

FIGURES | INDUSTRIAL & LOGISTICS | Q1 2026

# Strongest first quarter take-up since 2022, signalling resilient demand



Note: Arrows indicate change from previous quarter.

## Key Points

- Gross take-up in 1Q26 totalled c.360,000 sqm, marking a strong quarter-on-quarter increase and the highest first quarter result since 2022, despite a more uncertain global backdrop.
- New floorspace added to the market totalled c.75,000 sqm across three major projects, concentrated in Melbourne’s South-East. A significant share of the forward pipeline has been deferred, with delivery timeline shifting toward 2027 amid feasibility and cost pressures.
- Vacancy lifted to 4.7% (as at 2H25). Despite this, net effective rents increased quarter-on-quarter for the first time in 12-months, rising by 1.2%.
- Land values recorded a marginal increase over the quarter, underpinned by activity in the Inner and West precincts, while broader feasibility constraints continue to limit pricing upside.
- Investment sales totalled approximately AUD 210 million in 1Q26, across 11 transactions valued above AUD 5 million.
- Yields remained broadly stable across all grades and precincts. Looking ahead, the forward interest rate outlook is expected to support gradual softening in yields over the remainder of 2026.

Source: CBRE Research

## Demand

### Leasing activity consistent with 2025 levels, remaining resilient despite uncertainty

Gross take-up in 1Q26 totalled c.360,000 sqm, representing a moderate increase from the prior quarter. Leasing sentiment has become increasingly bifurcated over the quarter, with select precincts expected to reach highs not seen since the peak of the market. This is offset by other major precincts recording a significant decline in enquiry activity, with expectations of a sluggish 2026.

We still expect CY2026 take-up to exceed 1,000,000 sqm, in line with CY2025, despite rising global uncertainty. This is partly due to the significant volume of floorspace currently under offer as at 1Q26, estimated at c.210,000 sqm. The anticipated supply shortfall in the Melbourne market is also expected to add urgency to occupier decision-making, irrespective of global conditions.

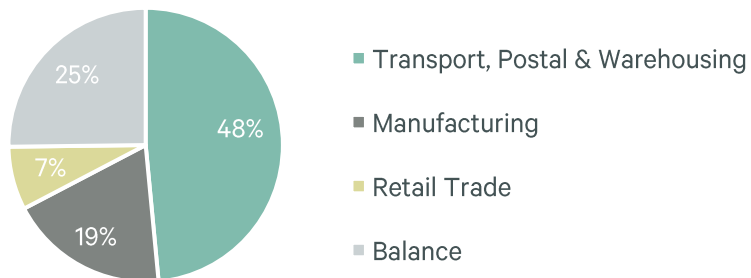
Notable transactions in 1Q26 included:

- A lease by ID Logistics in the North (c.81,000 sqm).
- A pre-lease by DBG Health in the North (c.69,000 sqm).
- A lease by SF Express in the West (c.24,000 sqm).

### Take-up activity concentrated in the North as major vacancies get absorbed

Melbourne’s North accounted for approximately 54% quarterly gross take-up, followed by the West at 31%. The assets behind the two large North deals in 1Q26, totaling c.150,000 sqm, were major contributors to the rise in vacancy across Melbourne and the North precinct.

FIGURE 1: Melbourne Take-Up 1Q26 by Industry Sector (Top 3 Sectors by floorspace)



Source: CBRE Research

FIGURE 2: Melbourne Gross Take-Up 2015-2026, by Precinct

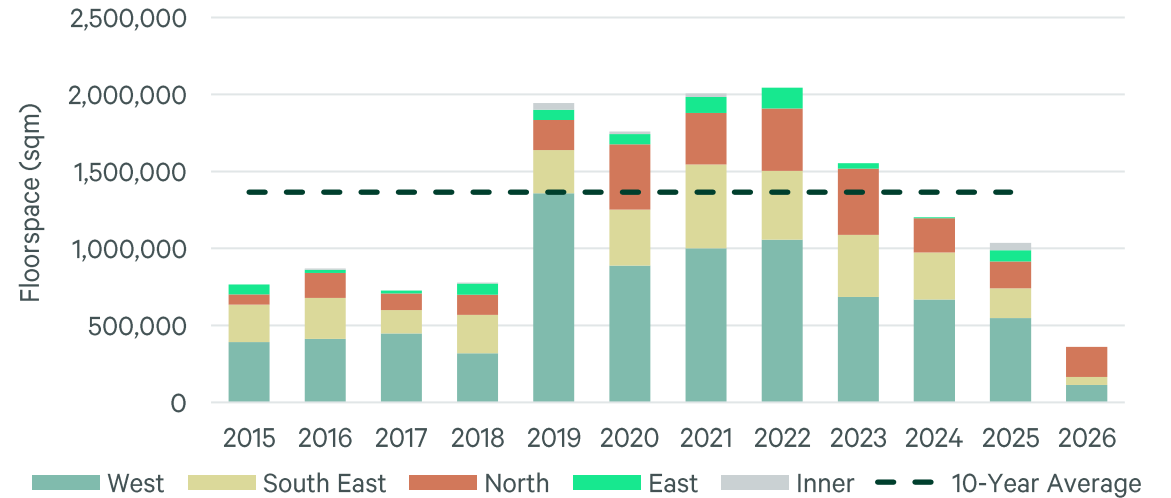
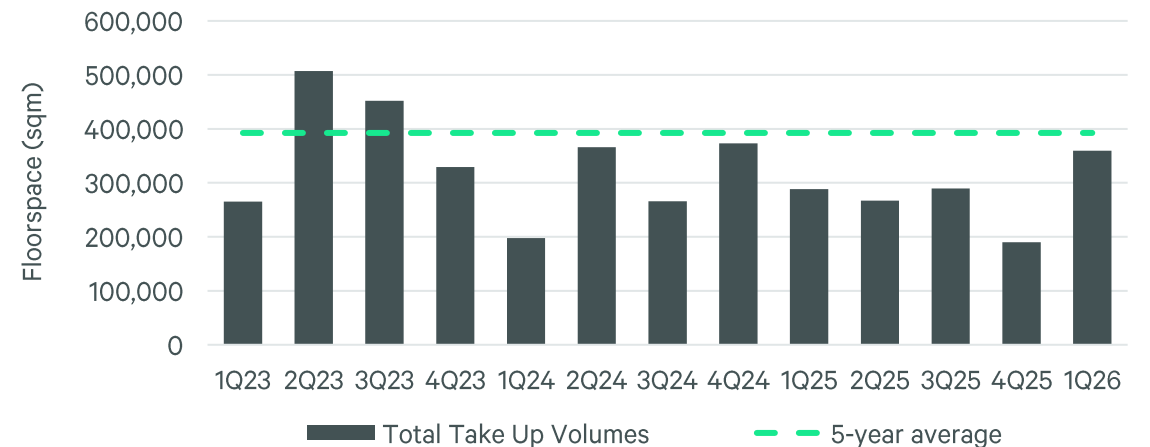


FIGURE 3: Melbourne Quarterly Gross Take-up, 1Q23-1Q26



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

# Supply

## Material number of projects shifting to pre-lease only

Supply completions in 1Q26 totalled approximately 75,000 sqm, representing 11% of total CY2026 supply. This marks the lowest quarterly completions since 2022. Total completions for CY2026 are projected to reach around 670,000 sqm, slightly above the 10-year historical average.

Notable completions in 1Q26 Included:

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

Melbourne’s forward supply pipeline is forecast to remain moderately below the 10-year long-run average over the next four years. Consistent with our commentary in 2025, there has been a notable shift in the share of projects scheduled for completion in 2027, with many now transitioning to pre-lease only.

This shift in developer sentiment is largely driven by a combination of feasibility constraints and elevated vacancy rates. Ongoing geopolitical tensions are placing upward pressure on energy prices, while construction activity associated with the 2032 Brisbane Olympics is expected to accelerated cost escalation over 2026. This is likely to result in further project delays and cancellations in the near term.

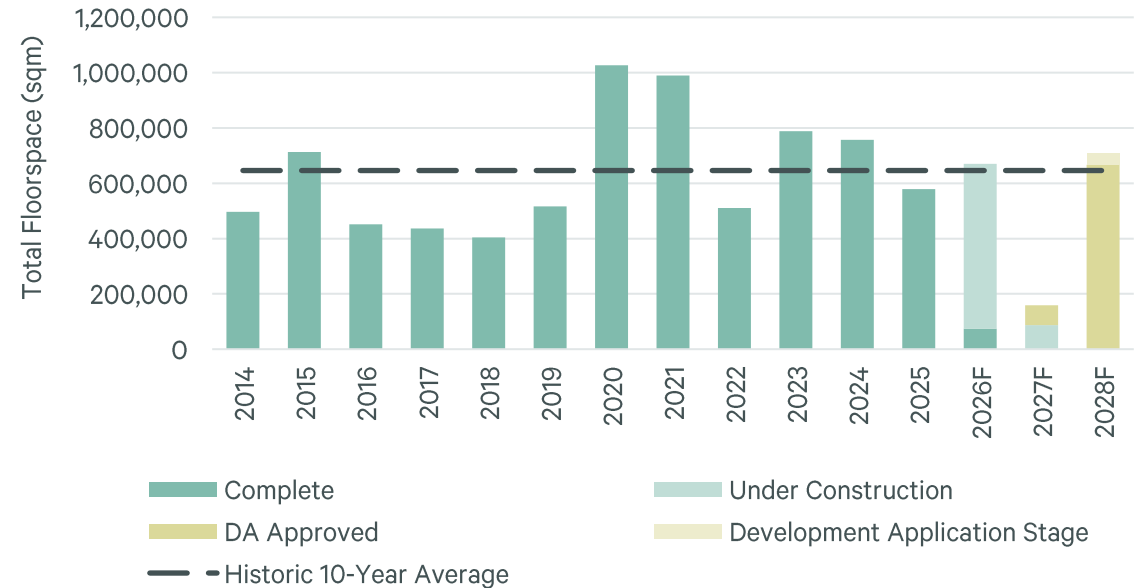
Approximately 115,000sqm of supply completions are expected across Melbourne in 2Q26. Key projects anticipated to reach practical completion include:

- 8 Agar Drive, Truganina (c.11,000 sqm)
- 4 Rhine Road, Truganina (c.11,000 sqm)
- 29 Momentum Way, Ravenhall (c.9,000 sqm)

## Pre-commitment activity remains low amid rising vacancy

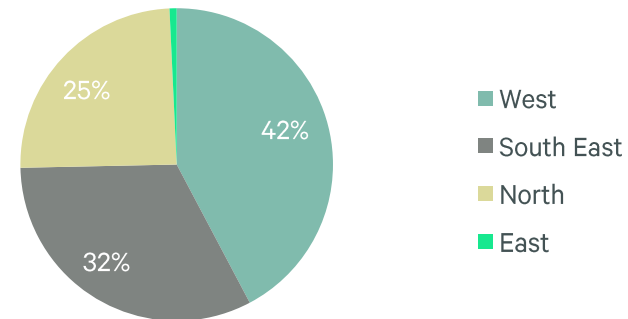
The pre-commitment rate for projects currently under construction and scheduled for delivery in CY2026-2027 stands at approximately 33%. This includes the major pre-commitment from Amazon’s 209,000sqm fulfilment centre in Melbourne’s North.

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 record first quarterly gain as supply outlook tightens

Average net face rents recorded moderate growth across all grades in 1Q26. Super Prime assets recorded the strongest growth at 3.1% quarter-on-quarter, followed by Prime and Secondary at 2.6% and 2.7%, respectively. Super prime rental growth was observed across all precincts except Melbourne’s South-East.

Super prime effective rents increased by 1.2% quarter-on-quarter in 1Q26, bringing the year-on-year outcome to -2.4%, a moderate improvement on 4Q25. While average super prime incentives expanded by 125bps over the quarter, the increase in face rents has partially offset this impact.

The rental growth observed in 1Q26 is partly attributable to two key factors: a moderate uplift in take-up over the quarter, combined ongoing feasibility pressures constraining the forward supply pipeline. Together, these factors are contributing to lower current and projected vacancy, supporting rental growth in select precincts for the first time in several quarters.

Notably, we expect face rents will see subdued growth over the remainder of the year, as the market continues to absorb the large amount of speculative stock being built over CY2026 and as a direct result heightened global uncertainty.

### Incentives recorded mixed results across precincts

Incentives increased across Melbourne’s South-East and East over 1Q26, with super prime and prime incentives rising by 250bps across both precincts. In contrast, all other precincts recorded stable incentives over the quarter.

We retain our view that incentives have now reached their cyclical peaks, with average super prime and prime incentives now averaging 28.1% and 23.5% respectively. The timing and pace of incentive compression is unlikely to be uniform. As of 1Q26, we expect the precincts which have underperformed in recent years (North & West) to be the first to experience incentive compression, owing to a much lower share of spec activity, relative to Melbourne’s South-East, which continues to see development activity.

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

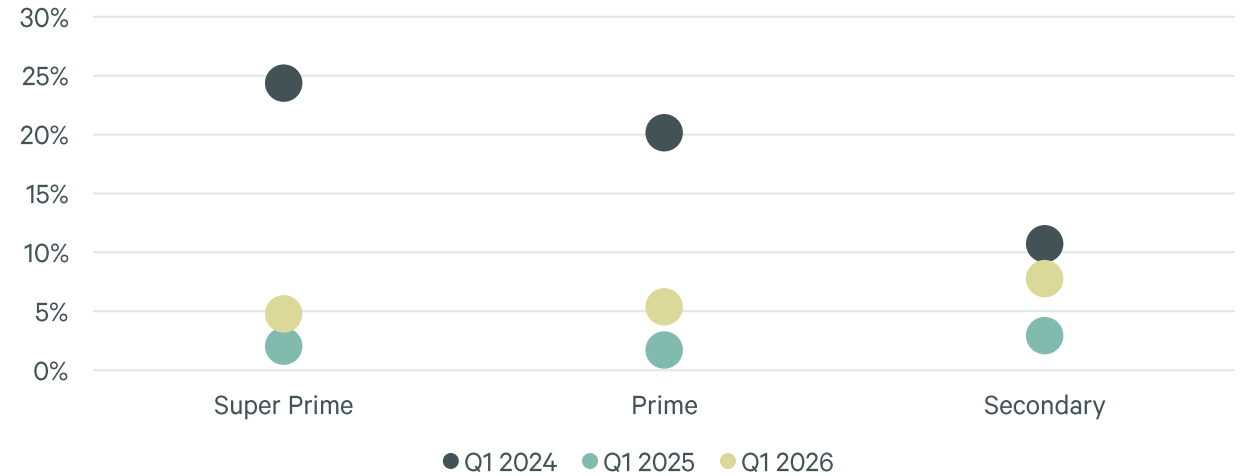
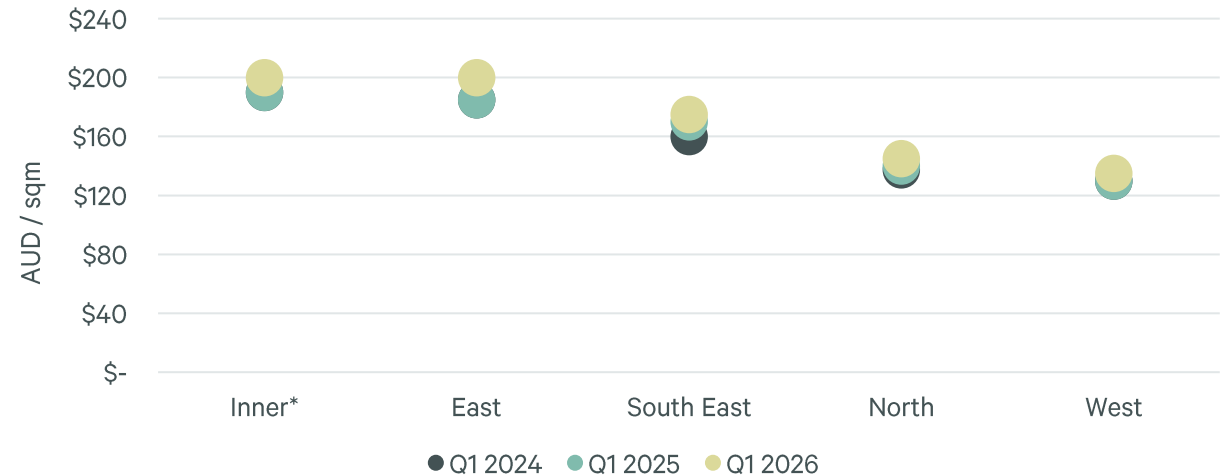


FIGURE 7: Melbourne Super Prime Net Face Rents by Precinct and Year



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 recorded slight growth of 0.6% over the quarter. Land values for 1.6 ha lots increased by 2.2%, bringing the annual growth to 5.0%. Growth in larger lots was primarily driven by value appreciation in the Inner market, with local private developers remaining the most active buyer group.

Land value declines persisted in the South-East, where small lots fell by 1.3% q-o-q. The precinct continues to face heightened pressure, with some landowners accelerating disposals and demonstrating greater price flexibility amid rising vacancy and softer demand.

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

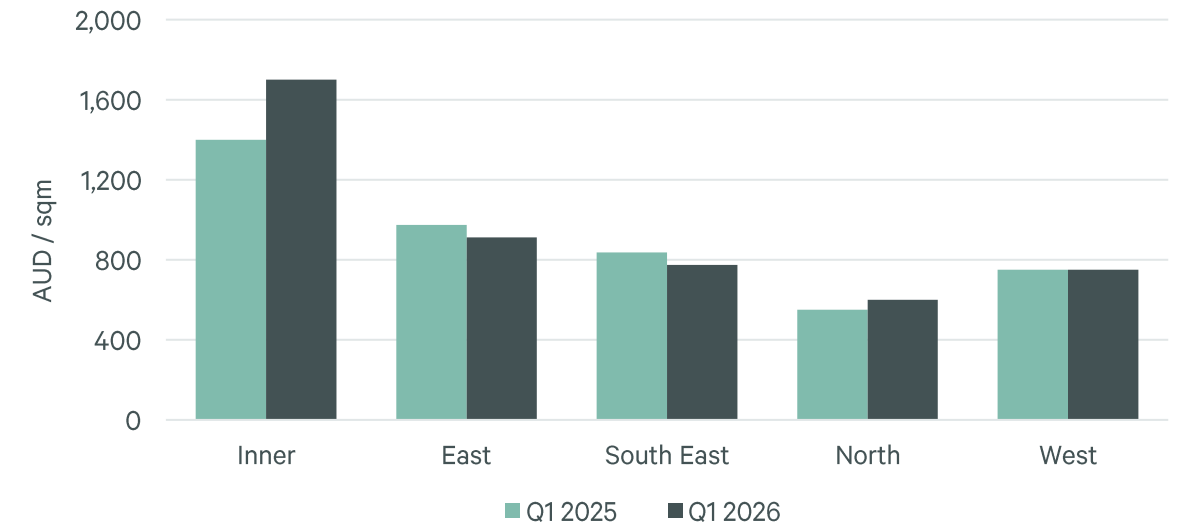
- The most significant factor is the ongoing economic headwinds facing development groups. Elevated debt costs have raised feasibility concerns, leading to increased caution among developers and investors. CBRE Research estimates that economic rents exceed current market rents by 47% in Melbourne’s West 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. While some cost components have eased from 2021–2022 peaks, high input costs – particularly for energy-intensive materials - remain a key challenge for 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

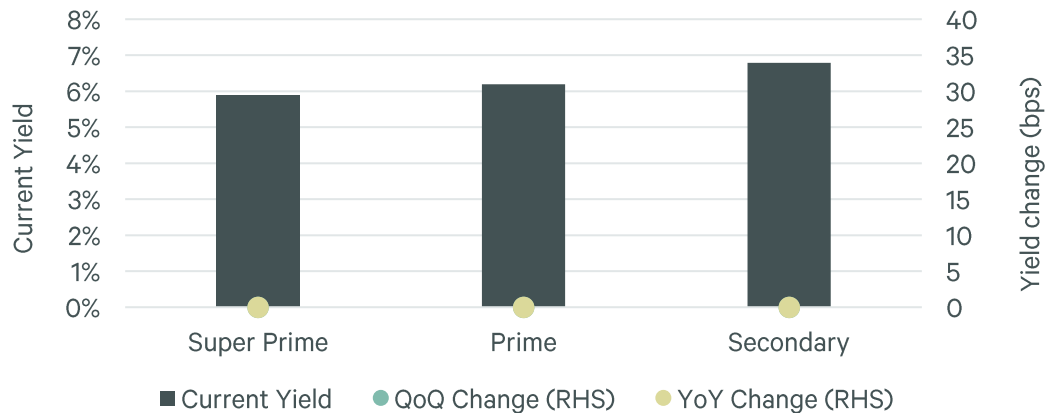
### Uncertainty likely to weigh on transaction activity over remainder of CY2026.

Investment sales volumes in 1Q26 totalled approximately AUD 210 million, representing a moderate decline from 4Q25. Activity remains subdued across Melbourne, with the average transaction size at approximately AUD 19 million, on par with the AUD 19 million recorded in CY2025. 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.

Given current economic and geopolitical conditions, transaction activity is expected to remain subdued in the near term, as investors adopt a more cautious approach. This is compounded with an already cautious stance toward Melbourne, reflecting differences in taxation and broader economic policy settings.

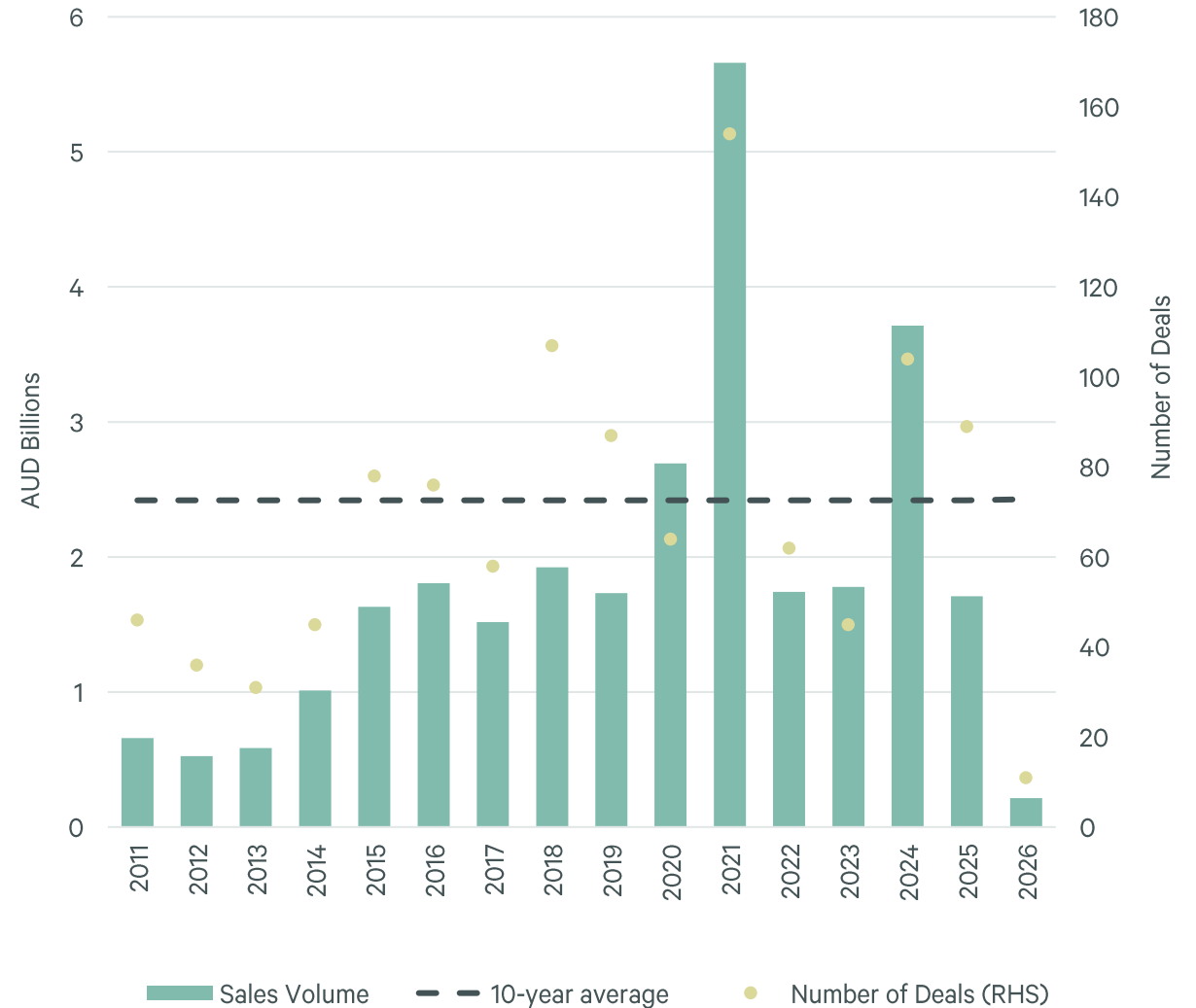
Melbourne yields remained stable through 1Q26, marking 12-months of stability across the market. However, we now anticipate modest yield expansion over 2026, driven by recent and expected cash rate movements and an increase in 10-year bond yields, which are now averaging 5%.

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



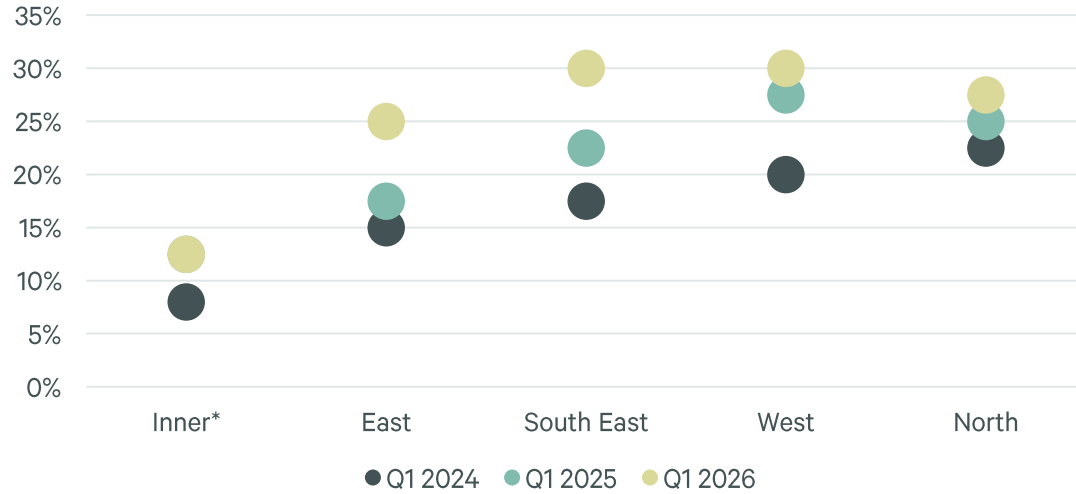
Source: CBRE Research

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



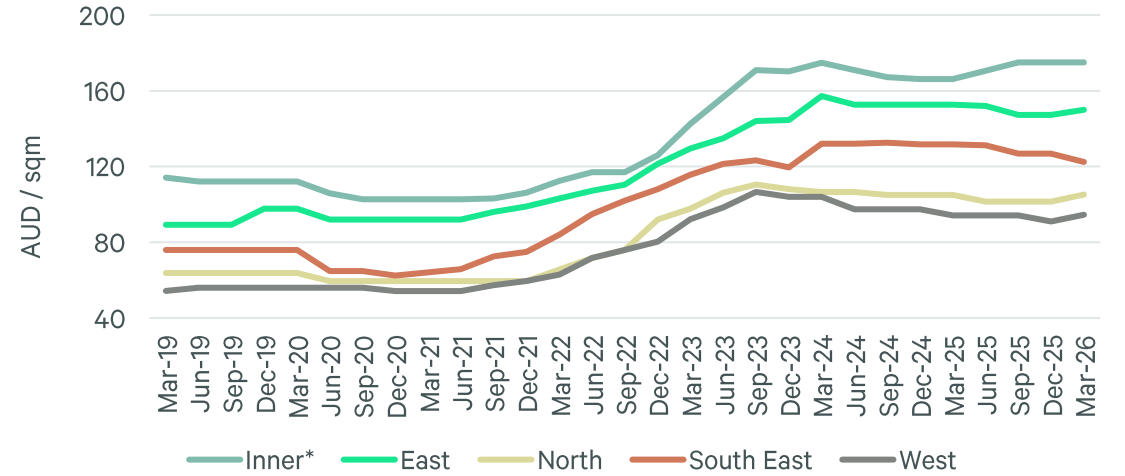
To note: does not include land/development sales.  
Source: RCA, CBRE Research

FIGURE 12: Super Prime Incentives, by Precinct and Year



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

FIGURE 14: Melbourne Super Prime Net Effective Rents by Precinct



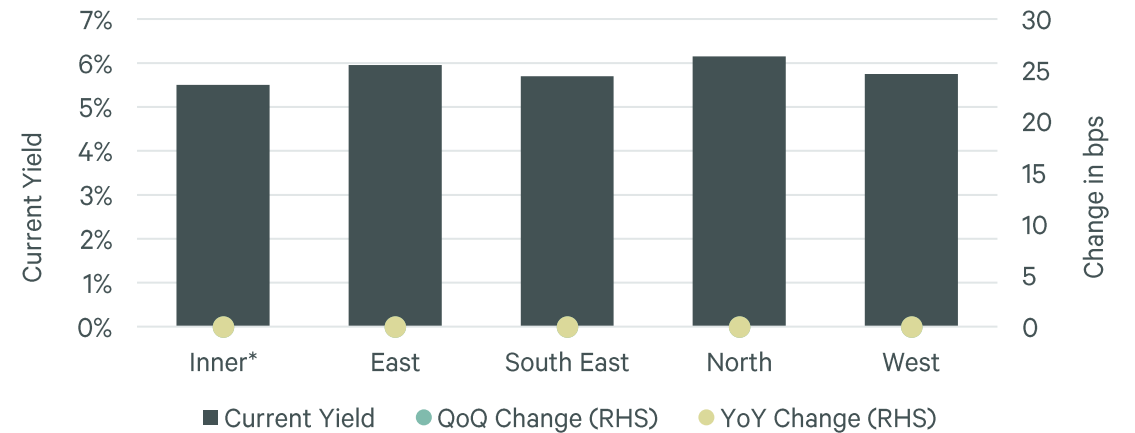
Note: Net effective rents in the Inner market correspond to Prime values.  
Source: CBRE Research

FIGURE 13: Melbourne Super Prime Outgoing Percentage Increase from Base Period (Q1 2022) by Precinct



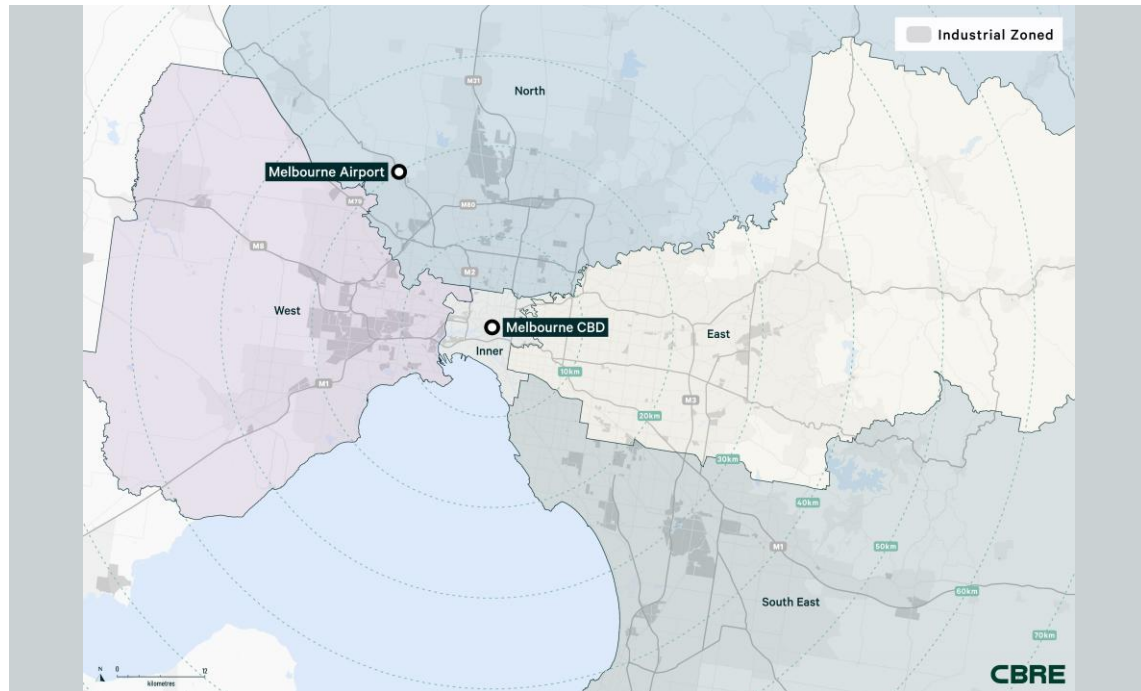
Source: CBRE Research

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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