Australia’s supply pipeline faces delivery risks

▲ 2.8%
Vacancy rate average (1H25)

▲ c.674,000 sqm
New Industrial Supply 3Q25

▼ c.520,000 sqm
Gross Take-Up 3Q25

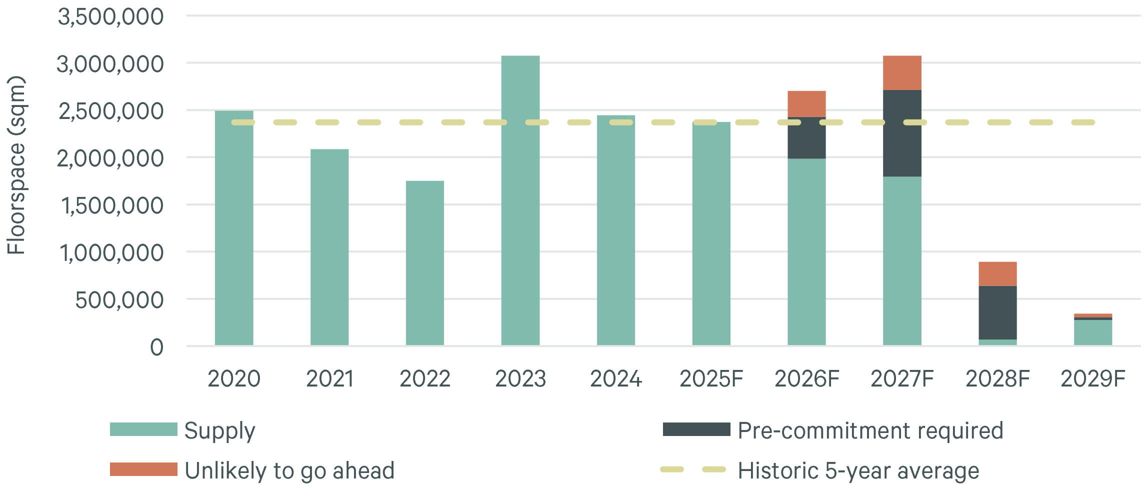
▼ 5.7%
Super Prime Midpoint Yield 3Q25

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up in 3Q25 was the lowest in 12 months, however the CY2025 is on track to supersede last year’s level – supported by strong leasing activity in the Sydney market.
- The 2025 supply pipeline is expected to reach 27% above the 10-year long-run average of 1.9 million sqm.
- Just over one-third of the 2026 and 2027 supply is pre-committed, with the share of speculative developments at around 60%.
- Upward movement in Incentive levels across most markets continue to impede on net effective rent growth, which is now in negative territory. We expect incentives will stabilise within 1H26, with most markets forecast to record falling incentives post-2026.
- The national average midpoint yield for super prime grade assets has marginally compressed and stands at 5.7%. Yield compression was recorded for all markets except in Melbourne.
- Investment sales for income producing assets (≥ AUD 10 million) for 2025YTD totaled around AUD 7 billion – reaching the long-run average.

FIGURE 1: National Industrial & Logistics Development Supply



To note: reflects projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.
Source: CBRE Research Q3 2025

Demand

Take-up on track to supersede last year's level as enquiry levels rise

Gross take-up for 3Q25 totaled just over 520,000 sqm, bringing the 2025YTD total to c.2.2 million sqm. This quarter's take-up was the lowest quarterly take-up volume recorded over the past 12 months, however and we expect to see the CY2025 take-up levels supersede the total recorded in CY2024 as several lease deals around the country are currently under HOA and due to be executed in the coming months.

Leasing conditions have become more favourable for occupiers (in the form of higher incentive levels) over the past 12 months, as landlords are willing to secure tenants into new development prior to PC. Long-term leasing activity is expected to remain elevated as we forecast from late 2026 onwards occupiers are likely to feel the pressure to secure space while favourable lease terms remain. Post-2026, we expect incentive levels for most markets will begin fall.

Sydney continues to leads take-up activity

Take-up activity in Melbourne continues to slow and, as such, take-up levels in Sydney recorded the highest share of leasing activity in the country – representing 33% of total space leased in 3Q25. Gross take-up in Sydney for 2025YTD now exceeds totals recorded in CY2023 and CY2024 and is on track to surpass the market's 10-year long-run average by year-end.

Pre-lease transactions made up around 24% of the floorspace leased in 3Q25 - mainly within the Eastern Seaboard markets where a higher amount of new floorspace is being delivered. Several deals occurred within sub-lease space, with sub-leased area making up around 10% of transactions over the quarter (by floorspace).

Notable lease transactions over the quarter included:

- A pre-lease by PFD Foods in Jandakot, Perth's South precinct.
- A pre-lease by a manufacturing occupier in Melbourne's North precinct.
- An existing asset by ABM Windows in Jedda Road Prestons in Sydney's Outer South West precinct.

Occupiers within Transport, Postal and Warehousing sector made up close to 30% of the floorspace leased, followed by Manufacturing at 16%.

FIGURE 2: National Gross Take-Up by City

To note: reflects transactions >5,000 sqm for Sydney and Melbourne, transactions >4,000 sqm for Brisbane and Perth, transactions >3,000 sqm for Adelaide.
Source: CBRE Research Q3 2025

Supply

The pre-commitment rate for 2026 is already just over 40%

Around 674,000 sqm of new floorspace was added to the market in 3Q25, which is close to 30% of the total floorspace for the CY2025 pipeline. Close to 600,000 sqm (or 25%) of the 2025 pipeline is currently under construction and due to complete next quarter. This will bring the CY2025 total to c. 2.4 million sqm – 27% above the long-run average.

The concentration of new floorspace in 3Q25 was delivered in Sydney (43%), followed by Brisbane 25%) and Melbourne (16%).

In 3Q25 around 75% of the completed developments (by floorspace) were speculative builds. The share of speculative developments in the 2026 and 2027 pipeline is currently at c.60%.

Notable development completions over the quarter included:

- Dexus' Vertex Industrial Estate in Sydney's Outer North West.
- Warehouse 2A and 2B of Mirvac's Aspect Industrial Estate in Sydney's Outer North West.
- Charter Hall's PesiCo's facility at Edinburgh Logistics Park in Adelaide's Outer North.
- Greystar's 'The Fields' in Brisbane's South.

Despite higher-than-average supply forecast to be added to the market in 2026 and 2027 there are a few factors to consider:

- The vacancy rate remains one of the lowest levels globally at 2.8% (as at 1H25)
- A large share of the pipeline is in early stages of development (i.e., development application stage).
- We have identified a few projects over 2026-2028 that are unlikely to go ahead (i.e., around 13% of the floorspace expected to be delivered over this period).
- Despite the projects that have DA Approval, several of them will require a pre-commitment before construction can commence, which could result in some projects being pushed out to 2028 and 2029.
- Just over one-third of the 2026 and 2027 supply is pre-committed.

FIGURE 3: Development Supply Pipeline

To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.
Source: CBRE Research Q3 2025

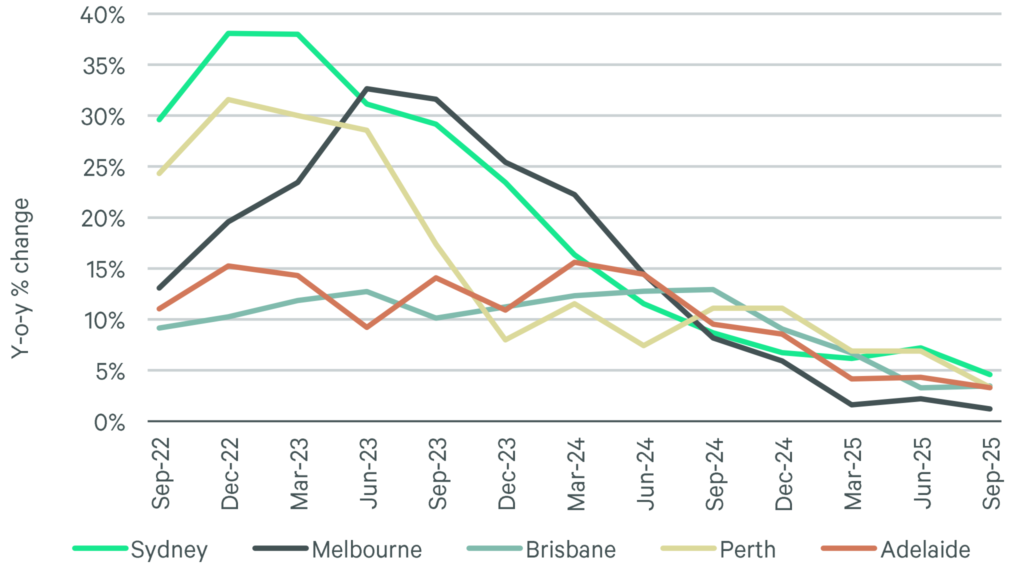
Leasing Market

Net effective rent growth falls into negative territory

The national super prime weighted-average net face rent has increased by 0.6% q-o-q. Despite the rise in face rents, incentive levels have continued to increase which has led to a further decrease in effective rent growth. This quarter, net effective rents fell by half a percentage point for super prime grade assets and decreased further for prime and secondary grade stocks at -1.7% and -2.0%, respectively. We expect to see further falls in net effective rents across all asset grades, and more so for secondary grade assets over the next 6 months.

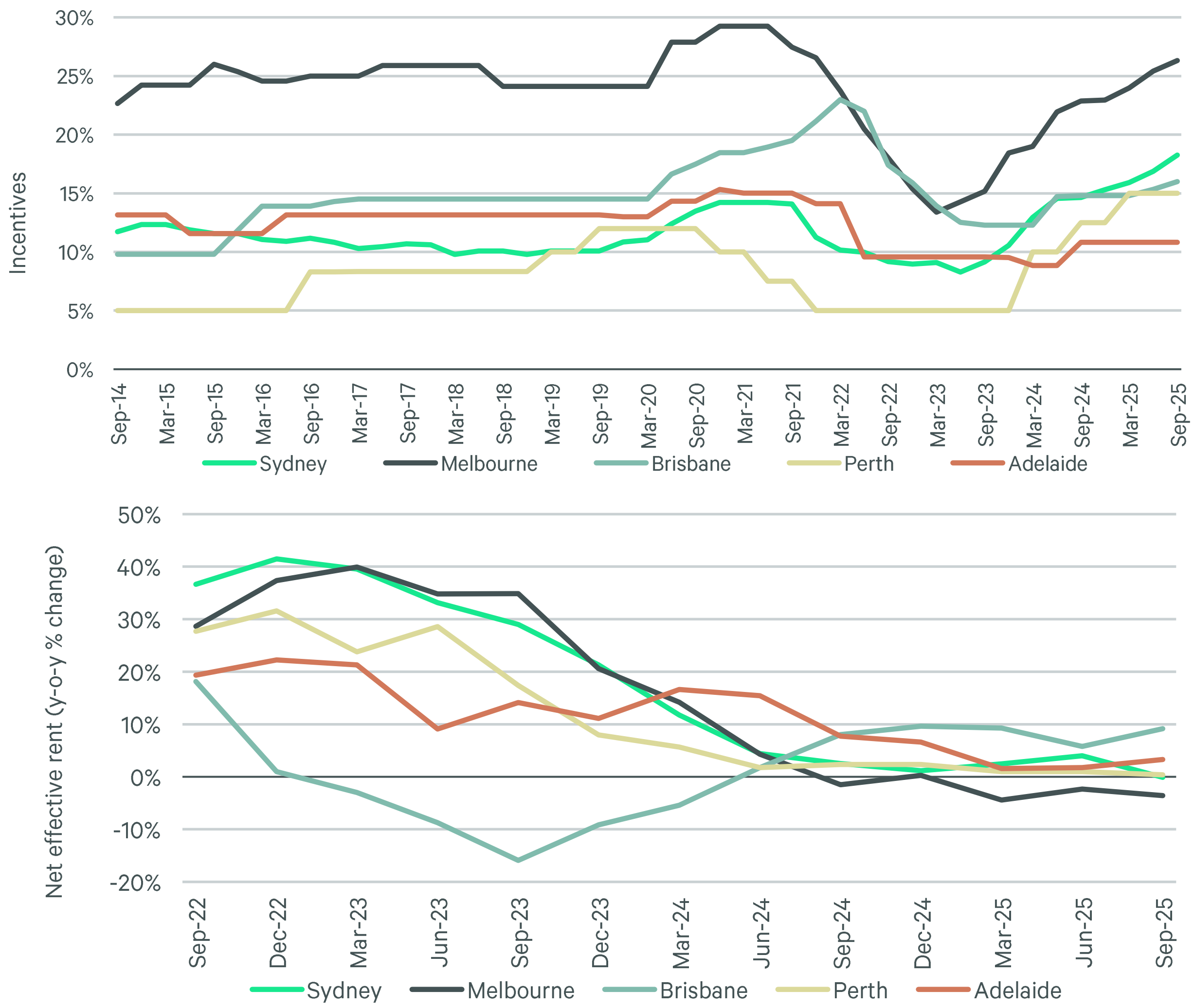
On a y-o-y basis, national super prime, prime, and secondary grade supply-weighted average face rents have grown by around 3%. Sydney has recorded the strongest rent growth over the past 12 months, as vacancy levels remain one the tightest nationally.

FIGURE 4: Super Prime weighted-average net face rent, y-o-y % change



Source: CBRE Research Q3 2025

FIGURE 5: Super Prime key metrics



To note: Rents reflect the supply-weighted average face rent value, and yields reflect the midpoint.
Source: CBRE Research.
CBRE Research provide detailed rent forecasts via a paid subscription service.

Investment Market

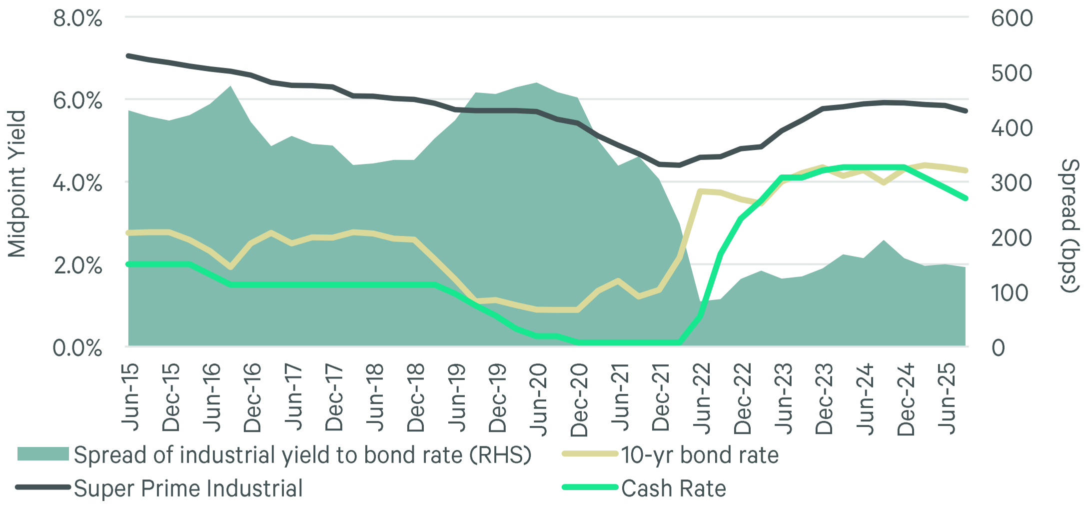
investment sale transactions for 2025YTD reaches 10-year average

Australia's industrial and logistics investment sale volumes for income producing assets over AUD 10 million have totaled close to AUD 7 billion for 2025YTD – reaching the 10-year annual average. The concentration of activity (by value) occurred in Sydney over this period (38%), followed by Brisbane (26%). There has been a notable reduction in activity in the Melbourne market, with just over AUD 1.1 billion in sales volume YTD – compared to 2024CY total of around AUD 2.5 billion. There has been a notable increase in sale activity within the Brisbane market with close to AUD 2 billion in sales YTD – above levels recorded for CY2024, CY2023 and CY2022.

Yield compression recorded for all markets except Melbourne

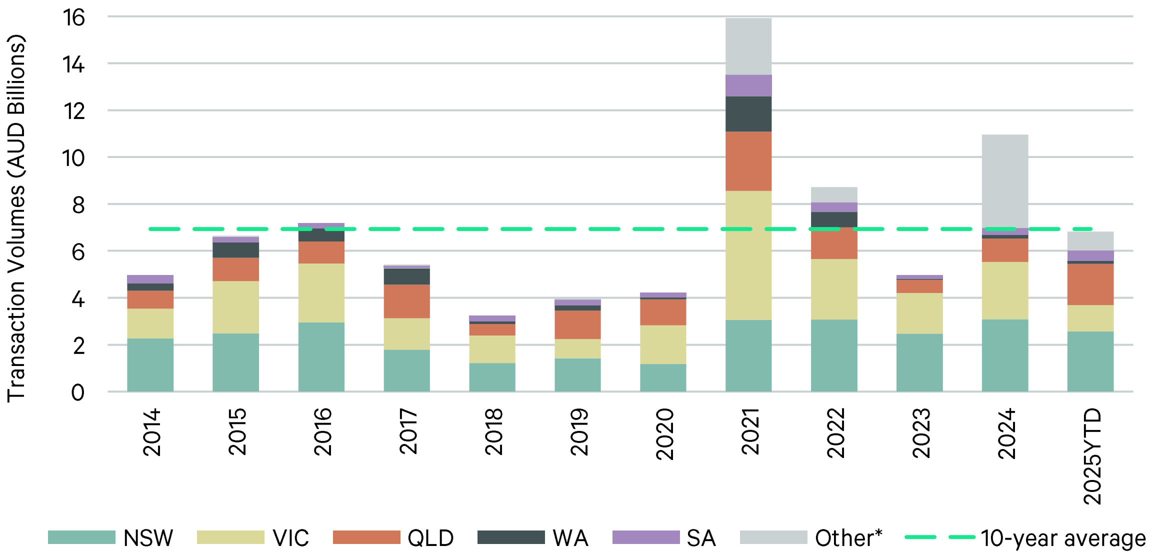
Yields compressed nationally by 14 bps for super prime grade assets. The national midpoint yield over 3Q25 for super grade assets now stand at 5.72%. The spread between Melbourne yields and other Eastern Seaboard cities is widening, mainly due to Victoria's taxation policy. Other State's are becoming a net beneficiary of foreign capital outflow from Victoria, with Brisbane midpoint yields for super prime grade assets (5.52%) now sharper than Melbourne (5.89%).

FIGURE 6: Industrial & Logistics Super Prime Midpoint Yields and Australia 10yr Government Bond



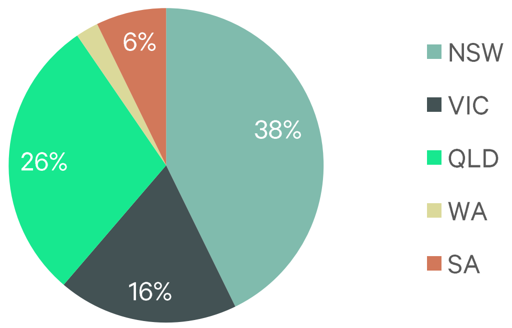
Source: RBA, CBRE Research Q3 2025

FIGURE 7: Industrial Investment Sales for income producing assets (greater than AUD 10 million), 2014 to 2025YTD



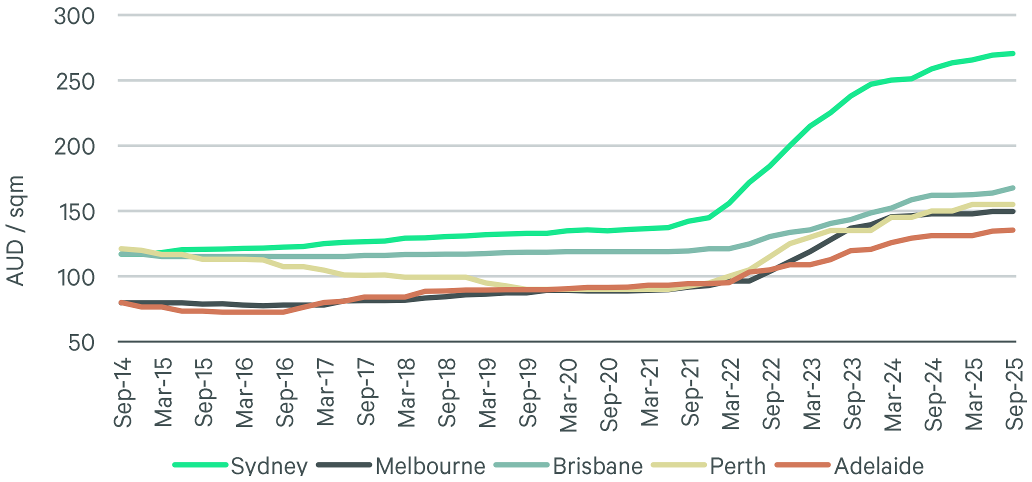
To note: Reflects investment sales of income producing assets AUD 10 million and greater.
*Other reflects portfolio sales across multiple cities where individual asset price has not been disclosed.

FIGURE 8: State share of industrial investment Sales by value 2025YTD



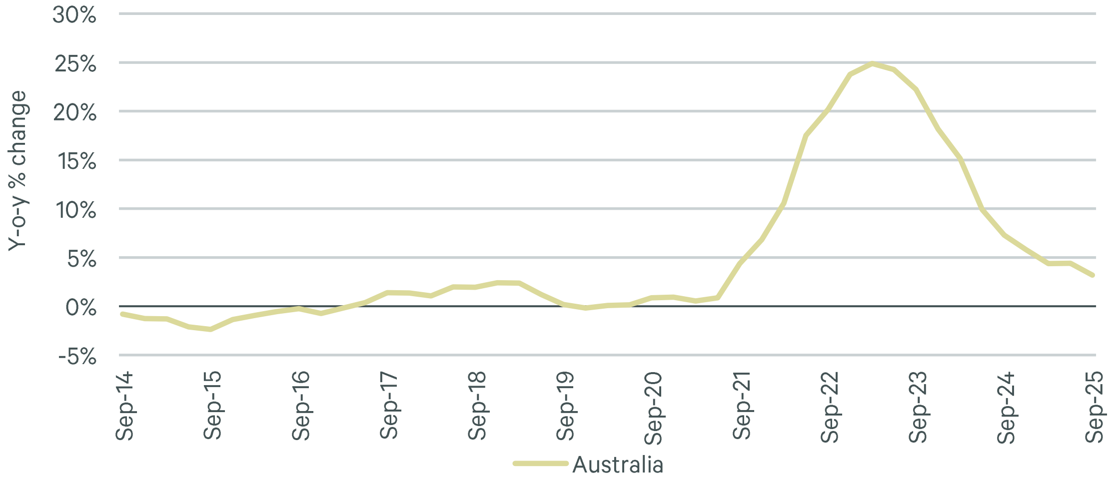
Source: CBRE Research Q3 2025

FIGURE 9: Super prime weighted-average net face rent, by City



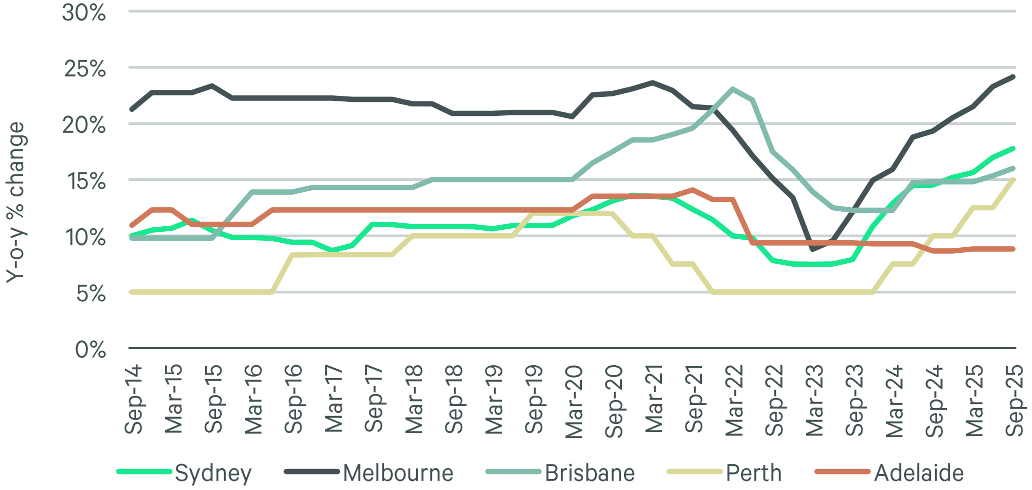
Source: CBRE Research Q3 2025

FIGURE 11: Australia prime weighted-average net face rent growth y-o-y



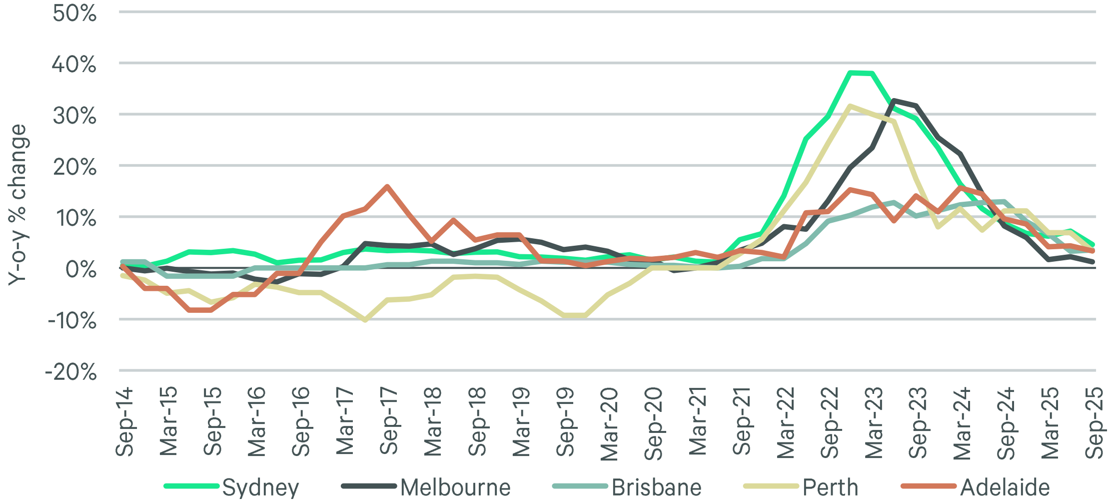
Source: CBRE Research Q3 2025

FIGURE 10: Prime weighted-average incentives



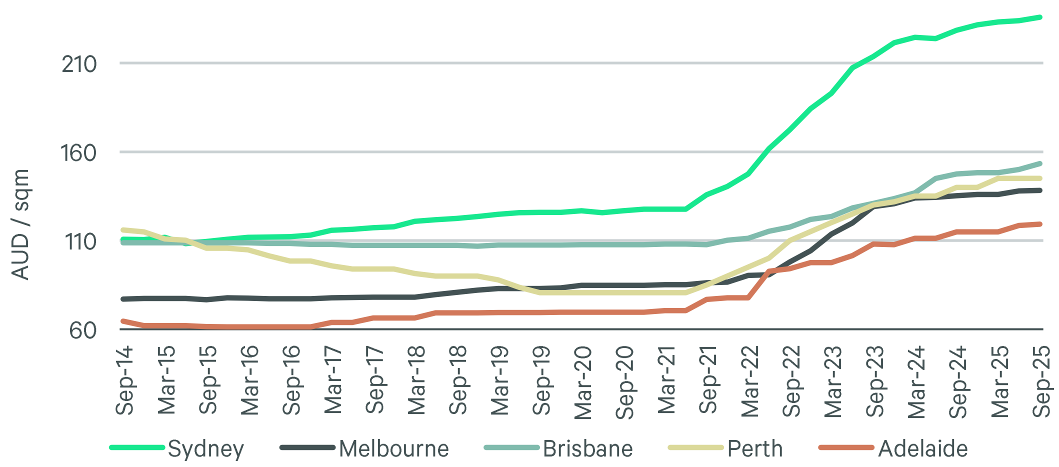
Source: CBRE Research Q3 2025

FIGURE 12: Super prime weighted-average net face rent y-o-y % change



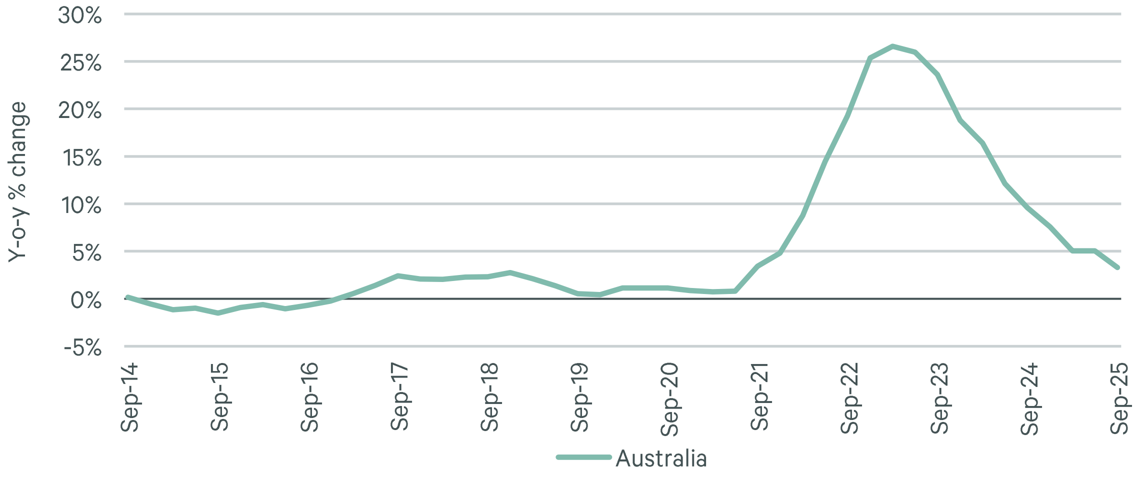
Source: CBRE Research Q3 2025

FIGURE 13: Prime weighted-average net face rent, by City



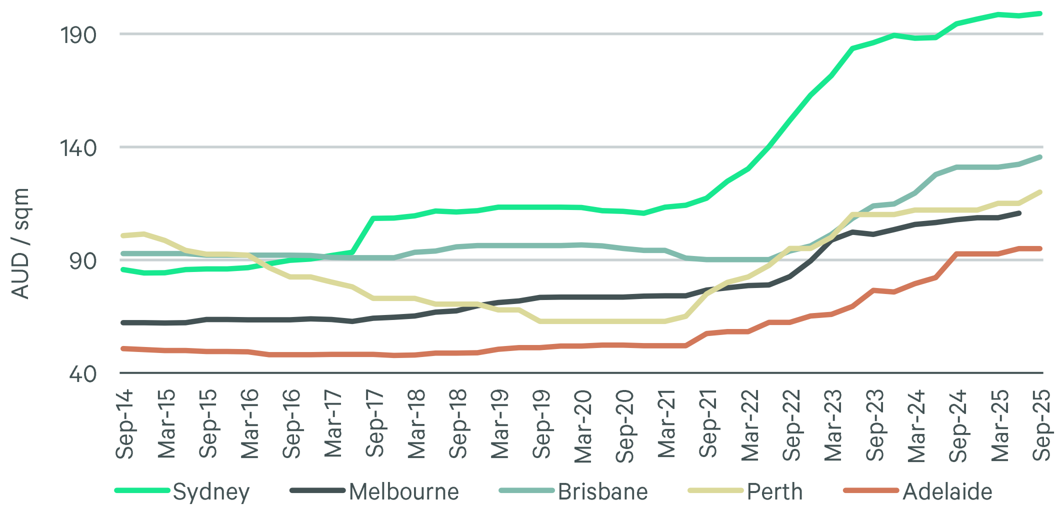
Source: CBRE Research Q3 2025

FIGURE 15: Australia super prime weighted-average net face rent growth y-o-y



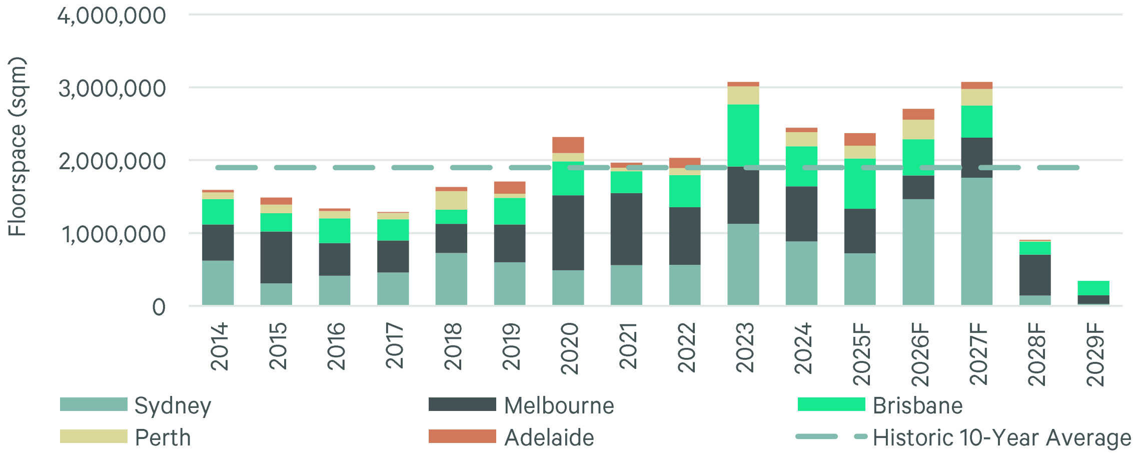
Source: CBRE Research Q3 2025

FIGURE 14: Secondary weighted-average net face rent, by City



Source: CBRE Research Q3 2025

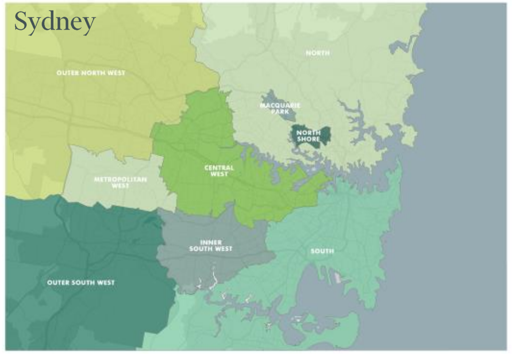
FIGURE 16: Development supply pipeline by City

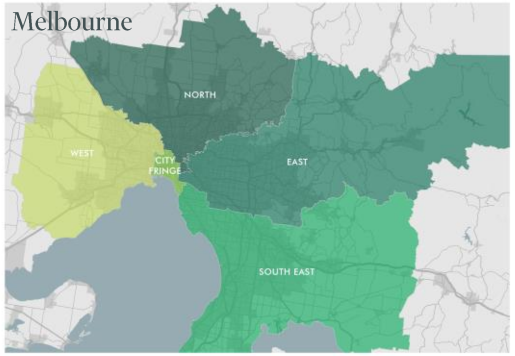


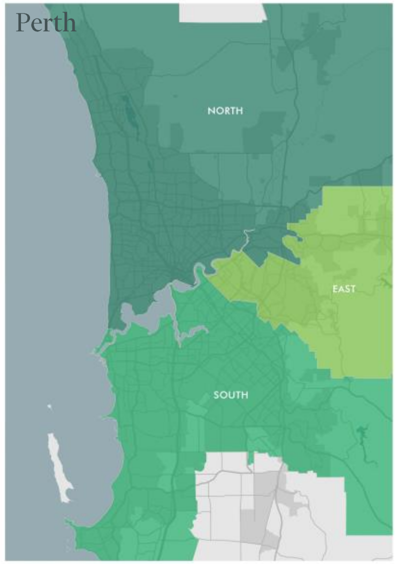
To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.

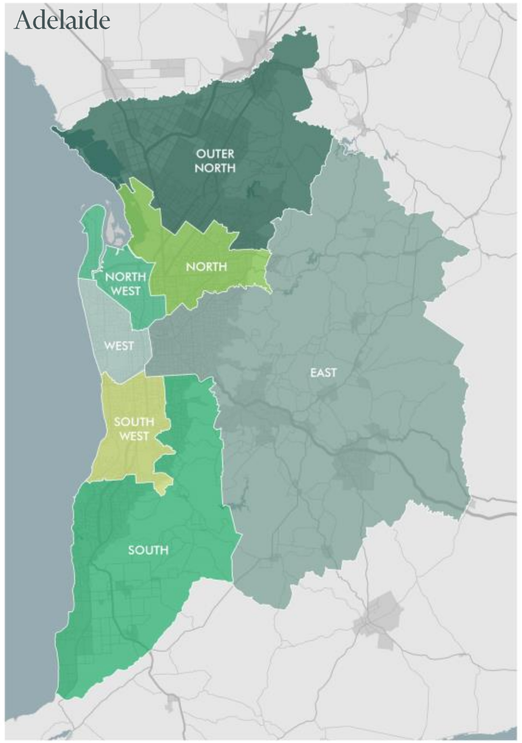
Source: CBRE Research Q3 2025

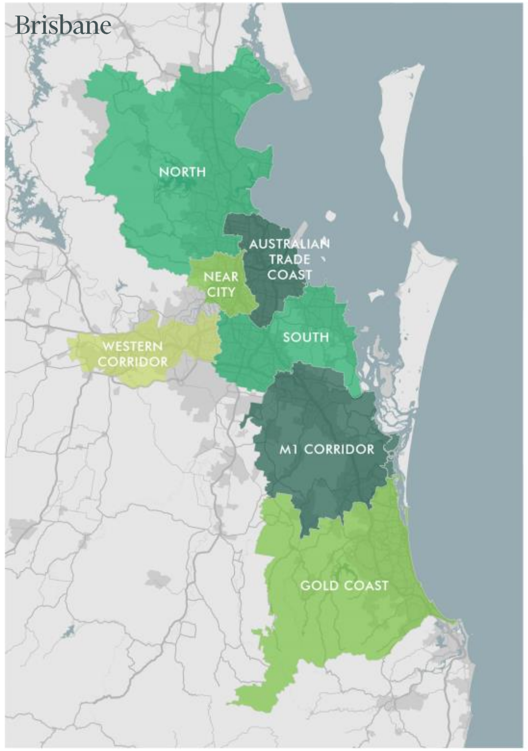
Market Area Overview











Definitions

Super Prime: Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

Prime: Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

Secondary: Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

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To note: CBRE Research provide timeseries data, including rent forecasts, via a paid subscription service.

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