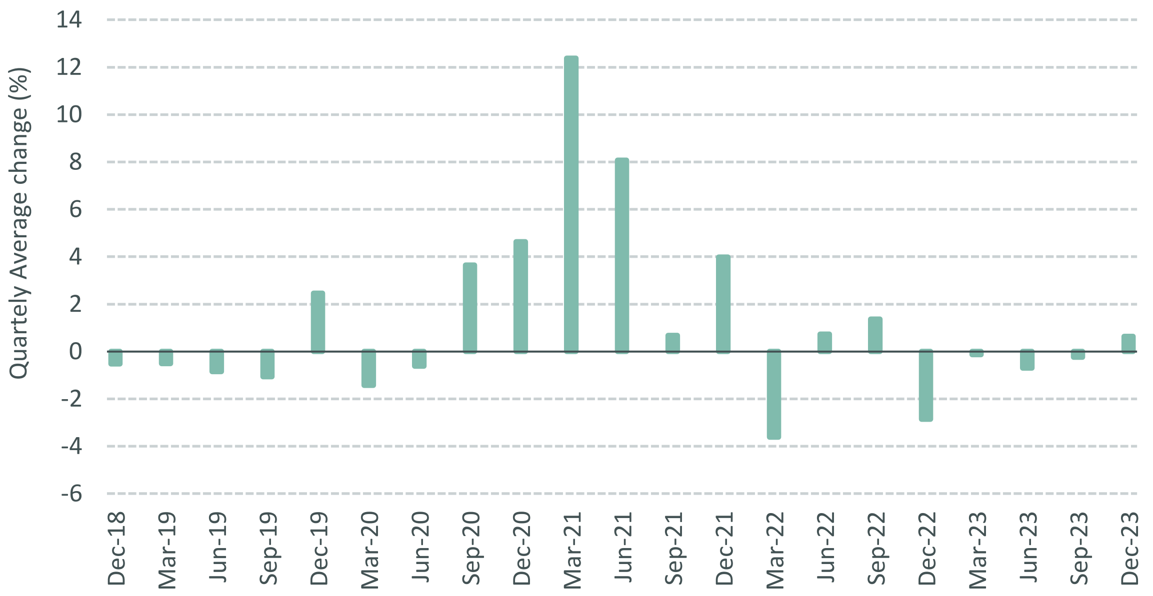
Christchurch Property Market Overview

KEY MARKET CHANGES

- Christchurch continues to stand out as a healthy property market. One clear signal of this is the drop in vacancy across all tracked markets during H2 2023 (CBD office, suburban office and industrial) due to positive occupier demand and net absorption.
- Industrial vacancy continues to be extremely low, sitting at 0.6%, down from 0.8% in H1. This market is benefiting from good rental growth, especially in the Prime submarket. Also, a healthy level of new supply could uplift industrial rents even more in the short term.
- In terms of new stock during H2 2023, the CBD office market witnessed the introduction of one new office building (700 sqm) on High Street, whilst the suburban office market saw the return of a refurbished Grade C building (863 sqm) in Riccarton. Also, the industrial market registered circa 32,300 sqm of new stock, scattered in four suburbs, with Hornby the main beneficiary.
- The current yield cycle is reaching its peak. Based on CBRE's assessment, the upward pressure on yields experienced in previous periods started to fade away in Q4 2023.
- Despite the lagged effects of quantitative tightening on disposable income, retail spending in Christchurch continues to be robust, fuelled in part by a continuous healthy stream of overseas tourists.

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



Market indicators

Market Sector	Stock (sqm)	Vacancy (%)	Net Face Rent ($/sqm/yr)	Incentives (%)	Yield Range (%)
Prime CBD	221,078	3.1	330 – 450	4 – 8	5.95 – 7.15
Secondary CBD	70,408	3.2	300 – 400	8 – 10	6.75 - 7.60
Prime Suburban	67,547	5.3	250 – 325	5 – 11	7.30 - 8.90
Secondary Suburban	335,984	6.2	165 – 300	8 – 14	9.80 - 10.30
Prime Industrial	1,595,315	0.1	111 – 134	1 – 2	5.50 - 7.00
Secondary Industrial	2,930,878	0.9	72 – 134	1 – 2	6.05 - 9.10
Fringe & Strip Retail	-	-	220 – 700	4– 8	5.53 – 7.65

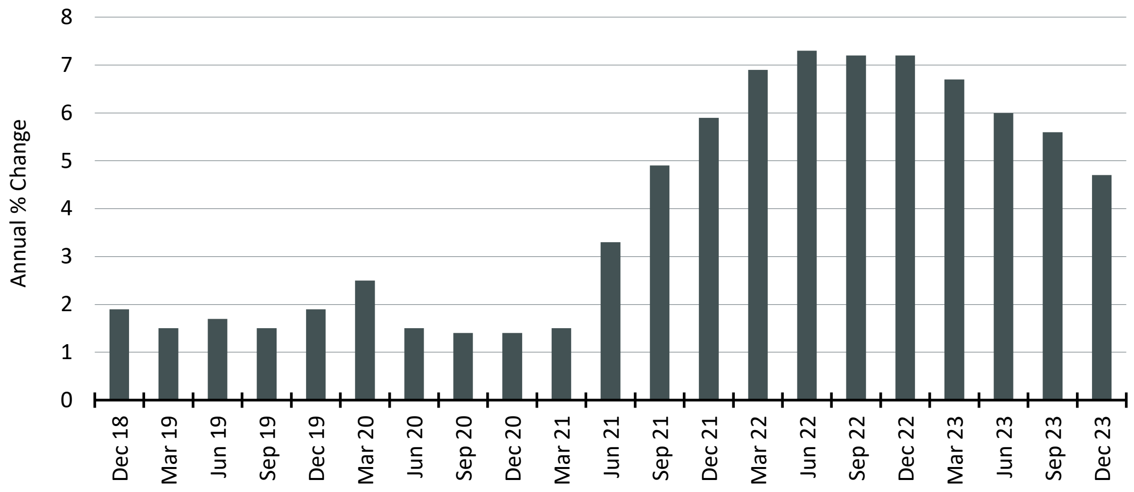
Economy

New Zealand's economy has been cooling off in the last year. According to the latest published data, between Q4 2022 and Q3 2023 only one quarter registered a positive quarterly GDP growth, exposing a clear economic downturn. Economic growth during Q1 was revised down from zero to negative, which means that the country went into a recession between the end of 2022 and the beginning of last year. Also, GDP decreased by 0.3% in Q3 2023, much lower than what the Reserve Bank of New Zealand predicted. Weaker consumption and investment figures have translated into lower levels of aggregate demand. Both the market and the RBNZ predict that GDP growth will remain subdued until late 2024.

Despite headline inflation slowing down, annual non-tradable inflation in Q4 was higher than what the RBNZ forecasted in its Monetary Policy Statement (5.9% vs 5.7%). Domestically generated non-tradeable inflation is an important measure because this is the inflation component that the RBNZ can directly influence through monetary policy. Both the market and the RBNZ are still expecting that CPI will be back within the 3% target ceiling by H2 2024.

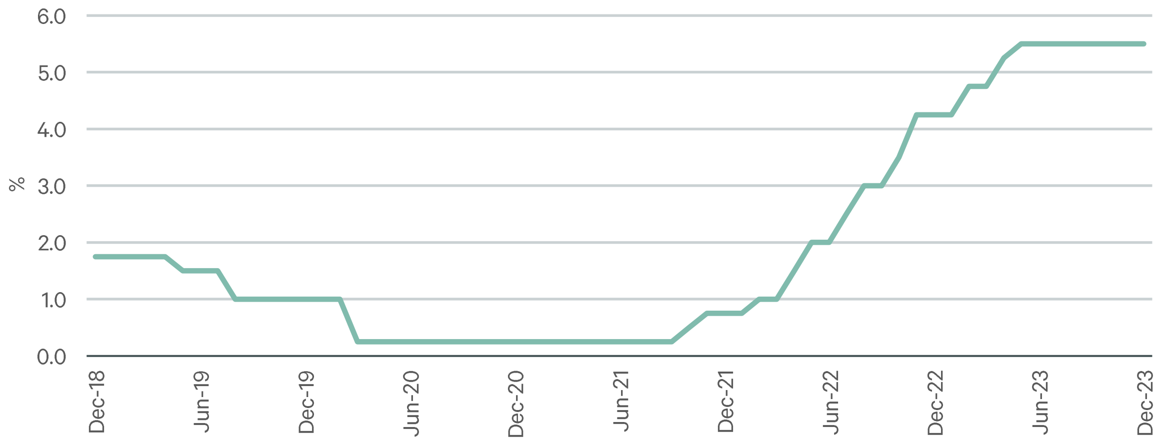
The RBNZ's Monetary Policy Committee has held the OCR at 5.50% in the last four meetings. The last increase was in May 2023, in which the OCR was hiked by 25 bps. However, back in November the market was exposed to a hawkish rhetoric from the RBNZ regarding potential OCR hikes, adding more uncertainty to an already hazy investment market. This occurred during a period in which the overall market had started to see beyond the peak of the current interest rate cycle. Moreover, the Q4 unemployment rate figure released at the beginning of February was stronger than what both the RBNZ and the market were predicting (4.0% vs 4.2%). This prompted the market to consider the possibility of the RBNZ pulling once again the trigger of the quantitative tightening gun via a potential OCR hike in the next Monetary Policy Statement at the end of this month, throwing a bucket of cold water over market expectations of interest rate cuts occurring sooner rather than later.

Consumer Price Index



Source: : Statistics New Zealand

Official Cash Rate (OCR)



Source: Reserve Bank of New Zealand

Investment market

Our read of transaction market trends has not changed materially over the past quarter. CBRE's engagement in sale campaigns continues to indicate elongated due diligence periods, buyers heavily scrutinising assets, and adverse findings tending to lead to material adjustments to price offers, with uncertainty about whether sellers are willing to let assets go at final offer prices. This process reflects the opportunistic approach of many buyers, buyers' greater focus on asset-specific issues around capex compared to more normal market conditions, and the relative pressures faced by sellers to divest.

There was only a limited number of transactions in Q4 casting light on current prices and CBRE's quarterly yield assessments continue to primarily rely on our market interactions and available bidding statistics and aim to find the middle ground between the expectations of potential vendors and purchasers.

While the market remains illiquid, it is starting to witness a glimpse of the current yield cycle's peak. CBRE's assessment of Q4 yields showed a largely stable market, except for CBD office, which was exposed to some yield softening, although more restrained than in previous periods. CBD Prime office yields increased by 10 basis points during Q4, whilst CBD Secondary office yields only by 3 basis points.

From their peak in 2021 up to the last quarter of 2023, CBD office assets witnessed more yield softening than buildings in the suburban office and industrial markets. During this period, CBD office yields increased by 145 bps, whilst suburban office yields, characterised by high absolute yield levels, went up by 85 bps. Industrial yields softened by 99 bps.

Christchurch Indicative Yields by Sector

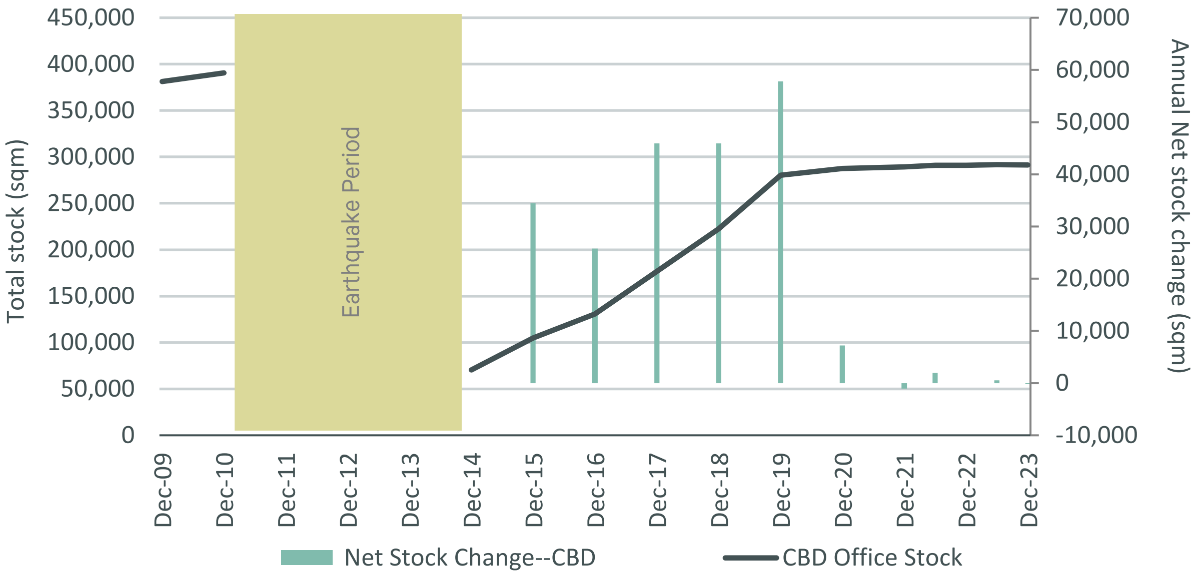
CBD Office Stock

The CBD office market is entering a new supply phase in 2024, following the post-earthquake rebuild supply wave that largely concluded in 2019. With Grade A vacancy rapidly falling in the past year to reach 3.1%, this will help quench the demand thirst of occupiers trying to find high-quality office space.

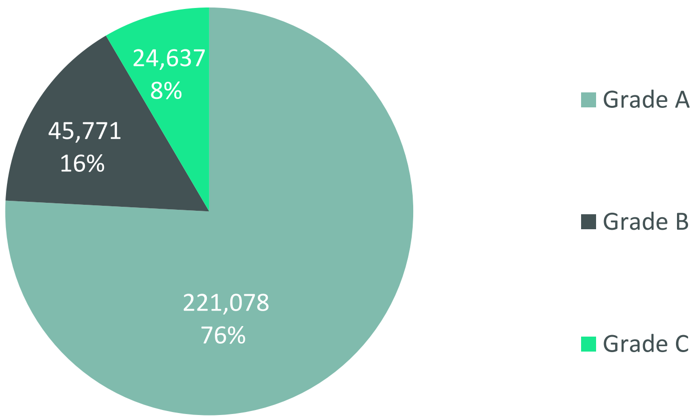
Around 33,450 sqm of new office stock is expected to hit the market this year. Of this, 11,945 sqm will be new build, whilst circa 21,500 sqm will be added to stock due to strengthened and refurbished buildings coming back to the market. Of these new developments, the largest ones are 224 Cashel Street (14,000 sqm) and 116 Worcester Street (4,212 sqm).

The Christchurch CBD office stock is 291,486 sqm. At a net level, it decreased slightly during H2 2023 (by 178 sqm), due to the completion of Qb Studios's new building in 235 High Street (700 sqm) and the removal of two floors (878 sqm) of a Grade B building located in 144 Kilmore Street due to refurbishment works. By composition, 76% of the CBD office stock is Grade A, 16% Grade B, and the remaining 8% Grade C. This composition has remained unchanged throughout the last 12 months.

Christchurch CBD Office Net Supply Changes



Christchurch CBD Office Quality by Composition (H2 2023)



CBD Office Net Absorption

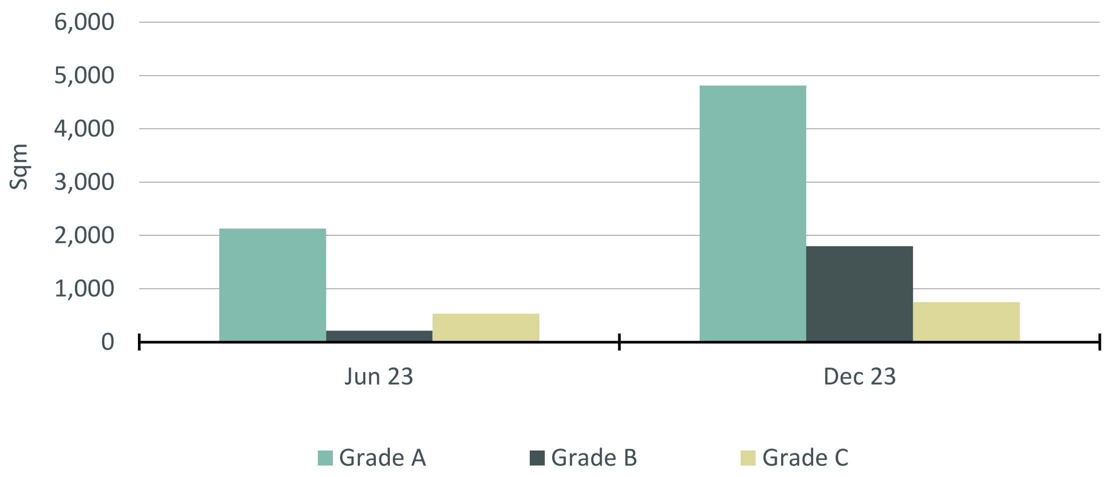
The industry that recorded the highest take up of space during H2 in the CBD office market was professional, scientific and technical services, with a total of 2,963 sqm, followed by administrative and support services (1,019 sqm), and public administration and safety (831 sqm). This reflects what has happened in the economic fabric of the city in recent years. Since 2018, professional, scientific and technical services has been the most important industry in Christchurch in terms of share of total GDP (12.0% in 2023). Also, between 2018 and 2023, the number of people working in this industry in the CBD grew by almost 40%.

Following the positive absorption levels experienced during H1 2023 (2,878 sqm), Christchurch's CBD office market registered even higher levels of net absorption during H2 (7,366 sqm), mainly due to the high net absorption witnessed by the Prime (Grade A) office submarket.

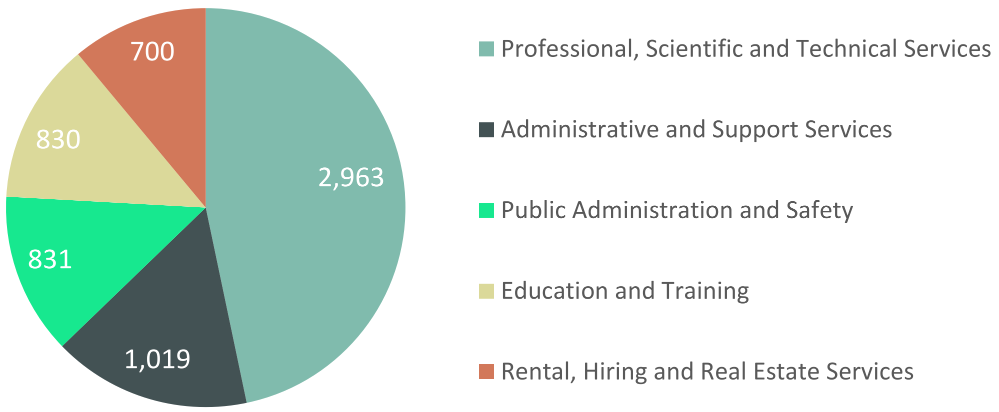
The strong positive net absorption was mainly due to a previously vacant Grade A office space (1,466 sqm of) being occupied in 272-278 Antigua Street. Net absorption in Grade B and Grade C CBD office buildings was also positive during H2 (1,800 sqm and 751 sqm, respectively).

In relation to new take up (gross absorption), the largest new occupancies were 901 sqm in 93 Manchester Street (Grade B building) by a wholesale trade company (moving to the ground floor) and by a professional services company (moving to Level 1), and 863 sqm in 47 Riccarton Road (a Grade C building) by several companies, including a rental and hiring company and a financial advice firm. Gross absorption reached 9,539 sqm in the second half of the year through 17 new occupancies.

Christchurch CBD Office Net Absorption by Grade



New Take Up by Industry in H2 2023 (sqm of top five)



CBD Office Vacancy

Christchurch CBD office market occupancy continues to improve. During H2 2023, the vacancy rate declined from 5.7% to 3.1%, a 7,544 sqm decrease in vacant space.

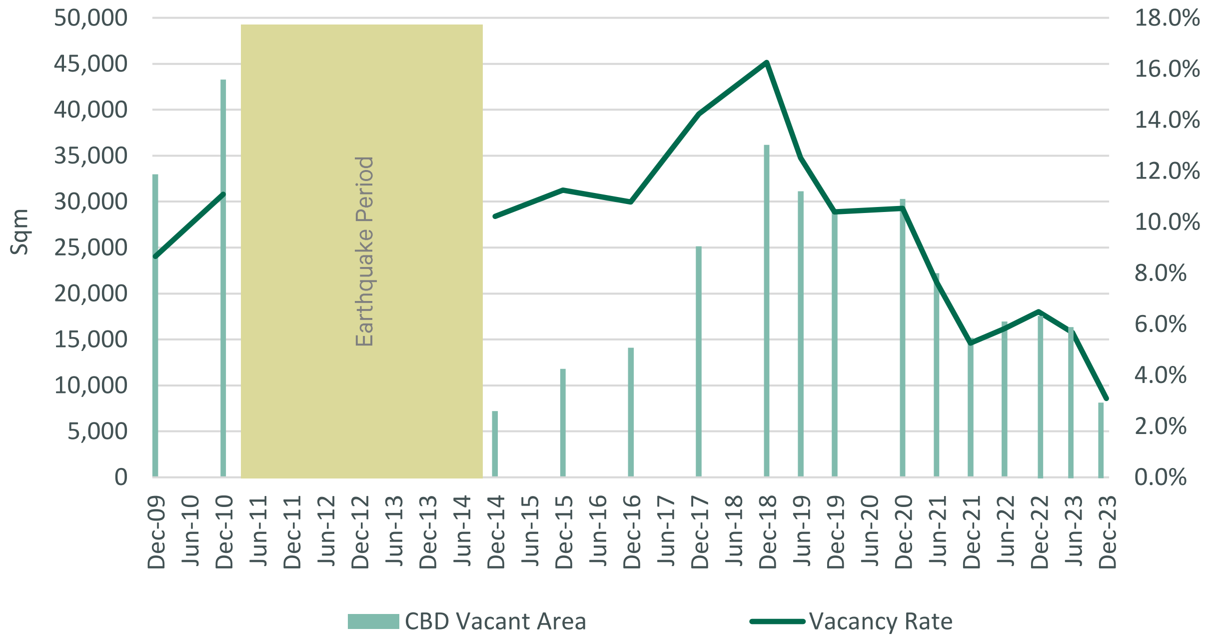
This decrease was mainly driven by a decline in the Prime vacancy rate, from 5.2% to 3.1% (a 4,815 sqm drop). This was due to two vacant large floor plates being occupied: a 1,466 sqm level in the Manawa building (272-278 Antigua Street) and a 1,378 sqm level in the Porsche building in 264 Antigua Street, occupied by the Christchurch Clinical Studies Trust, which expanded its footprint in this building. Other important movements that happened in the CBD office Prime submarket include Tonkin & Taylor occupying part of Level 2 (750 sqm) in the Awly building and BDO expanding its footprint by 390 sqm in that same location.

In addition, vacancy in Secondary office buildings in the CBD more than halved during H2, falling from 7.0% to 3.2%, greatly benefitting from a strong absorption in both Grade B and Grade C buildings.

CBD Office Vacancy by Grade

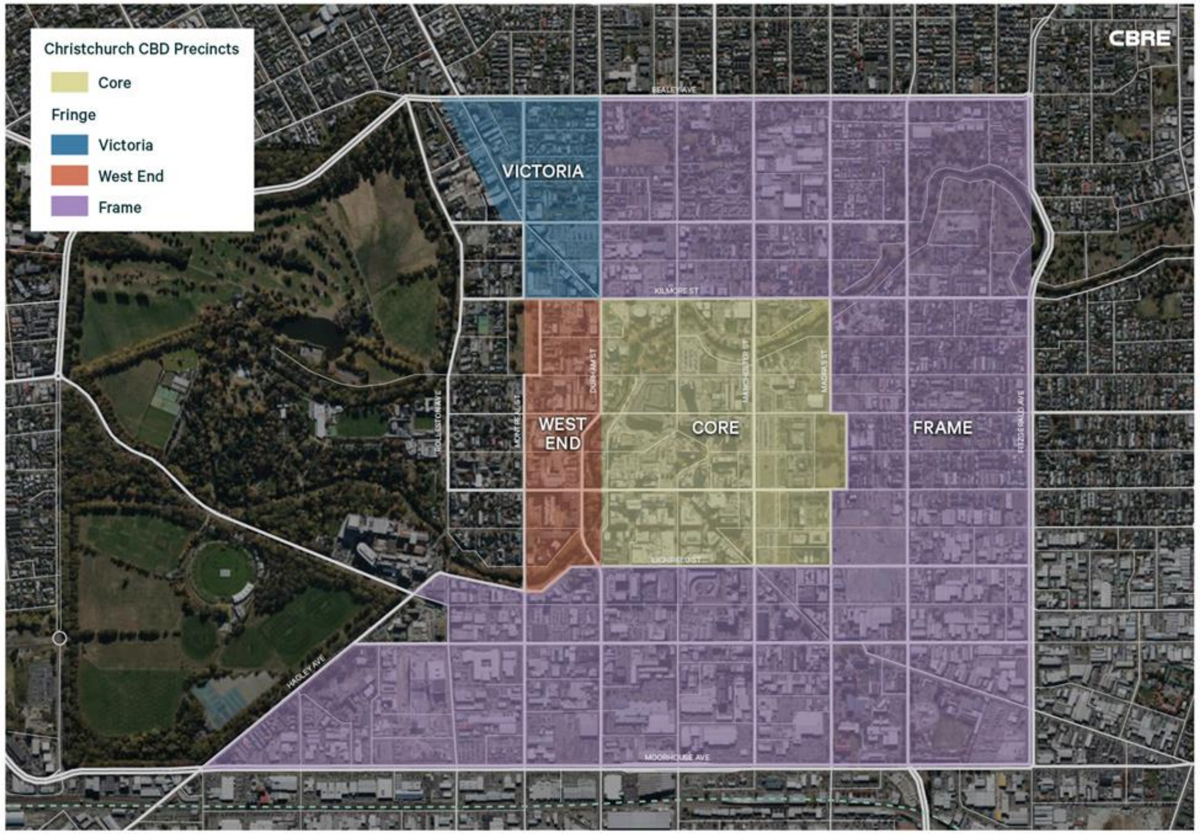
		Grade A	Grade B	Grade C	Total
Vacancy at June 2023	%	5.2%	5.7%	9.6%	5.7%
	sqm	11,558	2,605	2,365	16,528
Vacancy at December 2023	%	3.1%	1.4%	6.6%	3.1%
	sqm	6,743	627	1,615	8,984

CBD Office Vacancy



CBD Office Vacancy by Precinct

Office vacancy dropped across all CBD's precincts during H2 2023, which include Core (the area within Kilmore St, Madras St, Lichfield St and Durham St), West End (the area within Kilmore St, Durham St, Montreal St and the Avon River), Victoria (the area within Kilmore St, Durham St North, Bealey Avenue, and Victoria St) and Frame (the residual area within the Four Avenues, shown in purple below).



Core Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy at June 2023	%	0.4%	8.9%	31.3%	3.6%
	sqm	232	1,772	992	2,996
Vacancy at December 2023	%	0.4%	1.0%	0.0%	0.5%
	sqm	232	190	0	422

West End Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy at June 2023	%	5.0%	0.0%	10.2%	4.9%
	sqm	3,763	0	308	4,071
Vacancy at December 2023	%	2.4%	0.0%	18.3%	2.8%
	sqm	1,792	0	550	2,342

Victoria Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy at June 2023	%	5.7%	5.2%	20.8%	7.6%
	sqm	1,094	671	1,065	2,830
Vacancy at December 2023	%	5.7%	2.1%	20.8%	6.6%
	sqm	1,094	275	1,065	2,434

Frame Precinct Vacancy by Grade

		Grade A	Grade B	Grade C	Total
Vacancy at June 2023	%	9.6%	2.2%	0.0%	7.5%
	sqm	6,469	162	0	6,631
Vacancy at December 2023	%	5.4%	2.2%	0.0%	4.3%
	sqm	3,625	162	0	3,787

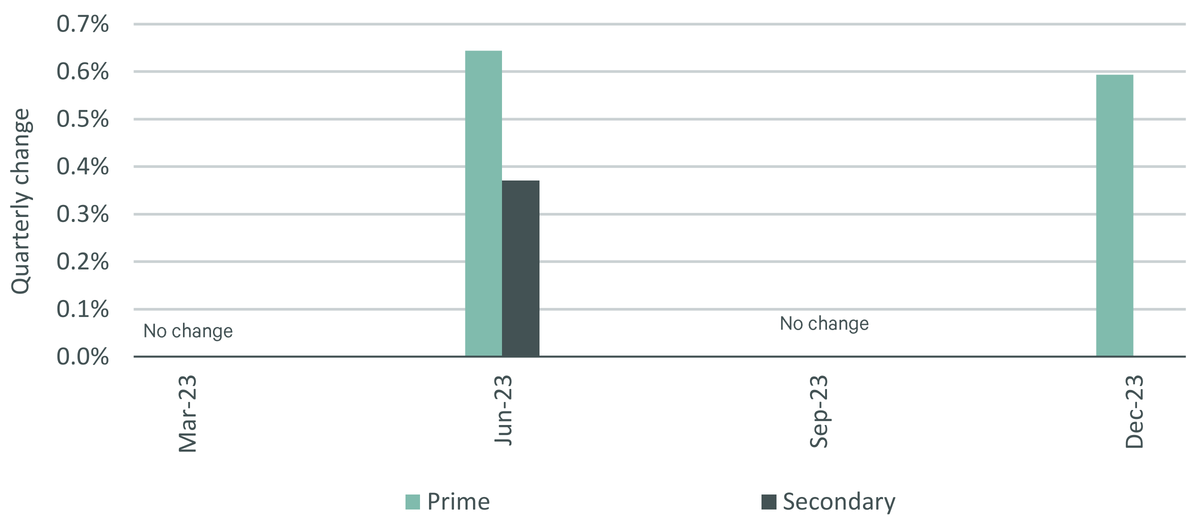
CBD Office Rents

The Prime CBD office market continued to be exposed to high demand, especially for fully-fitted premises in sought-after locations. After registering no change in Q3, characterised by lack of leasing activity, the Prime CBD office submarket experienced some rental growth during Q4 2023 (0.6% q-o-q growth), benefitting from a lack of supply of small floor plates (the preferred size in the CBD) and low vacancy. However, Secondary rents remained unchanged in Q4.

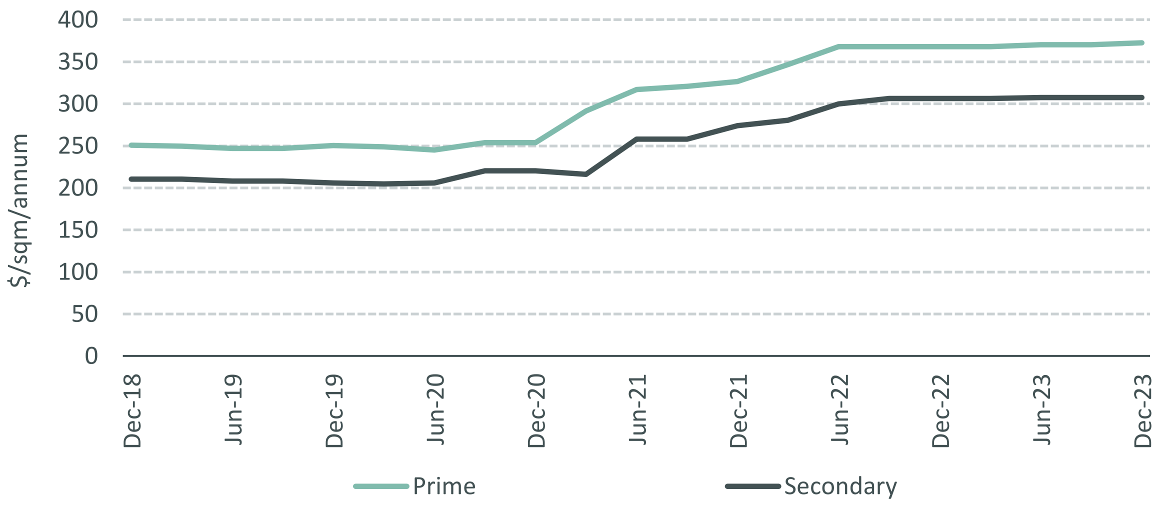
In Q4 2023, CBD Prime net effective office rents sat at $372 per sqm, up by 1.2% compared to Q4 2022. Also, CBD Secondary net effective office rents remained stable at $308 per sqm, up by 0.4% during the same period.

Incentives increased slightly for Prime building. However, this change does not reflect a wider market trend, being caused mainly by one landlord trying to attract new occupiers in a building situated in the West End. Based on CBRE's assessment, Prime indicative market incentives are 5.7% of face rents, whilst Secondary indicative market incentives are 8.8% of face rents.

CBD Net Effective Office Rents – Quarterly Change



CBD Net Effective Office Rents



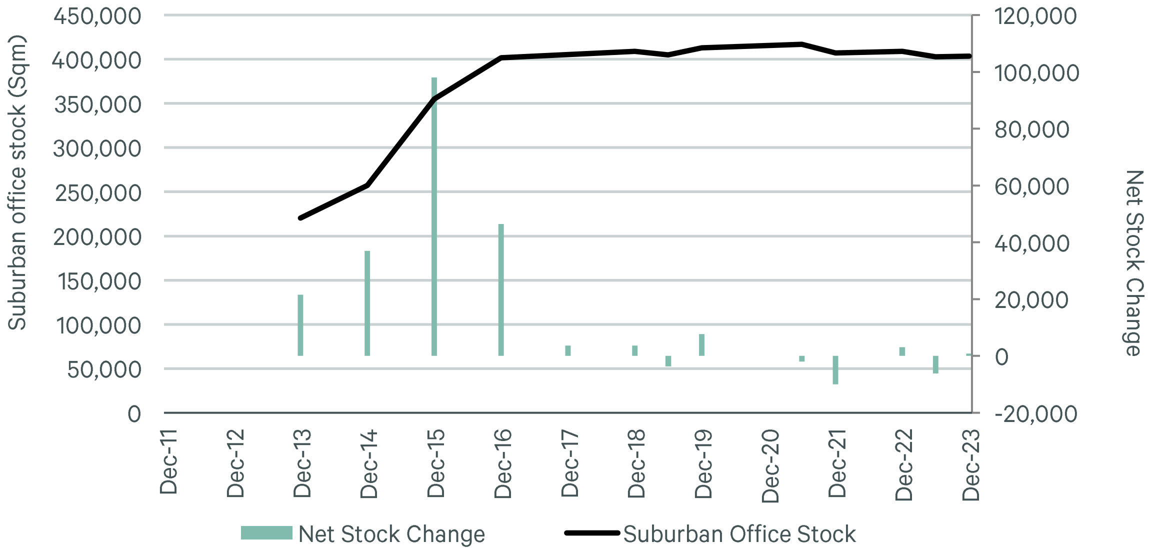
Suburban Office Stock

The Christchurch suburban office stock is 403,530 sqm, increasing by 863 sqm during H2 2023, driven by the return to the market of a Grade C building in 47 Riccarton Road, which underwent refurbishment works.

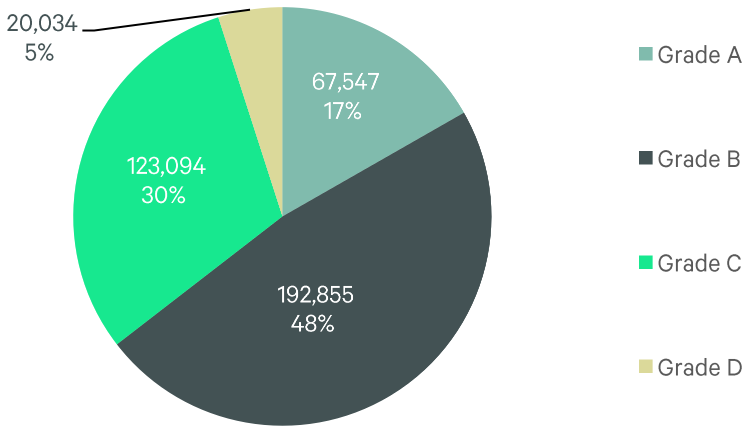
The changes in office stock in the suburban market during H2 were quite different from H1. During the previous period, a considerable amount of office space was taken out of the market (over 6,000 sqm) due to buildings that were removed from total stock to undergo refurbishment works (such as 323 Madras Street), to office space that was transformed into retail space (such as 1 Waimairi Road), and to the withdrawal of a whole Grade A building in Addington (6 Hazeldean Road), since it was earthquake-prone.

During H2 2023, 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 24 months.

Christchurch Suburban Office Net Supply Changes



Christchurch Suburban Office Quality by Composition (H2 2023)



Suburban Office Net Absorption

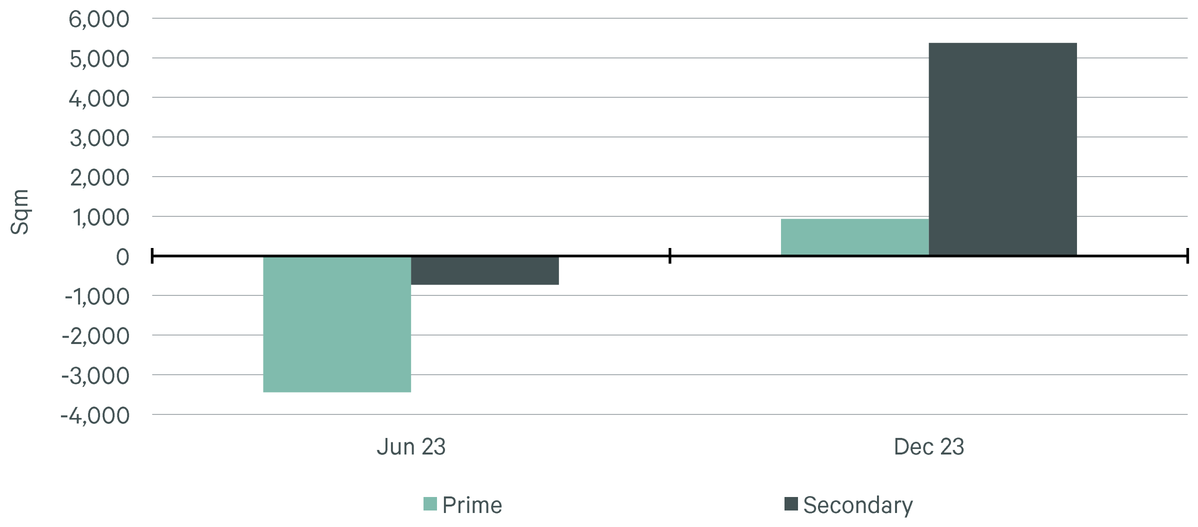
The suburban office market in H2 was less active in terms of leasing activity compared to H1, but more dynamic in terms of net absorption. Total net absorption moved to positive territory in H2 (6,303 sqm), contrasting with the negative absorption registered during H1 2023 (-4,175 sqm). Also, the total net absorption experienced during H2 was the highest since H1 2022.

The positive net absorption during H2 was prevalent across all suburban office submarkets, but more evident in Secondary buildings, which recorded a high net absorption level (5,373 sqm). However, of all the Secondary submarkets, the Grade B submarket stood out, with a total net absorption of 3,932 sqm, mainly due to CCL moving to 1 Durham Street South, occupying 1,136 sqm of previously vacant space, and two new tenants (School Docs and Reform Radiology) moving into 704 sqm of previously vacant space in 226 Antigua Street.

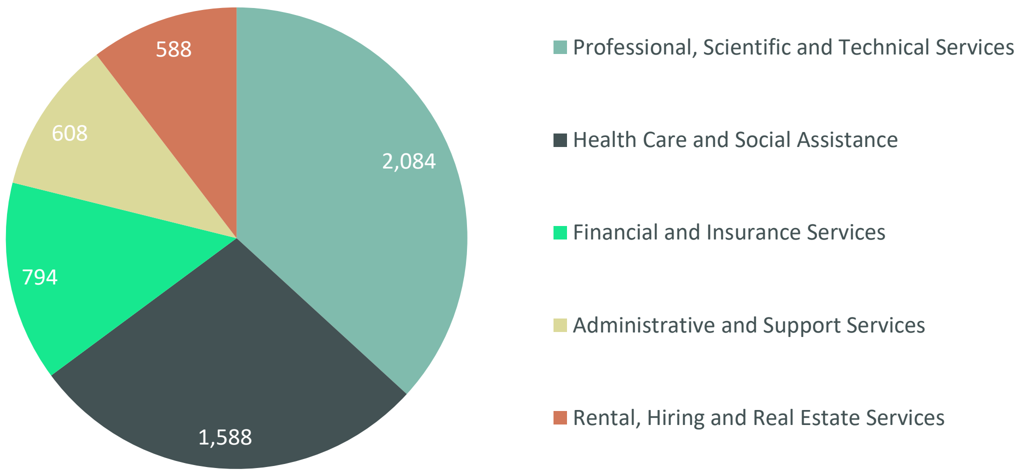
Regarding new take up (gross absorption), the Grade C submarket showed good activity, with three different tenants occupying 863 sqm of space in 47 Riccarton Road and Early Start Project occupying 520 sqm in 7 Winston Avenue. Gross absorption reached 7,872 sqm in the second half of 2023 through 30 new occupancies, lower than the gross absorption in the previous period (circa 33,000 sqm through almost 90+ new occupancies).

The industry that recorded the highest take up of space during H2 2023 in the Suburban office market was professional, scientific and technical services, with a total of 2,084 sqm, followed by health care and social assistance (1,588 sqm), and financial and insurance services (794 sqm).

Christchurch Suburban Office Net Absorption by Grade



New Take Up by Industry in H2 2023 (sqm of top five)



Suburban Office Vacancy

Following the same trend as the CBD office market, the suburban office market also continued to register a decline in vacancy. During H2 2023, the vacancy rate dropped from 7.4% to 6.0% (the lowest since 2015), a 5,440 sqm decline in vacant space.

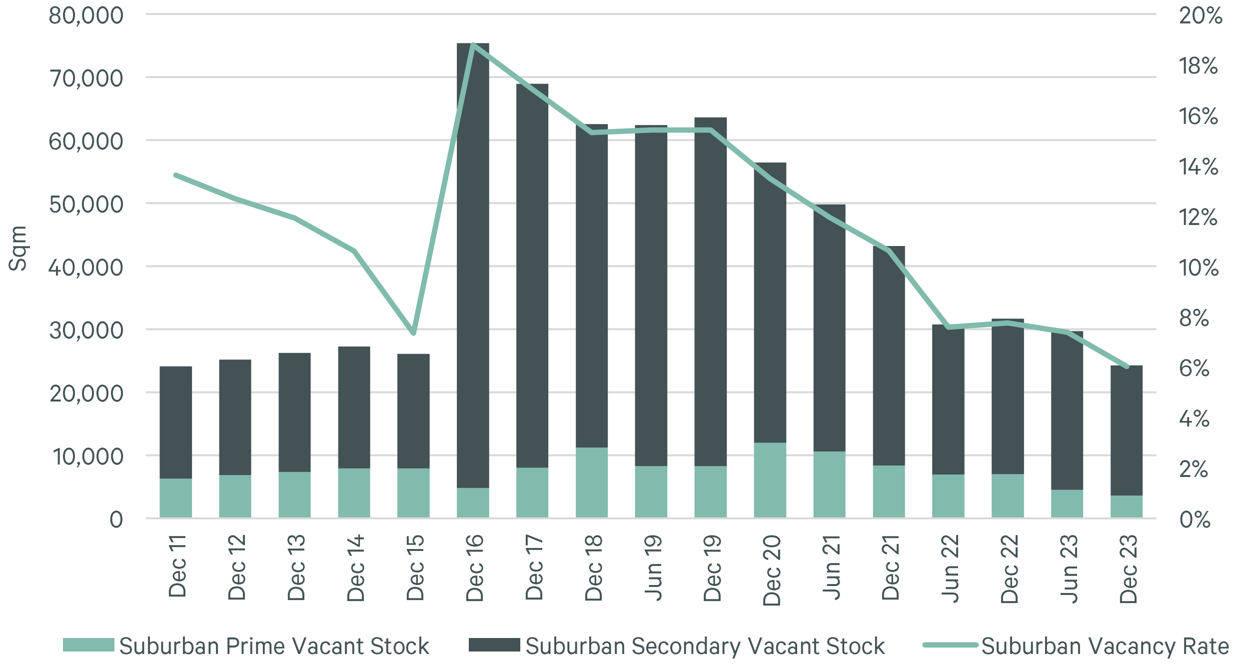
This decrease was led primarily by a decline in vacant stock in Secondary buildings (a 4,510 sqm drop), which caused the vacancy rate to move from 7.5% to 6.2%. Also, of all the Secondary submarkets, the Grade B submarket stood out considerably, with a sharper decrease in vacancy rates, shifting from 6.9% to 4.8% (a 3,932 sqm decline).

The Prime (Grade A) suburban office submarket followed the Grade B submarket in terms of drop in vacancy. Grade A vacancy space decreased by 931 sqm, mainly driven by Habit Heath moving to 10 Show Place (part of the Show Place Office Park), occupying 461 sqm of previously vacant space, and by a construction company taken over 348 sqm in 106 Wrights Road. Both moves occurred in Addington.

Suburban Office Vacancy by Grade

		Grade A	Grade B	Grade C	Grade D	Total
Vacancy at June 2023	%	6.7%	6.9%	8.6%	7.1%	7.4%
	sqm	4,497	13,237	10,556	1,423	29,712
Vacancy at December 2023	%	5.3%	4.8%	8.5%	4.6%	6.0%
	sqm	3,566	9,305	10,483	918	24,272

Suburban Office Vacancy



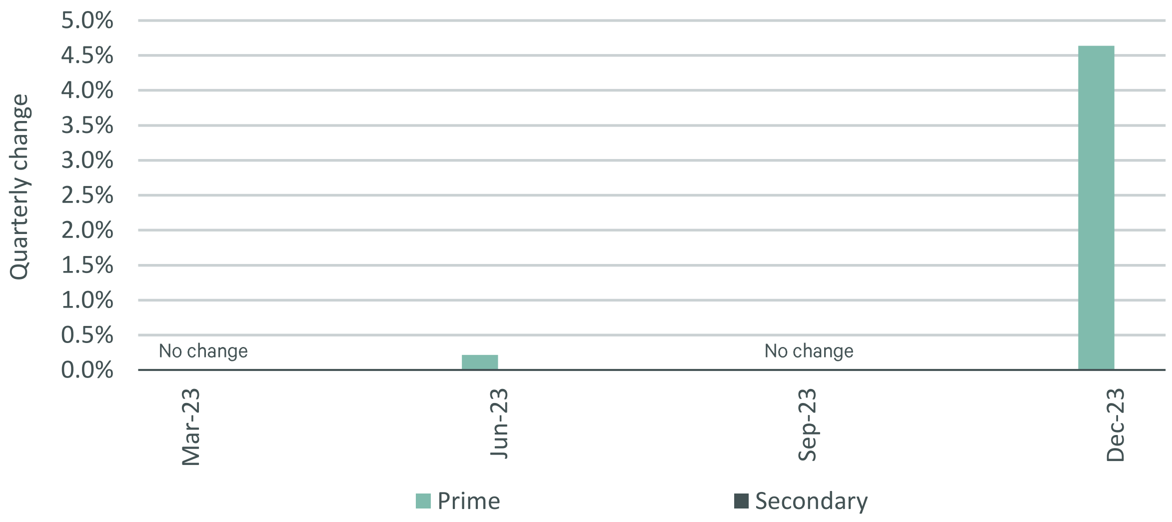
Suburban Office Rents

After more than a year of not registering any rental growth, except for some minor increase during Q2, the Christchurch Prime suburban office submarket witnessed an uplift in rents during Q4 2023. As in the CBD office market, only Grade A buildings in the suburban office market experienced rental growth in Q4, whilst Secondary rents remained stable.

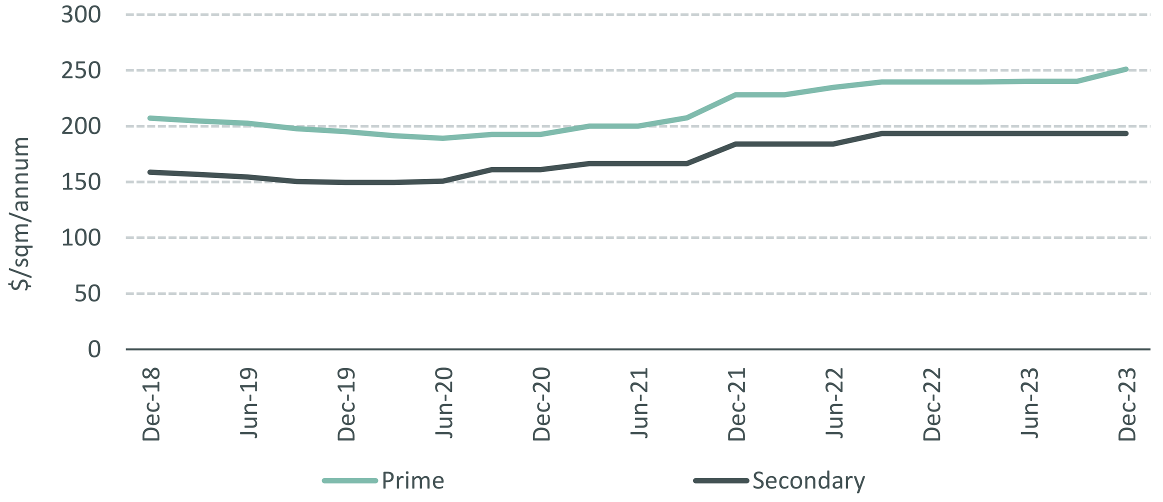
During Q4, net effective rents in the Prime suburban office market grew by 4.6% compared to Q3, sitting at $251 per sqm. Suburban Secondary net effective office rents remained unchanged at $194 per sqm during the same period.

Incentives for Prime buildings remained constant in Q4 2023, whilst incentives for Secondary buildings continued to be stable in the same period. Based on CBRE's assessment, in Q4 Prime indicative market incentives were 7.9% of face rents, whilst Secondary indicative market incentives remained at 12.3% of face rents.

Suburban Net Effective Office Rents – Quarterly Change



Suburban Net Effective Office Rents

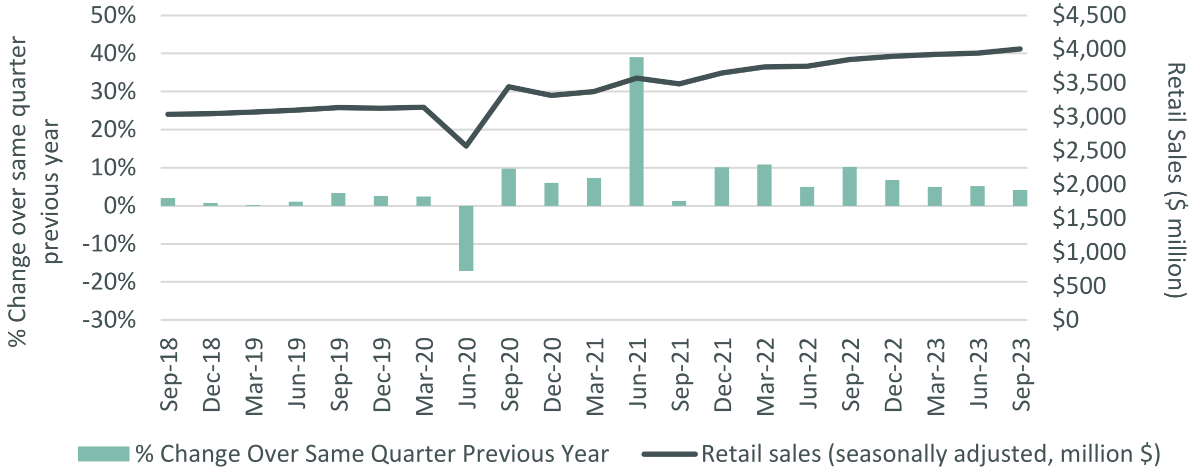


Retail Sales

Based on the latest available information at a regional level, retail sales in Canterbury increased by 5.2% in the year ended September 2023 compared to the previous 12-month period, surpassing the growth rates registered in Auckland and Wellington in the same period (4.7% and 1.8%, respectively).

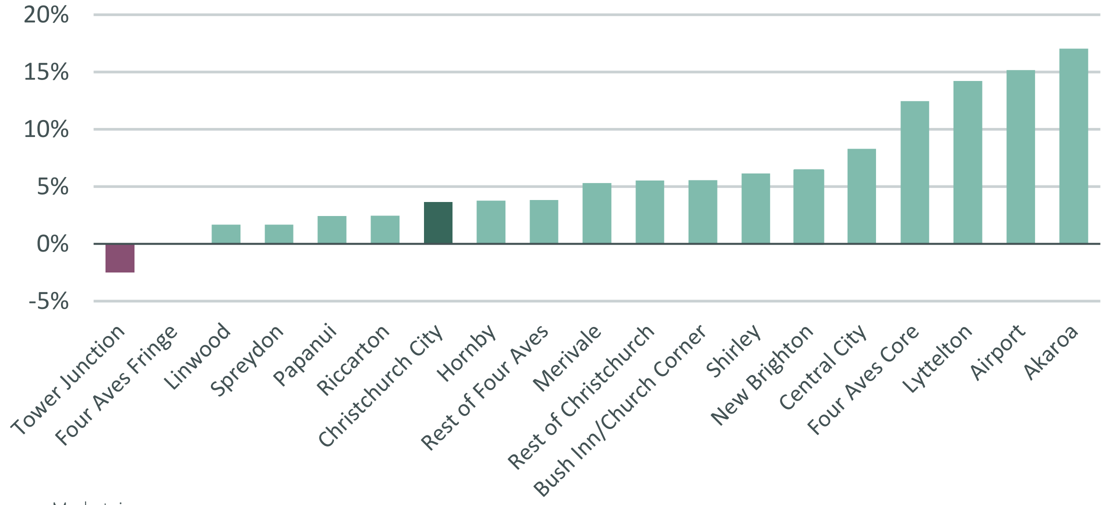
Also, at a territorial authority level, in the year ended December 2023 retail spending in Christchurch grew by 3.6% compared to the previous period. By area, Akaroa registered the highest growth rate (17.0%), followed by Airport (15.2%) and Lyttelton (14.2%). Christchurch's Central City came in fifth place, with retail spending growing at 8.3%. The growth witnessed in these areas was mainly driven by higher number of overseas tourists, including the ones arriving via cruise ships at Lyttelton port.

Canterbury Retail Sales



Source: : Statistics New Zealand

Spending Growth by Area (YE Dec-23 vs YE Dec-22)



Source: : Marketview

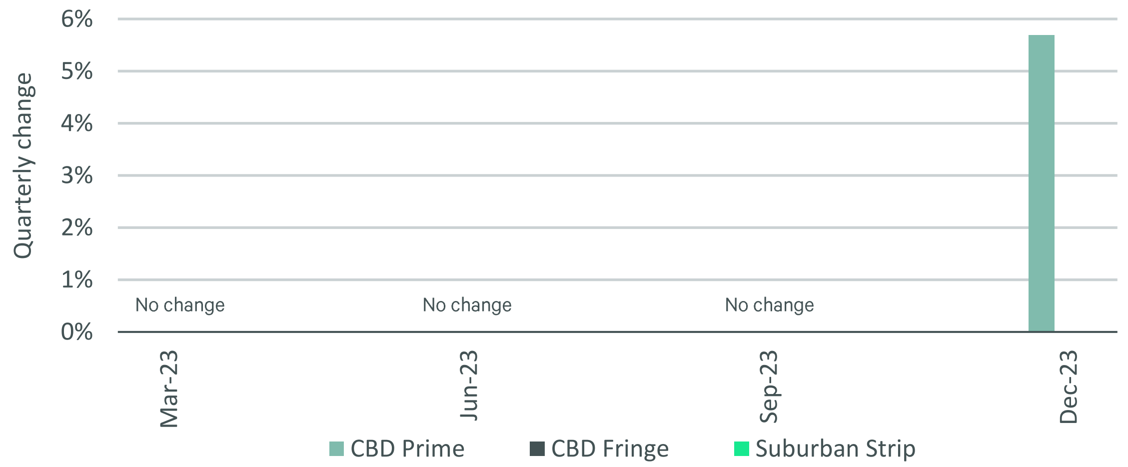
Retail Rents

After witnessing no rental growth for an extended period, some segments of the retail submarket started to see the light at the end of the tunnel in Q4 2023 when the CBD Prime submarket registered an uplift in rents; increasing by 5.7% from Q3. This growth was driven by a decrease in CBD Prime incentives with face rents remaining stable. Demand for retail locations in this submarket continued to be positive, especially for locations on Cashel Street. On the other end of the spectrum, demand for CBD Fringe locations remains subdued.

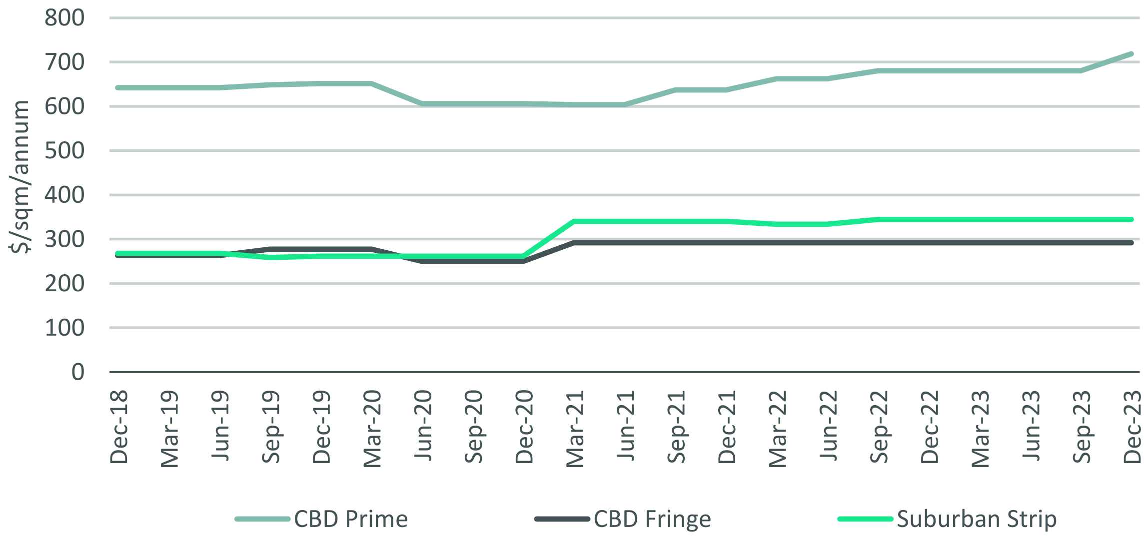
CBD Prime retail net effective rents are $719 per sqm. CBD Fringe retail net effective rents are $292 per sqm; unchanged since March 2021. Also, Suburban Strip retail net effective rents are $344 per sqm; motionless since September 2022.

Based on CBRE's Q4 assessment, CBD Prime indicative market incentives are 4.2% of face rents (down from 8.3% in Q3), CBD Fringe are 8.3%, while Suburban Strip incentives are at 7.4%; both unchanged in Q4.

Retail Net Effective Rents - Quarterly Change



Retail Net Effective Rents by Precinct



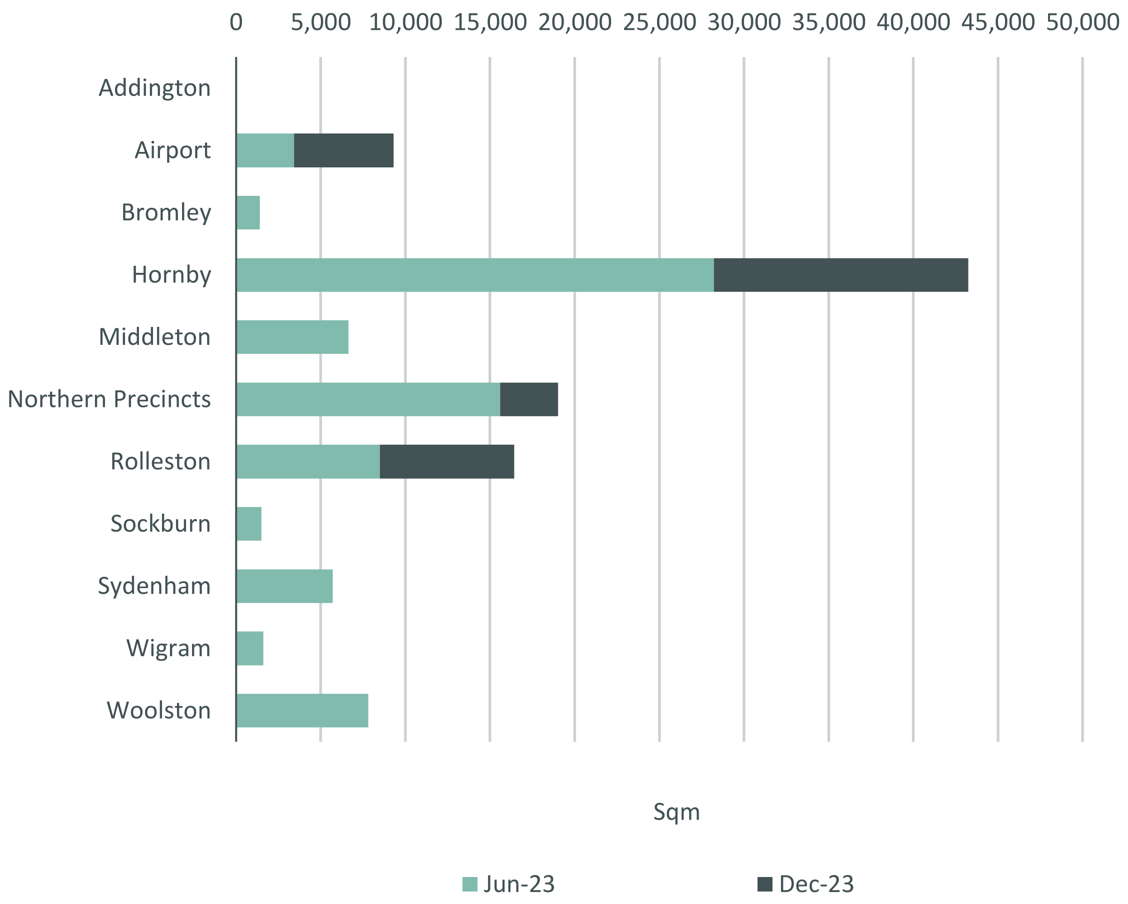
Industrial New Supply

In 2023, Christchurch's industrial market received 112,681 sqm of new stock. Out of this total, 80,429 sqm were received in H1 2023 and 32,252 sqm in H2. Even though the new supply of industrial buildings continued to be robust, the amount of new stock during H2 2023 was limited to only four suburbs (Airport, Hornby, Northern Precincts and Rolleston), whereas in previous periods the new supply showed more geographic diversification.

Hornby had the largest amount of new stock in the first half of 2023 (28,225 sqm), followed by Northern Precincts (15,604 sqm) and Rolleston (8,500 sqm). In addition, during the second half of 2023, Hornby also had the largest amount of new stock (with 15,013 sqm), followed by Rolleston (7,936 sqm) and Airport (5,890 sqm).

The largest industrial building completed in Christchurch over the past six months was 561 Avonhead Road, located in the Airport area (a 5,890 sqm building), followed by 45 Mania Road in Hornby (5,343 sqm). The average size of industrial buildings completed during H2 was 2,304 sqm. During H2 2023, only two buildings larger than 5,000 sqm and four buildings between 2,000-5,000 sqm were completed.

H1 2023 – H2 2023 New Industrial Supply



Industrial Net Absorption

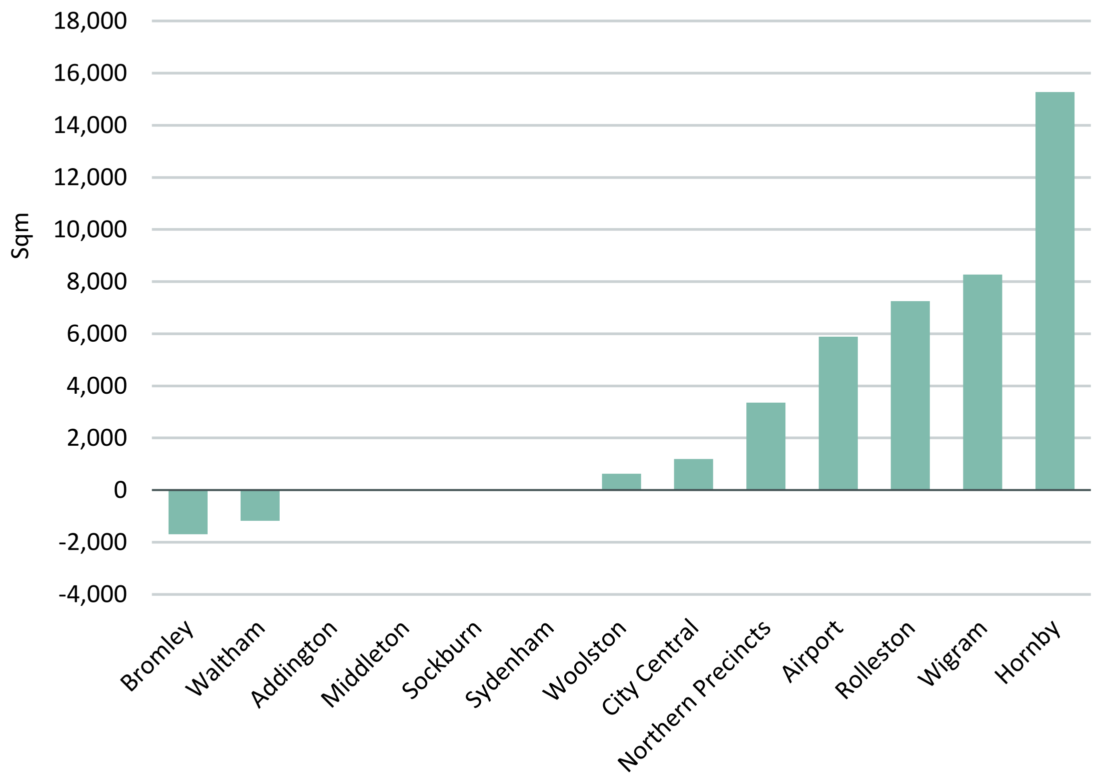
Net absorption in the industrial market remains healthy. Total net absorption over H2 was 39,009 sqm, following 79,293 sqm in H1 and 106,573 sqm in H2 2022. The high levels of net absorption continue to be driven by new supply. During H2, all the new built stock was occupied (32,252 sqm), benefiting net absorption in the Grade A industrial submarket, which sat at 32,888 sqm. In addition, the Grade C/D submarket experienced a positive net absorption of 11,888 sqm, whilst Grade B absorption during H2 was negative (-5,067 sqm).

In H2 2023, Hornby had the largest net absorption with over 15,281 sqm, followed by Wigram (8,270 sqm) and Rolleston (7,247 sqm). The largest occupier take up in newly completed buildings is Mighty Ape, taking up 5,890 sqm at 561 Avonhead Road in the Airport area.

Industrial Net Absorption by Grade

	Total	Grade A	Grade B	Grade C/D
Jun-23	79,293	70,101	8,890	302
Dec-23	39,009	32,888	-5,067	11,188

Industrial Net Absorption by Precinct—H2 2023



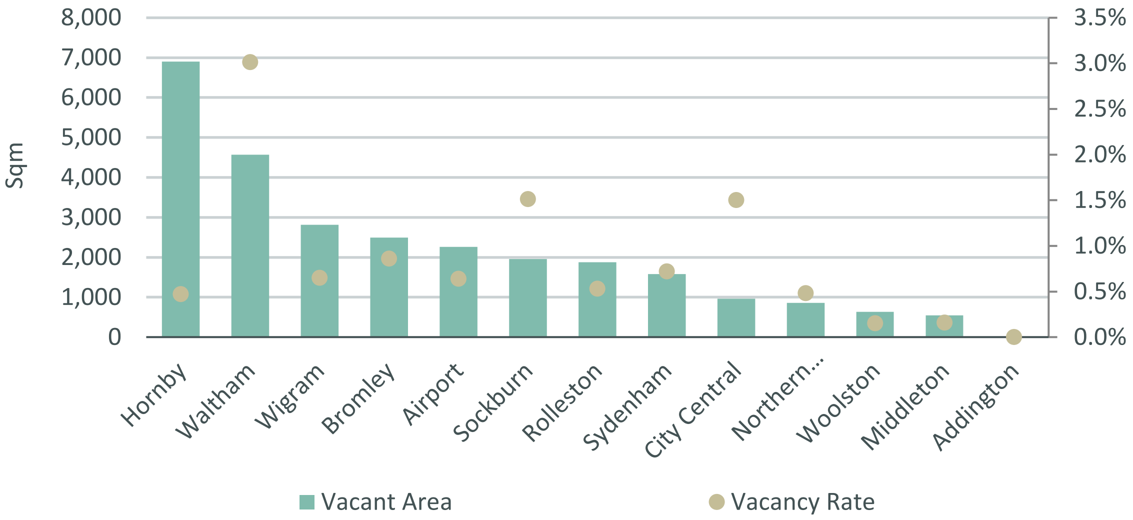
Industrial Vacancy

From H2 2022 to H2 2023, Christchurch's industrial market beheld an extremely low vacancy (below 1.0%). During H2 2023, total industrial vacancy sat at 0.6%, down from 0.8% in H1. The industrial market continues to benefit from high demand, especially for assets in the top end of the market. However, low quality industrial buildings also witnessed an important decrease in vacancy.

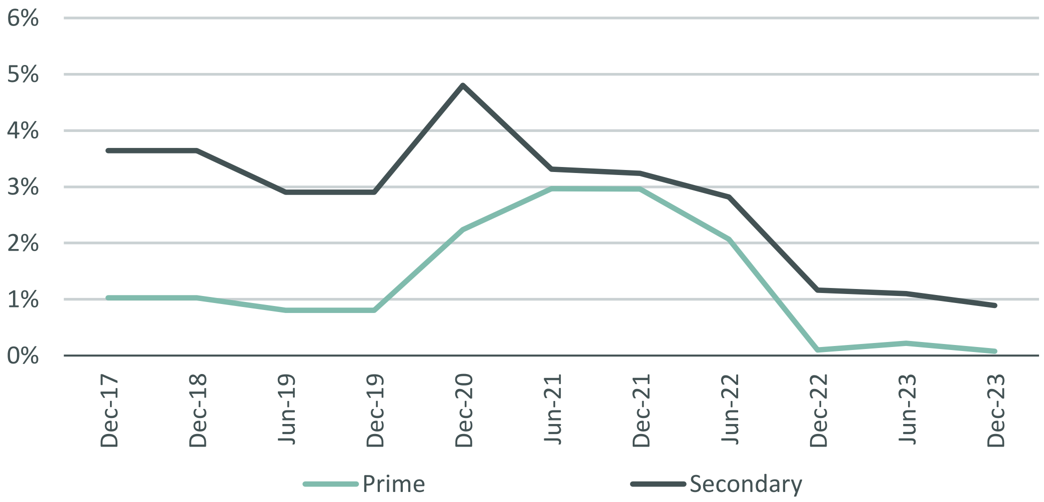
The largest reduction happened in Grade C/D where vacancy dropped by 11,188 sqm, decreasing the vacancy rate from 1.6% to 0.8%. This was followed by a decrease in Grade A vacancy by 2,162 sqm, shifting the vacancy rate from 1.1% to 0.9%. The main move in the Grade C/D submarket occurred in 78 Treffers Road in Wigram, where TSB Living occupied 9,701 sqm, which was previously vacant. Also, the most important move in the Grade A submarket occurred in 315 Tuam Street, where 1,130 sqm of previously vacant space were occupied.

On the contrary, Grade B registered an increase in vacancy, which rose by 5,067 sqm, increasing the vacancy rate from 0.7% to 1.0%. This was primarily due to a boat building company leaving behind circa 1,700 sqm in 11 Newtown Street in Bromley and a furniture manufacturing firm vacating around 1,450 sqm in 80 Hayton Road in Wigram.

Industrial Vacancy by Precinct – December 2023



Industrial Vacancy

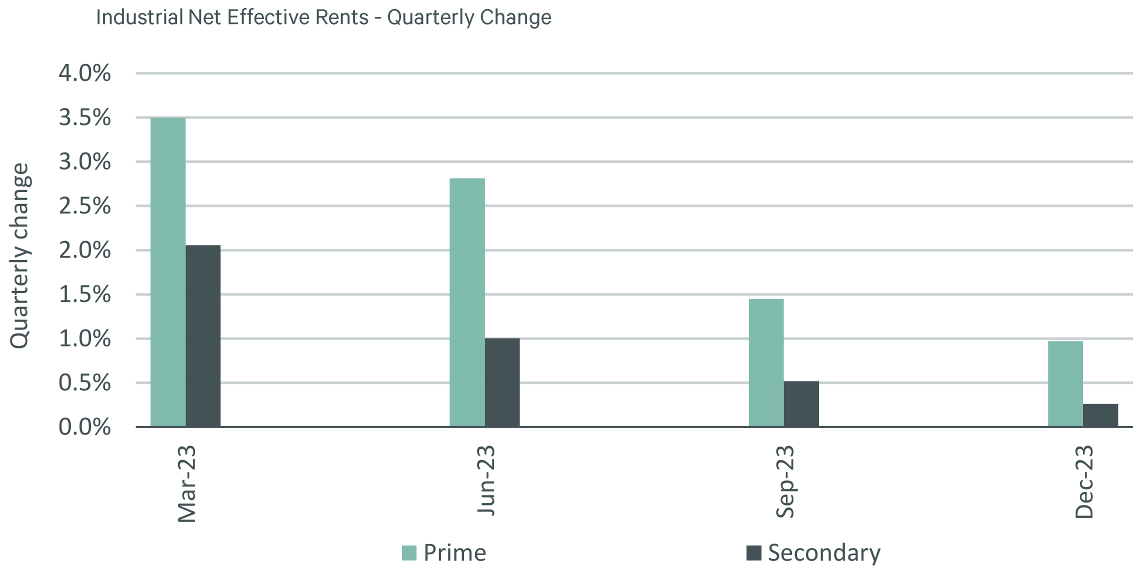


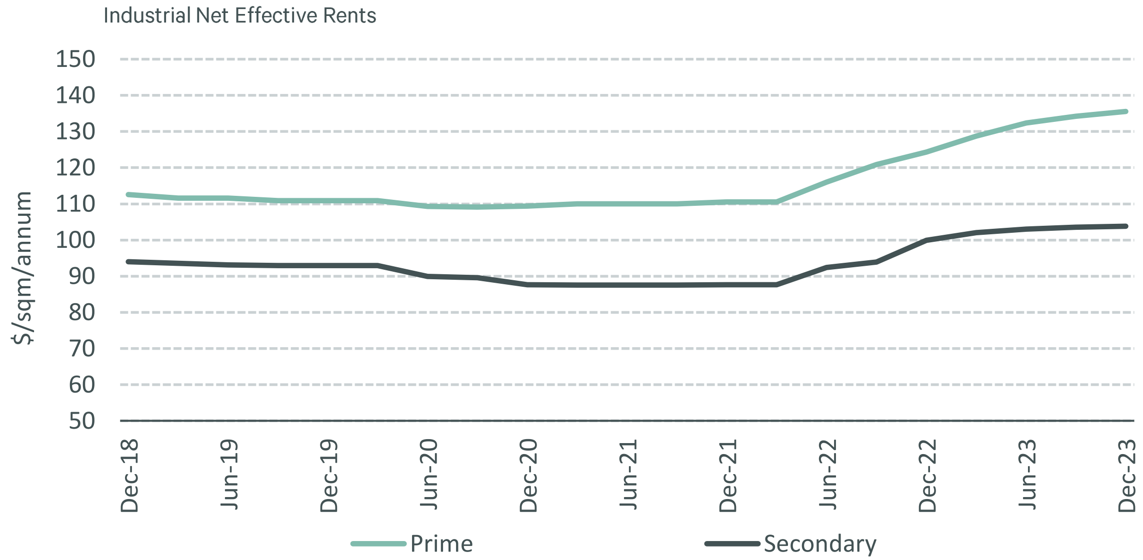
Industrial Rents

After being on the crest of the wave for many periods in terms of good rental growth, industrial rents continued to grow in Q4 2023, albeit more moderately, for both Prime and Secondary submarkets. Many factors continued to benefit this growth, such as extremely low vacancy, strong demand for industrial assets (especially Prime ones), increasing land prices and higher construction costs.

Industrial Prime net effective rents reached a new record in Q4 at $136 per sqm, up by 1.0% compared to Q3 2023. Also, industrial Secondary net effective rents reached $104 per sqm, up by 0.3% compared to the previous quarter. In addition, in the last twelve-month period, Prime net effective rents grew by 9.0%, whereas Secondary net effective rents increased by almost 4.0%.

Incentives remained unchanged in Q4 2023, continuing to be at the lowest level since 2017 (for Prime assets) and 2015 (for Secondary buildings). Based on CBRE's assessment, industrial Prime indicative market incentives remained at 1.4% of face rents. In addition, industrial Secondary indicative market incentives continued to be stable at 1.4% of face 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.

Contacts

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

Tim Rookes
Managing Director, Christchurch
t: +64 27 562 3700
e: tim.rookes@cbre.co.nz

Hayden Doody
Director, Valuation & Advisory Services
t: +64 27 556 3223
e: hayden.doody@cbre.com

Mark Dunbar
Director, Valuation & Advisory Services
t: +64 27 293 3280
e: mark.dunbar@cbre.com

Hamish Clarke
Director, Industrial & Logistics
t: 64 21 960 655
e: hamish.clarke@cbre.co.nz

Mitchell Wallace
Senior Negotiator, Office Leasing
t: +64 27 664 4773
e: mitchell.wallace@cbre.com

Jorge Chang Urrea
Research Manager
Research New Zealand
jorge.changurrea@cbre.com

Chris Stanley
Senior Director, Valuation & Advisory Services
t: +64 27 293 3279
e: chris.stanley@cbre.com

Carl Graham
Director, Valuation & Advisory Services
t: +64 3 353 5738
e: carl.graham@cbre.co.nz

Bonnie Stone
Director, Metro Investments
t: 64 21 843 690
e: bonnie.stone@cbre.co.nz

Ashley Whitting
Associate Director, Head of Large Format Retail
t: 64 22 317 4254
e: ashley.hopewell@cbre.co.nz

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