

MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.5% Vacancy Rate	▲	▼
10,697 6-month Net Absorption, sqm	▼	▲
\$323 Prime Net Effective, sqm pa	—	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.6% (National) GDP Growth	▲	▲
5.0% (South Australia) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

Economic conditions remained steady through Q1 2026, supported by domestic demand and a tight labour market. Headline CPI was 3.8% year-on-year in January 2026, and the RBA lifted the cash rate to 3.85% in February and 4.10% in March. The higher-rate environment and rising geopolitical risks are near-term headwinds for occupier demand and investment, so any recovery is likely to be more measured than was forecast earlier this year. South Australia's economy remains resilient, with state GDP growth forecast at 1.6% for 2026, but it remains exposed to these broader downside risks.

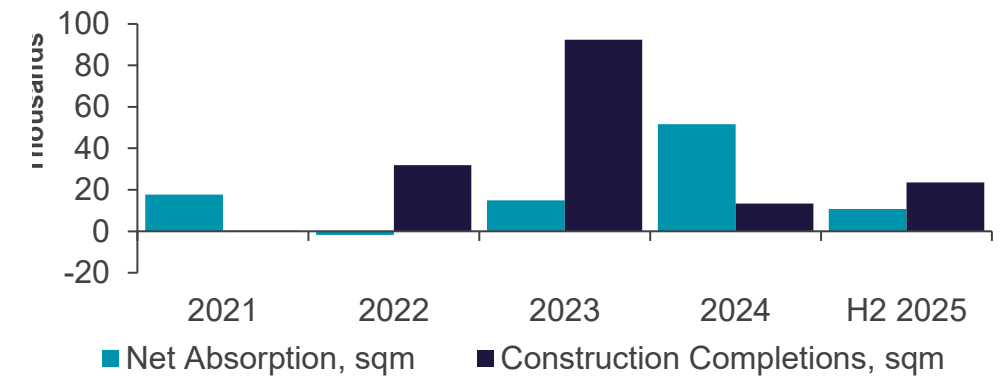
DEMAND:

The Adelaide CBD office market continued to record solid momentum through Q1 2026, 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 become increasingly concentrated towards higher-quality office stock, with refurbished buildings and newly delivered space attracting the strongest interest. Over the quarter, enquiry and leasing activity was notably focused on larger floorplates, particularly within well-located and upgraded assets. This ongoing flight to quality across the CBD remains a key driver of leasing activity and continues to underpin market fundamentals. Six-month net absorption totalled 10,697 sqm, highlighting the market's continued momentum.

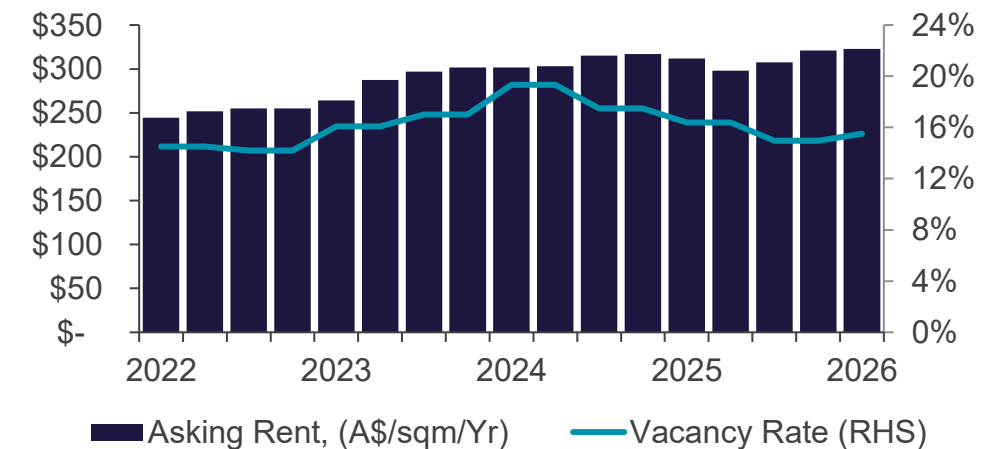
RENT:

Rental conditions in the Adelaide CBD remained stable in Q1 2026, with both prime and secondary markets recording modest growth over the quarter. Prime net effective rents increased slightly to approximately \$323 sqm p.a., reflecting continued competition for higher-quality space and a relatively tighter incentive environment across the top end of the market. B-Grade net effective rents also improved to around \$205 sqm p.a., supported by stable face rents and a modest easing in incentive pressure. Net incentives remained lower for prime stock at roughly 38%, while B-Grade incentives remained elevated at around 43.5%.

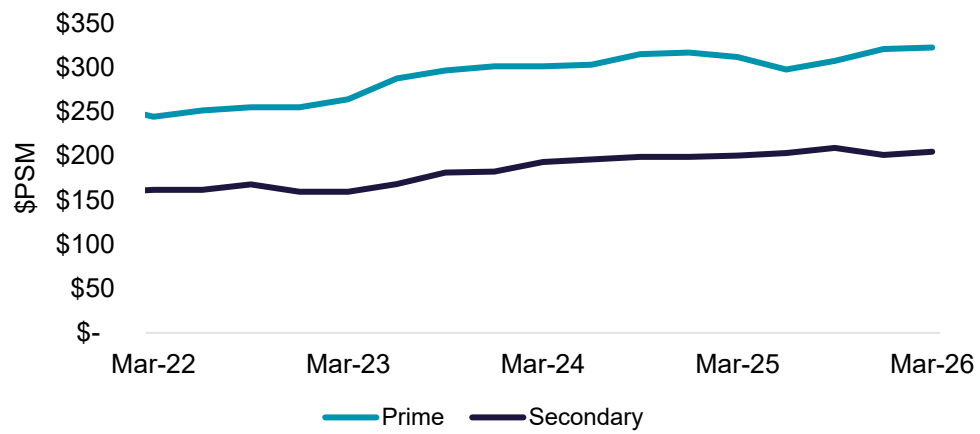
SPACE DEMAND / DELIVERIES



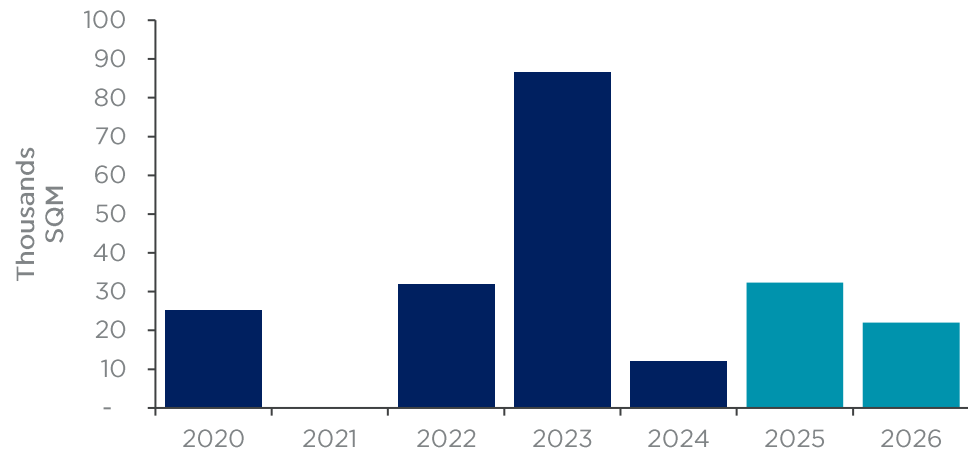
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



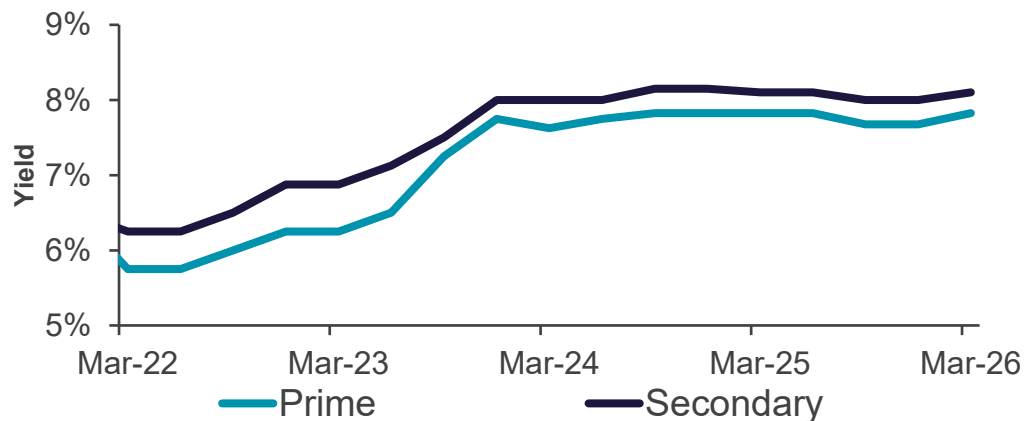
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy in the Adelaide CBD increased to 15.5% in Q1 2026, with the rise largely driven by the delivery of new supply over the quarter. At the same time, demand also strengthened, with leasing activity supported by occupier preference for higher-quality office stock. Take-up remained concentrated in A-Grade assets, particularly newly completed and refurbished buildings, while secondary-grade stock continued to face softer conditions.

Recent projects included Kyren at 42–56 Franklin Street, which delivered approximately 21,000 sqm of A-Grade space, and the refurbishment of 150 Grenfell Street, which added around 9,500 sqm. The forward pipeline remains active, with ICD Property Group’s Market Square scheduled to complete in 2026 with around 22,000 sqm across two towers. Construction has also commenced on Festival Tower Two, with the project expected to deliver around 55,000 sqm across 38 levels on completion in Q1 2029.

YIELDS:

Adelaide CBD office yields softened modestly in Q1 2026, reflecting repricing that continued across the quarter. Prime yields moved out to range between 6.90% and 7.75%, while B-Grade yields softened to 7.10% to 8.10%. Despite this, investor demand remained evident for well-located assets. Looking ahead, these ranges are likely to remain broadly stable in the near term, but higher cash rates, global uncertainty and local vacancy and income pressures could pose downside risk to yields, liquidity and the timing of a market recovery, with any movement expected to be modest and highly asset-specific.

INVESTMENT MARKET:

Investor activity in the Adelaide CBD office market improved in Q1 2026, with recent transactions demonstrating continued demand for well-located assets across both income-producing and vacant opportunities. 75 Hindmarsh Square reportedly sold off market in February for approximately \$42.4 million at an in-place yield of 6.25%, while the vacant 77 Grenfell Street tower was reported sold to LAS Group for approximately \$45.7 million. Marketing material for 77 Grenfell Street had emphasised the asset’s vacant possession and repositioning potential, including possible student accommodation, hotel or residential conversion.

The quarter’s sales evidence suggests investor interest was broadening across the Adelaide CBD, with buyers willing to pursue both secure income and higher-risk repositioning plays where pricing and underlying fundamentals remain attractive. However, recent fiscal and geopolitical changes may temper investment demand.

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. However, positive absorption is expected to continue through 2026, which should place downward pressure on vacancy and support a gradual improvement in market conditions over the near term.
- Recent transaction activity, despite being limited, suggests investor demand remained in place, although the higher interest rate environment and current geopolitical climate may temper previous compression forecasts.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	TOTAL 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	774,750	127,691	16.5%	7,128	55,000	\$323	38.3%	\$158
Secondary	470,843	74,267	15.8%	6,100	-	\$205	43.5%	\$134
TOTAL MARKET	1,593,215	247,260	15.5%	10,697	55,000			

*Rental rates reflect full service asking

** Secondary reflects B-grade

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
27 Currie Street	Adelaide Core	EDU	1,114	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 Q1 2026

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
75 Hindmarsh Street	Adelaide Core	-	4,600	42.4
77 Grenfell Street	Adelaide Core	LAS Group	16,500	45.7

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
Festival Tower Two	Adelaide Core		55,000	Walker Corporation

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