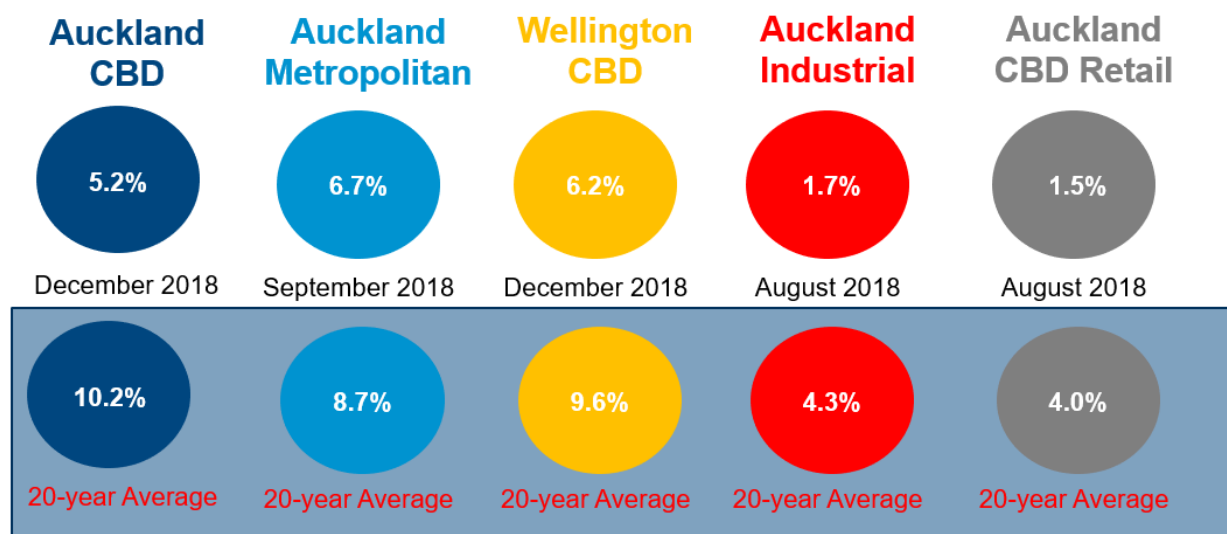


NEW ZEALAND RESEARCH REPORT

March 2019

Vacancy rates well-below long-term average



New Zealand Key Economic Indicators – March 2019

	Dec-18 (yr rate)	Dec-18 (qtr rate)	Sep-18 (qtr rate)	Q-o-Q Change	Dec-17 (yr rate)	Y-o-Y Change	2019F*	2020F*	2021F*
GDP Growth	2.5%	0.6%	0.3%	0.3%	3.4%	-0.9%	2.7%	2.8%	2.7%
Current Account (% of GDP)	-3.6%	NA	NA	NA	-2.9%	-0.7%	-3.5%	-3.8%	-4.1%
	Mar-19 (yr rate)	Mar-19 (qtr rate)	Dec-18 (qtr rate)	Q-o-Q Change	Mar-18 (yr rate)	Y-o-Y Change	2019F*	2020F*	2021F*
CPI Inflation	1.9%	0.5%	0.1%	0.4%	1.1%	0.8%	1.8%	1.8%	2.0%
Net Migration Gain (000's)	39	8	9	-1	49	-10	39	24	17
Retail Sales (ex-auto)	4.0%	-0.2%	2.3%	-2.5%	4.4%	-0.4%	4.1%	4.6%	5.1%
Unemployment Rate	4.2%	4.2%	4.3%	-0.1%	4.6%	-0.4%	4.2%	4.1%	4.1%
	Dec-18 (yr rate)	Nov-18 (yr rate)	M-o-M Change	Dec-17 (yr rate)	Y-o-Y Change	10 Year Average	2019F*	2020F*	2021F*
Tourist Numbers Growth	4.2%	5.8%	-2.5%	4.4%	-0.2%	4.9%	4.5%	4.0%	4.7%
Official Cash Rate	1.75%	1.75%	0 bps	1.8%	0 bps	2.40%	1.75%	1.75%	2.25%
90 Day Bank Bill Rate	2.0%	2.0%	0 bps	1.9%	10 bps	2.6%	1.9%	1.9%	2.3%
10 Year Government Bond	2.5%	2.7%	-24 bps	2.8%	-31 bps	3.8%	3.0%	3.2%	3.4%
Floating Mortgage Rate	5.9%	5.9%	0 bps	5.8%	1 bps	6.0%	5.8%	5.8%	6.1%
3 Year Fixed Housing Rate	5.1%	5.1%	2 bps	5.3%	-23 bps	6.2%	NA	NA	NA
Consumer Confidence	122	119	3%	122	0%	120	NA	NA	NA
NZD vs US	0.68	0.68	1%	0.70	-2%	0.74	0.68	0.65	0.65
NZD vs UK	0.54	0.52	3%	0.52	4%	0.50	0.53	0.48	0.47
NZD vs Australia	0.95	0.93	2%	0.91	4%	0.86	0.93	0.87	0.86
NZD vs Japan	77	77	0%	79	-2%	73	76	74	73
NZD vs Euro	0.60	0.60	1%	0.59	2%	0.59	0.60	0.61	0.62

Source: NZIER, Colliers International Research
*March year forecast

Office

Commercial and Industrial sales activity between 2015 and 2018 has lifted, driven by local as well as offshore investor activity. When offshore purchaser's source of funds in the office sector is analysed for transactions of \$50m+, it is apparent that Global/US funds and the Asian funds are buying high value premises at scale. Portfolio purchasing is considered to be the most attractive if available, but single office assets in similar precincts are also being purchased. In 2018, offshore purchasers of office assets of \$50m or more in Auckland represented 85% of all transactions at a total value of \$2.75 billion (some transactions still subject to OIO approval). Offshore investors continue to remain active and will pursue office assets throughout 2019.

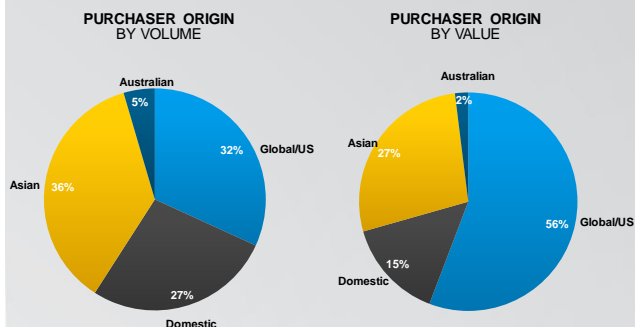
Retail

Retail spending continues to grow across the country, but the growth remains focused on certain retailing industries. Supermarket and grocery sales continue to dominate the total value of retail spending in New Zealand, and an additional 2% growth from the December 2017 quarter to the December 2018 quarter was experienced, extending the sector's lead. Chemists, DIY and gardening stores continue to experience more positive spending conditions as well as department stores, however, retailers are cautious and highlight that conditions remain challenging despite this uplift. Recreational, furniture and flooring store spending remained relatively flat over the past year, which will see these retail industries continue to languish behind other sectors. Looking forward, given the strong correlation between house price growth and retail spending, the regions with the highest levels of residential price growth, either in actual value or in sentiment, will experience the most buoyant retail conditions. These include areas such as Dunedin, Napier, Hastings and Palmerston North.

Industrial

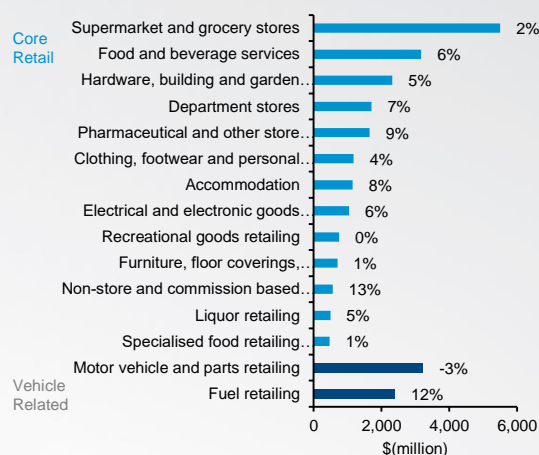
Although 2018 sales data remains provisional and will likely receive a boost upwards from the current numbers once more settled sales are reported, it is apparent in the bottom chart that industrial sales remain the most highly traded of all of the sectors. This is an ongoing trend and represents the higher number of industrial assets and the strong investor and owner-occupier market. The chart also highlights that while sales activity is buoyant at the moment, the level of turnover remains significantly below previous peak periods between 1993-1997 and 2003-2006. This is a trend likely to continue and we forecast that turnover activity will be more modest over the next few years. This is not representative of cautious market activity, just the lack of suitable stock available for purchase.

Purchaser's Origin of Funds for Office Transactions (2017-2018, \$50m+)



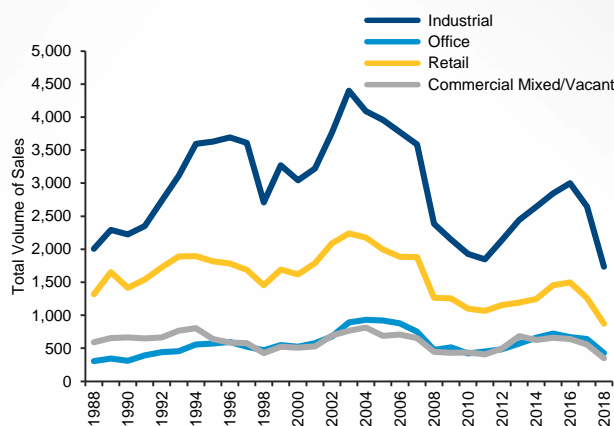
Source: CoreLogic, Colliers International Research
*Auckland office property transactions \$50m+ (2017-2018)

Retail Spending by Sector (total value & %age change)



Source: StatsNZ, Colliers International Research

Commercial and Industrial Sales Activity by Sector



Source: Colliers International Research

Annual Market Indicator Review – Q4 2018

Property Sector	Prime Rents (% Change)	Prime Capital Values (% Change)	Vacancy Rate	
	12-Months to Dec-18	12-Months to Dec-18	2017	2018
Office	Net Face	Based on Net Face	Overall (December)	
Auckland CBD	2.1%	10.7%	5.9%	5.2%
Office	Gross Face	Based on Net Face	Overall (December)	
Wellington CBD	6.0%	5.7%	7.4%	6.2%
Office	Net Face	Based on Net Face	Overall (September)	
Auckland Metropolitan	3.8%	11.4%	5.1%	6.7%
Industrial*	Net Face	Based on Net Face	Overall (August)	
Auckland	5.0%	9.0%	1.9%	1.7%
Industrial*	Gross Face	Based on Net Face	Overall (November)	
Wellington	4.8%	5.3%	2.1%	1.5%
Industrial*	Net Face	Based on Net Face	Overall (September)	
Christchurch	0.0%	7.5%	1.9% (2016)	N/A
Retail	Net Face	Based on Net Face	Overall (June)	
Auckland CBD	0.0%	0.0%	2.4%	3.1%
Retail	Gross Face	Based on Net Face	Overall (December)	
Wellington CBD	0.9%	1.2%	6.9%	6.1%

Source: Colliers International Research

*Combination of industrial office & warehouse at a ratio of 20:80.

Note: The Wellington CBD office gross rents and yields annual percentage change has been influenced by the introduction of a Premium grade.

Recent Commercial Property Sales



49-51 The Strand
Tauranga | \$6,995,000 | 5.2%



136 Whangaparaoa Road
Red Beach | \$6,661,000 | 6.0%



3A Airpark Drive
Auckland | \$4,350,000 | Conf.

For more information contact:

Chris Dibble
Director
Research & Communications

Josh Lee
Research Analyst

Emily Duncan
Research Analyst

Alan McMahon
National Director
Strategic Advisory

David White
Director
Strategic Advisory

Chris Farhi
Director
Strategic Advisory

Caity Pask
Senior Analyst
Strategic Advisory

Vernon Sequeira
Analyst
Strategic Advisory

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



Disclaimer: Whilst all care has been taken to provide reasonably accurate information, Colliers International cannot guarantee the validity of all data and information utilised in preparing this research. Accordingly Colliers International New Zealand Ltd, do not make any representation of warranty, expressed or implied, as to the accuracy or completeness of the content contained herein and no legal liability is to be assumed or implied with respect thereto.

© All content is Copyright Colliers International New Zealand Ltd, Licensed REAA 2008 and may not be reproduced without expressed permission.



Accelerating success.