

Melbourne Industrial State of the Market



Q1 2025

Vacancy stabilises across the city as leasing volumes return to normal levels and new supply forecasts cool.

knightfrank.com.au/research

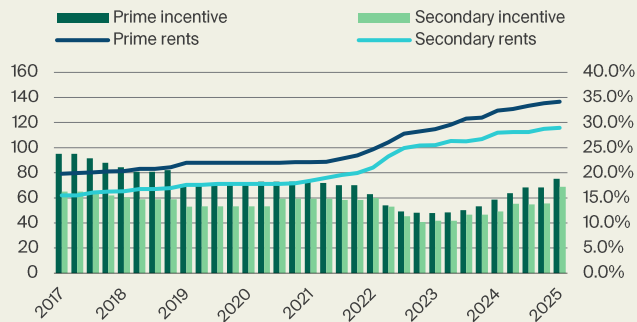


Leasing overview

Leasing volumes rise considerably in Q1-2025 after a slow H2-2024

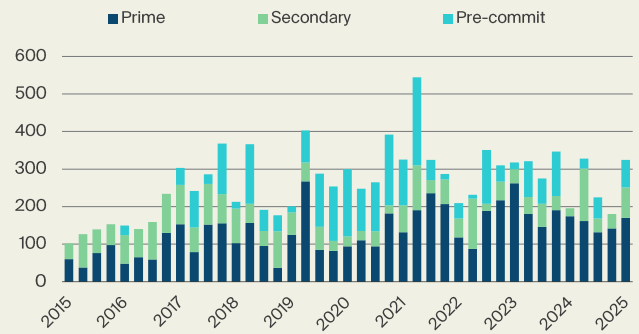
- Prime net face rents rose 0.7% q/q to sit at \$145/sqm on average
- Prime incentives rose further in Q1-2025 up 1.4% q/q, and 2.7% y/y to sit at 17.5% on average
- Take-up increased 79.9% q/q to total 324,426 sqm in Q1-2025 (52.4% of this was for existing prime)
- The vacancy rate fell for the first time in Melbourne since Q1-2023, down 0.2% q/q to sit at 3.1%
- Approximately 577,253 sqm of new supply is forecast to complete by the end of 2025 down 46.3%
- The West is now the largest precinct in Melbourne occupying 35.1% of the city's industrial stock

Melbourne industrial rents
by grade, net face\$/sqm (LHS), and % (RHS); excl. City Fringe



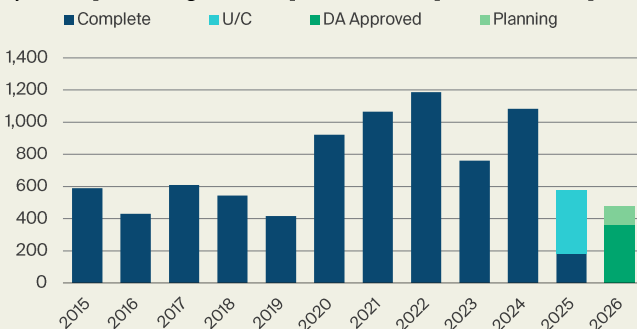
Source: Knight Frank Research

Melbourne industrial take-up
by grade and commitment type, 000's sqm



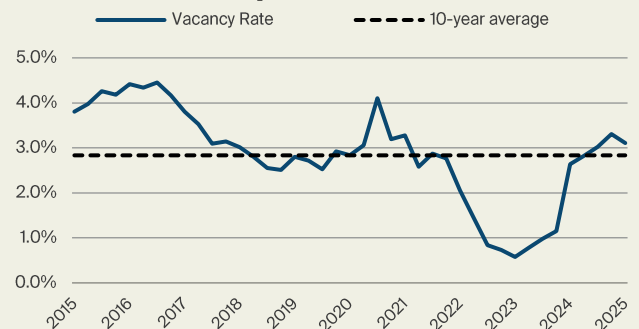
Source: Knight Frank Research

Melbourne industrial developments
by development stage, 000's sqm; excl. developments <5,000sqm



Source: Knight Frank Research

Melbourne industrial vacancy rate
excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

Industrial Market Indicators – Q1 2025

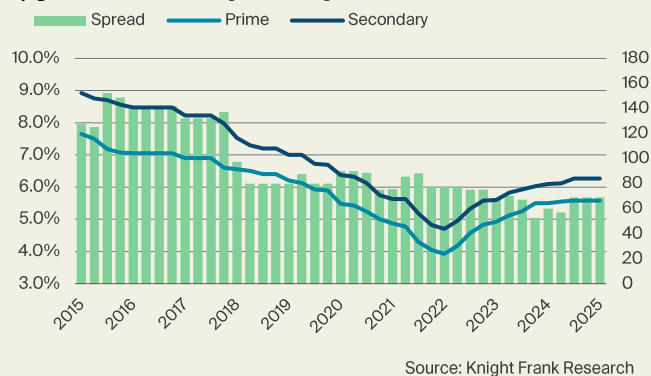
Precinct	Prime net face rent (\$/sqm)	% change q/q	Prime incentives (%)	Land values <5,000 sqm (\$/sqm)	Vacancy rate (%)	Take-up (sqm)	Core market yield (%)	Share of total stock (%)
City Fringe	180	0.0	12.5	2,200	2.7	0	5.3	6.7
North	138	0.0	18.3	800	5.3	56,441	5.8	15.2
East	133	0.0	18.9	850	1.5	34,000	5.5	8.3
Southeast	144	3.6	16.8	1,050	1.7	120,753	5.5	34.8
West	132	0.0	21.3	845	4.1	113,232	5.8	35.1

Investment overview

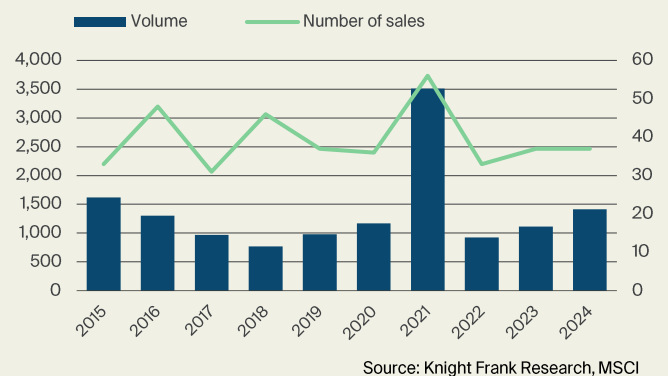
Yields remain stable across both grades

- Prime and secondary yields remained flat q/q at 5.6% and 6.3% respectively
- Land values for small sized lots remain virtually unchanged y/y up 0.1% to \$1,149/sqm on average
- Prime capital values have fallen 7.9% from their peak to sit at \$2,603/sqm on average
- However, capital values rose in the last quarter 0.7%
- The number of investment sales remained flat in 2024 from 2023 at 37 (but volumes up 26.8%)

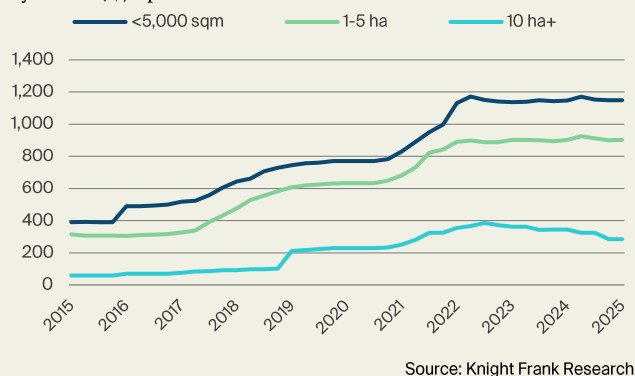
Melbourne industrial yields
by grade % (LHS), and spread in bps (RHS)



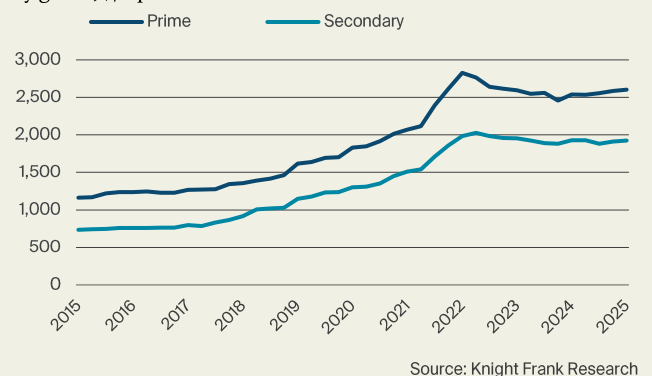
Melbourne industrial investment volumes
volume A\$m (LHS), and number of sales (RHS)



Melbourne industrial land values
by lot size, \$/sqm



Melbourne industrial capital values
by grade, \$/sqm



Recent Significant Sales

Property	Precinct	Price (\$m)	Building Size (sqm)	\$/sqm	Purchaser	Vendor	Yield (%)
9-15 Foundation Road, Truganina	West	18.0	6,611	3,706	Undisclosed.	Undisclosed.	5.2
3 Millennium Court, Knoxfield	East	22.0	8,040	2,736	Owner Occupier	Growthpoint	5.3
512-520 Geelong Road, Tottenham	West	40.0	30,814	1,298	RF CorVal	Nippon Paper	6.5

North

Incentives rise to 25.0% in certain suburbs

▲ **56k**

Take-up
+50.4% q/q

▲ **5.3%**

Vacancy
+0.3% q/q
+2.3% y/y

■ **\$138/sqm**

Prime net face rent
+0.0% q/q
+4.0% y/y

▲ **18.3%**

Prime incentive
+2.1% q/q
+5.8% y/y

▼ **154k**

Sqm new supply
forecast in 2025

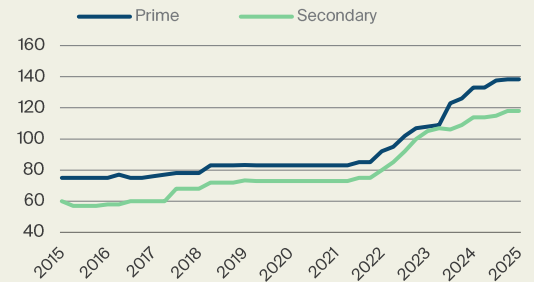
■ **5.8%**

Prime yield
+0 bps q/q
+20 bps y/y

KEY TRENDS

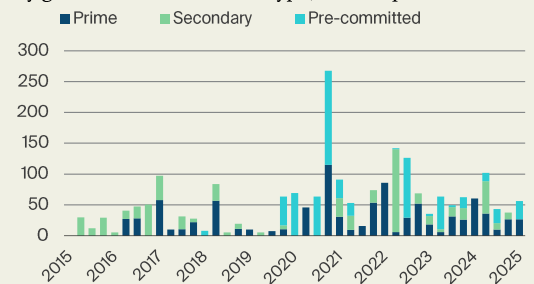
- Prime net face rental growth has slowed across the precinct, up 4.0% y/y having risen 28.1% in 2-years.
- Prime incentives have risen 2.1% q/q to sit at 18.3% with suburbs such as Somerton, Campbellfield and Craigieburn reaching 25.0%.
- Take-up bounced back in the North over Q1-2025, up 50.4% with 56,441 sqm of space leased.
- Most of this take-up was made up of a pre-commitment by Strandbags for (c) 30,000 sqm at Frasers 4-Ten Epping.
- New supply forecast for 2025 has fallen drastically as completion of the multi-deck Amazon warehouse in Craigieburn has been pushed into 2026 with the builder, Roberts & Co, going into administration.
- Vacancy rate rose marginally by 0.3% to 5.3%, remaining virtually in line with the 10-year average of 5.2%.
- Complete speculative warehousing accounts for most (53.4%) of the North's total vacancy in Q1-2025.

North industrial net face rents
by grade, \$/sqm



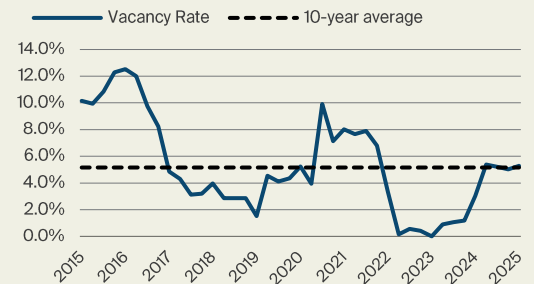
Source: Knight Frank Research

North take-up
by grade and commitment type, 000's sqm



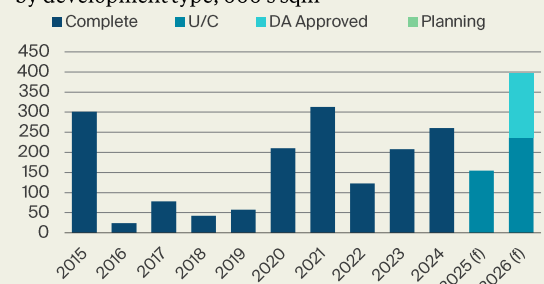
Source: Knight Frank Research

North industrial vacancy rate
excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

North industrial new supply
by development type, 000's sqm



Source: Knight Frank Research

Southeast

Leasing volumes rise in Q1-25 after a quiet end to 2024

▲ **120k**

Take-up
+512% q/q

▼ **1.7%**

Vacancy
-0.1% q/q

▲ **\$144/sqm**

Prime net face rent
+3.6% q/q
+7.3% y/y

▲ **16.9%**

Prime incentive
+0.6% q/q
+2.9% y/y

▲ **247k**

Sqm new supply
forecast in 2025

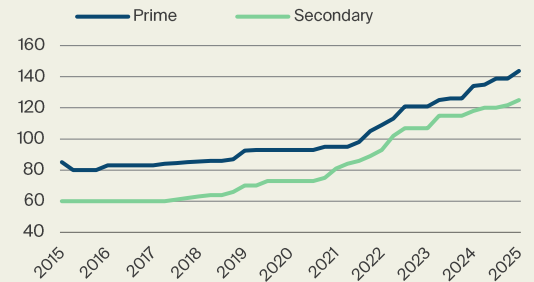
■ **5.5%**

Prime yield
+0 bps q/q
+0 bps y/y

KEY TRENDS

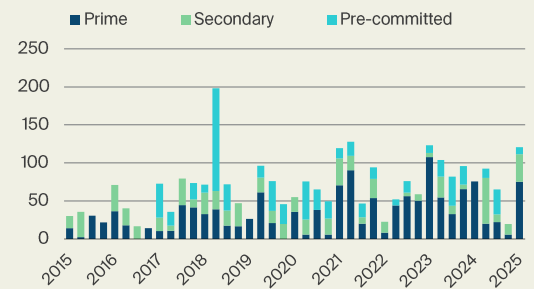
- The Southeast was the only industrial precinct to see prime net face rental growth over Q1-2025 up 3.6%.
- Prime net face rents in the Southeast remain the highest of all industrial precincts excluding the City Fringe at \$144/sqm.
- Incentives have risen to a lesser extent in the Southeast compared to the North and West averaging 16.9% having increased 0.6% q/q and 2.9% y/y.
- The Southeast has the most forecasted new supply of all precincts in 2025 with 247,274 sqm of warehousing expected to reach completion.
- Lot's 4, 6 & 7 at ESR Greenlink reached practical completion in Q1-2025 adding 111,399 sqm of space to the market across 6 warehouses.
- The vacancy rate in the Southeast has declined 0.3% q/q to sit at 1.7% roughly in line with the 10-year average of 1.6%.

Southeast industrial net face rents
by grade, \$/sqm



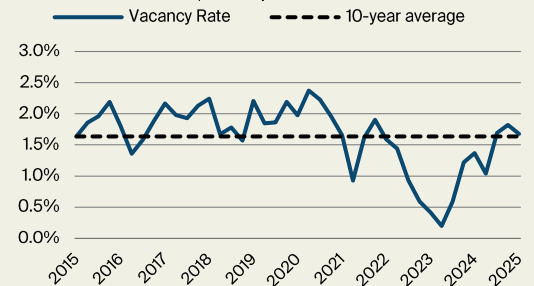
Source: Knight Frank Research

Southeast take-up
by grade and commitment type, 000's



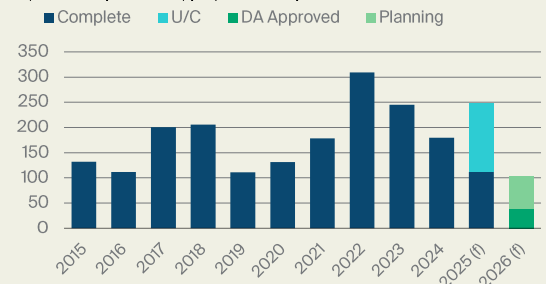
Source: Knight Frank Research

Southeast industrial vacancy rate
excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

Southeast industrial new supply
by development type, 000's sqm



Source: Knight Frank Research

West

New supply forecast to fall significantly in 2025 and 2026

133k

Take-up
-8.0% q/q

4.1%

Vacancy
-0.4% q/q

\$132/sqm

Prime net face rent
+0.0% q/q
+0.8% y/y

21.3%

Prime incentive
+1.8% q/q
+5.0% y/y

175k

Sqm new supply
forecast in 2025

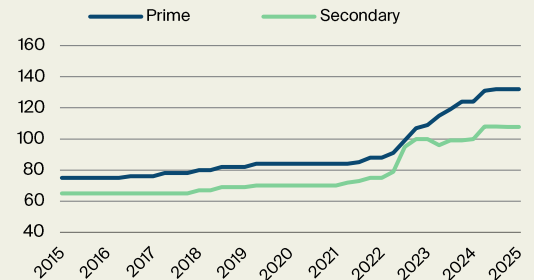
5.8%

Prime yield
+0 bps q/q
+20 bps y/y

KEY TRENDS

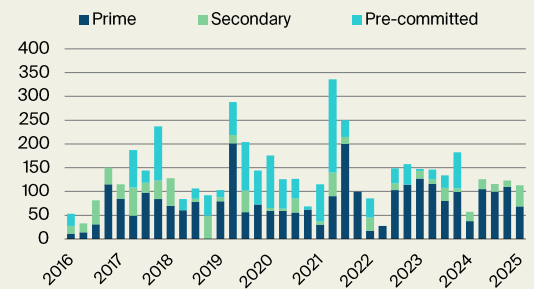
- Industrial net face rents sit at \$132/sqm for prime and \$108/sqm for secondary on average, the cheapest of all precincts.
- Prime incentives remained relatively stable in Q1-2025 up 0.6% to sit at 21.3% on average but have risen 5.0% y/y.
- Take-up fell 8.0% in the West q/q but was the highest of all precincts at 113,232 sqm (accounting for 34.5% of Melbourne's total).
- New supply has fallen 72.8% in the West from 2024 to 2025 with only 175,132 sqm forecast to complete by the end of the year.
- Warehouse 1 & 2 at 535-601 Troups Road reached practical completion in Q1-2025 adding 57,808 sqm of spec warehousing to the precinct.
- The vacancy rate fell 0.4% to 4.1% in the West edging closer towards the 10-year average of 3.5%.
- Prime yields remained flat q/q at 5.8% having increased 20 bps y/y.

West industrial net face rents
by grade, \$/sqm



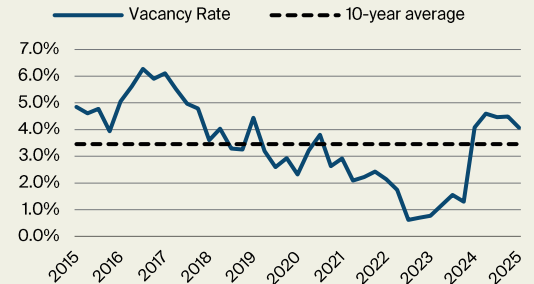
Source: Knight Frank Research

West take-up
by grade and commitment type, 000's sqm



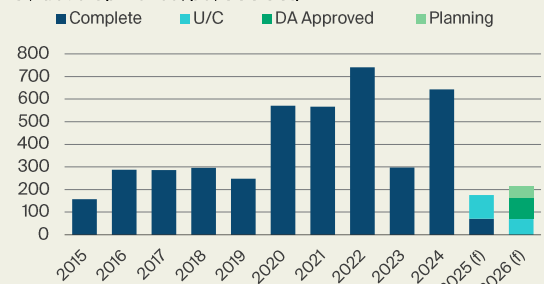
Source: Knight Frank Research

West industrial vacancy rate
excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

West industrial supply
by development type, 000's sqm



Source: Knight Frank Research

East

The East registered its largest lease deal since 2012

34k

Take-up

No lease deals were recorded in Q4-2024

1.5%

Vacancy

+0.2% q/q
+0.9% y/y

\$133/sqm

Prime net face rent

+0.0% q/q
+10.4% y/y

18.8%

Prime incentive

+2.1% q/q
+5.8% y/y

0k

Sqm new supply forecast in 2025

5.5%

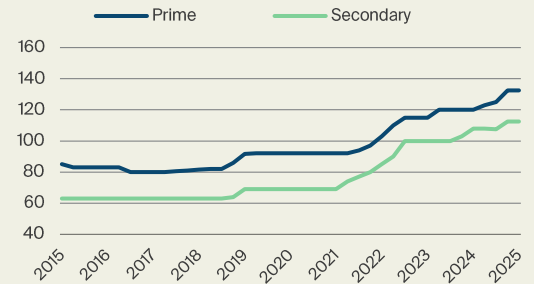
Prime yield

+ 0bps q/q
+ 0bps y/y

KEY TRENDS

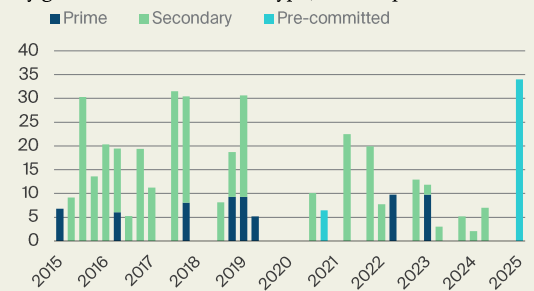
- Prime net face rents remained flat in the East over Q1-2025 at \$133/sqm having increased 10.4% y/y.
- Incentives sit at 18.8% on average across the precinct having risen 2.1% q/q and 5.8% y/y.
- Vacancy remains historically low in the East sitting at 1.5% at the end of Q1-2025, well below the 10-year average of 2.9%.
- The East recorded its highest level of take-up since Q2-2012 with 34,000 sqm of warehousing leased.
- The abnormally high take-up figure in Q1-2025 is a consequence of CoolDrive's pre-commitment of 34,000 sqm of warehousing at Charter Hall's new estate named "Mountain Highway Logistics Hub" in Boronia.
- The completion date at Kilsyth Connect (a redevelopment at 40 Garden Street) remains unclear meaning no other supply is forecast to complete up until 2026.

East industrial net face rents by grade, \$/sqm



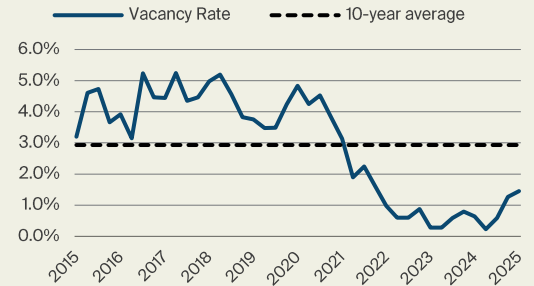
Source: Knight Frank Research

East take-up by grade and commitment type, 000's sqm



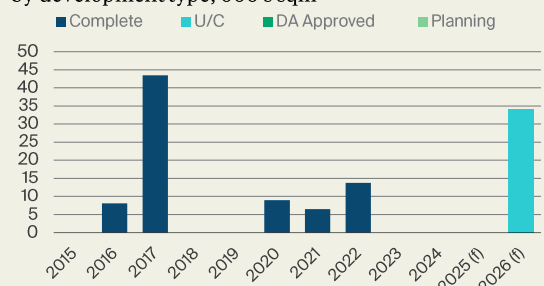
Source: Knight Frank Research

East industrial vacancy rate 000's sqm, excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

East industrial supply by development type, 000's sqm



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%.

Take-up: Take-up represents the absorption of existing assets, speculative developments, or pre-commitments

Vacancy Methodology: This analysis collects and tabulates data detailing vacancies (5,000m²+) within industrial properties across all of the Sydney 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) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Research & Consulting, VIC

Tony McGough
+61 406 928 820
tony.mcgough@au.knightfrank.com



Industrial Logistics, National Head

James Templeton
+61 411 525 217
james.templeton@au.knightfrank.com



Research & Consulting, VIC

Laurence Panozzo
+61 401 251 876
laurence.panozzo@au.knightfrank.com



Industrial Logistics, VIC

Joel Davy
+61 411 109 876
joel.davy@au.knightfrank.com



Valuation & Advisory, VIC

Michael Schuh
+61 412 443 701
michael.schuh@vic.knightfrank.com.au



Industrial Logistics, Eastern Office

Stuart Gill
+61 417 322 080
stuart.gill@au.knightfrank.com

Recent Research



Australian Industrial Review



Sydney City Fringe Office Market



Sydney Industrial State of the Market



Sydney CBD Office State of the Market



Economic Indicators Report



Australian Horizon Report



Important Notice © Knight Frank Australia Pty Ltd 2025 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.