

Adelaide CBD – Q2 2022

Market Report

Vacancy across the Adelaide CBD decreased from 14.5% to 14.2% in July 2022, according to the Property Council of Australia, in contrast to other markets such as Sydney and Melbourne which saw modest increases.

Landlord incentives have also stabilized and sit at an average of 37% to 42% for old generation (pre-1990) A Grade building, and 35% to 38% for new generation (post 2004) A Grade building.

Walker The flight of tenants to good quality office buildings has been a feature across the market over the last 5-10 years but has accelerated as businesses have considered both the size of the space, they need due to work from home, and the quality of the space for the days employees are in the office. This has under pinned the continuation of new office building construction, with 299 Pirie Street (6,200sqm) recently commencing demolition of the existing building in preparation for site works, bringing the total level of buildings under construction to approximately 123,000sqm. Both Walker Corporation's Festival Plaza office development (40,000sqm) and 60 King William Street (40,000sqm) are progressing rapidly, while 83 Pirie Street (30,000sqm) is close to completion.

Typical Gross Rental Comparison



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.



Gross Face Rents have increased, with modest growth in B grade rentals, and higher growth in A Grade new generation building.

Market Trends

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

The quality, size and necessity of office space is at the forefront of tenant's minds, accelerating the flight to quality trend.

Historically high levels of with new building construction has continued, with over 123,000sqm of space due for completion in the next 2 years.

Backfill space is slowly coming to the market due to pending relocations to newly constructed buildings, with landlords looking to proactively fill vacancies.