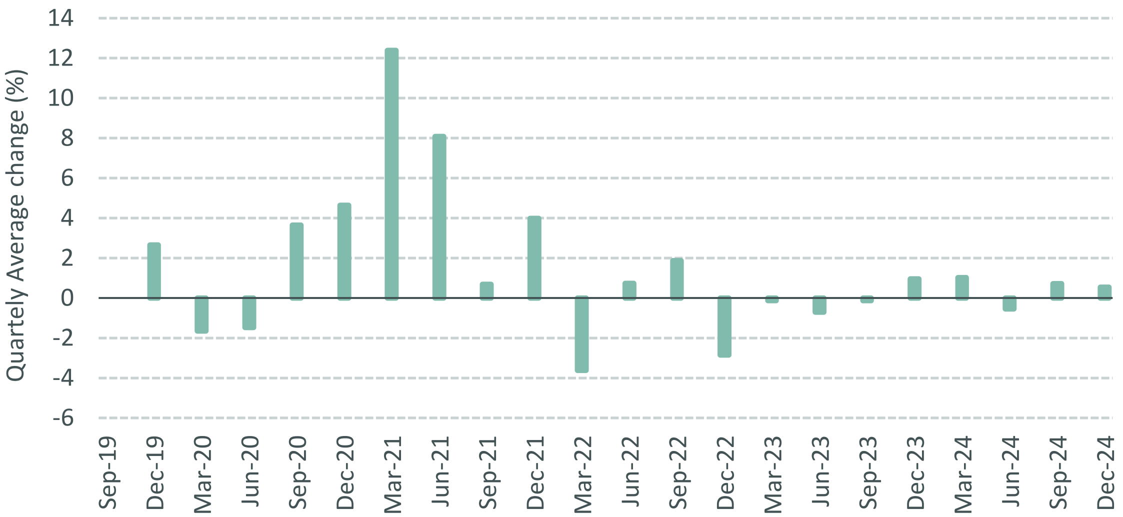
CBRE

Christchurch Property Market Overview

KEY MARKET CHANGES

- The Christchurch CBD office market kickstarted a new phase of supply last year. As a result, office vacancy rose from 3.7% to 8.4%. This was primarily due to the re-entry of a 14,000 sqm building at 224 Cashel Street, which remained vacant. Excluding this, the vacancy rate in the CBD would have increased to just 4.1%.
- While vacancy increased, the leasing market has been active in both the CBD and suburban office markets as occupier seek to optimise premises size, quality, and location.
- Despite increasing from 1.4% to 1.8%, industrial vacancy continues to be historically low. The increase reflects a combination of more moderate demand conditions and the market entry of new built uncommitted industrial buildings.
- CBD Prime retail rents experienced an increase for the fifth consecutive quarter. Net effective office rents also saw an increase in Q4. Despite higher vacancies, rents are supported by ongoing occupier demand for high-quality office space in well-located buildings. Industrial rents remained stable in Q4 following an increase in Q3.
- Easing monetary conditions has refocused buyers to a more transactional mindset although indicative yields remained stable during Q4 across all sectors.

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



Market indicators

Market Sector	Stock (sqm)*	Vacancy (%)*	Net Face Rent ($/sqm/yr)	Incentive (%)	Yield Range (%)
Prime CBD Office	240,310	8.7	360 – 460	4 – 8	5.95 – 7.15
Secondary CBD Office	71,647	7.1	310 – 400	8 – 10	7.15 - 8.00
Prime Suburban Office	67,886	7.7	260 – 350	8 – 11	7.30 - 8.90
Secondary Suburban Office	337,844	9.2	165 – 345	8 – 14	8.30 - 10.30
Prime Industrial	1,693,023	1.8	111 – 168	1 – 2	5.50 - 7.00
Secondary Industrial	2,886,219	1.6	72 – 140	1 – 2	6.05 - 9.10
Fringe & Strip Retail	-	-	220 – 700	4 -8	5.65 – 7.78

Economy

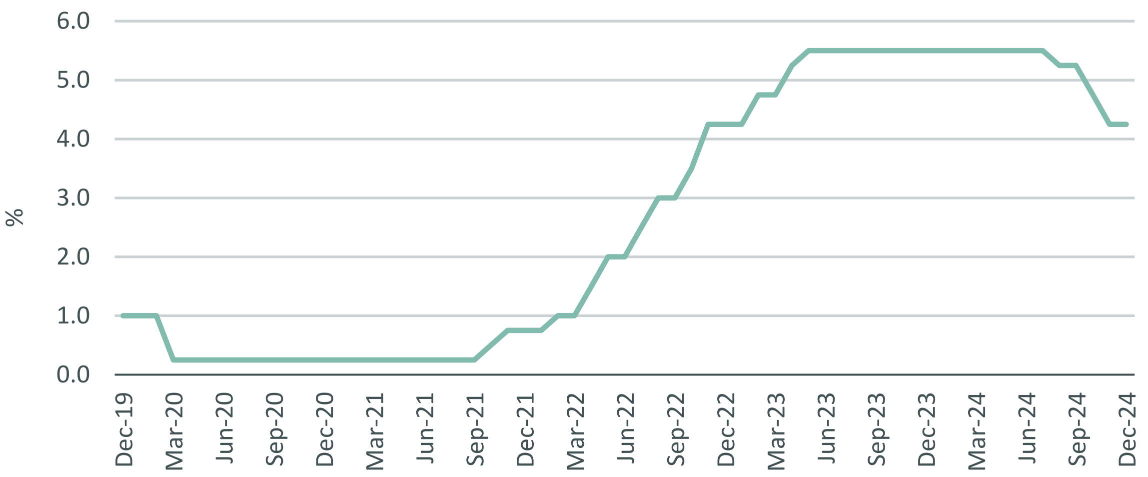
Even though inflation seems now to be under control (sitting at 2.2%, close to the midpoint of the RBNZ's 1-3% inflation target band), the RBNZ's aggressive monetary tightening policies had severe consequences for the real economy. However, despite the challenging economic conditions, the market is beginning to see the light at the end of the tunnel due to high expectations of an economic rebound through lower interest rates and higher consumer confidence.

Since mid-August, the Monetary Policy Committee has cut the OCR by 125 basis points (the current OCR sits at 4.25%). Most of the major banks are pencilling a 50-basis points cut in February and predicting that the OCR will land around 3.25% in late 2025. The latest surveys of business and consumer sentiment indicate that more accommodative interest rates are setting up the framework for a rebound in economic activity during 2025.

This is evident in ANZ's December business confidence survey showing firms' own activity outlook at a decade high level. Forsyth Barr's Pulse of NZ Business survey indicates that about half of businesses are budgeting for a better year ahead, and a similar proportion have already seen an improvement in the last three months. The ANZ-Roy Morgan Consumer Confidence Index became net positive for the first time in two years, driven by a large lift in consumer's perceptions of current conditions.

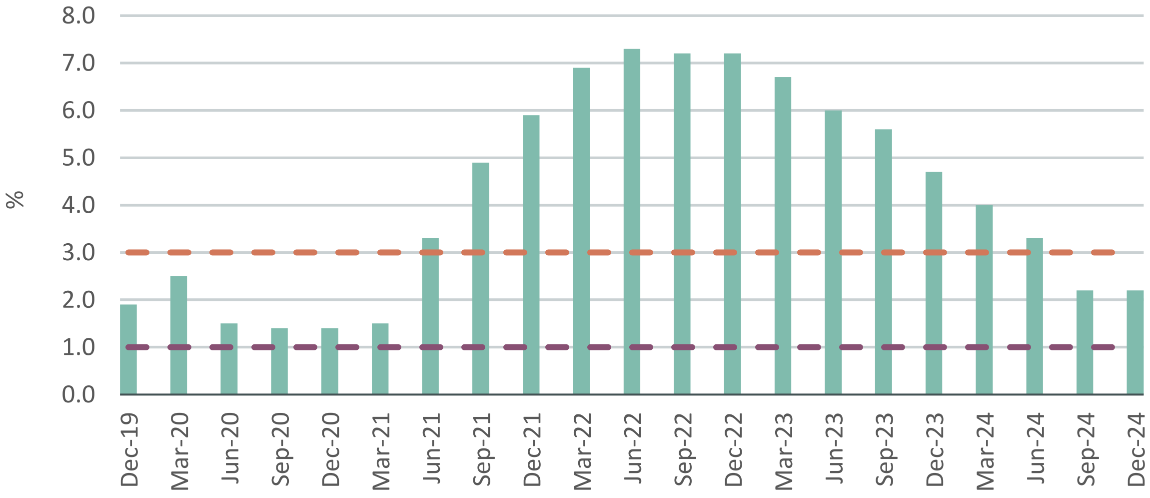
It remains to be seen if the more positive sentiment translates to a sustained lift in activity without government policy also turning more fiscally supportive, but if the economy improves as expected, consumers will likely drive the initial rebound. Capital spending, including investments in productive capacity such as business space, will follow later in 2025 but most likely not lift materially until 2026 once current excess capacity is absorbed, and the recovery is well entrenched.

Official Cash Rate (OCR) (% pa)



Source: : Reserve Bank of New Zealand

Consumer Price Index



Source: : Statistics New Zealand

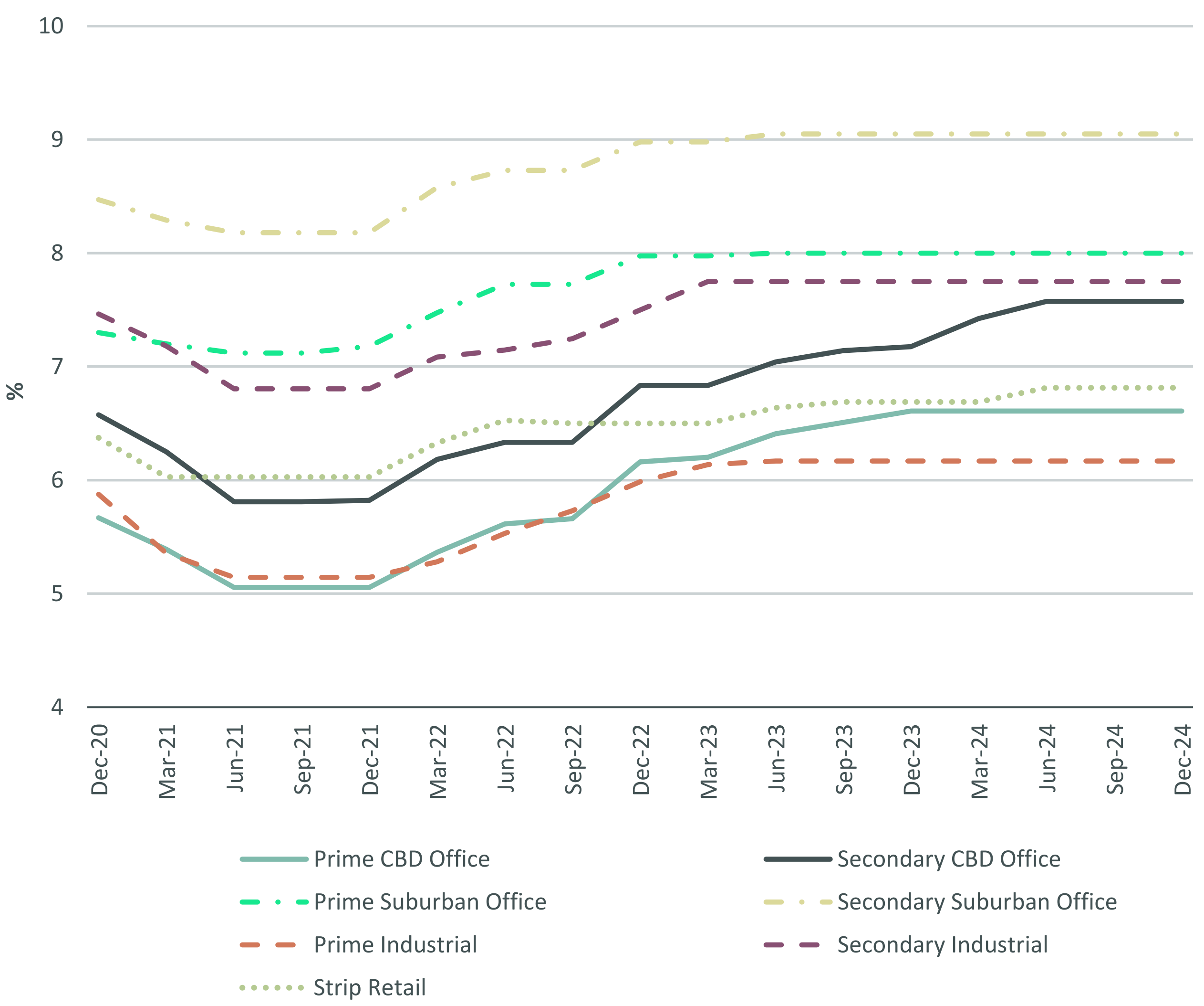
Investment market

The 125 bps OCR cut during the RBNZ's last three policy reviews between August and November and its apparent commitment to further easing monetary conditions has refocused buyers to a more transactional mindset. While this shift was already evident in Q3 via improving sentiment, in Q4 it has further manifested itself in increased levels of bidding. While investor sentiment has improved and the market is showing more appetite for deals, the current recessionary environment is casting a shadow over the refreshed deal-oriented approach of investors. Alas, only a limited number of transactions during this period shed some light on current prices.

CBRE's assessment of the Christchurch investment market for Q4 indicated that yields remained steady across all sectors. Over the past year, the only notable change occurred in the CBD Secondary office submarket, where yields increased by 40 bps. In contrast, yields for suburban office and industrial submarkets stayed unchanged throughout the year.

From the market peak in 2021 to the fourth quarter of 2024, CBD office assets underwent a more pronounced yield softening relative to other market sectors. During this time, Prime CBD office yields rose by 155 bps, while Secondary CBD office yields increased by 175 bps. Additionally, on average, industrial yields softened by 99 bps, and suburban office yields, which have the highest absolute yield levels, increased by 85 bps.

Christchurch Indicative Yields by Sector



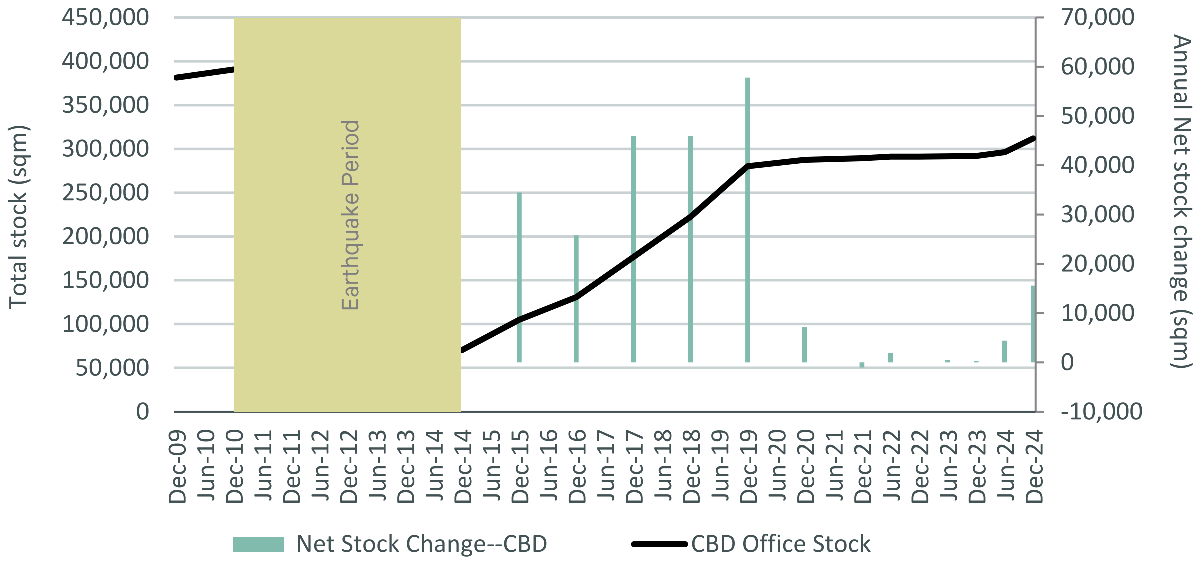
CBD Office Stock

The Christchurch CBD office market kickstarted a new phase of supply last year. This came after a five-year period of muted office building construction activity within the Four Avenues, which followed the reconstruction boom in the subsequent years after the earthquakes.

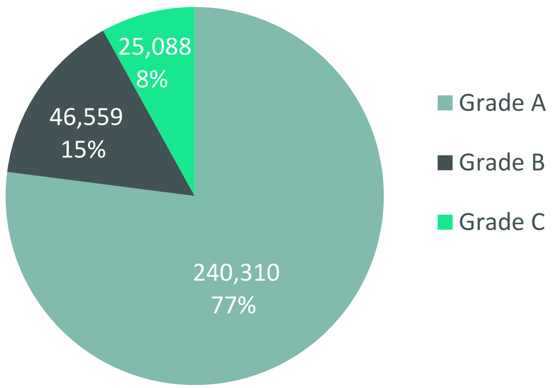
Continuing with this new phase, approximately 16,600 sqm of new prime office space will enter the market this year. Out of the total, around 9,500 sqm will consist of refurbished space, while the remaining 7,100 sqm will be new office space. All the new assets in 2025 will be located on Cashel Street and High Street, in the southeastern part of the Core precinct of Christchurch's CBD.

The office stock in Christchurch's CBD amounts to approximately 312,000 sqm. In the second half of 2024, there was a net increase of 15,600 sqm, primarily due to the completion of a significant refurbishment project at 224 Cashel Street, formerly the IRD Building. This building, a Grade-A asset with extensive floor plates, added 14,000 sqm of new stock in H2; it is in the Core precinct, opposite the future site of the One New Zealand Stadium. The other Prime building finished in Q4 was 800 Colombo Street, an 812-sqm asset located in the Frame precinct. In terms of composition, 77% of the CBD office stock is Grade A, 15% is Grade B, and the remaining 8% is Grade C. This distribution has largely remained stable over the past year.

Christchurch CBD Office Net Supply Changes



Christchurch CBD Office Quality by Composition (H2 2024)



CBD Office Net Absorption

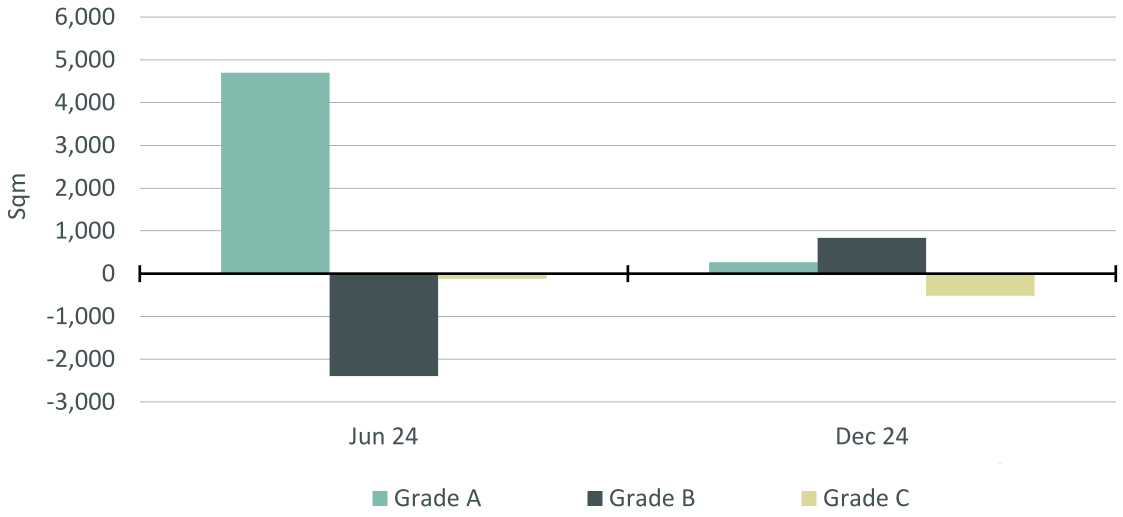
Net absorption in the Christchurch CBD office market was more muted during H2 2024. Total net absorption sat at 592 sqm, the lowest level registered for a six-monthly period since H1 2022. This was mainly driven by a negative new absorption experienced in the Grade C office submarket (-513 sqm) and by softer levels in both the Grade A and Grade B submarkets (271 sqm and 834sqm, respectively). This contrast with the previous year and a half, where Prime net absorption reached, on average, 3,900 sqm every six months.

Net absorption in the Prime submarket was driven by 812 sqm being occupied on 800 Colombo Street, a new building, by four different tenants in the healthcare sector. In addition, Grade B net absorption moved into positive territory mainly due to 878 sqm being occupied on 144 Kilmore Street by both Forte Health and Reform Radiology, a space that came back after refurbishment.

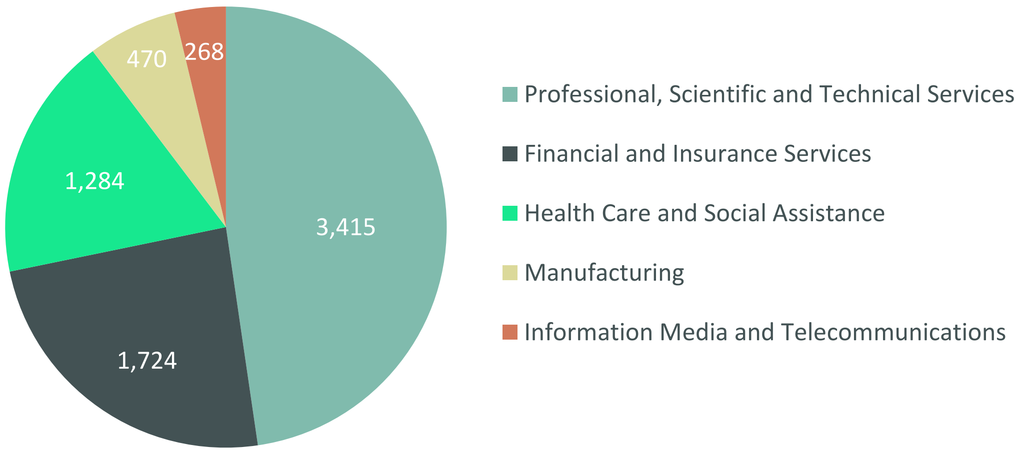
Apart from the previously mentioned moves, the most significant new occupancies in Prime buildings included Rede Advisors (a financial services company) leasing 831 sqm at 123 Victoria Street, Lumin moving into 500 sqm at 329 Durham Street, and Pattle Delamore Partners leasing 414 sqm at 84 Hereford Street. Gross absorption during the second half of last year reached almost 8,000 sqm across 28 new occupancies, coming down from 13,500 sqm in the first half of the year.

During H2, the industry that registered the highest take up of space in the CBD office market was professional, scientific, and technical services, totalling 3,415 sqm. It was followed by financial and insurance services (1,724 sqm) and health care and social assistance (1,284 sqm).

Christchurch CBD Office Net Absorption by Grade



New Take Up by Industry in H2 2024 (sqm of top five)



CBD Office Vacancy

Christchurch CBD office vacancy increased considerably during H2 2024, moving from 3.7% to 8.4% (~15,000 sqm increase). This was the highest vacancy rate since H2 2020, when it reached 10.5% due to pandemic-related consequences. However, the substantial increase in vacancy during H2 was almost singlehandedly driven by the reintroduction of 224 Cashel Street (14,000 sqm of refurbished space), which remained vacant. Excluding this building, Christchurch CBD office vacancy would have been 4.1%, reflecting only a 1,000 sqm increase in vacant space. CBRE's definition of vacancy encompasses space that is both physically vacant and available for lease.

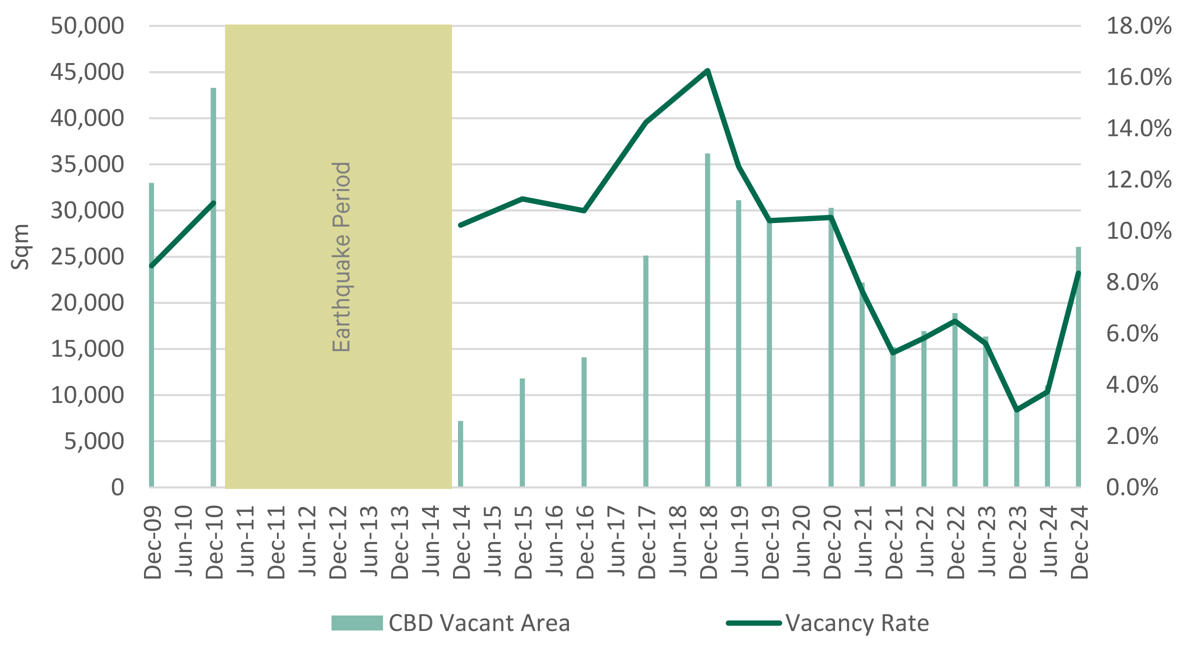
Prime vacancy increased from 2.9% to 8.7% during H2. By excluding 224 Cashel Street, vacancy in high-quality buildings would have risen to 3.1%, not too dissimilar to the vacancy figure registered during the first half of last year. Additionally, 346 sqm were vacated at 12 Oxford Terrace, and 195 sqm were left behind by Consilium at 128 Kilmore Street.

In relation to the Secondary CBD office submarket, vacancy went up to 7.1% from 6.5%, mainly due to an increase in vacant space in Grade C buildings, triggered by two tenants leaving behind vacant space: McCoy & Co (304 sqm at 149 Victoria Street) and the Christchurch Cathedral Reinstatement Project (209 sqm in Equitable House at 77 Hereford Street). Vacancy in Grade B buildings went down slightly during this period, shifting from 6.2% to 6.0%, decreasing by 46 sqm. This represented the net result of a decrease of 492 sqm in vacant space, mainly due to the take up of 275 sqm by Datastar at 167 Victoria Street, and the rise of unoccupied space by 419 sqm due to Performance Architecture vacating Lichfield Courtyards (150 Lichfield Street).

CBD Office Vacancy by Grade

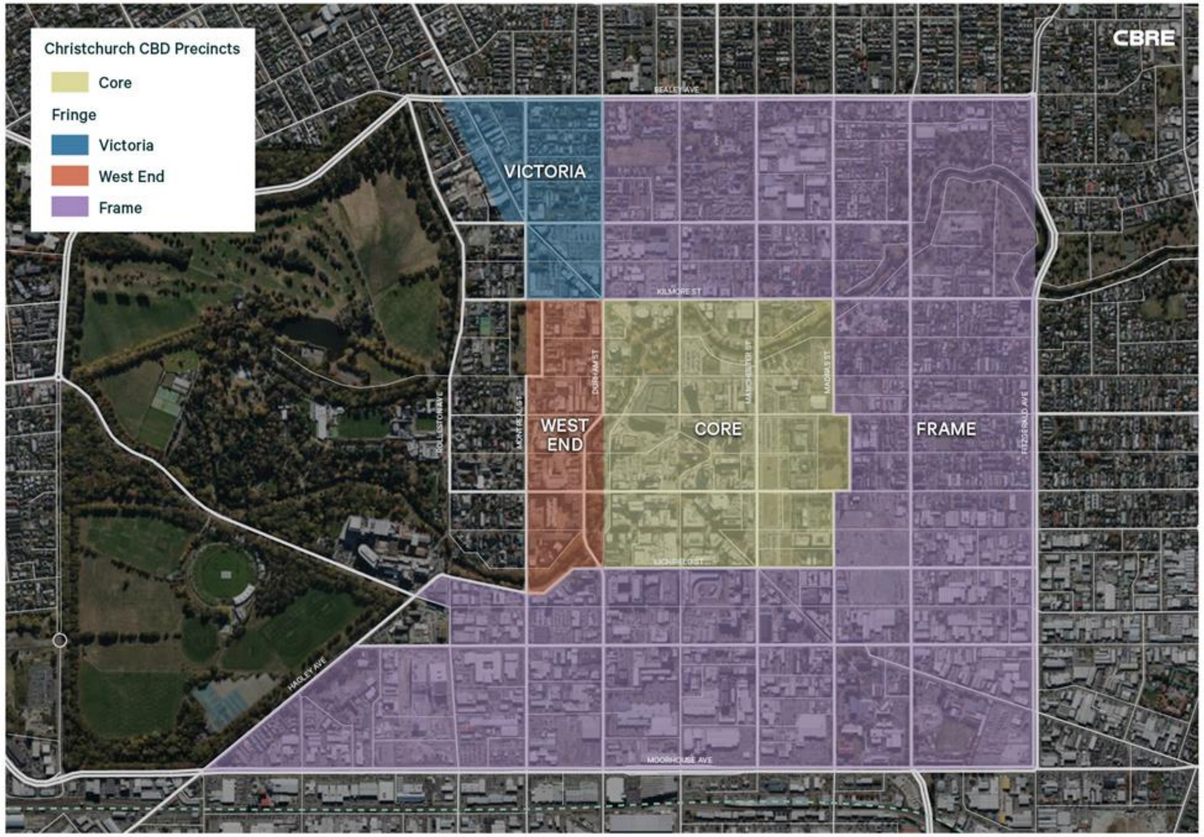
		Grade A	Grade B	Grade C	Total
Vacancy - June 2024	%	2.9%	6.2%	6.9%	3.7%
	sqm	6,468	2,858	1,736	11,061
Vacancy - December 2024	%	8.7%	6.0%	9.0%	8.4%
	sqm	21,009	2,812	2,249	26,070

CBD Office Vacancy



CBD Office Vacancy by Precinct

During H2, office vacancy increased in almost all CBD precincts. The only exception was the West End, which registered an unchanged vacancy rate (2.4%). This precinct continues to have the lowest vacancy rate in the CBD. In contrast, vacant space went up by 15,008 sqm in the remaining precincts combined, with around 93% of this vacant space attributed to 224 Cashel Street in the Core precinct. Excluding this building, vacancy in the Core would have still gone up, albeit slightly (from 1.3% to 1.5%).



Core Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy - June 2024	%	0.7%	3.4%	0.0%	1.3%
	sqm	443	673	0	1,116
Vacancy - December 2024	%	19.0%	2.3%	6.6%	15.2%
	sqm	14,638	483	209	15,330

West End Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy - June 2024	%	1.7%	0.0%	22.3%	2.4%
	sqm	1,306	0	671	1,977
Vacancy - December 2024	%	1.7%	0.0%	22.3%	2.4%
	sqm	1,306	0	671	1,977

Victoria Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy - June 2024	%	5.7%	16.2%	20.8%	11.4%
	sqm	1,094	2,071	1,065	4,230
Vacancy - December 2024	%	5.7%	14.1%	26.7%	11.5%
	sqm	1,094	1,796	1,369	4,259

Frame Precinct Vacancy by Grade

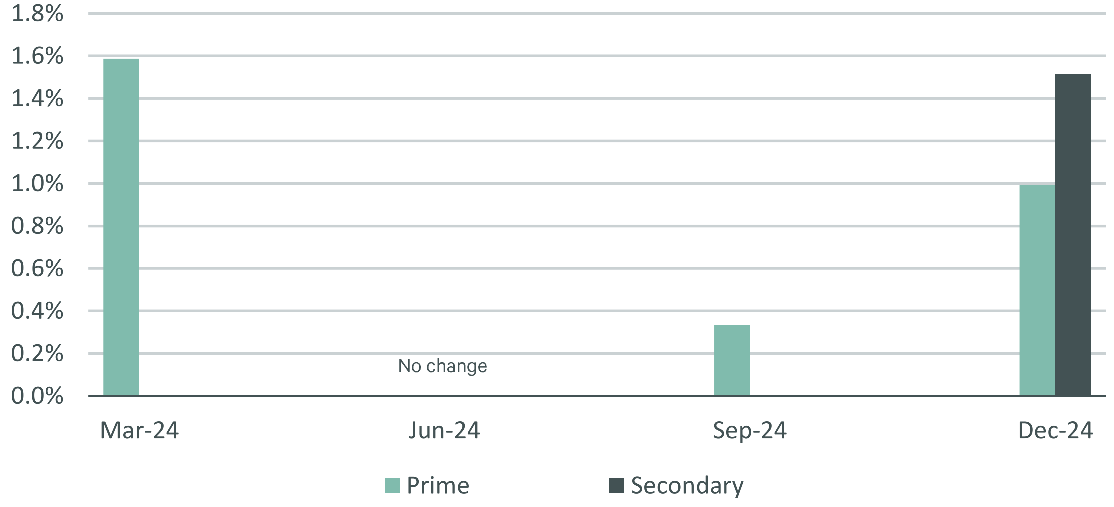
		Grade A	Grade B	Grade C	Total
Vacancy - June 2024	%	5.3%	1.5%	0.0%	4.2%
	sqm	3,625	114	0	3,739
Vacancy - December 2024	%	5.8%	7.2%	0.0%	5.0%
	sqm	3,972	533	0	4,505

CBD Office Rents

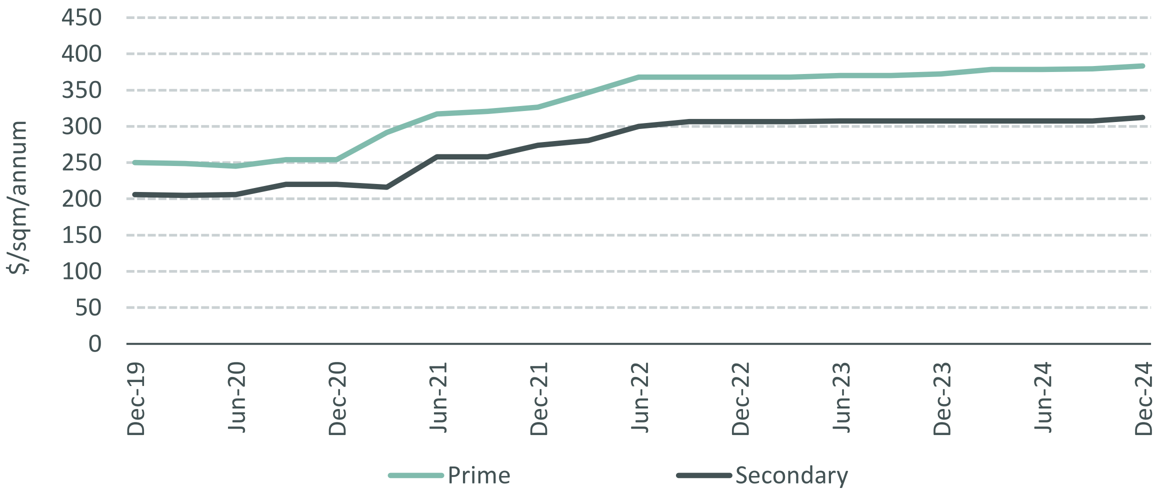
In Q4, CBD Prime net effective office rents sat at $383 per sqm, up by 1.0% compared to the previous period due to an uplift in face rents. Despite the current economic challenges, there is still robust demand for high-quality office space around the CBD. Additionally, after remaining muted for the last year and a half, Secondary net effective rents went up by 1.5%, derived from a mix of increasing face rents and lower incentives. The Secondary submarket experienced good levels of demand for Grade B office space in well-located assets.

In contrast to previous quarters, there was some movement in incentives during Q4. According to CBRE's assessment, Prime indicative market incentives remained unchanged at 5.0% of face rents. However, Secondary indicative market incentives shifted from 8.8% to 8.6% of face rents.

CBD Net Effective Office Rents – Quarterly Change



CBD Net Effective Office Rents

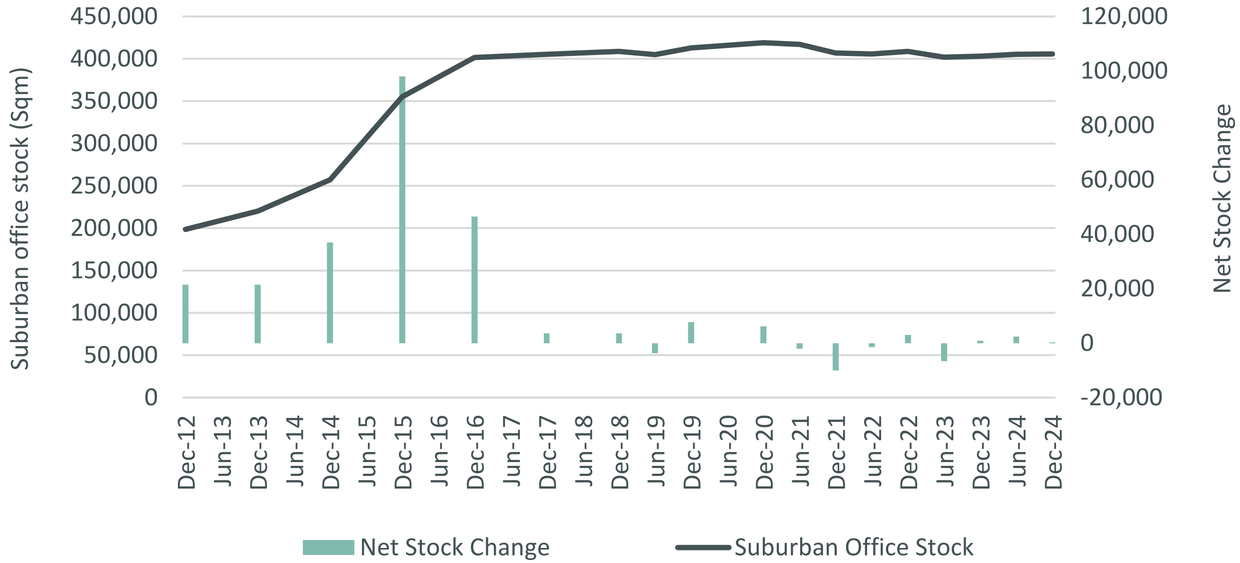


Suburban Office Stock

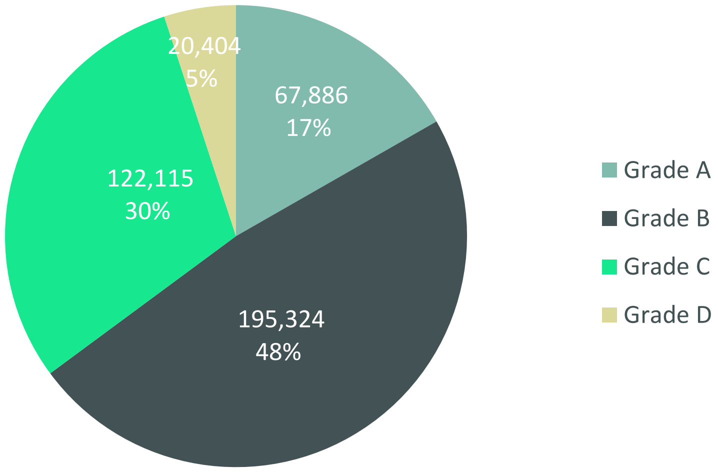
The Christchurch suburban office stock expanded by only 343 sqm during H2 2024, reaching a total of 405,729 sqm. This contrasts greatly with the amount of new suburban office supply during the first half of last year (circa 2,500 sqm). This modest growth was primarily driven by the return of 339 sqm of Prime refurbished space at 14 Hazeldean in Addington and 370 sqm that were converted from retail to Grade D office space at 88 Division Street in Riccarton.

During H2 2024, 48% of the suburban office stock was Grade B, whilst 30% was Grade C, 17% was Grade A, and the remaining 5% was Grade D. This composition has remained mostly unchanged throughout the last three years.

Christchurch Suburban Office Net Supply Changes



Christchurch Suburban Office Quality by Composition (H2 2024)



Suburban Office Net Absorption

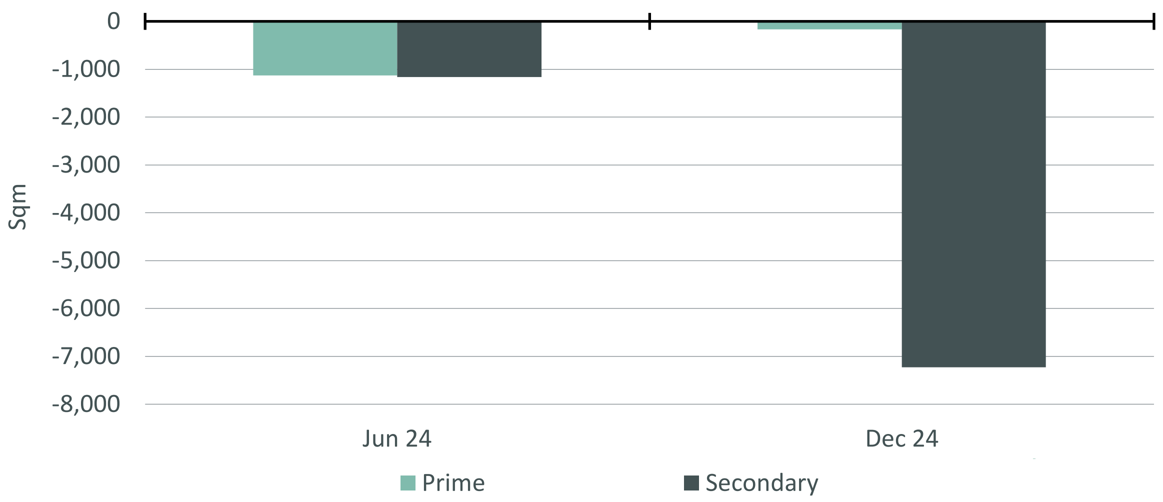
During H2 2024, the suburban office market continued to show dynamism in leasing activity, with around 24,000 sqm of gross absorption, close to the level registered during H1 (circa 26,500 sqm). However, total net absorption told a different story, shifting into deeper negative territory during H2 (-7,396 sqm vs -2,295 sqm during H1), mainly due to a much softer secondary suburban office submarket.

Negative Secondary net absorption was prevalent across all suburban office submarkets, but particularly prominent in Grade B and Grade C office buildings (-2,622 sqm and -3,454 sqm, respectively).

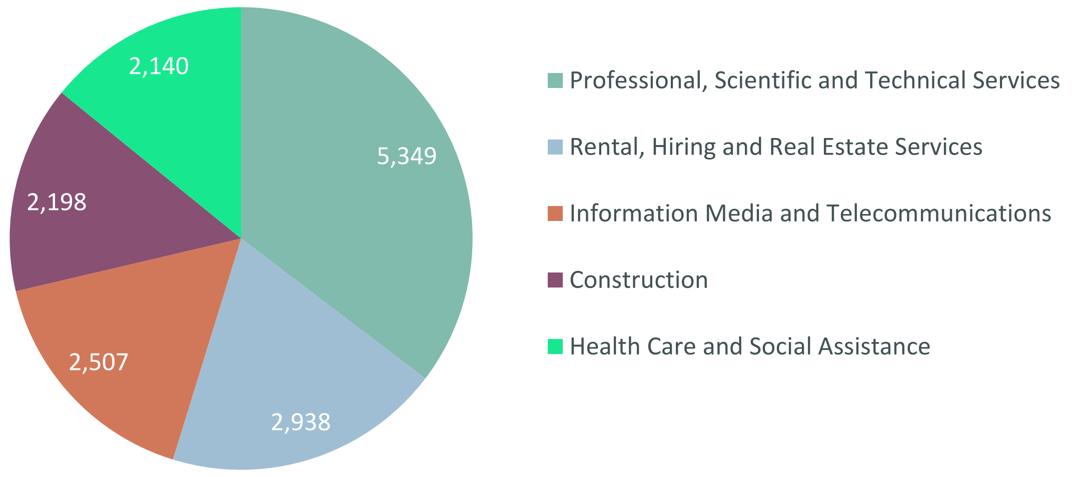
In relation to new take up (gross absorption), both the Grade B and Grade C submarkets recorded the highest leasing activity. The most significant new occupancies in these submarkets included Runacres & Associates (insurance broker) moving into 1,012 sqm at 351 Lincoln Road in Addington, Flex Space occupying 650 sqm at 19 Sheffield Crescent in Burnside, and Airways taking up 550 sqm at 30 Sir William Pickering Drive, also in Burnside.

The industry that recorded the highest take up of space during H2 2024 in the Suburban office market was, once again, professional, scientific and technical services, with a total of 5,349 sqm, followed by rental, hiring and real estate services (2,938 sqm), and information media and telecommunications (2,507 sqm).

Christchurch Suburban Office Net Absorption by Grade



New Take Up by Industry in H2 2024 (sqm of top five)



Suburban Office Vacancy

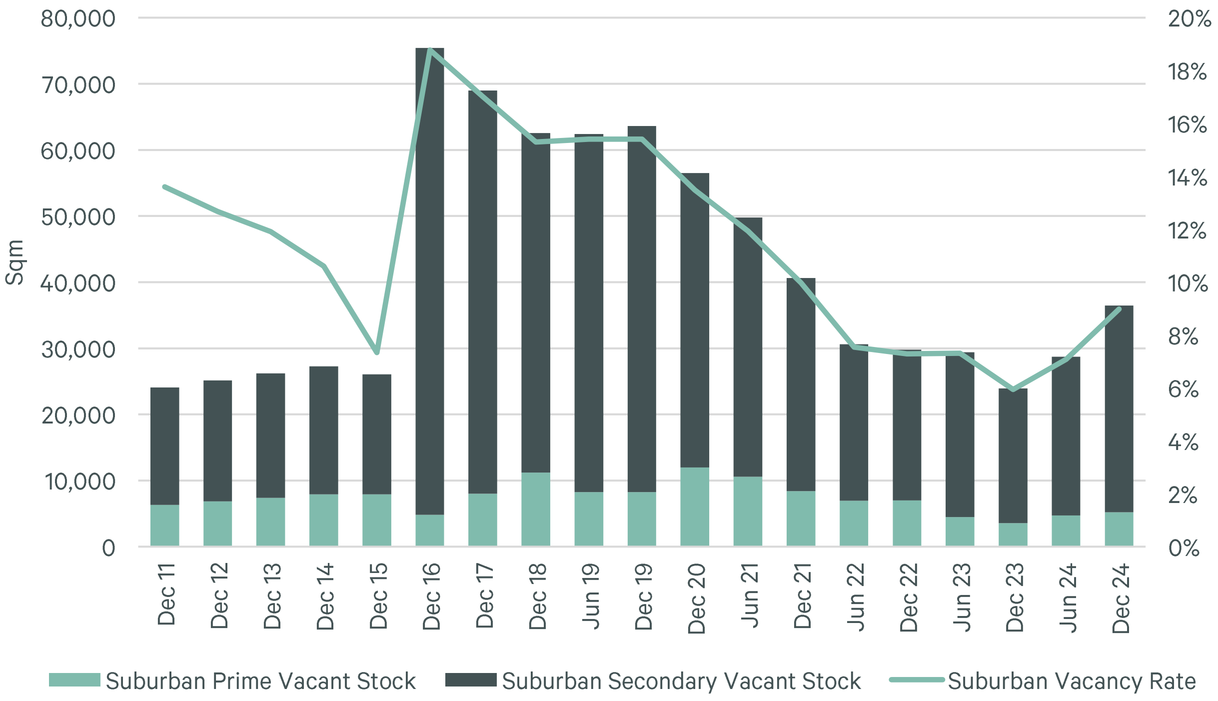
Vacancy in the suburban office market increased during H2 2024, rising from 7.1% to 9.0%. This followed the upward trend that started in the second half of 2023. Total vacant space went up by 7,739 sqm in H2 across all suburban office markets. However, this increase was more pronounced in Secondary buildings, especially in Grade C assets, where vacancy entered double-digit territory, shifting from 8.8% to 11.3% (a 3,088 sqm uplift). This was followed by vacancy in Grade B buildings, which moved from 6.6% to 8.8% (a 2,622 sqm increase). Vacancy in Grade D buildings also increased significantly, from 1.7% to 9.1%, showing a 1,521 sqm jump in vacant space.

The most significant moves in the suburban office market during H2 occurred at 76 Riccarton Road, where the Ministry of Social Development vacated 1,090 sqm of Grade C office space due to downsizing measures. This was followed by Inland Revenue leaving behind almost 1,000 sqm of Grade B space at 74 Moorhouse Avenue and a software company vacating 966 sqm next door to move to a smaller space (517 sqm) in the same building.

Suburban Office Vacancy by Grade

		Grade A	Grade B	Grade C	Grade D	Total
Vacancy - June 2024	%	7.0%	6.6%	8.8%	1.7%	7.1%
	sqm	4,699	12,944	10,722	341	28,706
Vacancy - December 2024	%	7.7%	8.0%	11.3%	9.1%	9.0%
	sqm	5,207	15,566	13,810	1,862	36,446

Suburban Office Vacancy

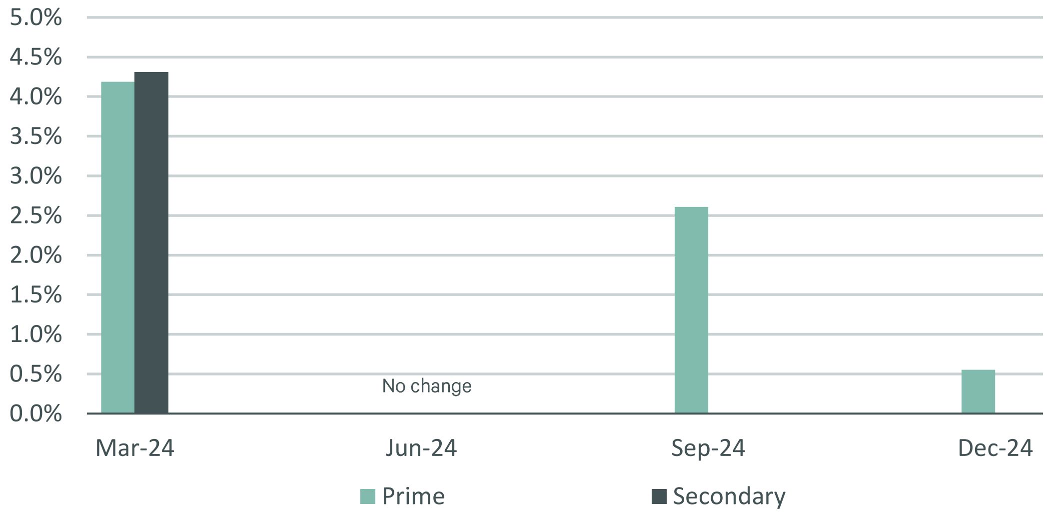


Suburban Office Rents

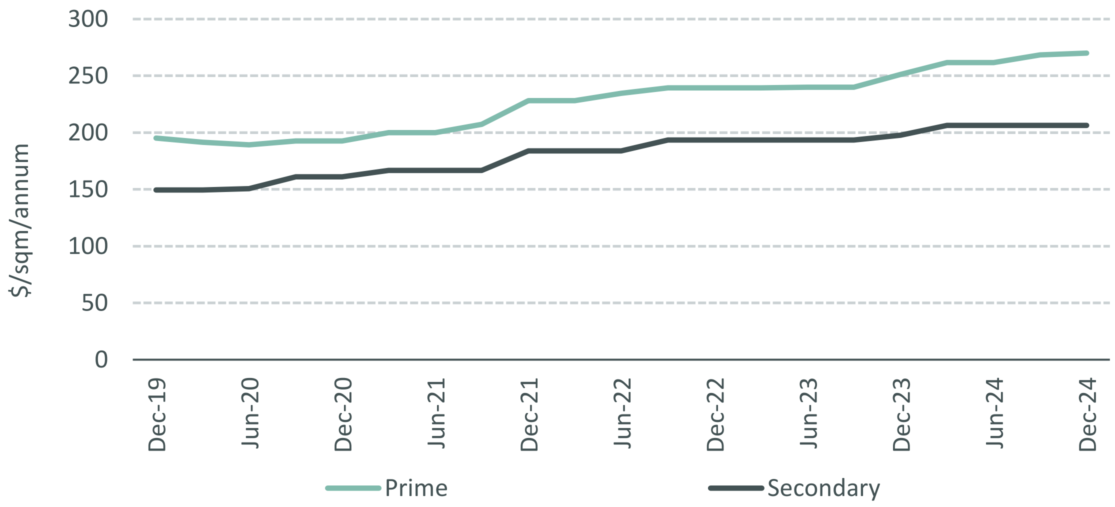
Only buildings in the high end of the suburban office market registered some rental growth in Q4 2024. However, this growth was not as robust as the growth experienced in previous periods, such as Q1 and Q3 of last year. Despite the weaker demand for non-CBD office space, there continues to be strong occupier interest in Prime office space in some suburban pockets, such as in Hazeldean Business Park in Addington.

Net effective rents in the Prime suburban office market increased by 0.6% in Q4, reaching $270 per sqm. In addition, suburban Secondary net effective office rents remained unchanged at $206 per sqm. Furthermore, incentives in suburban office buildings remained stable during Q4. Based on CBRE's assessment, Prime indicative market incentives were 8.8% of face rents, while Secondary indicative market incentives remained at 12.3% of face rents.

Suburban Net Effective Office Rents – Quarterly Change



Suburban Net Effective Office Rents

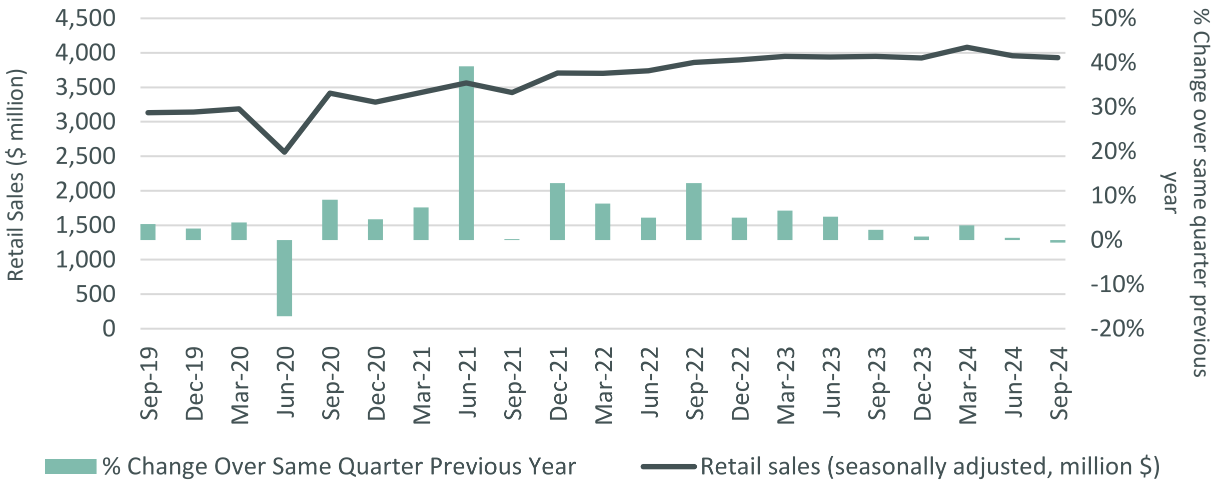


Retail Sales

In the year leading up to September 2024, retail sales in Canterbury rose by 1.0% compared to the preceding year. This contrasts with the negative figures registered in Auckland and the Wellington region during the same period (-1.1% and -3.3%, respectively). Canterbury has consistently outperformed these regions on this metric since September 2023. Additionally, consumer confidence in Canterbury moved into optimistic territory in late 2024. This gradual rise in confidence is fuelled by receding interest rates and reduced financial pressures. There is a growing sentiment that retail sales could achieve higher growth levels in the coming quarters due to greater disposable incomes.

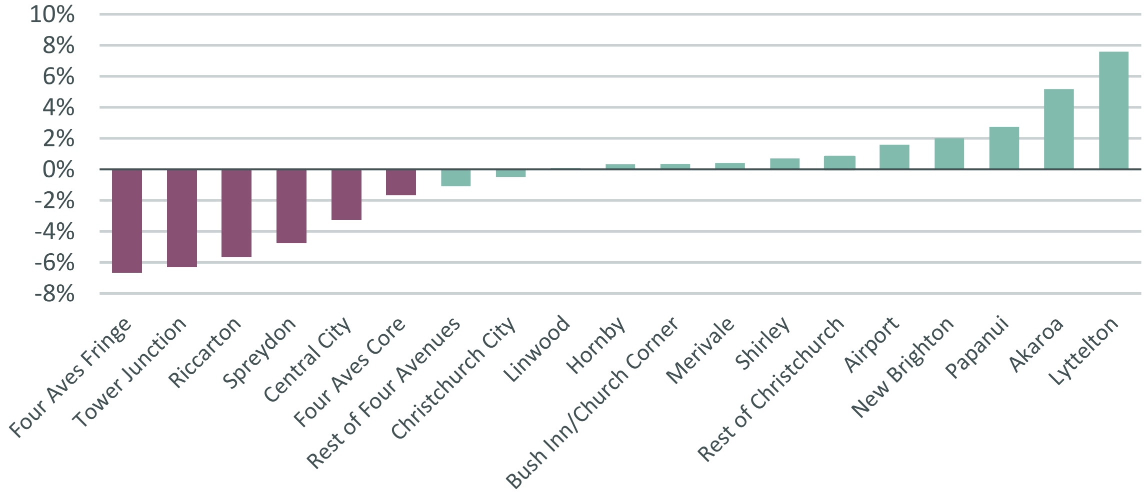
At a territorial authority level, in the year ending September 2024 retail spending in Christchurch decreased by 0.5% from the previous period. By area, Lyttelton saw the highest growth rate at 7.6%, followed by Akaroa (5.2%) and Papanui (2.7%). Also, retail spending in Christchurch's Central City experienced a downturn during this period, with a decline of 3.2%.

Canterbury Retail Sales



Source: : Statistics New Zealand

Spending Growth by Area (YE Sep-24 vs YE Sep-23)



Source: Westpac McDermott Miller

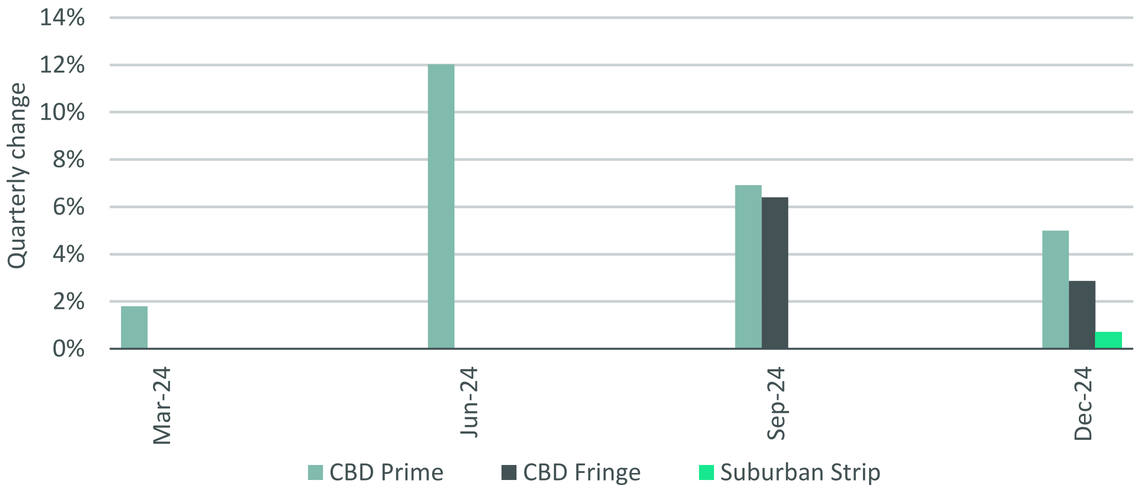
Retail Rents

The Christchurch retail market saw rental growth across all asset classes during Q4. This was the fifth consecutive quarter in which CBD Prime net effective rents experienced an increase, underpinned by extremely low vacancy (especially on Cashel Street and High Street). Correct size and good location commanded higher rents in the last quarter of last year. Face rents in this submarket rose by 5.0% in Q4 compared to the previous quarter, following even higher growth rates in the two previous quarters (6.9% and 14.0%, respectively). In addition, CBD Fringe retail locations also registered good levels of demand in this period, especially on Lichfield Street, which drove face rents up by 2.9% compared to Q3. Even face rents in the Suburban Strip submarket experienced some growth during Q4 (0.7%), something that was missing since Q3 2022, mainly due to a nascent demand for certain locations on the east end of Riccarton Road.

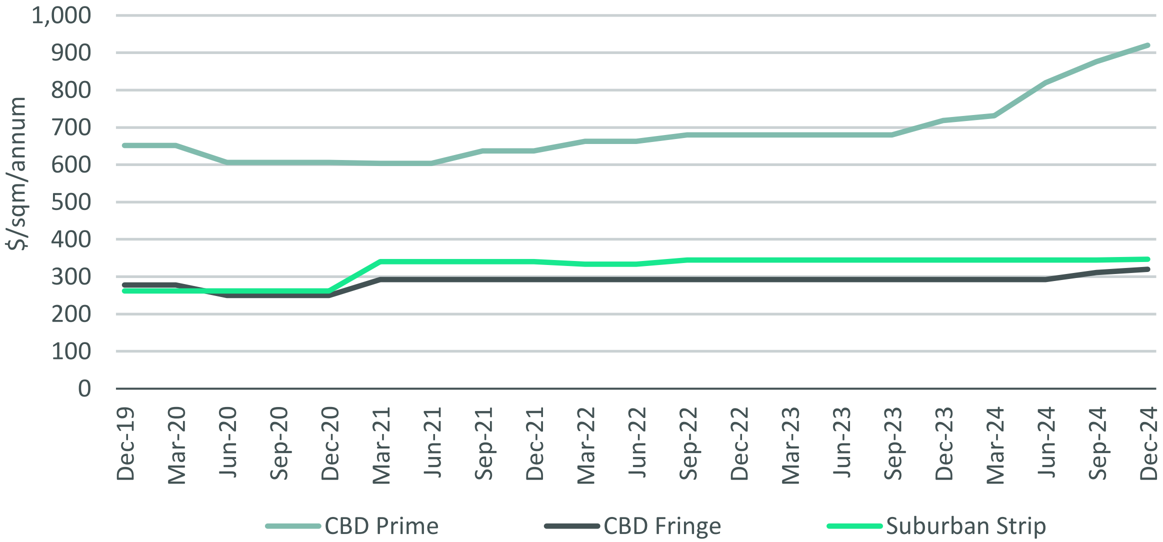
In Q4, CBD Prime retail net effective rents were $920 per sqm, up by 5.0% compared to Q3 ($876 per sqm). Also, CBD Fringe retail net effective rents sat at $320 per sqm, moving up from $311 per sqm, whilst Suburban Strip retail net effective rents were $347 per sqm (up from $344 per sqm).

According to CBRE's Q4 assessment, CBD Prime indicative market incentives remained unchanged at 4.2% of face rents. Incentives in both CBD Fringe and Suburban Strip also remained unchanged in the last quarter of last year, sitting at 8.3% and 7.4%, respectively.

Retail Net Effective Rents - Quarterly Change



Retail Net Effective Rents by Precinct



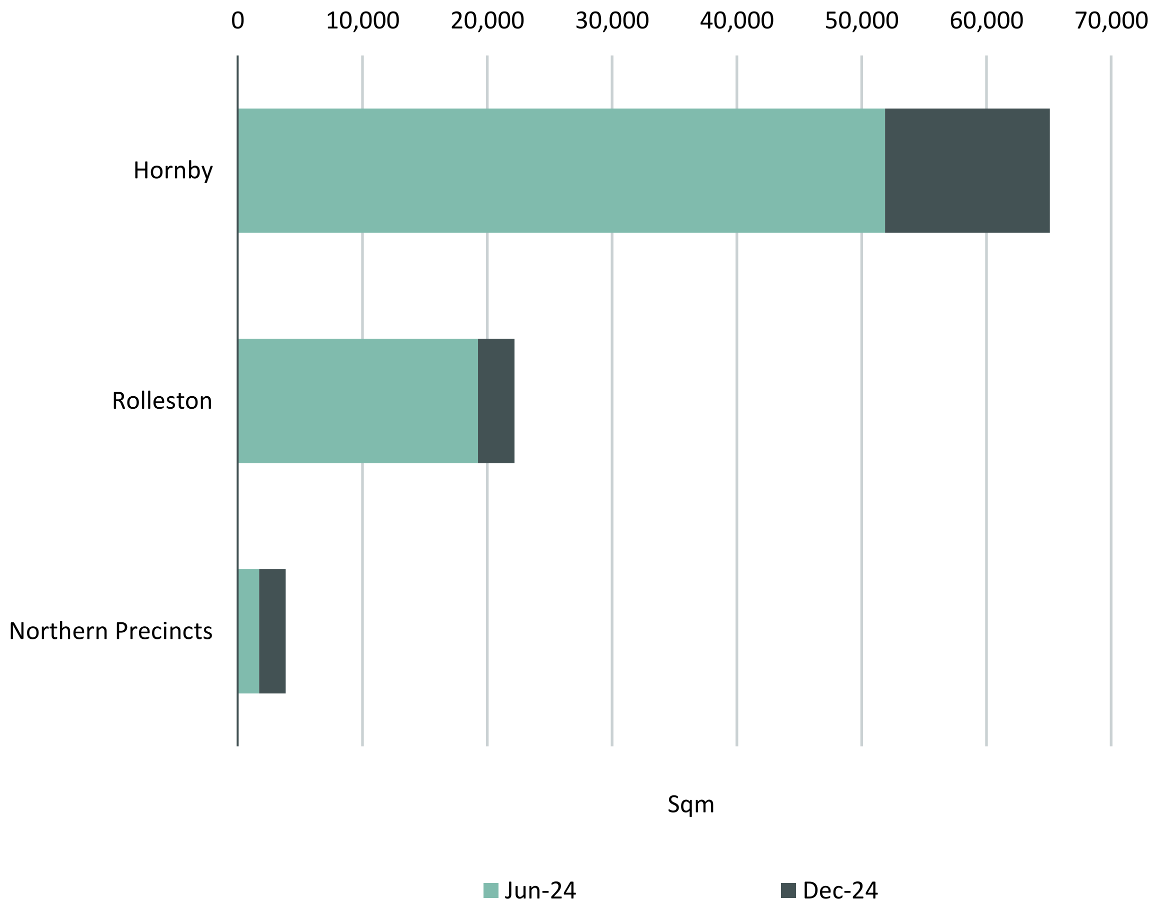
Industrial New Supply

In 2024, Christchurch's industrial market saw the addition of 91,123 sqm of new stock. Notably, 72,850 sqm were added in the first half of the year, with the remaining 18,273 sqm introduced during the second half. This was partially offset by the demolition of a 5,443 sqm Grade C industrial building in Middleton.

In the second half of the year, Hornby, Rolleston, and Northern Precinct were the only suburbs to see new industrial space, matching the trend from the first half. This marks a shift from 2023 and 2022 when new industrial developments were more widespread, covering up to ten different suburbs in the city. Hornby remains the leader in new industrial supply. In H2 2024, Hornby expanded its industrial space by 13,219 sqm, Rolleston increased by 2,929 sqm, and Northern Precinct added 2,125 sqm. These amounts were significantly lower than those in H1, where Hornby saw nearly 52,000 sqm and Rolleston close to 20,000 sqm of new space, and below the average six-monthly new supply over recent years, with around 26,500 sqm in the former and 10,500 sqm in the latter.

Hornby also hosted the three largest industrial assets built during H2. The largest industrial building completed in Christchurch during this period was 19 Bruce Stewart Drive, a 7,538 sqm asset occupied by United Steel. This was the only new building exceeding 5,000 sqm. In contrast to previous periods, some of the new buildings completed in Hornby remain vacant, such as 13 Quadrant Drive (2,200 sqm), 14 Avenger Crescent (1,463 sqm) and 3A Industry Avenue (615 sqm). The two largest industrial assets completed in Rolleston during H2 were both located on Factory Drive: a 1,041 sqm owner-occupied warehouse and a 1,024 sqm building occupied by CS Roofing. The average size of new industrial buildings completed in H2 was circa 1,500 sqm.

New Industrial Supply in 2024



Industrial Net Absorption

The total net absorption level registered during H2 2024 clearly demonstrates the softening of the Christchurch industrial market. For the first time since the second half of 2020, net absorption moved into negative territory (-1,744 sqm). Previously, the average biannual net absorption over the last four years was around 57,000 sqm, quite dissimilar to the H2 figure. This was driven by negative net absorption levels in the Secondary industrial submarket: circa -5,700 sqm in Grade B buildings and around -7,600 sqm in Grade C/D assets. The precinct that experienced the largest negative net absorption level was Middleton, reaching close to -7,200 sqm, one of the main drivers being the demolition of a fully occupied 5,443 sqm Grade C building.

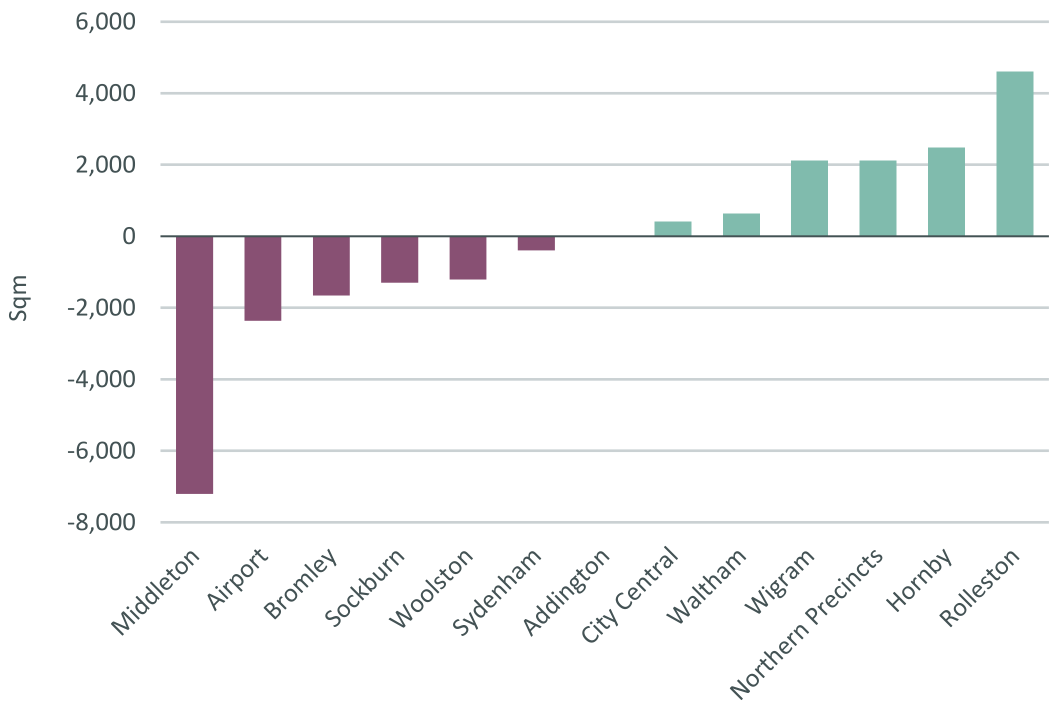
Even though net absorption in the Prime industrial submarket remained in positive territory during H2 (11,556 sqm), it was well below the average six-monthly net absorption registered since 2021 (around 49,500 sqm). During H2, net absorption in this submarket continued to be supported by new industrial stock entering the market. However, of the 18,273 sqm of new industrial stock during this period, around 4,300 sqm remained vacant after completion, which indicates diminishing support for Prime net absorption from historically high levels of new industrial stock occupancy.

During H2, Rolleston had the largest net absorption with circa 4,600 sqm, followed by Hornby (2,489 sqm) and Northern Precincts (2,125 sqm). Previously, from H2 2022 to H1 2024, Hornby had registered the highest levels of net absorption, supported by a significant number of fully pre-committed new buildings.

Industrial Net Absorption by Grade

	Total	Grade A	Grade B	Grade C/D
June 2024	37,760	50,740	-12,126	-854
December 2024	-1,744	11,556	-5,699	-7,601

Industrial Net Absorption by Precinct—H2 2024



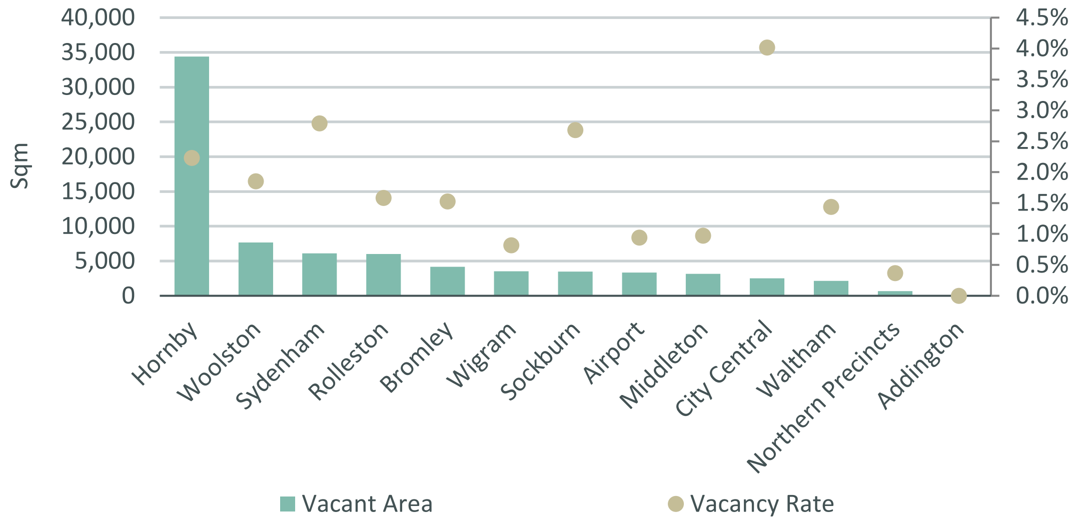
Industrial Vacancy

Industrial vacancy continued the trend registered during the first half of 2024, increasing across all submarkets and climbing to 1.7% in H2 from 1.4%. Vacant space became more evident during this period, rising by approximately 14,500 sqm due to large companies reducing their footprint, denoting the weakness of the current market. Out of the 13 precincts, vacancies increased in seven, decreased in four, and remained unchanged in two. The precinct with the highest vacancy rate continues to be City Central (4.0%), followed by Sydenham (2.8%) and Sockburn (2.7%).

Prime industrial vacancy rose by 6,717 sqm during H2, shifting from 1.4% to 1.8%. This increase was mainly due to transport and logistics companies reducing the size of their industrial space. The largest vacated building during this period was 44 Anchorage Road in Hornby, where Linfox vacated around 5,200 sqm of high-quality industrial space. However, Linfox still occupies around 700 sqm on the same street and 11,000 sqm at 45 Produce Place in Hornby. Additionally, Opzeeland Transport vacated 2,741 sqm at 25 Link Drive in Rolleston after downsizing (the remaining 3,759 sqm in that building was occupied by Farmlands), but it still occupies Secondary space at 12 Mountain View (7,042 sqm) and 12 Calgary Place (1,890 sqm), both in Hornby. Furthermore, approximately 4,300 sqm of new industrial supply that entered the market during H2 remained vacant, accounting for almost one quarter of the total new Prime stock.

Vacancy in the Grade B submarket also rose during H2 (by almost 5,700 sqm), increasing from 1.8% to 2.2%. The main reasons for this increase are companies downsizing their industrial footprint and companies leaving behind their presence in the Christchurch market. Some prominent examples include T&G Global, which vacated a total of 6,250 sqm in two buildings on Waterloo Road in Hornby due to downsizing. This company still occupies 8,100 sqm at 39 Dakota Crescent in Wigram. Also, MHM Automation left behind 1,660 sqm at 5 Tanya Street in Bromley but continues to occupy a building at 53 Lunns Road in Middleton. Additionally, Polyflor shut down its operations in Christchurch, leaving behind 1,270 sqm at 32-34 Byron Street in Sydenham.

Industrial Vacancy by Precinct – H2 2024



Industrial Vacancy

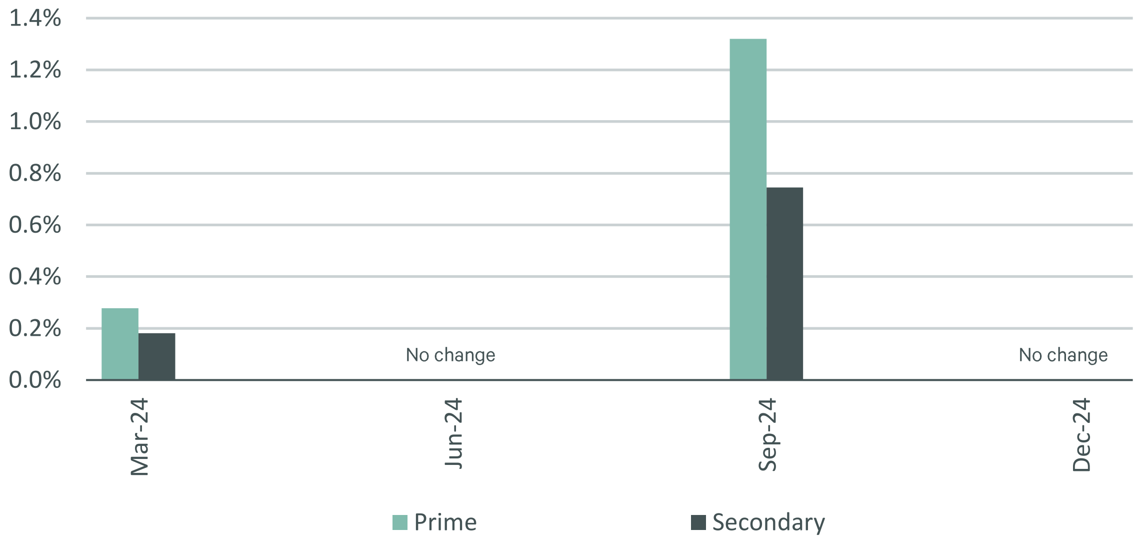
Industrial Rents

Following the rental growth experienced in both the Prime and Secondary submarkets in Q3, rents remained unchanged in the last quarter of the year. This derives from a softer industrial market, characterised by more subdued occupier demand and an increase in vacant space, even in precincts that showed strong activity in previous periods.

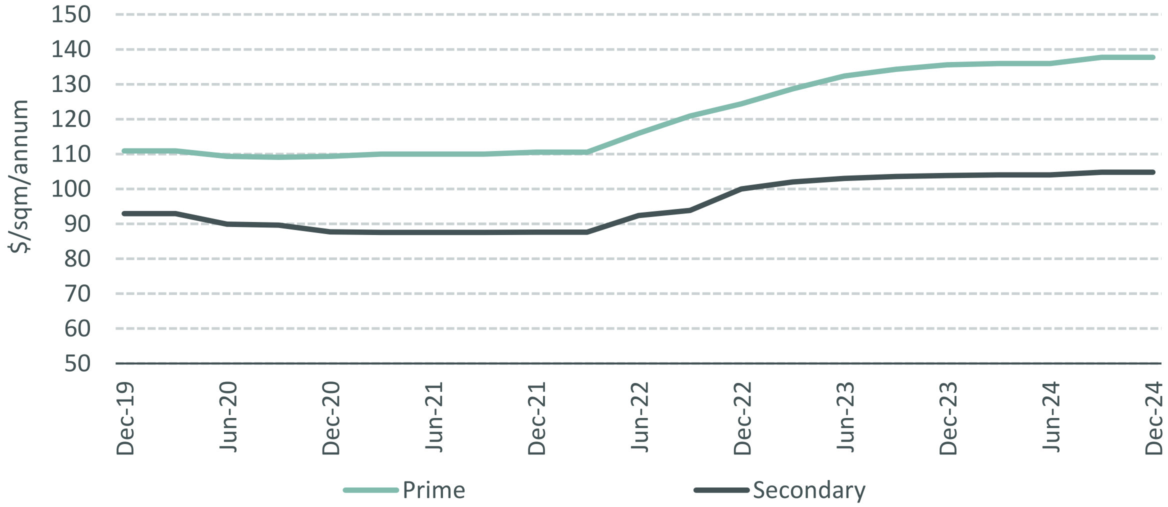
Industrial Prime net effective rents remained steady in Q4 at $138 per sqm, whilst Secondary net effective rents stayed unchanged at $105 per sqm. Over the year, Prime net effective rents increased by 1.6% and Secondary net effective rents rose by 0.9%.

Incentives remained stable in Q4 2024. Based on CBRE's assessment, both industrial Prime and Secondary indicative market incentives remained at 1.4% of face rents. These levels of incentives have been consistent since the second half of 2022.

Industrial Net Effective Rents - Quarterly Change



Industrial Net Effective Rents



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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