Australia's effective rents turn positive as market conditions stabilise

▲ 3.2%
Vacancy rate average (2H25)

▲ c.700,000 sqm
New Industrial Supply 1Q26

▼ c.680,000 sqm
Gross Take-Up 1Q26

▲ 5.7%
Super Prime Midpoint Yield 1Q26

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up moderated in 1Q26 to c.680,000 sqm.
- The development pipeline remains elevated with approximately 700,000 sqm delivered in 1Q26. The forward pipeline remains elevated on paper; however, delivery risk is increasing given pre-commitment requirements, construction costs and financing conditions.
- Close to 40% of the 2026-2027 supply pipeline is pre-committed.
- Incentive levels remain elevated across most markets, although face rental growth has begun to offset any decline in effective rents, with effective rents returning to growth in 1Q26.
- Leasing conditions continue to favour occupiers in the near term, with incentives expected to stabilise before gradually falling from late 2026.
- National super prime midpoint yields expended marginally in 1Q26 to 5.7%, reflecting higher interest rates and elevated bond yields.
- Investment sales for income producing assets (≥ AUD 10 million) in 1Q26 totaled close to AUD 1 billion, with Sydney accounting for most transaction volumes.

Demand

Take-up moderates in early 2026, with activity expected to build through the year

Gross take-up for 1Q26 totalled approximately 0.7 million sqm, slightly below the 12-month quarterly average of 0.8 million sqm. Leasing momentum has softened over the past two quarters, following a strong period of activity through 2024–2025. However, activity is expected to build through the remainder of 2026, supported by occupiers seeking to lock in favourable lease terms amid elevated incentive levels.

Leasing conditions continue to favour occupiers, with increased landlord willingness to secure tenants ahead of practical completion. While this dynamic is expected to persist in the near term, incentive levels are anticipated to stabilise and begin moderating from late 2026 as supply is progressively absorbed.

Demand conditions vary across markets:

- Sydney is showing early signs of rebalancing, with enquiry improving despite softer take-up.
- Melbourne remains the most active leasing market, supported by available supply.
- Perth and Adelaide continue to see more resilient demand in land and owner-occupier-led segments, although leasing activity has moderated.

Melbourne leads take-up activity in 1Q26

Melbourne led national take-up in 1Q26, accounting for just over 55% of floorspace leased, followed by Brisbane (16%) and Sydney (13%).

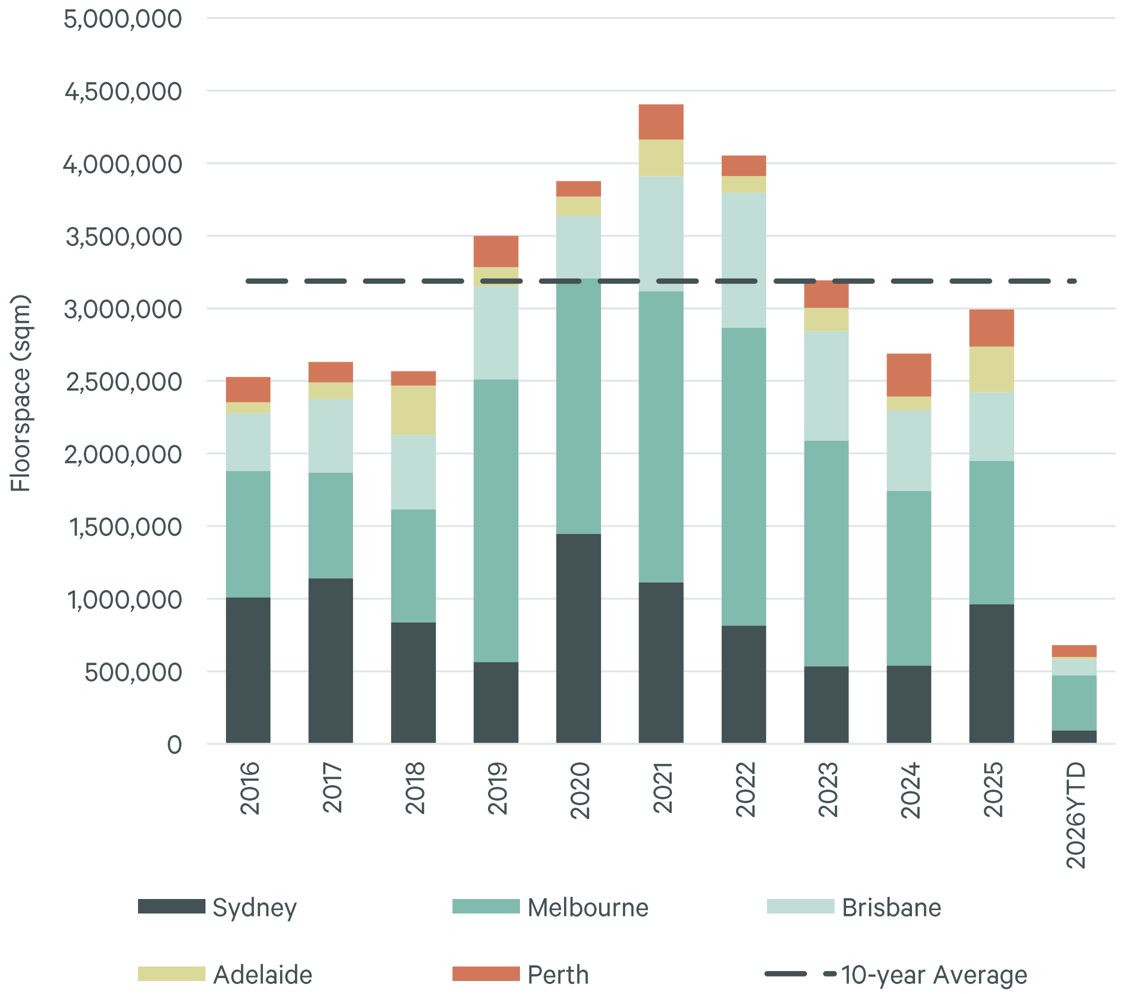
Pre-lease transactions comprised close to 30% of total floorspace leased in 1Q26, down from 40% in 2024, reflecting a greater share of activity occurring within existing stock. This shift highlights a more selective occupier approach, with a preference for ready-to-occupy space amid increased availability.

Notable transactions during the quarter included:

- A pre-lease by DGB Health in Melbourne's North precinct.
- A pre-lease by GPC Asia Pacific in Perth's South precinct.
- A lease by ID Logistics in Melbourne's North precinct.

By sector, Transport, Postal and Warehousing occupiers accounted for 40% of total floorspace leased in 1Q26, followed by retail Trade at 16%.

FIGURE 1: National Gross Take-Up by City



To note: reflects transactions >5,000 sqm for Sydney and Melbourne, transactions >4,000 sqm for Brisbane, transactions >3,000 sqm for Perth and Adelaide.
Source: CBRE Research Q1 2026

Supply

Pre-commitment across the forward pipeline remains mdoerate

Approximately 0.7 million sqm of new floorspace was delivered in 1Q26, representing 27% of the 2026 development pipeline. Delivery was concentrated in Sydney (36%), followed by Perth (22%) and Brisbane (21%).

Notable completions during the quarter included:

- A purpose-built fulfilment centre at Oakdale East Estate in Sydney's Outer North West.
- Hesperia Property's facility for CEVA in Perth's East.
- A warehouse in Mrivac's Aspect Industrial Estate in Sydney's Outer North West.
- Centuria's Vicinity Industrial Base in Adelaide's Outer North.

Close to 70% of completed developments (by floorspace) in 2025 were speculative. While the share of speculative projects in the 2026–2027 pipeline was previously expected to remain elevated, this has moderated, with the proportion now closer to 40%.

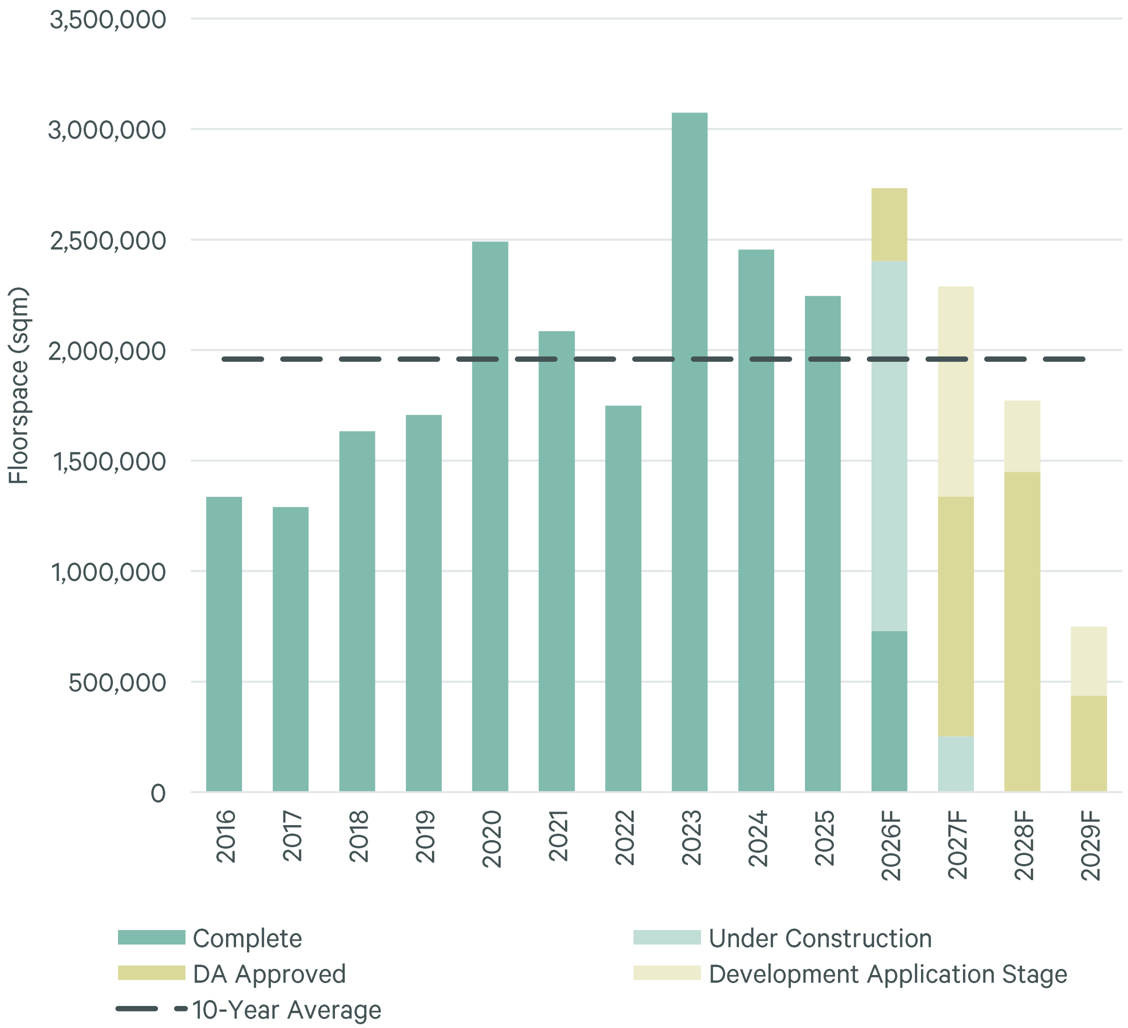
Despite above-average levels of supply forecast across 2026–2027, several factors are expected to constrain effective delivery:

- Vacancy remains low by historical standards (c.3.2% nationally as at 2H25), limiting the extent of oversupply risk.
- A significant portion of the pipeline has not yet commenced construction.
- A number of projects are now considered unlikely to proceed, with cost escalation and feasibility challenges continuing to weigh on delivery.
- Even where projects have DA approval, many remain contingent on securing pre-commitments prior to commencement, which may delay delivery into later years.

As a result, a portion of the current pipeline is expected to be deferred, particularly into 2028–2029.

Close to 40% of the 2026–2027 pipeline is currently pre-committed.

FIGURE 2: 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 Q1 2026

Leasing Market

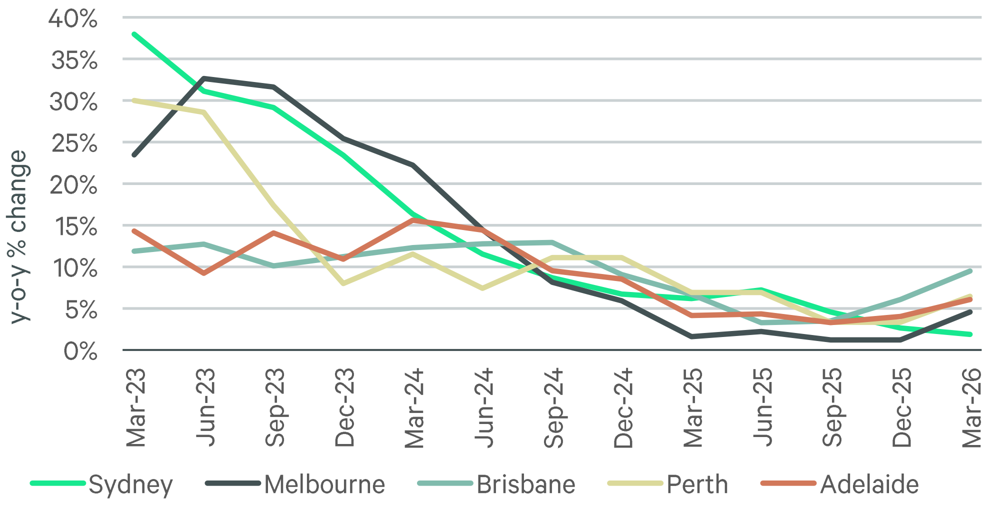
Effective rents return to growth as incentives begin to stabilise

The national super prime supply-weighted-average net face rent increased 4.6% q-o-q in 1Q26. While incentives also rose, the uplift in face rents was sufficient to support effective rental growth, with net effective rents increasing 1.1% q-o-q. This marks a return to positive effective rental growth following a period of incentive-led compression.

Rental performance varied across markets. All cities except Sydney recorded growth in effective rents, reflecting stronger face rental growth relative to incentives. In Sydney, rising incentives continued to offset effective rental growth, resulting in a modest decline. Perth and Adelaide recorded stronger outcomes, supported by tighter market conditions, while Melbourne and Brisbane benefited from improved leasing activity within existing stock.

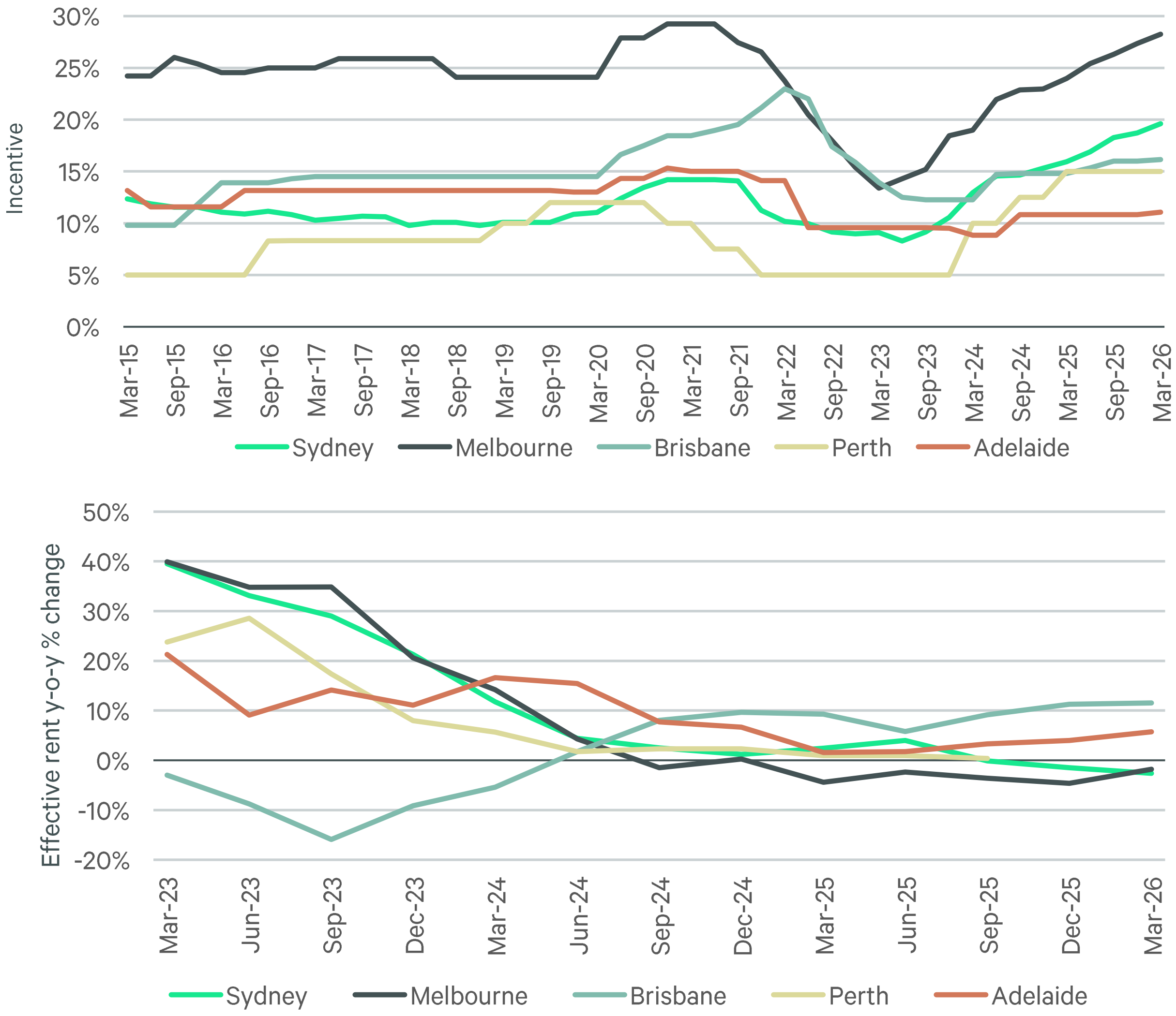
On an annual basis, net effective rents increased 1.1% for super prime assets, while secondary assets declined 0.4%.

FIGURE 3: Super Prime weighted-average net face rent, y-o-y % change



Source: CBRE Research Q1 2026

FIGURE 4: Super Prime key metrics



To note: Data reflects the supply-weighted-average.
Source: CBRE Research.
CBRE Research provide detailed rent forecasts via a paid subscription service.

Investment Market

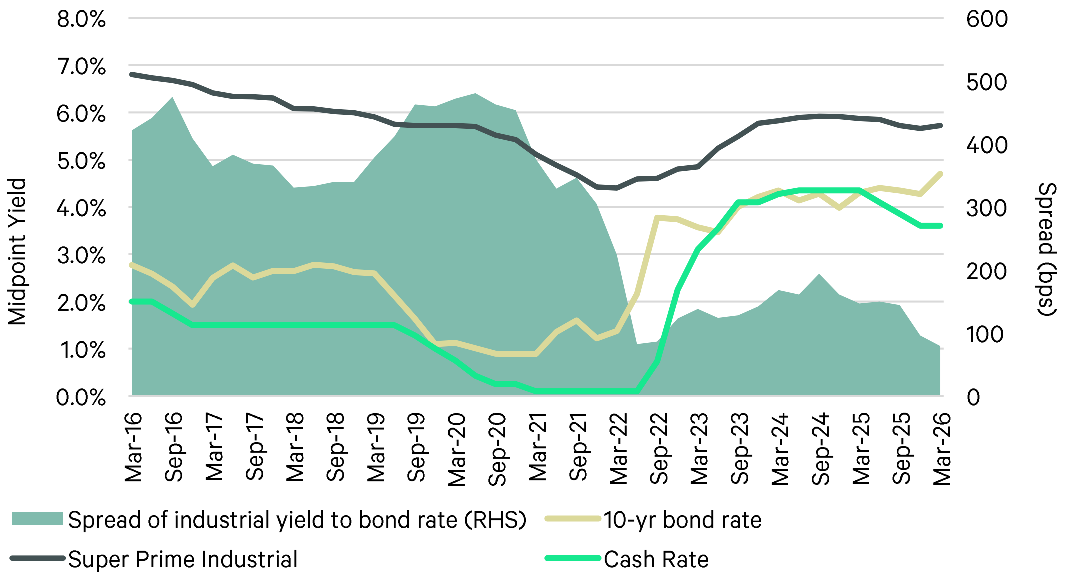
Sydney led investment sales in 1Q26

Australia's industrial and logistics investment sales for income producing assets over AUD 10 million totaled close to AUD 1 billion in 1Q26. Activity was concentrated in Sydney (61% by value), followed by Melbourne (15%).

Yields expand across most markets

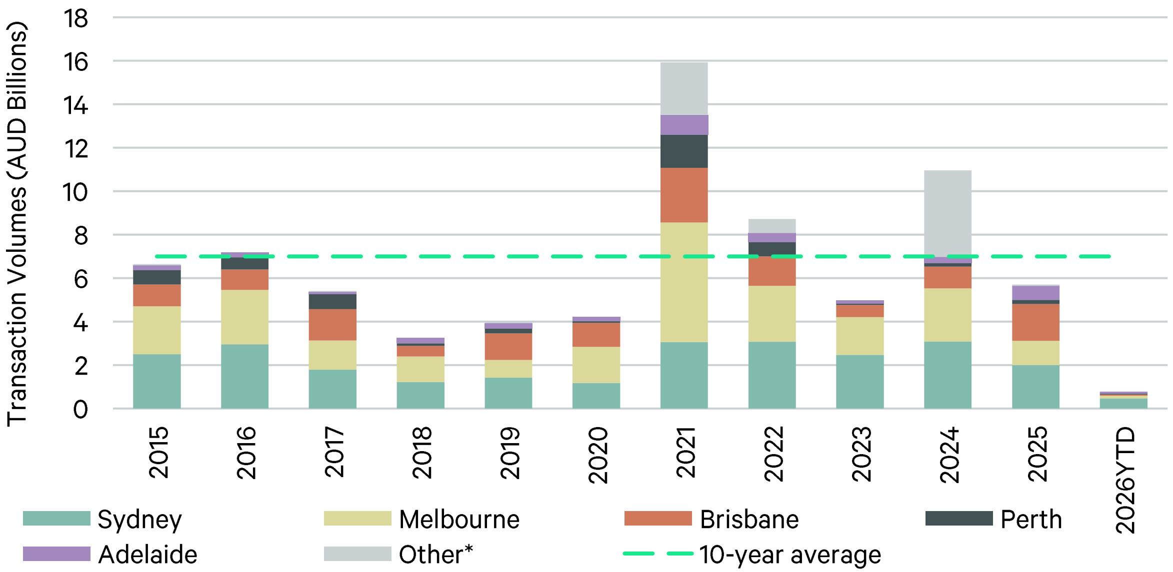
Super prime yields expanded nationally by 6 bps over 1Q26, with the national midpoint yield now at 5.72%. Yield expansion reflects righter financial conditions, with higher cash rates and elevated bond yields continuing to influence pricing. As at 1Q26, 10-year government bond yields remain around 5%, placing upward pressure on required returns. While investor demand remains for prime assets, pricing expectations have adjusted, resulting in modest outward yield movements across most markets.

FIGURE 5: Industrial & Logistics Super Prime Midpoint Yields and Australia 10yr Government Bond



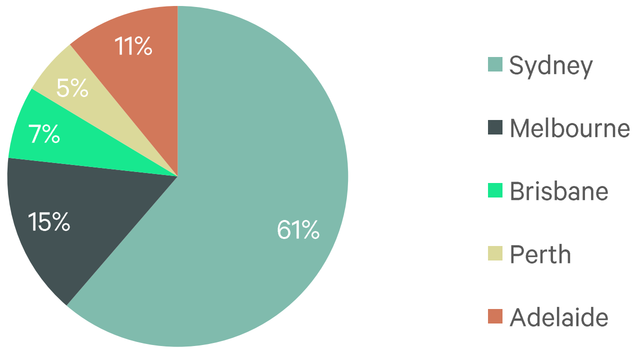
Source: RBA, CBRE Research Q1 2026

FIGURE 6: Industrial Investment Sales for income producing assets (greater than AUD 10 million), 2015 to 2026YTD



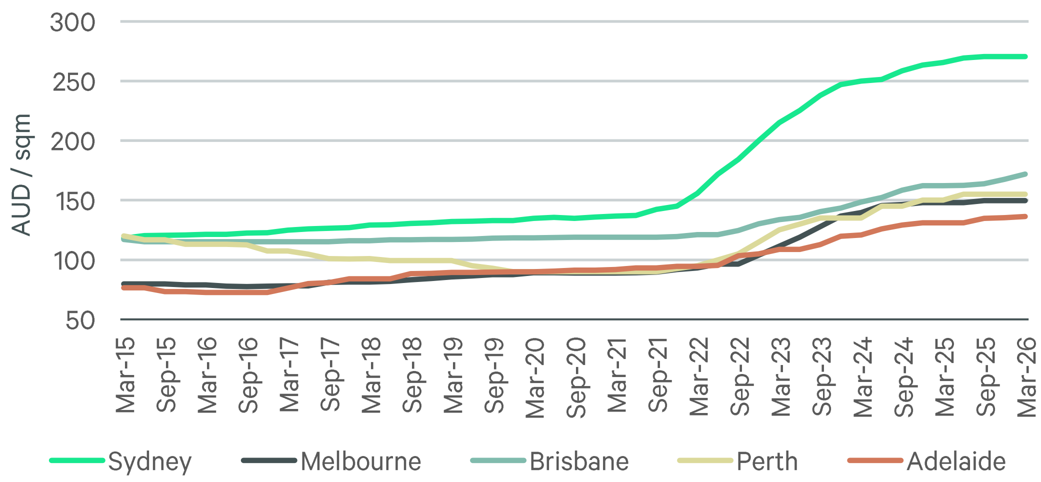
To note: Reflects investment sales of income producing assets AUD 10 million and greater.
*Other reflects portfolio sales across multiple cities where individual asset price has not been disclosed.

FIGURE 7: State Share of Industrial Investment Sales by value 1Q26



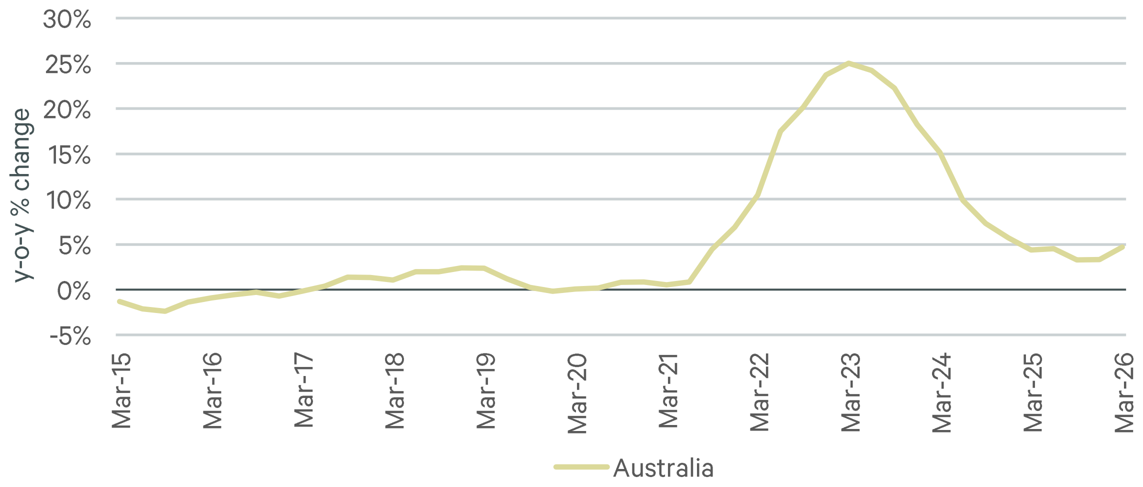
Source: CBRE Research Q1 2026

FIGURE 8: Super prime weighted-average net face rent, by City



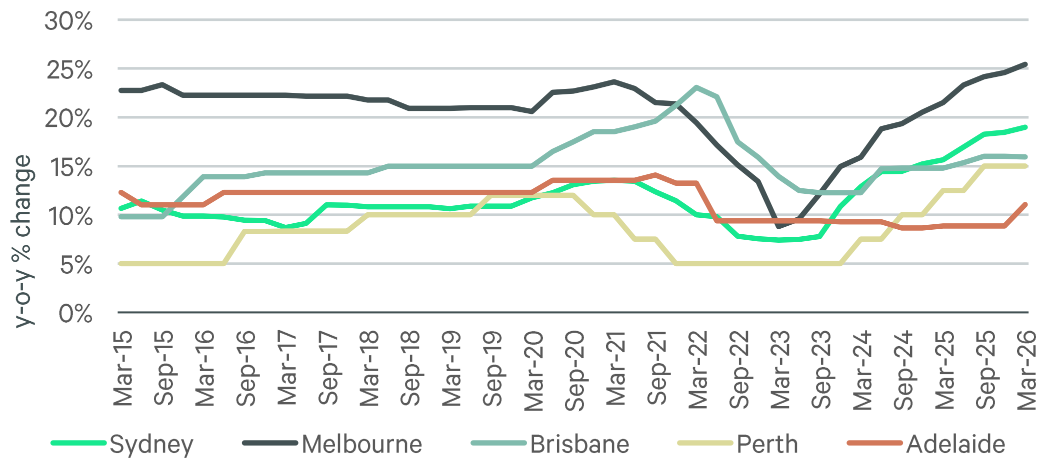
Source: CBRE Research Q1 2026

FIGURE 10: Australia prime weighted-average net face rent growth y-o-y



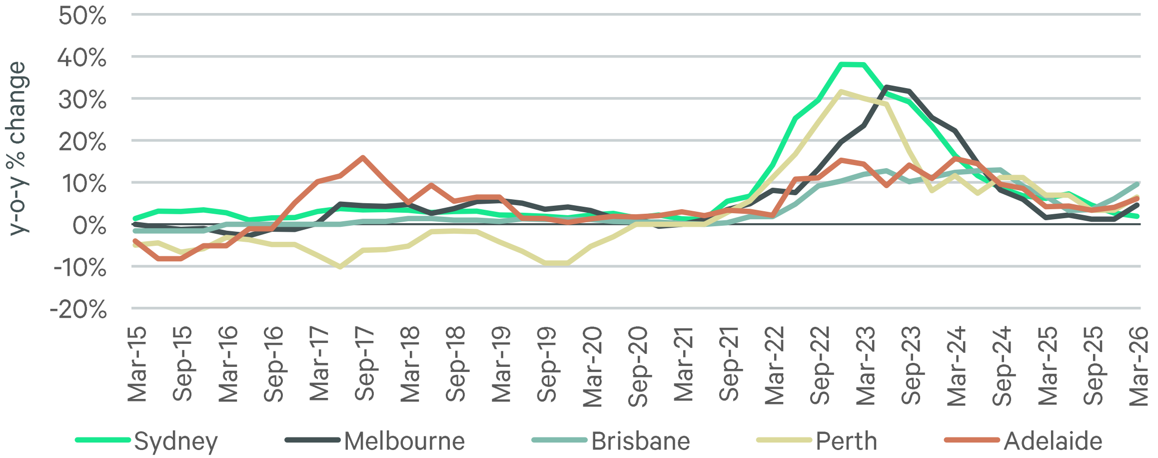
Source: CBRE Research Q1 2026

FIGURE 9: Prime weighted-average incentives



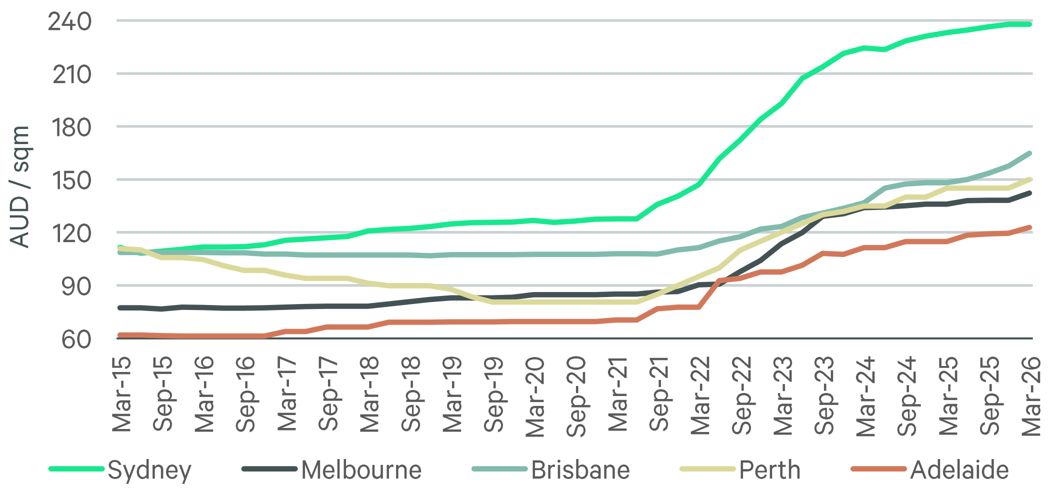
Source: CBRE Research Q1 2026

FIGURE 11: Super prime weighted-average net face rent y-o-y % change



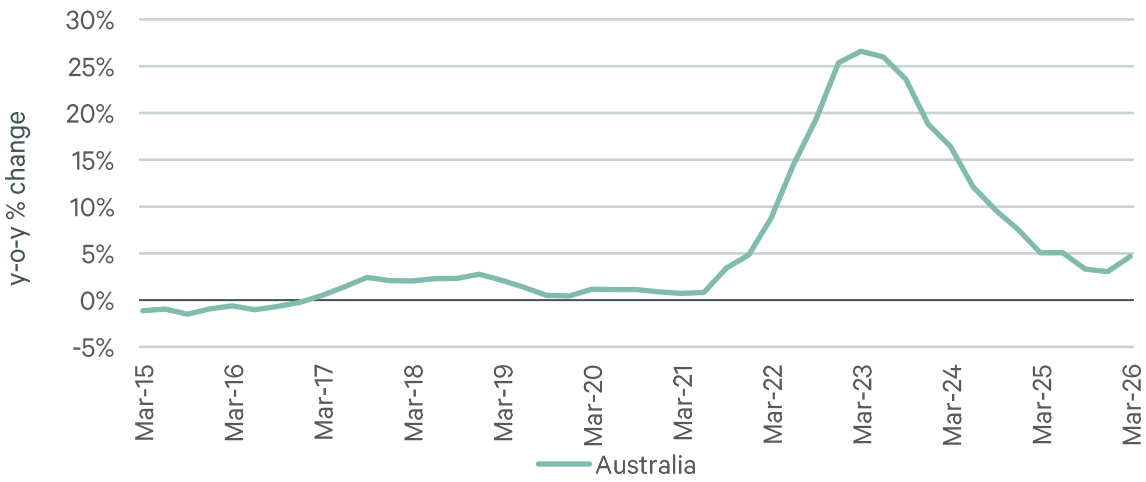
Source: CBRE Research Q1 2026

FIGURE 12: Prime weighted-average net face rent, by City



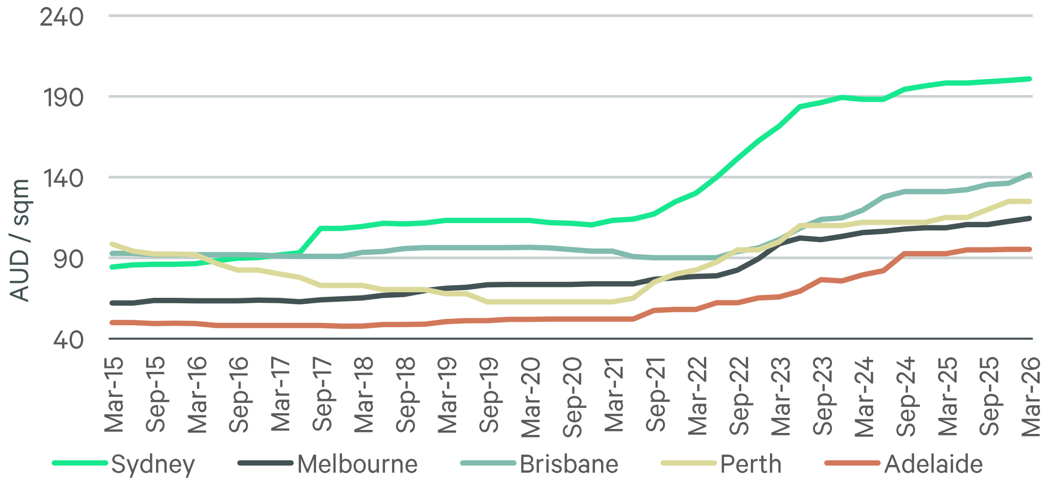
Source: CBRE Research Q1 2026

FIGURE 14: Australia super prime weighted-average net face rent growth y-o-y



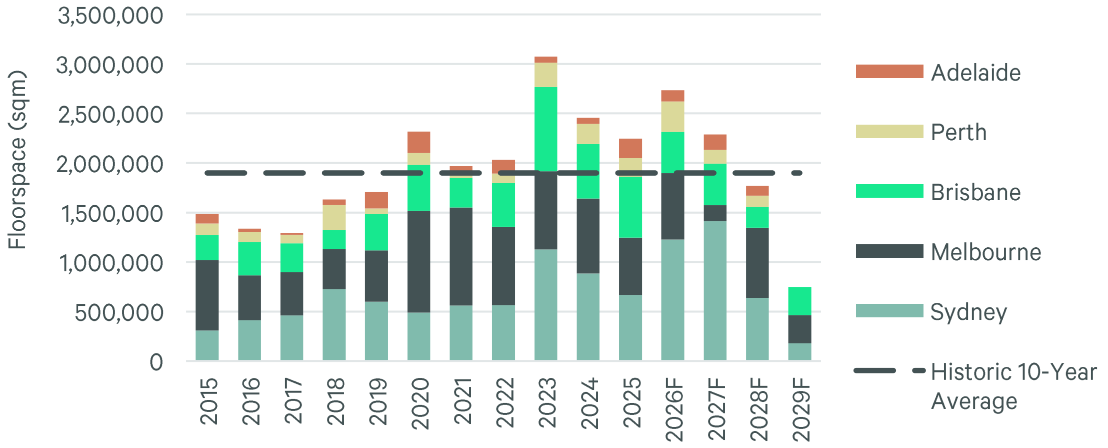
Source: CBRE Research Q1 2026

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



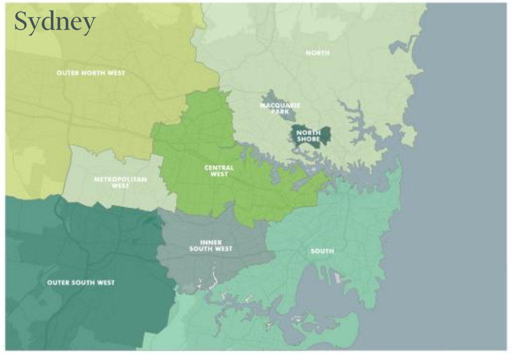
Source: CBRE Research Q1 2026

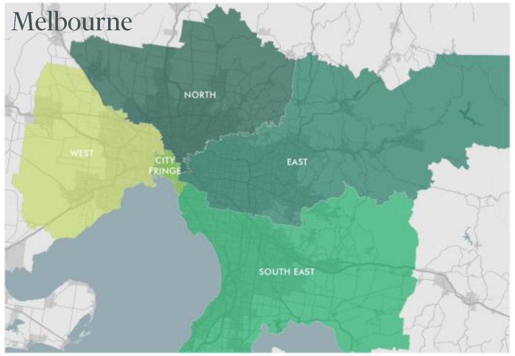
FIGURE 15: Development supply pipeline by City

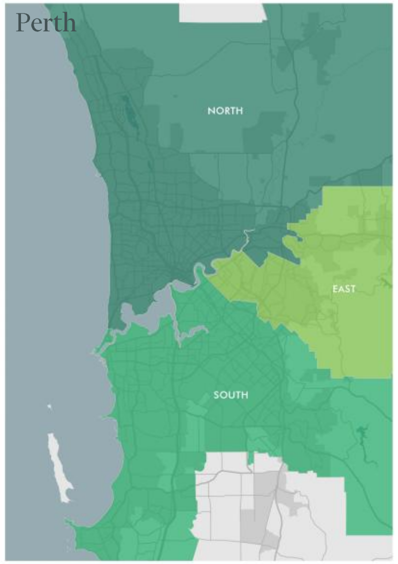


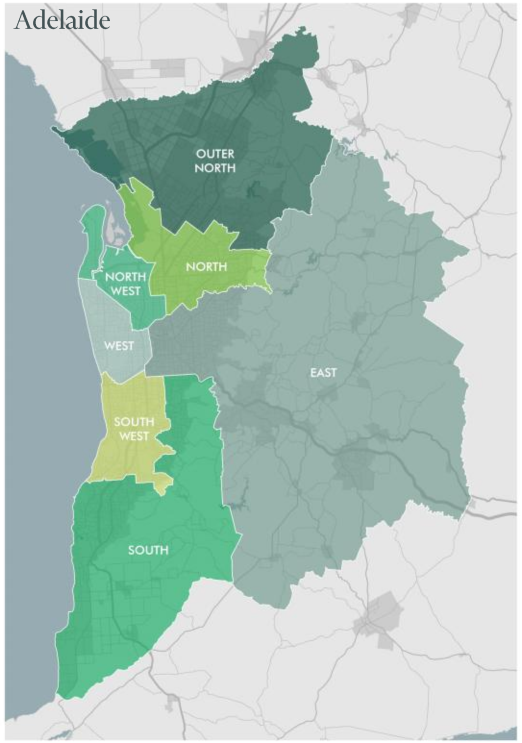
To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane, projects >3,000 sqm for Perth and Adelaide.
Source: CBRE Research Q1 2026

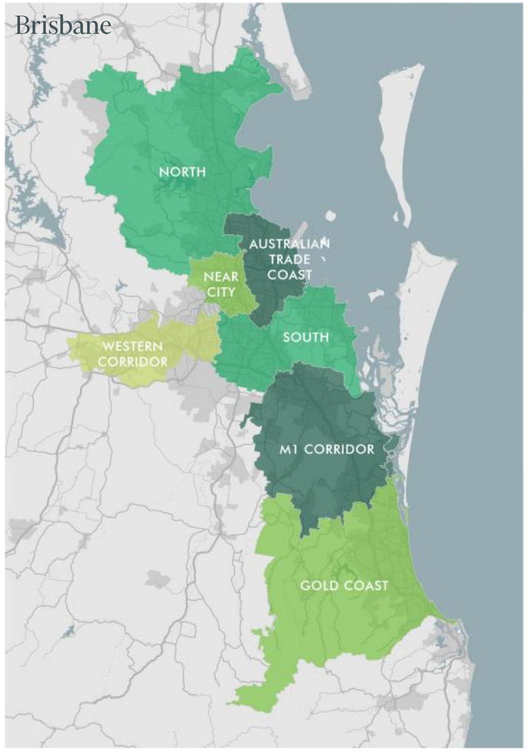
Market Area Overview











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

Sass Jalili
Head of Industrial & Logistics, Data Centre Research Australia, and Director of NSW Research
sass.jalili@cbre.com

Jack Sywak
Research Analyst
NSW Research
jack.sywak@cbre.com

Cameron Douglas-Perrine
Research Manager
VIC Research
cameron.douglasperrine@cbre.com

Eza Ranjbar
Associate Director
WA and SA Research
eza.ranjbar@cbre.com

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