

Adelaide CBD Office Market



April 2025

Adelaide CBD office market rebounds, supported by continued high positive net absorption, new construction, rising rents and a reduction in vacancy.

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Key Insights

Net absorption outperforms again with an uptick in demand and limited prime supply.



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 **16.4%**

Total vacancy lowers

Total vacancy decreased from 17.5% in July 2024 to 16.4% in January 2025.

Prime vacancy = 18.1%

Secondary vacancy = 14.9%

 **+23k**

Upsurge in net absorption

Net absorption remained near its record high at 22,606sqm in January 2025, significantly higher than the 10-year average of 5,650sqm. This marks the second largest 6-monthly absorption in 15 years following last periods record.

 **43k**

Sqm of new supply to complete by 2026

New supply additions expected by the end of 2026 equate to 43ksqm, a positive indicator providing a steady supply of new buildings.

 **7.34%**

Average CBD prime yield

The current average prime yield for CBD assets is 7.34%, 72 bps above the 10-year average. Adelaide's average prime yield is softer than Sydney (6.03%) and Melbourne (6.52%) and Brisbane (7.25%).

 **2.79%**

Rental growth in H2 2024

Gross face prime rents grew significantly in the quarter, while secondary rents also marginally increased.

Prime - \$674 (2.79%)

Secondary - \$460 (0.49%)

 **\$37m**

H2 2024 transaction volumes (\$10m+)

Transaction activity in the Adelaide CBD above \$10m in the second half of 2024 comprised two (2) sales, equating to \$37.2 million.

Adelaide CBD Office Market Indicators – 1 January 2025

Grade	Total Stock sqm	Vacancy Rate %	Annual Net Absorption sqm	Annual Net Additions sqm	Av Gross Face Rent \$/sqm	Av Incentive %	Gross Effective Rent Gth % y/y	Core Market Yield %*
Prime	753,338	18.1%	22,102	9,485	674	34.3%	3.52%	7.34%
Secondary	817,038	14.9%	504	-2,826	460	38.2%	0.01%	8.32%
Total	1,570,376	16.4%	22,606	6,659				

Source: Knight Frank Research/PCA * assuming WALE 5 years

Leasing Market

VACANCY CONTINUES TO DROP

Adelaide's CBD office market has seen a notable shift in vacancy rates this year. The overall vacancy rate has decreased from 19.3% to 16.4% throughout 2024, driven by the largest net absorption in 15 years. This is a positive indicator for the office market, affirming the growing demand, particularly for prime space.

At a building grade level, prime CBD vacancy has declined most, from 22.0% in H1 2024 to 20.0% and now 18.1% in H2 2024. Meanwhile, secondary vacancy has also declined, from 15.2% to 14.9% over the same period. This means that secondary vacancy remains below its 10-year average (currently 16.2%) whilst prime vacancy rate is rapidly heading towards its (14.0%).

ABSORPTION HIGH FOR PRIME STOCK

H2 2024 saw Adelaide net absorption reach another record high at 22,606sqm, the second largest (after H1 2024) 6-monthly positive net absorption figure since January 2009. This marks the fourth consecutive positive 6-monthly net absorption figure.

During the period, absorption for prime assets was significantly higher than that of secondary assets, recording 22,102sqm compared to 504sqm. In the 12 months to January 2025, prime absorption was 36,857sqm, while secondary absorption over the 12-month period was 14,790sqm, indicating the continued movement of tenants to higher grade space.

The continuing strong showing for net absorption in both H1 2024 and H2 2024 suggests a consistent demand that is supplemented by limited new supply additions.

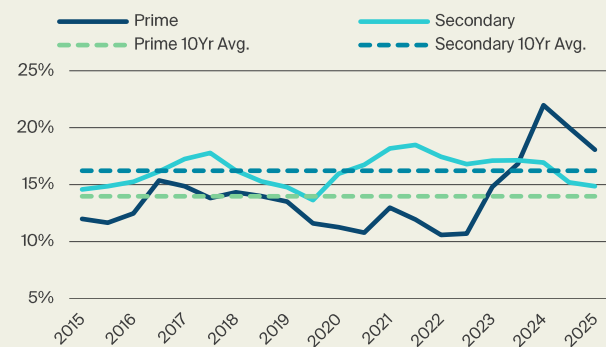
SHIFT IN TENANT REQUIREMENTS

New benchmarks and non negotiables from tenants have shifted from what was once a "flight to quality" mindset to an emerging trend in recent years, incorporating the complete "experience". In addition to aesthetic appeal, observations indicate that tenants seek out quality office space with greater level of amenities and more environmentally sustainable initiatives at their disposal, taking into account surrounding provisions, in an effort to encourage and retain staff within the office.

The vacancy spread between new and old generation stock supports this. New buildings show a rate of 10.28% whilst older buildings are 37.07%; a 26.79% difference.

Adelaide CBD office vacancy

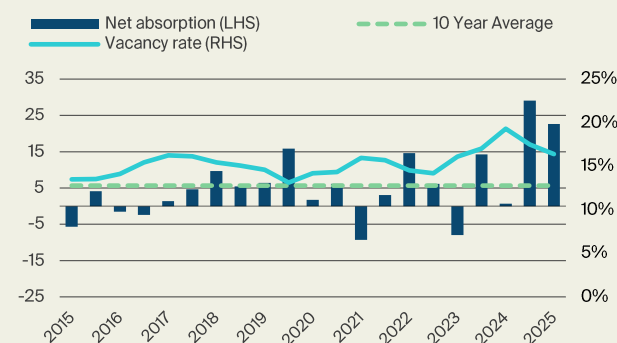
by grade, %



Source: Knight Frank Research

Adelaide CBD net absorption & vacancy

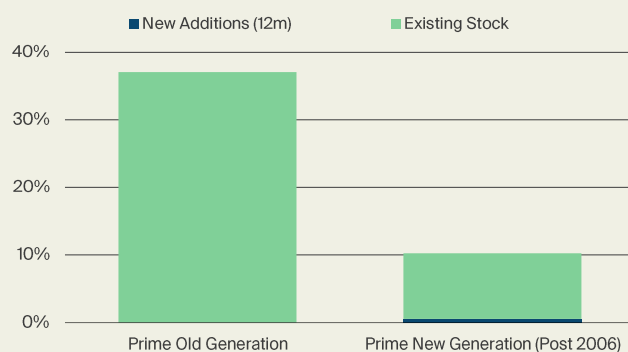
in 000's sqm (LHS), and vacancy rate % (RHS)



Source: Knight Frank Research, PCA

Core precinct prime CBD vacancy rate

by generation: old or new, %



Source: Knight Frank Research

Development Supply

UPTICK IN NEW CONSTRUCTION PIPELINE

The amount of new development supply entering the Adelaide CBD office market between now and 2026 has reached a total of 43,000sqm comprising Kyren Group's Franklin Street development (+21,000sqm) and ICD Property Group's Market Square development (+22,000sqm). This is in stark contrast to the last six-monthly reporting where no new development additions were recorded.

Kyren Group's Franklin Street development, known as 50 Franklin, is a 17-storey office building delivering approximately 21,000sqm of A-grade space in 2025. The fully electric building is nearing completion and surrounded by other developments such as GPO (BHP), PwC House and the Marriott Hotel. Also expected in the second half of 2025 is Auta Group's Victoria Tower development, a mixed-use development providing nine levels of office accommodation equating to a total of 2,206sqm.

ICD Property Group's Market Square development, expected in 2026. Once complete, this will provide an additional 22,000sqm of office space spread over three towers.

Festival Tower Two is the next major office tower development due, with Walker Corporation aiming for a completion date in 2027. The high-rise will be a 38-storey mixed use tower providing approximately 50,000sqm of office supply across 36 floors of commercial office space.

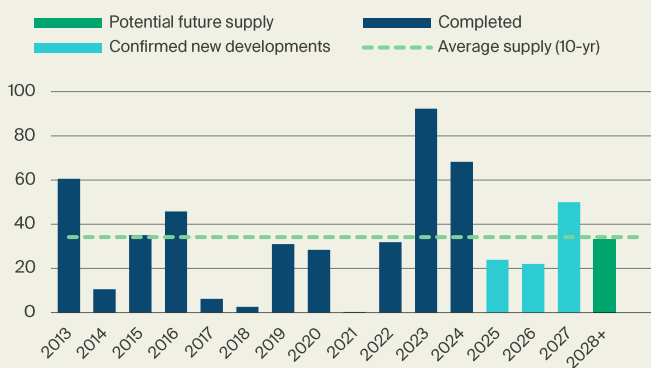
Refurbished space expected throughout 2025 in Adelaide, has been reported at a minimal 2,826sqm. This falls on the back of more than 68,000sqm of upgraded space which re-entered the market in H2 2024 with the completion of 150 Grenfell Street (+9,485sqm), 45 Pirie Street (+19,580sqm), 30 Pirie Street (+24,000sqm) and 100 King William Street (+15,112sqm).

EVIDENT DEMAND FOR QUALITY SPACE

The minimum expectation within the office market is for supply with a NABERS rating of 5+ stars. This has created a vast opportunity for existing stock to be refurbished and brought up to this new standard where feasible. This is favourable for investors as a more cost-effective and time-efficient option as it leverages existing infrastructure, reduces construction time, and minimizes the environmental impact associated with new builds.

Adelaide CBD development pipeline

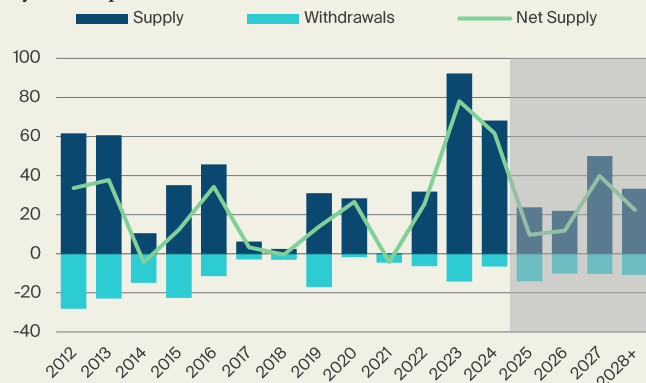
by development and commitment type, 000's sqm



Source: Knight Frank Research

Adelaide CBD supply and withdrawals

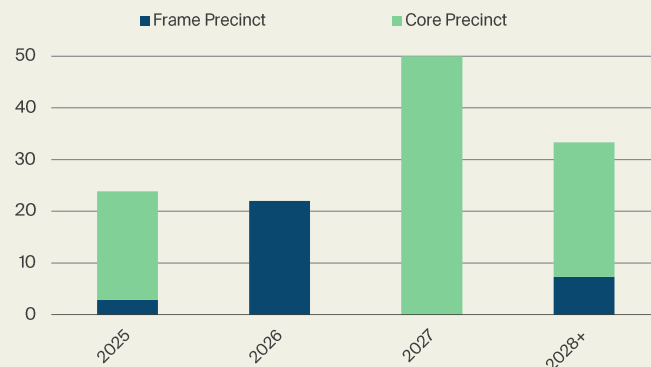
by 000's sqm



Source: Knight Frank Research

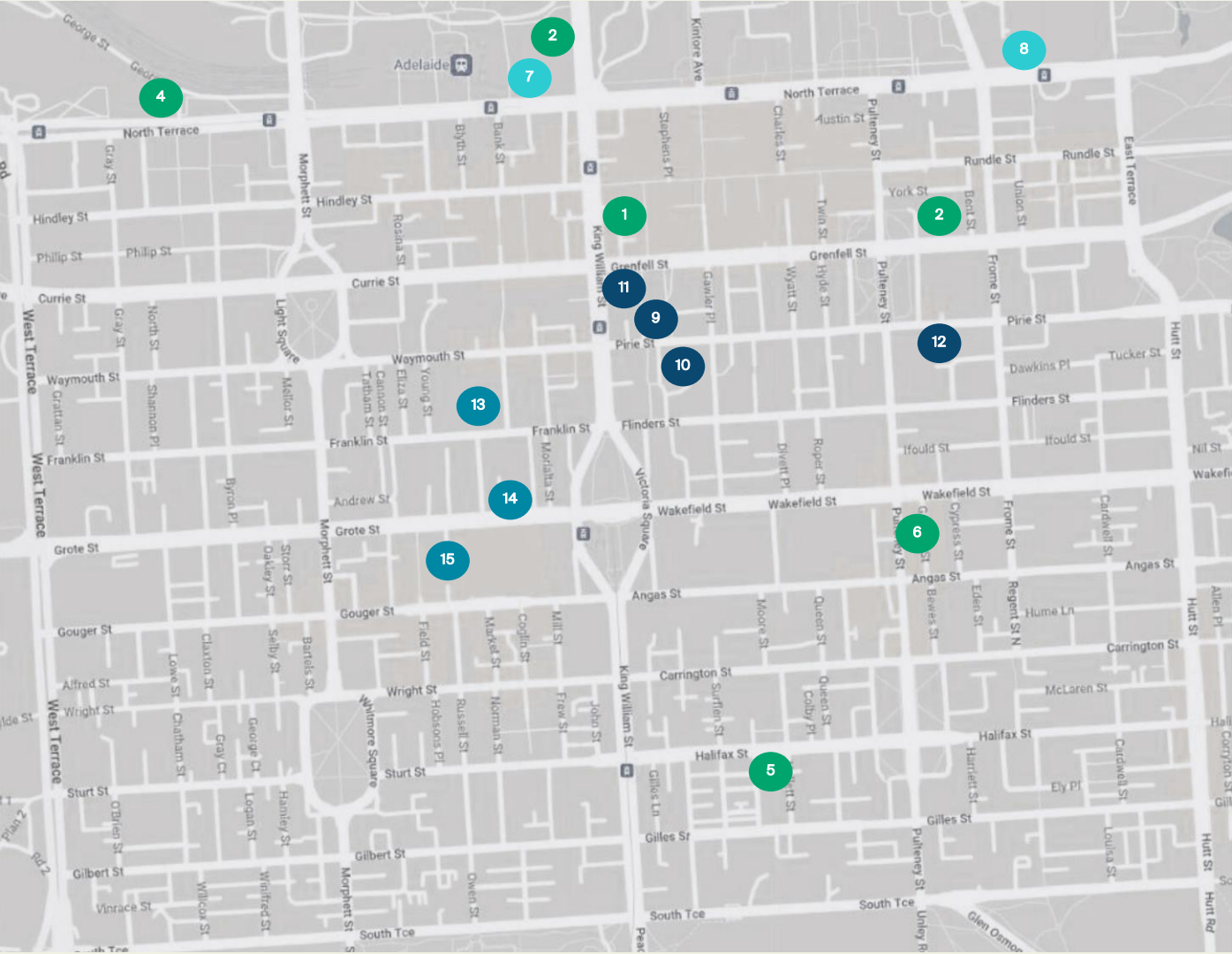
Adelaide CBD development pipeline

by precinct, 000's sqm



Source: Knight Frank Research

Major Office Supply



Completed			
#	ADDRESS	SQM	COMPLETION
1	60 King William Street	40,000	Completed
2	One Festival Tower	44,500	Completed
3	185 Pirie Street	6,328	Completed
4	SAHMRI 2	20,000	Completed
5	91 Halifax Street	627	Completed
6	274 Pulteney Street	1,890	Completed

Mooted / DA Approved			
7	Walker Tower 2	50,000	H2 2027
8	Lot Fourteen	41,000	Under Review

Major Refurbishments			
#	ADDRESS	SQM	COMPLETION
9	30 Pirie Street	24,000	Completed
10	45 Pirie Street	19,580	Completed
11	100 King William Street	15,112	Completed
12	150 Grenfell Street	9,485	Completed

Under Construction / Major Pre-commitment			
13	42-56 Franklin Street	21,000	H2 2025
14	Victoria Tower	2,206	H2 2025
15	Market Square	22,000	H2 2026

Rents & Incentives

RENTAL GROWTH CONTINUES TO RISE

Gross face rental rates increased significantly in H2 2024, with prime and secondary stock averaging \$674/sqm and \$460/sqm respectively. This was an increase of 2.79% for prime stock and 0.49% for secondary stock. In comparison to H1 2024 where the growth rate was recorded to have slowed considerably, with prime stock averaging \$656/sqm (+1.00%) and secondary stock averaging \$458/sqm (+0.60%).

Gross effective rents rose by the same amount with prime rents at \$443/sqm from \$431/sqm and secondary at \$285/sqm from \$283/sqm. Rental growth over the last 12 months indicates a stable overall performance for prime assets with net effective rents up 2.25%.

OUTGOINGS STABILISING

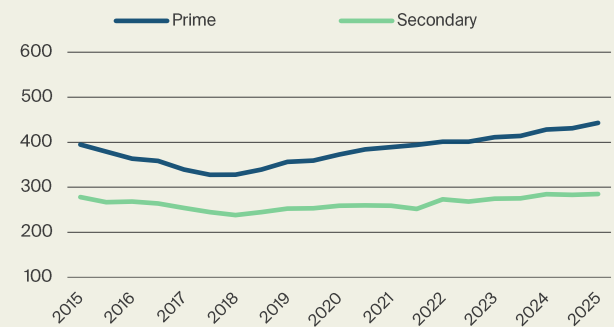
The upward trend in outgoings reported last period was seen in H2 2024, with outgoings growing for prime assets by 3.86% from \$146/sqm to \$152/sqm and for secondary assets by 2.47% from \$122/sqm to \$125/sqm.

INCENTIVES AND FORECASTS

Incentives during the six months to January 2025 saw no change as a result of greater absorption, lower levels of new supply and continued demand from market participants. This further supports our forecast that incentives for prime assets would stabilise, however secondary assets are likely to experience upward pressure for the foreseeable future. The three-year compound annual growth rate forecasts indicate an average increase of 3.52% p.a. in prime gross effective rents up to 2028, while prime incentives are expected to stabilise at 34.3% during this same three-year period.

Adelaide CBD gross effective rents

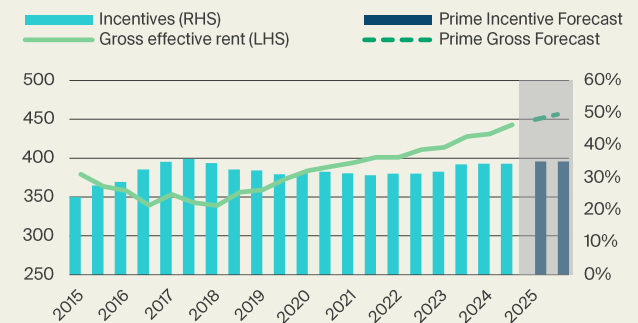
by grade, \$/sqm



Source: Knight Frank Research

Adelaide CBD office rents and incentives

\$/sqm effective rents (LHS), and incentives % (RHS)



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Face Rent \$/sqm	Term yrs	Start Date
RAA	150 Grenfell Street	Frame	9,000	695 g	15	Jan 26
Elders	80 Grenfell Street	Core	3,183	710 g	5	Nov 25
AGL	100 King William Street	Core	3,000	588 g	10	Apr 25

Source: Knight Frank Research/PCA n=Net, g=Gross

Investment

LIMITED ACTIVITY FOR \$10M+ SALES

In the past six months, transaction activity for CBD assets of \$10m+ has been limited with two sales, being 19 Grenfell Street and 139 Frome Street.

19 Grenfell Street sold following off market negotiations for \$25,500,000 (\$2,423/m² of NLA) with a vacancy rate of 52.2% achieving a CMY of 8.97% and a WALE (by income) of 1.10 years. The asset previously sold in February 2016 for \$39,200,000 (\$3,634/m² of NLA) – at the time the property was 79% leased with a WALE of 2.1 years and reflected a CMY of 8.86%.

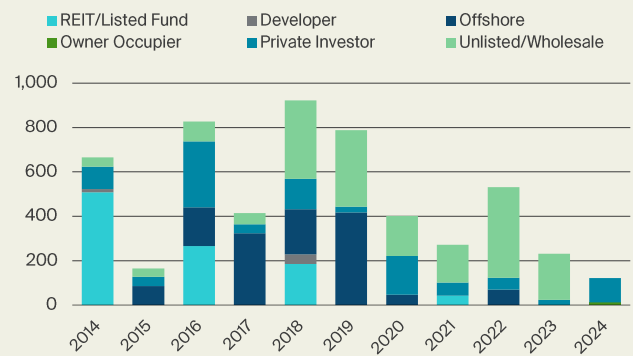
139 Frome Street also sold following off market negotiations for \$11,700,000 (\$3,705/m² of NLA) with a vacancy rate of 69.7% achieving a CMY of 7.02% and a WALE (by income) of 0.80 years. The asset previously sold in February 2022 for \$11,400,000 (\$3,448/m² of NLA) – at the time the property had a similar vacancy rate of 67.1% and WALE of 0.1 years, reflecting a CMY of 6.5%.

YIELD CONTINUES TO SOFTEN

Prime yields softened by only 6bps in Q4 2024 bps to stand at 7.34% in January 2025. This affirms predictions of the potential peak reported in H1 2024. Having risen 221 bps since its low in January 2023 Adelaide, like the other major cities in Australia is seeing yields flat (Sydney and Brisbane) or have the rise virtually stopped (Melbourne and Adelaide).

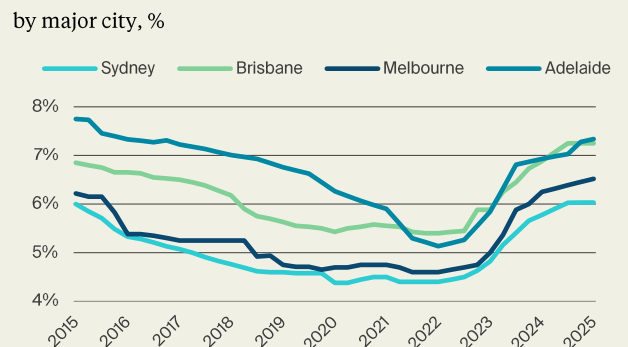
Whilst ongoing global uncertainty may delay yield compression, the now downward trend in interest rates will begin to put a similar pressure on yields, specifically for better quality stock in the first instance.

Adelaide CBD office investment volumes by type of buyer, \$ millions



Source: Knight Frank Research

CBD office core market yields by major city, %



Source: Knight Frank Research

Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
19 Grenfell Street	25.5	8.97	10,523	2,423	1.10	Exceed Capital	Shakespeare Adelaide Property Trust	Jan-25
139 Frome Street	11.7	7.02	3,158	3,705	0.80	Private	Private	Nov-24

Source: Knight Frank Research ^ includes income support * Not settled ^ Fringe Sale ^ Metro Sale CONF Confidential

Fringe Market

POSITIVE NET ABSORPTION HIGHLIGHTS FRINGE APPEAL

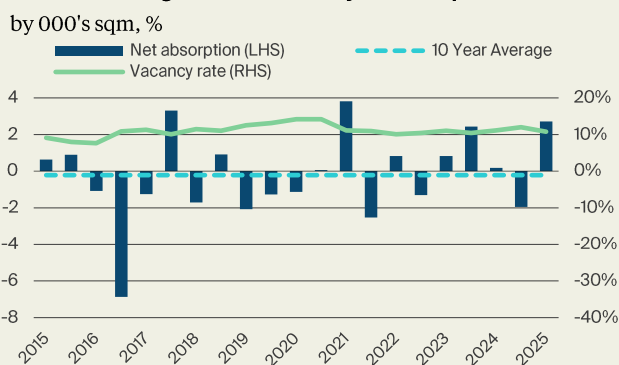
The Fringe market recorded a net absorption of 2,712sqm in H2 2024, well above the 10-year average of -217sqm and the third largest number in over a decade. This large absorption highlights the appeal of assets within the Adelaide Fringe and can be attributed to tenants looking for physical space near the CBD as more businesses and workers return to the office.

These figures show market participants still consider the Fringe to be an attractive option, evidenced by a notable leasing deal along Greenhill Road in Unley, which secured a rate of \$406/sqm per annum gross of NLA. Metropolitan locations are also emerging as viable alternatives for businesses not strictly tied to the city centre; however, the Fringe remains the first choice after the CBD.

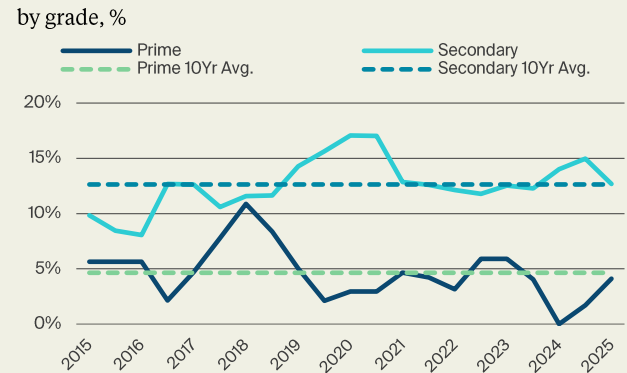
In the second half of 2024, the Adelaide Fringe saw a reduction in overall vacancy rates, falling from 12.0% to 10.8%. On a grade level, prime vacancy rose from 1.7% to 4.1% in the period, while secondary vacancy experienced a decrease from 15.0% to 12.7%. Prime vacancy remains below the 10-year average of 4.6%, while secondary vacancy is slightly above its 10-year average of 12.6%.

Prime gross effective rents saw no change, remaining at \$371/sqm, while secondary gross effective rents experienced a significant increase from \$272/sqm to \$299/sqm. Incentives moved only for secondary assets where they fell from 30.0% to 25.0%. Yields softened during the period for both prime and secondary offices by 30bps to 7.53% for prime, and 25bps to 7.65% for secondary.

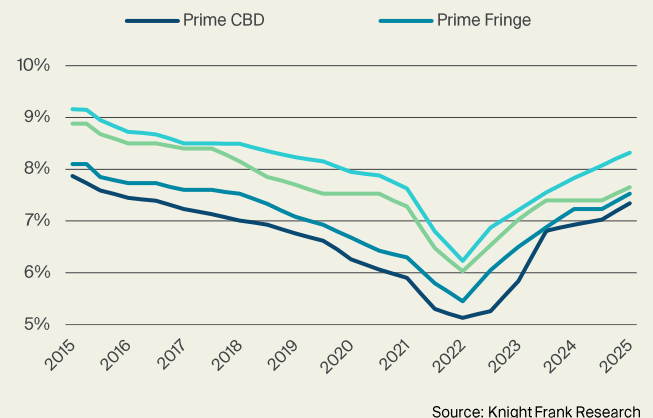
Adelaide Fringe office vacancy & absorption



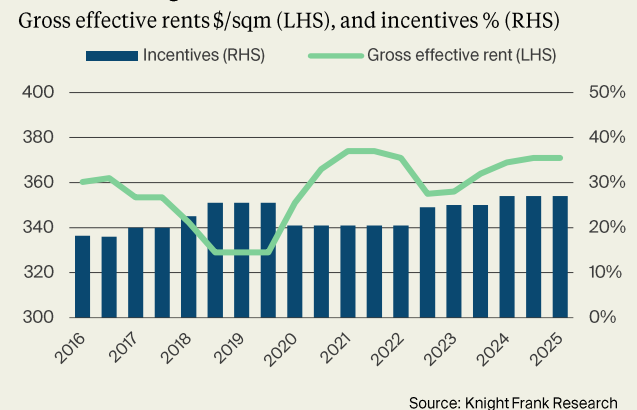
Adelaide fringe office vacancy



Adelaide Fringe and CBD core market yields



Adelaide Fringe rents & incentives



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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