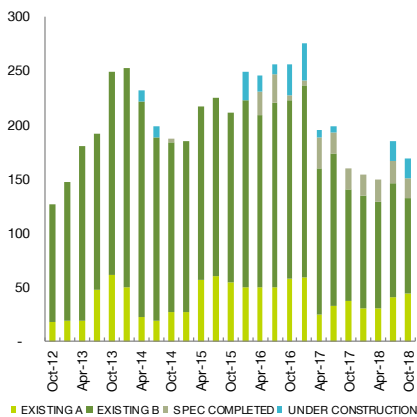


Source: Knight Frank Research

South

- Boosted by take-up of 47,061 sqm, vacancy has fallen by 9% in the South.
- The secondary market saw the most improvement, down by 16% in the quarter.
- After the absorption of 20,705 sqm of speculative space in Berrinba (CEVA, CTI Logistics), Stockland now has 18,500 sqm under construction in Willawong.

FIGURE 10
South Available Space
'000sqm space by type

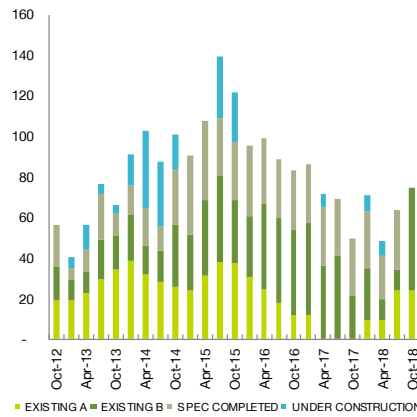


Source: Knight Frank Research

South West

- South West vacancy increased by 17% over the past quarter, with large tenant moves creating recent volatility.
- Quarterly take-up of 29,075 sqm was solely from the absorption of three speculative tenancies, reducing prime vacancy by 55%. The largest was Winc, leasing 14,670 sqm.
- Vacancy is now dominated by secondary space (68%).

FIGURE 12
South West Available Space
'000sqm space by type

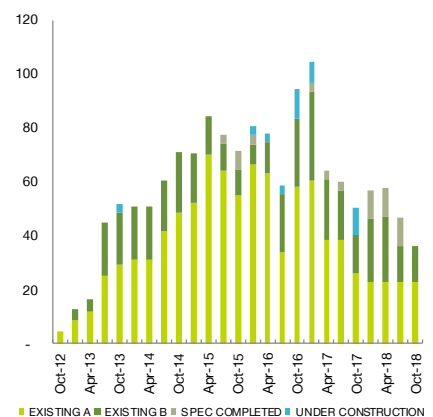


Source: Knight Frank Research

South East

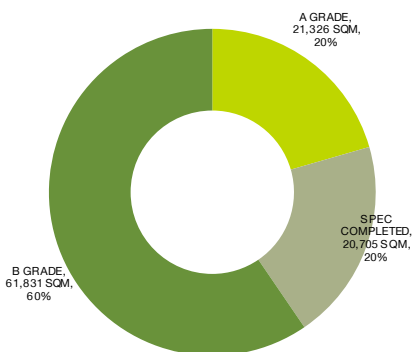
- The South East recorded further improvement with a 22% decrease in vacancy over the quarter; 28% lower over the year.
- Take-up was a single tenancy of 10,435 sqm at Rochedale, leased short term by Amart.
- Strong land take-up has continued, recently driven by D&C development ahead of speculative construction.

FIGURE 14
South East Available Space
'000sqm space by type



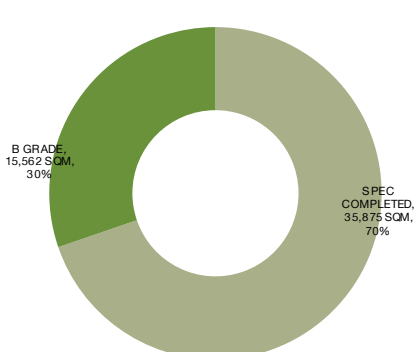
Source: Knight Frank Research

FIGURE 11
South Annual Take-up
12 months to October 2018



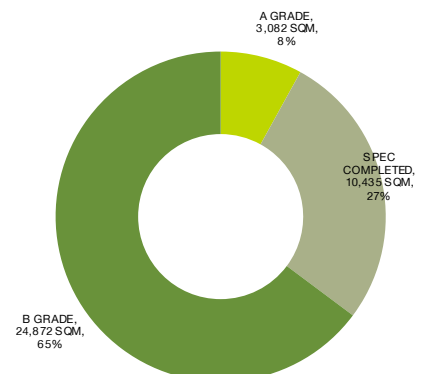
Source: Knight Frank Research

FIGURE 13
South West Annual Take-up
12 months to October 2018



Source: Knight Frank Research

FIGURE 15
South East Annual Take-up
12 months to October 2018



Source: Knight Frank Research

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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 3,000sqm. 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.

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