

MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.9% Vacancy Rate	▲	▼
22,606 6-month Net Absorption, sqm	▲	▲
\$298 Prime Net Effective, sqm pa	▬	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth	▲	▲
3.1% (South Australia) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY 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:

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 H1 2025.

Demand was elevated for A-Grade office spaces in Q2, buoyed by the refurbishment at 45 Pirie Street and also the addition of one new property, 42-56 Franklin Street. As well as lifting demand for A-grade space the properties have also driven a notable quality uplift, which has shifted demand and also pushed rents.

RENT:

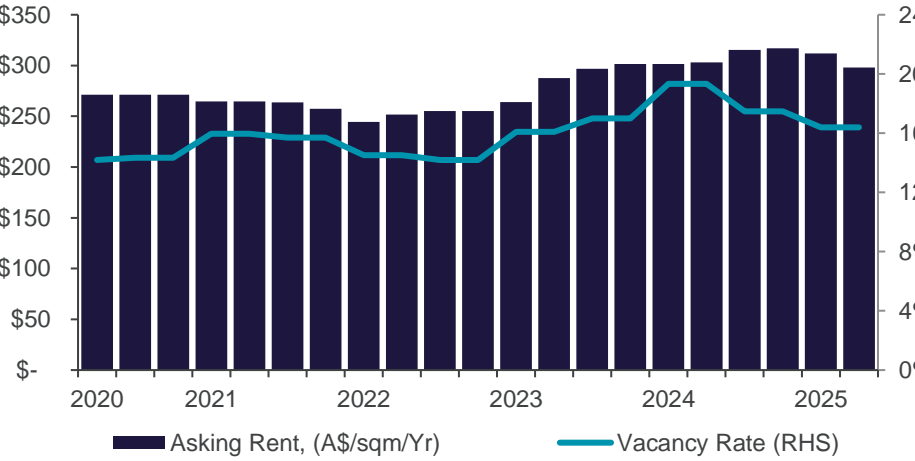
With the introduction of new and refurbished stock, the quality uplift has driven an increase in face rents but has also pushed incentives higher as competition for tenants increases. Net incentives have continued to edge higher for A-grade stock, increasing from 37% in Q1 2025 to 41% in Q2 this year. While face rents have increased over the quarter, the average net effective rent decreased from \$310 per sqm per annum (sqm pa) to \$300 sqm pa. While in the secondary market incentives remained stable and net effective rents increased marginally over the quarter to reach an average of \$205 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.

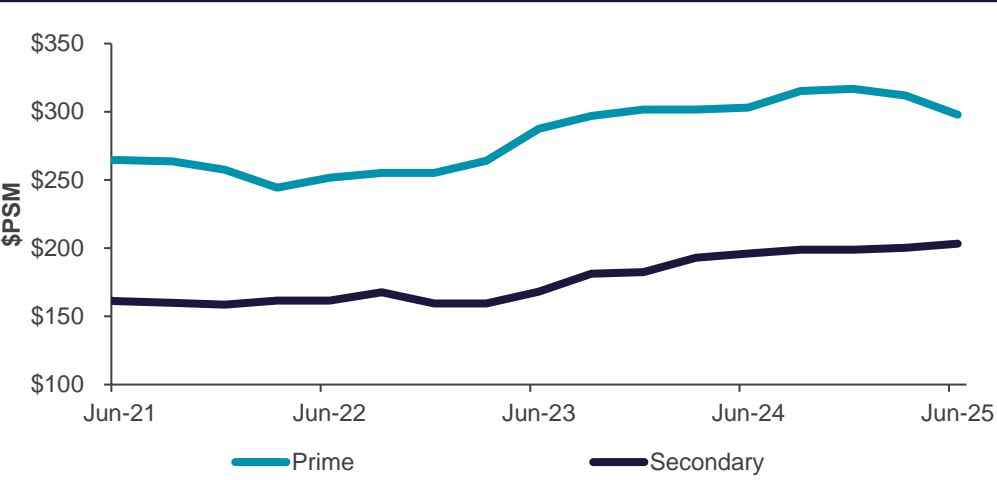
SPACE DEMAND / DELIVERIES



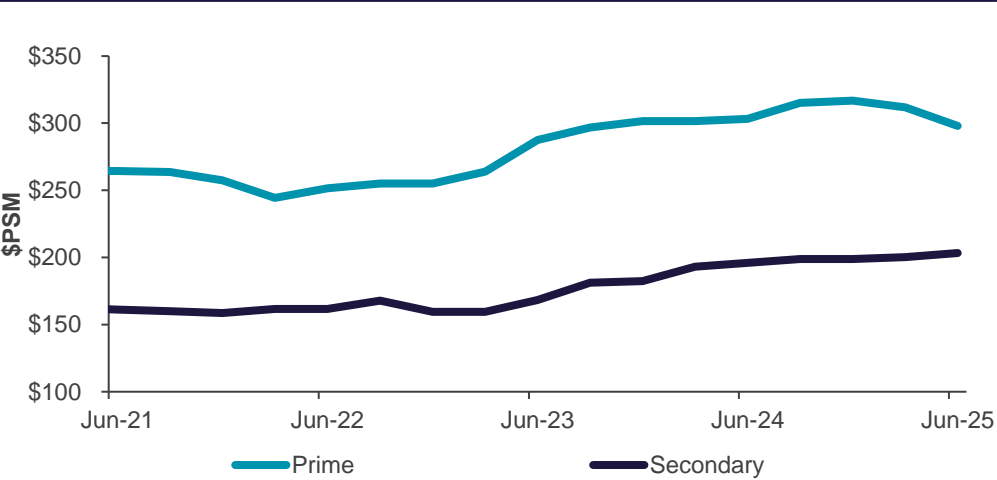
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



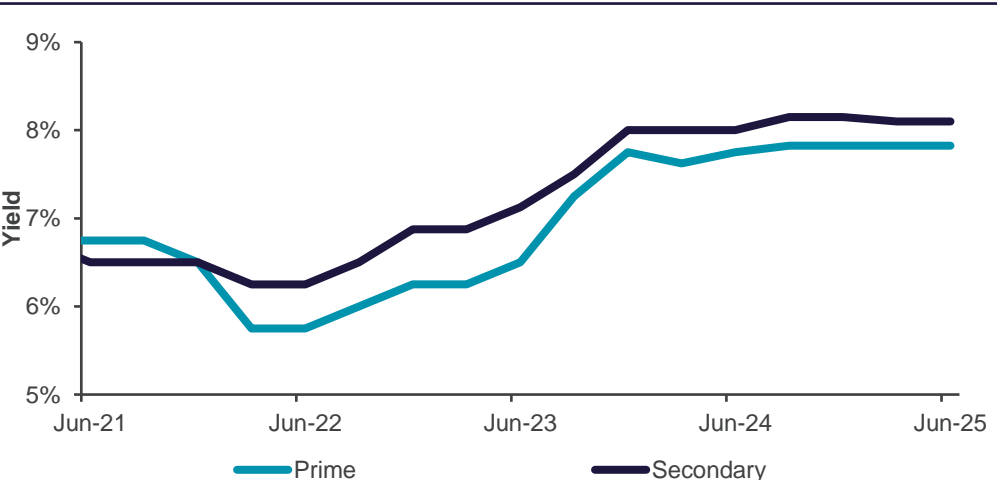
AVERAGE NET EFFECTIVE RENTS



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 demand inflection point, with positive absorption continuing for the past two years.

On the supply side, recent additions of new stock and refurbished stock is likely to keep vacancy slightly elevated over the near term as the stock is absorbed. The Kyren project at 42-56 Franklin Street, delivered around 21,000 sqm of A-grade office stock, and the refurbishment of 150 Grenfell Street added circa 9,500 sqm. Looking forward, the ICD Property Group’s Market Square development, expected in 2026, will provide an additional 22,000sqm of office space across three towers. While Festival Tower Two will deliver circa 50,000 sqm of office space across 36 levels in 2027.

YIELDS:

Amid the broader downturn in commercial real estate, Adelaide CBD office yields remained stable in 2024 and have continued this trend through H1 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:

Investor appetite for prime-grade office assets remains strong, particularly for properties offering secure lease covenants and contemporary features. Despite this demand, transaction volumes have been tempered by the limited availability of high-quality stock, with both institutional and private investors continuing to target well-located, premium assets.

In one of the first major transactions of 2025, Centennial has acquired the A-grade office tower at 63 Pirie Street from the Raptis Family. The 11-level, 11,300 sqm building, which boasts an average WALE of 3.7 years, was secured for \$50.5 million, reflecting continued confidence in Adelaide’s core office market. Another recent sale (H2 2024) was the 19 Grenfell Street property, which changed hands for \$25.5 million. The asset was sold by Shakespeare Property Group to Exceed Capital Pty Ltd, further highlighting the ongoing competition for quality office investments in strategic CBD locations.

OUTLOOK

- Economic growth is expected to strengthen through the second half of 2025 and through 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, driven by quality uplift from new and refurbished stock and increasing levels of demand.
- Occupier demand is expected to remain strong, 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	753,338	136,090	18.1%	22,102	72,000	\$298	41.0%	\$155
Secondary	467,762	74,245	15.9%	1,150	-	\$203	41.5%	\$128
TOTAL MARKET	1,570,376	257,444	16.4%	22,606	30,485			

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
108 North Terrace	Adelaide Core	Adelaide University	9,472	Direct
30 Pirie Street	Adelaide Core	Interleasing Australia	500	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
63 Pirie Street	Adelaide Core	Centennial	11,329	50.5

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

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

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