

MARKET FUNDAMENTALS

	YOY Chg	Outlook
14.9% Vacancy Rate	▲	▼
22,326 6-month Net Absorption, sqm	▼	▲
\$308 Prime Net Effective, sqm pa	▬	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.8% (National) GDP Growth	▲	▲
1.9% (South Australia) State Final Demand Growth	▲	▼
4.3% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

The demand side of the economy remains robust, though likely only in the short term. A rebound in demand drove inflation higher in July, with CPI rising to 2.8% year-on-year from 1.9% in June, largely due to the expiration of electricity subsidies. This rebound in inflation has tempered expectations for an imminent rate cut at the Reserve Bank of Australia’s (RBA) meeting on 30 September. Meanwhile, GDP grew by 0.6% quarter-on-quarter in Q2, up from 0.3% in Q1, driven primarily by stronger private consumption, with forecasts expecting GDP to continue to improve through 2025 and 2026. South Australia's economic growth is expected to slow through 2025, with a 1.6% projected increase for the year, before easing to 1.2% in 2026.

DEMAND:

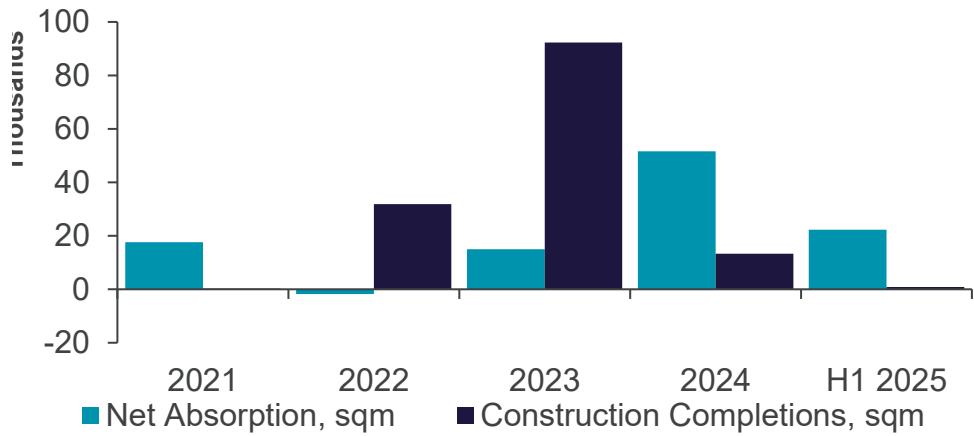
The Adelaide CBD office market has demonstrated sustained growth from late 2023 through Q3 2025, underpinned by two and a half years of consecutive positive net absorption and a steady uplift in enquiry levels and take-up activity. Leasing demand has remained resilient, supported by tenant confidence and a broadening occupier base. A driver of activity has been the quality uplift in the CBD, with refurbished assets and new stock re-entering the market, attracting tenants seeking upgraded space. This flight to quality has also encouraged a number of occupiers to relocate from suburban markets into the CBD, further strengthening demand dynamics.

RENT:

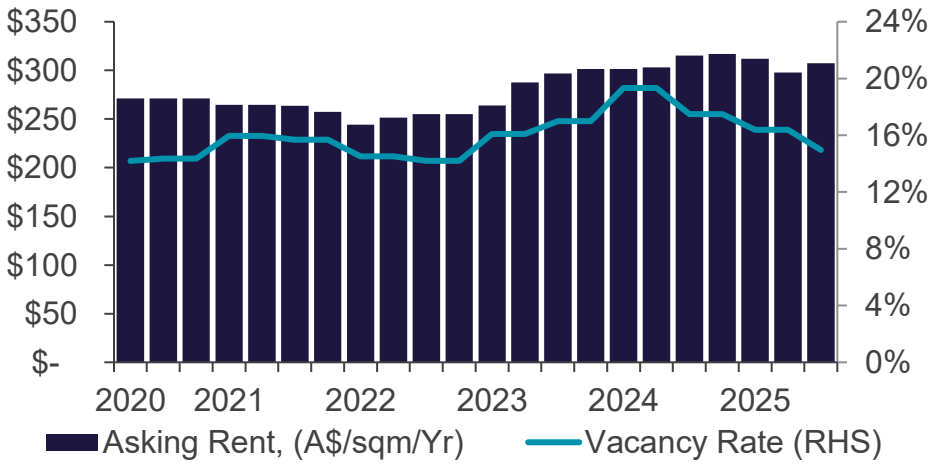
The Adelaide CBD office market remained firm in Q3 2025, with quality uplift continuing to drive face rent growth. A-Grade net effective rents rose \$10 (3.2% Q-o-Q) to \$308, while B-Grade increased \$6 (2.9% Q-o-Q) to \$209, supported by steady demand across both segments.

Tenant interest in upgraded space remains strong, particularly among occupiers relocating from suburban markets. Incentives stabilised this quarter at 40% for A-Grade and 41.5% for B-Grade. Outgoings edged slightly higher, driven by rising operational and compliance costs. With competition for quality space expected to persist, rental growth is likely to continue.

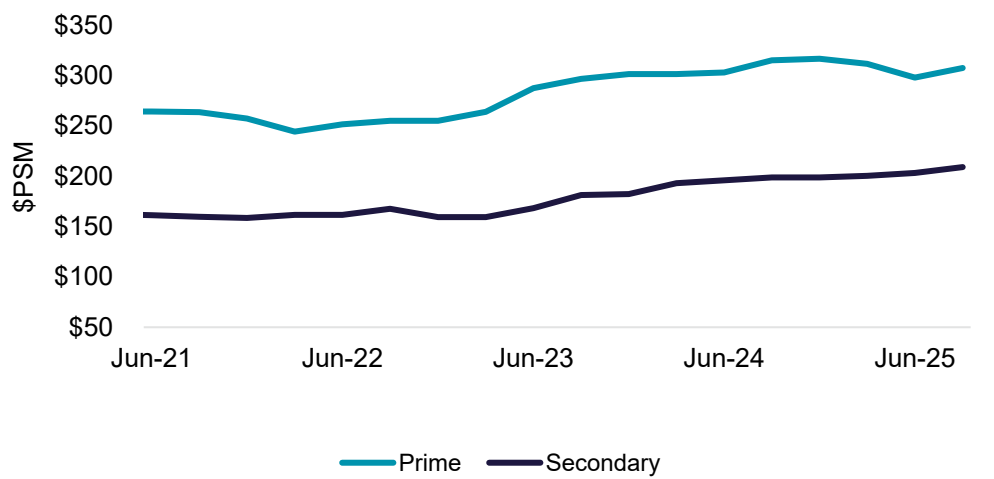
SPACE DEMAND / DELIVERIES



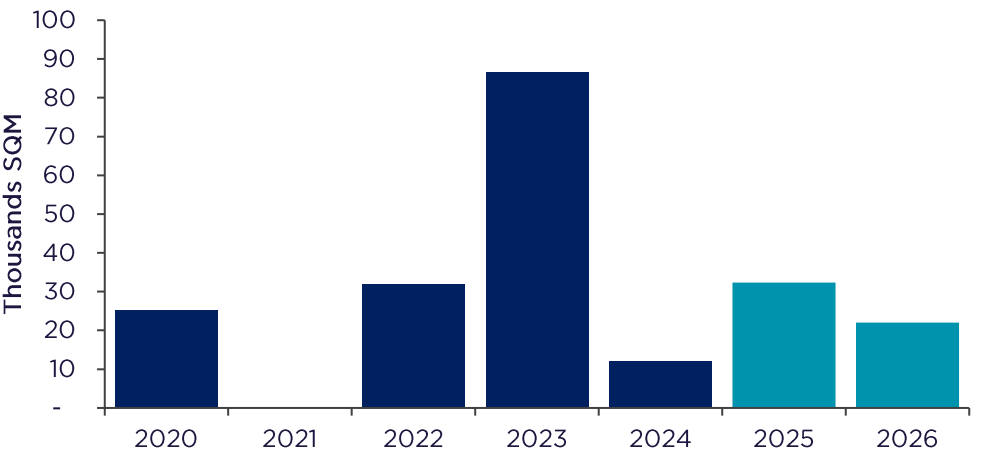
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



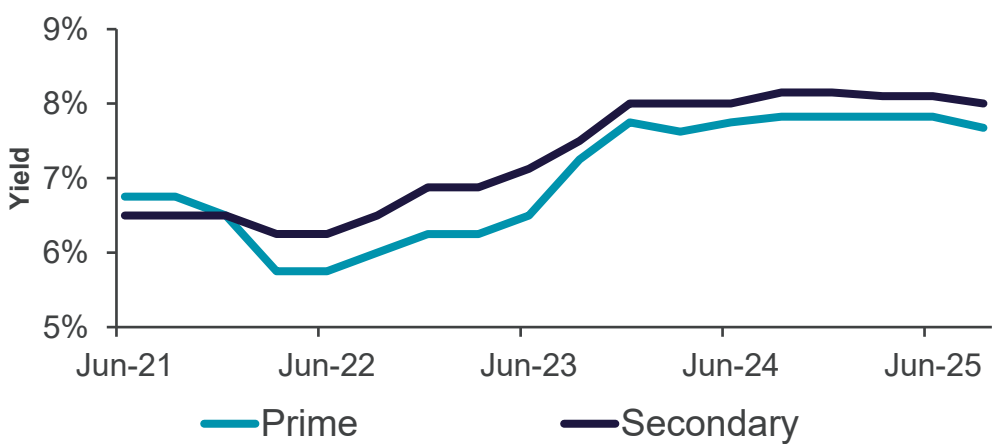
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy in the Adelaide CBD dropped to 15% over the front half of 2025, continuing the 18-month downward trend from 19.3% at the end of 2023. This sustained improvement confirms the market has moved past its demand inflection point, supported by two and a half years of positive net absorption. The decrease was led by A-Grade assets, which benefited from strong tenant demand for quality space. In contrast, B-Grade vacancy rose slightly, highlighting a growing divide between prime and secondary stock as occupiers continue to prioritise upgraded space.

On the supply side, recent additions of new stock and refurbished stock is likely to keep vacancy slightly elevated over the second half of 2025. 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 H1 2025. Q3 saw the first compression of A-grade yields, down 15 bps to range between 6.75% and 7.60%, indicating that the market may be past the bottom of the cycle. While secondary grade yields, also showed slight compression settling between 7.10% and 8.10%, down 10bps from Q2.

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 Q3 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 Q3 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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