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INSIGHTS

INDUSTRIAL PROPERTY MARKET:

Prospects for 2026

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Industrial property offers the strongest risk-adjusted commercial property opportunity.

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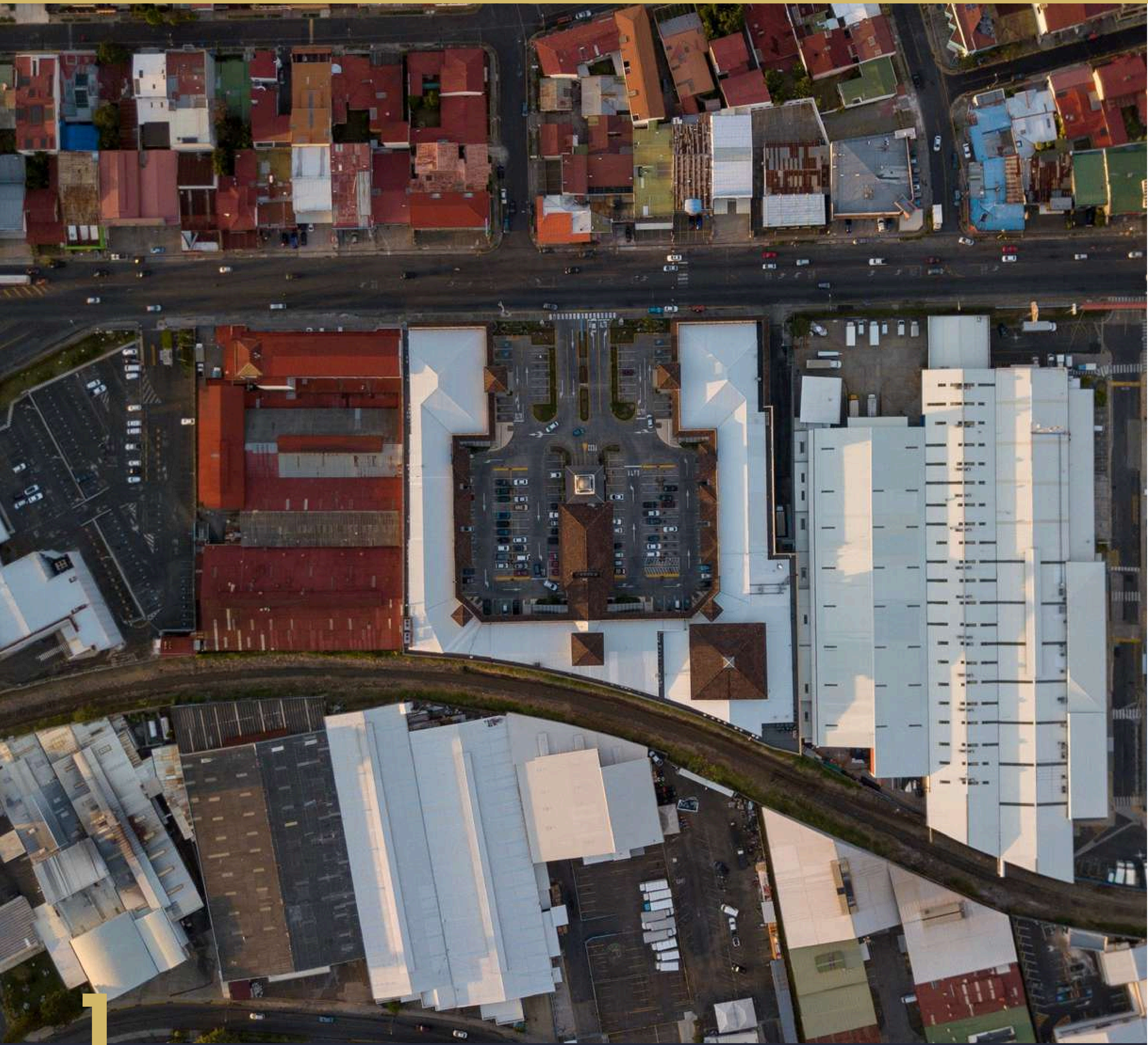

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"INDUSTRIAL PROPERTY OFFERS THE STRONGEST RISK-ADJUSTED COMMERCIAL PROPERTY OPPORTUNITY."

In late 2025 leading commercial property agencies Savills and Cushman & Wakefield, independently released reports outlining their medium-term expectations for the Australian property market. This is a summary of the key findings and conclusions of their reports, which highlight the attraction of Industrial property as an investment opportunity and identifies their analysis of the Market and the best areas to buy.

We discern the early phase of a new industrial upswing driven by tightening vacancy, strong occupier demand, and early-cycle yield compression.

MACROECONOMIC CONTEXT

Australia's economy grew by 1.8% in 2025 and is expected to expand 2.1% in 2026. Population growth and lower borrowing costs are stimulating consumer spending creating increased demand for general industrial use and logistics.

Elevated building costs and persistent land scarcity are reinforcing supply constraints and amplifying future rental growth pressures. Vacancy, which had ticked up by about 1.2% to a national average of circa 3.8% is expected to fall throughout 2026, providing opportunity for rental growth.

Vacancies are expected to tighten through 2026, forming the foundation for the next rental growth cycle.

LEASING AND OCCUPIER MARKET

METRIC	SAVILLS (Q3 2025)	CUSHMAN & WAKEFIELD (OCT 2025)	MARKET INSIGHT
Gross Take-Up	756,000 sqm (East Coast)	2.88M sqm YTD 2025	Momentum increasing; led by Sydney and Melbourne
Vacancy Rate	4.68% (up from 4.23%)	3.3% (forecast 4.0%→2.5%)	Remains landlord-favourable nationally
Prime Rent Growth	+1.0% Q/Q	+4.0% p.a.	Broad-based rental acceleration
Speculative Supply		Down 46% (2026-27)	Short-term scarcity likely to favour landlords

Occupier demand is increasingly focused on existing and high-quality space. Savills reports that 70% of leasing activity involved existing stock, the highest in two years. Cushman notes over 70% of 2025 take-up was in prime-grade energy-efficient buildings. Both sources indicate tenants are increasingly pre-committing to secure space ahead of future rent growth.

This macro environment creates a favourable backdrop for landlords: rising demand, constrained supply, and lower funding costs occurring simultaneously.

INVESTMENT MARKET OVERVIEW

INDICATOR	Q3 2025	YTD 2025	TREND/COMMENT
Investment Value	$3.6bn (+26% Y/Y)	$12.4bn (+14% Y/Y)	Liquidity improving; investor confidence returning
Prime Yield Movement	Sydney —20bps; Brisbane —25bps	Perth & Adelaide —12.5bps; Melbourne stable	Early yield compression cycle
Buyer Profile	55% institutional capital	Rising private/owner-occupier share	Broader capital base
Market Theme	Flight to quality; redevelopment interest	Focus on infill sites, logistics corridors	Positive structural demand

Liquidity improving; investor confidence and broader capital creating structural demand for assets

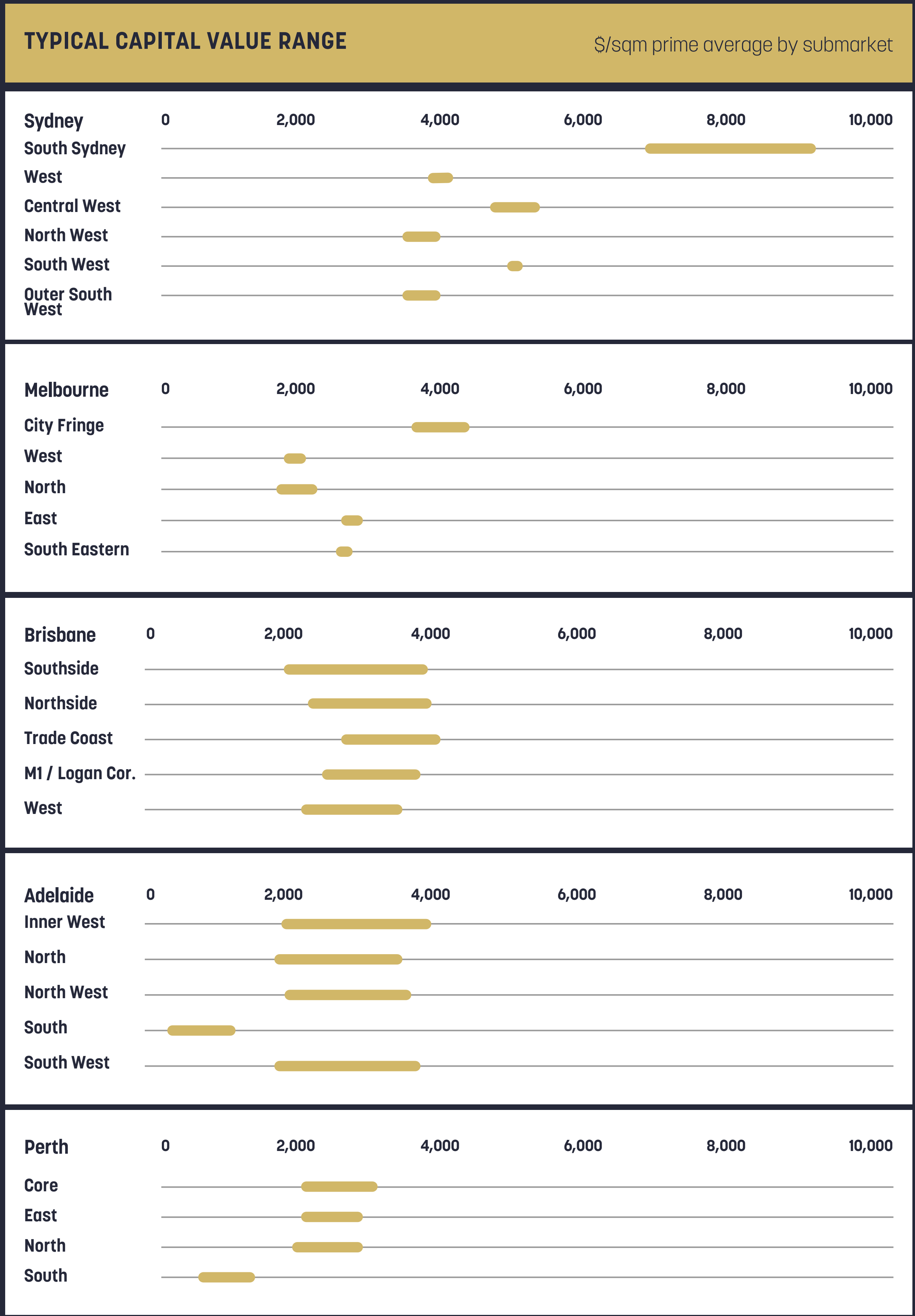
CAPITAL VALUES AND RENT BENCHMARKS

CITY	PRIME YIELD	RENT GROWTH (Q/Q)	CAPITAL GROWTH	LAND TREND
Sydney	~4.9-5.1%	+1.7%	+8.4% (West)	Stable
Melbourne	~5.4-5.9%	+3.5%	Stable	Flat
Brisbane	~5.5-5.8%	+3.1%	+4-6%	+4-7%
Adelaide	~5.8-6.6%	+4.5-6.5%	+4-6%	+7-9%
Perth	~6.0-6.5%	+1.5-1.7%	+3-5%	+2-3%

Note: Yields in table above are for institutionally sized assets $50m+ for those at a $1m to $5m level deduct 0.5% from expected yields. (Brisbane excepted)

Capital values are rising nationwide, averaging +2.9% year-on-year, while land values advanced 3-9% quarterly. Sydney and Brisbane show the strongest yield compression, signalling investor expectations for outperformance.

The shift to yield compression marks a decisive turning point in the cycle.



This reflects deeper private-buyer competition in the small-to-mid industrial market.

Source: Savills Research

STRUCTURAL DEMAND DRIVERS

Both reports attribute industrial market growth to structural shifts: E-commerce volumes have normalised at materially elevated baselines, inventory rebalancing by retailers and manufacturers, and ongoing infrastructure delivery such as Western Sydney Airport and SEQ Olympic developments. Australia's rent levels remain globally competitive, sustaining offshore investor appeal. Sydney is median and the rest of Australia 3rd and lowest quartile. Melbourne offers the cheapest rents of all cities in Australia.

These structural drivers ensure resilient demand even through economic cycles.

REASONS TO INVEST IN INDUSTRIAL PROPERTY

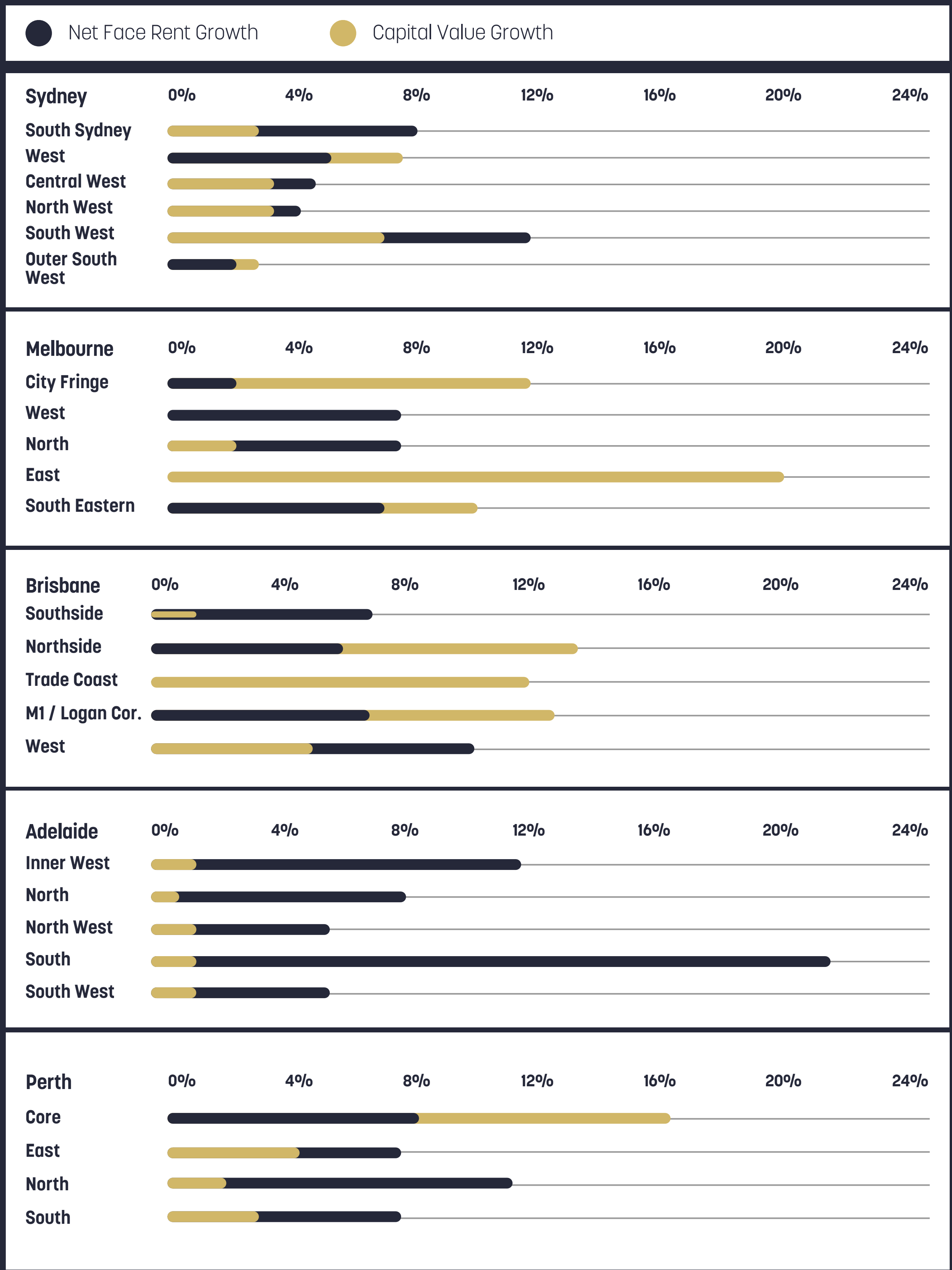
Industrial property continues to outperform other commercial sectors, driven by:

Yield compression	And low vacancy versus retail or office assets.
Limited new supply	Elevated build costs underpinning rental growth.
Tailwinds	From prior rate cuts, e-commerce, and population growth.
Favored asset class	Depth of institutional and private capital seeking logistics exposure.
Strong occupier demand	Sub-5% national vacancy rate, and much lower in major areas. Ownership safeguards business continuity risk and mitigates rent increases.

Combined, these factors position industrial as Australia's most dependable commercial asset class over the next three years.

FACE RENTAL AND CAPITAL GROWTH RATES

12 month face rental and capital growth rate by submarket, prime averages, %

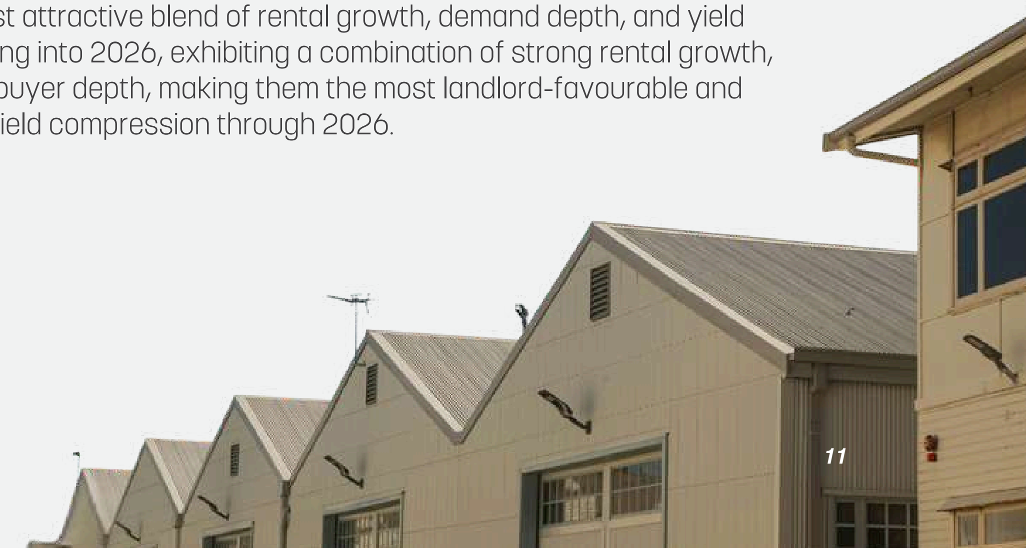


Source: Savills Research

LANDLORD-FAVOURABLE MARKETS & INVESTMENTS HOTSPOTS

RANK	MARKET	CONDITIONS	KEY STRENGTHS
1	Sydney (West & South West)	Vacancy ~5%, yields 4.9–5.1%	Strong tenant demand, major infrastructure pipeline
2	Brisbane (M1/Logan & TradeCoast)	Vacancy 4.9%, yields ~5.7%	Olympics-linked growth, land +7% QoQ
3	Melbourne (West & SE)	Vacancy 4.2%, yield ~5.75%	Core logistics hub with growing scarcity
4	Adelaide (North & South)	Rents +4.5–6.5%, yields ~6.0%	Institutional re-entry, value pricing
5	Perth (Core & East)	Vacancy 2.5%, yields 6.0–6.5%	Tight land supply, high owner-occupier demand

These markets offer the most attractive blend of rental growth, demand depth, and yield compression potential heading into 2026, exhibiting a combination of strong rental growth, limited vacancy, and active buyer depth, making them the most landlord-favourable and strategically positioned for yield compression through 2026.



OUTLOOK

Both Savills and Cushman project accelerating activity through 2026-27. Gross take-up is forecast at 3.3 million sqm in 2026 and 3.8 million sqm in 2027, while national vacancy peaks just under 4% before tightening to 2.5%. Prime rent growth will average 3.9% p.a. and effective rent growth 4.8% p.a. The industrial sector stands at the forefront of a new growth cycle supported by low funding costs, expanding logistics demand, and deepening investor participation.

"The industrial sector is entering its strongest phase, supported by aligned macro and structural tailwinds."

RISK WATCH

- CONSTRUCTION-COST VOLATILITY IS AN ONGOING WATCHPOINT.
- POTENTIAL SPIKES IN GLOBAL BOND YIELDS MAY TEMPORARILY SLOW VALUATION UPLIFT.
- INFLATION VARIABILITY COULD ALTER REAL RENTAL GROWTH TRAJECTORIES.
- SUPPLY CHAIN DISRUPTIONS MAY INFLUENCE OCCUPIER BEHAVIOURS.

CONCLUSION

The combined evidence from Savills and Cushman & Wakefield indicates that Australian industrial property is in the early stages of a cyclical upturn. Sydney's Western Corridor, Brisbane's TradeCoast and Logan, and Melbourne's Western industrial belt are expected to deliver the strongest total returns, while Adelaide and Perth offer yield-premium opportunities for strategic investors. Industrial assets provide resilient income, capital appreciation potential, and long-term defensive qualities in a stabilising economy.

"Adelaide and Perth provide yield-premium opportunities for strategic investors, Sydney the security of a large economy, Melbourne the lowest rents and highest potential rental growth, and Brisbane the sizzle of the 2032 Olympics."

HOW 1GROUP CAN ASSIST

The industrial sector is entering one of the strongest cycles Australia has seen in a decade – but navigating it requires asset familiarity.

The data shows clear opportunities, but also complexities: shifting yields, uneven rental growth, micro-market differences, tightening supply pipelines, and intense competition in the $1m-$10m bracket. In addition, properties are heterogeneous; the characteristics that make for a good industrial property are very different than that of other property assets.

This is where a strategic adviser matters.

1Group specialises in decoding these exact dynamics – identifying which corridors are genuinely primed for outperformance, which assets have the right balance of land value and rental uplift, and how to structure a purchase to reduce risk while maximising long-term returns. Unlike many other Buyer's Agencies we have in-house experience in managing warehouses and in developing industrial properties, and an excellent track-record in growing wealth for our clients in this asset class.

If you're considering how to enter or expand within this market, the next step is straightforward: let us benchmark opportunities for you, map the right locations based on your objectives, and guide you through a sector that is lucrative, but increasingly complex to buy well in.

Our team can walk you through opportunities in the Sydney, Brisbane and Melbourne logistics corridors, assess assets you're considering, or prepare a tailored acquisition strategy aligned with your budget and growth goals.

When you're ready, we'll take you through the process and show you exactly where the best-fit opportunities exist – and how to secure them before the market tightens further.

APPENDIX

Q3 2025 indicators by sub-market
Source: Savills Research

	NET FACE RENT $/SQM	MARKET YIELD (%)	IRR (%)	CAPITAL VALUE $/SQM	LAND VALUE $/SQM
SYD - South Syd	408 (n/c)	4.88 (-25 bps)	6.88 (-25 bps)	8,175 (+2.2%)	3,500 (n/c)
SYD - South Syd	243 (n/c)	5.06 (-19 bps)	6.88 (-25 bps)	4,550 (+8.3%)	1,375 (n/c)
SYD - Cntrl Syd	305 (+3.4%)	4.94 (-19 bps)	6.88 (-25 bps)	5,225 (+2.0%)	2,125 (n/c)
SYD - Nth Syd	240 (+3.2%)	5.06 (-19 bps)	6.94 (-19 bps)	3,950 (+1.9%)	1,300 (n/c)
SYD - South West	240 (+3.2%)	5.06 (-19 bps)	6.94 (-19 bps)	3,950 (+1.9%)	1,300 (n/c)
SYD - Outer S.W.	260 (+2.0%)	5.06 (-19 bps)	6.88 (-25 bps)	4,350 (+2.4%)	1,475 (n/c)
MEL - City Fringe	225 (+2.3%)	5.13 (n/c)	6.88 (n/c)	3,775 (n/c)	2,625 (n/c)
MEL - West	146 (+3.5%)	5.75 (n/c)	7.13 (n/c)	2,275 (n/c)	850 (n/c)
MEL - North	153 (n/c)	5.88 (n/c)	7.13 (n/c)	2,450 (n/c)	950 (n/c)
MEL - East	170 (n/c)	5.75 (n/c)	7.13 (n/c)	3,050 (n/c)	1,050 (n/c)
MEL - South Eastern	158 (n/c)	5.38 (n/c)	6.88 (n/c)	2,750 (n/c)	900 (n/c)
BRI - Southside	165 (n/c)	5.75 (n/c)	7.63 (n/c)	3,250 (n/c)	725 (+7.4%)
BRI - Northside	205 (n/c)	5.75 (n/c)	7.63 (n/c)	3,700 (n/c)	775 (+3.3%)
BRI - Trade Coast	218 (n/c)	5.50 (n/c)	7.38 (n/c)	4,000 (n/c)	1,050 (+7.7%)
BRI - M1 / Logan Cor.	168 (+3.1%)	5.75 (n/c)	7.63 (n/c)	3,500 (n/c)	875 (+6.1%)
BRI - West	160 (n/c)	5.75 (-25 bps)	7.75 (n/c)	3,000 (n/c)	550 (+4.8%)
PER - Core	178 (+1.4%)	6.00 (-13 bps)	7.13 (-13 bps)	2,750 (+4.8%)	580 (+3.1%)
PER - East	168 (n/c)	6.00 (-13 bps)	7.00 (-13 bps)	2,475 (+4.2%)	583 (+3.6%)
PER - North	155 (+1.6%)	6.00 (-13 bps)	7.38 (-13 bps)	2,300 (+2.2%)	548 (+3.3%)
PER - South	155 (n/c)	6.00 (-13 bps)	7.38 (-13 bps)	2,050 (+2.5%)	463 (+2.8%)
ADL - Inner West	160 (+6.0%)	5.75 (n/c)	7.00 (n/c)	2,788 (n/c)	1,000 (+9.6%)
ADL - North	133 (+6.0%)	5.75 (-13 bps)	7.00 (n/c)	2,150 (n/c)	343 (+4.6%)
ADL - North West	140 (n/c)	5.88 (n/c)	7.00 (n/c	2,435 (n/c)	600 (+9.1%)
ADL - South	115 (+6.5%)	6.63 (-13 bps)	7.38 (-25 bps)	1,475 (n/c)	258 (+8.4%)
ADL - South West	146 (+4.5%)	5.75 (n/c)	6.88 (n/c)	2,688 (n/c)	900 (+5.9%)

The table above is for large size (3,000sqm+) prime, industrial units, but provides a strong flavour of the yield, capital value/ sqm, rent/sqm of industrial properties in all the main centres of the 4 principle capitals.

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P 1300 788 368
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