

JULY 2013

BRISBANE INDUSTRIAL VACANCY ANALYSIS

The level of available space within the Brisbane Industrial market has continued to build as both increased supply and contraction activity are factors within the market. The current available industrial space is measured at 472,080m² as at 1 July, the highest result recorded by the survey, which commenced in early 2007, and is 37% above the long term average.

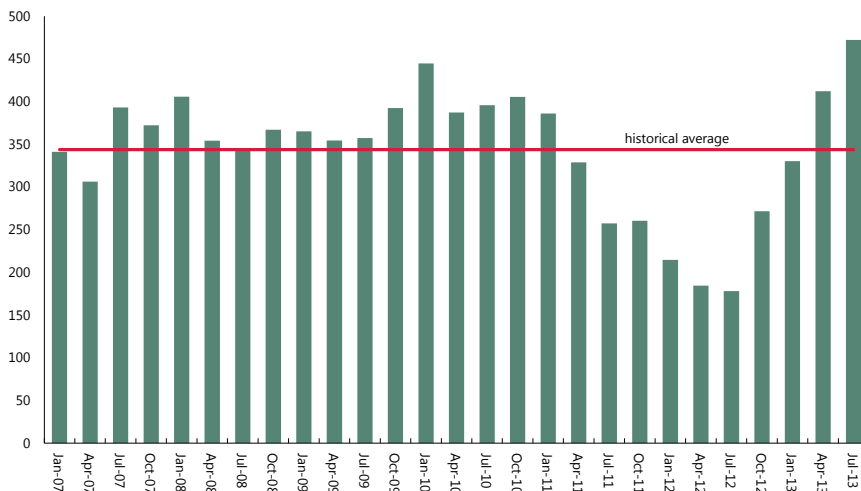
Increases were seen across all markets except for the Fringe and Trade Coast, which saw strong take-up mitigate the new additions to vacant space. The North and Greater North were largely stable, with only modest increases in the level of available space over the past quarter. In contrast, there were relatively strong increases across the South West (up 36%) and South East, which saw the level of available space more than double, over the past quarter. The South, which has the bulk of available space, added only a further 6% to its list.

Market	Available Space (m ²)	Number of Buildings	Av. Asking rent (\$/m ² net)	Change past quarter (m ²)	Change past 6 months (m ²)	Change past 12 months (m ²)
Precinct						
Fringe	8,282	2	120	-	-	-
Trade Coast	75,682	14	116	-9,882	7,149	42,997
North	51,038	6	97	3,854	19,392	26,663
Greater North	23,888	5	97	6,227	2,827	16,820
South	192,223	33	93	11,321	44,686	119,015
South West	76,298	14	102	20,080	35,776	53,495
South East	44,669	8	102	28,478	32,108	35,084
Total	472,080	82	104	60,078	141,938	294,074
Building Quality						
Prime	164,307	27	118	47,005	84,063	96,173
Secondary	307,773	55	92	13,073	57,875	197,901
Building Type						
Existing Stock	444,661	78	100	55,678	125,318	266,655
Speculative (Completed)	23,019	3	115	12,220	18,019	23,019
Spec. Under Construction	4,400	1	105	-7,820	-1,399	4,400

Source: Knight Frank

Figure 1
Brisbane Industrial Market

'000m² available space



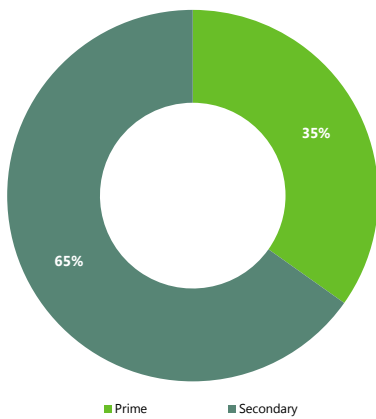
Source: Knight Frank

472,080M² IS AVAILABLE ACROSS 82 BUILDINGS; 65% IS SECONDARY SPACE

Quality of Stock

The proportion of prime stock within the market has continued to grow over the past quarter. The level of available prime space has increased by 47,005m² over the quarter to be 164,307m², increasing the proportion of available space from 28% as at April to currently sit at 35%. Significant additions to prime grade space have included the Linfox sublease at Heathwood (24,751m²) and the former IGA Building at Loganlea (9,120m²).

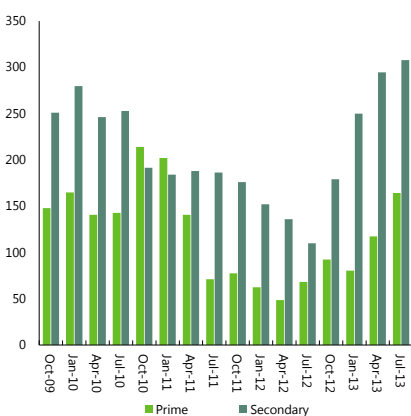
Figure 2
Brisbane Industrial Available Space
Break-up of Available Space by Grade



Source: Knight Frank

At the same time, the amount of available secondary space grew by a relatively modest 13,073m² to be 307,773m². The current figures are the highest levels which have been recorded for the secondary market since the survey began.

Figure 3
Brisbane Industrial Available Space
'000m² by grade October 2009 – July 2013

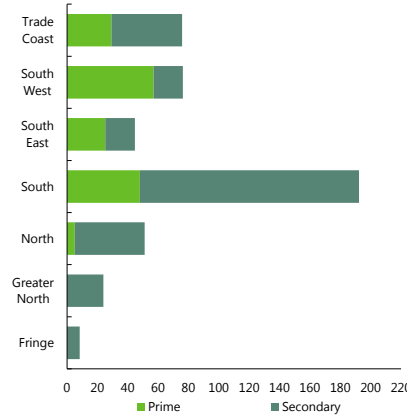


Source: Knight Frank

Distribution by Precinct

The South precinct continues to have the greatest amount of available industrial space with 192,223m² (41% of the Brisbane region total). The South market is dominated by secondary stock with 75%, however this proportion has fallen since the last quarter from 89% as the amount of prime grade space for lease has grown by 28,664m².

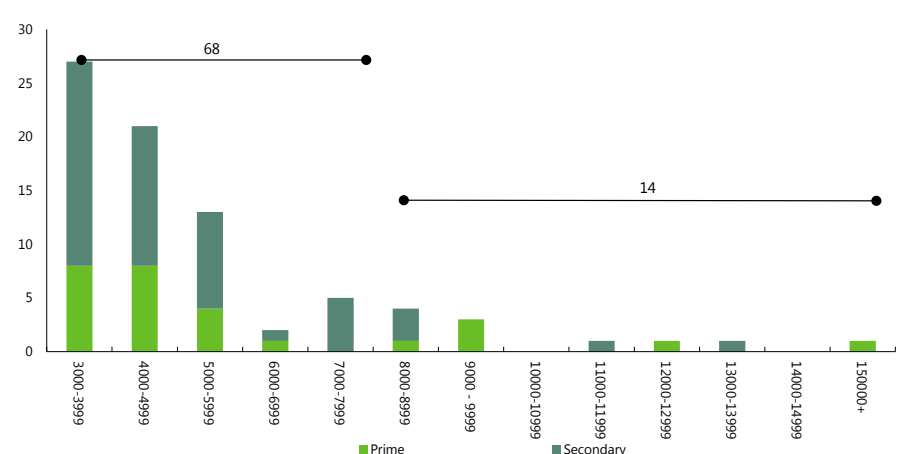
Figure 4
July 2013 Available Space
'000m² by quality & precinct



Source: Knight Frank

The Trade Coast and South West markets have a similar quantum of available space, however the break-up between the grade of space is markedly different between them. The North and Greater North markets remain largely devoid of prime vacancy with only 5,000m² across the two precincts.

Figure 5
July 2013 Available Space
No of buildings by size of building m² and quality



Source: Knight Frank

Size of Available Stock

There are currently 14 buildings available which cater for users of 8,000m² plus. Six of these represent prime accommodation; however of the 73,000m² of larger prime grade space available, 58% of this is from sub-lease space. The remaining 42% is split between recently completed speculative accommodation, backfill warehousing space and manufacturing accommodation.

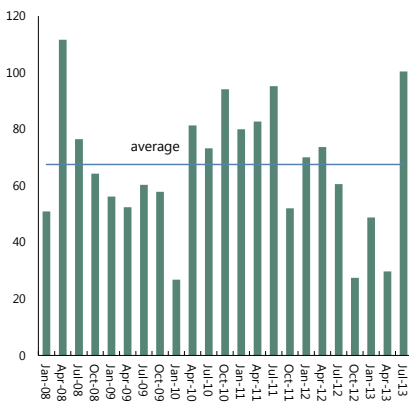
Sub-lease space has been an increasing factor within the available space, and while it does not suit all requirements, tends to provide relatively cheaper options for tenants. At this stage Knight Frank is tracking just under 96,000m² of sub-lease space, representing approximately 20% of the total available space.

SUB-LEASE SPACE HAS BECOME AN INCREASING FACTOR, WITH 20% OF AVAILABLE SPACE

Building Take-up

The second quarter of 2013 has seen a strong rebound in the level of take-up of buildings over 3,000m², being tracked by Knight Frank. Representing a result well above the long term average of 67,555m²; there was 100,405m² of absorption, covering 15 properties. While this is a positive for the market, a number of the leases were for relatively shorter terms of 6-12 months.

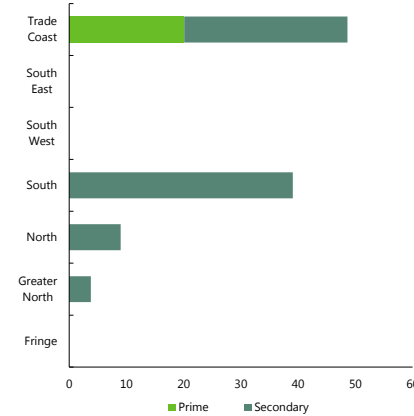
Figure 6
Brisbane Industrial Take-up
'000m² Est Take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Figure 7
Brisbane Industrial Take-up 3 months to July 2013

'000m² Est take-up buildings 3,000m² + (excl D&C)



Source: Knight Frank

Trade Coast dominated the take-up over the past quarter with 48% of the total take-up recorded. This was boosted by the short term lease of 28,500m² at Hendra by Mazda Australia. The South also saw relatively good take-up with 39,000m² of space absorbed, however significant new vacancy in the precinct still saw the total available space in the region grow over the past quarter.

Summary

Despite the strongest take-up recorded for five years, the Brisbane market still saw a significant increase in the total level of available space over the past quarter. The level of available space has grown by 60,078m² as more than 160,500m² of space was added to the available space over the quarter, well outweighing the take-up of 100,405m². Increases were recorded across both prime (which grew by 40% over the quarter) and secondary market (which increased by 4% over the period).

With 103,568m² of new stock (over 3,000m²) completed in 2013 to date, and a further 209,920m² under construction with an expected completion later this year, backfill space is expected to remain an issue in the market for the medium term. The recent lack of quality larger warehousing options has seen many users investigate D&C product, and further new construction is expected to be triggered in this way. For much of the available secondary space, there has been demand for shorter term, relatively cost effective accommodation from companies who remain in a cost minimisation phase.

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
 - 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 July 2013, the beginning of the third quarter.

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

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

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