Melbourne Industrial State of the Market

Q2 2025

Market retains resilience amid volatile demand and moderating supply.

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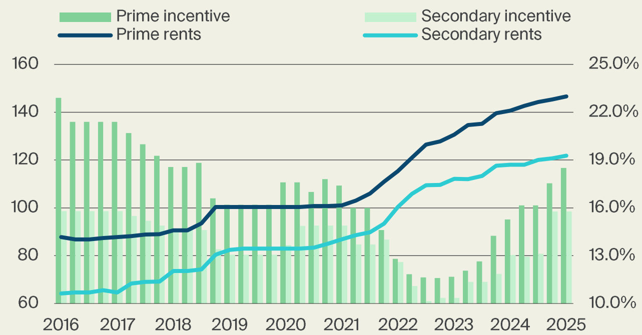
Leasing overview

Rents remain relatively stable whilst incentives tick upwards

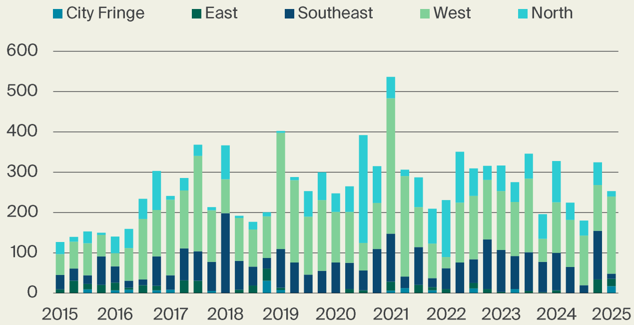
- Prime net face rents rose 0.9% q/q to $147/sqm, whilst secondary rents were up 1.0% to $122/sqm
- Prime incentives rose for the third consecutive quarter, up 1.0% to an average of 18.5%
- Leasing activity fell 22.1% in Q2-25, with 252,797 sqm of take-up recorded
- The vacancy rate held steady at 3.1%, slightly above the 10-year average of 2.8%
- 654,459 sqm of new supply is forecast to complete in 2025, down 39.6% from 2024
- The Southeast is expected to deliver 44.6% of 2025's new supply, the most of any precinct

Melbourne industrial rents and incentives
by grade, net face rent $ (LHS), and % (RHS)



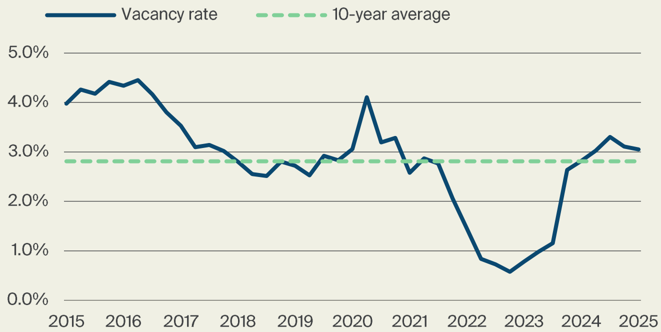
Source: Knight Frank Research

Melbourne industrial take-up
by precinct, 000's sqm



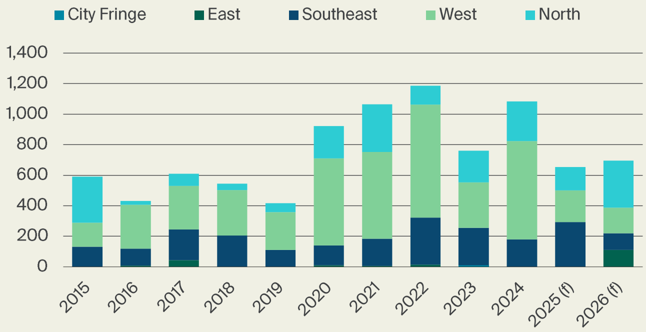
Source: Knight Frank Research

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 Market Indicators – Q2 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	3.1	17,163	5.3	6.6
North	141	1.8	19.2	896	5.3	13,112	5.8	15.4
East	133	0.0	18.8	900	1.3	18,584	5.5	8.2
Southeast	143	-0.9	16.9	1,050	1.8	12,670	5.5	34.7
West	137	4.0*	25.3	855	3.7	191,268	5.8	35.1

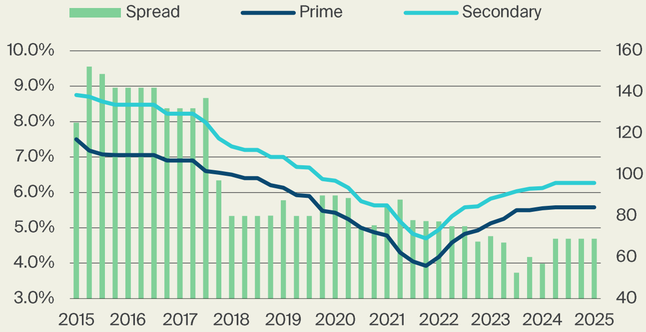
*Restated sample, 0% without revisions.

Investment overview

Prime and secondary yields have remained unchanged for one year

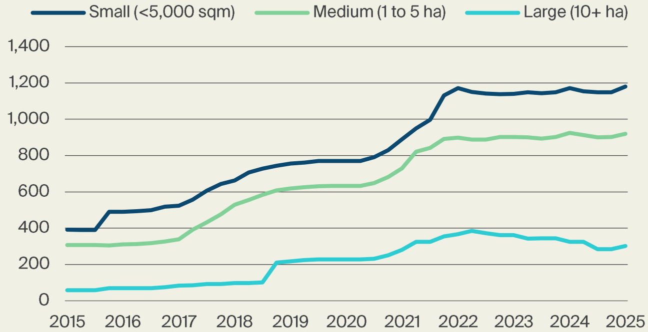
- Prime and secondary yields remained flat q/q at 5.6% and 6.3% respectively
- The spread between prime and secondary yields remains tight at 69 bps
- Small sized lots are becoming increasingly scarce with land values up 2.7% q/q to $1,180/sqm
- Prime capital values have increased 0.9% q/q and 3.7% y/y to average $2,627/sqm
- Secondary capital values also continue to recover, up 1.0% q/q to $1,942/sqm
- There have been 47 industrial investment sales in Melbourne YTD totalling $756 million

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



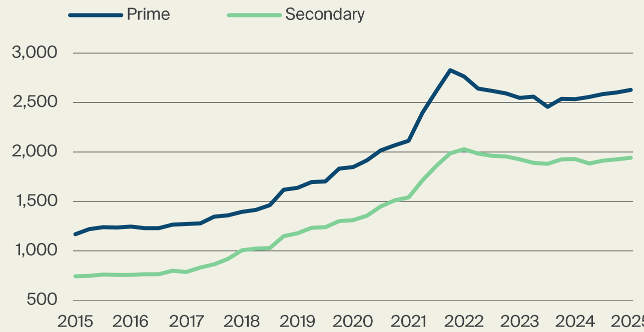
Source: Knight Frank Research

Melbourne industrial land values
by lot size, $/sqm



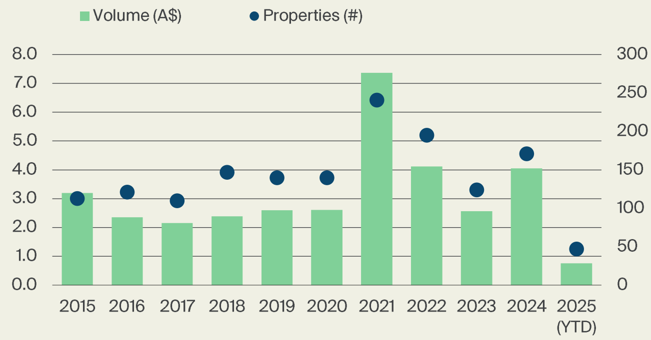
Source: Knight Frank Research

Melbourne industrial capital values
by grade %



Source: Knight Frank Research

Melbourne industrial investment volumes
in A$ billions (LHS), and no. of properties (RHS)



Source: Knight Frank Research. MSCI

Recent Significant Investment Sales

Property	Precinct	Price ($m)	Building Size (sqm)	$/sqm	Purchaser	Vendor	Yield (%)
1 Quarry Road, Tottenham	West	32.8	8,055	4,072	Centuria OBO Starwood	Private	4.1
97-103 Boundary Road, Laverton North	West	26.1	7,020	3,718	Hilljoy Pty Ltd	Gateway Capital	5.9
42 Northey Road, Lynbrook	Southeast	9.6	4,204	2,284	KM Property Funds	Westbridge	5.8

West

Prime incentives are up 4.0% q/q now averaging 25.3%

191k
Take-up Q2-2025
+68.9% q/q

3.7%
Vacancy
-0.4% q/q
-0.9% y/y

$137/sqm
Prime net face rent
+4.0% q/q*
+4.0% y/y*

*Restated sample, 0% without revisions.

25.3%
Prime incentive
+4.0% q/q
+8.3% y/y

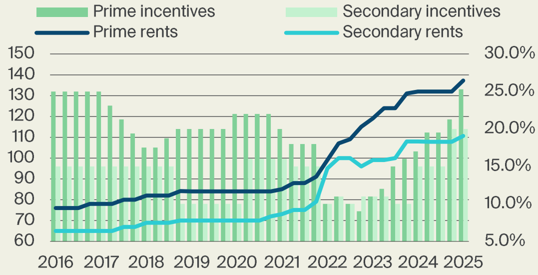
207k
Sqm new supply forecast in 2025

5.8%
Prime yield
+ 0bps q/q
+ 0bps y/y

KEY TRENDS

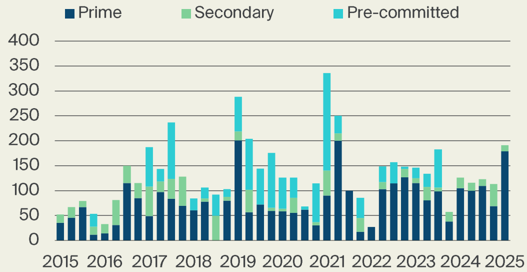
- Prime net face rents in the West have risen 4.0% q/q to $137/sqm, this growth was a consequence of a revision to the basket and without its prime net face rents would have stayed flat.
- Prime incentives have risen markedly in the West, up 4.0% q/q to average 25.3% – some suburbs have seen incentives rise as high as 27.5% and 30.0%.
- The West precinct saw its highest level of take-up since Q3-21 with 191,268 sqm of leasing registered in Q2-25.
- The heightened level of leasing activity in the West is not an accurate reflection of market sentiment with many of the deals over this period in negotiation for long-periods.
- Vacancy rate in the West has fallen from 4.1% to 3.7% over Q2-25 but remains above the 10-year average of 3.4%.
- Development in the West has fallen considerably in 2025 with new supply forecast to come in 67.8% lower than 2024 at 207,532 sqm.

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



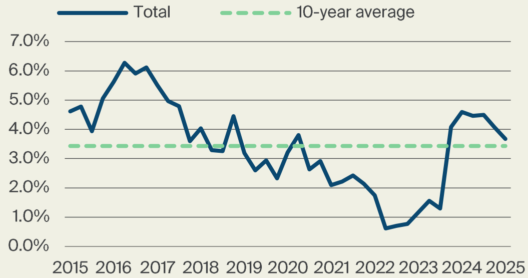
Source: Knight Frank Research

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



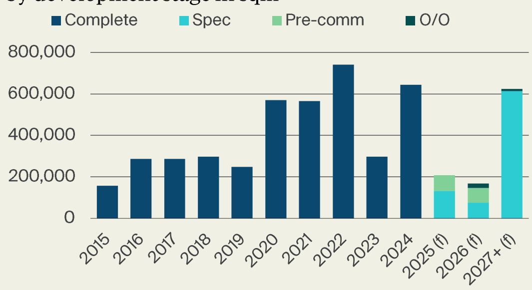
Source: Knight Frank Research

West industrial vacancy rate
total market vacancy (%)



Source: Knight Frank Research

West industrial new supply
by development stage in sqm



Source: Knight Frank Research

Southeast

Leasing was particularly quiet in the Southeast over Q2-25

13k
Take-up Q2-2025
-89.5% q/q

1.8%
Vacancy
+0.1% q/q
+0.8% y/y

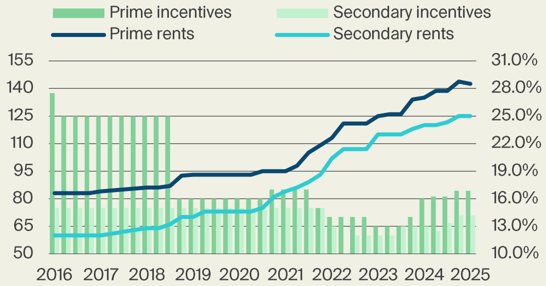
$143/sqm
Prime net face rent
-0.9% q/q
+5.6% y/y

16.9%
Prime incentive
+0.0% q/q
+0.9% y/y

292k
Sqm new supply forecast in 2025

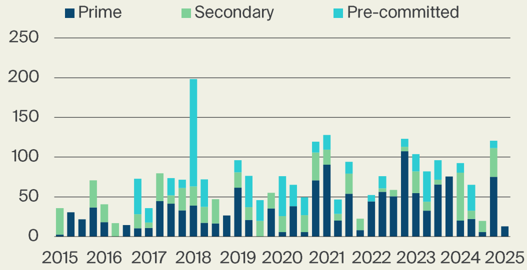
5.5%
Prime yield
+0 bps q/q
+0 bps y/y

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



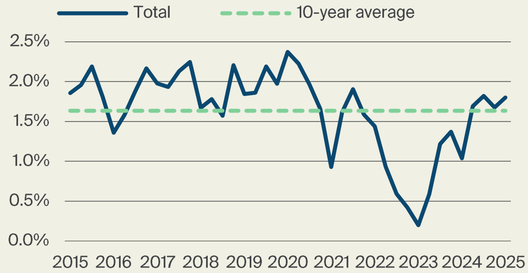
Source: Knight Frank Research

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



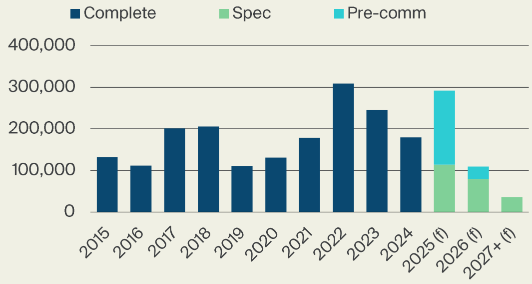
Source: Knight Frank Research

Southeast industrial vacancy rate
total market vacancy (%)



Source: Knight Frank Research

Southeast industrial new supply
by development stage in sqm



Source: Knight Frank Research

KEY TRENDS

- Prime net face rents in the Southeast fell 0.9% over Q2-25 sitting at $143/sqm, the decline was the result of a $5/sqm fall in prime rents in Pakenham to $110/sqm.
- Prime incentives in the Southeast are the lowest of any industrial precinct in Melbourne at 16.9%, they were unchanged q/q.
- Take-up in the Southeast fell 89.5% with only 12,670 sqm of leasing recorded in Q2-25 – most of the activity would have likely been renewals, expectations are that leasing will bounce back in Q3-25.
- The vacancy rate in the Southeast rose 0.1% q/q to 1.8% but remains significantly lower than the North (5.3%) and West (3.7%).
- New supply is particularly high in the Southeast with 292,080 sqm of development coming on in 2025, predominately located in the growth suburbs of Cranbourne West and Pakenham.
- Most of the new Lot 1 at ESR Enterprise reached practical completion in Q2-25, this warehouse is 12,600 sqm in size and was pre-let to Bekaert.

North

The vacancy rate remains unchanged at 5.3%

13k

Take-up Q2-2025
-76.8% q/q

5.3%

Vacancy
+0.0% q/q
-0.1% y/y

$141/sqm

Prime net face rent
+1.8% q/q
+5.9% y/y

19.2%

Prime incentive
+0.9% q/q
+4.6% y/y

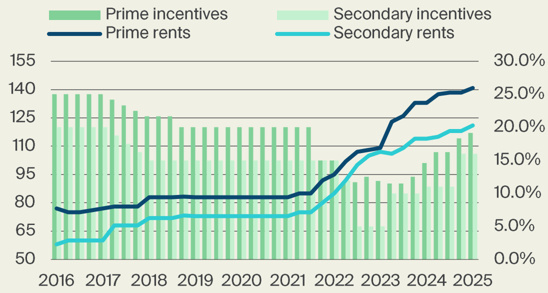
154k

Sqm new supply forecast in 2025

5.8%

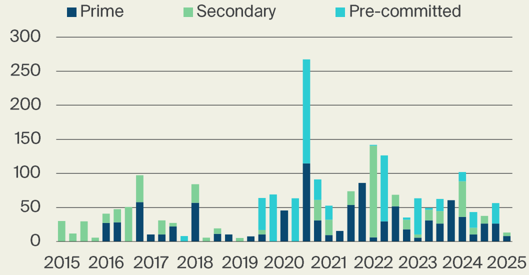
Prime yield
+ 0bps q/q
+ 0bps y/y

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



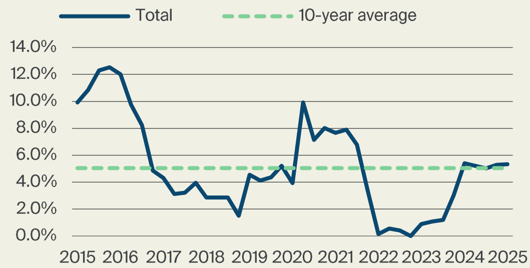
Source: Knight Frank Research

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



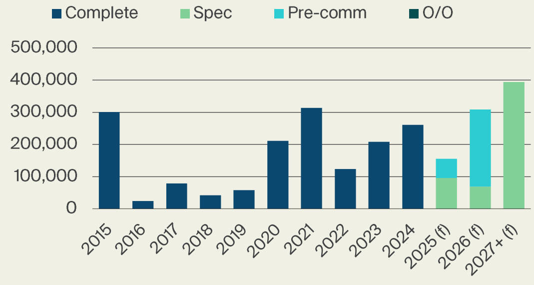
Source: Knight Frank Research

North industrial vacancy rate
total market vacancy (%)



Source: Knight Frank Research

North industrial new supply
by development stage in sqm



Source: Knight Frank Research

KEY TRENDS

- Prime net face rents rose 1.8% q/q averaging $141/sqm across the precinct, the growth came entirely from a $10/sqm increase in Epping, all other suburbs remained flat.
- Leasing is particularly quiet in the North compared to the West – take-up was down 76.8% q/q with only two lease deals totalling 13,000 sqm transacting in Q2-25.
- Prime incentives were up 0.9% q/q averaging 19.2% across the precinct, some suburbs such as Craigieburn, Somerton and Campbellfield have an average prime incentive of 25.0%.
- The vacancy rate in the North remained flat at 5.3% q/q and is the highest of any industrial precinct in Melbourne at 5.3%, this figure is slightly above the 10-year average of 5.0%.
- Recently completed speculative warehouses yet to be leased account for69.3% of vacancy in the North (totalling 180,845 sqm).

East

New supply returns in 2026 with 110,113 sqm expected

19k

Take-up Q2-2025

No lease deals were recorded in Q1-2025

1.3%

Vacancy

-0.2% q/q

+1.1% y/y

$133/sqm

Prime net face rent

+0.0% q/q

+7.7% y/y

18.8%

Prime incentive

+0.0% q/q

+2.5% y/y

0k

Sqm new supply forecast in 2025

5.5%

Prime yield

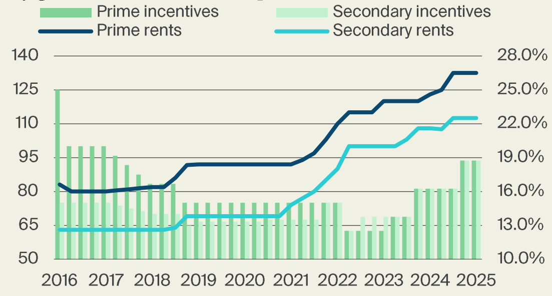
+ 0bps q/q

+ 0bps y/y

KEY TRENDS

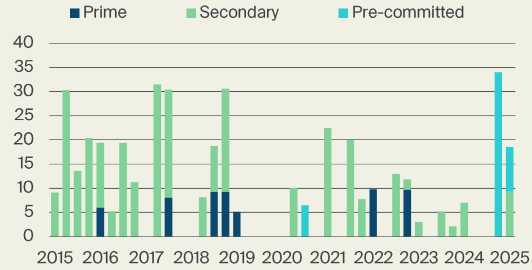
- Prime net face rents remained unchanged over Q2-25 at $133/sqm but are up 7.7% y/y.
- Take-up bounce backed in Q2-25 with 18,584 sqm recorded across the precinct after no lease deals were registered in Q1-25.
- Vacancy remains extremely tight in the East at 1.3% after falling 0.2% q/q, it is well below the 10-year average of 2.9%.
- No new supply is forecast to come on in the East over 2025, however approximately 110,113 sqm is expected to land in 2026.
- The new supply in 2026 is made up of two major developments, Kilsyth Connect (33,250 sqm) and Mountain Highway Logistics Hub Stage 1 (78,863 sqm).
- Mountain Highway Logistics Hub is being developed by Charter Hall and currently Stage 1 will include a large pre-commitment from CoolDrive and approx. 45,000 sqm of speculative warehousing.

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



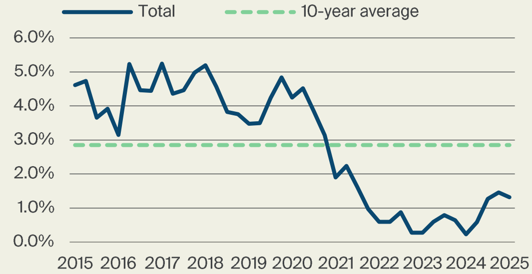
Source: Knight Frank Research

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



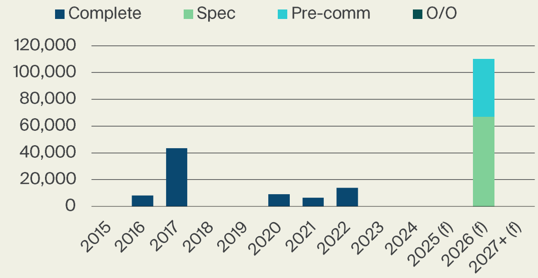
Source: Knight Frank Research

East industrial vacancy rate
total market vacancy (%)



Source: Knight Frank Research

East industrial new supply
by development stage in sqm



Source: Knight Frank Research

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

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.

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