



*Achieve
Ambitions*

Vertical Vacancy Review

New Zealand

VVR 1Q19

Prepared: April 2019

Vertical Vacancy Review

New Zealand

VVR 1Q19

Prepared: April 2019

Vertical Vacancy Review

Table of Contents

Foreword	3		
Auckland Forecast 1Q19	4	Wellington Forecast 1Q19	8
Auckland Office Sector Overview	5	Wellington Office Sector Overview	9
Auckland Industrial Sector Overview	6	Wellington Industrial Sector Overview	10
Auckland Retail Sector Overview	7	Wellington Retail Sector Overview	11
About JLL & JLL Research	16		
Contact	17		

(click links to go to page)

Foreword

We are delighted to publish our latest update of the Vertical Vacancy Report for 1Q19 which reports on the amount of available space in Auckland, Wellington and Christchurch’s prime and ‘A’ Grade buildings in their respective CBDs.

Overall, we see that the prospects for quality office space across the country is set fair for the short to medium term in Auckland and Wellington. In Christchurch we can see that with stock levels nearing equilibrium, rents are close to finding their longer term starting point and we expect to see modest year on year market growth from there.

We are again seeing low vacancy in the best buildings across the major cities of New Zealand which comes as little surprise given our good recent economic track record for sustainable growth.

Paul Winstanley
Head of Research and Consultancy, JLL NZ



Written by
Paul Winstanley
Head of Research and Consultancy

E: paul.winstanley@ap.jll.com
M: +64 21 819 348

Auckland Overview



Lots of cranes but construction will likely slow down (due to high construction costs and land prices)



Low vacancy levels, sustainably rising rents, strong investor demand (unchanged from 3Q18)



Rents at \$558 psm (ave. premium.) & \$435 psm (ave. A grade); combined = just under \$500psm prime average



Secondary combined rents remain unchanged at an average of \$295 psm



Top and A grade space still much more popular than B, C and D grade



Incentives unchanged at 4.2% and 8.6% for premium and A grade respectively



Prime vacancy (Premium + A Grade space) across the VVR remains similar at 5.0%



The much anticipated completion of Commercial Bay in 2H19 will deliver 39,000 sqm of premium grade stock. With that being said, it is already c.80% pre-committed.



Prime rents sit at \$496 as at 1Q19 and this is expected to grow with incentives remaining consistently low in the short-term supported by high level of pre-leasing

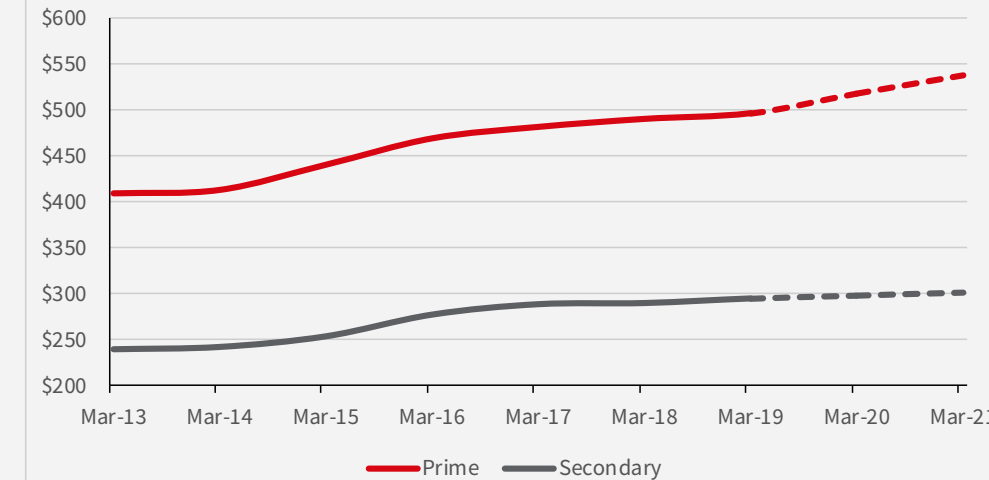


As at 1Q19, vacancy across the four premium towers sits at just 2.7%. Vacancy in the balance of Grade-A towers sits at 5.9%.

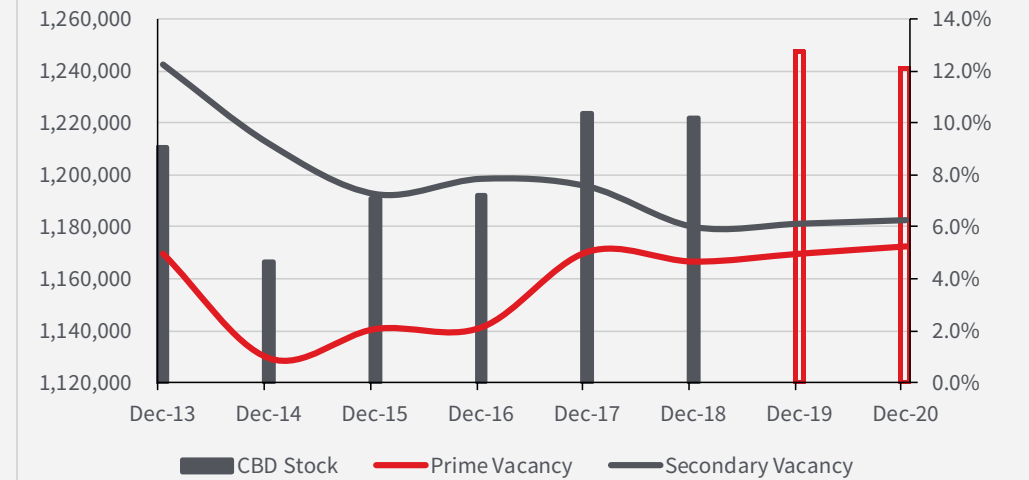


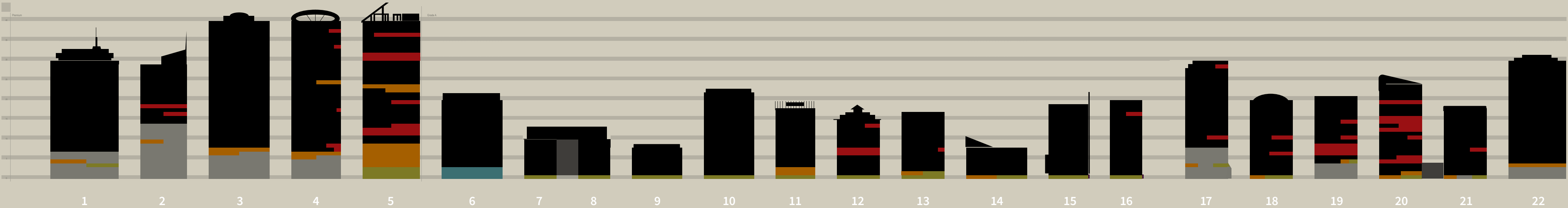
Prime yields continue to firm since 3Q18 which now sits at an average of 5.53% supported by recent transactions including the sale of VVX portfolio for \$635m.

Auckland CBD Rents



Auckland CBD office stock and vacancy





1.

PWC Tower

Office Space: 30,100 sqm
Vacancy: 0%

2.

Lumley Centre

Office Space: 19,500 sqm
Vacancy: 10%

3.

ANZ Centre

Office Space: 30,100 sqm
Vacancy: 0%

4.

Vero Centre

Office Space: 39,529 sqm
Vacancy: 3%

5.

Commercial Bay

Office Space: 39,000 sqm
Under Construction

6.

HSBC House

Office Space: 18,200 sqm
Vacancy: 0%

13.

Tower Centre

Office Space: 14,200 sqm
Vacancy: 1%

14.

AECOM Building

Office Space: 11,800 sqm
Vacancy: 0%

15.

Deloitte Tower

Office Space: 21,100 sqm
Vacancy: 0%

16.

AIG Building

Office Space: 13,300 sqm
Vacancy: 3%

17.

SAP Tower

Office Space: 18,000 sqm
Vacancy 4%

7.

East Building -
Northern Tower

Office Space: 13,800 sqm
Vacancy: 0%

8.

East Building -
Southern Tower

Office Space: 16,300 sqm
Vacancy: 0%

9.

Westpac Charter

Office Space: 8,000 sqm
Vacancy: 0%

10.

AMP Centre

Office Space: 22,000 sqm
Vacancy: 0%

11.

Zurich House

Office Space: 14,500 sqm
Vacancy: 0%

12.

Citigroup Centre

Office Space: 9,100 sqm
Vacancy: 17%

18.

CHORUS (Org Gen-i)

Office Space: 21,000 sqm
Vacancy: 5%

19.

Media Design Centre

Office Space: 13,300 sqm
Vacancy: 22%

20.

DLA Piper Tower

Office Space: 12,400 sqm
Vacancy: 28%

21.

205 Queen

Office Space: 9,800 sqm
Vacancy: 2%

22.

Auckland Council
Building

Office Space: 31,700 sqm
Vacancy: 0%

Vacant

Occupied

Under
Construction

Retail

Parking

Available
Sublease

Under
Refurbishment

Other

Wynyard Quarter Overview



The Wynyard Quarter/Viaduct prime office market vacancy remain at 0.0%



New supply entering the market includes One55 Fanshawe and Innovation 5B, delivering ~24,000 sqm of A-Grade office space by 2H19 and 2020 respectively



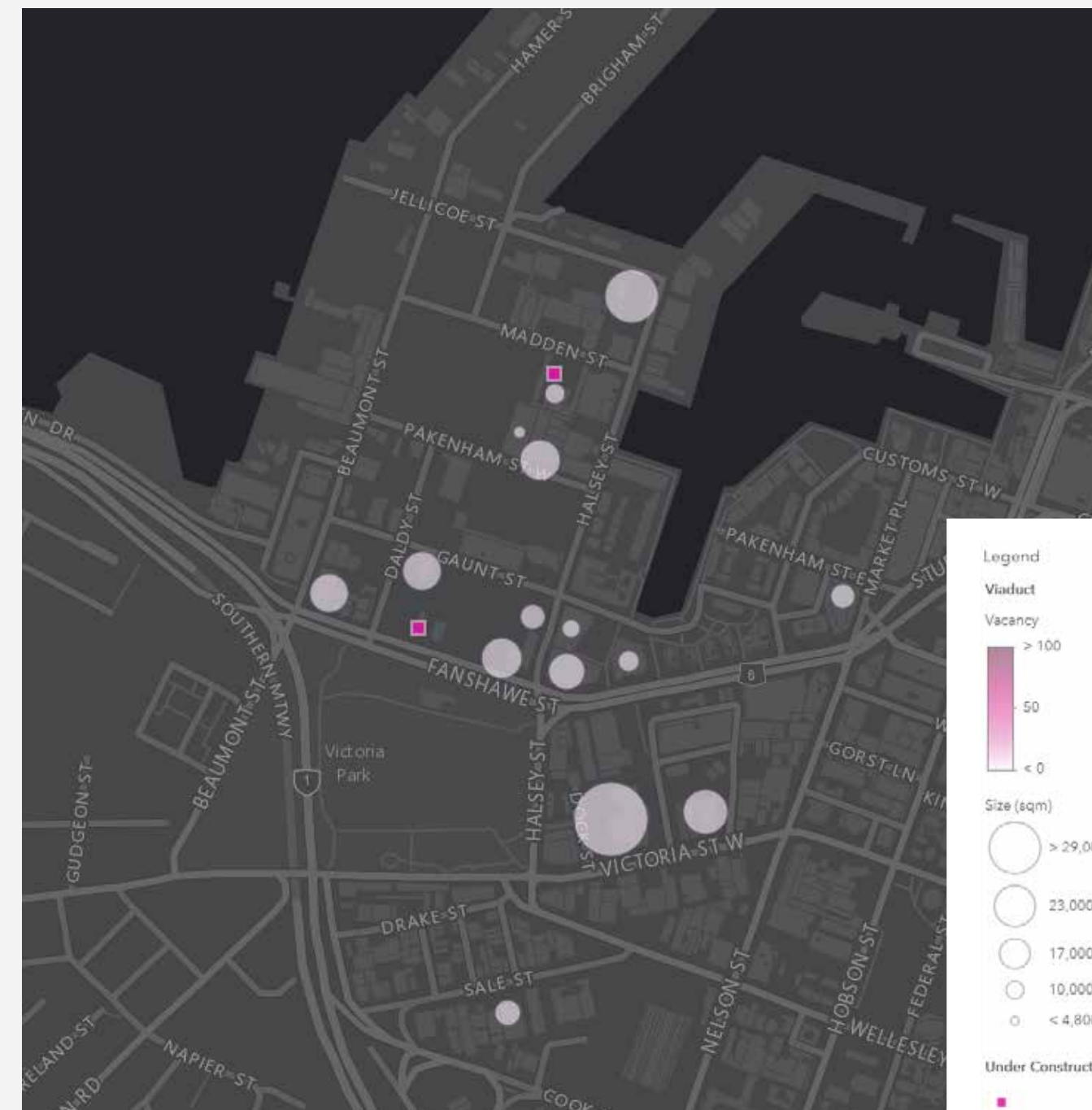
Demand continues to outstrip supply, with both One55 Fanshawe now c.47% pre-committed and Innovation 5B now c.60% pre-committed

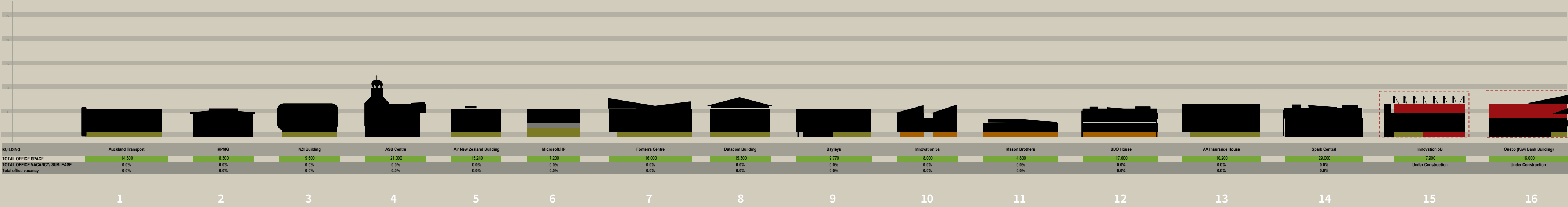


Flexible space continues to grow in this precinct, with Regus pre-committing to One55 Fanshawe on the ground floor



On February 2019, Precinct Properties acquired the remaining 50% share of Generator further emphasis the attractiveness and potential of the flexible space industry





1.

Auckland Transport

Office Space: 14,300 sqm
Vacancy: 0%

2.

KPMG

Office Space: 8,300 sqm
Vacancy: 10%

3.

NZI Building

Office Space: 9,600 sqm
Vacancy: 0%

4.

ASB Centre

Office Space: 21,000 sqm
Vacancy: 0%

5.

Air New Zealand Building

Office Space: 15,240 sqm
Vacancy 0%

6.

Microsoft / HP

Office Space: 7,200 sqm
Vacancy: 0%

7.

Fonterra Centre

Office Space: 16,000 sqm
Vacancy: 0%

8.

Datacom Building

Office Space: 15,300 sqm
Vacancy: 0%

9.

Bayleys

Office Space: 9,770 sqm
Vacancy: 0%

10.

Innovation 5a

Office Space: 8,000 sqm
Vacancy: 0%

11.

Mason Brothers

Office Space: 4,800 sqm
Vacancy: 0%

12.

BDO House

Office Space: 16,600 sqm
Vacancy: 0%

13.

AA Insurance House

Office Space: 10,200 sqm
Vacancy: 0%

14.

Spark Central

Office Space: 29,000 sqm
Vacancy: 0%

15.

Innovation 5b

Office Space: 7,900 sqm
Under Construction

16.

One55 (Kiwi Bank Building)

Office Space: 16,000 sqm
Under Construction



Vacant



Occupied



Under Construction



Retail



Parking



Available Sublease



Under Refurbishment



Other

Christchurch Overview



Christchurch's office market is the most difficult City for commentators to assess given dramatic stock level changes in recent years



Most office space now rebuilt since the 2011 earthquakes; sense of normality starting to come back

- Shortage of stock and inflated rents during construction
- New buildings at a higher grade



Rents going down

- CBD office from \$340 psm to \$325 psm (-4.4%)
- Secondary CBD office from \$243 psm to \$213 psm (-12.4%)
- Suburban office rents at \$213 psm (-3.4%) and \$150 psm (-11.8%) respectively



Pipeline now significantly smaller so we feel rents are finding their long-term levels



Vacancy across the Christchurch VVR buildings has increased by 100bps sitting at 7.4% including space for sublease, representing 7,816 sqm of space available.



Tenants continue to move back into CBD buildings as they come online, the CBD can no longer be said to be oversupplied.



Spark Building (fully committed) remains the last of the major supply yet to come to market, due for completion in 2019.



Lack of new supply, high level of recommitments and healthy economic condition will see vacancy rates reducing.

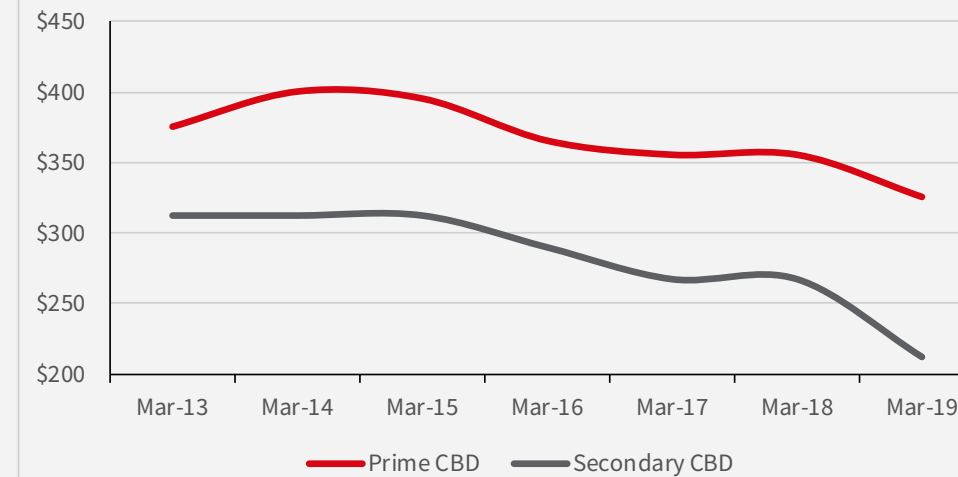


Rents now stabilized since 2013 and will remain muted in the short term. This offer an opportunity for rental growth as and when the economy expands

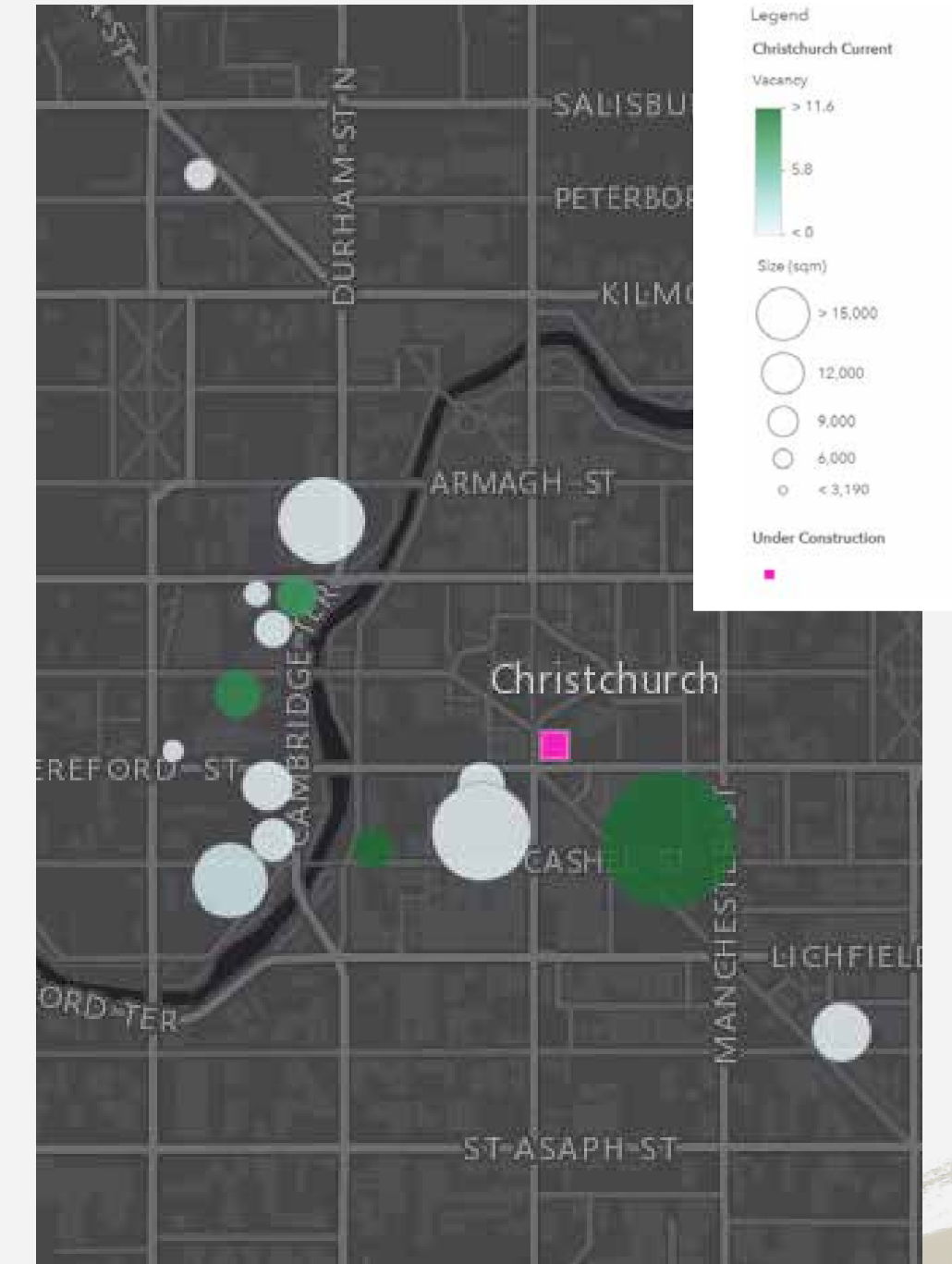
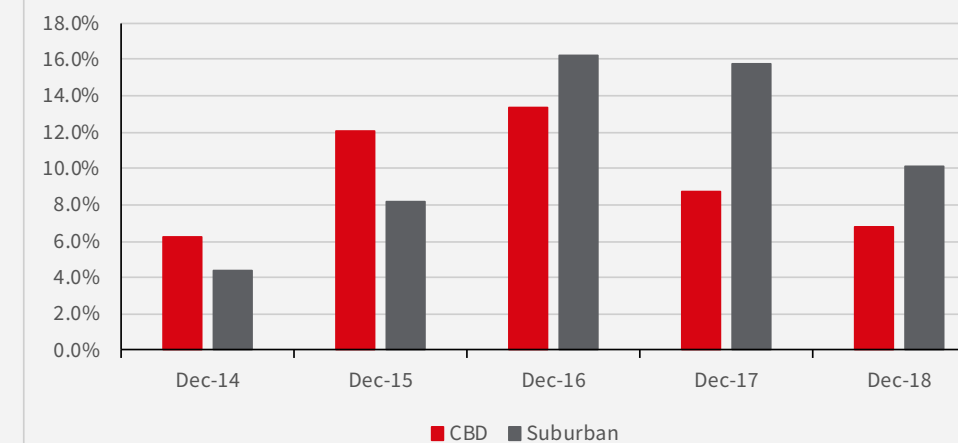


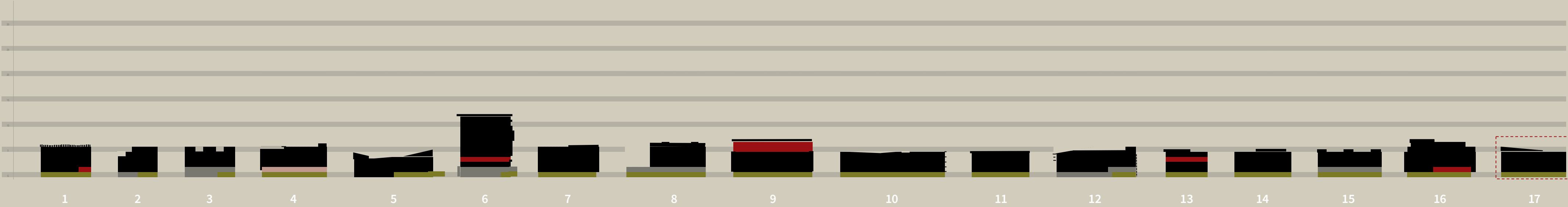
Investment market was noticeably quieter in 2018 due to lack of available assets on the market. Good quality assets with strong tenant covenant will hold favor.

Christchurch rental- average net face (\$/psm)



Christchurch vacancy by location (%)





1.

Deloitte House

Office Space: 5,250 sqm
Vacancy: 5%

2.

Buddle Findlay

Office Space: 4,225 sqm
Vacancy: 0%

3.

Anderson Lloyd House

Office Space: 3,600 sqm
Vacancy: 0%

4.

Wyn William House

Office Space: 3,190 sqm
Vacancy: 0%

5.

Duncan Cotterill Plaza

Office Space: 4,655 sqm
Vacancy: 0%

11.

Vodafone Building

Office Space: 7,040 sqm
Vacancy: 0%

12.

PWC Centre

Office Space: 8,745 sqm
Vacancy: 0%

13.

King Edward Barracks 1

Office Space: 5,452 sqm
Vacancy: 25%

14.

King Edward Barracks 2

Office Space: 6,222 sqm
Vacancy: 0%

6.

HSBC Tower

Office Space: 5,900 sqm
Vacancy: 10%

7.

Lane Neave Building

Office Space: 13,800 sqm
Vacancy: 0%

8.

BNZ Centre Stage 1

Office Space: 5,920 sqm
Vacancy: 0%

9.

Grand Central

Office Space: 15,000 sqm
Vacancy: 28%

10.

Awly Precinct

Office Space: 9,952 sqm
Vacancy: 0%

15.

BNZ Centre Stage 2

Office Space: 11,160 sqm
Vacancy: 0%

16.

Westpac KPMG

Office Space: 5,120 sqm
Vacancy: 14%

17.

Spark Building

Office Space: 5,000 sqm
Under Construction



Vacant



Occupied



Under Construction



Retail



Parking



Available Sublease



Under Refurbishment



Other

Wellington Overview



Lack of supply which meets occupier minimum NBS rating requirements



Very little movement on pricing across the city for office space during 1Q19

- Rents at similar levels as 3Q18
- Growth expected towards the end of 2019



Prime CBD gross rents now sits at \$550 per sqm and secondary CBD gross rent now sits at \$333 per sqm as at 1Q19.



Incentives sit at 2% for prime and 8.8% for secondary



Strong government demand – still highly investable



New supply is forecast but until then vacancy remains tight and rents continue to grow



The Wellington prime office market continue to record minimal space across the skyline, with only 404 sqm available at 0.1% vacancy



Spark Central transacted for \$197.5m in 2018 was the most expensive building to transact in Wellington



Two new buildings at 40 and 44 Bowen Street at the redeveloped Bowen Campus has capacity to add an additional 20,000 square metres of new space, which is in planning with target completion scheduled for late 2021

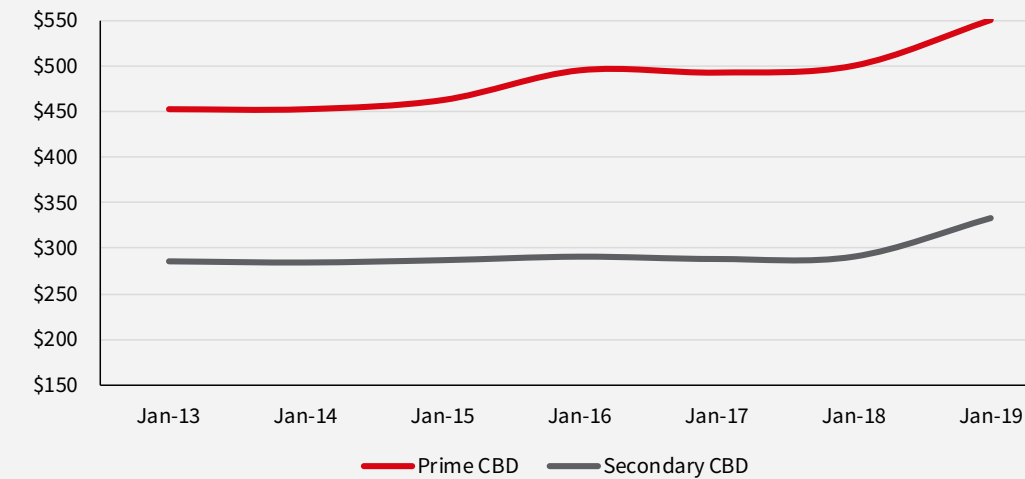


Rents continue to be driven higher supported by high demand/supply imbalance

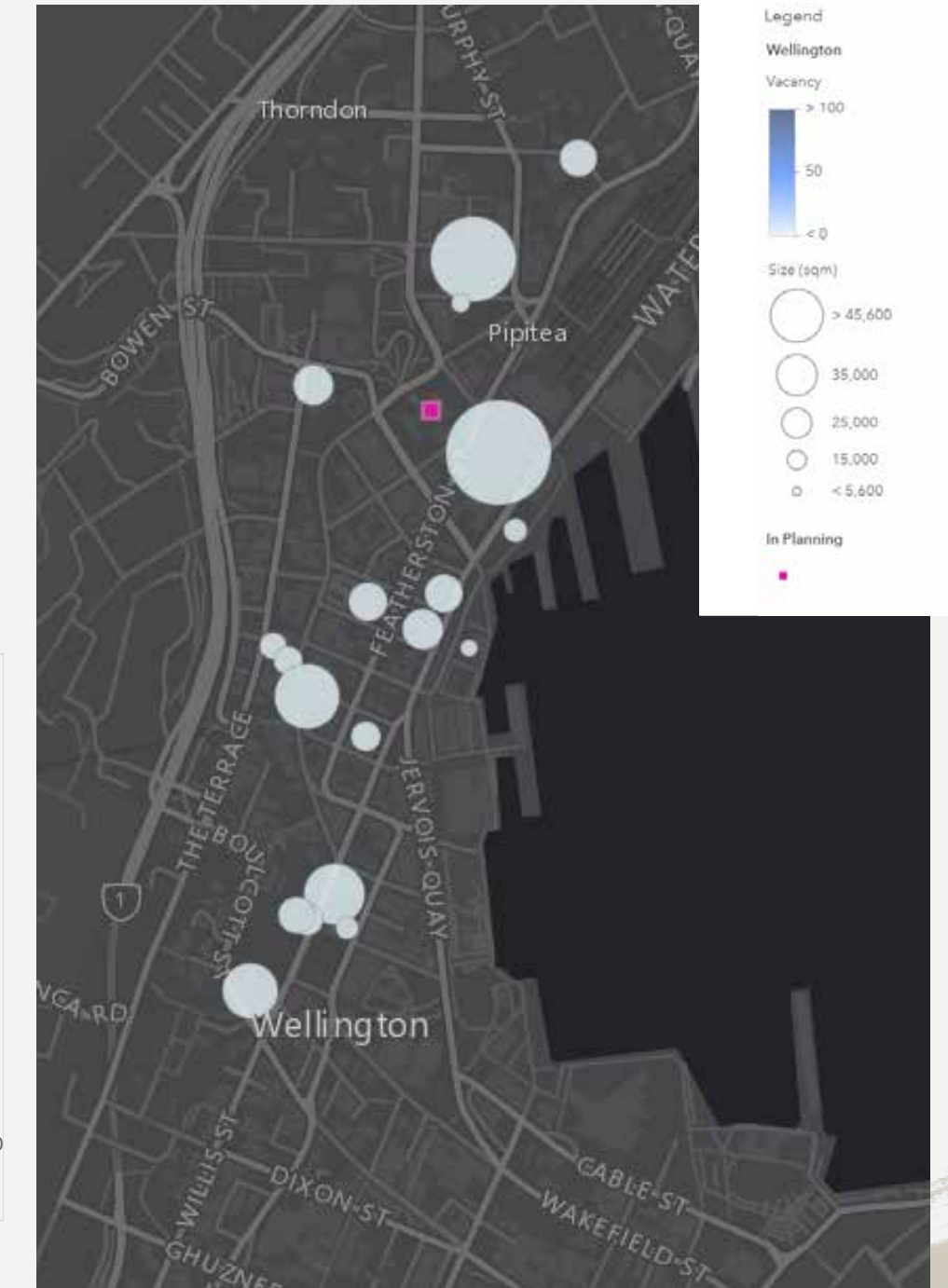
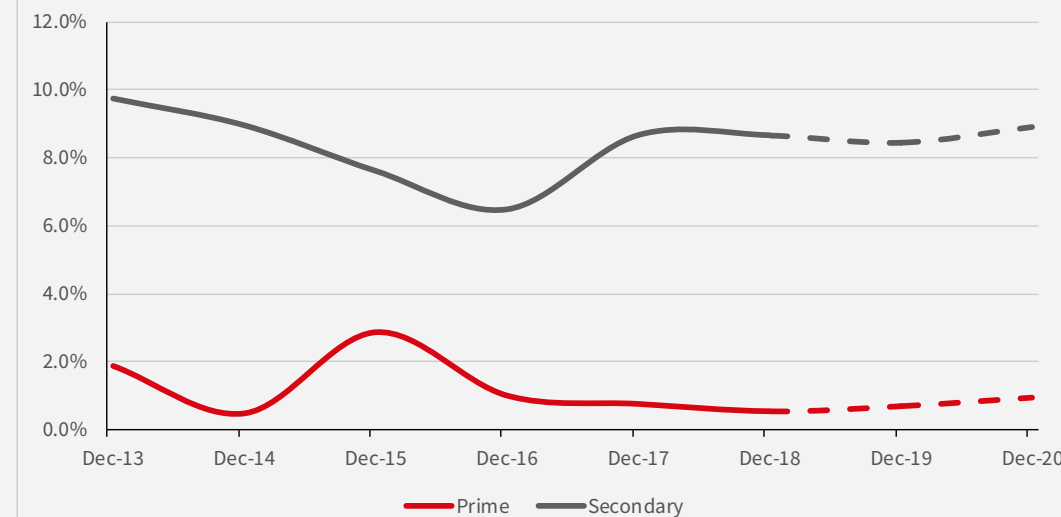


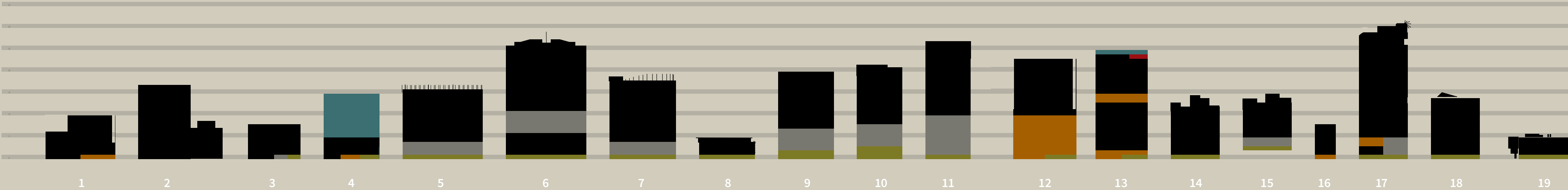
Competitive tension for the right asset will continue to put pressure on the yield profile in the office sector

Welling CBD rent- average gross face (\$/psm)



Vacancy by grade





1.

Pipitea Plaza

Office Space: 14,800 sqm
Vacancy: 5%

2.

Vogel Centre

Office Space: 36,600 sqm
Vacancy: 0%

3.

Environment House

Office Space: 6,300 sqm
Vacancy: 0%

4.

No.1 The Terrace

Office Space: 16,300 sqm
Vacancy: 0%

5.

Asteron Centre

Office Space: 45,600 sqm
Vacancy: 0%

11.

HSBC Tower

Office Space: 27,400 sqm
Vacancy: 0%

12.

163-175 Featherton

Office Space: 11,350 sqm
Vacancy: 0%

13.

AON Centre

Office Space: 25,600 sqm
Vacancy: 2%

14.

Spark Central -
Willie Tower

Office Space: 14,500 sqm
Vacancy: 0%

15.

Spark Central -
Boulcott Tower

Office Space: 12,500 sqm
Vacancy: 0%

6.

Dimension Data House

Office Space: 15,480 sqm
Vacancy: 0%

7.

Maritime Tower

Office Space: 15,200 sqm
Vacancy: 0%

8.

Meridian Energy Building

Office Space: 5,600 sqm
Vacancy: 0%

9.

113-117 The Terrace

Office Space: 10,000 sqm
Vacancy: 0%

10.

125 The Terrace

Office Space: 10,900 sqm
Vacancy: 0%

16.

Chevs Lane Office

Office Space: 8,100 sqm
Vacancy: 0%

17.

The Majestic Centre

Office Space: 23,100 sqm
Vacancy: 0%

18.

20 Customhouse Quay

Office Space: 16,390 sqm
Vacancy: 0%

19.

PWC Centre

Office Space: 8,585 sqm
Vacancy: 0%



Vacant



Occupied



Under
Construction



Retail



Parking



Available
Sublease



Under
Refurbishment



Other