MARKETBEAT

BRISBANE

LOGISTICS & INDUSTRIAL Q1 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.6% Vacancy Rate	▲	▲
6.12% Average Prime Yield	—	▼
1.1% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% National GDP Growth	▼	▼
2.2% State Final Demand Growth	▼	▲
4.1% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

The Australian economy has reached an inflection point as the RBA has pivoted and started the rate cutting cycle. Against this backdrop growth is expected to accelerate throughout 2025 and 2026 on the back of improved consumer and business confidence. GDP growth for Q4 2024 reached 0.6% (1.3% year-on-year), while growth in the order of 2.1% is expected for 2025 and 2.5% for 2026.

For Queensland, gross state product growth of 1.9% is expected for 2025, before jumping to 2.7% in 2026.

DEMAND

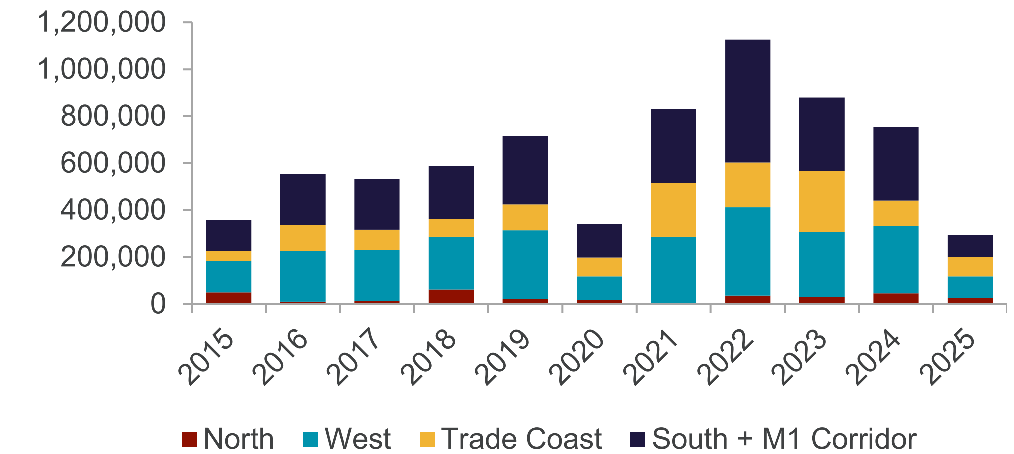
Elevated leasing demand continues to occur within the Brisbane market, with almost 240,000 sqm leased in Q1 2025, and follows 620,000 sqm of gross take-up recorded in 2024. Reflecting higher leasing availability, the South and West submarkets accounted for 71% of floorspace leased over the past quarter, while tenant demand for precincts within the Trade Coast remains solid.

By grade, 65% of floorspace leased in Q1 2025 stemmed from prime facilities, highlighting the continued occupier focus on operational efficiencies. On the flip side, average downtimes for secondary grade space are becoming more elongated, particularly in markets where speculative supply has risen.

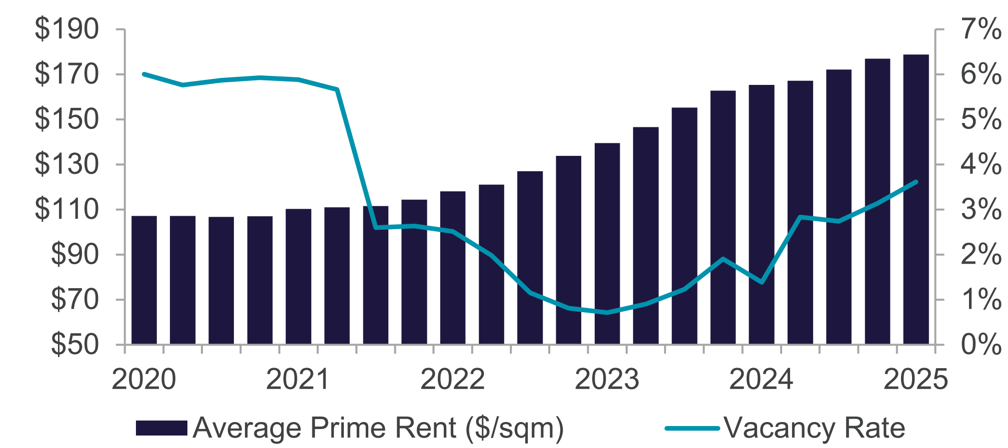
The average deal size was 8,700 sqm, while the most liquid part of the market was the 3,000 – 8,000 sqm size bracket, accounting for 68% of deals by number in the quarter. At the larger end of the market, there were three deals above 15,000 sqm.

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 theme, driven by the cost difference in rents between the two cities.

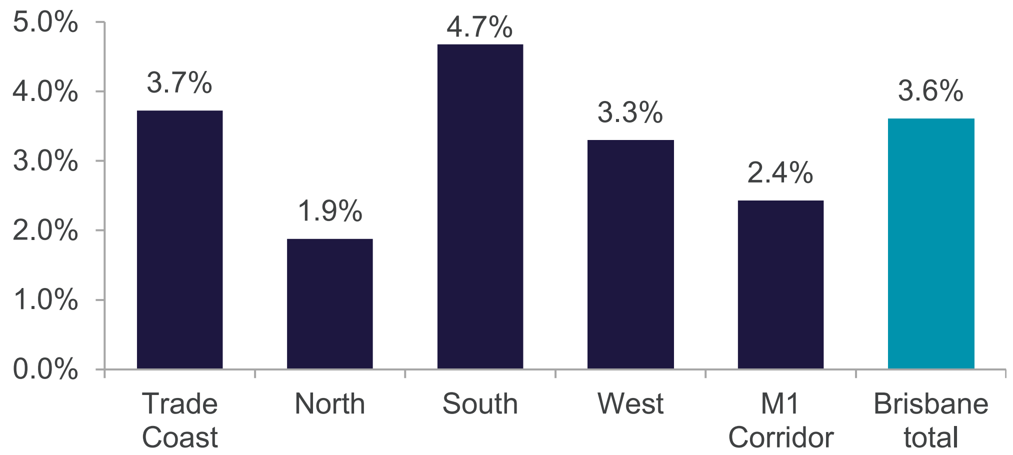
GROSS TAKE-UP (SQM)



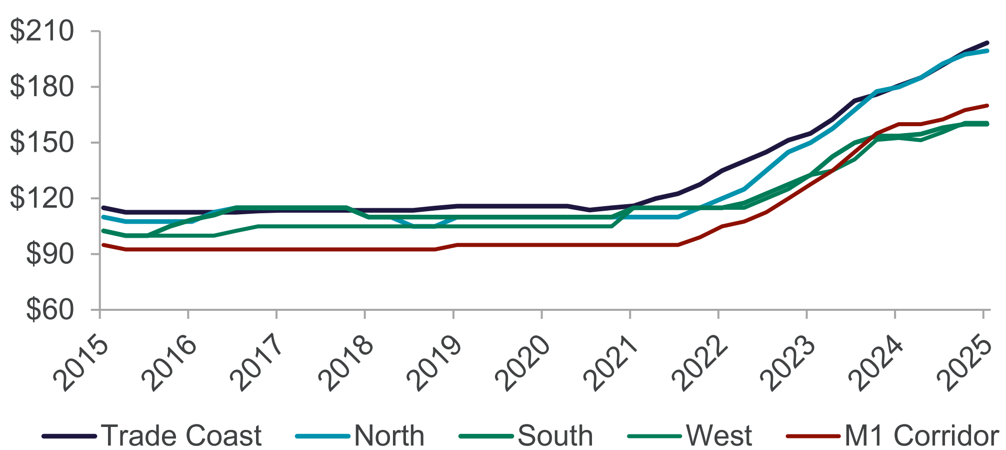
VACANCY & AVERAGE PRIME RENTS



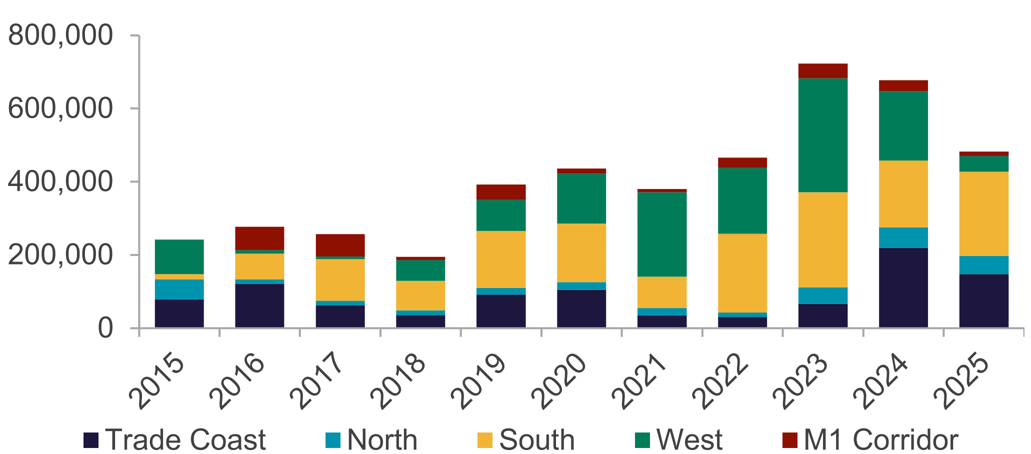
Q1 2025 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Speculative supply additions and several large backfill options underpinned a 50 basis point rise in the Brisbane vacancy rate in Q1 2025 to 3.6%. Vacancy levels remain highest in the South submarket, led more recently by the addition of the ex-Coles facility at Heathwood (55,773 sqm). Notably, this one facility adds 100 basis points to the South vacancy rate, which currently stands at 4.7%.

The Trade Coast also recorded a rise in vacancy to 3.5% (from 2.4% in late 2024) as Brisbane Airport's 8,600 sqm speculative development and 341 Thynne Road, Morningside (8,540 sqm) came online in addition to several existing sub 10,000 sqm facilities. Sublease vacancy remains a minor feature of the broader market at just 0.4%.

RENTS & INCENTIVES

Average prime rents increased by 1.1% in Q1 2025 ($179/sqm net face), reflecting an annual growth rate of 8.1%. While rental growth has slowed from the heights recorded in 2022 and 2023, it remains well above the long-term annual average of 2.5%. Rental growth remains strongest in the Trade Coast at 2.5% for the quarter, while growth in the South and West, which accounts for the bulk of new supply, has been more subdued, holding steady over the quarter.

Incentive levels remain unchanged, currently ranging between 7.5% and 14.0%, while pre-commitment incentives are higher at 10.0% to 17.5%.

SUPPLY

Warehouse completions amounted to almost 110,000 sqm in Q1 2025, well below the 272,000 sqm of new floorspace delivered in Q4 2024, as the timing of several facilities were delayed.

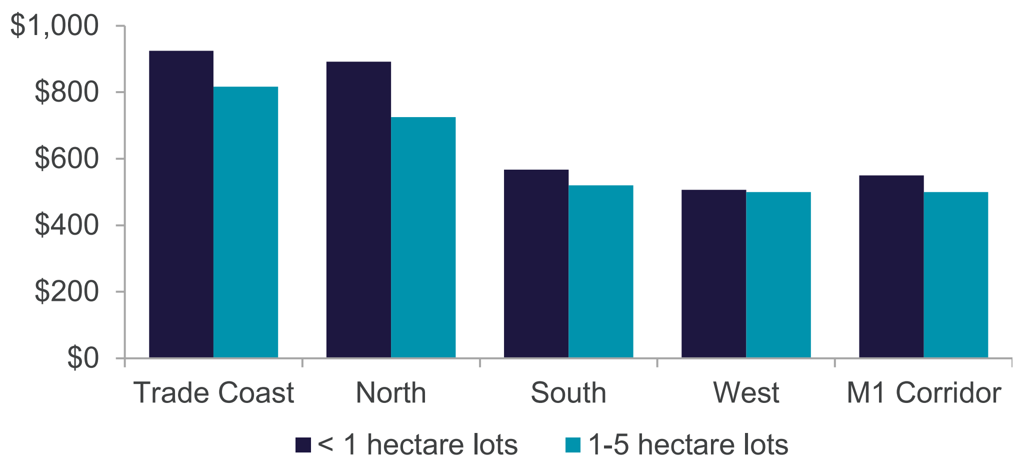
For the balance of 2025, there is approximately 372,000 sqm in the pipeline, taking the annual total to just over 480,000 sqm (57% commitment rate). Notably, this represents the lowest annual level of supply since 2022 and reflects developers pausing several speculative developments or pivoting to a pre-lease strategy.

Supply for the year will be underpinned by the South and Trade Coast submarkets, the latter of which is largely the result of additions within the Brisbane Airport, including Australia Post's new 33,800 sqm facility. Stage 3 at the Mapletree Logistics Park is also due for completion in Q2 2025 (48,792 sqm).

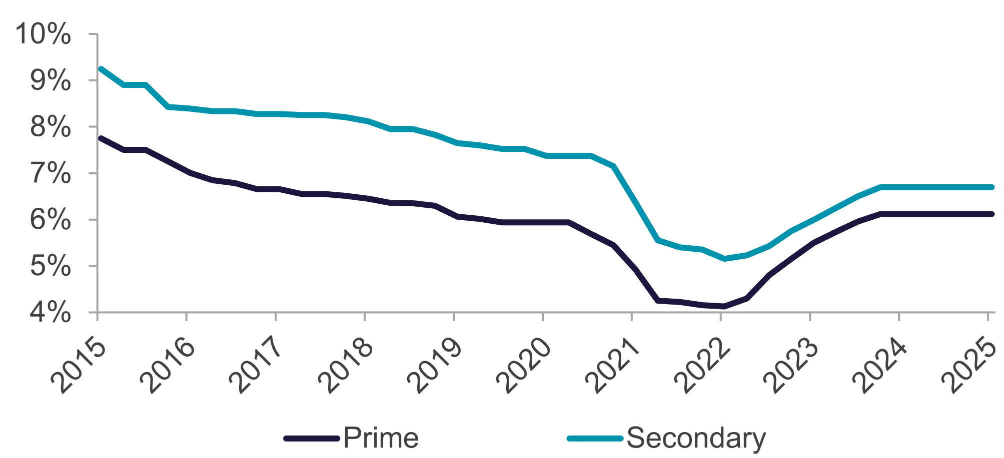
OUTLOOK

- Despite broader economic headwinds, leasing demand in 2025 will benefit from improvements in the consumer environment as income growth supports higher levels of consumption. This is expected to result in an uptick in demand from retailers and transport and logistics occupiers. Manufacturing and construction-related sectors are also expected to remain active.
- Vacancy rates are expected to rise further in Q2 2025 as additional speculative developments come online, including almost 50,000 sqm at the Mapletree Logistics Park at Crestmead. However, with a number of larger buildings skewing the overall vacancy rate, the leasing of some of this space would dramatically reduce the overall rate.
- Rental growth of approximately 4.2% is anticipated for 2025; however, net effective rental growth will be more muted in select precincts as incentives record upward pressure.

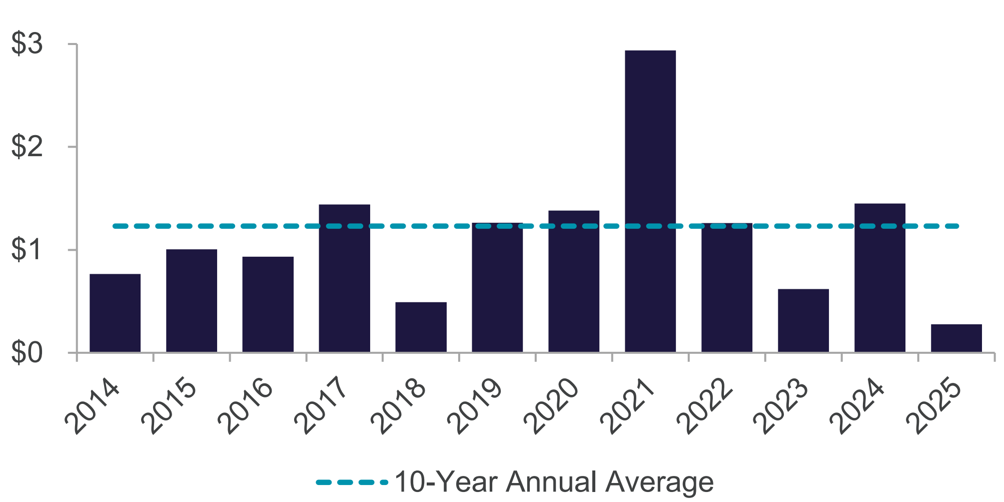
Q1 2025 LAND VALUES BY SIZE ($/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES ($B)



LAND VALUES

Land values continue to remain stable across the Brisbane market and reflects recent transaction evidence. Notable sales more recently included Charter Hall acquiring a 17.5 hectare site at Darra for almost $81 million.

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

Both prime and secondary yields held firm in Q1 2025, currently sitting at 5.75% to 6.50% for prime and 6.25% to 7.00% for secondary. Notably, this follows approximately 200 basis points of yield expansion since early 2022 for Brisbane.

INVESTMENT

Liquidity within the Brisbane market remains solid, with approximately $280.0 million trading in Q1 2025 and compares to $97.8 million at the same point in 2024. Beyond this, there is a large volume of assets in due diligence or in the market that will add to investment volumes in the coming quarters.

The largest sale in the quarter was KordaMentha and PGIM acquiring 14 Dixon Street, Yatala from Stockland for $102.7 million. The 9.6 hectare site provides 43,572 sqm of floorspace (WALE of 4.7 years) and reflected a core market yield of approximately 6.00%. Other sales include Blackstone buying Goodman's Arcadia Industrial Estate (836 Boundary Road, Coopers Plains) for $91.5 million, while Hale purchased 30 Bellrick Street, Acacia Ridge, for $30.2 million from Dexus.

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.
- Further rate cuts in 2025 will provide the backdrop to improved liquidity, with a material jump in investment volumes forecast, supported by new capital sources from offshore markets.
- The movement of yields over the next two years will be heavily influenced by the outlook for rates – both interest rates and the risk-free rate, as well as the weight of capital seeking to be deployed, where in the absence of high stock levels will result in heightened competition for limited assets.
- Our modelling highlights the potential for 10 to 25 basis points of compression in late 2025 before a further 25 to 30 basis point reduction in 2026. Unlike the last cycle, the movement in yields will not be consistent across markets and grades.

Q1 2025 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	3.7%	36,094	$204	$44	8.6%	5.93%	$3,439	$825
North	1.9%	27,048	$199	$34	8.7%	6.15%	$3,242	$725
South	4.7%	91,139	$160	$35	11.9%	6.13%	$2,612	$560
West	3.3%	81,598	$161	$35	11.9%	6.13%	$2,622	$531
M1 Corridor	2.4%	3,237	$170	$34	10.0%	6.25%	$2,720	$550
PRIME AVERAGE	**3.6%**	**239,116**	**$179**	**$36**	**10.2%**	**6.12%**	**$2,927**	**$638**
SECONDARY								
Trade Coast	-	-	$145	$39	8.1%	6.50%	$2,231	-
North	-	-	$140	$32	8.4%	6.75%	$2,074	-
South	-	-	$140	$35	11.9%	6.75%	$2,067	-
West	-	-	$135	$35	11.3%	6.75%	$2,000	-
M1 Corridor	-	-	$150	$34	7.5%	6.75%	$2,222	-
SECONDARY AVERAGE	**-**	**-**	**$142**	**$35**	**9.4%**	**6.70%**	**$2,119**	**-**

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