Australia's vacancy edges higher, while pre-commitment remains elevated

▲ 3.2%
Vacancy rate average (2H25)

▼ c.467,000 sqm
New Industrial Supply 4Q25

▲ c.631,000 sqm
Gross Take-Up 4Q25

▼ 5.7%
Super Prime Midpoint Yield 4Q25

Note: Arrows indicate change from previous quarter.

Key Points

– Gross take-up in 2025 exceeded the 2024 level by just over 10% - supported by strong leasing activity in the Sydney and Adelaide markets.

– The 2025 supply pipeline reached 15% above the 10-year long-run average.

– Close to 50% of the 2026 supply pipeline is pre-committed.

– Upward movement in Incentive levels across most markets continue to impede on net effective rent growth, which continues to be in negative territory.

– We expect incentives will stabilise in 2026, 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 5.66%. Yield compression was recorded for most markets.

– Investment sales for income producing assets (≥ AUD 10 million) for 2025 totaled around AUD 6 billion – with Sydney and Brisbane leading activity.

Demand

Take-up surpasses 2024 levels

Gross take-up for CY2025 totaled approximately 3 million sqm, exceeding the CY2024 volumes by just over 10%, in line with our forecast at the beginning of the year. Leasing momentum softened toward year-end, with 4Q25 recording the lowest quarterly take-up of the past 12 months.

Leasing conditions have continued to shift in favour of occupiers over the past year, driven by elevated incentive levels and increased landlord willingness to secure tenants into new developments ahead of PC. As a result, long-term leasing activity remains elevated, particularly for occupiers seeking to lock favourable lease terms. While this dynamic is expected to persist into early 2026, we anticipate incentive levels to begin moderating from late 2026 onwards across most markets.

Melbourne and Sydney led take-up activity in 2025

Sydney led national take-up volumes for much of the year; however, a concentration of large lease deals in 2H25 shifted momentum toward Melbourne, resulting in Melbourne accounting for the largest share of total floorspace leased over the year. This occurred despite a moderation in Melbourne's overall activity levels compared with recent peak years. Melbourne represented 33% of national take-up, followed closely by Sydney at 32%, with Brisbane accounting for 16%.

Although Adelaide contributed a smaller share of national take-up at 11%, the market recorded its highest annual take-up since 2018, mainly owing to a large lease deal.

Pre-lease transactions comprised close to one-third of total floorspace leased in 2025, down from approximately 40% in 2024, reflecting a greater proportion of leasing activity occurring within existing assets. This shift underscores a more selective approach by occupiers, favouring ready-to-occupy space amid increased choice.

Notable lease transactions during the quarter included:

- A pre-lease by Australia Post in Adelaide's Outer North precinct.
- A pre-lease by Costway in Melbourne's West precinct.
- A pre-lease by HDS in Sydney's Outer North West precinct.

By sector, Transport, Postal and Warehousing occupiers accounted for 36% of total floorspace leased in 2025, followed by retail Trade at 20%.

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 Q4 2025

Supply

The pre-commitment rate for 2026 is close to 50%

Around 2.2 million sqm of new floorspace was added to the market in 2025 – 15% above the long-run average. The concentration of new floorspace in 2025 was delivered in Sydney (30%), followed by Brisbane (27%) and Melbourne (26%).

Close to 70% of the completed developments (by floorspace) in 2025 were speculative builds. The share of speculative developments in the 2026 and 2027 pipeline is currently at c.48%.

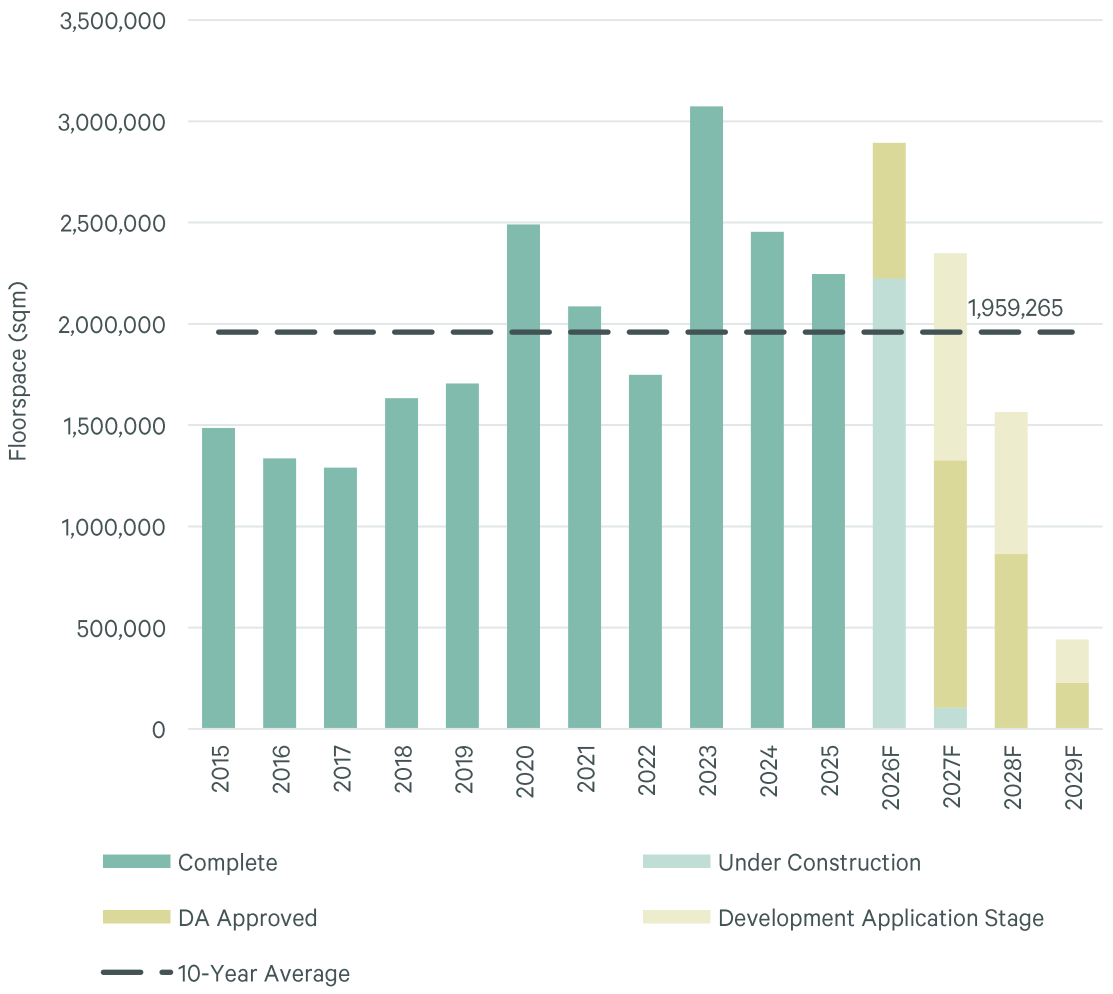
Notable development completions over the quarter included:

- Charter Hall's Flagstone Logistics Estate (Lot 9) in Brisbane's Western Corridor.
- Aliro's Warehouse 3 in Melbourne's West.
- Stockland Lot 2 in Melbourne's South East.
- Greystar's Pioneer Estate in Brisbane's North.

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

- The vacancy rate remains one of the lowest levels globally at 3.2% (as at 2H25)
- A large share of the pipeline is in early stages of development (i.e., development application stage).
- We have identified a few projects over 2026-2029 that are unlikely to go ahead (i.e., around 10% 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.
- Close to 50% of the 2026 supply is 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 Q4 2025

Leasing Market

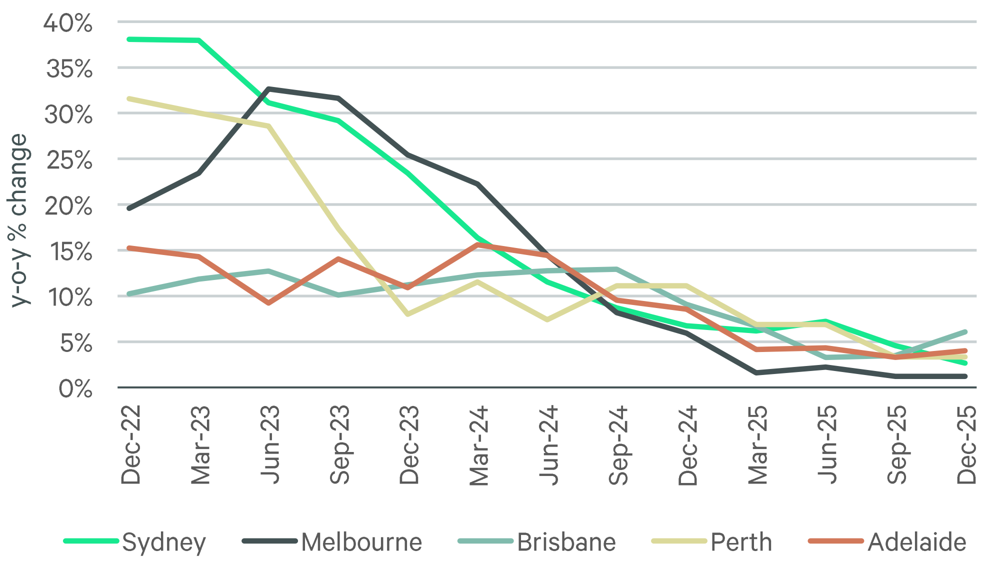
Net effective rent growth falls into negative territory

The national super prime supply-weighted-average net face rent has increased by 0.5% q-o-q. Despite the marginal increase in face rents, incentive levels have continued to increase which has led to a further decrease in effective rent growth.

A notable increase in super prime face rent was recorded for the Brisbane market, increasing by 2.5% q-o-q, with no change in incentive levels.

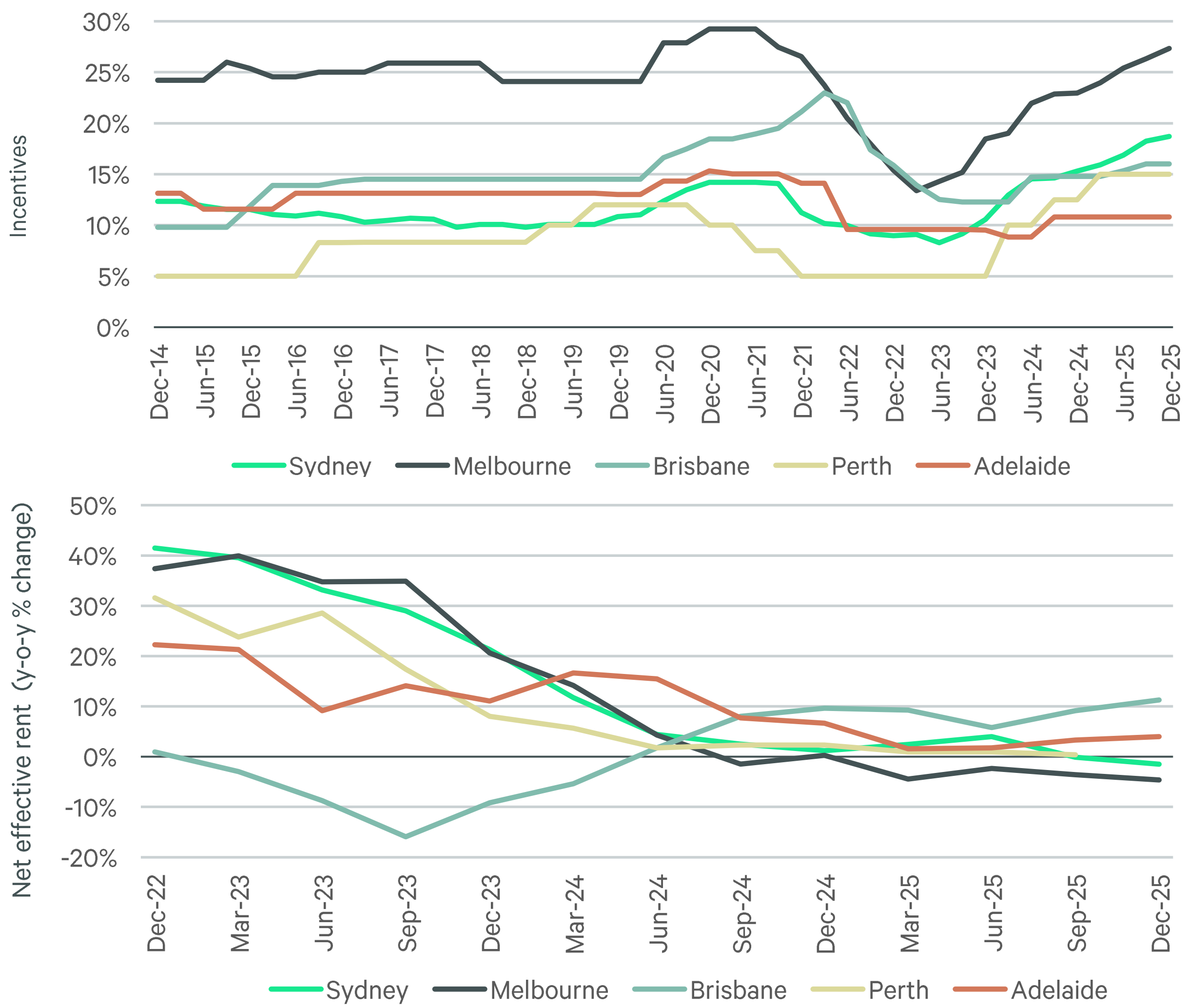
Over the year, national net effective rents have fallen by half a percentage point for super prime grade assets and decreased further for secondary grade stock at -1.3%. We expect to see further falls in net effective rents across all asset grades, and more so for secondary grade assets over the next 6 months.

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



Source: CBRE Research Q4 2025

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

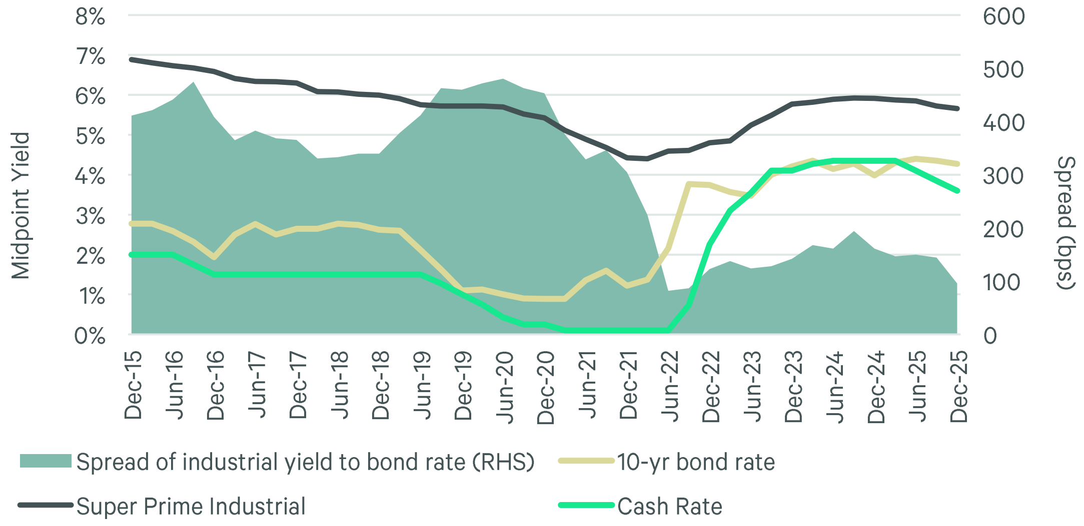
Sydney led investment sale transactions for 2025

Australia's industrial and logistics investment sale volumes for income producing assets over AUD 10 million have totaled close to AUD 6 billion. The concentration of activity (by value) occurred in Sydney over this period (35%), followed by Brisbane (30%). There has been a notable reduction in activity in the Melbourne market, with just over AUD 1.1 billion in sales volume – 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 – above levels recorded for CY2024, CY2023 and CY2022.

Yield compression recorded for most markets

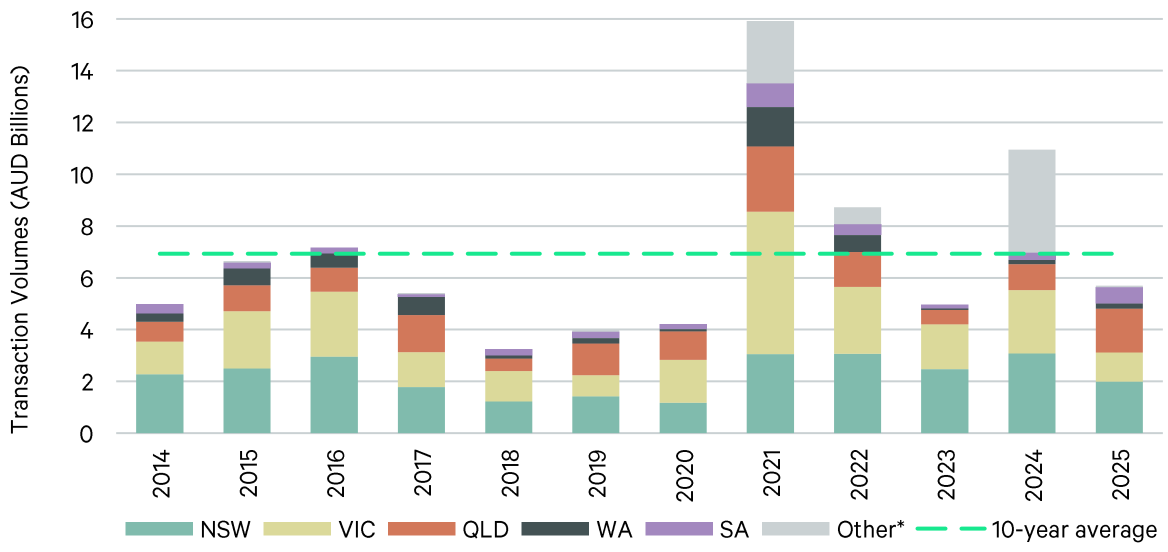
Yields compressed nationally by 6 bps for super prime grade assets. The national midpoint yield over 4Q25 for super grade assets now stand at 5.66%. The spread between Melbourne yields and other Eastern Seaboard cities is widening, mainly due to Victoria's taxation policy. Other State's are becoming 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 5: Industrial & Logistics Super Prime Midpoint Yields and Australia 10yr Government Bond



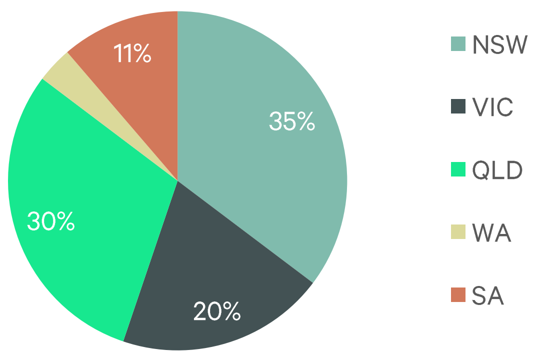
Source: RBA, CBRE Research Q4 2025

FIGURE 6: Industrial Investment Sales for income producing assets (greater than AUD 10 million), 2014 to 2025



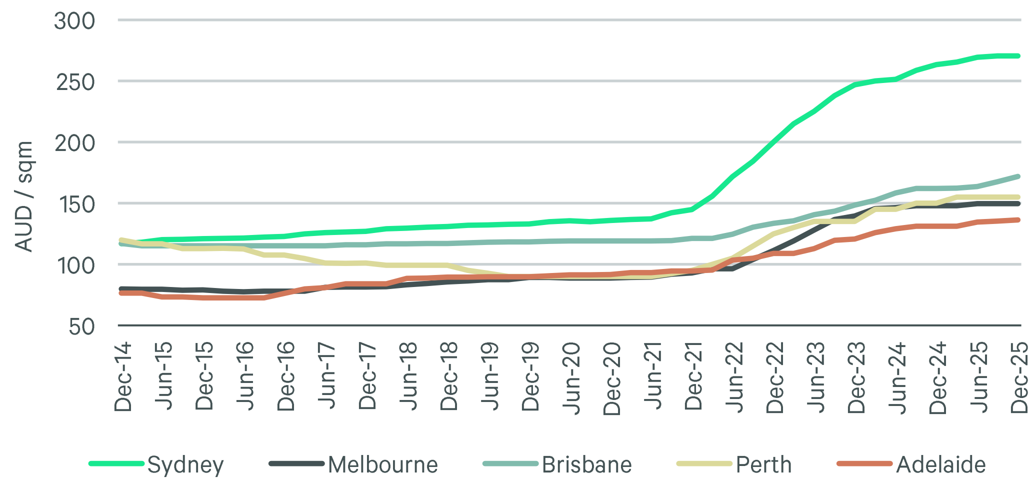
To note: Reflects investment sales of income producing assets AUD 10 million and greater.
*Other reflects portfolio sales across multiple cities where individual asset price has not been disclosed.

FIGURE 7: State Share of Industrial Investment Sales by value 2025



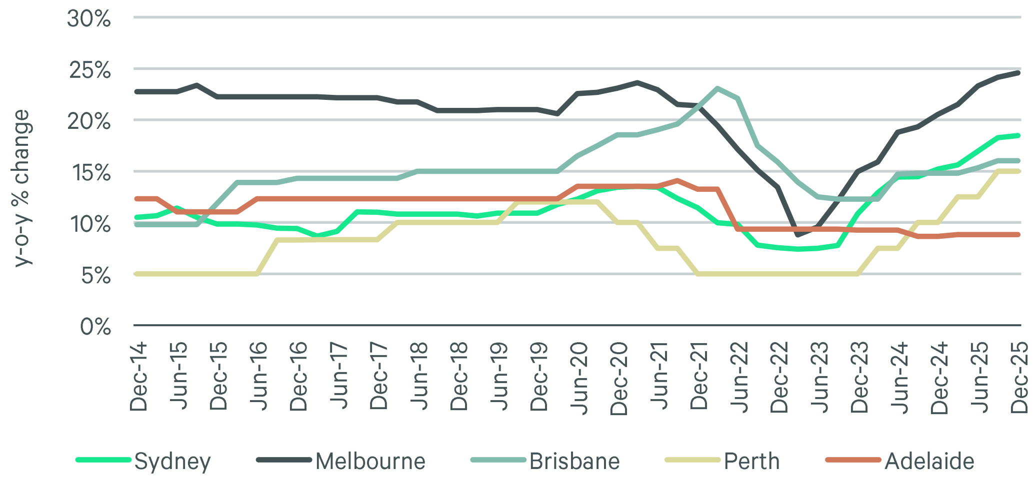
Source: CBRE Research Q4 2025

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



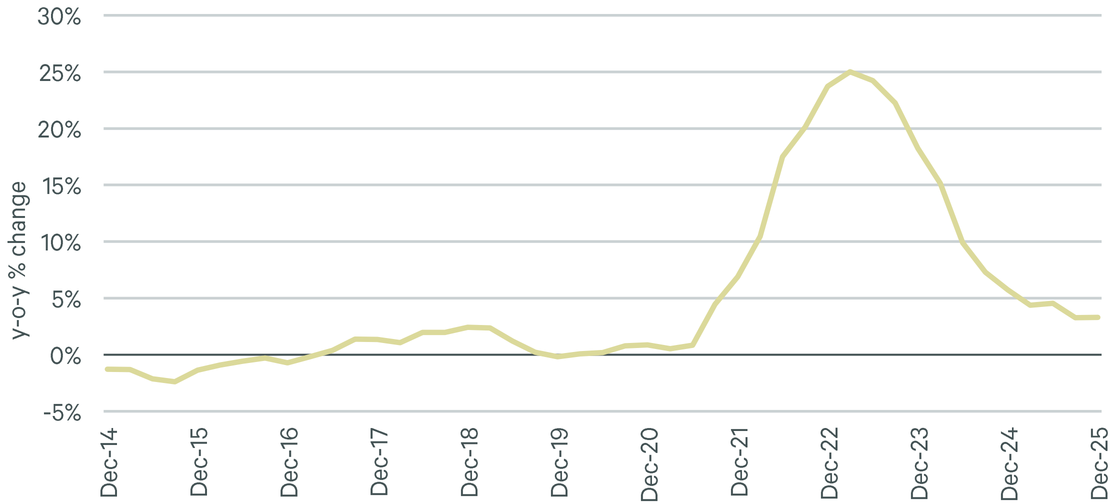
Source: CBRE Research Q4 2025

FIGURE 9: Prime weighted-average incentives



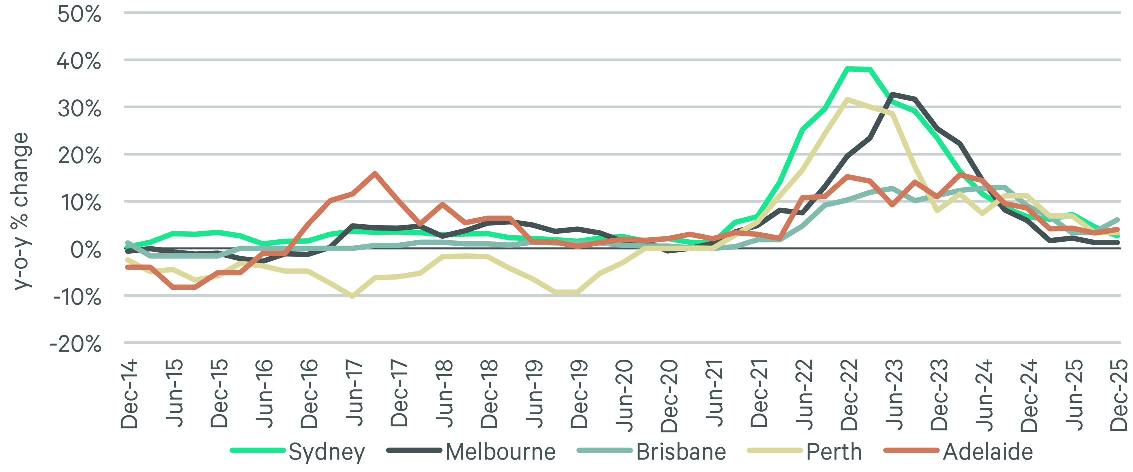
Source: CBRE Research Q4 2025

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



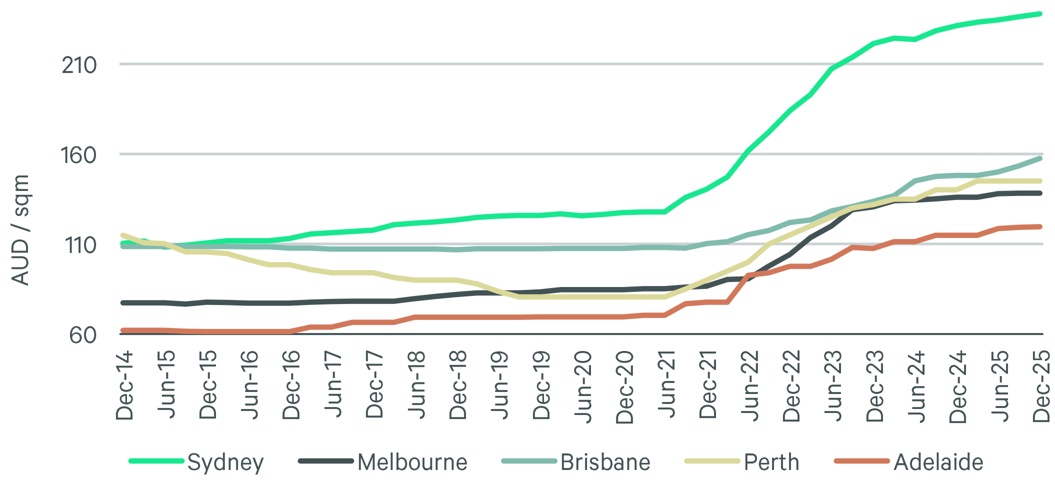
Source: CBRE Research Q4 2025

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



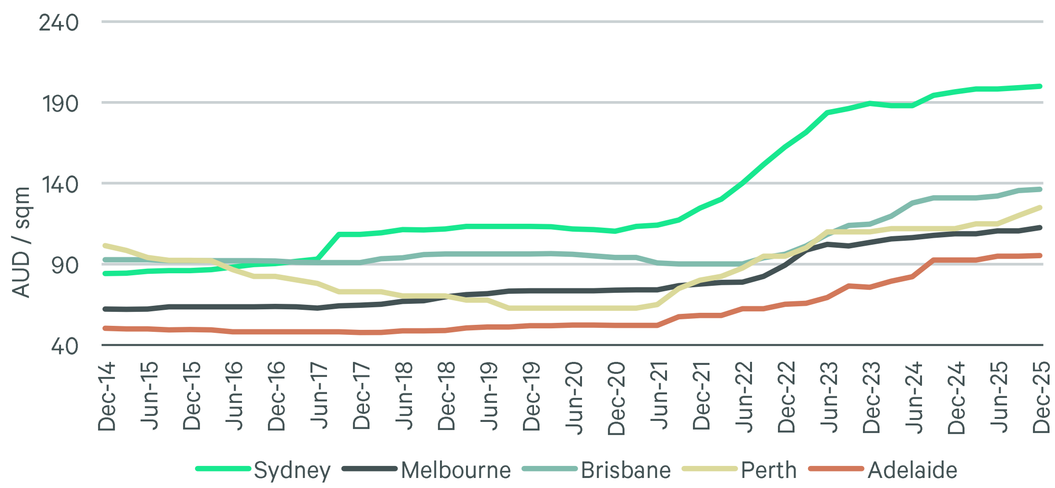
Source: CBRE Research Q4 2025

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



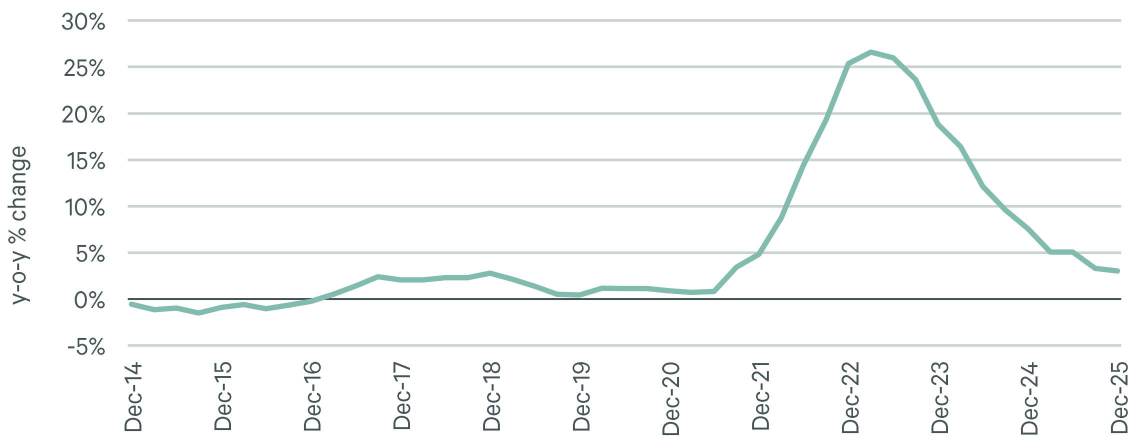
Source: CBRE Research Q4 2025

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



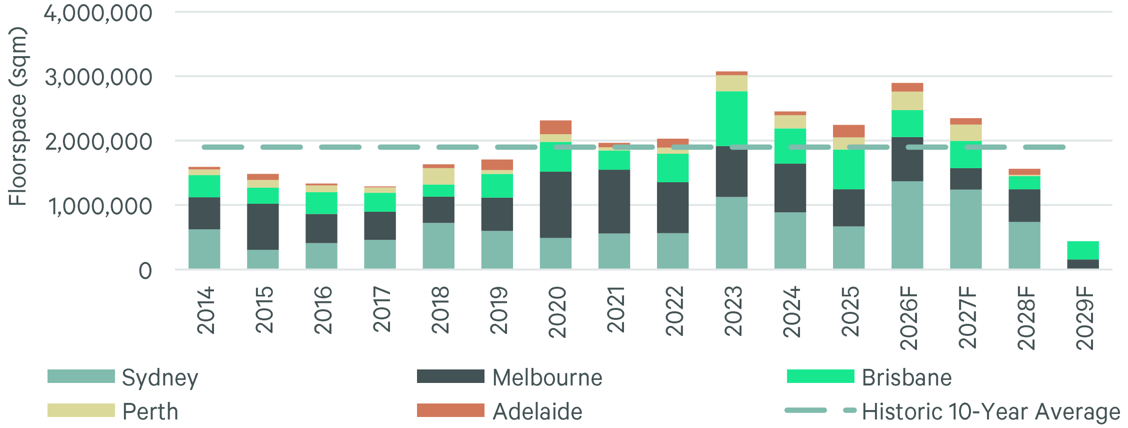
Source: CBRE Research Q4 2025

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



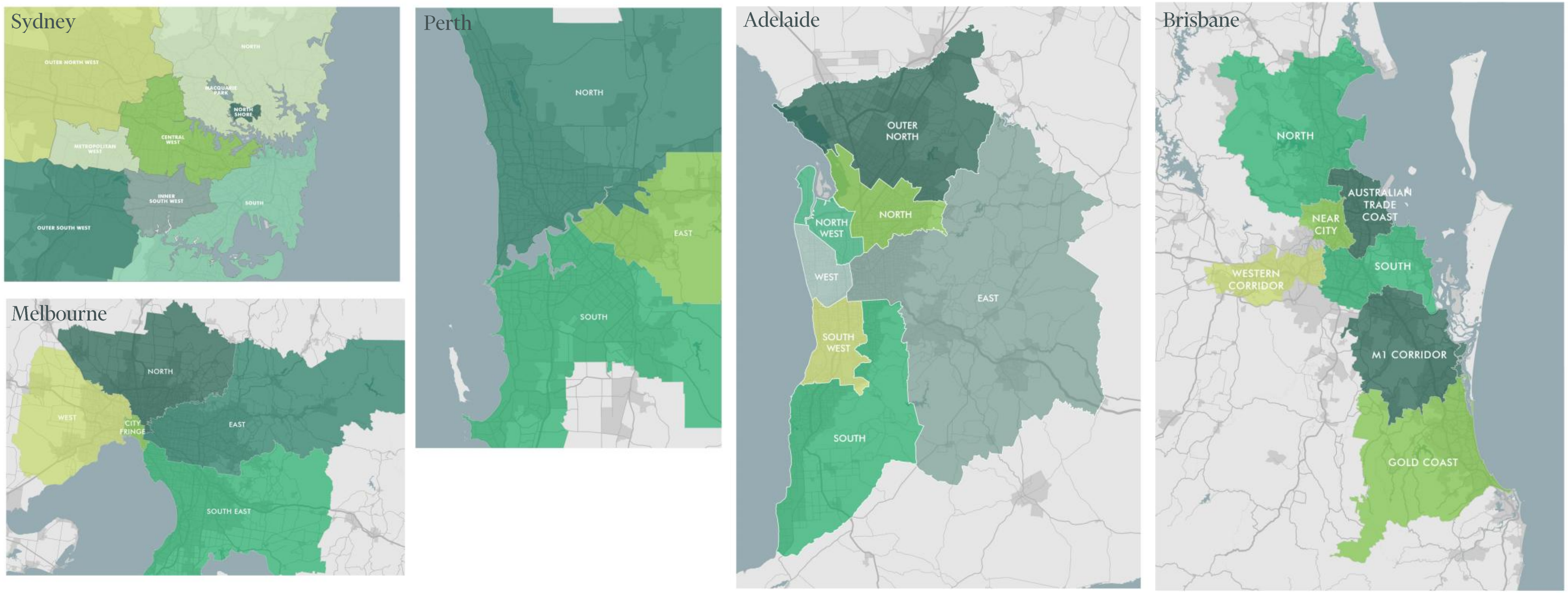
Source: CBRE Research Q4 2025

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 Q4 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.