

Melbourne Industrial State of the Market



Q3 2025

Despite rising vacancy rates and subdued business conditions, leasing opportunities and take-up evidence the resilience in Melbourne's industrial market.

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Source: ESR (Broadmeadows Logistics Estate)

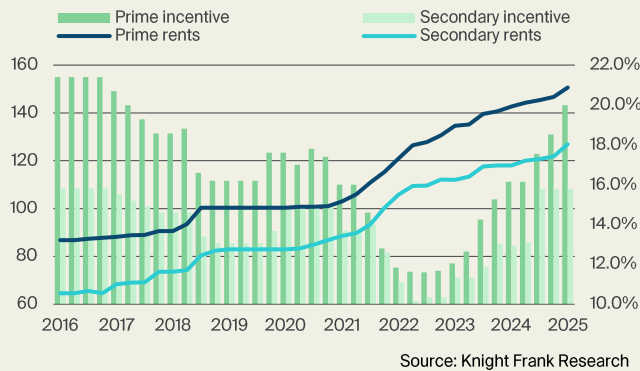
Leasing overview

Vacancy rises to 3.9% with the North and West precincts now above 5.0%

- Prime net face rents rose 2.7% q/q to \$151/sqm, they have increased 5.6% over 2025 YTD
- Prime incentives average 20.0% across all precincts, they are highest in the West at 26.4%
- The vacancy rate has risen from 3.1% to 3.9%, now sitting at its highest level since Q3-2020
- Leasing activity remains resilient across Melbourne with 814k sqm of take-up over 2025 YTD
- Logistics occupiers made up 34% of take-up so far this year followed by retail with at 27%
- Supply is forecast to rise marginally in 2026 with 738k sqm of new warehousing due to complete

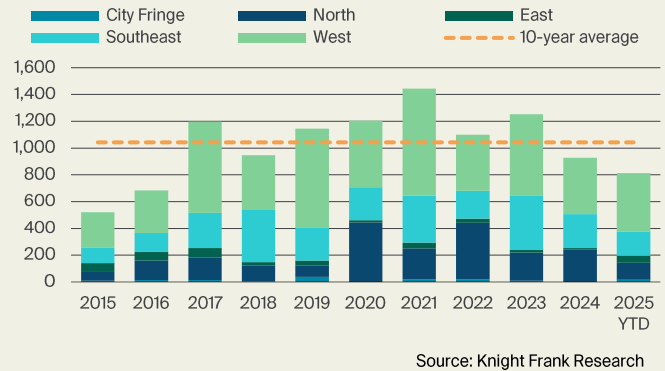
Melbourne industrial rents and incentives

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



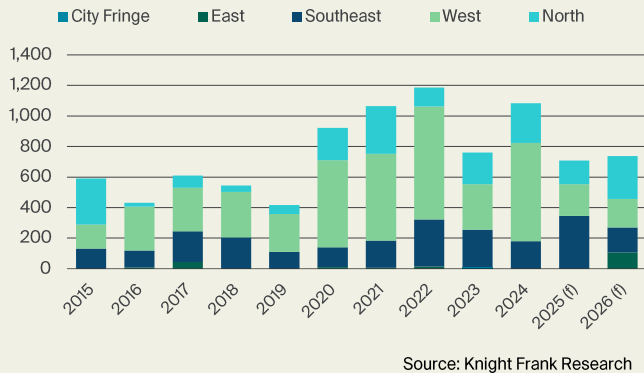
Melbourne industrial take-up

By precinct, 000's sqm



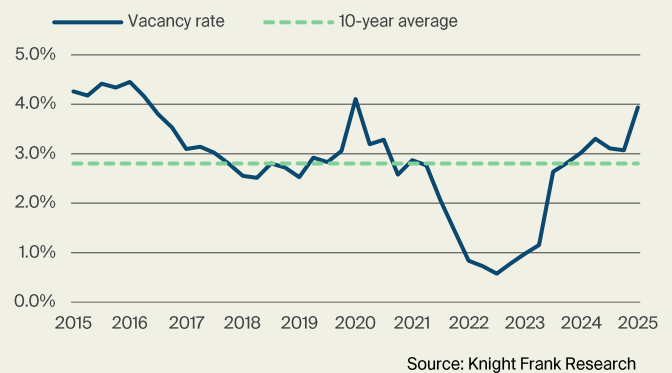
Melbourne industrial new supply

By precinct, 000's sqm



Melbourne industrial vacancy rate

%



Industrial Market Indicators – Q3 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	190	5.6	12.5	2,200	2.1	0	5.25	6.6
North	143	1.8	20.4	900	6.2	55,603	5.83	15.1
East	138	3.8	21.3	900	1.6	0	5.50	8.3
Southeast	145	1.8	19.4	1,040	2.3	47,630	5.50	35.0
West	137	0.0*	26.4	855	5.5	133,302	5.83	35.0

*Restated sample, 0% without revisions.

Source: Knight Frank Research

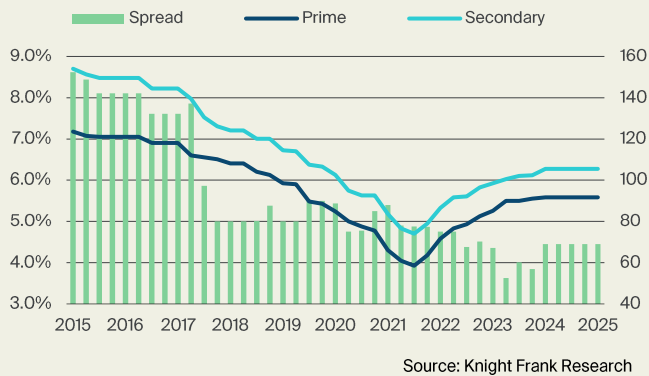
Investment overview

Transaction volumes remain subdued across Melbourne in 2025

- Prime industrial yields have remained flat at 5.58% for 7 quarters in a row
- The spread between prime and secondary yields remains tight at 69 bps
- Land values for small sized lots have oscillated over the past 3-years and now average \$1,179/sqm
- Prime industrial capital values average \$2,698/sqm whilst secondary average \$2,024/sqm
- From Q1 to Q3, investment volumes in 2025 are 35% lower than in 2024
- There have been 108 transactions for industrial assets in 2025 YTD totalling \$2.02 billion

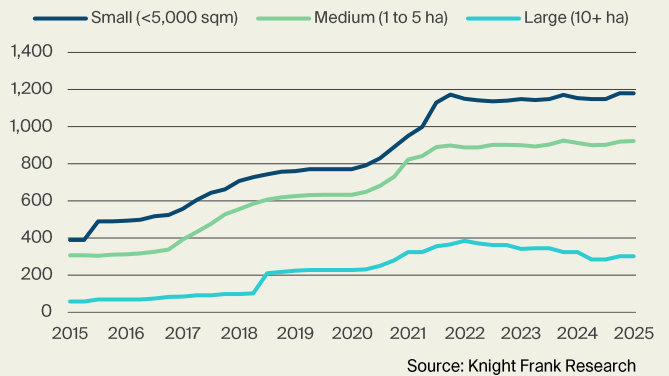
Melbourne industrial yields

By grade % (LHS), and spread in bps (RHS)



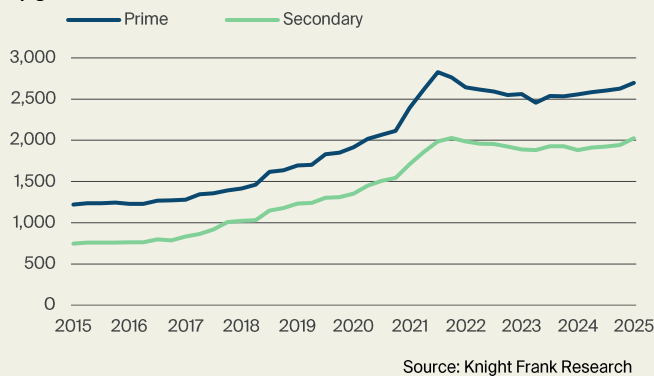
Melbourne industrial land values

By lot size, \$/sqm



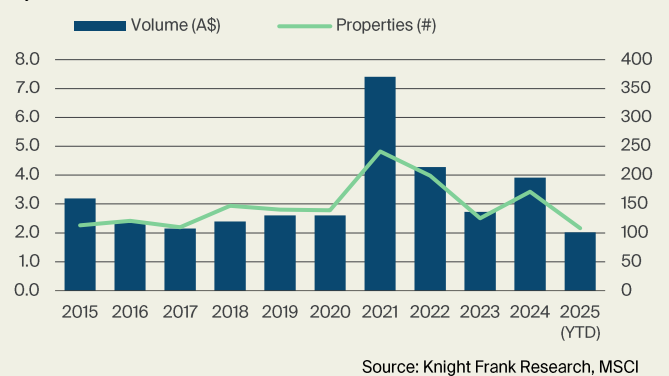
Melbourne industrial capital values

By grade %



Melbourne industrial investment volumes

By volumes \$ billion (LHS), and # transactions (RHS): >\$6 million



Recent Significant Investment Sales

Property	Precinct	Price (\$m)	Building Size (sqm)	Land Size (sqm)	Purchaser	Vendor	Yield (%)
269-271 Frankston-Dandenong Rd, Dandenong South	Southeast	24.3	7,351	24,300	Tyree Industries	Aliro	00*
62 Northgate Drive, Thomastown	North	13.3	4,970	7,600	Westbridge	Private	6.0%
30-56 Encore Avenue, Somerton	North	13.5	3,532	53,050	Private	Harmony Property	5.8%

*OO = Owner Occupier

Source: Knight Frank Research

North

Take-up bounced back over Q3-2025 with 56k sqm recorded

▲ **56k**

Take-up Q3-2025
+324% q/q

▼ **6.2%**

Vacancy
Last QTR = 5.3%
Q3-2024 = 5.2%

▲ **\$143/sqm**

Prime net face rent
+1.8% q/q
+4.2% y/y

▲ **20.4%**

Prime incentive
Last QTR = 19.2%
Q3-2024 = 16.3%

■ **154k**

Sqm new supply
forecast in 2025
+280k sqm in 2026

■ **5.8%**

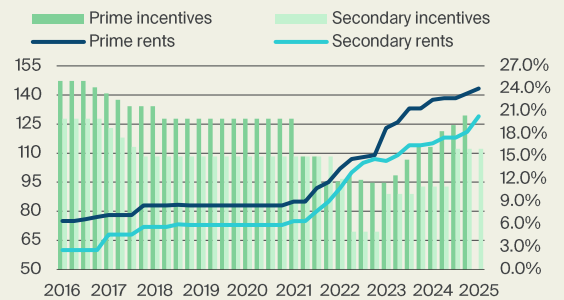
Prime yield
+0 bps q/q
+0 bps y/y

KEY TRENDS

- Prime net face rents in the North average \$143/sqm, up 1.8% q/q and 4.2% y/y.
- Secondary net face rents average \$129/sqm, up 6.6% q/q and 12.2% y/y. Secondary rents have grown considerably faster than prime in the last year as cost-effective solutions in the North have become more sought after.
- Leasing activity in the North bounced back with 55,603 sqm of take-up recorded across Q3-25, up from 13,112 sqm in Q2-25 (+324%).
- Prime incentives have continued their gradual ascendance now averaging 20.4%. They are highest in the suburbs of Somerton & Campbellfield at 30%, and lowest in the Airport at 10%.
- The vacancy rate in the North rose 0.9% over Q3-25 now sitting at 6.2%, the highest of any precinct in Melbourne.
- New supply has slowed in 2025 with 154,847 sqm of warehousing expected to reach completion by the end of the year, down 40.6% from 2024.

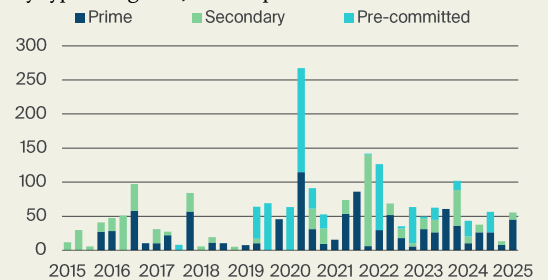
North industrial rents and incentives

By grade, net face \$/sqm (LHS), and incentive % (RHS)



North industrial take-up

By type and grade, 000's sqm



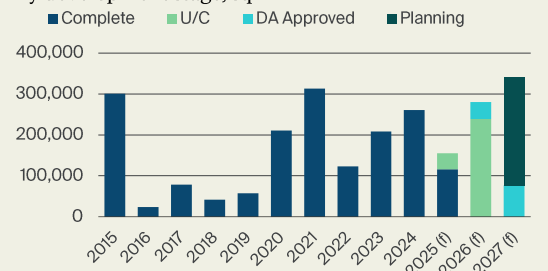
North industrial vacancy rate

Total market vacancy, %



North industrial new supply

By development stage, sqm



West

The vacancy rate rose from 3.7% to 5.5% over Q3-2025

▲ **133k**

Take-up Q3-2025
-30.3% q/q

▼ **5.5%**

Vacancy
Last QTR = 3.7%
Q3 2024 = 4.5%

▲ **\$137/sqm**

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

*Restated sample, 0% without revisions.

▲ **26.4%**

Prime incentive
Last QTR = 25.3%
Q3 2024 = 19.5%

■ **207k**

Sqm new supply
forecast in 2025
+186k sqm in 2026

■ **5.8%**

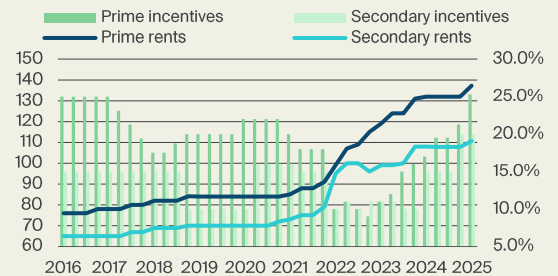
Prime yield
+0 bps q/q
+0 bps y/y

KEY TRENDS

- Prime net face rents in the West remained flat over Q3-2025 averaging \$137/sqm, they are the cheapest of any precinct.
- Prime incentives have risen 1.1% q/q and 6.9% y/y to average 26.4%. Suburbs such as Truganina and Tarneit are averaging 30.0% whilst Laverton North, Brooklyn and Altona North are averaging 25.0%.
- There has been 437,802 sqm of take-up in the West YTD, making up 53.8% of leasing activity across the entirety of Melbourne.
- The vacancy rate in the West has risen from 3.7% to 5.5% over Q3-2025, reaching its highest level since Q2-2017.
- Secondary grade buildings makes up 49.1% of total vacancy in the West, another 38.7% is made up of recently completed speculative stock.
- 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

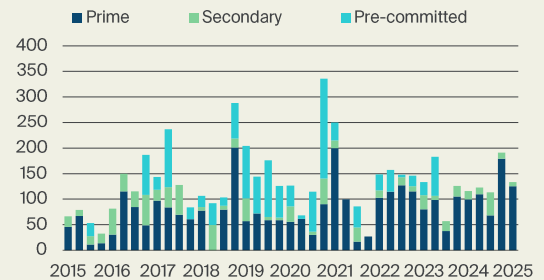
By grade, net face \$/sqm (LHS), and incentive % (RHS)



Source: Knight Frank Research

West industrial take-up

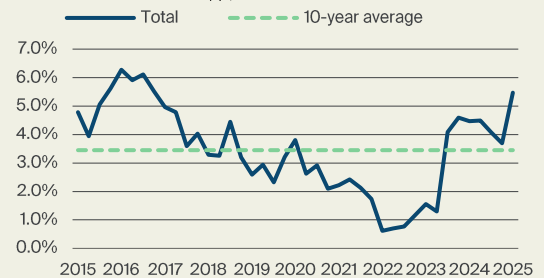
By type and grade, 000's sqm



Source: Knight Frank Research

West industrial vacancy rate

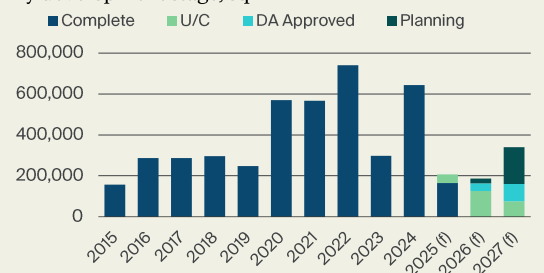
Total market vacancy, %



Source: Knight Frank Research

West industrial new supply

By development stage, sqm



Source: Knight Frank Research

Southeast

New supply is forecast to rise 92% y/y in 2025

▲ **48k**

Take-up Q3-2025
+275.9% q/q

▼ **2.3%**

Vacancy
Last QTR = 1.8%
Q3-2024 = 1.7%

▲ **\$145/sqm**

Prime net face rent
+1.8% q/q
+4.5% y/y

▲ **19.4%**

Prime incentive
Last QTR = 16.9%
Q3-2024 = 16.3%

■ **345k**

Sqm new supply
forecast in 2025
+164k sqm in 2026

■ **5.5%**

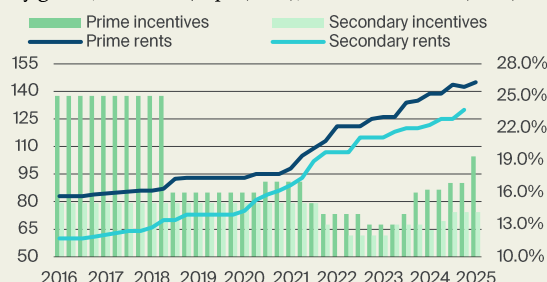
Prime yield
+0 bps q/q
+0 bps y/y

KEY TRENDS

- Prime net face rents have risen 1.8% q/q and 4.5% y/y to average \$145/sqm.
- Take-up in the Southeast reached 47,630 sqm across Q3-2025 taking the annual total to 181,052 sqm.
- Prime incentives in the Southeast are the lowest of any precinct in Melbourne excluding the City Fringe averaging 19.4%.
- The vacancy rate in the Southeast rose from 1.8% to 2.3% over Q3-2025, it is now placed 0.5% above the 10-year average of 1.6%.
- The Southeast will deliver the most new-supply of any precinct in Melbourne across 2025 with 345,206 sqm forecast to reach completion by the end of the year.
- Most of the new development in the Southeast is in the outer suburbs of Pakenham and Cranbourne West. Key developments underway in these locations include ESR Greenlink, ESR Enterprise Industry Park, and Cranbourne West Distribution Centre.

Southeast industrial rents and incentives

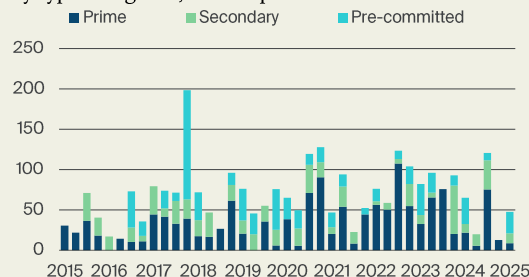
By grade, net face \$/sqm (LHS), and incentive % (RHS)



Source: Knight Frank Research

Southeast industrial take-up

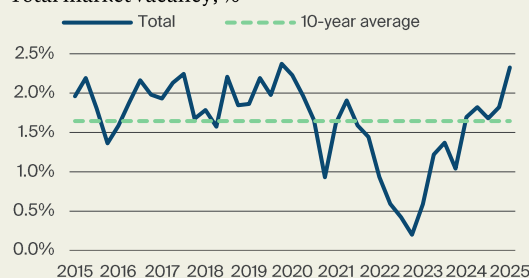
By type and grade, 000's sqm



Source: Knight Frank Research

Southeast industrial vacancy rate

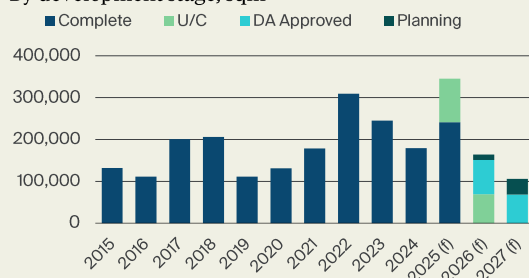
Total market vacancy, %



Source: Knight Frank Research

Southeast industrial new supply

By development stage, sqm



Source: Knight Frank Research

East

Most new supply on record forecast for 2026 at 106k sqm

▲ **0k**

Take-up Q3-2025
-100% q/q

▼ **1.6%**

Vacancy
Last QTR = 1.3%
Q3-2024 = 0.6%

▲ **\$138/sqm**

Prime net face rent
+3.8% q/q
+10.0% y/y

▲ **21.3%**

Prime incentive
Last QTR = 18.8%
Q3-2024 = 16.3%

■ **0k**

Sqm new supply
forecast in 2025
+106k sqm in 2026

■ **5.5%**

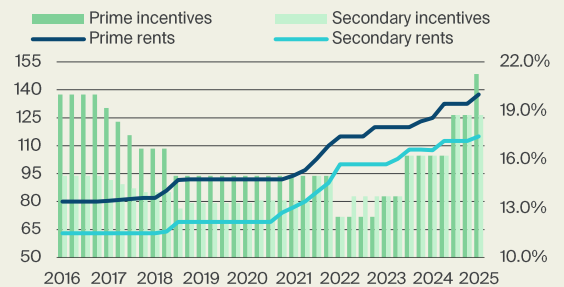
Prime yield
+0 bps q/q
+0 bps y/y

KEY TRENDS

- Prime net face rents in the East are up 3.8% q/q and 10.0% y/y, averaging \$138/sqm. Prime net face rents are highest in Scoresby, Rowville and Knoxfield where they average \$145/sqm.
- Prime incentives in the East average 21.3% having increased 2.5% across Q3-2025, they are up 5.0% from this time last year.
- No lease deals greater than 5,000 sqm recorded in the East over Q3-2025.
- The East is now Melbourne's tightest market industrial with a vacancy rate of 1.6%.
- New supply in the East is expected to reach its highest level on record in 2026 with 106,518 sqm forecast to reach completion.
- The anomalous high level of new supply in 2026 is made up of two redevelopments. One is in Kilsyth on Garden Street, and another is in Boronia on Mountain Highway, the later is a Charter-Hall project with a (c)34,000 sqm pre-commitment secured by Cool-Drive.

East industrial rents and incentives

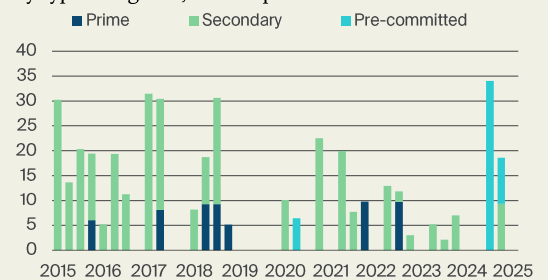
By grade, net face \$/sqm (LHS), and incentive % (RHS)



Source: Knight Frank Research

East industrial take-up

By type and grade, 000's sqm



Source: Knight Frank Research

East industrial vacancy rate

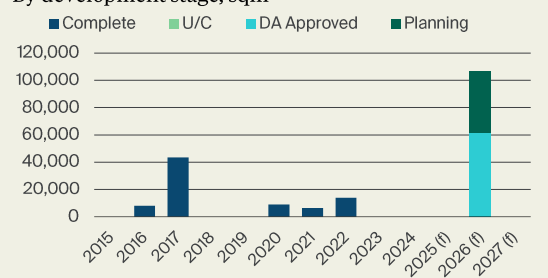
Total market vacancy, %



Source: Knight Frank Research

East industrial new supply

By development stage, 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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