



**Preston**  
*Rowe*  
**Paterson**

®  
International Property Consultants

# PROPERTY MARKET REPORT

## About This Report

Preston Rowe Paterson prepare standard research reports covering the main markets within which we operate in each of our capital cities and major regional locations.

The markets covered in this report include the commercial office market, industrial market, retail market, hotel and leisure market and residential market and special purpose properties for many varied reasons, as set out later herein.

We also provide property management services, asset and facilities management services for commercial, retail and industrial property as well as plant and machinery valuation.

To compile the research report we have considered the most recent available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

## March Quarter 2015

### INSIDE THIS ISSUE:

Commercial Office Market	2
Retail Office Market	3
Industrial Office Market	4
Economic Fundamentals	6
About Preston Rowe Paterson	7
Contact Us	9



## Commercial Office Market



Source: www.virtualoc.enai.net.

### Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the New Zealand CBD Markets during the three months to March 2015.

#### **Datacom Building, Auckland CBD**

Goodman (NZ) Limited has purchased the Datacom Building that is currently being developed for **\$86.2 million**. The property is currently undergoing development with completion expected March 2017. The property will comprise 16,735m<sup>2</sup>, consisting of 15,328m<sup>2</sup> office with large flexible floor plates, 1,407m<sup>2</sup> retail and 152 car spaces. The purchased will be finalized upon completion from Fletcher Building. A 15 year lease across 5 floors has been agreed, representing 80% of the rentable area. When fully leased, this sale is expected to **yield 8.5%**. (NZH 28/3/15).

#### **ANZ Business Centre, Albany, Auckland**

Corinthian Drive Investments has purchased a five level office building for **\$27 million**. The building has a lettable area of 5,736m<sup>2</sup> over three levels, one retail level and car parking and car parking level. Has a WALE of 5.3 years and reflects a yield of **7.0%**. (Stuff.co 15/3/15).

#### **150 Seventeenth Avenue, Tauranga**

A four storey office building on a site area of 1,559m<sup>2</sup>, sold for **\$2 million**. Leased for 8 years from October 2014 with 2 x 3 year rights of renewal with passing rental of \$137,380 p.a., net. Reflects a **yield of 6.86%**. (Stuff.co 15/3/15).

#### **80 Anzac Ave, CBD, Auckland**

A six storey office building, sold for **\$6.35 million** at a **8.4% yield**. Comprising lettable area of 2,739m<sup>2</sup> and site area of 656m<sup>2</sup>. Leased to private education provider Crown Institute of Studies for 12-year lease from October 2014 with no rights of renewal, producing \$535,000 net plus GST a year with two-yearly CPI rent reviews plus market review in October 2019. This reflects a rate of \$2,318 psm (NBR 20/2/2015)

#### **69-71 Beach Rd and 64-68 Anzac Ave, CBD, Auckland**

Purchased by an owner-occupier/investor for **\$5.8 million**. Two five-storey interconnecting character office buildings constructed in the early 1920s on two freehold titles totaling 805m<sup>2</sup>. The purchaser will occupy some of the vacant space and endeavour to lease up balance. It comprises a 1,418m<sup>2</sup> building at 69-71 Beach Road and a 911m<sup>2</sup> building at 64-68 Anzac Ave, with IEP seismic ratings of 55-65% of NBS, partially leased with various office, retail and car parking tenancies producing approximately \$480,000 plus GST a year. This reflects a rate of \$2,490 psm (NBR 20/2/2015)

#### **116 Symonds St, CBD, Auckland**

A 602m<sup>2</sup> building constructed in the 1930s as the Church of Christ Scientist, converted and extensively refurbished in 2003 to provide ground floor and mezzanine character office space, sold with vacant possession for **\$3.6 million**. On 579m<sup>2</sup> site on corner with St Martins Lane, the building has 13 secure basement car parks, Auckland Council Heritage B rating and seismic assessment of 80% of NBS. This reflects a rate of \$5,980 psm. (NBR 20/2/2015)

#### **18 Sale St, CBD, Auckland**

Purchased by a private investor for **\$10.525 million**. It comprises a three storey building of 3,150m<sup>2</sup> and a passing net income of \$740,000. This reflects a **yield of 7.03%** and a rate of \$3,341 psm.



Source: www.truecommercial.nzherald.co.nz

#### **IBM House & Datam House, Wellington**

Two properties sold jointly by receivers Grant Thornton for **\$32 million**. Datam House was completed in 2010 and comprises eight storeys with 100% NBS rating, large floor plates and over 40 car parks per floor. Datam House offered the opportunity of a large development located on Petone's waterfront, with 11,000m<sup>2</sup> of lettable area. "IBM House has typical floor plates of 1360m<sup>2</sup>. The total net lettable area of the building is 9735m<sup>2</sup>, 98% leased at present with a WALE of 4.2 years, and the tenants provide a total net income of \$1,914,551 a year. Datam House offered a 1.7165 Ha site with more than 11,000m<sup>2</sup> of buildings situated. Being purchased together with the adjacent IBM House provides a total of more than 3.1ha and potential development options. (NBR 12-2-15)



Source: NBR

### Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in the New Zealand CBD Markets during the three months to March 2015.

#### Level 1, 69 Boulcott Street, Wellington

Confidence Overseas Education Company Ltd subleased a whole floor of 201m<sup>2</sup> comprising seven offices, reception and open plan, fit-out in place for \$38,000 a year. This reflects a rate of **\$189 psm** (NBR 30/1/15)



#### 3b, 46 Acheron Dr, Christchurch

A 392m<sup>2</sup> first floor office was leased for **\$136,743 net** (including fitout and 12 car parks. This reflects a rate of **\$349 psm net**. (NBR 30/1/15)

#### Part Level 1, 84-90 Main St, Upper Hutt

CBDTL leased 376m<sup>2</sup> of office space at CBD Towers to the Hutt Valley District Health Board. The rental was \$81,700 a year plus GST gross **\$200 psm** with five car parks @ **\$25 a car park per week** (NBR 10/4/15)



#### First floor unit 3/17 Marina View, Paremata

Doublewinkel Real Estate Ltd leased the complete top floor with seven carparks, for three years, with 3x3 ROR for \$60,000 a year. (NBR 10/4/2015)

#### Level 3, 10 Viaduct Harbour Ave, CBD, Auckland

A 522.7m<sup>2</sup> office with two car parks was leased for three years with 1x3 ROR at \$261,915 a year net plus GST. This reflects a rate of **\$501 psm**. (NBR 13/2/15).

#### Level 1, Mastercard House, 136 Customs St West, CBD, Auckland

A 383m<sup>2</sup> office with four car parks was leased for two years with 1x2 ROR at \$156,235 a year plus GST. This reflects an office rate of **\$356 psm** office and car space rate of **\$95 per week**. (NBR 13/2/15)



#### Office 103, 441 Queen St, CBD, Auckland

A 418.89m<sup>2</sup> office with two car parks was leased for two years with rent reviews upon renewal and 1x2 ROR at \$113,880 a year gross plus GST. This reflects a rate of and office rate of **\$272 psm** and rate per space of **\$50 per week**. (NBR 13/2/15).

### Retail Market



Source: www.primecommercial.co.nz

## Investment Activity

Preston Rowe Paterson Research recorded the following retail transactions that occurred in the New Zealand CBD Markets during the three months to March 2015.

### Apex Mega Centre, Mt Wellington, Auckland

Purchased by Kiwi Property Group for **\$64 million**. A retail centre comprising 16,500m<sup>2</sup> has been purchased for **\$64 million**. Sale reflected a **yield of 7%** and rate of \$3,879 psm.

### Southgate Centre, Takanini, Auckland

Purchased by Augusta Capital for **\$58.5 million**. A retail centre, comprising 21,000m<sup>2</sup> on a 2.9ha site that is leased to 31 tenancies and has a rental of about \$4.4 million. This reflects a yield of 7.5% and rate of \$2,786 psm. (Stuff.co 15/3/15).



Source: truecommercial

### 33-43 Jackson St, Petone, Lower Hutt

Seaview HP Ltd purchased the property for **\$9.5 million** on a **yield of 11.6%**. The property is fully leased for 3.5 years (NBR 5/2/15)

### 30-40 Annie Huggan Grove, Petone, Wellington

A 1,717m<sup>2</sup> bulk retail building on 3,862m<sup>2</sup> site sold for **\$3 million**, at an **8.0% yield**. It is occupied by Warehouse Stationery on a six-year lease from April 2013 with two rights of renewal of three years each for \$235,565 net plus GST a year. This reflects a rate of \$1,747 psm. (NBR 5/2/15)

### Cherrywood Shopping Centre, Cherrywood Drive, Tauranga

The centre has been sold for **\$3.57 million** at a **yield of 7.1%**. The centre has 17 retail/office tenants. (NBR 27/2/15)

## Leasing Activity

Preston Rowe Paterson Research recorded the following retail leases that occurred in New Zealand during the March quarter 2015.

### Ground floor, 46 Parnell Rd, Parnell, Auckland

A 585m<sup>2</sup> showroom with four carparks was leased for six years from March 2015 with 1x4 ROR for \$286,450 a year net plus GST. This reflects for the retail **\$425 psm** and car parking **\$65 per space per week**. (NBR 13/2/15)

### 2-8 Short St, Newmarket, Auckland

A 1567m<sup>2</sup> property with 978m<sup>2</sup> of retail and 20 car parks was leased to an Asian supermarket for three years, with 5x3 year ROR for \$220,000 a year net plus GST for two years, increasing to \$240,000 a year plus GST at year 3. This reflects a rate of \$224 psm (incl. car spaces) (NBR 13/2/15)

## Economic Statistics

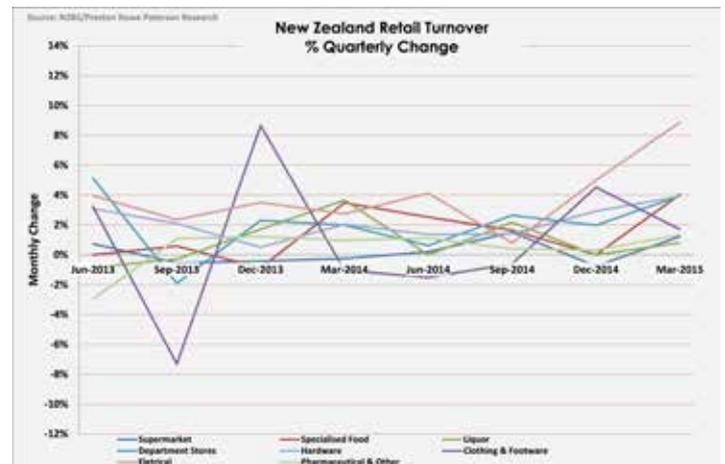
According to the New Zealand Bureau of Statistics Retail Trade Survey (March 2015), the retail volume recorded for New Zealand seasonally adjusted showed increases in all 15 industries. The total retail turnover in New Zealand for the March quarter was \$19.32 billion and had turnover growth of 2.7%.

Electrical and electronic goods retailing recorded the highest rise (8.9%), fuel retailing rose (3.5%) and hardware, building and garden supplies rose (3.9%) This is the first time that all industries have increased in the same quarter since 2006.



Year on year analysis of the 15 retail industries revealed 19,253 million turnover results with all categories recording increases over the year except fuel that fell (8.8%)

The largest growth in retail turnover is in Non-store and commission-based retailing, rising by (21.9%) to a quarterly turnover of \$240 million and accommodation up (14.5%) to a quarterly turnover of \$1,003 million.



## Industrial Market



Source: nz.goodman.com

## Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the New Zealand Industrial Markets during the three months to March 2015.

### 38 Dalgety Drive, Wiri, Auckland

Purchased by private investor from Goodman Property Trust for **\$53.23 million**. It comprises 60,000m<sup>2</sup> on 9.24Ha site. The passing rental is about \$4.5 million. This reflects yield of **8.45%** and rate of \$887 psm. (propbd 1/2/15).



Source: sturr.co

### 41 & 41A Sale St, Auckland CBD

41 Sale St, Unit C plus adjoining future development unit 41A Sales St sold for **\$1.95 million**, at a **6.7% yield**.

A fully leased 537m<sup>2</sup> three-level warehouse and office building with secure covered parking for 11 cars. Unit C is leased for six years to ITL Technologies Ltd from January 2012, with 2 x 3 and two-yearly rent reviews to higher of CPI or market, at \$131,018 net plus GST a year. The future development unit, on a separate title on the northern border of the site, provides the ability to construct further floor area at Level 1 over the ground floor car park and common property. (NBR 5/2/15)



www.commercialrealestate.co.nz

### 709 Te Rapa Rd, Hamilton

The property was sold for **\$12.4 million**. The property includes 14,000m<sup>2</sup> of building floor space and is tenanted by manufacturer NDA on a 10+ year lease, generating \$900,000 in net annual income. Site Area of 2.927ha Reflects a **yield of 7.0%** and rate of \$885 psm (NBR 5/2/15)

### 16 -22 Omega St, Albany, Auckland

Purchased by a private syndicate for **\$8.5 million** at a **6.5% yield**. It comprises a 3231m<sup>2</sup> industrial building with a 5856m<sup>2</sup> site in two titles with 92 carparks. The building comprises 8.6-10 metre high, clearspan warehousing, air-conditioned offices and showroom space with new five-year, two-month lease to Pacific Brands Workwear, recently acquired by Wesfarmers. This reflects a rate of \$2,631 psm (NBR 27/2/15).

### 481 Tremaine Ave, Palmerston North

Partially tenanted large-scale 6935m<sup>2</sup> industrial complex on 1.43 ha with wide road frontage sold for **\$2.02 million** with holding income of \$74,905 net a year. This reflects a **yield of 3.71%**. (NBR 15/3/15)

### 174-176 Glasgow St, Wanganui

Purchased by an investor, on a sale and leaseback to the building owner. An industrial building on a 5797m<sup>2</sup> site sold for **\$4.25 million**. This reflects a rate of \$73 psm.

### 20 Vesty Drive, Mt Wellington, Auckland

The property sold for **\$8.75 million** and comprises a site area of 6898m<sup>2</sup>, lettable area of 4,179m<sup>2</sup> and is leased to Fletcher Building until 2019 with a 6 year right of renewal and passing rental of \$535,000 p.a. net. This reflects a **yield of 6.0%** and rate of \$1,268 psm (NZH 21/2/15)



Source: www.nzherald.co.nz

## Leasing Activity

Preston Rowe Paterson Research recorded the following industrial leases that occurred in New Zealand during the March quarter 2015.

### 102a Carbine Rd, Mt Wellington

A 2,700m<sup>2</sup> industrial unit was leased for six years with 3x2 year ROR at \$185,000 net. First year \$220,000, second year \$220,000 plus CPI third year. It has 2200m<sup>2</sup> of warehouse and 500m<sup>2</sup> of office. This reflects a rate of **\$67 psm** (NBR 30/1/15)

### 66 Apollo Drive, Albany

An industrial property, comprising 356m<sup>2</sup> offices, warehouse 1,051m<sup>2</sup>, other 105m<sup>2</sup> and was leased for \$215,000 a year **\$142 psm**. (NBR 2/4/15)

### 24 Sherson St, Tauranga

A 812m<sup>2</sup> warehouse, office and yard, with 10 car parks included in rental was leased for two years with rights of renewal for \$29,000 a year plus GST. This reflects a rate of **\$36 psm** (NBR 30/1/15)

### 42 View Road, Wairau Valley

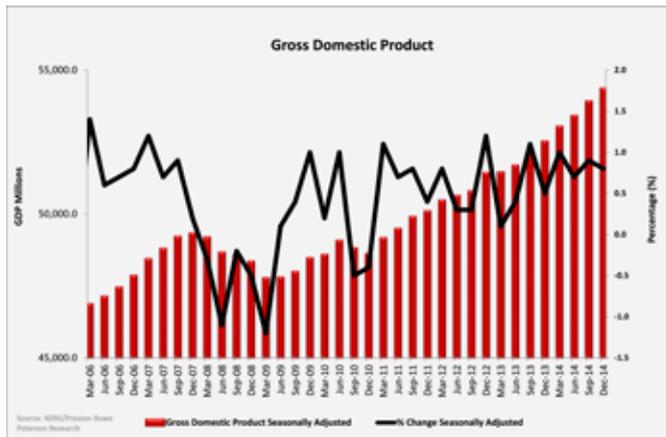
A 2,073m<sup>2</sup> warehouse was leased for \$220,000 a year. This reflects a rate of **\$106 psm** (NBR 2/4/15)

## Economic Fundamentals

### GDP

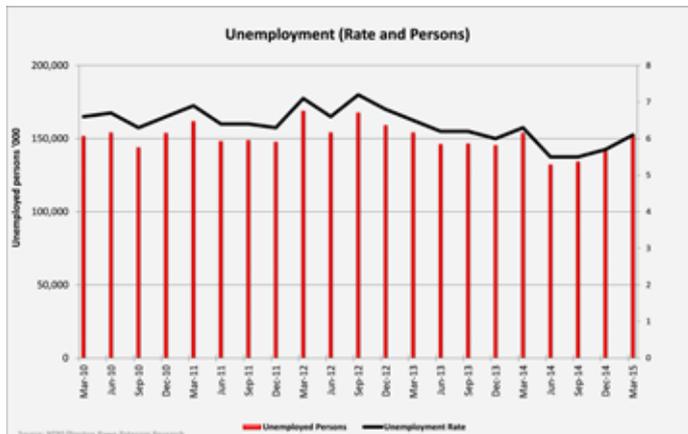
GDP figures for the December quarter revealed that the New Zealand economy recorded growth of xx% seasonally adjusted which reflected growth of 0.8% seasonally adjusted over the twelve months to December 2014.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Retail trade and accommodation which increased by 2.3%. Information media and telecommunications increased by 2.0% and Public administration and safety increased by 1.3%.



### Labour Force

Over the month to March 2015, the number of unemployed people increased by 109,000 from 141,900 in December 2014 to 152,800 in March 2015, which is a 0.4% increase. In comparison to March 2014, the number of unemployed people has decreased by 13,000, which reflects an annual decrease of 0.1%. The unemployment rate as at March is 6.1%.

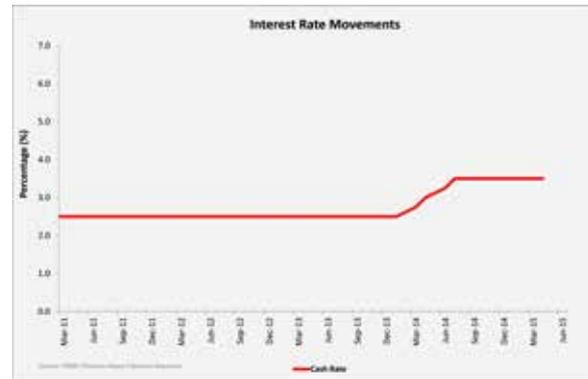


### Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2015 remained unchanged at 3.50%. The Reserve Bank of New Zealand's Media Release for April 2015, released 30 April 2015:

"The New Zealand economy continues to grow at an annual rate of around 3 percent, supported by low interest rates, high net immigration and construction activity, and the fall in fuel prices. House price inflation is elevated in Auckland. However, lower dairy incomes, lingering effects of drought, fiscal consolidation, and the high exchange rate are weighing on the outlook for growth.

Lower fuel prices, coming on top of the high exchange rate and low global inflation, lowered annual CPI inflation to 0.1 percent in the March quarter. Underlying inflation remains low and is expected to pick up gradually. Monetary policy will focus on the medium-term trend in inflation. The Bank expects to keep monetary policy stimulatory, and is not currently considering any increase in interest rates."



### CPI

According to the New Zealand Bureau of Statistics (March 2015), the New Zealand All Groups CPI declined by 0.3% over the March quarter from 1197 to 1193. The annual CPI change to March 2015 recorded a slight increase of 0.1%.

The most significant percentage increases of consumer groups over the March quarter were for Alcoholic Beverages (4.2%) and Education Group (4.0%). The greatest percentage decreases of consumer groups over the quarter was of Transport Group (6.4%) and Communication Group (4.5%).



## Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets.

### We have *property* covered

- Investment
- Development
- Asset
- Corporate Real Estate
- Mortgage
- Government
- Insurance
- Occupancy
- Sustainability
- Research
- Real Estate Investment Valuation
- Real Estate Development Valuation
- Property Consultancy and Advisory
- Transaction Advisory
- Property and Asset Management
- Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- Plant & Machinery Valuation
- General and Insurance Valuation
- Economic and Property Market Research

### We have *all real estate types* covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of real estate including:

- CBD and Metropolitan commercial office buildings
- Retail shopping centres and shops
- Industrial, office/warehouses and factories
- Business parks
- Hotels (accommodation) and resorts
- Hotels (pubs), motels and caravan parks
- Residential development projects
- Residential dwellings (individual houses and apartments units)
- Rural properties
- Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- Infrastructure including airports and port facilities

### We have *all types of plant & machinery* covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- Mining & earth moving equipment/road plant
- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
- Heavy, light commercial & passenger vehicles
- Industrial manufacturing equipment
- Wineries and processing plants
- Special purpose plant, machinery & equipment
- Extractive industries, land fills and resource based enterprises
- Hotel furniture, fittings & equipment

### We have *all client profiles* covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- Accountants
- Banks, finance companies and lending institutions
- Commercial and Residential non bank lenders
- Co-operatives
- Developers
- Finance and mortgage brokers
- Hotel owners and operators
- Institutional investors
- Insurance brokers and companies
- Investment advisors
- Lessors and lessees
- Listed and private companies corporations
- Listed Property Trusts
- Local, State and Federal Government Departments and Agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property Syndication Managers
- Rural landholders
- Self managed super funds
- Solicitors and barristers
- Sovereign wealth funds
- Stock brokers
- Trustee and Custodial companies

### We have *all locations* covered

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices or special purpose real estate asset classes, infra- structure and plant & machinery.

### We have *your needs* covered

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & revaluations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

## NEW ZEALAND OFFICES

### PRP Fergusson Lockwood

Level 1, 28 Liverpool Street  
Hamilton 3240  
07 838 3248  
waikato@prpnz.nz

Russell Fergusson 027 291 3624

### PRP Barlow Justice Binns

Level 1 Bracken Court  
480 Moray Place  
Dunedin 9016  
03 477 7785  
otago@prpnz.nz

Adam Binns 021 121 4611

### West Coast

64 High Street  
Greymouth 7840  
03 768 0397  
westcoast@prpnz.nz

Brian Blackman 027 252 4397  
Mark Bolland 027 694 7041  
Peter Hines 027 252 0397

### PRP Tauranga

40 Wharf Street  
Tauranga 3110  
07 927 7544  
tauranga@prpnz.nz

Alex Haden 021 833 118  
Roger Hills 021 927 735  
Jason Coulson 021 248 5810

### PRP Wellington

23 Broderick Road  
Johnsonville 6440  
04 939 6346  
wellington@prpnz.nz

Brian Mudge 027 226 3630

### New Zealand Head Office

Level 7, 3 Albert Street  
Auckland 1010  
mitchell.stubbs@prpnz.nz

Mitchell Stubbs - Country Co-Ordinator 027 774 4200  
Greg Sugars - CEO & National Director 027 777 9010

[www.prpnz.nz](http://www.prpnz.nz)