Adelaide CBD – Q1 2021 Market Report

Vacancy in the Adelaide CBD rose from 14.3% in July 2020 to 16.0% as at January 2021. This was a result of both reduced tenant demand and an increase in new supply. While the Adelaide market has seen some cautious optimism return, major occupiers have looked to consolidate and rationalise their office space due to greater employee work from home flexibility. On the supply side, this was largely influenced from the completion of 108 Wakefield Street (14,500sqm), which began construction prior to the onset of Covid without any tenant pre-commitment.

Further supply is expected to further push the balance towards a tenant favourable market, with work beginning on both 60 King William Street (40,000sqm), and 83 Pirie Street (30,000sqm). This follows pre-commitments from the Federal Government agency Services Australia (28,500sqm) and SA Department of Public Transport and Infrastructure (18,500sqm) respectively, leaving 23,000sqm uncommitted. In addition to the uncommitted space, both government agencies will leave behind a number of backfill vacancies as they consolidate into single locations. Festival Plaza (40,000sqm), positioned next to the Festival Centre, and Market Square (15,000sqm), positioned next to the Adelaide Central market, are also seeking pre-commitment. While 60 King William Street is expected to be completed in early 2023 and 83 Pirie Street in late 2022, owners of existing buildings are under pressure to compete and secure tenants prior to completion.

Typical Gross Rental Comparison

Vacancy	Average Rent	Net Absorption
16.0%	$500.00	-9,271 sqm

Grade	Typical Gross Face Rental ($/sqm)		Gross Incentive (%)	Gross Effective Rental ($/sqm)	
	Low	High	Average	Low	High
A New Gen	$530	$580	36%	$339	$371
A Old Gen	$480	$530	41%	$283	$313
B	$350	$450	36%	$224	$288

Note - Vacancy and absorption statistics sourced from Property Council of Australia

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Occupier's Perspective

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

Within the CBD, incentives have continued to rise, albeit with limited transaction activity for major tenants. For old generation (pre 1990) A Grade buildings, they sit at an average of 37% to 42%, while new generation (post 2004) A Grade buildings are approximately 35% to 38%.

Market Trends

Occupiers have returned to the market to consider available options after many previously renewed on a short term basis to observe the full impacts of Covid.

Increased importance has been placed on space planning, with many occupiers reducing their required footprint due to the prevalence of more flexible employee working arrangements.

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 the decreased prevalence of head office operations.