

# Adelaide CBD – Q4 2023

## Market Report

While the headline for Adelaide is that the CBD's office vacancy is at its highest rate since 1995 at 19.3%, much of this has been driven by both positive tenant demand and supply. New building vacancy is estimated at just 3%, with prime A grade vacancy reported as 22% and secondary vacancy 17.1%.

Following an unprecedented supply cycle, supply is beginning to cool, with the recent Q1 2024 completion of Festival Plaza (40,000sqm). Over the next 6-12 months only 15,700 sqm of new supply will come to the market, with 150 Grenfell Street (9,200sqm) and 185 Pirie Street (6,500sqm). The next wave of premium new generation office tower won't be delivered until 2026 and beyond, with the Entrepreneurial Innovation Centre (41,000 sqm) being developed around the innovation precinct at Lot 14, and the 20,000sqm Market Square forming part of the central market precinct development.

Larger Tenants are driving demand, with Business' reviewing and upgrading their office accommodation as a means of increasing their staff engagement and office occupancy.

With minimal premium supply for a couple of years, we expect Landlord incentives for premium next generation (post 2004) to soften from 35% to 38%. But, given the high level of vacancy for old generation (pre-1990) we expect A-Grade incentives to increase from their current average of 37% to 42% to increase to 45%-50%.

## Typical Gross Rental Comparison



Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rental (\$/sqm)	
	Low	High		Low	High
A New Gen	\$600	\$700	40%	\$368	\$429
A Old Gen	\$500	\$575	45%	\$305	\$350
B	\$400	\$500	40%	\$256	\$320

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

## Occupier's Perspective



With new premium supply experiencing just 3% vacancy at practical completion, tenants seeking new-generation premium office, need to come to the market 2-3 years out.



We expect Tenants to continue to shift towards offices which offer amenity, precinct advantages and staff accessibility/centrality.



We expect incentives of A grade older generation CBD buildings to increase above 45%.



There are a number of well-located CBD towers undergoing premium refurbishments.

## Market Trends

**Many organisations are reviewing and updating their office premises** as a means to attract their staff back into the office post Covid.

**Much of the new development supply is centred around the cities Education, Innovation or Market precincts.** Lead by government intervention, many tenants see advantages to co-locating with their industry vs avoiding proximity to competitors.

**Health and Education sectors** are the most active in the market.