

<b>224,977</b>	Q4 2023 Gross Take-up
<b>6.12%</b>	Average Prime Yield
<b>2.7%</b>	Q4 2023 Prime Rental Growth

### ECONOMIC INDICATORS To Q4 2023

	Current	12-Mo. Forecast
GDP Growth (National)*	2.1%	▼
Population Growth†	2.4%	▲
E-commerce Penetration Rate~	12.8%	▲

\*Year-on-year to Sep-23  
† Year-on-year to Jun-23  
~As at Oct-23

Source: ABS, NAB, Oxford Economics, Cushman & Wakefield Research

### Economic Overview

Australia's economic performance in Q4 2023 has been mixed, weighed down by a further 25 basis points (bps) hike in the cash rate in November to 4.35%. CPI has moderated further, with the latest figures showing a 4.3% year-on-year rise to November 2023, while population growth continues to be the bright spot in the economy, with growth of 2.4% (or 624,100 people) recorded in the year to June 2023.

For Queensland, economic growth is expected to total 2.2% in 2024 (Deloitte Access Economics). Population growth will continue to support warehouse demand with an additional ~115,000 persons expected in 2024.

### Occupier Demand

The Brisbane logistics and industrial (L&I) market continues to record strong demand, with almost 225,000 sqm leased in the final quarter of 2023, taking the 2023 annual volume to almost 800,000 sqm. This level of activity is well above the long-term average of ~500,000 sqm per annum and follows a record year in 2022, where approximately one million sqm was leased.

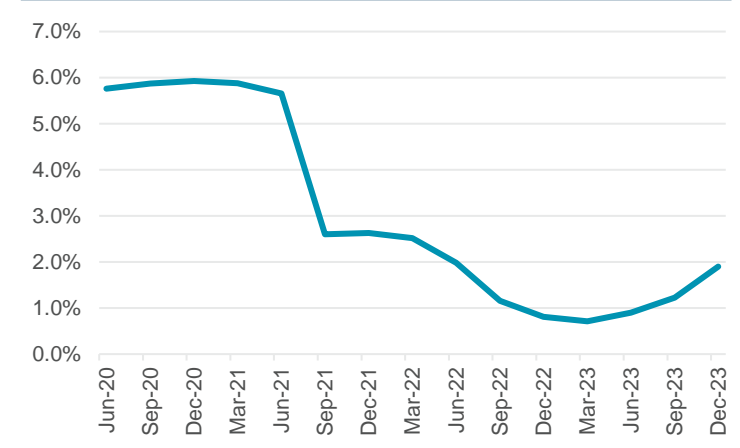
The most active submarkets in 2023 were the South West and South, which collectively accounted for 67% of deals by GLA, stemming from major precincts, including Wacol and Berrinba. Notably, these precincts were active from a pre-lease and speculative deal perspective and highlights the continued drive for operational efficiencies that are derived from newer facilities.

The sweet spot of demand in 2023 was the 3,000 – 10,000 sqm bracket, representing 63% of lease deals by number for the period. At the same time, there were six deals above 20,000 sqm, underpinned by the transport and logistics and retail trade sectors.

### BRISBANE L&I GROSS TAKE-UP (SQM)



### BRISBANE L&I VACANCY RATE



Source: Cushman & Wakefield Research

## Vacancy

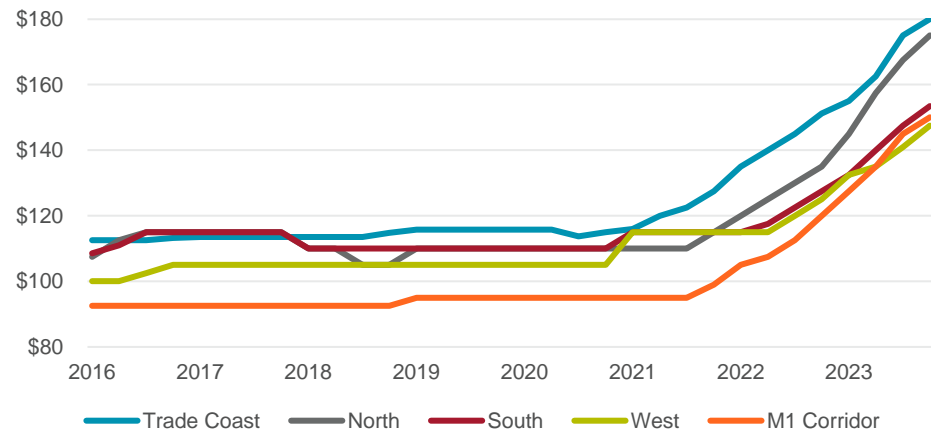
The Brisbane L&I vacancy rate increased to 1.9% in Q4 2023, up from 1.2% the quarter prior, underpinned by the completion of several speculative supply additions. Notably, this included 37,755 sqm as part of Stage 2 at Mapletree Logistics Park and in combination with other new completions, speculative space now accounts for 42% of current vacancies across the market. The South submarket represents 79% of current vacancies and excluding the South from the analysis, Brisbane's vacancy rate would fall to just 0.6%.

## Rents & Incentives

Average prime rents increased by 3.9% in Q4 2023 (\$161/sqm net face), taking the annual growth rate to 22.4%. While this was the lowest level of quarterly growth since mid-2022, Brisbane recorded the strongest rental growth in the country in Q4 2023 and represents a period of catch-up, particularly against Sydney and Melbourne. Growth in the secondary market was consistent at 3.8% in Q4 2023 (year-on-year growth of 19.7%).

Incentives recorded a modest increase across all grades as owners opted to drive face rents at the expense of higher incentives. Prime incentives range between 5.0% and 15.0%, while pre-commitments are moderately higher at 8.0% to 15.0%.

### BRISBANE PRIME L&I NET FACE RENTS (\$/SQM)



Source: Cushman & Wakefield Research

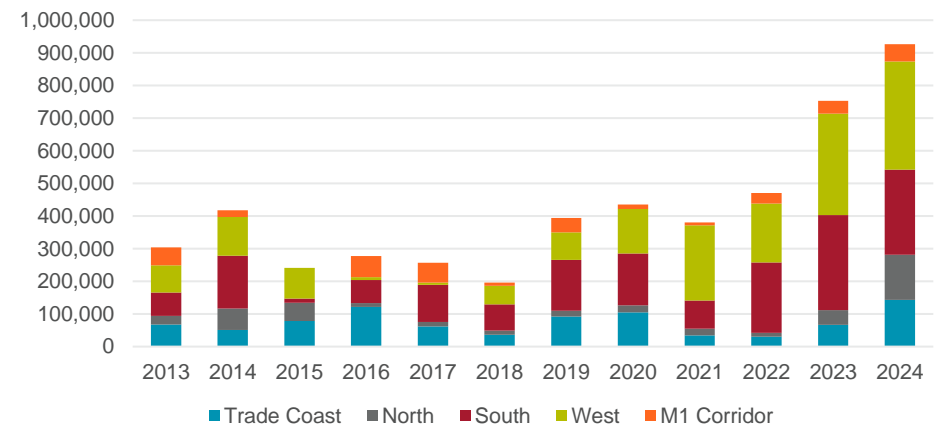
## Supply

L&I completions were substantial in Q4 2023, with approximately 400,000 sqm of new floor space being delivered to the market, 46% of which were speculative developments. Supply additions in Q4 2023 were underpinned by CEVA Logistics new facilities within the Gilmore Industrial Estate (36,110 sqm) and the Motorway Industrial Park (27,600 sqm), both at Berrinba, while the completion of stage 2 at the Mapletree Logistics Park added 37,755 sqm to the market. For the year, approximately 750,000 sqm of new floorspace was added.

A further upswing in supply is forecast in 2024, with over 900,000 sqm in the pipeline, circa 30% of which is under construction. While this would ordinarily suggest a material increase to the vacancy rate, close to 45% is already committed, and it is likely that some of the supply earmarked for delivery in late 2024 will be held back and pushed into 2025.

The South and South West will continue to record the bulk of new floorspace additions and stems from the strong concentration of institutionally owned land estates. The North will also see a large volume of supply relative to historical standards, underpinned by Aliro's Ellison Estate, Geebung, which will provide 34,800 sqm of floorspace on completion.

### BRISBANE L&I SUPPLY BY SUBMARKET (SQM)



Source: Cushman & Wakefield Research

## Land Values

Land values remained stable in Q4 2023, with minimal growth recorded in 2023 as rising yields and construction costs impacted the feasibility of new projects. However, continued rental growth is supporting pre-lease and speculative projects, and economic rents are driving construction starts. Owner-occupiers have become more active in 2023, albeit are more price-sensitive.

1-5 hectare lots now average \$612/sqm, while the Trade Coast submarket remains higher at \$700 - \$950/sqm, albeit select precincts such as Eagle Farm are higher again at \$900 - \$1,200/sqm. Land values in the South and South West, where the bulk of land exists, range between \$450 - \$600/sqm for 1-5 hectare lots depending on the precinct.

## Investment & Yields

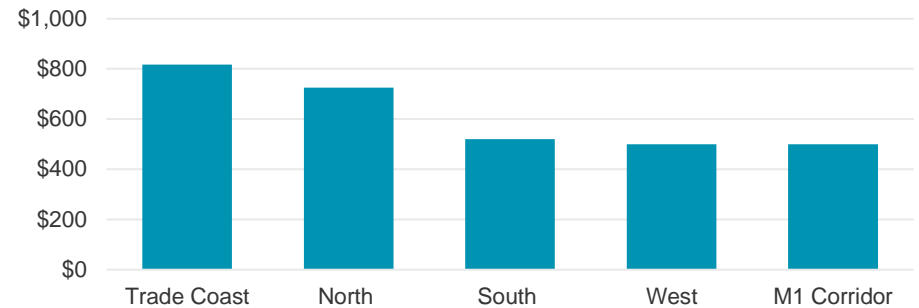
Almost \$130 million traded in the Brisbane market in Q4 2023, underpinned by the CapitaLand Portfolio (three assets) which AsheMorgan acquired for \$73.0 million. In combination with earlier trades, approximately \$620.0 million traded in 2023 in Brisbane, and represents the weakest year of activity since 2018, reflecting higher debt costs as potential buyers and vendors worked through a repricing period.

Prime yields softened by a further 16 bps in Q4 2023, taking the average midpoint to 6.12% (range of 5.75% to 6.50%). Secondary midpoint yields are 6.78% (range of 6.50% to 7.00%), up 19 bps over the quarter.

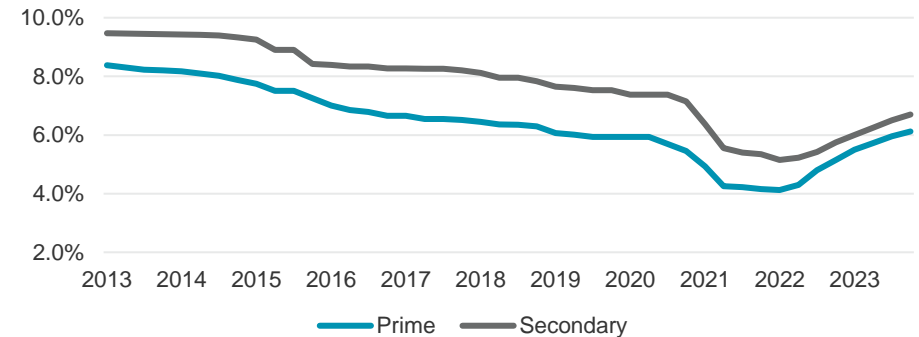
## Outlook:

- **Leasing demand is forecast to remain elevated in 2024**, driven by the transport and logistics and manufacturing sectors, which account for the bulk of current enquiries. Demand from the retail trade sector is expected to wane given cost of living pressures which has led to a pull-back in retail spending from consumers.
- There is a strong pipeline of speculative supply due to enter the market in 2024, which will create **further upward pressure on the vacancy rate in select precincts** such as the South submarket. While new speculative facilities will be met with solid demand, it will result in backfill space, most of which will likely be secondary-grade and will be met with patchier demand as occupiers focus on operational efficiencies derived from new.
- **Further rental growth is forecast in 2024**, although under the levels recorded in recent years and varying by grade. Prime rents will outperform as new facilities reset rents while only modest levels of growth are anticipated within the secondary market given a modest rise in the vacancy rate.
- With interest rates likely to remain flat over the first half of 2024 and cuts expected thereafter, the current **yield expansion cycle is expected to end in Q2 2024**. The unwinding of book values to current market yields is expected at this point, which will trigger more transactional activity as the bid-ask spread narrows.

## BRISBANE L&I LAND VALUES (\$/SQM)



## BRISBANE L&I YIELDS BY GRADE



Source: Cushman & Wakefield Research

## MARKET STATISTICS

Submarket	Net Face Rent (\$/sqm p.a.)		Outgoings (\$/sqm)	Incentives		Average Yield		Average Capital values (\$/sqm)		Land Values (\$/sqm)
	Low	High	Average	Low	High	Low	High	Low	High	1-5 hectares
Trade Coast	\$170	\$190	\$30	5.0%	10.6%	5.75%	6.10%	\$2,787	\$3,304	\$817
North	\$165	\$185	\$28	5.0%	14.2%	5.80%	6.50%	\$2,538	\$3,190	\$725
South	\$148	\$159	\$35	8.4%	12.6%	5.75%	6.50%	\$2,277	\$2,765	\$520
West	\$141	\$154	\$30	9.0%	13.5%	5.75%	6.50%	\$2,173	\$2,674	\$500
M1 Corridor	\$145	\$155	\$30	8.0%	12.0%	6.00%	6.50%	\$2,231	\$2,583	\$500
<b>Prime Average</b>	<b>\$154</b>	<b>\$169</b>	<b>\$31</b>	<b>7.1%</b>	<b>12.6%</b>	<b>5.81%</b>	<b>6.42%</b>	<b>\$2,401</b>	<b>\$2,903</b>	<b>\$612</b>
<b>Secondary Grade</b>	<b>Low</b>	<b>High</b>	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	
Trade Coast	\$125	\$145	\$30	5.0%	10.6%	6.25%	6.75%	\$1,852	\$2,320	
North	\$105	\$135	\$28	5.0%	14.2%	6.50%	7.00%	\$1,500	\$2,077	
South	\$129	\$140	\$35	10.0%	15.0%	6.50%	7.00%	\$1,843	\$2,154	
West	\$123	\$134	\$30	9.0%	13.5%	6.50%	7.00%	\$1,750	\$2,058	
M1 Corridor	\$125	\$135	\$30	10.0%	15.0%	6.50%	7.00%	\$1,786	\$2,077	
<b>Secondary Average</b>	<b>\$121</b>	<b>\$138</b>	<b>\$31</b>	<b>7.8%</b>	<b>13.7%</b>	<b>6.45%</b>	<b>6.95%</b>	<b>\$1,746</b>	<b>\$2,137</b>	

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