

ECONOMIC OVERVIEW

Economic conditions remained steady through Q1 2026, supported by resilient domestic demand and labour market conditions. Inflation, however, remained above target over the quarter. Headline CPI rose 3.8% year-on-year in January 2026, while trimmed mean inflation increased to 3.4%. Reflecting this, the RBA lifted the cash rate target twice during the quarter, increasing it to 3.85% in February and 4.10% in March.

While Australian economic growth strengthened in late 2025, conditions are expected to improve through 2026. South Australia's economy remains resilient, with growth forecast to remain around 1.6% through the year.

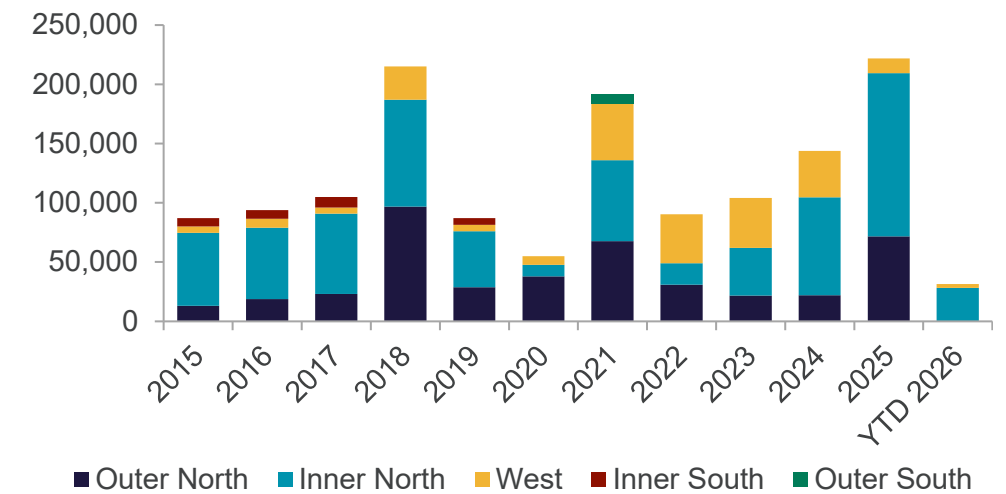
DEMAND

South Australia has continued to outperform economically, with state final demand in 2025 totalling 5.0%, which is well above the pace of growth recorded in other states. This momentum has carried over into warehouse demand, with both take-up and enquiries remaining buoyant.

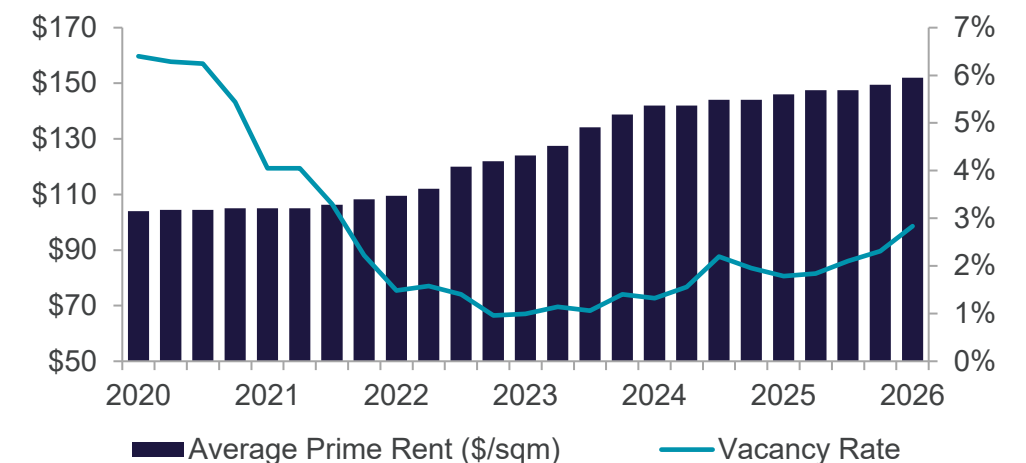
Gross take-up reached just over 30,000 sqm in Q1 2026; however, a similar volume of floorspace is close to being finalised. Activity remains concentrated in the Inner North submarket, with notable deals including Drive Group Australia leasing 3,523 sqm at Pooraka.

The current geopolitical environment is expected to present a near-term headwind for occupiers, particularly transport and logistics businesses, as volatility in global energy markets drives higher freight costs. However, current enquiry is diverse and includes defence, manufacturing and population-driven sectors such as construction and food. This diversity is expected to create a buffer for demand, while recent discussions indicate that occupiers remain committed to executing their medium to long-term warehouse requirements.

GROSS TAKE-UP (SQM)



VACANCY & AVERAGE PRIME RENTS



MARKET FUNDAMENTALS

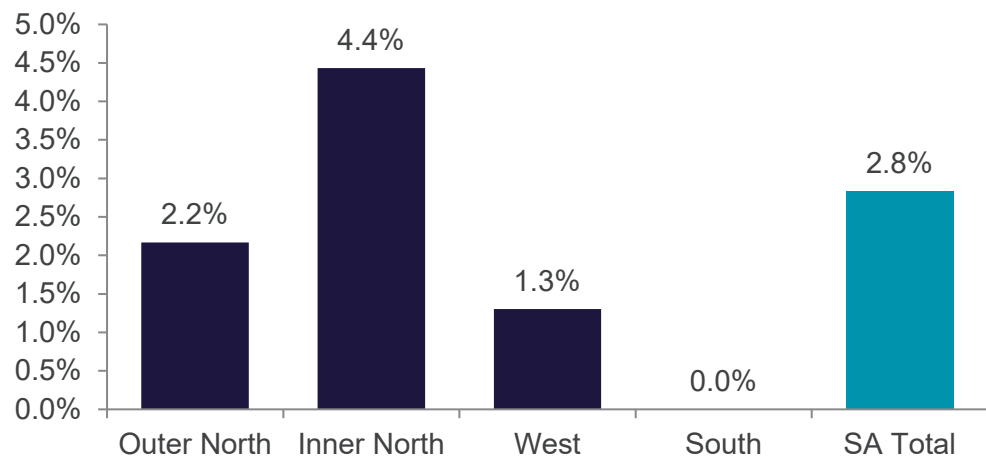
	YOY Chg	Outlook
2.8% Vacancy Rate	▲	▲
6.00% Average Prime Yield	▼	▼
1.7% Prime QoQ Rental Growth	▲	▲

ECONOMIC INDICATORS

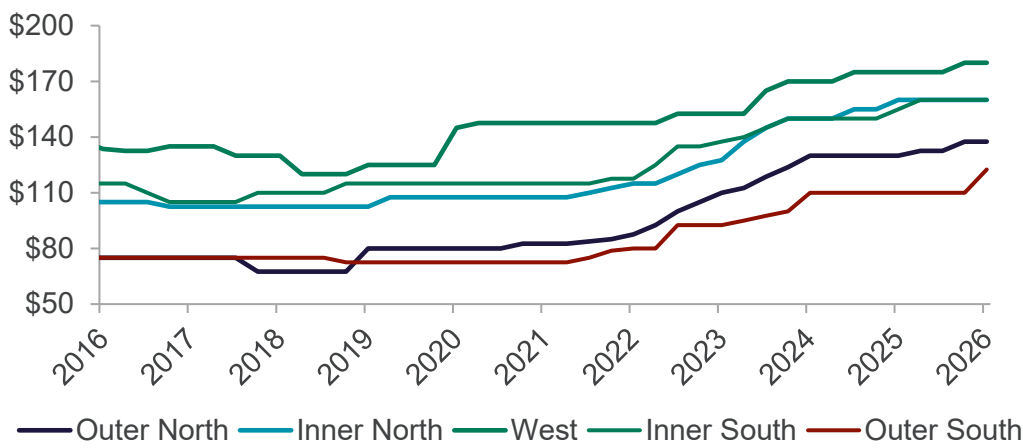
	YOY Chg	Outlook
2.1% National GDP Growth	▲	▲
5.0% State Final Demand Growth	▲	▲
4.1% National Unemployment Rate	▲	▲

Source: BLS

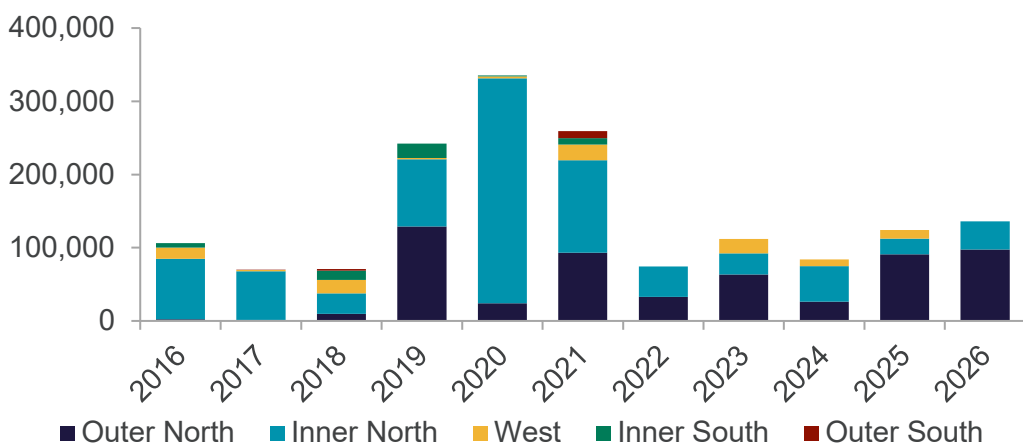
Q1 2026 VACANCY RATES BY SUBMARKET



PRIME NET FACE RENTS BY SUBMARKET (\$/SQM)



SUPPLY BY SUBMARKET (SQM)



VACANCY

The addition of secondary-grade backfill leasing options in the Inner North drove an increase in Adelaide’s vacancy rate in Q1 2026 to 2.8%, up from 2.3% in the previous quarter. Outside of the Inner North, vacancy remains materially lower at 1.3%. Several facilities are currently in advanced negotiations and, once transacted, will place downward pressure on the headline vacancy rate.

Leasing availability remains heavily skewed toward secondary grade options, which account for almost 60% of vacant floorspace. In contrast, prime grade leasing options are concentrated in a limited number of larger facilities, including Leyton Funds at 1772 Main North Road, Salisbury Plain (19,922 sqm) and Realside Ovest at Ovest Business Park, Salisbury South (10,500 sqm).

RENTS & INCENTIVES

Prime rents in Adelaide recorded modest growth of 1.7% this quarter, with the average now at \$152/sqm net face. Most of this growth stemmed from the southern submarkets, while higher economic rents to active new supply have dragged up rents for existing assets.

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 institutional groups.

SUPPLY

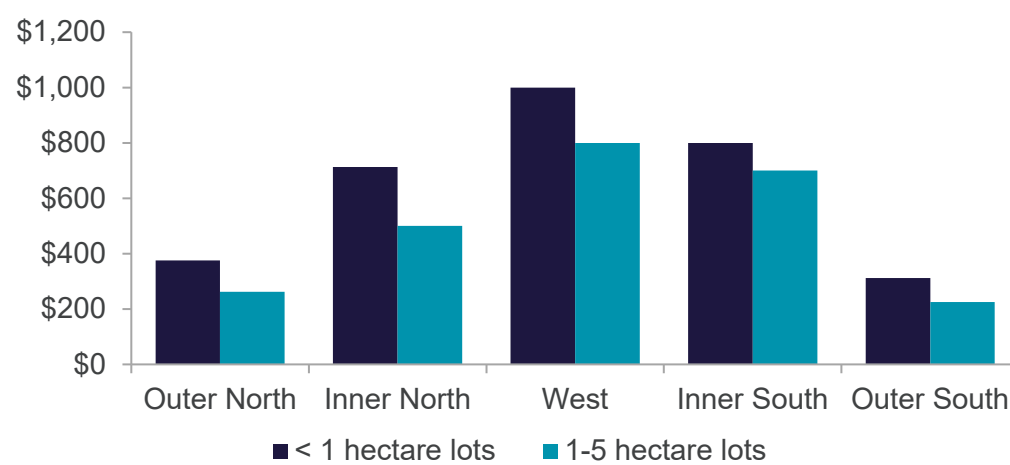
Supply additions in Q1 2026 totalled almost 20,000 sqm, underpinned by Charter Hall’s Edinburgh Logistics Park within the Outer North and Harmony’s Gillman Industrial Estate within the Inner North. For the balance of the year, there is just over 110,000 sqm in the pipeline, which includes 20,910 sqm within Centuria’s development at Direk and DHL’s 20,000 sqm facility at Edinburgh Park, both of which are in the Outer North submarket.

A handful of developers remain active in bringing speculative developments to market, capitalising on the undersupply of prime leasing options. For 2026, speculative projects amount to approximately 85,000 sqm, with notable projects being the above-mentioned Centuria development, 7-17 Tappa Road, Edinburgh (9,880 sqm – private) and 588 North Main Road, Gepps Cross (12,200 sqm – Commercial & General).

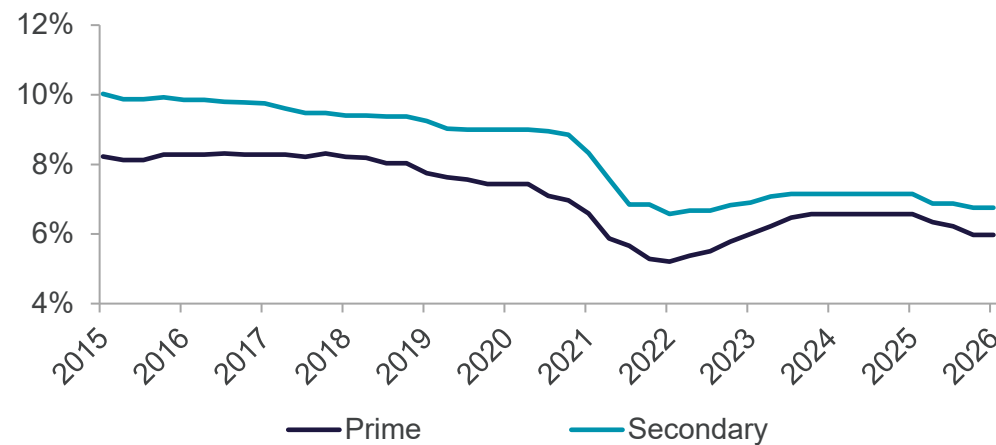
OUTLOOK

- Despite ongoing geopolitical uncertainty, tenant demand in Adelaide is forecast to remain buoyed by strong local economic conditions. However, elevated interest rates and softer business sentiment are likely to result in a more measured pace of decision-making in the near term, particularly among 3PL operators as they assess the impact of higher fuel costs.
- New supply is expected to remain constrained, reflecting limited land availability and development feasibility challenges in select precincts. This presents a window of opportunity for landowners with development-ready sites to capitalise on demand for prime-grade space.
- Adelaide’s vacancy rate is forecast to remain low over the next 12 months, due to low levels of uncommitted supply. Even if all speculative supply in the 2026 pipeline were delivered uncommitted, the overall vacancy rate would increase by only 90 basis points.
- Prime rental growth in the order of 3.80% is forecast in 2026, while incentives are expected to remain steady at their current levels.

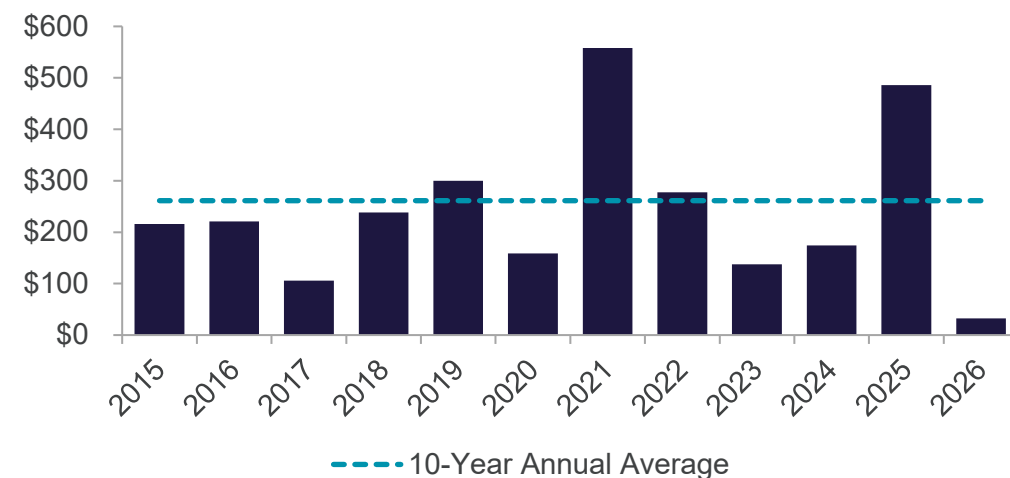
Q1 2026 LAND VALUES BY SIZE (\$/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES (\$M)



LAND VALUES

Active industrial land supply across Adelaide is limited, with less than 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 placed upward pressure on land values across all size bracket supported by solid owner-occupier demand. Growth has been strongest in the outer precincts, with the Outer North and Outer South submarkets both jumping by more than 9.0% in Q1 2026. In addition, recent sales evidence highlights solid growth in the Inner North.

At present, average land values are \$685/sqm for lots under 10,000 sqm. Alternatively, values for 1-5 hectare lots are lower at \$523/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 \$288/sqm for the same size.

YIELDS

Two interest rate rises and the subsequent increase in funding costs have tempered yield compression in the Adelaide market, with core market prime yields holding firm at 5.97%.

The 90-day BBSW has increased to approximately 4.2% over the quarter, which, when combined with prevailing lending margins, has pushed all-in debt costs above 5.4%. At these levels, assets continue to offer a positive carry, supporting investment activity despite higher funding costs. Investors are increasingly adopting a medium-term view on monetary policy, with expectations that easing will occur in late 2027 as inflation moderates, providing a more supportive backdrop for pricing.

INVESTMENT

Transaction volumes for Q1 2026 totalled just over \$32.0 million and includes 2-13 Turin Place & 26-28 Bremen Drive, Salisbury South which Centennial purchased for \$18.5 million. The other notable sale was CareSuper selling 50-52 Diagonal Road, Pooraka to a private investor for \$13.75 million.

There are multiple other assets currently in the market and if traded, would substantially boost overall volumes in 2026.

OUTLOOK

- Further upward pressure on land values is expected over the next 12 months as Adelaide remains a highly land-constrained market. Price support will continue to come from owner-occupiers and developers, with a clear preference for development-ready or derisked sites.
- Inflationary pressure and the flow on impact to interest rates and debt costs are expected to curtail yield compression. However, investment demand is forecast to remain robust as investors subscribe to medium to long-term fundamentals.
- Given the 50 basis point increase in the cash rate recorded to date and the view that another 25 basis point rise will occur in May 2026, pricing is expected to adjust, particularly for secondary or less functional assets as risk is more appropriately priced in.

Q1 2026 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)
PRIME								
Outer North	2.2%	0	\$138	\$25	10.0%	6.13%	\$2,245	\$288
Inner North	4.4%	28,272	\$160	\$25	6.0%	5.75%	\$2,783	\$575
West	1.3%	3,150	\$180	\$35	5.0%	5.75%	\$3,130	\$800
Inner South	0.0%	0	\$160	\$25	5.0%	6.13%	\$2,612	\$700
Outer South	0.0%	0	\$123	\$23	10.0%	6.25%	\$1,960	\$250
PRIME AVERAGE	2.8%	31,422	\$152	\$27	7.2%	6.00%	\$2,546	\$523
SECONDARY								
Outer North	-	-	\$93	\$20	5.0%	6.75%	\$1,370	-
Inner North	-	-	\$108	\$25	5.0%	6.63%	\$1,623	-
West	-	-	\$120	\$30	5.0%	6.63%	\$1,811	-
Inner South	-	-	\$105	\$20	5.0%	6.80%	\$1,544	-
Outer South	-	-	\$80	\$18	5.0%	7.13%	\$1,123	-
SECONDARY AVERAGE			\$101	\$23	5.0%	6.79%	\$1,494	-

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