

North Shore Office Returns Mixed

➔ Prime Takapuna Strong but Secondary Albany Weak

Solid rental growth has been a feature of most commercial and industrial property markets on Auckland's North Shore according to Darroch's latest analysis. Investment properties typically achieved close to 4% rent growth each year for the past five years, making landlords happier in the process. Across each location, individual performance varied but on average most retail, office, and industrial markets managed returns in the 3% to 5% band. Darroch has tracked rent levels on the North Shore for all investment classes since 1999 and our analysis of the **North Shore Office Sector** has been summarised to three and five yearly growth rates below.

North Shore Rental Performance/Compound Growth Rates p.a.				
Location	Prime		Secondary	
Office Rentals	3 Yr Avg	5 Yr Avg	3 Yr Avg	5 Yr Avg
Albany	4% to 5%	3% to 4%	1.5% to 2.5%	1.5% to 2.5%
Takapuna	7% to 8%	5% to 6%	4.5% to 5.5%	4.5% to 5%
Carparking Rental:	Covered		Uncovered	
Albany	6% to 7%	8% to 9%	5% to 6%	6% to 8%
Takapuna	10% to 12%	8% to 9%	10% to 12%	6% to 8%

Source: Darroch Research

In the office market the star performer was actually Takapuna car parking which achieved double digit growth in the past three years. This really reflects the well documented shortage of carparks in the precinct and the premium rates businesses are willing to pay to capture them. Another big achiever was Takapuna prime offices which had returns of 5% to 8% over the last five years. Smales Farm continues to strengthen and attract top level corporate users and set new rental bench marks for A-Grade space.

In contrast Albany office performance varied. In the Interplex subdivision prime offices sustained good rent growth owing to its prestigious location and higher land values. But in North Harbour, rent growth was subdued reflecting older stock and higher vacancies. Here growth was a more modest 1% to 3% per annum.

Looking to the future, rental growth will be governed by demand/supply factors, general business confidence and vacancy rates. Darroch's Research Manager, Peter Sluyter says "Although weaker economic conditions could impact negatively on leasing demand, most commercial property markets across Auckland currently have high occupancy levels and are still in pretty good shape. In the short term at least, this should help mitigate any pressures that threaten rental growth - should the gap between demand and supply factors widen".