CBRE

Melbourne market remains resilient as supply pipeline moderates

▲ c.254,000 sqm
2Q26 Gross Take-Up

▼ c.88,000 sqm
2Q26 Supply Completions

▲ 6.0%
Average Super Prime Midpoint Yield

Note: Arrows indicate change from previous quarter.

Key Points

- Leasing activity moderated from a strong start to the year with gross take-up in Q2 2026 totalling c.254,000 sqm.
- New supply remained subdued as feasibility pressures continued to push speculative projects further into the pipeline.
- A growing proportion of future developments are being pre-committed, reinforcing expectations of disciplined supply over the medium term.
- Land values were broadly stable, supported by ongoing owner-occupier demand despite challenging development economics.
- Investment activity reached a record quarter, underpinned by the landmark Moorabbin Airport transaction.
- Super Prime yields softened modestly, while pricing across other asset grades remained broadly stable.

Source: CBRE Research

Demand

Take-up normalises following a strong start to the year

Gross take-up in Q2 2026 totalled c.254,000 sqm, a decline from the prior quarter and the softest Gross take-up moderated during Q2 2026, reflecting a return to more typical leasing conditions after a strong opening quarter. While activity eased from recent highs, occupier demand remains fundamentally resilient, with a healthy pipeline of active requirements continuing across Melbourne's major industrial precincts.

Leasing activity has become more balanced than earlier in the year, with no single transaction dominating quarterly volumes. The West remained the largest contributor to demand, while the North and South East also recorded healthy leasing activity, highlighting the breadth of occupier demand across the market.

Notable transactions included:

- A lease by CIMC in the North (c.44,000 sqm).
- A pre-lease by Collagen Co in the West (c.22,000 sqm).
- A pre-lease by Spectrum Brands in the South East (c.17,000 sqm).

Manufacturing occupiers continued to underpin leasing demand during the quarter, supported by Wholesale Trade and Transport & Logistics users. While freight-related uncertainty has moderated enquiry from some third-party logistics operators, broader occupier demand remains diversified and consistent across multiple industry groups.

Looking ahead, leasing activity is expected to improve through the second half of the year as larger requirements progress. Combined with a relatively constrained future development pipeline, this should continue to support occupier decision-making despite ongoing economic uncertainty.

Source: CBRE Research

FIGURE 1: Melbourne Gross Take-Up 2019-2026YTD, by Precinct

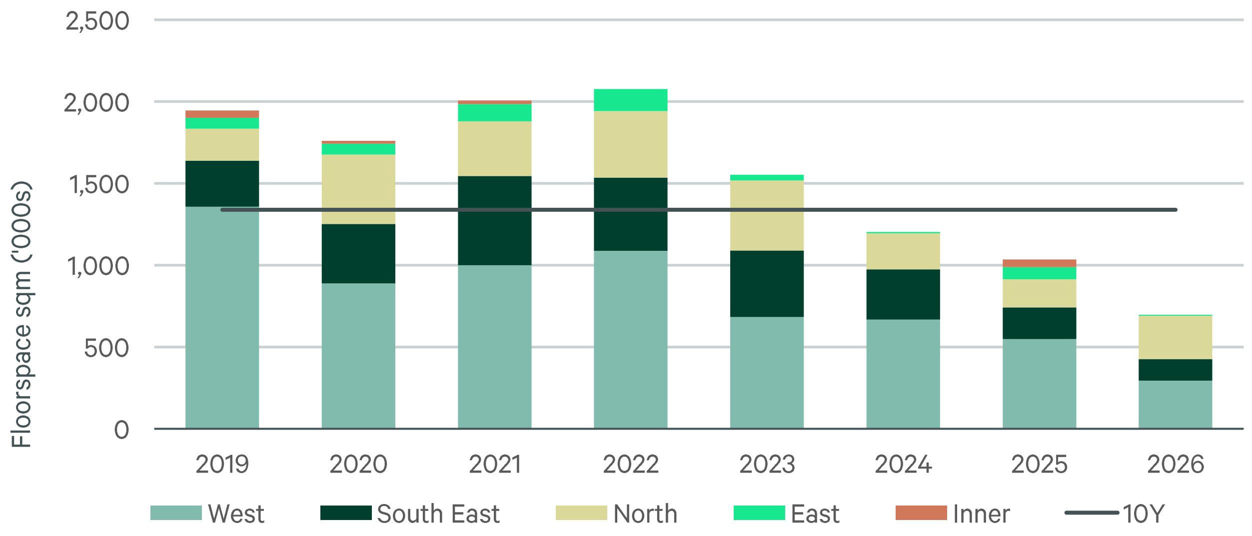
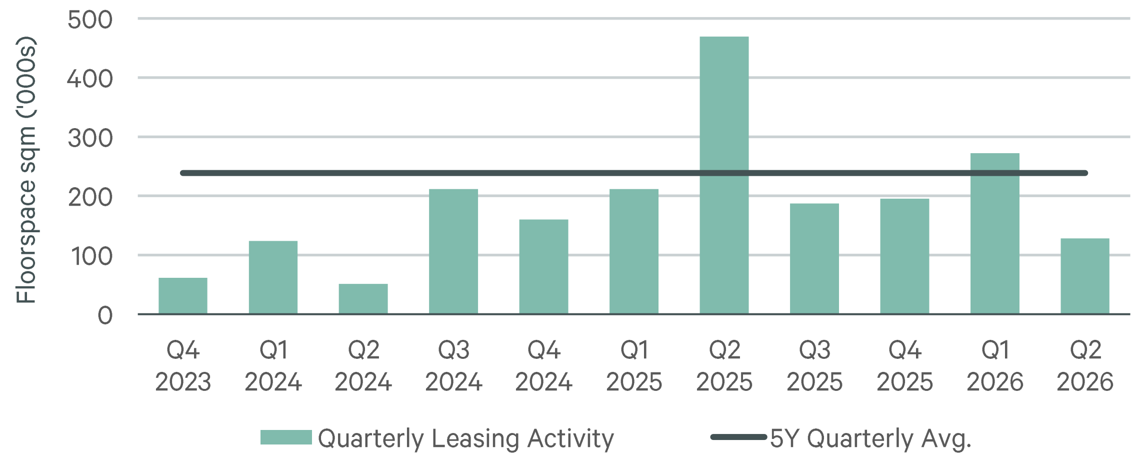


FIGURE 2: Melbourne Quarterly Gross Take-up, 4Q23-2Q26



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

Supply

Supply remains back-ended as speculative development slows

New completions remained subdued during the quarter, with the majority of Melbourne's development pipeline weighted towards later delivery. While near-term supply is relatively modest, completion volumes are expected to accelerate progressively over the remainder of the year.

Notable completions in 2Q26 Included:

- 8 Agar Drive, Truganina
- 25 Momentum Way, Ravenhall
- 29 Momentum Way, Ravenhall

Beyond 2026, the forward development pipeline remains below long-term averages as developers continue to favour pre-committed projects over speculative construction. Elevated development costs, financing constraints and ongoing feasibility pressures continue to influence project timing across the market.

Although construction cost escalation has moderated from peak levels, development feasibility remains challenging. Combined with labour constraints and major infrastructure activity, these factors are expected to keep new supply relatively disciplined over the medium term.

Approximately 211,000 sqm of additional floorspace is anticipated to complete during Q3 2026, with several projects progressing toward practical completion.

Pre-commitment remains concentrated in major facilities

The current pre-commitment rate continues to be supported by a small number of large-scale occupier commitments, highlighting that major users remain willing to secure space well ahead of completion while broader speculative demand remains more measured.

FIGURE 3: Melbourne Development Supply Pipeline 2019-2029F

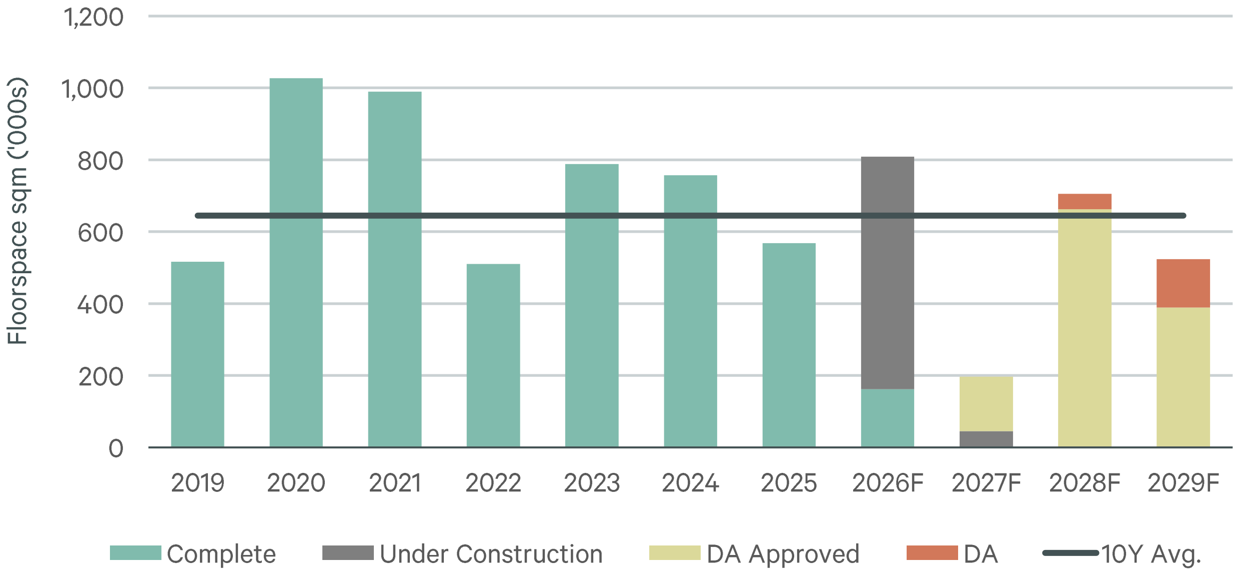
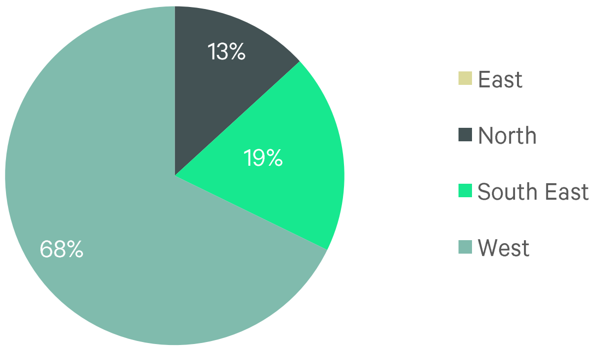


FIGURE 4: Development Supply 2026F-2028F Floorspace Share, by Precinct



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

Leasing Market

Face rents remain resilient as incentives continue to expand

Average face rents remained broadly stable during the quarter, with Super Prime assets recording modest rental growth while Prime and Secondary assets were largely unchanged. Limited availability of high-quality accommodation continues to support pricing for premium assets despite softer overall leasing conditions.

Effective rents continued to ease as incentives expanded further, more than offsetting the modest increase in face rents. The widening gap between face and effective rents reflects greater competition for occupiers across parts of the market rather than any material weakening in underlying rental fundamentals.

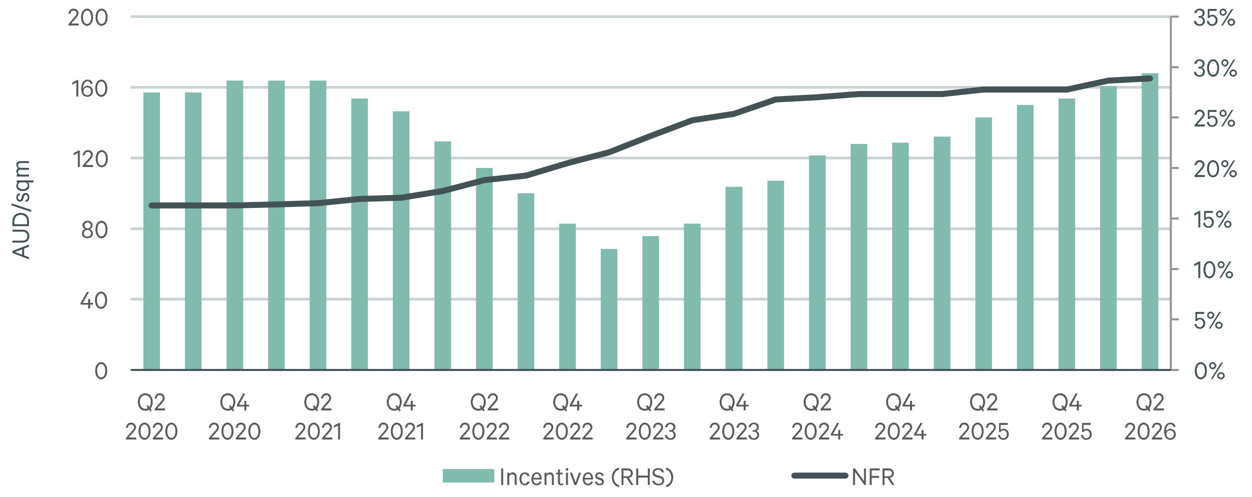
The moderation in leasing activity, together with elevated levels of speculative supply completing over the past year, has encouraged landlords to remain flexible on incentives. However, constrained future development should continue to support face rental growth once current vacancy is progressively absorbed.

Incentive growth concentrated in the East and South East

Incentive expansion was primarily evident across the East and South East. Incentives now appear close to cyclical highs, with compression expected to occur gradually as available supply is leased and development activity moderates

FIGURE 5: Average Melbourne Net Effective Rent Growth y-o-y, by Asset Grade (2020-2026)

FIGURE 6: Average Super Prime Net Face Rents and Incentives (2020-2026)



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

Land Values

Land values stabilise as owner-occupier demand supports pricing

Land values across Melbourne remained mixed during the quarter, reflecting varying local market conditions and ongoing feasibility pressures. Growth continued to be concentrated in the Inner precinct, while pricing softened across parts of the East and South East as vendors demonstrated greater flexibility amid softer developer demand.

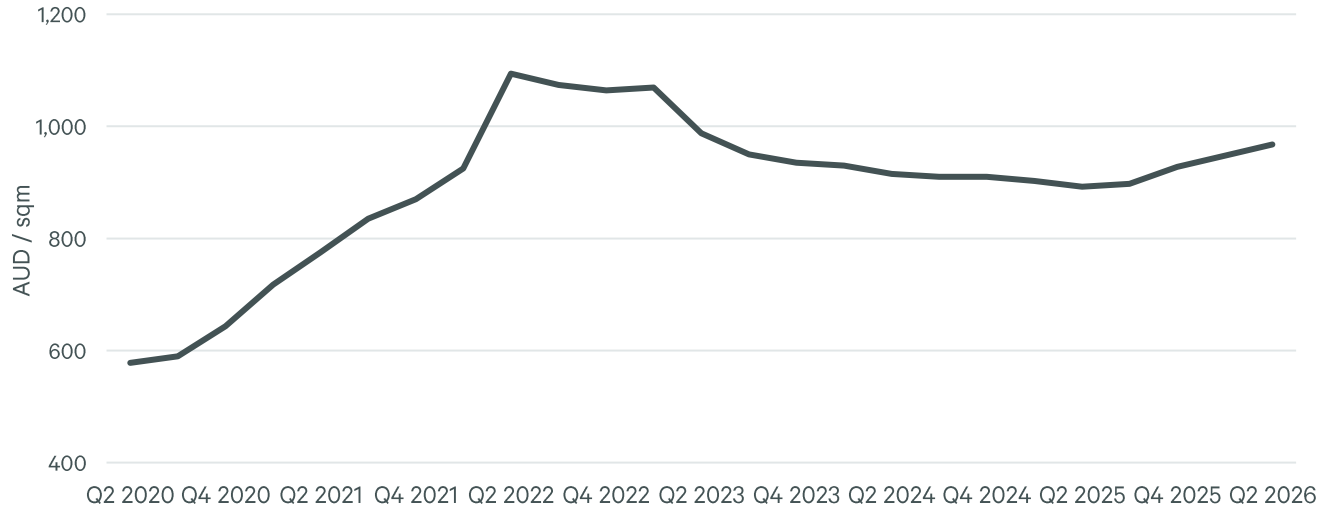
Development feasibility remains the key influence on land pricing. Higher funding costs, elevated construction costs and tighter project economics continue to limit speculative acquisitions, resulting in a more selective buyer pool.

Despite these challenges, owner-occupiers and private developers remain active across several precincts, providing an important source of pricing support where acquisition decisions are driven by long-term operational requirements rather than short-term development feasibility.

Overall, land values appear to be approaching a period of greater stability, although meaningful appreciation is likely to remain constrained until development economics improve.

FIGURE 7: Average Land Values, 1.6 ha lots,, by Precinct (2Q25 vs. 2Q26)

FIGURE 8: Average Land Values, 1.6 ha lots (2020-2026)



Source: CBRE Research

Investment Market

Landmark transaction drives volumes as yields begin to soften

Investment activity strengthened considerably during the quarter (totaled approximately AUD 2.2 billion, for transactions ≥AUD 5 million), underpinned by a small number of major transactions, including the sale of Moorabbin Airport. Excluding these larger assets, transaction activity remained relatively subdued, particularly across mid-sized investment opportunities.

Investor sentiment continues to improve gradually, although capital deployment remains selective amid elevated borrowing costs, economic uncertainty and Victoria's broader taxation environment. Buyers continue to favour high-quality assets with strong income security, while pricing remains more cautious for secondary stock.

Super Prime yields softened modestly over the quarter, reflecting a gradual repricing following the recent interest rate cycle. While further outward movement remains possible over the balance of the year, any adjustment is expected to be measured, particularly as financing conditions continue to improve.

Investment volumes are expected to strengthen progressively through the second half of 2026 as confidence improves and additional high-quality assets are brought to market.

Source: CBRE Research

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

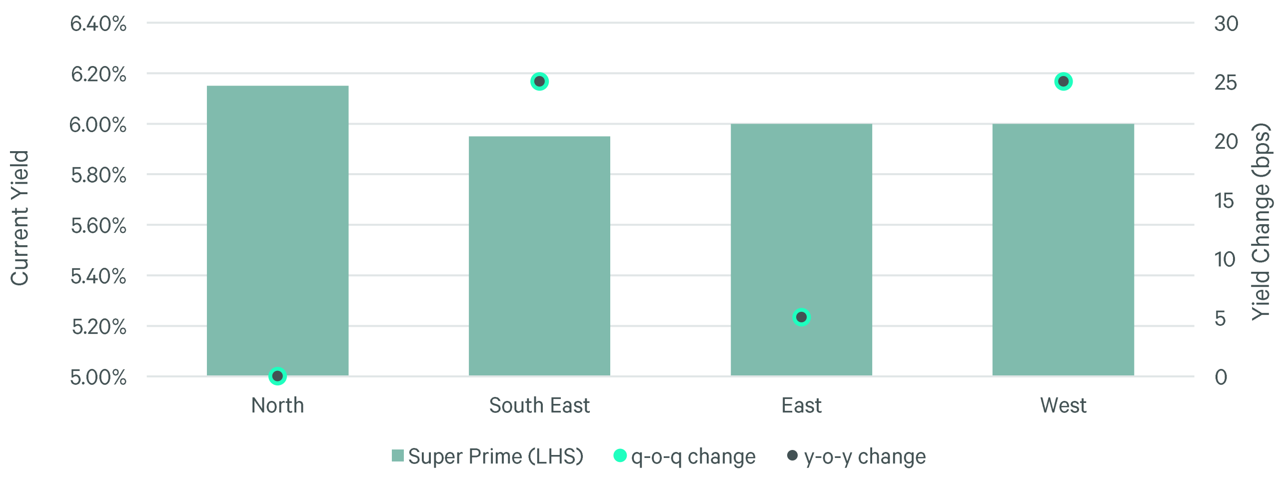
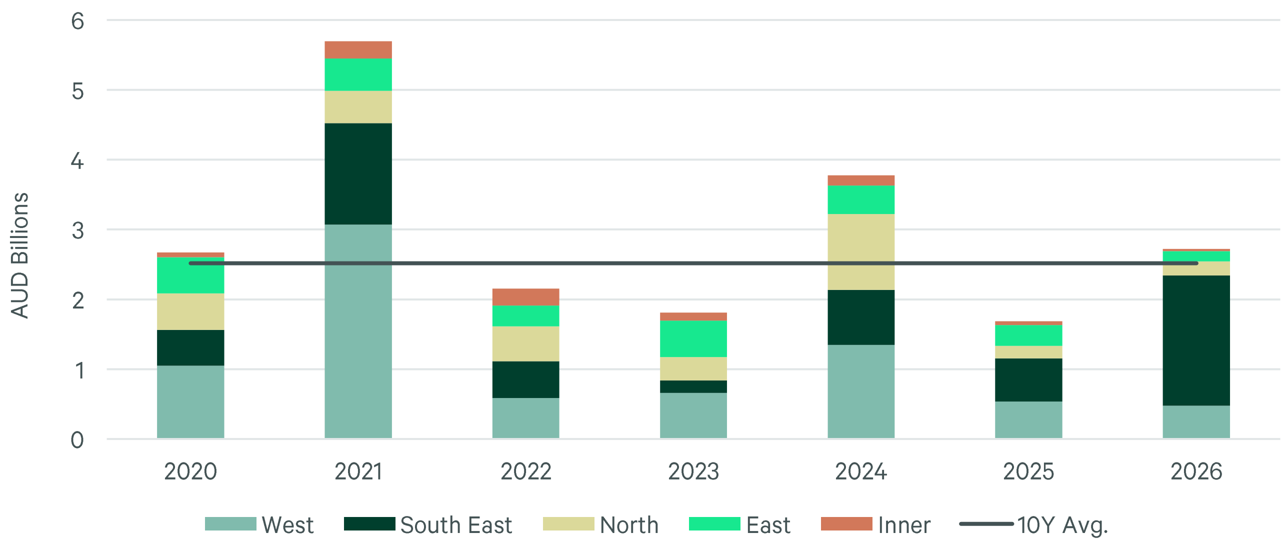
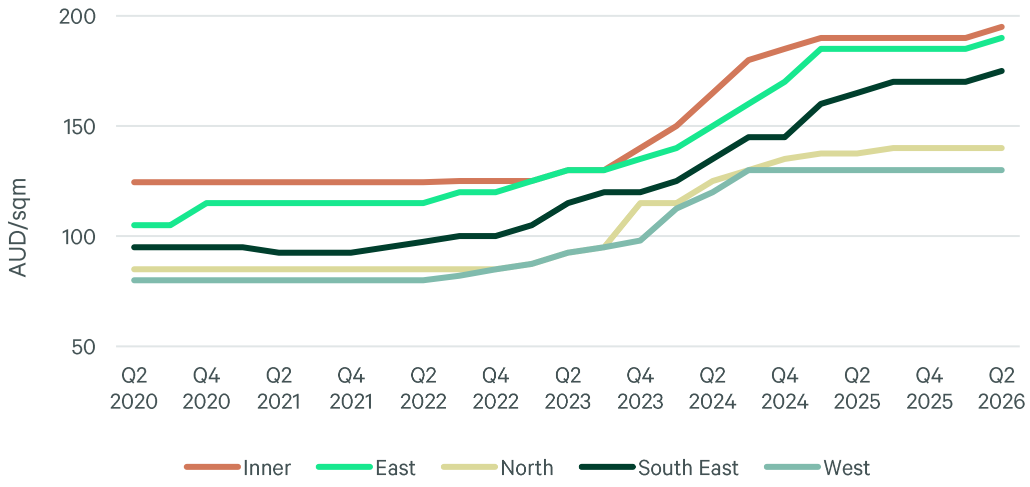


FIGURE 11: Melbourne Industrial Investment Sales (≥ AUD 5 million)



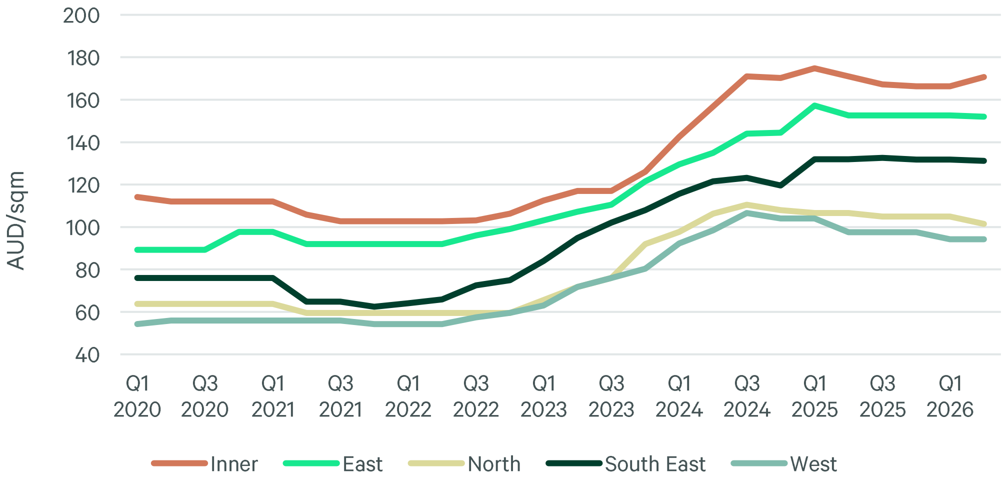
To note: does not include land/development sales.
Source: RCA, CBRE Research

FIGURE 12: Average Super Prime Net Face Rents, by Precinct (2020-2026)



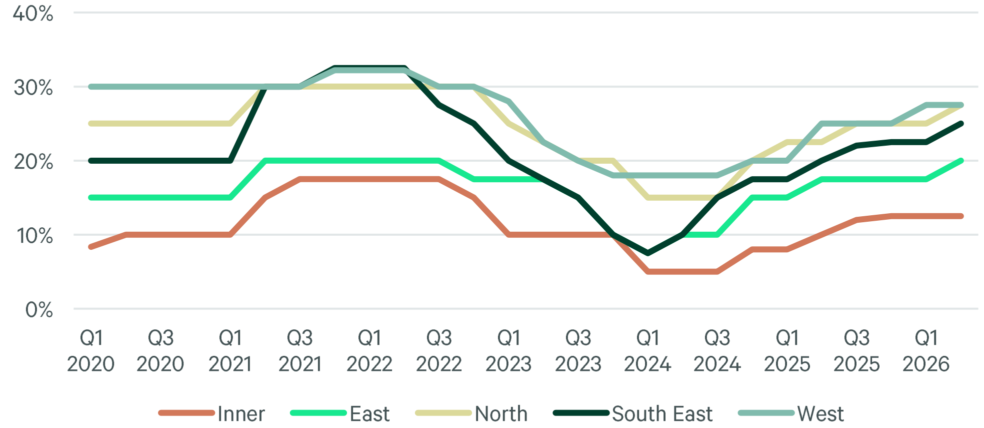
To note: Inner precinct reflects prime grade assets.
Source: CBRE Research

FIGURE 14: Average Melbourne Super Prime Net Effective Rents, by Precinct (2020-2026)



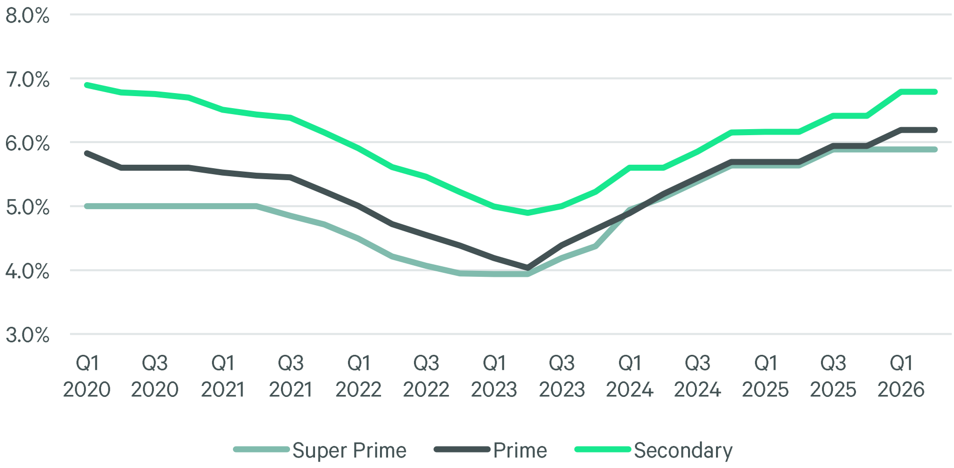
To note: Inner precinct reflects prime grade assets.
Source: CBRE Research

FIGURE 12: Average Super Prime Incentives, by Precinct (2020-2026)



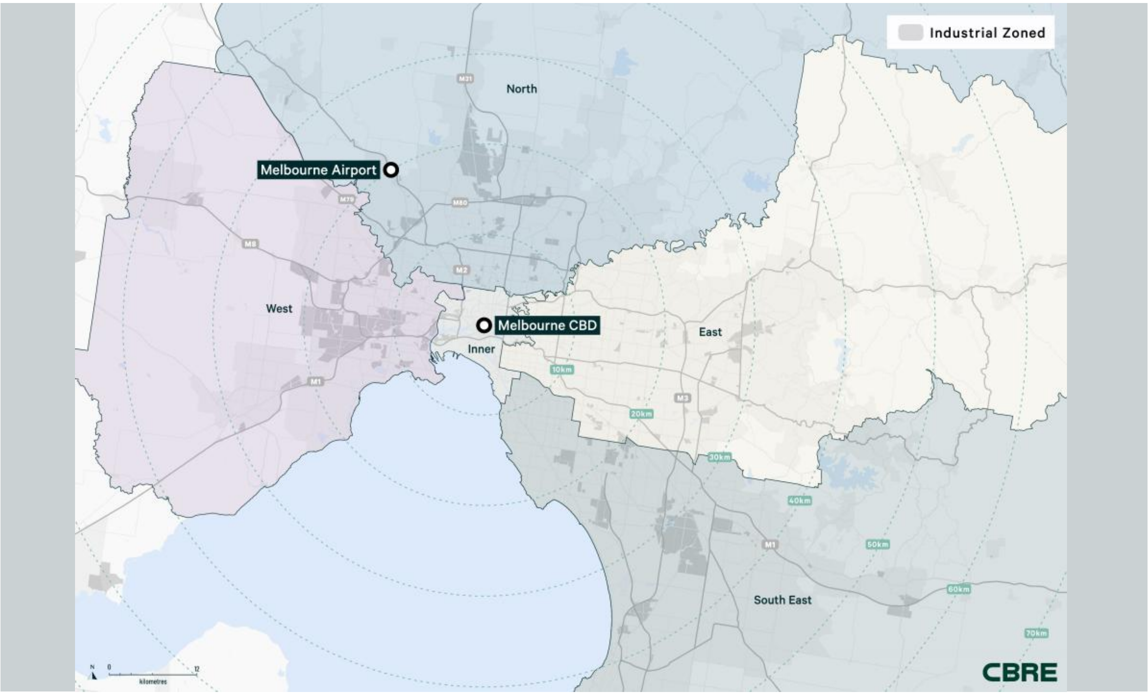
To note: Inner precinct reflects prime grade assets.
Source: CBRE Research

FIGURE 14: Midpoint Melbourne Yields, by Asset Grade (2020-2026)



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.

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