

The Quick Take

 **3.9%**

Vacancy rate increased slightly in Q1

Vacancy rate for the East Coast lifted slightly in Q1, up from 3.8%. The diminishing speculative construction pipeline has meant speculative space accounts for 30% of vacancy.

 **602k sqm**


East Coast take up Q1-26

Leasing take-up of 602,000 sqm across the East Coast in Q1-26, this is 21% lower than the five year quarterly average. The Melbourne market dominated take-up with 60% of activity.

 **1.66m**


Sqm of new supply forecast for 2026

New supply across the East Coast was 2.1 million sqm in 2025. This was a 19% fall from 2024 with 2026 expected to be a further 20% lower, as speculative projects are deferred while the market rebalances.

 **\$14.4b**

Investment volumes 2025

Investment volumes lifted to the highest in three years. Private investors (41%) still dominated total turnover while offshore investment remained high, accounting for 31% of activity.

 **25bps**

Prime yields soften in Melbourne

Prime yields softening in Q1 in both Melbourne and Brisbane by 25bps and 7.5bps respectively. Yields were unchanged in Sydney.

 **+9.2%**

Y/Y prime effective rents in Brisbane

Brisbane had the highest annual prime effective rent growth. The other cities range from a 2% uplift in Adelaide and Melbourne through to falls on average across Western Sydney (-4.6%).

Key indicators Q1 - 2026

Market	Prime Net Face Rent, \$/sqm	Secondary Net Face Rent, \$/sqm	Prime Incentives, %	Prime Market Yield Range, %*	Land 1-5 ha, \$/sqm	Vacancy Rate, %
Western Sydney**	228	190	22.0	4.75-5.75	1,295	3.1
Brisbane	187	162	12.4	5.75-6.15	732	4.5
Melbourne***	153	127	20.5	5.50-6.00	909	4.5
Adelaide	147	111	8.9	5.75-6.25	537	N/A
Perth	164	138	9.6	6.25-6.75	528	N/A

Source: Knight Frank Research *Yield range assumes a near new 10,000sqm+, non-specialised, institutional high-grade industrial asset with a of WALE 7.0 years+ Indicators are based on a blended average of the city precincts. **Western Sydney includes Outer West, South West and Inner West. ***Melbourne (excluding the Fringe) prime net face rents average \$144/sqm, secondary: \$121/sqm; small lots: \$918/sqm, 1-5ha lots: \$686/sqm.

Leasing market

Tenant activity has eased in Q1 following strong take up levels in 2025

GEOPOLITICAL UNCERTAINTY POSE RISKS IN 2026

Rising fuel costs, broader supply chain pressures and recent interest rate increases are placing renewed strain on household budgets, with early indicators pointing to softer consumer sentiment. Uncertainty around inflation and the interest rate outlook is expected to moderate consumption, particularly across discretionary categories in the near term.

More broadly, economic conditions are likely to soften as tighter financial conditions weigh on demand and business sentiment becomes more cautious. Despite these headwinds, the industrial and logistics sector continues to be supported by solid underlying fundamentals. Structural drivers, including e-commerce growth, supply chain reconfiguration and infrastructure investment will support occupier demand, while ongoing supply constraints are expected to underpin rental growth and occupancy levels.

TENANT DEMAND LOWER IN Q1

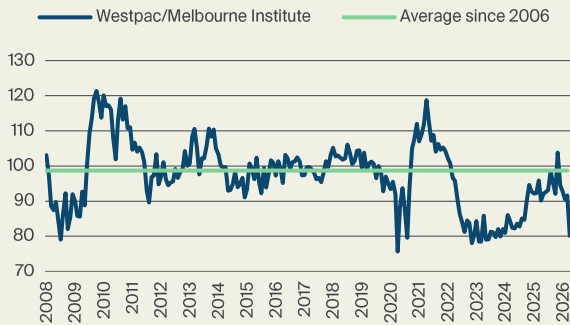
Following a strong finish to 2025 which saw take-up reach 3.16 million square metres across the East Coast for the year, there has been a moderate start to Q1 with take up of 602,000 sqm, 29% lower than the same time last year.

There has been some major pre-commitments over the year from large retailers including Aldi and Kmart in Sydney and Melbourne. Overall, the proportion of pre-commitment activity has lifted through the year, accounting for 22% of total leasing activity. Other significant pre-commitments include Kimberley Clarke (43,000 sqm) and Refresco (25,500 sqm) in Sydney.

Prime space dominated with 61% of activity as the market worked through the overhang of speculative space and prime existing backfill. Secondary leasing across the East Coast was 507,346 sqm over the last 12 months, representing 17% of total take-up.

Consumer sentiment falling

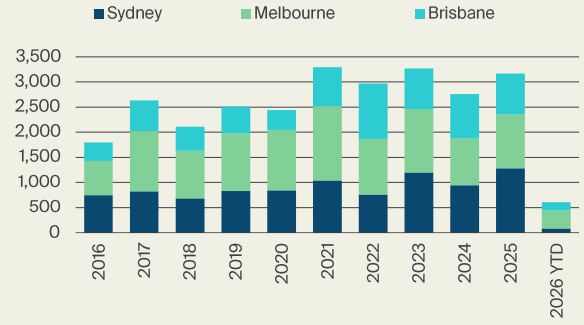
Confidence index, value above 100 signal optimism



Source: Knight Frank Research, Macrobond

Eastern Seaboard leasing take-up

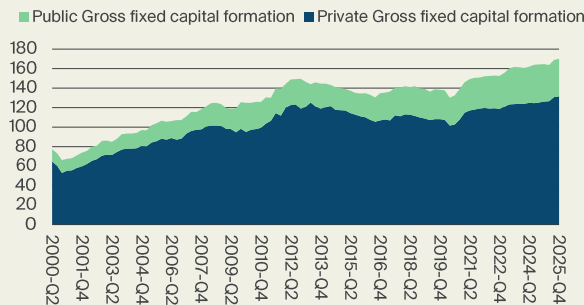
By city, '000sqm



Source: Knight Frank Research

Total Capital Investment - Australia

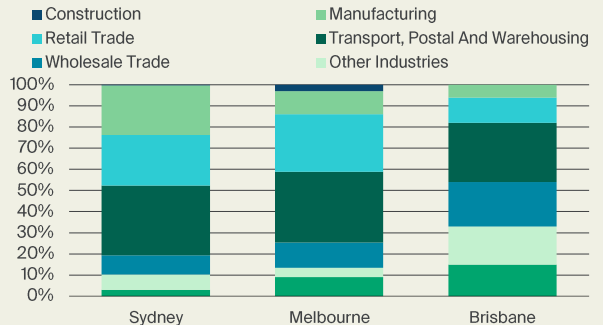
\$A Billion, Private v Pubic Sector



Source: Knight Frank Research

Eastern Seaboard leasing take-up by sector

% share by business sector, 2025



Source: Knight Frank Research

Vacancy and new supply

Thinning development pipeline will support absorption levels and rental growth

VACANCY ELEVATED BUT STABILISING

East Coast industrial vacancy continues to rise, reaching 3.05 million sqm as at Q1 2026, a 3% increase over the quarter. This reflects a blended vacancy rate of 3.9%. Despite increasing in the past quarter, Sydney remains the lowest at 2.9%, followed by Melbourne and Brisbane at 4.5%. Within each city there is also high divergence between precincts with those exposed to substantial recent new construction seeing the highest vacancy.

The composition of available space continues to change with the amount of speculative space accounting for 30%, this is well down on levels in 2023 when development activity peaked. Vacancy in existing prime stock has stabilised while the secondary vacant space sits at a nine-year high of 1.05 million sqm. The level of speculative vacancy is expected to be absorbed relatively quickly as the forecast pipeline slows.

THINNING DEVELOPMENT PIPELINE

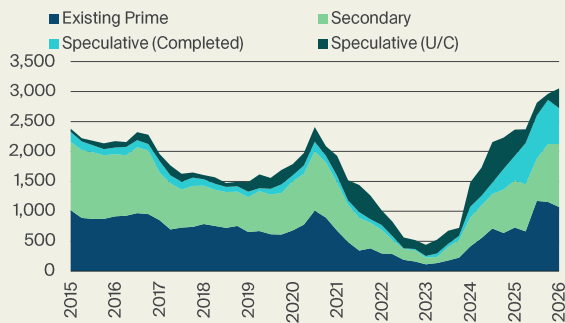
The delivery of new industrial product to the market has adjusted quickly, with fewer pre-committed projects reaching fruition in 2025 due to high feasibility hurdles limiting new starts. The speculative delivery, while still above trend at 1.08 million sqm, ended 2025 lower than it could have been with increased caution from developers beginning to impact the pipeline.

Total industrial supply for 2025 was 19% below 2024 levels and with much slower speculative stock completions this year, new supply is forecast to fall a further 20% in 2026.

All East Coast markets saw a fall in supply completions during 2025 and forecast again for 2026. At this stage pre-committed product is expected to account for 48% of total 2026 supply. Speculative completions are expected to total c700,000 sqm, well below 2025 levels.

Eastern Seaboard industrial vacancy

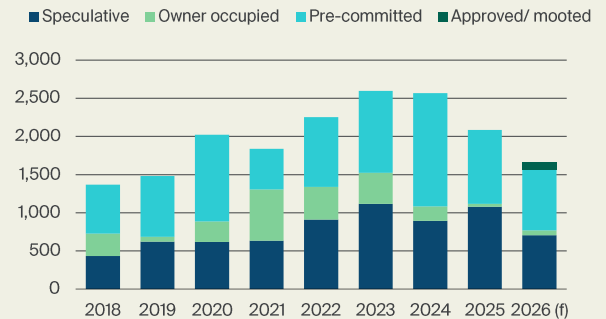
By grade, floorspace in sqm, 5,000sqm+, '000sqm



Source: Knight Frank Research

Eastern Seaboard industrial supply

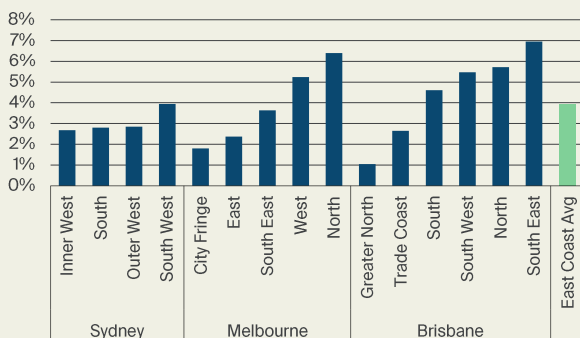
By type, '000sqm, completed 2018 - 2026(f)



Source: Knight Frank Research

Eastern Seaboard vacancy rates

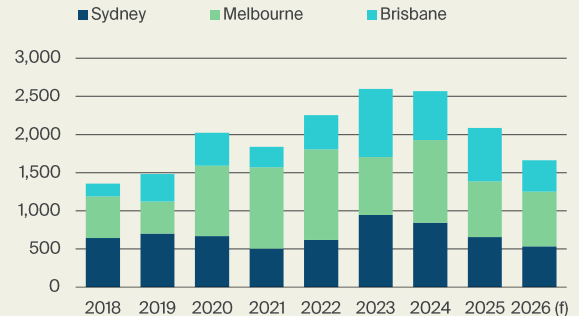
By capital city and precinct, %, April 2026



Source: Knight Frank Research

Eastern Seaboard industrial supply

By type, '000sqm, completed 2018 - 2026(f)



Source: Knight Frank Research

Rents and incentives

Face rents lifting across most markets, incentives remain central to tenant relocation

BRISBANE LEADS PRIME FACE RENTAL GROWTH

Quarterly prime rental growth in Q1 ranged from stable in Sydney and Adelaide, through to 4.4% growth in Brisbane and 1.7% in Melbourne. On an annual basis, Brisbane net face growth at 10.1% was the strongest followed by Perth with 8.3%, Melbourne 5.5% and Adelaide at 3.5%. In Sydney, rents have remained unchanged across all precincts given the rising vacancy and favourable market conditions for occupiers.

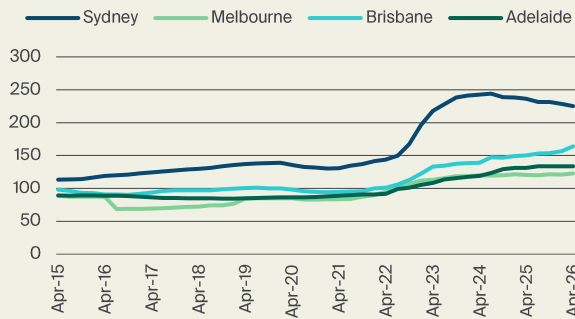
Annual rental growth remains quite varied across precincts within the major city markets. This reflects the carrying vacancy and level of construction across different locations. With incentives now entrenched, effective rental growth is also highly varied, ranging from -4.8% y/y in Sydney to 9.2% in Brisbane with the highest fall in the South Sydney precinct at -8.3%, this has been driven by the significant rise in incentives with face rents unchanged.

INCENTIVES CONTINUE TO LIFT

Incentives have continued to grow, particularly in Sydney and Melbourne over the last year. Melbourne incentives range from 19% - 26% (outside the City Fringe) and while growing over 2025, heading into Q1 they have remained steady across most precincts. Sydney incentives range from 17% in the South through to 23% in the South West and Outer West, incentives rose slightly over Q1 following significant rises from 330bps to 750bps over the last year, this has been the catalyst for the pressure on net effective rents.

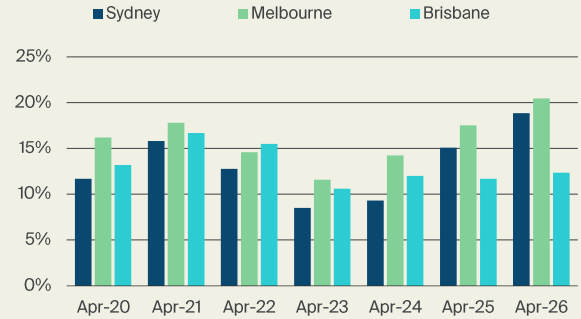
Brisbane incentives (9.5% - 13.5%) were stable or falling in the past quarter across the different precincts and now appear to have peaked, Notably incentives fell by 300bps in Q1 in the South East. In Perth incentives are becoming more entrenched, now sitting at 8.75% - 10%. For the Adelaide market incentives were stable in Q4 covering a range of 7.5% - 10%.

Prime industrial net effective rents
By major capital city, blended average rate \$/sqm p.a.



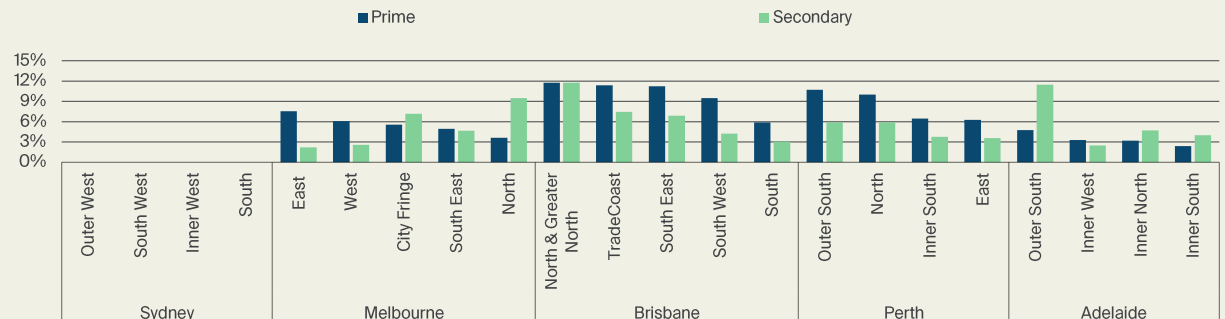
Source: Knight Frank Research

Eastern Seaboard industrial incentives
By capital city, %



Source: Knight Frank Research

Industrial rent growth by precinct
Annual growth to Q1 2026, net face rent



Source: Knight Frank Research

Investment market

Investor appetite still favourable for industrial assets

INVESTMENT ACTIVITY SLOWER IN Q1 FOLLOWING A STRONG 2025

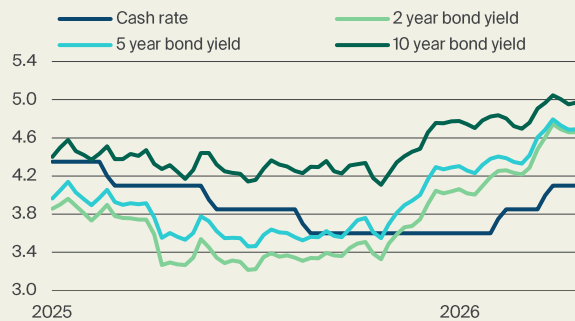
Investment volumes grew during 2025, finishing the year with \$4.3 billion for Q4 for a total of \$14.4 billion. This was the highest annual volume since the peaks of 2021/2022. Offshore investors, led by US and Canadian funds continued to be active in the market, accounting for just over 30% of transaction volume.

Investment activity has been slower in Q1 with only \$950 million in transactions, one of the lowest quarters in the last five years. Despite this market sentiment is still favourable and there are several assets on the market likely to trade over the next quarter which will bolster volumes.

Portfolio activity included Cromwell Property Group acquiring a 19.9% interest in the \$470 million Straits Real Estate Portfolio (Victoria and South Australia), Whilst in Sydney, Aliro Group acquired two assets in Western Sydney for \$438 million.

Australian interest rates

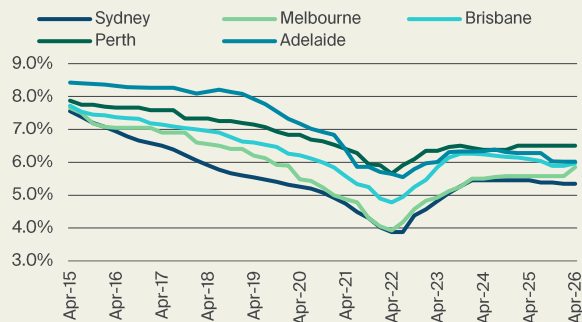
Cash rate & two, five, ten year bond yield



Source: Knight Frank Research

Industrial prime yields

Average across precincts (5,000sqm assets, 5yr WALE)



Source: Knight Frank Research

YIELDS SOFTEN IN MELBOURNE AND BRISBANE

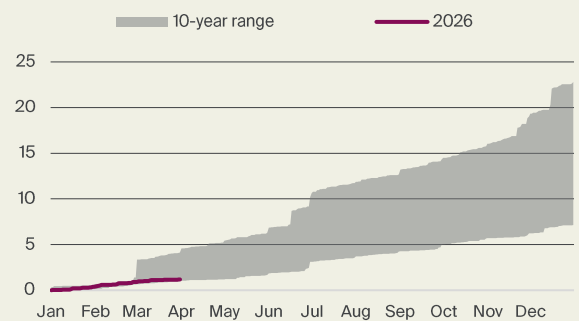
Following two cash rate rises by the RBA in Q1 and further rises in Q2 likely given the current geopolitical climate and fuel crisis yield metrics have shifted across the board. Whilst yields were either steady or tightening in 2025, this has now moved to steady or softening.

Yields in Western Sydney have held firm in Q1 to range 4.75%-5.75% following slight tightening over the second half of 2025, notably there are transactions that have recently traded at the lower end of this range. Yields have softened in Melbourne, shifting out 25bps over Q1 to average 5.85% and 7.5bps in Brisbane to average 5.97%. In Perth and Adelaide prime yields remain unchanged over Q1 at 6.50% and 6.0% respectively.

Investment demand will remain positive, but the wider monetary environment will provide headwinds to further yield softening.

Australian industrial cumulative transactions

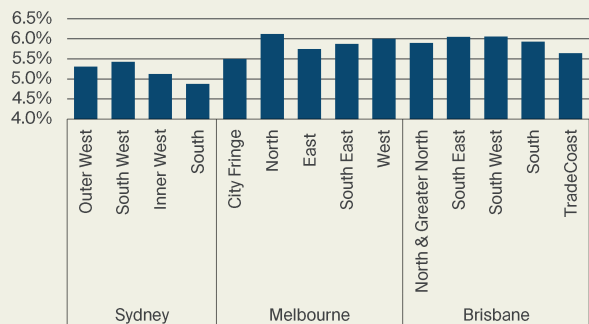
A\$ billion, daily cumulative transaction volume by year



Source: Knight Frank Research, RCA

Industrial prime yields

Average across precincts (5,000sqm assets, 5yr WALE)



Source: Knight Frank Research

Data Digest

Prime Grade: Asset with modern design, good condition & utility with an office component 10-30%. Located in an established industrial precinct with good access.

Secondary Grade: Asset with an older design, in reasonable/poor condition, inferior to prime stock, with an office component between 10-20%.

Core Market Yield: The percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).

WALE: Weighted Average Lease Expiry

Vacancy Methodology: This analysis collects and tabulates data detailing vacancies (5,000m²+) within industrial properties across all of the Industrial Property Market. The buildings are categorised into:

- 1) Existing Buildings - existing buildings for lease.
- 2) Speculative Buildings - buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant.
- 3) Speculative Under Construction - buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.



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