

Green Star-rated office buildings in demand

Falling vacancy levels are a feature of the Auckland CBD office market in a new research report from Colliers International. It suggests the market reflects recent economic data – “improving, but only slightly”.

It highlights that prime vacancy is falling faster than that for secondary space, but that vacancies are falling even faster for green buildings

In what the agency’s national research director, Alan McMahon, describes as “all going in the right direction, but slowly”, overall Auckland CBD office vacancies were at 12.2% a year ago, 11.3% six months ago and now stand at 11%.

He says that with an average vacancy of 11.8% over the last 15 years the present level is not unusually high. “Since 1997 vacancy has been below 9% on only three surveys in 2007 and 2008.”

The survey notes that while vacancies in B and D grade space have increased a little, those for Premium, A and C grade space are down. “All the movements are modest except premium grade which has fallen 2.1% over the last six months and 5.8% in the last year.”

As has been highlighted before by Colliers, the total stock of prime space is much smaller than that for secondary “so in area terms the comparison is starker”.

McMahon says the present equation is 38,352m² of vacant prime space, against 109,107m² of secondary space lying empty.

“The stock of green buildings ... a subset of prime stock ... only amounts to 10,000m² leaving little choice for substantial tenants seeking the benefits of occupying Green Star-rated property.”

On the rental front the agency says prime CBD office rents in Auckland fell 1.5% in the year to June 2012, compared with a 0.2% increase in Wellington. Forecasts for the next year are for increases of 3.5% and 1.5% respectively.

Secondary office rentals are generally static, or in some cases, falling.

McMahon says available prime CBD space in Wellington at present stands at less than 11,000m² with the only significant space being several floors in each of the State Insurance Tower and Telecom Central buildings.

The industrial market

In a snapshot of the industrial property market – based on Mt Wellington Auckland, Seaview in Wellington and Hornby/Islington in Christchurch – Colliers says prime rentals rose 0.4%, declined 5.4% and rose 4.4% respectively in the year to June.

Industrial vacancies in all three regions are forecast to decline over the next few months – to 5.7% in Auckland, 7.6% in Wellington and 4.4% in Christchurch.





The retail property sector

Prime CBR retail rentals in Auckland (Queen St) and Wellington (Lambton Quay) are reported unchanged in the year to June 2012, but with a 12 month forecast of an increase of 3% for Auckland and a continuing static market in Wellington.

Retail space vacancies stood at 3.4% in Queen St at the end of June 2012 and 7.7% in Lambton Quay at December 2011. These levels are expected to be maintained over the next four to 12 months. □