

109,904	Q2 2024 Gross Take-up
6.12%	Average Prime Yield
0.9%	Q2 2024 Prime Rental Growth

Economic Overview

The Australian economy has slowed through 2024 amid continued inflationary pressures. Real GDP increased at a modest 0.1% over the first quarter of 2024, a clear indication that the Australian economy is in the midst of a cyclical slowdown. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2 2024 before recovering in the second half of the year, with their first forecast rate cut now pushed back to Q1 2025.

OE forecasts Queensland's economy to increase by 3.2% in 2024 and continue this strength in 2025 and 2026.

Occupier Demand

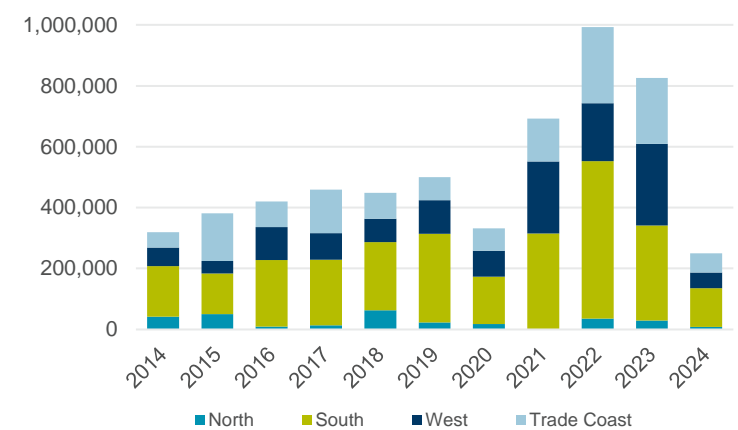
Leasing demand across the Brisbane logistics and industrial (L&I) market fell in Q2 2024, with almost 110,000 sqm of gross take-up recorded. While this is the lowest level of take-up since early 2021, it remains on par with the pre-pandemic average, highlighting the continued normalisation of demand, particularly from occupiers tied to consumer goods.

Taking into account take-up recorded in Q1 2024, approximately 230,000 sqm has been leased so far in 2024, following just over 800,000 sqm leased in 2023. Demand continues to be skewed towards the manufacturing and transport and logistics sectors, while enquiry out of the Sydney market remains a thematic.

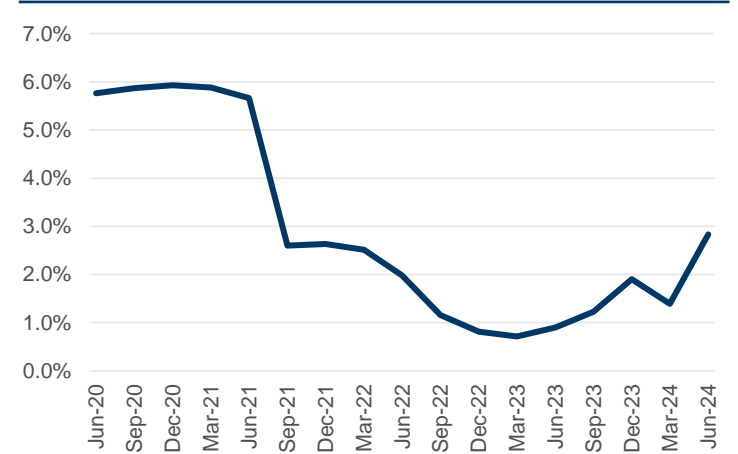
The West and South submarkets were the most active in Q2 2024, while leasing volumes eased in the Trade Coast and North submarkets, limited to some extent by continued tight vacancy levels. There are multiple facilities that are under heads of agreement, particularly in the South submarket, which will boost take-up volumes in Q3 2024.

The average deal size increased 30% to 9,990 sqm, while half of the deals by number were in the 3,000 – 6,000 sqm size bracket.

BRISBANE L&I GROSS TAKE-UP (SQM)



BRISBANE L&I VACANCY RATE



Source: Cushman & Wakefield Research

ECONOMIC INDICATORS To Q2 2024

	Current	12-Mo. Forecast
GDP Growth (National)*	1.1%	▲
Population Growth†	2.5%	▼
E-commerce Penetration Rate~	13.4%	▲

*Year-on-year to Dec-23
 † Year-on-year to Dec-23
 ~As of Apr-24

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

Vacancy

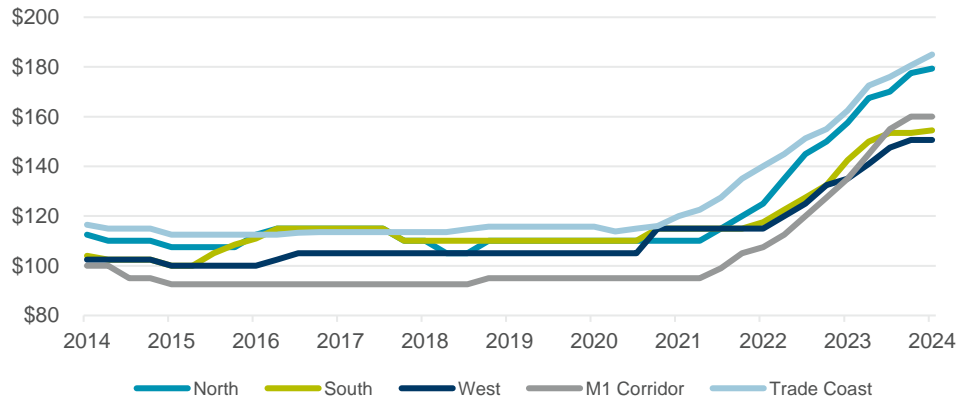
The Brisbane L&I vacancy rate has jumped to 2.9% in Q2 2024, up from 1.4% last quarter. The rise was led by the South submarket as a result of backfill leasing options becoming available, including 56,000 sqm at Mapletree's 44 Stradbroke Street, Heathwood, while speculative additions such as 25,868 sqm at ESR's Acacia Ridge Business Park added to vacancy levels. All other submarkets remain tight, particularly the Trade Coast and excluding the South submarket, Brisbane's vacancy rate would fall to 1.6%.

Rents & Incentives

A moderation in leasing activity has resulted in slower rental growth across prime and secondary grades in Q2 2024. Prime rents increased by 0.9% in the quarter, averaging \$166/sqm (net face), while secondary grade rents are lower at \$135/sqm (net face). With a number of deals close to being finalised, once complete, this will provide further evidence of rental growth in the second half of 2024.

Incentives are pushing higher as landlords continue to drive face rents; however, the level of incentive offered can vary substantially from precinct to precinct and developer to developer. Prime incentives currently range 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

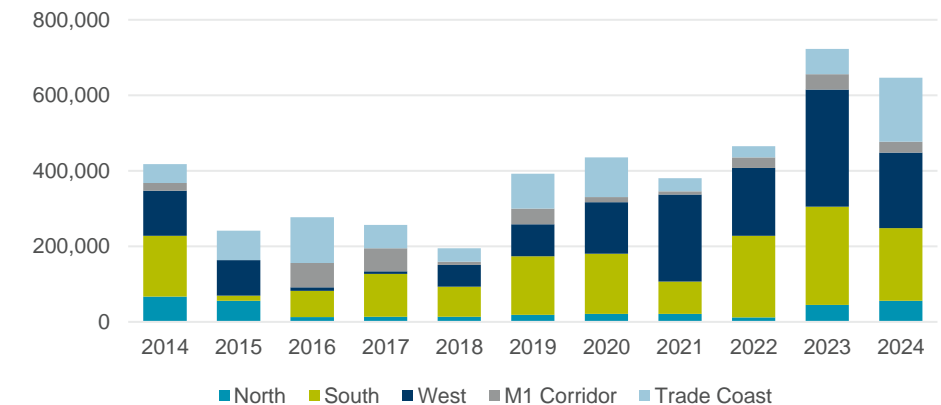
Warehouse completions remained elevated in Q2 2024 with approximately 140,000 being delivered, taking the year-to-date 2024 total to just over 230,000 sqm. Warehouse 4 at ESR's Acacia Ridge Business Park (25,868 sqm) and API Pharmaceuticals new facility at Berrinba (26,297 sqm) underpinned the delivery pipeline.

A further 415,000 sqm is due for completion in the second half of 2024, bringing the total to almost 650,000 sqm in 2024. New supply in the period will include Aliro's Ellison Estate at Geebung (~34,800 sqm) and the Frucor Suntory facility at Swanbank (~62,800 sqm).

Supply additions in 2024 will be dominated by the South and West submarkets, collectively accounting for around 60% 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 just over 45,000 sqm will be delivered, all of which has been committed.

As it stands, the supply pipeline for 2025 exceeds 750,000 sqm; however, some of this supply is contingent on pre-commitments being sought.

BRISBANE L&I SUPPLY BY SUBMARKET (SQM)



Source: Cushman & Wakefield Research

Land Values

Land values have remained stable over the first half of 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.

The appetite for land remains strong, more recently supported by increased owner-occupier demand. Institutional developers continue to target core precincts, given the continued forecast outperformance of rents.

Investment & Yields

Investment activity increased in Brisbane in Q2 2024 with just over \$300 million transacting, around triple the volume recorded in Q1 2024. The largest transaction was Hale acquiring a ~20,000 sqm fund through cold storage asset at Morningside.

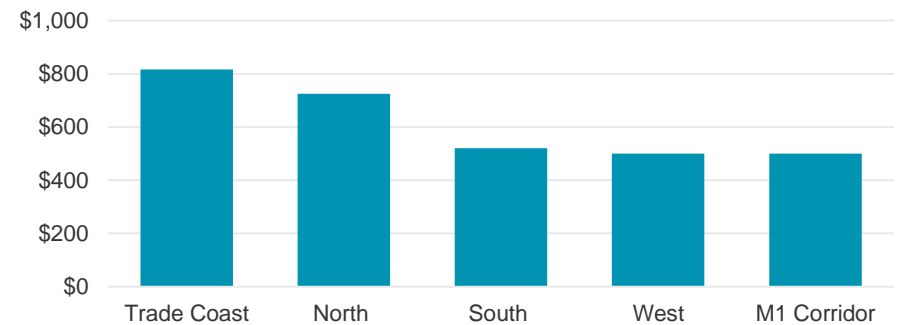
The average initial yield across the Q2 2024 transactions was approximately 6.25%, while the core market yield was closer to 6.75%, albeit with the exception of the above mentioned sale, all other assets were secondary grade.

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%), both unchanged from Q1 2024.

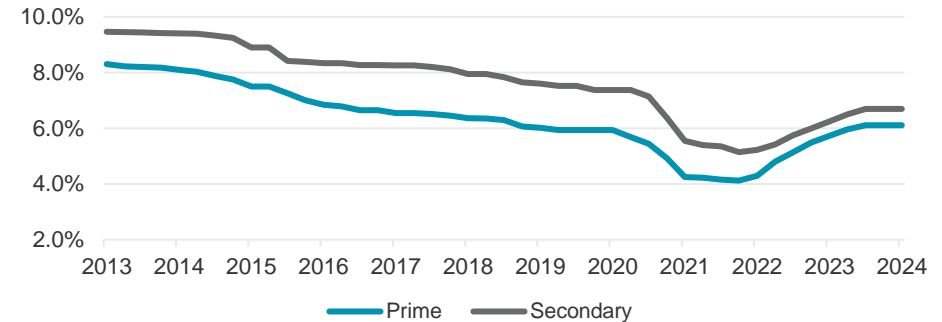
Outlook:

- **While leasing demand has softened from the record highs of the past two years, it is expected to normalise at a higher rate than pre-pandemic levels.** The transport, logistics, and manufacturing sectors are expected to remain the most active, while demand from more discretionary-based occupiers is expected to thin over the next six months, given the pullback in consumer spending.
- **Supply remains elevated over the next six months and further upward pressure in the vacancy rate is anticipated.** Our base case is for the Brisbane vacancy rate to increase to 3.5% to 4.0% by the end of 2024, driven by the South submarket.

BRISBANE L&I LAND VALUES (\$/SQM), 1-5 ha Q2 2024



BRISBANE L&I YIELDS BY GRADE



Source: Cushman & Wakefield Research

- Despite the rising level of vacancy, **further rental growth is anticipated for the balance of 2024.** We are forecasting rental growth in the order of 5.5% for 2024, noting submarkets like the Trade Coast will outperform this.
- **Yields are expected to stabilise at their current levels for the balance of 2024.** While the case for an interest rate cut may be pushed into 2025, both buyers and vendors have greater clarity around where pricing sits, which will continue to support a pick-up in investment volumes in the second half of 2024.

MARKET STATISTICS

Submarket	Net Face Rent (\$/sqm p.a.)			Outgoings			Incentive			Average Yield			Average Capital Values (\$/sqm)			Land Values 1-5 hectares
	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	
Trade Coast	\$174	\$196	\$185	\$40	\$45	\$38	5.0%	10.6%	7.8%	5.75%	6.10%	5.93%	\$2,787	\$3,326	\$3,049	\$825
North	\$169	\$190	\$179	\$29	\$35	\$32	5.0%	14.2%	9.6%	5.80%	6.50%	6.15%	\$2,692	\$3,477	\$3,062	\$725
South	\$149	\$160	\$155	\$32	\$38	\$35	8.8%	12.6%	10.7%	5.75%	6.50%	6.13%	\$2,292	\$2,783	\$2,522	\$558
West	\$143	\$159	\$151	\$28	\$32	\$30	9.8%	14.0%	11.9%	5.75%	6.50%	6.13%	\$2,192	\$2,761	\$2,459	\$500
M1 Corridor	\$150	\$170	\$160	\$28	\$32	\$30	8.0%	12.0%	10.0%	6.00%	6.50%	6.25%	\$2,308	\$2,833	\$2,560	\$550
Prime Average	\$157	\$175	\$166	\$30	\$35	\$33	7.3%	12.7%	10.0%	5.81%	6.42%	6.12%	\$2,454	\$3,036	\$2,730	\$632
Secondary Grade	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	
Trade Coast	\$130	\$150	\$140	\$35	\$40	\$33	5.0%	10.6%	7.8%	6.25%	6.75%	6.50%	\$1,926	\$2,400	\$2,154	
North	\$125	\$140	\$133	\$27	\$33	\$30	5.0%	14.2%	9.6%	6.50%	7.00%	6.75%	\$1,786	\$2,154	\$1,963	
South	\$131	\$142	\$137	\$32	\$38	\$35	8.8%	13.2%	11.0%	6.50%	7.00%	6.75%	\$1,871	\$2,185	\$2,022	
West	\$126	\$138	\$132	\$28	\$32	\$30	8.5%	14.0%	11.3%	6.50%	7.00%	6.75%	\$1,804	\$2,115	\$1,954	
M1 Corridor	\$135	\$145	\$140	\$28	\$32	\$30	10.0%	15.0%	12.5%	6.50%	7.00%	6.75%	\$1,929	\$2,231	\$2,074	
Secondary Average	\$129	\$143	\$136	\$29	\$34	\$32	7.5%	13.4%	10.4%	6.45%	6.95%	6.70%	\$1,863	\$2,217	\$2,033	

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