

MARKET FUNDAMENTALS

	YOY Chg	Outlook
16.3% Vacancy Rate	▲	▼
-9,224 6-month Net Absorption, sqm	▼	▲
\$343 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% (National) GDP Growth	▲	▲
2.8% (South Australia) State Final Demand Growth	▲	▲
4.4% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

Economic conditions remain mixed, with growth improving modestly while inflationary pressures remain elevated. GDP rose by 0.4% in the June quarter and 2.1% over the year, marking a slight improvement in quarterly growth despite a moderation in the annual rate. Meanwhile, headline CPI reached 3.5% year-on-year in July, while trimmed mean inflation rose to 3.6%, indicating that underlying inflation remains persistent. The RBA raised the cash rate by 25 bps to 4.60% in September, reflecting ongoing concerns around inflationary pressures and its commitment to returning inflation to the target range, while signaling that further tightening may be required if inflation remains elevated. South Australia's state final demand is forecast to grow by 1.9% in 2026 and strengthen by 2.2% in 2027.

DEMAND:

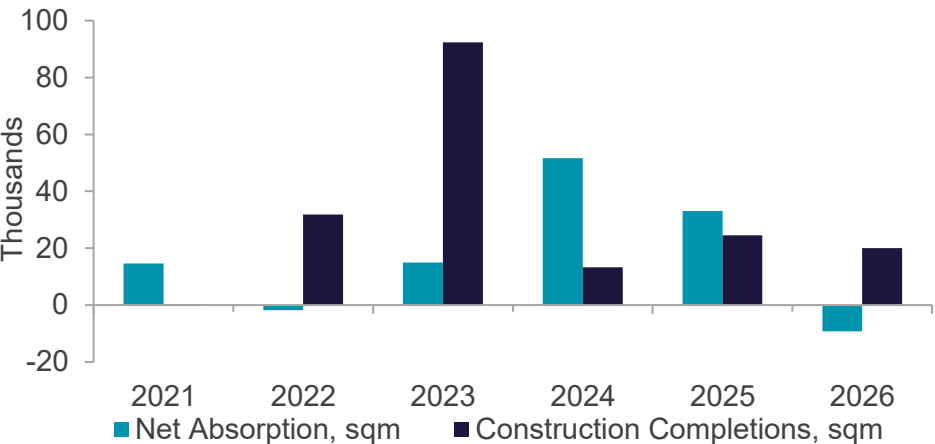
The latest PCA data showed Adelaide CBD net absorption of -9,224 sqm over H1 2026, with occupancy losses concentrated in C and D Grade stock. Prime and B Grade assets recorded positive absorption of 4,208 sqm and 3,409 sqm respectively, highlighting the increasingly divergent performance by asset quality.

Leasing activity remained evident through Q3, particularly across A Grade and better-quality secondary assets. Occupier preferences continue to favour buildings offering higher-quality accommodation, amenity and operational efficiency, while older, lower-grade stock faces greater occupancy pressure. The headline decline in occupancy therefore masks more resilient demand across the better-performing segments of the market.

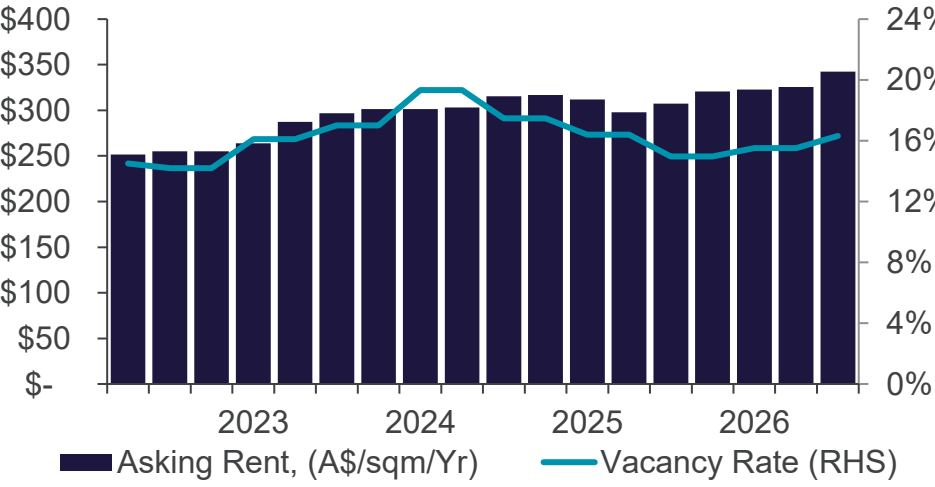
RENT:

Adelaide CBD rental conditions strengthened further through Q3 2026, led by continued growth across Prime assets. Prime net effective rents increased 5.1% over the quarter to \$342 per sqm p.a., supported by higher face rents and further incentive compression, with average incentives tightening 50 basis points to 37.8%. B Grade rental growth remained more moderate, with net effective rents increasing to \$215 per sqm p.a., while incentives held at 43.0%. The continued divergence in rental performance reflects stronger competition for higher-quality space, while landlords of secondary assets continue to face greater leasing pressure.

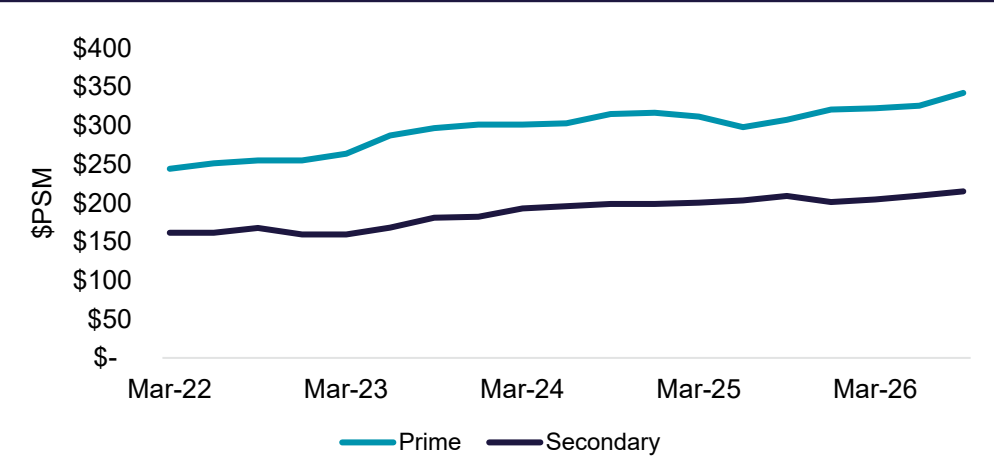
SPACE DEMAND / DELIVERIES



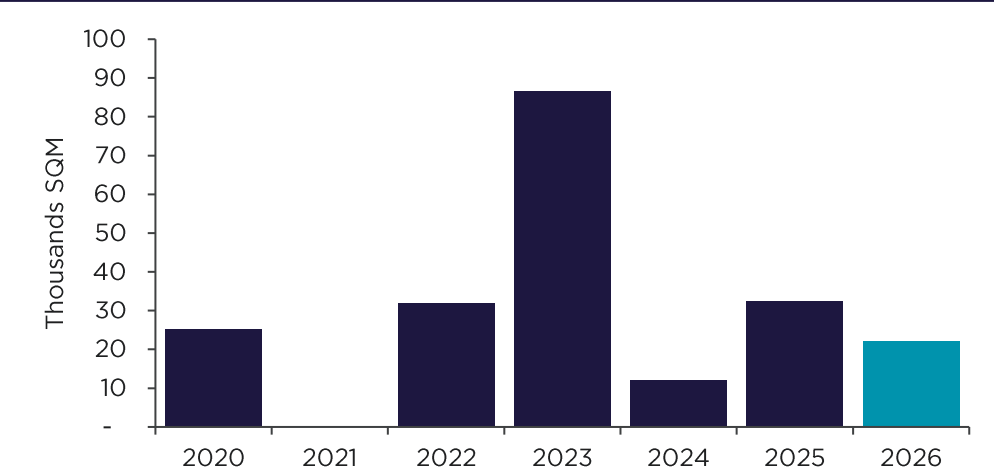
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



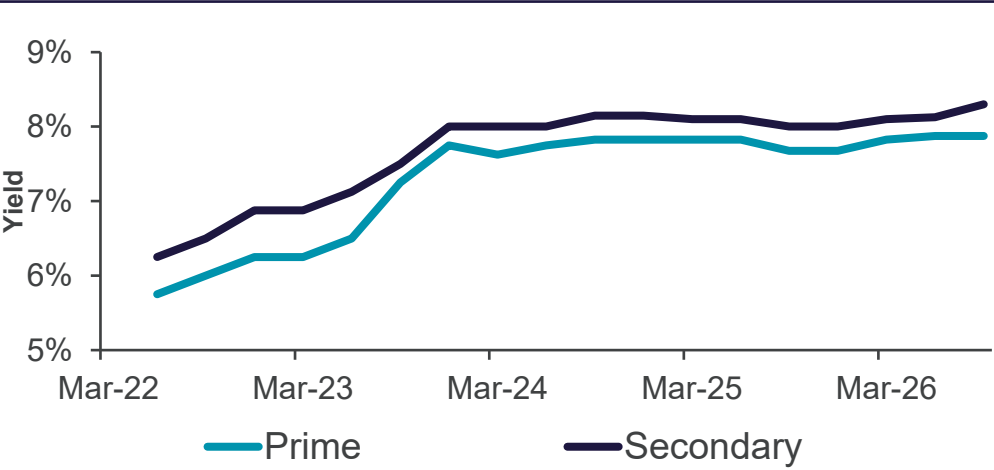
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Adelaide CBD vacancy increased to 16.3% in H1 2026, driven by significant occupancy losses across C and D Grade stock. In contrast, Prime vacancy edged lower to 16.4%, while B Grade vacancy declined to 15.0%. The divergence highlights the increasingly segmented nature of the market, with tenant demand supporting better-quality assets while vacancy continues to accumulate across lower-grade buildings.

The completion of Market Square added 20,000 sqm of office space to the market. Looking ahead, the development pipeline remains limited, with the 17,000 sqm Defence HQ at Lot Fourteen scheduled for completion in late 2028 and Festival Tower Two expected to deliver approximately 55,000 sqm in 2029. The proposed 299 Pirie Street office project has also been converted to a hotel development, further reducing future office supply.

YIELDS:

Adelaide CBD office yields were broadly stable in Q3 2026, with Prime yields holding at an average of 7.38%. In contrast, B Grade yields softened 17 basis points to 7.80%, reflecting greater investor caution towards assets carrying higher vacancy, leasing and capital expenditure risk.

Pricing remains more resilient for higher-quality assets offering secure income and limited near-term leasing risk, while older assets requiring significant capital expenditure continue to face greater scrutiny. The divergence points to increasing differentiation in pricing by asset quality and income security.

INVESTMENT MARKET:

Investment activity was subdued in Q3 2026, with no major office transactions recorded during the quarter. Sales completed earlier in the year included 151 South Terrace for \$18.15 million, 75 Hindmarsh Street for \$42.4 million and 77 Grenfell Street for \$45.7 million.

Attention has shifted to several assets currently being marketed, including 11 Waymouth Street and 431 King William Street, alongside a number of smaller opportunities. These campaigns should provide further evidence of buyer appetite and pricing as they progress through the remainder of 2026.

OUTLOOK

- Economic conditions are expected to remain mixed, with modest growth improvement balanced against persistent inflationary pressures.
- Vacancy is likely to remain elevated in the near term as C and D Grade stock continues to shed tenants, while demand remains more resilient across Prime and B Grade assets.
- The development pipeline remains limited over the medium term, with major additions not expected until Defence HQ in 2028 and Festival Tower Two in 2029.
- Prime rental growth is expected to continue to outpace B Grade, supported by stronger occupier demand and further potential incentive compression.
- Pricing differentiation between Prime and B Grade assets is expected to persist as investors remain focused on income security, leasing risk and capital expenditure requirements.
- Current sales campaigns should provide further evidence of buyer appetite and pricing through the remainder of 2026.

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	778,711	127,082	16.4%	4,208	72,000	\$342	37.8%	\$162
Secondary	470,843	69,838	15%	3,409	-	\$215	43%	\$137
TOTAL MARKET	1,597,176	258,865	16.3%	-9,224	72,000			

*Rental rates reflect full service asking

** Secondary reflects B-grade

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
178 North Terrace	Adelaide Core	Synergy Construct	1,084	Direct
108 Wakefield Street	Adelaide Core	CPP	3,584	Direct
11-16 South Terrace	Adelaide Frame	ACHA	1,926	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
-	-	-	-	-

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	20,000	Kyren Group
Festival Tower Two	Adelaide Core		55,000	Walker Corporation
Lot Fourteen	Adelaide Frame	BAE Systems Aus	17,000	Renewal SA

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