

BRISBANE

INDUSTRIAL VACANCY OCTOBER 2014

Key Facts

Total vacant space fell by 4.1% over the quarter; but remains 51% above average

Prime vacancy fell by 6%, recovering from a 27% increase in Q2

Speculative space accounts for 8% of the market; an increase from a year ago

Take-up was well above average for the third consecutive quarter



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Total vacancy in the Brisbane industrial market decreased over the third quarter, but is expected to continue to be influenced by backfill space in the coming quarters. Take-up has recorded a third consecutive solid result.

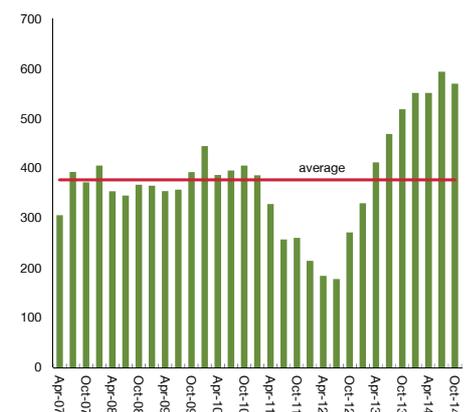
The level of available space within the Brisbane Industrial market has fallen by 4.1% over the past quarter to sit at 570,033m² as at October 2014. While showing some recent improvement, the total available space remains approximately 51% above the long term average level.

Both prime and secondary available space declined over the past quarter and the proportion of prime to secondary space has remained stable; with secondary space accounting for 57% of total stock. The proportion of secondary stock has been diminishing since early 2013 when it accounted for 76% of total available stock.

Available space remains dominated by existing stock, accounting for 92% of the total. This was stable over the past quarter, but is lower compared to a year ago (96%) as the level of available speculative development has increased. Total speculative space is made up of completed projects (30,565m² or 5% of available stock) and speculative projects which remain

under construction (17,062m² or 3% of available stock). Speculative activity has diverted some pre-commitment demand and has generally been well absorbed by the market.

FIGURE 1
Brisbane Industrial Market
'000m² available space



Source: Knight Frank

Quality of Stock

The level of both prime and secondary available stock fell over the past quarter, with prime space reducing by 6% and secondary by 3%. This fall in prime stock was the first reduction since early 2013, a reversal of the 27% increase in the previous quarter, and was achieved partly due to no additional speculative stock being added to the survey. Overall the proportion of prime and secondary stock has remained stable from the past quarter with prime space accounting for 43% of the available space.

Secondary space has shown its third consecutive quarterly reduction after peaking in January 2014. Steady take-up of secondary space has been in evidence, particularly for shorter terms and at discounted rates.

FIGURE 2
October 2014 Available Space
'000m² prime versus secondary space



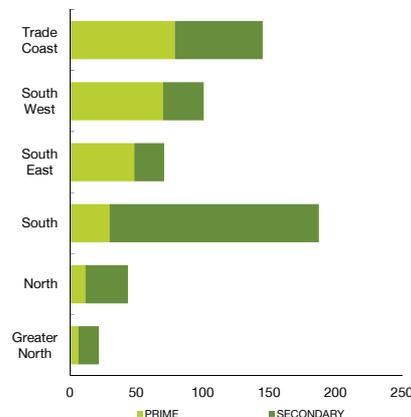
Source: Knight Frank

Distribution by Precinct

Over the past quarter, the greatest changes were falls to available space of 38.5% and 27.8% in the North and Greater North precincts respectively. These two precincts now have the lowest levels of available space with some steady take-up and no additions of vacant space over the past quarter.

The South East (up 17.2%) and South West (up 15.0%) saw steady increases over the past quarter, largely due to the addition of existing secondary stock. The TradeCoast, with an increase of 5.2%, has seen some stabilisation, although the region now clearly has the second highest levels of available space behind the South precinct, which fell by 5.7%.

FIGURE 3
October 2014 Available Space
'000m² by quality & precinct



Source: Knight Frank

Size & Type of Stock

There are currently 19 buildings available which cater for users of 8,000m² plus. The number of larger options has steadily grown as the level of construction picked up during 2013 and 2014. In contrast, two years ago in October 2012 there were only three larger options. Of the 19 currently available larger options, eight of these are within prime buildings however with five only offered on a sub-lease basis there are only three direct prime options. These prime, direct buildings are the two speculative buildings at Goodman's Redbank Motorway Estate and a building in Jutland St, Loganlea.

The larger secondary options total 11 properties and with only two offered on a sub-lease basis, there are nine direct, larger options. The asking rents on the majority of these assets is sub-\$90/m² net, which indicates the degree of discounting which is starting to emerge for some larger secondary assets.

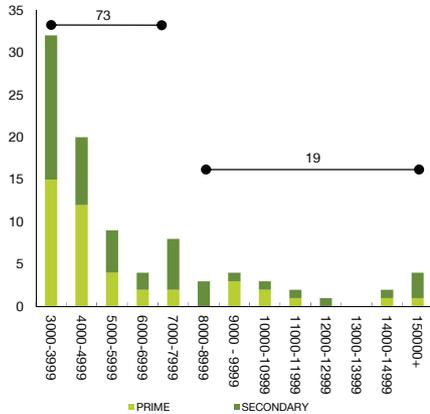
The proportion of warehouse space on the market has remained stable over the past quarter with 69% of the available stock, manufacturing or fabrication space making up the remaining 31%. Manufacturing space is dominated by secondary stock (65%) and tends to require a longer leasing up period with the currently available stock being on the market for an average of 13.8 months. In contrast the warehouse space has a current average time on the market of 12.2 months.

TABLE 1
Brisbane Industrial Available Space 3,000m²+ as at October 2014

Precinct	Available Space m ²	No. of Buildings	Av Asking Rent \$/m ² net	Change Past Qtr (m ²)	Change Past Year (m ²)	Building Quality	
						Prime %	Secondary %
TradeCoast	145,116	20	116	7,156	72,247	55	45
North	43,688	8	106	-27,340	-2,834	27	73
Greater North	21,856	5	99	-8,400	-2,032	29	71
South	187,521	31	94	-11,368	-62,115	16	84
South West	100,929	15	111	13,188	34,901	69	31
South East	70,923	13	104	10,432	19,308	68	32
Total	570,033	92	105	-16,332	59,475	43	57

Source: Knight Frank

FIGURE 4
October 2014 Available Space
No of buildings by size and quality



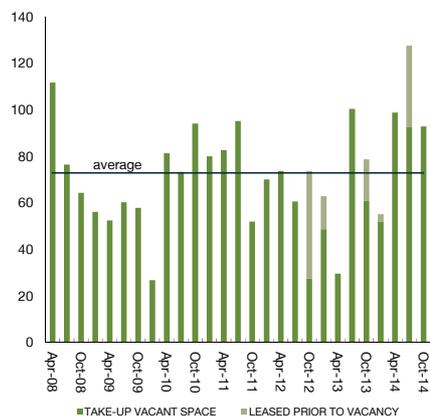
Source: Knight Frank

Building Take-up

During the third quarter of 2014 take-up (excl D&C) of 92,857m² was recorded across 11 buildings. These properties had been available for an average of 10.6 months, however there was significant divergence between the time on the market for the prime taken-up properties (6.6 months) and the secondary assets (14.0 months).

Five of the assets absorbed were larger, above 8,000m², one of which was a speculative development under construction by Australand at Berrinba with Hana Express understood to have agreed terms on the building.

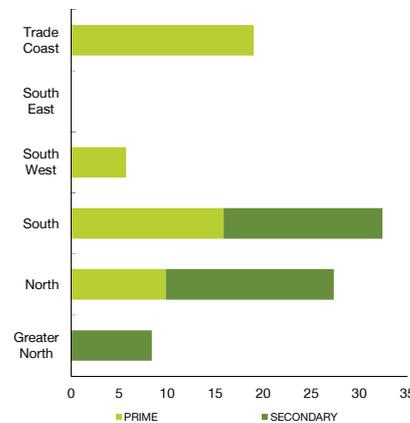
FIGURE 5
Brisbane Industrial Take-up
'000m² Est Take-up buildings (excl D&C)



Source: Knight Frank

The South and the North precincts dominated take-up over the past quarter with 32,408m² and 27,340m² respectively across a total of seven properties and a mixture of prime and secondary assets. In contrast the TradeCoast was dominated by the short term lease of 19,000m² of prime warehouse space, while the Greater North saw two secondary assets absorbed and removed from the market.

FIGURE 6
Take-up 3 months to October 2014
'000m² est Take-up buildings (excl D&C)



Source: Knight Frank

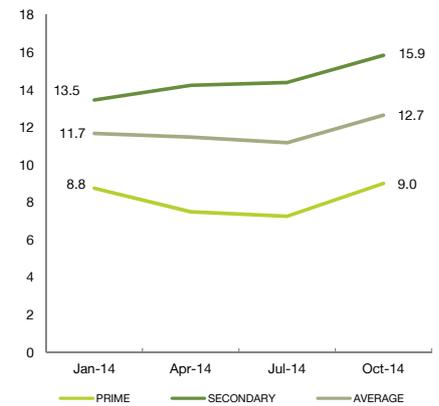
Outlook

Over the past quarter the total amount of available space within the Brisbane market (3,000m²+) fell by 4.1%, however it remains well above the historical average level. The take-up levels recorded a third consecutive strong result and is reflective of the generally higher enquiry levels seen within the market during 2014. However tenant demand remains patchy with enquiry levels waxing and waning on a monthly basis.

Backfill space from tenants relocating to new accommodation remains a force in the market, however was of a lesser influence over the past quarter. This is expected to ramp up again over the coming quarter and into 2015 as there are a number of larger new buildings to be completed over the coming months (Super Retail Group, Northline). A number of business closures or contractions were noted over the past quarter, such as Berri

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FIGURE 7
Time on the Market
Average No months for available space



Source: Knight Frank

(14,497m²), Eventrans (4,400m²), Australian Portable Buildings (6,699m²), Major Drilling (3,553m²) and Marble Trend (3,733m²), however these were largely within relatively smaller assets.

Speculative activity has plateaued, however take-up of these developments has remained steady. While speculative development has diverted some pre-leasing activity, in the main pre-commitment has been the greater driver of new construction. The average time on the market for available space is divergent between prime and secondary space, as would be expected, and these time frames are expected to stabilise.



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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 3,000m². 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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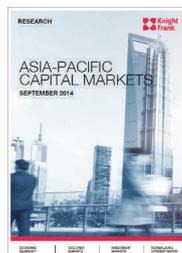
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