Future Cities

2025

Melbourne Industrial and Logistics Land Supply

REPORT

MELBOURNE
REAL ESTATE

CBRE RESEARCH
NOVEMBER 2025

Executive Summary

Building on the foundations set in CBRE's 2022 Melbourne Industrial & Logistics Land Supply Report, this year's analysis provides a refreshed view of Melbourne's undeveloped industrial land availability and development pipeline. It highlights land constraints, diverging precinct dynamics, and an emerging imbalance between demand and developable land that is expected to tighten market conditions and support sustained rental growth over the long-term.

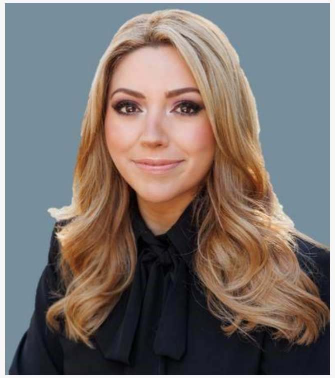
Melbourne retains one of Australia's largest industrial land reserves, yet project delivery is increasingly uneven. Our comprehensive parcel-by-parcel assessment identifies how much land can accommodate future development and when it will become available. The findings reveal Melbourne's five-year average land absorption rate is almost double what we have recorded for the Sydney market, pointing to an emerging shortfall within five years as feasible and serviced land diminishes.

Shrinking infill opportunities are reshaping occupier and investor behaviour. Occupiers are increasingly evaluating multi-location strategies, balancing inner-precinct proximity to customers with outer-precinct consolidation centres to manage cost pressures and secure longer-term flexibility. As rental differentials between inner and outer precincts widen, occupiers may also look to forward-lease in Melbourne's West and North while rental growth remains subdued and incentives are elevated over the next 12 months.

Although vacancy in Melbourne has risen to around 4.1%, it is forecast to tighten again post-2026, triggering reduced incentives and a renewed phase of net effective rent growth from 2027.

On the investment side, capital is focusing on well-located and serviced sites, while infill areas with redevelopment potential remain under close consideration.

Long-term demand will remain underpinned by population growth, e-commerce expansion, and Melbourne's integrated infrastructure network, linking the Port, intermodals, and arterial routes. Competition from emerging data centre development on industrial-zoned land is further constraining supply. Together, these forces reinforce Melbourne's position as Australia's most competitively priced major logistics market, underpinned by strong infrastructure connectivity, and long-term occupier demand. Despite recent rental growth, Melbourne continues to offer a relative cost advantage compared with Sydney and Brisbane, sustaining its appeal for both occupiers' seeking scalability and investors targeting resilient, long-term performance.



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Key themes

01 Industrial land use

02 Industrial and logistics demand

03 Impacts on logistics property

01

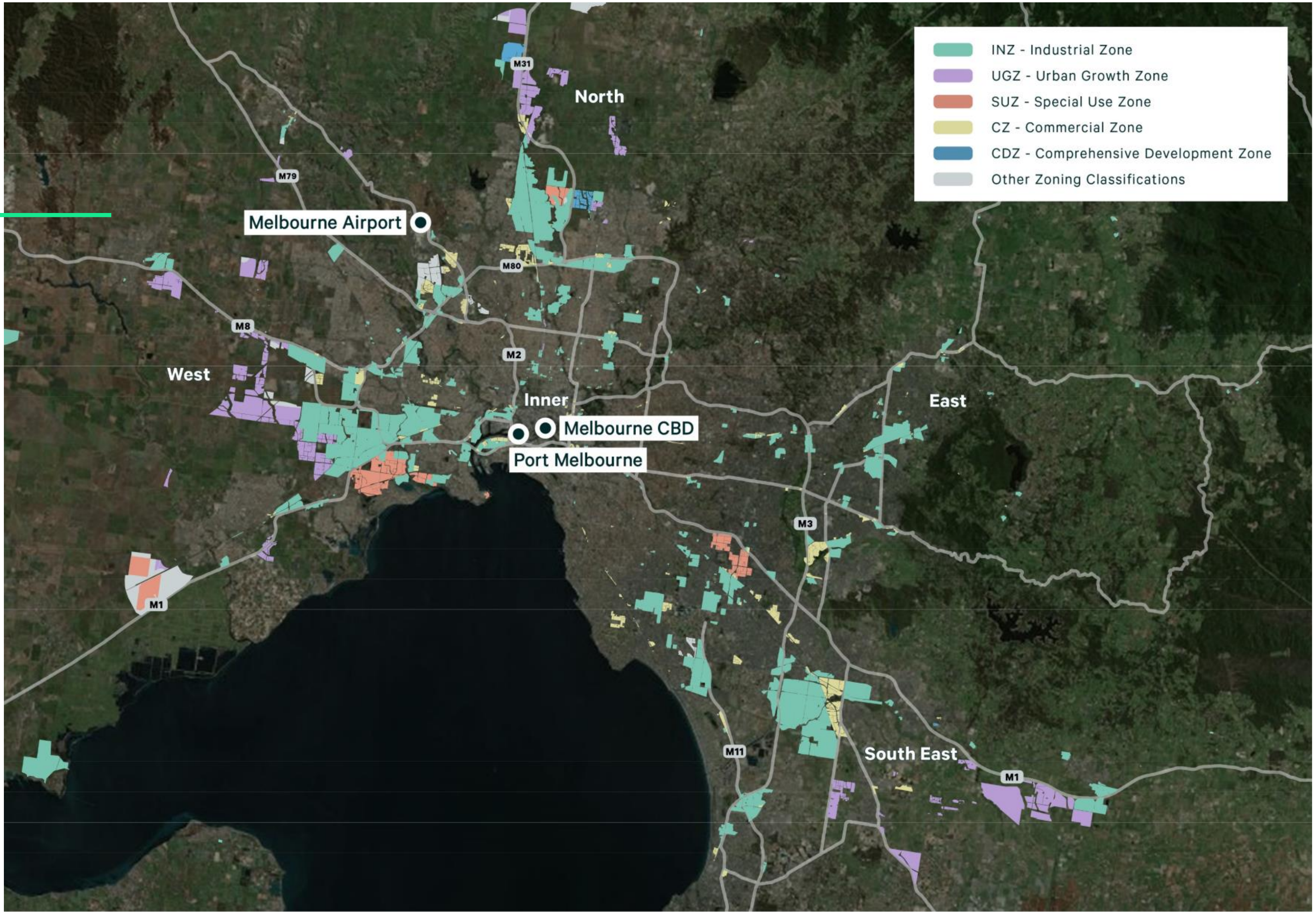
Industrial land use

Melbourne market size

How big is the Melbourne market?

According to the Victoria State Government there is currently 26,266 ha of industrial zoned land across the Melbourne Metropolitan region.

Total industrial and logistics stock in the Melbourne market equates to around 31 million sqm (for stock > 5,000 sqm).[1] Despite being the second largest market in Australia, land supply constraints are beginning to emerge as the pace of development has exceeded the rate of re-zoning and planning approvals.

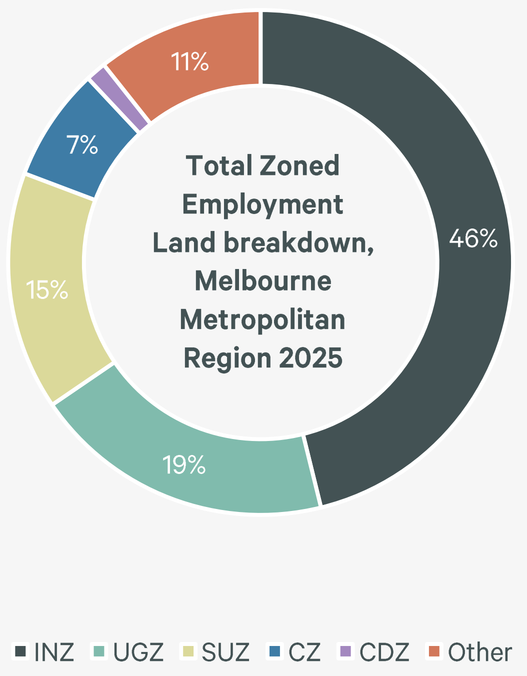


1. Source: CBRE Research

Melbourne industrial land use

In Melbourne (Victoria) industrial and logistics occupiers typically locate in zones that permit manufacturing, warehousing, distribution, storage and related uses. These zones are identified below, and will be referred to as 'employment land':

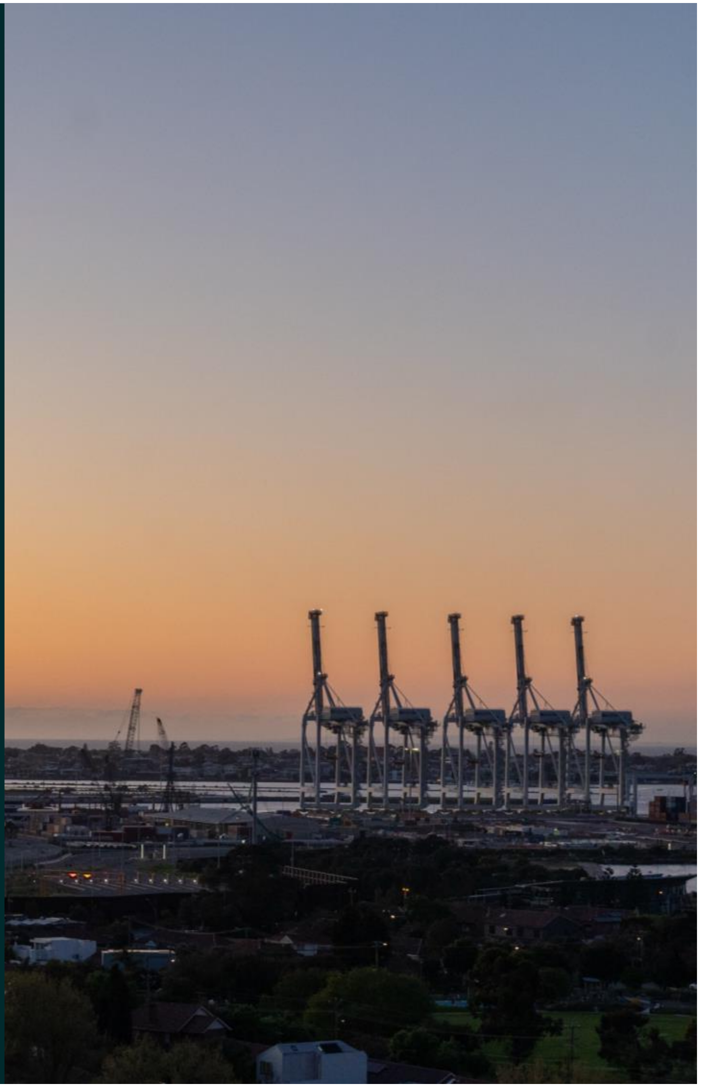
- Industrial 1 Zone (**IN1Z**): primary zone for warehousing, distribution, manufacturing (often as-of-right).
- Industrial 2 Zone (**IN2Z**): heavier/impactful industry & storage; buffers common.
- Industrial 3 Zone (**IN3Z**): interface areas; permits vary by schedule.
- Commercial land (**CL**- C2Z/C3Z): can allow warehousing/light industrial, and logistics-related uses within designated employment precincts (schedule-dependent).
- Comprehensive Development Zone (**CDZ**): master-planned precincts (e.g., Merrifield) - permitted uses per incorporated plan.
- Urban Growth Zone (**UGZ**): future urban land — logistics possible after PSP and rezoning.
- Special Use Zone (**SUZ** – Port): port/freight-servicing logistics where specified.



Source: CBRE Research, Department of Transport and Planning

Implications for Industrial and logistics land

- The majority of Melbourne's future employment land (42%) sits in Urban Growth Zones (UGZ), indicating significant reliance on PSP and rezoning processes to bring new supply to market.
- Industrial 1 Zone (IN1Z) represents the most established and readily developable land, largely concentrated in the western and northern precincts.
- Comprehensive Development Zones (CDZ) and Commercial Land (CL) reflect a growing trend towards mixed-use and master-planned logistics precincts, where flexibility supports large-scale occupiers seeking integrated environments.
- The limited share of Special Use Zone (SUZ) land highlights constrained opportunities for port and freight-related uses, reinforcing the strategic importance of sites proximate to major infrastructure.



Undeveloped land

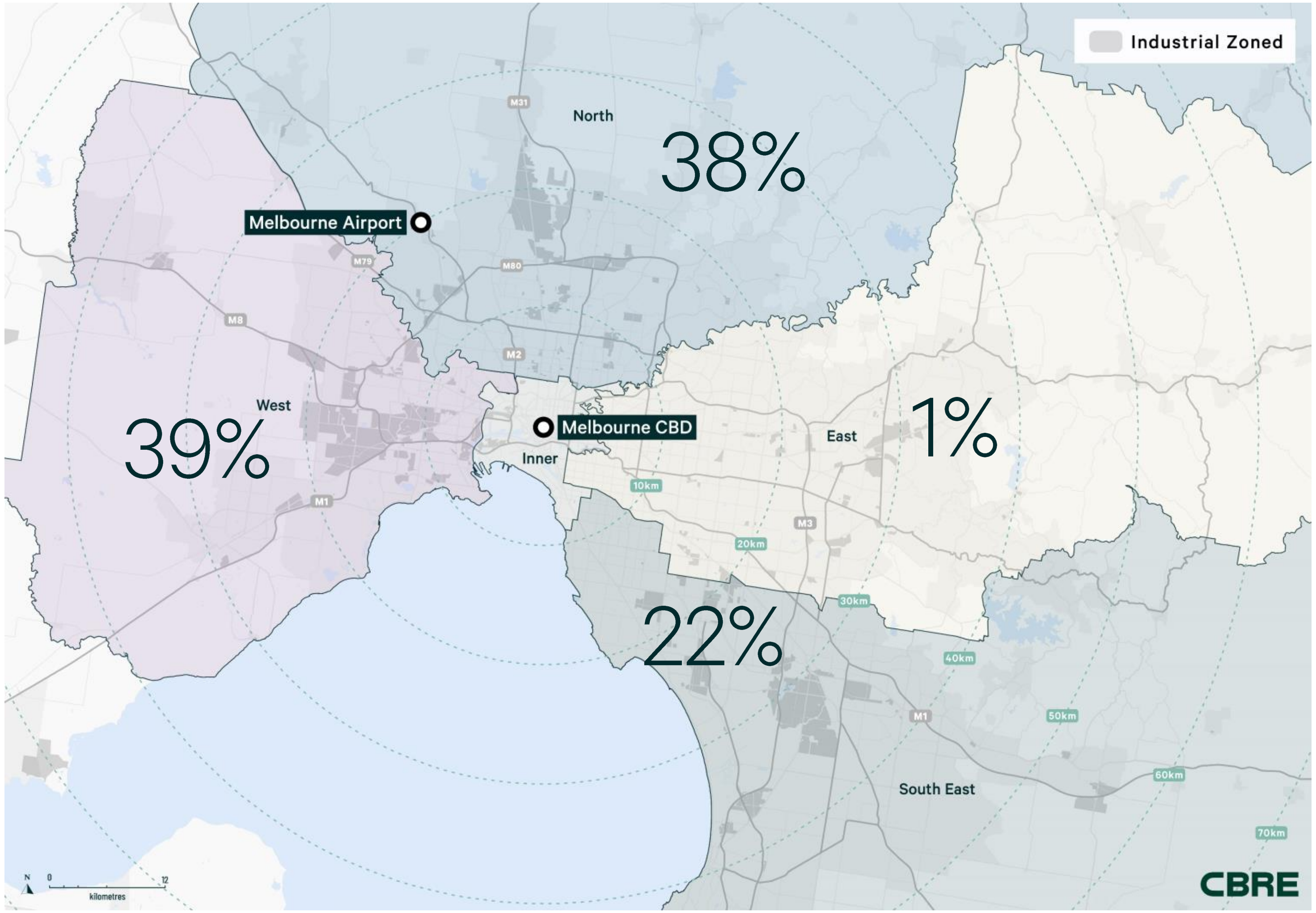
The State Government has identified a total of 4,405 ha of undeveloped industrial land, and a further 2,567 ha of undeveloped non-industrial* use land.

We have identified around 2,400 ha of land that is available for development between now and 2032. This represents close to 10% of the total zoned employment land and is 20% less than the undeveloped land identified in the Sydney market.

Close to 40% of Melbourne's undeveloped industrial land that we have identified sits in the West precinct, reflecting the region's long-established role as Melbourne's core logistics hub. Its dominance stems from extensive tracts of rezoned and serviced land, strong arterial connectivity via the Western Ring Road and Princes Freeway, and proximity to both the Port of Melbourne and intermodal terminals. Developers have continued to aggregate land here given its scalability and access to major population catchments, which has attracted most new large-format distribution and e-commerce fulfilment centres.

The North precinct, accounting for 38% of future land supply, has expanded rapidly around Epping, Somerton and Mickleham as infrastructure investment and the Merrifield Business Park's planning certainty draw occupiers seeking alternatives to the tightening west. The South East/East, with just 23% of remaining undeveloped land, faces structural scarcity due to mature industrialisation and fragmented ownership. As a result, land values and rents in the South East/East are expected to continue outpacing other precincts, while the West's greater availability will support near-term development momentum. The emerging balance underscores how constrained zoned land is becoming a strategic differentiator for both occupiers and investors across Melbourne's industrial and logistics market.

Share of undeveloped zoned land available for development between 2025 and 2032 by precinct



*Non-industrial use refers to land zoned for industrial with an existing use that is not industrial.

To note: industrial precinct boundaries have been defined by CBRE Research.

Source: CBRE Research.

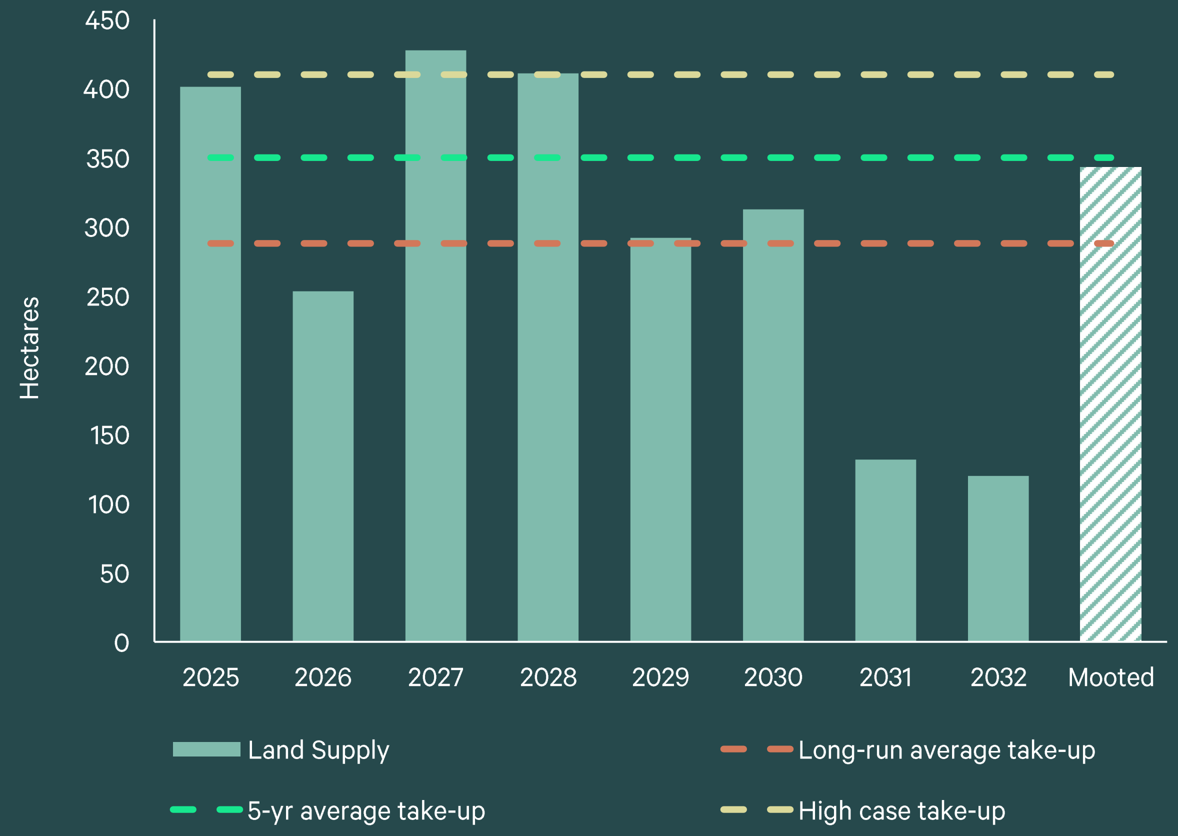
Underlying supply data | CBRE Analysis

We conducted a comprehensive review of every parcel of land in Melbourne's industrial and logistics precincts to determine how much land can accommodate industrial development and when it will become available, between 2025 and 2032.

Key findings

- Land parcels have been classified based on their availability for development between 2025 and 2032, and mooted parcels.
- Melbourne's 5-year average land absorption rate of c.350 ha is almost double what has been recorded for the Sydney market.
- Elevated land absorption has been underpinned by e-commerce, third-party logistics and data centre expansion – sectors that have more than doubled their footprint since 2019.
- Based on the average land take-up over the last five years, there is a land supply deficit by 2030.

CBRE forecast land supply available for development (Melbourne's metro precincts)



Source: CBRE Research.

02

Industrial and logistics demand

Floorspace take-up and active occupier demand

Declining take-up driven by tight market conditions and normalising demand

Total floorspace leased (i.e. gross take-up) in Melbourne has represented the largest share of activity nationally – averaging close to 50% of total leasing across Australia between 2020 and 2024. The moderation in 2023 reflected constrained supply rather than weakening demand, with vacancy below 2%. Although demand began to normalise in 2024 and into 2025, yearly leasing totals remain above the pre-2020 long-run average, with 2025 expected to align with this benchmark.

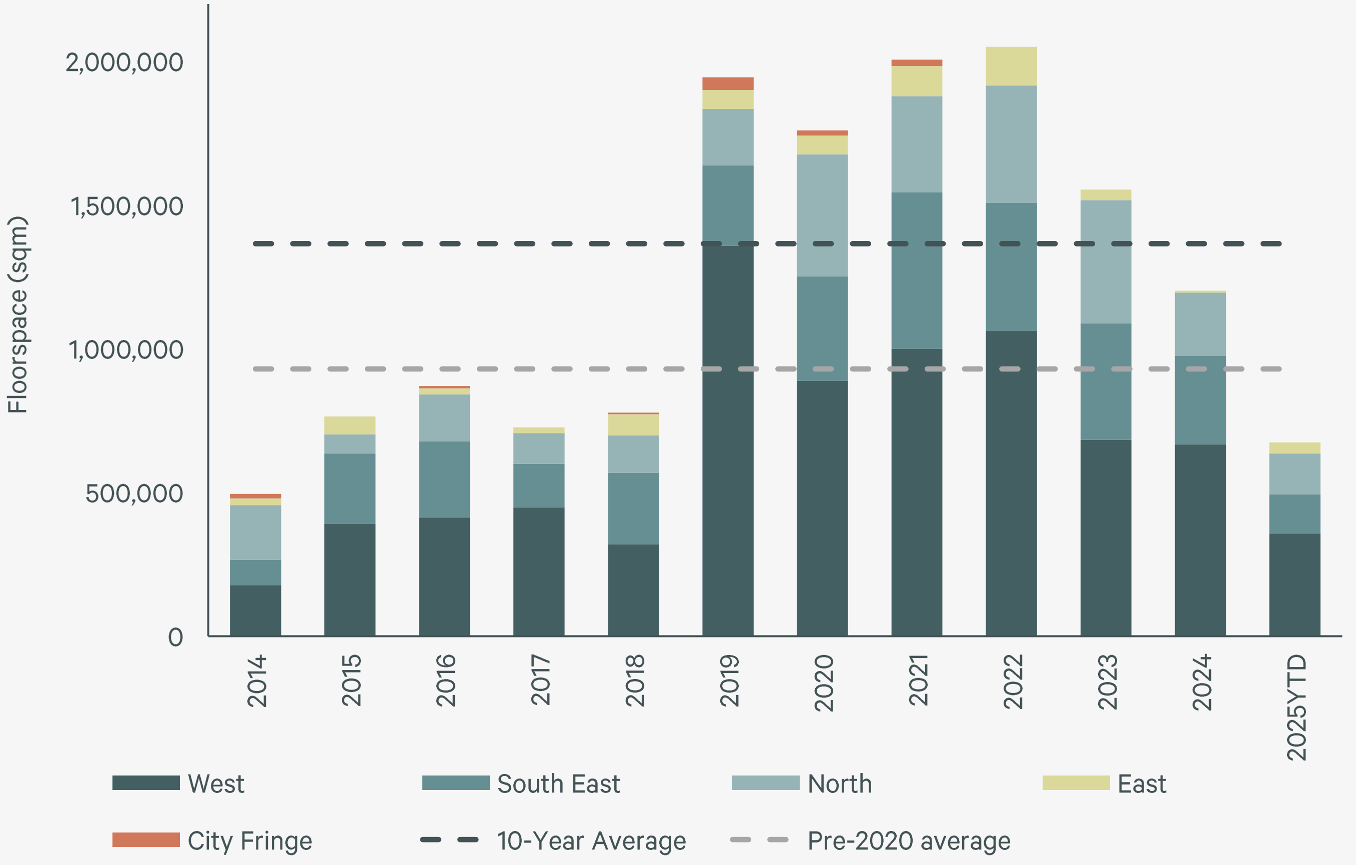
Leasing activity concentrated in West Melbourne

Leasing activity has been heavily concentrated in the West Melbourne precinct, accounting for roughly half of all floorspace leased over the past decade. The South East follows, representing nearly a quarter of total leasing during the same period – underscoring occupier preference for established, infrastructure-rich industrial corridors.

E-commerce continues to underpin structural demand

Retail and E-commerce occupiers have contributed roughly one-third of new space between 2020 and 2025YTD. Although no longer the dominant growth engine seen during the pandemic years, these occupiers remain a key driver of modern warehousing demand, supporting ongoing absorption of well-located serviced industrial land across Melbourne's core precincts.

Melbourne gross take-up



Source: CBRE Research. As at 3Q25.

We identified three key industry sectors driving demand for industrial and logistics space in Melbourne over the past five years.

Transport, retail and manufacturing sectors continue to anchor leasing demand. Together, these sectors underpin over 80% of Melbourne's industrial leasing activity since 2020, illustrating ongoing need for strategically located, serviced industrial land – particularly in the West and South East.

01 Transport, Postal & Warehousing

40%

Average share of lease transactions (by floorspace) 2020-3Q25

- Average lease size over the period is 13,900 sqm.
- Lease transactions (by total floorspace) have been concentrated in Melbourne's West (64%).
- Third-party logistics (3PL) occupiers have accounted for more than one-third of total take-up over the last five years, with several years exceeding 50% of all deals.

02 Retail/ E-commerce

25%

Average share of lease transactions (by floorspace) 2020-3Q25

- Average lease size over the period is 17,600 sqm.
- Lease transactions (by total floorspace) have been concentrated in Melbourne's West (51%).
- Historically, retail trade take-up has been the most prevalent in the South East and East given the concentration of Melbourne households. However, as residential development has increased in the North and West, activity from these groups has risen in tandem.
- E-commerce operators have increasingly sought large, high-spec facilities, reinforcing demand for serviced industrial land in Melbourne's West.

03 Manufacturing

16%

Average share of lease transactions (by floorspace) 2020-3Q25

- Average lease size over the period is 11,400 sqm.
- Around 30% of lease transactions (by total floorspace) has been contributed by Machinery & Transport Equipment Manufacturing.
- Lease transactions have been diversified across precincts, with the South East recording the higher proportion (40%).
- While manufacturing represents a smaller share of leasing activity, ongoing machinery and transport equipment investment is sustaining demand for industrial zoned land in the South East, where available supply in increasingly constrained.

Source: CBRE Research. As at 3Q25.

Population growth is a key driver

Melbourne's population is forecast to increase by around 785,000 people between now and 2034, driving sustained demand for industrial and logistics floorspace - estimated at 3.5 million sqm (or 350,000 sqm p.a., equivalent to around half of the long-run annual supply addition).

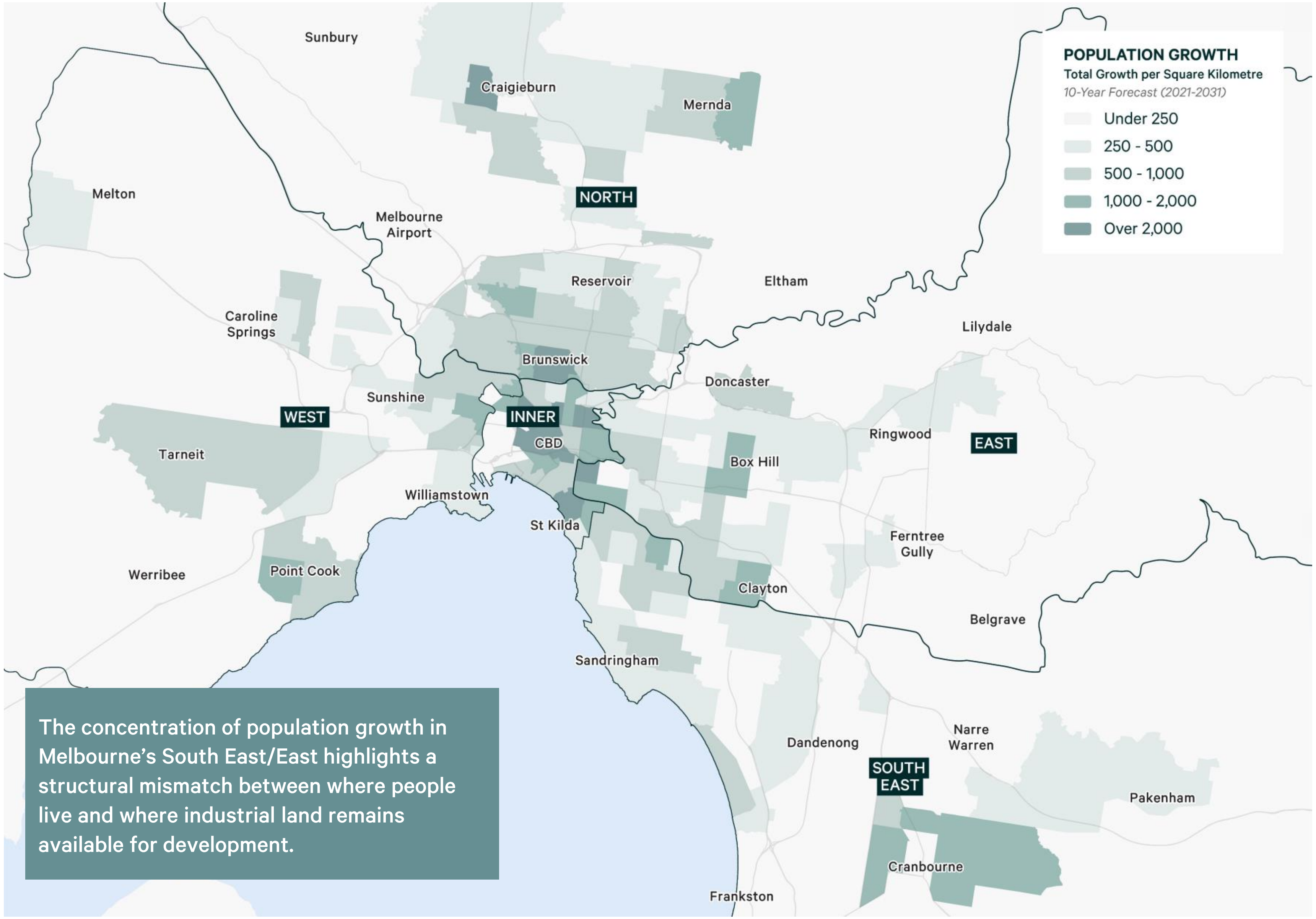
Growth will remain most pronounced across the Outer North, South East and West, aligning with major residential development corridors. As population expands, occupiers will increasingly seek locations offering proximity to both labour and end-consumer markets, reinforcing demand for well-serviced industrial land in established areas.

However, the scarcity of undeveloped, well-located industrial parcels - particularly in the South East/East - is expected to intensify competition for prime sites. This dynamic will underpin continued rental growth and redevelopment activity, as users balance the need for access to labour, infrastructure, and key distribution networks.

+15%

Melbourne population growth over the next decade.

Source: Centre for Population, ABS, CBRE Research



The concentration of population growth in Melbourne's South East/East highlights a structural mismatch between where people live and where industrial land remains available for development.

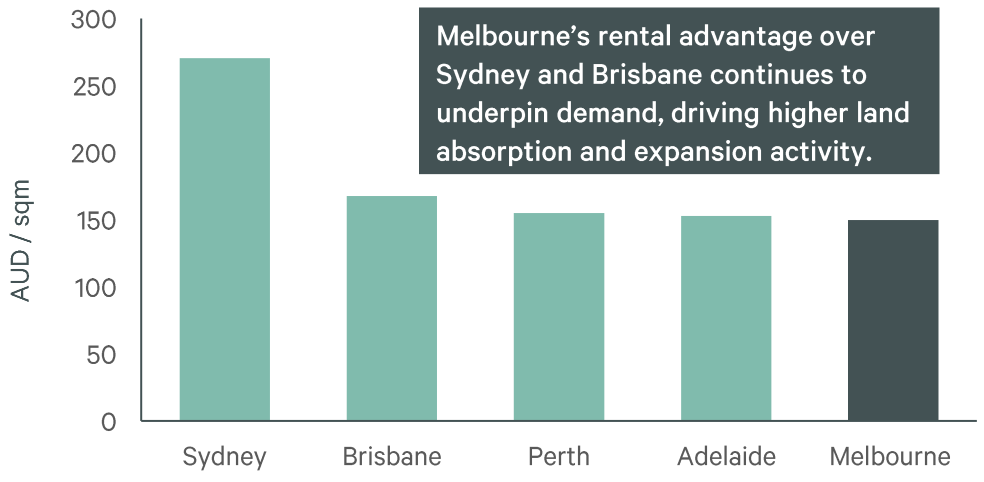
Melbourne's relative affordability continues to drive occupier demand

Melbourne remains one of the most competitively priced industrial markets among Australia's major cities. While rents have risen significantly over recent years, growth in Sydney and Brisbane has been even more pronounced, widening the rental differential in Melbourne's favour.

This relative affordability is prompting some occupiers to relocate or consolidate operations in Melbourne, while others are expanding footprint locally and downsizing in higher-cost markets.

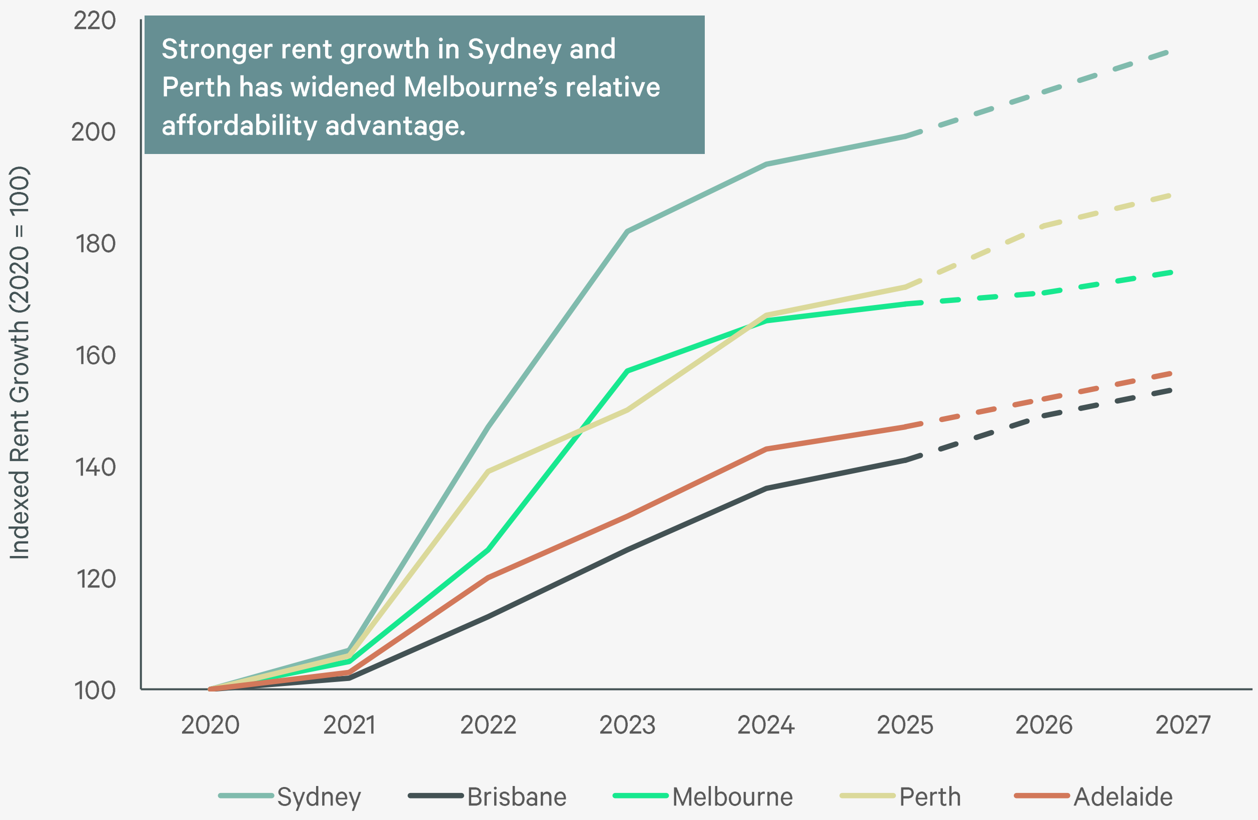
With further rent escalation forecast in Sydney and Brisbane over the next two years, Melbourne's cost advantage is expected to sustain elevated occupier demand - supporting a step change in industrial land absorption in the medium to long-run.

Supply-weighted average super prime net face rent (3Q25)



Source: CBRE Research. As at 3Q25.

Indexed face rent growth (2020 = 100)



Despite cumulative rental growth of nearly 70% since 2020, Melbourne continues to trade around 10–45% below Sydney and Brisbane, maintain a strong relative cost advantage that supports ongoing occupier expansion and higher land absorption.

Melbourne is one of Australia's most connected hub for industrial growth

Melbourne's infrastructure pipeline is setting the foundation for long-term industrial growth.

Melbourne leads all Australian states in transport infrastructure investment, with A$97 billion in committed or active projects.

The North East Link (NEL) and West Gate Tunnel (WGT) - alongside numerous arterial upgrades - will improve travel times, enhance access to key freight nodes, and underpin industrial land demand across the city for years ahead.

Infrastructure benefits:

Increased efficiency to the Port of Melbourne

- The West Gate Tunnel (WGT) will save up to 20 minutes travel time between the West and the Port.
- Improved Port access will stimulate logistics leasing and accelerate speculative development.

Improved connectivity between precincts

- The North East Link and East Link integration will connect northern, eastern, and southern catchments.
- Supports efficient last-mile delivery and distribution networks.

Enhanced supply chain resilience

- Strategic upgrades are reducing freight bottlenecks and improving reliability.
- Encourages long-term leasing as occupiers secure locations with strong access to core nodes.

Elevated demand from international occupiers

- As Australia's fastest-growing city, Melbourne offers cost and access advantages for global operators.
- Investment into core nodes reinforces Melbourne's role as Australia's industrial hub for international trade.

With the Port of Melbourne and upcoming Beveridge Intermodal Terminal, occupiers will benefit from an unmatched multimodal freight ecosystem - strengthening Melbourne's position as the nation's industrial gateway.

Source: CBRE Research. As at 4Q25.

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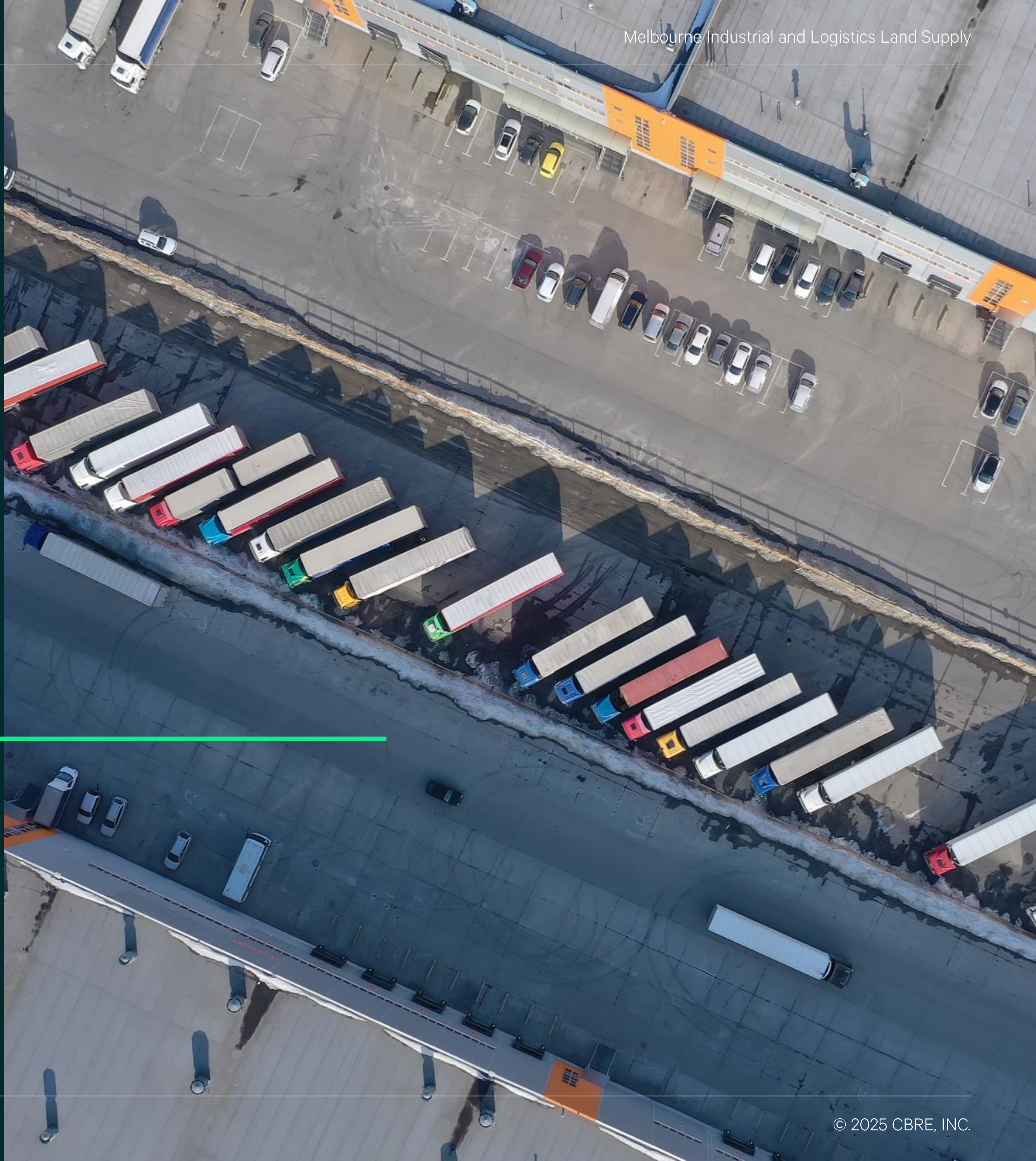
Impact on logistics property



Diverging pressures across inner and outer precincts are reshaping Melbourne's logistics market

Feasibility and zoning are the main issues

Melbourne retains one of Australia's largest industrial land reserves, yet project delivery is increasingly uneven.

Inner precincts are constrained by limited zoned land and competing land uses, while outer precincts hold greater land but face feasibility and servicing barriers delaying activation.

Melbourne's industrial market is becoming increasingly polarised. Core precincts will continue to outperform due to enduring scarcity, while outer markets will deliver long-term growth potential once infrastructure and feasibility pressures ease. This bifurcation will sustain rental growth momentum and reinforce the premium for serviced, well-located industrial land.

Impact on inner precincts

Scarcity driving value escalation:

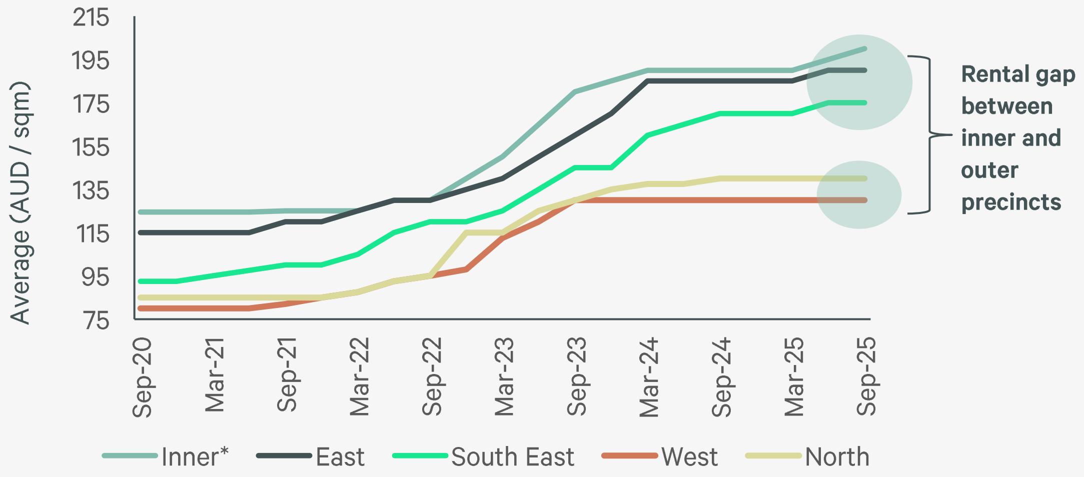
- Limited developable land and restrictive zoning are pushing rents and land values to record highs.
- Occupiers prioritise last-mile proximity and access to labour, sustaining strong competition for existing assets.
- Investors are targeting core logistics locations for resilience and growth potential.

Impact on outer precincts

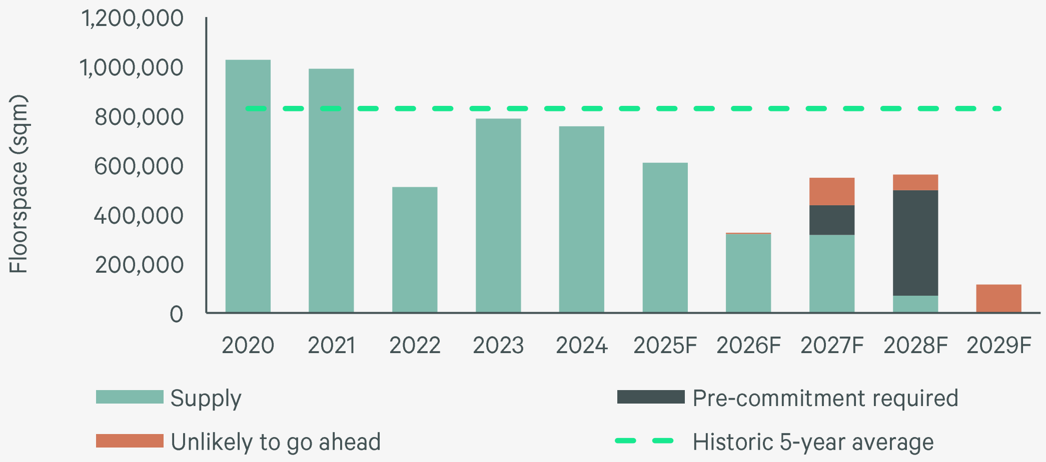
Feasibility shaping delivery timelines:

- Most undeveloped land sits in Melbourne's West and North, but infrastructure timing and construction costs continue to influence delivery.
- Speculative development remains strategically targeted, concentrated in well-serviced estates backed by major developers.
- Broader activation of outer landbanks will depend on further infrastructure rollout and cost recalibration.

Super prime net face rent



Melbourne development supply



*Reflects prime grade asset.

Development supply reflects projects >5,000 sqm.

Source: CBRE Research.

Shrinking infill opportunities reshaping occupier and investor behaviour

Scarcity of infill land driving structural change

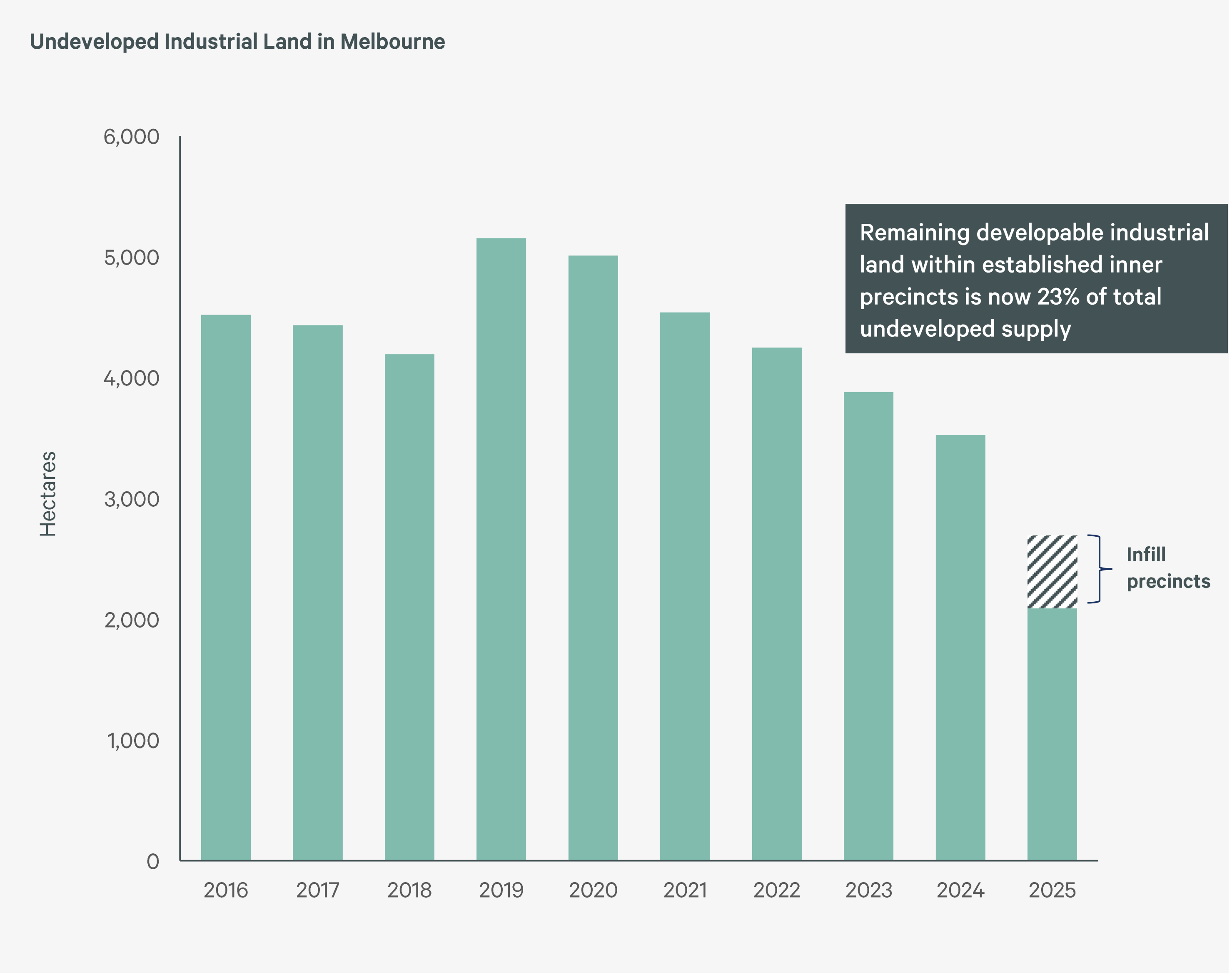
Melbourne's inner industrial precincts are facing acute scarcity, with developable land parcels almost fully absorbed or constrained by competing uses. Remaining developable industrial land within established inner precincts is now 23% of total undeveloped supply, and therefore opportunities are primarily brownfield sites, where redevelopment feasibility is challenged by cost, fragmented ownership, and competing alternate uses .

Redevelopment replacing greenfield as the next frontier

With limited new industrial zoning near the urban core, redevelopment of obsolete stock has become the primary source of supply. This has lifted land-to-building value ratios, compressed yields, and driven an increasing focus on asset intensification - including strata industrial developments.

Occupier and investor responses

- Occupiers are adopting dual-site strategies - using inner precincts for last-mile proximity and outer precincts for bulk storage.
- Investors are pursuing long-term land banking in infill areas and value-add conversions of older assets.
- Developers face rising construction and remediation costs, heightening barriers to entry and extending project timelines.



'Infill precincts' is defined as Melbourne's Inner, East and South East precincts.
Source: CBRE Research.

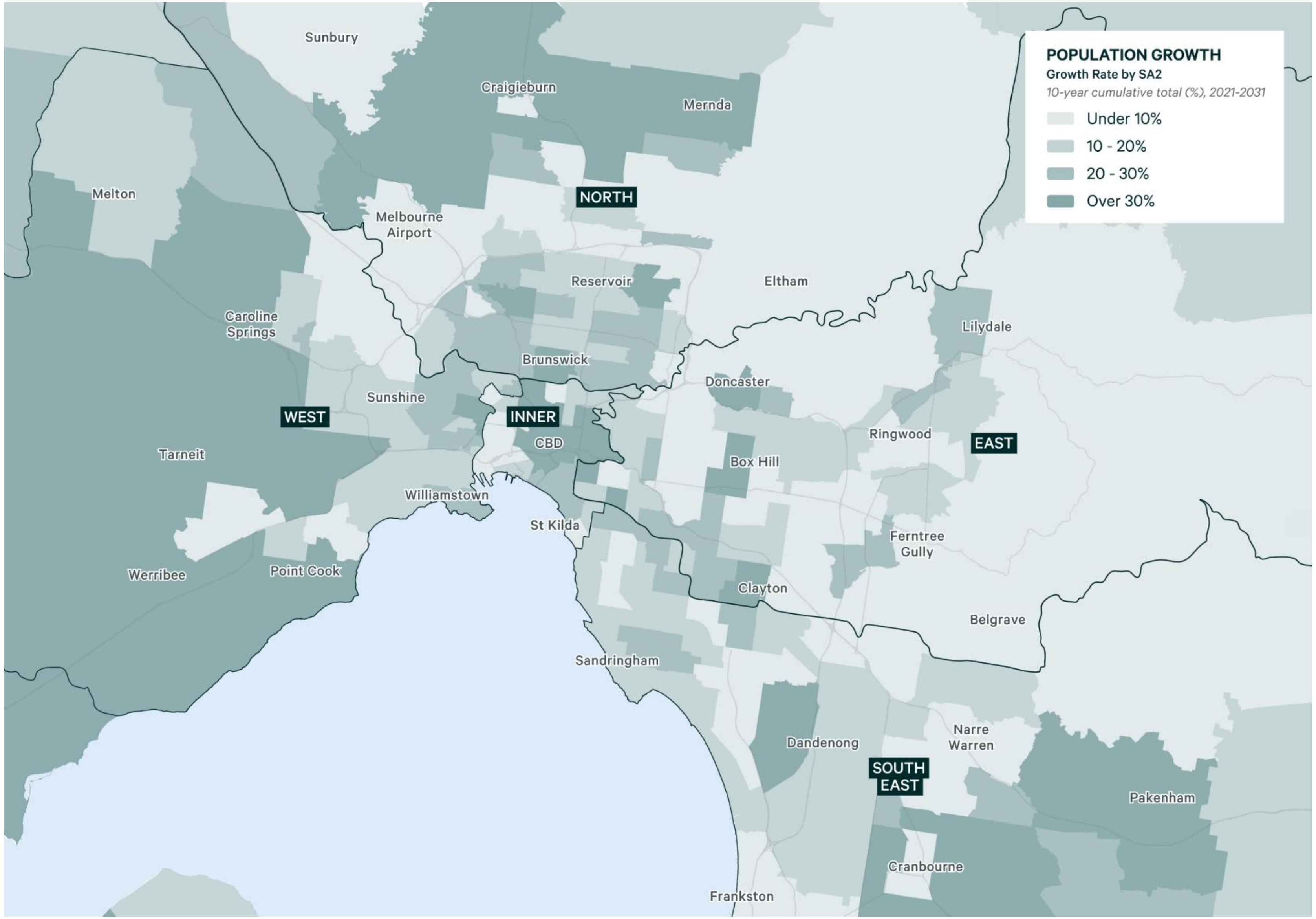
Emerging opportunities in Melbourne's outer precincts

Population growth across Melbourne's West and North precincts continues to outpace the metropolitan average, reinforcing its role as key logistics and workforce catchments.

Despite elevated rental growth across the broader market, outer precincts (i.e. West and North) currently present a relative value opportunity – with higher incentives, moderated effective rents, and greater land availability supporting occupier expansion strategies.

As rental differentials between inner and outer precincts widen, the next 12-18 months may provide a window for occupiers to secure strategically located facilities in the West and North before further tightening in incentives and rental reversion occurs.

Source: CBRE Research.



Occupier behaviour and supply chain reconfiguration

Recalibrating networks in response to land and cost pressures

Melbourne's occupiers are reshaping their logistics networks in response to escalating land values, rising rents, and limited availability of serviced industrial land. The divergence between inner and outer precinct conditions has driven a shift towards multi-node distribution models, balancing proximity to urban demand with the scalability of outer precinct facilities.

Evolving location strategies

- Dual-site footprints: Many occupiers are maintaining smaller fulfilment hubs within infill markets for last-mile efficiency, complemented by larger regional consolidation centres in the North and West.
- Transport–rent trade-offs: Higher transport costs from peripheral locations are increasingly tolerated as occupiers prioritise space availability and lower occupancy costs.
- Earlier pre-commitments: Occupiers will likely lock in developments earlier to secure quality space amid a shrinking pipeline.

Sustainability and automation priorities

- Demand is rising for power-ready, automation-enabled facilities and assets aligned with ESG goals.
- Access to renewable energy, EV charging, and advanced building performance standards is becoming a factor in site selection.

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