

Adelaide CBD – Q2 2021

Market Report

Vacancy in the Adelaide CBD was largely unchanged in July 2021, falling slightly to 15.7% from 16.0% as at January 2021. Landlord incentives have also stabilized and sit at an average of 37% to 42% for old generation (pre-1990) A Grade buildings, and 35% to 38% for new generation (post 2004) A Grade buildings.

Walker Corporation's Festival Plaza development (40,000 sqm) is expected to begin construction shortly after securing the required level of tenant precommitment. Festival Plaza had previously been seeking tenant precommitment over a number of market cycles without success, but this announcement is set to make it the third major office tower under construction, a historically high level of activity for the Adelaide CBD. This activity highlights the acceleration of the flight to quality trend, with occupiers rationalising their office space and upgrading in the process.

Festival Plaza is expected to be completed in late 2023, while the other two offices under construction, 60 King William Street (40,000 sqm) and 83 Pirie Street (30,000 sqm) are expected to be complete in early 2023 and November 2021 respectively. 60 King William Street secured the Federal Government agency Services Australia (28,500 sqm) and 83 Pirie Street secured the SA Department of Public Transport and Infrastructure (18,500 sqm) as precommitments, and both buildings are in the process of filling remaining vacancies.

Typical Gross Rental Comparison

Vacancy	Average Rent	Net Absorption
15.7%	\$500.00	3,026 sqm

Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rental (\$/sqm)	
	Low	High		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

Occupier's Perspective

 Incentives have stabilised over the last six months, having previously risen due to the initial market volatility caused by COVID-19.

 Within the CBD, Gross Face Rents have increased marginally for new generation buildings, as vacancy within this submarket tightens. This still hasn't deterred Tenants from committing to transactions, as incentives remain strong to appeal to incoming Tenants.

Market Trends

Occupiers have returned to the market to consider available options many previously renewed on a short-term basis to observe the full impacts of COVID-19.

The flight to quality trend has accelerated, with new building construction at historically high levels

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.

Vacancy going forward is expected to be predominantly within secondary grade buildings, with these landlords under pressure to compete and secure tenants prior to completion of 83 Pirie Street, 60 King William Street and Festival Plaza.