MARKETBEAT
BRISBANE
LOGISTICS & INDUSTRIAL Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.2% Vacancy Rate	▲	▲
5.90% Average Prime Yield	▬	▼
1.3% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% National GDP Growth	▼	▼
2.1% State Final Demand Growth	▼	▲
4.1% National Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW

The Reserve Bank of Australia responded to continued disinflation and the ongoing tariff negotiations by cutting rates in May for the second time this year as the central bank's focus has shifted from fighting inflation to supporting growth and maintaining full employment. Against this backdrop, growth is expected to improve throughout 2025 and 2026 on the back of improved consumer and business sentiment. GDP growth slowed in Q1 2025 reaching 0.5% (1.3% year-on-year but is forecast to recover to 1.8% by the end of the year and 2.1% for 2026).

Queensland economic growth is expected to grow at a faster rate than most other states, with Gross State Product to increase by 2.1% in 2025 and 2.7% by 2026.

DEMAND

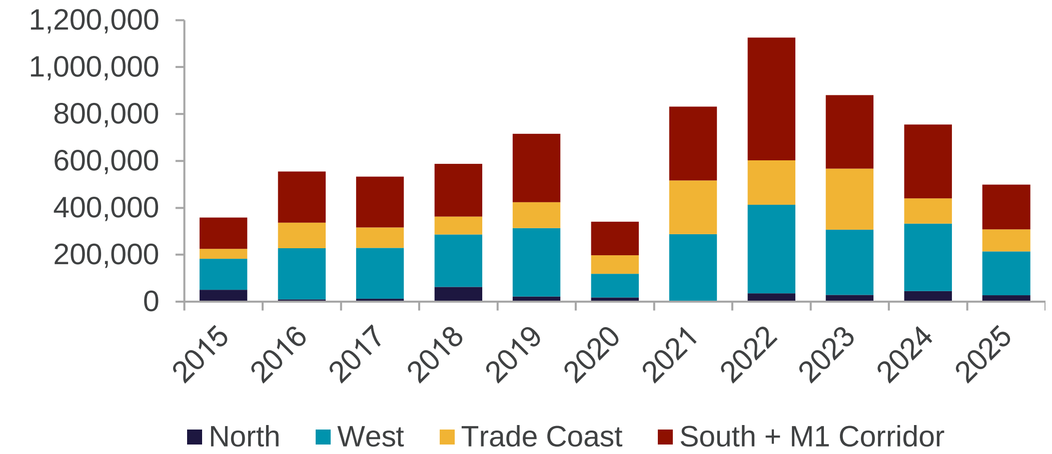
Occupier demand eased in Q2 2025, with just under 180,000 sqm leased for the period, down from approximately 240,000 sqm in Q1 2025. There is a healthy volume of floorspace in the final stages of negotiation, which will support take-up levels in the coming quarters.

Gross take-up in H1 2025 (417,434 sqm) is not far off the pre-pandemic annual average of 430,000 sqm, with the market on track to match or exceed 2024 gross take-up levels of over 600,000 sqm. Notwithstanding this, there is an overlay of cautiousness from select overseas headquartered businesses.

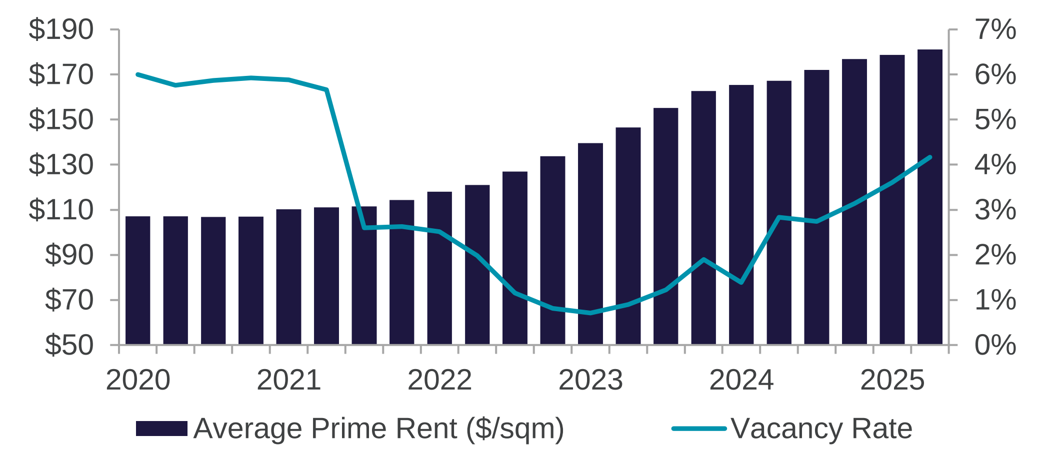
Like previous quarters, deal activity was concentrated in the sub-10,000 size bracket, representing 75% of deals by number. However, there were four deals done above 20,000 sqm and includes Toll leasing 20,040 sqm at Arrow's 82 Noosa Street, Heathwood site (former Coles facility), while a confidential 25,000 sqm pre-lease was secured at the Port of Brisbane.

Demand continues to be skewed towards the transport and logistics sector, while take-up 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.

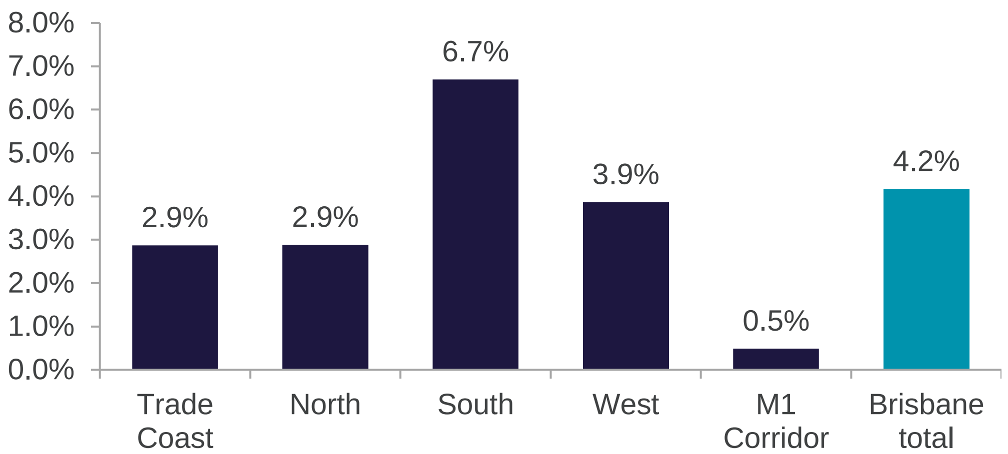
GROSS TAKE-UP (SQM)



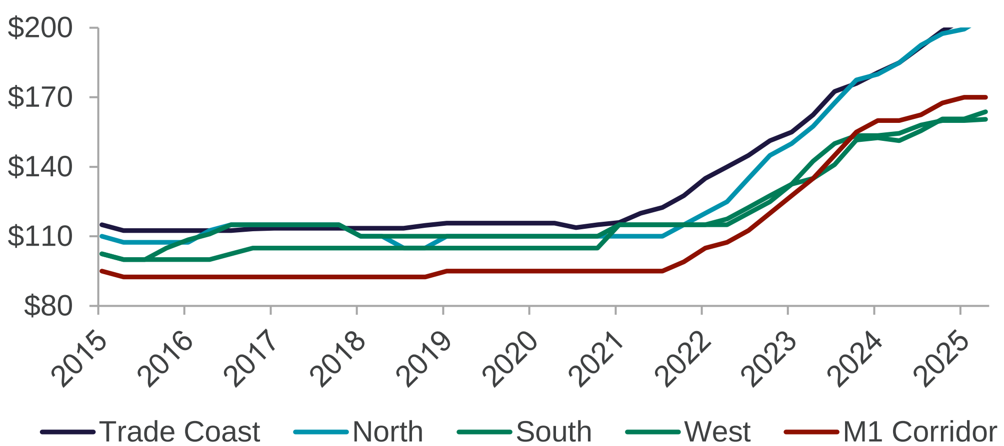
VACANCY & AVERAGE PRIME RENTS



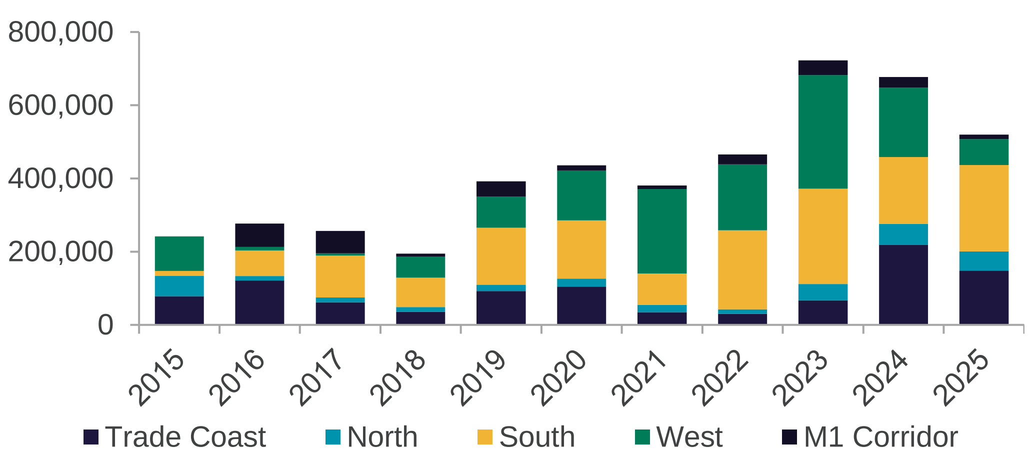
Q2 2025 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Brisbane's vacancy rate increased 60 basis points in Q2 2025 to 4.2%, attributed to further speculative additions in the South submarket, which offset the leasing of several large options that were previously included in the vacancy list. New additions include stage three of the Mapletree Logistics Park at Crestmead (48,814 sqm).

Despite new supply having an impact on vacancy, 70% of vacant floorspace stems from existing facilities, a large share of which is secondary. Given the flight to quality and efficiency thematic, leasing downtimes for this space is likely to become more elongated. In the absence of new supply, vacancy rates in the M1 Corridor are the lowest in Brisbane at 0.5%, while the vacancy rate in the Trade Coast fell to 2.9%.

RENTS & INCENTIVES

The pace of rental growth slowed across the Brisbane market in Q2 2025, increasing 1.3% over the prior quarter (8.3% year-on-year), led by the North submarket. The 3,000 – 10,000 sqm segment recorded growth of 1.9% for the quarter and compares to 0.7% for facilities above 10,000 sqm.

On an annual basis, rental growth has been most pronounced within the Trade Coast and North submarkets, both recording double-digit growth over the year. Growth in markets where supply additions have come online has been more subdued, particularly on an effective basis, where some precincts recorded a contraction over the past quarter.

Incentive levels currently range between 8.5% and 16.0% for prime, while pre-commitment incentives are higher at 10.0% and 17.5%.

SUPPLY

Development feasibility challenges and developers adopting a more conservative approach with a preference for pre-lease, the medium-term supply pipeline has shifted lower. For 2025, approximately 520,000 sqm is expected to be delivered, approximately half of which is speculative. Supply in 2026 drops away to just over 470,000 sqm, 215,000 sqm of which is speculative. For some of this supply, the timing is contingent on pre-commitments being secured.

Over the next two years, the South submarket is expected to capture approximately 45% of Brisbane's supply and includes stage 4 of the Mapletree Logistics Park and additions within Charter Hall's Flagstone Logistics Estate at North Maclean.

OUTLOOK

- Further improvements in the consumer environment are expected to support a pick-up in leasing demand in the second half of 2025.
- Transport and logistics, manufacturing and construction-related sectors are expected to be the most active sectors, the latter two supported by the current wave of Government infrastructure projects.
- Vacancy rates are expected to remain at similar or lower levels over the next six months. Leasing demand in the 10,000 sqm+ segment will have the greatest bearing on vacancy trends, and the leasing of some of this space would dramatically reduce the overall rate.
- Rental growth of approximately 4.5% is anticipated for 2025, noting that growth of 2.4% has already been recorded in H1 2025. Net effective rental growth will be more muted in select precincts as incentives record upward pressure.

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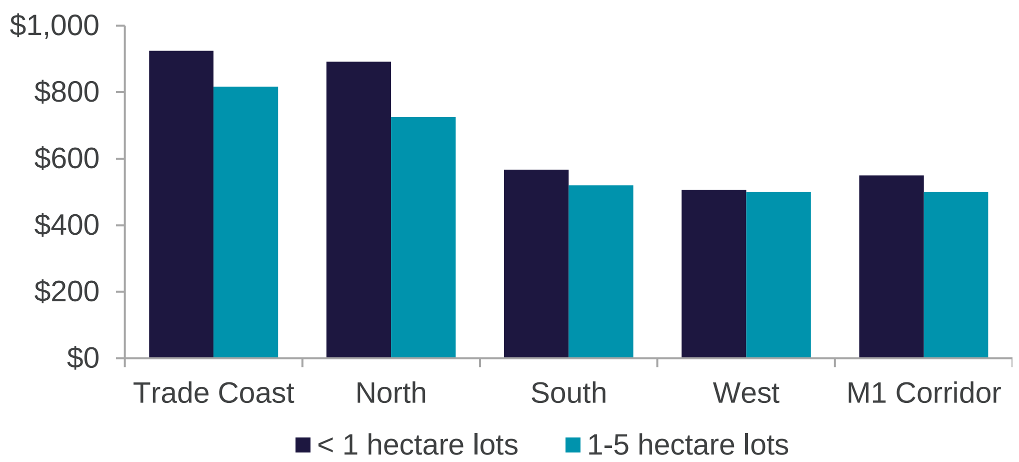
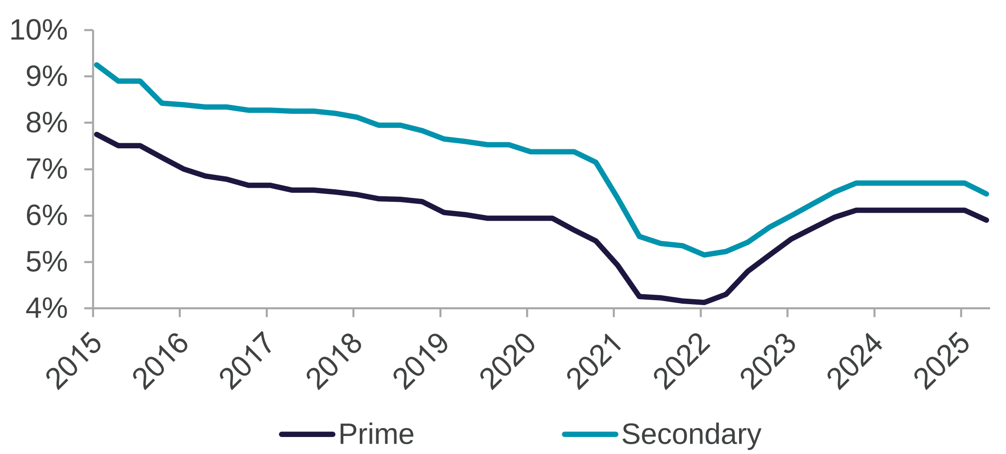
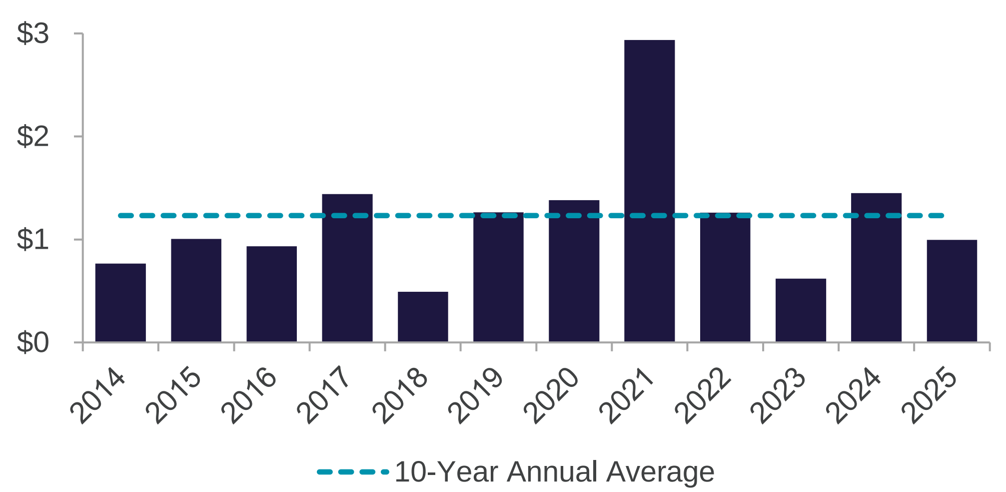
Q2 2025 LAND VALUES BY SIZE ($/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES ($B)



LAND VALUES

Modest upward pressure on land values was recorded over the past quarter, and reflects the solid appetite from both developers and owner occupiers. 1-5 hectare lots recorded growth of 2.5% to now average $654/sqm across the market, while lots above 5 hectares grew by 1.8% in the quarter to $575/sqm.

The largest land transaction to occur in the quarter was Goodman acquiring Gibson Island at Murarrie for $194.0 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 $570/sqm for 1-5 hectare lots.

YIELDS

Prime industrial yields in Brisbane compressed for the first time since 2021 and is being driven by the growing weight of capital seeking opportunities and lower debt costs. Tax implications in Victoria have directed capital into the Brisbane market, with the city now ranking as the second most preferred city for deployment in Australia, only behind Sydney.

Prime yields compressed by 22 basis points over the quarter, highlighted by recent transaction evidence. The yield spread to Sydney now stands at 62 basis points, which is above the 20-year average of 47 basis points, and this is likely to provide scope for outperformance in the current cycle.

INVESTMENT

Liquidity has gathered further momentum with almost $1.0 billion trading so far in 2025 across Brisbane (deals above $10 million, including owner occupier sales). Taking into account what's currently on the market or in due diligence, volumes are expected to well exceed the $1.3 billion that traded in 2024.

Notable trades include the two Brisbane assets as part of the Frasers/Morgan Stanley recapitalisation, Irongate acquiring 227-247 Fleming Road, Hemmant from Gateway Capital for $46.6 million, while there were several trades below $30 million to private investors and syndicators.

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 further investment momentum expected in the second half of 2025, 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.
- For the second half of 2025, there is the potential for a further 25 basis points of compression 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.

Q2 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	2.9%	73,006	$206	$46	10.5%	5.70%	$3,618	$825
North	2.9%	27,048	$205	$34	12.5%	5.93%	$3,460	$808
South	6.7%	187,126	$161	$35	13.7%	5.80%	$2,767	$580
West	3.9%	101,406	$164	$35	13.8%	6.00%	$2,729	$581
M1 Corridor	0.5%	28,757	$170	$34	12.5%	6.06%	$2,804	$550
PRIME AVERAGE	**4.2%**	**417,343**	**$181**	**$37**	**12.6%**	**5.90%**	**$3,076**	**$669**
SECONDARY								
Trade Coast	-	-	$145	$46	10.5%	6.33%	$2,292	-
North	-	-	$150	$32	12.5%	6.50%	$2,308	-
South	-	-	$140	$35	13.7%	6.50%	$2,146	-
West	-	-	$135	$35	13.8%	6.50%	$2,077	-
M1 Corridor	-	-	$150	$34	12.5%	6.50%	$2,308	-
SECONDARY AVERAGE	**-**	**-**	**$144**	**$37**	**12.6%**	**6.47%**	**$2,226**	**-**

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