

ADELAIDE CBD

Office Q3 2023

\$270 Prime Net Effective Rents (sqm pa)

9.8% Y-o-Y Prime Net Face Rent growth

\$155 B-grade Net Effective Rents (sqm pa)

ECONOMIC INDICATORS Q2 2023

	Q1 23	Q2 23	12-Mo. Forecast
GDP Growth (National)*	3.6%	3.3%	▼
State Final Demand Growth (SA)*	3.7%	2.8%	▼
Unemployment (SA)†	3.7%	4.1%	▲

*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

ECONOMIC OVERVIEW

Financial and economic data for Q3 suggest a 'soft landing' for the Australian economy. Although economic growth has slowed, it remains positive. Meanwhile, inflation remains above the Reserve Bank of Australia's target band of 2% to 3%. Australian GDP growth slowed to an average annual rate of 3.3% in Q2 from 3.6% in Q1 and 3.7% a year earlier. Looking forward, growth is forecast to continue to slow before picking up again mid next year. South Australian GSP growth slowed to an average annual rate of 2.8% in Q2 from 3.7% in Q1 and 5.7% a year earlier. Like the national economy, GSP for South Australia is forecast to slow before accelerating mid next year to average 1.5% over the next decade, slightly below the long-term average of 1.9%.

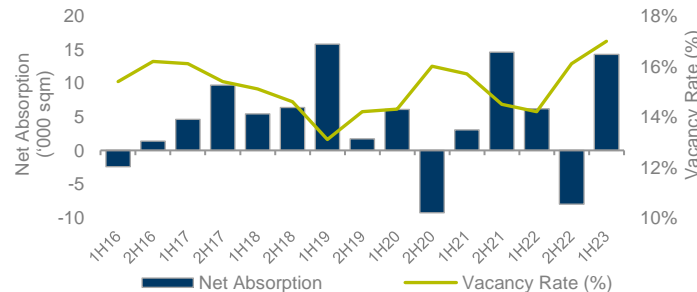
SUPPLY AND DEMAND

Following two years of muted supply additions, the last 12 months have seen 70,000 sqm of new stock be added to the Adelaide CBD office market. The addition of 39,000 sqm in Charter Hall's 14 storey, A-grade tower at 60 King William Street is the most recent addition to Adelaide stock. Pre-leasing for this asset was incredibly strong, with Services Australia taking 28,500 sqm and NAB and Telstra taking 3,000 sqm and 6,000 sqm respectively. The 40,000 sqm Festival Tower is due for completion late 2023 and is also experiencing strong levels of demand, with circa 70% pre-committed. Flinders University have committed to circa 20,000 sqm and Deloitte 7,000sqm. The flight to quality continues, as A-grade office space is in high demand, with positive 6-month net absorption of 20,000 sqm. In contrast, lower-grade office space is experiencing negative net absorption, highlighting the preference for higher-quality office spaces.

RENTS

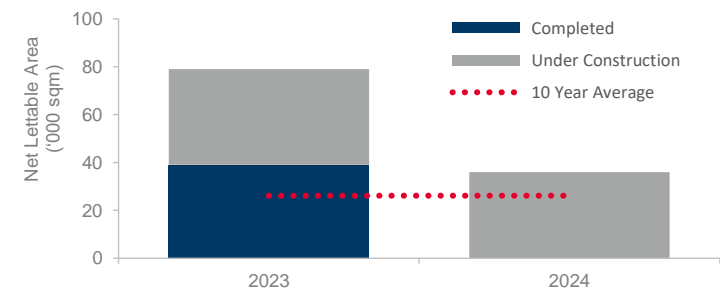
Despite rising vacancy and supply additions, demand for new product remains buoyant. Prime net face rents are currently \$475 sqm pa, an increase of 3% for the quarter and 10% year-on-year (Y-o-Y). While prime face rents are up, effective rents have been eroded by increases in outgoings, up \$10 over the quarter, and rising incentive levels pushed by greater competition among landlords. Face rents are expected to climb further with the addition of high-quality stock late this year. The story is similar in the secondary market with face rents increasing and effective rents being impacted by increasing incentives and outgoings. Secondary net face rents currently sit at \$315/sqm pa, up 14% YoY and net effective rents are \$155/sqm pa, down 8.5% Y-o-Y.

NET ABSORPTION, OVERALL VACANCY (6 MONTHLY)



Source: Property Council of Australia; Cushman & Wakefield Research

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REURBS



Source: Cushman & Wakefield Research; Property Council of Australia

Office Q3 2023

MARKET STATISTICS

SUBMARKET	INVENTORY [^] (SQM)	VACANCY RATE	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
A-grade	693,080	16.8%	81,300	270	175	105
Secondary grade	825,720	17.1%	-	155	100	60
ADELAIDE CBD TOTAL[^]	1,461,867	17.0%				

[^]All-grades - As at 22/09/2023. Source: Property Council of Australia and Cushman & Wakefield.
AUD/USD = 0.6425; AUD/EUR = 0.6033 as at 22 September 2023. Source: RBA

KEY LEASING TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LEASE SQM	LEASE TYPE
Festival Tower	Core	Deloitte	7,000	Pre-commitment
45 Pirie Street	Core	Homan Hodge	1,115	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS & REFURBISHMENTS UNDER CONSTRUCTION or APPROVED

PROPERTY	SUBMARKET	MAJOR TENANTS	BUILDING NLA	COMPLETION DATE
60 King William Street	Core	Services Australia, Telstra	39,000	Completed
Festival Tower	Core	Deloitte	40,000	Q4 2023
50 Franklin Street	Core	n/a	21,000	Q4 2024
The Adelaide Central Market	Frame	n/a	15,000	Q4 2024
150 Grenfell Street	Frame	Discovery Parks	9,300	Q3 2024
200 North Terrace	Core	n/a	26,000	2024+

Source: Cushman & Wakefield Research

JAKE MCKINNON

National Research Manager

+61 410 611 548

jake.mckinnon@cushwake.com

SAMEER EHSAN

Research Analyst

+61 404 968 664

sameer.ehsan@cushwake.com

DR. DOMINIC BROWN

Head of Research, Australia & New Zealand

+61 431 947 161

dominic.brown@cushwake.com

cushmanwakefield.com

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