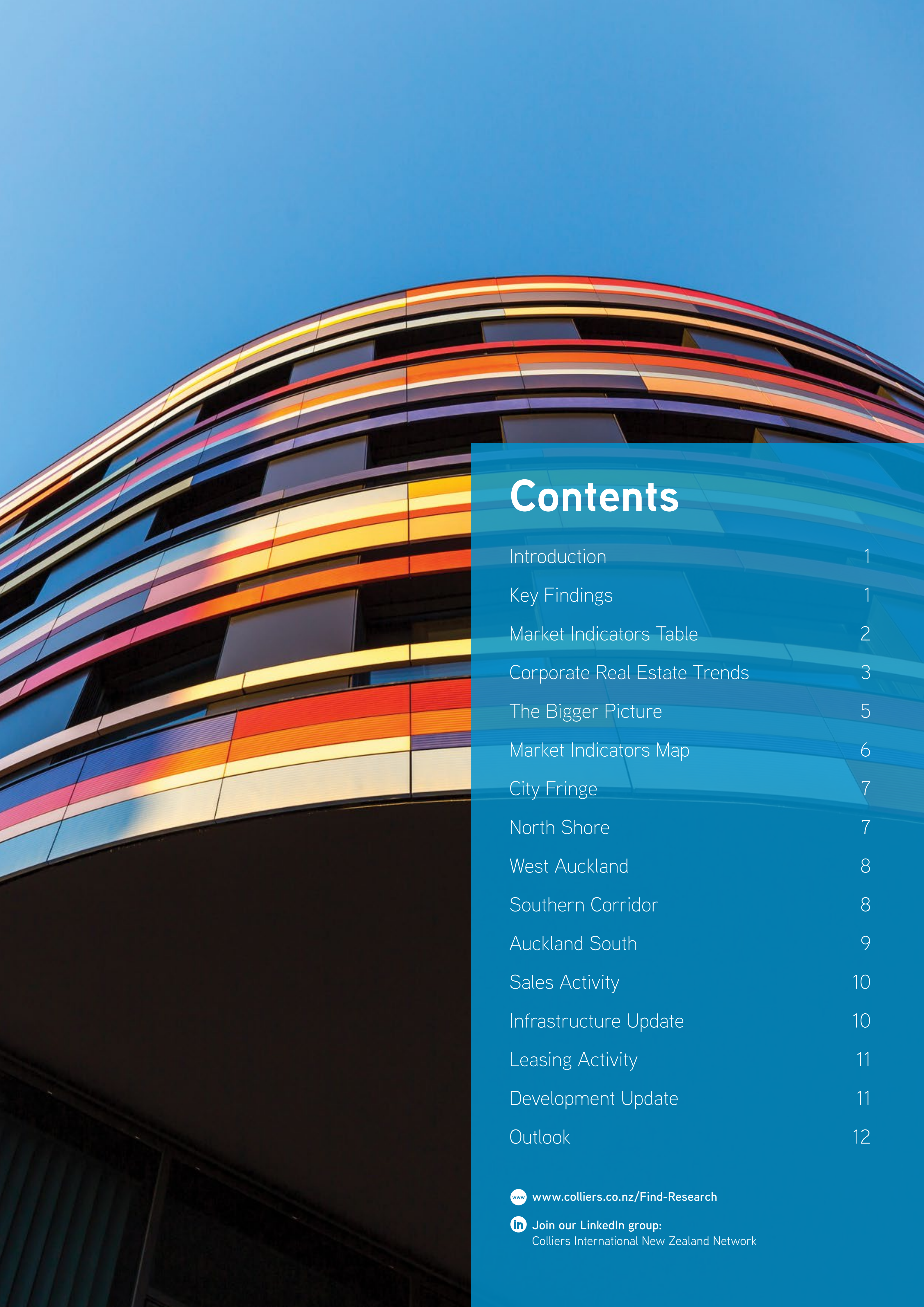
Market Indicators
Research Report | 2016

AUCKLAND METROPOLITAN OFFICE

Taking care of businesses

Accelerating success.

"Business is booming in Auckland – driving tenant demand for office space in Metropolitan Auckland to an eight year high."



Contents

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"More supply of office space is on the horizon."

Introduction

Business is booming in Auckland – driving tenant demand for office space in Metropolitan Auckland to an eight year high. This pushed the vacancy rate to 6% which could have gone lower, reaching critical point like the CBD, had developers not taken care of businesses by building more space to accommodate the demand.

More supply is on the horizon, which will be of relief to many tenants who readied themselves early to take advantage of the situation. However, not all tenants are in a position to move or drive favourable leasing rates. The dispersion of the supply throughout Auckland suggests some demand and supply imbalances may remain.

A lack of stock and competitive pricing is being fuelled by owner-occupiers and 'yield-hungry' investors and syndicators. Recent expectations of interest rates to stay low will see further pressure on purchasers. Some view the new price levels as untenable, but the fear of missing out is promoting greater levels of acceptance, facilitating a new wave of asset appreciation.

Key Findings

- Total metropolitan office supply reached more than 1.7 million square metres in 2016. Developers built 20,300 sqm of new space in the past 12 months.
- The growth in demand as well as supply has increased net absorption rates, pushing vacancy to an eight-year low of 6.2%, with approximately 106,000 sqm of available space. If all of the space was leasable, it would be absorbed in just two years under current employment growth rates.
- Vacancy rates in the City Fringe, Southern Corridor, West Auckland and Auckland South are at cyclical lows of 7%, 8%, 6% and 7% respectively. The North Shore has the lowest vacancy rate at just 4%.
- There is little evidence to suggest that the metropolitan office sector will deviate from its current growth path. Businesses are moving away from the status quo and are realistic about their future plans, taking on more calculated risks.
- There is still some way to go before many of the buildings are completed. This may cause some uncomfortable positions for tenants in the short-term if enquiries are left too late.
- Approximately 120,000 sqm of more supply is on its way to Metropolitan Auckland which will help the sector avoid a critical shortage of non-CBD office supply that would hamper the growth of arguably New Zealand's major economic employment zone of small to medium sized businesses.
- Only some precincts and tenants will see greater levels of opportunity as developers face the on-going issue of finding suitable land capable of development. If more land was available, it is likely that more supply would be built despite the pressure on feasibility from construction costs.
- With no clear advantage between landlords and tenants in a more balanced environment in the medium term, rents will likely increase between 1% and 4% annually over the next few years. This is lower than previous upswing cycles, which reached double digits in some cases.
- The sound property fundamentals supporting the metropolitan office market has elevated the already high levels of competition amongst investors, owner-occupiers and syndicators. A new wave of asset appreciation is forecast as conditions continue to promote sales activity.

Auckland Metropolitan Office Market Indicators Q2 2016

	Precinct	Vacancy Rate (%)	Grade	Net Face Rents ($/m² pa)		Outgoings* ($/m² pa)	Incentives (%)	Capital Value** ($/m²)		Market Yields (%)	
				LOW	HIGH			LOW	HIGH	LOW	HIGH
North Shore	Takapuna	3.6%	A	285	350	60 - 95	5 - 8	3,565	5,000	7.00%	8.00%
			B	240	320	60 - 80	8 - 10	2,665	4,265	7.50%	9.00%
			C	220	240	45 - 60	12 - 16	2,315	2,745	8.75%	9.50%
	Albany	3.2%	A	240	285	55 - 70	5 - 8	3,000	4,070	7.00%	8.00%
			B	230	270	45 - 60	8 - 10	2,555	3,600	7.50%	9.00%
	Mairangi Bay	5.0%	A	270	295	45 - 65	5 - 8	3,600	4,540	6.50%	7.50%
			B	240	275	45 - 65	8 - 10	3,000	3,930	7.00%	8.00%
			C	220	235	40 - 55	12 - 18	2,445	2,850	8.25%	9.00%
	North Harbour	4.9%	A	235	250	50 - 60	5 - 8	2,940	3,570	7.00%	8.00%
			B	225	240	50 - 60	8 - 10	2,725	3,200	7.50%	8.25%
			C	200	220	45 - 55	12 - 18	2,050	2,445	9.00%	9.75%
	North Shore New Build		A	320	390	70 - 100	8 - 10	4,130	5,570	7.00%	7.75%
City Fringe	Newmarket	8.6%	A	315	375	65 - 85	10 - 15	4,345	5,770	6.50%	7.25%
			B	220	290	55 - 75	10 - 15	2,665	4,000	7.25%	8.25%
			C	160	195	45 - 60	12 - 18	1,780	2,295	8.50%	9.00%
	Grafton	7.5%	A	230	300	50 - 60	10 - 15	2,970	4,285	7.00%	7.75%
			B	190	230	45 - 50	10 - 15	2,110	2,875	8.00%	9.00%
			C	155	210	45 - 50	12 - 18	1,475	2,210	9.50%	10.50%
	K'Road	11.1%	A	230	300	55 - 65	10 - 15	2,970	4,285	7.00%	7.75%
			C	135	170	45 - 50	12 - 18	1,385	1,840	9.25%	9.75%
	Newton	5.8%	A	230	270	50 - 65	10 - 15	2,790	3,725	7.25%	8.25%
			B	170	215	40 - 45	10 - 15	1,840	2,605	8.25%	9.25%
			C	135	170	45 - 50	12 - 18	1,385	1,890	9.00%	9.75%
	Parnell	2.7%	A	255	350	50 - 75	10 - 15	3,515	5,385	6.50%	7.25%
			B	220	285	40 - 50	10 - 15	2,665	3,930	7.25%	8.25%
			C	160	200	40 - 50	12 - 18	1,730	2,355	8.50%	9.25%
	Western Fringe	5.4%	A	290	340	50 - 60	10 - 15	4,000	5,230	6.50%	7.25%
			B	180	235	50 - 60	10 - 15	2,180	3,135	7.50%	8.25%
			C	150	170	50 - 60	12 - 18	1,580	2,000	8.50%	9.50%
	City Fringe New Build		A	400	475	70 - 80	12 - 18	5,515	7,310	6.50%	7.25%
Southern Corridor	Southern Corridor	8.2%	A	250	300	70 - 80	8 - 15	3,225	4,285	7.00%	7.75%
			B	200	245	60 - 80	10 - 16	2,285	3,160	7.75%	8.75%
			C	160	200	35 - 45	15 - 20	1,685	2,355	8.50%	9.50%
	Southern Corridor New Build		A	325	350	70 - 95	8 - 14	4,195	4,830	7.25%	7.75%
Mt Wellington /Penrose	Mt Wellington/Penrose	7.5%	A	230	265	45 - 60	8 - 15	2,875	3,785	7.00%	8.00%
			B	180	220	20 - 35	10 - 15	2,000	2,750	8.00%	9.00%
			C	120	160	20 - 25	15 - 20	1,145	1,780	9.00%	10.50%
East Auckland	East Tamaki/Highbrook	0.0%	A	240	315	45 - 65	5 - 10	2,910	4,200	7.50%	8.25%
			B	180	230	40 - 50	12 - 18	1,945	2,705	8.50%	9.25%
			C	130	160	30 - 40	12 - 18	1,210	1,640	9.75%	10.75%
	Botany/Howick	0.9%	B	160	200	45 - 60	5 - 10	1,730	2,425	8.25%	9.25%
			C	140	160	30 - 50	10 - 15	1,400	1,685	9.50%	10.00%
Airport Corridor	Airport Corridor	3.9%	A	235	315	50 - 65	5 -10	2,940	4,345	7.25%	8.00%
			B	160	200	40 - 55	10 - 15	1,730	2,425	8.25%	9.25%
			C	110	140	25 - 40	15 - 20	1,130	1,515	9.25%	9.75%
Manukau	Manukau	7.4%	A	230	270	45 - 60	5 - 10	2,705	3,600	7.50%	8.50%
			B	160	220	35 - 50	10 - 15	1,730	2,665	8.25%	9.25%
			C	120	150	25 - 30	10 - 15	1,045	1,620	9.25%	11.50%
West Auckland	West Auckland	5.5%	B	180	220	30 - 40	10 - 15	1,755	2,445	9.00%	10.25%
			C	80	130	25 - 30	15 - 25	680	1,300	10.00%	11.75%
	West Auckland New Build		A	230	250	45 - 50	8 - 15	2,630	3,335	7.50%	8.75%

Source: Colliers International Research. * Exclusive of rates (North Shore exception). **Assuming fully leased at market rates.

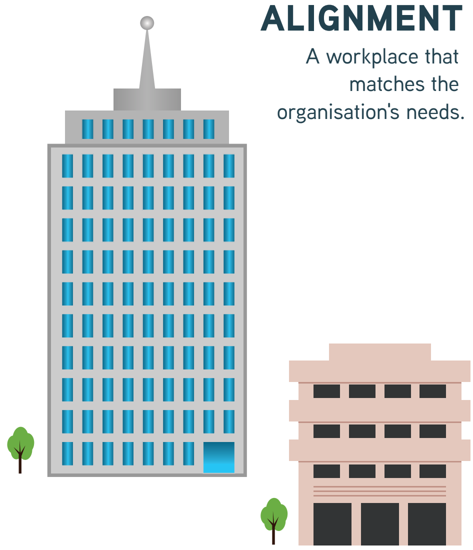
CORPORATE REAL ESTATE TRENDS

A TENANT PERSPECTIVE

GOALS

ORGANISATIONAL ALIGNMENT

A workplace that matches the organisation's needs.



COST CONTROL

SOCIAL ALIGNMENT

A workplace that matches the individual's needs.

WORKPLACE SOLUTIONS

- COLLABORATIVE
- AGILE & FLEXIBLE
- AUTHENTIC
- BRAND ALIGNMENT

- TAILOR-MADE
- DIVERSE
- TECHNOLOGICAL
- WELLNESS

BENEFITS

Co-working and the sharing of big ideas stimulates innovation forming a **competitive advantage** for the organisation

Engaging staff and enhancing productivity by providing different staff the right atmosphere and location for the best outcomes

Sweating the asset rather than the employee for better layout and density ratios that keep **rental costs as affordable as possible**

A workplace that expresses the brand identity **boosts the organisation's attractiveness to clients and staff**

Satisfying the desire for a better work experience for employees leads to the **retention and attraction of the best staff**

Incorporating changing demographics and workplace diversity enhances corporate social responsibility, business reputation and a **wider pool of potential employees**

Technological connectivity and data intelligence **formulate winning insights and outputs** that ultimately benefit the organisation and clients

Keeping staff fit and healthy leads to **better productivity and satisfaction**

APPROACHES

Traditional approaches like the corporate or home office are being blended by a mix of alternative workplace approaches.

The Bigger Picture

Cranes on Auckland's skyline are now common place. This has led to total metropolitan office supply reaching more than 1.7 million square metres in 2016. Developers built 20,300 sqm of new space in the past 12 months.

Businesses are more confident in taking on more work and profitability rates are improving, increasing the number of businesses searching for space and resurrecting business expansion plans. This has led to a steady appetite for space across the region, especially for the main metropolitan office hubs supported by decent infrastructure and public transport links.

More demand and new supply increased net absorption rates, pushing vacancy to an eight-year low of 6.2%, with 106,000 sqm of available space. If all of the space was leasable, it is enough to accommodate roughly an additional 5,000 employees (based on our latest workplace research on office density). If no new supply became available, current employment growth rates suggest this would last approximately two years.

Driving the overall low vacancy result is the performance of the main precincts. Vacancy rates in the City Fringe, Southern Corridor, West Auckland and Auckland South are at cyclical lows of 7%, 8%, 6% and 7% respectively. The North Shore has the lowest vacancy rate at just 4%.

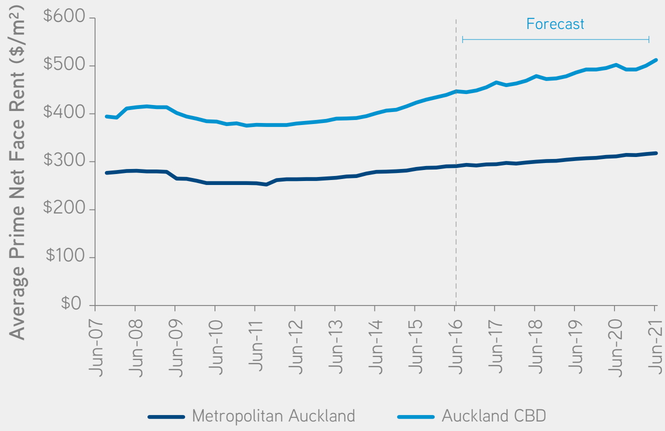
Importantly for the overall balance of the sector, more supply is on its way – approximately 120,000 sqm in the next five years. This should be enough to avoid a critical shortage of non-CBD office supply hampering the growth of a major economic employment zone of small to medium sized businesses. However, only some precincts and tenants will see greater levels of opportunity as developers face the on-going issue of finding suitable land to develop. If more land was available, more supply would likely be built despite pressure on feasibility from construction costs.

Since late 2011 – coinciding with greater levels of net absorption and decreasing vacancy rates – average annual rent rises have increased, but only by a modest 3% and 1% in the prime and secondary sectors respectively. Current rents are forecast to increase by 3% to 4% p.a. in the prime sector and 1% to 2% p.a. for lower grade premises.

The type of tenants commanding discounts and incentives are those that are well-known, occupy large areas of space and take long leases – ultimately increasing the covenant and future value of the landlord's asset. There are only a few of these types of tenants, but they will be lured into new opportunities. Most favoured are premises that provide better workplace solutions, productivity and locations that assist in retention and attraction of the best employees.

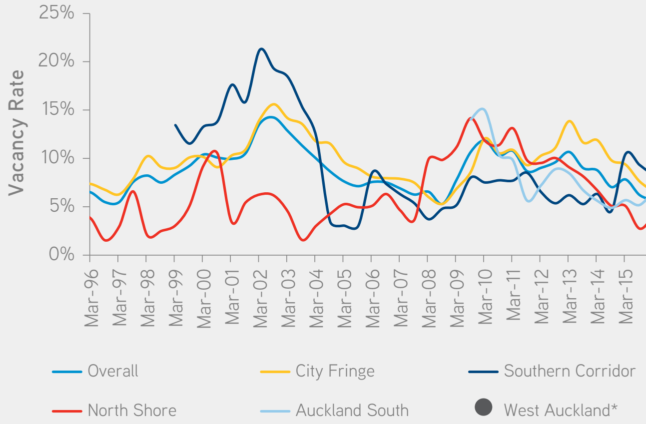
Expectations of investment yields firming as well as asset appreciation continue to drive purchasing sentiment. The sound property fundamentals supporting the metropolitan office market has elevated the already high levels of competition amongst investors, owner-occupiers and syndicators. Recent expectations of interest rates to stay low is adding fuel to the fire. Some view the new price levels as untenable, but the fear of missing out is promoting greater levels of acceptance, facilitating a new wave of asset appreciation.

Auckland CBD Office Prime Rents vs Metropolitan Prime Rents



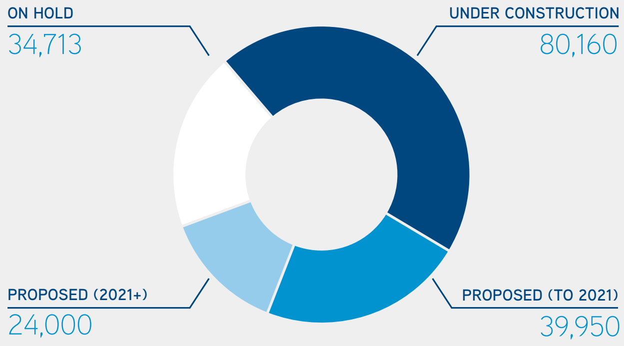
Source: Colliers International Research

Metropolitan Auckland Office Market Vacancy Rates

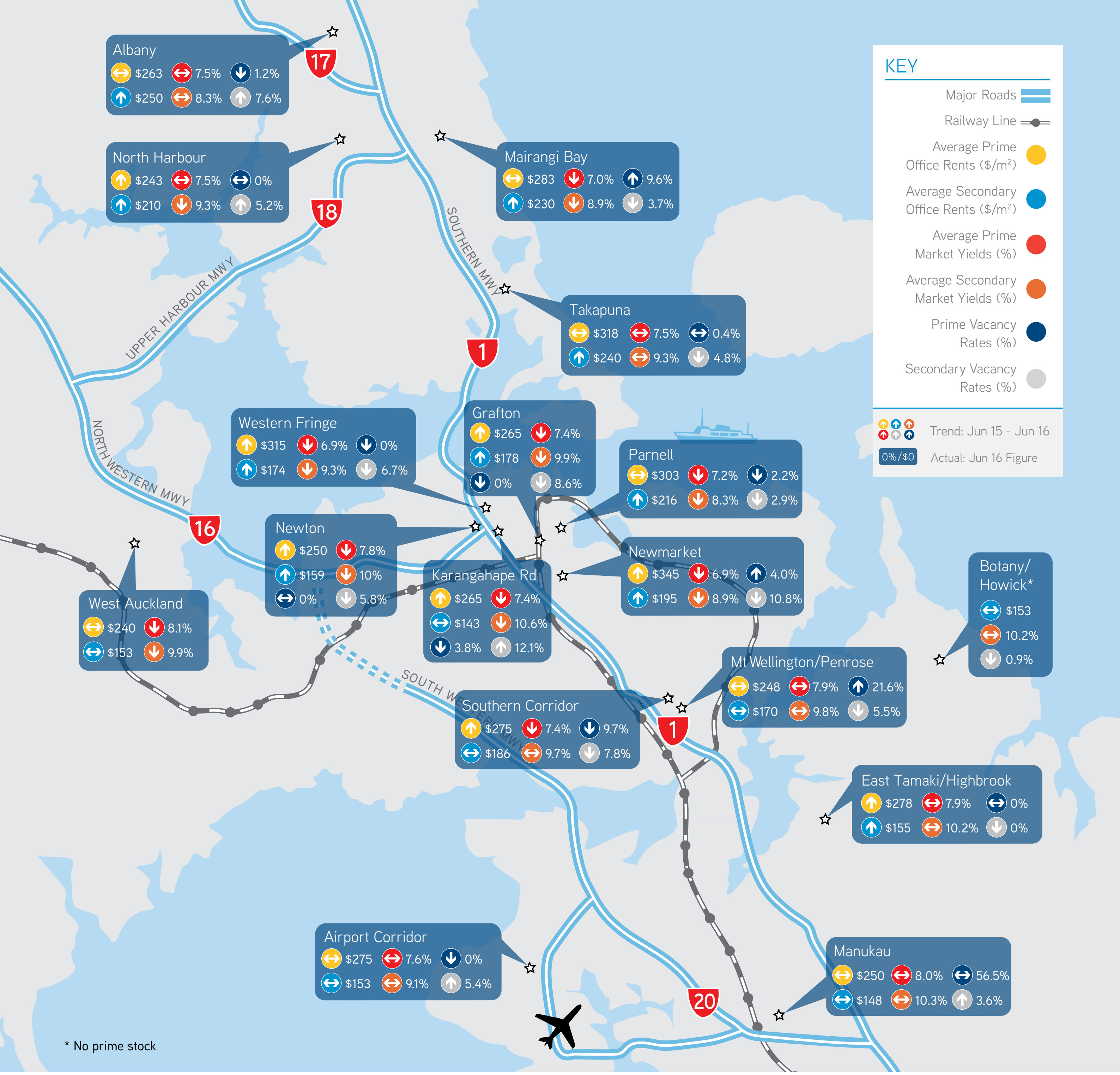


Source: Colliers International Research * New to the survey

Metropolitan Auckland Office Development Pipeline



Source: Colliers International Research



Auckland Metropolitan Office Market Review

2016 compared to 2015

Occupier Demand

Enquiry = ↑

Business confidence = ↑

Supply = ↑ Demand = ↑

Vacancy

Prime grade = 5.5% (March 2016)

Secondary grade = 6.4% (March 2016)

Spec build activity = ↑

Net Rentals

Average prime grade = ↑ $291/m²

Average secondary grade = ↑ $184/m²

Average prime incentives = 1 month/year of term

Investment Sales

Average prime yields = 7.6%

Average secondary yields = 9.1%

Investor Demand

Record levels =
↑ demand
↑ prices

Access to funding =
↑ sustained demand

Buyer groups =
↑ private, institutions, syndicators

City Fringe

Business confidence levels have spurred office absorption in the city fringe that has led to vacant space halving over the past 24 months. There is now only 44,000 sqm of office space available in the city fringe from just over 670,000 sqm of stock. Vacancy rarely reaches these low levels, with the last time in 2008, when there was around 200,000 sqm less total supply.

The demand for office space has been increased by the removal of stock for conversion into residential apartments. These market constraints are providing tenants with limited options to pursue. Prime grade properties are even harder to find for tenants with less than 3,500 sqm available.

Development activity of 40,000 sqm of office space in the city fringe will assist alleviate some of the mounting tenant pressure, but it is likely that the majority of the space will be leased within 24 months under current employment growth forecasts. Similar to many precincts with new supply, vast amounts of space has received pre-commitment, however there are more opportunities arising. This includes 96 St Georges Bay Road in the Parnell office precinct in 2017 with 9,404 sqm available at this stage.

The availability of space in the short-term has hampered landlords from increasing rents significantly. This has been welcoming news for tenants in a landlord favoured market. Average prime net face rents increased by only 2.7% over the past year compared to 4% a year ago. Forecasts of rental growth remains moderate at between 3% and 4% p.a. over the next five years.

North Shore

Despite the slight relief in space available to occupy in our latest North Shore office survey, market conditions are tight. At our latest count, there is only 15,000 sqm of available office space across the entire North Shore. All three of the sub-precincts are experiencing high levels of demand.

This has been brought on by 'stronger for longer' economic conditions that is being boosted by population growth and the wealth effect created by an increasingly affluent location. Many businesses are taking advantage of the locational benefits the North Shore provides suburban tenants, assisting with productivity levels that translate through to the bottom line.

New developments in the North Shore include 1 Byron Ave for Allianz, Mitre10 Mega's new HQ, Smales Farm's new B:Hive and pockets of other spaces in the North Harbour business zone. Although almost 40,000 sqm of new office space is under development and expected to be completed by 2018, much of this space is pre-committed, with the exception of B:Hive.

Rents are rising, but still at lower rates than has been achieved in previous periods of buoyant economic and commercial property conditions. Similar to office markets across the Auckland region, this is likely to change over the next year, increasing fractionally.

Investment yields are now reaching new lows and the range and depth of purchasers have kept conditions competitive. There are no signs yet that asset appreciation will slow, especially given increasing rental forecasts, lower debt costs and firming investment yields.

Cider Building

4 Williamson Avenue, Ponsonby, Auckland

Progressive Enterprise sold their mixed-use development to Oyster Property Group for $93 million, reflecting a yield of 6.74%. Oyster Property offered the new building up for syndication and raised $50 million through the sale of 50 parcels of $1 million. This development will include a 4,380 sqm Countdown supermarket, 7,500 sqm of office space with 3,700sqm leased to Fairfax Media, 11 retail shops and 520 basement carparks. The new build is scheduled to open later this year.

West Auckland

Limited dedicated office space has been a long-term trend in the west, a reflection of the high proportion of owner-operated businesses. However, the recent increase in population and billions of dollars being spent on infrastructural projects has spurred occupier interest and development activity.

There is approximately 93,000 sqm of space dotted across West Auckland, with the major hub in Henderson. Listed sector company Stride Property has also boosted the total office space available with Stage 1 complete and Stage 2 at Westgate currently under construction providing an additional 4,200 sqm of total space by late 2016.

Signalling strong office tenant demand across the west is the pre-leasing activity that is taking place for office space as well as the absorption of existing space pushing the vacancy rate to just 6%.

The mix of older, existing office space and new premises currently being built provide a wide range of leasing options as well as rental levels. The average West Auckland prime office rent is now at $240 per sqm, well below the average metropolitan office rent of just over $290 per sqm.

Investment yields are also slightly softer than some of the other main metropolitan office hubs, currently at an average of 8.1% for prime space. The difficulty at the moment for prospective purchasers is locating properties to purchase. This has seen competitive pricing when stock does become available. Purchaser enquiry for lower quality premises has increased, especially of properties that could benefit from a refurbishment ahead of the expected rise in popularity and access to the area.

Southern Corridor

There has been a noticeable surge in the number of businesses looking to the Southern Corridor – comprising Ellerslie, Greenlane, Mt Wellington and Penrose – as a new business base.

The rise in the precinct's amenity and access to public transport in recent years has seen the Southern Corridor compete as a more comparable location to the most popular city fringe spots. Other advantages are the disparity in rental costs in like-for-like premises and improved car parking ratios.

This year, significant leasing enquiry for properties over 500 sqm resurfaced in a market which had experienced relatively static movements the previous year, especially for larger premises. This pushed the vacancy rate from 11% in March 2015 to 8% a year later.

For the level of quality and amenity on offer, rents are a decisive factor that continues to attract tenants. This has been amplified by the high vacancy rates in the Sothern Corridor lately, providing tenants various high quality options and, in some cases, incentive packages.

A rising number of tenants are using the capital injection up-front from landlords towards offsetting the constantly increasing cost of fitting out new premises. Rent-free periods also remain highly attractive to tenants, reaching between one month and two months per year of lease term depending on the tenant and the lease terms.

The high quality of the office stock in the Southern Corridor and the high proportion of properties owned by the listed sector has seen yields continue to firm. The competitive nature of the investment market has also played an important role in the 10 basis point drop over the past year to an average of 7.6% and 9.1% for the prime and secondary sector respectively.

9-15 Marewa Road

Southern Corridor

Kimberley Trust are constructing two prime-grade buildings with a total net lettable area of 9,200 sqm. The 1,500 sqm in Building One has already been leased to a significant national tenant, with construction expected to be completed in the second quarter of 2017. Both buildings will provide large, unobstructed floor plates of 980 sqm (Building One) and 1,650 sqm (Building Two) that can be split to accommodate businesses of various sizes.

Auckland South

In the main commercial areas in the south of Auckland – comprising areas such as Manukau, Mt Wellington, East Tamaki and the Airport Corridor – the vacancy rate is just 7%. There is approximately 304,000 sqm of combined office stock in the precincts, with only 20,000 sqm of vacant space.

The demand for quality premises remains high, but approximately 15% of the vacant space in Auckland South is of modern, quality grade space. On the horizon are new premises at the Auckland Airport. Known as Quad 7 until naming rights are taken, the building will provide 7,975 sqm of high quality office space with completion expected by the end of the year.

A greater focus and commitment by the Auckland Council and the government on office areas in Manukau, could see a rejuvenation of the area's popularity. A specific project area of approximately 600 ha has been identified by Panuku Development Auckland from Puhinui Rd in the north to Brown Rd in the south, Plunkett and Hobil Ave to the west and the Southern Motorway to the east. According to Panuku Development Auckland, the council and crown entities control more than two-thirds of the area. This provides a significant master plan opportunity to transform and rejuvenate the centre.

Average prime rents in the South range between $300 and $340 per sqm which have been static over the past 12 months after a lift in rents the previous year. New build rents continue to overshadow the rents commanded by existing premises. The variability on offer for lower quality premises across the area provide a wide variation in rents, but can often be secured for between $160 per sqm and $250 per sqm.

Investment yields are approximately 50 basis points higher than in other main metropolitan hubs in Auckland, a reflection of the lower quality premises and the lower levels of large tenant enquiry for the area.

"The demand for quality premises remains high."

Fletcher Building Redevelopment

790-816 Great South Road, Penrose, Auckland

Fletcher Building's headquarters sold for $80m reflecting a 7.1% yield. The campus is undergoing a redevelopment and has a 20 year lease to Fletcher Building. The redevelopment of the complex is due for completion in the third quarter of 2016 with four existing office buildings to be interconnected by a new single level pavilion. The campus sits on 2.23 ha land with 13,200 sqm of net lettable area.

Auckland Metropolitan Office Sales Activity

Address	Precinct	NLA (m²)	Sale Price	Yield	Vendor	Purchaser
Two Millennium Office Estates & the Yellow HQ Building, 600-604 Great South Rd	Southern Corridor	Undisclosed	$206,000,000 (conditional)	7.25%	Goodman Property Trust	Oyster Property Group
Fletcher HQ, 790-816 Great South Rd	Penrose	13,250	$80,000,000	7.10%	Fletcher Contraction	Onshore Private Investor
Building B, 8 Nugent St	Grafton	7,623	$42,000,000	6.87%	Neil Properties	Argosy
79 Carlton Gore Rd	Newmarket	3,438	$32,660,000	Sub 7%	Arawata Assets Ltd	79 Carlton Gore Ltd
Unisys House, 650 Great South Rd	Southern Corridor	8,335	$31,800,000	8.20%	Stride Property Ltd	Maat Consulting Ltd
Heartland House, 35 Teed St	Newmarket	1,498	$17,000,000	6.52%	Private Vendor	Stride Property Ltd
9 Augustus Tce	Parnell	3,762	$15,400,000	7.00%	Augusta	Private Syndicator
Westpac, 51 Corinthian Dr	Albany	3,424	$15,150,000	7.19%	Stride Property Ltd	Oyster Property Group
2-8 Jarvis Way	East Tamaki	3,123	$13,000,000	5.50%	Private Vendor	Tram Lease Ltd
117 Khyber Pass Rd	Grafton	2,750	$10,000,000	Undisclosed	Private Vendor	Private Investor
85 Cavendish Dr	Manukau	3,875	$10,000,000	7.50%	P.F.I. Property No. 1 Ltd	Textbook Properties Ltd
90 Great South Rd	Papakura	2,983	$9,750,000	Undisclosed	Private Vendors	Private Investors
326-328 New North Rd	Kingsland	1,754	$8,228,888	6.45%	Private Vendor	Private Investor
132 Hurstmere Rd	Takapuna	1,480	$7,500,000	6.13%	Private Vendor	Private Investor
15-19 Fernhill Dr	Westgate	4,131	$7,430,000	Vacant	Private Vendor	Private Investor
26-32 Virginia Ave Est	Eden Terrace	2,616	$7,000,000	8.94%	Private Vendor	Private Investor
77-85 Clyde Rd	Browns Bay	1,165	$6,450,000	4.00%	Private Vendor	Private Investor
255 Broadway	Newmarket	Undisclosed	$5,350,000	6.50%	O'Shea Family Trust	Private Investor
12 Clarence St	Devonport	670	$5,250,000	Undisclosed	Private Vendor	Private Investor
2 Dunrobin Pl	Highland Park	Undisclosed	$4,000,000	8.00%	Skype 5000 Ltd	Private Investor
30 Victoria Ave	Devonport	392	$3,800,000	4.71%	Private Vendor	Private Investor
31 Spring St	Freemans Bay	812	$3,500,000	5.41%	Private Vendor	Private Investor
A1 & A3, 63 Apollo Dr	Mairangi Bay	Undisclosed	$3,145,000	7.28%	Private Trust	Private Investor
BNZ, Cnr Lincoln Rd & Universal Dr	Henderson	Undisclosed	$3,020,000	4.37%	Private Vendor	Private Investor

Source: Colliers International Research

Auckland Metropolitan Infrastructure Update

Address	Precinct	Status	Estimated Completion	Purpose
RAIL				
Electric Trains	Regional	Complete	2015	The trains are faster, quieter, safer and more energy-efficient.
Mt Albert Train Station – Stage 2	Mt Albert, Central	Construction	Mid-2016	Better comfort and weather protection for waiting passengers, improved security and lighting and electronic train timetable information.
Parnell Train Station	Parnell, Central	Construction	Mid-2016+	Assist the regeneration/future growth of Parnell.
Pukekohe Train Station	Pukekohe, South	Design	2017	To connect the Franklin community and the wider Auckland region.
Auckland City Rail Link	Auckland Central	Design	2021+	Aims to improve travel efficiency and ease congestion around the inner city.
Light Rail	Auckland Central	Investigation	TBC	Improve efficiency and resilience of the transport network of the isthmus and city centre.
TRANSPORT				
Long Bay Transport Programme	Long Bay, North	Construction	2017+	To connect to new development areas and to cater for the increase in traffic movement, the local roading network needs to be upgraded.
Pakuranga to Botany Busway	South Eastern	Investigation	2024+	Will enable people to catch a quick bus from the eastern suburbs and change to a train at Panmure.
ROAD				
SH20A to Airport	South Auckland	Construction	Late 2016	Upgrading SH20A will improve journey reliability and safety for traffic to and from Auckland Airport.
Te Atatu Corridor	West Auckland	Construction	Early 2017	The Te Atatu Road corridor improvement will boost the efficiency and safety of Te Atatu Road for all road users and especially buses, cyclists, and pedestrians.
The Western Ring Route	Auckland Region	Construction	Operational by 2017 and fully complete by 2021	Western Ring Route will be an alternative to Auckland's State Highway 1, linking Manukau, Auckland, Waitakere and the North Shore, improving network resilience, travel time reliability and bus shoulder lanes, and upgrading cycleway and pedestrian facilities.
Auckland Southern Corridor	East Auckland	Design	Late 2018	Address existing bottlenecks at several locations along the Southern Motorway to provide a more reliable trip for all road users.
East West Connections	East Auckland	Investigation	TBC	East West Connections is a programme that aims to identify and address transport issues in the area between Onehunga, Penrose, Mt Wellington, Mangere, Otahuhu and East Tamaki.

Source: Colliers International Research, Auckland Transport and New Zealand Transport Agency. For further information visit: www.at.govt.nz and nzta.govt.nz/projects/

Auckland Metropolitan Office Leasing Activity

Address	Precinct	NLA (m^2)	Tenant
Cider Building, 4 Williamson Ave	Ponsonby	3,700	Fairfax Media
NorthWest Two, Fred Taylor Dr	Westgate	2,200	Constellation Brands New Zealand
2 Nuffield St	Newmarket	1,620	Cerebos Greggs
Lv 3 & Pt Lv 4, 205 Wairau Rd	Wairau Valley	1,432	Smart Pay
460 Rosebank Rd	Avondale	1,380	Aeroqual
650 Great South Rd	Southern Corridor	1,310	Fletcher Construction
109 Carlton Gore Rd	Newmarket	1,145	Mighty River Power
Millennium Business Park, 600 Great South Rd	Southern Corridor	1,100	Griffins
3M Building, 94 Apollo Dr	Mairangi Bay	1,083	AMS Ltd
2a Rothwell Ave	North Harbour	890	IMS Health
18 Canaveral Dr	Mairangi Bay	700	Strker Translations Ltd

Source: Colliers International Research

Auckland Metropolitan Office Development Update

Address	Precinct	NLA (m^2)	Status	Estimated Completion	Owner/Developer
CITY FRINGE					
Cider Building, 4 Williamson Ave	Ponsonby	7,449	Under Construction	Q3 2016	Progressive Enterprises
EMA Employment Campus, 145-179 Khyber Pass Rd	Newmarket	3,600	Under Construction	Q3 2016	The Employers & Manufacturers Association (Northern) Inc/Location Group
119 Great North Road	Grey Lynn	4,500	Under Construction	Q3 2017	Giltrap
96 Saint Georges Bay Road	Parnell	9,404	Under Construction	Q3 2017	Manson TCLM
Confidential	Confidential	10,000	Proposed	Q1 2019	Manson TCLM
Kent/Teed St Commercial Building, 23-25 Kent St	Newmarket	4,000	Proposed	TBC	Gadol Corporation
Eden 6, 12-18 Normanby Rd	Eden Terrace	7,313	On Hold	TBC	Eden Real Estate Ventures
NORTH SHORE					
1 Byron Ave	Takapuna	2,100	Under Construction	Q2 2016	Private Developer
Apollo Square, 30-40 Rosedale Rd	Albany	1,029	Under Construction	Q2 2016	Rosedale Apartments
B:Hive, 74 Taharoto Rd	Takapuna	11,000	Under Construction	2016+	Smales Farm
The Vodafone Building Expansion, Smales Farm	Takapuna	18,000	Under Construction	Q3 2017	Smales Farm
Mitre 10 National Support Centre, 67 Corinthian Dr	Albany	7,000	Under Construction	Q4 2017	Mitre 10
55 Corinthian Dr	Albany	~5,000	Proposed	Q2 2018	Apec Property Development Ltd
SOUTHERN AUCKLAND					
Building 5, The Crossing, Highbrook	East Tamaki	3,828	Under Construction	Q4 2016	Goodman Property Trust
9-15 Marewa Road	Southern Corridor	9,200	Proposed	Q2 2017	Kimberley Trust
Quad 7, 6 Leonard Isitt Dr	Airport Corridor	7,975	Under Construction	Q3 2017	Auckland Aiport
The Ormiston Town Centre at Flat Bush	Flat Bush	20,000	Proposed	2025	Auckland Council & Todd Property
6c Pacific Rise	Mt Wellington	750	Proposed	TBC	Private Developer
Sylvia Park Commercial, Mt Wellington Highway	Mt Wellington	20,000	Proposed	TBC	Kiwi Income Property Trust
Building A2 & A3, 666 Great South Rd	Southern Corridor	10,000	On Hold	TBC	Goodman Property Trust
Ascot Parade Business Quarter, Ascot Ave	Southern Corridor	17,400	On Hold	TBC	McConnell Property
WEST AUCKLAND					
NorthWest Stage 2 (office component)	Massey	4,211	Under Construction	Q4 2016	Stride Property Ltd
195-199 Universal Dr	Henderson	1,000	Under Construction	Q4 2017	Morrison Horticultural
102 Hobsonville Rd	Hobsonville	512	Under Construction	2017	Northbridge Properties

Source: Colliers International Research

Outlook

There is little evidence to suggest that the metropolitan office sector will deviate from its current growth path. Businesses are moving away from the status quo and are realistic about their future plans, taking on more calculated risks. They are expanding and spending money on plant, machinery and staff in a buoyant economy with a dominant Auckland growth profile.

The recent influx of new developments has averted a supply shortage reaching critical point. More supply on its way will keep the balance between demand and supply at more healthy levels over the medium term. However, there is still some way to go before the buildings are completed which may cause some uncomfortable positions for tenants in the short-term if enquiries are left too late.

With no clear advantage eventuating between landlords and tenants over the medium term in a more balanced environment, rents will not rise at significant rates. Rent increases for many tenants will be between 1% and 4% over the next few years. This is lower than previous upswing cycles, which reached double digits in some years and locations.

Vacancy rates are not forecast to rise significantly, therefore, limiting incentive packages. However, tenants moving to new space will be enticed by landlords, especially if it is the trigger for a new development to proceed. Of course, not all tenants are in a position to move or drive favourable leasing rates given their existing agreements or size of operations.

The dispersion of the supply throughout Auckland suggests some demand and supply imbalances may remain. This will be especially noticeable in main metropolitan office hubs supported by decent infrastructure, public transport links and high qualities of amenity, facilities and car park ratios.

Competition amongst investors, owner-occupiers and syndicators in a commercial property market with sound fundamentals and 'yield-hungry' investors means a lack of stock and competitive pricing. Recent expectations of interest rates to stay low will see further pressure on purchasers to step up their pricing levels. Some view the new price levels as untenable, but the fear of missing out is promoting greater levels of acceptance, facilitating a new wave of asset appreciation.

> "The recent influx of new developments has averted a supply shortage reaching critical point."

Image: NorthWest, Fred Taylor Dr

For more information contact:

Alan McMahon
National Director | Research & Consulting

Chris Dibble
Director | Research & Consulting

Leo Lee
Senior Research Consultant

Elena Christodoulou
Research Analyst

Emily Duncan
Research Analyst

Aimee Simpson
Research Co-ordinator

Chris Farhi
Director | Strategic Consulting

Caity Pask
Senior Analyst | Strategic Consulting

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

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