

# Melbourne Industrial State of the Market

**Q4 2024**

Supply forecasted to take a dive in 2025 as leasing lags, and vacancy rates rise

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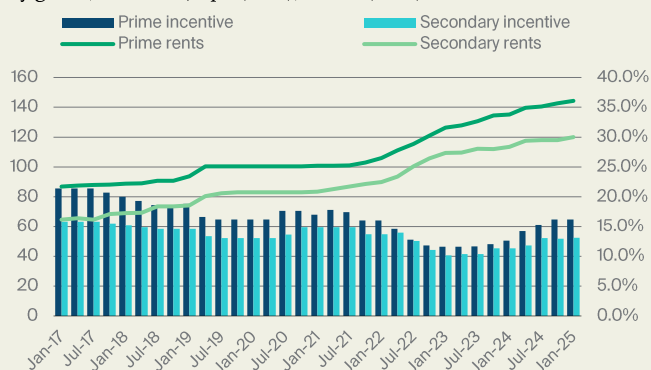
# Market update

↑ **\$144/sqm** avg. prime net face rent    
 ↑ **3.3%** vacancy rate    
 ↓ **180k** sqm take-up in Q4    
 ↓ **260k** sqm new supply in Q4-24

- The industrial market in Melbourne experienced a noticeable cooling through 2024 following three years of robust growth
- Prime net face rents averaged \$144/sqm at the end of Q4, reflecting a 6.7% increase over the calendar year (but only 1.2% q/q)
- Vacancy rates rose to 3.3%, surpassing the 10-year average of 2.9%
- Leasing activity declined by 26.4% in 2024, totalling 928,000 sqm for the year

## Melbourne industrial rents

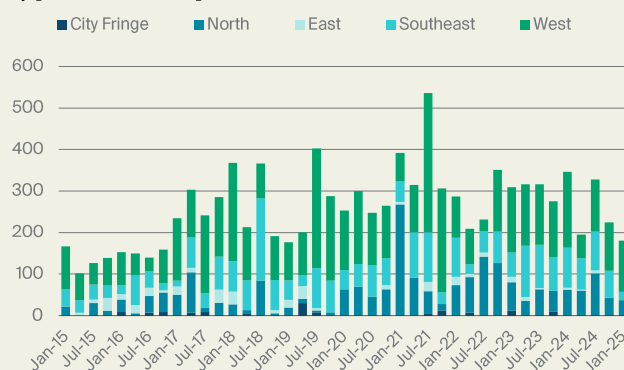
by grade, net face\$/sqm (LHS), and % (RHS)



Source: Knight Frank Research

## Melbourne industrial take-up

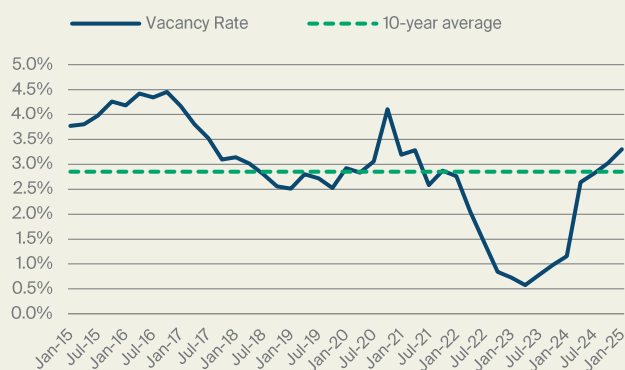
by precinct, 000's sqm



Source: Knight Frank Research

## Melbourne industrial vacancy rate

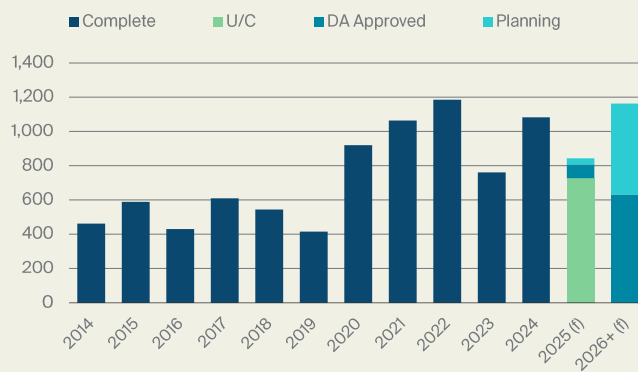
excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

## Melbourne industrial supply

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



Source: Knight Frank Research

## Industrial Market Indicators – Q4 2024

Precinct	Prime net face rent (\$/sqm)	% change q/q	Net incentive (%)	Land values <5,000 sqm (\$/sqm)	Land values 1-5 ha (\$/sqm)	Whole Market Vacancy (%)	Take-up (sqm)	Core market yield (%)
City Fringe	180	0.0	12.5	2,200	1,800	3.4	0	5.3
North	138	0.6	16.3	800	630	5.0	37,538	5.8
East	133	6.0	16.3	850	690	1.3	0	5.5
Southeast	139	0.0	16.3	1,050	780	1.8	19,724	5.5
West	132	0.0	19.5	845	605	4.5	123,094	5.8

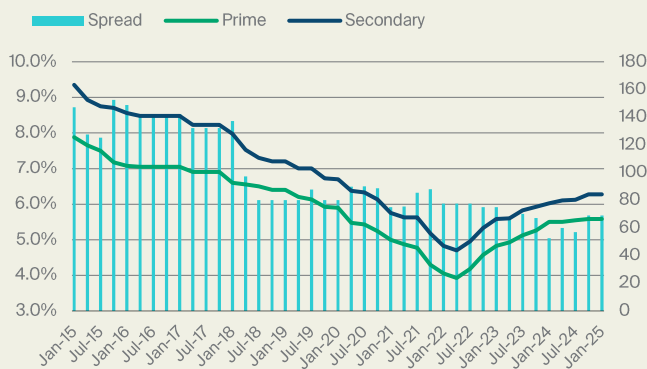
# Investment update

↔ **5.6%** prime yield   ↔ **69bps** spread in yields   ↑ **144** properties transacted in 2024   ↓ **\$901/sqm** (1-5ha) land values

- Yields remained flat across both prime and secondary markets q/q at 5.6% and 6.3% respectively
- The yields remain the tightest in the City Fringe at 5.3%, and then the East / Southeast at 5.5%
- Industrial investment volumes increased markedly across Melbourne in 2024 from 2023, up 49.9% to \$5,135m
- Land-values have fallen 17.4% y/y for large sized lots (10 ha+) due to the cessation of availability in prominent locations

## Melbourne industrial yields

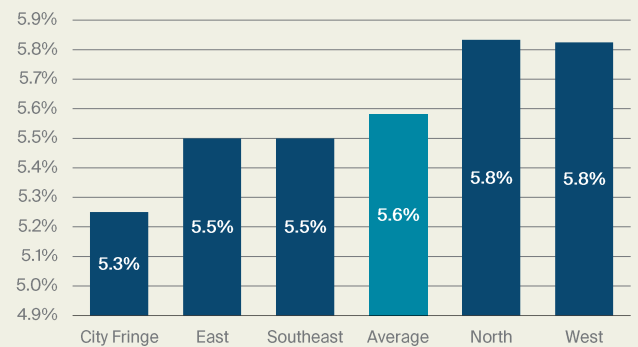
by grade % (LHS), and spread in bps (RHS); excl. fringe



Source: Knight Frank Research

## Melbourne industrial prime yields

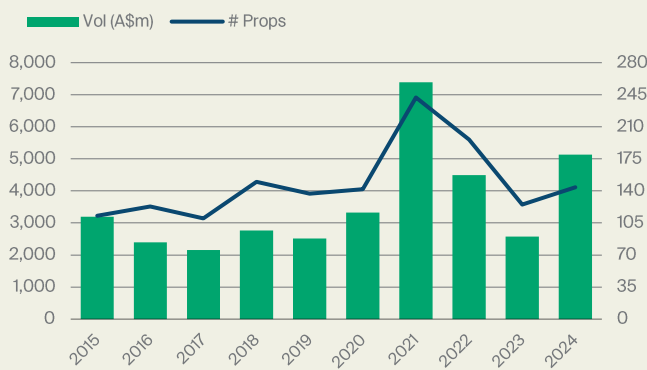
by precinct, %



Source: Knight Frank Research

## Melbourne industrial investment volumes

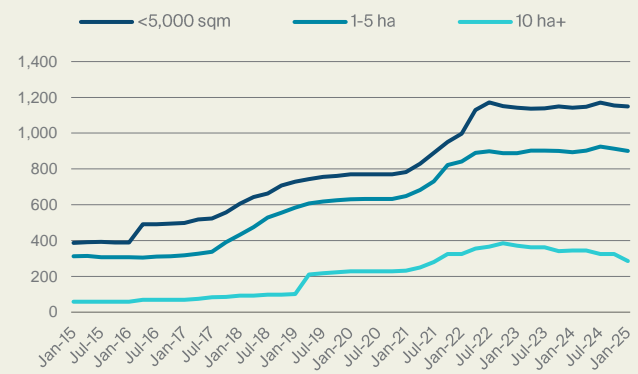
A\$m (LHS), and # properties (RHS)



Source: Knight Frank Research, MSCI

## Melbourne industrial land values

by size, \$/sqm



Source: Knight Frank Research

## Recent Significant Sales

Property	Suburb	Precinct	Price (\$M)	Land size (sqm)	Building size (sqm)	Purchaser	Vendor
8 Dunlop Court	Bayswater	East	44.0	59,800	26,303	Centennial & Brookfield	Private
28 Jones Road	Brooklyn	West	36.9	69,999	4,250	Oceania Containers	Dexus
450-466 Princess Hwy	Noble Park	Southeast	44.6	40,399	22,083	Terraplex	Lendlease
48A Radford Road	Reservoir	North	24.0	22,800	14,208	CBIC	-

(For more information, please contact our team)

# West precinct

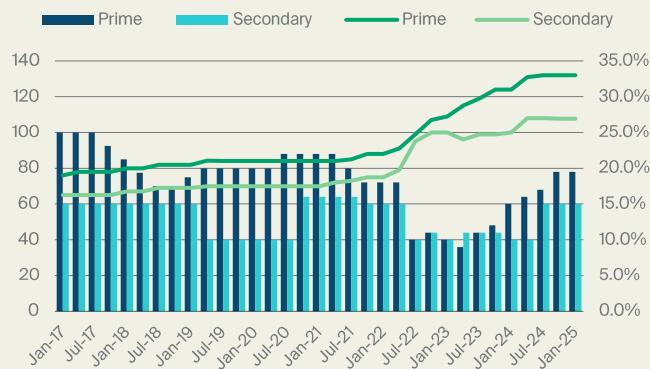
## Demand

- Prime net face rents remained unchanged q/q at \$132/sqm and have risen 6.5% y/y
- Take-up in the West accounted for 68.3% of total take-up in Melbourne over the quarter with 123,094 sqm of space leased
- Incentives remained flat q/q but are the highest of any industrial precinct at 19.5%

↔ **\$132/sqm** avg. prime net face rent   ↔ **19.5%** avg. prime incentives   ↑ **123k** sqm of take-up in Q4   ↔ **5.8%** prime yields

### West industrial rents and incentives

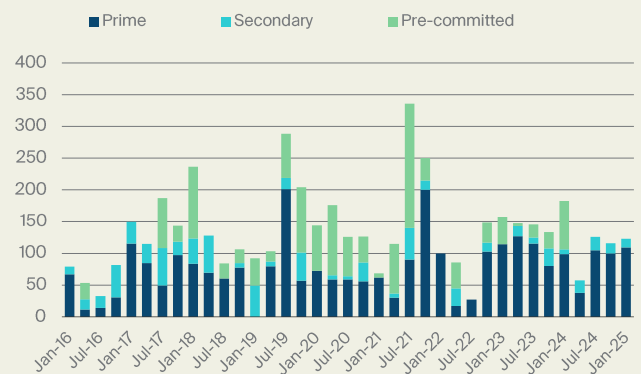
by grade, net face rents \$/sqm (LHS), and incentives % (RHS)



Source: Knight Frank Research

### West take-up

by grade and commitment type, 000's sqm



Source: Knight Frank Research

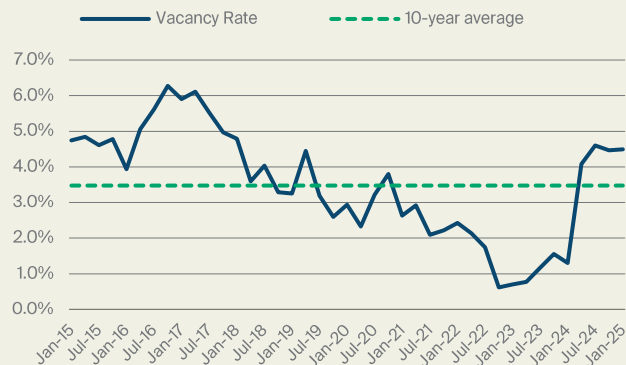
## Supply

- The vacancy rate has remained flat q/q in the West at 4.5% sitting above the 10-year average of 3.5%
- New supply was particularly strong in the West over 2024 with 643,537 sqm of new stock reaching completion
- Approximately 63.2% less new supply will be delivered in 2025 compared to 2024 (amounting to 236,628 sqm)

↔ **4.5%** vacancy rate   ↑ **492k** sqm of vacant stock   ↑ **644k** sqm new supply in 2024   ↓ **237k** sqm new supply in 2025

### West industrial vacancy rate

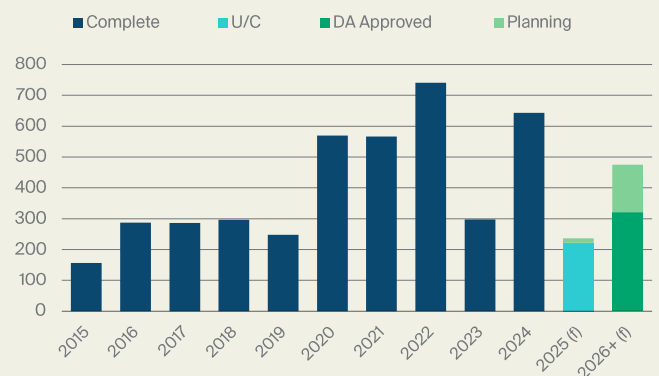
000's sqm, excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

### West industrial supply

by development type, 000's sqm



Source: Knight Frank Research

# North precinct

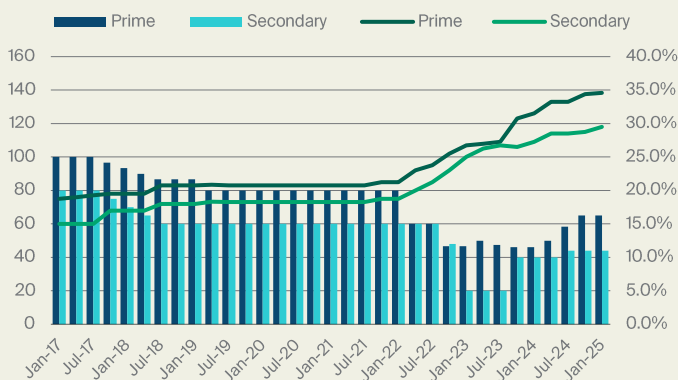
## Demand

- Prime net face rents in the North currently demand \$138/sqm on avg. after rising 9.8% over the calendar year (0.6% q/q)
- Prime incentives remain flat q/q currently sitting at 16.3% but have risen 4.8% y/y
- There were 4 leasing deals greater than 5,000 sqm recorded in the North over Q4 totaling 37,538 sqm of take-up

↗ **\$138/sqm** avg. prime net face rent   ↗ **16.3%** avg. prime incentives   ↓ **38k** sqm of take-up in Q4   ↗ **5.8%** prime yields

### North industrial rents and incentives

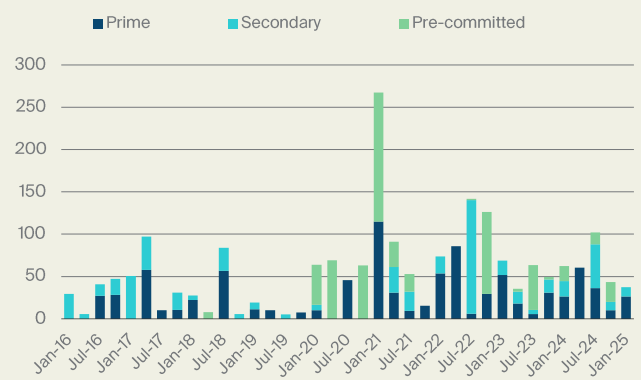
by grade, net face rents \$/sqm (LHS), and incentives % (RHS)



Source: Knight Frank Research

### North take-up

by grade and commitment type, 000's sqm



Source: Knight Frank Research

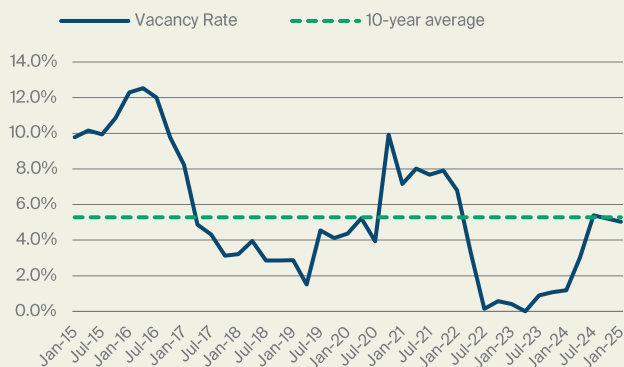
## Supply

- The North has the highest vacancy rate of any industrial precinct at 5.0%, yet it remains below the 10-year avg. of 5.3%
- Approximately 324,000 sqm of new supply will land in the North over 2025, however the purpose-built, multi-level Amazon warehouse in Craigieburn will account for most of this figure being 209,000 sqm

↓ **5.0%** vacancy rate   ↓ **239k** sqm of vacant stock   ↑ **261k** sqm new supply in 2024   ↑ **324k** sqm new supply in 2025

### North industrial vacancy rate

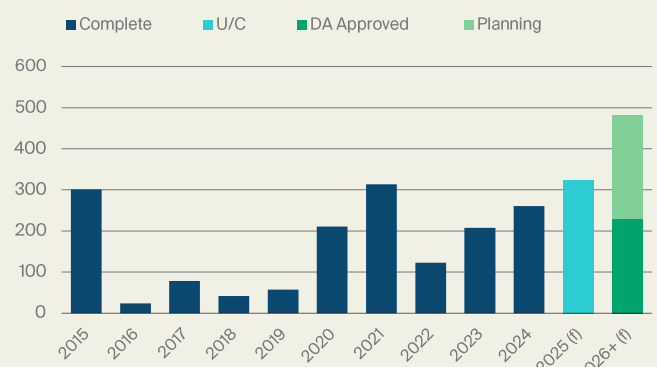
000's sqm, excl. warehouses <5,000 sqm and hardstands



Source: Knight Frank Research

### North industrial supply

by development type, 000's sqm



Source: Knight Frank Research

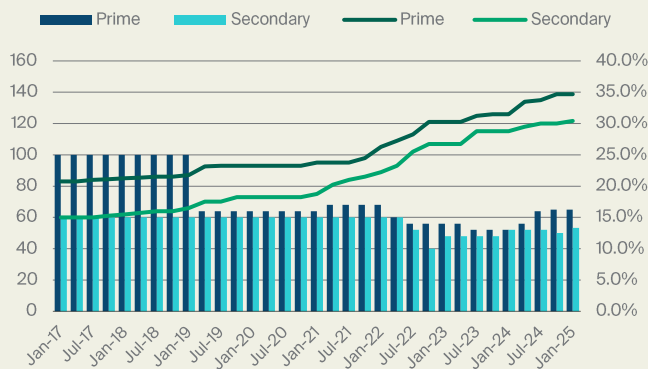
# Southeast precinct

## Demand

- The Southeast recorded its lowest sum of take-up in Q4-24 since Q4-16 at 19,724 sqm (down 69.7% from Q3-24)
- Prime net face rents remained flat at \$139/sqm, so too did prime incentives at 16.3%

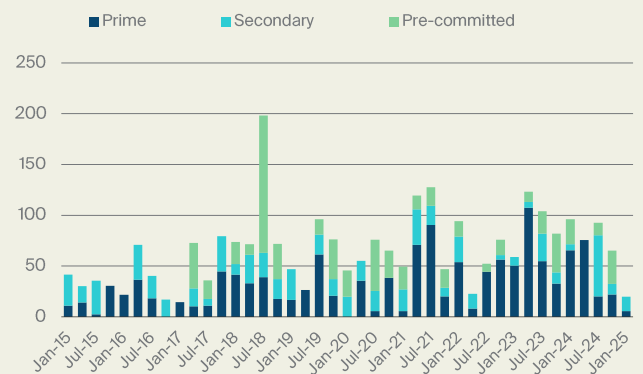
↔ **\$139/sqm** avg. prime net face rent   ↔ **16.3%** avg. prime incentives   ↓ **20k** sqm of take-up in Q4   ↔ **5.5%** prime yields

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



Source: Knight Frank Research

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



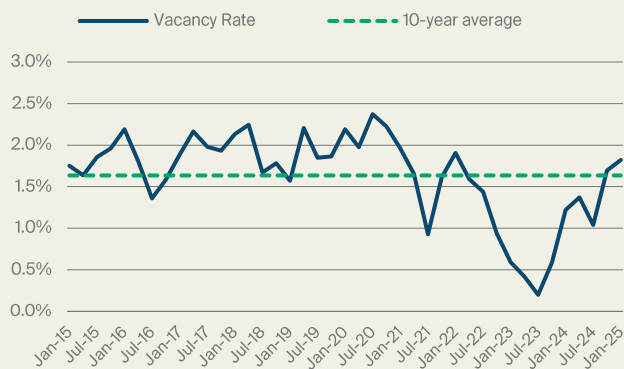
Source: Knight Frank Research

## Supply

- 111,399 sqm of warehousing at ESR Greenlink initially scheduled to complete in 2024 has been delayed to early 2025
- This delay has meant that in 2025 the Southeast will deliver the second most new supply after the North
- The vacancy rate in the Southeast rose to 1.8% in Q4-24, now sitting marginally above the 10-year avg. of 1.6%

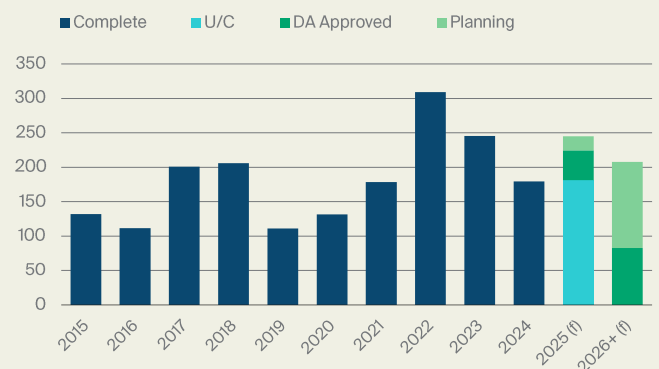
↑ **1.8%** vacancy rate   ↑ **197k** sqm of vacant stock   ↓ **179k** sqm new supply in 2024   ↑ **245k** sqm new supply in 2025

**Southeast industrial vacancy rate**  
000's sqm, 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

# East precinct

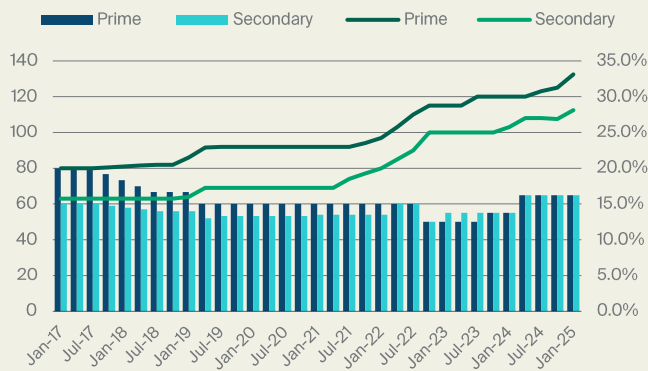
## Demand

- The East had the most prime rental growth over Q4-24, up 6.0% to \$133/sqm on avg.
- There were no lease deals recorded in the East during the quarter above 5,000 sqm
- Prime yields, like all other precincts, remained flat, now sitting at 5.8% on avg.

↑ **\$133/sqm** avg. prime net face rent  
 ↔ **16.3%** avg. prime incentives  
 ↔ **0k** sqm of take-up in Q4  
 ↔ **5.5%** prime yields

### East industrial rents and incentives

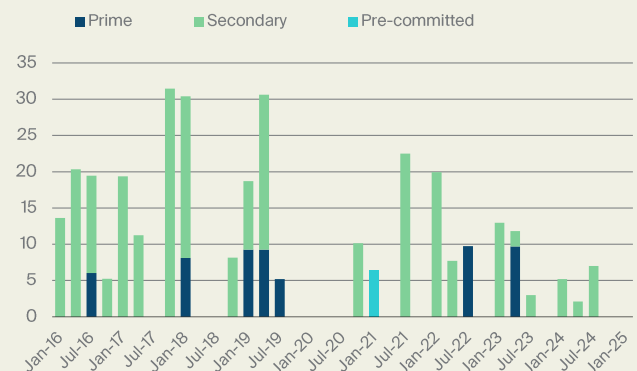
by grade, net face rents \$/sqm (LHS), and incentives % (RHS)



Source: Knight Frank Research

### East take-up

by grade and commitment type, 000's sqm



Source: Knight Frank Research

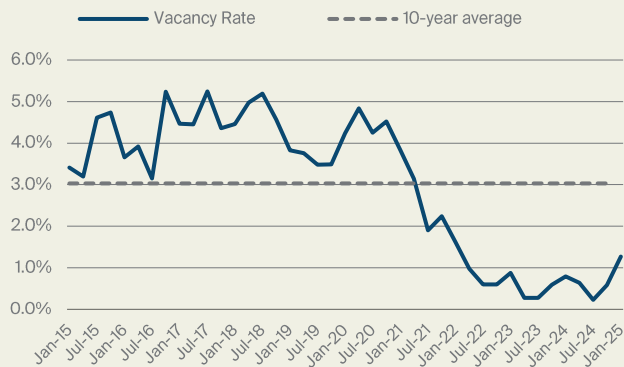
## Supply

- The vacancy rate in the East has risen to 1.3% from 0.6% over Q4-24 with 4 warehouses now available for leasing
- The development pipeline remains constricted in the East with only 1 refurb expected to land in Kilsyth over 2025

↑ **1.3%** vacancy rate  
 ↑ **32k** sqm of vacant stock  
 ↔ **0k** sqm new supply in 2024  
 ↑ **37k** sqm new supply in 2025

### East industrial vacancy rate

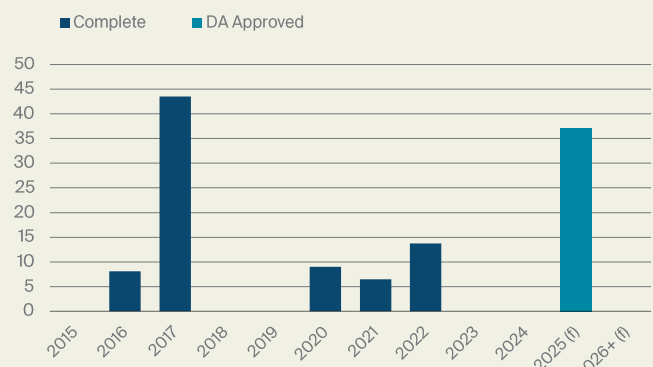
000's sqm, excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

### East industrial supply

by development type, 000's sqm



Source: Knight Frank Research

# Market data

## Industrial Market Indicators – Q4 2024

Grade	Prime net face rent (\$/sqm)	% change q/q	Prime net effective rent (\$/sqm)	% change q/q	Net incentive (%)	Vacancy levels (sqm)	Take-up (sqm)	Core market yield (%)
Prime	144	1.2	121	1.0	16.2	575,152	141,673	5.6
Secondary	120	1.6	104	0.9	13.1	457,288	38,683	6.3

## Recent Significant Tenant Commitments

Tenant	Property	Precinct	Lease Type	Building Size (sqm)	Term (years)
Select Plant	655-685 Somerville Rd, Sunshine West	West	New	14,058	5.0
Ruggable	60 Sydney Rd, Somerton	North	New	10,350	5.0
Big River Group	35-39 Freight Dr, Somerton	North	New	5,342	5.0
Greater Group	10 Fellowes Crt, Tullamarine	North	New	5,680	5.0
Lubricon Hydrive	2/127-145 Cherry Ln, Laverton North	West	Spec	11,659	5.0

(For more information, please contact our team)

(c) = Circa

## Major Developments

Estate (stage)	Address	Suburb	No. of Warehouses	NLA (sqm)	Completion Date	Developer	Lease type
Horizon 3023	Momentum Way	Ravenhall	3	49,869	Q4-2024	Dexus	Pre-comm / Spec
Core-West Logistics Hub (1)	Palmers Rd	Truganina	1	18,677	Q4-2024	Charter Hall	Spec
Rubix Connect (3)	Fox Dr	Dandenong South	3	52,585	Q4-2024	Frasers	Pre-comm / Spec
Troups Logistics Estate (2)	Troups Rd	Truganina	1	24,838	Q4-2024	Logos	Spec
ESR Greenlink (2)	Western Port Hwy	Cranbourne West	6	111,399	Q1-2025	ESR	Pre-comm / Spec
Craigieburn Logistics (Amazon)	Amaroo Rd	Craigieburn	1	209,000	Q4-2025	Logos	Pre-comm

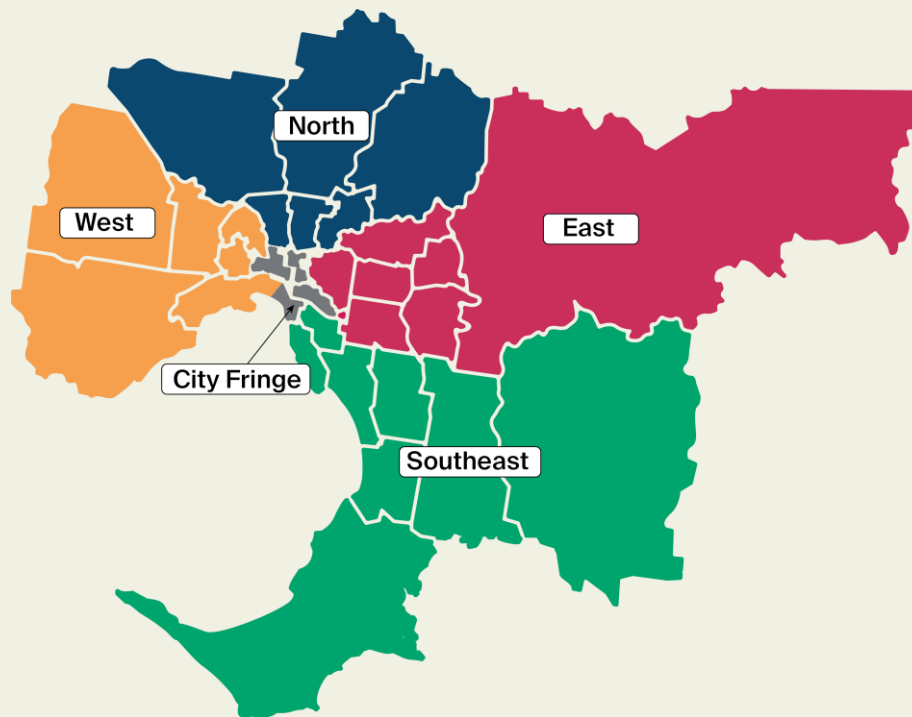
## Economic Indicators – VIC

	2022	2023	2024	2025 (f)	2026 (f)	2027 (f)
GSP Growth (%)	5.2	1.6	1.7	1.3	3.2	3.2
Population Growth (%)	1.5	2.8	2.4	1.5	1.4	1.4
Unemployment Rate (%)	3.7	3.8	4.3	4.4	4.3	4.3
CPI (%)	6.5	5.3	3.2	2.7	2.6	2.5
10-year Bond Yield (%)	1.2	3.9	4.3	4.1	3.4	3.4
Logistics Employment (% change y/y)	6.7	-0.6	5.4	0.8	0.9	0.9
Manufacturing Employment (% change y/y)	-5.6	8.0	1.0	-1.0	-1.6	-1.0

Source: Oxford Economics



## Map of Melbourne's Industrial Precincts



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



**Joel Davy**  
Industrial Logistics, VIC  
+61 3 9604 4674  
Joel.Davy@au.knightfrank.com



**James Templeton**  
Industrial Logistics, National Head  
+61 3 9604 4724  
James.Templeton@au.knightfrank.com



**Steve Jones**  
Industrial Logistics, VIC  
+61 3 9604 4723  
Steve.Jones@au.knightfrank.com



**Andrew Gallucci**  
Industrial Logistics, VIC  
+61 3 9604 4666  
Andrew.Gallucci@au.knightfrank.com



**Stuart Gill**  
Industrial Logistics, Eastern Office, VIC  
+61 3 8545 8603  
Stuart.Gill@au.knightfrank.com



**Daniel De Sanctis**  
Industrial Logistics, VIC  
+61 3 9604 4666  
Daniel.DeSanctis@au.knightfrank.com



**Tony McGough**  
Research & Consulting, VIC  
+61 3 9604 4609  
Tony.McGough@au.knightfrank.com



**Laurence Panozzo**  
Research & Consulting, VIC  
+61 3 9604 4695  
Laurence.Panozzo@au.knightfrank.com