# Melbourne Industrial State of the Market

**Q2 2026**

Despite less new supply in 2026, vacancy keeps rising. Rents are growing, but incentives are offsetting gains. Take-up stays robust, though many tenants are downsizing or consolidating.

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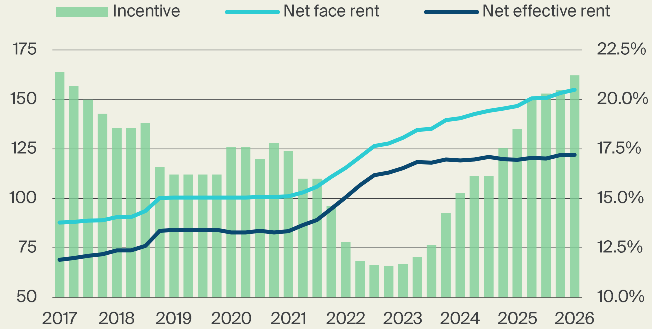
# Leasing overview

## Vacancy pushes to 5.0% despite robust take-up

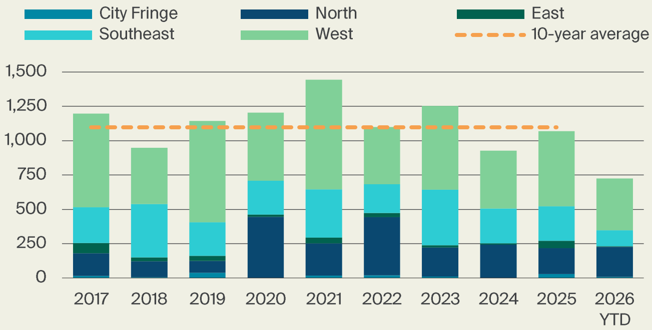
- Prime net face rents rose 1.0% q/q and 5.6% y/y to average $155/sqm across all precincts.
- Take-up remained strong through H1 2026 at 723k sqm, tracking ahead of the 10-year average.
- Vacancy has reached 5.0% across the industrial market, as take-up comes with consolidation.
- New supply has fallen 37% from 2025 to 530k sqm in 2026, 33% of which was completed in H1-2026.

**Melbourne industrial rents and incentives**
By prime rental type $/sqm (LHS), and prime incentive % (RHS)



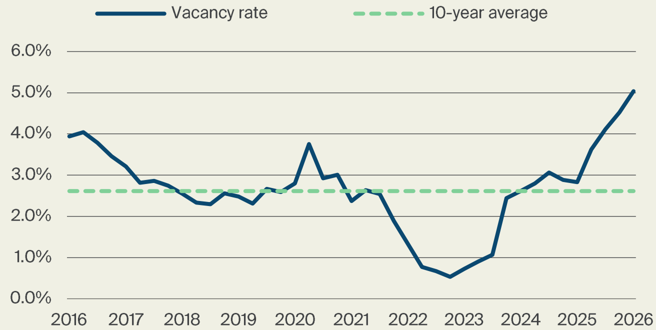

Source: Knight Frank Research

**Melbourne industrial take-up**
By precinct, 000's sqm



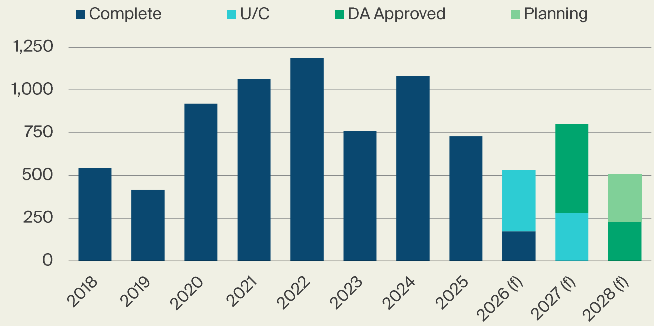

Source: Knight Frank Research

**Melbourne industrial vacancy rate**
Total market vacancy, %




Source: Knight Frank Research

**Melbourne industrial new supply**
By development stage, 000's sqm;. warehouses >5,000sqm




Source: Knight Frank Research

### Industrial Leasing Market Indicators – Q2 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 | 2.5 | 6,650 |
| North | 145 | 1.2 | 3.0 | 21.7 | 114 | 7.7 | 219,526 |
| East | 143 | 0.0 | 7,5 | 22.5 | 110 | 2.0 | 5,390 |
| Southeast | 156 | 3.3 | 9.4 | 23.3 | 119 | 4.1 | 115,415 |
| West | 141 | 0.8 | 2.8 | 26.1 | 104 | 5.7 | 376,718 |
| **Average** | | | | | | | |
| Total Market | 155 | 1.0 | 5.6 | 21.2 | 123 | 5.0 | 723,699 |
| Total excl. City Fringe | 146 | 1.3 | 5.7 | 23.4 | 112 | 5.2 | 717,049 |

^ Take-up H1 2026

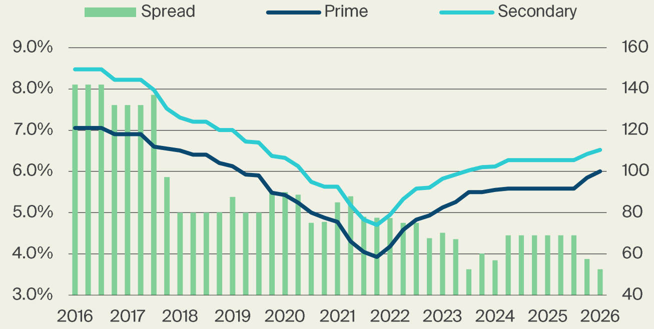
Source: Knight Frank Research

# Investment overview

## Prime yields soften for a second consecutive quarter across Melbourne

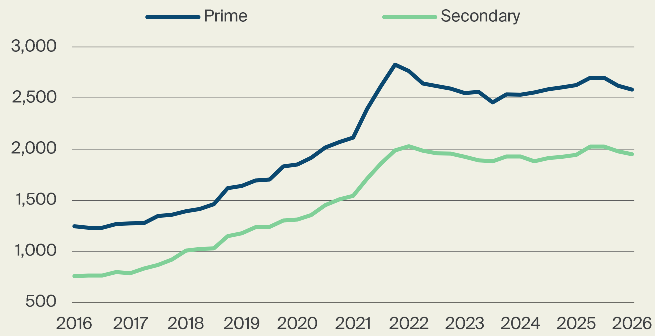
- Prime industrial yields softened a further 15 bps over Q2-2026 to average 6.0% across Melbourne.
- Capital values across prime warehousing average $2,581/sqm having fallen 1.5% q/q and 1.7% y/y.
- Land values remain stable across small and medium lot sizes growing less than 5.0% in the 3-years.
- Investment volumes remain subdued across Melbourne with only 44 transactions recorded YTD.

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



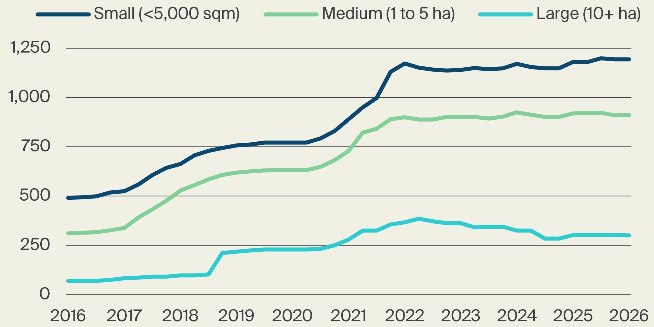

Source: Knight Frank Research

### Melbourne industrial capital values
By grade, %



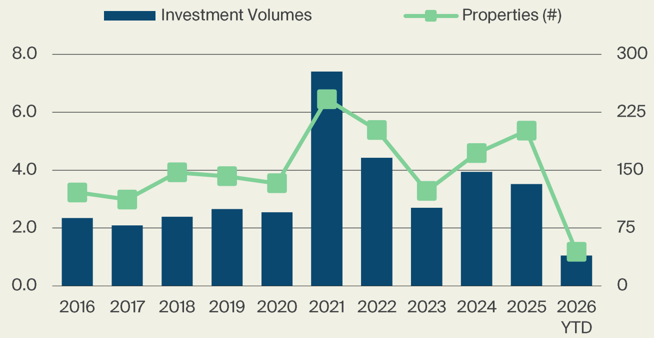

Source: Knight Frank Research

### Melbourne industrial land values
By lot size, $/sqm




Source: Knight Frank Research

### Melbourne industrial investment volumes
Investment volumes AUD$ billions (LHS), and # transactions (RHS)




Source: Knight Frank Research, MSCI

### Industrial Investment Market Indicators – Q2 2026

| | Yield (%)* | | Land Values ($/sqm) | | | Capital Values ($/sqm) | |
|---|---|---|---|---|---|---|---|
| | Prime | Secondary | Small | Medium | Large | Prime | Secondary |
| Precinct | | | | | | | |
| City Fringe | 5.63 | 6.00 | 2,300 | 1,800 | - | 3,378 | 2,500 |
| North | 6.25 | 6.75 | 900 | 630 | 250 | 2,320 | 1,926 |
| East | 6.00 | 6.50 | 900 | 730 | - | 2,375 | 1,769 |
| Southeast | 6.00 | 6.50 | 1,025 | 765 | 250 | 2,597 | 2,013 |
| West | 6.13 | 6.88 | 845 | 630 | 400 | 2,304 | 1,608 |
| Average | | | | | | | |
| Total Market | 6.00 | 6.53 | 1,194 | 911 | 300 | 2,581 | 1,951 |
| Total excl. City Fringe | 6.09 | 6.66 | 918 | 689 | 300 | 2,398 | 1,827 |

*Core Market Yield

Source: Knight Frank Research

# North

## Vacancy continues to surge in the North, now at 7.7%

**93k**
Take-up Q2-2026
-25.5% q/q

**7.7%**
Vacancy rate
Last QTR = 6.4%
Q2-2025 = 4.3%

**$145/sqm**
Prime net face rent
+1.2% q/q
+3.0% y/y

**21.7%**
Prime incentive
Last QTR = 21.7%
Q2-2025 = 19.2%

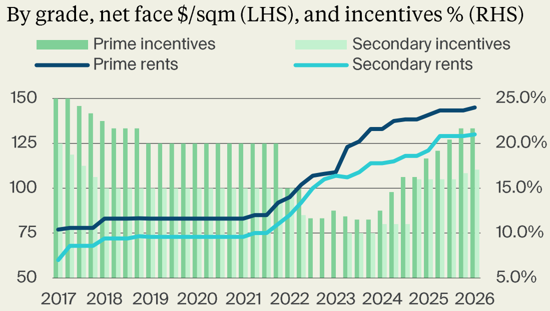
**66k**
Sqm new supply forecast in 2026
+421k sqm in 2027

**6.25%**
Prime yield
+13 bps q/q
+42 bps y/y

**KEY TRENDS**

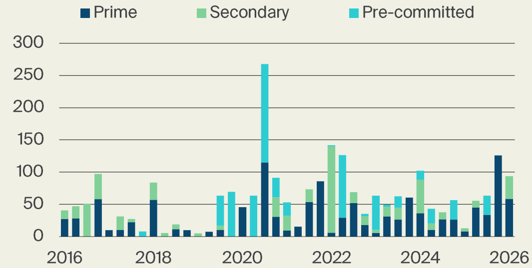
- Prime net face rents in the North saw moderate growth over the past year, up 3.0% to average $145/sqm.
- Incentives were flat q/q but rose 2.5% y/y to average 21.7%, leaving effective rents flat at $114/sqm y/y.
- The North is set for its highest recorded new supply in 2027, at 421k sqm, as Amazon's Craigieburn fulfilment centre is delayed a further 12 months.
- This push-back means 2026 new supply will hit its lowest level since 2019, with just 66k sqm forecast by year-end.
- Speculative warehousing at 4-Ten Epping, MIIX Estate, and Somerton Logistics Estate is planned for 2027.
- Vacancy rose again in Q2 2026, up 1.3% over the quarter to 7.7%, by some margin the highest of any precinct, ahead of the West at 5.7%.

**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

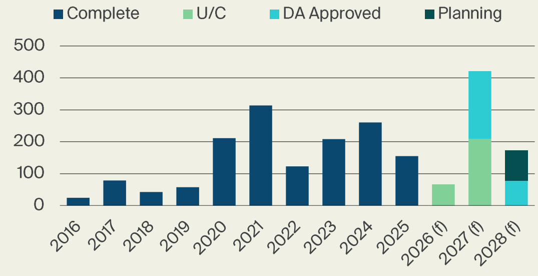



Source: Knight Frank Research

**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

## New supply set to remain subdued until 2028

**167k**

Take-up Q2-2026
-20.6% q/q

**5.7%**

Vacancy rate
Last QTR = 5.3%
Q2-2025 = 3.3%

**$141/sqm**

Prime net face rent
+0.8% q/q
+2.8% y/y

**26.1%**

Prime incentive
Last QTR = 26.1%
Q2-2025 = 25.3%

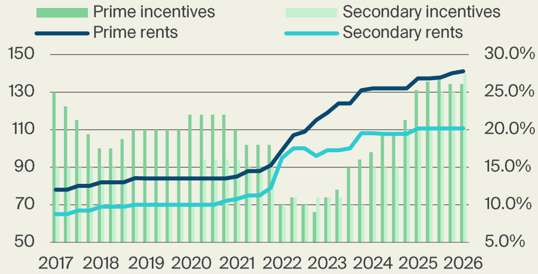
**222k**

Sqm new supply forecast in 2026
+226k sqm in 2027

**6.13%**

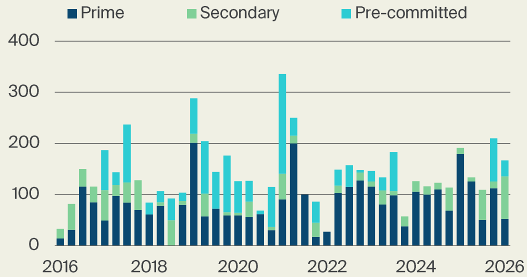
Prime yield
+13 bps q/q
+30 bps y/y

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



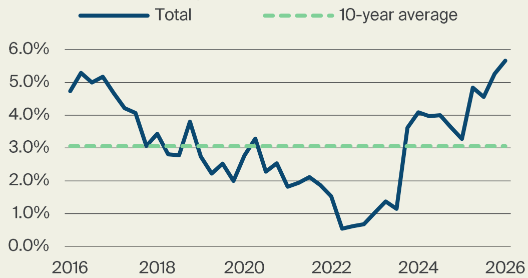

Source: Knight Frank Research

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



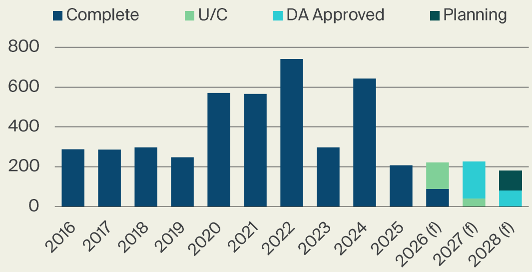

Source: Knight Frank Research

**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

### KEY TRENDS

- Rental growth in the West has been moderate, up 0.8% q/q and 2.9% y/y to average $141/sqm.
- Prime incentives remain stable but elevated at 26.1% q/q, though leasing evidence shows incentives as high as 30.0-32.5% in select suburbs.
- Vacancy has continued to rise, from 3.3% to 5.7% over the past year, now well above the 10-year average of 3.1%.
- Despite rising vacancy, take-up remains robust, reaching 619k sqm over the last year and 166k sqm in Q2-2026, propped up by tenants consolidating and capitalising on warehousing with increased cubic capacity.
- New supply is forecast at 222k sqm in 2026 and 226k sqm in 2027, well below the 10-year average of 414k sqm.
- Prime industrial yields average 6.13%, softening 12.5 bps over Q2-2026 and 30 bps over the last year.

# Southeast

## Strong rental growth largely offset by rising incentives

**93k**

Take-up Q2-2026
+320.6% q/q

**4.1%**

Vacancy rate
Last QTR = 3.7%
Q2-2025 = 1.8%

**$156/sqm**

Prime net face rent
+3.3% q/q
+9.4% y/y

**23.3%**

Prime incentive
Last QTR = 19.6%
Q2-2025 = 16.9%

**200k**

Sqm new supply forecast in 2026
+103k sqm in 2027

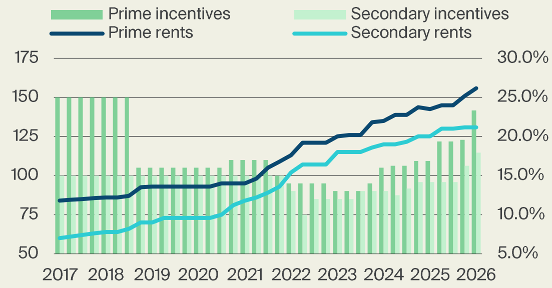
**6.00%**

Prime yield
+13 bps q/q
+50 bps y/y

**KEY TRENDS**

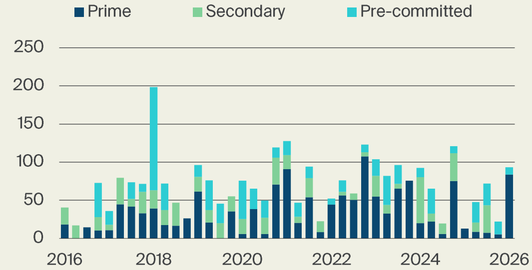
- The Southeast has seen the strongest rental growth of all Melbourne industrial precincts, with rents up 9.4% over the last year to average $156/sqm.
- Much of this growth has been negated by higher incentives, which now average 23.3% across prime assets, up 6.4% from 16.9% y/y.
- Vacancy has risen markedly over the last two years, now averaging 4.1%, well above the 10-year average of 1.8%.
- The Southeast historically had the lowest incentives and vacancy, but a wave of new supply across growth suburbs such as Pakenham and Cranbourne West, combined with softer demand, has disrupted the market.
- Q2-2026 saw completions of speculative warehousing at ESR's Enterprise Industry Park in Pakenham, adding 39k sqm to the market.
- New supply is forecast to soften over 2026, with 200k sqm expected, down from 366k sqm in 2025.

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



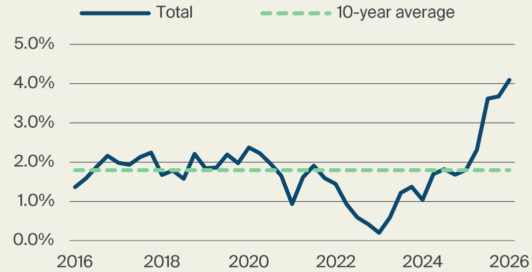

Source: Knight Frank Research

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



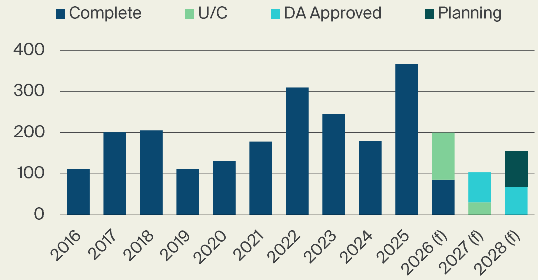

Source: Knight Frank Research

**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

## The only precinct below its 10-year vacancy average

**5k**
Take-up Q2-2026
Last QTR = 0k sqm

**2.0%**
Vacancy rate
Last QTR = 2.4%
Q2-2025 = 1.3%

**$143/sqm**
Prime net face rent
+0.0% q/q
+7.5% y/y

**22.5%**
Prime incentive
Last QTR = 22.5%
Q2-2025 = 18.8%

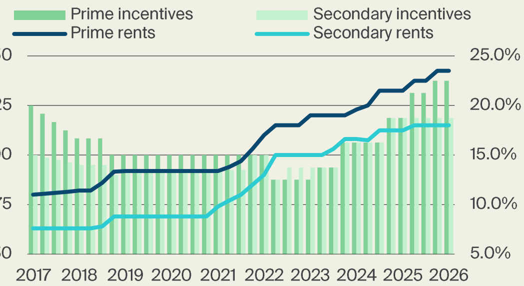
**41k**
Sqm new supply forecast in 2026
+50k sqm in 2027

**6.00%**
Prime yield
+25 bps q/q
+50 bps y/y

**KEY TRENDS**

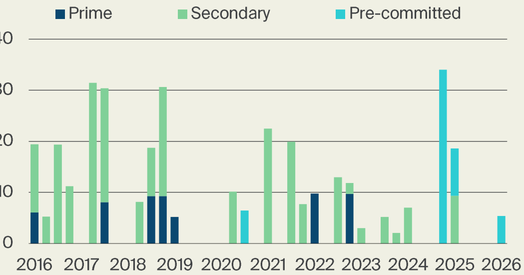
- Prime net face rents paused following robust annual growth, up 7.5% y/y (flat for q/q) to average $143/sqm.
- While rental growth has been strong, much of it has been offset by rising incentives, which climbed from 18.8% to 22.5% over the past year. As a result, net effective rents rose just 2.6% to average $110/sqm.
- The East is the only Melbourne precinct with vacancy below its 10-year average, currently sitting at 2.0% versus a long-term average of 2.7%.
- New supply has historically been limited in the precinct, though three developments are currently under construction: Mountain Highway Logistics Hub, Kilsyth Connect and 888 Mountain Highway.
- Prime industrial yields softened in line with all Melbourne precincts, averaging 6.00% in the East after moving out 13 bps q/q and 50 bps y/y.

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



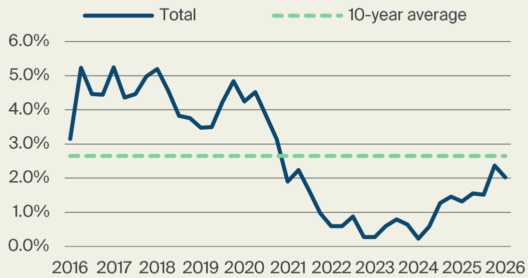

Source: Knight Frank Research

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



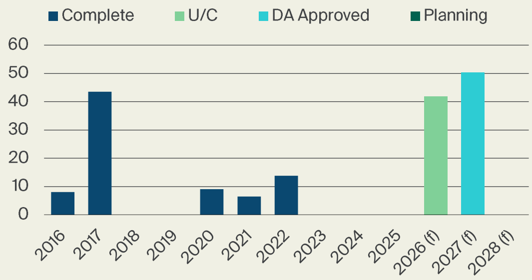

Source: Knight Frank Research

**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

### 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.

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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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