MARKETBEAT
ADELAIDE CBD
OFFICE Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.5% Vacancy Rate	▲	▼
10,697 6-month Net Absorption, sqm	▼	▲
$326 Prime Net Effective, sqm pa	—	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5% (National) GDP Growth	▲	▲
3.8% (South Australia) State Final Demand Growth	▲	▲
4.3% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

Economic conditions remain mixed, with growth moderating while inflationary pressures continue to build. GDP rose by 0.3% in the March quarter and 2.5% over the year, reflecting softer household and government consumption. Meanwhile, headline CPI rose 4.2% year-on-year in April, while trimmed mean inflation ticked higher to 3.4%.

The RBA held the cash rate at 4.35% in June following three increases earlier in 2026; however, the full impact of tighter monetary policy will continue to flow through the economy over coming months. South Australia is unlikely to be immune, with economic growth forecasts for 2026 revised down to just over 0.5% for the year.

DEMAND:

Adelaide CBD leasing demand held firm through Q2 2026, with positive absorption continuing despite a weaker economic backdrop. Six-month net absorption reached 10,697 sqm, supported by activity across larger floorplates and continued tenant migration into better-quality space.

The key shift this quarter was the stronger pull towards newly delivered and refurbished assets. Tenants remain selective, but enquiry is increasingly directed at buildings that can offer modern services, amenity and efficient floors. This has supported leasing outcomes across prime assets, while secondary buildings without recent upgrades are facing more pressure to compete on price, flexibility and incentives.

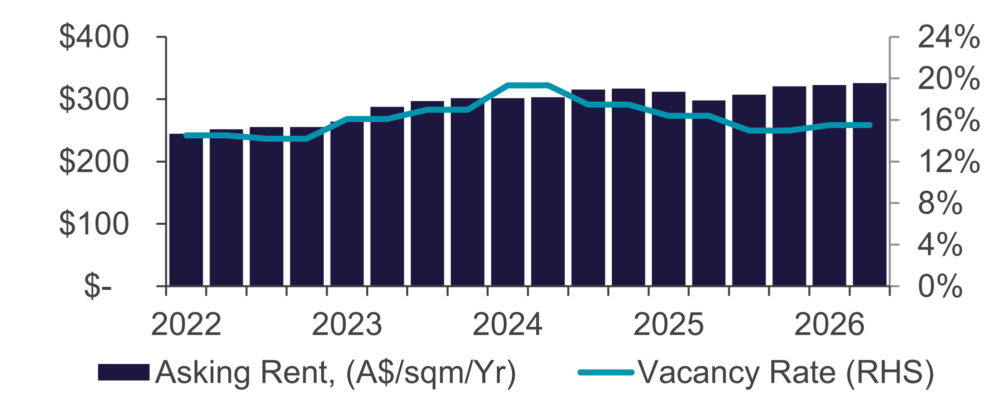
RENT:

Adelaide CBD rents strengthened in Q2 2026, with prime assets recording the clearest uplift. Prime net effective rents increased to $326 sqm pa, up 9.3% YoY, supported by higher face rents and lower incentives compared with a year earlier. Prime net face rents rose to $528 sqm pa, while net incentives held at 38.3%.

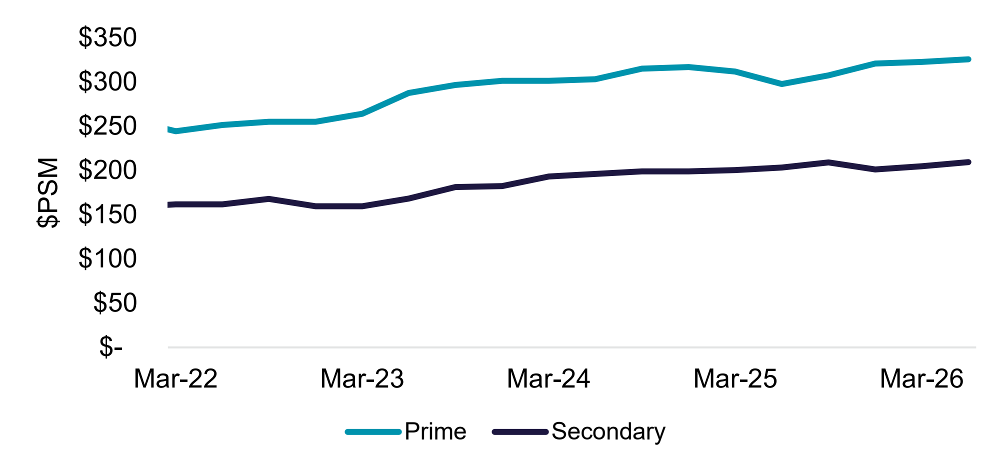
B-grade rents also improved, with net effective rents reaching $209 sqm pa, up 3.0% YoY. However, the gap between prime and secondary performance remains clear, with B-grade incentives still elevated at 43.0%. Rental growth is being driven more by better-quality stock than by a broad-based market uplift, with owners of older assets likely to need further upgrades or sharper leasing terms to remain competitive.

SPACE DEMAND / DELIVERIES

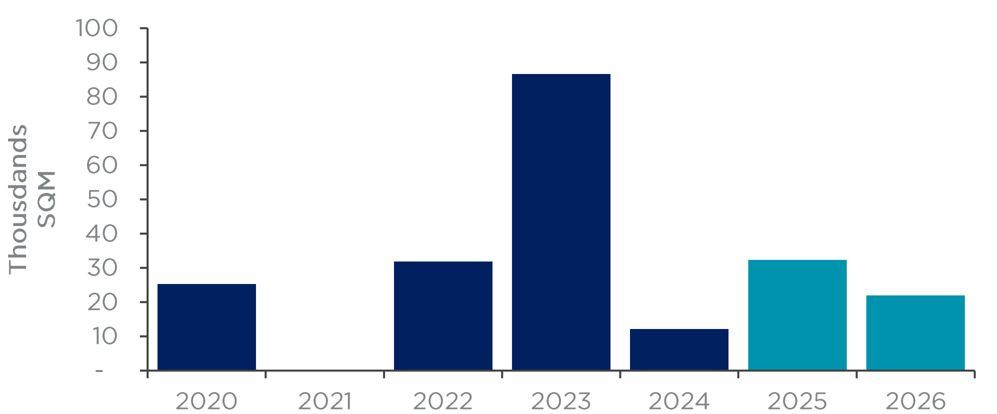
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



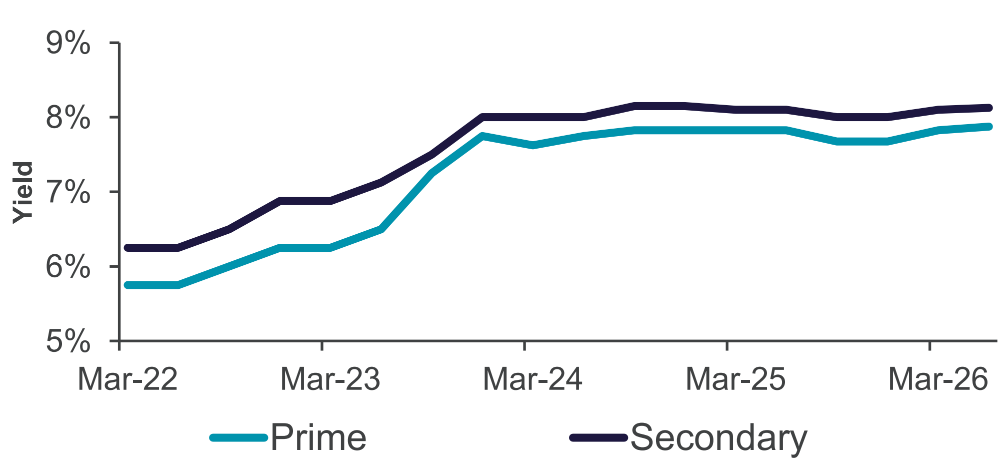
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Adelaide CBD vacancy rose to 15.5% in Q2 2026, mainly reflecting the impact of recent new and refurbished supply. The completion of Kyren at 42–56 Franklin Street and the refurbishment of 150 Grenfell Street added high-quality space to the market, lifting availability even as tenant demand remained positive.

This is an important distinction: the vacancy increase does not point to weaker demand, but rather the market absorbing a fresh round of supply. With Festival Tower Two under construction and expected to deliver around 55,000 sqm, vacancy is likely to remain elevated in the near term. However, positive absorption and ongoing flight-to-quality demand should help limit downside risk across the better-quality segment.

YIELDS:

Adelaide CBD yields edged softer in Q2 2026, with prime yields moving to an average of 7.38% and B-grade yields to 7.63%. This indicates that pricing is still adjusting, particularly as buyers account for higher funding costs, leasing risk and the capex required to maintain asset competitiveness.

The yield movement was modest, but it reinforces that the market has not yet moved into a clear compression phase. Buyers are likely to remain selective, with stronger pricing reserved for assets that offer secure income, low near-term vacancy risk and limited capital expenditure requirements.

INVESTMENT MARKET:

Investment activity was modest in Q2 2026, with 151 South Terrace & 11-23 Holland Street (140 separately saleable strata-titled car parks) the only recorded sale for the quarter. A local private investor acquired the fully occupied Adelaide Frame asset from Rocca Property Group for approximately $18.15 million, reflecting a reported cap rate of 6.7%.

The sale points to continued buyer interest in smaller, income-producing assets with secure occupancy. However, elevated funding costs and disciplined underwriting continue to shape transaction activity, with buyer focus remaining on income security, asset quality and pricing relative to risk.

OUTLOOK

- Adelaide CBD is expected to remain steady through the remainder of 2026, although the market is likely to become more segmented.
- Prime and refurbished assets should continue to outperform, supported by occupier demand for better amenity, efficient floors and modern workplace standards.
- Vacancy is expected to remain elevated in the near term as recent supply is absorbed, but continued positive net absorption should support gradual improvement over time.
- Rental growth is expected to remain positive, led by prime assets rather than a broad-based uplift across all grades.
- Yields are likely to remain broadly stable, with any improvement dependent on lower funding costs, stronger capital flows and evidence that recent supply can be absorbed.
- Overall, Adelaide's near-term outlook remains constructive, but performance will be increasingly asset-specific, with quality, leasing strategy and capital requirements driving the gap between winners and underperformers.

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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	$326	38.3%	$158
Secondary	470,843	74,267	15.8%	6,100	-	$209	43.0%	$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 Q2 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Festival Tower Two	Adelaide Core	ATO	19,000	Direct

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
151 South Terrace	Adelaide Core	Local Private Investor	3,240	18.15

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	ATO	55,000	Walker Corporation

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