

Adelaide CBD – Q3 2022

Market Report

Adelaide occupancy rate increased substantially from 71% to 78% in the latest data released in October. Occupancy rates measure employee office usage throughout the week, and Adelaide's high occupancy rate contrasts with Melbourne and Sydney, which sits at 41% and 52% respectively. Vacancy across the Adelaide CBD also decreased from 14.5% to 14.3% in July 2022.

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.

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. In the CBD, several major construction projects achieved important milestones. 83 Pirie Street (30,000sqm) reached practical completion, conducting the official opening and relocation of Department of Infrastructure staff to the building. 60 King William Street (40,000sqm) has topped out, and is on target for a June 2023 completion, with only 2,000sqm of vacancy remaining, while Festival Plaza (40,000sqm) continues to progress rapidly.

Typical Gross Rental Comparison

| | | |
|---|---|---|
|  |  |  |
| Vacancy | Average Rent | Net Absorption |
| 14.3% | \$500 psm | 20,780 sqm |

| Grade | Typical Gross Face Rental (\$/sqm) | | Gross Incentive (%) | Gross Effective Rental (\$/sqm) | |
|--------------|------------------------------------|-------|---------------------|---------------------------------|-------|
| | Low | High | | Low | High |
| A New Gen | \$550 | \$670 | 36% | \$352 | \$429 |
| A Old Gen | \$480 | \$530 | 39% | \$293 | \$319 |
| B | \$385 | \$480 | 36% | \$226 | \$307 |

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



Occupier's Perspective



Occupancy rates saw a substantial increase, and now stand at close to pre-Covid levels.



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

Market Trends

Limited new generation stock (built post 2004) is available on the market, as tenants have sought to upgrade the standard and quality of their tenancies.

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