



MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.1% Vacancy Rate	▲	▲
6.12% Average Prime Yield	▲	▼
3.9% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.8% National GDP Growth	▼	▼
3.0% State Final Demand Growth	▼	▲
3.9% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

Real GDP growth released for Q3 2024 is at 0.3%, taking the year-on-year growth rate to 0.8% as cost-of-living pressures continue to impact consumer consumption levels. As a result, the RBA has held the cash rate at 4.35% throughout 2024 to ease heightened underlying inflation. Net overseas migration has reached historic highs through mid-year, helping offset productivity challenges by stimulating economic activity.

Forecasts for Queensland's gross state product remained modest through 2024, showing a 1.7% annual increase. 2025 is expected to lift slightly to 1.8%, before a more meaningful recovery in 2026 where growth of 3.3% is forecast.

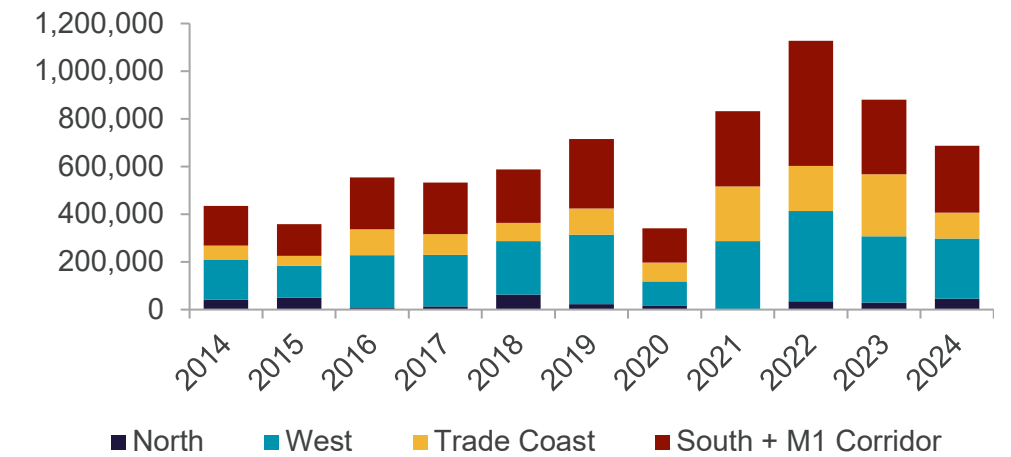
DEMAND

Leasing demand remained buoyant across Brisbane in Q4 2024 with almost 170,000 sqm of gross take-up recorded. On an annual basis, this takes 2024 take-up to approximately 620,000 sqm, and while this is below the levels recorded in recent years, it remains well above the pre-pandemic average of 430,000 sqm per annum. The slowdown is reflective of broader economic headwinds, including weak discretionary spending, which has impacted the expansion plans of some businesses, while low availability in several key precincts has limited occupier movements.

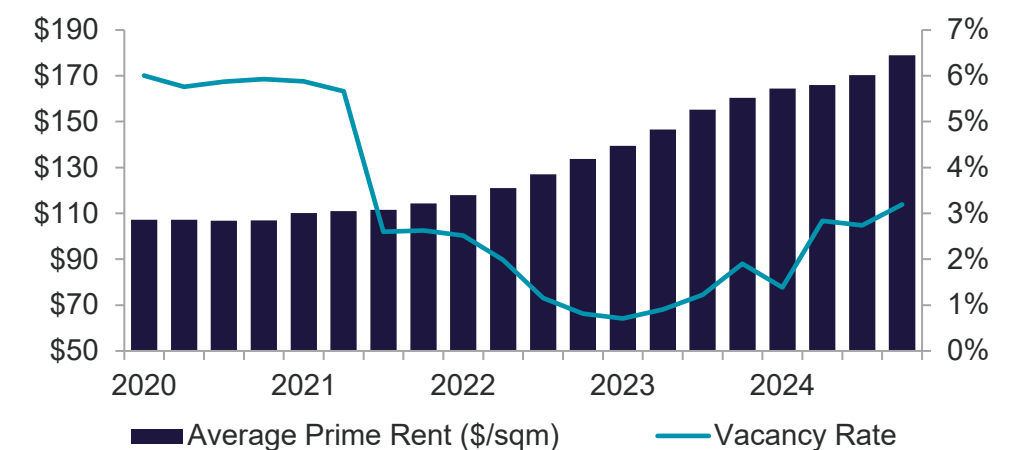
Demand continues to be skewed towards the transport and logistics sector, while demand from the construction and manufacturing sectors has increased given the pipeline of private and public sector works. More broadly, enquiry out of the Sydney market remains a thematic.

The Trade Coast and South submarkets were the most active in Q4 2024, collectively accounting for 72% of floorspace leased during the period.

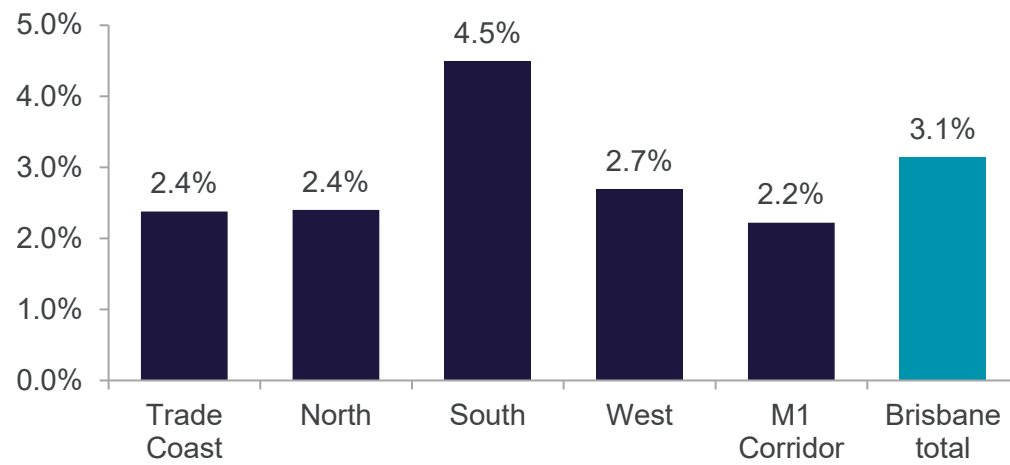
GROSS TAKE-UP (SQM)



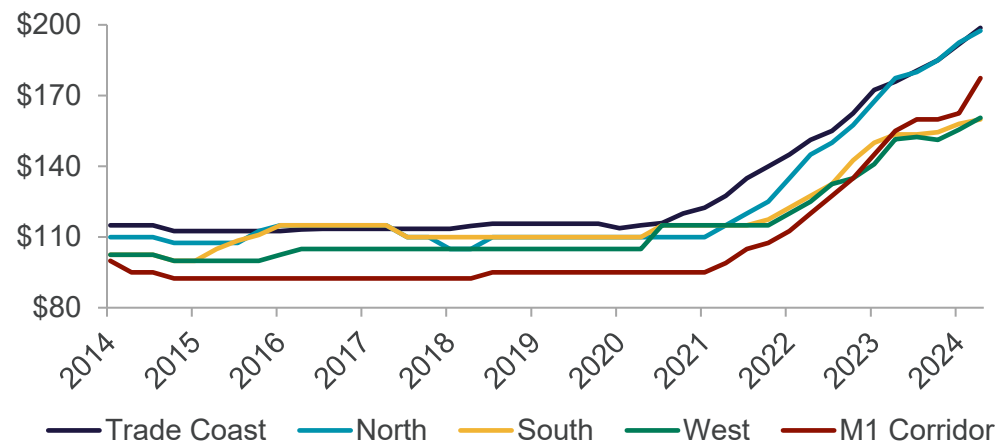
VACANCY & AVERAGE PRIME RENTS



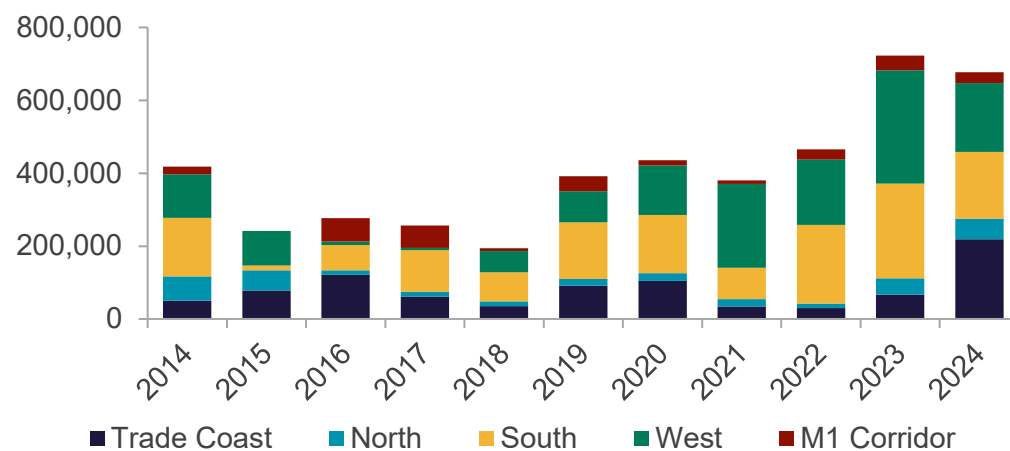
Q4 2024 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET (\$/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

The Brisbane L&I vacancy rate recorded a modest uptick in Q4 2024, averaging 3.1% across the city, up from 2.7% in the prior quarter. Despite having the highest take-up levels in the quarter, the South submarket continues to record the highest vacancy, accounting for almost half of current availability, albeit it remains skewed by a handful of larger facilities above 15,000 sqm. The Trade Coast remains tight at 2.4%; however, vacancy levels rose off the back of some sublease additions, while the North vacancy rate remains on par, which is underpinning their rental outperformance.

RENTS & INCENTIVES

The pace of rental growth in the Brisbane market continues to exceed national benchmarks with prime rents growing by 3.9% in Q4 2024, taking average prime rents to \$179/sqm net face. Over the year, 9.9% prime rental growth has been recorded in Brisbane, and a number of submarkets, including the Trade Coast, North and the M1 Corridor, have recorded growth in excess of 11.0%. By comparison, the national prime average for 2024 was 6.6%.

Incentives recorded a modest uptick over the quarter and broadly range between 5.0% and 15.0%.

SUPPLY

Warehouse completions this quarter have totalled just over 272,000 sqm, taking the 2024 pipeline to approximately 675,000 sqm across both speculative and pre-lease developments.

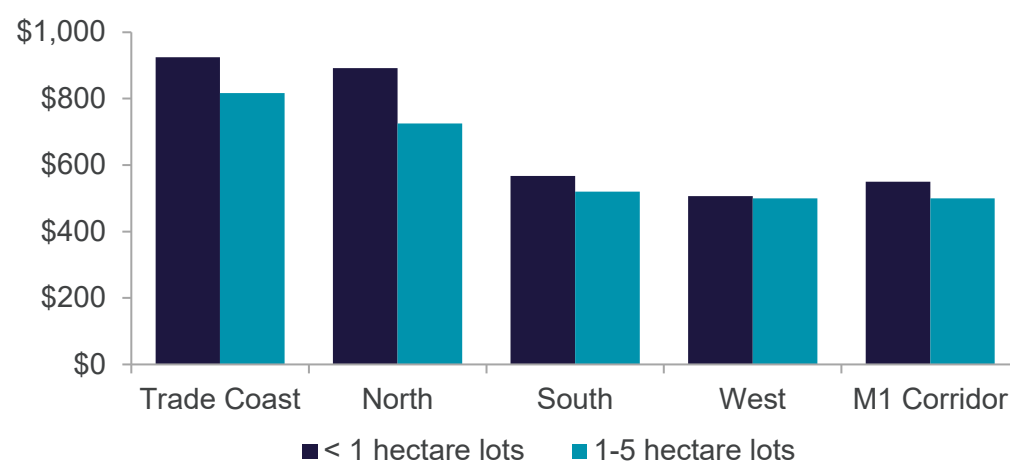
New additions over the quarter were heavily based in the West submarket where almost 98,000 sqm was added across the Barracks at Metroplex and Frucor Suntory's beverage facility at Swanbank. Competitions at the Trade Coast Logistics Hub (Qld Government) and the Port West Industrial Estate (Electrolux) contributed to the Trade Coast's 77,780 sqm of addition, while Frasers' SC1 development at Archerfield (31,285 sqm) underpinned supply levels in the South submarket.

Following a two-year upswing in supply, the pipeline weakens in 2025 with approximately 530,000 sqm due for delivery. Major projects include Australia Post's new facility at Brisbane Airport and Bridgestone at the Port West Industrial Estate, while speculative supply will be underpinned by warehouse 5 at ESR's Acacia Ridge Business Park.

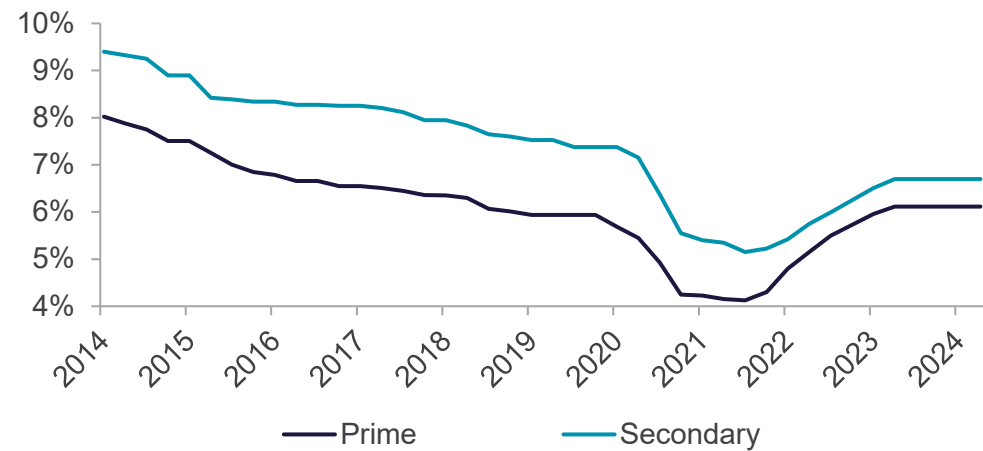
OUTLOOK

- While leasing demand has softened from the record highs of the past two years, it has reset at levels higher than pre-pandemic averages. Consumer headwinds, given cost of living pressures, have resulted in more modest levels of enquiry from the e-commerce and transport and logistics sectors; however, this is being partly offset by solid manufacturing and construction-related demand.
- Vacancy rates are expected to head towards 3.5% by mid-2025 off the back of backfill options becoming available. Notably, this includes Mapletree's 44 Stradbroke Street, Healthwood (55,773 sqm) which will become available in Q2 2025.
- Supply beyond 2024 remains challenged by elevated construction costs and developer capital constraints. As a result, a considerable number of projects that were earmarked for 2025 have instead been paused, with the largest impacts being recorded for speculative developments.

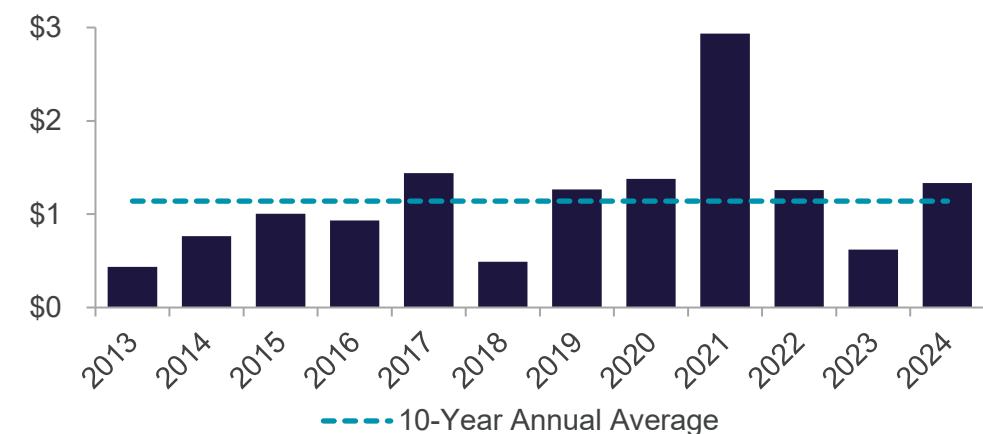
Q4 2024 LAND VALUES BY SIZE (\$/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES (\$B)



LAND VALUES

Coming into the end of the year, land values continue to remain stable across most of the Brisbane market and reflects recent transaction evidence. Notable sales in Q4 2024 include Garda selling a 25-hectare parcel at North Lakes to ESR (North submarket) for \$114.0 million, while there are a handful of other sites currently in due diligence.

The Trade Coast market continues to have a premium, with land values in the market ranging from \$700 – \$930/sqm, albeit select precincts such as Eagle Farm are higher again at \$900 – \$1,200/sqm. Alternatively, land values in the West and South, where the bulk of land supply exists is closer to \$550/sqm for 1-5 hectare lots.

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.

YIELDS

Following approximately 200 basis points of yield expansion since early 2022, L&I yields in Brisbane have continued to hold firm in 2024. Based on transactions in Q4 2024, the average initial yield was approximately 5.50%, while the core market yield was closer to 6.00%, which is broadly where our prime core market yield range sits (5.75% to 6.50%). The secondary yield range is higher at 6.25% to 7.00%.

INVESTMENT

Approximately \$150.0 million of investment transactions (above \$10 million) were recorded in Q4 2024. This takes the year-to-date 2024 total to over \$1.3 billion, more than double the \$620.1 million that traded for the 2023 calendar year.

Notable sales include Centennial acquiring 59 Taylor Street, Bulimba for \$13.1 million, representing an initial passing yield of 5.35%, while beyond this were a handful of confidential trades that occurred in the quarter.

OUTLOOK

- Solid owner-occupier demand and an improvement in development feasibilities from rising rents are forecast to support modest growth in land values in select precincts over the next 12 months. This will be led by land constrained infill markets.
- Over the short term, potential rate cuts and moderating bond yields highlight the value upside for capital markets. In our view, the L&I yield decompression cycle has ended and follows approximately 200 basis points of yield expansion in Brisbane since early 2022.
- Our base case is for the RBA to begin the rate easing cycle in H1 2025, which, in tandem with falling government bond yields (~3.50% 10-year yield by Q4 2025) and greater market participation, is forecast to drive yield compression from mid to late 2025.
- Improved investor sentiment is expected to result in a pick-up in investment activity in 2025, underpinned by favourable sector fundamentals and the ability to drive asset performance through continued income growth.

Q4 2024 BRISBANE MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	TAKE-UP (TOTAL MARKET SQM)	AVERAGE NET FACE RENT (\$/SQM P.A.)	AVERAGE OUTGOINGS (\$/SQM P.A.)	AVERAGE INCENTIVES	AVERAGE YIELDS	AVERAGE CAPITAL VALUES (\$/SQM P.A.)	AVERAGE LAND VALUES (1-5ha, \$/SQM P.A.)
PRIME								
Trade Coast	2.4%	62,514	\$199	\$43	8.6%	5.9%	\$3,354	\$825
North	2.4%	15,400	\$198	\$33	9.9%	6.2%	\$3,211	\$725
South	4.5%	55,837	\$160	\$35	11.0%	6.1%	\$2,612	\$560
West	2.7%	32,402	\$161	\$35	11.9%	6.1%	\$2,622	\$531
M1 Corridor	2.2%	3,074	\$178	\$40	10.0%	6.3%	\$2,840	\$550
PRIME AVERAGE	3.1%	169,227	\$179	\$37	10.3%	6.12%	\$2,928	\$638
SECONDARY								
Trade Coast	-	-	\$150	\$38	8.1%	6.5%	\$2,308	-
North	-	-	\$140	\$32	8.4%	6.8%	\$2,074	-
South	-	-	\$140	\$35	11.0%	6.8%	\$2,067	-
West	-	-	\$135	\$35	11.3%	6.8%	\$2,000	-
M1 Corridor	-	-	\$150	\$40	7.5%	6.8%	\$2,222	-
SECONDARY AVERAGE	-	-	\$143	\$36	9.3%	6.70%	\$2,134	-

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