

Introduction

Auckland’s vacancy rate increased by 1.9 percentage points within the City Fringe, increased by 2.2 percentage points in the Southern Corridor and slightly decreased by 0.6 percentage points within the North Shore.

The impact of the current recession on the demand for office space is likely to continue through to the end of 2010. Whilst there a few developments currently underway in Auckland’s city fringe and suburban office markets there are a significant number of proposed developments, however, developers would require significant tenant commitment in order to proceed.

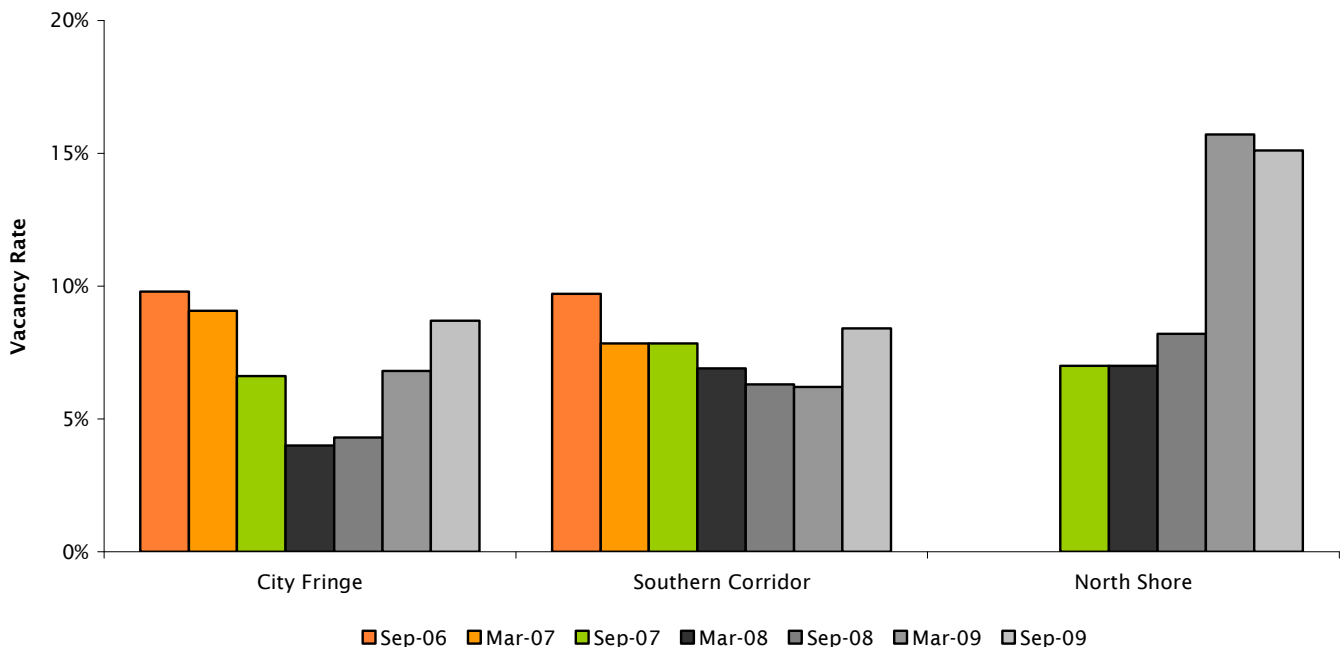
Key Results

The overall vacancy rate results, as at September 2009, for each of the office markets surveyed were as follows:

- City Fringe 8.7%;
- Southern Corridor 8.4%; and
- North Shore 15.1%.

Figure 1 presents the results of the vacancy surveys undertaken by Darroch Research since September 2006. Note that September 2007 was the inaugural North Shore vacancy survey.

Figure 1: Auckland City Fringe and Suburban Office Vacancy Rates – September 2006 to September 2009



Source: Darroch Research

Key Trends

- The City Fringe vacancy rate increased to 8.7% as at September 2009, up from 6.8% in March 2009. Over the six months to September 2009, the overall A grade vacancy rate decreased to 4.0% from 4.4%, whilst the secondary grade vacancy rate increased, from 7.2% to 9.6%;
- With the exception of Grafton, all City Fringe precincts experienced an increase in vacancy over the six months to September 2009, ranging from 2.1 to 3.6 percentage points. Grafton only decreased slightly from 8.8% to 8.4% over the six months to September 2009;
- The most significant increase in vacancy rate was experienced in the Newton precinct. Newton had an increase in vacancy from 4.9% to 8.5%. This increase was largely attributed to Lincolne Scott and Jasmax vacating a total of 1,660 square metres from 65 Upper Queen Street and MacVad vacating 900 square metres of space at 4 Newton Road;
- The Southern Corridor vacancy rate increased by 2.2 percentage points in the six months to September 2009 up to 8.4%. A number of tenants vacating spaces between 400 and 1,000 square metres led to this increase; and
- The North Shore vacancy rate as at September 2009 was 15.1%, down 0.6 percentage points from the vacancy rate recorded in March 2009. This decrease has resulted from a small amount of space being taken up in buildings which were completed six months ago and were fully vacant at the time of the March 2009 survey. Also three new buildings have been completed within the last six months, of which, two are fully leased; the new 3M headquarters at 94 Apollo Drive, Albany and a new building at 78 Apollo Drive, Albany which has been fully leased to Ingram Micro.

Auckland City Fringe & Suburban Vacancy Survey Results

Table 1: Auckland City Fringe Office Vacancy Survey Results by Grade

Survey	Total			A Grade			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2006	430,665	42,211	9.8%	43,982	593	1.3%	386,683	41,618	10.8%
Mar 2007	514,086	46,643	9.1%	66,644	4,154	6.2%	447,442	42,489	9.5%
Sept 2007	542,838	35,906	6.6%	68,515	3,103	4.5%	474,324	32,803	6.9%
Mar 2008	543,845	21,643	4.0%	68,515	1,374	2.0%	475,330	20,269	4.3%
Sept 2008	521,055	22,373	4.3%	68,515	1,473	2.1%	452,540	20,900	4.6%
Mar 2009	524,711	35,419	6.8%	80,843	3,529	4.4%	443,868	31,890	7.2%
Sept 2009	530,176	46,206	8.7%	80,843	3,220	4.0%	449,334	42,986	9.6%

Source: Darroch Research

Table 2: Auckland City Fringe Office Vacancy Survey Results by Precinct

Survey	Grafton			Newton			College Hill			Parnell			Newmarket		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2006	108,755	68,457	9.0%	54,267	12,695	9.7%	54,863	8,390	9.6%	68,401	21,860	13.8%	144,376	5,376	13.7%
Mar 2007	133,588	59,113	7.9%	75,553	10,357	8.5%	60,441	4,304	4.8%	88,467	23,207	14.6%	156,038	5,792	14.8%
Sept 2007	133,152	40,269	5.4%	85,047	13,263	10.0%	63,705	2,563	3.0%	101,795	17,471	11.6%	159,140	4,979	12.7%
Mar 2008	134,615	39,474	5.2%	80,613	4,262	3.3%	64,334	1,344	1.5%	102,882	13,943	9.3%	161,401	2,445	6.2%
Sept 2008	132,224	50,216	6.8%	78,771	4,276	3.4%	63,168	2,685	3.1%	91,179	16,816	11.3%	155,714	3,314	8.5%
Mar 2009	118,017	65,450	8.7%	78,771	6,820	5.3%	63,168	4,486	5.0%	102,429	18,630	12.5%	162,327	5,640	14.4%
Sept 2009	117,486	9,880	8.4%	79,301	6,704	8.5%	63,168	3,611	5.7%	100,264	9,420	9.4%	169,958	16,592	9.8%

Source: Darroch Research

Table 3: Southern Corridor Office Vacancy Survey Results

Survey	Total			A Grade			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2006	177,002	17,173	9.7%	76,860	8,128	10.6%	100,142	9,045	9.0%
Mar 2007	165,690	12,996	7.8%	81,278	5,780	7.1%	84,412	7,216	8.5%
Sept 2007	176,286	13,824	7.8%	91,265	10,592	11.6%	85,022	3,233	3.8%
Mar 2008	185,443	12,875	6.9%	92,246	7,879	8.5%	93,197	4,996	5.4%
Sept 2008	189,679	11,873	6.3%	96,133	7,385	7.7%	93,547	4,487	4.8%
Mar 2009	197,892	12,202	6.2%	104,346	6,931	6.6%	93,547	5,271	5.6%
Sept 2009	197,892	16,556	8.4%	104,346	6,333	6.1%	93,547	10,223	10.9%

Source: Darroch Research

Table 4: North Shore Office Vacancy Survey Results by Grade

Survey	Total			A Grade			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2007	244,054	17,062	7.0%	40,963	690	1.7%	203,091	16,372	8.1%
Mar 2008	257,164	17,896	7.0%	55,463	1,910	3.4%	201,701	15,986	7.9%
Sept 2008	265,909	21,688	8.2%	64,208	4,480	7.0%	201,701	17,208	8.5%
Mar 2009	302,994	47,510	15.7%	72,005	11,362	15.8%	230,989	36,148	15.6%
Sept 2009	314,376.5	47,422	15.1%	77,652	9,358	12.1%	236,725	38,064	16.1%

Source: Darroch Research

Table 5: North Shore Office Vacancy Survey Results by Precinct

Survey	Stock (m ²)	Albany		Takapuna		
		Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacancy Rate	
Sept 2007	83,875	6,245	7.4%	160,179	10,817	6.8%
Mar 2008	83,875	5,797	6.9%	173,289	12,099	7.0%
Sept 2008	89,356	9,791	11.0%	176,553	11,897	6.7%
Mar 2009	122,291	31,978	26.1%	180,703	15,532	8.6%
Sept 2009	130,303	28,230	21.7%	184,074	19,124	10.4%

Source: Darroch Research

Development Activity

Table 6: Auckland City Fringe and Suburban Office Developments – Under Construction

Property	Developer	Office Floor Area (m ²)	Expected Rent (\$psm)	Expected Completion	Tenants
Under Construction					
<i>Ironbank</i> – 154 Karangahape Road, Newton	Samson Corp	3,855	Confidential	Oct-09	20% leased
<i>8 On Nugent</i> – 8 Nugent Street, Grafton	The Neil Group	11,820	Unknown	Oct-09	Digital Island
<i>The Slider Building</i> – 8 Stanley Street, Parnell	McDougall Reidy	6,700	Unknown	Apr-10	National Library
96 Apollo Drive, Albany	Northbridge Properties	2,058	Unknown	Late 2010	Unknown
<i>Soho</i> – 4 Williamson Avenue, Ponsonby	Marlin Group	24,000	\$340	Unknown	

Source: Darroch Research

Table 7: Auckland City Fringe and Suburban Office Developments – Proposed

Property	Developer	Office Floor Area (m ²)	Expected Completion
Proposed			
1 William Laurie Place, Albany	Platypus Group	3,114	2010-2011
<i>E1 The Gateway</i> – Oteha Valley Road, Albany	Albany City Holdings Ltd	7,000	2010
<i>E3 The Gateway</i> – Oteha Valley Road, Albany	Albany City Holdings Ltd	2,700	2011
<i>Ascot Parade</i> – Ascot Avenue, Ellerslie	McConnell Property Ltd	17,400	Building 1 - 2010 Building 2 & 3 - 2011 Building 4 - 2012
<i>Merge</i> – Cnr Auburn & Northcroft Streets, Takapuna	Location Group	10,500	2012
<i>Interplex Business Park</i> – 96 Apollo Drive, Albany	Northbridge Properties	2,058	Unknown
<i>Highbrook Office Park</i> – Highbrook Drive, East Tamaki	Goodman Group	23,731	Unknown
<i>LA Central</i> – 63-89 Lunn Avenue	Greenstone Group	52,000	Unknown (site for sale)
<i>B28-30</i> – 28-30 Balfour Road, Parnell	NZ Strong & Balfour Projects	4,569	Unknown (site for sale)
<i>Sylvia Park; Buildings A and B</i> – Mt Wellington Highway	Kiwi Income Property Trust	Bldg A – 11,362 Bldg B – 7,900	Unknown (on hold)
<i>A1 Central Park</i> – 666 Great South Road	Goodman Group	8,700	Unknown (on hold)
<i>A2 & A3 – Central Park</i> – 666 Great South Road	Goodman Group	11,998	Unknown (on hold)
<i>Napier Plaza</i> – 27 Napier Street, College Hill	Latitude Group	8,720	Unknown (on hold)
<i>Eden 6; Eden Business Park</i> – Normanby Road, Mt Eden	Orchard Funds Management	7,325	Unknown (on hold)
<i>Eden 7; Eden Business Park</i> – Normanby Road, Mt Eden	Orchard Funds Management	8,035	Unknown (on hold)

Source: Darroch Research

Table 8: Auckland City Fringe and Suburban Office Developments – Mooted

Property	Developer	Office Floor Area (m ²)	Expected Completion
Mooted			
<i>Lion Brewery Site</i> – Khyber Pass Road, Newmarket	AMP Capital Investors	Unknown	Unknown
<i>Building C; Smales Farm</i> – Taharoto Road, Takapuna	The Smale Family	11,500	Unknown
<i>Albany City</i> - Don McKinnon Drive, Albany	Symphony Group / ACPIIL	20,000 – 40,000	Unknown
1B William Pickering Drive, Albany	Platypus Group	Unknown	Unknown
<i>Carter Holt Harvey Site</i> – 640 Great South Road	Unknown	Up to 30,000	Unknown

Source: Darroch Research

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