



## INDUSTRIAL & COMMERCIAL PROPERTY UPDATE



**Frankston  
Business  
Collective**

# INDUSTRIAL & COMMERCIAL PROPERTY INVESTMENT

Frankston & Melbourne's Outer South (Q2–Q3 2025)

MARKET  
INSIGHTS &  
BUYER GUIDE



## Executive Summary

Momentum has returned to Melbourne's industrial market in 2025. Independent research shows investment activity accelerated in Q2–2025, with more than \$700 million transacted year to date

- Income resilience remains a hallmark of the sector: vacancy across the South-East corridor is near historic lows and leases commonly include fixed or CPI-linked annual reviews, supporting predictable cash-flow growth.
- The Frankston–Braeside corridor offers the small-to-mid sized warehouse stock favoured by private investors and Self Managed Super Funds (SMSFs), with excellent connectivity to EastLink and Peninsula Link and strong Small to Medium Enterprise (SME) tenant depth.
- Government-recorded sales show active trading in the sub-\$2m cohort, with a centre-of-gravity around the \$1.0–\$1.4m price point for small assets.

***"Industrial property remains the strongest-performing commercial sector—sentiment is at multi-year highs [index +46] and forecasts show capital growth of around 2.4% over the next 12 months."*** NAB Group Economics – NAB Australian Commercial Property Survey Q1 2025



## Key Statistics Industrial (high-level)

- **Demand:** Warehousing/logistics remains the standout globally, supported by e-commerce, supply-chain resilience, and nearshoring trends.
- **Pricing/yields:** Prime industrial yields in mature markets typically sit in the mid-single digits; cap-rate softening through 2023 largely stabilised in 2024–25.
- **Vacancy:** Prime logistics vacancy is generally low single-digits in most developed markets; new supply is often pre-committed.
- **Rents:** Industrial rental growth has outpaced long-term averages since 2022; growth is moderating but remains positive.
- **Capital:** Private capital and pension/retirement funds continue to favour income-secure industrial; Self Managed Super Funds (SMSFs) are active in sub-institutional lot sizes.



## Frankston & Melbourne's Outer South (industrial focus)

- The City of Frankston and its surrounding outer southern suburbs – including Seaford, Carrum Downs, Karingal, Frankston South, and stretching north to areas like Braeside – form a thriving industrial precinct on Melbourne's outskirts.
- Investor sentiment is bolstered by the region's economic growth (Frankston's economy tops \$12.5 billion annually) and its strategic position as the gateway to the Mornington Peninsula.
- With low vacancy rates, steady infrastructure investment, and diverse local industries (manufacturing, construction, logistics, etc.), Frankston's industrial market continues to offer stable opportunities for long-term property investors.
- **Location advantages:** Immediate access to EastLink & Peninsula Link; established estates at Carrum Downs, Seaford and Braeside; constrained additional land supply.
- **Vacancy:** South-East industrial vacancy ~1–2% (late-2024/early-2025), indicating a landlord-favoured market and short re-let periods.
- **Rents:** Prime warehouse rents in Melbourne's South-East around ~\$135–\$140/m<sup>2</sup> (net) with ongoing fixed/CPI annual reviews supporting Net Income growth.
- **Buyer profile:** Strong participation from Self Managed Super Funds (SMSFs), private investors and owner-occupiers; competitive interest for well-located small–mid assets.

## Frankston & Melbourne's Outer South (industrial focus)

- **Yields (indicative):** Established small strata ( $\approx 300\text{--}700\text{ m}^2$ )  $\sim 5.5\%\text{--}6.5\%$  net; modern small freehold/solid covenant  $\sim 5.0\%\text{--}5.75\%$  net; new build/premium covenant (small format)  $\approx 4.75\%\text{--}5.5\%$  net.
- **Recent sales & liquidity:** Active trading in the \$700k–\$2.0m range with a common cluster around  $\sim \$1.0\text{--}\$1.4\text{m}$  for bite-sized assets.
- **Tenant demand:** Deep pipeline from SME's across trade services, light manufacturing and logistics; many landlords report waiting lists for standard units.
- **Risk/return:** Net leases with recoverable outgoings and embedded annual uplifts deliver higher net income versus local residential ( $\sim 3.5\text{--}4\%$  gross yields).

*"Investor appetite in Melbourne's industrial market remains strong—even with foreign owner tax impacts, vacancy is falling and yields have stabilised at around 6 percent for prime assets. "Urban Property Australia – Q1 2025 Melbourne Industrial*





## Commercial (broader than industrial) – local quick take

- **Owner-occupier depth:** Strong for small freeholds suited to medical/professional services (e.g., Frankston CBD fringe), often competing with investors and supporting sharp pricing.
- **Lease terms:** 3×3×3 years and 5×5 years are common; annual fixed/CPI reviews typical; tenants frequently responsible for all outgoings.
- **Capital growth drivers:** Rents to market on new leases, strategic refurbishment or repurposing, and repositioning toward higher and better use occupiers.

## Why Frankston & the Outer South

- **Strategic connectivity:** quick access to EastLink, Peninsula Link and key arterials, serving both metropolitan Melbourne and the Mornington Peninsula.
- **Depth of occupier demand:** diverse local economy across logistics, trade services and light manufacturing; low vacancy and short lease-up periods.
- **Constrained land supply:** mature estates in Seaford and Carrum Downs drive reuse and intensification, supporting rent and value growth.



## Market Pulse (Q2–Q3 2025)

Research snapshots point to an improving investment market and solid occupier fundamentals.

Key takeaways relevant to Frankston–Braeside include:

- **Investment activity picked up in Q2-2025:** \$700m+ transacted year-to-date across Melbourne industrial.
- **Macro settings are supportive:** population growth, steady employment and moderating inflation underpin demand.
- **Interest rates easing:** should stimulate the economy including property transactions activity, and lower borrowing costs through 2025 and beyond.

## Investor Yields & Buyer Demand (Sub-\$2m Assets)

Private investors, SMSF's and owner-occupiers remain active, assisted by improved liquidity through 2025.

Indicative net yield guidance in the outer-southern corridor is outlined below (guidance only; specific assets vary with location, lease covenant, weighted average lease expiry (WALE) and specification).

<u>Asset profile (illustrative)</u>	<u>Typical net yield range</u>
• Established small strata warehouse (300–700 m <sup>2</sup> )	• 5.5% – 6.5%
• Modern small freehold with solid covenant	• 5.0 – 5.75%
• New build / premium covenant (small format)	• ≈4.75% – 5.5%

Compared with residential investment yields, industrial typically delivers higher net income with recoverable outgoings and contracted annual uplifts that compound net operating income (NOI) over time.

***"Investor confidence is strong – Melbourne's industrial market continues to deliver consistent returns and low vacancy risk, particularly in prime zones where infrastructure and land scarcity support sustained growth." Commercial Property Marketing – Why Melbourne's Industrial Market is One to Watch in 2025***

## Tenant Demand & Rental Growth

- Occupier demand remains healthy across the corridor, led by Small to SME's in logistics, trade services and light manufacturing.
- Rental outlook is constructive: fixed/CPI lease reviews support embedded growth, while market reversion at expiry adds further uplift

## Recent Local Sales Evidence & Activity (Sub \$2 Million)

Government-recorded sales confirm active trading in the sub \$2 Million bracket across Frankston City and adjoining precincts.

Frankston City 2024 industrial sales (all categories):

Sales total	38
Total value (AUD)	\$39,640,623
Average price (AUD)	\$1,043,174
Typical price cluster (small assets)	\$1 million – \$1.4 million

These figures illustrate strong liquidity and depth of demand for bite-sized assets accessible to private investors and SMSFs.



## Value-Add & Portfolio Strategies for Industrial Property Owners

- Reset under-market rents at lease expiry to current levels.
- Undertake light refurbishments (LEDs, amenities, roller doors, mezzanine/office tweaks) to widen tenant appeal and lift face rents.
- Optimise lease mechanics (blend fixed and CPI reviews, clarify outgoings recovery, tighten make-good provisions).
- Consider strata or subdivision (where feasible) to meet demand from owner-occupiers and SMSF's.

## Industrial vs Residential – Industrial Investor Advantages

- Higher net yields and recoverable outgoings.
- Predictable rent growth via fixed/CPI reviews; typically, stronger than residential settings.
- Longer lease terms and lower day-to-day management burden; tenants often maintain/repair under make-good obligations.
- Tax: commercial/industrial generally allows depreciation of plant & equipment (Div 40) and capital works (Div 43). (Seek personal tax advice.)

## How We Help Vendors & Buyers

- Provide realistic value estimates and marketing strategies for the sale of your property
- Brief-to-buy service: We help define target yield, covenant and risk parameters, then source matching on- and off-market opportunities.
- Diligence & pricing: Lease audit, rental benchmark, capex and make-good assessment, and pricing guidance anchored to current evidence.
- Deal execution: Negotiate heads of agreement, contract terms and due-diligence conditions that protect your position.
- Leasing & management: If required, we coordinate leasing strategy, rent reviews and ongoing asset management to drive Net Income growth.





## Next Steps -Let's start a conversation.


**GA** Industrial & Commercial is available to sell, your property, help you buy your next industrial or commercial asset, and assist with leasing—securing new tenants, negotiating renewals, and reshaping lease terms to drive value.

We offer professional property management services, and all our fees and charges are competitive and we always deliver results whether is Sales, Leasing or Property management.



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#### **References**

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- Valuer-General Victoria – “A Guide to Property Values 2024” (industrial volumes/values; local sales counts/values).
- Knight Frank Research – “Australian Industrial Review Q1 2025” (yields, vacancy).
- Cushman & Wakefield – “Logistics & Industrial Australian Occupier Market 2024 Outlook”.
- Frankston City – Economy & infrastructure snapshots.

Source: [https://commercialpropertymarketing.com.au/why-melbournes-industrial-market-is-one-to-watch-in-2025/?utm\\_source=chatgpt.com](https://commercialpropertymarketing.com.au/why-melbournes-industrial-market-is-one-to-watch-in-2025/?utm_source=chatgpt.com)

Source: [https://upaaustralia.com.au/research/q1-2025-melbourne-industrial-market/?utm\\_source=chatgpt.com](https://upaaustralia.com.au/research/q1-2025-melbourne-industrial-market/?utm_source=chatgpt.com)

Source: [https://business.nab.com.au/nab-australian-commercial-property-survey-q1-2025/?utm\\_source=chatgpt.com](https://business.nab.com.au/nab-australian-commercial-property-survey-q1-2025/?utm_source=chatgpt.com)

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