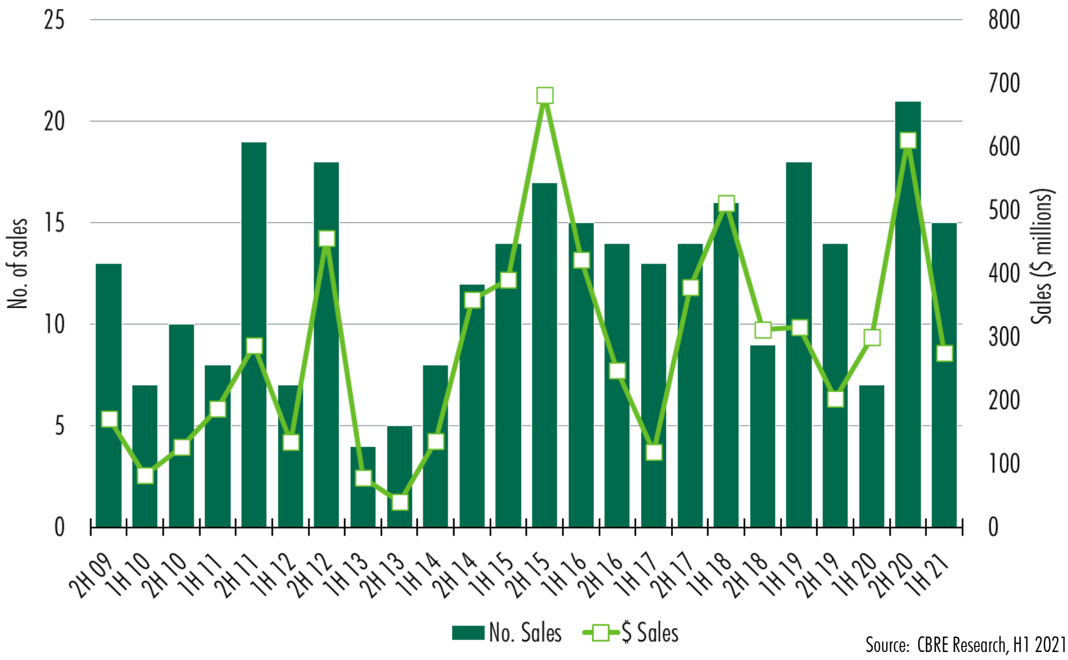
Wellington Investment

Institutional Buyers of Office Assets Underpin H1 2021 Transaction Volumes

Chart 1: Six Monthly Total Investment Sales Value ($5 Million+)



Source: CBRE Research, H1 2021

- Transaction volumes for H1 2021 totalled $275 million, on par with long term averages.
- Similarly to the second half of last year, office sales have again dominated the investment market.
- At 14% of total transaction volume, industrial sales activity was above its long term average.
- The sale of Bowen House for $92 million was the largest in H1.
- Institutional purchasers have been keeping active in the market, driven by Precinct and Investore.

Transaction volumes totalled $275 million in the first half of 2021, as a result of 15 properties changing ownership. Sales volumes were close to the long term average, although they were below the record achieved in the second half of last year which was boosted by the $228 million sale of 20 Customhouse Quay.

The office sector remained active this year. It accounted for 64% of Wellington's transaction volumes, led by Precinct Property's two purchases totalling $141 million. Retail and industrial sales contributed 16% and 14% respectively to total transaction volumes.

Private investors were the most prominent vendor group in H1, at 86% of market volume, followed by syndicates at 14%. Institutions dominated on the purchasing side, at 65% of the market, followed by privates at 28%. Syndications comprised 5% of buyers.

Office was the dominant property type transacting in the first half of 2021 in Wellington. Six office buildings were sold with the largest, Bowen House, at 1 Bowen Street, sold by a German investor to Precinct Property in a deal brokered by CBRE with $92 million. The second largest sale was Freyberg Building at 20 Aitken Street. It sold for $49 million by a local private investor also to Precinct Property brokered by CBRE.

Four industrial buildings sold for a total of $39 million. The largest sale was 11 Gough Street sold by a local private investor to PMG Funds for $13 million.

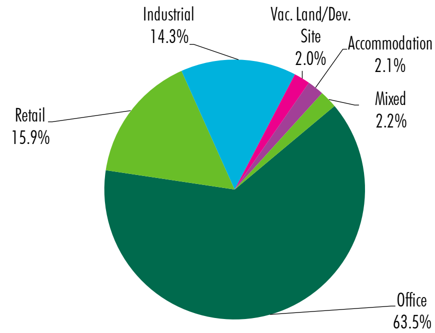
Two Large Format Retail properties transacted for a total of $44 million, the largest being 45 Jackson Street - Countdown Petone from Maat Group to Investore Property for $37 million. The other sale was 46 Bay Road, Kilbirnie, sold to a New Zealand private investor for $6.5 million.

As in the second half of last year, listed Property Vehicles were the largest purchaser group in H1 2021. This is in contrast to the last few years during which their market share was lower as a result of being outbid by other investors, mainly privates, wholesale funds and syndicators. LPV activity in 2021 was driven by Precinct and Investore.

While the market for land was active, sales tended to be below our $5 million minimum threshold, including around 10 sales in Upper Hutt industrial parks. The only development site sale over $5 million in H1 is in Karori for a townhouse development.

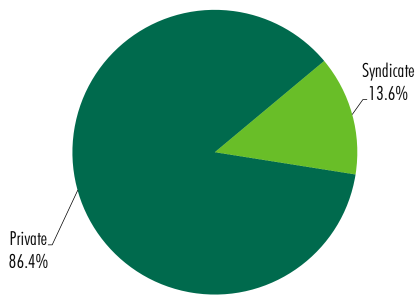
There were nine transactions in the $5-$10 million price range (3 office, 2 industrial, 1 retail, 1 accommodation, 1 mixed and 1 development site), three transactions in the $10-$20 million range (2 industrial and 1 office), two transactions in $20-$50 million range (1 for each office and retail) and one office transaction above $50 million.

Chart 2: Sales By Property Sector



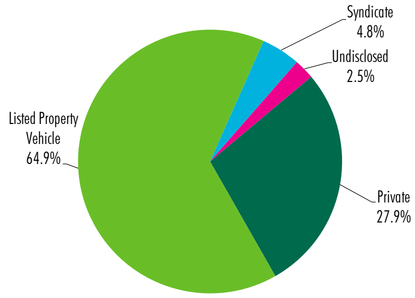
Source: CBRE Research, H1 2021

Chart 3: Vendor Ownership Type



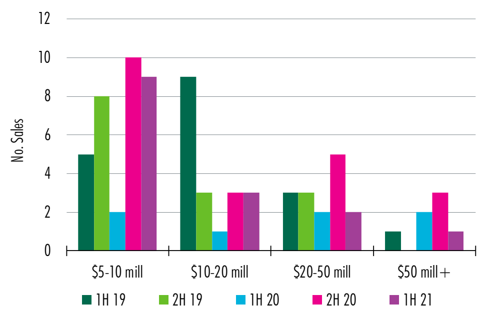
Source: CBRE Research, H1 2021

Chart 4: Purchaser Ownership Type



Source: CBRE Research, H1 2021

Chart 5: Sales By Price Stratum



Source: CBRE Research, H1 2021

NEW ZEALAND RESEARCH

Zoltan Moricz
Executive Director
Level 14
ANZ Centre
23-29 Albert Street
Auckland
t: 64 9 355 3333
e: zoltan.moricz@cbre.co.nz

Moshe Szweizer
Senior Research Analyst
Level 14
ANZ Centre
23-29 Albert Street
Auckland
t: 64 9 355 3333
e: moshe.szweizer@cbre.co.nz

Shang (Roger) Du
Research Analyst
Level 12
Harbour Tower
2 Hunter Street
Wellington
t: 64 4 474 9822
e: roger.du@cbre.com

Matthew St Amand
Managing Director
Level 12
Harbour Tower
2 Hunter Street
Wellington
t: 64 4 474 9816
e: matthew.stamand@cbre.co.nz