MARKETBEAT

BRISBANE

Logistics & Industrial Q1 2024

139,751 Q1 2024 Gross Take-up

6.12% Average Prime Yield

3.0% Q1 2024 Prime Rental Growth

ECONOMIC INDICATORS
To Q1 2024

	Current	12-Mo. Forecast
GDP Growth (National)*	1.5%	▼
Population Growth†	2.5%	▲
E-commerce Penetration Rate~	13.1%	▲

**Year-on-year to Dec-23*
† Year-on-year to Sept-23
~As at Jan-24

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

Economic Overview

The Australian economy enters 2024 on a cautious footing following a period of inflationary pressure and subsequent interest rate increases. Australian real GDP growth slowed to 1.5% over 2023 from 2.3% over 2022. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2, before recovering to end 2024 up 1.6%; a recovery at least partially predicated by the Reserve Bank of Australia pivoting in the second half of the year and beginning to cut interest rates.

Looking ahead, OE forecasts Queensland's real gross state product to increase by 1.0% over 2024, before recovering to grow 3.1% in 2025 and 3.6% in 2026.

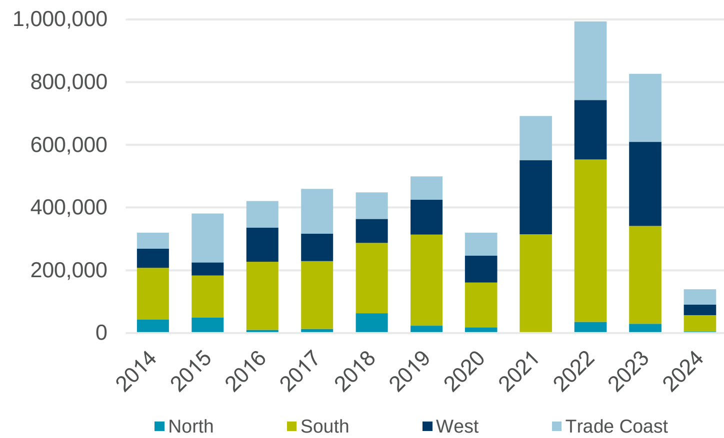
Occupier Demand

The Brisbane logistics and industrial (L&I) market continues to record strong demand, with almost 140,000 sqm leased in the first quarter of 2024. This follows approximately 800,000 sqm in 2023, which was well above the long-term average of ~500,000 sqm per annum. Demand continues to be skewed towards the manufacturing and transport and logistics sectors.

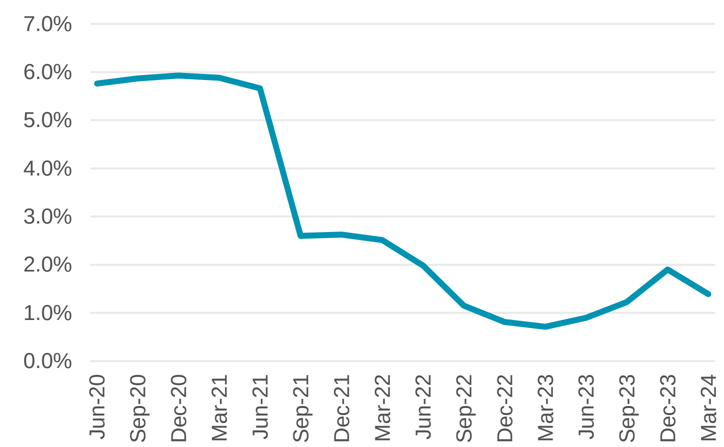
The West submarket was the most active in Q1 2024, while solid levels of take-up were also recorded in the South and Trade Coast markets. There are multiple facilities that are under heads of agreement, particularly in the South submarket, which will boost take-up volumes in Q2 2024.

The average deal size was 7,700 sqm, while the most liquid part of the market was the 3,000 – 7,000 sqm size bracket, accounting for 71% of deals by number in the quarter. At the larger end of the market, there were two deals above 15,000 sqm.

BRISBANE L&I GROSS TAKE-UP (SQM)



BRISBANE L&I VACANCY RATE



Source: Cushman & Wakefield Research

Vacancy

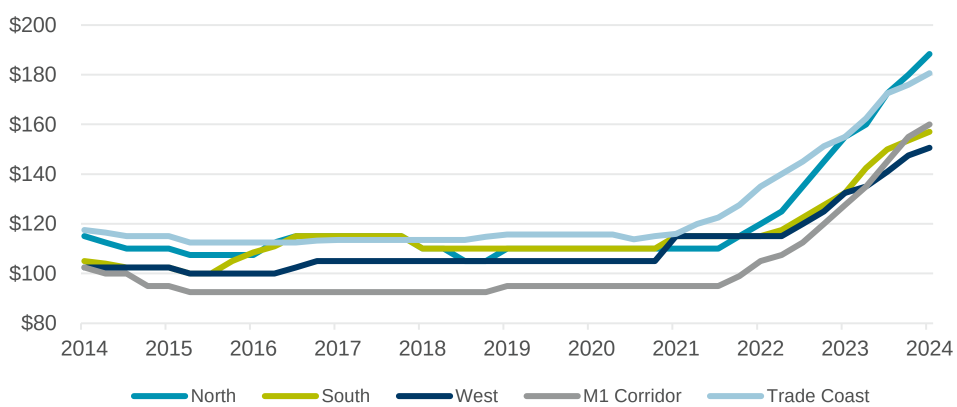
This quarter, the Brisbane L&I vacancy rate tightened to 1.4%, down from 1.9% last quarter. The rise at the end of 2023 was attributed to speculative additions, including Stage 2 of the Mapletree Logistics Park; however, no uncommitted new supply additions meant existing space was absorbed in Q1 2024. The South submarket represents 79% of current vacancies, while limited leasing options exist across the other submarkets.

Rents & Incentives

Average prime rents increased by 3.0% in Q1 2024 ($167/sqm net face), reflecting an annual growth rate of 19.1%. While quarterly growth has slowed from the heights recorded over the past 18 months, it remains well above the quarterly long-term average of 0.6%. Further, Brisbane continues to record the strongest rental growth nationally and signifies a period of catch-up compared to Sydney and Melbourne which entered the rental cycle upswing earlier. Secondary rents also recorded growth, increasing by 2.4% over the quarter ($134/sqm – 18.3% YoY).

Incentive levels remain unchanged, currently ranging between 5.0% and 14.0%, while pre-commitment incentives are higher at 8.0% to 15.0%.

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



Source: Cushman & Wakefield Research

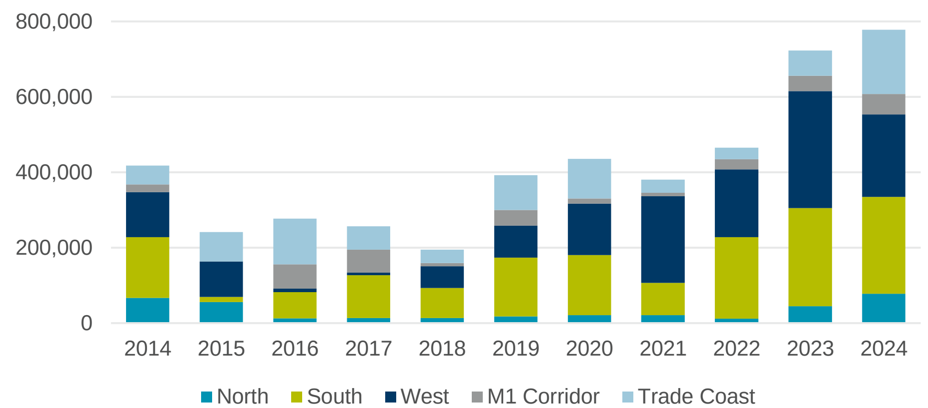
Supply

L&I completions in Q1 2024 totalled almost 65,000 sqm, well below the ~400,000 sqm of new floor space delivered in Q4 2023, as the timing of several facilities were pushed into Q2 2024.

For the balance of 2024, there is a further ~695,000 sqm in the pipeline, taking the annual total to approximately 760,000 sqm. 60% of this floor space is under construction, just over half of which is leased, while the balance of space is due to start construction imminently. Major completions in 2024 will include the Frucor Suntory facility at Swanbank (~62,800 sqm), Visy's facility within the Dexus Hemmant Central estate (~44,700 sqm) and Aliro's Ellison Estate at Geebung (~34,800 sqm). There is potential for almost 400,000 sqm of speculative supply in 2024.

Supply additions in 2024 will be dominated by the South and West submarkets, collectively accounting for 61% of new floor space for the year. The Trade Coast will also see an upswing in supply, underpinned by Charter Hall's Trade Coast Logistics Hub at Pinkenba, where warehouse 1 has begun construction (~20,900 sqm). Stage 2 will commence shortly, both of which are already committed.

BRISBANE L&I SUPPLY BY SUBMARKET (SQM)



Source: Cushman & Wakefield Research

Land Values

Land values have remained stable into Q1 2024, with 1-5 hectare lots averaging $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.

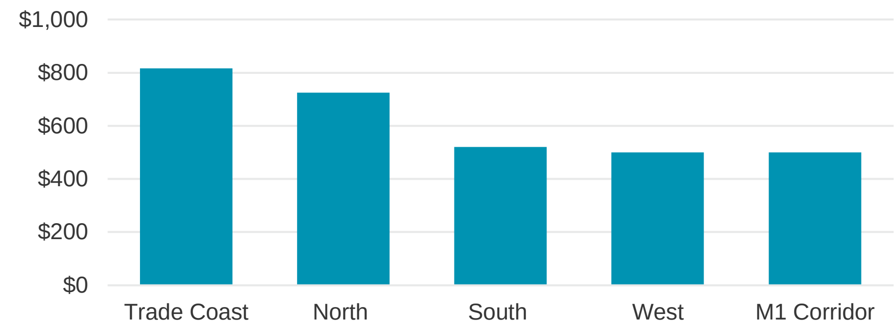
Given continued rental growth and stabilisation of yields, modest upward pressure on land values will likely occur in select precincts over the next six months as development feasibilities improve. Demand for land is being led by a mix of owner-occupiers and institutional developers.

Investment & Yields

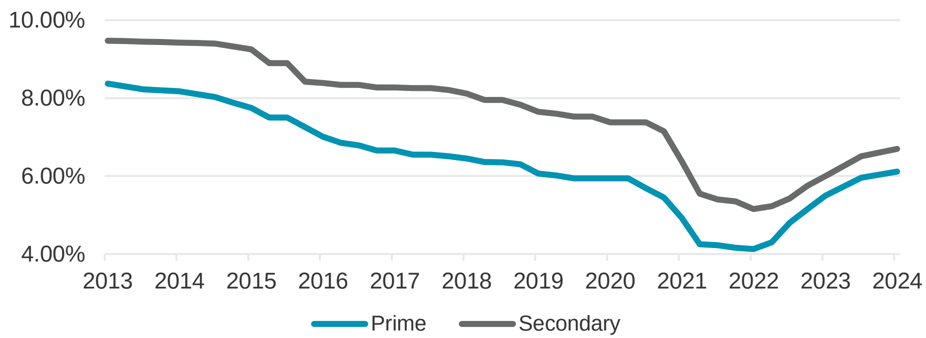
In Q1 2024, just over $100 million traded across the Brisbane market (deals above $10 million), modestly below the $130 million that traded in Q4 2023. Notable transactions included 782-794 Boundary Road, Richlands, which Lendlease sold to a private investor for $25.9 million.

Following almost 200 basis points of yield expansion since early 2022, both prime and secondary yields held steady in Q1 2024 and reflects the stabilisation of debt costs. Prime yields currently average 6.12% (range of 5.75% to 6.50%), while secondary yields average 6.78% (range of 6.50% to 7.00%).

BRISBANE L&I LAND VALUES ($/SQM), 1-5 ha Q1 2024



BRISBANE L&I YIELDS BY GRADE



Source: Cushman & Wakefield Research

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. In line with national trends, 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 **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.
- With the vacancy rate forecast to remain below the market equilibrium, **further rental growth is anticipated for the balance of 2024.** We are forecasting rental growth in the order of 7.0 to 10.0% for 2024, noting that 3.0% has already been recorded in Q1 2024.
- With interest rates widely viewed to have peaked before rate cuts in late 2024, the **yield expansion cycle has come to an end**. With capital returning to the market and in tandem with falling debt costs, we are anticipating modest levels of yield compression in early 2025.

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MARKET STATISTICS

Submarket	Net Face Rent ($/sqm p.a.)			Outgoings			Incentive			Average Yield			Average Capital Values ($/sqm)			Land Values
Prime Grade	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	1-5 hectares
Trade Coast	$170	$191	$181	$28	$33	$30	5.0%	10.6%	7.8%	5.8%	6.1%	5.9%	$2,787	$3,326	$3,049	$817
North	$175	$202	$188	$27	$33	$30	5.0%	14.2%	9.6%	5.8%	6.5%	6.2%	$2,692	$3,477	$3,062	$725
South	$151	$157	$157	$32	$38	$35	8.8%	12.6%	10.7%	5.8%	6.5%	6.1%	$2,323	$2,730	$2,563	$520
West	$144	$158	$151	$28	$32	$30	9.8%	14.0%	11.9%	5.8%	6.5%	6.1%	$2,212	$2,739	$2,459	$500
M1 Corridor	$150	$170	$160	$28	$32	$30	8.0%	12.0%	10.0%	6.0%	6.5%	6.3%	$2,308	$2,833	$2,560	$500
Prime Average	**$158**	**$175**	**$167**	**$29**	**$33**	**$31**	**7.3%**	**12.7%**	**10.0%**	**5.8%**	**6.4%**	**6.1%**	**$2,464**	**$3,021**	**$2,739**	**$612**
Secondary Grade	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	
Trade Coast	$130	$150	$155	$28	$33	$30	5.0%	10.6%	7.8%	6.3%	6.8%	6.5%	$1,926	$2,400	$2,385	
North	$105	$135	$133	$27	$33	$30	5.0%	14.2%	9.6%	6.5%	7.0%	6.8%	$1,500	$2,077	$1,975	
South	$131	$142	$137	$32	$38	$35	8.8%	13.2%	11.0%	6.5%	7.0%	6.8%	$1,871	$2,185	$2,022	
West	$126	$138	$132	$28	$32	$30	8.5%	14.0%	11.3%	6.5%	7.0%	6.8%	$1,804	$2,115	$1,954	
M1 Corridor	$135	$145	$140	$28	$32	$30	10.0%	15.0%	12.5%	6.5%	7.0%	6.8%	$1,929	$2,231	$2,074	
Secondary Average	**$125**	**$142**	**$139**	**$29**	**$33**	**$31**	**7.5%**	**13.4%**	**10.4%**	**6.5%**	**7.0%**	**6.7%**	**$1,806**	**$2,202**	**$2,082**	

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