



# RESEARCH

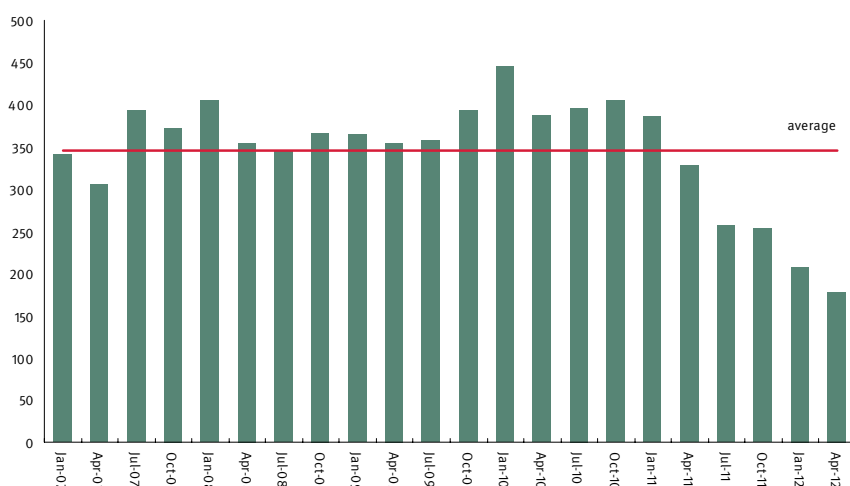
## APRIL 2012 BRISBANE INDUSTRIAL VACANCY ANALYSIS

### Knight Frank

The level of available space within the Brisbane Industrial market has fallen below 200,000m<sup>2</sup>, as increased leasing activity in late 2011 and into 2012 has continued to absorb space, while little new stock is being added to the market. Over the three months to April 2012 the amount of vacant space fell by almost 30,000m<sup>2</sup> to 177,443m<sup>2</sup>. This is some 48% lower than the average of 345,356m<sup>2</sup>, taken from the start of the series in early 2007.

Reflecting the lack of new stock coming to the market through speculative construction over the past three years, only 27% of the current available stock is within prime accommodation. The level of prime stock is also limited by the recent trend whereby major users are electing to stay in their existing accommodation, as long as the utility is strong, rather than committing to new D&C accommodation which would otherwise free-up prime backfill space.

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



Source: Knight Frank

Table 1 Summary of Available Industrial Space – April 2012						
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	8,252	2	120	-850	-850	-850
TradeCoast	19,257	3	108	-26,670	-33,101	-54,261
North	45,439	8	91	-	-5,587	-21,893
Greater North	-	-	-	-	-	-4,000
South	79,849	19	87	-3,039	-16,713	-22,282
South West	16,290	3	92	-4,000	-8,761	-24,120
South East	8,326	2	124*	4,563	-10,988	-18,972
<b>Total</b>	<b>177,443</b>	<b>37</b>	<b>94</b>	<b>-29,996</b>	<b>-76,000</b>	<b>-146,378</b>
<b>Building Quality</b>						
Prime	48,492	11	114	-13,940	-28,888	-66,240
Secondary	128,951	26	85	-16,056	-47,112	-80,138
<b>Building Type</b>						
Existing Stock	169,888	35	93	-34,559	-67,965	-99,216
Speculative (Completed)	7,563	2	115	4,563	303	-47,162
Under Construction	-	-	-	-	-8,388	-

Source: Knight Frank \* rental skewed by large hardstand component

## 177,443M<sup>2</sup> IS AVAILABLE ACROSS 37 BUILDINGS

There is still no speculative development under construction, although there are a number of projects in advanced planning. As the level of available space continues to contract, speculative construction is expected to commence across the next quarter.

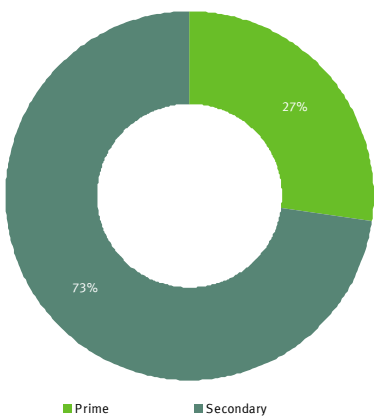


# RESEARCH

## Quality of Stock

Available space is dominated by the secondary market with 73% of vacant stock categorised as providing secondary accommodation. With an average asking rental of \$85/m<sup>2</sup> this vacant secondary space is tending to provide lower utility. Prime accommodation accounts for 27% of the available stock with most of this to be found within relatively modern, well designed facilities which have been vacated due to a variety of reasons including merger & acquisition consolidation or relocations.

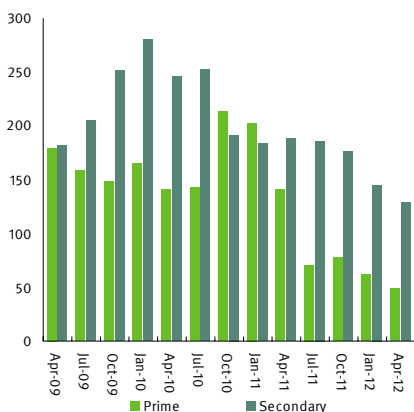
Figure 2  
Brisbane Industrial Available Space  
Break-up of Available Space by Grade



Source: Knight Frank

At 48,500m<sup>2</sup> the available prime space has fallen by 77% since the most recent peak of 214,119m<sup>2</sup> recorded in October 2010. Secondary space has also shown a steady downward trajectory since late 2011.

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

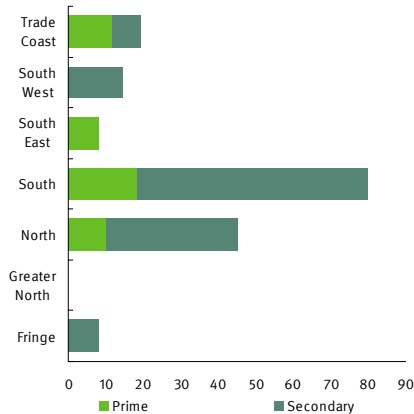


Source: Knight Frank

## Distribution by Precinct

The greatest amount of space is within the Southern precinct, which is also the largest market. As with the general industrial market, the space within the South is dominated by secondary stock covering 61,650m<sup>2</sup> or 77% of the available space. The Southern precinct also has the greatest amount of prime space available with 18,354m<sup>2</sup> across five buildings.

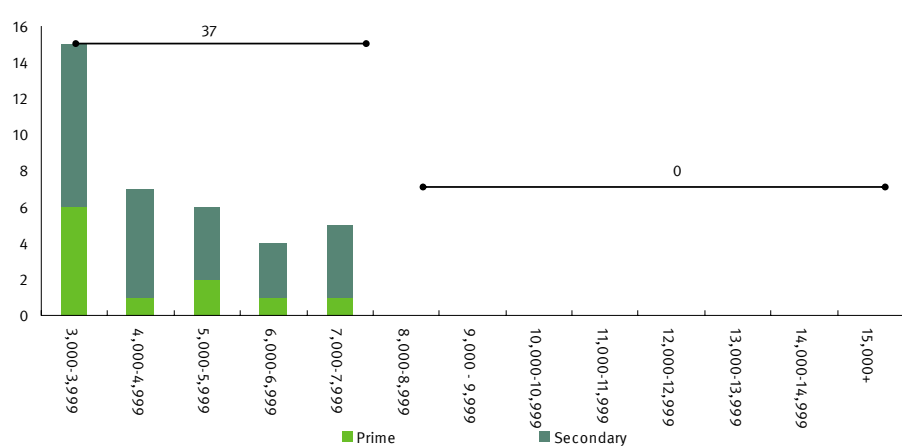
Figure 4  
April 2012 Available Space  
'000m<sup>2</sup> by quality & precinct



Source: Knight Frank

Prime space is also available in the TradeCoast (11,757m<sup>2</sup>), North (10,064m<sup>2</sup>) and South-East (8,326m<sup>2</sup>) markets but with only two buildings available in each of these markets, the choice for tenants seeking prime space remains limited. The South West, Greater North and Fringe markets remain devoid of any available prime space.

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



Source: Knight Frank

## Size of Available Stock

Following the removal of 10,000m<sup>2</sup> of space at 51 – 63 Heaton Street, Rocklea, due to a purchase by an owner occupier, there are no longer any buildings available greater than 8,000m<sup>2</sup>. This means that any larger users are required to either commit to a D&C project and potentially hold over in their current accommodation, re-commit to their current accommodation on a new lease or where expansion is required divide their operations over several locations.

Even for tenants seeking medium sized accommodation the choice is limited with only five prime buildings available above 4,000m<sup>2</sup> at this time. Developers have seen the need in the market for a greater level of new stock creation and plans are advanced on a number of speculative projects. At this stage a number of projects are being marketed for D&C, with the preference to obtain a tenant prior to construction to ease the financing process, however these may convert to speculative projects as the prime competition diminishes.

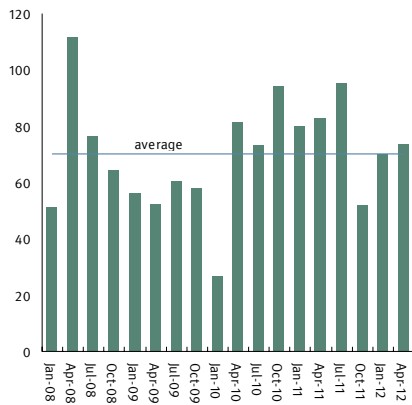
**THERE ARE NO BUILDINGS AVAILABLE LARGER THAN 8,000M<sup>2</sup>**



## Building Take-up

Knight Frank estimates that during the first quarter of 2012 there were 15 buildings greater than 3,000m<sup>2</sup> leased, covering an area of 73,718m<sup>2</sup> (excluding D&Cs). This represents take-up just above the long term average for the Brisbane market. Take-up is now starting to be limited by the amount of available stock with tenants less likely to find accommodation that suits their needs.

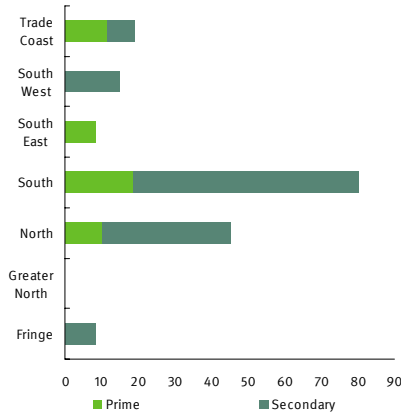
Figure 6  
Brisbane Industrial Take-up by Qtr  
'000m<sup>2</sup> Est Take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

Figure 7  
Brisbane Industrial Take-up 3 months to April 2012

Estimated Take-up buildings 3,000m<sup>2</sup> + (excl D&C)



Source: Knight Frank

The majority of take-up recorded by Knight Frank within buildings over 3,000m<sup>2</sup> was within secondary space (72%), concentrated within the South and Northern precincts. Mirroring the lack of availability of prime space, there was only 48,500m<sup>2</sup> (28%) of take-up within prime industrial buildings.

## Summary

The level of building take-up recorded by Knight Frank was slightly higher in the first quarter of 2012, in comparison with the final three months of 2011. This higher take-up, within a climate of virtually no additional supply, has seen the level of vacant available space fall to another record low result of 177,443m<sup>2</sup>. There is relatively limited prime space available with 48,500m<sup>2</sup> (27% of available stock) recorded as being vacant. For occupiers seeking prime accommodation there is only space available within five buildings greater than 4,000m<sup>2</sup> and none larger than 8,000m<sup>2</sup>. The amount of secondary space available fell by 16,056m<sup>2</sup> over the first quarter. Aside from the owner occupier purchase at 31 Heaton St, Rocklea secondary accommodation was absorbed at 1094 Lytton Rd, Murarrie where 6,000m<sup>2</sup> was leased by Borg for \$107/m<sup>2</sup>.

Developer interest in speculative activity continues to build, however in the short term most projects remain marketed as a D&C opportunity

### 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>.
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 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 April 2012, the beginning of the second 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

[www.knightfrank.com.au](http://www.knightfrank.com.au)

### Research Contact

**Jennelle Wilson**

Director – Research QLD

+07 3246 8830

Jennelle.Wilson@au.knightfrank.com

### Industrial Contact

**Greg Russell**

Joint Managing Director – Industrial

+07 3246 8804

Greg.Russell@au.knightfrank.com

### Knight Frank Industrial

**Brisbane + 07 3246 8888**

**Strathpine + 07 3248 6000**