MARKETBEAT
ADELAIDE
LOGISTICS & INDUSTRIAL Q1 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
1.8% Vacancy Rate	▲	▲
6.56% Average Prime Yield	▼	▼
1.4% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% National GDP Growth	▼	▲
2.0% State Final Demand Growth	▲	▲
4.1% National Unemployment Rate	▲	▲

Source:BLS

ECONOMIC 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

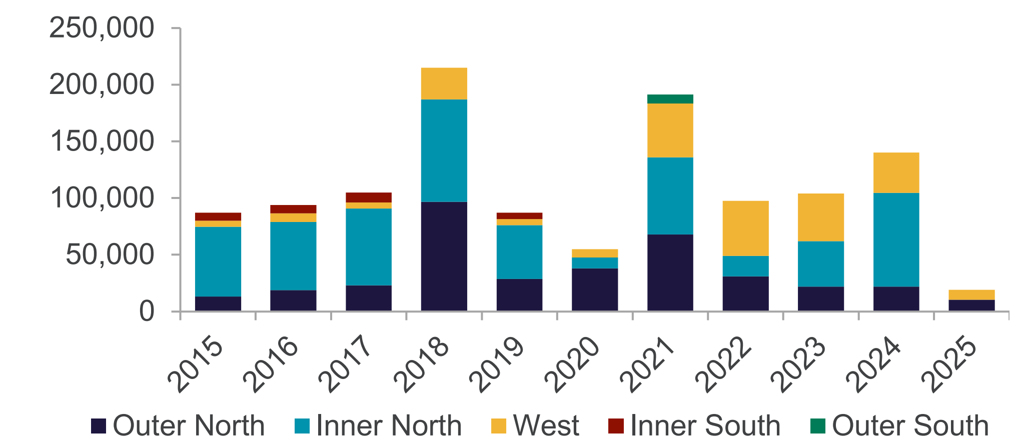
In the absence of new supply and backfill space, gross take-up continues to be restricted across the Adelaide market, with approximately 20,000 sqm leased in Q1 2025. While this level of demand is below the long-term quarterly average of approximately 28,000 sqm, there are several facilities in final negotiation which will boost take-up volumes in Q2 2025.

Leasing activity during the past quarter was led by the West and Outer North submarkets, and includes the SA Government leasing 10,309 sqm at 47-53 Woomera Avenue, Edinburgh.

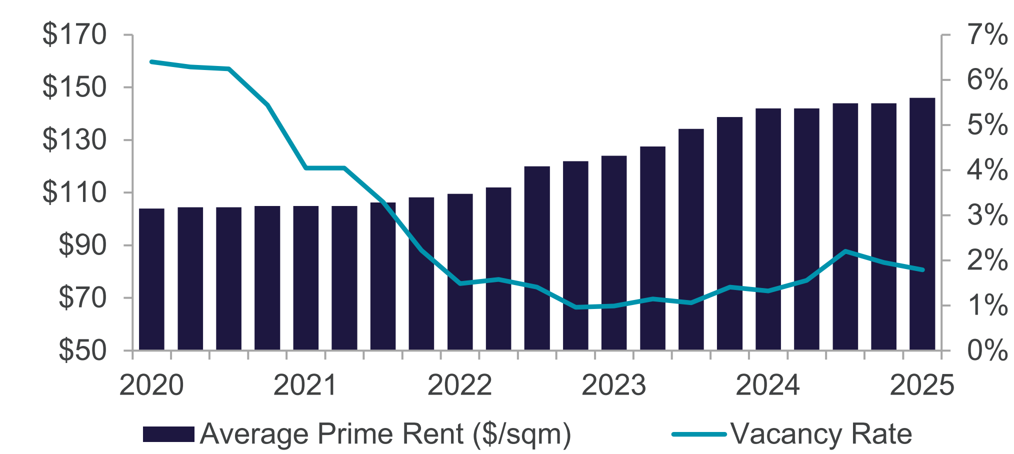
The sub 3,000 sqm size bracket represents the most liquid part of the Adelaide market and there were several deals done in this size range over the quarter. Limited speculative supply, particularly in comparison to the East Coast cities has meant that take-up has been dominated by existing deals.

More broadly, demand remains dominated by the transport and logistics and manufacturing sectors, while there is a steady flow of enquiry occurring from the defence sector.

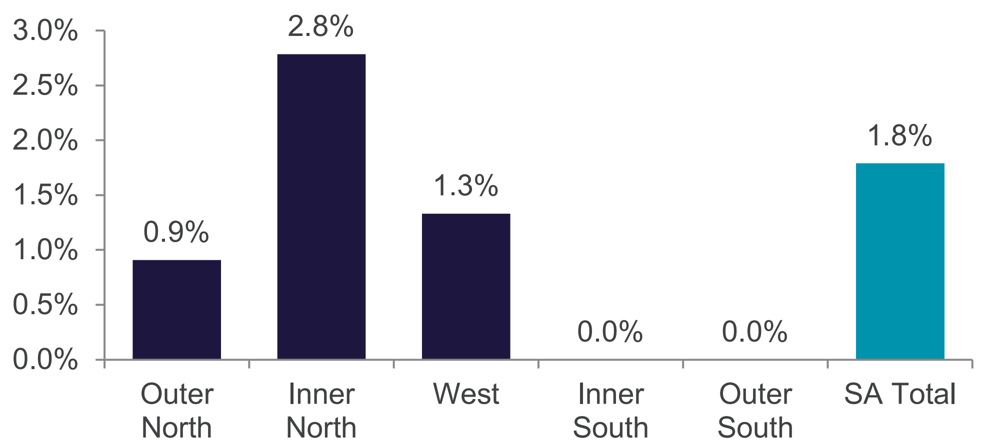
GROSS TAKE-UP (SQM)



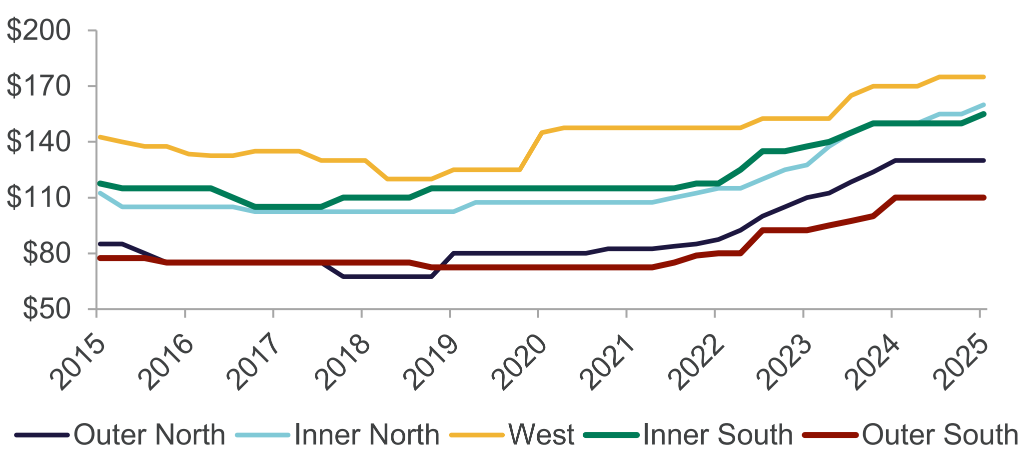
VACANCY & AVERAGE PRIME RENTS



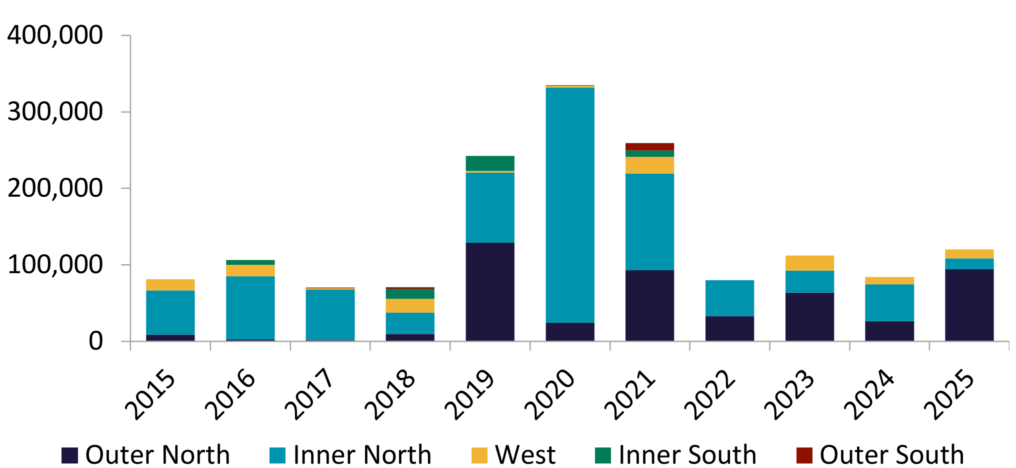
Q1 2025 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Adelaide's vacancy rate has tightened to 1.8% in Q1 2025, down from 2.1% at the end of 2024. This movement maintains the rate well below historical averages (5.8% long-term average), and the limited level of new supply forecast for 2025 will ensure it remains under the market equilibrium. By floorspace, 78% of current vacancies exist within the Inner North, while more broadly, 75% of vacancies stem from secondary grade stock, which highlights a clear tenant preference for prime facilities as they continue to seek operational efficiencies.

RENTS & INCENTIVES

Prime rents in Adelaide recorded modest growth of 1.4% this quarter, currently averaging $146/sqm net face. Rental growth was most pronounced within the Inner North and Inner South submarkets at closer to 3.0%, respectively, for Q1 2025.

While still strong in a historical context, this level of growth is a step down from the level of rental growth recorded in recent years and reflects the normalisation of demand. Rents within the secondary market remained unchanged over the past quarter.

Incentives have stabilised after recording modest growth in 2024, although they continue to vary between the submarkets. Incentives in the Outer North and Outer South range between 5.0% to 15.0%, while the remaining submarkets remain in the sub 10.0% range.

SUPPLY

Warehouse supply in Q1 2025 was weak, with no major additions coming online during the period, and follows just 85,000 sqm added to the market in 2024.

Looking ahead, supply is expected to pick up over the coming quarters, with the potential for close to 120,000 sqm to be delivered to the market. The majority of this space is committed and includes Noumed's new facility at Salisbury South (~26,000 sqm), while immediately adjacent is Haigh's Chocolate Manufacturing Facility (~15,000 sqm), both of which are expected to be completed in the second half of 2025.

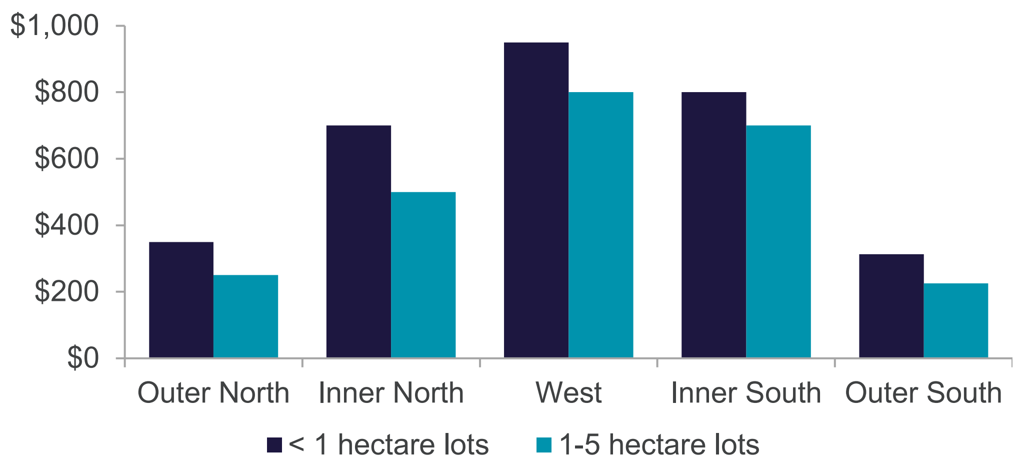
Given the lack of leasing options to facilitate occupier expansion plans, it is likely that additional supply will be initiated in 2025 once pre-commitment is secured.

OUTLOOK

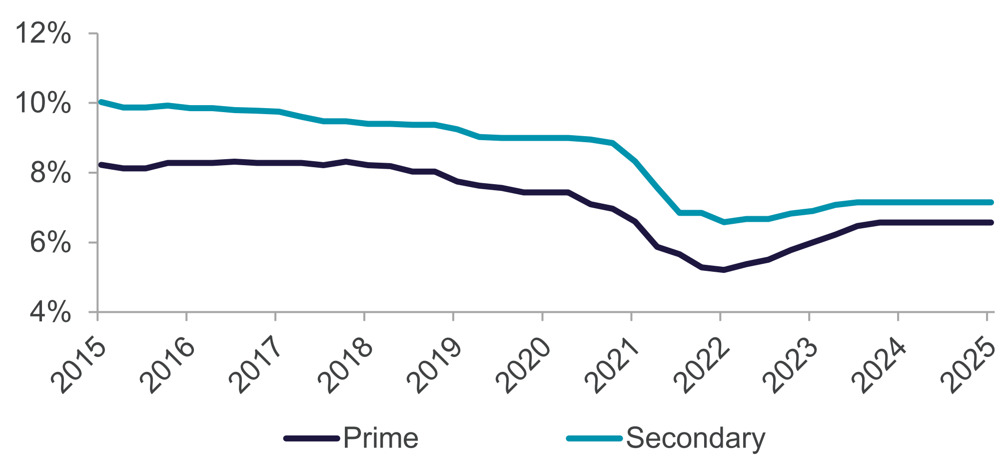
- Cost of living pressures have eased, reflecting real income growth and moderating inflation. While consumer spending is likely to remain constrained in the lead-up to the Federal election, a pick-up in spending is forecast in the second half of the year, which will support retailer and transport-related space requirements.
- Limited leasing options are expected to cap take-up volumes; while larger requirements will be directed to the pre-lease market, noting there remains acute active land shortages across the Adelaide market.
- Adelaide's vacancy rate is forecast to remain tight in 2025, given the subdued level of uncommitted supply that will enter the market. As per current trends, secondary vacancies will remain higher as occupiers seek prime facilities.
- Prime rental growth in the order of ~4.0% is forecast in 2025, with growth of 1.4% already recorded in Q1 2025. Growth at the smaller end of the market (sub 3,000 sqm tenancies) will likely outperform given the strong level of enquiry from local population-driven industries.

ADELAIDE
LOGISTICS & INDUSTRIAL Q1 2025

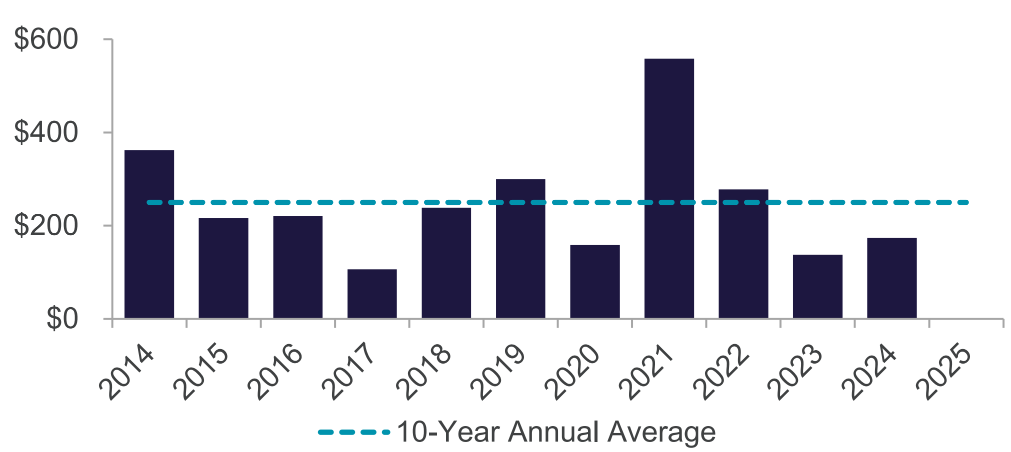
Q1 2025 LAND VALUES BY SIZE ($/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES ($M)



LAND VALUES

Active industrial land supply across Adelaide is limited, with just 2.5 years of supply remaining based on recent take-up trends. While there is land supply in the longer-term pipeline, most of this is not serviced, or the current ownership structure is prohibitive for development.

This environment has maintained industrial land values, with appetite remaining strong from both institutions and local developers.

At present, average land values sit at $623/sqm for lots below 10,000 sqm. Alternatively, values for 1-5 hectare lots are lower at $495/sqm. The highest land values are found in the West submarket at $800/sqm for 1-5 hectare lots, whereas the Outer North remains substantially lower at $250/sqm for the same size.

YIELDS

Yields remain unchanged in Q1 2025. Prime yields currently range between 6.25% to 6.75%, while secondary yields range between 6.75% to 7.25%. Since peak pricing in early 2022, prime yields have expanded 144 basis points on average, which is almost 60 basis points less than East Coast markets and reflects a larger buffer to borrowing costs.

INVESTMENT

Investment volumes remain subdued across the Adelaide market, with no sales recorded in Q1 2025 (deals above $10 million). Transaction activity reached approximately $175.0 million in 2024 with trades to occur in late 2024 including 7 Brandwood Street, Royal Park ($21.9 million - $1,720/sqm), 2-8 Mirage Road, Direk ($14.8 million - $2,182/sqm), and 113-117 Bedford Street, Gillman ($20.0 million - $2,249/sqm).

Despite no transaction occurring over the past quarter, this is a reflection of stock remaining tightly held as appetite from private investors and syndicates remains strong. Tax challenges in Victoria and the benefit of no stamp duty for commercial transactions in South Australia have supported a pick-up in enquiry for Adelaide.

OUTLOOK

- Continued upward pressure on land values is expected as Adelaide remains a highly land-constrained market.
- Further rate cuts in 2025 will provide the backdrop to improved liquidity, with a material jump in investment volumes forecast, supported by new capital sources from offshore markets.
- The movement of yields over the next two years will be heavily influenced by the outlook for rates – both interest rates and the risk-free rate, as well as the weight of capital seeking to be deployed, where in the absence of high stock levels will result in heightened competition for limited assets.
- Our modelling highlights the potential for 10 to 25 basis points of compression in late 2025 before a further 25 to 30 basis point reduction in 2026. Unlike the last cycle, the movement in yields will not be consistent across markets and grades.

Q1 2025 ADELAIDE MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	TAKE-UP (TOTAL MARKET SQM)	AVERAGE NET FACE RENT ($/SQM P.A.)	AVERAGE OUTGOINGS ($/SQM P.A.)	AVERAGE INCENTIVES	AVERAGE YIELDS	AVERAGE CAPITAL VALUES ($/SQM P.A.)	AVERAGE LAND VALUES (1-5ha, $/SQM P.A.)
PRIME								
Outer North	0.9%	10,309	$130	$20	10.0%	6.63%	$1,962	$250
Inner North	2.8%	0	$160	$25	6.0%	6.33%	$2,530	$500
West	1.3%	8,862	$175	$35	5.0%	6.33%	$2,767	$800
Inner South	0.0%	0	$155	$25	5.0%	6.50%	$2,385	$700
Outer South	0.0%	0	$110	$23	10.0%	7.00%	$1,571	$225
PRIME AVERAGE	**1.8%**	**19,197**	**$146**	**$26**	**7.2%**	**6.56%**	**$2,243**	**$495**
SECONDARY								
Outer North	-	-	$90	$20	5.0%	7.50%	$1,200	-
Inner North	-	-	$105	$25	5.0%	6.88%	$1,527	-
West	-	-	$115	$30	5.0%	6.88%	$1,673	-
Inner South	-	-	$105	$20	5.0%	7.00%	$1,500	-
Outer South	-	-	$80	$18	5.0%	7.50%	$1,067	-
SECONDARY AVERAGE			**$99**	**$23**	**5.0%**	**7.15%**	**$1,393**	**-**

RESEARCH

LUKE CRAWFORD
Head of
Logistics & Industrial Research –
Australia
+61 421 985 784
luke.crawford@cushwake.com

LOCAL MARKET AGENCY LEADS

JAY NASH
Director
Head of Brokerage, Logistics & Industrial –
South Australia
+61 433 173 225
jay.nash@cushwake.com

NATIONAL LEADS

TONY IULIANO
International Director
Head of Logistics & Industrial –
Australia and New Zealand
+61 412 992 830
tony.iuliano@cushwake.com

DAVID HALL
National Director
Head of Brokerage Logistics & Industrial –
Australia and New Zealand
+61 428 242 410
david.j.hall@cushwake.com