Adelaide CBD - Q3 2019

Market Report

The vacancy rate in Adelaide continues to drop from its peak at the end of 2016 of 16.2%, with the vacancy rate now at 12.8% - a 1.9% decrease from January 2019. This marks one of the largest percentage drops since January 2008, with the decrease attributed to solid net absorption and withdrawals. What has caused the tenant demand is the new generation of office buildings in Adelaide, which were constructed post-2006. These properties have a total vacancy of only 6.8%, whilst the total vacancy for Adelaide being 12.7%

In the six-month period to July 2019, average prime face rents have remained similar, despite this gross effective rent has increased by 5.8%. This is due to the increase in demand for prime office space as many tenants are seeking to relocate to prime office assets at the end of their lease terms.

Vacancy	Average Rent	Net Absorption
1.9%	$500/sqm	22,000 sqm YoY

Rental and Vacancy Rates

Direct Asking Rent ($/sqm)	Total Vacancy Rate		YoY Change
$450	Adelaide CBD | Premium	2.6%	0.2%
$500	Adelaide CBD | Grade A	12.3%	2.5%
$375	Adelaide CBD | Grade B	12.9%	1.6%

Typical Gross Rental Comparison – Premium, A & B Grade

Grade	Typical Gross Face Rental ($/sqm)		Gross Incentive (%)	Gross Effective Rent ($/sqm)	
	Low	High	Average	Low	High
Premium	$550	$650	28%	$396	$468
A	$450	$575	30%	$315	$402
B	$350	$450	30%	$245	$315

Recent Transactions

	Tenant	Submarket	Type	Size	Sector
1	Aurecon	Core	New Lease	2,500 sqm	Tech
2	BHP	Core	New Lease	10,000 sqm	Mining
3	Department of Veteran Affairs	Core	New Lease	2,100 sqm	Govt.
4	Beach Energy	Core	New Lease	3,320 sqm	Utilities
5	Technicolour	Core	New Lease	4,000 sqm	Tech

Occupier's Perspective

The Adelaide CBD has experienced accelerated absorption of 'New Generation' A grade space which has seen the vacancy rate drop to 3.7%

Supply has decreased, with the first half of 2019 seeing a negative net supply of -5,744 sqm, which is significantly below the 25-year average of 12,782 sqm. This is due to withdrawal of major stock driven by change of use.

Over 31,100 sqm of new supply is expected this year. Beyond 2020, supply is expected to be limited until 2023 which will see 14,000 sqm become available.

Market Trends

Net absorption largest since January 2009, in the past six months to July 2019, the Adelaide CBD has had 15,824 sqm of positive net absorption, which is 2.6 times above the 25-year average. This has largely been driven by tenant expansion and new tenants entering the market.

Rush to the CBD, has seen the growth of several sectors including the mining, tourism, defense, creative industries, healthcare and energy continue to move towards the CBD at the expense of the Fringe and Metro markets.

New supply incoming, over the next six months the main source of supply is the development of Charter Hall's GPO Exchange Tower. The building will have an NLA of 24,500 sqm and comprise of 20 storey's with ground floor retail and 16 levels of office. The building has 87.7% pre-commitment by BHP and the SA Attorney General's Department.