Adelaide industrial yields compress for the first time this cycle

▶ 1.6%
1H25 Adelaide industrial vacancy rate

▼ c.46,500 sqm
New supply completed 3Q25

▼ c.46,500 sqm
Gross Take-Up 3Q25

▼ 6.0%
Super Prime midpoint yield 3Q25

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up of c.46,500 sqm was recorded during 3Q25. The rolling 12-month gross take-up totals c.219,000 sqm – above the 10-year annual average of c.150,000 sqm.
- There was c.46,500 sqm of new industrial stock added over the quarter.
- The development supply pipeline for 2026 and 2027 averages c.138,000 sqm per annum, above the 10-year average; however, the pre-commitment rate is elevated at 54%.
- The average vacancy rate for the market sits at 1.6% (as at 1H25).
- Net face rents increased q-o-q for super prime and prime assets. Super prime net face rents have increased by 0.7% q-o-q and 2.7% y-o-y to an average of AUD 153/sqm. Super prime incentive remained stable q-o-q, averaging 12%.
- Constrained industrial land supply and owner occupier demand in Adelaide's core industrial precincts has driven land values, with 0.25ha lots increasing by 23.5% y-o-y to an average of AUD 1,019/sqm and 1.6ha lots increasing by 18.6% y-o-y to an average of AUD 697/sqm.
- Super prime midpoint yields compressed by 20 bps q-o-q and now sits at 6.0%.

Demand

Adelaide's northern precincts drive gross take-up

Tenant demand remains healthy with gross take-up of c.46,500 sqm recorded for 3Q25 (for transactions ≥ 3,000 sqm), compared c.30,300 sqm recorded in 3Q24. The rolling 12-month total is c.219,000 sqm, which is above the 10-year annual average of c.150,000 sqm.

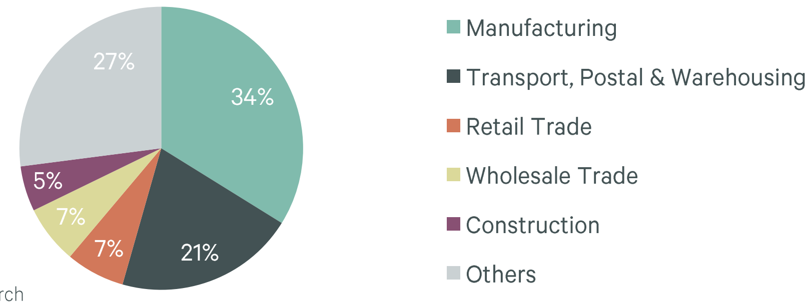
Floorspace leased over the quarter was mainly concentrated in Adelaide's northern precincts, with the Outer North accounting for 42% of gross take-up, followed by the North (40%) and North West (18%). Over the past 12 months these northern precincts combined have accounted for 80% of gross take-up. The northern precincts are driving demand given the proximity to Port Adelaide for shipping, Osborne Naval Shipyard for defence projects, and greater availability of developable land in the Outer North.

Notable transactions recorded over the quarter include:

- Foodbank taking up c.13,700 sqm in Pooraka (North)
- Manufacturing occupier taking up c.13,000 sqm in Edinburgh (Outer North).

The Manufacturing industry has accounted for the largest share of gross take-up since 2023 (34%), followed by Transport, Postal & Warehousing (21%), Retail Trade (7%), Wholesale Trade (7%) and Construction (5%). The Manufacturing industry has historically accounted for the largest share of leasing activity in Adelaide, accounting for close to 30% of total leased floorspace over the past 10 years given that manufacturing has been a large driver of South Australia's economic output.

FIGURE 1: Adelaide Take-Up 2023-3Q25 by Industry Sector

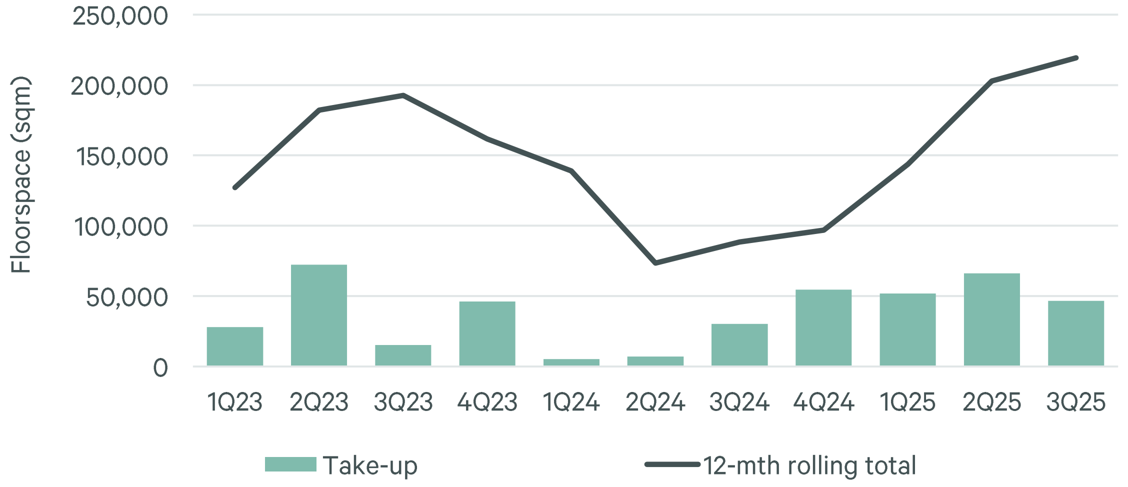


Source: CBRE Research

FIGURE 2: Adelaide gross take-up 2014-2025, by precinct

Source: CBRE Research

FIGURE 3: Adelaide quarterly gross take-up, 1Q23-3Q25



Source: CBRE Research

Supply

The pre-commitment rate for the forward pipeline remains elevated

Total development supply completions of c.46,500 sqm was recorded for 3Q25 (for developments ≥ 3,000 sqm), above the c.10,300 sqm recorded in 3Q24. Around 27% of the CY2025 total reached practical completion over the quarter, with a further 23% to reach completion in 4Q25. This will bring the CY2025 total to c.173,000 sqm – 88% above the long run average.

Notable development completions recorded over the quarter include:

- Pepsico's new warehousing and distribution facility in Edinburgh (c.15,500 sqm)
- Metroll's manufacturing facility in Edinburgh (c.11,200 sqm).

As of 3Q25, the forecasted development supply pipeline for 2026 and 2027 averages c.121,000 sqm per annum, which is above the 10-year average of c.92,000 sqm. Despite the higher supply levels, the pre-commitment rate for the forecast supply between 2026 and 2027 is close to 54%.

Notable projects expected to reach PC next quarter are:

- Spec facility at 28-60 Nylex Avenue in Salisbury South (c.10,500 sqm)
- Australian Pharmaceutical Industries' facility in Edinburgh (c.9,000 sqm).

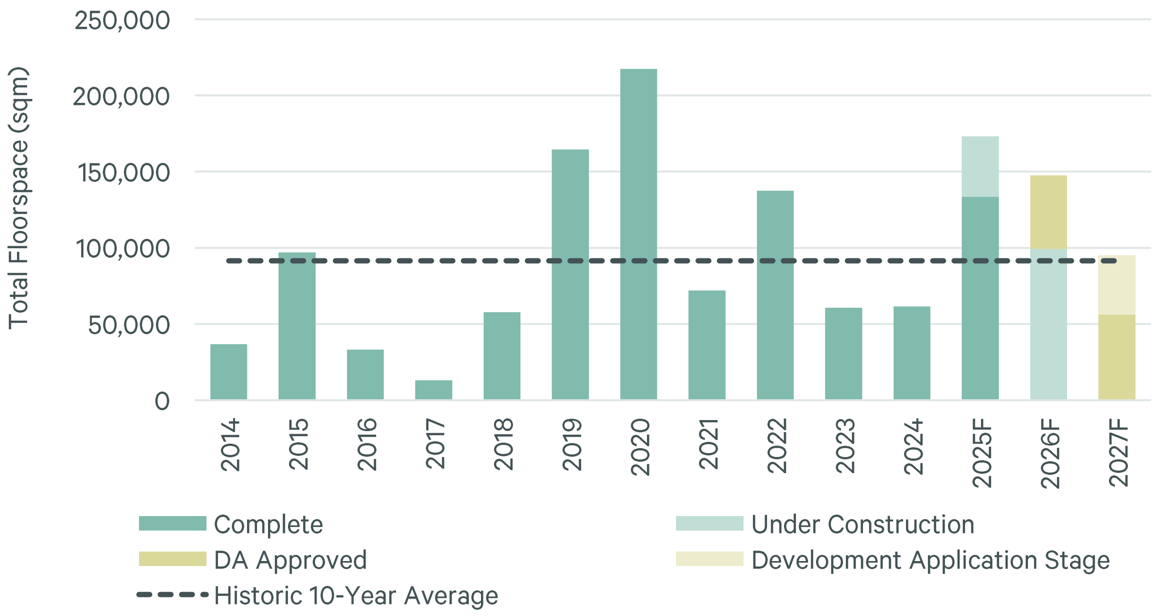
For the 2026 pipeline around two thirds (c.100,000 sqm) has commenced construction as of 3Q25 with the balance in the DA Approval stage and earmarked to be delivered over 2026. The 2026 pipeline currently has a pre-commitment rate of around 72%.

Notable projects forecast to complete in 2026 are:

- Spec facility at 50-64 Mirage Road in Direk (c.20,000 sqm)
- Department of Defence facility in Penfield (c.20,700 sqm).

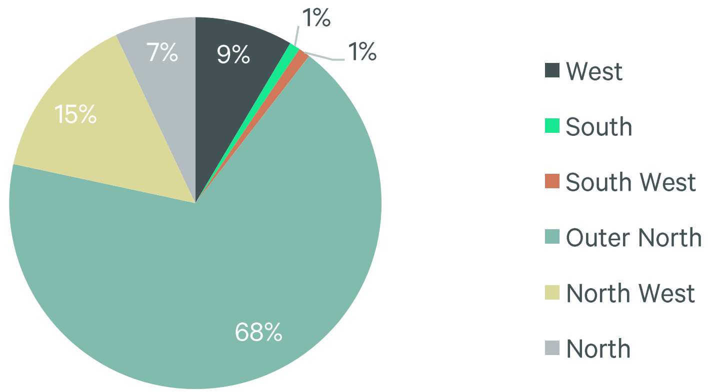
The 2027 pipeline currently stands at c.95,000 sqm and none of these projects have yet commenced construction but are earmarked for delivery in 2027. Around one quarter of the 2027 pipeline is currently pre-committed.

FIGURE 4: Development Supply Pipeline 2014-2027F



To note: reflects projects ≥ 3,000 sqm.
Source: CBRE Research. As at 3Q25

FIGURE 5: Development Supply 2025-2027F, Floorspace Share by Precinct



Source: CBRE Research, 3Q25

Leasing Market

Rents grow for super prime and prime grade assets

Super prime net face rents increased by 0.7% q-o-q, now averaging AUD 153/sqm. On a y-o-y basis, average super prime net face rents have increased by 2.7%. Adelaide's industrial market is experiencing continued rent growth as occupier demand remains healthy, and vacancy remains low (1.6% as of 1H25). Rental growth rates have however been slowing over the past 12 months given the rapid growth in rents seen since 2021 and as occupiers take a more cautious approach given the moderating economic landscape.

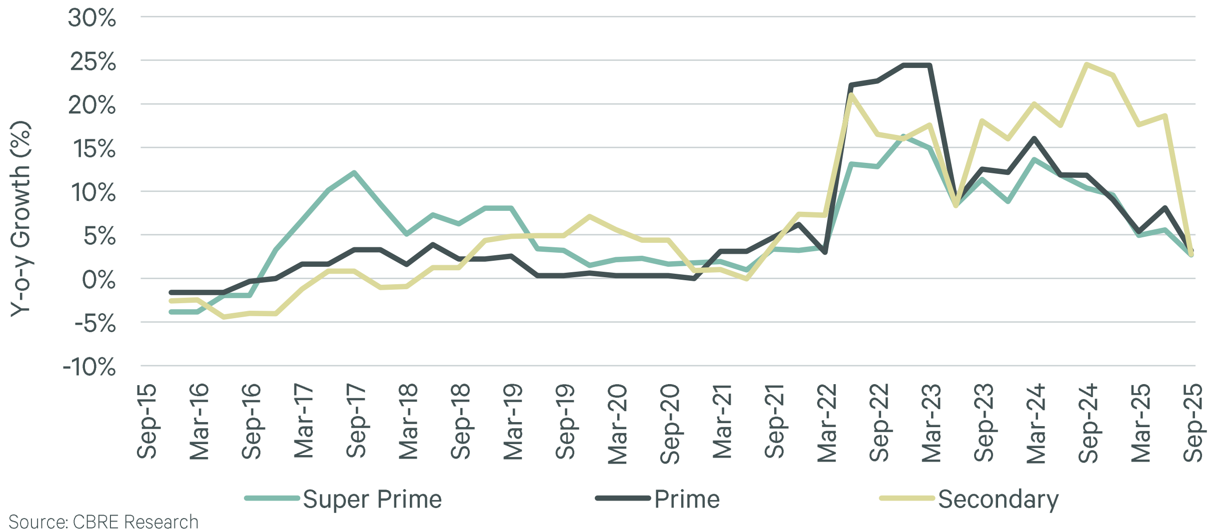
Super prime net face rent growth this quarter was solely driven by the Outer North precinct - increasing by 3.7% q-o-q to now sit at AUD 135/sqm. Tighter vacancy rates in the inner precincts, greater availability of zoned land for development and higher rental rates in a moderating economic environment is leading to increased demand in the Outer North precinct.

Super prime incentives remained stable q-o-q and y-o-y at an of average 12%, although this is up from 10% in mid 2024. Average super prime net effective rents have seen an increase of 2.7% y-o-y to AUD 135/sqm.

Prime net face rents increased by 0.6% q-o-q, and 3.2% y-o-y, to an average of AUD 135/sqm. Secondary grade net face rents remained stable q-o-q, and are up 2.8% y-o-y, to an average of AUD 109/sqm. Both prime and secondary grade incentives remained stable q-o-q at an average of 10%.

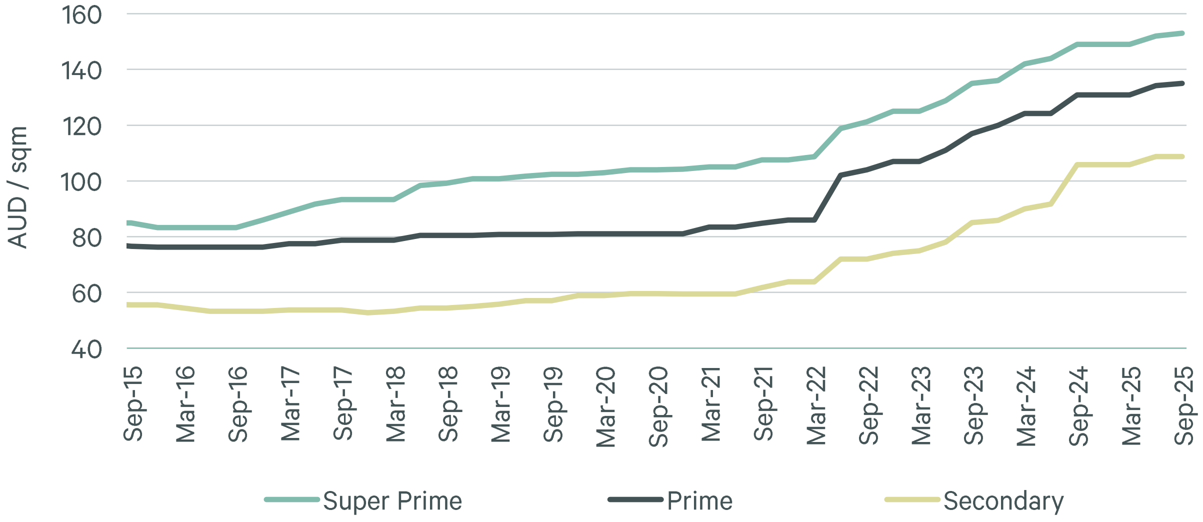
Adelaide's vacancy remained stable at 1.6% (as at 1H25) with robust leasing activity largely absorbing the influx of new space seen during 1H25. A rise in sublease availability was recorded compared to 2H24, which was likely a result of the tight vacancy environment prompting tenants to secure space beyond their immediate needs.

FIGURE 6: Average net face rent growth



Source: CBRE Research

FIGURE 7: Adelaide average net face rents by grade



Source: CBRE Research

Land Values

Industrial land values in Adelaide continue to appreciate

The lack of serviced industrial zoned land released to market across Adelaide's industrial precincts have led to significant appreciation in land values. Given demand has remained strong for developable industrial land and supply limited, this has placed continued upward pressure on land values during 3Q25.

More recently, growth in land values has been largely driven by owner occupiers in Adelaide, who are less sensitive to the higher cap rates and higher financing/construction costs compared to developers, that must make a profit on developments. However, with cost of debt in decline and Adelaide's industrial market cap rates also beginning to decrease – this is expected to revive investor demand as developments become more feasible.

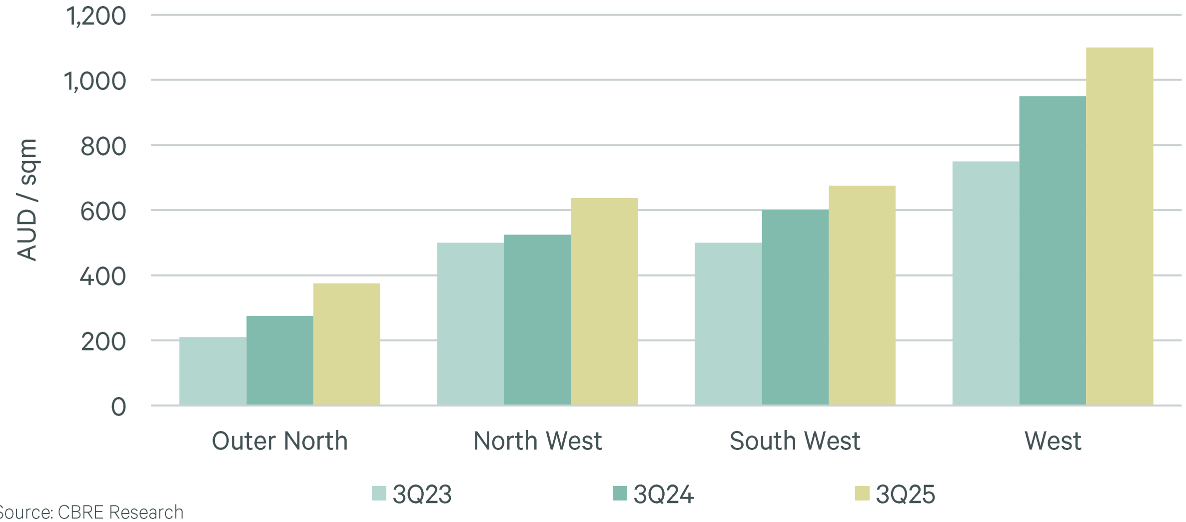
For 3Q25 land values for 1.6 ha lots across the core precincts comprising the North West, Outer North, West and South West currently average AUD 697/sqm, increasing by 7.7% q-o-q and 18.6% y-o-y. Average land values for the Outer North have increased by 36.4% y-o-y to an average of AUD 375/sqm. This is due to the greater availability of land in the Outer North and the significantly better affordability compared to the inner precincts (Figures 8 & 9) attracting greater demand. This is evident in the current concentration of development activity in the Outer North, currently accounting c.68% of the 2025F-2027F development pipeline.

Adelaide's West precinct has the highest land values, and has continued to grow over the quarter. This is due to the scarcity of land in the West precinct given the industrial land here is the most centrally located to the Adelaide CBD and Adelaide Airport. Average 1.6ha land values in the West precinct have increased by 4.8% q-o-q and 16.7% y-o-y to now sit at AUD 1,100/sqm.

Land values for the smaller 0.25 ha lots across the North West, Outer North, West and South West precincts increased by 6.5% q-o-q and 23.5% y-o-y to an average of AUD 1,019/sqm. The land constrained West precinct has seen the largest increase in 0.25 ha lot values – up by 8.0% q-o-q and 28.6% y-o-y to an average of AUD 1,350/sqm.

FIGURE 8: Adelaide Industrial 0.25 ha land values by precinct (3Q23 to 3Q25)

FIGURE 9: Adelaide Industrial 1.6 ha land values by precinct (3Q23 to 3Q25)



Source: CBRE Research

Investment Market

Adelaide yields compress for the first time this cycle

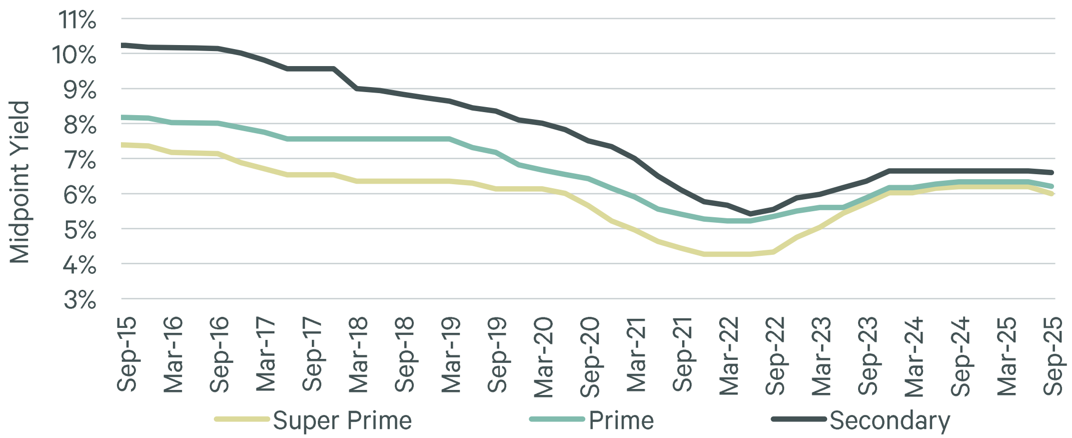
Sales transactions totaling AUD 560 million have been recorded for the first three quarters of 2025, already surpassing the 10-year average volume of AUD c.430 million (for transactions ≥ AUD 5 million). This is due to the large-scale sale of the Port Adelaide Distribution Centre during 3Q25.

Notable sales recorded over the quarter include:

- Port Adelaide Distribution Centre - purchased by Centuria from Quintessential Equity for AUD 216 million.
- 37 Caribou Drive in Direk - purchased by a local private investor from Gibb Group for AUD 31 million.

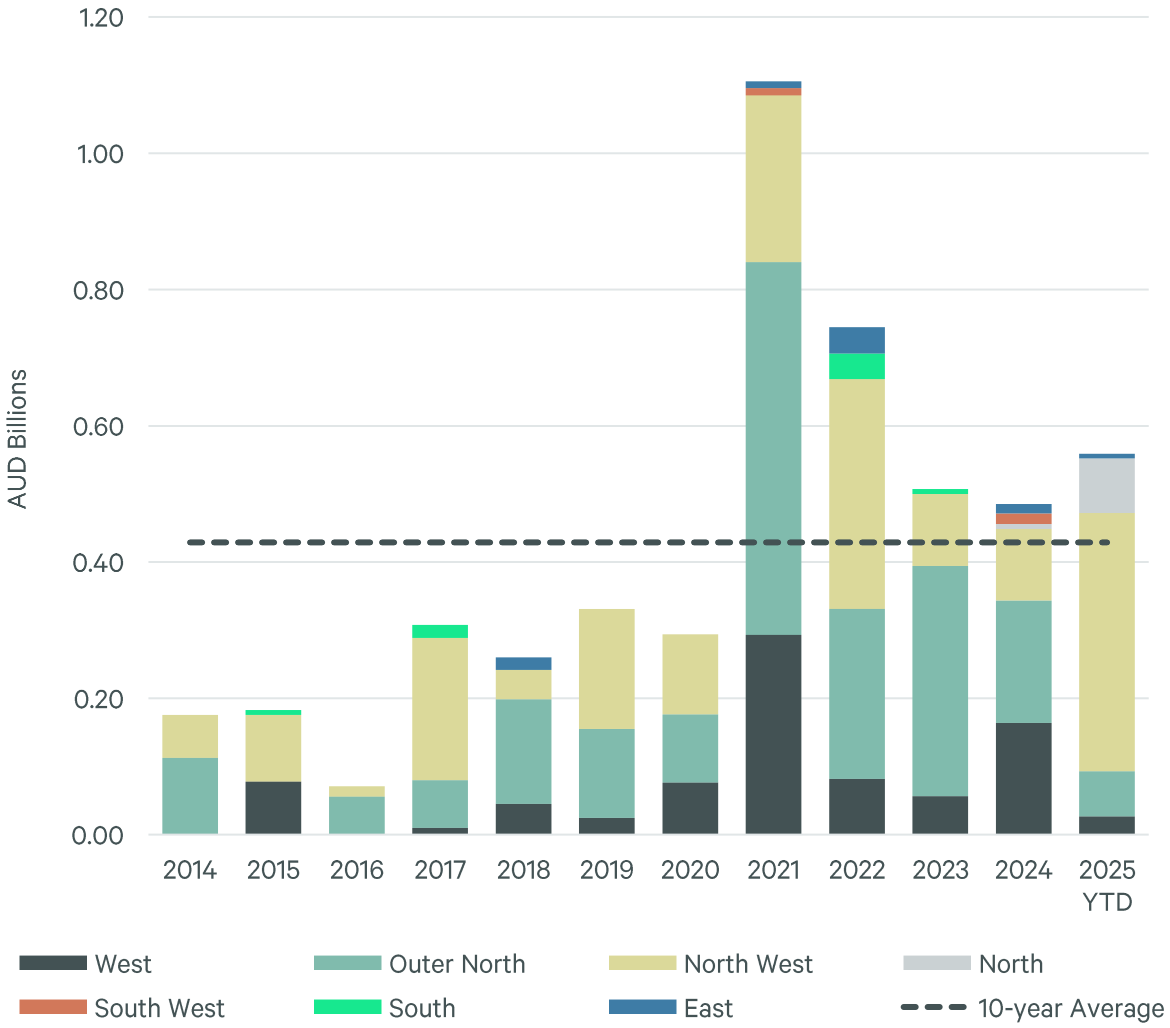
During 3Q25 industrial midpoint yields decreased for the first time this cycle. Yield compression was led by the higher asset grades with super prime midpoint yields decreasing 20 bps q-o-q to 6.0% and prime midpoint yields decreasing 13 bps q-o-q to 6.2%. For the secondary grade market midpoint yields decreased slightly by 4 bps q-o-q to 6.6%. Given the current outlook for further decreasing interest rates, industrial yields are expected to see continued compression over next 12 months.

FIGURE 10: Midpoint yields (3Q15-3Q25)



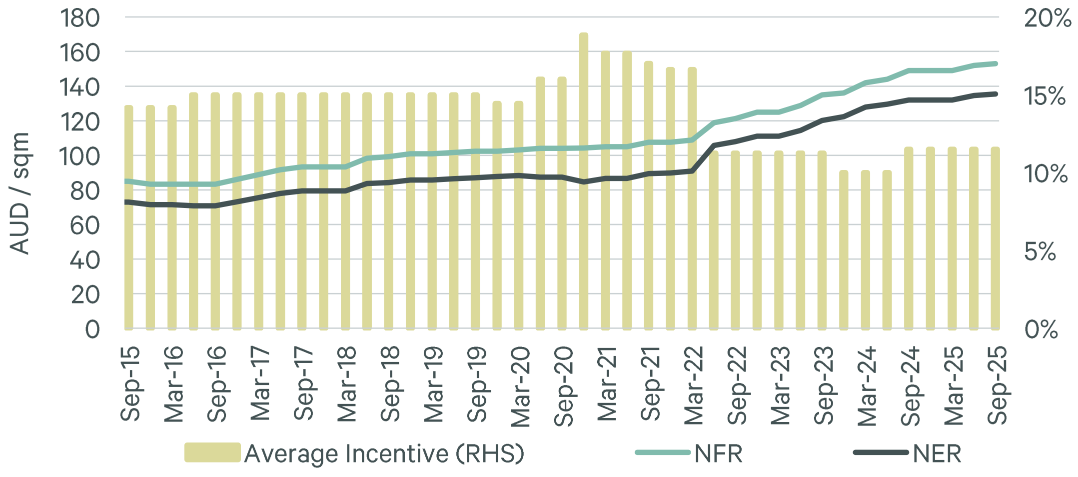
Source: CBRE Research

FIGURE 11: Adelaide Industrial investment sales 2014-2025 (greater than AUD 5 million)



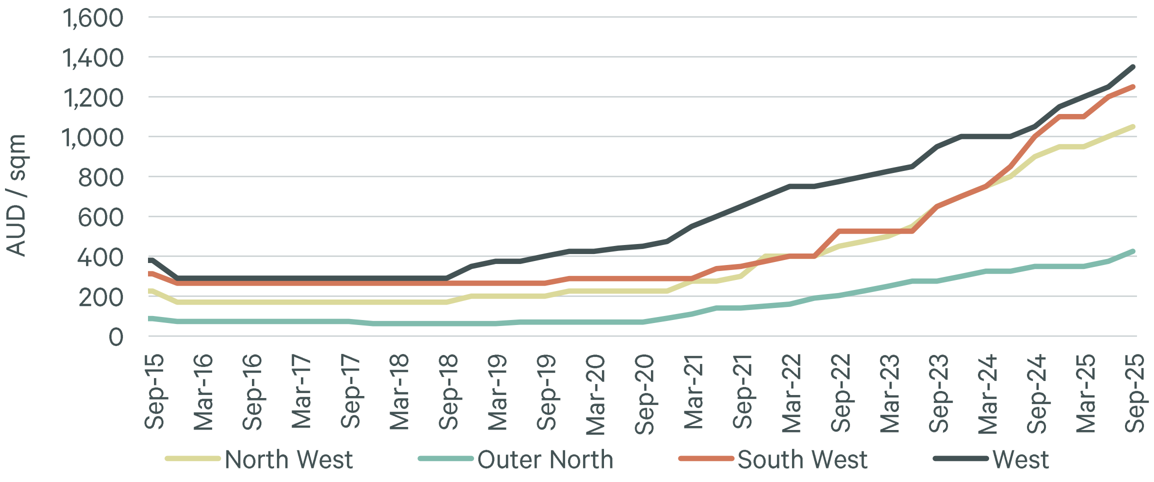
Source: CBRE Research

FIGURE 12: Average super prime net face rents, net effective rents and incentives



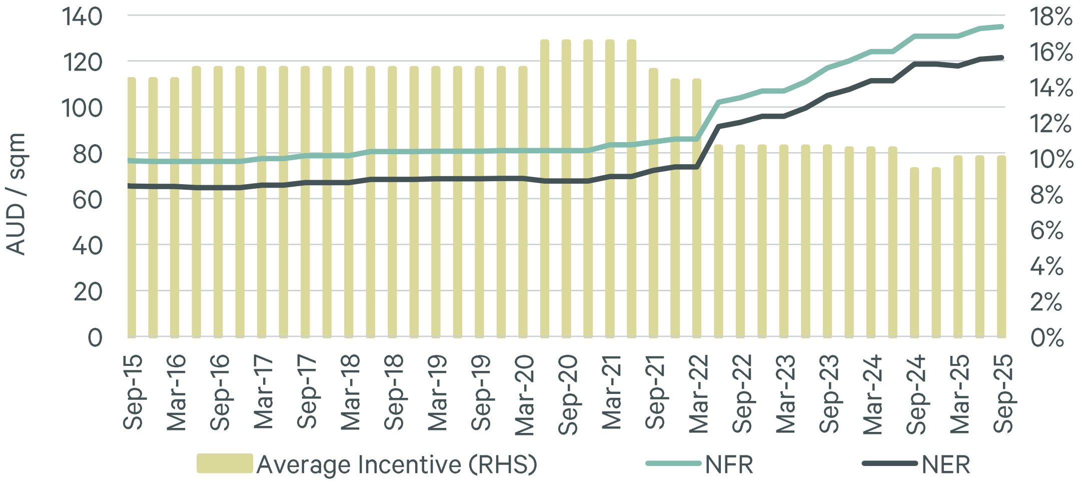
Source: CBRE Research Q3 2025

FIGURE 14: Average land values (0.25 ha lots), by precinct



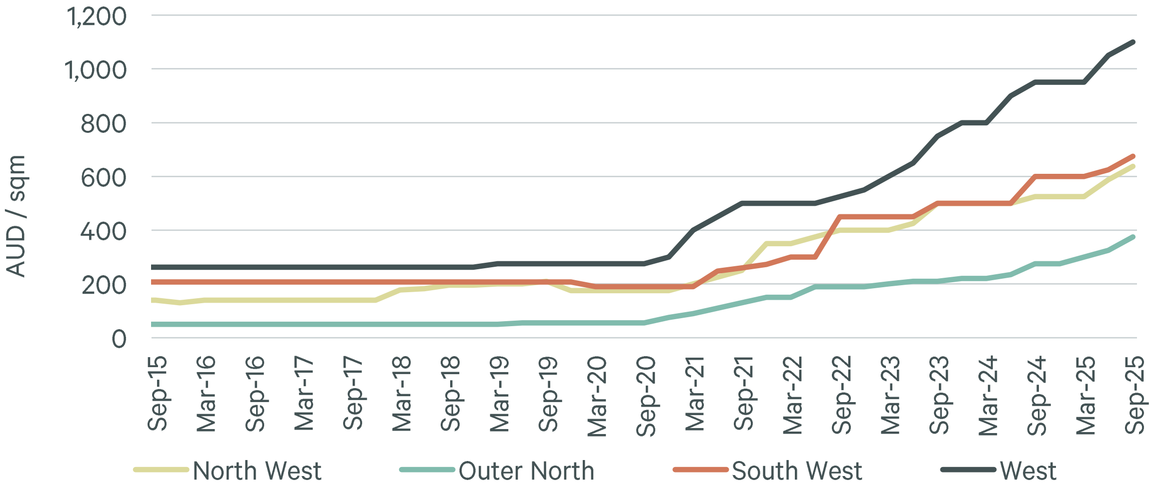
Source: CBRE Research Q3 2025

FIGURE 13: Average prime net face rents, net effective rents and incentives



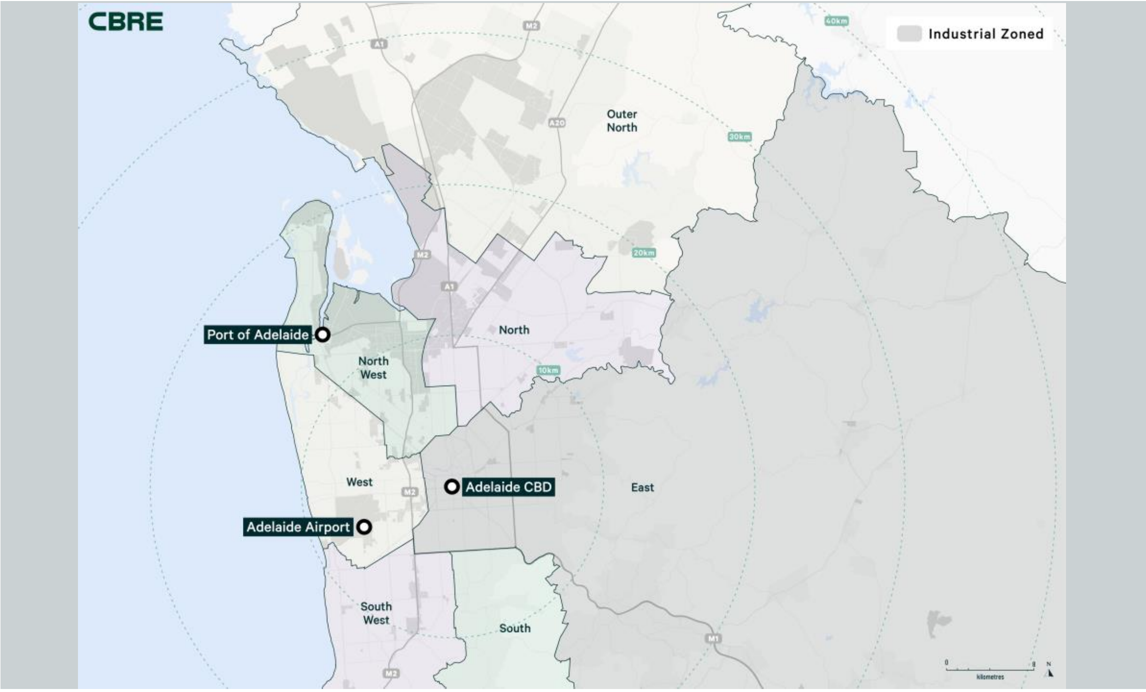
Source: CBRE Research Q3 2025

FIGURE 15: Average land values (1.6 ha lots), by precinct



Source: CBRE Research Q3 2025

Market Area Overview



Definitions

Super Prime:
Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

Prime:
Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

Secondary:
Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

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