

# NEW ZEALAND RETAIL

## 2019 REVIEW & 2020 FORECAST



Colliers International NZ

Physical retail stores in New Zealand capture more than 90% of all retail sales, and spending continues to edge up on an annual basis. This provides a supportive base and positive outlook for retail real estate in New Zealand.

In the year to June 2019, approximately \$95 billion of retail trade in 'bricks and mortar' properties took place. This is up almost 4% compared to the previous year. The biggest winners were in non-discretionary sectors, with consumers more selective in their discretionary spend, an ongoing trend over the past decade.

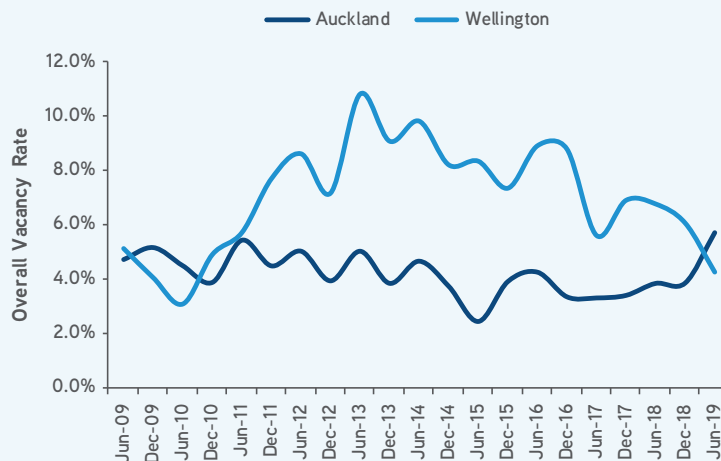
With a solid base in place, forecasts remain for further growth and expansion. Evidence of this is the latest medium-term employment forecasts from MBIE. The retail trade sector is forecast to grow by an additional 19,829 workers between 2018 and 2023, representing annual growth of 1.6% p.a, comparable to the annual average growth for all industry groups.

The variance in retailer vacancy rates by asset type and location continues. Retail premises without a supportive retail mix in an underperforming catchment are experiencing the most testing conditions. Destination retail centres with a customer-centric strategy providing entertainment and leisure experiences continue to receive the most enquiry, no matter the location.

Nationally, consenting activity has reduced from recent highs, but the total value continues to rise. This highlights the elevation in customer requirements and the extent of works that developers and landlords face in retail. Variances between demand and supply provide the guidance for rental performance for landlords, but tenants in many precincts across the country still face annual rental rate rises.

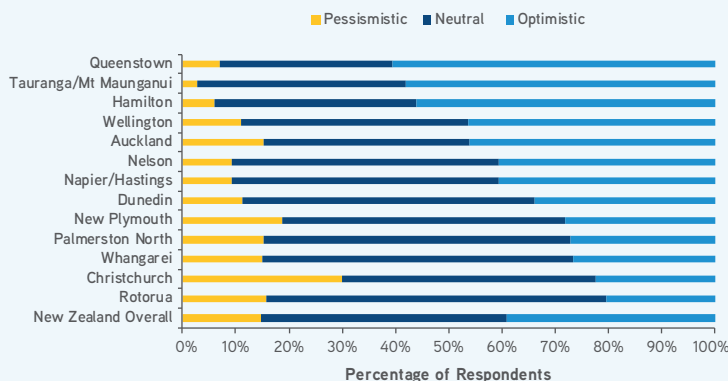
While investor confidence in the sector remains supportive, investment yields have firmed slightly or have been relatively flat over the past 12 months. This has not reduced the proportion of deal flow in the sector. Our analysis of commercial and industrial sales data shows purchasing interest remains strong for retail assets, with just under 30 per cent of all 2019 transactions in the retail sector. This is up slightly on previous years. With almost \$1 billion in retail assets transacting in 2019 so far, and many more large retail deals to be completed, the outlook for retail investment remains solid. We forecast investors to remain vigilant in their due diligence and cautiously confident in their purchasing decisions.

### Auckland & Wellington Overall Vacancy Rates



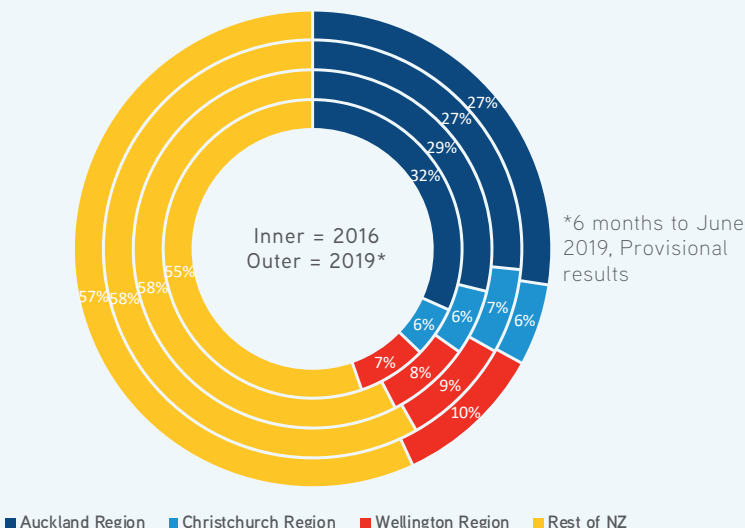
Source: Colliers International Research

### Commercial Investor Confidence Survey Q3 2019



Source: Colliers International Research

### Regional Percentage of Transactions 2016-2019



Source: CoreLogic, Colliers International Research

# NEW ZEALAND RETAIL MARKET INDICATORS Q3 2019

Precinct	Average Net Prime Rentals (\$/sqm pa)*		Average Net Secondary Rentals (\$/sqm pa)*		Prime Capital Values (\$/sqm)		Secondary Capital Values (\$/sqm)		Prime Market Yields (%)		Secondary Market Yields (%)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
<b>Auckland</b>												
CBD (Overall)	1,750	4,300	850	1,100	29,165	95,555	10,000	18,335	4.50%	6.00%	6.00%	8.50%
Custom St W & E to Shortland St	3,000	4,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shortland St to Victoria St W	2,500	3,100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Victoria St W to Wellesley St	2,000	2,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
High Street	1,250	1,950	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Newmarket	750	2,050	450	725	12,500	48,235	5,625	10,355	4.25%	6.00%	7.00%	8.00%
Ponsonby Road	850	1,400	550	750	15,455	35,000	N/A	N/A	4.00%	5.50%	N/A	N/A
Parnell Rise	600	850	N/A	N/A	8,570	20,000	N/A	N/A	4.25%	7.00%	N/A	N/A
Dominion Road	400	520	250	350	5,715	10,945	N/A	N/A	4.75%	7.00%	N/A	N/A
Takapuna	500	1,000	300	450	7,145	22,725	3,530	6,000	4.40%	7.00%	7.50%	8.50%
Westgate	400	700	300	500	6,667	13,333	4,138	7,692	5.25%	6.00%	6.50%	7.25%
Henderson	200	475	150	350	3,200	8,636	1,935	5,185	5.50%	6.25%	6.75%	7.75%
<b>Waikato/BOP/Hawkes Bay</b>												
Hamilton	260	300	140	170	3,714	4,615	1,400	2,267	6.50%	7.00%	7.50%	10.00%
Tauranga	300	450	175	200	5,217	9,474	2,692	3,636	4.75%	5.75%	5.50%	6.50%
Mt Maunganui	400	850	300	400	8,889	24,286	6,000	10,000	3.50%	4.50%	4.00%	5.00%
Rotorua	260	300	140	170	3,714	4,615	1,400	2,267	6.50%	7.00%	7.50%	10.00%
Hawke's Bay	390	550	170	280	6,000	9,821	1,889	3,889	5.60%	6.50%	7.20%	9.00%
<b>Taranaki</b>												
New Plymouth	230	300	140	220	2,875	5,000	1,335	2,445	6.00%	8.00%	9.00%	10.50%
<b>Manawatu/Wanganui</b>												
Palmerston North	300	600	100	300	4,000	9,231	1,111	3,750	6.50%	7.50%	8.00%	9.00%
<b>Wellington</b>												
Lambton Quay	1,980	2,550	535	640	29,335	42,500	7,135	8,830	6.00%	6.75%	7.25%	7.50%
Willis Street	715	1,200	N/A	N/A	9,860	19,200	N/A	N/A	6.25%	7.25%	N/A	N/A
Courtenay Place	650	915	N/A	N/A	8,665	14,640	N/A	N/A	6.25%	7.50%	N/A	N/A
Cuba Mall	570	970	N/A	N/A	7,860	15,520	N/A	N/A	6.25%	7.25%	N/A	N/A
<b>Nelson</b>												
Nelson	450	600	250	350	7,500	10,345	3,788	5,556	5.80%	6.00%	6.30%	6.60%
<b>Christchurch</b>												
City Mall (Retail Precinct)	750	1,000	350	650	10,715	20,835	4,120	9,285	6.00%	7.00%	7.00%	8.50%
CBD	400	600	250	350	5,335	9,230	2,940	5,335	6.00%	7.00%	6.75%	7.75%
<b>Otago</b>												
Queenstown	1,800	2,200	850	1,350	45,000	62,857	17,000	33,750	3.50%	4.00%	4.00%	5.00%
Wanaka	650	880	375	550	13,000	22,000	6,250	11,000	4.00%	5.00%	5.00%	6.00%
Frankton	150	200	130	150	1,938	2,533	1,413	1,867	6.00%	6.50%	6.75%	7.50%
Dunedin	500	1,200	150	450	6,895	21,820	1,665	6,205	5.50%	7.25%	7.25%	9.00%

Source: Colliers International Research  
\*Wellington based on gross face rents

Face rents, yields and capital values are based on averages across all precincts and does not represent the minimum or maximum rates being achieved.  
Note: Some figures may be rounded

## FOR MORE INFORMATION:

**Chris Dibble**  
Director  
Research & Communications

**Adrian Goh**  
Research Analyst

**Anna Sizova**  
Research Analyst

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

