

Market Report

The Adelaide market has seen some cautious optimism return, following an extended period with no community transmission of COVID-19 in South Australia. This has seen an increase in leasing activity, particularly for sub 500 sqm tenants in non-CBD locations. These smaller tenants are in a position to pivot quickly and take advantage of a tenant favourable market. Recent outbreaks at the time of publishing are expected to dampen this optimism somewhat, however the situation is evolving daily

Within the CBD, incentives have remained largely unchanged following a swift uptick in the initial stages of Covid. Old generation (pre 1990) A Grade buildings remain at an average of 35% to 40%, while new generation (post 2004) A Grade buildings are approximately 33% to 37%.

Demolition and ground works have now begun for the construction of 83 Pirie Street (30,000 sqm), partially pre-committed to the SA Department of Public Transport and Infrastructure. This is set to result in the State Government receiving considerable savings by consolidating into a single efficient location, and also resulting in several backfill options becoming available.

Typical Gross Rental Comparison – Premium, A & B Grade



Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rental (\$/sqm)	
	Low	High	Average	Low	High
A (New Generation)	\$530	\$580	35%	\$345	\$377
A (Old Generation)	\$480	\$530	38%	\$283	\$313
B	\$350	\$450	35%	\$228	\$293

Significant Recent Transactions

	Tenant	Submarket	Type	Sector	Size m2
1	Department of Public Transport & Infrastructure	Core	New Lease	SA Govt.	17,500
2	Department of Human Services	Core	New Lease	Fed Govt.	29,000
3	Mellor Olson	Core	New Lease	Legal	1,500
4	Victory Offices	Core	New Lease	Co Working	1,600
5	Westpac	Core	Renewal	Banking	3,300

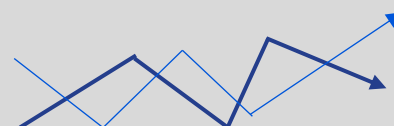
Occupier's Perspective



Gross Face Rents have been stable throughout the impacts of COVID-19, with landlords looking to offer increased incentives to attract tenants.



Despite sharp increases in response to the initial stages of COVID-19 incentives have remained relatively unchanged from the previous quarter.



Market Trends

Sub-lease vacancy has experienced a slight increase, particularly within A Grade buildings. Despite this, sub-lease vacancy still represents only a small portion of vacancy in the Adelaide market when compared to other states, due to fewer head office operations.

Despite cautious optimism returning, recent COVID-19 outbreaks are expected to impact confidence and have flow on effects to the tourism and food industries, particularly with re-imposed border closures.

Activity by larger private occupiers has been relatively muted, with many taking a 'wait and see' approach as they look to better understand their future workplace requirements. The majority of market activity has been under 500 sqm by Small to Medium Enterprises.