



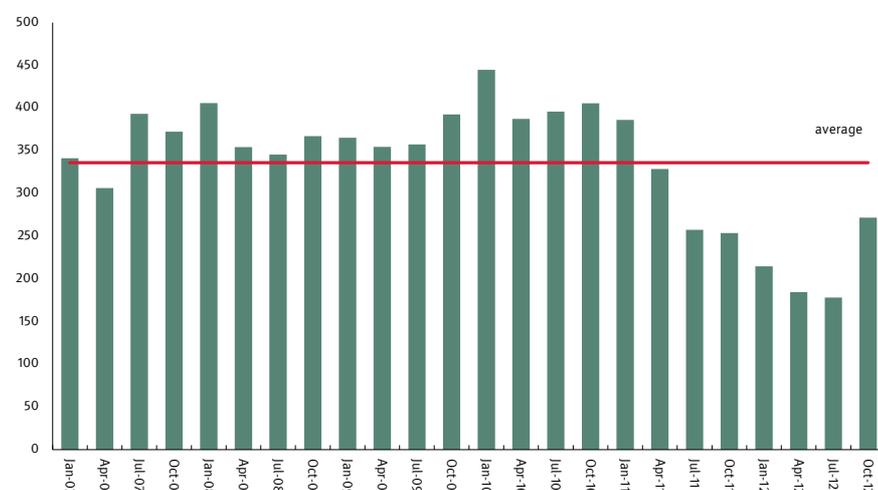
# OCTOBER 2012 BRISBANE INDUSTRIAL VACANCY ANALYSIS

## Knight Frank

The level of available space within the Brisbane Industrial market has increased substantially over the past quarter, although it remains well below the historical average. At 271,517m<sup>2</sup> the total available space is 93,511m<sup>2</sup> higher than the July 2012 figure, however is 19% below the average of 335,895m<sup>2</sup> recorded since the start of the series in early 2007.

This increase has come about due to a combination of additional vacant B grade space as tenants upgrade, some companies choosing to downsize/consolidate to a single premises and some sub-lease space. The increase in A grade accommodation can largely be attributed to the inclusion of two new speculative assets which are under construction, totalling 20,815m<sup>2</sup>. After falling to unsustainable levels the available space is now returning towards trend levels, and this increase is expected to continue in the short term.

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



Source: Knight Frank

| Market                  | Available Space (m <sup>2</sup> ) | Number of Buildings | Av. Asking rent (\$/m <sup>2</sup> net) | Change past quarter (m <sup>2</sup> ) | Change past 6 months (m <sup>2</sup> ) | Change past 12 months (m <sup>2</sup> ) |
|-------------------------|-----------------------------------|---------------------|---|---------------------------------------|--|---|
| <b>Precinct</b>         |                                   |                     |   |                                       |  |   |
| Fringe                  | 8,282                             | 2                   | 120                                     | -                                     | -                                      | -850                                    |
| TradeCoast              | 27,103                            | 5                   | 133                                     | 7,831                                 | 7,846                                  | -25,255                                 |
| North                   | 28,210                            | 5                   | 99                                      | -9,578                                | -17,229                                | -22,816                                 |
| Greater North           | 21,061                            | 5                   | 95                                      | 13,993                                | 13,993                                 | 13,993                                  |
| South                   | 126,307                           | 26                  | 91                                      | 53,099                                | 46,458                                 | 29,745                                  |
| South West              | 56,116                            | 9                   | 97                                      | 33,313                                | 39,826                                 | 31,065                                  |
| South East              | 4,438                             | 1                   | 130                                     | -5,147                                | -3,888                                 | -14,876                                 |
| <b>Total</b>            | <b>271,517</b>                    | <b>53</b>           | <b>99</b>                               | <b>93,511</b>                         | <b>87,006</b>                          | <b>11,006</b>                           |
| <b>Building Quality</b> |                                   |                     |   |                                       |  |   |
| Prime                   | 92,367                            | 17                  | 121                                     | 24,233                                | 43,875                                 | 14,987                                  |
| Secondary               | 179,150                           | 36                  | 88                                      | 69,278                                | 43,131                                 | -3,981                                  |
| <b>Building Type</b>    |                                   |                     |   |                                       |  |   |
| Existing Stock          | 250,702                           | 51                  | 98                                      | 72,696                                | 73,754                                 | 5,789                                   |
| Speculative (Completed) | -                                 | -                   | -                                       | -                                     | -7,563                                 | -7,260                                  |
| Under Construction      | 20,815                            | 2                   | 118                                     | 20,815                                | 20,815                                 | 12,477                                  |

Source: Knight Frank

271,517M<sup>2</sup> IS  
AVAILABLE  
ACROSS 53  
BUILDINGS; WITH  
18 BUILDINGS  
ADDED IN THE  
LAST QUARTER

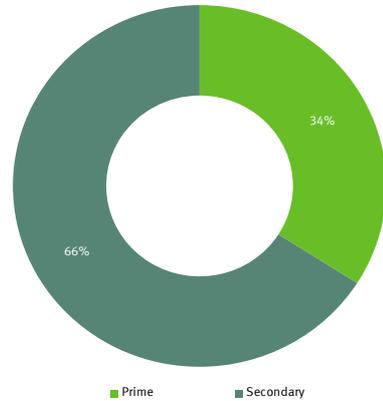


# RESEARCH

## Quality of Stock

The available space across the Brisbane region remains dominated by secondary accommodation with 179,150m<sup>2</sup> of secondary space available, representing 66% of the available stock. This secondary accommodation has an average asking rental of \$88/m<sup>2</sup> net, steady over the past quarter.

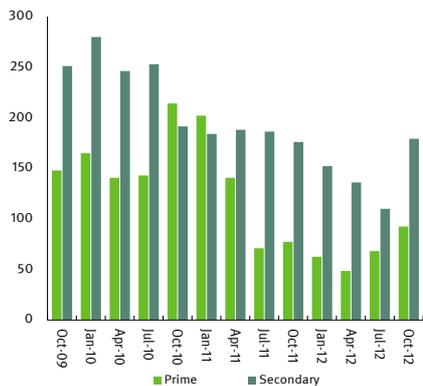
Figure 2  
Brisbane Industrial Available Space  
Break-up of Available Space by Grade



Source: Knight Frank

While the amount of prime space available has increased over the past quarter, it remains relatively scarce on a historical basis. Making up 34% of the total available space, prime accommodation has an average asking rental level of \$121/m<sup>2</sup> net. This is an increase from \$117/m<sup>2</sup> net in the previous quarter and represents the influence of some specialised premises and also landlords seeking to grow rents.

Figure 3  
Brisbane Industrial Available Space  
'000m<sup>2</sup> by grade October 2009 – October 2012

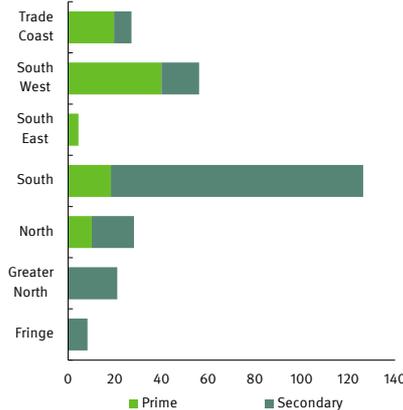


Source: Knight Frank

## Distribution by Precinct

The greatest amount of space remains within the South precinct (the largest market). Its available space of 126,307m<sup>2</sup> has increased by 53,099m<sup>2</sup> over the past quarter. A significant portion of this space, 85% (108,009m<sup>2</sup>), is secondary accommodation, with only 18,298m<sup>2</sup> of prime accommodation available. All of the prime space is located within smaller buildings of 4,500m<sup>2</sup> or less. The South West market has the greatest amount of prime space available with 39,964m<sup>2</sup> over five buildings (two of which are spec under construction).

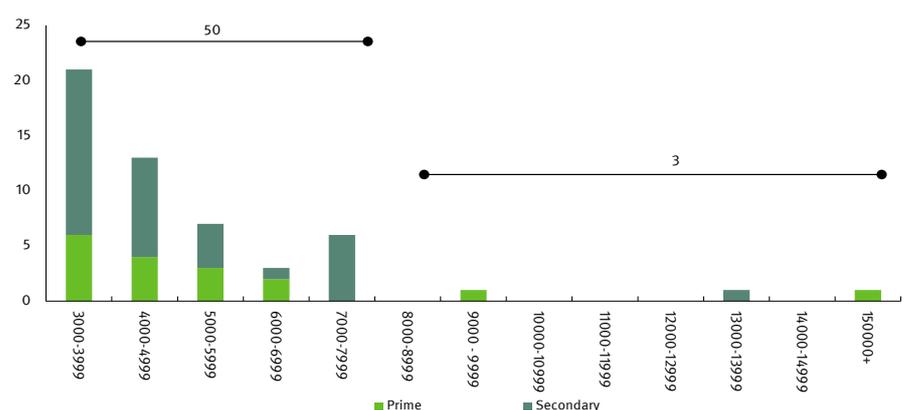
Figure 4  
October 2012 Available Space  
'000m<sup>2</sup> by quality & precinct



Source: Knight Frank

The Trade Coast precinct, similar to the South West, is dominated by prime space with 19,603m<sup>2</sup> (72%) of available space prime accommodation.

Figure 5  
October 2012 Available Space  
No of buildings by size of building m<sup>2</sup> and quality



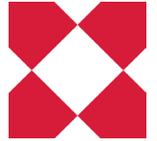
Source: Knight Frank

## Size of Available Stock

There remains a dearth of opportunities for larger tenants with only three buildings of over 8,000m<sup>2</sup> currently available (Bld B, 338 Bradman St, Acacia Ridge 13,456m<sup>2</sup>, 509 Boundary Rd, Darra 9,193m<sup>2</sup> & a speculative development at Flint St, Richlands 15,016m<sup>2</sup>). This limited availability comes within a climate of solid demand for quality larger accommodation. This is evidenced by 48 Randolph St, Rocklea (8,899m<sup>2</sup>) and Bld C 338 Bradman St, Acacia Ridge (14,894m<sup>2</sup>) both being leased by logistics providers, prior to becoming vacant.

Following their relocation into a new 51,000m<sup>2</sup> facility, Kmart is expected to continue to release backfill space with 28,500m<sup>2</sup> in Hendra Distribution Centre and approx. 8,000m<sup>2</sup> of short term space in 400 Nudgee Rd expected to become vacant in early 2013. Other upcoming backfill space includes the Cash & Carry accommodation of 5,000m<sup>2</sup> at Coopers Plains.

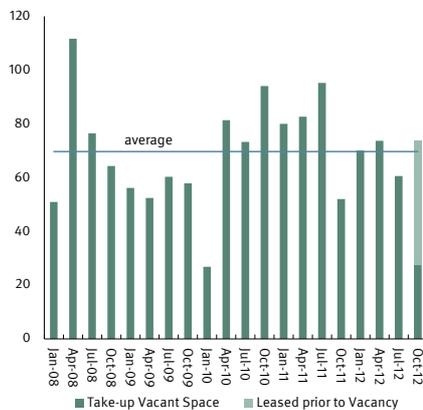
**LIMITED PRIME SPACE AVAILABLE IN BUILDINGS OVER 6,000M<sup>2</sup> - ONLY 4 TENANCIES.**



## Building Take-up

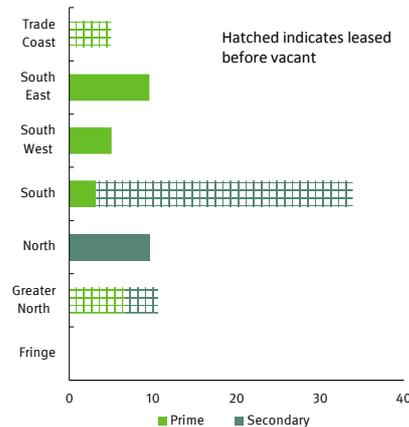
During the third quarter of 2012 there were 5 vacant buildings (27,424m<sup>2</sup>) over 3,000m<sup>2</sup>, being tracked by Knight Frank, which were absorbed. However there were an additional 6 buildings covering 46,329m<sup>2</sup> leased before they formally fell vacant. This returns absorption to average levels and indicates the degree to which there is still pent up demand in the market for the right product.

Figure 6  
Brisbane Industrial Take-up  
'000m<sup>2</sup> Est Take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Figure 7  
Brisbane Industrial Take-up 3 months to  
October 2012  
Estimated Take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Most of the recent take-up was recorded in secondary, but larger functional space within the South market. The influence of a long period with little vacant space can be seen in the Greater North market with prime opportunities limited, and leased prior to vacancy.

## Summary

It now appears that the level of vacancy within the Brisbane market bottomed in the first half of 2012, with the recent increase in available space bringing the market back to more normalised levels. Tenant activity remains relatively strong, however there was greater lease activity in buildings before they were vacant than across already vacant space, which indicates that the market will move quickly for buildings which provide the correct utility for tenants.

The increase in vacancy levels has occurred in a relatively low supply phase for the market, and given the continued interest from major tenants for new D&C space we can expect construction and therefore vacancies to continue to grow in the short term.

At the same time there is an imbalance between the stock which makes up a large proportion of vacancy (secondary space under 5,000m<sup>2</sup>) and the current demand from logistics users and metal fabrication users. This discord is likely to continue to fuel demand for prime larger space and manufacturing facilities with high utility

### 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> (excl D&C).
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 *Under Construction* – buildings available 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 October 2012, the beginning of the fourth quarter.

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

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

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