



New Zealand retail market in 60 seconds

Biggest trends



Light at the end of the tunnel

After an extended period of challenges with the pandemic and inflation, there is some positivity on the horizon. Inflation is getting under control, interest rates are starting to reduce, and changing attitudes to hybrid work may see more office workers returning the city centres.



Patchy performance

Across the country, the performance of retail properties has been highly sensitive to location and configuration. Post-pandemic ways of working (hybrid and remote work) have had varying impacts, with some suburban locations benefiting, but often at the detriment of central city locations. Vacancy rates within city centres are often significantly higher than large-format and trade retail.



Logistics driving competitive edge

Large-format retailers are reviewing how their logistics operate alongside their retail properties. This has typically seen an increase in centralised distribution and less stock on site.

Outlook for the next 12 months



Yields stabilising at higher levels

Signals that inflation is under control and interest rates are reducing mean yields are likely to stabilise after a period of softening. Retail had previously been hit heavily by the pandemic so the post-pandemic recovery has partially offset the impact of rising interest rates.



Two-step rents

Patchy performance has led to a two-step market. Properties that have performed strongly have been achieving rental growth. Weaker properties have been impacted by softer rents, although in some cases landlords are holding vacancies longer or using short-term leases with the goal of securing full rents in the future.

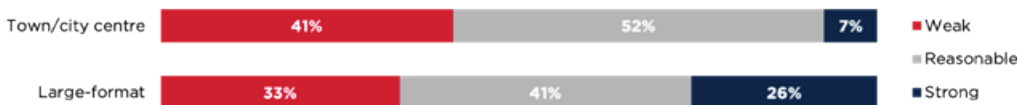


Higher rents needed for new builds to stack up

Reducing yields largely offset the impact of higher construction costs during 2020-2021. Softer yields and persistently high construction costs mean higher rents are needed for new developments to be feasible. Some experts perceive construction costs are now showing signs of softening which may help improve the viability of new developments.

Broker sentiment across New Zealand

How is occupier demand for retail premises?



How is the supply of retail premises for lease?



Market sentiment based on a survey of Bayleys brokers across New Zealand

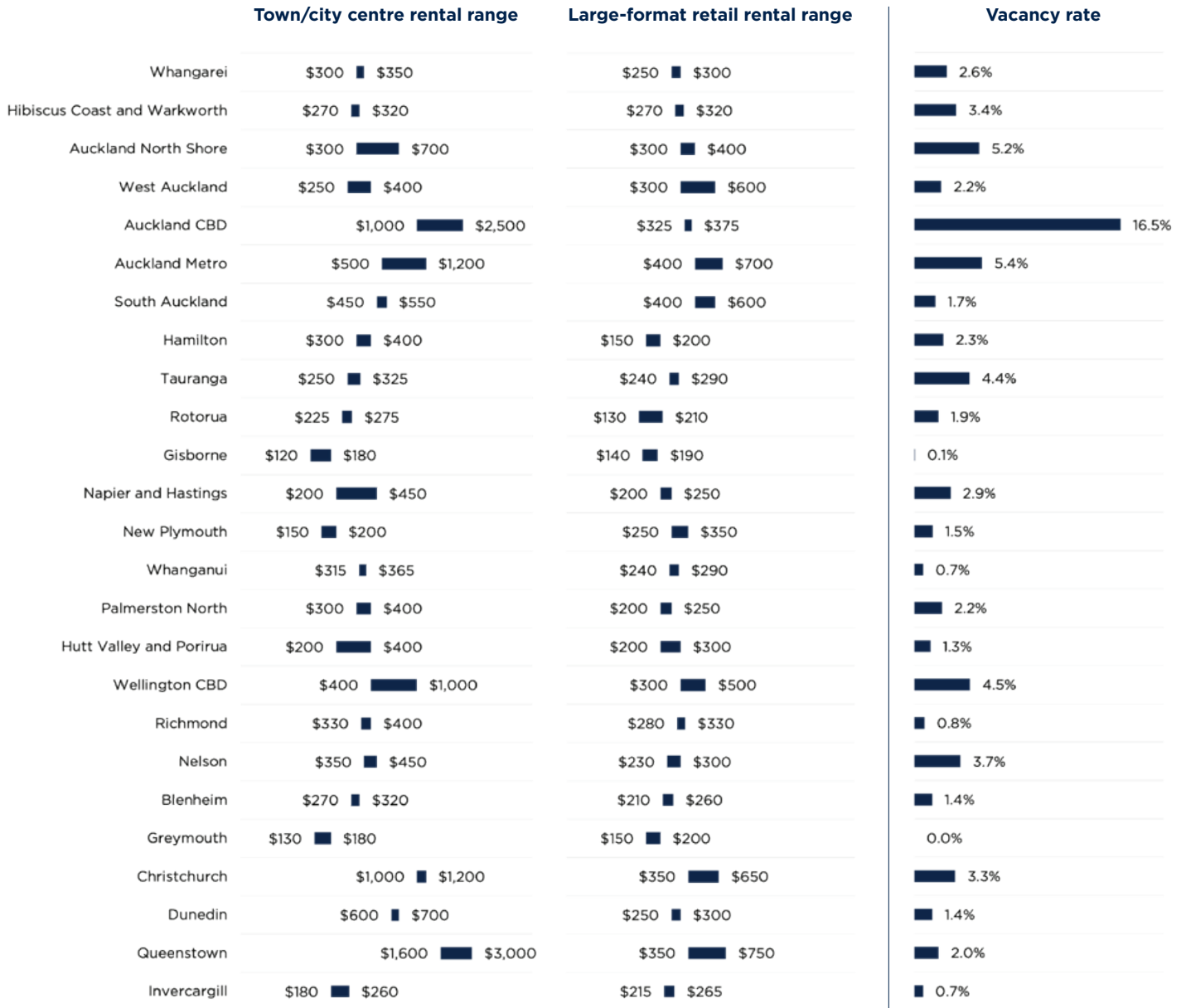
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Use this form to request help from your local Bayleys team

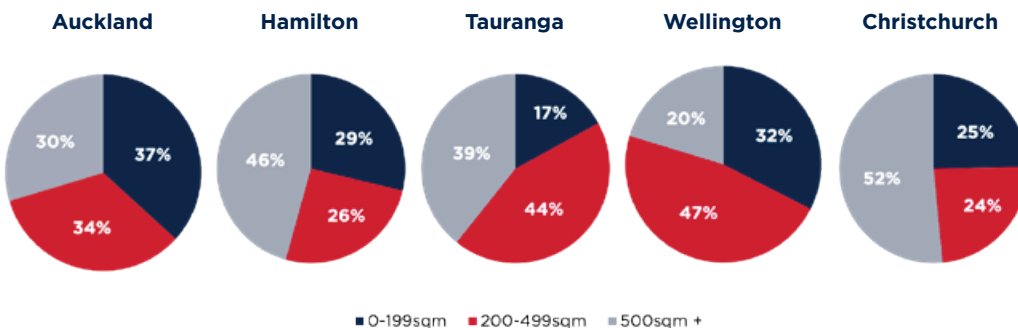


Leasing indicators

Leasing indicators by urban area



Total vacant floor area by vacancy size



Vacancy rate is blended across town/city centre, large-format and trade retail properties. Vacancies on the main CBD streets are significantly higher in the five major cities.

Vacancy rate: five biggest urban areas



Benchmark properties

We use these benchmark properties for our insights:

Town/city centre retail: Main shopping street. Floor area: 100sqm. Cold shell.

Large-format retail: Good location for large-format retail. 500sqm. Reasonable car parking.

We revise our methodology from time to time. Our latest results may not be fully interchangeable with historic results. The benchmarks do not represent the minimum or maximum rates in the market. Our vacancy rate is assessed on advertised vacancies rather than physical vacancies. All findings are indicative only.

Sample of recent transactions



SOLD

2 Pohewa Road, Silverdale, Auckland

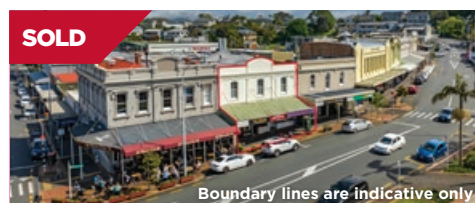
Land area 2,866sqm
 Sale price \$4,513,950
 Contact Chris Beasleigh,
 Andrew Bishop



LEASED

68-76 Taharoto Road, Takapuna, Auckland

Floor area 996sqm
 Tenant Farro Smales Farm
 Contact Chris Beasleigh,
 Andrew Bishop



SOLD

53-55 Victoria Road, Devonport, Auckland

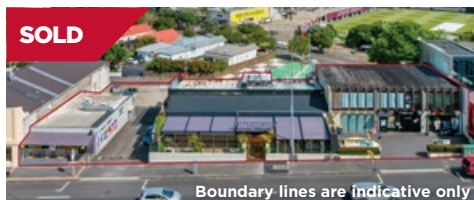
Floor area 305sqm
 Sale price \$2,000,000
 Contact Michael Nees, Peta Laery



LEASED

Westgate Shopping Centre, 5/8 Maki Street, Massey, Auckland

Floor area 1,134sqm
 Tenant Nike New Zealand
 Contact Andrew Bishop



SOLD

492 and 498-500 New North Road, Kingsland, Auckland

Floor area 697sqm
 Sale price \$7,600,000
 Contact Tony Chaudhary, Lalit Arya,
 Cameron Melhuish



LEASED

Unit GE/130 Rostrevor Street, Hamilton Central

Floor area 138sqm
 Tenant Baby On The Move
 Contact Rebecca Bruce,
 Jordan Metcalfe



SOLD

56 Duke Street, Cambridge, Waipa

Floor area 1,266sqm
 Sale price \$1,650,000
 Contact Willem Brown,
 David Cashmore



LEASED

Tenancy 4, 683 Cameron Road South, Tauranga

Floor area 403sqm
 Tenant 101 Asian Supermarket
 Contact Lynn Bradley, Ryan Bradley



SOLD

72-76 Second Avenue, Tauranga

Floor area 992sqm
 Sale price \$3,530,000
 Contact Ryan Bradley, Lynn Bradley,
 Brendon Bradley



LEASED

Unit 1.12/2-10 Semple Street, Porirua, Wellington

Floor area 660sqm
 Tenant NZ Red Cross
 Contact Ethan Hourigan, Simon Butler



LEASED

62 Cambridge Terrace, Te Aro, Wellington

Floor area 276sqm
 Tenant AHL IP Ltd
 Contact Mark Walker, Sarah Lyford



SOLD

33 Rutherford Street, Lower Hutt, Wellington

Floor area 567sqm
 Sale price \$2,800,000
 Contact Ethan Hourigan



SOLD

130 Riccarton Road and 2 Kauri Street, Riccarton, Christchurch

Floor area 961sqm
 Sale price \$3,050,000
 Contact William Wallace



SOLD

367 Blenheim Road, Middleton, Christchurch

Floor area 3,900sqm
 Sale price \$7,500,000
 Contact Sam Stone



LEASED

458 Moorhouse Avenue, Waltham, Christchurch

Floor area 854sqm
 Tenant Kennards Hire New Zealand
 Contact Sam Stone, Jeremy Speight

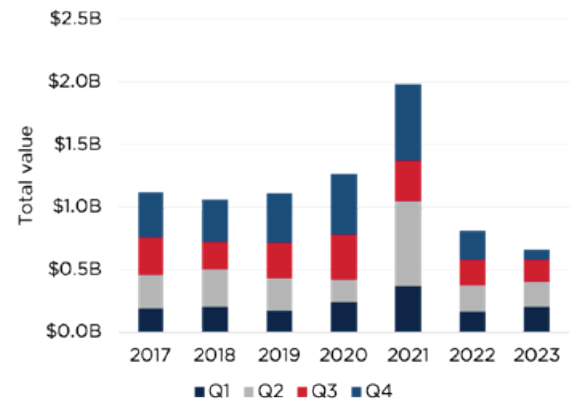
Investment indicators

Typical yields by urban area

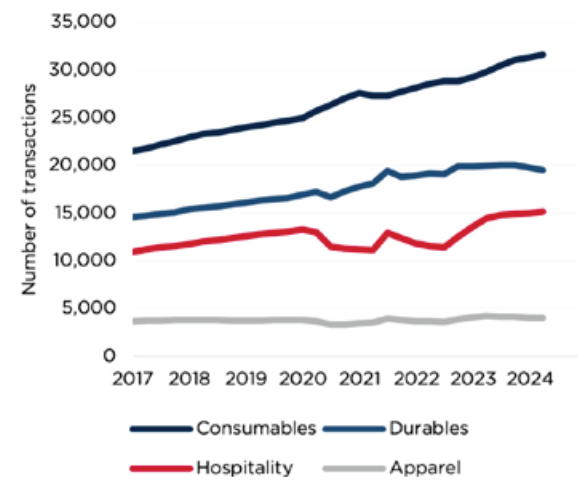
| | Town/city centre | Large-format |
|------------------------------|------------------|--------------|
| Whangarei | 7.0% 7.5% | 7.0% 7.5% |
| Hibiscus Coast and Warkworth | 5.5% 6.5% | 6.0% 7.0% |
| Auckland North Shore | 6.0% 7.0% | 6.0% 7.0% |
| West Auckland | 6.0% 7.0% | 7.0% 8.0% |
| Auckland CBD | 6.5% 7.5% | 6.0% 7.0% |
| Auckland Metro | 7.0% 8.0% | 6.0% 7.0% |
| South Auckland | 6.0% 7.0% | 6.0% 7.0% |
| Hamilton | 6.5% 7.5% | 6.5% 7.5% |
| Tauranga | 6.0% 6.5% | 6.0% 6.5% |
| Rotorua | 7.5% 8.5% | 6.5% 7.5% |
| Gisborne | 8.5% 9.5% | 6.3% 7.3% |
| Napier and Hastings | 7.5% 8.5% | 7.0% 8.0% |
| New Plymouth | 6.5% 7.5% | 6.5% 7.5% |
| Whanganui | 9.0% 10.0% | 6.5% 7.5% |
| Palmerston North | 7.0% 8.0% | 7.0% 8.0% |
| Hutt Valley and Porirua | 6.8% 7.8% | 6.5% 7.5% |
| Wellington CBD | 7.0% 8.0% | 6.5% 7.5% |
| Richmond | 6.0% 6.5% | 6.5% 7.5% |
| Nelson | 8.0% 9.0% | 8.0% 9.0% |
| Blenheim | 7.0% 8.0% | 5.0% 6.0% |
| Greymouth | 6.0% 7.0% | 6.5% 7.5% |
| Christchurch | 5.5% 6.5% | 5.5% 6.5% |
| Dunedin | 6.5% 7.0% | 5.5% 6.0% |
| Queenstown | 3.0% 3.8% | 5.0% 6.0% |
| Invercargill | 7.5% 8.5% | 7.5% 8.5% |

Data: Bayleys Insights & Data

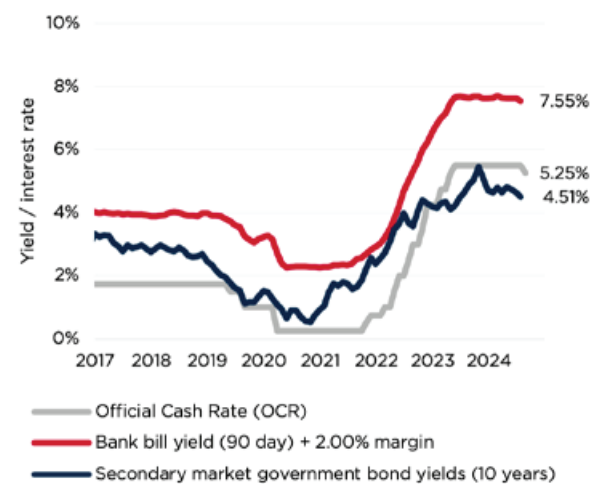
Retail property sales over time: New Zealand



Electronic card transactions



Interest rates



Data: Bayleys Insights & Data analysis of CoreLogic data

Data: StatSNZ

Data: RBNZ

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