Melbourne Industrial State of the Market

Q1 2026

Tougher economic conditions have created headwinds for the industrial market, yet leasing activity remains robust as occupiers consolidate and right-size into higher quality warehousing off the back of strong supply.

knightfrank.com.au/research

Rise Industrial Estate, Cranbourne West

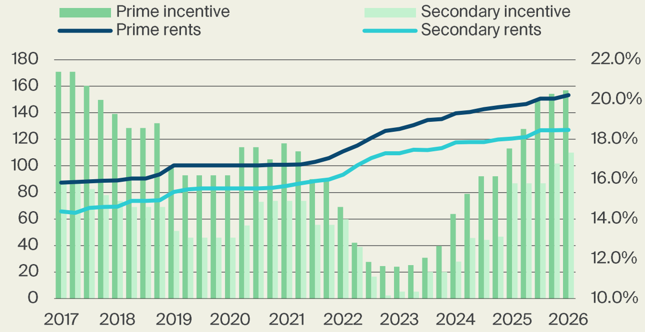
Leasing overview

Vacancy rises to 4.5% despite strong leasing activity across the quarter

- Prime net face rental growth remains steady, rising 5.5% annually to average $153/sqm.
- Take-up remains robust despite tougher economic conditions, totalling 350k sqm across Q1 2026.
- The vacancy rate continues to rise, now sitting at 4.5% and above the 10-year average of 2.6%.
- New supply remains steady, with 714,000 sqm forecast in 2026 and a further 643,000 sqm in 2027.

Melbourne industrial rents and incentives

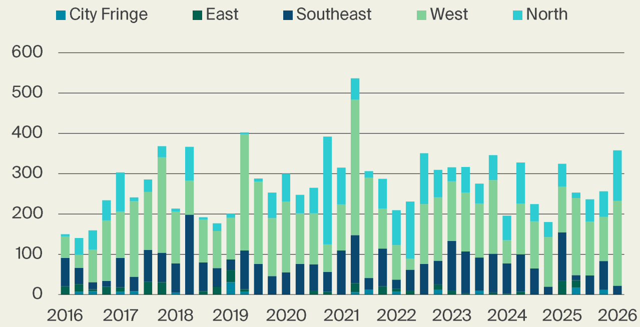
by grade, net face rent $ (LHS), and % (RHS)



Source: Knight Frank Research

Melbourne industrial take-up

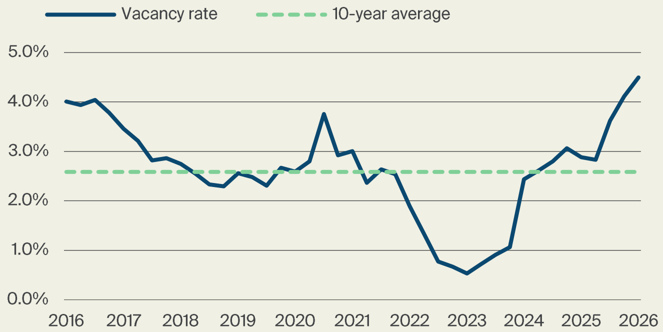
by precinct, 000's sqm



Source: Knight Frank Research

Melbourne industrial vacancy rate

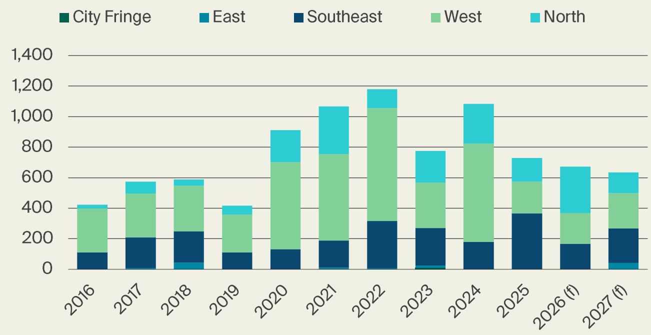
total market vacancy %



Source: Knight Frank Research

Melbourne industrial new supply

by precinct, 000's sqm



Source: Knight Frank Research

Industrial Leasing Market Indicators – Q1 2026

	Prime Indicators					Total Market Indicators	
	NFR ($/sqm)	q/q growth (%)	y/y growth (%)	Incentive (%)	NER ($/sqm)	Vacancy rate (%)	Take-up^ (sqm)
Precinct							
City Fringe	190	0.0	5.6	12.5	166	1.8	0
North	143	0.0	3.6	21.7	112	6.4	125,768
East	143	3.6	7.5	22.5	110	2.4	0
Southeast	151	4.0	4.9	19.6	121	3.6	22,171
West	140	1.6	6.1	26.1	103	5.2	210,018
Average							
Total Market	153	1.7	5.5	20.5	123	4.5	357,957
Total excl. City Fringe	144	2.3	5.5	22.5	112	4.7	357,957

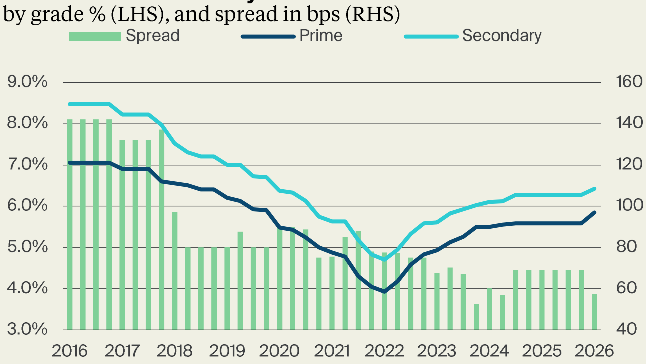
Source: Knight Frank Research

Investment overview

Prime industrial yields soften across Melbourne for the time since Q2-2024

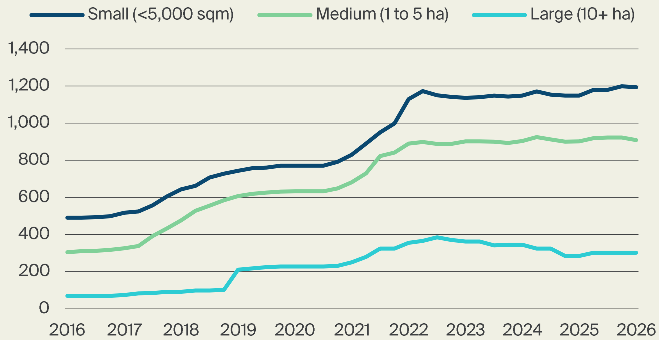
- Industrial prime yields have softened 27 bps across the market; they now sit at 5.85% on average.
- Prime and secondary capital-values remain steady at $2,621/sqm and $1,978/sqm, respectively.
- Investment remains subdued with only 21 sales YTD, though the start of the year is typically quiet.
- Land-values across small and medium sized lots have grown less than 5.0% in the last 3-years.

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



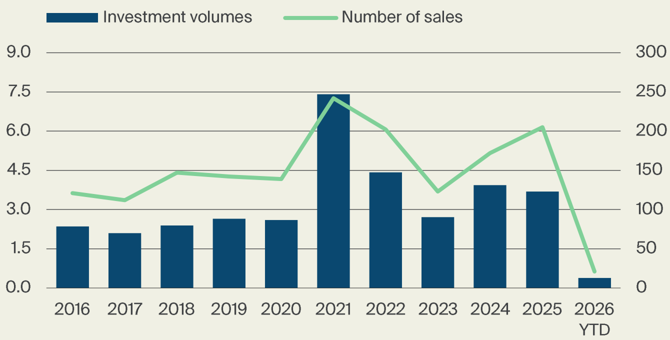
Source: Knight Frank Research

Melbourne industrial land values
by lot size, $/sqm



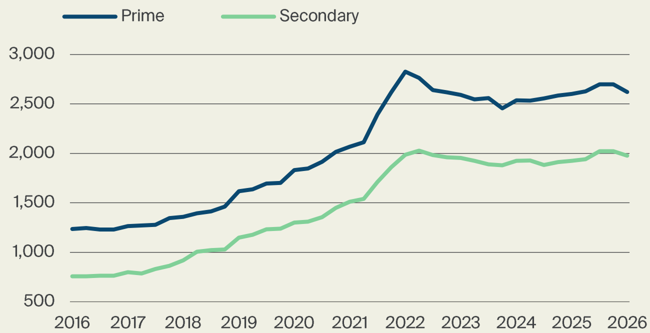
Source: Knight Frank Research

Melbourne industrial investment volumes
investment volumes in A$billions (LHS), and # transactions (RHS)



Source: Knight Frank Research, MSCI

Melbourne industrial capital values
by grade, %



Source: Knight Frank Research

Industrial Investment Market Indicators – Q1 2026

	Yield (%)*		Land Values ($/sqm)			Capital Values ($/sqm)	
	Prime	Secondary	Small	Medium	Large	Prime	Secondary
Precinct							
City Fringe	5.50	6.00	2,300	1,800	-	3,455	2,500
North	6.13	6.75	900	630	250	2,340	1,914
East	5.75	6.38	900	730	-	2,478	1,804
Southeast	5.88	6.50	1,025	765	250	2,567	2,013
West	6.00	6.50	845	620	405	2,333	1,701
Average							
Total Market	5.85	6.43	1,194	909	302	2,621	1,978
Total excl. City Fringe	5.94	6.53	918	686	302	2,428	1,859

*Core Market Yield

Source: Knight Frank Research

North

Strongest new supply forecast of any precinct in 2026

126k
Take-up Q1-2026
+98% q/q

6.4%
Vacancy
Last QTR = 5.9%
Q1-2025 = 4.3%

$143/sqm
Prime net face rent
+0.0% q/q
+3.6% y/y

21.7%
Prime incentive
Last QTR = 21.7%
Q1-2025 = 18.3%

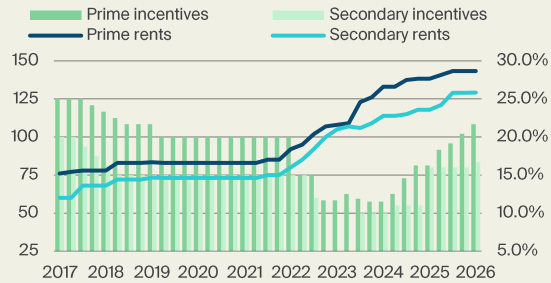
303k
Sqm new supply forecast in 2026
+137k sqm in 2027

6.13%
Prime yield
+30 bps q/q
+30 bps y/y

KEY TRENDS

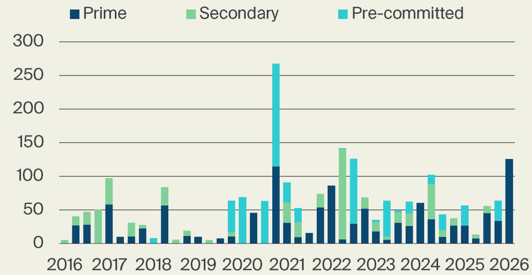
- Prime net face rental growth in the North has been moderate over the past year, rising 3.6% to average $143/sqm, with no change recorded over Q1 2026.
- The North saw its strongest level of leasing activity since Q2 2022, with 126,000 sqm of take-up recorded. However, this was largely driven by a single major transaction at Merrifield Business Park totalling 90,000 sqm.
- Incentives remain elevated but vary considerably by suburb, ranging from 10.0% in Tullamarine and Melbourne Airport to 32.5% in Craigieburn and Mickleham, with a precinct average of 21.7%.
- The North has the highest volume of forecast new supply of any precinct in 2026, with 304,000 sqm expected to be delivered.
- The majority of this is attributable to the 209,000 sqm Amazon warehouse, with remaining additions spread across 4Ten Epping, Craigieburn Logistics Estate, Melbourne Airport Business Park and Merrifield Business Park.

North industrial rents and incentives
by grade, net face $/sqm (LHS), and incentives % (RHS)



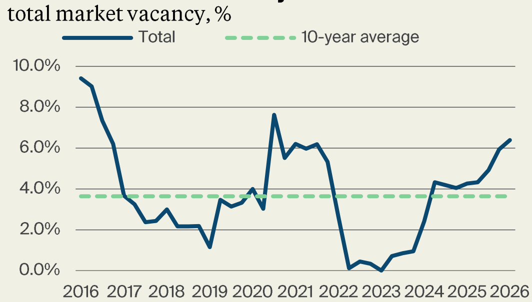
Source: Knight Frank Research

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



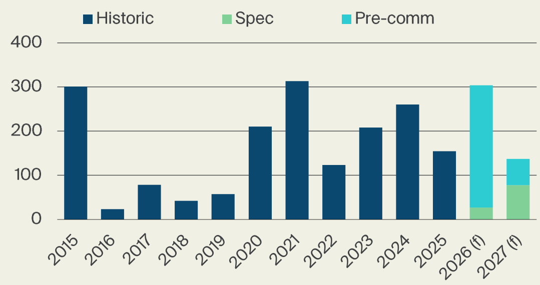
Source: Knight Frank Research

North industrial vacancy rate
total market vacancy, %



Source: Knight Frank Research

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



Source: Knight Frank Research

West

Robust leasing activity across Q1-2026 totalling 210k sqm

210k

Take-up Q1-2026

+92.2% q/q

5.2%

Vacancy

Last QTR = 4.6%

Q1-2025 = 3.6%

$140/sqm

Prime net face rent

+1.6% q/q

+6.1% y/y

26.1%

Prime incentive

Last QTR = 26.6%

Q1-2025 = 21.3%

200k

Sqm new supply forecast in 2026

+230k sqm in 2027

6.00%

Prime yield

+17 bps q/q

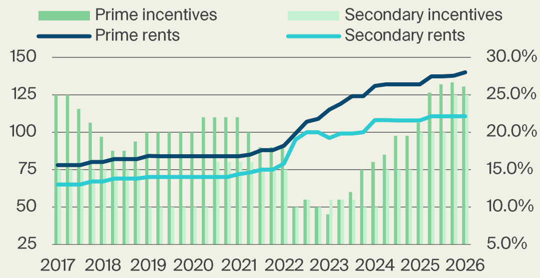
+17 bps y/y

KEY TRENDS

- The West recorded the strongest leasing activity of any precinct over Q1 2026, with 210,000 sqm of warehousing leased across 10 transactions.
- Despite this robust take-up, the vacancy rate rose again, increasing from 4.6% to 5.2% over the quarter. With no new supply delivered during Q1 2026, the implication is that net absorption remains negative, as occupiers continue to consolidate and downsize.
- Forecast new supply in the West stands at 200k sqm for 2026, none of which is speculative. This comprises two major pre-commitments, ALDI and Coles for distribution centres, along with a further pre-commitment at Horizon 3023.
- Speculative development is forecast to return in 2027, with 44% of new supply comprising speculative warehouses.
- Incentives remain the highest of any Melbourne industrial precinct at 26.6%. Despite easing 0.5% over Q1 2026, they are expected to remain elevated for the foreseeable future.

West industrial rents and incentives

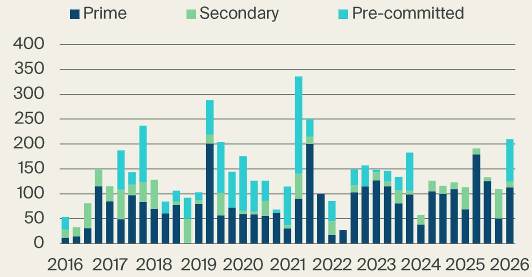
by grade, net face $/sqm (LHS), and incentives % (RHS)



Source: Knight Frank Research

West industrial take-up

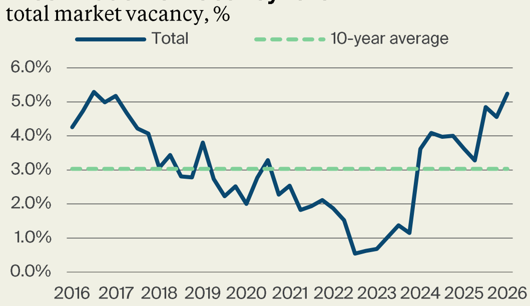
by type and grade, 000's sqm



Source: Knight Frank Research

West industrial vacancy rate

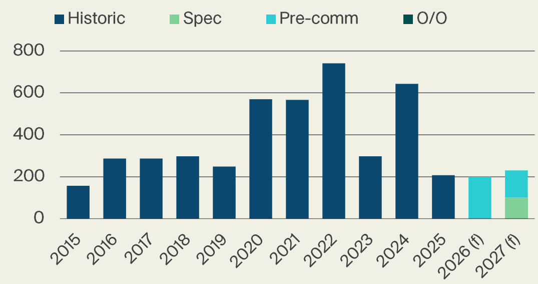
total market vacancy, %



Source: Knight Frank Research

West industrial new supply

by development stage, 000's sqm



Source: Knight Frank Research

Southeast

Vacancy stabilises after a steep ascent over Q4-2025

22k

Take-up Q4-2025
-69% q/q

3.6%

Vacancy
Last QTR = 3.6%
Q1-2025 = 1.7%

$151/sqm

Prime net face rent
+4.0% q/q
+4.9% y/y

19.6%

Prime incentive
Last QTR = 19.4%
Q1-2025 = 16.9%

168k

Sqm new supply forecast in 2026
+225k sqm in 2027

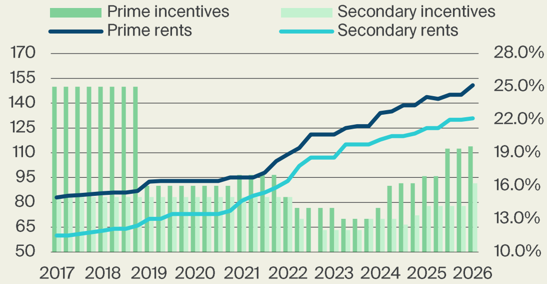
5.88%

Prime yield
+38 bps q/q
+38 bps y/y

KEY TRENDS

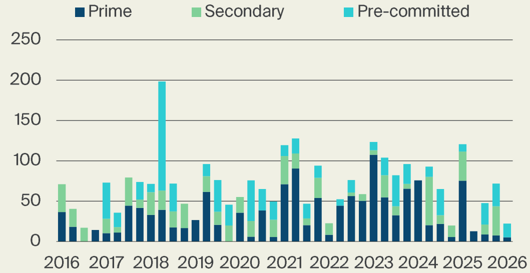
- Prime net face rents in the Southeast average $151/sqm, up 4.0% q/q and 4.9% y/y. Despite this growth, rising incentives of 19.6% have pushed effective rental growth downwards, up only 1.5% y/y.
- Leasing activity was subdued over Q1 2026, with only two transactions exceeding 5,000 sqm recorded. The largest was a pre-commitment by Kumho Tyres at ESR Enterprise Industry Park for 17,000 sqm of new warehousing.
- The vacancy rate in the Southeast has stabilised at 3.6%, following a rise of 1.3% in the previous quarter.
- Of the three major industrial precincts (exceeding 3 million sqm), prime yields remain the tightest in the Southeast at 3.88%, despite softening 38 basis points over Q1 2026.
- Two supply completions were recorded in the Southeast during Q1 2026. At Eclipse Business Park, two pre-committed warehouses were delivered, leased to Dexion and Orora respectively, while a further two warehouses were completed at Battery Court in Cranbourne West.

Southeast industrial rents and incentives
by grade, net face $/sqm (LHS), and incentives % (RHS)



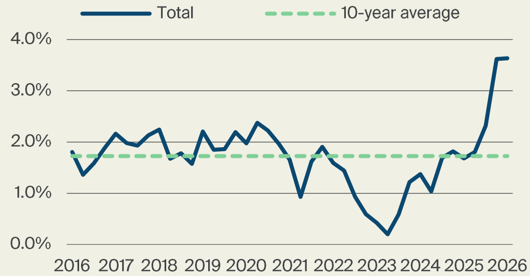
Source: Knight Frank Research

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



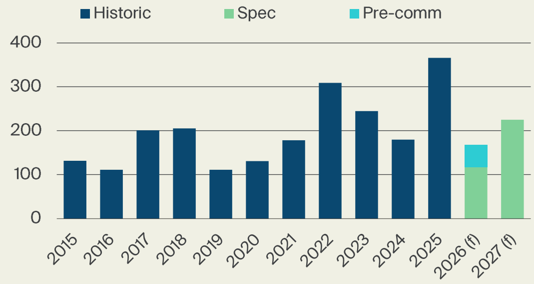
Source: Knight Frank Research

Southeast industrial vacancy rate
total market vacancy, %



Source: Knight Frank Research

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



Source: Knight Frank Research

East

Robust annual net face rental growth across the precinct

0k
Take-up Q1-2026
+0% q/q

2.4%
Vacancy
Last QTR = 1.5%
Q1-2025 = 1.5%

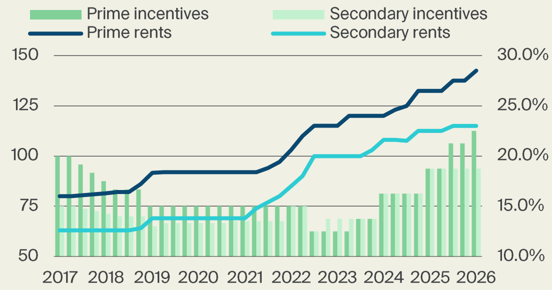
$143/sqm
Prime net face rent
+3.6% q/q
+7.5% y/y

22.5%
Prime incentive
Last QTR = 21.3%
Q1-2025 = 18.8%

42k
Sqm new supply forecast in 2026
+50k sqm in 2027

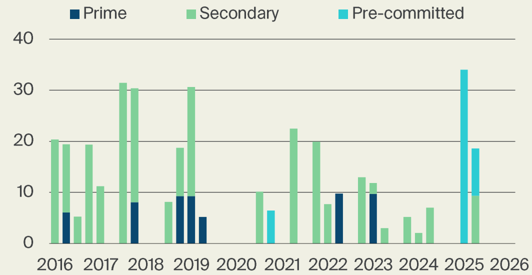
5.75%
Prime yield
+25 bps q/q
+25 bps y/y

East industrial rents and incentives
by grade, net face $/sqm (LHS), and incentives % (RHS)



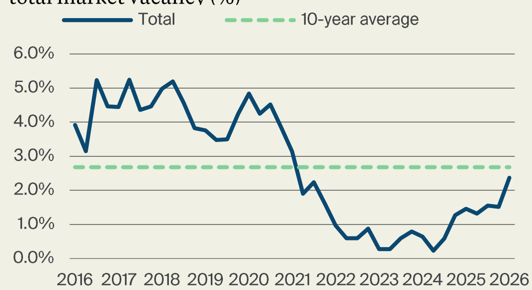
Source: Knight Frank Research

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



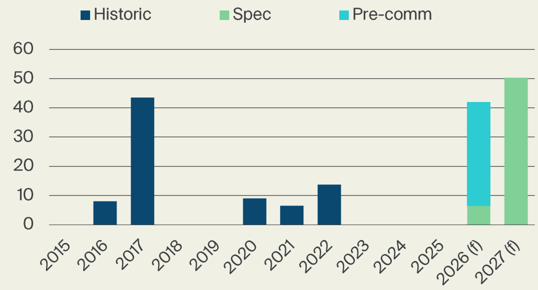
Source: Knight Frank Research

East industrial vacancy rate
total market vacancy (%)



Source: Knight Frank Research

East industrial new supply
by development stage, 000's sqm



Source: Knight Frank Research

KEY TRENDS

- Prime net face rents in the East average $143/sqm, up 3.6% q/q and 7.5% y/y. Rental growth across secondary grade warehousing has been far more subdued, rising just 2.2% y/y to average $115/sqm.
- Leasing activity was limited over Q1 2026, with no transactions exceeding 5,000 sqm recorded in the precinct.
- The vacancy rate in the East has been on a steady incline since 2023, consistent with the broader market, now sitting at 2.4%. Notably, the East remains the only precinct with a vacancy rate still below its 10-year average, which currently sits at 2.7%.
- New supply has returned to the East in 2026 and 2027, with industrial development forecast across both years for the first time since 2022.
- Activity is concentrated across two estates; Kilsyth Connect and Mountain Highway Logistics Hub. A pre-commitment from Cool-Drive at Mountain Highway Logistics Hub in Boronia for 30,000 sqm accounts for 72% of the new supply in 2026.

Data Digest

Prime Grade: Asset with modern design, good condition & utility with an office component 5-30%. 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 (5,000m²+).

Vacancy Methodology: This analysis collects and tabulates data detailing vacancies (5,000m²+) within industrial properties across all of the Melbourne 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 56 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 Investments
Harley Bown
+61 423 395 582
harley.bowen@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, VIC
Stuart Gill
+61 417 322 080
stuart.gill@au.knightfrank.com

Recent Research

Australian Industrial Report

Leading Indicators Report July 2025

Australian Build to Rent Update Q4 2024

Australia PBSA Update Q2 2025

Melbourne CBD Office Report February 2025


Australian Horizon Report