Festival Tower Two construction commencement lifts the supply pipeline in Adelaide

▲ 15.5%
Overall Vacancy Rate (Jan-26)

▲ $654/sqm
CBD Prime Gross Face Rents (+1.6% y-o-y)

▶ 35.0%
CBD Prime Incentives (stable q-o-q)

▶ 7.75%
Prime Yield as of Q1-26

Note: Arrows indicate change from previous quarter.

Key Points

- Total enquiry volume (sqm) of c.72,000 sqm was recorded across Adelaide's office market during 1Q26, easing 5% from 1Q25, though rebounding from the soft volume seen last quarter.
- For 2H25 net absorption was 10,697 sqm, down from 22,606 sqm in the same period in 2024. Net absorption for CY2025 reached 33,023 sqm, significantly above the 10-year annual average of c.15,500 sqm.
- The Adelaide CBD overall vacancy rate sat at 15.5% as of January 2026, increasing slightly from the 15.0% rate in July 2025.
- Walker Corporation's Festival Tower Two development has commencement construction during 1Q26, adding c.50,000 sqm to the supply pipeline.
- Prime gross rents have increased around 2% y-o-y to an average $654 per sqm. Prime incentive rates remained stable q-o-q averaging 35% and are down 0.5 percentage points y-o-y.
- 1Q26 investment transaction volumes totalled c.$110 million across Adelaide's office market and there is a healthy investment pipeline.
- Midpoint yields remained stable q-o-q with prime yields sitting at 7.75% and secondary at 9.5%.

FIGURE 1a: Adelaide CBD Office | Market Summary

Adelaide CBD	Jan 2025	July 2025	Jan 2026	H-o-H Change	Y-o-Y Change
Vacancy Rate	16.4%	15.0%	**15.5%**	+50 bps	-90 bps

FIGURE 1b: Adelaide CBD Office | Summary of Prime Market Indicators

Adelaide CBD	Q1 2025	Q4 2025	Q1 2026	Q-o-Q Change	Y-o-Y Change
GFR	$643/sqm	$655/sqm	**$654/sqm**	-0.2%	+1.6%
NFR	$492/sqm	$502/sqm	**$498/sqm**	-0.6%	+1.3%
Incentives	35.5%	35.0%	**35.0%**	Stable	-50 bps
Yield	7.70%	7.75%	**7.75%**	Stable	+5 bps

$ = Australian Dollar AUD
CBD = Core & Frame markets
Source: CBRE Research

Office Demand

Healthy enquiry volume amid global uncertainty during 1Q26

Total enquiry volume (sqm) of c.72,000 sqm was recorded across Adelaide's office market during 1Q26, easing 5% from 1Q25, though rebounding from the soft volume seen last quarter. The number of enquiries received in the quarter totalled 159, 6% lower than 1Q25. The average enquiry size during the quarter was around 454 sqm, slightly higher than the 446 sqm in 1Q25.

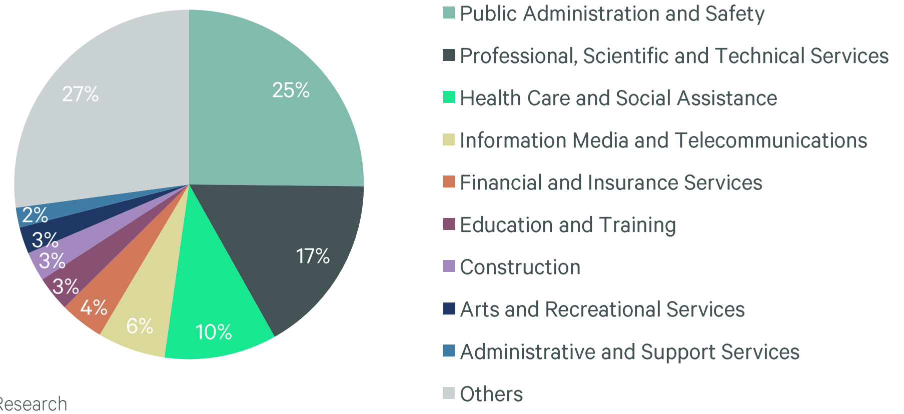
Enquiry during the quarter was driven by government, professional services and healthcare industries which accounted for 25%, 17% and 10% of the total enquiry volume, respectively.

Looking at the past rolling 12 months, enquiry has totalled c.283,000 sqm, which remains 16% above the 10-year annual average.

Adelaide's CBD market had seen historically high net absorption levels since 1H24 (figure 4). For 2H25 net absorption was 10,697 sqm, down from 22,606 sqm in the same period in 2024 though remaining well above the 10-year six month average of c.7,700 sqm.

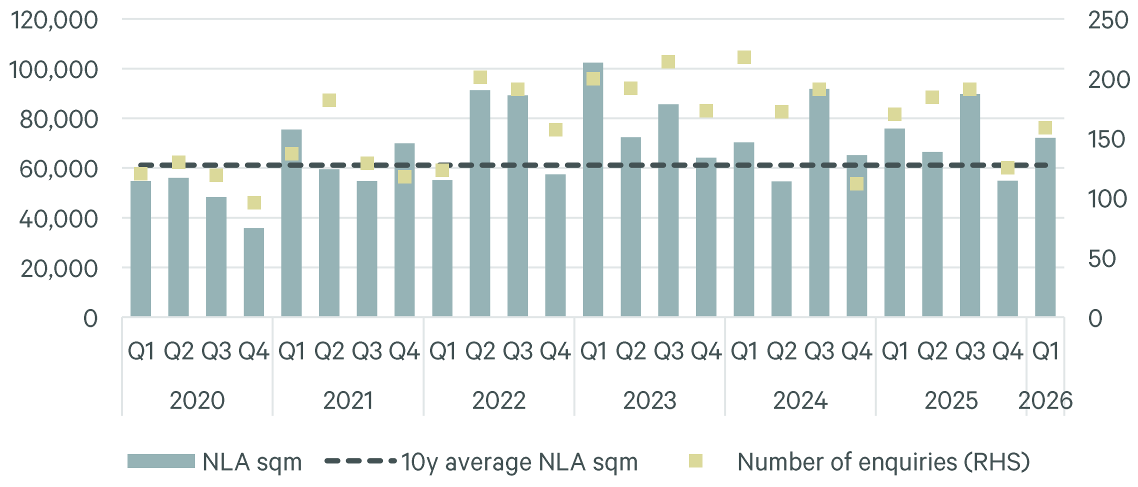
Prime grade net absorption for 2H25 totalled 7,128 sqm, just below the 10-year six month average of c.9,300 sqm. Secondary grade net absorption for 2H25 came to 3,569 sqm, above the 10-year six month average of c.500 sqm.

FIGURE 2: Adelaide 1Q26 Enquiry Volume (sqm) by Industry



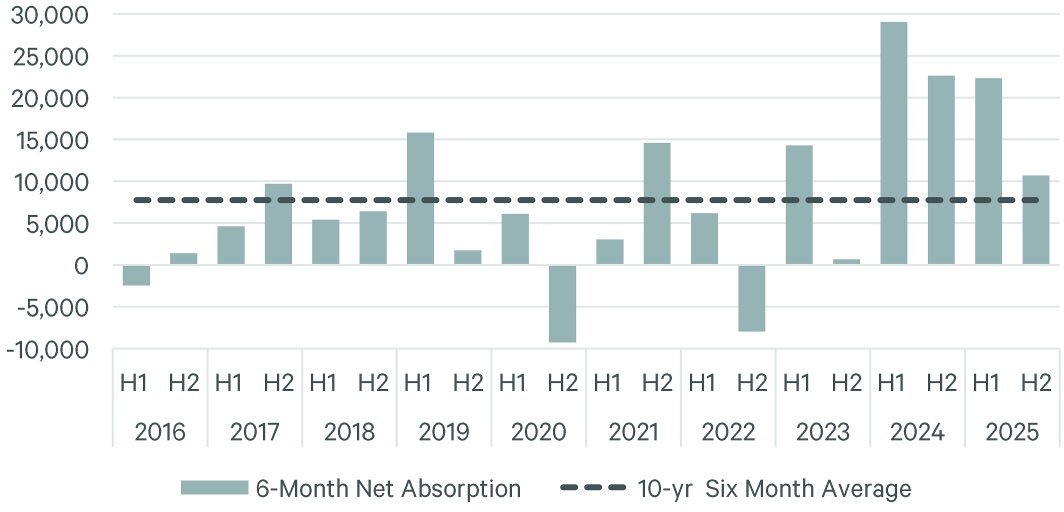
Source: CBRE Research

FIGURE 3: Adelaide Office | Enquiry Volumes



Source: CBRE Research

FIGURE 4: Adelaide CBD Office | 6-Month Net Absorption (sqm)



Source: PCA, CBRE Research

Supply

Supply pipeline lifts as Festival Tower Two enters development

The Adelaide CBD supply pipeline lifted during the quarter with construction commencing on Walker Corporation's Festival Tower Two development. Festival Tower Two will comprise c.50,000 sqm of office NLA with completion expected around late 2028. The pre-commitment details remain unclear.

The Market Square development on Gouger Street continues to progress with completion due in the second half of 2026. It comprises of c.22,000 sqm with close to 60% of this space already taken up.

The Innovation Centre at the Lot Fourteen development (c.15,000 sqm) is expected to proceed with development and will be delivered by the SA Government. Construction is expected to commence this year with completion expected in 2028. The pre-commitment rate for Lot Fourteen sits around 77%.

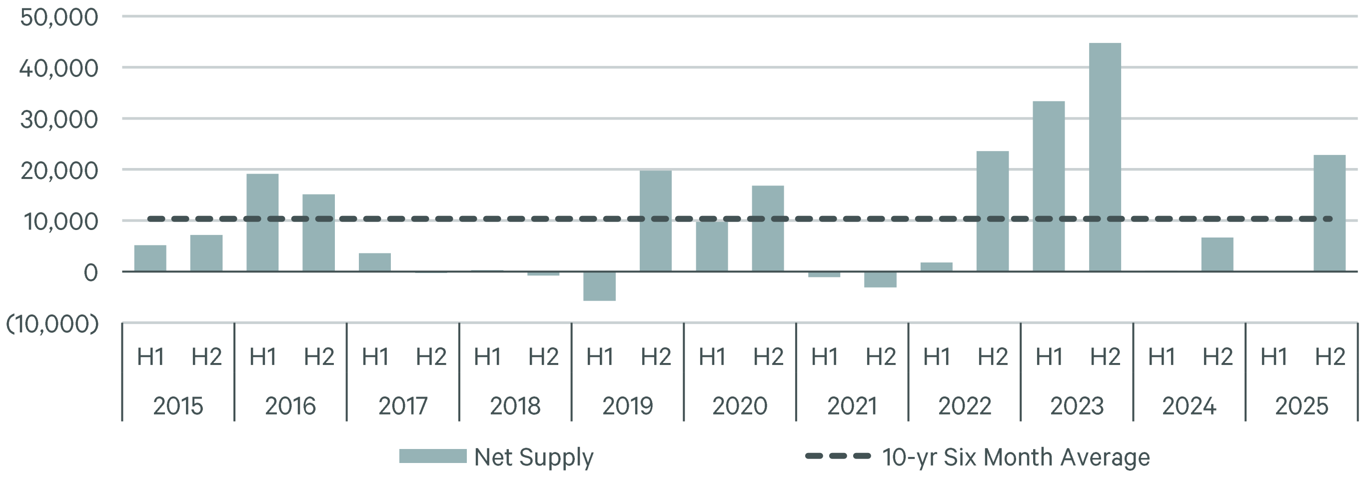
All up, the three major projects in the pipeline amount to c.84,000 sqm and represents around 5.3% of the current CBD stock.

The supply pipeline will be offset somewhat by future stock withdrawals/ conversions. 77 Grenfell Street, comprising 15,888 sqm of office NLA is expected to withdrawn and re-purposed into student accommodation.

50 Franklin Street added 21,412 sqm of new stock in 2H25

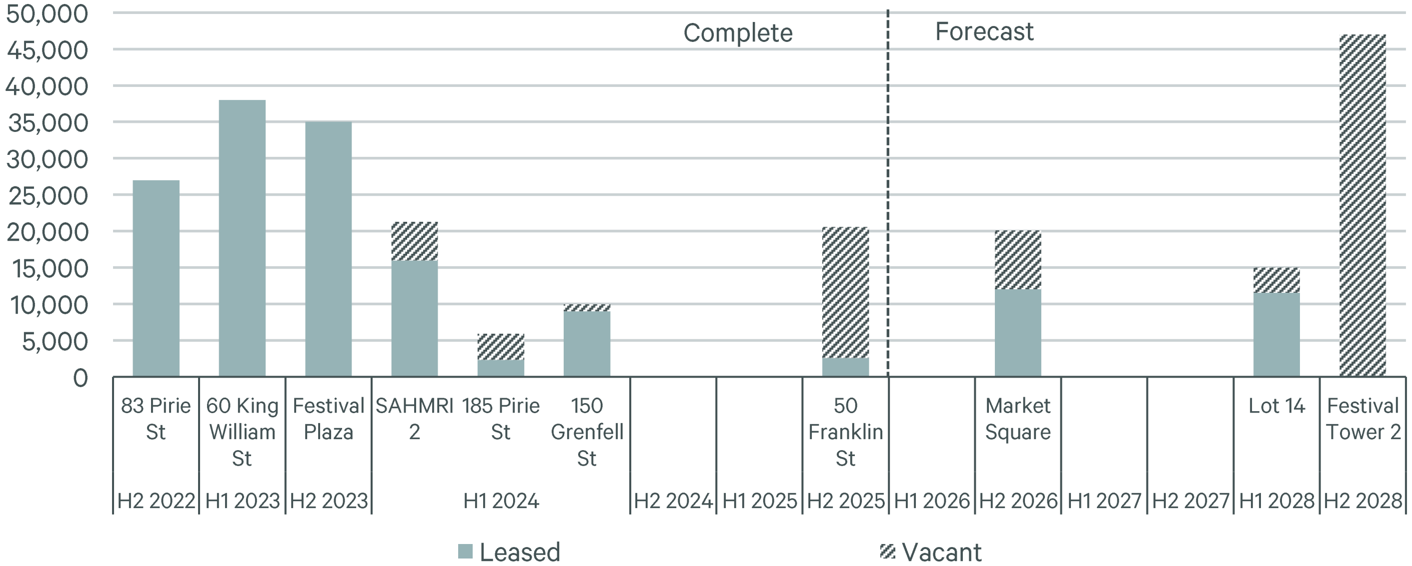
During 2H25 net supply added to the market lifted to 22,848 sqm, above the 10-year six-month average of c.10,000 sqm. This was largely due to completion of 50 Franklin Street which introduced 21,412 sqm of new A grade stock. In addition, refurbishment of 139 Frome Street added 2,170 sqm of stock. Stock withdrawn from the market during 2H25 was minimal, totalling just 734 sqm.

Figure 5: Adelaide CBD Historic Net Supply (sqm)



Source: Property Council of Australia, CBRE Research

FIGURE 6: Adelaide CBD Supply, Recent Completions and Pipeline (sqm)



Source: CBRE Research

Vacancy

New supply lifts prime vacancy rate by 1.4 percentage points

The Adelaide CBD overall vacancy rate sits at 15.5% as of January 2026, increasing by 0.5 percentage points from the prior half. Given solid demand for the six months to January 2026 (net absorption = 10,697 sqm), the vacancy increase was driven entirely by net new supply which totalled 22,848 sqm and largely due to completion of 50 Franklin Street which had a large part of the building vacant on completion.

For the prime grade market, the vacancy rate sits at 16.5% as of January 2026 (up from 15.1% in July 2025). Prime grade net supply totalled 21,412 sqm during the six month to January 2026 (50 Franklin St), which offset the positive 7,128 sqm of net absorption.

Secondary grade vacancy sits at 14.6% as of January 2026, decreasing slightly by 0.3 percentage points from the prior half. Partial refurbishment of 139 Frome Street added 2,170 sqm in the secondary market, while 734 sqm of stock was withdrawn (net supply = 1,436 sqm). This combined with net demand of 3,569 sqm in the secondary market resulted in the secondary grade vacancy rate decreasing slightly for half.

Minimal sublease space in Adelaide CBD

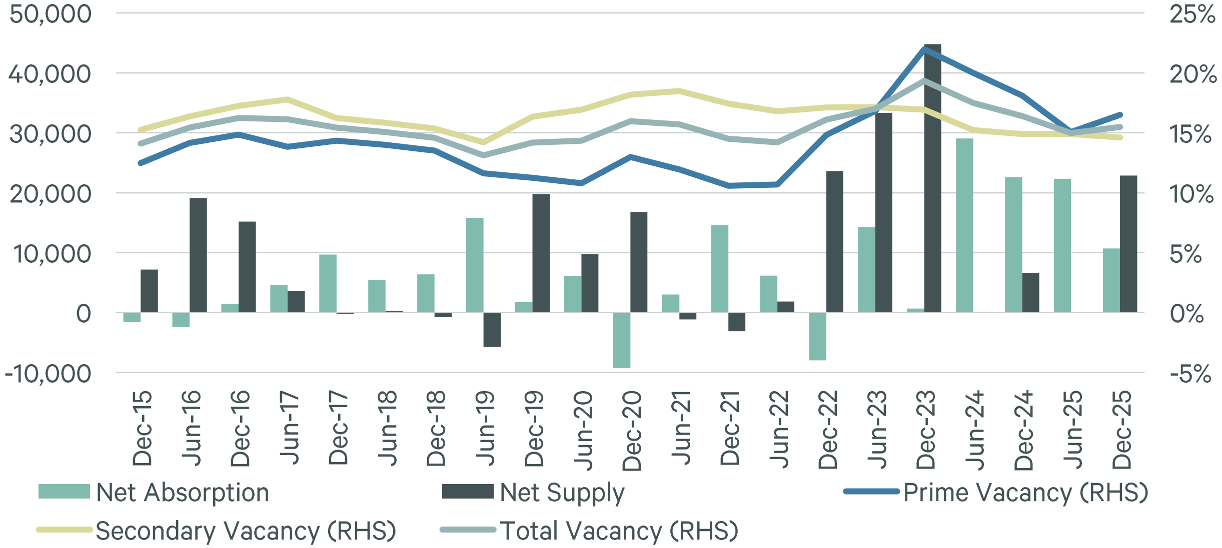
As per CBRE's 1Q26 sublease barometer, the Adelaide CBD had minimal sublease space available, totalling 5,495 sqm. This was up c.1,300 sqm q-o-q though remains significantly below the c.13,300 sqm of sublease space available at the end of 1Q25. Per CBRE's sublease barometer, the sublease vacancy rate sits at just 0.3% as of 1Q26, signalling continued healthy leasing market conditions.

FIGURE 7: Adelaide CBD Office | Leasing Market Summary

Market/ Grade	Inventory *Jan 26*	Vacant Space *Jan 26*	Vacancy Rate *Jan 26 (6month Diff)*	Net Absorption *6 months*
Prime	774,750 sqm	127,691 sqm	16.5% (+1.4 pp)	7,128 sqm
Secondary	818,465 sqm	119,569 sqm	14.6% (-0.3 pp)	3,569 sqm
Total	**1,593,215 sqm**	**247,260 sqm**	**15.5% (+0.5 pp)**	**10,697 sqm**

Source: PCA, CBRE Research

FIGURE 8: Adelaide CBD Office | Six Month Net Absorption (sqm), Net Supply (sqm) and Vacancy (%)



Sources: PCA, CBRE Research

Rental Performance

Rent growth eases this quarter following strong growth over 2024 and 2025

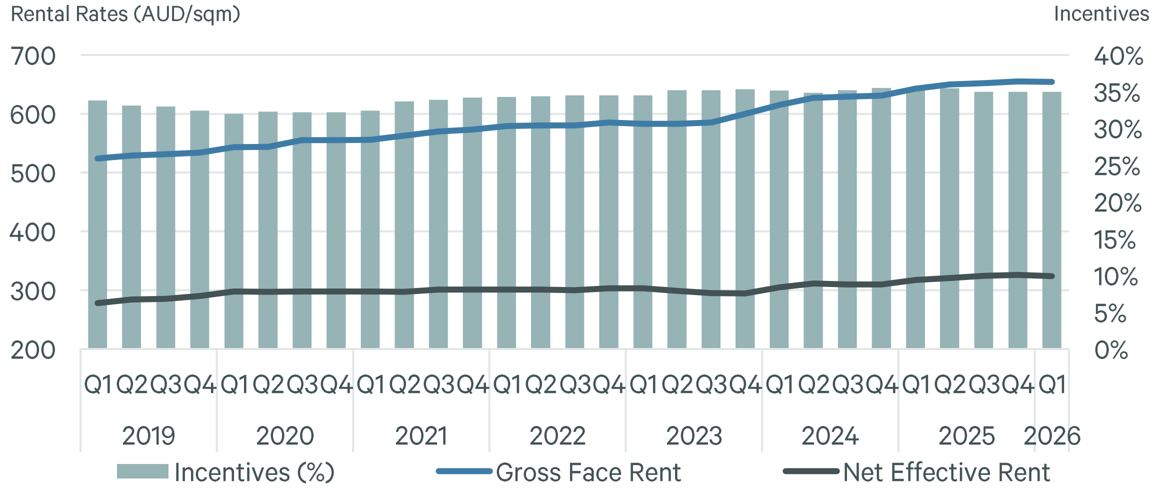
Average prime gross rents in Adelaide CBD remained broadly stable q-o-q and now sit $654/sqm. On a y-o-y basis prime gross rents have increased by around 2% y-o-y. Prime incentives remained stable q-o-q averaging 35% and have decreased slightly by 0.5 percentage points y-o-y. Prime net effective rents have increased by 2% y-o-y and now average $324/sqm, as of 1Q26.

Rents in the secondary grade market also remained stable this quarter and are up 3.6% y-o-y to now average $413/sqm (gross basis). Some changes to enhance the sample basket of properties during 2Q25 has contributed to the stronger y-o-y comparison in the secondary grade assets. Average secondary grade incentives remained stable q-o-q at 42% and are down marginally by 0.1 percentage point y-o-y.

While rental growth was subdued this quarter, the Adelaide CBD has been seeing strong rent growth through 2024 to 2025 due to the robust tenant demand backdrop. Rent growth has been prominent in prime grade assets over the past two years given the stronger demand and repositioning of Gen1 assets that are commanding higher average rental rates. Regenerated buildings with upgraded lobbies and amenities have attracted strong interest as tenants seek quality at more affordable price points than brand new towers.

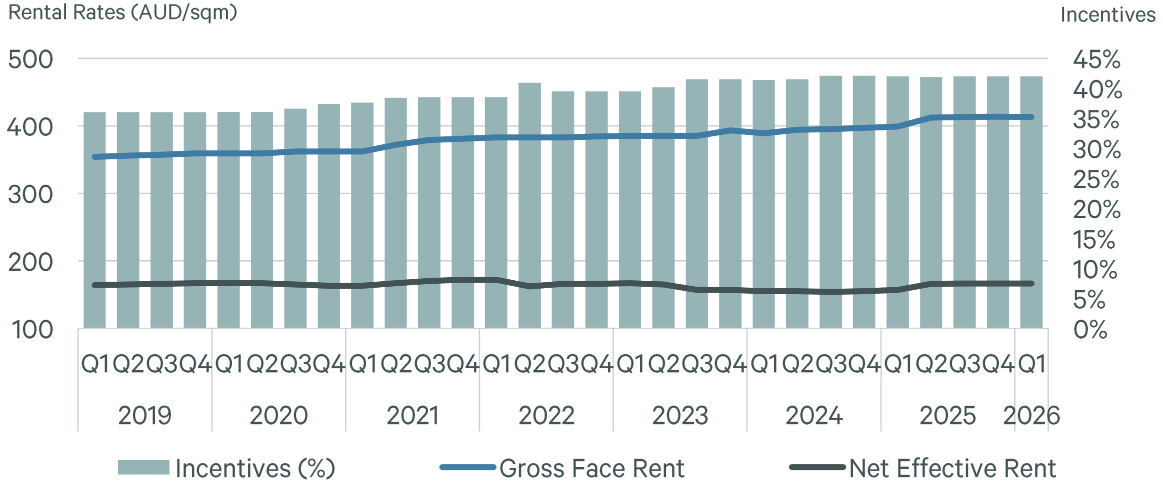
Looking ahead, Adelaide's office market is expected to see continued rental growth driven by the positive demand fundamentals and the repositioning of Gen1 assets which are attracting strong tenant interest. The rental growth rate this year, however, may moderate due to the recent supply addition of 50 Franklin Street and upcoming Market Square development weighing on vacancy. A rising interest rate environment coupled with the global economic uncertainty due to the Middle East conflict has also created additional costs and uncertainty for occupiers.

FIGURE 9: Adelaide CBD Office | Prime Gross Face Rents, Net Effective Rents, and Incentives



Source: CBRE Research

FIGURE 10: Adelaide CBD Office | Secondary Gross Face Rents, Net Effective Rents, and Incentives



Source: CBRE Research

Investment Market

Adelaide yields stable amid rising interest rates during 1Q26

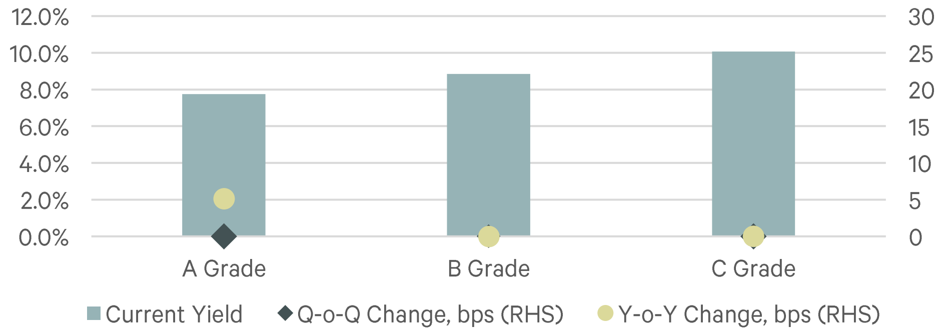
Investment transaction volumes in Adelaide's office market totalled c.$110 million during 1Q26 (for transactions ≥ $5 million), with notable sales including:

- 77 Grenfell Street - LAS Group is acquiring the asset on a vacant possession basis from Wingate IPG for around $45.7 million. The property is expected to be re-purposed into student accommodation.
- 75 Hindmarsh Square – Local private investor has purchased the fully occupied asset from Harmony Property for around $42.4 million.

Adelaide's CBD office midpoint yields remained stable during 1Q26. Prime grade yields currently average 7.75% and secondary grade yields average 9.5%.

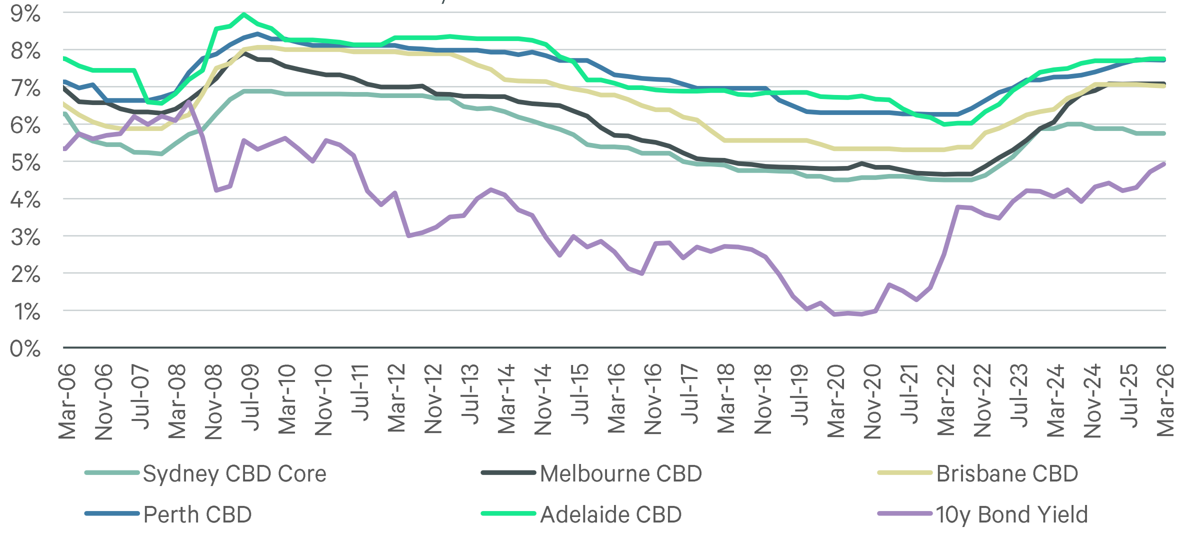
The office investment market in Adelaide has started the year actively and there is an improved investment pipeline. Investment market uncertainty also increased during 1Q26 due to rising interest rates and the Middle East conflict which has created global economic uncertainty. The RBA increased the Cash Rate by 50 basis points during 1Q26 to 4.10% with market expectations of around 50 basis points of further increases by year end. Rising oil prices and inflation expectations have also seen the 10 year Australian Government Bond yield rise to near 5% as of mid April 2026.

FIGURE 11: Adelaide CBD Office | Q1 2026 Yield by Grade and Yield Change



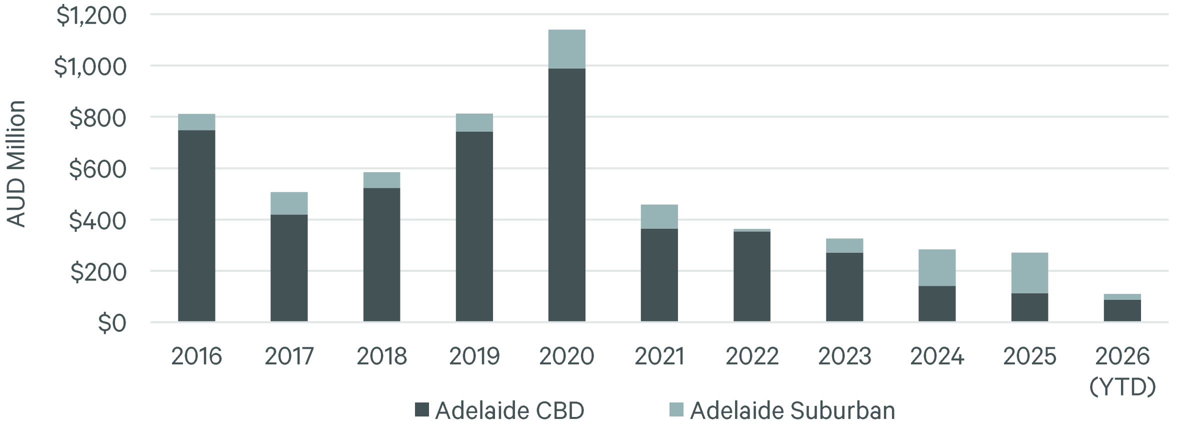
Source: CBRE Research

FIGURE 12: Australian Office Prime Yields vs 10y Bond Yield



Source: CBRE Research

FIGURE 13: Adelaide Office | Investment Sales by Submarket ≥ $5m (AUD millions)



Source: CBRE Research
To note: Includes medical offices.

Contact

Research

Eza Ranjbar

Associate Director
Research, WA & SA
Eza.ranjbar@cbre.com