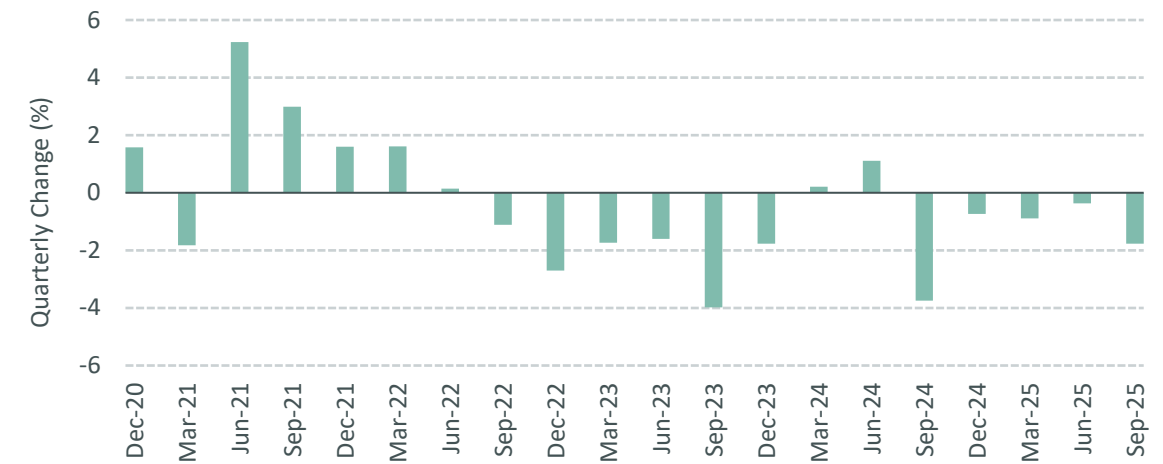


# Wellington Property Market Overview

## KEY MARKET CHANGES

- In Q3, Wellington office rents were impacted by rising outgoings due to higher rates. Also, the Premium and Grade B submarkets registered higher incentives.
- In Wellington's industrial market, Q3 saw positive occupier demand. Prime gross rents increased by 0.4% due to higher outgoings. Meanwhile, Secondary industrial buildings saw rising face rents in good-quality assets.
- The Wellington CBD retail market showed mixed demand levels in Q3, with some submarkets experiencing robust demand, such as the west side of Lambton Quay and Cuba Street, while others, like the east and northern sides of Lambton Quay, saw lower demand. Gross rents remained stable in most submarkets, except for Courtenay, which saw a 1.2% decline due to softer market conditions.
- Even though New Zealand's aggregate demand has been contracting, the economy is expected to rebound in 2026 driven by export growth, business investment, and further interest rate cuts.

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



Market indicators

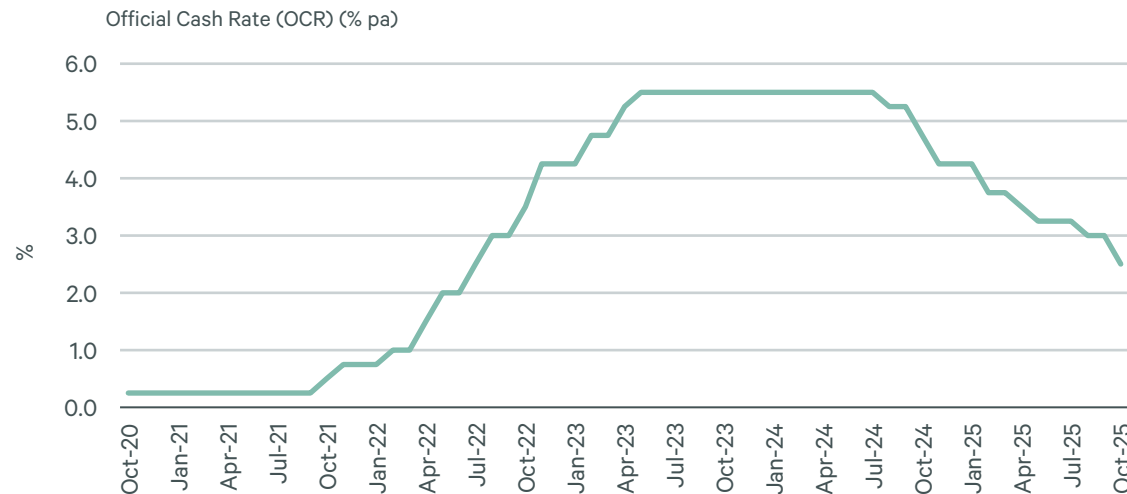
Market Sector	Stock (sqm)*	Vacancy (%)*	Gross Face Rent (\$/sqm/yr)	Incentives (%)	Yield Range (%)
Prime CBD Office	500,475	6.6	583 – 1,091	8 – 14	6.00 – 8.25
Secondary CBD Office	904,451	24.3	220 – 708	12 – 14	7.70 - 11.45
Prime Industrial	499,068	0.4	194 – 272	1 – 2	6.00 - 7.00
Secondary Industrial	1,718,761	4.1	126 – 191	3 – 4	6.50 - 8.50
Prime CBD Retail	22,891	1.1	1,900 - 2,700	10 – 11	6.76 – 7.61
Secondary CBD Retail	165,373	9.2	800 – 1,700	10 – 11	7.00 – 8.35

\* CBD office stock and vacancy figures are as of June 2025, while industrial and CBD retail stock and vacancy figures are as of December 2024.

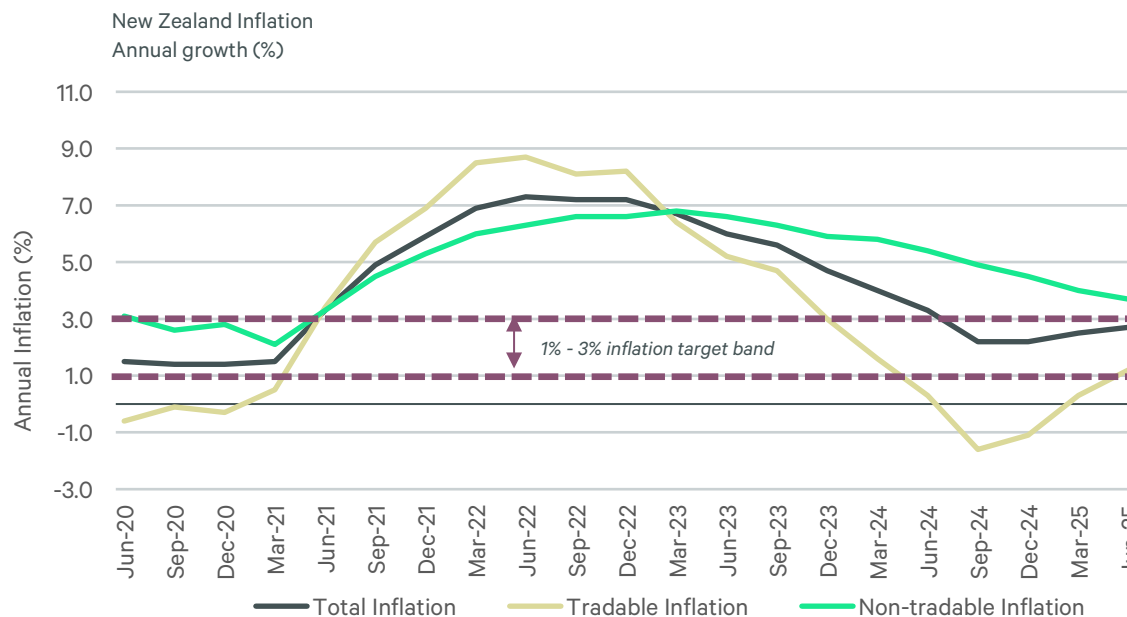
# Economy

New Zealand's economy continues to be impacted by sluggish levels of aggregate demand. GDP decreased by 0.9% in Q2 2025 compared to the previous quarter, registering a greater decline than what the economic consensus and RBNZ predicted (-0.3%). During Q2, goods-producing industries, which account for approximately 21% of the total economy, contracted by 2.3%, followed by primary industries (down by -0.7%). Meanwhile, service industries, which make up close to 74% of the economy, remained stable. At a more granular level, manufacturing and construction, the second and fourth largest industries in the country, saw the greatest declines in the June 2025 quarter, with activity decreasing by 3.5% and 1.8%, respectively. When analysed by expenditure, in Q2 private consumption increased by only 0.4% compared to Q1, whilst exports went down by 1.2%, investment decreased by 1.1%, and central government spending reduced by 0.1%.

GDP growth is forecast to improve from Q4 2025 onwards through 2026. Easing monetary policy is characterised by a lagged effect on aggregate demand, which will help uplift GDP supported by favourable terms of trade, rebounding consumption and business investment. In its latest Monetary Policy Review in early October, the RBNZ's Monetary Policy Committee (MPC) reduced the OCR by 50 bps to 2.50%. Over the past 15 months, the OCR has been reduced by 300 basis points. Even though annual inflation reached the top end of its 1% to 3% target band in Q3, it is forecast to decline gradually in forthcoming quarters paving the way for at least one more rate cut.



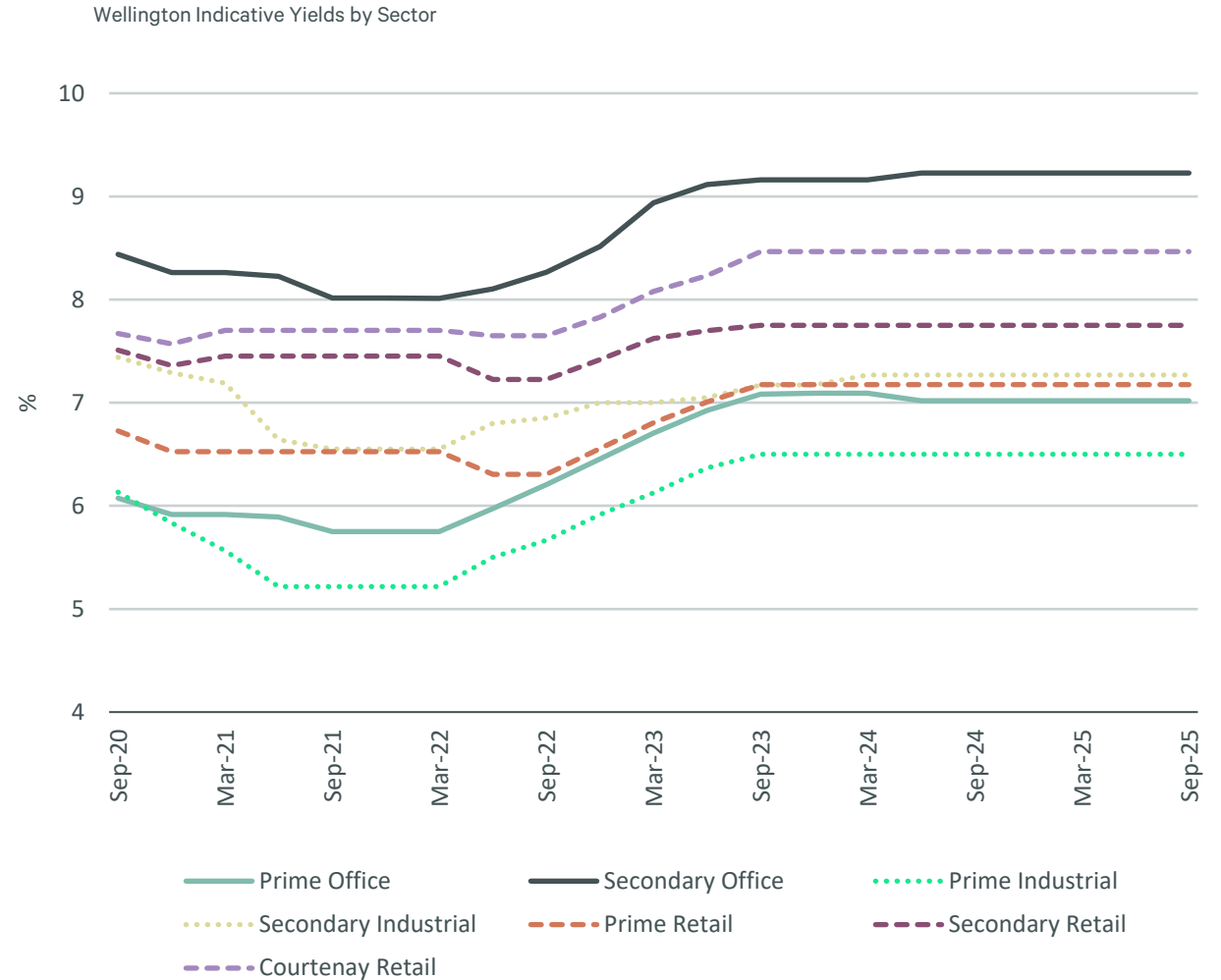
Source: Reserve Bank of New Zealand



Source: Statistics New Zealand

# Investment market

Subdued economic conditions, low confidence, and ongoing government-backed cost-cutting measures continued to impact Wellington's commercial real estate market in Q3. Despite the RBNZ's easing of monetary policy, transactions volumes in the capital city are yet to experience a significant uplift. This contrasts with the rise in transactional activity in Auckland and Christchurch, where certain sectors experienced yield firming in Q3. Limited transactions in Q3 influenced CBRE's evaluation for Q3, which showed stable commercial property yields across all sectors in Wellington.



# CBD Office Vacancy

Following the trend of previous periods, vacancy in the Wellington CBD office market increased during H1 2025, moving to 18.0% from 14.3%. This was mainly driven due to a rise in vacant stock in the Secondary CBD office submarket, particularly in the Grade B and Grade D submarkets in the Core CBD, and in the Grade C submarket in Te Aro. As a result, Prime (Premium and Grade A) office vacancy went up from 6.0% to 6.6%, while Secondary (Grade B to D) vacancy increased from 18.9% to 24.3%.

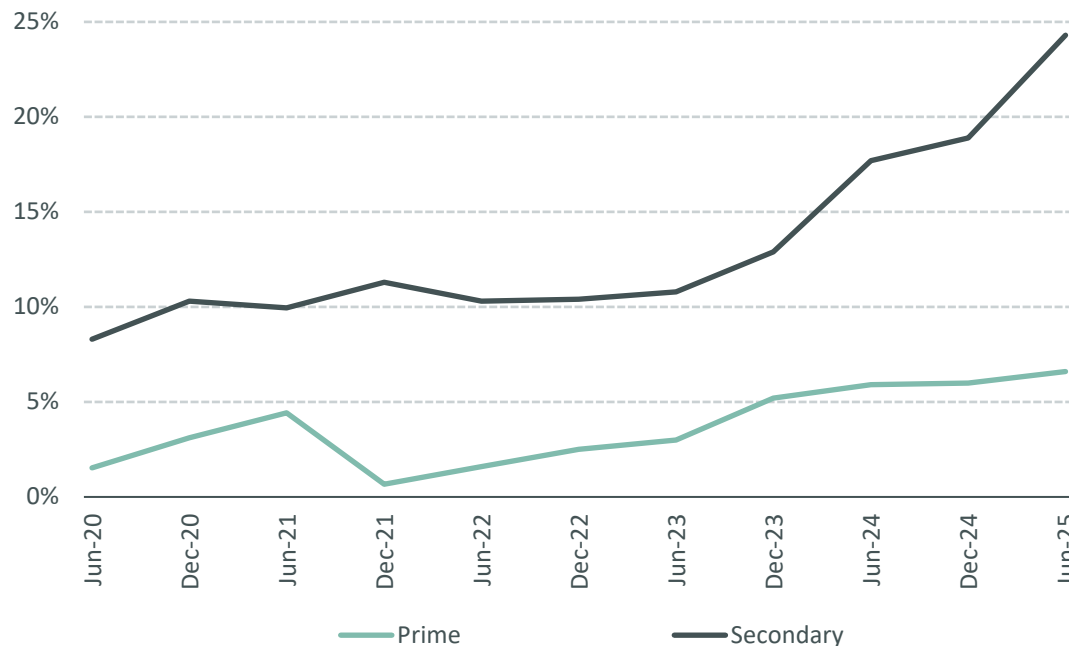
Backfill vacancy and downsizing were the culprits behind the steep rise in Secondary vacancy. CBRE’s definition of vacancy encompasses space that is both physically vacant and available for lease. As part of the government’s initiative to consolidate their space across Wellington CBD, during H1 several Crown entities moved to 1 Bowen Street (now known as Te Iho), a Grade A building that had been fully leased by MBIE last year. This triggered a significant amount of backfill vacancy across many buildings, such as Te Puni Kōkiri and Te Māngai Pāho leaving behind their Grade B office footprint at 143 Lambton Quay (4,976 sqm and 622 sqm, respectively), the Ministry of Pacific Peoples vacating 811 sqm at 44 The Terrace and 483 sqm of Grade C space at 200-204 Lambton Quay, the Ministry for Women leaving behind 518 sqm at 22 The Terrace, among others. All these new tenants at Te Iho downsized considerable their office footprint in the city. Another example of downsizing included the Ministry of Social Development, vacating almost 5,200 sqm at 87-89 The Terrace, a Grade B building in the Core CBD, while maintaining close to 29,000 sqm of office footprint across three buildings in Core CBD and Te Aro. Meanwhile, the Grade B office space (8,378 sqm) at 96-102 The Terrace that BNZ vacated to move to One Whitmore became available for lease.

During the first half of this year, the total office stock in Wellington's CBD increased to 1,404,926 sqm, an increase of 2,816 sqm compared to the second half of 2024. This increase occurred only in the Secondary CBD office submarket. This increase was driven by the re-introduction of 2,126 sqm of Grade C office space in Featherston Tower, located in the Core CBD area, after it underwent strengthening works, as well as the conversion of 690 sqm of retail space to office space at 100 Taranaki Street, a Grade D building in Te Aro.

CBD Office Vacancy Change by Grade

		PREMIUM	GRADE A	GRADE B	GRADE C	GRADE D	TOTAL
Vacancy – June 2025	%	6.2%	6.7%	22.8%	22.4%	31.5%	<b>18.0%</b>
	sqm	5,914	27,250	100,220	64,652	55,325	<b>253,360</b>
Vacancy - December 2024	%	3.7%	6.6%	15.7%	18.5%	27.7%	<b>14.3%</b>
	sqm	3,578	26,600	69,359	52,993	48,417	<b>200,946</b>

Wellington CBD Office Vacancy



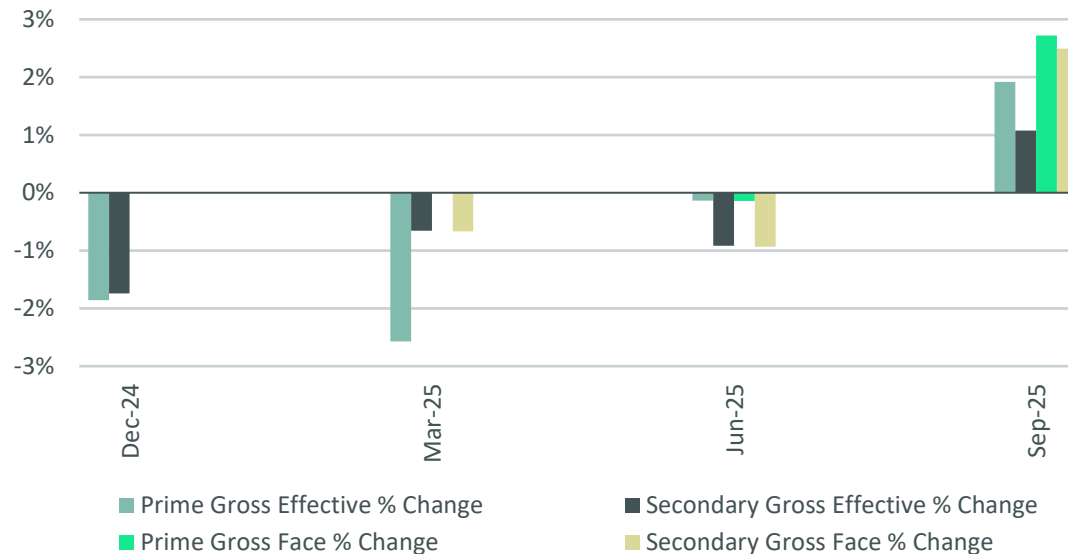
# CBD Office Rents

During Q3, rents were influenced by a rise in outgoings, largely due to the introduction of new rates in July. This year, the rate increase was more modest compared to last year, with the reduction in insurance premiums helping to offset the rise. Our rental assessments and building baskets aim to represent the mix of net and gross leases across various market sectors, impacting rent levels. For instance, the Prime office submarket has gradually shifted to net leases, whereas Secondary (especially C and D grade) office buildings still predominantly use gross leases. This difference means that net leases see higher gross rents with increasing outgoings, whilst gross leases maintain the same gross rent, but net rents decrease as outgoings are subtracted from gross rents.

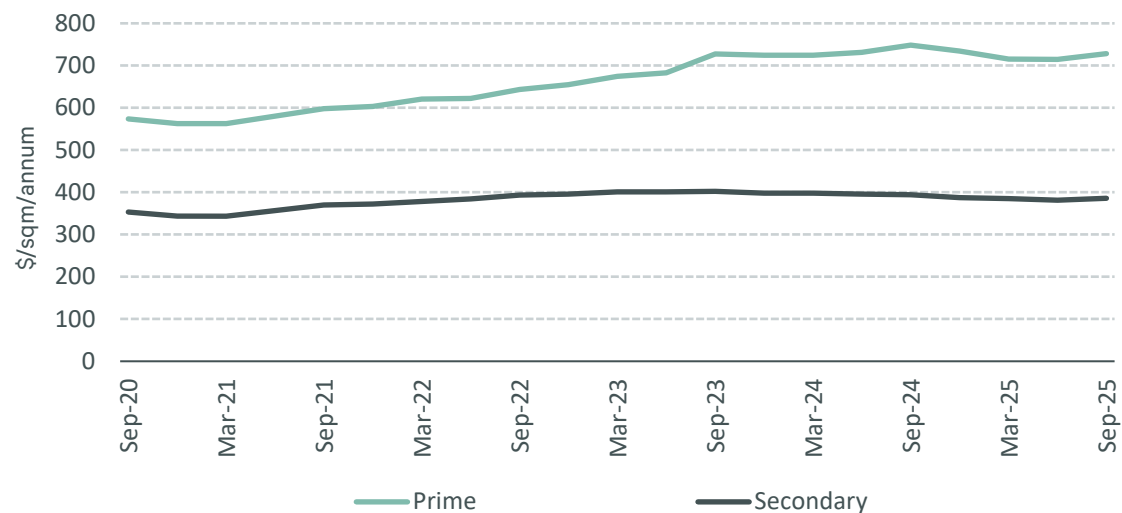
In Q3, gross effective rents in the Wellington office market were not only impacted by higher outgoings, but also by higher incentives in the Premium and Grade B submarkets. The Grade C submarket had already high incentives levels, whereas Grade A office buildings experienced a rise in incentives in previous periods. According to CBRE’s assessment, Prime office buildings experienced rent growth in both Premium and Grade A submarkets, with gross effective rents going up by 1.3% and 2.6% respectively, due to rising outgoings. In Premium buildings, the rise in gross face rents due to higher OPEX was not outweighed by higher incentives. The Secondary office submarket, is characterised by a large proportion of buildings on gross leases, hence higher outgoings generally do not translate to higher gross rents. Higher Opex still had a positive impact on Grade B gross effective rents which went up by 1.5% due to the effect of higher outgoings on approximately half of the buildings, which run on net leases. The increase in incentives did not offset the rise in gross face rents.

Based on CBRE’s assessment, the Q3 indicative market incentives are at 6.8% of the face rents in the Prime office submarket, a rise from 6.3%. In the Secondary office submarket, they are at 12.3%, an increase from 11.6%.

Office Gross Effective Rents - Quarterly Change



Office Gross Effective Rents



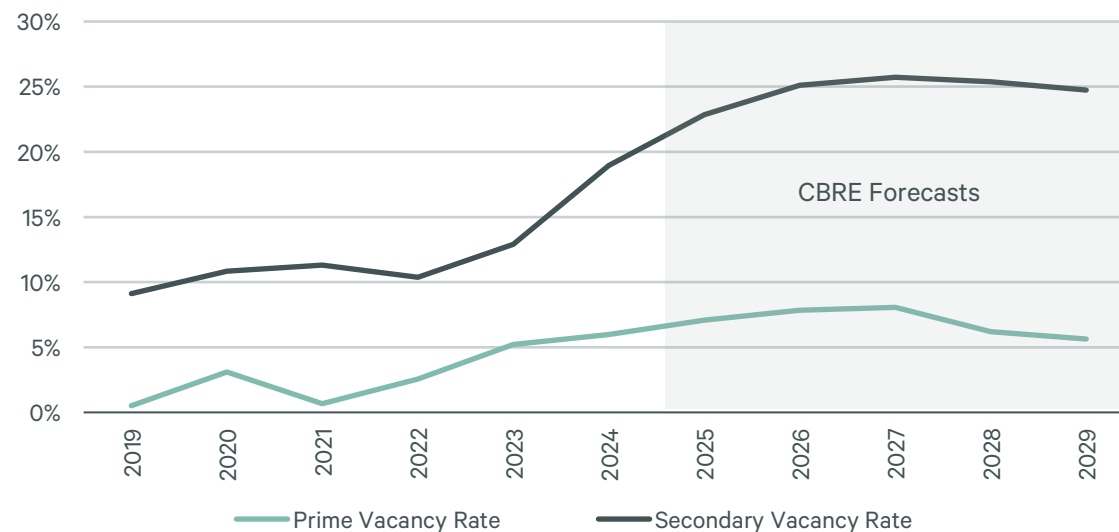
# CBD Office Market Outlook

Last year, the Wellington CBD office market recorded the highest negative net absorption on record, at around -43,000 sqm. The main reasons for the significant absorption losses were multifaceted: occupiers reducing their space due to economic challenges, losses in the public sector, and the current government's austerity measures. Net absorption will remain in negative territory in 2025, although not at the high negative levels of 2024.

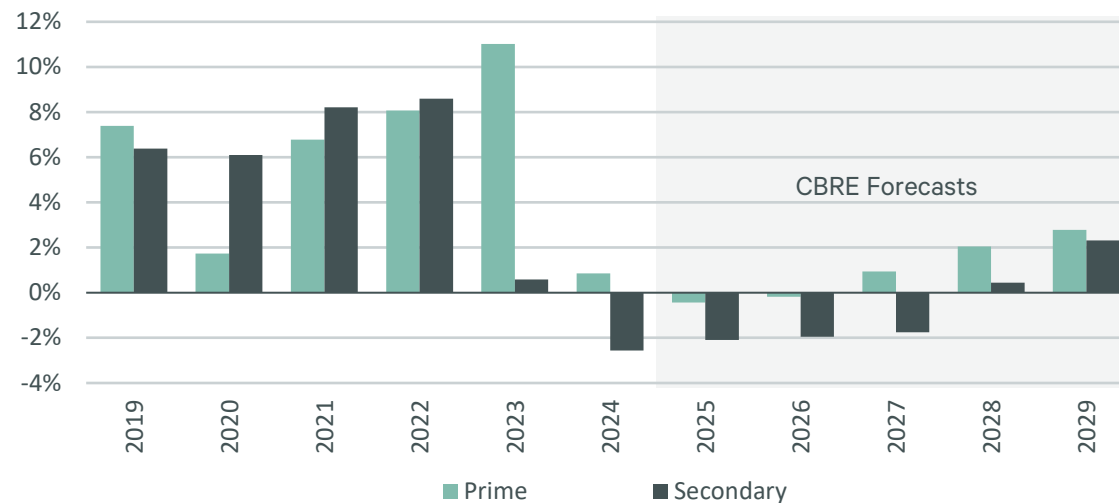
One new building and three refurbished ones are expected to be added to stock in 2025, adding almost 31,000 sqm of space to the Wellington office market. The one with the highest NLA is 61 Molesworth Street, located in Thorndon's parliamentary precinct, a new 19,215 sqm Grade A building developed by Precinct Properties. Additionally, we expect the start of a new conversion phase in the Wellington office market this year, primarily for Secondary buildings. While conditions have not supported new apartment development in the last three years, we expect some nascent conversion activity to begin this year and increase in the next two years. Overall, the 2025-2029 period average net supply will be slightly over 16,000 sqm.

Vacant space is expected to increase in 2025, primarily due to a rise in unoccupied space in Secondary buildings, driven by backfill vacancy in Secondary assets due to relocations to high-quality buildings. Additionally, the return of refurbished office space that has not yet been pre-committed, as well as a lack of employment growth, are contributing factors. The combination of the demand and supply cycles suggests vacancy peaking in 2027 (19.0%) and gradually decreasing during 2028-2029. However, CBRE's research shows the market is actually relatively healthy compared with Auckland and Australian cities. When looking at Prime grade office space only, Wellington has one of the lowest vacancy rate among all major cities in both countries.

CBD Office Actual and Forecast Vacancy



CBD Office Actual and Forecast Annual Gross Effective Rental Change

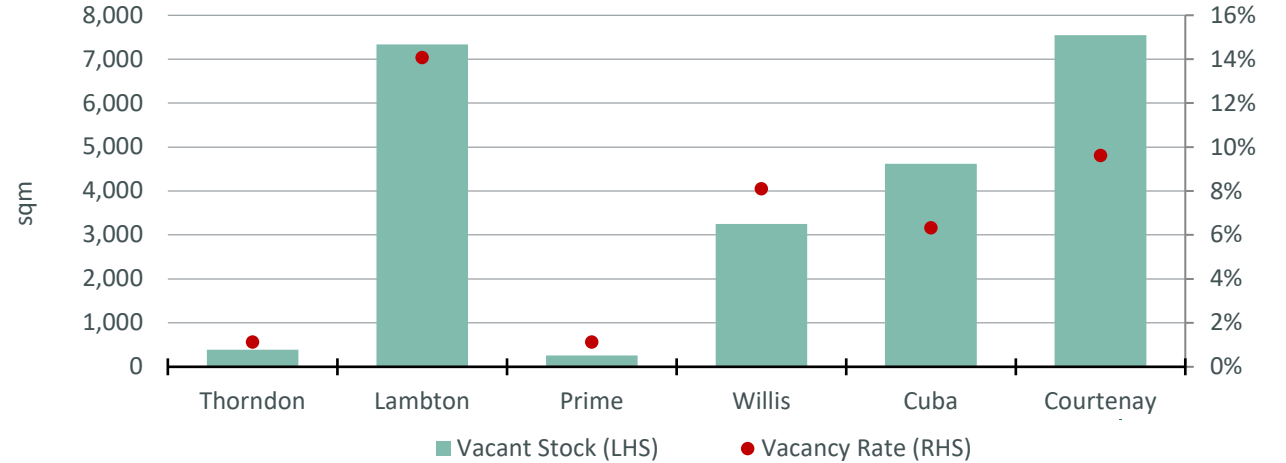


# Retail Vacancy

The overall vacancy rate in the Wellington CBD retail market increased in December 2024 compared to December 2023, rising from 6.9% to 8.5%. This uptick represents an additional 4,000 sqm of vacant retail space. A significant factor in this increase was the noticeable rise in Courtenay, which jumped from 7.5% to 12.1%, equating to around 3,000 sqm of retail space becoming vacant during this time. This was followed by an increase of vacancy in Willis Street, rising to 8.4% from 6.4%.

The industry that saw the largest decrease in occupancy between December 2023 and December 2024 was the one categorised as ‘other’, reducing by almost 16,000 sqm. This industry includes specialised food retailing, travel agency services, clubs, allied health services, among others. This was followed by ‘cafes, restaurants and takeaways food services’, ‘electrical and electronic goods retailing’, and ‘hardware, building and garden supplies retailing’.

Wellington Retail Vacancy by Precinct - Q4 2024



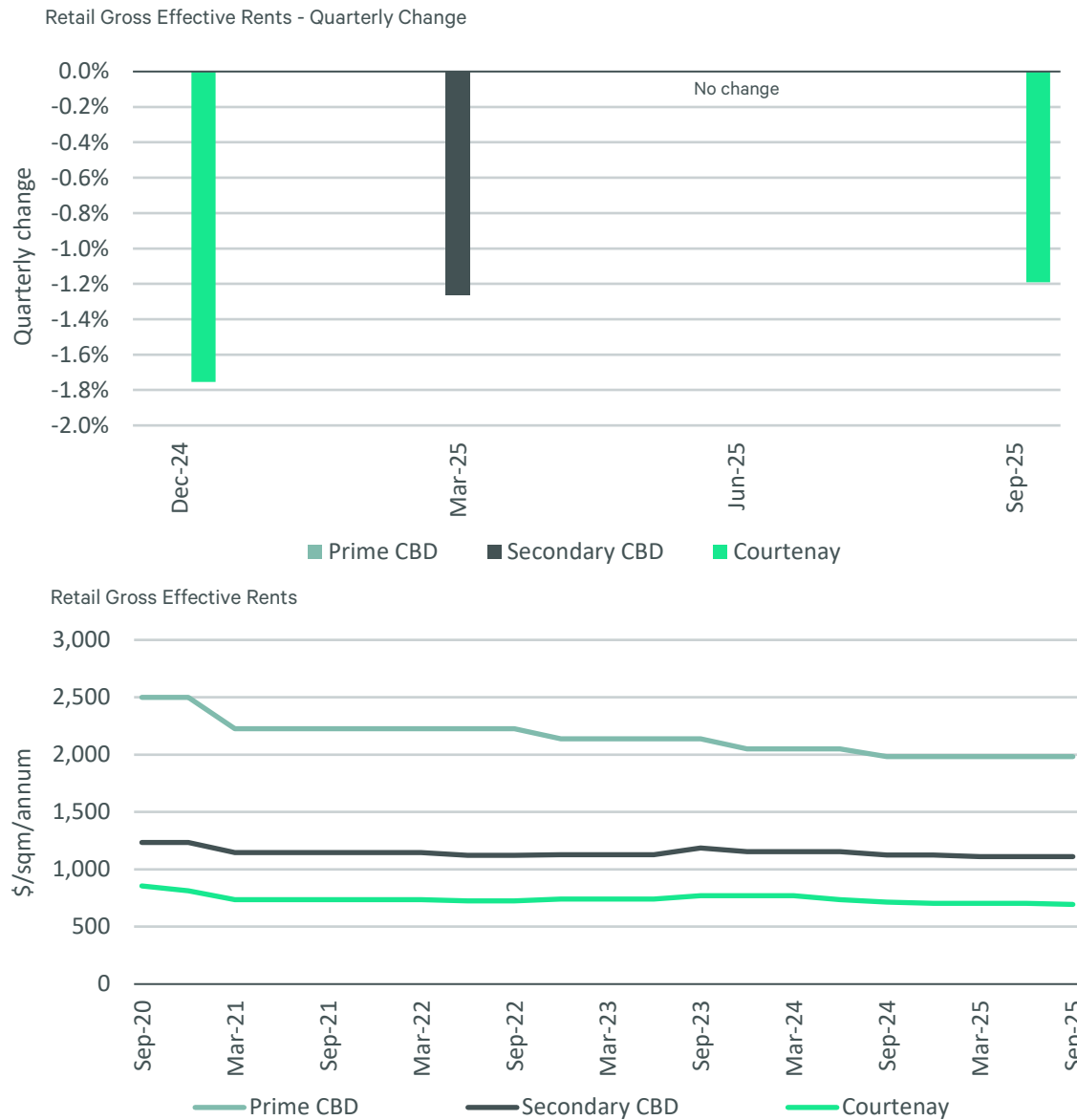
Wellington Retail Occupancy by Industry



# Retail Rents

In Q3, the Wellington CBD retail market showed mixed demand levels across different submarkets. Some pockets in the Prime and Secondary CBD retail submarkets continued to benefit from demand, such as the west side of Lambton Quay, the Prime retail area in the city, and Cuba Street, both with good levels of foot traffic and low vacancy. Also, there has been some nascent interest in parts of Featherston Street due to more competitive rents and higher availability. In contrast, demand was lower during Q3 for retail locations on the east and northern sides of Lambton Quay. Despite this, gross rents remained stable in these submarkets in Q3. Meanwhile, Courtenay saw a 1.2% decline in gross rents, due to softer trading conditions and rising vacancy.

Based on CBRE’s assessment, incentives remained unchanged in Q3, at 11.1% of face rents for Prime and Secondary CBD retail locations, and 12.5% for Courtenay sites. Incentives for Prime and Secondary CBD retail locations have been consistent since late 2023, whilst incentives for Courtenay locations have remained constant since mid-2024.



# Industrial Vacancy

Industrial vacancy increased during the twelve months to December 2024, rising from 2.5% to 3.2%. Total vacant space went up by around 17,000 sqm during this period, marking the highest annual increase in unoccupied space in the last decade. On average, industrial vacant space had decreased by circa 9,500 sqm per annum since 2014, which is quite dissimilar to the latest figure. This increase was mainly driven by a rise in vacancy in low-quality industrial assets: 9,872 sqm in Grade C/D buildings and 5,344 sqm in Grade B assets. In contrast to the lack of vacant space in high-quality industrial buildings over the last three years, Grade A vacancy also increased during 2024 (by 1,930 sqm), solely due to a retailer (The Body Shop) vacating a warehouse in Kaiwharawhara after going into liquidation.

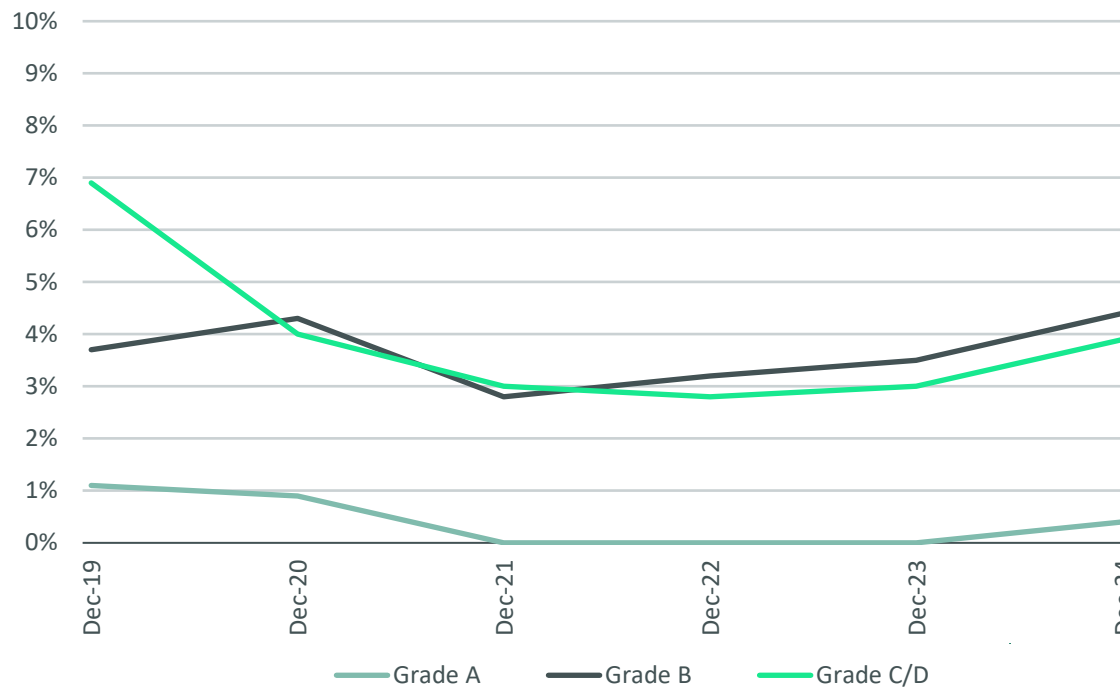
In terms of new industrial stock, around 8,400 sqm entered the market during 2024. The largest new facility was a showroom in Ngauranga (3,550 sqm), followed by a 2,182 sqm warehouse on Peterkin Street in Taitā and a 1,720 sqm prime owner-occupied warehouse in Porirua. However, the considerable number of demolished buildings in 2024 offset the amount of new stock. Last year, close to 14,000 sqm of secondary industrial stock were withdrawn from the market due to the demolition of 11 buildings on Marsden Street and Pharazyn Street (in Melling) as part of the ongoing Riverlink project, which includes flood protection measures on the banks of the Hutt River. Additionally, the removal of industrial stock on Tirangi Road (in Rongotai) continued during 2024, with over 3,300 sqm of Grade D industrial stock demolished.

Seaview registered the largest increase in vacant space in 2024 (by 12,405 sqm), mainly due to several tenants vacating large assets on Gracefield Road and Port Road. This was followed by Porirua (increasing by 2,300 sqm), due to a towing company leaving behind a Grade D building in Porirua, and by Taitā (growing by over 2,000 sqm), due to a vacant new building entering the market.

Wellington Industrial Vacancy Change by Grade

		GRADE A	GRADE B	GRADE C/D	TOTAL
Vacancy - December 2024	%	0.4%	4.4%	3.9%	3.2%
	sqm	1,930	25,542	44,226	71,698
Vacancy - December 2023	%	0.0%	3.5%	3.0%	2.5%
	sqm	0	20,198	34,354	54,552

Wellington Industrial Vacancy

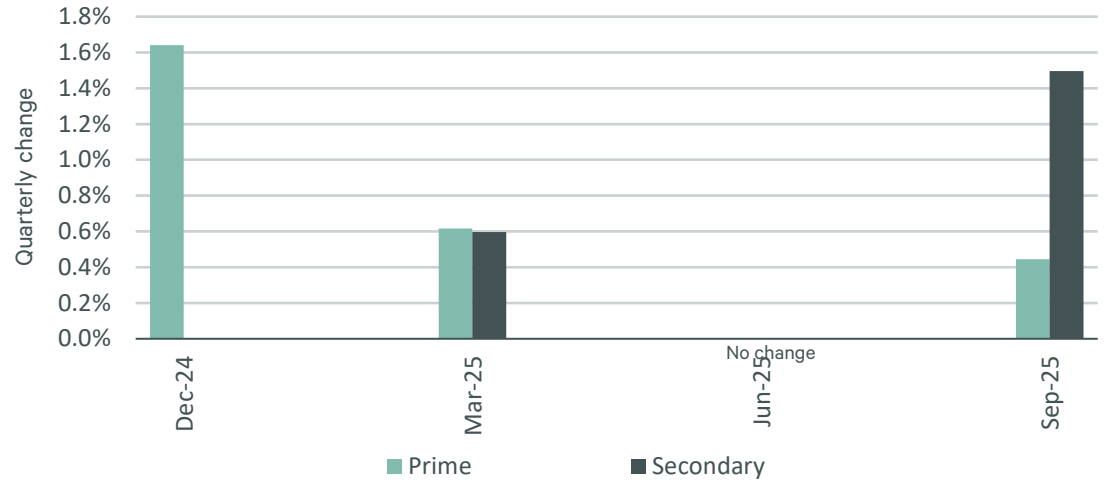


# Industrial Rents

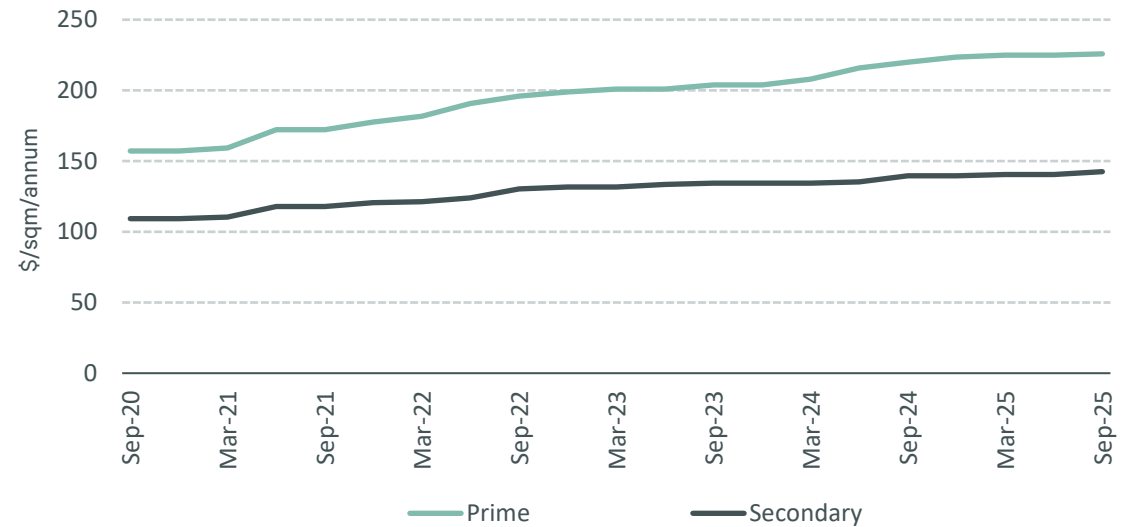
In Q3, demand for well-located, high-quality assets was robust in Wellington’s industrial market, particularly in Porirua and Upper Hutt, where improved connectivity and better asset quality drove occupier interest. Gross rents in the Prime industrial submarket increased by 0.4%, exposing non-market growth driven solely by higher outgoings. However, Secondary industrial buildings, mostly on gross leases, saw gross effective rents increased by 1.5%, mainly due to a rise in face rents in assets in the high-end spectrum of this submarket, which benefit from low availability.

According to CBRE, indicative market incentives remained steady in Q3 2025. 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

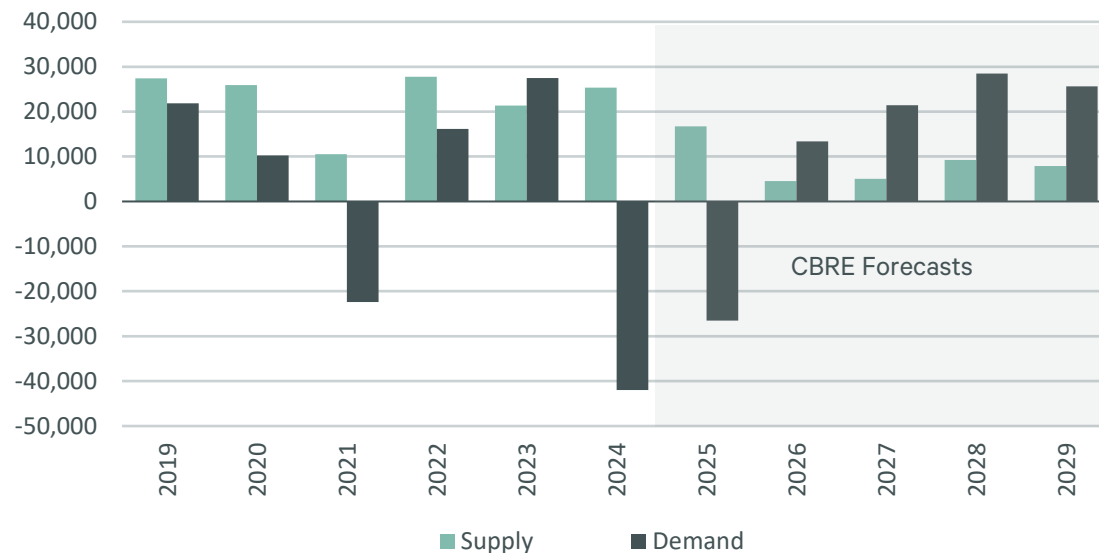


# Industrial Market Outlook

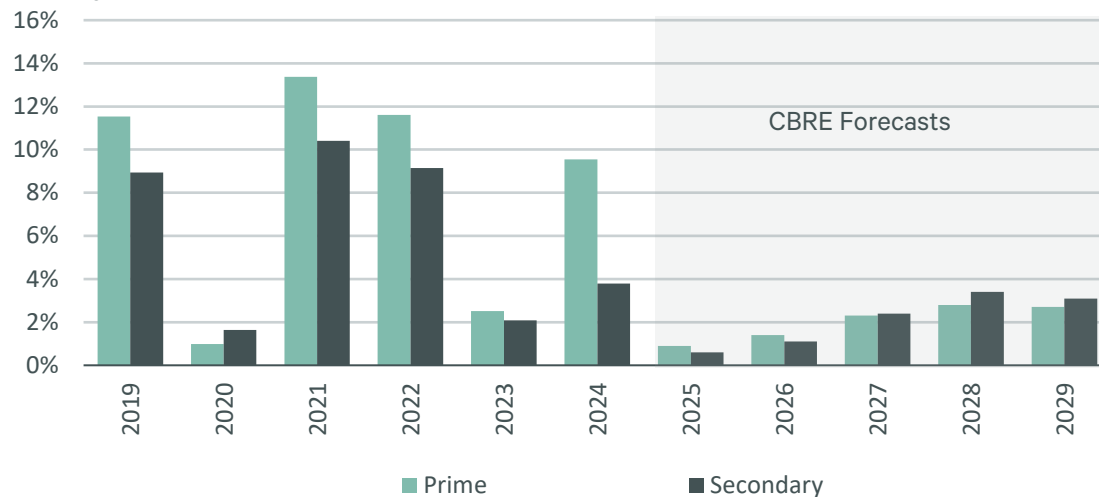
The development pipeline is falling from over 25,000 sqm per annum during much of the past 6 years to 16,000 sqm this year. The active development pipeline in 2026 and beyond comprises a small handful of projects and new supply will be well below 10,000 sqm in the next couple of years. Bidfood’s recently completed 6,000 sqm Grenada North premises is the largest new warehouse for 2025. Another four buildings are being added to stock this year. LT McGuinness is looking to build a 3,036 sqm warehouse. It is currently in design mode, and it already has a resource consent. It will likely be the largest new industrial building completed in 2026. Beyond this we only expect a pick up in development activity from 2028 onwards.

As for demand, we have also downgraded our short-term rental forecasts. The broad underlying drivers remain unchanged and a more subdued occupancy market, combined with diminished development cost pressures to drive new construction cost related rent increases, will have a negative impact on rental growth in the next few years. The nature of the Prime vs Secondary market in terms of gross versus net leases is favouring Prime net effective rent growth where increases driven by new benchmark rents have not been eroded by higher Opex in the same way as for Secondary properties. 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 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.

## Contacts

### Zoltan Moricz

Executive Director, Head of Research  
New Zealand  
zoltan.moricz@cbre.co.nz

### Matthew St Amand

Managing Director, Wellington  
t: +64 27 562 2244  
e: matt.stamand@cbre.co.nz

### Graeme Lundie

National Director, Property Management  
t: +64 21 586343  
e: graeme.lundie@cbre.co.nz

### Hamish Merriman

Director, Valuation & Advisory Services  
t: +64 27 872 0391  
e: hamish.merriman@cbre.co.nz

### Jorge Chang Urrea

Research Manager  
New Zealand Research  
jorge.changurrea@cbre.com

### Matt Hince

Director, Office Leasing  
t: +64 21 333 005  
e: matt.hince@cbre.co.nz

### Martin Veale

Senior Director, Valuation & Advisory Services  
t: +64 27 448 6825  
e: martin.veale@cbre.com

### David Cook

Director, Valuation & Advisory Services  
t: +64 22 677 0681  
e: david.cook@cbre.com

© Copyright 2025. All rights reserved. This report has been prepared in good faith, based on CBRE’s current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE’s control. In addition, many of CBRE’s views are opinion and/or projections based on CBRE’s subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE’s current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.