

MARKET FUNDAMENTALS

	YOY Chg	Outlook
17.5% Vacancy Rate	▲	▼
29,041 6-month Net Absorption, sqm	▲	▲
\$317 Prime Net Effective, sqm pa	▬	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.8% (National) GDP Growth	▲	▲
1.9% (South Australia) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMY OVERVIEW:

Real GDP growth released for Q3 2024 is at 0.3%, with a 0.1% increase from the previous 3 quarters. Productivity growth has slightly weakened, as the trend of GDP per hour worked declining and unit labour costs rising continues through Q4 and contributes to inflationary pressure. As a result, the RBA has held the cash rate at 4.3% to ease heightened underlying inflation. Net overseas migration has reached historic highs through mid-year, helping offset these productivity challenges through stimulating economic activity. Forecasts for South Australia's gross state product remain modest for 2024, with a 1.9% increase since 2023. Forecasts follow this trend, expected to lift 0.93% through 2025, before recovering slightly to increase 1.37% in 2026.

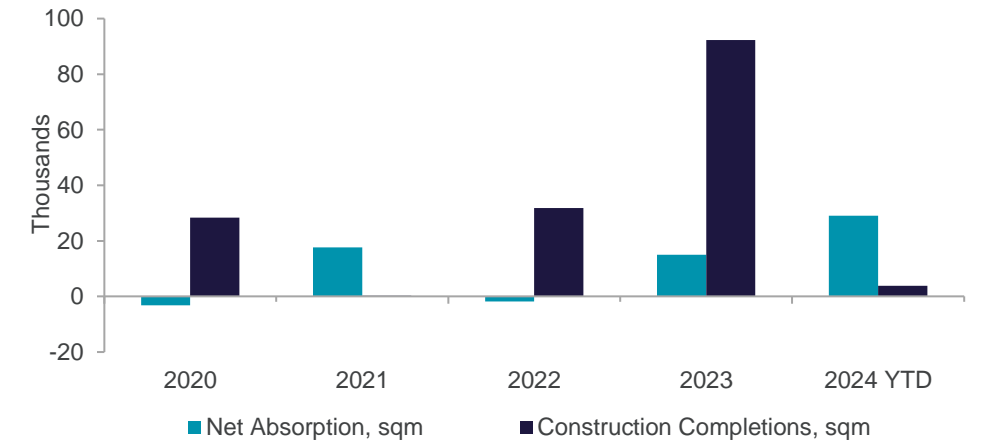
DEMAND:

The Adelaide CBD office market remained resilient in Q4 2024, underpinned by strong leasing activity throughout the year, with net absorption for the first half of 2024 reaching 29,041 square meters. Demand remained robust, particularly for A-Grade office spaces offering premium amenities and sustainable certifications, reflecting a preference for high-quality workplaces. Adelaide's affordability compared to other capital cities continued to position it as an attractive option for businesses seeking to relocate or expand their operations. Looking ahead, the market's trajectory will depend on broader economic factors and the shifting dynamics of workplace strategies.

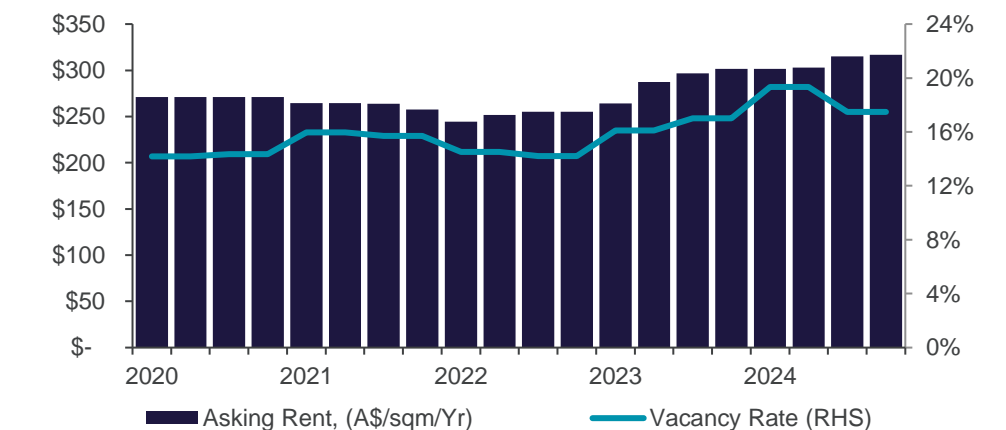
RENT:

Rents and incentives in the Adelaide CBD remained steady across all office grades in Q4 2024, reflecting a stable market environment. Net effective rents experienced modest growth over the year, supported by consistent tenant demand, while net incentives gradually tapered. As of Q4 2024, the average net effective rent reached \$317 per sqm per annum for prime grade offices and remained at \$199 per sqm per annum for secondary grade offices. Net incentives now sit at 36% for prime grade spaces, while remaining steady at 42% for secondary grade offices.

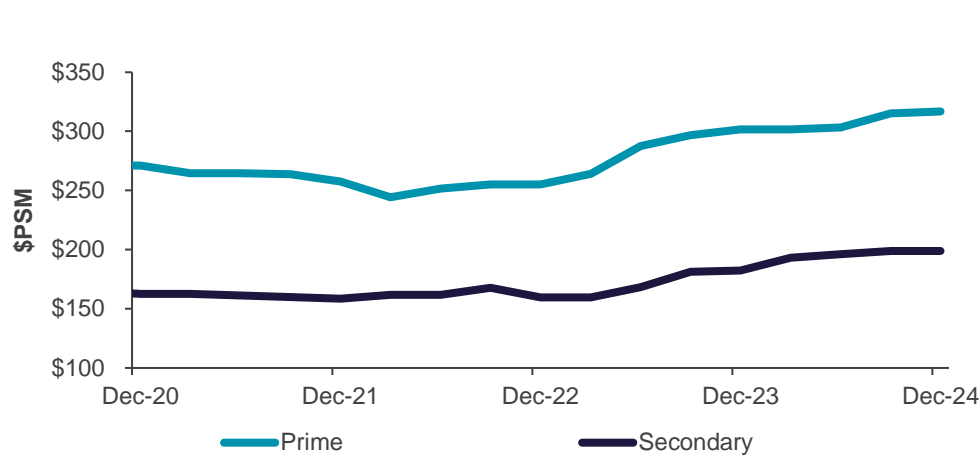
SPACE DEMAND / DELIVERIES



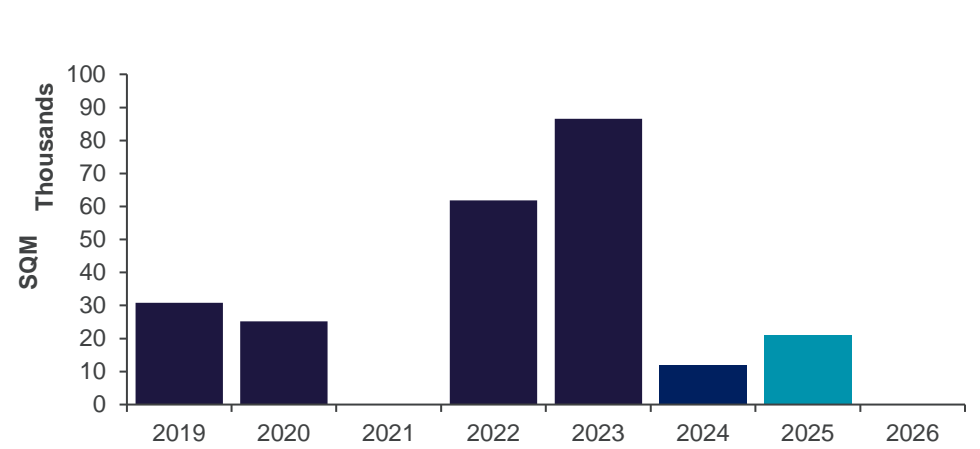
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy rates in the Adelaide CBD remained elevated throughout 2024, sitting at 17.5% as of H1 2024. This reflects ongoing challenges in absorbing available stock, specifically in secondary grade spaces, as tenant preferences continue to shift towards modern, energy efficient buildings with standout amenities.

On the supply side, there were no significant additions to the market over 2024. With development activity slowing and a limited new supply pipeline, with the only development to come online being 9,500 sqm from One Fifty at 150 Grenfell Street. Future projects include the Kyren project at 42-56 Franklin Street set to deliver around 21,000 sqm of A-grade office space in 2025. Beyond this, Adelaide’s CBD development pipeline remains limited.

YIELDS:

Amid the broader downturn in commercial real estate, Adelaide CBD office yields remained stable in Q4 2024. Prime office yields ranged between 6.90% and 7.75%, indicating that the market may be nearing the bottom of the cycle. In contrast, secondary grade yields, showed slight softening settling between 7.15% and 8.15% in Q4 2024, signaling that the market is already taking steps in the recovery cycle.

INVESTMENT MARKET:

Adelaide's investment market in Q4 2024 continued to attract interest, particularly from value-focused investors, although investment activity remained subdued. Prime grade office assets, with secure tenant commitments and modern features, remain the most sought-after, driving competition among investors for limited opportunities. A major sale for the quarter was 19 Grenfell Street for \$25.5 million sold by Shakespeare Property Group to Exceed Capital Pty Ltd. Institutional and private investors remain focused on well-located, high-quality assets; however, the limited availability of prime grade stock has constrained transaction volumes.

Investment activity reflected the ongoing preference for high-quality, well-leased properties offering stable returns. Secondary grade assets saw limited demand unless they presented clear value-add opportunities. The Adelaide office market continues to appeal to investors seeking competitive yields and long-term growth, supported by the city’s affordability and steady economic fundamentals. The outlook for 2025 is cautiously optimistic, with investment activity expected to increase as economic conditions stabilise.

OUTLOOK

- The outlook for the Adelaide CBD office market remains positive, with steady rental growth, improving vacancy rates, and an investment market beginning to show signs of recovery despite ongoing challenges.
- Economic growth is expected to strengthen in Q4 and through 2025, as the Gross State Product reverts to align with longer term averages.
- Occupier demand is expected to remain steady, with prime-grade offices continuing to benefit from the flight-to-quality trend and limited supply in medium term.
- New supply is expected to moderately increase vacancy in 2025. The absence of new supply between 2026 and 2028 is anticipated to help vacancy rates return to the long-term average.
- Recent transaction activity suggests that yields are nearing the bottom of the cycle, with some moderate softening expected before rebounding.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	DIRECT 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	743,853	148,707	20.0%	14,755	20,985	\$317	36.0%	\$155
Secondary	819,864	124,684	15.2%	14,286	-	\$199	41.5%	\$128
TOTALS	1,563,717	273,391	17.5%	29,041	30,485			

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
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No notable transactions in Q4 2024

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	BUYER	SQM	PRICE (AUD M)
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19 Grenfell Street	Adelaide Core	Exceed Capital Pty Ltd	10,788	\$25.5
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KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
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150 Grenfell Street	Adelaide Frame	N/A	9,485	Kambitsis Group
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42-56 Franklin Street	Adelaide Core	N/A	21,000	Kyren Group
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