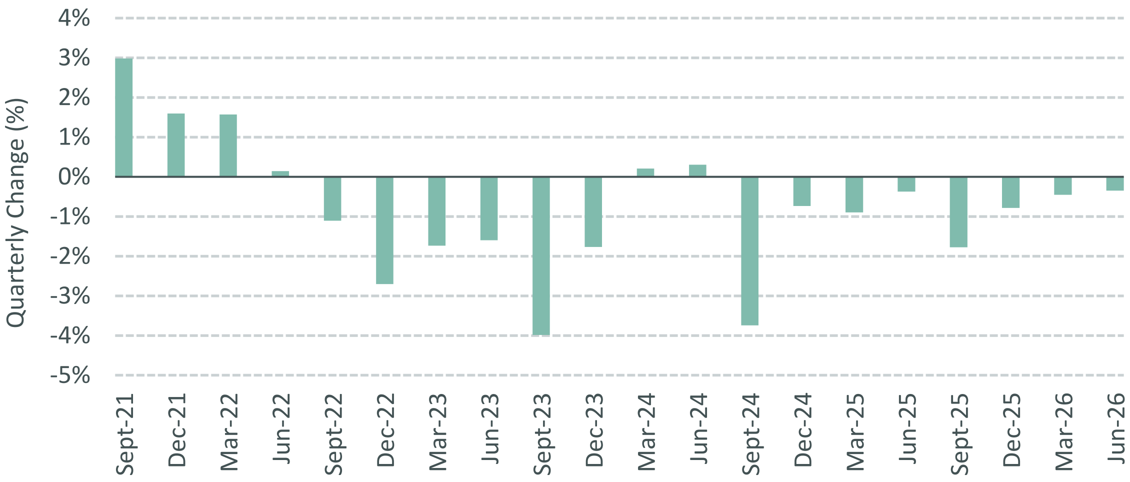
Wellington Property Market Overview

KEY MARKET CHANGES

- Wellington CBD office vacancy rose to 18.4% in H1 2026, driven by increases in vacant stock in the Core and Thorndon submarkets. Prime vacancy climbed to 10.0%, reflecting both CBRE's recent regrading of Prime/Secondary stock and genuine market-driven downsizing by several tenants.
- The Wellington CBD office market saw continued flight-to-quality, with tenants favouring Premium buildings while demand stayed soft across Grade A and Secondary assets, prompting landlords to raise incentives to attract and retain tenants, pulling down Prime and Secondary gross effective despite stable face rents.
- Wellington retail face rents held stable across all submarkets in Q2 2026, with strong Prime CBD demand and steady Secondary demand (led by upper Cuba Street). In contrast, industrial sentiment stayed mixed by grade, with the office component driving Prime and Secondary gross effective rents up 0.7% and 0.3% respectively.
- The renewed Middle East volatility contrasts with Q2 2026's relative calm, when the temporary US–Iran ceasefire lowered oil prices, eased interest rates, and boosted market confidence. Momentum is now at risk of reversing given the RBNZ's July OCR hike and the mid-July resurgence of conflict.

Average Office, Retail, Industrial Capital Values – q-o-q % change



Market indicators

Market Sector	Stock (sqm)	Vacancy (%)	Gross Face Rent ($/sqm/yr)	Incentives (%)	Yield Range (%)
Prime CBD Office	468,599	10.0	583 – 1,091	9 – 20	6.00 – 8.25
Secondary CBD Office	942,759	22.5	220 – 900	12 – 17	7.00 - 11.45
Prime Industrial	507,198	3.7	194 – 274	1 – 2	6.00 - 7.00
Secondary Industrial	1,716,579	4.8	126 – 192	3 – 4	6.50 - 8.50
Prime CBD Retail	23,335	4.7	1,900 - 2,650	10 – 11	6.76 – 7.61
Secondary CBD Retail	278,227	7.7	800 – 1,700	10 – 11	7.00 – 8.35

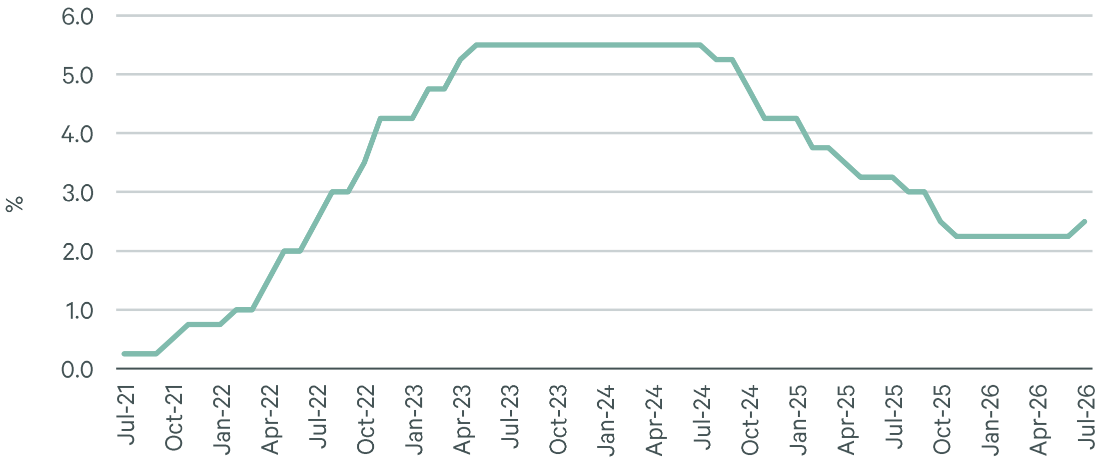
Economy

The adverse effects of the Middle East conflict on the New Zealand economy became clearer when the latest inflation figures were published some weeks ago by Statistics New Zealand. Annual inflation in Q2 2026 reached 4.1%, up from 2.5% in the previous quarter. The rise was mostly driven (not surprisingly) by a drastic increase in petrol prices, which were almost 28% higher compared to Q2 2025, due to a steep increase in global oil prices during the blockade of the Strait of Hormuz. As a result, the RBNZ increased the OCR by 25 bps to 2.50% in July. Since annual inflation in the second quarter sat above the inflation target midpoint (2.0%) and higher than what the RBNZ predicted, the market is predicting further OCR increases at upcoming meetings.

Adopting a base scenario where much of the inflationary effects of the Middle East war and its negative impact on growth abate, leading indicators show the resumption of economic recovery in 2027 through 2028. Net migration has started to improve, driven by a fall in emigration and a rise in immigration. There should be more upside due to NZ growth improving vs. Australian growth. While the downsizing of government departments is not over, government spending has started to recover. As some planned infrastructure projects progress there should be a rise in capital spending and as the recovery from the recession in 2024 broadens it will spread to other areas of capital spending.

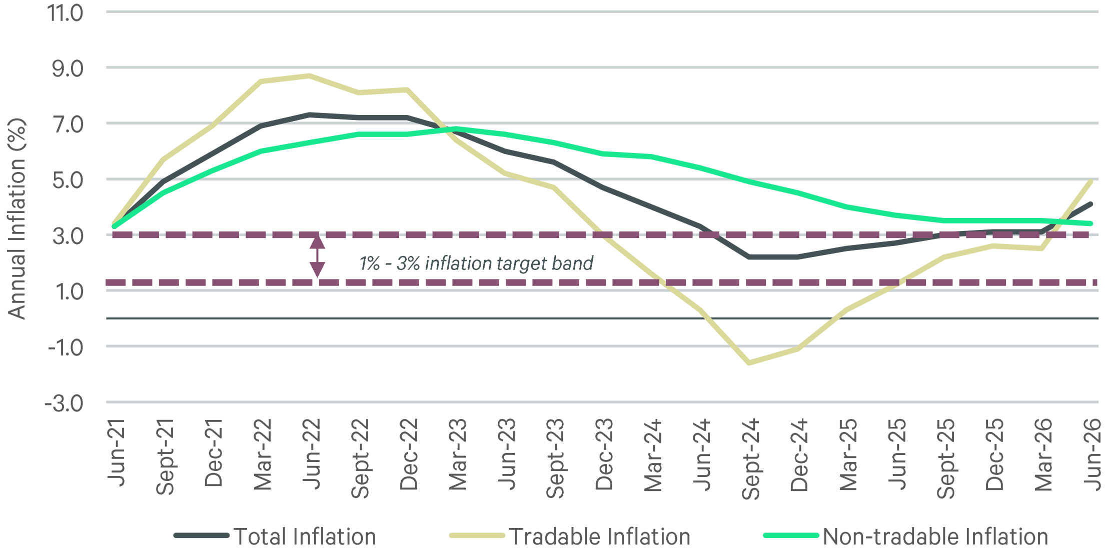
A significant degree of spare capacity in the economy is a good reason for the Reserve Bank to be reasonably relaxed about medium-term inflation. This means that the current interest rate hikes are front loading, and unlikely to result in a more substantial rise in interest rates than expected pre-conflict. In the past few months financial markets were focused on the boost to inflation from the war rather than the offsetting factors from the spare capacity prior to the war and the mild negative impact of the war on GDP growth that will prolong how long it takes to consume the spare capacity.

Official Cash Rate (OCR)



Source: : Reserve Bank of New Zealand

New Zealand Inflation (annual % change)



Source: Statistics New Zealand

Investment market

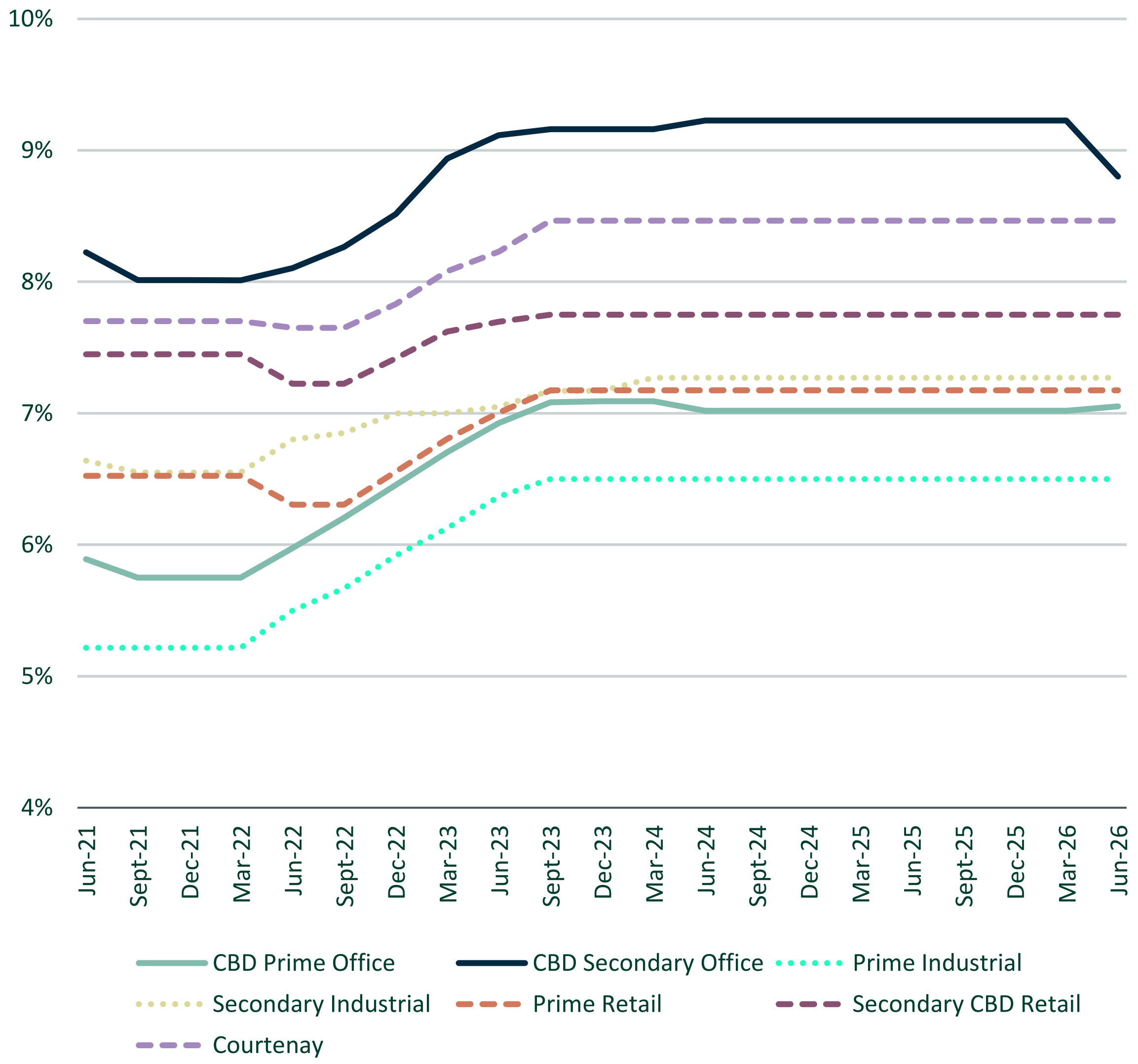
Wellington investment sentiment and activity continue at a low ebb, despite the improvements seen in some other parts of the country, in Auckland and Christchurch in particular. In these markets, investment activity maintained a good level of momentum in the second quarter despite the headwinds caused by the effects of the Middle East conflict. Building on activity late last year, it appears that offices are back on investors' agenda. Liquidity is returning to the sector, providing more frequent transactions and a higher degree of confidence around market pricing than we have seen over the past couple of years.

The recent office sales evidence is largely supportive of where we have been trending our market yields over the past few quarters, but our assessments have resulted in some adjustments, whose overall impact has been a moderate softening of market yields for the CBD office sector in the June quarter. Retail has also been dynamic in the past quarter, and the arbitrage on offer relative to offshore markets and debt costs is benefiting yields for prime assets in the sector.

Against this broader backdrop, CBRE's assessment points to stable market yields across all sectors in Wellington during Q2.

CBRE determines market yields and rents using a "basket of buildings" methodology, where a panel of senior CBRE staff assesses representative buildings per sector against transaction evidence and market feedback. Given the evolving Wellington CBD office market, we have regraded some buildings in both the Prime and Secondary submarkets to reflect evolving market characteristics. As a result, the Q2 2026 yield movements pertaining to the CBD office market reflect a regrading-driven basket change, not underlying market movements.

Wellington Indicative Yields by Sector



CBD Office Vacancy

CBRE recently conducted a regrading process for Prime and Secondary buildings in the Wellington CBD office market to more clearly separate post-2018 new-build stock from older stock, in light of material differences in seismic design (e.g. base isolation), performance, amenities, and different investment characteristics. As a result, the difference in vacancy levels between H2 2025 and H1 2026 for Premium, Grade A and Grade B buildings is partially due to this regrading exercise rather than market-driven movements. CBRE's definition of vacancy encompasses space that is both physically vacant and available for lease.

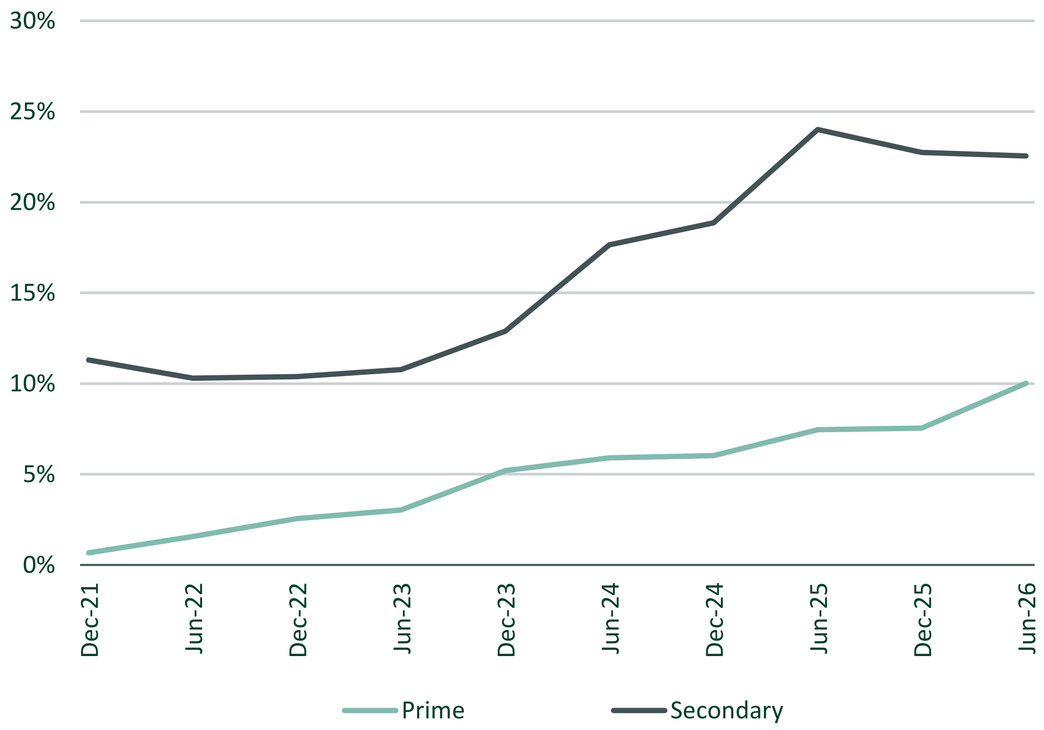
Following the overall trend of the last four years, with the exception of the previous period, total vacancy in the Wellington CBD office market increased during H1 2026, moving to 18.4% from 17.3%. By submarket, vacancy went up in the Core submarket to 20.5% from 18.1%, a circa 20,000 sqm increase in vacant stock. It also increased in the Thorndon submarket to 7.7% from 7.2%, a rise of 2,500 sqm in unoccupied office space. Only the Te Aro submarket registered a decrease in vacancy, to 21% from 23%, a decline of around 5,100 sqm in vacant stock. The most relevant moves during H1 2026 included the Wellington City Council vacating 9,987 sqm of space at 113 The Terrace to move to 68 Jervois Quay (Grade B), and the Ministry of Education leaving 7,672 sqm of Grade C space at 8 Gilmer Terrace for 33 Bowen Street, while continuing to hold around 8,000 sqm at 1 and 3 The Terrace. Also, around 15,200 sqm of Prime vacant space at 195 Lambton Quay was removed from stock for refurbishment and strengthening works, most of which was previously occupied by MFAT before it relocated to 12,138 sqm at 55 Molesworth Street (a Premium asset).

Prime (Premium and Grade A) vacancy increased during H1 to 10.0% from 7.5%. However, some of the changes in Prime vacant stock relate to the aforementioned regrading process (e.g. former Grade B buildings now classified as Grade A assets, and vice versa). Some of the major moves that caused a market-driven uptick in Prime vacancy included NZTE and NZTA vacating around 2,900 sqm at the Majestic Centre due to downsizing, Rabobank and NTT downsizing their footprint at NTT Tower by 2,000 sqm, and 1,734 sqm of newly built uncommitted space coming onto the market on level 1 at 55 Molesworth Street.

CBD Office Vacancy Change by Grade

Vacancy		PREMIUM	GRADE A	GRADE B	GRADE C	GRADE D	TOTAL
June 2026	%	4.4%	10.9%	16.3%	24.5%	28.9%	**18.4%**
	sqm	2,755	44,172	52,044	109,909	50,593	**259,473**
December 2025	%	7.8%	7.5%	21.1%	21.7%	28.6%	**17.3%**
	sqm	7,463	30,466	90,978	63,298	50,085	**242,290**

Wellington CBD Office Vacancy



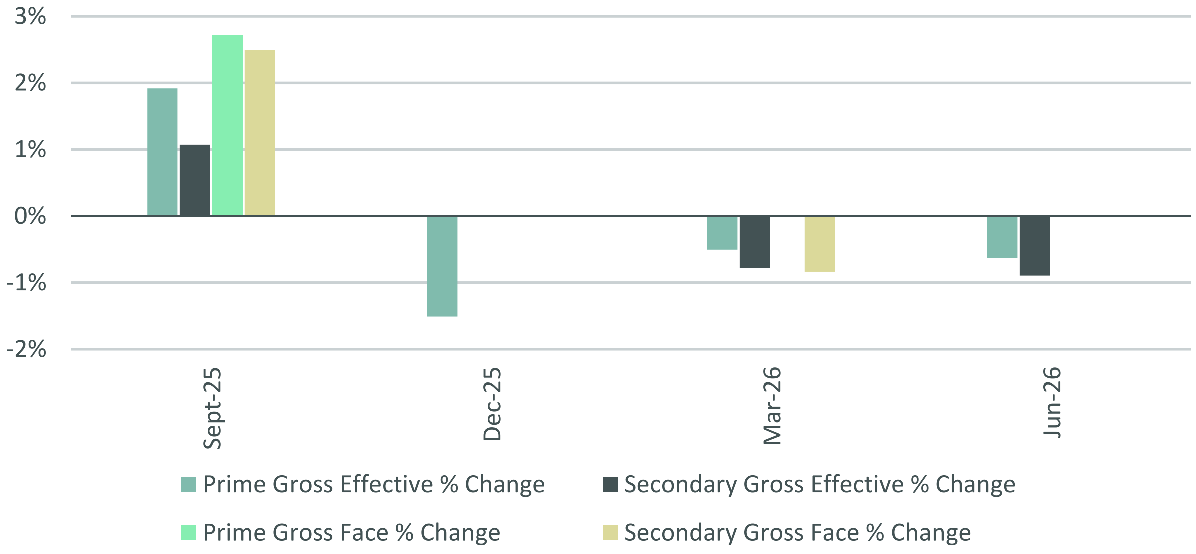
CBD Office Rents

The Wellington CBD office market continued to see a flight-to-quality trend, with tenants gravitating toward Premium buildings at the very top of the market. In contrast, occupier demand stayed soft across Grade A and Secondary (Grade B, C and D) assets. As a result, landlords of Grade A and Grade B assets turned to higher incentives to draw in new tenants and hold on to existing ones.

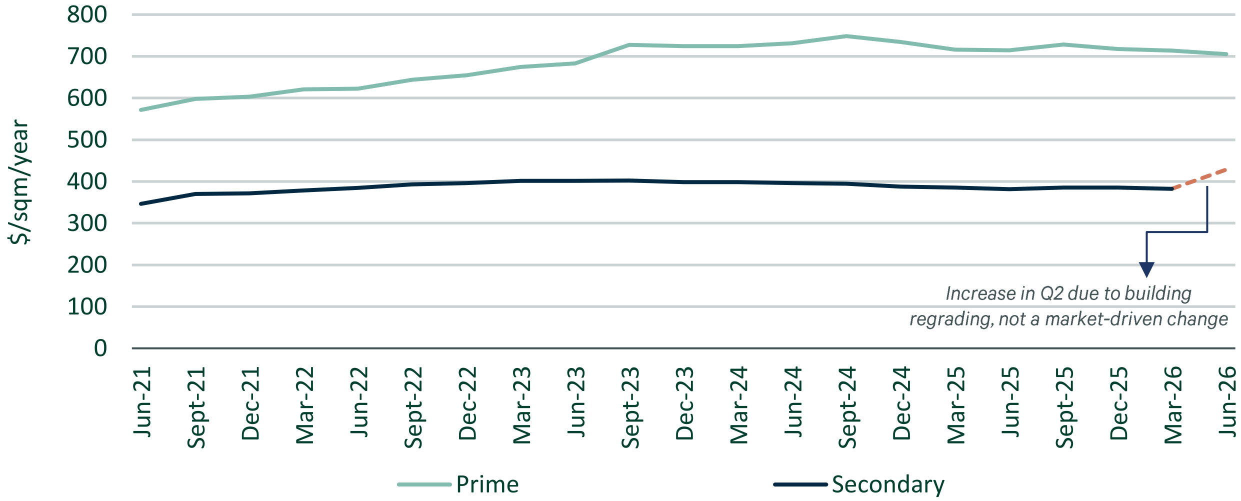
According to CBRE's assessment, during Q2 2026, Premium indicative market incentives remained unchanged at 9.3% of face rents, whilst Grade A indicative market incentives increased to 16.2% from 15.7% of face rents compared to Q1. As a result, although Prime (combined Premium and Grade A) face rents remained stable during Q2, gross effective rents declined by 0.6% compared to the previous quarter. Also, since incentives rose in Grade B buildings and face rents remained unchanged in Secondary assets, Secondary gross effective rents decreased by 0.9% in Q2.

Even though the quarterly changes for Q2 2026 (upper chart) are market-driven and not affected by our regrading of some buildings in the Prime and Secondary submarkets, the nominal gross effective rents registered for Q2 in the lower chart are affected by it.

Office Gross Effective Rents - Quarterly Change



Office Gross Effective Rents



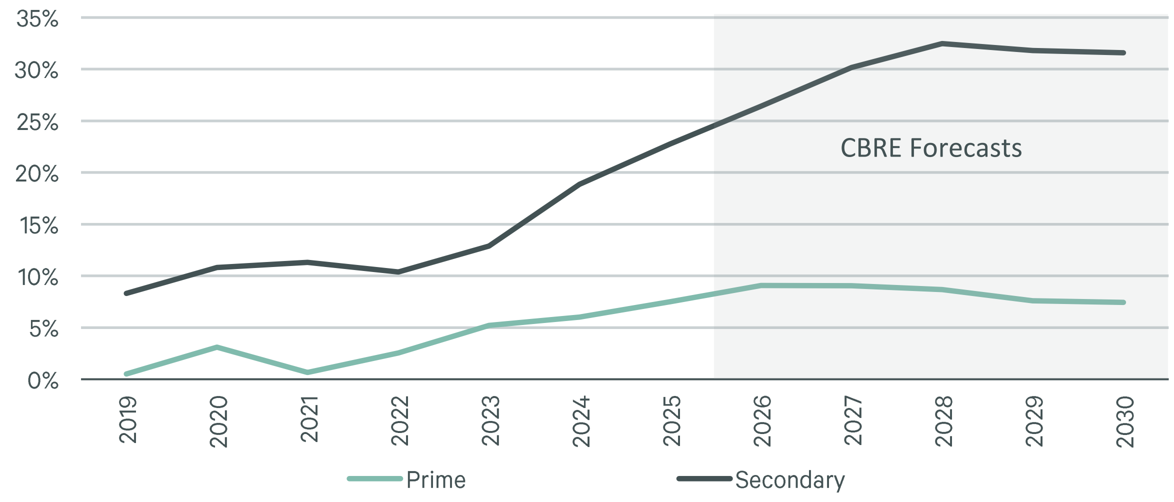
CBD Office Market Outlook

Wellington's CBD experienced a negative net absorption of 6,658 sqm during H1 2026, following a positive net absorption level of 6,540 sqm during the second half of last year. Net absorption is expected to remain in negative territory during 2026–2028, moving into the positive side of the spectrum in the last two years of the forecast period.

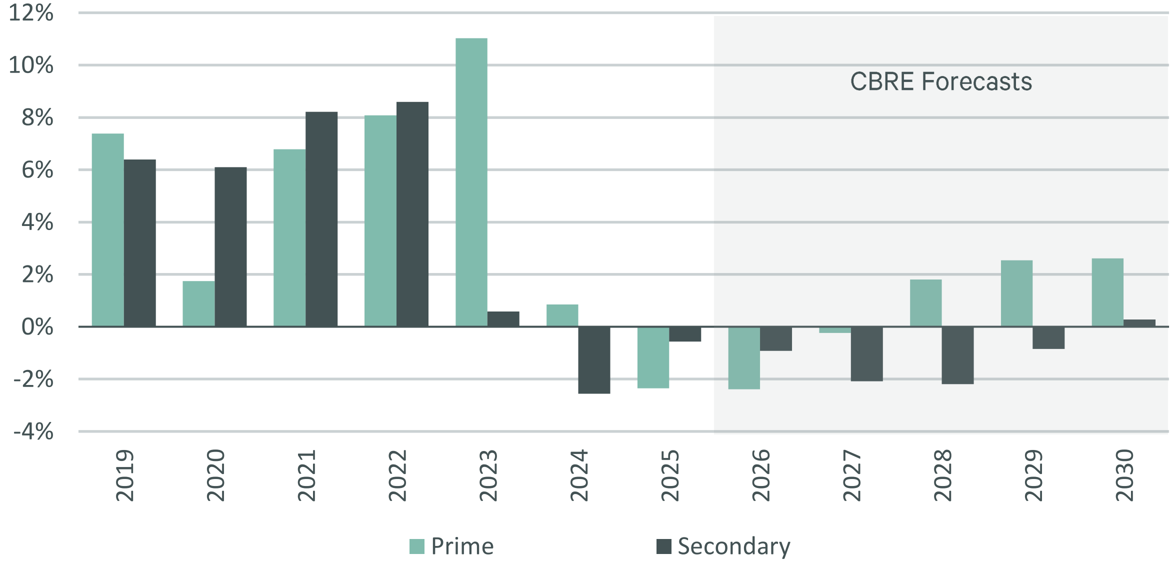
Total office stock in Wellington's CBD rose to 1,411,358 sqm in H1 2026, up 10,525 sqm from H2 2025. CBD office supply is set to grow by over 55,000 sqm this year, driven by one new Prime building and four refurbished assets spanning Prime and Secondary grades. Notably, 2026 stands out as the peak year for office space supply, delivering the most new and refurbished stock within our forecast period. The building with the highest NLA is 55 Molesworth Street, located in Thorndon, a newly completed 19,074 sqm Premium building developed by Precinct Properties. Also, the largest building set to return to the market this year is 33 Bowen Street (13,201 sqm) after undergoing refurbishment and strengthening works. The other buildings coming back are Harbour Tower (an 8,904 sqm Grade A building), 13-17 Manners Street (a 9,000 sqm Grade A asset) and 54 Cambridge Terrace (a 4,980 sqm Grade C building). This will be offset by the withdrawal from stock of 195 Lambton Quay, a 15,800 sqm Prime asset, which will undergo refurbishment and strengthening works, with its return to market anticipated in 2028. The removal of one 6,220 sqm Grade C office building from the CBD office market, following its conversion to a hotel, will also contribute to this offset. Conversion activity is anticipated to begin this year and increase over the next two years.

Vacant space is expected to increase during 2026-2028 as supply exceeds demand. The combination of the demand and supply cycles suggests vacancy peaking in 2028 (24.4%) and gradually decreasing during 2029-2030.

CBD Office Actual and Forecast Vacancy



CBD Office Actual and Forecast Annual Gross Effective Rental Change

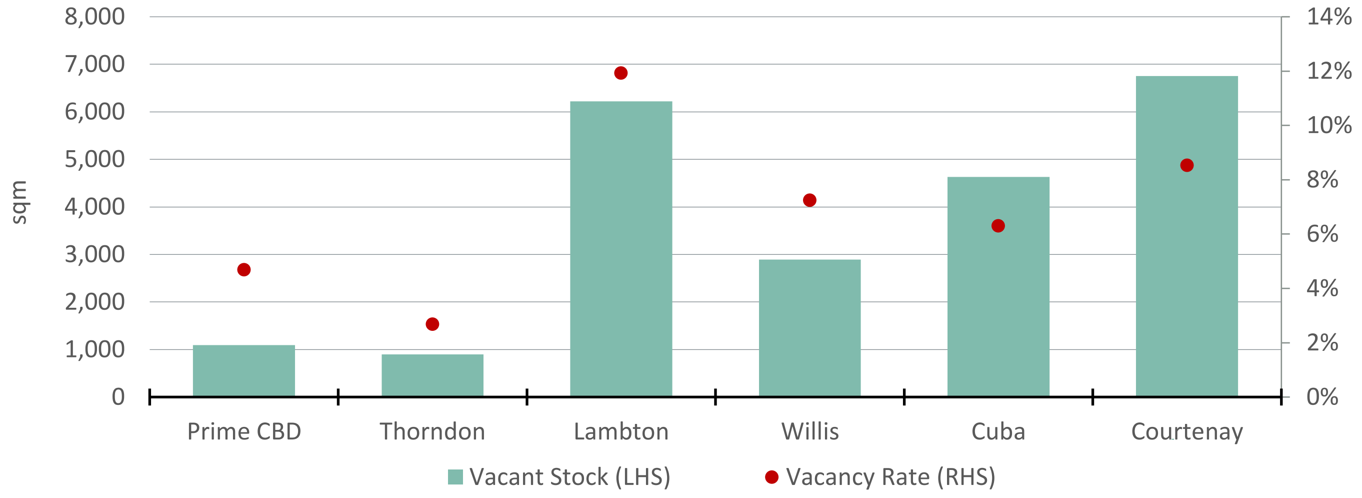


Retail Vacancy

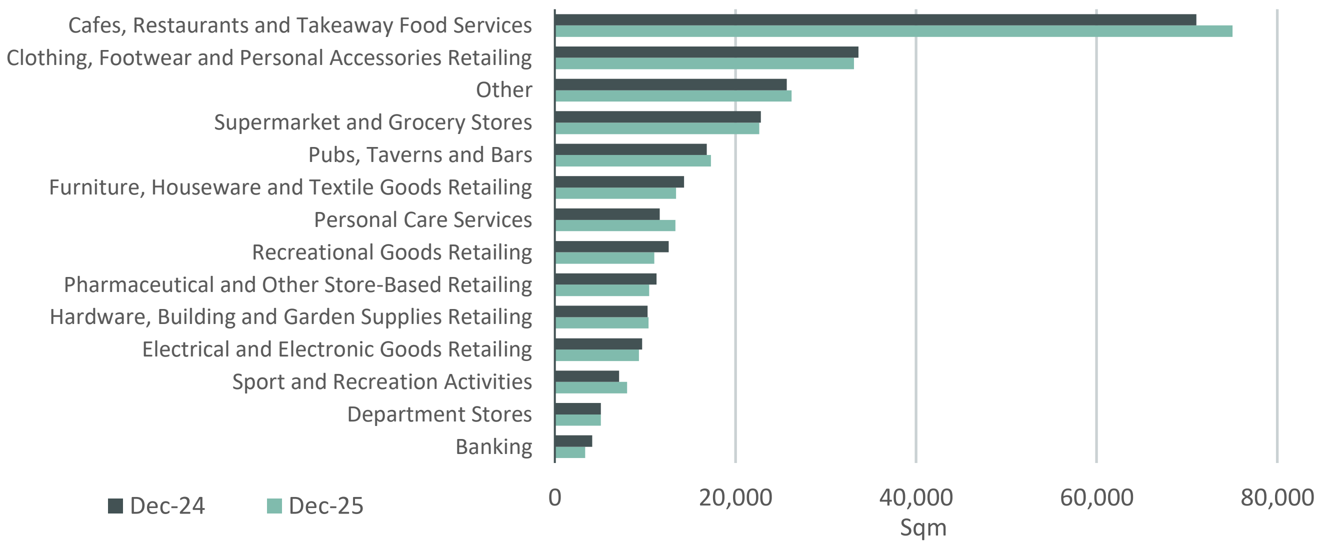
The overall vacancy rate in the Wellington CBD retail market decreased in December 2025 compared to December 2024, declining to 7.5% from 9.0%. This represents a decline of circa 4,500 sqm of vacant retail space, mostly due to a decrease in vacant stock in Courtenay, Lambton Quay, Willis Street and Cuba Street. This was partially offset by an increase in vacancy in Thorndon and in Prime CBD locations.

The industry that registered the largest increase in occupancy between December 2024 and December 2025 was ‘cafes, restaurants and takeaway food services’, expanding by circa 4,000 sqm. This was followed by ‘personal care services’ and ‘sport and recreation activities’. Out of the top five largest take-ups of previously vacant retail locations, four occurred in Courtenay Place, including a fitness centre, a restaurant and a large home improvement store on Tory Street, as well as a wellness centre on Blair Street. Outside Courtenay, the largest take-up of a previously vacant location happened close to the northern end of Lambton Quay with the opening of a new gift shop.

Wellington Retail Vacancy by Precinct - Q4 2025



Wellington Retail Occupancy by Industry

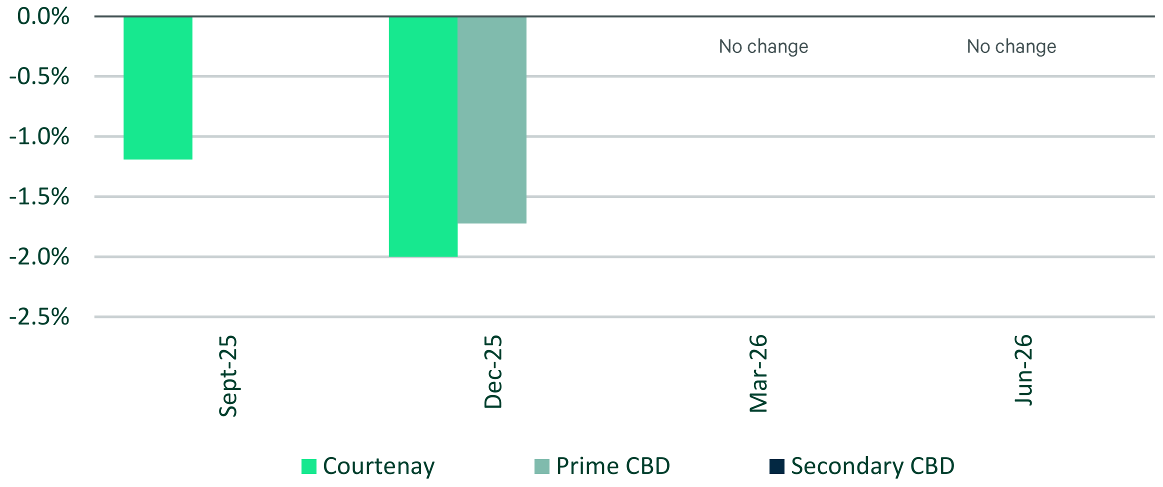


Retail Rents

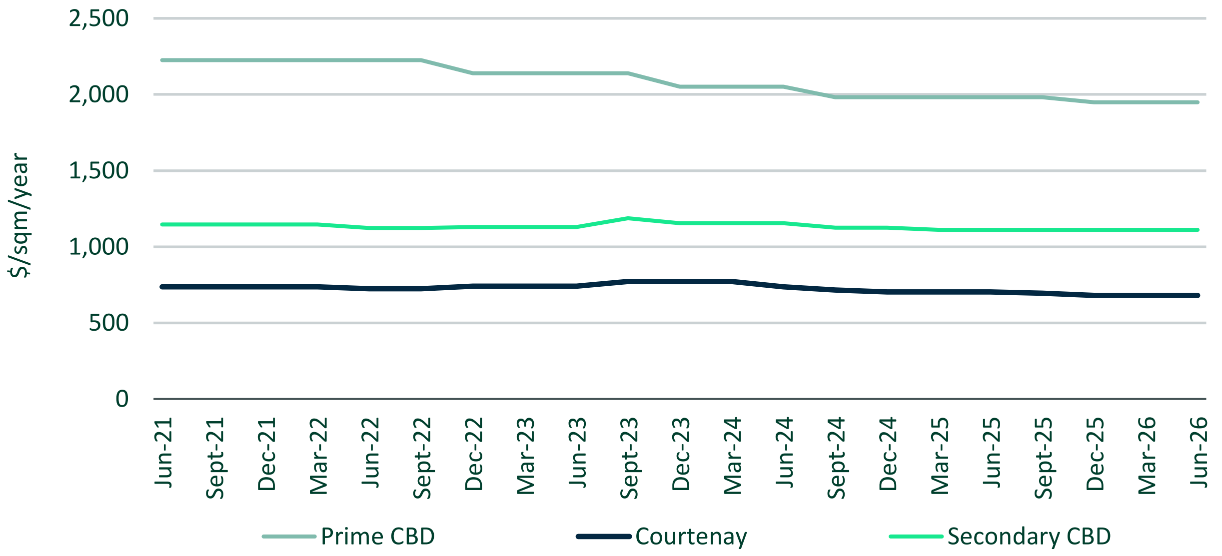
Gross face rents remained stable across all Wellington retail submarkets during Q2 2026, following the pattern experienced in the previous quarter. Prime CBD retail locations continued to have good levels of foot traffic and demand, with recent transactions landing within the current rental ranges. Demand for Secondary CBD locations also held steady, with the upper part of Cuba Street standing out as the most sought-after, in contrast to the bottom part of Cuba Street, which showed higher vacancy. In Courtenay, gross face rents remained unchanged during this period, following declining rents due to adverse trading conditions in previous periods.

According to CBRE's assessment, incentive levels held steady throughout Q2, staying at 11.1% of face rents across Prime and Secondary CBD retail locations, and 12.5% at Courtenay sites.

Retail Gross Effective Rents - Quarterly Change



Retail Gross Effective Rents



Industrial Vacancy

Following the trend from the previous year, industrial vacancy rose during the twelve months to December 2025, increasing to 4.1% from 3.2%. Total vacant space increased by close to 20,000 sqm during this period, marking the largest annual rise in vacant space in the past decade. Industrial vacancy went up across all submarkets, driven mainly by a rise in vacancy in Prime (Grade A) industrial buildings, up by 7,146 sqm, and in Grade B assets, up by 7,011 sqm. The most relevant moves in the Prime submarket generated backfill vacancy in large Grade A assets: Bidfood relocated to their new food store and distribution centre (6,080 sqm) at 14 Carmel Terrace in Grenada North, vacating 3,054 sqm of Grade A industrial space at 9 Matiu Close in Porirua, and HotCilly relocated to a 1,420 sqm Grade B building at 6D Broken Hill Road in Porirua, vacating a 2,500 sqm Prime industrial asset at 39 Jamaica Drive in Grenada North.

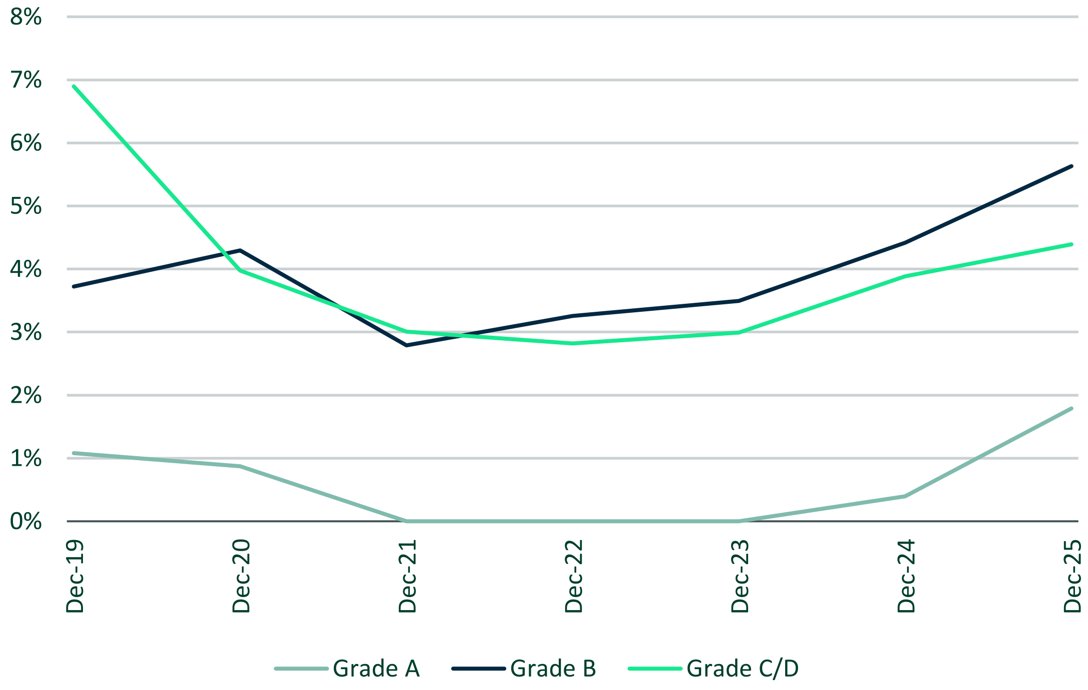
Regarding new industrial stock, circa 17,500 sqm entered the market in 2025. In addition to Bidfood's new building in Grenada North, other assets that contributed to enlarging Wellington's industrial stock during 2025 include five new buildings in the Hutt Valley: a new factory at 8 Thomas Neal Crescent in Trentham (4,580 sqm), an asset at 227 Cambridge Terrace in Naenae (3,770 sqm), a warehouse at 48 Seaview Road (1,528 sqm), a warehouse at 115-117 Nelson Street in Petone (776 sqm), and a new small asset 21 Dante Road in Trentham (680 sqm).

Porirua registered the largest increase in vacant space in 2025 (by 9,466 sqm), mainly due to several tenants vacating Grade C/D assets on Prosser Street, Raiha Street and Mohuia Crescent. This was followed by Ngauranga (rising by 4,602 sqm), due to several tenants vacating Prime assets due to liquidations and relocations, and by Grenada North (rising by 4,240 sqm), due to two tenants vacating large warehouses, one Grade A asset on Jamaica Drive and one Grade B on Cashew Street.

Wellington Industrial Vacancy Change by Grade

Vacancy		GRADE A	GRADE B	GRADE C/D	TOTAL
December 2025	%	1.8%	5.6%	4.4%	**4.1%**
	sqm	9,076	32,553	49,993	**91,622**
December 2024	%	0.4%	4.4%	3.9%	**3.2%**
	sqm	1,930	25,542	44,226	**71,698**

Wellington Industrial Vacancy

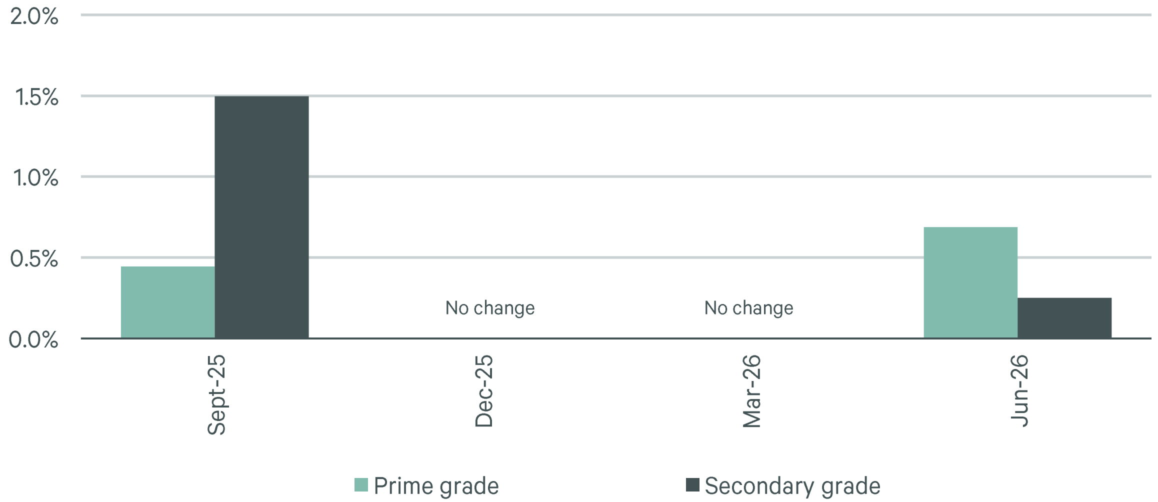


Industrial Rents

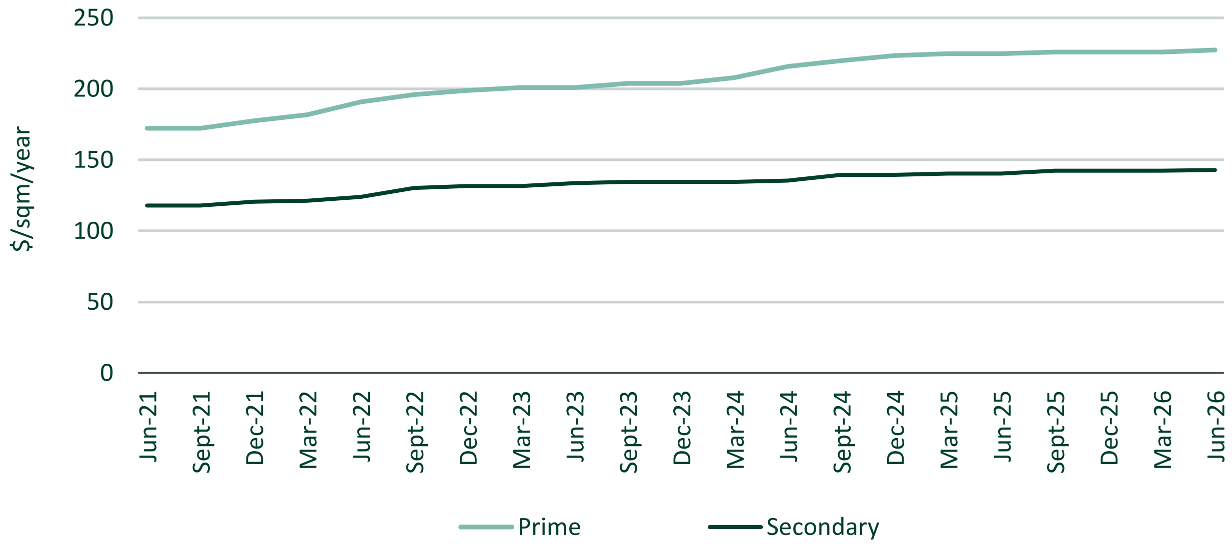
Sentiment in the Wellington industrial market remains mixed, with demand split by grade: strong for Prime buildings, softer for Secondary assets. Rental growth, meanwhile, was driven largely by the office component of industrial assets, pushing up both Prime and Secondary rents in Q2. Prime gross effective rents increased by 0.7% compared to the previous quarter, while Secondary gross effective rents rose by 0.3% over the same period.

Based on CBRE's assessment, indicative market incentives remained unchanged in Q2 2026. Prime incentives are currently 1.9% of face rents, while Secondary incentives are 4.2%.

Industrial Gross Effective Rents - Quarterly Change



Industrial Gross Effective Rents

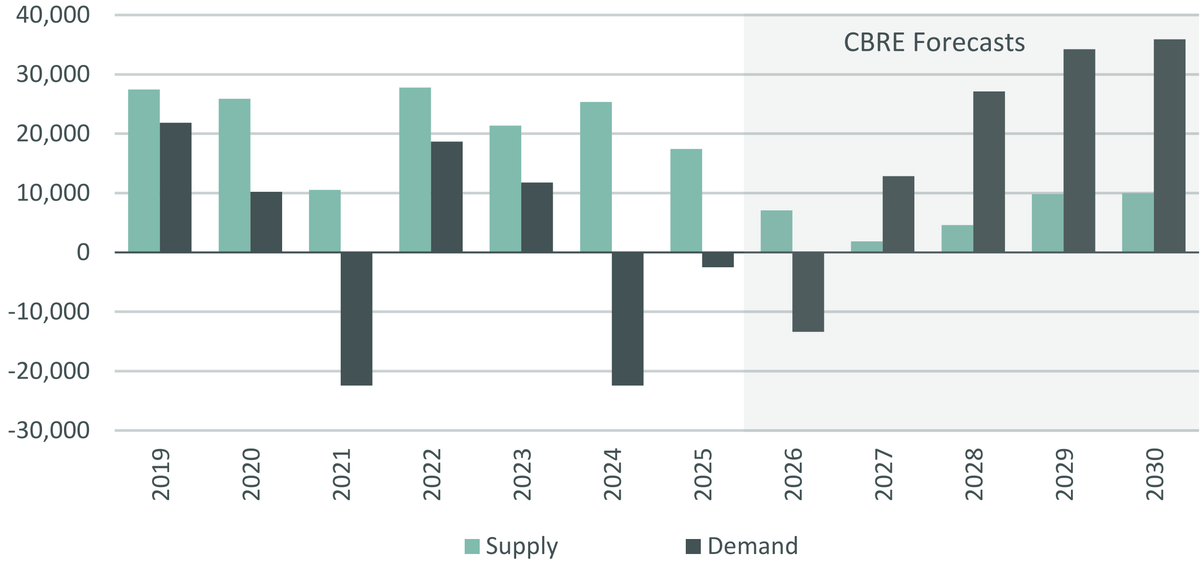


Industrial Market Outlook

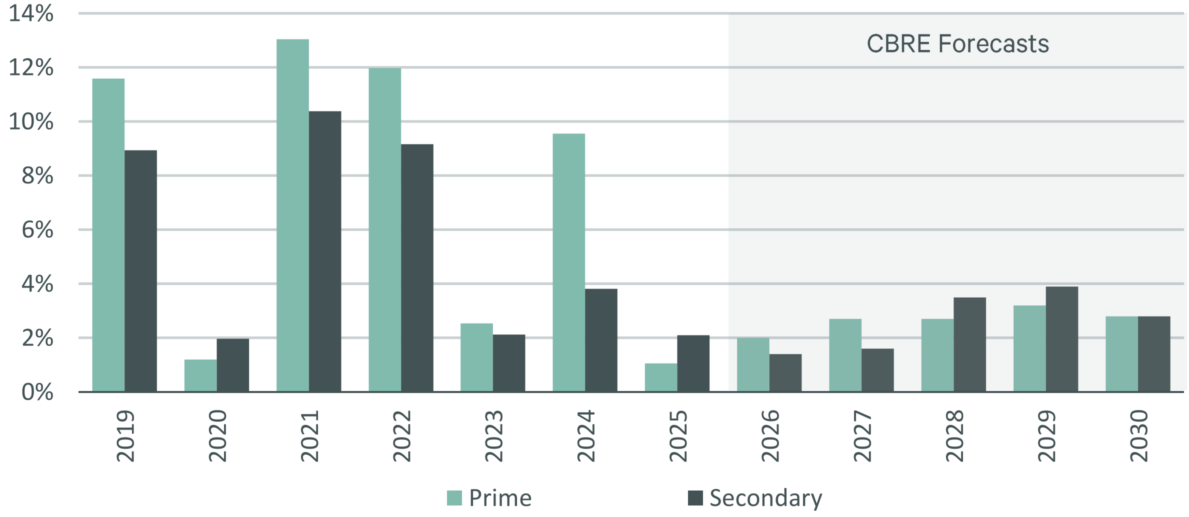
The industrial supply pipeline continues to be very weak, with no new projects initiated since mid last year. One 6,158 sqm project is under construction for completion in 2026 for Crown Worldwide in Porirua, and Centreport is expanding a workshop by 950 sqm in Pipitea. Apart from these, we expect a new 1,890 sqm building in Trentham. These three buildings comprise the 2026-2027 supply pipeline in our base and pessimistic scenarios. Beyond these, the possible pipeline includes a small handful of projects in the early feasibility stage, together with some longer term opportunities in larger estates.

While underlying demand is weak and revised down for this year and next, we are forecasting a somewhat stronger rebound than before in the wholesale and logistics sectors once the nationwide economic recovery takes hold. With Opex escalations set to moderate, when growth resumes for the Secondary sector, we expect it to exceed Prime rent growth towards the end of the forecast period.

Wellington Industrial Supply and Underlying Demand Forecasts



Wellington Industrial Gross Effective Rents Outlook



Definitions

Office building grades

Premium: Top quality landmark space which is generally the pacesetter in establishing rents and includes the following general attributes: prestige lobby; high architectural merit; prominent location; prestigious occupiers; the latest or recent generation of building services; ample natural lighting; good views and outlook; quality access to and from an attractive street environment; large size - +20,000 sqm. **Grade A**: High-quality modern space including many but not all Premium features. **Grade B**: Good quality modern space with some but not all Grade A features and to a lower standard. **Grade C**: Average quality air-conditioned space. **Grade D**: Older style poor quality space. **Prime**: Combination of Premium and Grade A. **Secondary**: Combination of Grade B and C.

Industrial building grades

Prime: Industrial space used for general warehousing or logistics with stud heights of 9 metres or more, largely column free. Lettable area will exceed 1,500 sqm. The property will be of a high specification and well maintained. The grade encompasses properties from the current generation of design build premises to buildings built over the previous cycle. **Secondary**: Industrial space generally built prior to the mid 1990s, inferior to Prime space in terms of building quality and specifications being lower stud (generally between 6 and 9 metres) and in some cases lacking Capex and having deferred maintenance issues although still providing functional industrial accommodation. Lettable area will exceed 500 sqm.

Rents and yields

CBRE uses the “basket of buildings” methodology to determine market yields and rents. For each property sector covered, a group of representative buildings are nominated and a panel containing senior members of appropriate departments within CBRE convenes to assess the market level of yields and rents for these buildings. Based on this, CBRE’s indicative average rental and yield figures reflect our view of the market after considering available appropriate evidence. Yields represent initial yields based on market rents. Rents are net effective. The industrial rents presented are a combined warehouse and office figure.

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