

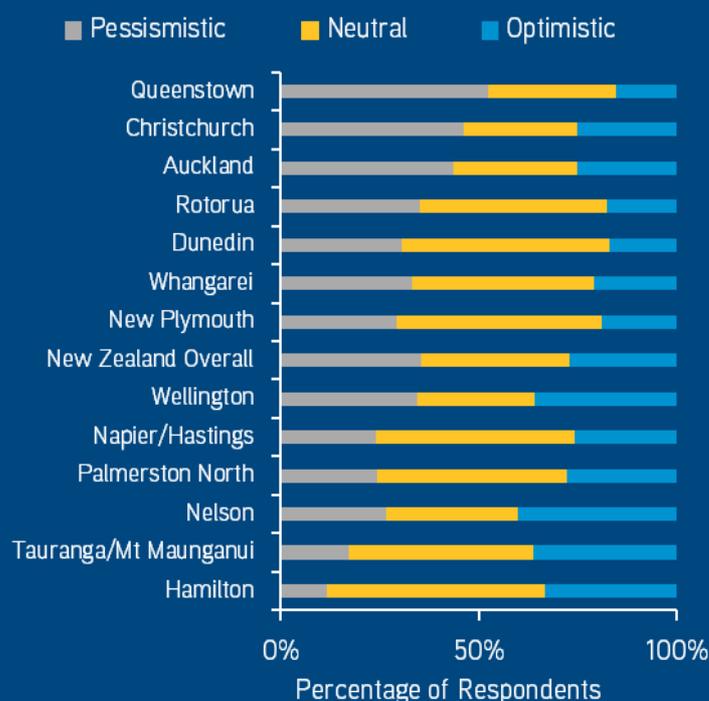
NEW ZEALAND OFFICE 2020 REVIEW & 2021 FORECAST



Office markets across the country are experiencing a rise in space availability as businesses reflect on the changing economic situation and pivot to new workplace strategies due to COVID-19. However, different market dynamics are emerging across the country and more positive economic projections are emerging.

In Auckland, the overall vacancy rate increased to 6.3% in June 2020, however a preference for quality has seen the prime grade vacancy move to just 3.5%. In Wellington, where the market is more insulated by the significant government presence, overall vacancy increased from 6.1% to 6.4% over the six months to June 2020, while prime grade vacancy was just 0.6%. In Christchurch, where supply has been more readily available, vacancy within the CBD was 14.9%.

COMMERCIAL INVESTOR CONFIDENCE (Q3 2020)

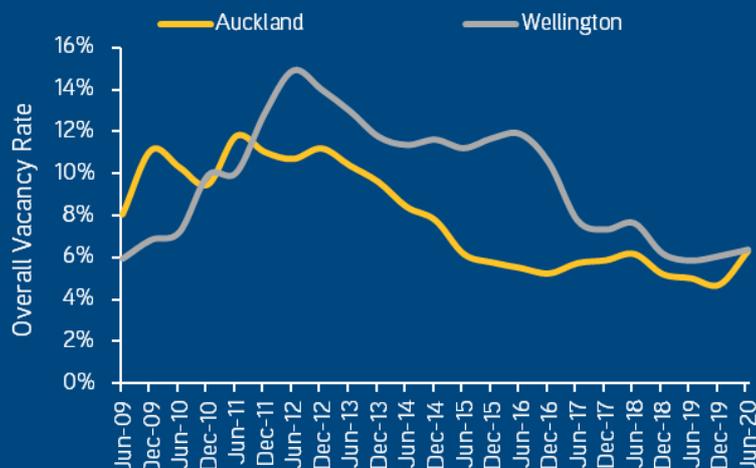


Source: Colliers International Research

While disruption to traditional work practices over the short-term can be expected, from 2021 we expect to see a greater number of employees returning to the office. While companies will continue to allow some flexibility, they will likely promote a return to the office as the limitations of working from home versus working in the office become increasingly apparent.

There has been significant new supply added to total office stock across the country in recent years, however COVID-19 has deferred the number of previously planned office projects, limiting uncommitted supply. This will assist in limiting the potential rise in vacancy rates which would have occurred had the pre-COVID-19 pipeline progressed as previously planned. Over the short-term, new development will predominantly be dependent upon significant tenant commitment being secured.

OVERALL VACANCY RATES



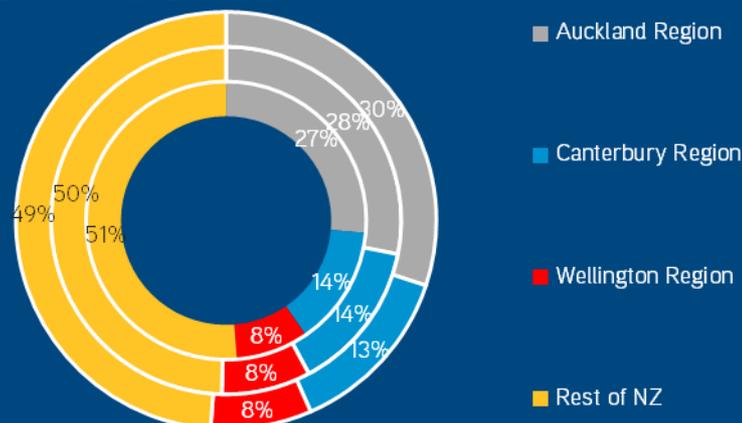
Source: Colliers International Research

The tight market conditions experienced over recent years has seen upward pressure applied to rents bolstered by the addition of new supply which has set new rental benchmarks. There is a variation in rental rates dependent upon the quality of the space on offer, however, face rents are generally holding in the prime sector in most major cities across the country. However, the level of incentives on offer has increased, primarily through an increase in rent free periods or more generous contributions toward fit-out.

The low interest rate environment has heightened interest in higher yielding property investment assets. There is a wide variation in purchaser types, but local purchasers remain the most prominent, a situation likely to persist until border restrictions are removed. Experienced investors continue to look through the disruption to office occupier conditions caused by COVID-19, with high levels of enquiry for well-located properties with strong fundamentals.

Regional market variations are also apparent with many locations insulated by strong periods of tenant demand in recent years, limiting a significant rise in space. While some opportunities are arising, prime locations remain sought after.

OFFICE REGIONAL PERCENTAGE OF TRANSACTIONS (2019 and 2020P)



Source: CoreLogic, Colliers International Research, 2020P Provisional Results

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New Zealand Office Market Indicators Q3 2020

Grade	Precinct	Average Net Face Rentals (\$/SQM pa)***		Outgoings** (\$/SQM pa)		Incentives (%)		Capital Value (\$/SQM)*		Market Yields (%)	
		Low	High	Low	High	Low	High	Low	High	Low	High
AUCKLAND CBD											
Premium	All Precincts	485	795	110	185	10	15	8820	15900	5.00%	5.50%
	New Build	575	795	110	160	8	30	10455	15900	5.00%	5.50%
A-Grade	Core	380	565	110	130	10	15	6910	10760	5.25%	5.50%
	Mid Town	325	425	110	125	10	17	5200	7390	5.75%	6.25%
	Western Corridor	335	420	120	135	10	17	5360	7305	5.75%	6.25%
	Viaduct Harbour	335	455	115	240	10	17	4785	7915	5.75%	7.00%
	Britomart	430	575	130	160	10	17	6880	10950	5.25%	6.25%
	Quay Park	345	495	120	145	10	17	4930	8250	6.00%	7.00%
	Wynyard Quarter	455	525	100	125	10	17	6740	9545	5.50%	6.75%
	Victoria Quarter	435	535	100	125	10	17	7250	9725	5.50%	6.00%
B-Grade	Core	315	440	100	125	8	15	5250	8000	5.50%	6.00%
	Mid Town	280	400	95	115	10	13	4310	6840	5.85%	6.50%
	Western Corridor	265	360	100	120	12	16	4075	6545	5.50%	6.50%
	Viaduct Harbour	250	390	115	250	12	16	3570	6240	6.25%	7.00%
	Upper Queen	250	325	90	110	15	20	3705	5650	5.75%	6.75%
	Britomart	295	425	100	125	12	16	4540	7390	5.75%	6.50%
	Quay Park	300	375	110	125	12	18	4285	6000	6.25%	7.00%
	Wynyard Quarter	325	395	95	115	10	13	5200	7180	5.50%	6.25%
Victoria Quarter	325	395	95	115	10	13	5415	7525	5.25%	6.00%	
HAMILTON CBD											
Prime / New Build	CBD	220	380	50	70	0	6	3825	7600	5.25%	6.50%
Secondary	CBD	80	185	40	55	8	25	1375	3085	6.00%	8.00%
TAURANGA CBD											
Prime / New Build	CBD	250	350	65	75	3	6	3845	7000	5.00%	6.50%
Secondary	CBD	165	200	65	70	8	25	2200	3075	6.50%	7.50%
HAWKE'S BAY											
Prime	CBD	275	320	40	67	4	6	4230	5820	6.00%	6.80%
ROTORUA CBD											
Prime	CBD	200	300	50	60	1	3	2940	5000	6.00%	6.80%
NEW PLYMOUTH CBD											
Prime	CBD	260	310	12	15	0	0	3715	5635	5.50%	7.00%
WELLINGTON CBD											
Premium / New Build	Core	660	850	170	230	0	6	8085	12855	5.00%	5.50%
	Core	550	660	150	200	0	6	5770	8820	5.50%	6.00%
A-Grade	Fringe	450	560	100	150	0	6	4485	6960	6.00%	7.00%
	Thorndon	450	535	100	135	0	6	4750	6960	5.75%	6.50%
B-Grade	Core	385	535	100	150	0	8	3715	6310	6.00%	6.50%
	Fringe	330	470	85	120	0	12	2845	4900	7.25%	7.50%
	Thorndon	310	435	80	100	0	8	2935	4930	6.75%	7.25%
CHRISTCHURCH CBD											
Prime / New Build	CBD	320	365	65	100	8	16	4740	5840	6.25%	6.75%
Secondary	CBD	250	320	65	75	8	18	3335	4570	7.00%	7.50%
QUEENSTOWN CBD											
Prime	CBD	350	425	120	180	0	0	N/A	N/A	N/A	N/A
DUNEDIN CBD											
Prime	CBD	190	240	50	80	3	6	2535	3690	6.50%	7.50%

Source: Colliers International Research

*Assuming fully lease at market rates and all capital values are based on Net Face Rents

**Includes ground rent component where appropriate

***Wellington based on gross face rents

Note: Figures are rounded for research purposes

FOR MORE INFORMATION:

Chris Dibble
National Director
Colliers Partnerships
Research & Communications

Ian Little
Associate Director
Research

Adrian Goh
Analyst
Research

Colliers International
Level 27, SAP Tower
151 Queen Street
Auckland
+64 9 358 1888

