



Research

# Office vertical vacancy review

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July 2020



# Welcome

## **What an interesting time to be offering market insights.**

I write this Foreword for our latest Vertical Vacancy Review for the end of July from my home on the Whangaparaoa Peninsula with my family.

The re-emergence of COVID-19 within New Zealand has seen our Auckland office once again shut temporarily with working from home now business-as-usual until further notice.

Three days in (again) and, to be honest, I already miss office life substantially.

That is not to say that working from home isn't productive, but where is the collaboration, the comradery, the energy, the buzz and the professional interaction?

Online meetings and collaboration tools are a somewhat pale imitation.

It has been interesting in recent weeks to observe that I am not alone in appreciating the benefits of coming into work at JLL.

Our Auckland office's occupancy rate has been noticeably climbing to beyond pre-COVID levels since early June, culminating in my need to get in very early indeed to stake a claim to my favourite internal meeting room.

There has been a growing debate about the future of the office in New Zealand in recent months and we at JLL are very much looking forward to contributing to this crucial discussion.

This publication – looking at the availability of space in our cities' highest quality office buildings - is the first in what will be a series of occupier demand-centred thought leadership pieces.

Designed to investigate where the office of the future will fit into society, we will be considering who will work where - and how – and in what way will the increasingly relevant assessment of workplace experience evolve?

Interesting times indeed, especially when we benchmark these results with the next VVR edition in November to see how the office has fared.

Given the economic climate, it is perhaps of no surprise that there is more office space available now than there was six to nine months ago.

What we have seen, however, is a clear expansion in the desirability gap between primary and secondary stock and, simultaneously, the importance of the holistic offer of our very best buildings to attract and retain the highest profile occupiers.

This divergence in the marketplace feels set to last.

We hope you find the content of this edition of the VWR useful.

In today's uncertain world, we see JLL's core mission of building a better tomorrow for our clients, our people and our communities as more important than ever.

It has been interesting in recent weeks to observe that I am not alone in appreciating the benefits of coming into work at JLL.

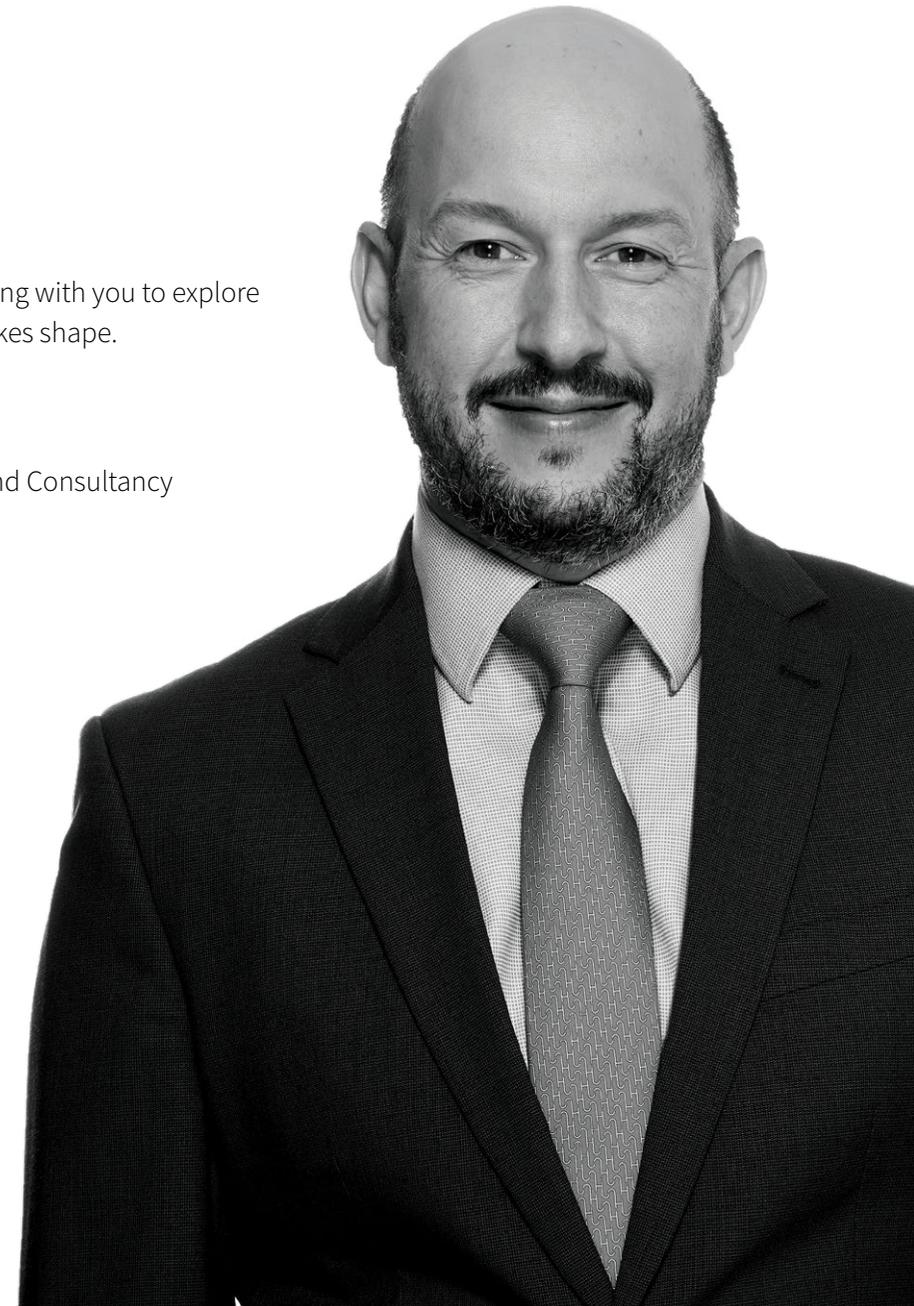
We very much look forward to working with you to explore opportunities as this next normal takes shape.

**Paul Winstanley**

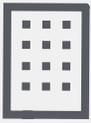
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# Overview Auckland Core



The much-anticipated new PwC Tower delivered 39,000 of ultra-premium grade stock, bringing total premium towers to a count of five. Total prime office stock within Auckland Core is now ~413,400sqm.



Since our last VWR report in 3Q19, prime vacancy (Premium + A Grade space) within Auckland Core increased by 370bps from 4.3% to 8.0% due to tenant reshuffling activity in response to the opening of the new PwC Tower.



As at July 2020, vacancy across the five premium towers sits at 10.3%. Vacancy in the balance of A Grade towers is tracked at 6.6%.





There is also an additional 2.7% or ~11,100sqm of upcoming availabilities in the market for the remainder of 2020 as a result of more backfill space and tenant subleasing. However, we expect these opportunities will be absorbed quickly as tenants move up the grade spectrum, at the cost of secondary office stock.



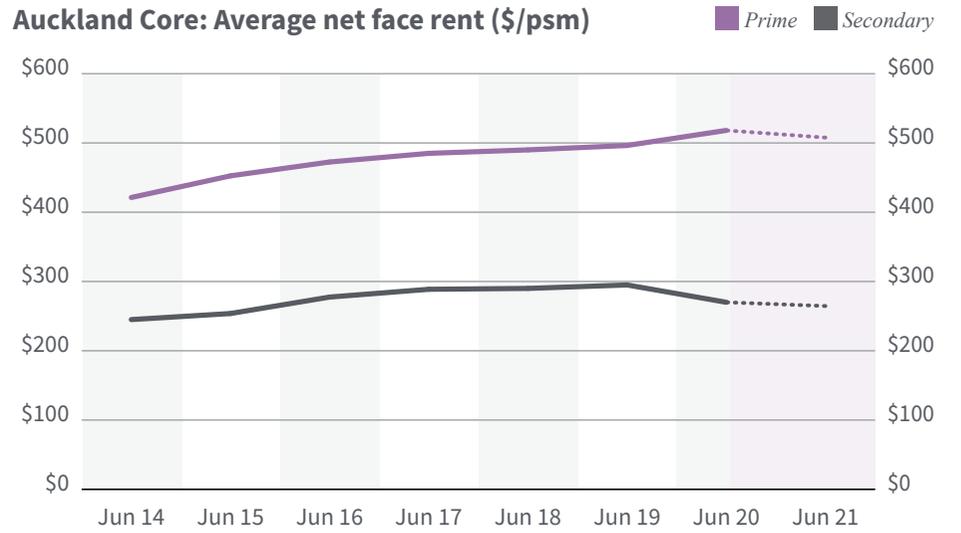
Prime net face rents have steadily increased to an average of \$518 per sqm during 2Q20 supported by the opening of Commercial Bay.



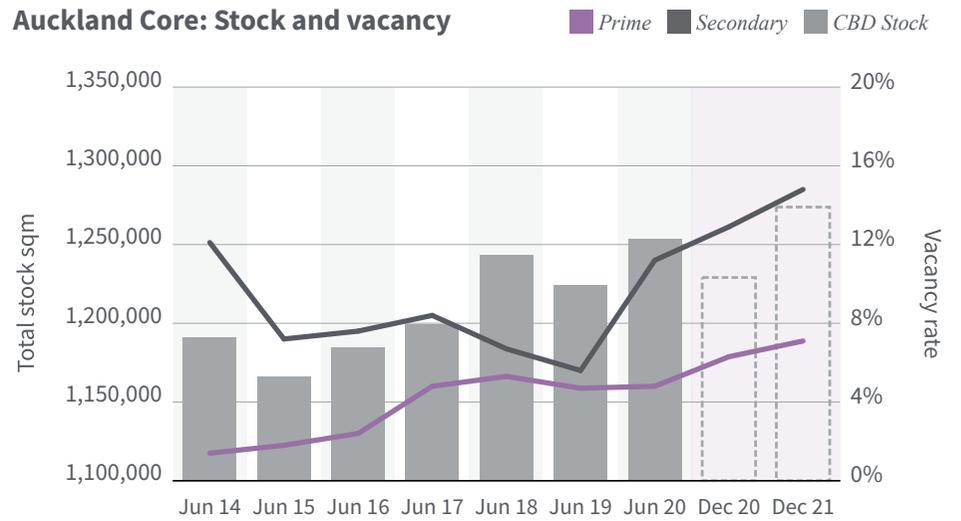
While higher face rentals have been achieved within premium buildings over the last 12 months, there has been a notable increase in incentive levels, impacting on net effective rentals with an average decline of 2.1% to \$464 per sqm.



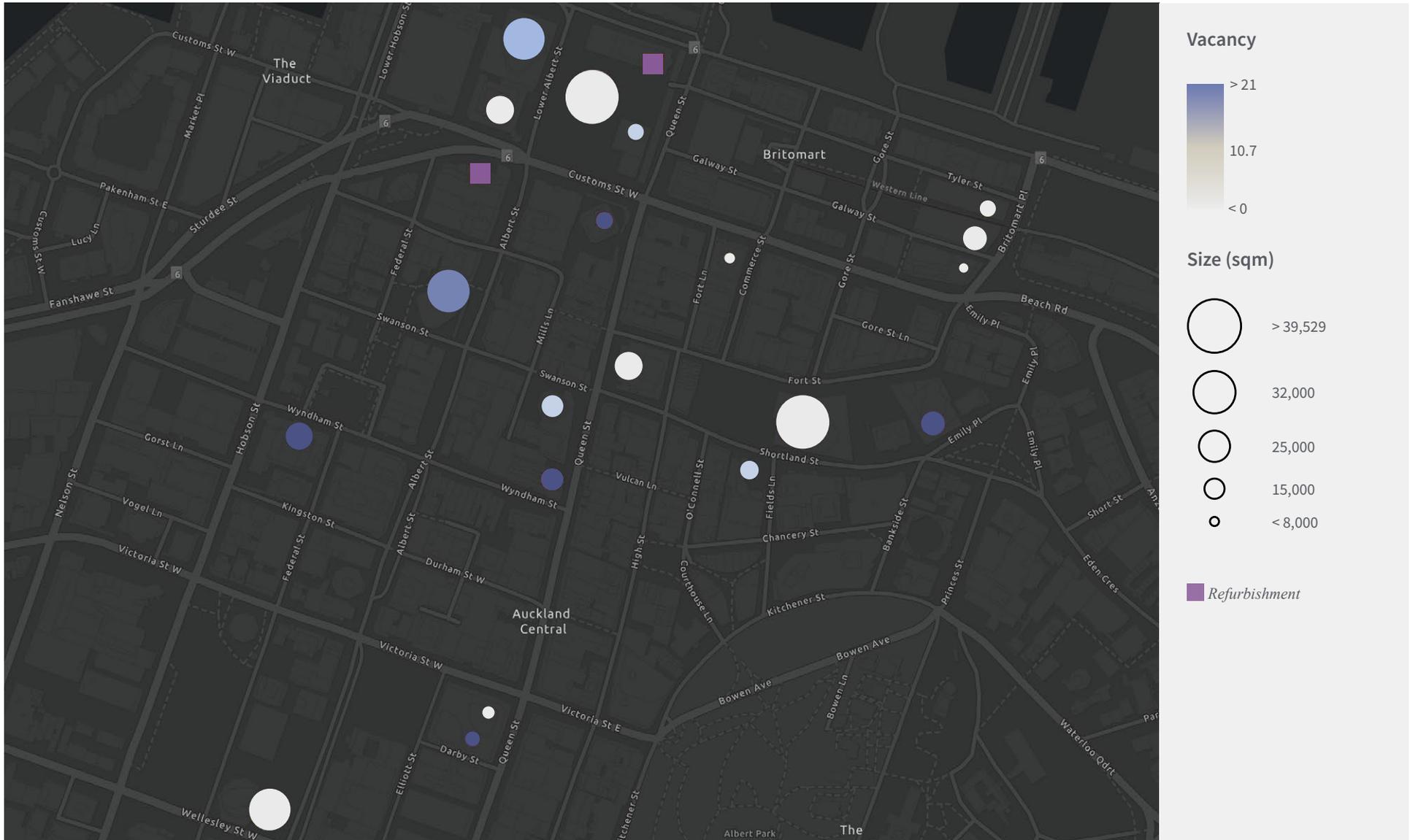
**Auckland Core: Average net face rent (\$/psm)**



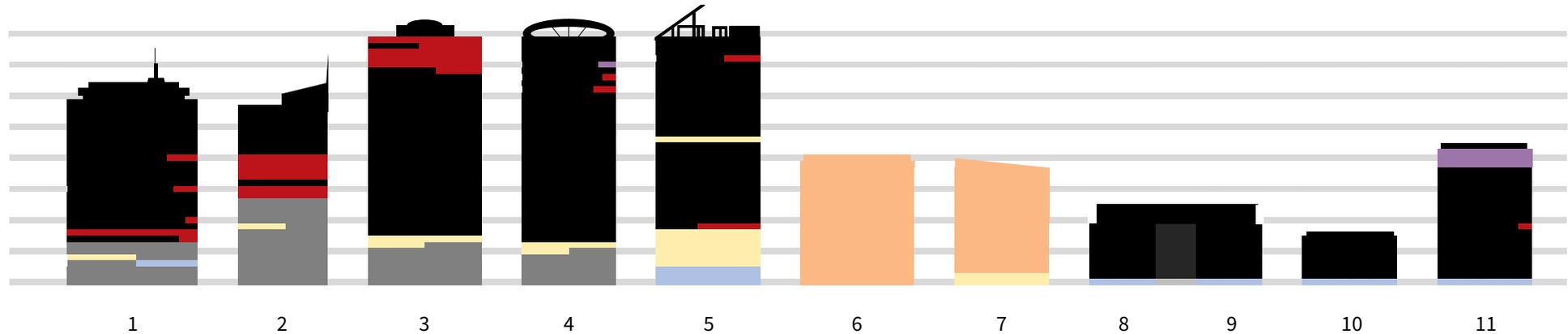
**Auckland Core: Stock and vacancy**



## Auckland Core: Existing building and development pipeline



# Skyline Auckland Core



1.  
**188 Quay St**

Office space: 30,100sqm  
Vacancy: 6%  
Upcoming vacancy: 0%

2.  
**88 Shortland St**

Office space: 19,500sqm  
Vacancy: 40%  
Upcoming vacancy: 0%

3.  
**ANZ Centre**

Office space: 33,000sqm  
Vacancy: 16%  
Upcoming vacancy: 0%

4.  
**Vero Centre**

Office space: 39,529sqm  
Vacancy: 1%  
Upcoming vacancy: 1%

5.  
**PwC Tower**

Office space: 39,000sqm  
Vacancy: 3%  
Upcoming vacancy: 0%

6.  
**1 Queen St**

Office space: 8,700sqm  
Refurbishment on hold

7.  
**1 Albert St**

Office space: 8,500sqm  
Refurbishment completion  
2021

8.  
**East Building - Northern Tower**

Office space: 13,800sqm  
Vacancy: 0%  
Upcoming vacancy: 0%

9.  
**East Building - Southern Tower**

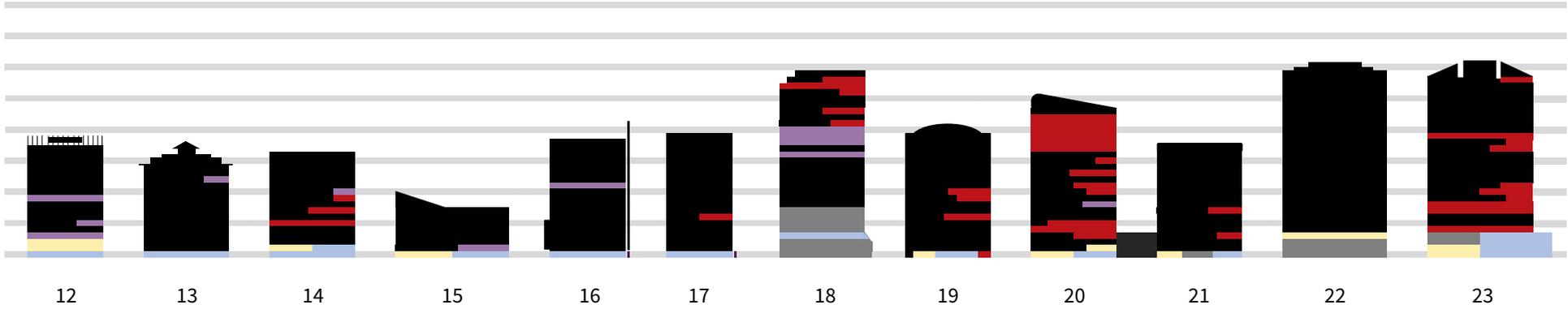
Office space: 16,300sqm  
Vacancy: 0%  
Upcoming vacancy: 0%

10.  
**Westpac Charter**

Office space: 8,000sqm  
Vacancy: 0%  
Upcoming vacancy: 0%

11.  
**AMP Centre**

Office space: 22,000sqm  
Vacancy: 1%  
Upcoming vacancy: 15%



<p><b>12.</b></p> <hr/> <p><b>Jarden House</b> Office space: 12,800sqm Vacancy: 0% Upcoming vacancy: 17%</p>	<p><b>13.</b></p> <hr/> <p><b>Citigroup Centre</b> Office space: 9,100sqm Vacancy: 0% Upcoming vacancy: 2%</p>	<p><b>14.</b></p> <hr/> <p><b>Tower Centre</b> Office space: 14,200sqm Vacancy: 12% Upcoming vacancy: 2%</p>	<p><b>15.</b></p> <hr/> <p><b>AECOM Building</b> Office space: 11,800sqm Vacancy: 0% Upcoming vacancy: 6%</p>	<p><b>16.</b></p> <hr/> <p><b>Deloitte Tower</b> Office space: 21,100sqm Vacancy: 0% Upcoming vacancy: 5%</p>	<p><b>17.</b></p> <hr/> <p><b>AIG Building</b> Office space: 13,300sqm Vacancy: 3% Upcoming vacancy: 0%</p>
<p><b>18.</b></p> <hr/> <p><b>SAP Tower</b> Office space: 18,000sqm Vacancy: 12% Upcoming vacancy: 17%</p>	<p><b>19.</b></p> <hr/> <p><b>CHORUS</b> Office space: 21,000sqm Vacancy: 9% Upcoming vacancy: 0%</p>	<p><b>20.</b></p> <hr/> <p><b>DLA Piper Tower</b> Office space: 12,400sqm Vacancy: 45% Upcoming vacancy: 2%</p>	<p><b>21.</b></p> <hr/> <p><b>205 Queen St</b> Office space: 9,800sqm Vacancy: 4% Upcoming vacancy: 0%</p>	<p><b>22.</b></p> <hr/> <p><b>Auckland Council Building</b> Office space: 31,700sqm Vacancy: 0% Upcoming vacancy: 0%</p>	<p><b>23.</b></p> <hr/> <p><b>QBE Centre</b> Office space: 17,000sqm Vacancy: 24% Upcoming vacancy: 0%</p>

# Overview Wynyard



The Wynyard Quarter/Viaduct prime office market vacancy remains low at 1.0%, representing only ~1,900sqm of space available.



There is also an additional 5% or ~9,500sqm of upcoming availabilities for the remainder of 2020. The most notable one being ~5,000sqm of sublease opportunity in the Air New Zealand building.



New supply entering the market in the next 12-15 months includes Innovation 5B (7,900sqm, 100% preleased), One55 Fanshawe (16,000sqm, ~90% preleased) and 136 Fanshawe (20,000sqm, ~70% preleased).

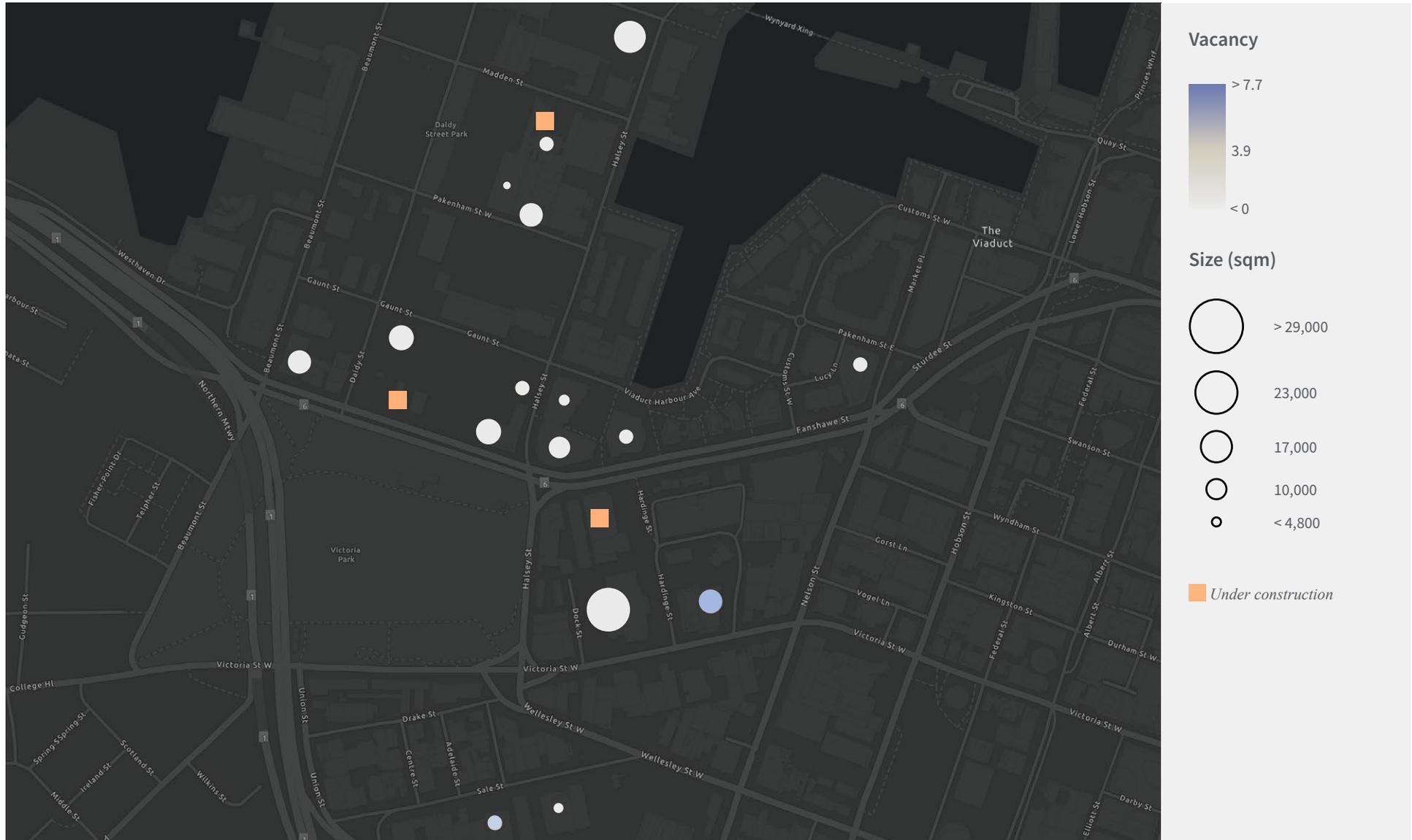


High pre-leasing activity within the new builds is expected to keep vacancy in the Wynyard Quarter/Viaduct prime office market low.

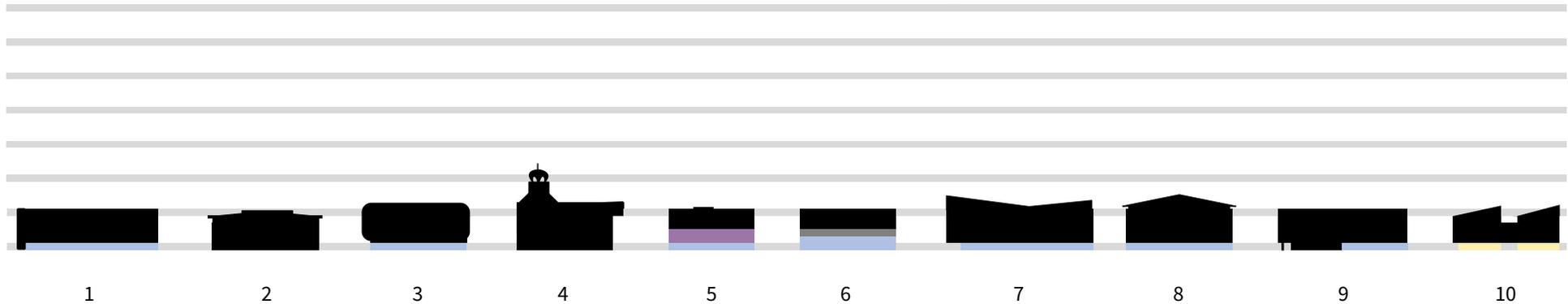


In preparation for the America's Cup in 2021, Wynyard Quarter continues to undergo transformation with many infrastructure and construction projects underway.

## Wynyard: Existing building and development pipeline



# Skyline Wynyard



- Occupied
- Vacant
- Upcoming vacancies \*
- Car park
- Retail
- Other
- Refurbishment

*\*including sub-lease space*

1.

**Auckland Transport**

Office space: 14,300sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

2.

**KPMG**

Office space: 8,300sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

3.

**NZI Building**

Office space: 9,600sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

4.

**ASB Centre**

Office space: 21,000sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

5.

**Air NZ Building**

Office space: 15,240sqm  
 Vacancy: 0%  
 Upcoming vacancy: 33%

6.

**Microsoft HP**

Office space: 7,200sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

7.

**Fonterra Centre**

Office space: 16,000sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

8.

**Datacom Building**

Office space: 15,300sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

9.

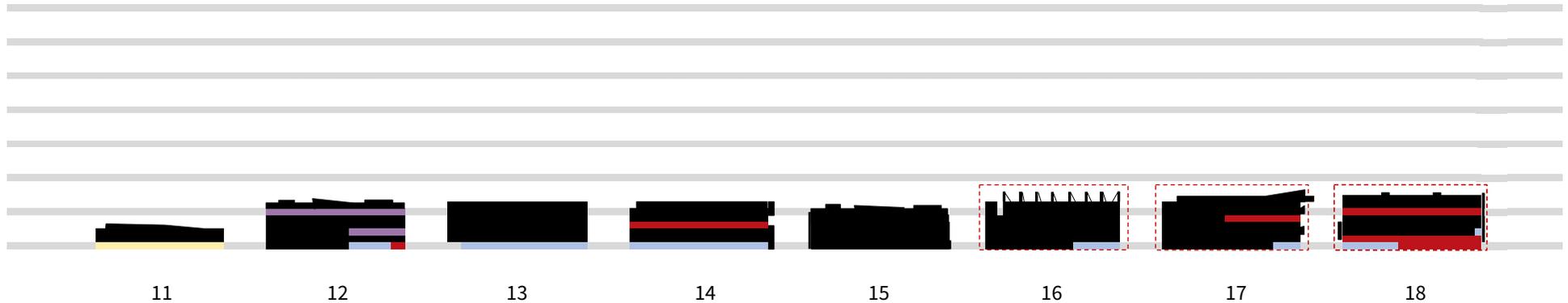
**Bayleys**

Office space: 9,770sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

10.

**12 Madden St**

Office space: 8,000sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%



- Occupied
- Vacant
- Upcoming vacancies \*
- Car park
- Retail
- Other
- Refurbishment

*\*including sub-lease space*

11.

**Mason Brothers**

Office space: 4,800sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

12.

**BDO House**

Office space: 16,600sqm  
 Vacancy: 1.9%  
 Upcoming vacancy: 26.5%

13.

**AA Insurance House**

Office space: 10,200sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

14.

**Vocus House**

Office space: 6,200sqm  
 Vacancy: 24.7%  
 Upcoming vacancy: 0%

15.

**Spark Central**

Office space: 29,000sqm  
 Vacancy: 0%  
 Upcoming vacancy: 0%

16.

**Innovation 5B**

Office space: 7,900sqm  
 Under construction  
 Availability: 0%

17.

**One55 (KiwiBank Building)**

Office space: 16,000sqm  
 Under construction  
 Availability: 8.8%

18.

**136 Fanshawe St**

Office space: 20,000sqm  
 Under construction  
 Availability: 32.2%

# Overview Wellington



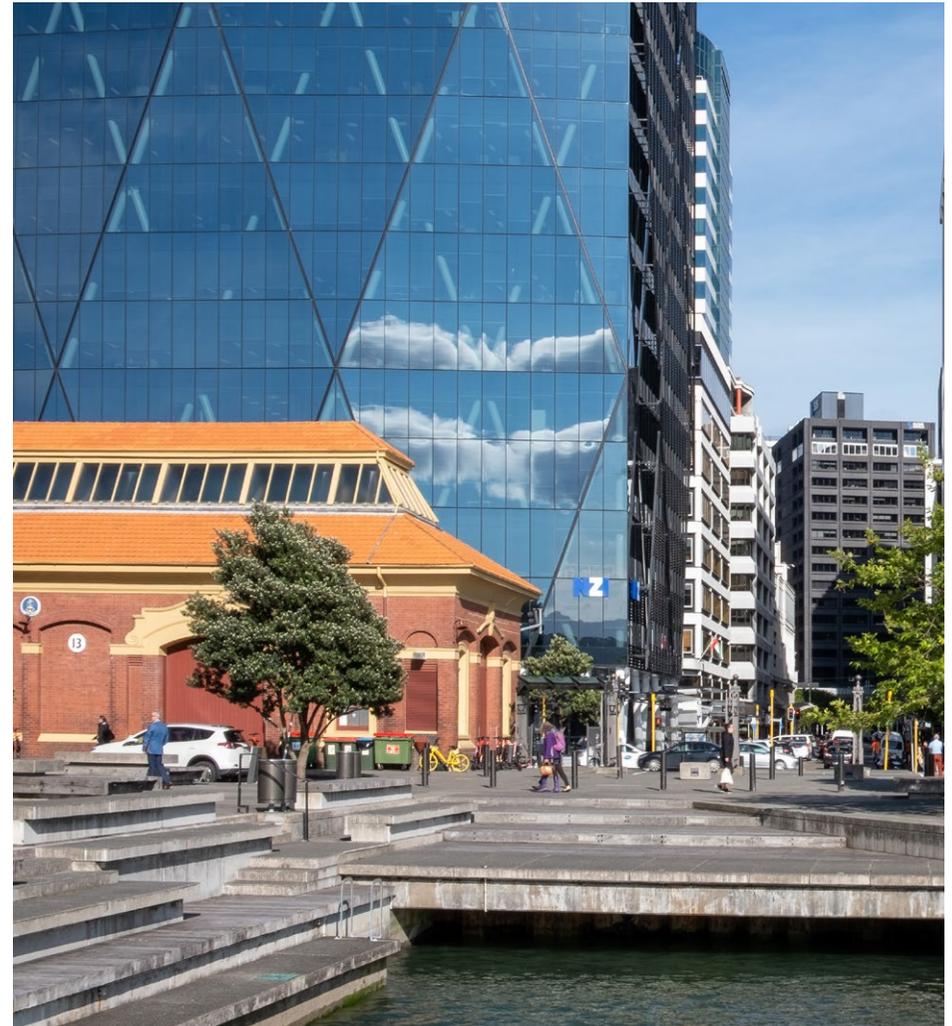
The Wellington prime office market continues to record minimal space across the skyline, with only 0.6% vacancy – equating to just ~2,300sqm of space.

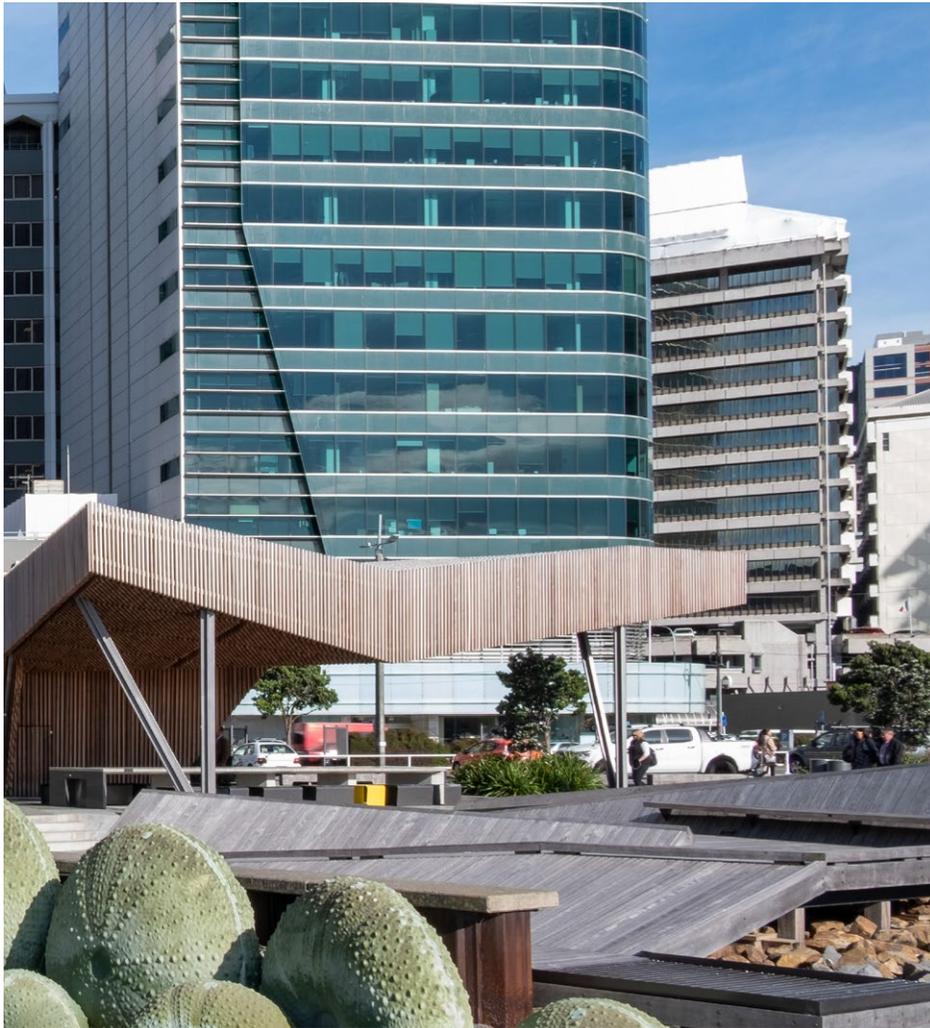


Currently under construction, 8-11 Willis Street (Argosy) is expected to deliver ~11,800sqm of A Grade office space in 2021 under a 15-year lease to Statistics New Zealand.



For the rest of 2020, we expect rents will continue to be underpinned by Wellington being at the heart of Government accommodation needs. However, we do see incentives creeping up over the coming quarters.





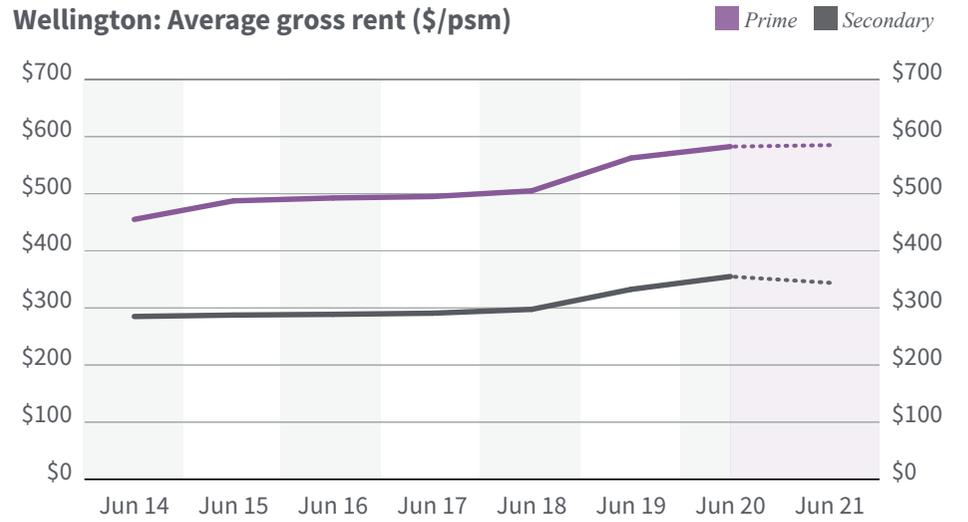
Rental levels continue to be supported by low vacancy and strong government covenants. Average gross rents now sit at \$583 per sqm and \$355 per sqm respectively for prime and secondary CBD grades.



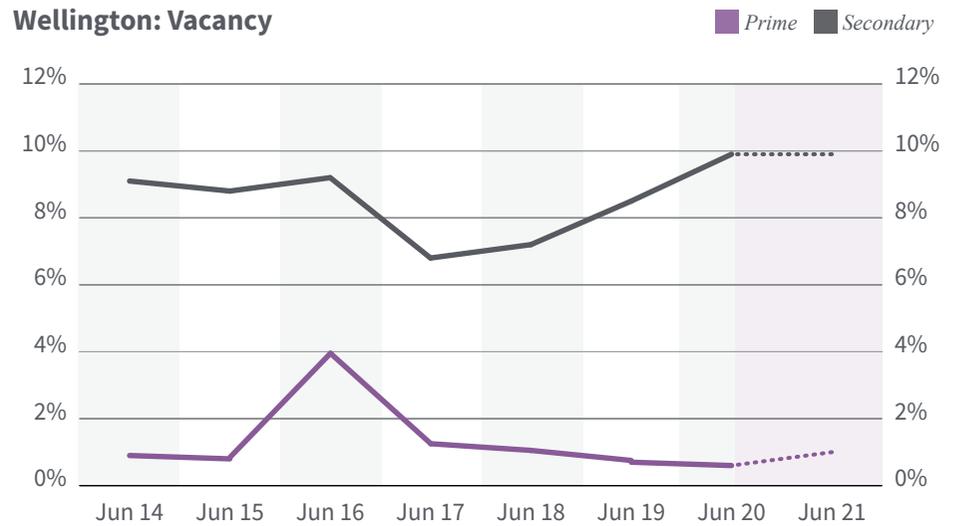
Two new buildings at 40 and 44 Bowen Street (Precinct) within the redeveloped Bowen Campus have capacity to add an additional 20,000sqm of new space, which are currently in planning with target completion scheduled for late 2022.



**Wellington: Average gross rent (\$/psm)**

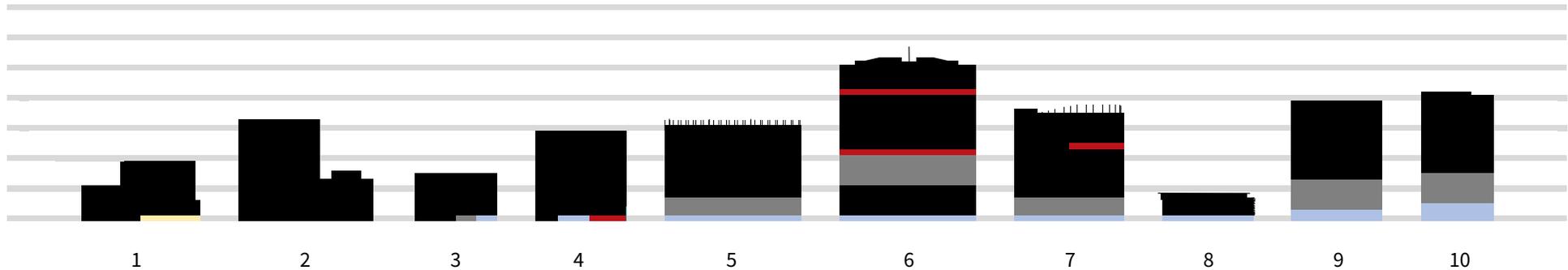


**Wellington: Vacancy**





# Skyline



1.

## Pipitea Plaza

Office space: 14,800sqm  
Vacancy: 0%

2.

## Vogel Centre

Office space: 36,600sqm  
Vacancy: 0%

3.

## Environment House

Office space: 6,300sqm  
Vacancy: 0%

4.

## No. 1 The Terrace

Office space: 16,300sqm  
Vacancy: 2%

5.

## Asteron Centre

Office space: 45,600sqm  
Vacancy: 0%

6.

## Dimension Data House

Office space: 15,480sqm  
Vacancy: 10%

7.

## Maritime Tower

Office space: 15,200sqm  
Vacancy: 3%

8.

## Meridian Energy Building

Office space: 5,600sqm  
Vacancy: 0%

9.

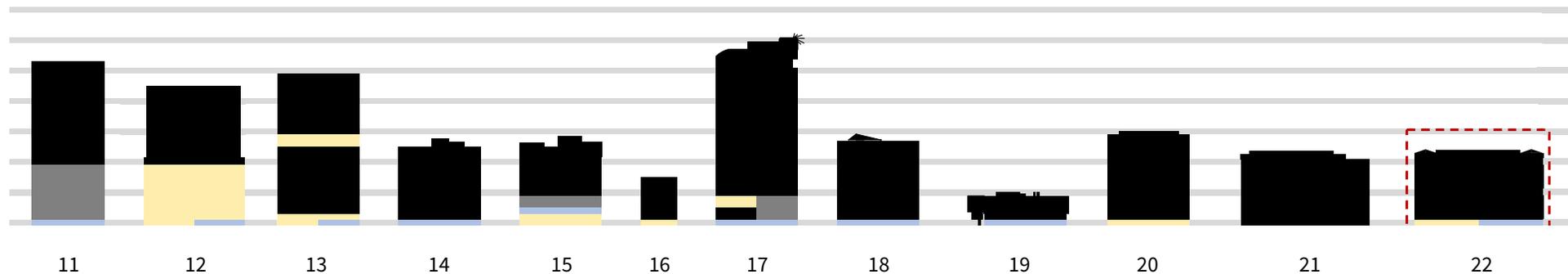
## PwC Tower

Office space: 10,000sqm  
Vacancy: 0%

10.

## 125 The Terrace

Office space: 10,900sqm  
Vacancy: 0%



11.

**HSBC Tower**

Office space: 27,400sqm  
Vacancy: 0%

12.

**ANZ Centre**

Office space: 11,350sqm  
Vacancy: 0%

13.

**AON Centre**

Office space: 25,600sqm  
Vacancy: 0%

14.

**Spark Central - Willis Tower**

Office space: 14,500sqm  
Vacancy: 0%

15.

**Spark Central - Boulcott Tower**

Office space: 12,500sqm  
Vacancy: 0%

16.

**Chews Lane Office**

Office space: 8,100sqm  
Vacancy: 0%

17.

**The Majestic Centre**

Office space: 23,100sqm  
Vacancy: 0%

18.

**Deloitte**

Office space: 16,390sqm  
Vacancy: 0%

19.

**PwC Centre**

Office space: 8,585sqm  
Vacancy: 0%

20.

**Charles Fergusson Building**

Office space: 14,042sqm  
Vacancy: 0%

21.

**Bowen State Building**

Office space: 22,415sqm  
Vacancy: 0%

22.

**8-14 Willis St**

Office space: 11,800sqm  
Under construction

# Overview Christchurch



Since 3Q19, vacancy across the Christchurch VWR buildings has decreased by 240bps and is now tracked at 3.9%, reflecting ~4,400sqm of available accommodation.



With limited new supply in the pipeline for the Christchurch prime office market, there remains an active market for quality, prime office space.



Looking forwards, limited supply in the pipeline and continued flight-to-quality trends is expected to keep prime CBD rents stable while secondary CBD rents may face downward pressure.



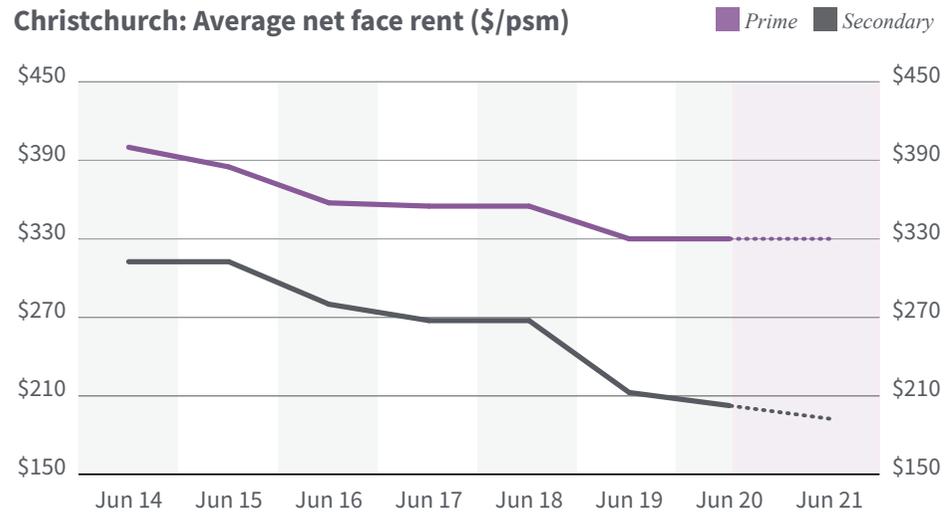


The completion of the Spark Building (fully pre-leased) delivered 5,000sqm of A Grade space into the Christchurch office market. Total Christchurch VWR office stock now sits at ~111,200sqm.

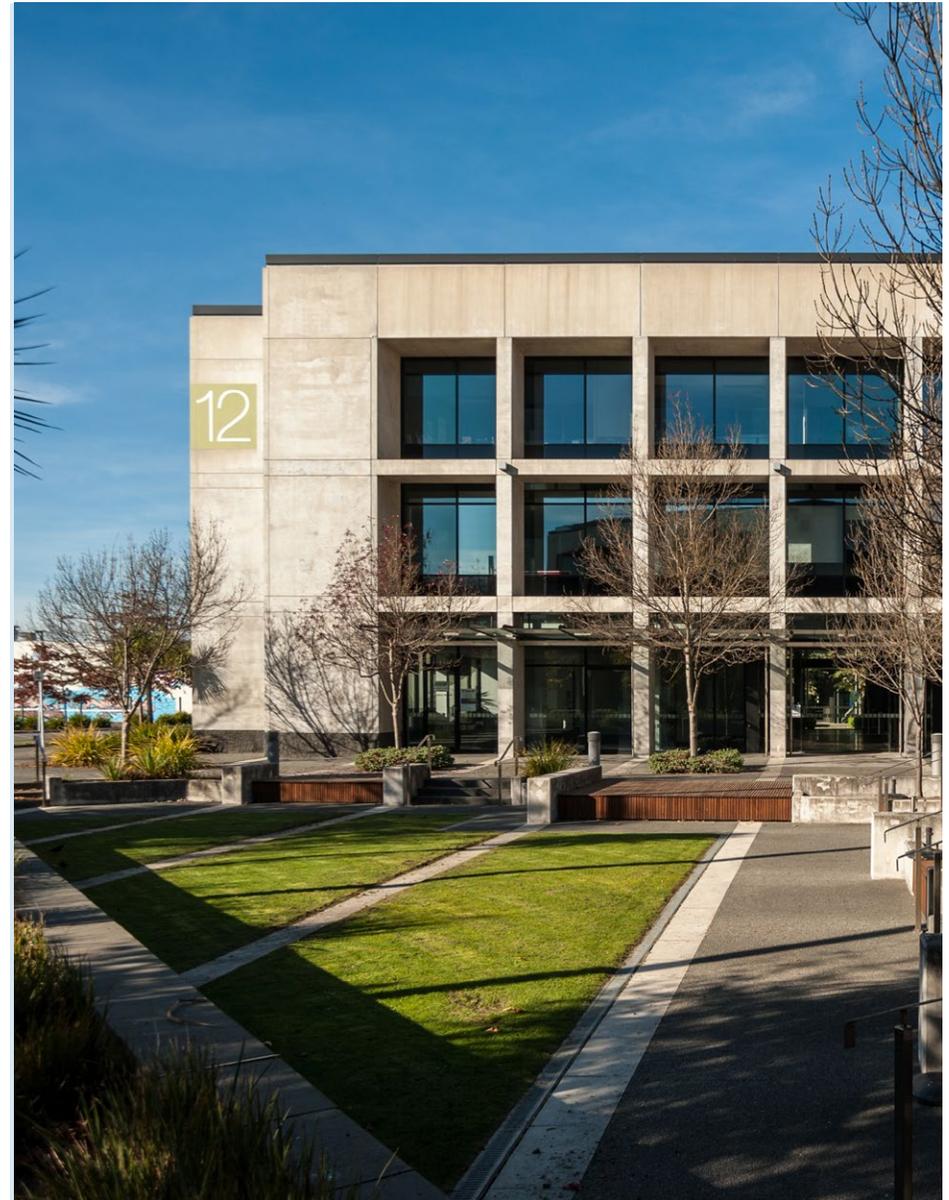
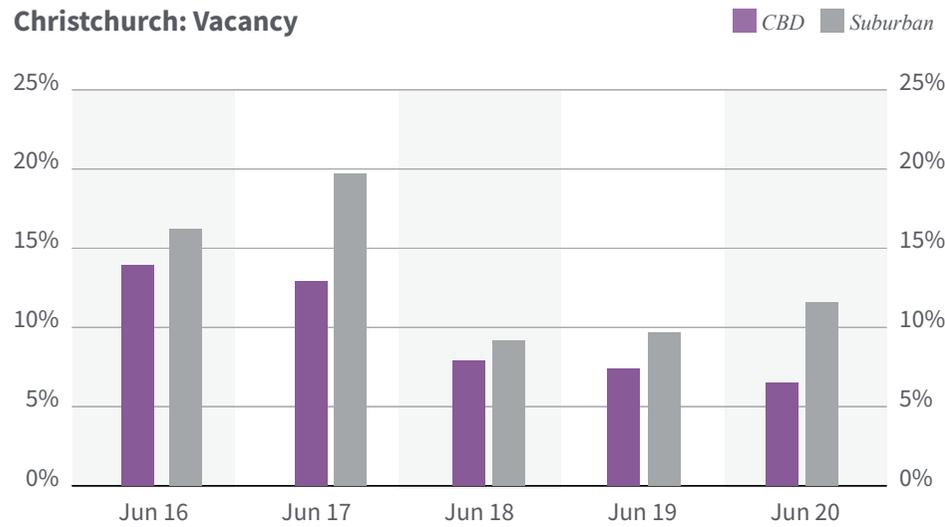


As at 2Q20, prime CBD rents remain at \$330 per sqm while secondary CBD rents averages \$203 per sqm, holding firm for five and four consecutive quarters respectively.

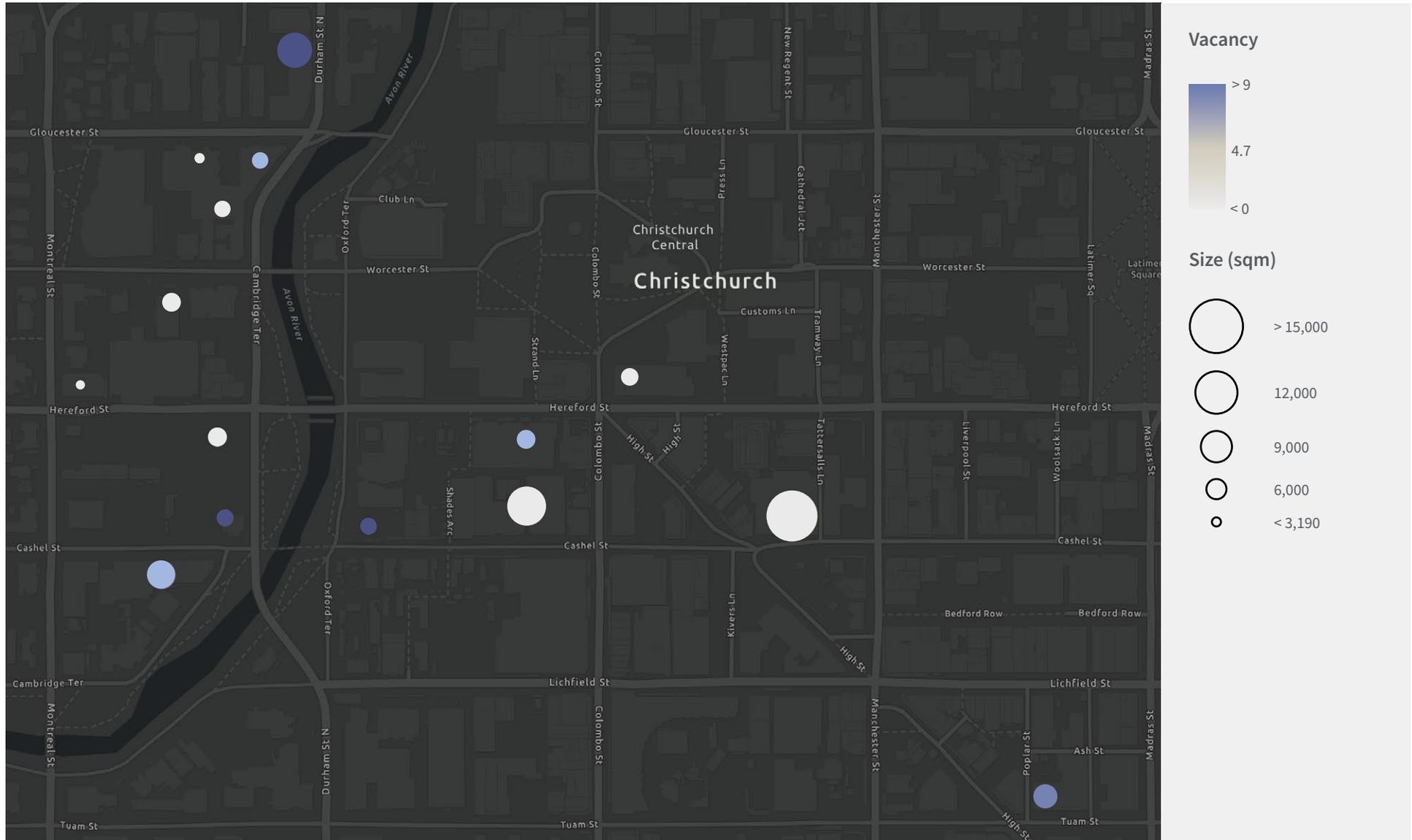
**Christchurch: Average net face rent (\$/psm)**



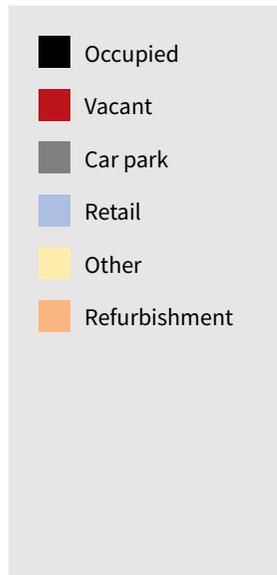
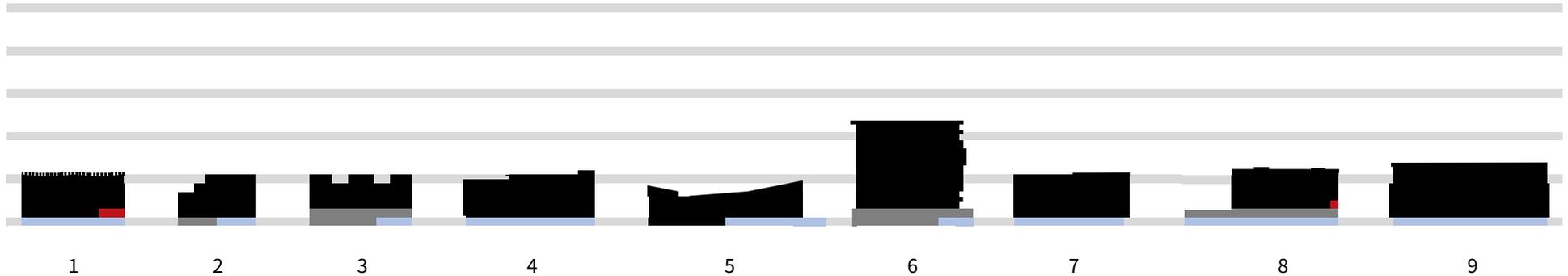
**Christchurch: Vacancy**



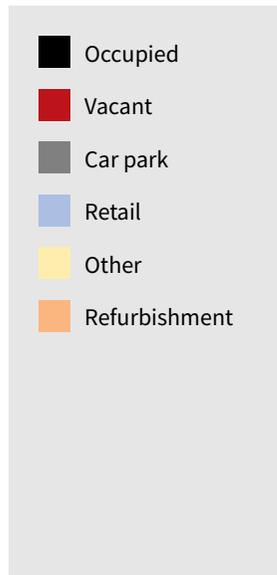
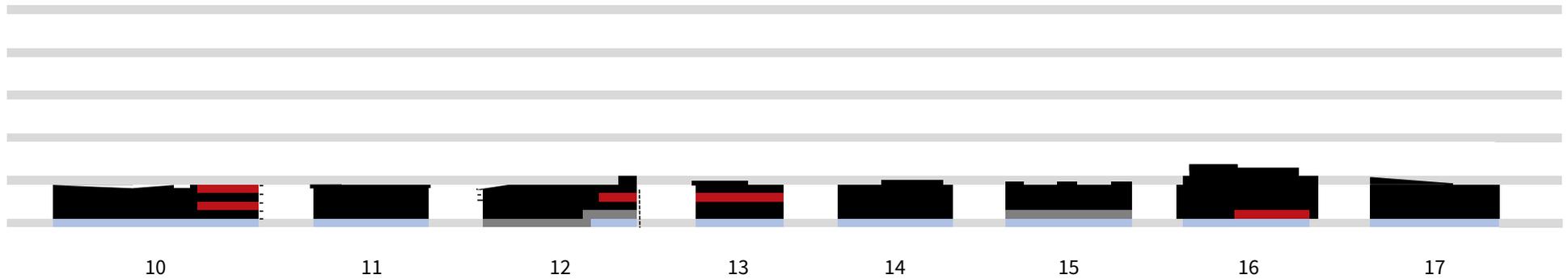
## Christchurch: Existing building and development pipeline



# Skyline



<p>1.</p> <hr/> <p><b>Deloitte House</b> Office space: 5,250sqm Vacancy: 5%</p>	<p>2.</p> <hr/> <p><b>Buddle Findlay</b> Office space: 4,225sqm Vacancy: 0%</p>	<p>3.</p> <hr/> <p><b>Anderson Lloyd House</b> Office space: 3,600sqm Vacancy: 0%</p>	<p>4.</p> <hr/> <p><b>Wynn Williams House</b> Office space: 3,190sqm Vacancy: 0%</p>	<p>5.</p> <hr/> <p><b>Duncan Cotterill Plaza</b> Office space: 4,655sqm Vacancy: 0%</p>
<p>6.</p> <hr/> <p><b>Anthony Harper</b> Office space: 5,900sqm Vacancy: 0%</p>	<p>7.</p> <hr/> <p><b>Lane Neave Building</b> Office space: 4,829sqm Vacancy: 0%</p>	<p>8.</p> <hr/> <p><b>BNZ Centre Stage 1</b> Office space: 5,920sqm Vacancy: 2%</p>	<p>9.</p> <hr/> <p><b>Grand Central</b> Office space: 15,000sqm Vacancy: 0%</p>	



10.

**Awly Precinct**

Office space: 9,952sqm  
Vacancy: 15%

11.

**Vodafone Building**

Office space: 7,040sqm  
Vacancy: 0%

12.

**PwC Centre**

Office space: 8,745sqm  
Vacancy: 5%

13.

**King Edward Barracks 1**

Office space: 5,452sqm  
Vacancy: 25%

14.

**King Edward Barracks 2**

Office space: 6,222sqm  
Vacancy: 0%

15.

**BNZ Centre Stage 2**

Office space: 11,160sqm  
Vacancy: 0%

16.

**Westpac KPMG**

Office space: 5,120sqm  
Vacancy: 14%

17.

**Spark Building**

Office space: 5,000sqm  
Vacancy: 0%



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### About JLL, New Zealand

Our New Zealand team is made up of more than 150 skilled employees situated in Auckland, Wellington and Christchurch. Our team have significant expertise in their areas of specialty and are constantly investing in deepening their specific skill sets so they can continue to add value to client requests. With more than 33 years' worth of New Zealand market data, we have been operating in New Zealand longer than any other international commercial property company. This places us in a unique position to provide an exceptional service to our clients. As a full-service property company we offer everything from valuations to project management, sales, leasing and tenant representation. It would be fair to say our team has had a hand in the life cycle of every major building in New Zealand.

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