

MARKET FUNDAMENTALS

	YOY Chg	Outlook
16.4% Vacancy Rate	▲	▼
22,606 6-month Net Absorption, sqm	▲	▲
\$312 Prime Net Effective, sqm pa	▬	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth	▲	▲
2.0% (South Australia) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

The Australian economy has reached an inflection point as the RBA has pivoted and started the rate cutting cycle. Against this backdrop growth is expected to accelerate throughout 2025 and 2026 on the back of improved consumer and business confidence. GDP growth for Q4 2024 reached 0.6% (1.3% year-on-year), while growth in the order of 2.1% is expected for 2025 and 2.5% for 2026.

An improvement in South Australia’s Gross State Product is expected for 2025, with a 1.8% projected increase for the year, before easing to 1.6% in 2026.

DEMAND:

The Adelaide CBD office market has shown remarkable stability from 2024 into 2025, with two years of positive net absorption and strong leasing activity recorded in 2024 and Q1 2025. This has firmly placed the market in the recovery cycle. Net absorption reached 22,600 sqm in H2 2024 and 51,650 sqm over the entire year, indicating a strong outlook for 2025.

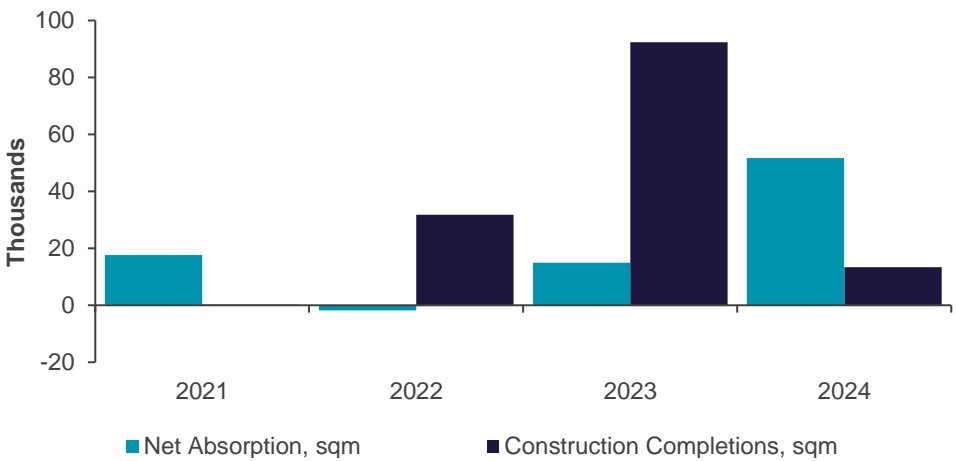
Demand remained high for A-Grade office spaces, which offer premium amenities and sustainable certifications, reflecting a clear preference for high-quality workplaces. Additionally, the secondary market saw significant levels of enquiry as occupiers sought well-located, cost-effective spaces.

RENT:

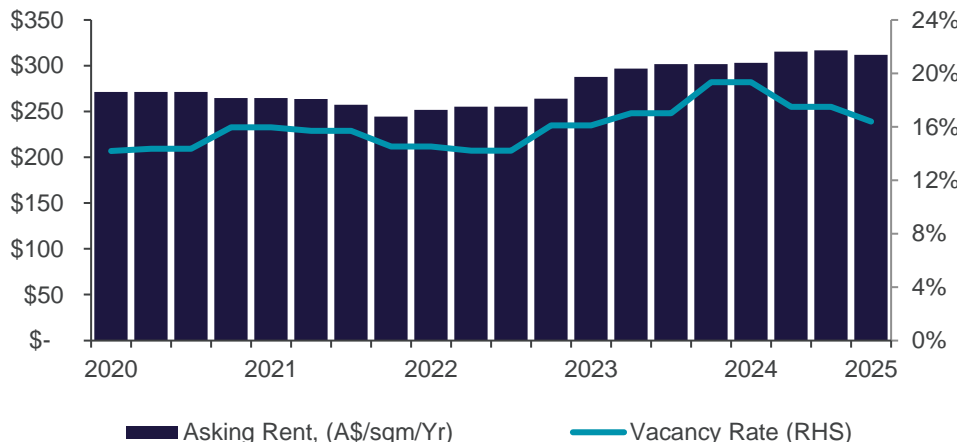
Net incentives have continued to edge higher for A-grade stock, increasing from 36% in Q4 2024 to 37% in Q1 this year. While face rents have remained stable, the average net effective rent decreased from \$317 per sqm per annum (sqm pa) to \$312 sqm pa. While in the secondary market incentives remained stable and net effective rents increased marginally over the quarter to reach an average of \$200 sqm pa.

Outgoings remain the same as six months ago, with average outgoings for A-grade at \$155 sqm pa, while for B-grade they remain at \$128 sqm pa.

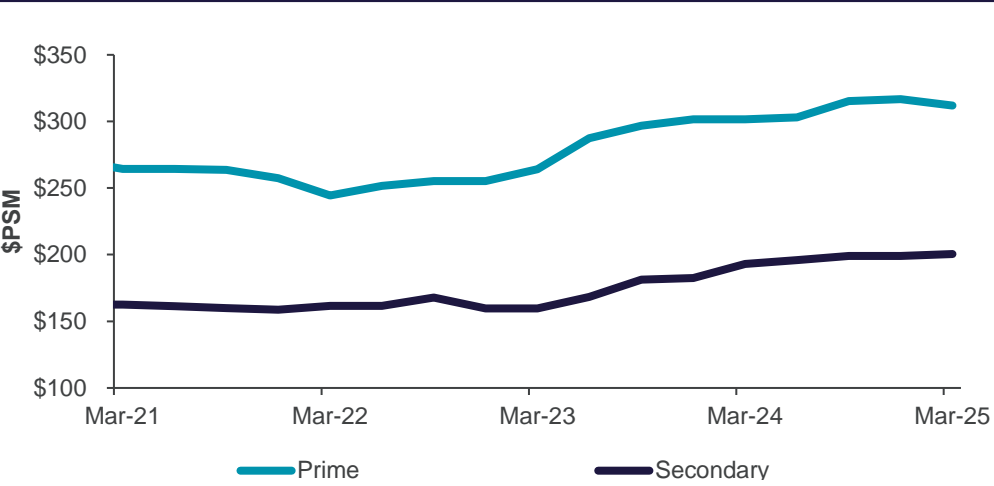
SPACE DEMAND / DELIVERIES



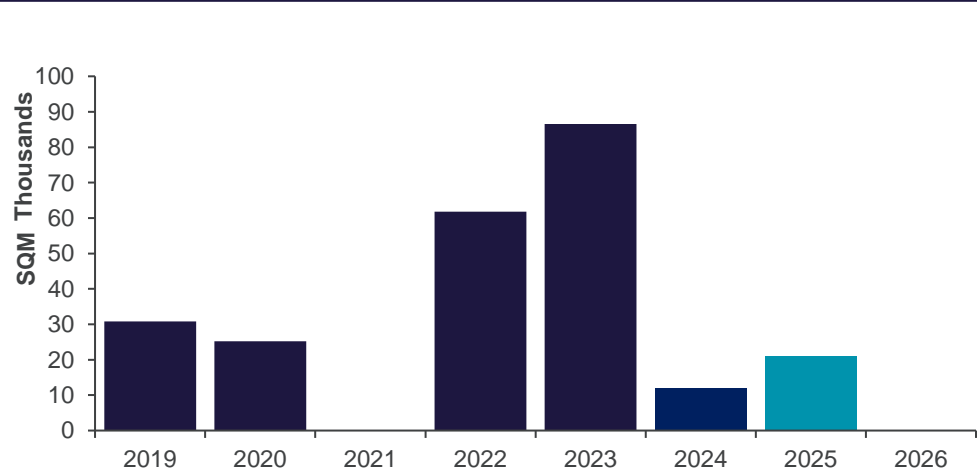
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



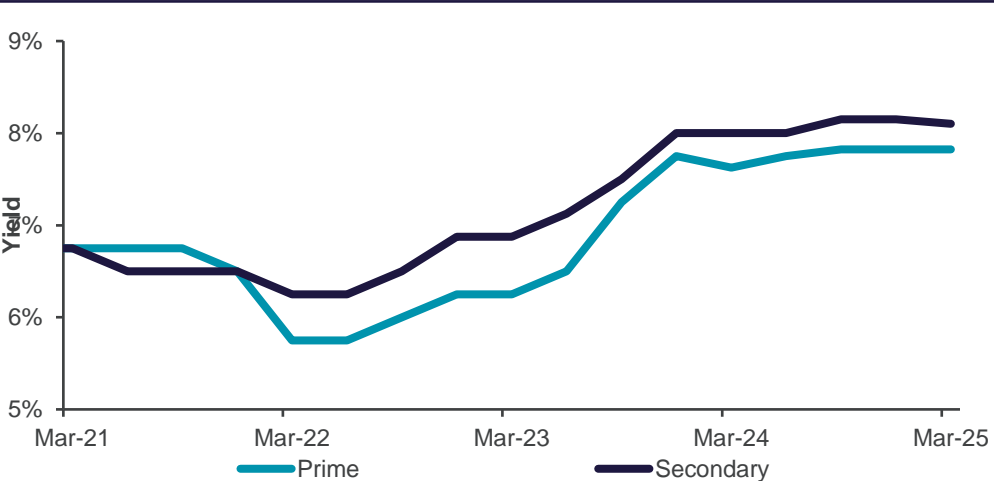
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

While vacancy rates in the Adelaide CBD remained elevated throughout 2024, sitting at 16.4% by the end of the year, 12 months of decreasing vacancy clearly indicate the market has passed its inflection point. Both A and B-grade office spaces, which account for 80% of the total stock in the CBD, are driving this trend with decreasing vacancy levels over the last year.

On the supply side, there were no significant additions to the market in 2024. Development activity has slowed, and the new supply pipeline is limited. The only development to come online was 9,500 sqm from One Fifty at 150 Grenfell Street, with 100% commitment with RAA. Future projects include the Kyren project at 42-56 Franklin Street, set to deliver around 21,000 sqm of A-grade office space in 2025. Beyond this, Adelaide’s CBD development pipeline remains limited.

YIELDS:

Amid the broader downturn in commercial real estate, Adelaide CBD office yields remained stable in 2024 and have continued this trend through Q1 2025. Prime office yields ranged between 6.90% and 7.75%, indicating that the market may be at the bottom of the cycle. While secondary grade yields, showed slight compression settling between 7.10% and 8.10% in Q1 2025, signaling that the market is already taking steps in the recovery cycle.

INVESTMENT MARKET:

Transactions in Q1 2025 remained quiet, with the only activity this quarter being the Tank Stream lease of 2,124 sqm in 63 Pirie Street. However, the investment market in 2024 continued to attract interest, particularly from value-focused investors, although investment activity remained subdued. Prime grade office assets, with secure tenant commitments and modern features, remain the most sought-after, driving competition among investors for limited opportunities. A major sale for the quarter was 19 Grenfell Street for \$25.5 million sold by Shakespeare Property Group to Exceed Capital Pty Ltd. Institutional and private investors remain focused on well-located, high-quality assets; however, the limited availability of prime grade stock has constrained transaction volumes.

Investment activity reflected the ongoing preference for high-quality, well-leased properties offering stable returns. Secondary grade assets saw limited demand unless they presented clear value-add opportunities. The Adelaide office market continues to appeal to investors seeking competitive yields and long-term growth, supported by the city’s affordability and steady economic fundamentals. The outlook for the remainder of 2025 is cautiously optimistic, with investment activity expected to increase as economic conditions stabilise.

OUTLOOK

- Economic growth is expected to strengthen through 2025 and 2026, as the Gross State Product reverts to align with longer term averages.
- The outlook for the Adelaide CBD office market remains positive, with steady rental growth forecast for 2025, improving vacancy rates, and an investment market beginning to show signs of recovery despite ongoing challenges.
- Occupier demand is expected to remain steady, with prime-grade offices continuing to benefit from the flight-to-quality trend and secondary grade continuing to attract cost conscious tenants.
- New supply is expected to moderately increase vacancy in 2025. The limited amount of new supply between 2026 and 2028 is anticipated to help vacancy rates return to the long-term average.
- Recent transaction activity, despite being limited, suggests that yields are nearing the bottom of the cycle, with some moderate softening expected before rebounding.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	6-MONTH NET-ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT (\$ SQM PA)	AVERAGE NET INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Prime	743,853	148,707	20.0%	14,755	20,985	\$317	36.0%	\$155
Secondary	819,864	124,684	15.2%	14,286	-	\$199	41.5%	\$128
TOTALS	1,563,717	273,391	17.5%	29,041	30,485			

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
63 Pirie Street	Adelaide Core	Tank Stream	2,124	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
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No notable transactions

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
150 Grenfell Street	Adelaide Frame	RAA	9,485	Kambitsis Group
42-56 Franklin Street	Adelaide Core	N/A	21,000	Kyren Group

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