



MARKET FUNDAMENTALS

	YOY Chg	Outlook
2.1% Vacancy Rate	▲	▬
6.56% Average Prime Yield	▬	▼
0.0% Prime QoQ Rental Growth	▬	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.8% National GDP Growth	▼	▲
1.9% State Final Demand Growth	▲	▲
3.9% National Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

Real GDP growth released for Q3 2024 is at 0.3%, taking the year-on-year growth rate to 0.8% as cost-of-living pressures continue to impact consumer consumption levels. As a result, the RBA has held the cash rate at 4.35% throughout 2024 to ease heightened underlying inflation. Net overseas migration has reached historic highs through mid-year, helping offset productivity challenges by stimulating economic activity.

Forecasts for South Australia's gross state product remain modest for 2024, with a 1.9% projected increase for the year. Growth in 2025 is expected to remain subdued at 0.9% before recovering slightly in 2026 to 1.4%.

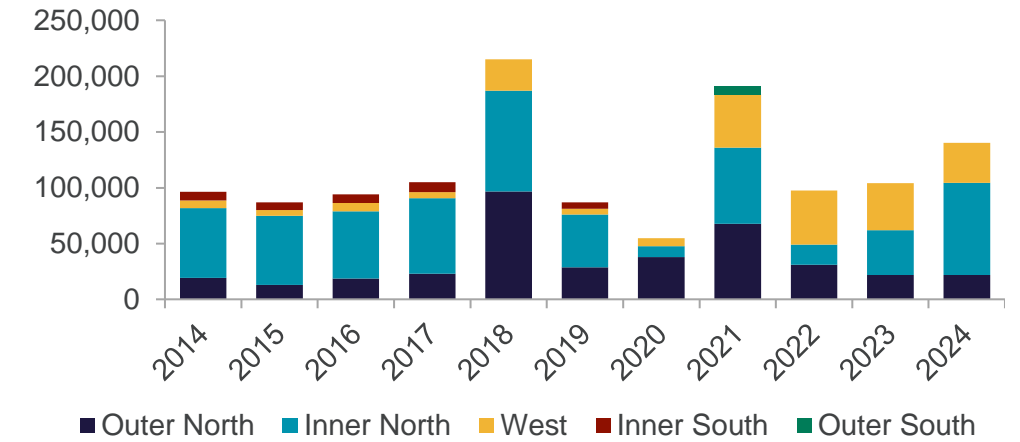
DEMAND

Following a strong Q3 2024, gross take-up in Adelaide remained elevated in Q4 2024 with just over 45,000 sqm leased. In combination with earlier deal activity, gross take-up in 2024 reached almost 145,000 sqm, and compares to the 10-year annual average of 113,000 sqm.

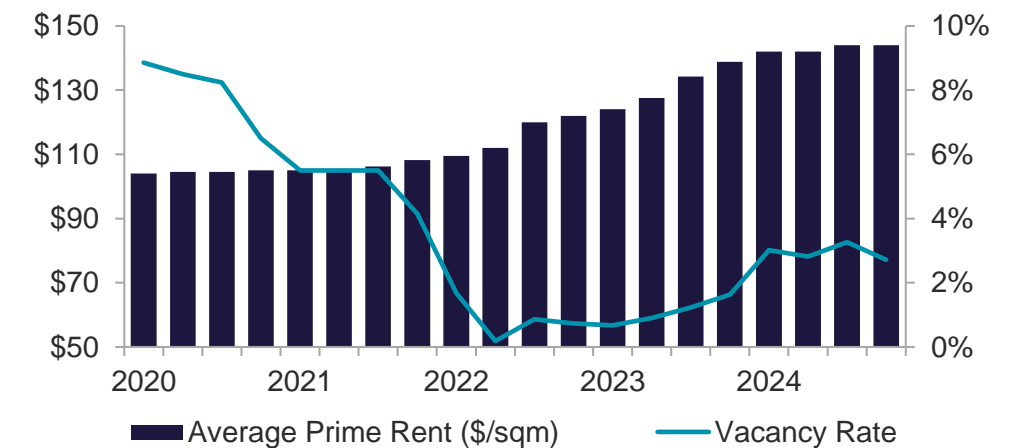
Leasing activity in Q4 2024 was driven by deals within the Inner North, representing 73% of floorspace leased in the quarter, while demand remains dominated by the transport and logistics and manufacturing sectors. A steady flow of enquiry is occurring from the defence sector. Adelaide hasn't experienced the same speculative development upswing as the East Coast markets given the dominance of private owners, and as a result, the majority of deals in 2024 have stemmed from existing facilities.

The sub-3,000 sqm size bracket remains the most liquid part of the Adelaide market, and several deals have been done in this size range over the quarter.

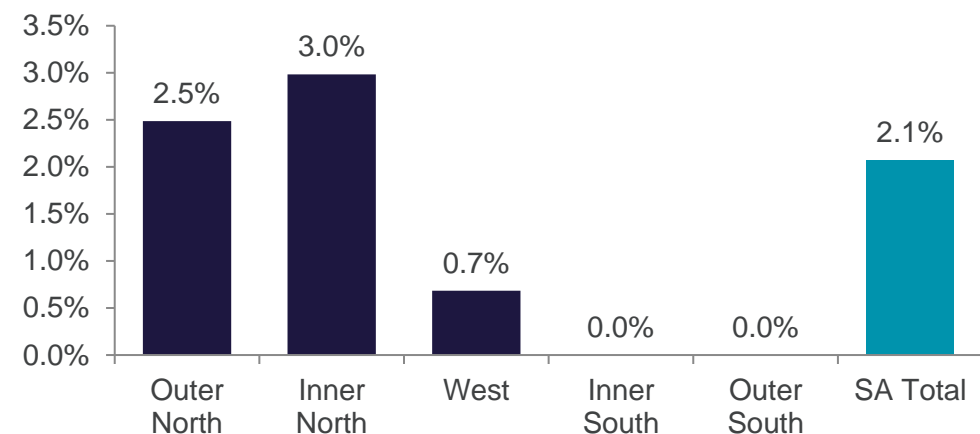
GROSS TAKE-UP (SQM)



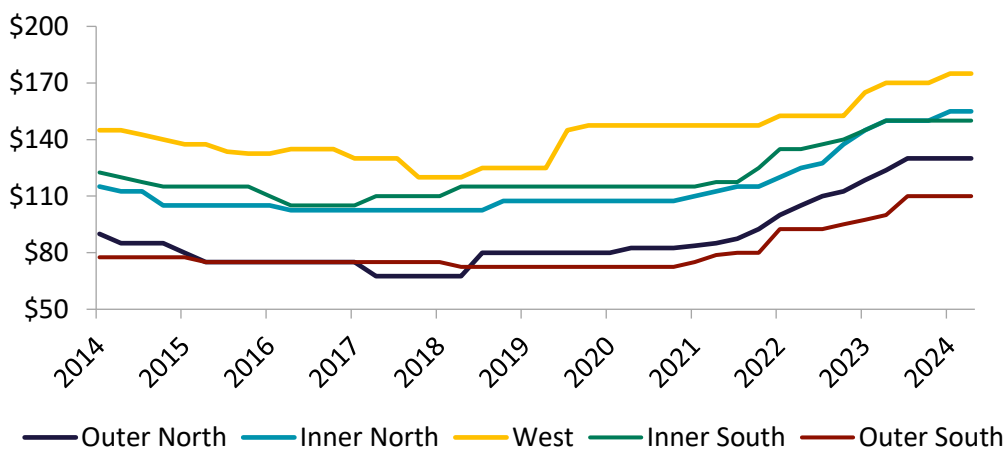
VACANCY & AVERAGE PRIME RENTS



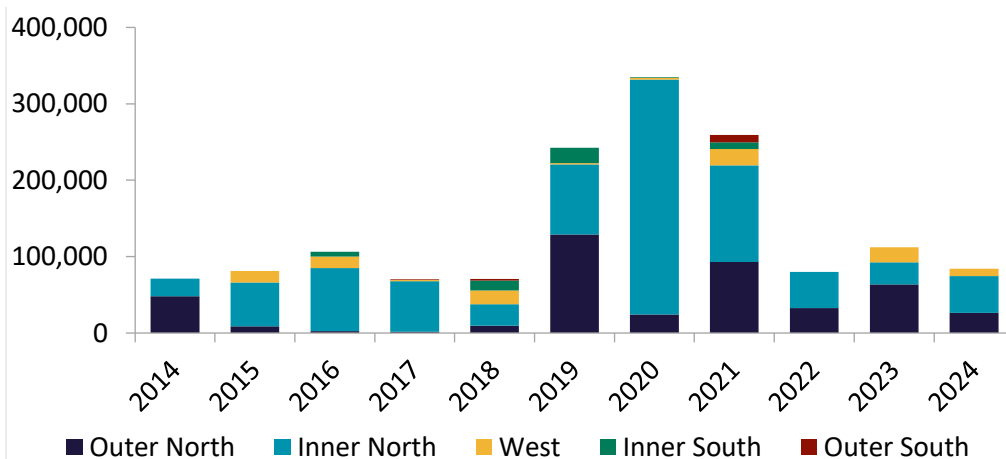
Q4 2024 VACANCY RATES BY SUBMARKET



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



SUPPLY BY SUBMARKET (SQM)



VACANCY

Adelaide’s vacancy rate remains low at 2.1% in Q4 2024, largely unchanged from where it sat in the quarter prior (2.2%). Notably, this level of vacancy remains well below the long-term average of 5.8%. The vacancy is being driven by facilities within the Inner North submarket, which represents 73% of vacancy by floorspace; however, the vacancy rate in the submarket remains low at 3.0%, given it’s Adelaide’s largest market.

RENTS & INCENTIVES

Prime rents in Adelaide held steady in Q4 2024, averaging \$144/sqm net face for prime. On an annual basis, average prime rents are 3.8% higher; however, there are submarkets and precincts that have recorded growth much higher than this. Notably, this includes the Outer North and Outer South where growth in excess of 5.0% was recorded in 2024.

While still strong, this level of growth is a step down from the double-digit rental growth recorded in recent years and reflects the normalization of demand. The secondary market has recorded stronger growth this year at 10.0%, taking average rents to \$99/sqm net face; however, this reflects the lower rate per sqm where just a minor movement in rent can result in a large growth rate.

Incentives have seen modest growth over 2024, although they vary between the submarkets. Incentives in the Outer North and Outer South grew the most this year and are both sitting at 10% as an average. Incentives in the Inner North, where the bulk of leasing take-up occurred in 2024, average 6.0%.

SUPPLY

Warehouse supply in Q4 2024 totalled just under 20,000 sqm across four facilities and includes facilities to Entech (Salisbury South – 4,524 sqm) and Babcock (Woodville North – 5,960 sqm). For the year, approximately 85,000 sqm was delivered, the majority of which stemmed from the Northern precincts.

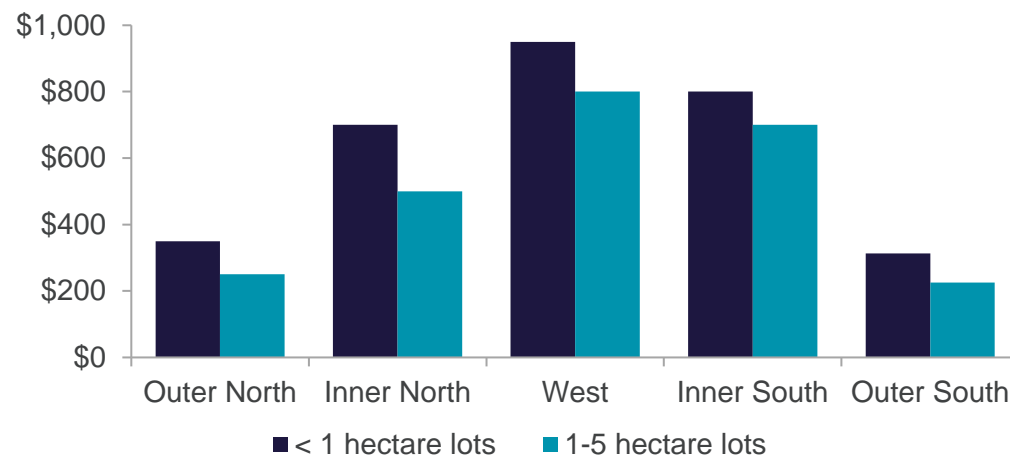
Looking ahead, there is potential for approximately 120,000 sqm to enter the market in 2025, almost 80% of which is located in the Outer North. However, the timing for a large share of this space remains subject to pre-commitments being secured.

Projects in the pipeline for 2025 include Noumed’s new facility at Salisbury South (~26,000 sqm), while immediately adjacent is the Haigh’s Chocolate Manufacturing Facility (~15,000 sqm), both of which are expected to be completed in the second half of 2025. Supply in the first half of the year will be led by Bedford Group’s 19,250 sqm facility at Salisbury Plain which will be compete in Q1 2025.

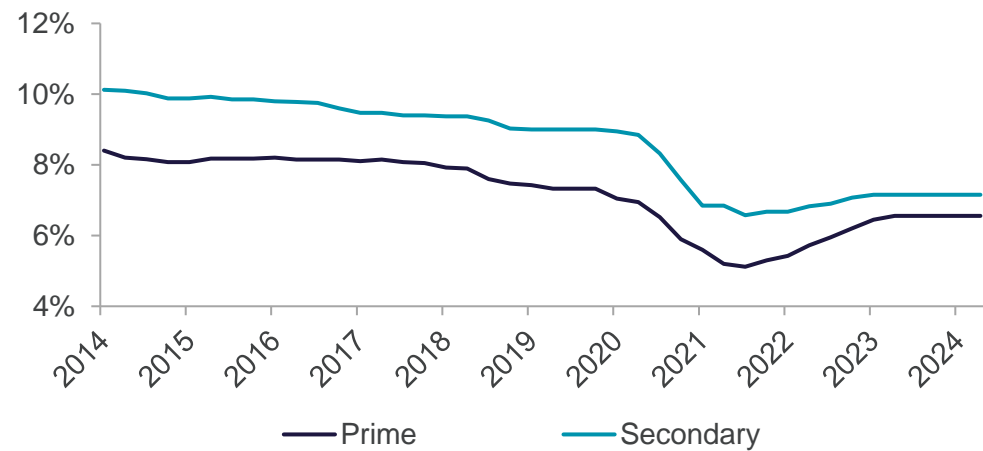
OUTLOOK

- Leasing demand will likely remain patchy in the first half of 2025 as consumers remain cautious about spending. Similarly, with a Federal election expected in either April or May, retail spending is expected to be somewhat subdued as they have in previous election years. Demand is expected to improve in the second half of 2025, supported by a potential rate easing cycle and a pick-up in economic conditions.
- Rental growth in the order of 4.0% is expected over the next 12 months; however, the sub 5,000 sqm segment of the market is anticipated to continue to outperform, led by enquiry from local population-driven industries.
- A lack of new supply will ensure Adelaide’s vacancy rate remains well under historical benchmarks. As per current trends, secondary vacancies will remain higher as occupiers seek prime facilities.

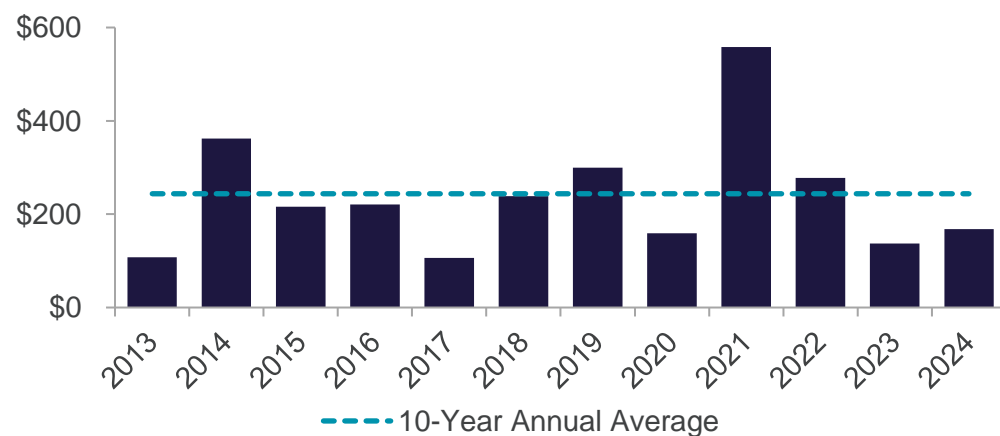
Q4 2024 LAND VALUES BY SIZE (\$/SQM)



YIELDS BY GRADE



INVESTMENT VOLUMES (\$M)



LAND VALUES

The demand for land remains strong in Adelaide, and it is led by both institutions and local developers. Active land supply is extremely limited with just 166 hectares remaining across the city, dominated by precincts in the Outer North. There is potential relief in the medium to long term; however, a large share of this land is currently owned by Renewal SA.

Industrial land values remained steady in Q4 2024, averaging \$495/sqm for 1-5 hectare lots. 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 \$250/sqm for the same size.

YIELDS

Recent deal evidence has supported the stabilisation of yields, with prime core market yields ranging between 6.15% and 7.00%. This was reflected in Centuria’s acquisition of 7 Brandwood Street, Royal Park, which traded on an initial yield of 5.72%; however, the core market yield was closer to 6.50%.

Core market yields for secondary assets range between 6.75% to 7.25%.

INVESTMENT

After subdued transaction activity in Q3 2024, four transactions (above \$10 million) were recorded for Q4 2024 in Adelaide, totalling to \$78.7 million. This takes the 2024 year-to-date total to \$168.1 million, representing a 22.2% increase from the \$137.5 million recorded in 2023.

Sales to occur in the quarter included the 7 Brandwood Street, Royal Park trading, which Centuria acquired for \$21.9 million from Centennial, 113-117 Bedford Street, Gillman, was purchased by Harmony for \$20.0 million while KM Property Funds sold Thebarton Square to an Adelaide private for \$22.0 million.

The activity below \$10 million remains active, driven by local investors and owner-occupiers.

OUTLOOK

- Continued upward pressure on land values is expected as Adelaide remains a highly land-constrained market.
- Over the short term, potential rate cuts and moderating bond yields highlight the value upside for capital markets. In our view, the L&I yield decompression cycle has ended and follows approximately 140 basis points of yield expansion in Adelaide since early 2022.
- Our base case is for the RBA to begin the rate easing cycle in H1 2025, which, in tandem with falling government bond yields (~3.50% 10-year yield by Q4 2025) and greater market participation, is forecast to drive yield compression from mid to late 2025.
- Improved investor sentiment is expected to result in a pick-up in investment activity in 2025, supported by favourable sector fundamentals and the ability to drive asset performance through continued income growth.

Q4 2024 ADELAIDE MARKET STATISTICS

SUBMARKET	VACANCY RATE (TOTAL MARKET)	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 P.A.)
PRIME								
Outer North	3.0%	10,570	\$130	\$20	10.0%	6.6%	\$1,962	\$250
Inner North	2.5%	35,384	\$155	\$25	6.0%	6.3%	\$2,451	\$500
West	0.7%	12,020	\$175	\$35	5.0%	6.3%	\$2,767	\$800
Inner South	0.0%	0	\$150	\$25	5.0%	6.5%	\$2,308	\$700
Outer South	0.0%	0	\$110	\$23	10.0%	7.0%	\$1,571	\$225
PRIME AVERAGE	2.1%	57,974	\$144	\$26	7.2%	6.56%	\$2,212	\$495
SECONDARY								
Outer North	-	-	\$90	\$20	5.0%	7.5%	\$1,200	-
Inner North	-	-	\$105	\$25	5.0%	6.9%	\$1,527	-
West	-	-	\$115	\$30	5.0%	6.9%	\$1,673	-
Inner South	-	-	\$105	\$20	5.0%	7.0%	\$1,500	-
Outer South	-	-	\$80	\$18	5.0%	7.5%	\$1,067	-
SECONDARY AVERAGE	-	-	\$99	\$23	5.0%	7.15%	\$1,393	-

NATIONAL RESEARCH LEADS

LUKE CRAWFORD

Head of
 Logistics & Industrial Research –
 Australia
 +61 421 985 784
luke.crawford@cushwake.com

CAITLYNE HALABI

Research Analyst
 Logistics & Industrial –
 Australia
 +61 450 126 006
caitlyne.halabi@cushwake.com

LOCAL MARKET AGENCY LEADS

JAY NASH

Director
 Head of Brokerage, Logistics & Industrial –
 South Australia
 +61 433 173 225
jay.nash@cushwake.com

NATIONAL LEADS

TONY IULIANO

International Director
 Head of Logistics & Industrial –
 Australia and New Zealand
 +61 412 992 830
tony.iuliano@cushwake.com

DAVID HALL

National Director
 Head of Brokerage Logistics & Industrial –
 Australia and New Zealand
 +61 428 242 410
david.j.hall@cushwake.com

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