

MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.0% Vacancy Rate	▲	▼
22,326 6-month Net Absorption, sqm	▼	▲
\$321 Prime Net Effective, sqm pa	▬	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% (National) GDP Growth	▲	▲
2.3% (South Australia) State Final Demand Growth	▲	▼
4.4% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

Economic conditions remain steady, supported by resilient domestic demand and labour market conditions, though inflationary pressure has been more persistent than expected. Headline CPI increased 3.4% year-on-year (yoy) in November, the fourth consecutive month it landed outside the Reserve Bank of Australia's (RBA) 2% to 3% target band, while the RBA's preferred measure of trimmed mean inflation also came in above 3%. Recent RBA commentary indicates the current easing cycle is likely complete, with policymakers taking a longer-term view on inflation before considering further adjustment .Australian economic growth softened slightly in the second half of 2025, with GDP rising 0.4% quarter-on-quarter (qoq) in Q3, down from 0.6% in Q2. Looking ahead, growth is expected to accelerate throughout 2026. South Australia's economic growth remains resilient, expanding 1.6% year-on-year, with growth expected to remain at 1.6% by the end of 2026.

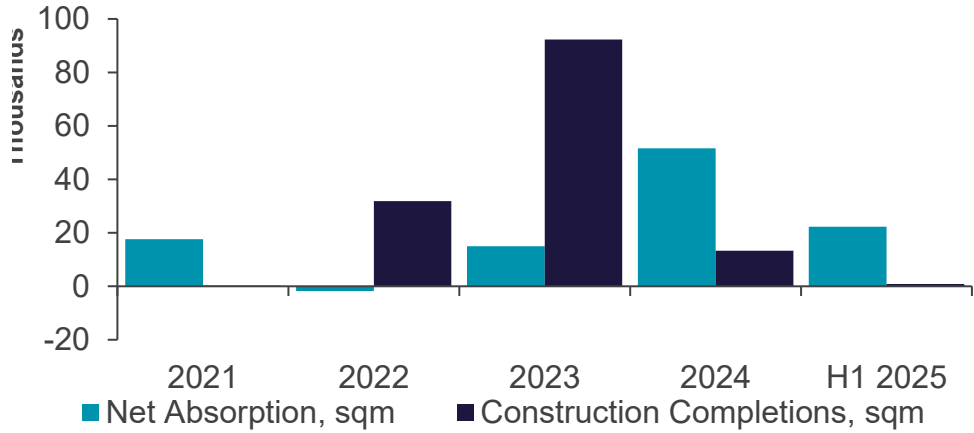
DEMAND:

The Adelaide CBD office market continued to exhibit solid momentum through Q4 2025, extending the run of positive net absorption that began in late 2023. Leasing conditions remain constructive, supported by consistent enquiry levels and sustained take-up across a broad occupier base. Demand has been increasingly skewed towards higher-quality office stock, with refurbished buildings and newly delivered stock gaining traction. This ongoing quality upgrade within the CBD has been a key driver of leasing activity, reinforcing underlying demand conditions.

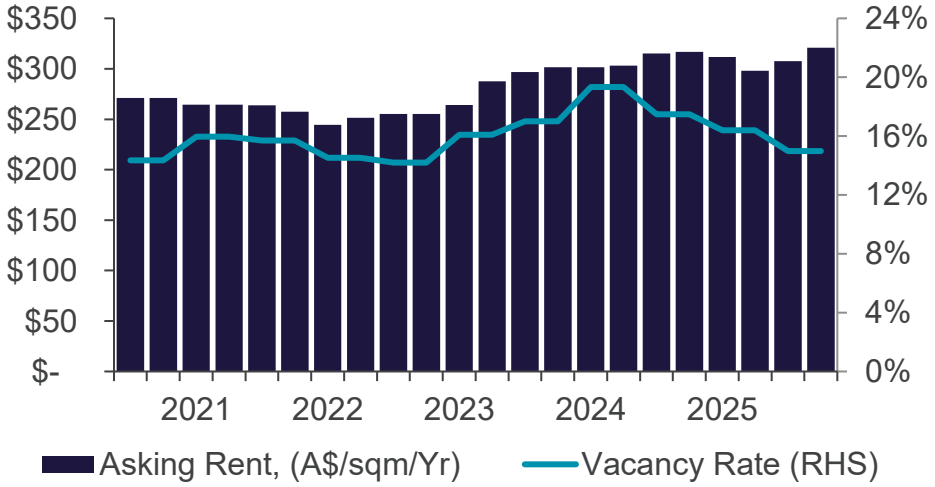
RENT:

Rental conditions in the Adelaide CBD remained resilient over Q4 2025, with diverging performance evident across grades. A-Grade net effective rents increased by \$13 (4.3% qoq) to \$321, reflecting continued competition for prime space and a tightening incentive environment. In contrast, B-Grade net effective rents eased by \$8 (-3.8% qoq) to \$201, as landlords responded to heightened competition through increased incentives. Net incentives trended lower for A-Grade assets, declining to 38%, while B-Grade incentives rose to 44.5%. Tenant demand continues to favour upgraded stock. Outgoings were stable over the quarter following incremental increases earlier in 2025.

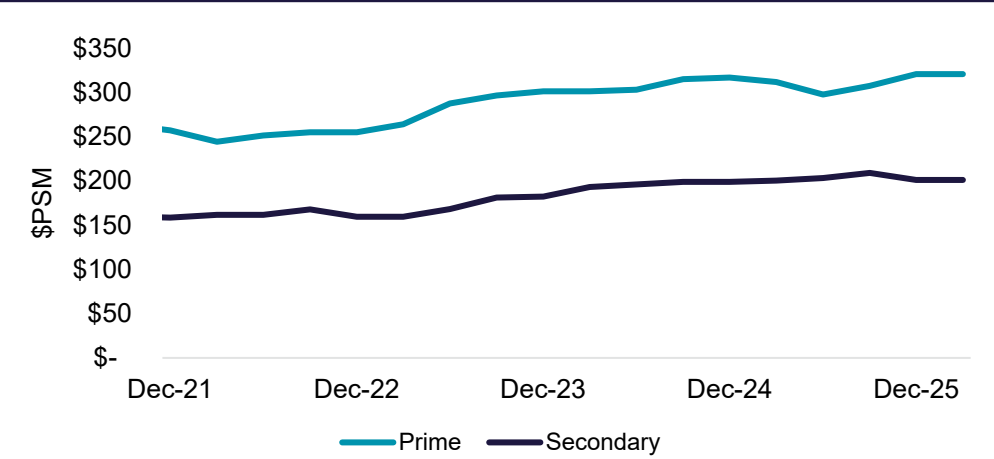
SPACE DEMAND / DELIVERIES



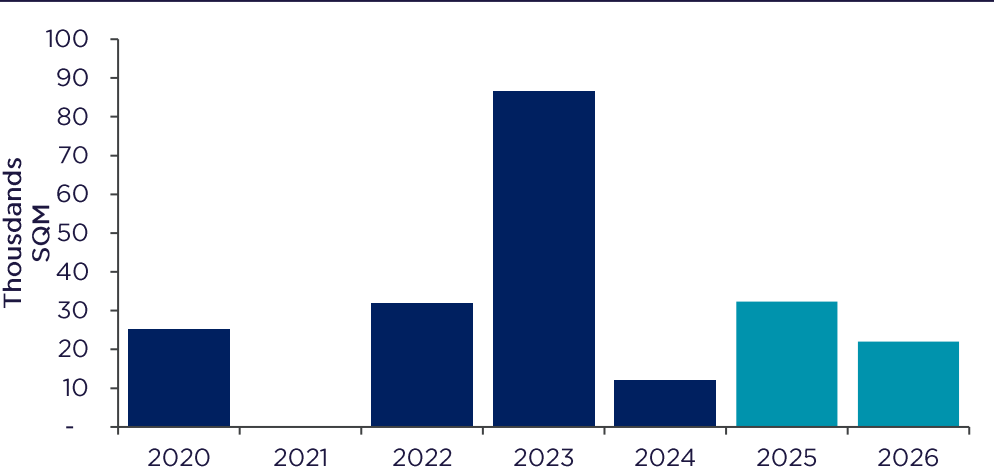
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



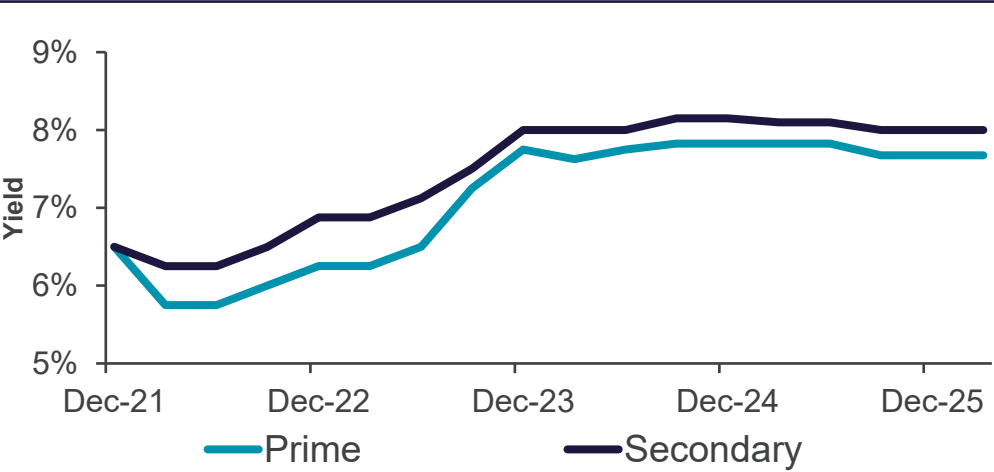
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy in the Adelaide CBD remained broadly stable over Q4 2025, with market conditions continuing to reflect the gradual improvement recorded over the past 18 months. Leasing activity remains concentrated in A-Grade assets, supported by sustained tenant preference for higher-quality office stock. In contrast, secondary-grade stock continues to experience softer leasing conditions, reinforcing the divergence in performance across the market.

Recent supply additions are expected to limit significant vacancy compression in the near term. Completions during the year included the Kyren development at 42–56 Franklin Street, which delivered approximately 21,000 sqm of A-Grade office stock, along with the refurbishment of 150 Grenfell Street, adding circa 9,500 sqm. The development pipeline remains active, with ICD Property Group’s Market Square project scheduled for completion in 2026, providing around 22,000 sqm of office stock across three towers. Festival Tower Two is anticipated to deliver a further circa 50,000 sqm of office stock across 36 levels in 2027.

YIELDS:

Adelaide CBD office yields remained unchanged over Q4 2025 and continue to sit at slightly elevated levels relative to long-term averages. A-Grade yields held in the range of 6.75% to 7.60%, supported by improving leasing fundamentals and steady investor demand. Secondary-grade yields also remained stable, ranging between 7.10% and 8.10%. With improving tenant enquiry forecast for 2026 it is expected that yields will begin to tighten.

INVESTMENT MARKET:

Investor demand for Adelaide CBD office assets remained steady in Q4 2025, with investor interest continuing to be underpinned by Adelaide’s relative value compared with east coast markets and improving occupational conditions.

In one of the major transactions of 2025, the prime CBD site at 274–275 North Terrace, was transacted for \$28.5 million to Kyanite, reflecting strong investor interest in well-located redevelopment opportunities. The property is earmarked for demolition, with the site to be repositioned for future redevelopment, underscoring continued confidence in Adelaide’s core CBD and long-term growth prospects.

In a recent sale (H2 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.

OUTLOOK

- Economic growth is expected to remain at 1.6% for 2026, aligning Gross State Product with longer term averages.
- The outlook for the Adelaide CBD office market remains positive, with steady rental growth forecast for 2026, 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 moderately increased 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 have reached the bottom of the cycle, with some moderate compression expected over the near term.

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	\$321	38.0%	\$157
Secondary	467,762	74,245	15.9%	1,150	-	\$201	44.5%	\$133
TOTAL MARKET	1,570,376	257,444	15.0%	22,606	30,485			

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
108 Wakefield Street	Adelaide Core	TASMEA	1,450	Direct
55 Currie Street	Adelaide Core	Amplitude Energy	1,802	Direct
30 Pirie Street	Adelaide Core	CUBED	2,000	Direct
30 Pirie Street	Adelaide Core	CPG Group	1,013	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
274 & 275 North Terrace	Adelaide Core	Kyanite	1,435	28.5

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

NATIONAL RESEARCH LEADS

JAKE MCKINNON

Associate Director,
National Research
Tel: +61 (0) 410 611 548
jake.mckinnon@cushwake.com

NATIONAL LEADS

JOSH CULLEN

Head of Capital Markets,
Australia and New Zealand
Tel: +61 (0) 438 351 113
josh.cullen@cushwake.com

LOCAL MARKET LEADS

ADAM HARTLEY

Managing Director &
Head of Office Leasing
Tel: +61 (0) 419 174 764
adam.hartley@cushwake.com

TIM MOLCHANOFF

Head of Office Leasing, Australia and
New Zealand
Tel: +61 (0) 411 726 663
tim.molchanoff@cushwake.com

JOSH MCNAMARA

Managing Director,
Tenant Advisory Group ANZ
Tel: +61 (0) 449 960 090
josh.mcnamara@cushwake.com

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