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Adelaide Commercial Market Update

Office & Industrial Overview · August 2026

A snapshot of where South Australia's office and industrial markets sit today: how the Adelaide CBD compares with the Fringe, the inner-metropolitan market and the smaller end of each sector; what's driving the South Australian economy; and the major projects that will keep spending flowing over the next five years.

16.3%
Adelaide CBD office vacancy, against just 8.6% across the city Fringe

+4.7%
Prime industrial rent growth, year on year, on very tight land supply

+1.75%
South Australian economic growth forecast for FY26/27

$9bn+
City development approved or under construction, before state projects

MARKET OVERVIEW — TWO SECTORS, TWO VERY DIFFERENT STORIES

Office — the gap between good and tired stock keeps widening

The latest Property Council figures, covering the six months to July 2026, show headline Adelaide CBD vacancy rising to 16.3% from 15.5%. That headline is misleading on its own. A Grade and B Grade buildings both improved and recorded positive tenant demand; the entire deterioration sat in C Grade, which jumped to 19.1% and shed more than 15,000 sqm. Beyond the CBD, the Fringe is tighter again at 8.6% vacancy, with the strongest absorption since 2011, while inner-metropolitan buildings continue to attract smaller local occupiers on more affordable rents. Incentives across the CBD remain elevated at around a third of gross rent, so the headline face rent on any new deal is only part of the picture.

ADELAIDE CBD (BY GRADE) — VACANCY

16.4%	15.0%	19.1%
A Grade, improving, positive demand	B Grade, improving, positive demand	C Grade, up sharply, −15,390 sqm

CITY FRINGE & INNER METROPOLITAN

8.6%	$528/sqm	$427/sqm
Fringe vacancy, down 2.2%	Fringe A Grade net face rent	Inner metro secondary net face

For Owners: C Grade is where the pain is concentrated, and it will not fix itself. Well-presented buildings are still leasing. Our own experience bears this out: we have leased refurbished office space at **45 Pirie Street** in the CBD and **35-37 Stirling Street, Thebarton**, where a considered refurbishment made the difference between competing and sitting vacant.

Industrial — inner metro warehousing is the tightest segment

Industrial remains firmly a landlord's market, with prime rents up 4.7% and incentives near 13%. The real pressure is in inner-metropolitan warehousing. Developable land close to the city is scarce, owner-occupiers are bidding hard, and small-lot values have risen considerably over the last twelve months, in excess of 10%. Wingfield, Regency Park, Gepps Cross, Dry Creek and Edinburgh Parks are the tightest precincts, with some occupiers now forced to outer corridors to secure land.

That scarcity is driving genuinely new product. Developers are increasingly delivering multi-unit warehouse estates, smaller strata and lease-back units of roughly 200 to 800 sqm, aimed squarely at trades, owner-occupiers and small logistics operators who cannot buy a standalone site at current land values. These estates lease and sell quickly off the plan. Older secondary stock is a separate market again, still leasing at around $111/sqm where the building is functional, but competing hard against the new units on amenity, clearance and parking.

PRIME & SUPER PRIME

$156/sqm	13%	6.0%
Net face rent, +4.7% p.a.	Incentive, still very low	Super prime midpoint yield

INNER METRO, MULTI-UNIT & SECONDARY

$1,056 – $1,950/sqm	$200 – $230/sqm	$111/sqm
Commercial vs Urban Corridor zoning	Net face rent, new estates	Net face rent, secondary

For Owners: Small infill holdings are appreciating fastest, and multi-unit is now the competing product. Benchmark secondary rents against new units, not against last lease.

WHAT'S DRIVING THE SOUTH AUSTRALIAN ECONOMY

South Australia's economy is being carried by two very large engines: Defence and Infrastructure. AUKUS and the build-out of the Osborne submarine yard represent a program worth tens of billions over coming decades, lifting demand across the northern and western suburbs and creating thousands of skilled jobs. Alongside it, the state's biggest ever road project is now in full construction.

Add steady household spending, and the South Australian economy is forecast to grow by 1.75% next financial year, underwritten by committed public spending rather than sentiment.

- **Defence & AUKUS** — SA's Defence output has more than doubled in five years to over $2bn, the highest per person of any state, with close to 10,000 jobs expected across the program.
- **Major Infrastructure** — the $15.4bn North-South Corridor is SA's largest ever project and is now tunnelling, keeping construction demand elevated to 2031.
- **Health & education** — the new Women's and Children's Hospital and a wave of student accommodation are anchoring long-term city activity.
- **Household spending** — easing cost-of-living pressure is underpinning consumption and retail trade.

Worth watching: Conditions have started to shift following uncertainty in the Middle East and the May federal budget, with national growth now forecast to ease and cost pressures lifting. It is too early to call, the results are yet to play out, and this may prove to be a blip rather than a turn, but it is worth keeping an eye on over the coming months.

MAJOR PROJECTS — WHERE THE MONEY LANDS OVER THE NEXT FIVE YEARS

PROJECT	VALUE	COMMENT — NEXT FIVE YEARS
Osborne Submarine Yard	**$30bn**	$3.9bn already committed for enabling works and site infrastructure. Skills Academy takes its first students in 2028, with the workforce scaling steadily through the period.
North-South Corridor (T2D)	**$15.4bn**	All three precincts under construction and tunnelling underway with three machines. The heaviest construction spend falls squarely inside this window, targeting completion by 2031.
New Women's & Children's Hospital	**$3.2bn**	Carpark nearing completion; main hospital construction commences 2026 and runs through to 2031. A sustained draw on trades and city-fringe services.
Festival Tower Two	**$1.3bn**	38 Levels and due for completion late 2028, adding roughly 50,000 sqm of new prime office. Walker cites $1.3bn in annual economic activity once operating.
Australia Post Site, Grote St	**$1.25bn**	Approved and in design stage. Over 750 apartments, a five-star hotel and 15,000 sqm of commercial space; construction likely to start within the period.
City East Urban Renewal	**$900m**	Planned, delivering 700+ homes, a 200-room hotel and 200 affordable dwellings. Expect delivery to extend beyond this five-year window.

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