

On a national level high consumer confidence and robust retail data continues to underpin strong momentum of the retail market. In Christchurch the central city is poised on the edge of a retail renaissance with a number of large anchor developments consented and indeed underway with tenant commitment in place.

Demand

JLL has identified that initial retail demand in the central city has focussed around cafes, eateries and entertainment premises to service the burgeoning office market that has become established to the north and west of the core CBD. We anticipate occupier demand will diversify over time as the general populous returns to the CBD.

Initial central city demand for office associated retailing and entertainment

Vacancy remains low in suburban locations with Riccarton and Papanui

Road strip-retail corridors continuing to prove popular with shoppers along with the established suburban malls of Westfield, Northlands, The Palms and The Hub Hornby.

Supply

The Central City has seen limited retail redevelopment to date with the focal point being centred around the peripheral locations of Victoria Street and New Regents Street to the north of the core CBD. With a number of new office developments either completed or near completion along Durham Street North, Cambridge Terrace and Montreal Street we will see further ground floor retailing in these areas emerging in H1 2015.

Core CBD retail supply is set to take off in the H2 2015 and into 2016 as a number of significant developments open their first stages.

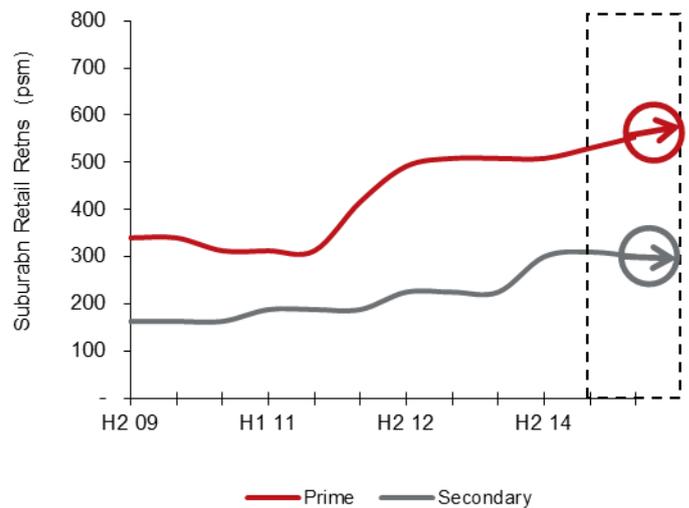
In the wake of CBD closure and demolitions, suburban retail has had a strong past four years. Of particularly note are Addington and Hornby, both south-west locations which have benefitted from an increase in earthquake related population growth and business relocation.

Addington has seen the construction of a number of bulk retail premises along Moorhouse Avenue which have been quickly absorbed by the market along with a number of new boutique retail premises along Lincoln Road to service the 7 major office buildings and growing residential population in the immediate area.

Hornby has perhaps seen the most retail growth thus far post-quake. With a large bulk retail development on Main South Road, an addition of a two storey Farmers to the Hub Mall and the rumoured construction of a Carl's Jr on the old Clock Tower site opposite the new Wendy's building.

Suburban retail has had a strong four years

Christchurch Average Suburban Rent



Significant CBD Office/Retail Developments

Name	Floor Area (m ²)	Expected Completion
BNZ Centre	22,500	Q4 2015
The Crossing	14,600	2015/2016
ANZ Centre	12,000	Q4 2016
The Terrace	40,000	2016
Awly Building	10,000	Q4 2015



Increase in Prime CBD rents from historic levels



Stabilisation of yields



Increase in new built space coming to market

Asset Performance

Increased levels of retail spending, consumer confidence are underpinning a strong retail market particularly in the suburbs whilst the CBD is predominantly in a development phase. The Prime segment of the market continues to lead yields with average Prime yields firming in the 6.5%-7.5% range with secondary yields generally one percent above this range.

Retail rental levels have remained at existing parameters in the suburbs attracting up to NZD 1,000 per sqm in for smaller tenancies in prime locations. Secondary suburban retail remains in the NZD 250-350 per sqm. Prime CBD rentals are tipped to sit in the NZD 1,000 to 1,200 per sqm range for centrally located premises around Cashel Mall.

Strong retailing market particularly in the suburbs

12-Month Outlook

Improving economic conditions and confidence at high levels have worn off on the retail market which is expected to see rental figures improving and vacancy remaining at low levels. At present Christchurch retail and hospitality spending outpaces that of the national level with sales increasing 1.2% in the September 2014 quarter as compared to 0.9% nationally. Retail and hospitality sales have risen 25% since June 2010 in Canterbury against 17% nationally according to Stats NZ showing the strength of the sector in the post quake environment.

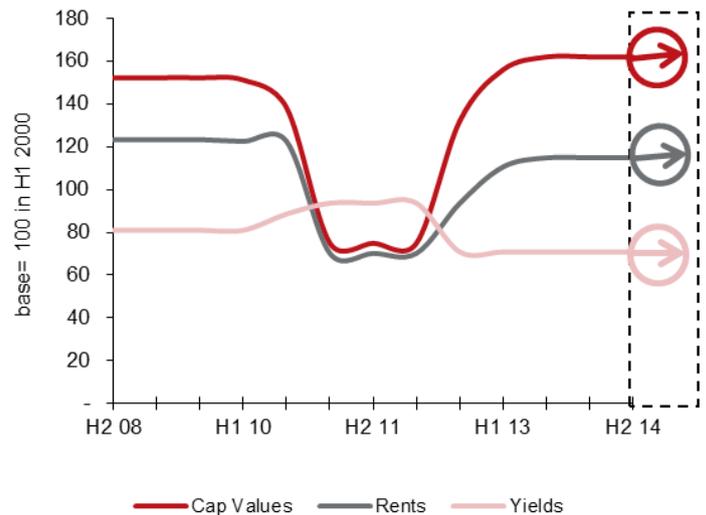
The next year will prove to be an exciting time as the Central City starts to take shape. The retail sector will form a large part of this stage for Christchurch with a number of new premises set to open nearer the end of the year. The challenge will be around getting shoppers back into the CBD away from the amenity provided at the suburban malls and shopping centres. Key issues in the retailing success of the CBD will be parking with multiple hours available for free in the suburbs. Public transport and ease of access will also be defining factors as will be securing the right tenant mix to draw shoppers away from the local shopping centres. The completion of the new bus exchange during 2015 will likely be a watershed moment in the rebuild bringing more people into the CBD having a flow on effect to retailing in the vicinity particularly on Lichfield and Colombo Streets. It is reported to have a capacity for 100 buses per hour and a potential of 70,000 users per day by 2041.

Retail sales in Christchurch outpace the rest of the country

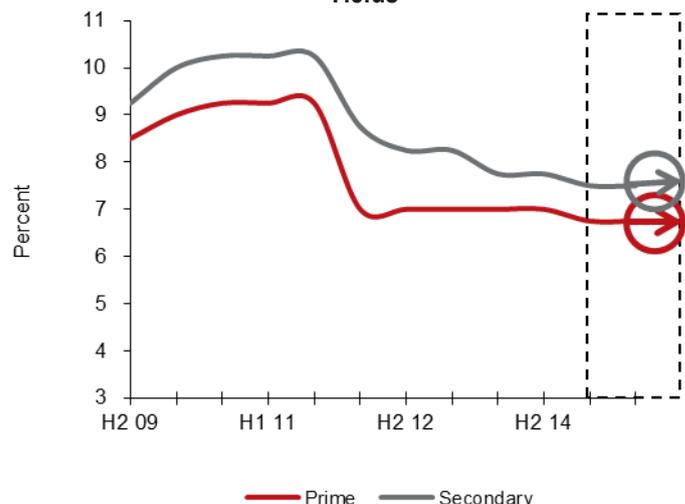
Occupier/ tenant: With a new compact CBD there will be less core retail space available. Consider the potential advantages of positioning yourself within this location.

Owner/ landlord: The biggest challenge for owners will be getting retailers back from the suburbs. This will require strong management and strategies to be put in place to ensure the right tenant mix is achieved.

Suburban Retail Indices



Yields



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