

North Shore Retail Rent Growth

➔ Returns Slowing Owing to Consumer Downturn

Solid rental growth has been a feature of most commercial and industrial property on Auckland's North Shore according to Darroch's latest analysis. On balance 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 Retail Sector** has been summarised to three and five yearly growth rates below.

North Shore Rental Performance/Compound Growth Rates p.a.				
Location	Prime		Secondary	
	3 Yr Avg	5 Yr Avg	3 Yr Avg	5 Yr Avg
Retail Rentals				
Milford	5% to 7%	6% to 7%	3% to 4%	4% to 5%
Takapuna	3.5% to 4.5%	4% to 5%	4% to 5%	4% to 5%
Albany	3% to 4%	4.5% to 5.5%	3% to 4%	4% to 5%
East Coast Bays	3% to 4%	5% to 6%	3% to 4%	5% to 6%
Bulk Retail Rentals				
Albany	2.5% to 3.5%	2.5% to 3.5%	2% to 3%	2.5% to 3.5%

Source: Darroch Research

Suburban retail on the Shore has performed well over the past five years but more recently rental growth for this sector has slowed. Tighter discretionary spending and falling retail sales means the current economic climate will pose challenges for some businesses in the year ahead. Rising interest rates, food and petrol prices together with a softening in the residential housing sector are all having an impact on consumer spending, with demand for luxury items likely to weaken first.

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".