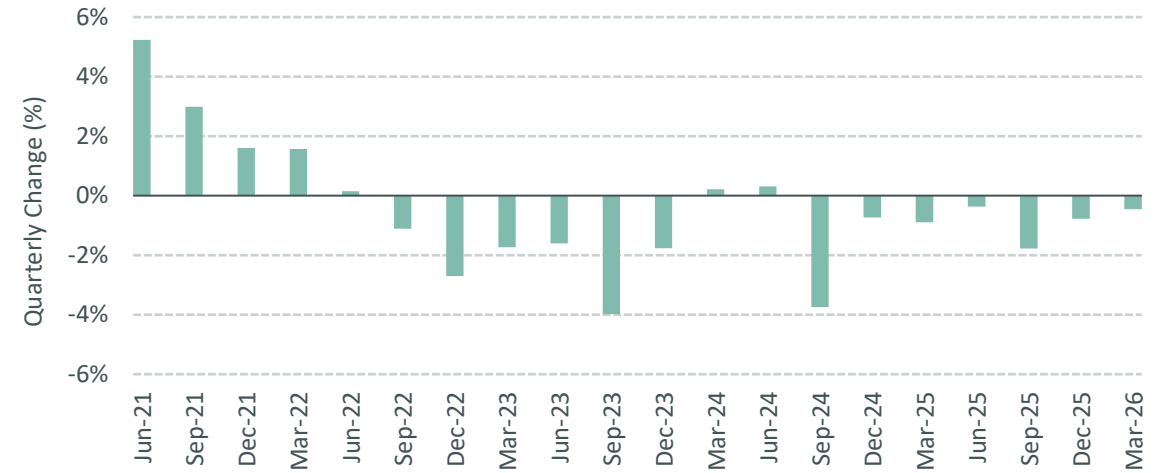


Wellington Property Market Overview

KEY MARKET CHANGES

- New Zealand's economic recovery was derailed by the recent US-Israel military action against Iran, which drove oil prices to their highest since early 2022 and prompted the RBNZ to revise growth forecasts downward and warn that inflation could peak at 4.2% in Q2 2026 — with the central bank signalling readiness to hike the OCR should medium-term inflation expectations become unanchored.
- In Q1, Wellington's CBD office market saw a decline in Prime net effective rents due to increased incentives, while the Secondary CBD office submarket experienced a drop in face rents. In contrast, rental growth was stable in both the industrial and retail markets.
- The Wellington CBD office vacancy rate decreased to 17.7% in H2 2025, mainly due to a decline in vacant stock in the Secondary CBD office submarket. Also, industrial vacancy rates in the region rose to 4.1% in December 2025, a 20,000 sqm increase from the previous year, driven by a surge in vacancy in Prime (Grade A) and Grade B assets.
- The retail market saw a decline in vacant space last year due to a decrease in vacancy in Secondary retail locations. Following a period of trading obstacles that Courtenay faced, vacant retail stock in this precinct decreased in 2025 due to large take-ups of previously vacant locations.

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



Market indicators

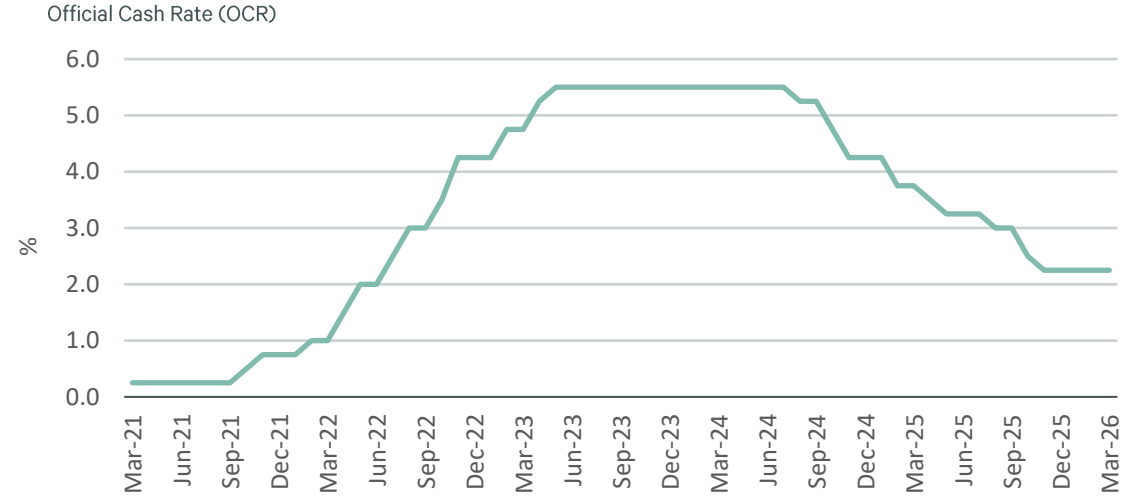
Market Sector	Stock (sqm)	Vacancy (%)	Gross Face Rent (\$/sqm/yr)	Incentives (%)	Yield Range (%)
Prime CBD Office	509,854	8.9	583 – 1,091	9 – 16	6.00 – 8.25
Secondary CBD Office	898,181	22.8	220 – 730	12 – 14	7.70 - 11.45
Prime Industrial	507,198	3.7	194 – 272	1 – 2	6.00 - 7.00
Secondary Industrial	1,716,579	4.8	126 – 191	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

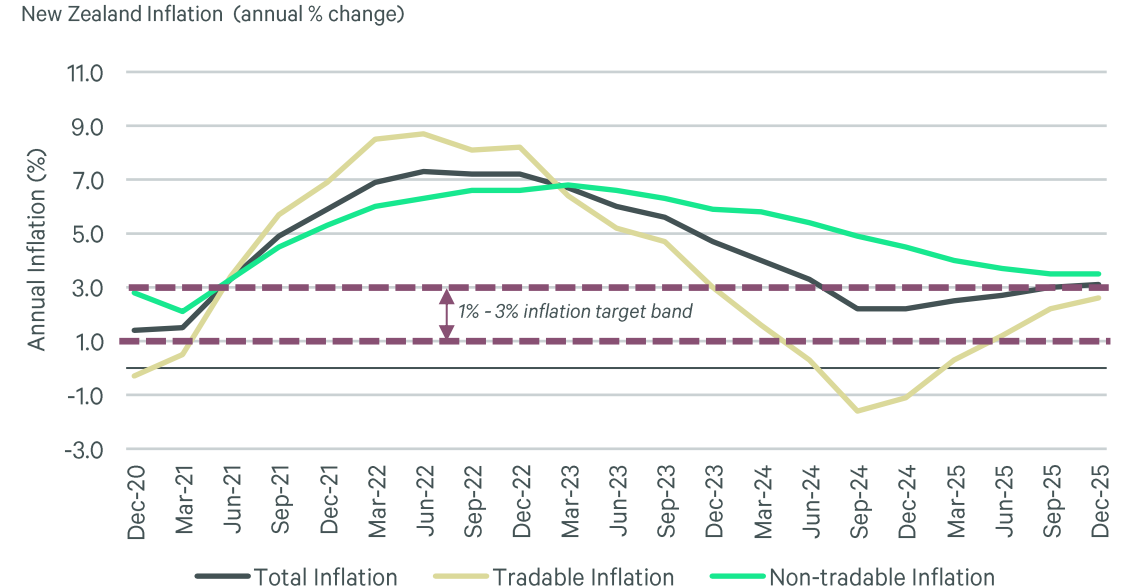
The New Zealand economy was showing signs of improvement during the first two months of this year. In its February Monetary Policy Statement, the RBNZ even told the market that it expected GDP growth to maintain an upward trend during 2026, with annual inflation hovering just above the inflation target midpoint (2.0%) by the end of this year. However, these predictions changed drastically in late February when the US and Israel conducted military actions against key strategic sites in Iran, prompting a regional conflict with significant wider economic and financial implications, even for New Zealand. The immediate shock for New Zealand (and the whole world) was the steep increase in oil prices and refined petroleum products, with prices reaching their highest level since early 2022.

The RBNZ has made clear that the escalating Middle East conflict is set to drive consumer prices higher in New Zealand in the months ahead, potentially peaking at 4.2% during Q2 2026. In terms of economic growth, the RBNZ signalled that it had revised its growth expectations downward relative to its February forecasts. Businesses are contending with higher input costs that are eroding profitability, while households face declining real purchasing power. New Zealand's trade exposure to the Middle East leaves certain sectors vulnerable if alternative markets cannot be secured. Furthermore, since many of New Zealand's largest trading partners depend heavily on imported oil, the conflict is expected to soften their economies and, by extension, reduce their appetite for New Zealand goods and services.

Heightened uncertainty is an additional headwind, likely causing firms and consumers to hold back on spending and investment. The present situation finds New Zealand's economy still recovering, operating with spare capacity, and with consumers and businesses carrying more financial strain. These conditions may act as a natural brake on how far and how fast the current cost pressures filter through into sustained inflation. However, the RBNZ has announced that it is willing to hike the OCR in case medium and long-term inflation expectations become unanchored (outside 2.0%) or second-round inflationary effects become significant.



Source: Reserve Bank of New Zealand



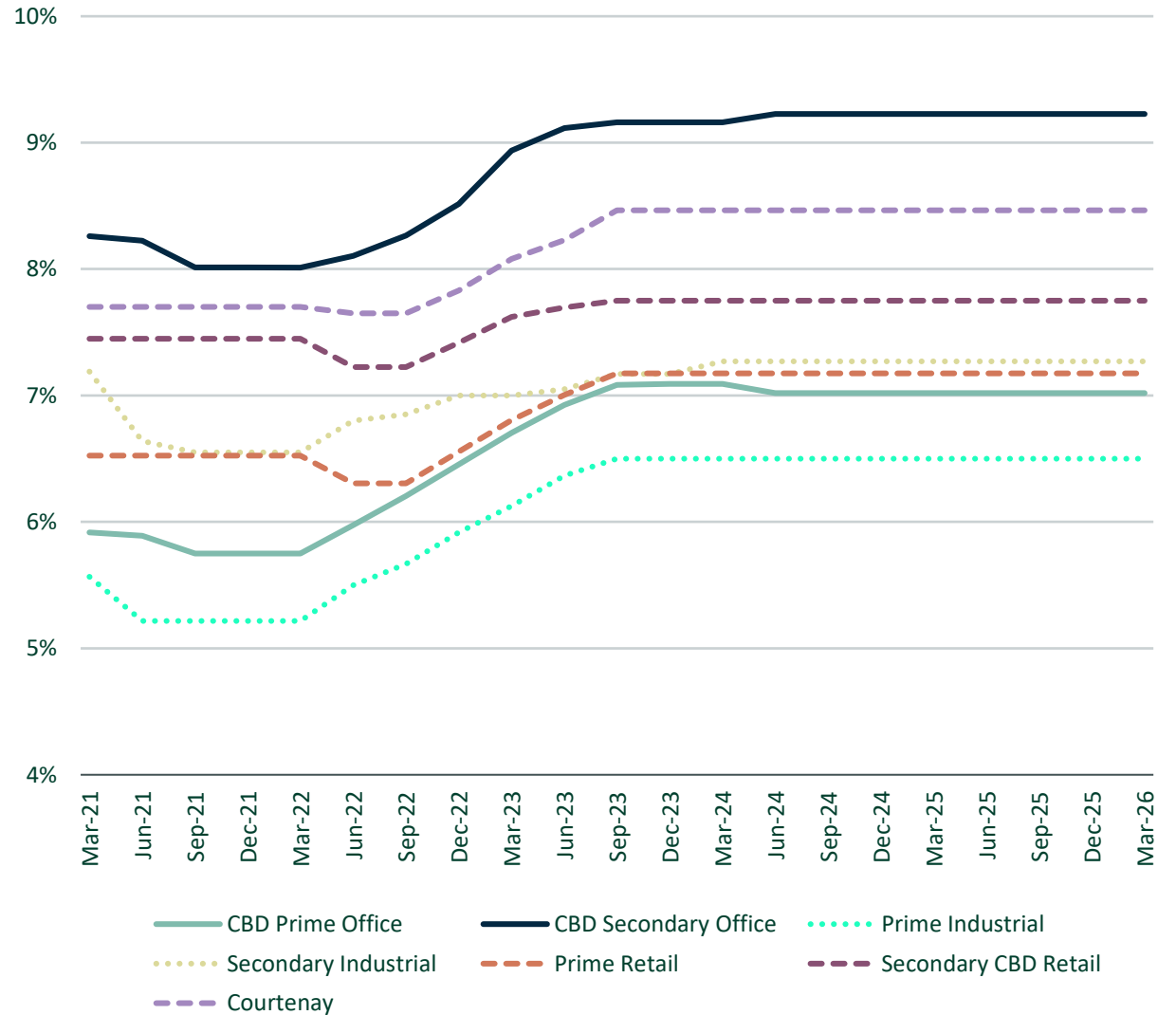
Source: Statistics New Zealand

Investment market

Debt costs in the first months of this year were lower than they were a year and a half ago. However, interest rates rose in New Zealand due to the Middle East conflict and high oil prices, sparking concern about higher inflation. By the end of Q1 2026, medium and long-term wholesale interest rates were considerably higher than at the beginning of the year. This could stifle investment in the first half of this year, but things could turn around depending on how this conflict plays out in the short term. Markets now expect the RBNZ to bring forward the hiking of the OCR, as early as Q3.

Wellington experienced muted activity in Q1 2026, with only a limited number of transactions providing clarity on current prices. According to CBRE's evaluation, market yields remained stable during Q1 across all sectors in Wellington.

Wellington Indicative Yields by Sector



CBD Office Vacancy

In contrast to the trend of previous periods, vacancy in the Wellington CBD office market decreased during H2 2025, moving to 17.7% from 18.0%. This was mainly driven by a decline 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. Prime (Premium and Grade A) office vacancy went up to 8.9% from 7.5%, while Secondary (Grade B to D) vacancy decreased to 22.8% from 24.0%.

The decrease in Secondary CBD office vacancy during H2 was due to various reasons: companies relocating to larger premises within the Secondary submarket, firms expanding their office footprint in buildings in the highest and lowest spectrum of the Secondary submarket, tenants moving from the suburbs into Secondary office buildings in the CBD, and double counting of the office space occupied by some tenants. CBRE’s definition of vacancy encompasses space that is both physically vacant and available for lease. Double counting occurs when a tenant leases a new office but continues to occupy the old office due to renovations or timing. Therefore, the new space is vacant but not available for lease, whilst the old space becomes available for lease but remains physically occupied. Some of the major moves in during H2 2025 involved Duncan Cotterill Lawyers leasing 1,100 sqm (level 7) at 50-64 Customhouse Quay. Meanwhile, they have been occupying level 5 (1,100 sqm) in that same building until the fit-out works are completed on level 7. Also, the Financial Markets Authority leased circa 1,400 sqm at 215-219 Lambton Quay (Grade A), while vacating around 1,100 sqm at 1 Grey Street (Grade B asset). Meanwhile, flex space operator IWG vacated 916 sqm at 171 Featherston Street (Grade A) to move to 1,160 sqm at 86 Customhouse Quay (Grade B).

Total office stock in Wellington's CBD increased to 1,408,035 sqm in H2 2025, up 5,925 sqm from H2 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 during H1 2025 after undergoing strengthening works, and conversion of 690 sqm of retail space to office space at 100 Taranaki Street. Also, during H2 of last year, PSA House (11 Aurora Street) added 3,109 sqm of refurbished office space.

CBD Office Vacancy Change by Grade

		PREMIUM	GRADE A	GRADE B	GRADE C	GRADE D	TOTAL
Vacancy –	%	7.8%	9.1%	21.1%	21.7%	28.6%	17.7%
December 2025	sqm	7,463	37,668	90,978	63,298	50,085	249,492
Vacancy –	%	6.2%	7.8%	22.1%	22.5%	31.2%	18.0%
June 2025	sqm	5,914	32,121	95,349	64,812	54,728	252,924

Wellington CBD Office Vacancy

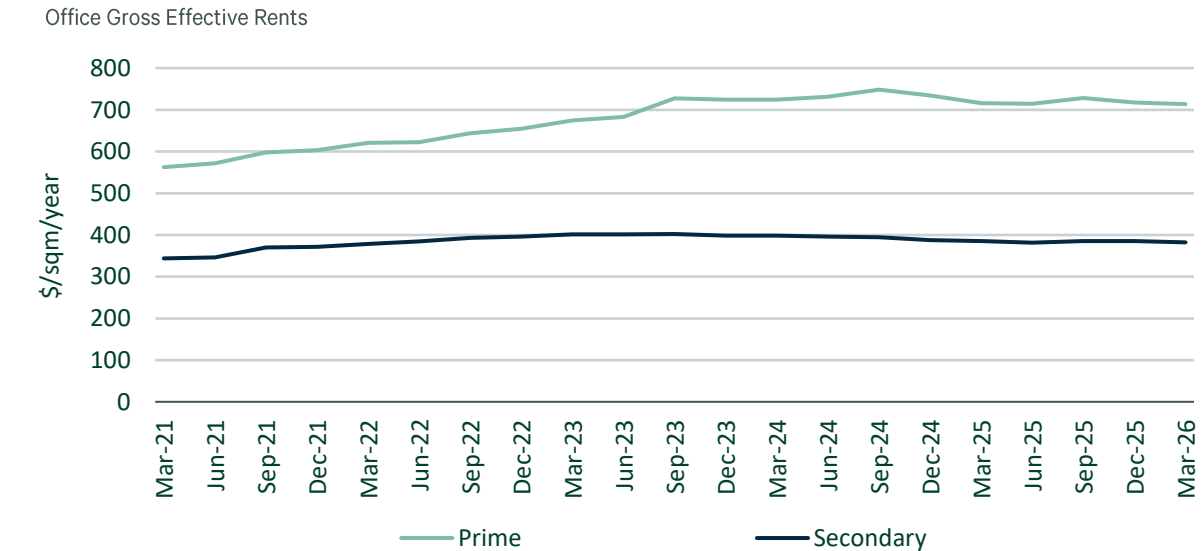
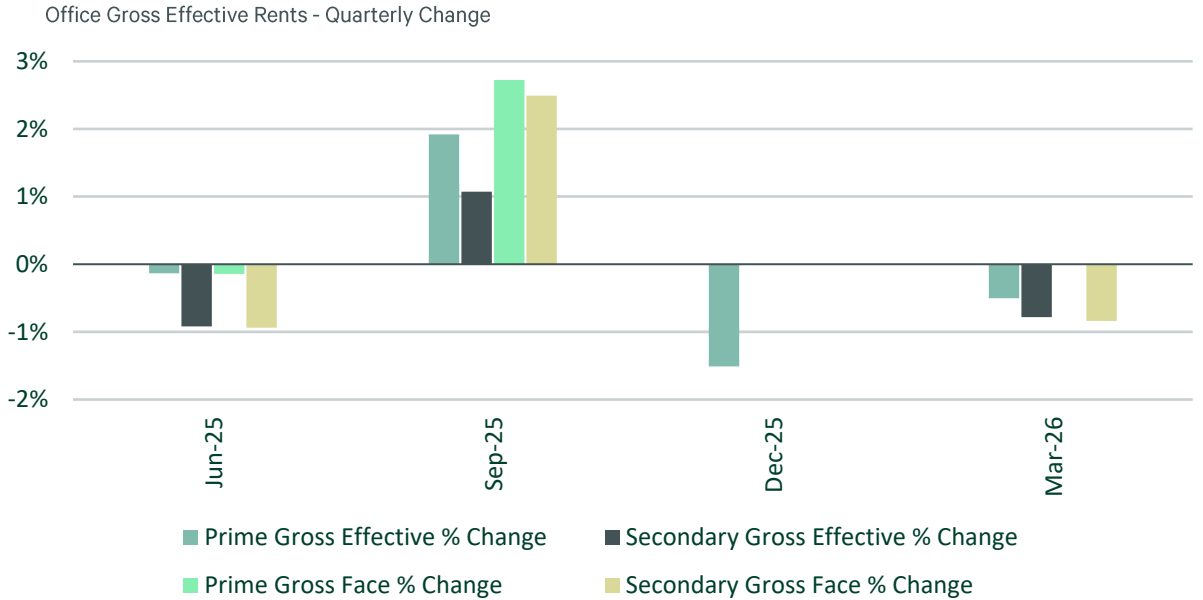


CBD Office Rents

In Q1 2026, the Wellington CBD office market was still affected by soft occupier demand and backfill vacancy originating from the consolidation and downsizing efforts of several Crown entities. Facing this ongoing trend, landlords of Prime office buildings remained flexible, increasing incentives to attract and retain tenants.

Only Grade A buildings were exposed to higher incentives. While face rents remained stable in Q1, gross effective rents in Prime (Premium and Grade A) buildings declined by 0.5% compared to the last quarter of last year. Whilst incentives did not change in Secondary buildings, given the increase in incentives in previous periods, face rents decreased during Q1. Although driven by rental adjustments in only certain buildings, this caused Secondary gross effective rents to decline by 0.8% in this period.

Based on CBRE's assessment, during Q1 2026, Premium indicative market incentives remained unchanged at 11.6% of face rents, whilst Grade A indicative market incentives increased to 15.7% from 14.8% of face rents compared to Q4 of last year.



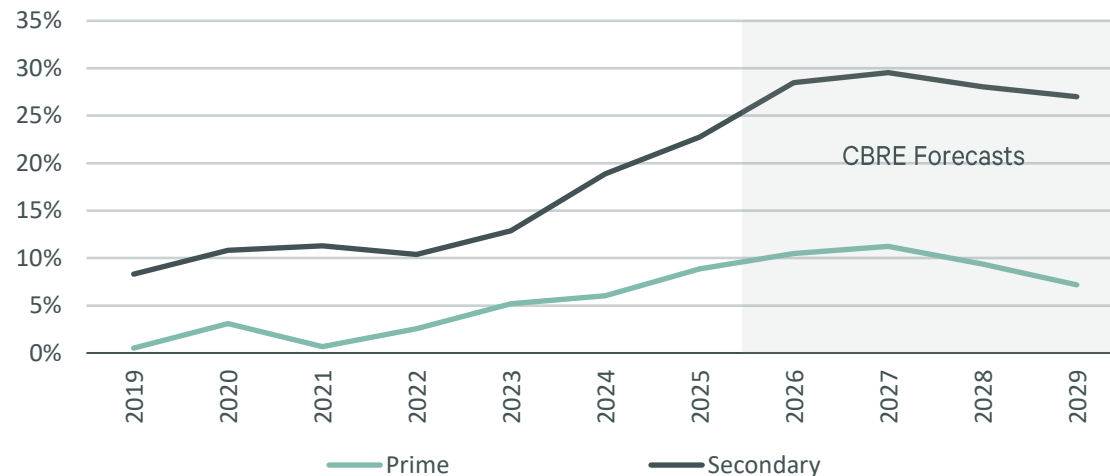
CBD Office Market Outlook

Following three consecutive periods with negative net absorption, Wellington’s CBD experienced a positive net absorption of 6,540 sqm during H2 2025. The Prime submarket (Premium and Grade A) experienced a negative absorption of -7,096 sqm, while absorption in the Secondary submarket was in positive territory during this period (close to 13,700 sqm) after six consecutive periods in the negative. Net absorption will remain in positive territory during 2026-2029, expanding more in the last two years of the forecast period.

This year, CBD office stock will increase by circa 73,000 sqm due to a new Prime building and six refurbished buildings, comprising a mix of Prime and Secondary stock. Notably, 2026 will be the year with the highest number of new and refurbished office space during our forecast period. The building 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. This will be offset by the removal of 195 Lambton Quay, a Premium Grade building which will be taken out of the market this year due to refurbishment and strengthening works. 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 recent years, we expect that conversion activity will help reduce the vacancy overhang in the next few years.

Vacant space is expected to increase during 2026-2027 as supply will exceed demand. The combination of the demand and supply cycles suggests vacancy peaking in 2027 (22.5%) and gradually decreasing during 2028-2029.

CBD Office Actual and Forecast Vacancy



CBD Office Actual and Forecast Annual Gross Effective Rental Change

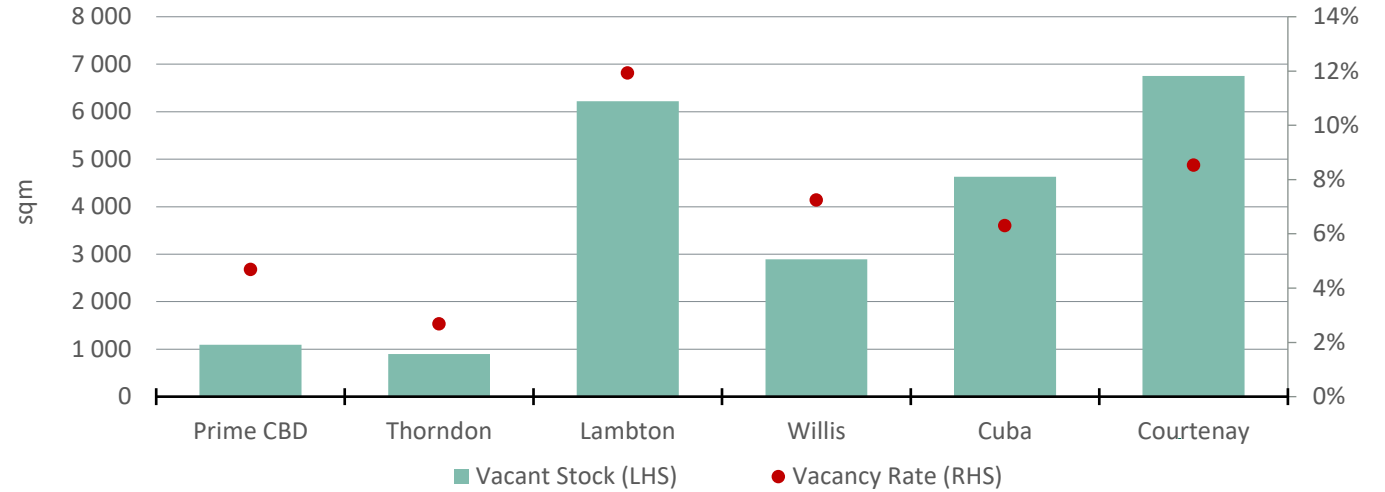


Retail Vacancy

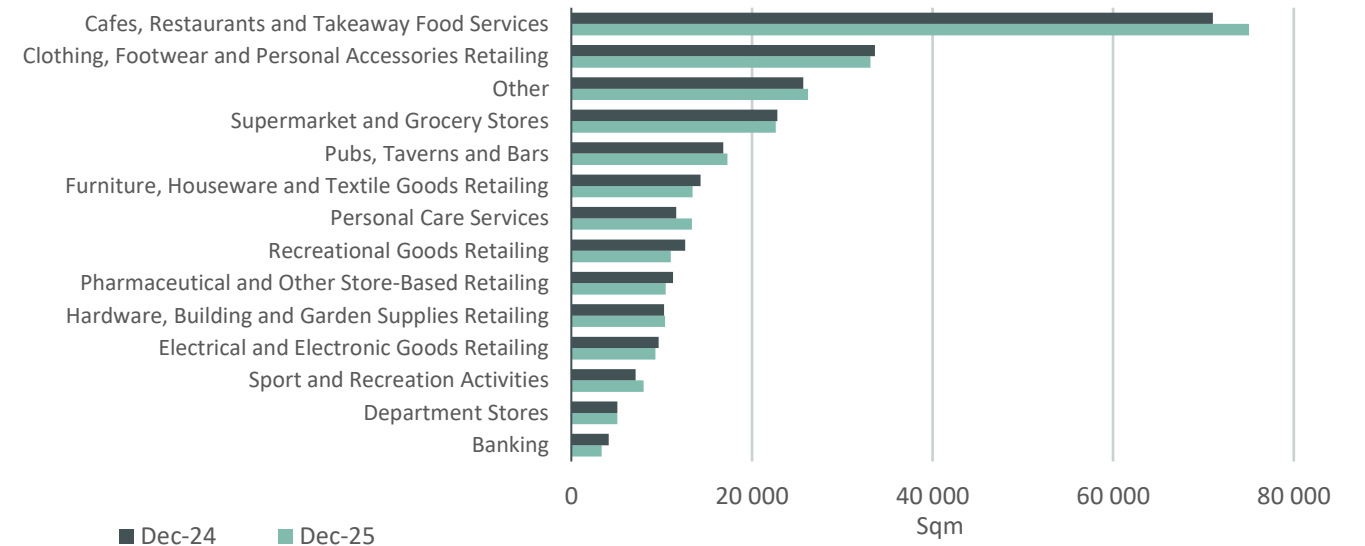
The overall vacancy rate in the Wellington CBD retail market decreased in December 2025 compared to December 2024, declining to 7.5% from 9.0%. This represents a decline of circa 4,500 sqm of vacant retail space, mostly due to a decrease in vacant stock in Courtenay, Lambton Quay, Willis Street and Cuba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



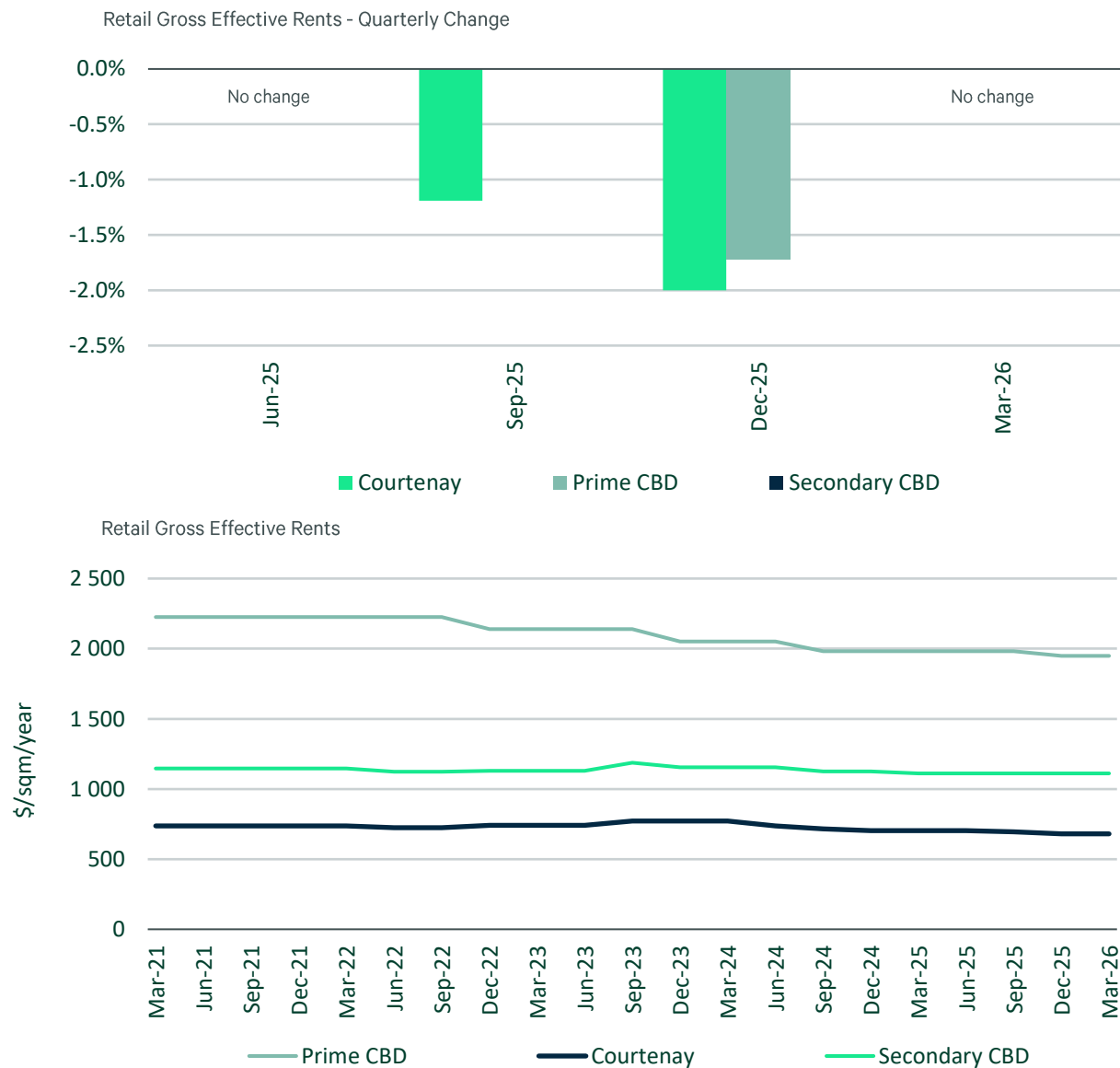
Wellington Retail Occupancy by Industry



Retail Rents

During Q1 2026, demand for Prime CBD locations remained stable, even as some locations in the northern end of Lambton Quay were absorbed. Prime gross face rents remained unchanged during this period, following a decline registered in the previous period. Demand for Secondary CBD locations also remained stable during Q1, with leasing activity being largely confined to smaller tenants. Within this submarket, Cuba Street continued to be the most sought-after Secondary location in Wellington. Rents in the Secondary CBD submarket also held steady in Q1. In Courtenay, gross face rents remained stable during Q1, following two periods with declining rents due to poor trading conditions.

Based on CBRE's assessment, incentive levels held steady throughout Q1, staying at 11.1% of face rents across Prime and Secondary CBD retail locations, and 12.5% at Courtenay sites.



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.

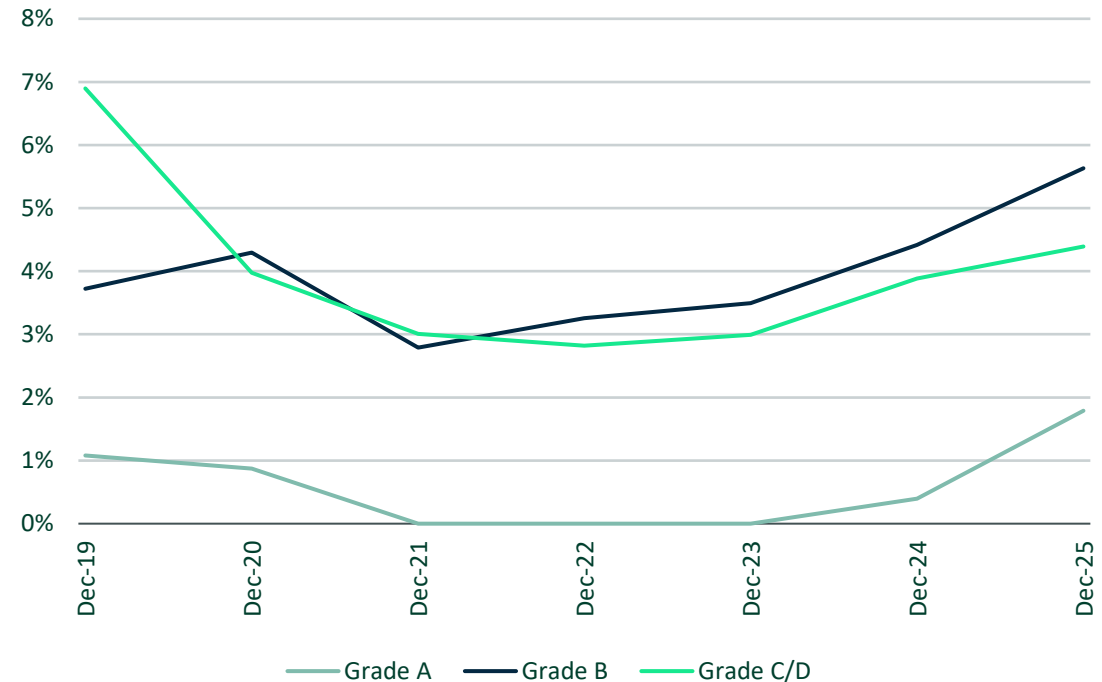
Regarding new industrial stock, circa 17,500 sqm entered the market in 2025. In addition to Bidfood’s new building in Grenada North, other assets that contributed to enlarging Wellington’s industrial stock during 2025 include five new buildings in the Hutt Valley: a new factory at 8 Thomas Neal Crescent 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

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

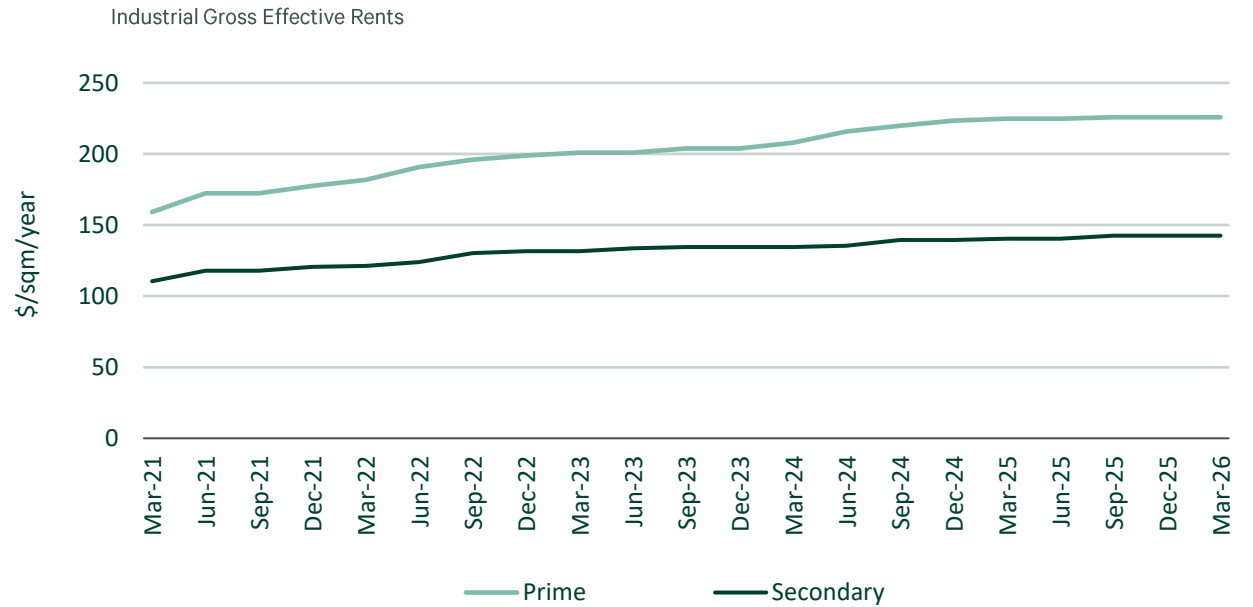
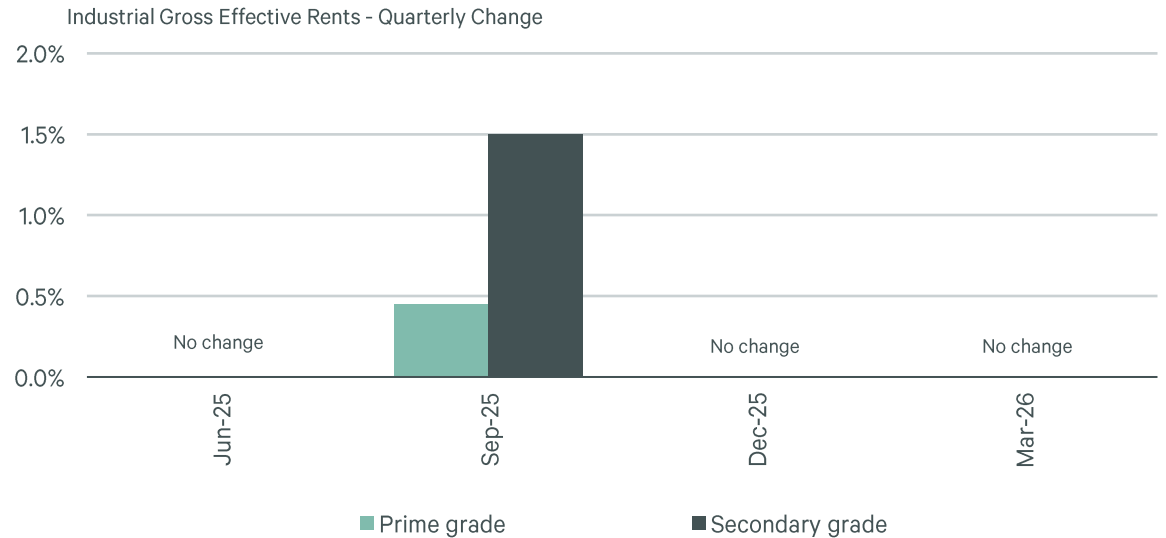
Wellington Industrial Vacancy



Industrial Rents

During Q1 2026, leasing activity in Wellington's industrial rental market was limited, reflecting a cautious occupier sentiment and subdued demand across the broader market. Gross effective rents remained unchanged over the period, continuing the trend established in the previous quarter, which also recorded no rental growth.

Based on CBRE's assessment, indicative market incentives remained unchanged in Q1 2026. Prime incentives are currently 1.9% of face rents, while Secondary incentives are 4.2%.

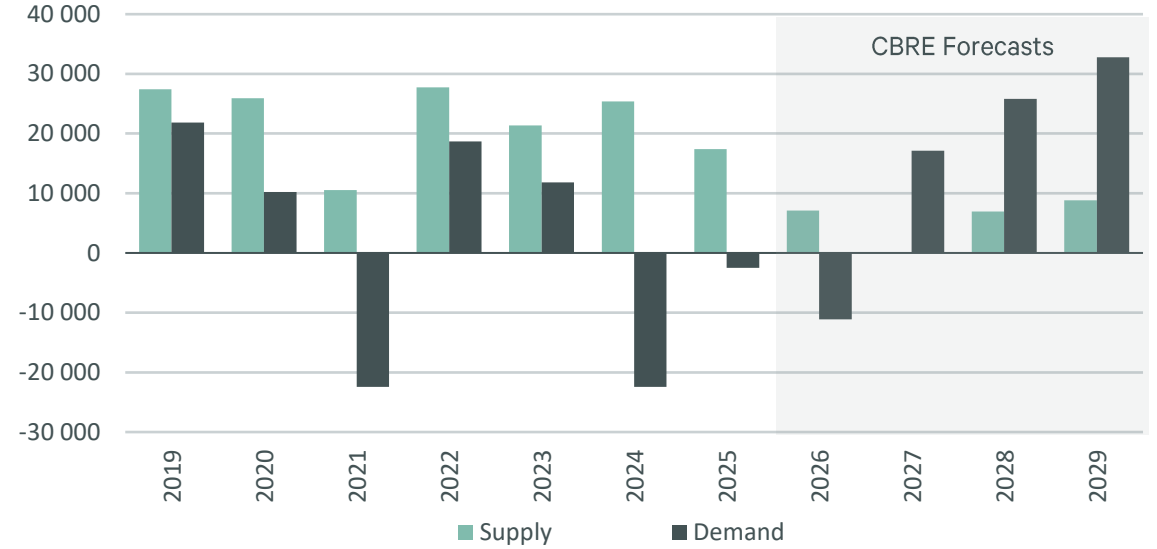


Industrial Market Outlook

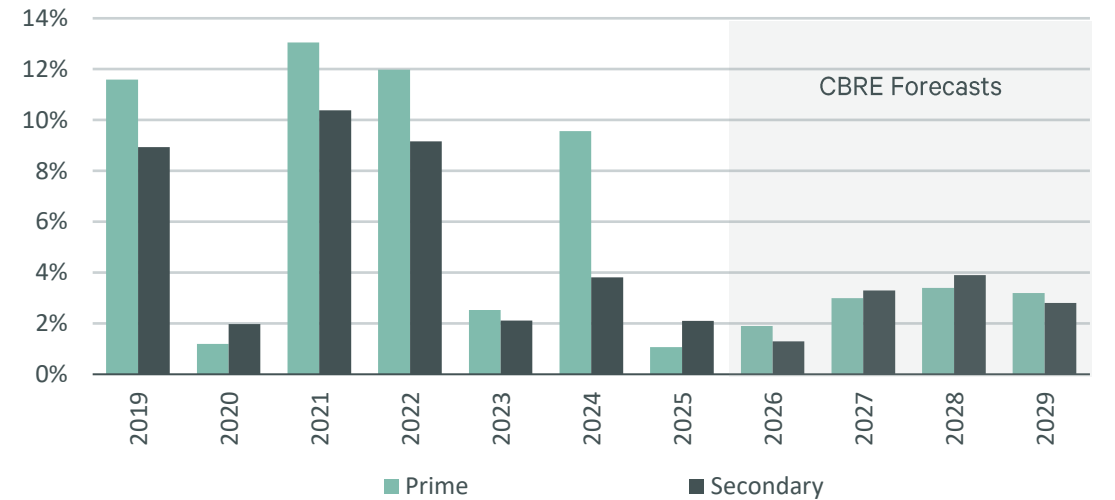
The development pipeline dropped from over 25,000 sqm annually during 2019-2024 to circa 17,500 sqm in 2025. The active development pipeline in 2026 and beyond consists of only a few projects, and new supply will be low and sporadic in the next few years. Crown Worldwide’s new storage facility is the largest confirmed/under construction building in the pipeline. This circa 6,200 sqm facility will be completed in the second half of 2026.

In relation to demand in the Wellington industrial market, we have again revised downward the underlying demand for 2026 due to the slower economic recovery nationwide and notably weak conditions in Wellington. Accordingly, we have also downgraded our short-term rental forecasts. 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. 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.

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