Melbourne Industrial State of the Market

Q4 2025

Vacancy rose further in Q4-25, however incentives remained stable and take-up was resilient. With limited new supply expected over the next 2-years, market conditions are likely to strengthen in 2026.

knightfrank.com.au/research

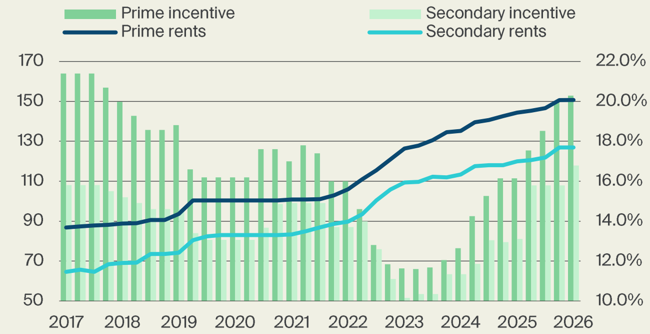
Source: ESR (Reservoir Business Hub)

Leasing overview

Development activity is forecast to slow markedly in 2026 and 2027

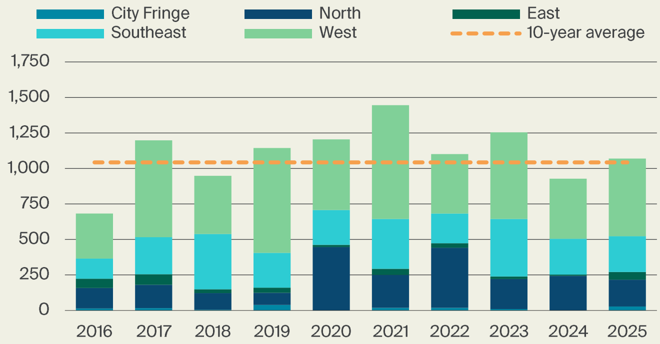
- Prime net face rents remained flat q/q averaging $151/sqm but have risen 4.4% y/y
- Prime incentives remain elevated at 20.3% across Melbourne, their highest level since Q3-17
- Take-up was resilient over 2025 despite subdued conditions with 1.07m sqm of space let in 2025
- The vacancy rate sits at 4.1% up 0.5% q/q, now well above the 10-year average of 2.6%
- New supply in 2025 totalled 729k sqm, down 33% from 2024 when 1.08m sqm was delivered
- Development activity is expected to fall further in 2026 with only 584k sqm forecast

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



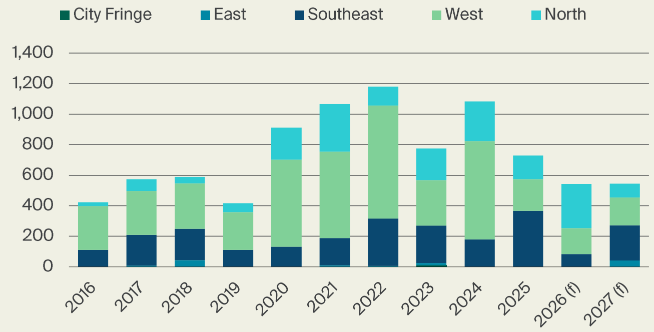
Source: Knight Frank Research

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



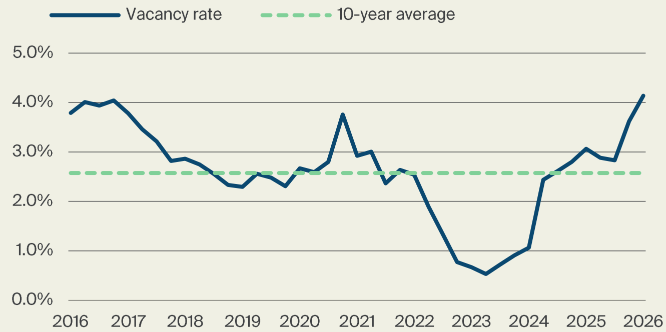
Source: Knight Frank Research

Melbourne industrial new supply
by precinct, 000's sqm



Source: Knight Frank Research

Melbourne industrial vacancy rate
total market vacancy %



Source: Knight Frank Research

Industrial Market Indicators – Q4 2025

Precinct	Prime net face rent ($/sqm)	% change q/q	Prime incentives (%)	Land values <5,000 sqm ($/sqm)	Vacancy rate (%)	Take-up (sqm)	Prime Core market yield (%)	Share of total stock (%)
City Fringe	190	0.0	12.5	2,300	2.1	11,222	5.3	6.1
North	143	0.0	21.7	900	6.0	63,661	5.8	17.6
East	138	0.0	21.3	900	1.5	0	5.5	7.6
Southeast	145	0.0	19.4	1,040	3.7	71,806	5.5	32.3
West	138	0.4	26.7	855	4.6	109,285	5.8	36.4

*Restated sample

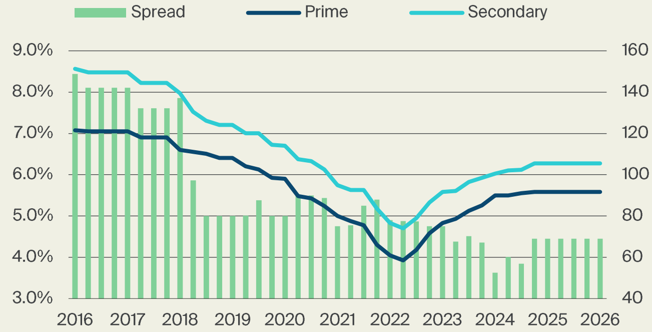
Source: Knight Frank Research

Investment overview

Investment volumes declined across 2025, while yields remained stable

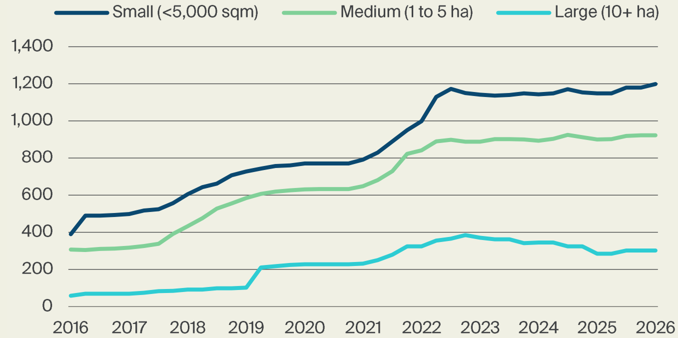
- Prime industrial yields remained flat at 5.6% for the seventh quarter in the row
- Industrial investment volumes totalled $3.1 billion AUD across 2025, down 23% from 2024
- Whilst volumes fell the number of sales was consistent with 2025 at 173 compared to 172 in 2024
- Prime capital values average $2,700/sqm across Melbourne, up 0.1% q/q and 4.4% y/y
- Land values for small sized lots (<5,000 sqm) average $1,199/sqm, up $20/sqm over Q4-2025
- Medium (1-5 ha) and large (10+ ha) sized lots remained flat q/q at $922/sqm and $302/sqm

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



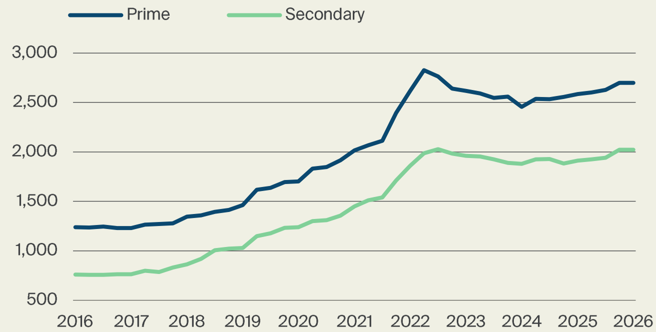
Source: Knight Frank Research

Melbourne industrial land values
by lot size, $/sqm



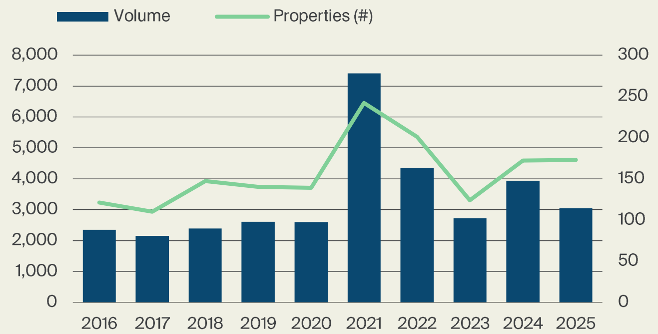
Source: Knight Frank Research

Melbourne industrial capital values
by grade %



Source: Knight Frank Research

Melbourne industrial investment volumes
volume A$m (LHS), and number of sales (RHS)



Source: Knight Frank Research, MSCI

Recent Significant Investment Sales

Property	Precinct	Price ($m)	Building Size (sqm)	Land Size (sqm)	Purchaser	Vendor	Yield (%)
57 Northgate Drive, Thomastown	North	24.0	13,667	28,568	Private	Local Private Equity	6.24
56-60 Toll Drive, Altona North	West	34.0	17,218	38,010	Cadence Property	Stockland	6.29
50 Jayco Drive & 15-31 American Way, Dandenong South	Southeast	47.5	18,982	35,500	Dexus	NGS Super	5.59

Source: Knight Frank Research

North

Vacancy remains elevated across the precinct at 6.0%

64k

Take-up Q4-2025
+14.5% q/q

6.0%

Vacancy
Last QTR = 4.9%
Q4-2024 = 4.2%

$143/sqm

Prime net face rent
+0.0% q/q
+3.6% y/y

21.7%

Prime incentive
Last QTR = 20.4%
Q4-2024 = 16.3%

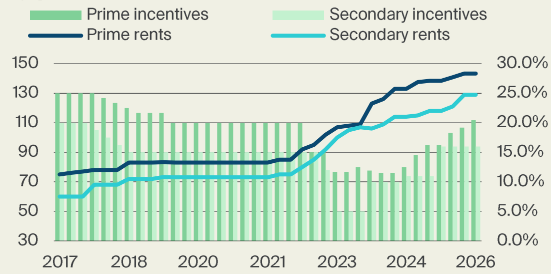
290k

Sqm new supply forecast in 2026
+90k sqm in 2027

5.8%

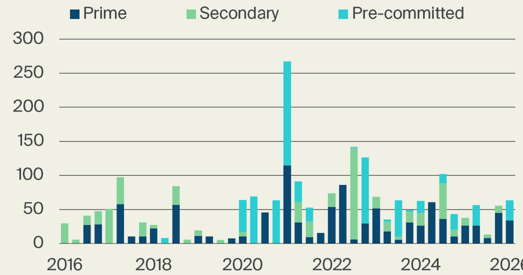
Prime yield
+0 bps q/q
+0 bps y/y

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



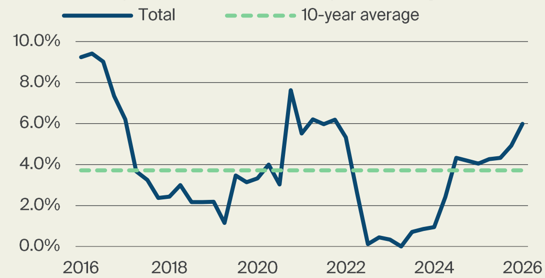
Source: Knight Frank Research

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



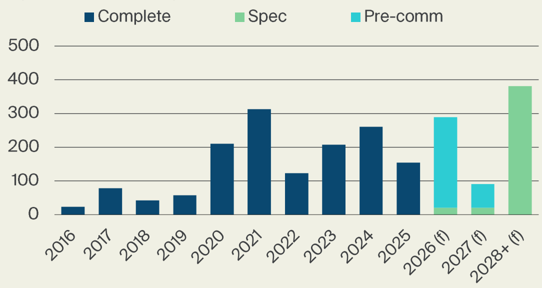
Source: Knight Frank Research

North industrial vacancy rate
total vacancy rate compared to 10-year average (%)



Source: Knight Frank Research

North industrial new supply
by commitment type, 000's sqm



Source: Knight Frank Research

KEY TRENDS

- Prime net face rents in the North remained flat q/q at $143/sqm but have risen 3.6% y/y.
- Prime incentives rose a further 1.3% q/q now averaging 21.7%. They are as high as 32.5% in Craigieburn, and 30% in Somerton & Campbellfield.
- Take-up was moderate in the North over Q4-25 with 64k sqm recorded across two deals.
- The vacancy rate in the North is the highest of any precinct in Melbourne at 6.0%, up 1.1% q/q.
- Approximately 42.5% of vacancy in the North is made up of recently completed speculative warehouses at estates such as North Melbourne Logistics Hub, Broadmeadows Logistics Estate, M80 Connect, and Coolaroo Industry Park.
- In 2026 the North is forecast to add 290k sqm of new supply to the market, although most of this is for Amazon's new multi-level automated warehouse in Craigieburn (209k sqm)

West

Supply fell markedly over 2025 down 68% from 2024

109k

Take-up Q4-2025

-18.0% q/q

4.6%

Vacancy

Last QTR = 4.8%

Q4-2024 = 4.0%

$138/sqm

Prime net face rent

+0.4% q/q

+4.4% y/y

26.7%

Prime incentive

Last QTR = 26.4%

Q4-2024 = 19.5%

168k

Sqm new supply forecast in 2026

+182k sqm in 2027

5.8%

Prime yield

+0 bps q/q

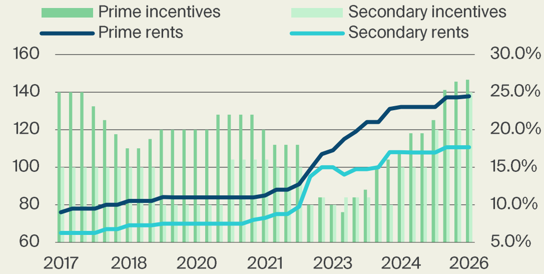
+0 bps y/y

KEY TRENDS

- Prime net face rents in the West have risen 0.4% q/q and 4.4% y/y, now averaging $138/sqm.
- Take-up in the West totalled 109k over Q4-25, approximately 46% of the leasing activity came from existing prime warehouses, the other 54% from existing secondary warehouses.
- Amongst these deals was New Aim moving into 25k sqm of secondary warehousing on William Angliss Drive in Laverton North.
- Incentives in the West are the highest of any precinct in Melbourne averaging 26.7% with evidence of recent lease deals having incentives between 30-35%.
- The vacancy rate in the West sits at 4.6% down 0.2% q/q but remains well above the 10-year average of 3.0%.
- New supply in 2025 fell dramatically in the West with only 208k sqm of warehousing added to the market compared to 643k sqm in 2024.

West industrial rents and incentives

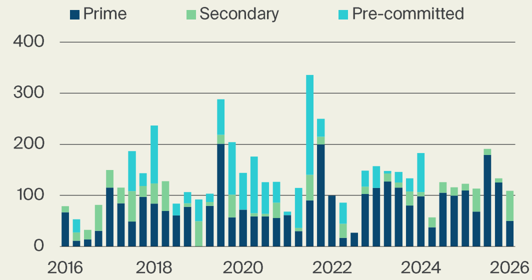
by grade, net face $/sqm (LHS), and incentive % (RHS)



Source: Knight Frank Research

West industrial take-up

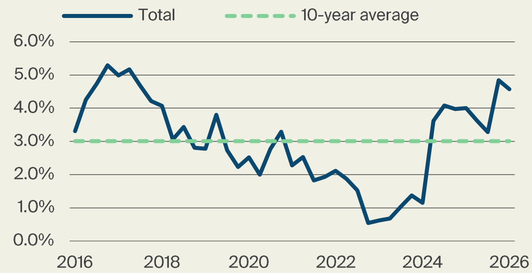
by commitment type and grade, 000's sqm



Source: Knight Frank Research

West industrial vacancy rate

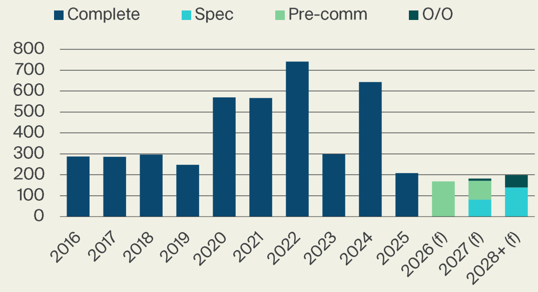
total market vacancy compared to 10-year average (%)



Source: Knight Frank Research

West industrial new supply

by commitment type, 000's sqm



Source: Knight Frank Research

Southeast

The vacancy rate reaches a 10-year high of 3.7%

71k
Take-up Q4-2025
+50.8% q/q

3.7%
Vacancy
Last QTR = 2.3%
Q4-2024 = 1.8%

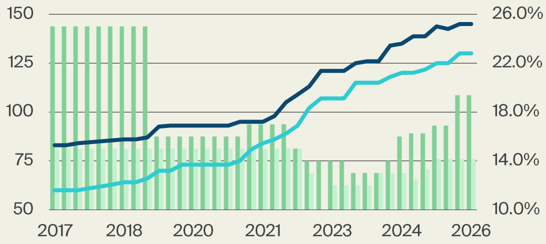
$145/sqm
Prime net face rent
+0.0% q/q
+4.5% y/y

19.4%
Prime incentive
Last QTR = 19.4%
Q4-2024 = 16.3%

84k
Sqm new supply forecast in 2026
+230k sqm in 2027

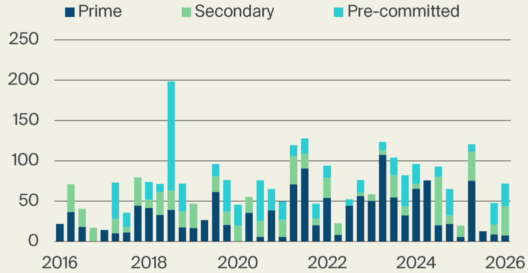
5.5%
Prime yield
+0 bps q/q
+0 bps y/y

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



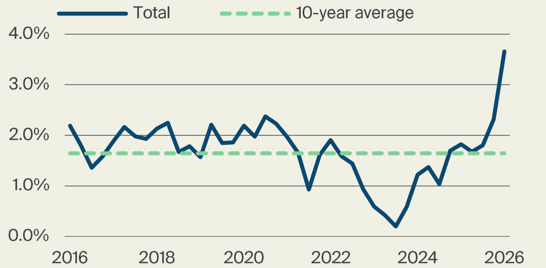
Source: Knight Frank Research

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



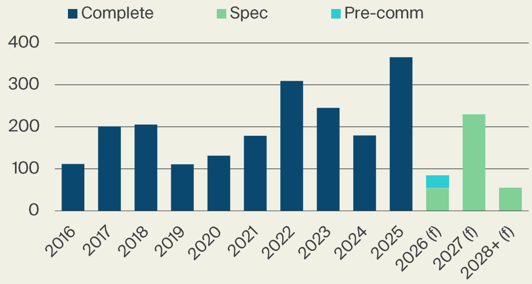
Source: Knight Frank Research

Southeast industrial vacancy rate
total market vacancy rate compared to 10-year average (%)



Source: Knight Frank Research

Southeast industrial new supply
by commitment type, 000's sqm



Source: Knight Frank Research

KEY TRENDS

- Prime net face rents remained flat in the Southeast over Q4-25 averaging $145/sqm, they are up 4.5% y/y.
- Incentives in the Southeast are lower than any precinct in Melbourne (excluding the City Fringe) averaging 19.4%.
- Vacancy in the Southeast rose markedly over Q4-25 now sitting at 3.7%, well above the 10-year average of 1.6%.
- New supply in the Southeast was particularly strong over 2025 with 366k sqm of warehousing added to the market. This figure includes significant completions at Cardinia Logistics Estate, ESR Greenlink, ESR Enterprise Industry Park, and Innovation Park.
- New supply is forecast to fall markedly in 2026 with only 84k sqm of warehousing expected to reach completion this year, 64% of which is speculative.

East

Supply to recommence for the first time since 2022

0k

Take-up Q4-2025
+0% q/q

1.5%

Vacancy
Last QTR = 1.6%
Q4-2024 = 1.3%

$138/sqm

Prime net face rent
+0.0% q/q
+3.8% y/y

21.3%

Prime incentive
Last QTR = 21.3%
Q4-2024 = 16.3%

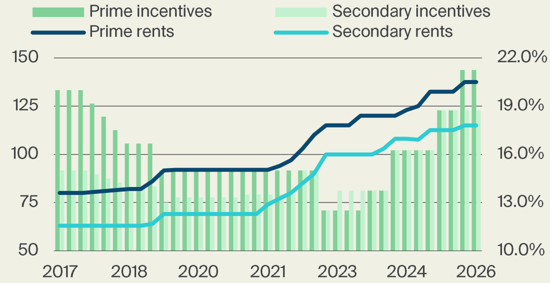
42k

Sqm new supply forecast in 2026
+45k sqm in 2027

5.5%

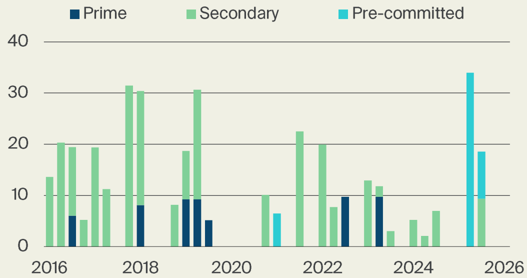
Prime yield
+0 bps q/q
+0 bps y/y

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



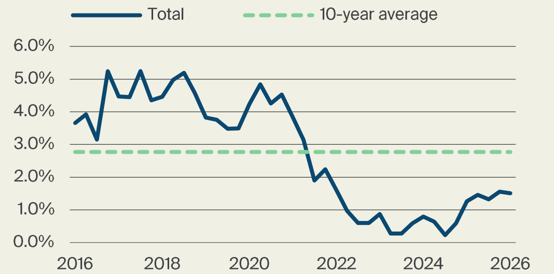
Source: Knight Frank Research

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



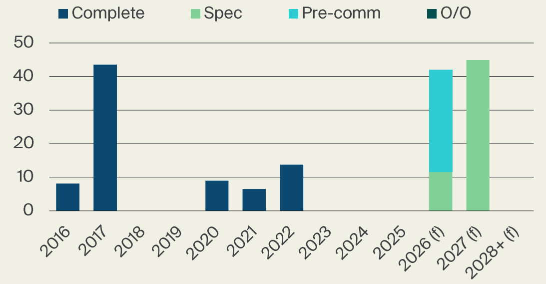
Source: Knight Frank Research

East industrial vacancy rate
total market vacancy rate compared to 10-year average (%)



Source: Knight Frank Research

East industrial new supply
by development stage in sqm



Source: Knight Frank Research

KEY TRENDS

- Prime net face rents in the East, like every precinct except the West, remained flat over Q4-25 averaging $138/sqm.
- There were no lease deals >5,000 sqm in the East over Q4-25 which is not uncommon given the precincts comparatively smaller size.
- The vacancy rate fell marginally over Q4-25, down 0.1% to 1.5% which is well below the 10-year average of 2.8%.
- Yields have remained unchanged in the East for 1.8 years, they average 5.5% for prime, and 6.3% secondary.
- For the first time since 2022, the East is forecast to deliver a series of new warehouses across two schemes.
- Perry Projects Kilsyth Connect will deliver 12k sqm of speculative warehousing in Q2-2026. Charter Hall is redeveloping Mountain Highway Logistics Hub which includes a 30k sqm warehouse purpose built for Cool-Drive, a further 45k sqm of speculative warehousing in 2027.

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 Logistics, National Head
James Templeton
+61 411 525 217
james.templeton@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