

FIGURES | INDUSTRIAL & LOGISTICS | Q3 2025

Melbourne construction activity falls under feasibility strain



Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up for 3Q25 totalled c.165,000 sqm, representing a decline from the previous quarter. Tenant enquiry volume remains subdued.
- New floorspace added to the market totalled c.110,000 sqm across 7 major projects, with majority of completions taking place in Melbourne’s West. A significant portion of Melbourne’s supply pipeline is not yet under construction, with greater uncertainty on project timing and completion.
- The average vacancy rate lifts to 4.1% (as at 1H25). Average net effective rents continue to decline and decreased by 1.9% over the quarter.
- Land values recorded a marginal decline over the quarter, reflecting ongoing development feasibility challenges. However, strong demand from owner-occupiers and data centre operators continues to provide support for land values.
- Investment sales totalled approximately AUD 255 million in 3Q25, across 16 transactions valued at or above AUD 5 million.
- Yields across all grades and precincts held stable over 3Q25.

Source: CBRE Research

Demand

Leasing volumes decline as occupiers take more cautious stance

Gross take-up for 3Q25 totalled approximately c.166,000 sqm, marking the third consecutive quarter of declining activity. Leasing momentum continues to decelerate, with occupiers increasingly favouring lease renewals over new commitments- as seen through year-to-date renewal volume outpacing 2024 by a magnitude of three. A notable volume of floorspace remains in the final stages of negotiation, which is expected to support future quarterly take-up figures.

Across all Melbourne precincts, active tenant enquiry remains subdued, with only a limited number of large occupier (>10,000 sqm) briefs currently in the market.

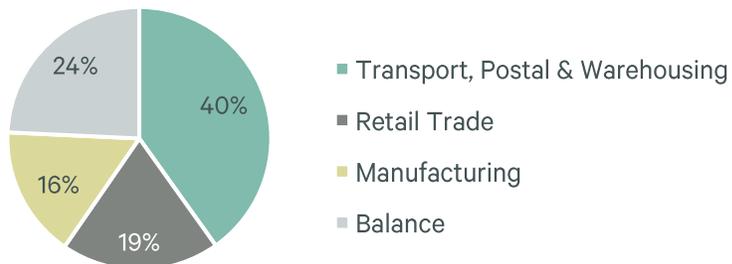
Notable transactions in 3Q25 included:

- A pre-lease by Holman Industries in the North (c.17,000 sqm).
- A pre-lease by Amer Sports in the South East (c.17,000 sqm).
- A sub-lease by New Aim in the West (c.12,000 sqm).

Take-up activity concentrated in the West

Melbourne’s West precinct accounted for approximately 50% of total gross take-up over the quarter, followed by the South East precinct at 24%. Most of the leasing activity in the West was concentrated in existing and sub-lease stock. Nonetheless, pre-commitment activity remains limited across Melbourne for projects that aren’t nearing completion.

FIGURE 1: Melbourne Take-Up 3Q25 by Industry Sector (Top 3 Sectors by floorspace)



Source: CBRE Research

FIGURE 2: Melbourne Gross Take-Up 2014-2025, by Precinct

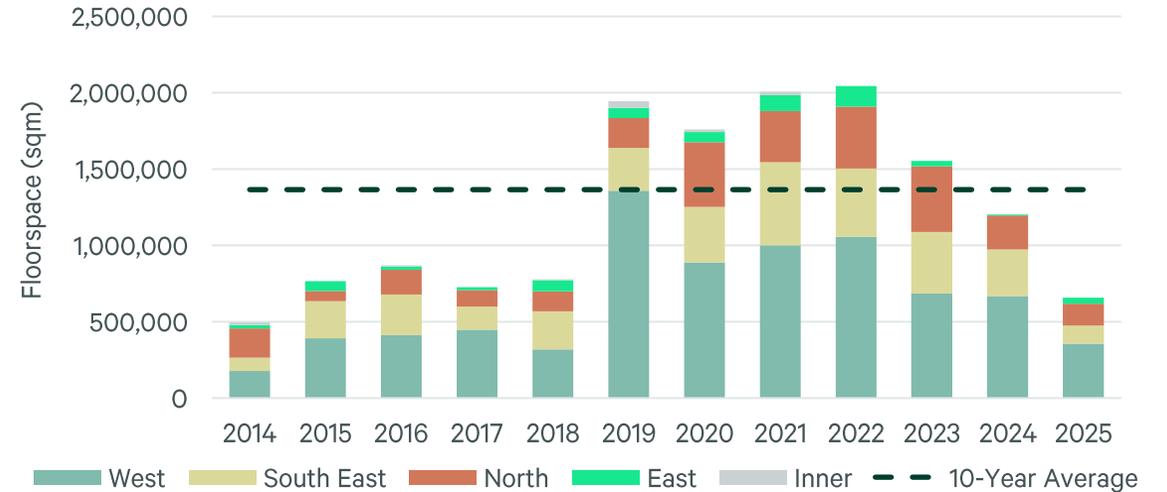
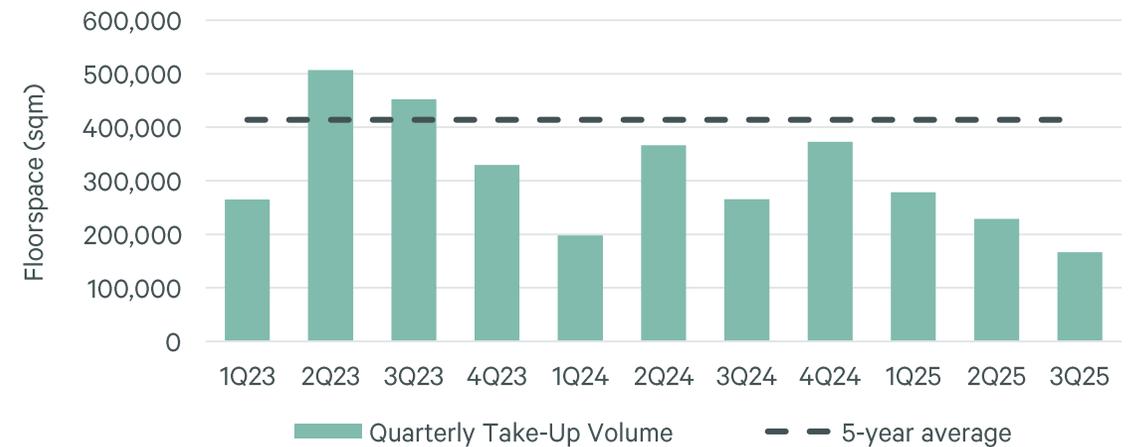


FIGURE 3: Melbourne Quarterly Gross Take-up, 1Q23-3Q25



*To note: Reflects transactions >5,000 sqm.

Source: CBRE Research

Supply

Development feasibility challenges likely to delay non-commenced projects

Supply completions in 3Q25 totalled approximately 110,000 sqm, which is 18% of the CY2025 supply total. Around 30% of the CY supply total is expected to be delivered next quarter. Total completions for CY2025 are projected to reach around 610,000 sqm, slightly below the 10-year historical average.

Notable completions in 3Q25 Included:

- Building 1B, Lot 3, 535-601 Troups Road, Truganina (c.32,000 sqm)
- Building 1A, Lot 3, 535-601 Troups Road, Truganina (c.25,000 sqm)
- Warehouse B, 441-459 Kororoit Creek Road, Altona (c.11,000 sqm)

Melbourne’s forward supply pipeline is forecast to remain moderately below the 10-year long-run average over the next four years. A significant portion of development approved, and development applied projects are expected to face delays or potential cancellations in the coming quarters. This is primarily due to feasibility constraints. Economic rents currently exceed average face rents by 42% in Melbourne’s West and 22% in the North, highlighting the financial challenges facing new developments. As a result, a subdued supply environment is anticipated over the next 18–24 months, until face rents adjust to support more viable development conditions.

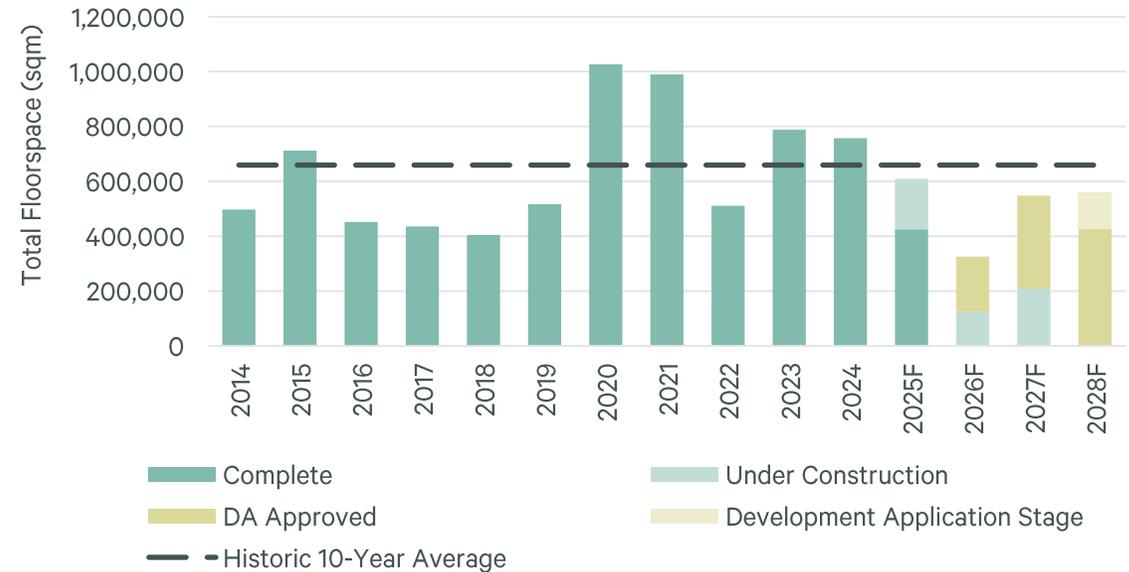
Approximately 180,000sqm of supply completions are expected across Melbourne in 4Q25. Key projects anticipated to reach practical completion include:

- Warehouse 3, 427-451 Somerville Road, Tottenham (c.22,000 sqm)
- Warehouse 2, 100 Missens Road, Cranbourne West (c.21,000 sqm)
- Warehouse 5A, 590-620 Western Port Highway, Cranbourne West (c.13,000 sqm)

Pre-commitment activity remains low amidst rising vacancy

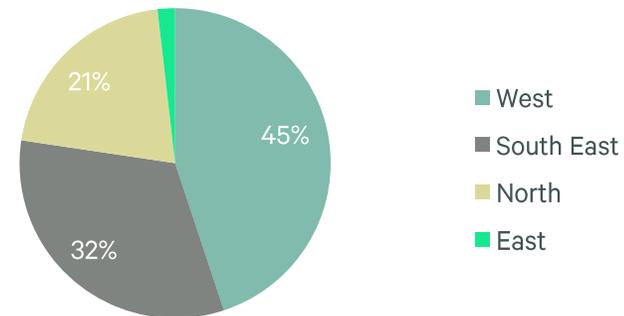
The pre-commitment rate for projects currently under construction and scheduled for delivery in CY2025–2027 stands at approximately 47%. This includes the major pre-commitment from Amazon’s 209,000sqm fulfilment centre in Melbourne’s North. Excluding this project, pre-commitment activity remains subdued, albeit projects commencing construction has also significantly slowed in recent quarters.

FIGURE 4: Melbourne Development Supply Pipeline 2010-2028F



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

FIGURE 5: Development Supply 2025F-2028F Floorspace Share, by Precinct



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

Leasing Market

No face rental growth observed in most Melbourne precincts.

Average net face rents for super prime assets remained stable for the second consecutive quarter. Prime grade assets recorded modest growth of 0.7%, solely due to growth from the Inner precinct. In contrast, Secondary stock held flat over the quarter.

Super prime effective rental growth has fallen -1.9% in 3Q25, bringing the year-on-year performance to -3.7%. Effective rent declines continue to be driven by incentive expansion, coupled with stagnant face rental growth. Whilst land supply issues remain across Melbourne, landlords in select precincts are responding more aggressively to avoid upcoming vacancies as reported enquiry volumes decline. This is combined with the highest projected future vacancy rate among Melbourne precincts, supporting recent rental rate movements.

On an annual basis, face rental growth across Melbourne averaged 1.6% for super prime, 3.4% for prime, and 3.3% for secondary grade assets. Looking ahead, super prime rental growth is expected to outperform over the medium term, consistent with historical trends observed. Whilst vacancies in speculatively built stock are impacting current leasing rates, as the future pipeline continues to shrink, super prime stock is likely to regain leasing momentum, albeit later than expected.

Incentives expand in eastern precincts, hold stable elsewhere.

Incentives across the South East and East experienced upward pressure in 3Q25, rising by 250bps across all grades. Incentives across the rest of the market held stable this quarter at their respective peaks.

Further increases in incentive levels are anticipated in 4Q25 across select precincts, bringing them to cycle peaks. The ongoing bifurcation between and within precincts is expected to remain, resulting in select assets and suburbs outperforming. Our outlook continues to support declining incentives from 2H26 supported by a diminishing speculatively supply pipeline that is likely to put downward pressure on vacancy.

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

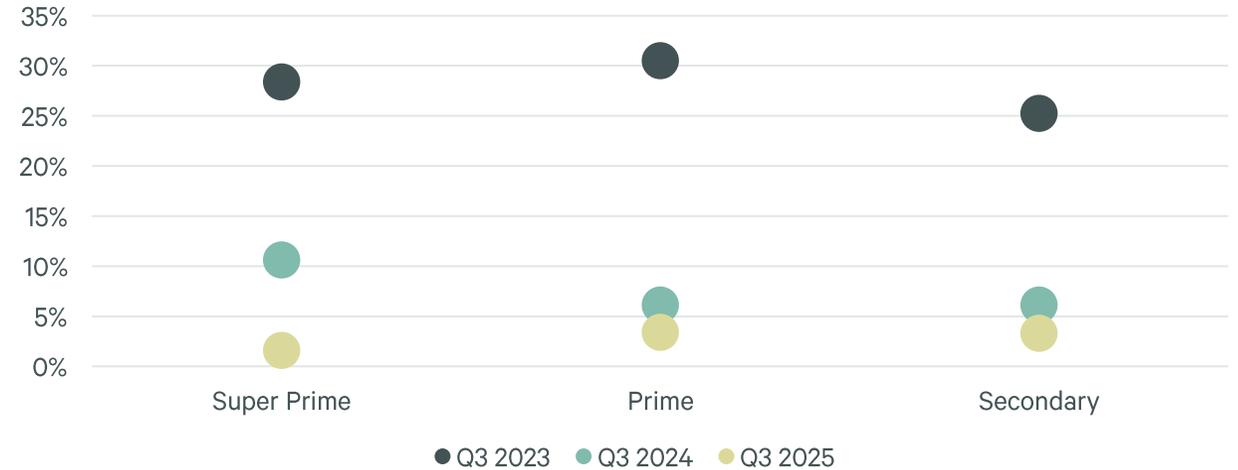


FIGURE 7: Melbourne Super Prime Net Face Rents by Precinct and Year



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

Land Values

Mixed land value performance as fundamentals continue to face pressure.

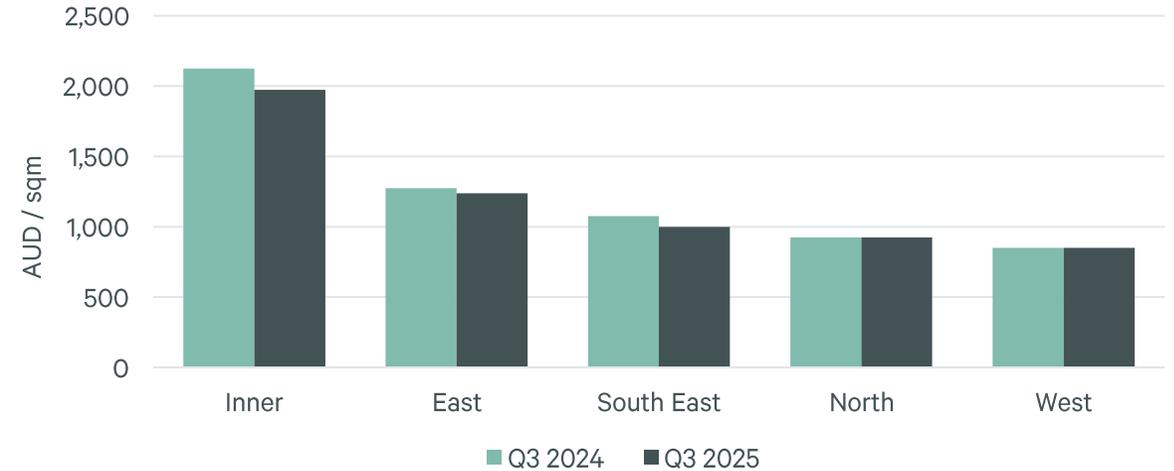
The average value for small industrial lots (0.25 ha) across Melbourne declined by 1.2% over the quarter. In contrast, land values for 1.6 ha lots increased by 0.6% over the quarter, bringing the annual decline to 1.4%. Land values declined slightly across the South East and East, offset by moderate increases in the Inner precinct. Both precincts have observed recent deal evidence which has justified the respective movements.

Three key themes continue to influence 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 42% in Melbourne’s West and 22% 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. Although some cost components have eased from the peaks of 2021–2022, high prices for cement and steel, driven by elevated energy costs, remain a challenge for industrial developers.
- Increasing lead times, particularly among international groups, are contributing to higher holding costs. These rising costs are further compressing profit margins, discouraging speculative investment. However, these pressures are less pronounced for owner-occupiers, who typically assess industrial land through a longer-term operational lens.

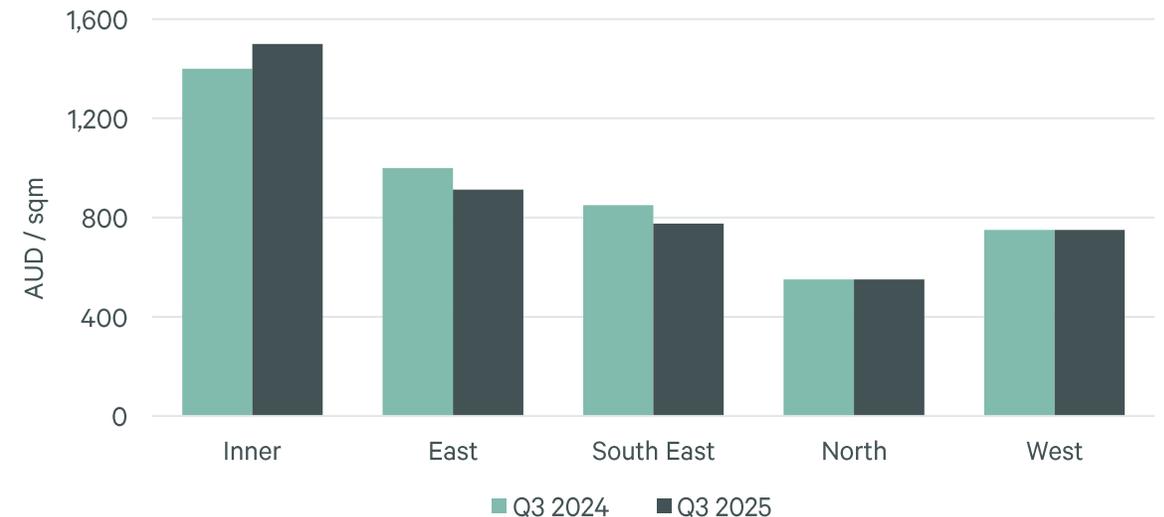
Despite these headwinds, land values are being supported by consistent demand from owner-occupiers and non-traditional industrial buyers. These groups are less affected by the above constraints, helping to maintain stable pricing in several precincts.

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

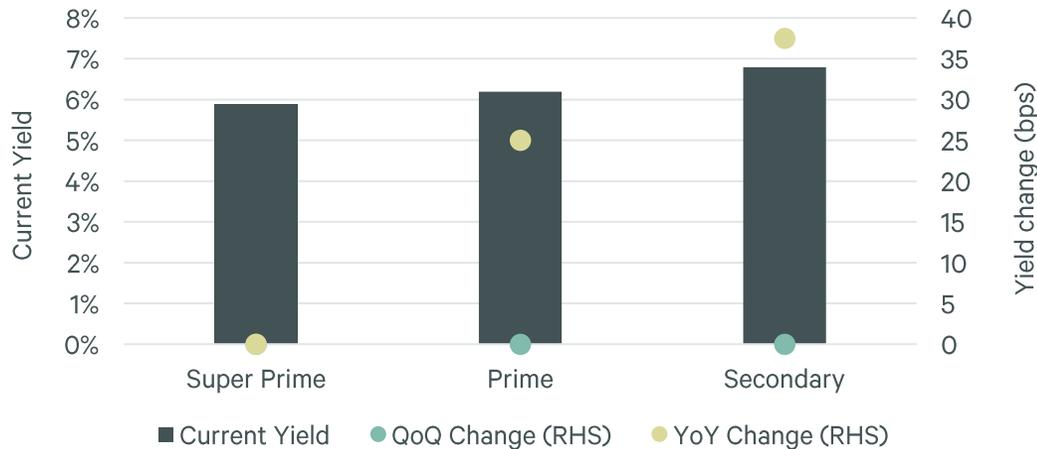
Investment activity strong for smaller assets across Melbourne.

Investment sale volumes in 3Q25 totalled approximately AUD 277 million, representing a moderate decline from 2Q25. Activity remains subdued across Melbourne, with the average transaction size at approximately AUD 17 million, half of the average recorded in CY2024.

Investment volumes are expected to remain well below historical levels. This is mainly due to the implementation of the absentee owner surcharge and elevated land tax rates across Melbourne. While industrial fundamentals are anticipated to improve as supply moderates post-2026, uncertainty surrounding the future of Melbourne's tax regime presents a key headwind.

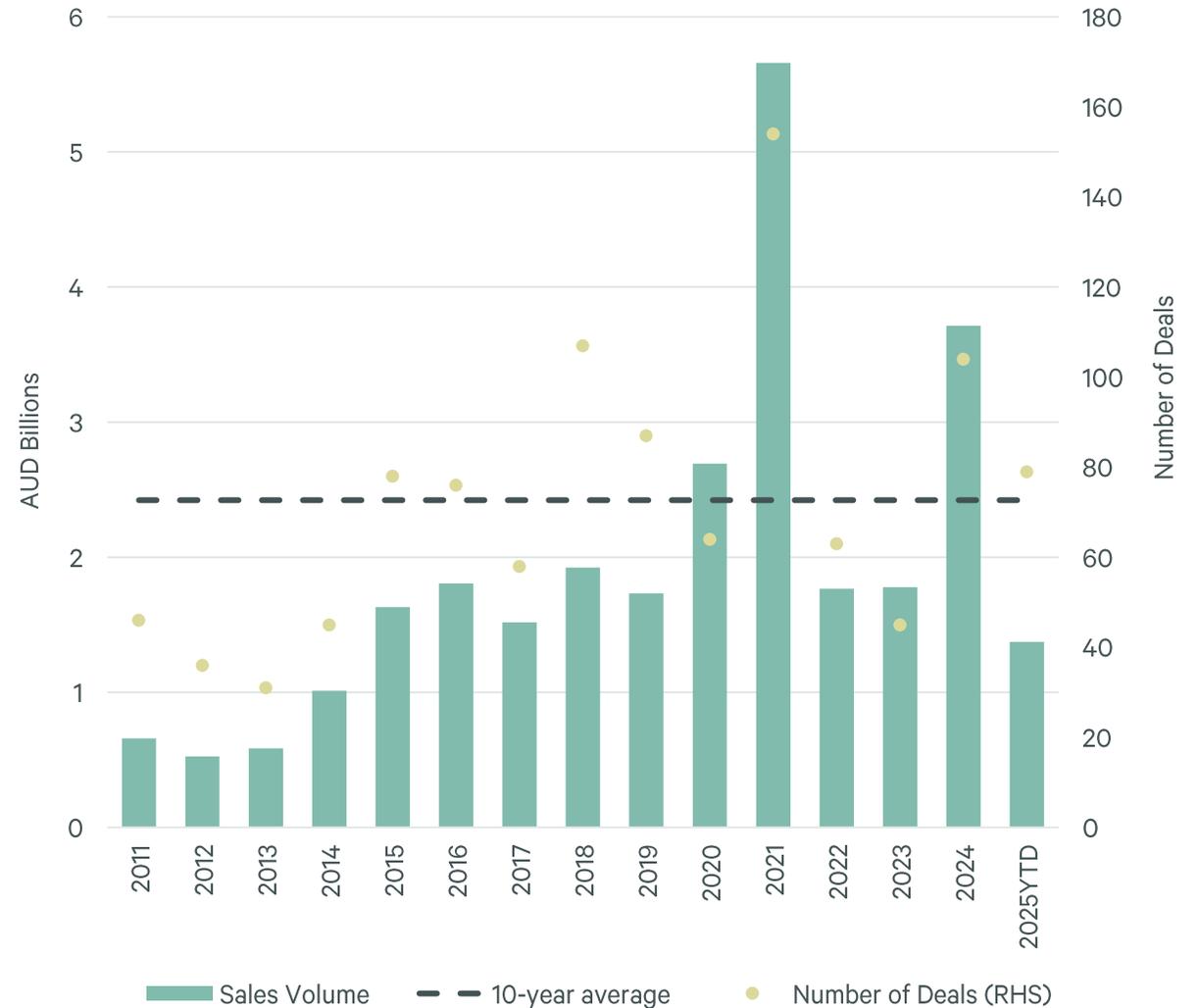
Melbourne yields are also being impacted by taxation policy, with the yield spread between Melbourne and other Eastern Seaboard cities widening. Yields across all asset grades remained stable in 3Q25. Current midpoint yields are recorded at 5.89% for super prime, 6.19% for prime, and 6.79% for secondary grade assets. Yields are expected to remain stable for the remainder of the year.

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



Source: CBRE Research

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



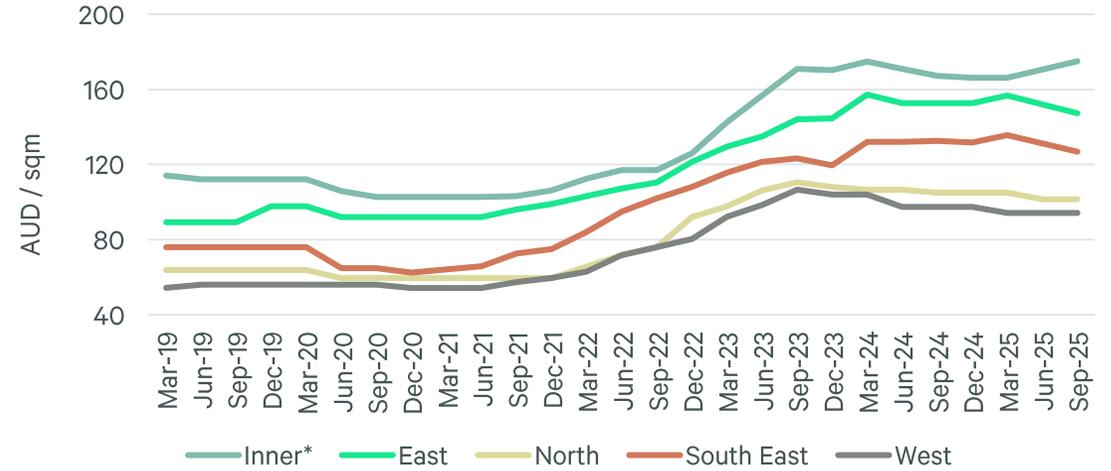
To note: does not include land/development sales.
Source: RCA, CBRE Research

FIGURE 12: Super Prime Incentives, by Precinct and Year



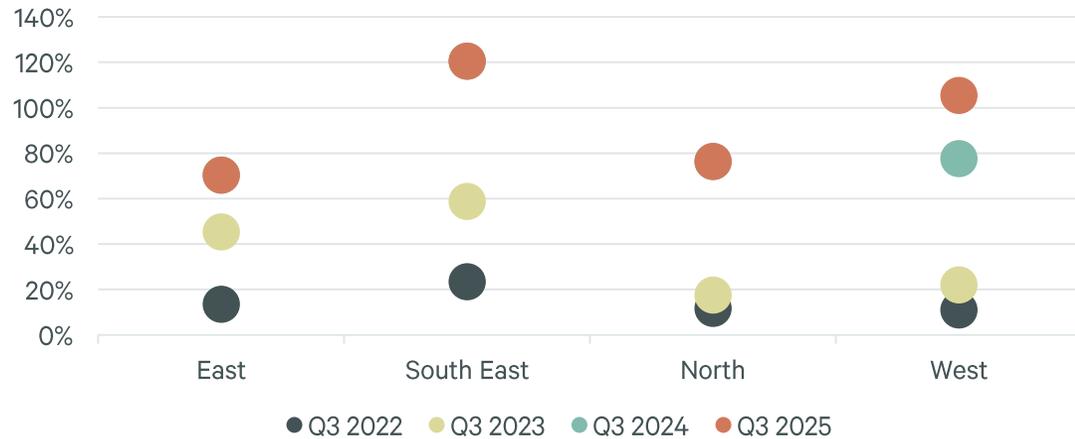
Note: Incentives in the Inner market correspond to Prime values.
Source: CBRE Research

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 (Q3 2021) by Precinct



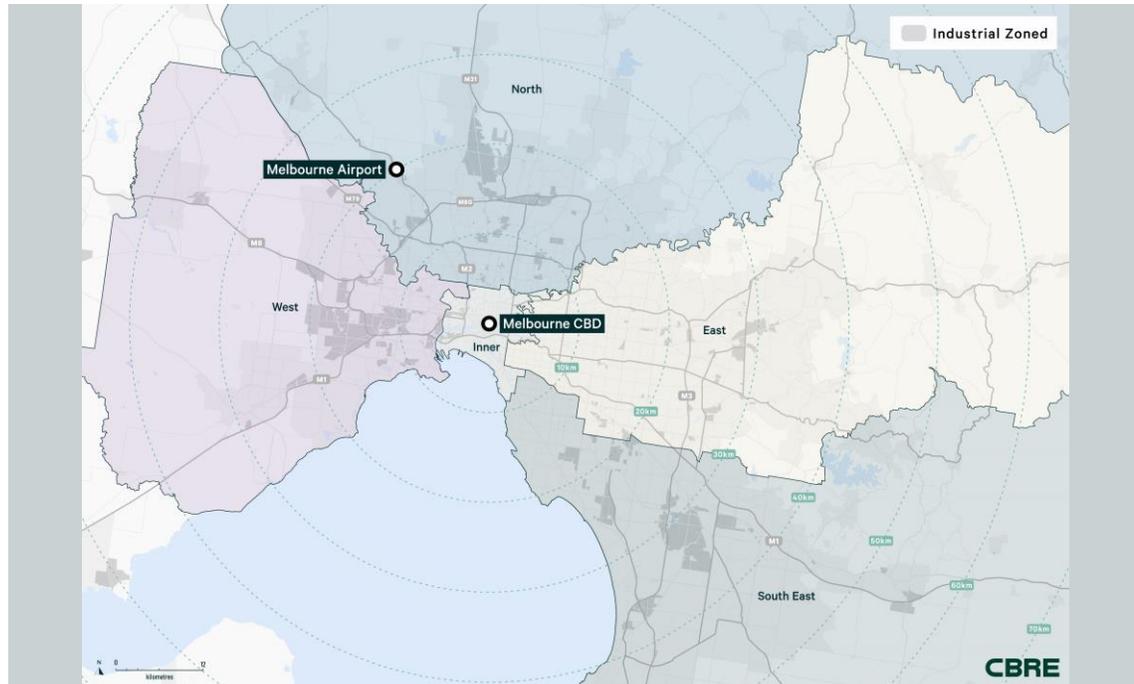
Source: CBRE Research

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.

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