

FIGURES | INDUSTRIAL & LOGISTICS | Q4 2025

# Land values begin to increase across Melbourne



Note: Arrows indicate change from previous quarter.

## Key Points

- Gross take-up for 4Q25 totalled c.190,000 sqm, representing a quarter-on-quarter decline as tenant enquiry remained subdued.
- New floorspace added to the market totalled c.150,000 sqm across 15 major projects, with majority of completions taking place in Melbourne’s West. A significant share of the forward pipeline is not yet under construction, elevating uncertainty around start dates and completion timing.
- The average vacancy rate lifts to 4.7% (as at 2H25). Average net effective rents continue to decline and decreased by 0.7% over the quarter.
- Land values recorded a marginal increase over the quarter, underpinned by firm activity in the Inner and North precincts. Elsewhere, feasibility constraints continue to weigh on pricing.
- Investment sales totalled approximately AUD 339 million in 4Q25, across 13 transactions valued at or above AUD 5 million.
- Yields across all grades and precincts held stable over 4Q25.

Source: CBRE Research

## Demand

### Leasing moderates as occupiers prioritise renewals

Gross take-up in 4Q25 totalled c.190,000 sqm, representing a moderate decline from the prior quarter. Leasing momentum remains measured, with occupiers increasingly favoring lease renewals over new commitments, with 2025 renewal volumes equating to roughly three times those recorded in 2024. A material volume of floorspace is currently in late-stage negotiation and is expected to support quarterly take-up over the coming periods.

Across Melbourne’s precincts, active tenant enquiry remains subdued, with only a limited number of large occupier briefs (>10,000 sqm) presently in the market.

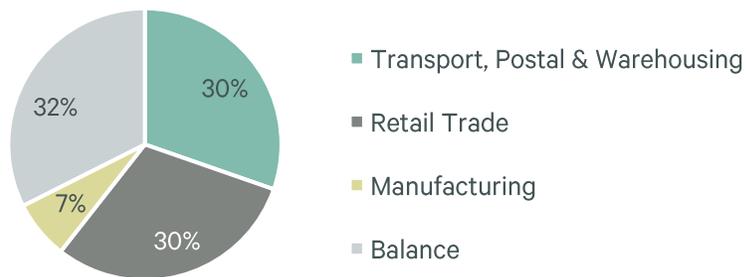
Notable transactions in 4Q25 included:

- A pre-lease by Costway in the West (c.25,000 sqm).
- A lease by New Aim in the West (c.25,000 sqm).
- A pre-lease by Yida Foods in the South-East (c.14,000 sqm).

### Take-up activity concentrated in the West

Melbourne’s West accounted for ~60% of quarterly gross take-up, followed by the South East at ~26%. Most leasing activity in the West was concentrated in existing stock. Demand for speculative product was also strong this quarter, comprising ~37% of total take-up.

FIGURE 1: Melbourne Take-Up 4Q25 by Industry Sector (Top 3 Sectors by floorspace)



Source: CBRE Research

FIGURE 2: Melbourne Gross Take-Up 2014-2025, by Precinct

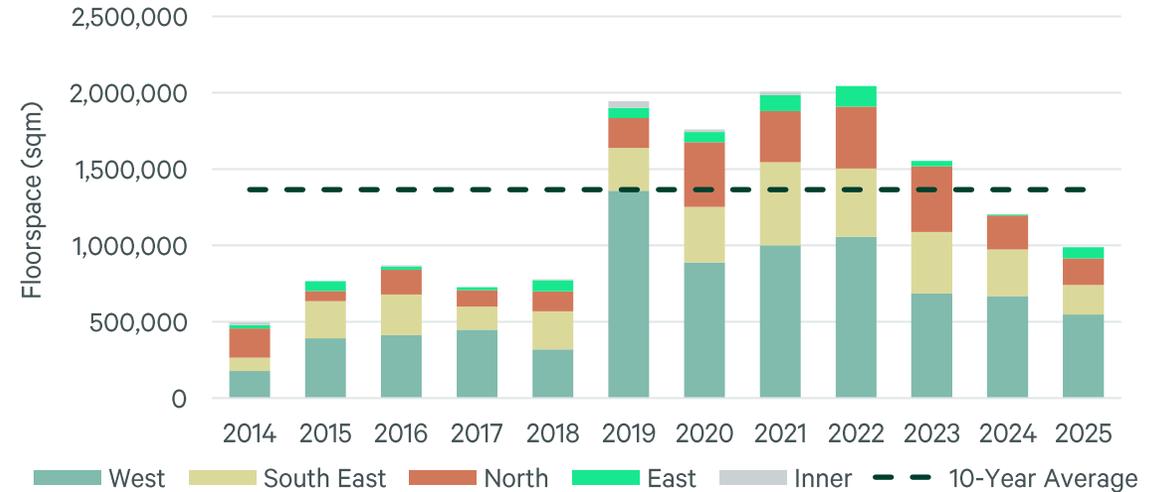
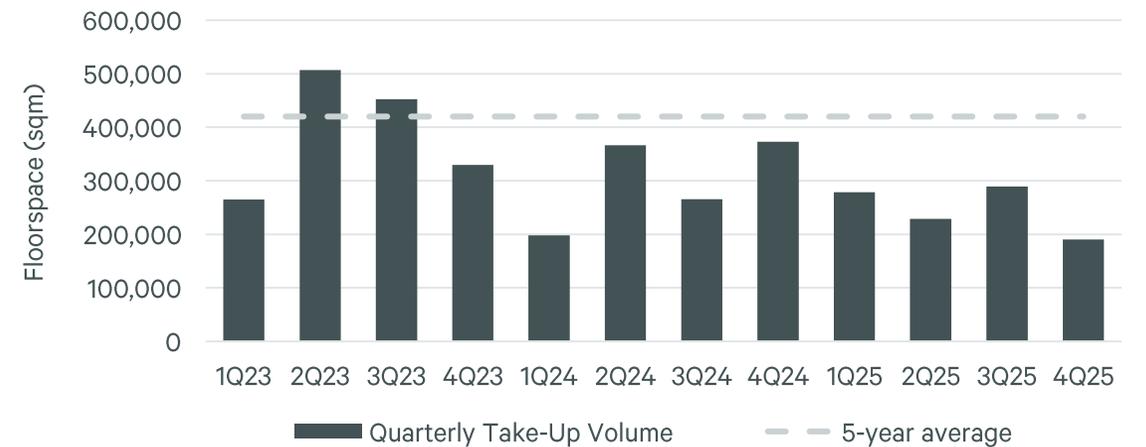


FIGURE 3: Melbourne Quarterly Gross Take-up, 1Q23-4Q25



\*To note: Reflects transactions >5,000 sqm.  
Source: CBRE Research

# Supply

## Feasibility pressures to defer non-commenced projects

Supply completions in 4Q25 totalled approximately 148,000 sqm, which is 26% of the CY2025 supply total. Around 13% of the CY2026 supply total is expected to be delivered next quarter. Total completions for CY2025 are projected to reach around 690,000 sqm, slightly above the 10-year historical average.

Notable completions in 4Q25 Included:

- Warehouse 3, 427-451 Somerville Road, Tottenham (c.22,000 sqm)
- Lot 2, 100 Missens Road, Cranbourne West (c.21,000 sqm)
- Warehouse 5C, 590 & 620 Western Port Highway, Cranbourne West (c.11,000 sqm)

Melbourne’s forward supply pipeline is forecast to remain moderately below the 10-year long-run average over the next four years. A significant share of development-approved and development-applied projects is expected to be delayed or face potential cancellation due to feasibility constraints. Indicatively, economic rents (cost-covering rents) exceed average face rents by ~47% in the West and ~25% in the North, underscoring the feasibility gap for new product. As a result, a subdued supply environment is anticipated over the next 18–24 months, until face rents adjust to support more viable development conditions.

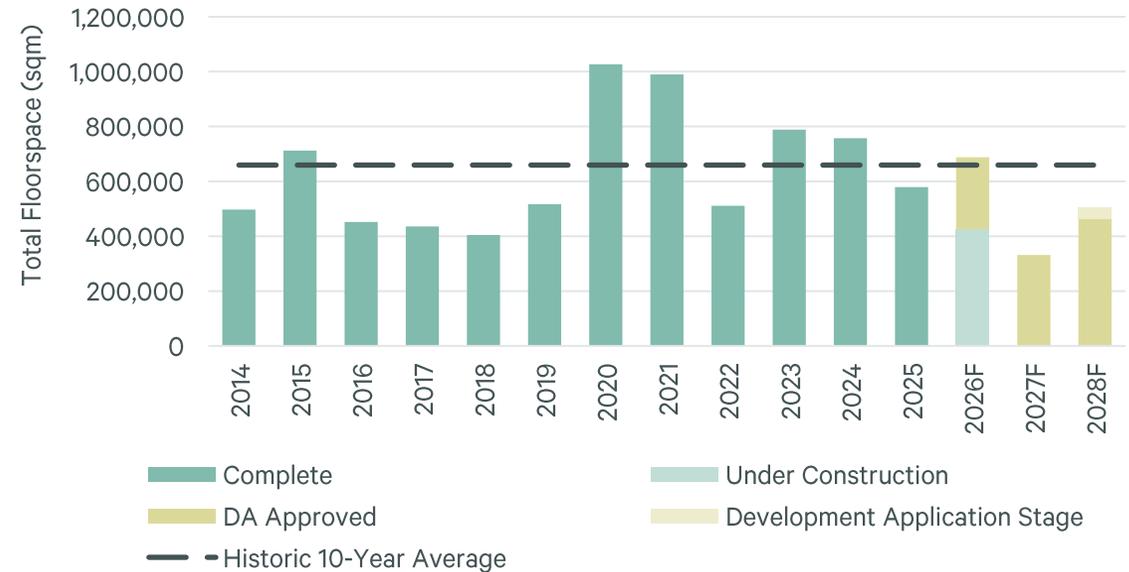
Approximately 90,000sqm of supply completions are expected across Melbourne in 1Q26. Key projects anticipated to reach practical completion include:

- Warehouse 2 & 3, 115 South Gippsland Highway, Dandenong South (c.14,000 sqm)
- Warehouse 4A, 60 Greenhills Road, Pakenham (c.10,000 sqm)
- 2 Battery Court, Cranbourne West (c.10,000 sqm)

## Pre-commitment activity remains low amidst rising vacancy

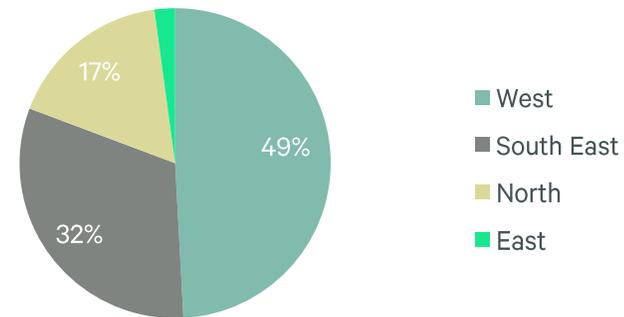
The pre-commitment rate for projects currently under construction and scheduled for delivery in CY2026–2027 stands at approximately 28%. This includes the major pre-commitment from Amazon’s 209,000sqm fulfilment centre in Melbourne’s North. Excluding this project, pre-commitment activity remains subdued, albeit construction starts have also significantly slowed in recent quarters.

FIGURE 4: Melbourne Development Supply Pipeline 2010-2028F



To note: Reflects new projects >5,000 sqm.  
Source: CBRE Research

FIGURE 5: Development Supply 2026F-2028F Floorspace Share, by Precinct



To note: Reflects new projects >5,000 sqm.  
Source: CBRE Research

## Leasing Market

### Face rents end the year flat as enquiry softens

Average net face rents for super prime and prime assets were stable in 4Q25. Secondary assets recorded modest growth of 2.4%, driven exclusively by gains in the South East precinct.

Super prime effective rents declined 0.7% quarter-on-quarter in 4Q25, taking the year-on-year outcome to -4.2%. The contraction in effective rents reflects rising incentives. While land supply constraints persist across Melbourne, landlords in select precincts have responded more aggressively to preserve occupancy amid weaker enquiry. This has occurred against the backdrop of a continued rise in industrial vacancy - now the highest nationally - which is weighing on landlord pricing power.

On an annual basis, face rental growth across Melbourne averaged 1.6% for super prime, 2.7% for prime, and 4.9% for secondary grade assets. Looking ahead, super prime rental growth is expected to outperform over the medium term, consistent with historical trends. Whilst vacancies in speculatively built stock are impacting current leasing rates, as the future pipeline continues to shrink, super prime stock is likely to regain leasing momentum, albeit later than expected.

### Incentives expand across select Melbourne precincts.

Incentives increased across South East, East, and West precincts in 4Q25. Notably, super prime (West) and prime (South East) both rose by +250 bps quarter-on-quarter.

Incentives in most precincts are expected to have now reached/close to reaching their cyclical peaks. With significant market bifurcation already evident, many landlords have front-loaded incentives to secure short-term leasing outcomes amid subdued enquiry. As the forward supply pipeline continues to contract, incentives are expected to trend lower towards late-2026 and into 2027.

FIGURE 6: Melbourne Average Net Face Rent Growth Year-on-Year by Grade

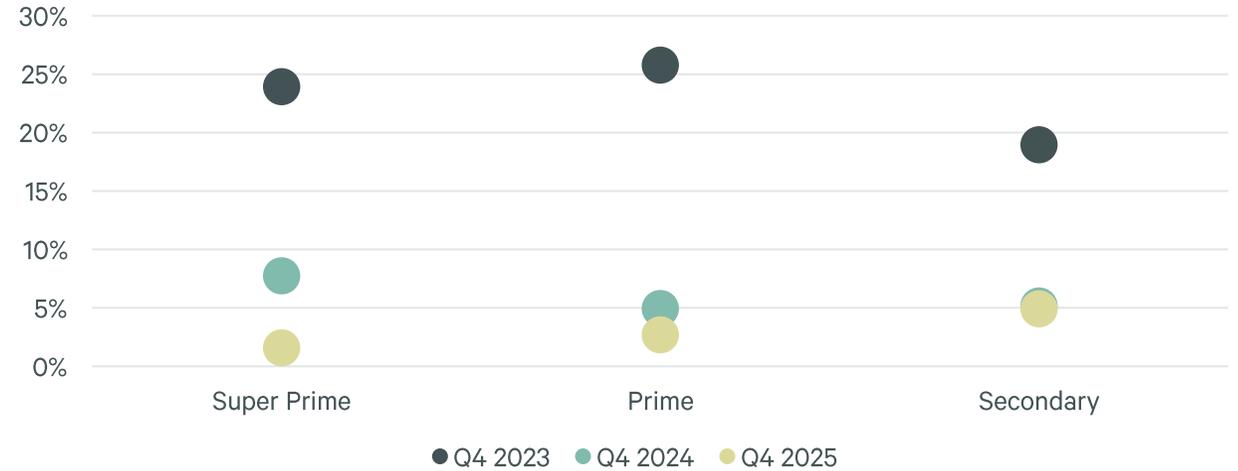


FIGURE 7: Melbourne Super Prime Net Face Rents by Precinct and Year



Note: Rents in the Inner market correspond to Prime grade assets.  
Source: CBRE Research

## Land Values

### Land values mixed as feasibility pressures persist

The average value for small industrial lots (0.25 ha) across Melbourne held flat over the quarter. In contrast, land values for 1.6 ha lots increased by 3.3% over the quarter, bringing the annual growth to 1.9%. Land values experienced moderate appreciation in the North and Inner precincts this quarter, driven by an uptick in deal evidence particularly among smaller lots, with local private developers representing the most active sub-set of the market.

Land value depreciation persisted in the South East and East, where small lots declined 1.3% q-o-q and 1.0% q-o-q, respectively. These precincts face heightened pressure, with some landowners accelerating disposals and showing greater price flexibility amid shifting vacancy and leasing rates.

Beyond this, we continue to observe multiple key themes that are influencing land values across Melbourne:

- The most significant factor is the ongoing economic headwinds facing development groups. Elevated debt costs have raised feasibility concerns, leading to increased caution among developers and investors. CBRE Research estimates that economic rents exceed current market rents by 47% in Melbourne’s West and 25% in the North. While this has dampened activity among developers and investors, owner-occupiers remain active in the market.
- Elevated construction costs continue to exert downward pressure on land values. Although some cost components have eased from the peaks of 2021–2022, high prices for cement and steel, driven by elevated energy costs, remain a challenge for industrial developers.
- Despite these headwinds, pricing in several precincts is being supported by consistent owner-occupier demand and non-traditional industrial buyers, who are less sensitive to development feasibility constraints and can underwrite acquisitions on operational or strategic grounds.

FIGURE 8: Average Land Values (0.25 ha lots), by Precinct and Year.



Source: CBRE Research

FIGURE 9: Average Land Values (1.6 ha lots), by Precinct and Year.



Source: CBRE Research

## Investment Market

### Smaller transactions underpin quarterly volumes

Investment sale volumes in 4Q25 totalled approximately AUD 339 million, representing a slight increase from 3Q25. Activity remains subdued across Melbourne, with the average transaction size at approximately AUD 26 million, moderately below of the average recorded in CY2024. Total transaction activity for CY2025 ended at approximately AUD 1.5 billion. Whilst this is significantly below the 10-year average, it remains consistent with the levels seen in CY2022 and CY2023, as investment sentiment has returned to normalised levels.

Investment volumes are expected to remain well below historical levels. This is mainly due to the implementation of the absentee owner surcharge and elevated land tax rates across Melbourne. While industrial fundamentals are anticipated to improve as supply moderates post-2026, uncertainty surrounding the future of Melbourne’s tax regime presents a key headwind.

Melbourne yields are also being impacted by taxation policy, with the yield spread between Melbourne and other Eastern Seaboard cities widening. Yields across all asset grades remained stable in 4Q25. Current midpoint yields are recorded at 5.89% for super prime, 6.19% for prime, and 6.79% for secondary grade assets. Yields are expected to remain stable for the first half of 2026, with expectations of rising interest rates dampening yield compression forecasts.

FIGURE 10: Average Current Yields and Yield Movements by Grade.



Source: CBRE Research

FIGURE 11: Melbourne Industrial Investment Sales (greater than AUD 5 million)



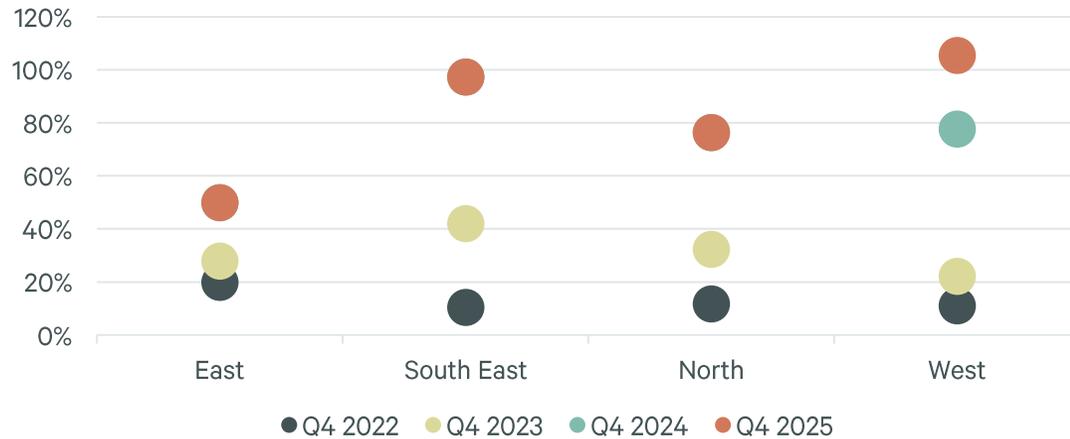
To note: does not include land/development sales.  
Source: RCA, CBRE Research

FIGURE 12: Super Prime Incentives, by Precinct and Year



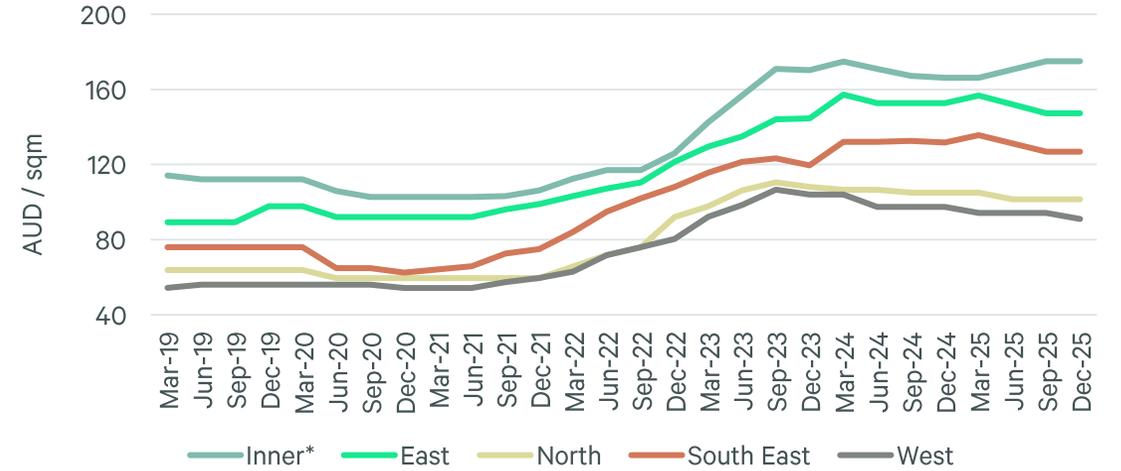
Note: Incentives in the Inner market correspond to Prime values.  
Source: CBRE Research

FIGURE 13: Melbourne Super Prime Outgoing Percentage Increase from Base Period (Q3 2021) by Precinct



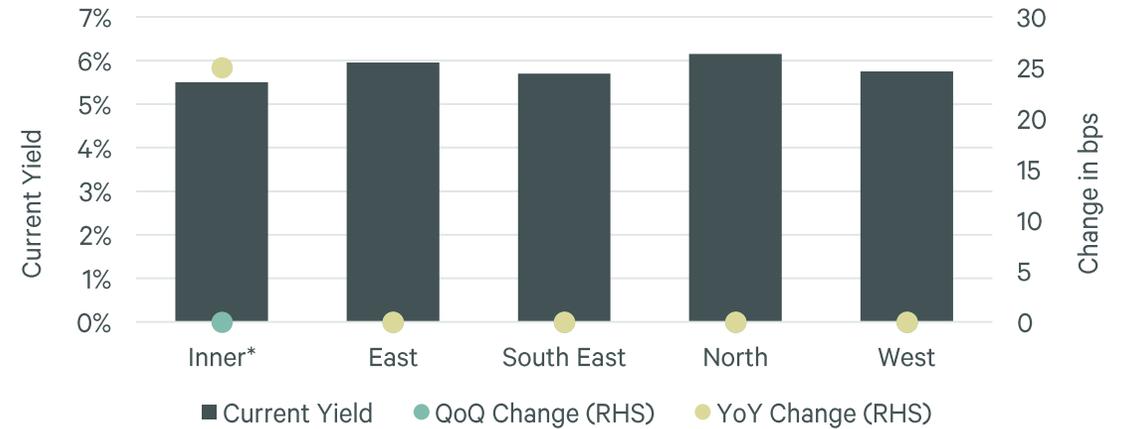
Source: CBRE Research

FIGURE 14: Melbourne Super Prime Net Effective Rents by Precinct



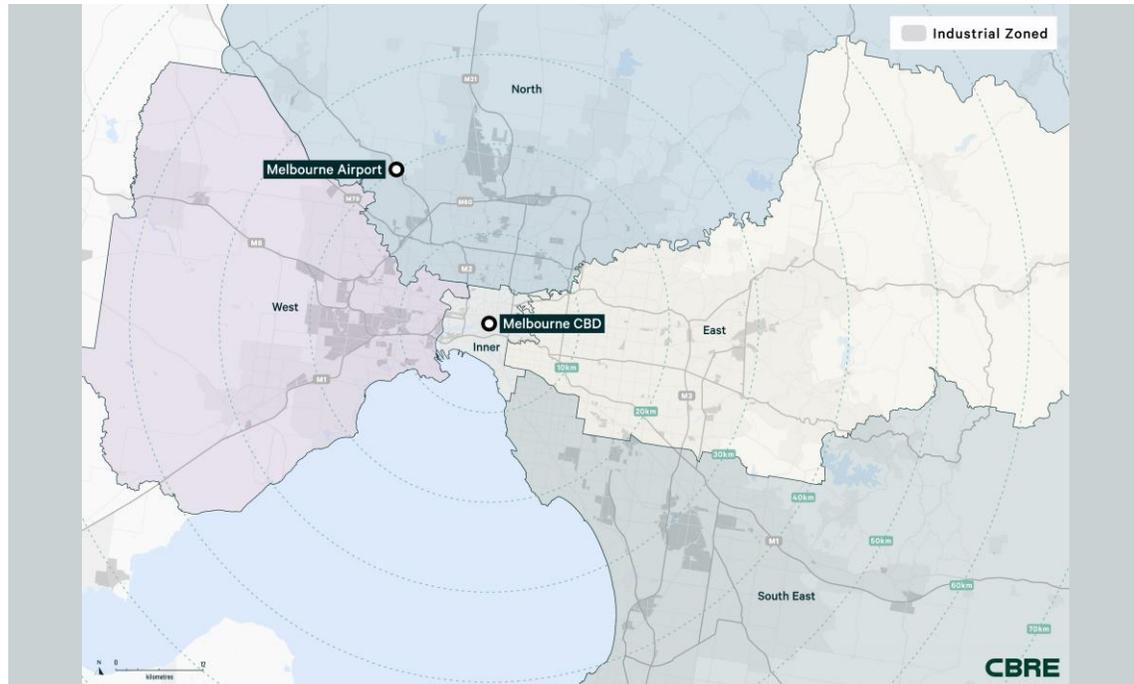
Note: Net effective rents in the Inner market correspond to Prime values.  
Source: CBRE Research

FIGURE 15: Melbourne Super Prime Current Yields and Basis Point Change by Precinct



Note: Inner precinct reflects prime grade assets.  
Source: CBRE Research

## 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.

## Contact

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