

Melbourne Industrial Precinct Addendum

Q3 2024

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- The Southeast remains the most expensive precinct with prime net rents sitting at \$139/sqm
- The North and Southeast experienced significant declines in take-up, down 57.7% and 29.6% q/q
- The North has the highest vacancy rate of all industrial precincts at 5.2% (Melbourne = 3.0%)
- The most new supply in 2024 will be delivered in the West with 701,144 sqm to be completed by EOY
- However, the North will become the fastest-growing industrial precinct next year, with 407,728 sqm of new supply forecasted for 2025



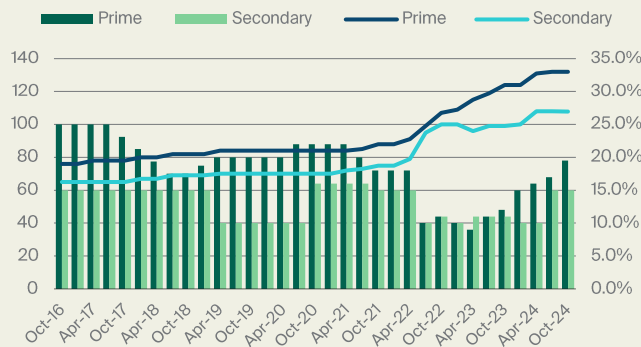
West

Demand

- Prime net face rents remain flat q/q in the West at \$132/sqm but are up 6.5% y/y
- Take-up has fallen 7.9% q/q to 115,990 sqm with 9 deals transacting at an average size of 12,887 sqm
- Prime incentives have risen 250 bps q/q to 19.5% pushing prime net effective rents down 3.0% to \$106/sqm

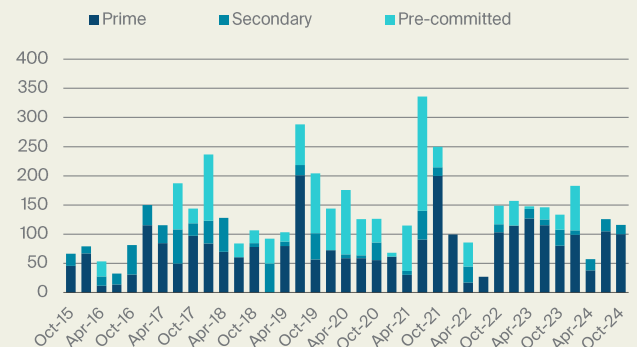
Prime Rents	Take-up	Prime Yields
\$132/sqm (no change q/q)	115,990 sqm (-7.9% q/q)	5.6% (no change q/q)

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



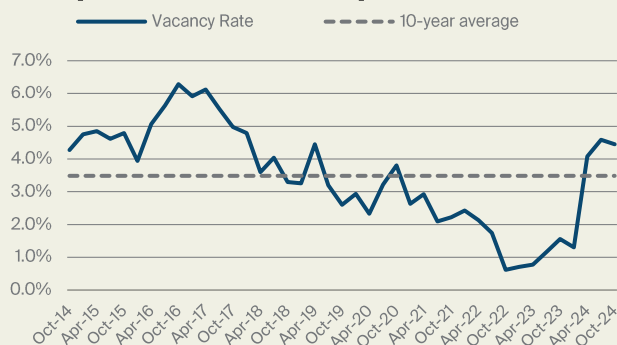
Source: Knight Frank Research

Supply

- The vacancy rate fell 10 bps to 4.5% over Q3-24 but remains above the 10-year avg. of 3.5%
- Speculative warehousing accounts for 43.5% of total vacancy in the West, the most of any category
- The West will deliver the most development space of any precinct in 2024 with 701,144 sqm coming on

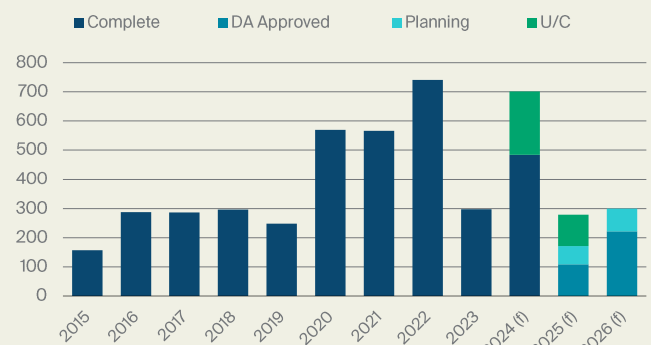
Vacancy Rate	New Supply 2024	New Supply 2025
4.5% (-10 bps q/q)	701,144 sqm	278,406 sqm

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

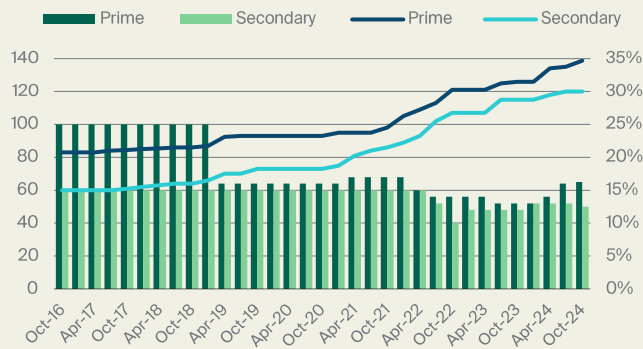
Southeast

Demand

- Prime net face rents are up \$4 q/q and \$13 y/y, they now sit at \$139/sqm
- Take-up fell 29.6% q/q to 65,185 sqm – 50.2% of leasing activity was pre-commitments on new supply
- Prime yields remained stable at 5.5% q/q but secondary yields softened 12.5 bps to 6.3% q/q

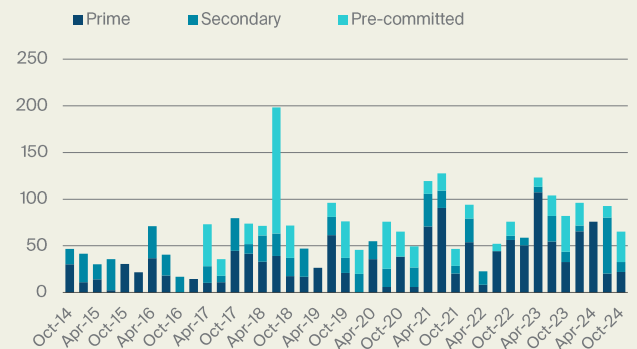
Prime Rents	Take-up	Prime Yields
\$139/sqm (+2.8% q/q)	65,185 sqm (-29.6% q/q)	5.5% (no change q/q)

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 sqm



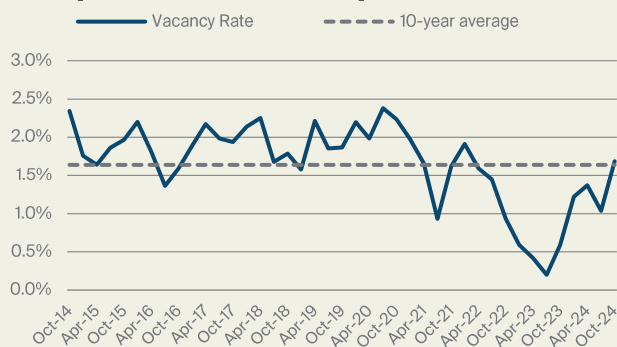
Source: Knight Frank Research

Supply

- The vacancy rate in the Southeast pushed out 70 bps q/q to 1.7%
- Secondary warehousing accounts for most of the vacancy in the Southeast (63.5%)
- New supply remains solid in the Southeast with 290,968 sqm of space coming on by the end of 2024

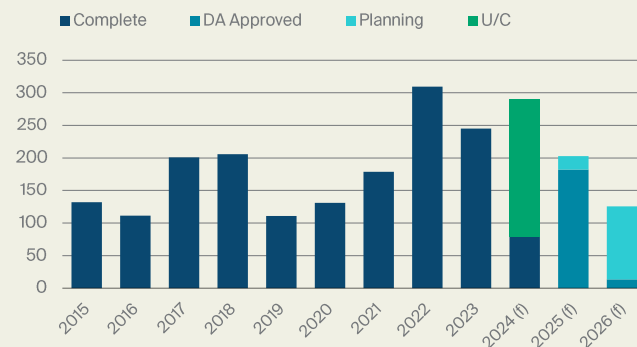
Vacancy Rate	New Supply 2024	New Supply 2025
1.7% (+70 bps q/q)	290,968 sqm	202,636 sqm

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

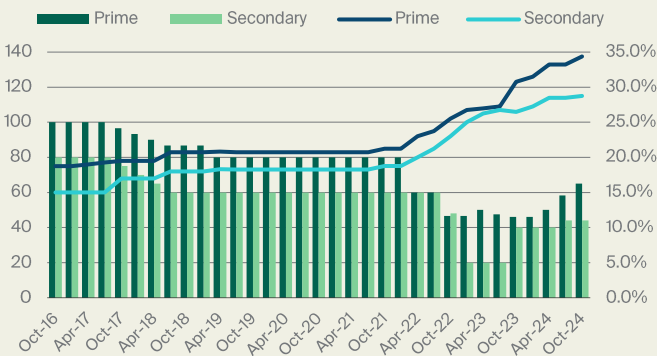
North

Demand

- Take-up fell by 57.7% to 43,231 sqm with a mere three deals recorded over Q3-24
- Prime net face rents are up \$5 q/q and \$15 y/y, they now sit at \$138/sqm
- However, incentives have risen 167 bps to 16.3% q/q and have reportedly reached as high as 25.0%

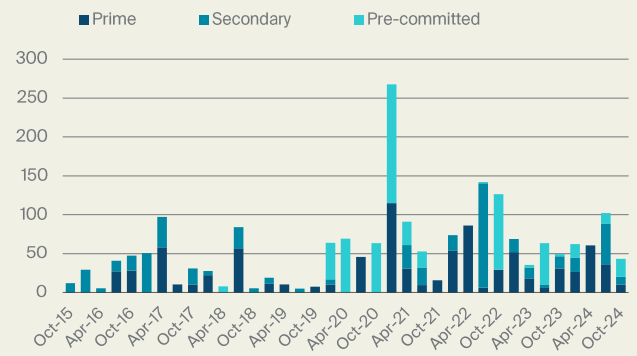
Prime Rents	Take-up	Prime Yields
\$138/sqm (+3.4% q/q)	43,231 sqm (-57.7% q/q)	5.8% (+8 bps q/q)

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



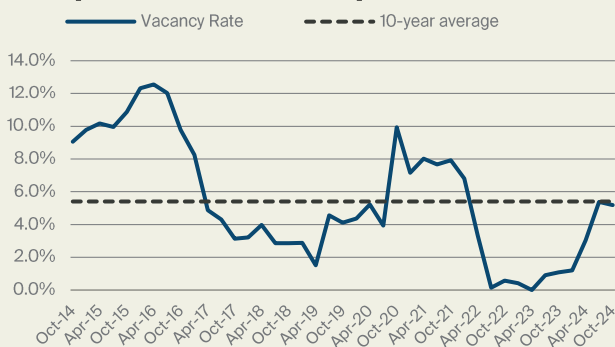
Source: Knight Frank Research

Supply

- Reservoir Business Hub reached completion in Q3-24 adding 43,561 sqm of spec space to the market
- The North has the strongest development pipeline of all precincts with 407,728 sqm coming on in 2025
- The vacancy rate in the North shrank marginally to 5.2% from 5.4% over Q3-24

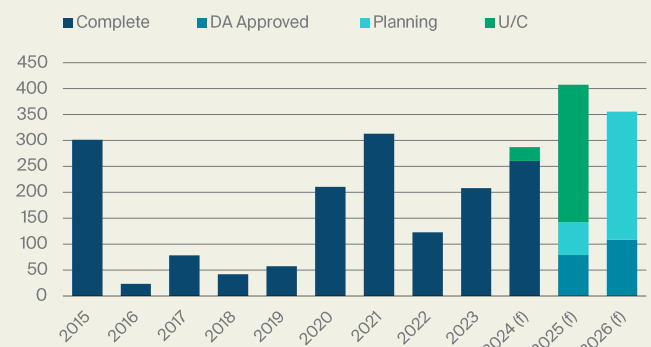
Vacancy Rate	New Supply 2024	New Supply 2025
5.2% (-20 bps q/q)	287,194 sqm	407,728 sqm

North industrial vacancy rate
000's sqm, excl. warehouses <5,000 sqm and hardstand



Source: Knight Frank Research

North industrial supply
by development type, 000's sqm



Source: Knight Frank Research

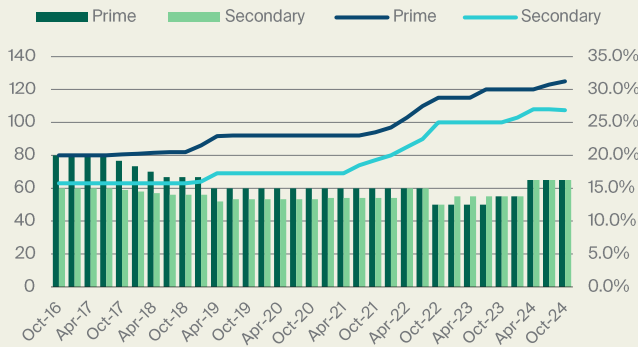
East

Demand

- Leasing activity remains limited in the East with no major deals above 5,000 sqm transacting in Q3-24
- Prime yields remain flat 5.5% (in the line with the Southeast)

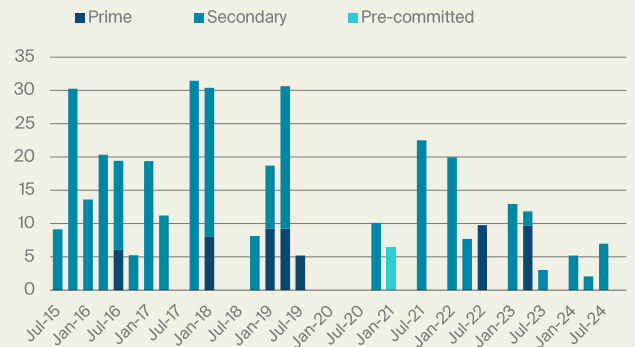
Prime Rents	Take-up	Prime Yields
\$125/sqm (+1.6% q/q)	0 sqm (-100.0% q/q)	5.5% (no change q/q)

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



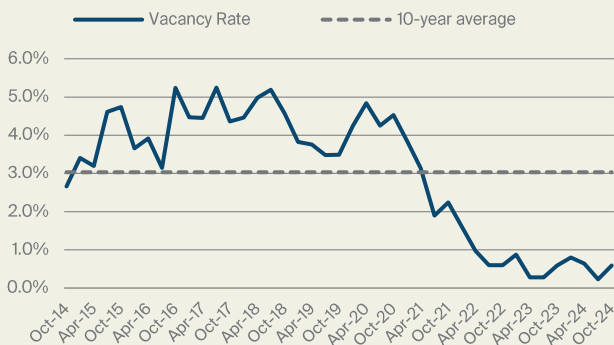
Source: Knight Frank Research

Supply

- The East remains mostly built-out with no new development space added in 2023 and 2024
- One new development in Kilsyth will land in 2025 adding 37,138 sqm to the precinct across 3 warehouses
- The vacancy rate remains the lowest of all major industrial precincts at 0.6%

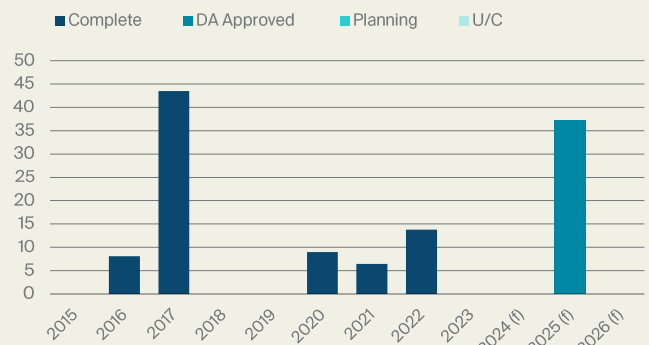
Vacancy Rate	New Supply 2024	New Supply 2025
0.6% (+40 bps q/q)	0 sqm	37,138 sqm

East industrial vacancy rate
000's sqm, excl. warehouses <5,000 sqm and hardstand



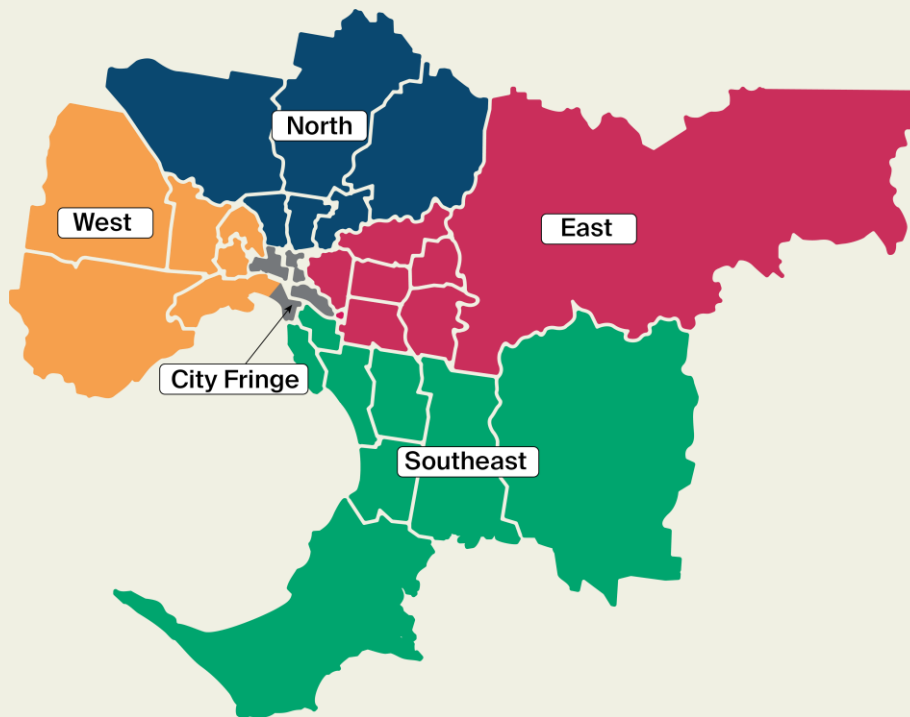
Source: Knight Frank Research

East industrial supply
by development type, 000's sqm



Source: Knight Frank Research

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



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