

# MELBOURNE INDUSTRIAL VACANCY MAY 2018

## Strong take-up in Q1 2018 drives vacancy to its lowest level in four years

- Total vacant space in Melbourne’s industrial market declined by 2.8% over the quarter, and by 18.3% over the year. Prime vacancy fell by 11.6% over the quarter, while secondary vacancy grew by 11%.
- The fall in vacancy was underpinned by a growing demand for industrial space, particularly from the E-commerce and Transport & Logistics sectors, and limited vacancy additions. Total take-up was 38% above the long-term average.
- Vacancy additions over Q1 2018 were dominated by secondary space, at 67.6%, as tenants upgrade into prime space or relocate into purpose-built facilities. Nevertheless, secondary vacancy increased by a slight 11%, as secondary take-up was 19% higher than the previous quarter.
- Total available speculative space fell by 37% to measure 71,873 sq m, led by strong take-up of speculative space and a shortage of new supply. 43,125 sq m of speculative space under construction in the South East and West were leased prior to completion. The West was the only region to have new speculative developments commence construction over Q1 2018, totalling 19,774 sq m.
- The average letting-up period for sub-12,000 sq m prime space fell from 24.7 months to 13.2 months over Q1 2018.

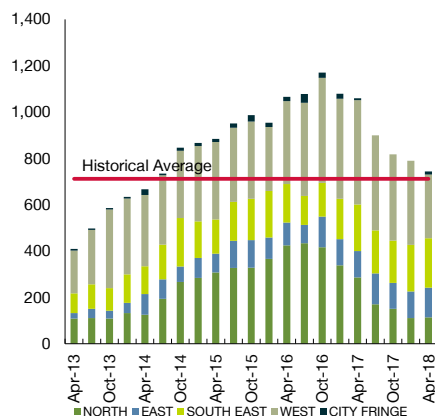


JANE WONG  
Research Analyst

TABLE 1  
**Melbourne Industrial Available Space 5,000 sq m+ as at April 2018**

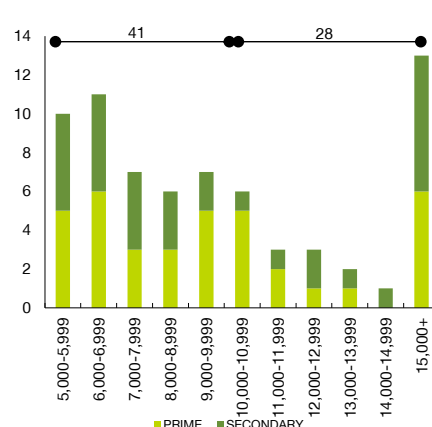
| Precinct     | Available Space (sq m) | No. of Buildings | Av Asking Rent \$/sq m net | Change Past Qtr (sq m) | Change Past Year (sq m) | Building Quality Prime % | Building Quality Secondary % |
|--------------|------------------------|------------------|----------------------------|------------------------|-------------------------|--------------------------|------------------------------|
| City Fringe  | 14,000                 | 1                | 120                        | 14,000                 | 5,500                   | 0                        | 100                          |
| North        | 141,234                | 11               | 79                         | 27,165                 | -28,759                 | 57                       | 43                           |
| East         | 128,139                | 10               | 80                         | 13,294                 | 15,049                  | 7                        | 93                           |
| South East   | 213,471                | 24               | 78                         | 11,893                 | 12,037                  | 51                       | 49                           |
| West         | 274,197                | 23               | 75                         | -88,795                | -176,063                | 85                       | 15                           |
| <b>Total</b> | <b>771,041</b>         | <b>69</b>        | <b>86</b>                  | <b>-22,443</b>         | <b>-172,236</b>         | <b>56</b>                | <b>44</b>                    |

FIGURE 1  
**April 2018 Available Space**  
'000 sq m



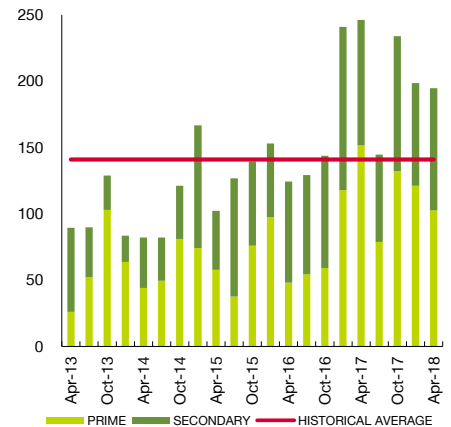
Source: Knight Frank Research

FIGURE 2  
**April 2018 Available Space**  
No. of buildings by size and quality



Source: Knight Frank Research

FIGURE 3  
**Melbourne Industrial Take-up**  
'000 sq m est take-up buildings (excl D&C)

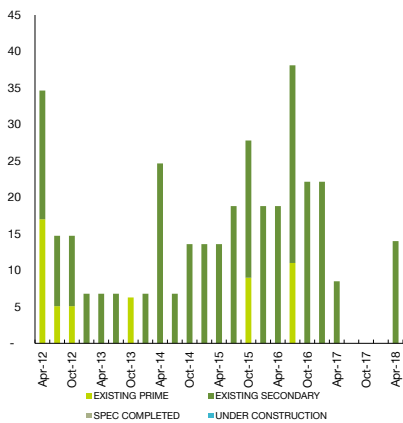


Source: Knight Frank Research

## City Fringe

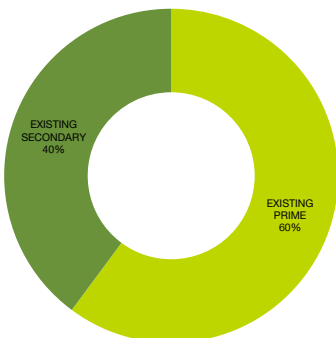
- After having no available options for three consecutive quarters, vacancy as at Q1 2018 sits at 14,000 sq m, stemming from National Tile’s backfill space at 541 Graham Street, Port Melbourne.
- Ongoing rezoning in the City Fringe will see demand for industrial space remain strong, with 5,632 sq m leased over Q1 2018.

FIGURE 4  
**City Fringe Available Space**  
'000 sq m space by type



Source: Knight Frank Research

FIGURE 5  
**City Fringe Annual Take-up**  
12 months to April 2018

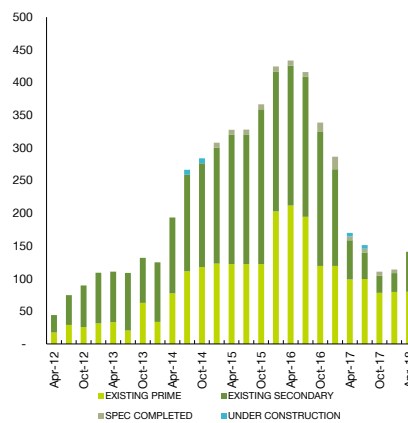


Source: Knight Frank Research

## North

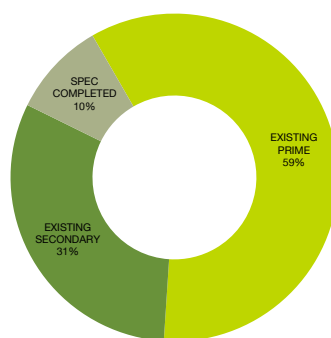
- The North recorded the largest rise in vacancy by precinct over Q1 2018, with a 23.8% increase, underpinned by a rise in secondary backfill space, as tenants relocate into purpose-built facilities.
- As Victoria experiences a construction boom, there has been a growing demand from the Manufacturing sector for industrial space in the North.

FIGURE 6  
**North Available Space**  
'000 sq m space by type



Source: Knight Frank Research

FIGURE 7  
**North Annual Take-up**  
12 months to April 2018

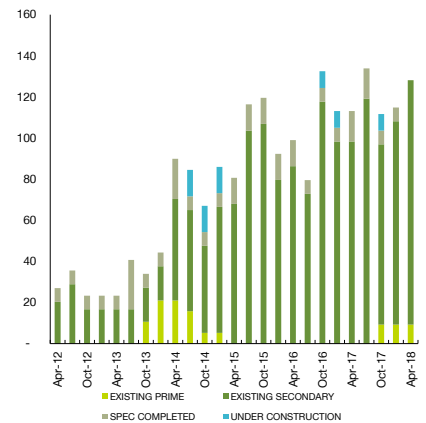


Source: Knight Frank Research

## East

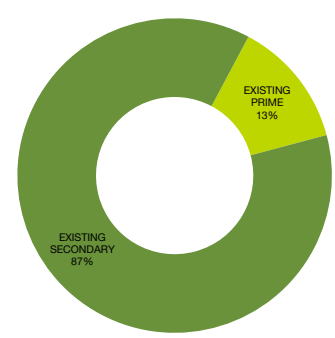
- The 11.6% increase in vacancy is a result of tenant demand shifting to the South East, where asking rents are slightly lower and industrial land supply is less constrained.
- The East remains a favourable option for sub-10,000 sq m users as well as owner occupiers. 67% of current available options are sub-10,000 sq m in size.

FIGURE 8  
**East Available Space**  
'000 sq m space by type



Source: Knight Frank Research

FIGURE 9  
**East Annual Take-up**  
12 months to April 2018

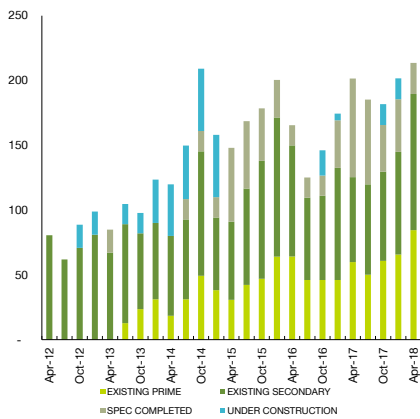


Source: Knight Frank Research

## South East

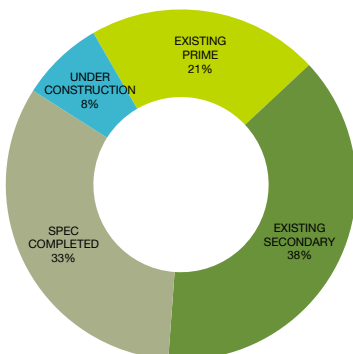
- The 6% increase in vacancy was underpinned by vacancy additions of 72,951 sq m outweighing take-up of 61,058 sq m.
- The South East continues to receive demand from a wide tenant mix, with tenants in the Manufacturing, Automotive and Transport & Logistics sectors occupying space over Q1 2018.

FIGURE 10  
South East Available Space  
'000 sq m space by type



Source: Knight Frank Research

FIGURE 11  
South East Annual Take-up  
12 months to April 2018

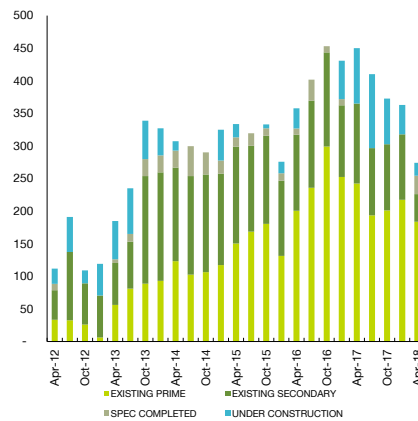


Source: Knight Frank Research

## West

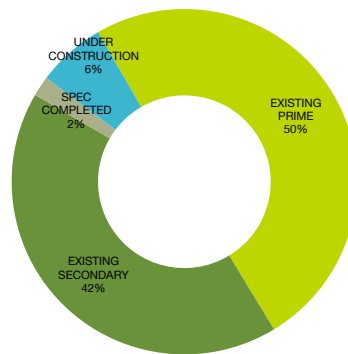
- Vacancy fell by 24.5% to its lowest level since Q2 2013.
- Strong demand from the Transport & Logistics sector was the catalyst for the 44.2% increase in take-up from the previous quarter.
- The recent availability of large industrial development sites will see speculative developments increase in the medium term.

FIGURE 12  
West Available Space  
'000 sq m space by type



Source: Knight Frank Research

FIGURE 13  
West Annual Take-up  
12 months to April 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 Melbourne 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 5,000 s q m. 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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