Future Industrial Lands Demand

Melbourne

Report

Prepared for VIC Department of Transport and Planning

October 2025

JLL SEE A BRIGHTER WAY

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1.0 Introduction

Purpose & Overview of Document

Introduction

1.1 Purpose of Document

The Victorian Government Department of Transport and Planning ('DTP') is preparing a 10-year plan for unlocking industrial land. This work will quantify industrial land supply, analyse barriers to development and identify actions to support growth.

The 10-year plan for industrial land, forms part of a coordinated, whole-of-government approach to ensuring Victoria's industrial land supply supports long-term economic growth, in alignment with government policy.

An updated industrial land demand analysis for metropolitan Melbourne is required to inform development of the 10-year plan for industrial land, considering business needs and land use requirements. This document provides this updated industrial land demand analysis for Melbourne.

1.2 Overview of Document

The following document provides a summary report of the work that has been undertaken to consider future industrial lands demand over the next 10 years, with the primary output of an industrial lands take-up analysis to 2035 which can guide DTP to a 10-year plan for Melbourne's industrial land.

This document is split into the following core sections:

- **Forecasting Approach –** Provides an outline of the forecasting approach undertaken, including consideration into the specific geographies (i.e. Metro, Regions and Local Government Areas), underlying demand informing broader growth, regression analysis, location specific observations and an introduction into the various forecasting themes.
- **Forecasting Themes & Considerations –** Further detail into the various themes and their considerations for application into the forecasting of industrial lands demand.
- **Forecasting Results –** An overview of the forecast results for both Metro and Regions, including high and low sensitivity analyses and accompanying observations.

Summary of Results

Introduction

1.3 Summary of Results

Metropolitan Melbourne

Provided in the below table is a summary of the Metropolitan Melbourne forecasts including high and low sensitivity analyses.

- The annual take-up forecast (medium) reflects a higher p.a. take-up than the long-term average (266 p.a.), however, is more akin to the rate of take-up more recently experienced (323 p.a.) over the past five years.
- We have provided an indicative amount of years supply by extrapolating the derived medium annual take-up forecast and the remaining available land supply, we have calculated there is approximately 13.3 years of available zoned industrial land available across Melbourne, with 38.7 years of available zoned and unzoned industrial land available.

Table: Melbourne Industrial Lands Take-Up Forecast (ha), 2025 to 2035

	Average Annual Take-up 2025-2035 (ha)	Total Take-Up 2025-2035 (ha)	Years' Supply of Zoned Vacant Ind land*	Years' Supply of Zoned + Unzoned Land*
Melbourne				
Low	300	3,000	14.7	42.6
Medium	330	3,300	13.3	38.7
High	363	3,630	12.1	35.2

Source: JLL
*Assuming ongoing take-up at the rate forecasted over the next 10 years

Melbourne Regions

The following table provides a summary of the Melbourne Regions forecasts including high and low sensitivity analyses.

- We anticipate the Western Region to largely maintain its proportionate role in future land take-up.
- We anticipate the Southern Region to reduce its proportionate role with its main source of take-up (Greater Dandenong) becoming more land supply restricted.
- We anticipate the Northern Region to increase its proportionate role, supported by available supply and major infrastructure including the North-East Link.

Table: Melbourne Land Take-Up Forecast (ha), 2025 to 2035

Average Annual Take-up 2025-2035 (ha)	Low	Medium	High
Melbourne Regions			
Western	145.5	160.0	176.0
Southern	69.1	76.0	83.6
Northern	81.8	90.0	99.0
Eastern	3.6	4.0	4.4
Total*	**300**	**330**	**363**

Source: JLL * Differences in individual precincts to total from rounding
Note: Inner Metropolitan and Inner South East Regions have been excluded from the forecast due to limited supply, which would require site specific assessments.

2.0 Forecasting Approach

Geographies

Forecasting Approach

2.1 Geographies

Our forecast of industrial land take-up as been provided at the following geographical levels.

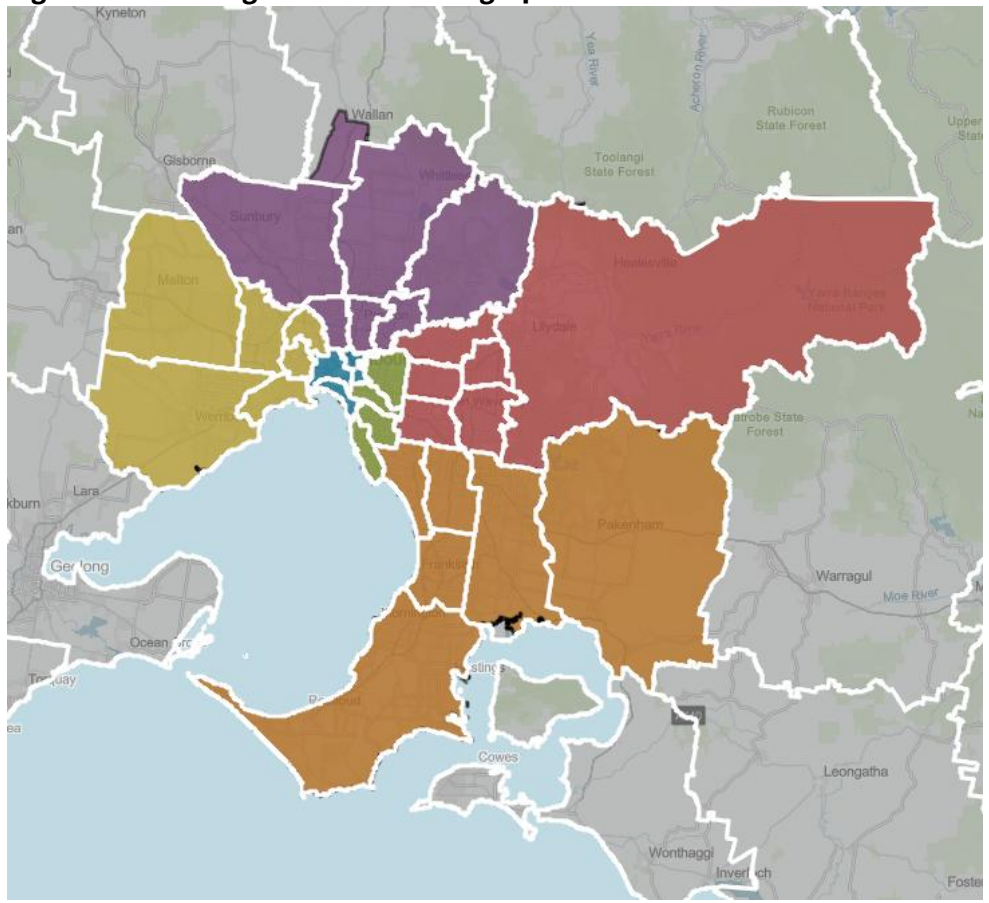
- Metro – defined as being the area encompassing Metropolitan Melbourne.
- Region – as per Metropolitan Melbourne's defined six (6) regions of Inner Metro, Inner South-East, Western, Northern, Eastern and Southern.
- LGA – as listed below for each of the Regions. Note, the exception of Mitchell LGA of which only part of the LGA is included within the Northern Region.
  - Note: this analysis does not provide forecast demand for LGAs within the Inner Metro and Inner South-East regions due to limited available supply in the regions, thus requiring site specific assessments.

Table: Forecasting – Melbourne Geographical Regions & LGAs

	Inner Metro	Inner South-East	Western	Northern	Eastern	Southern
Local Government Areas	• Melbourne • Port Philip • Yarra	• Stonnington • Bayside • Boroondara • Glen Eira	• Melton • Brimbank • Hobsons Bay • Wyndham • Moonee Valley • Maribyrnong	• Banyule • Whittlesea • Nillumbik • Hume • Merri-bek (formerly Moreland) • Darebin • Mitchell (part)	• Manningham • Whitehorse • Knox • Yarra Ranges • Maroondah • Monash	• Kingston • Frankston • Cardinia • Casey • Greater Dandenong • Mornington Peninsula

Source: JLL

Figure: Forecasting – Melbourne Geographical Areas



Source: JLL, MapIT

Underlying demand informing broader growth

Forecasting Approach

2.2 Underlying Demand Informing Broader Growth

Generally, forecasts should have regard and some relation to top-down forecasts. These forecasts have been developed having consideration to broader demographic influences such as total population growth and net migration. This is the 'how big is the pie' analysis.

There are no readily available industrial land take-up forecasts and so reference needs to be had to other demand drivers. There are a variety of demand drivers which likely impact the take-up of industrial lands. In considering which could be used we've had reference to 'primary' demand drivers that have both a strong relationship and readily available forecasts. These include:

- Population Growth
- Employment Growth
- Industry Growth*

**Using employment growth of Manufacturing, Retail Trade & Transport, Postal & Warehousing – these three industries accounted for 79% of industrial gross take-up in Melbourne based on JLL occupier moves.*

We have utilised regression analysis as a tool to understand the historical statistical relationship between the demand drivers above and occupied industrial land. In the first instance we consider the relationship across Greater Melbourne.

Table: Summary of Results

Demand Drivers	r^2	Significance	
		t-stat	P-value*
Population Growth	96.8%	23.51	0.00%
Employment Growth	98.7%	37.21	0.00%
Industry Growth	72.7%	6.92	0.00%

Source: ABS, DJSIR, VIF2023, JLL *all P-values reflected very low percentages, below 2 decimal places

Observations

- All demand drivers have a relatively strong relationship reflected with R squared above 70% or above 90% in the case of population and employment. Although, this would be expected given the nature of the relationship of these variables.
- Employment growth was found to have the strongest relationship even compared to industry growth (reflecting a sub-set of employment likely more aligned to industrial employment). Likely due to industrial land take-up likely has a greater relationship to economic growth compared to just employment likely associated with industrial uses. Illustrating this is manufacturing, where gross occupier moves has continued to show relatively strong performance in this industry, while there has been a somewhat consistent decline in employment in manufacturing.

Further Regression Analysis

Forecasting Approach

While the above provides a good sense of overall top-down growth it needs to be combined with a 'bottom up' approach to understand how this growth could be distributed. There are different approaches that could be utilised, likely in combination, but we've grouped these into Further Regression Analysis and Location Specific Considerations.

2.3 Further Regression Analysis

Arguably the same regression analysis could be run for each region to provide a calculated output. We have run this analysis using employment (see table) which still shows a strong relationship that is statistically significant. Provided below are some observations relating to this approach.

- This approach provides the ability to again utilise the forecasted demand driver (independent variable) to inform the future industrial occupied land (dependent variable) providing a specific calculated output.
- Based on data availability the historic timeframe is reduced, 10 years for the regions compared to 20 years for Greater Melbourne.
- There is always risk in using macro forecasts, in this case employment, to inform smaller areas. Arguably any more granular than region e.g. LGA is likely to be challenged.

Table: Summary of Results

Region	r^2	Significance	
		t-stat	P-value
Eastern	81.3%	5.89	0.04%
Inner Metropolitan	87.5%	7.47	0.01%
Inner South East	72.1%	4.55	0.19%
Northern*	89.7%	8.35	0.00%
Southern	92.8%	10.19	0.00%
Western	93.6%	10.84	0.00%

Source: DJSIR, JLL
*excluding Mitchell LGA

Location Specific Considerations & Forecasting Themes

Forecasting Approach

2.4 Location Specific Considerations

This approach considers the various attributes of a location (regional or LGA) and the potential for industrial land take-up to be accommodated. This approach is multi-faceted, having regard to a wide range of considerations. Summarised below are some of the factors we'll consider:

- Historic industrial land take-up and proportion of take-up
- Infrastructure, both historic and future
- Historic and future capacity (land supply)
- Other localised considerations

2.5 Forecasting Themes

Bringing together the analysis undertaken, we developed the forecasting approach detailed in the next section. The approach considers a variety of related yet separate themes, with a subset of individual considerations. These forecasting themes are provided below:

- Economic
- Land Supply and Demand
- Industry
- Real Estate Market Dynamics
- Infrastructure
- Freight
- Policy and Initiatives

3.0 Forecasting Themes & Considerations

Introduction to Forecasting Themes

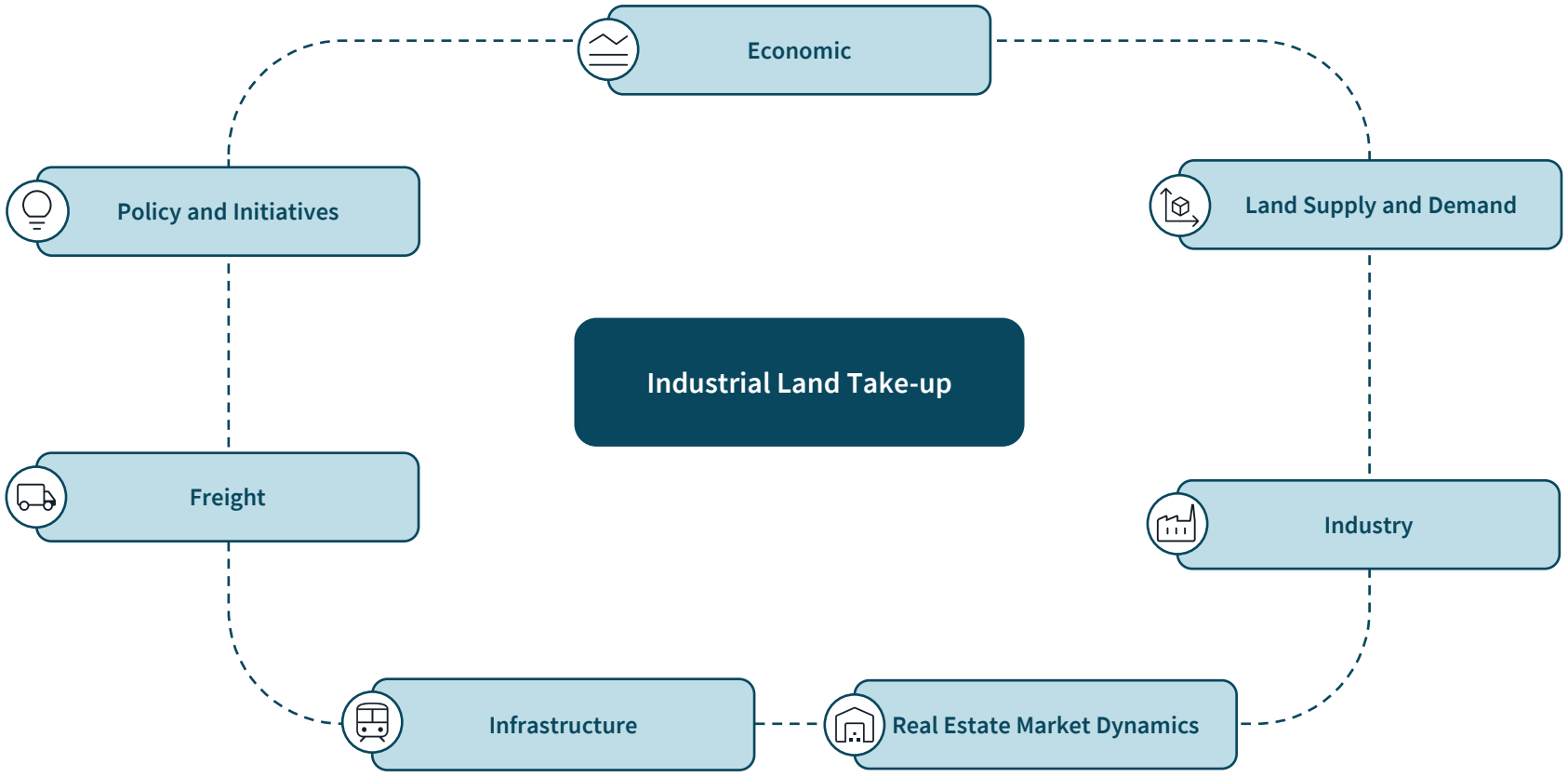
Forecasting Themes & Considerations

3.1 Introduction to Forecasting Themes

Bringing together the analysis undertaken, we developed the forecasting approach summarised in the figure and further detailed overleaf. The approach considers a variety of related yet separate themes, with a subset of individual considerations.

Elements of the themes and considerations of the themes have been considered in the report, which includes changing occupier needs, changing physical requirements, changing locational patterns, infrastructure projects, etc.

Figure: Forecasting Themes



Source: JLL

Theme Observations

Forecasting Approach

3.2 Theme Observations

The following observations consist of a summary of findings which includes the various themes, albeit not always explicitly called out (e.g. aspects of Economic, Freight and Industry are included throughout the below observations).

3.2.1 Policy and Initiatives

There are various existing policies relevant to industrial lands in Melbourne requiring consideration for the industrial lands forecast.

- These are a mix of government policies for the future of industrial lands and precinct planning, economic and industry growth, and taxation and financial implications.
- Whilst the implications of these policies and regulatory changes are considered, they have varying impacts on the industrial land demand forecast.

3.2.2 Logistics and Industrial Market Overview

National Overview

This section considered Melbourne's market within the overall national industrial market landscape, with key findings presented below:

- Melbourne is the largest of the industrial markets in Australia based on stock levels, while Melbourne has the lowest vacancy rate of the markets tracked by JLL.
- Relative to other markets, Melbourne has strong physical demand indicators, with the highest level of occupier movement since 2019, whilst construction activity has continued to be strong, with the most completions (by sqm) since 2019.
- In the last four years, Melbourne has achieved strong rental growth, albeit lower than Sydney's and higher than Brisbane's growth for the same period.
- Both Sydney and Melbourne have the lowest yields in the Australian market, generally reflecting the strong investment demand for prime industrial assets.
- Significant land value growth across Australia has been experienced in the last 10 years, with Melbourne's precincts having experienced the greatest land value growth.

Melbourne State of the Market

This section has compared the different market dynamics and real estate fundamentals across Melbourne's individual precincts, as tracked by JLL Research.

- The West and South East precincts make up the majority of the stock tracked at 77% of the total market. While the North accounts for 19% of the market and City Fringe at 4%.
- Melbourne's South East Precinct has the lowest vacancy as of Q1 2025, indicating a tight market with strong demand for stock.
- West represented the highest completed supply since 2014, with future stock through to 2028 to be mostly delivered in the West and North precincts.
- All precincts saw significant rental growth post-COVID, though this growth is now expected to moderate due to an influx of significant new supply, as well as, occupier constraints in accommodating further growth.
- All precincts experienced significant yield compression from Q1 2014-Q1 2022, followed by rapid expansion through Q1 2023 and Q1 2024, with yields now stabilising in Q1 2025.
- Melbourne's Industrial land values have experienced strong growth in the last 10 years. As of Q1 2025, there is minimal value difference across the precincts.
- Melbourne's industrial precincts outgoings have increased significantly since Q1 2020, with the highest in South East.

Theme Observations

Forecasting Approach

Melbourne Industrial Market Outlook

Having regard to the forward looking 10-year timeframe we have provided observations from JLL's house view of the Melbourne industrial market covering both physical (stock) and financial (rents and yields) aspects.

- JLL's house view is for industrial supply to average ~234,000 sqm per annum, slightly higher than the historic 10-year average of ~231,000 sqm per annum.
- Moderation in rents is expected, given increased supply and increases to vacancy rates, with the South East expected to experience the strongest growth in the next 10 years.
- Following more favourable macroeconomic conditions, Melbourne's industrial yields are considered to have reached the peak of the recent decompression cycle, with yield compression expected, in line with interest rates.

3.2.3 Changing Nature of Industrial Land

Market Trends and Drivers

We've provided an overview of the key market trends and drivers that impact on industrial demand now and into the future.

- These key market trends and drivers are considered to be e-commerce growth, the changes in manufacturing, population growth, the emergence of new industries, automation, changing industrial form (e.g. data centres, multi-storey industrial), and Environmental, Social and Governance (ESG).

Changing Nature of Occupier Requirements

This section provides observations on the changing nature of occupier requirements and how this will impact demand over the forecast period, with a summary provided below:

- We have considered various work undertaken to define and categorise different types of industrial users, including by precinct typologies and land uses.
- New industrial space has historically been linked to population growth, with a forecast population growth of ~1.12 million additional people from the period of June 2024 to 2036 pushing demand for additional facilities and land.
- Industrial development has demonstrated an increase in size and volume of industrial projects, requiring larger land sizes and height controls.
- Industrial and logistics facilities in Australia have undergone dramatic transformation, with Melbourne particularly exemplifying these shifts as one of the nation's primary logistics hubs.
  - These trends include technology and automation integration, strategic location preferences, facility specifications and scale, sustainability transformation, supply chain resilience and new operating models, and market impacts and future directions.

Key Infrastructure Supporting Melbourne's Market

Infrastructure has the ability to fundamentally change the supply and demand dynamics associated with industrial and logistics markets.

- Melbourne's key major infrastructure projects that we consider to have the greatest impact on the local industrial market and industry cover road, commuter rail, and freight (i.e., freight rail and terminal projects).

Theme Observations

Forecasting Approach

3.2.4 Melbourne Industrial Land Supply

This section articulates the current supply of industrial land, utilising the Urban Development Program (UDP) and has helped inform our view of industrial land take-up for the forecast period.

- The UDP is an initiative of the Victorian Government to support strategic planning for Melbourne and is the primary mechanism for advising the Victorian Government about the supply of residential and industrial land in Melbourne.
- Utilising the UDP, we have considered supply of occupied, unoccupied and identified future growth lands by Metropolitan Region.
- Industrial land take-up has continually increased in the last 20 years, with the recent average annual land take-up over the last five years to December 2024 being the strongest period for demand at 323.4 ha per annum. The 10-year take-up averaged 302.3 ha per annum.
- Demand for industrial land is expected to remain strong in the medium term, driven by various market drivers, including a lack of land supply in inner sub-markets, continued demand for new industrial facilities, population and business growth in outer precincts, and various key infrastructure projects.

Application to the forecasting

Forecasting Approach

3.3 Application to the forecasting

The table on the left provides summary details of the themes and considerations and how this has been applied to our forecasting.

These considerations highlight that our forecast approach has considered and utilised a variety of 'top down' and 'bottom up' indicators to inform the forecasted take-up.

In providing our forecasts of industrial land take-up, we have undertaken a sensitivity to our assessed 'medium' scenario to provide a low and high range.

We note while forecast graphs are provided in the next section of this report, the forecasts provided reflect our view of an average annual take-up over the 10-year period. We have not provided year-by-year forecasts.

The forecasts have assumed no loss of industrial land supply. Noting the requirement to protect, preserve and appropriately manage industrial lands, particularly in the inner regions which face ongoing pressures to rezone industrial lands to non-industrial uses. The buffers need to be maintained from these encroaching zones to avoid converting away from industrial uses in inner locations which benefit from proximity to other industries and customer base.

Table: Themes and Considerations and its Application to the Forecasting

Themes and Considerations	Application to Forecasting	Relevance*		
		Metro	Region	LGA
Economic	*Considered the correlation of economic variables and land take-up to inform the forecast demand*			
Employment growth	Modelled and considered	***	**	*
Economic growth	Considered	*		
Population growth	Modelled and considered	***	**	*
Land Supply and Demand	*Considered the historic take-up and future supply of industrial land to inform forecast demand*			
UDP available Land Supply	Considered as a constraint to the forecast	***	***	***
UDP take-up	Considered historic trend	***	***	***
JLL supply data	Considered historic and forecasted, as a check	**	**	**
Real Estate Market Dynamics	*Considered the impact of different real estate market dynamics to inform the forecast demand*			
Interstate competitiveness	Explicit adjustment at the metro level, with a distribution at the region level	***	**	*
Occupier requirements	Considered historic and emerging trends (e.g. land requirements, locational requirements, etc.)	**	**	**
Investment factors	Considered historic and emerging trends (e.g. escalating occupancy costs, development spec, etc)	**	**	**
Industry	*Considered the correlation of industry growth and land take-up to inform the forecast demand*			
Select industries	Modelled and considered	***	**	*
Apportioned industries	Modelled and considered	***	**	*
Policy and Initiatives	*Considered the various policies and initiatives which may impact industrial land take-up.*			
Policy and initiatives	Considered various policies and initiatives including those summarised within this report	**	**	**
Infrastructure	*Considered the impact of infrastructure investment on industrial forecast demand*			
Infrastructure investments	Considered various infrastructure investments including those summarised within this report	*	**	**
Freight	*Considered the forecasted connectivity of different regions for freight movement*			
LGA to LGA	Considered the forecasted connectivity improvement for different areas, based on data provided	*	*	**

Note: '*' denotes an indicative qualitative score out of three in terms of its relevance at different geographic levels

4.0 Forecasting Results

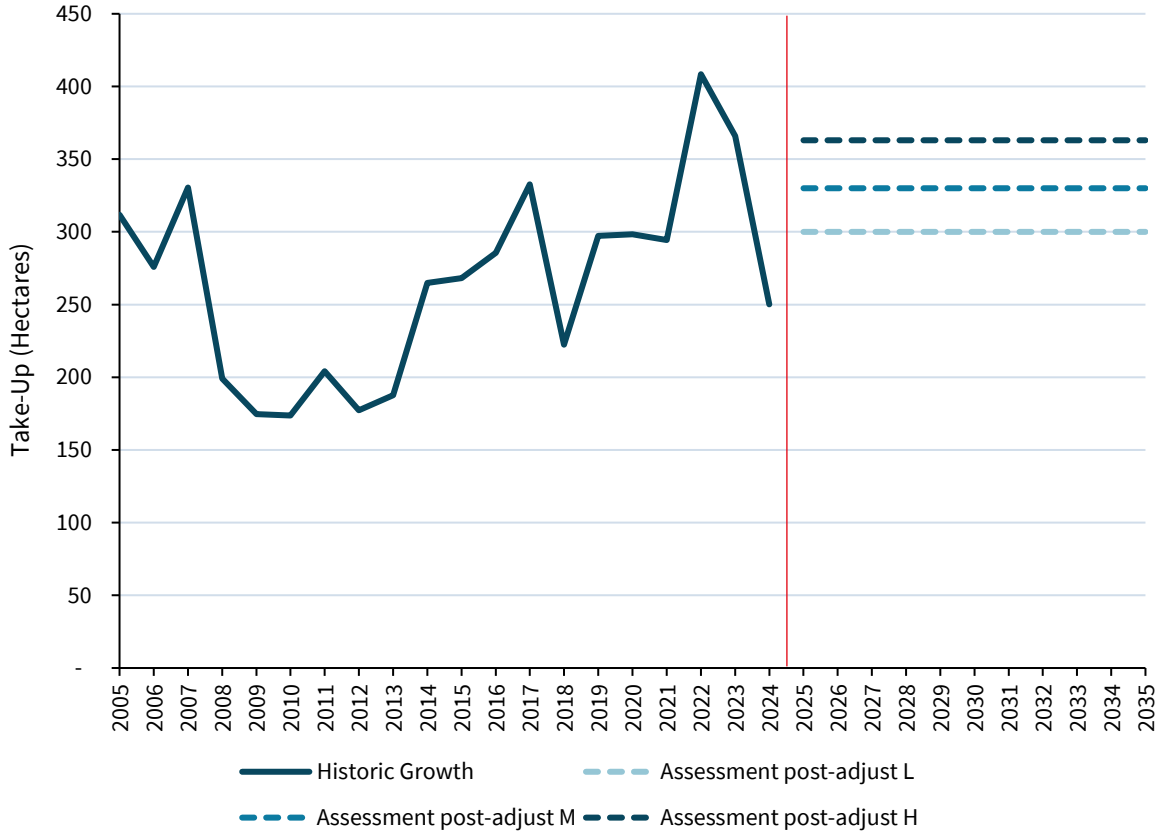
Metro Land Demand Forecast

Forecasting Results

4.1 Metro Land Demand Forecast

Provided in the below chart is a summary of the Metropolitan Melbourne forecasts including high and low sensitivity analyses.

Figure: Melbourne Industrial Lands Take-Up Forecast (ha), 2025 to 2035



Source: VIC DTP – UDP 2025, JLL

Table: Melbourne Industrial Lands Take-Up Forecast (ha), 2025 to 2035

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Low	300	3,000	14.7	42.6
Medium	330	3,300	13.3	38.7
High	363	3,630	12.1	35.2

Source: JLL
*Assuming ongoing take-up

Key Observations

- The annual take-up forecast (medium) reflects a higher p.a. take-up than the long-term average (266 p.a.), however, is more akin to the rate of take-up more recently experienced (323 p.a.) over the past five years.
- We have explicitly considered Melbourne's interstate competitiveness in providing our forecast. However, we expect this will have a greater impact in areas that will accommodate larger scale industrial facilities, namely the Western and Northern Regions.
- We have provided an indicative amount of years supply by extrapolating the derived medium annual take-up forecast and the remaining available land supply, we have calculated there is approximately 13.3 years of available zoned industrial land available across Melbourne, with 38.7 years of available zoned and unzoned industrial land available.

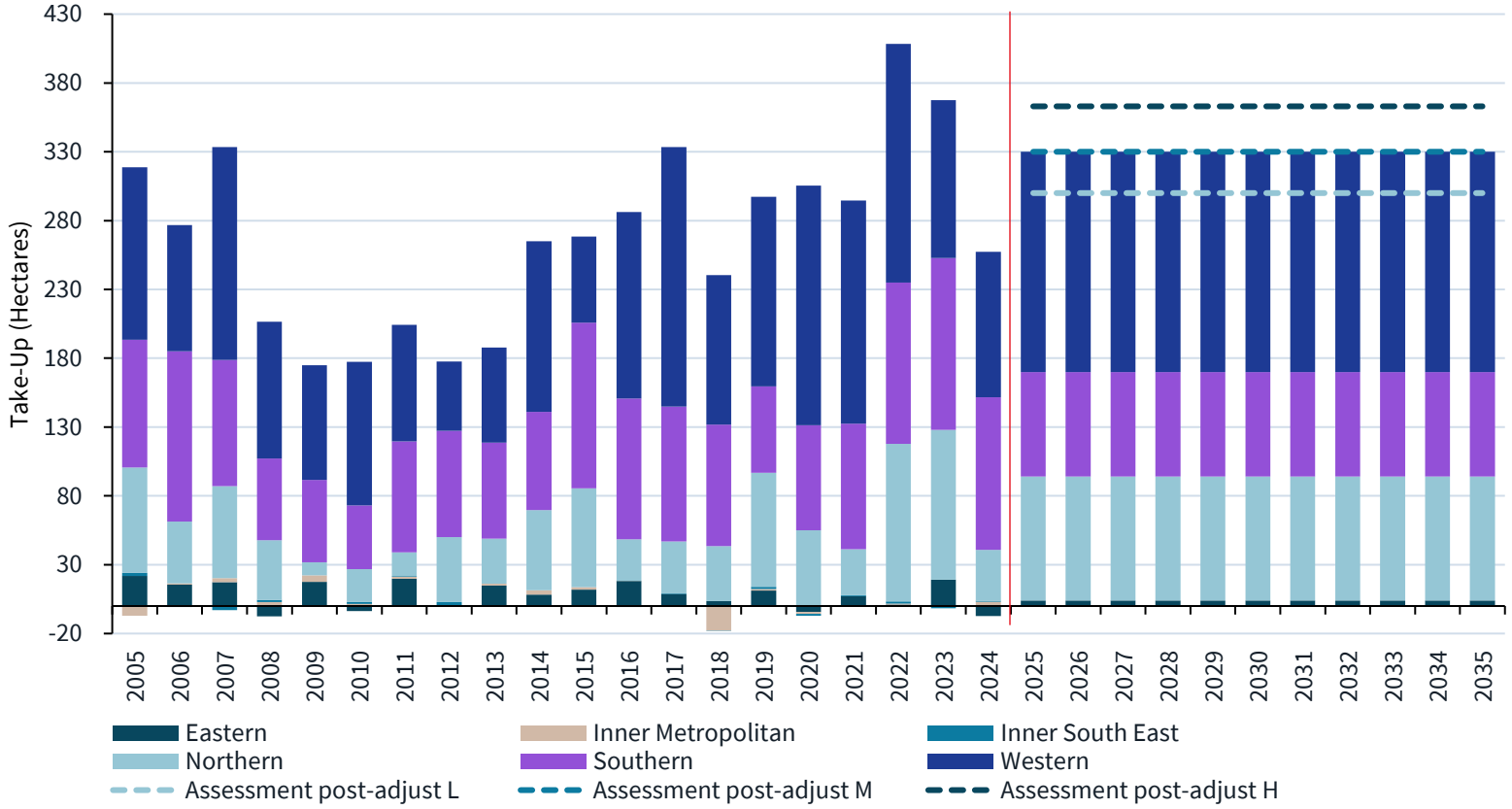
Regions Land Demand Forecast

Forecasting Results

4.2 Regions Land Demand Forecast

Provided in the below chart is a summary of the Melbourne Regions forecasts including high and low sensitivity analyses.

Figure: Melbourne Industrial Lands Take-Up Forecast (ha), 2025 to 2035



Source: VIC DTP – UDP 2025, JLL

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Total*	**300**	**330**	**363**

Source: JLL * Differences in individual precincts to total from rounding
Note: Inner Metropolitan and Inner South East Regions have been excluded from the forecast due to limited supply, which would require site specific assessments.

Key Observations

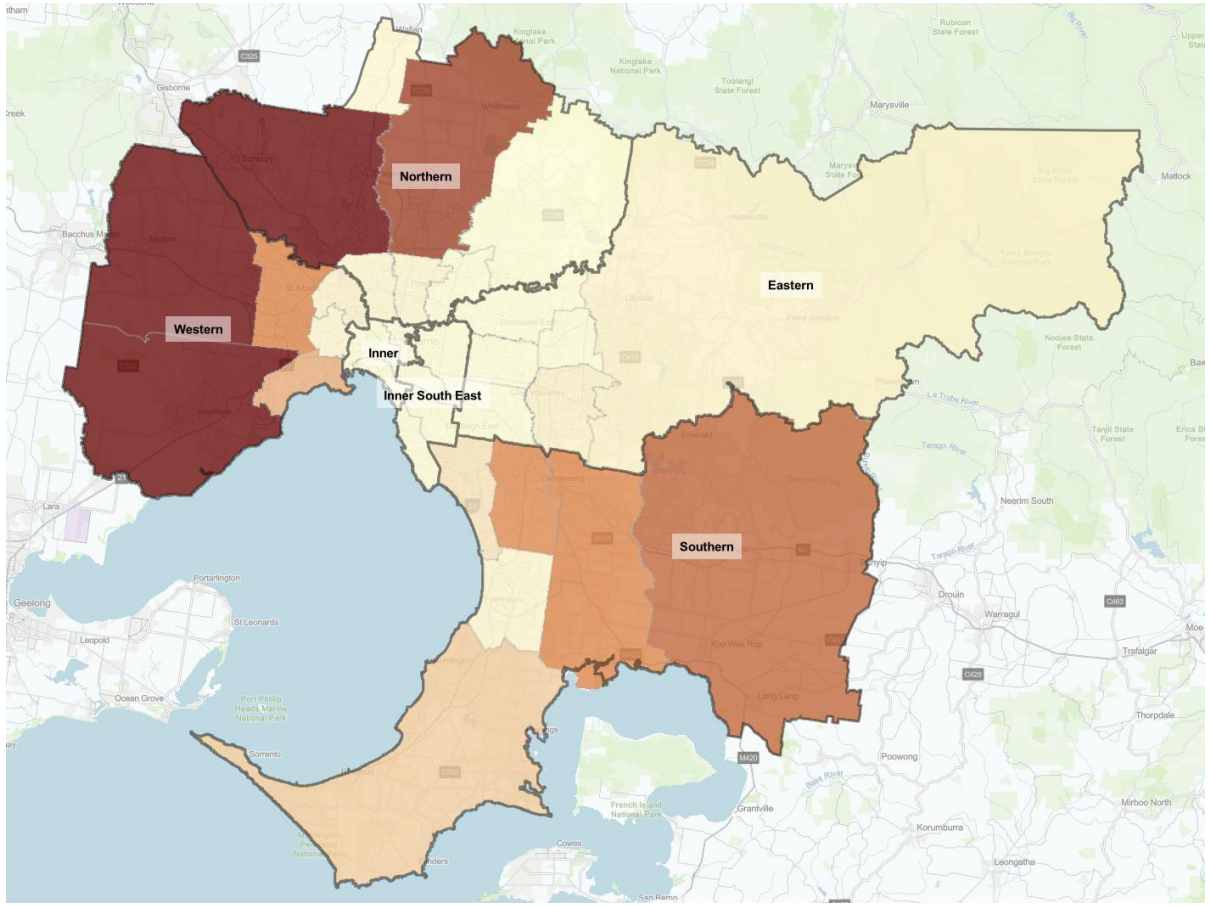
- We anticipate the Western Region to largely maintain its proportionate role in future land take-up.
- We anticipate the Southern Region to reduce its proportionate role with its main source of take-up (Greater Dandenong) becoming more land supply restricted.
- We anticipate the Northern Region to increase its proportionate role, supported by available supply and major infrastructure including the North-East Link.

Regions Land Demand Forecast

Forecasting Results

Provided below is a heat map of our forecasted industrial land take-up by LGA. The below map reflects the medium scenario forecast.

Figure: Melbourne Industrial Lands Take-Up Forecast p.a. (ha), 2025 to 2035



Source: JLL

Provided below is a summary of observations relating to the forecasts for the regions and LGA's.

Figure: Melbourne Industrial Lands Take-Up Observations by Region

Northern	• The Northern region is expected to play a key role in accommodating demand, with growing levels of take-up, future rezoning of precincts including Northern Freight and Merrifield North, and delivery of key supporting infrastructure. • Delivery of the Beveridge Interstate Freight Terminal (BIFT) in the Northern Freight precinct will connect Victoria's intermodal precincts to a national network, from Melbourne to Brisbane via regional Victoria through the Commonwealth's Inland Rail Project, linking local industries to national and global markets.
Southern	• High take up and low vacancy rates in the Greater Dandenong area indicate strong demand, however there is no future unzoned supply in the Southern SSIP to accommodate growth. It's critical that existing industrial land in this region is protected and preserved. • The Pakenham/Officer SSIP and land unlocked through rezoning Special Use Zone land in Hastings is anticipated to accommodate more demand in the Southern region over time.
Eastern	• Existing supply needs to be safeguarded in the Eastern region, which has only zoned 82 hectares available and no future unzoned supply. • North East Link will provide faster and more reliable travel times for freight movements, reducing travel times by up to 35 minutes, and $427 million of economic value each year from better freight connectivity.
Western	• Since 2014, Melbourne's Western region has accounted for more than half the floorspace leased and constructed across Melbourne. The West is forecast to maintain a key role in accommodating demand. • The future Western Interstate Freight Terminal (WIFT) and surrounding industrial precincts including Derrimut Fields, and unlocking Special Use Zone Land in Altona North will support continued growth of freight and logistics in the west. • The West Gate Tunnel will provide a vital alternative to the West Gate Bridge, safeguarding our key economic corridor accessing the Port of Melbourne.
Inner / inner south east	• It's likely industrial land uses will intensify in inner areas to make more efficient use of limited supply, such as through multi-storey warehousing. • Renewal of post-industrial areas in inner Melbourne can provide new employment opportunities and services to support growing housing and population densities. • AI factories can play a key role in driving innovation in inner Melbourne areas well connected to communications infrastructure, like NEXTDCs future $2 billion AI factory and Technology Campus in Fishermans Bend.

Source: JLL

Appendices

Definitions

Appendices

Table: Definitions

Term	
JLL Research Terms - Industrial	
Gross Take-up	This refers to the total level of space leased or owner occupied over the reference period and is based on the take-up of space (5,000 sqm or more for Melbourne and Sydney, 3,000 sqm or more for Adelaide, Perth and Brisbane markets).
Land value	Provided on a rate of land area ($/sqm) which benchmarks against land sales that occur over the reference period and at relevant land sizes.
Outgoings	Outgoings relate to regular occupancy costs which will typically include local & state taxes/rates, insurance, property management charges, as well as security, cleaning and utility changes relating to common.
UDP Terms	
Occupied	Some evidence of industrial use of land. This includes buildings, hardstand storage areas, carparks, partly constructed buildings, etc.
Zoned-Vacant / Unoccupied	Land zoned for industrial use but have no intensive use / visible capital investment.
Zoned-Non-Industrial Use	Parcels that are zoned for industrial use but have an existing use /capital investment that is not industrial such as residential buildings and agricultural infrastructure.
Unzoned / Future Land	These are areas that have been identified for future industrial development in the growth corridor plans and previous metropolitan strategic plans, such as Melbourne 2030, Growth Corridor Plans, Plan Melbourne, and The Melbourne Industrial and Commercial Land Use Plan. This land is not currently zoned for industrial purposes and requires either the approval of a Precinct Structure Plan (PSP) or rezoning to an industrial zone.
Other	
E-Commerce	Electronic commerce, refers to the buying and selling of goods and services over the internet or other electronic networks. It encompasses all commercial transactions conducted digitally, including online retail sales, digital marketplaces, business to business transactions and mobile commerce.
Advanced Manufacturing	Refers to the use of innovative technologies like automation, robotics, AI, IoT, and 3D printing to create more efficient, flexible, and data-driven production processes that can adapt to changing demands while reducing waste.
ESG	Environmental, Social and Governance: A framework used to evaluate an organisation's sustainability and ethical impact across climate/environmental performance, social responsibility, and corporate governance practices.
Data Centres	A physical facility, such as a building or a dedicated space within one, that houses the computer systems, storage drives, networking equipment and associated infrastructure required to collect, process, store and distribute data for an organisation.

Source: JLL Research, DataVic, TechTarget, QAD, The Urban Developer, NVIDIA, Harvard Business School

Tim Brown
Head of Strategic Consulting
Australia

+61 404 012 747
tim.brown@jll.com

Daniel Turini
Senior Director, Strategic Consulting
Australia

+61 430 787 857
daniel.turini@jll.com

Matthew Burke
Manager, Strategic Consulting
Australia

+61 468 993 634
Matthew.burke@jll.com