ADELAIDE

LOGISTICS & INDUSTRIAL Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
1.8% Vacancy Rate	▲	▲
6.34% Average Prime Yield	▼	▼
1.0% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% National GDP Growth	▼	▲
3.1% State Final Demand Growth	▲	▲
4.1% National Unemployment Rate	▲	▲

Source:BLS

ECONOMIC OVERVIEW

The Reserve Bank of Australia responded to continued disinflation and the ongoing tariff negotiations by cutting rates in May for the second time this year as the central bank's focus has shifted from fighting inflation to supporting growth and maintaining full employment. Against this backdrop growth is expected to improve throughout 2025 and 2026 on the back of improved consumer and business sentiment. GDP growth slowed in Q1 2025 reaching 0.5% (1.3% year-on-year but is forecast to recover to 1.8% by the end of the year and 2.1% for 2026.

South Australia's economic growth is expected to improve through 2025, with a 3.1% projected increase for the year, before easing to 1.3% in 2026.

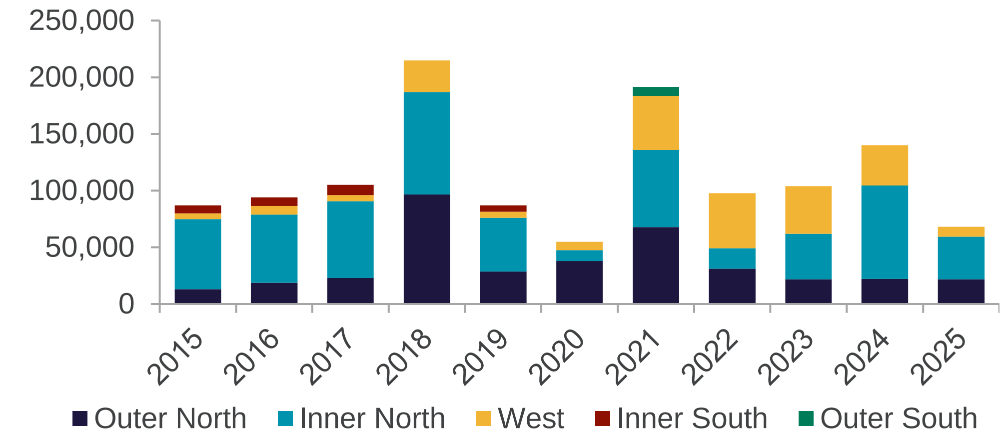
DEMAND

Conditions within the Adelaide leasing market remain healthy; however, expansion plans are being impacted by the low levels of leasing availability across the market. As a result, occupiers are being directed to the pre-lease market.

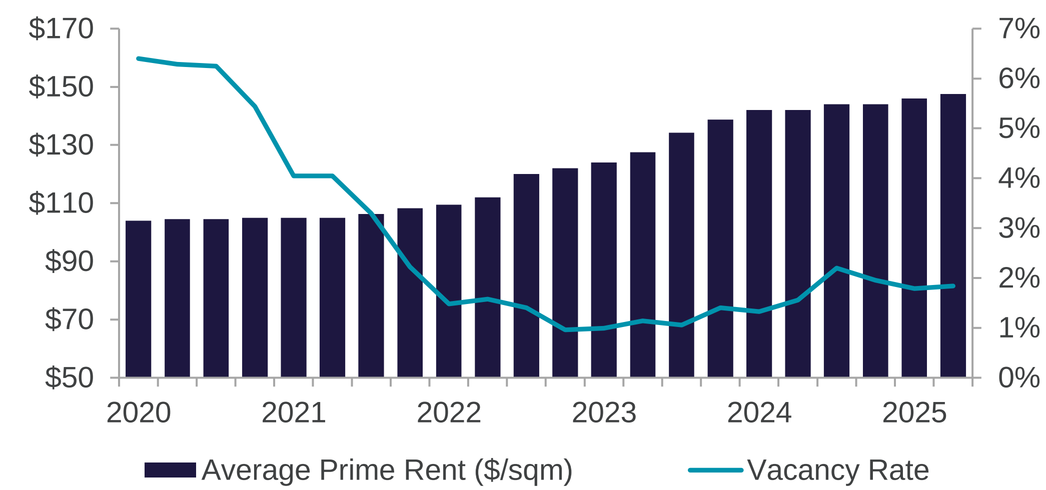
Take-up in Q2 2025 measured almost 43,000 sqm (deals above 3,000 sqm), taking the year-to-date total to approximately 70,000 sqm. While there were several lease deals above 8,000 sqm recorded in the quarter, the sweet spot for demand remains at the smaller end of the market (sub 4,000 sqm). Highlighting this was Timpecha Foods leasing 3,962 sqm at the Port Adelaide Distribution Centre in Gillman.

Tenant demand stems from a diverse occupier mix and comprises transport and logistics, manufacturing and population-driven sectors such as construction and food.

GROSS TAKE-UP (SQM)



VACANCY & AVERAGE PRIME RENTS



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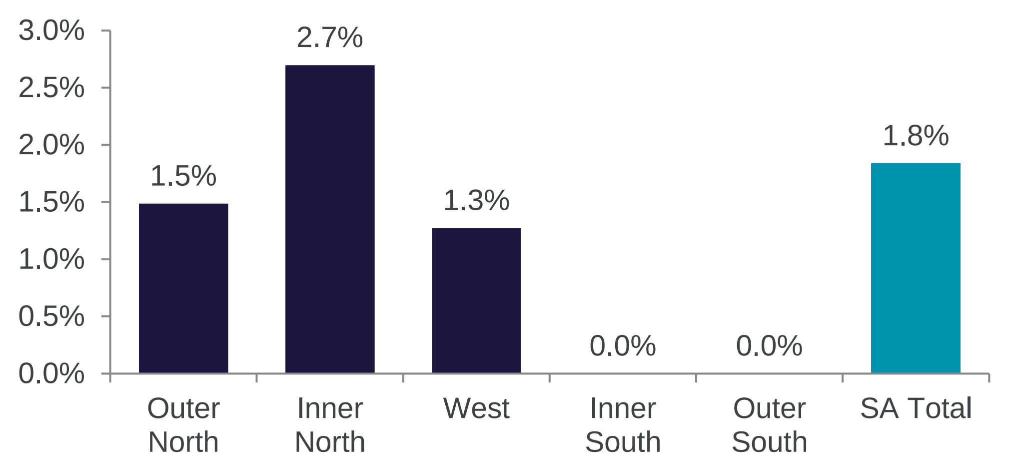
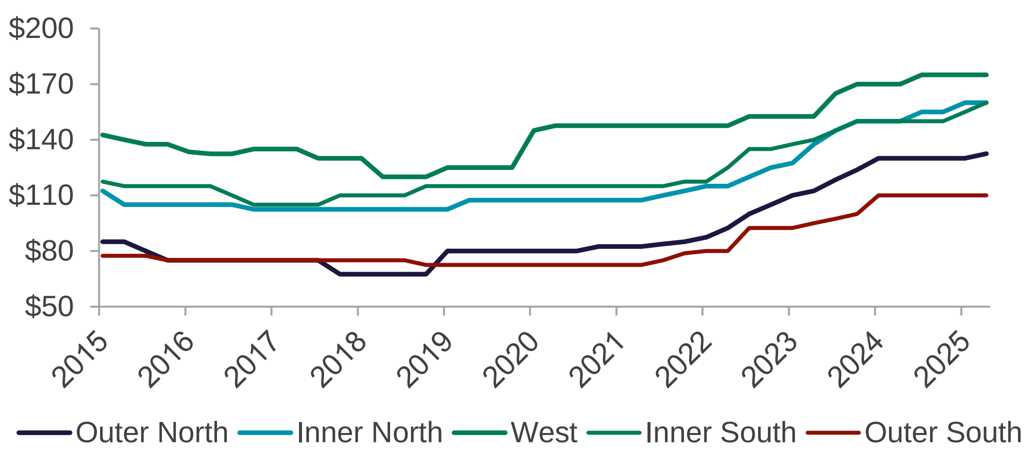
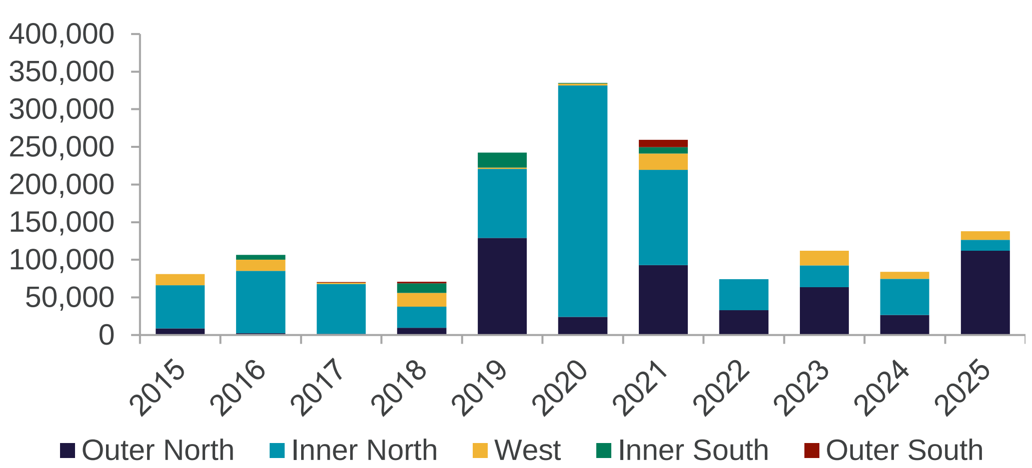
Q2 2025 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET ($/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

Adelaide's vacancy rate has remained unchanged in Q2 2025 at 1.8% and continues to be the lowest in the country. The catalyst for this has been low levels of speculative supply, with new supply additions only representing 12% of vacant floorspace and includes Warehouse 4 at Fife's Wingfield Logistics Park, while Moonah Tree Capital just delivered 8,455 sqm at Direk within the Outer North submarket.

Vacancy levels are highest in the Inner North at 2.7%, representing 74% of Adelaide's vacant floorspace, underpinned by availability within the Port Adelaide Distribution Centre.

RENTS & INCENTIVES

Modest upward pressure on rents was recorded in Q2 2025, increasing 1.0% in the quarter and 3.9% for the past 12 months (face rents now at $148/sqm). Rental growth has more recently been driven by the Outer North and Inner South submarkets, while recent deal evidence in the Inner North maintained rents in Q2 2025.

For pre-lease transactions, rents have become more reflective of economic rents due to the growth of construction costs in recent years, which has impacted development feasibility.

Incentives remain unchanged at 0.0% to 15.0% for prime. The broad range is due to the strong presence of private ownership within Adelaide, with a large spread in incentives offered between private and institutions.

SUPPLY

Adelaide's supply pipeline remains heavily dependent on pre-commitments being secured, with only a handful of developers activating speculative projects. For 2025, there is the potential for almost 140,000 sqm to be delivered to the market, almost 60% of which is pre-leased supply and includes Haigh's and Noumed within the Nexus North estate at Salisbury South and Beaumont Tiles at Adelaide Airport.

The status of speculative projects in the pipeline may change, following the broader development market shift towards a pre-lease strategy. However, there are speculative projects underway or planned at the Vicinity Industrial Base at Direk, Gillman Industrial Estate and 616 Torrens at Woodville North, among others.

OUTLOOK

- Adelaide's economy has outperformed the national average during recent years, and this is forecast to remain the case over the next 12 months. This is expected to trigger healthy demand from urban services and population-driven sectors, while green shoots in the consumer economy will support 3PL and retail sector leasing demand.
- 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 over the next 12 months due to 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, noting that 2.4% has already been recorded so far in 2025.

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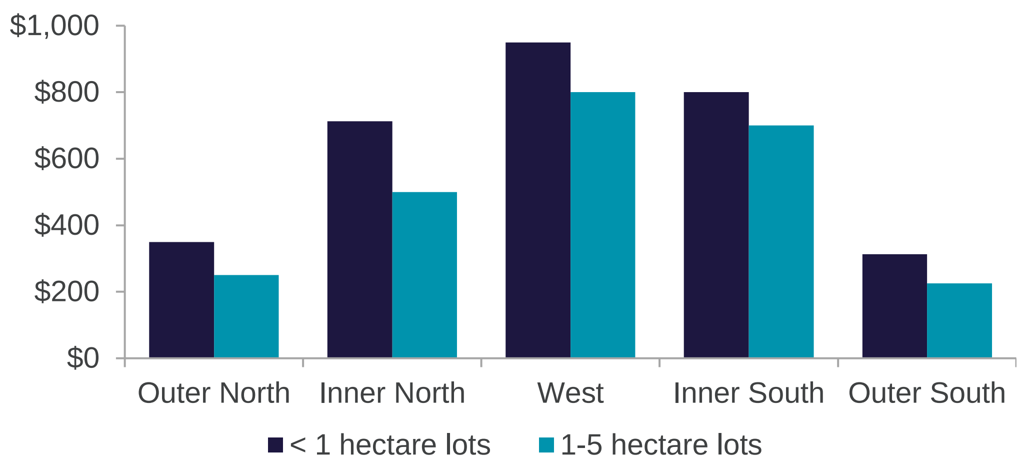
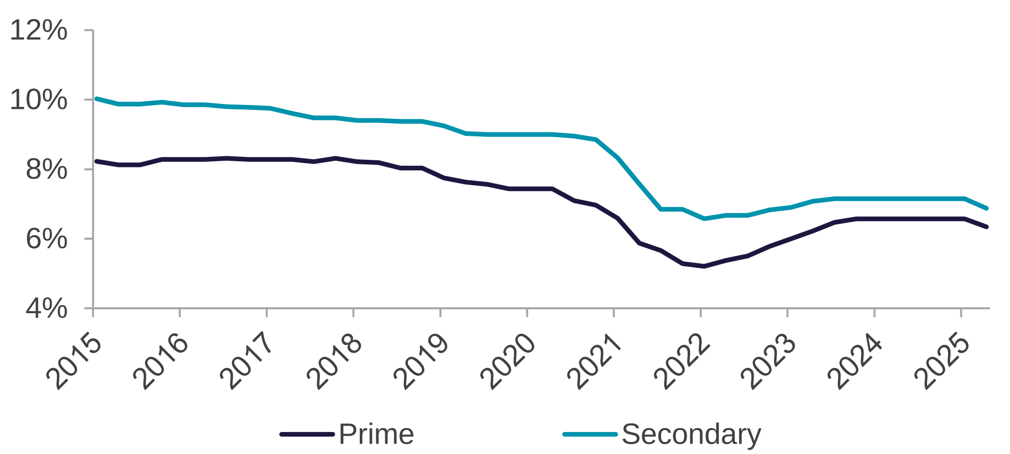
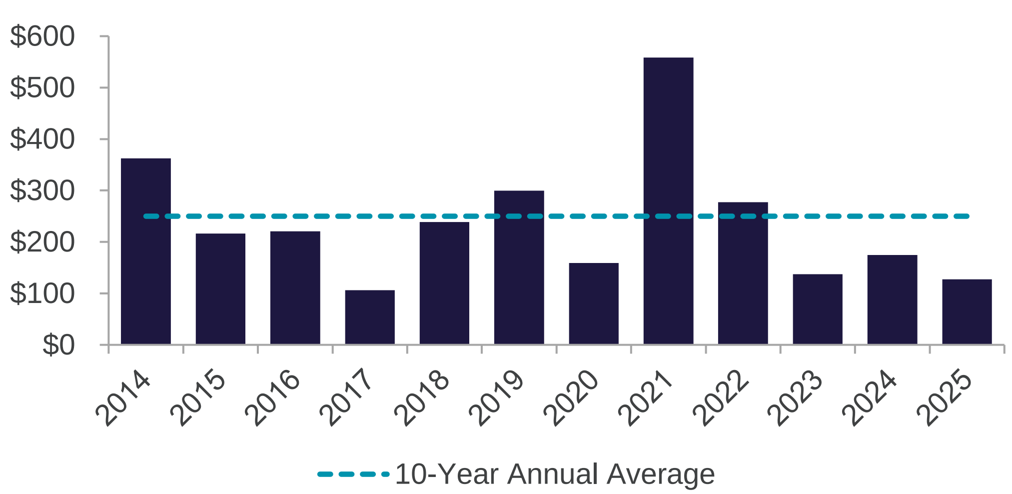
Q2 2025 LAND VALUES BY SIZE ($/SQM)



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

For the first time since 2021, a yield compression cycle has commenced in Adelaide, and reflects lower debt costs and the returning weight of capital.

Prime industrial yields recorded 23 basis point of compression and now average 6.34% (core market); however, tightly held precincts such as the Inner North and West are seeing evidence of yields of more than 50 basis points sharper than this. Secondary yields recorded 28 basis points of compression and reflects the higher base with average yields now at 6.88%.

The yield spread to East Coast markets is generating solid interest from institutional, syndicator and private investors seeking higher-yielding opportunities.

INVESTMENT

Following weak transaction activity in Q1 2025, volumes increased sharply over the past quarter with almost $130 million trading, all of which were in the Inner North submarket.

The largest sale to occur was Harmony acquiring 8-16 Vater Street, Dry Creek from ESR for $50.5 million, while more recently, an owner occupier purchased 400-416 Martins Road, Green Fields from Centennial for $22.5 million. The latter underscores the theme of increased owner-occupier demand in Adelaide as the tight leasing market is forcing occupiers to be creative with their long-term real estate solutions.

OUTLOOK

- Upward pressure on land values is expected over the next 12 months as Adelaide remains a highly land-constrained market. Price growth will stem from increased owner-occupier and developer demand.
- Further rate cuts in 2025 will provide the backdrop to improved liquidity, with further investment momentum expected in the second half of 2025.
- For the second half of 2025, there is the potential for a further 25 basis points of compression 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.
- A competitive advantage exists for South Australia, given that no stamp duty is applicable to commercial transactions. Coupled with solid fundamentals, investor appetite is expected to grow.

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Q2 2025 ADELAIDE MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	YTD 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	1.5%	21,809	$133	$20	10.0%	6.51%	$2,035	$250
Inner North	2.7%	37,475	$160	$25	6.0%	6.15%	$2,602	$500
West	1.3%	8,862	$175	$35	5.0%	6.15%	$2,846	$800
Inner South	0.0%	0	$160	$25	5.0%	6.45%	$2,481	$700
Outer South	0.0%	0	$110	$23	10.0%	6.56%	$1,676	$225
PRIME AVERAGE	**1.8%**	**68,146**	**$148**	**$26**	**7.2%**	**6.34%**	**$2,328**	**$495**
SECONDARY								
Outer North	-	-	$90	$20	5.0%	6.93%	$1,300	-
Inner North	-	-	$105	$25	5.0%	6.68%	$1,573	-
West	-	-	$115	$30	5.0%	6.68%	$1,723	-
Inner South	-	-	$105	$20	5.0%	6.85%	$1,533	-
Outer South	-	-	$80	$18	5.0%	7.25%	$1,103	-
SECONDARY AVERAGE			**$99**	**$23**	**5.0%**	**6.88%**	**$1,446**	**-**

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