

The Christchurch retail market continues to gain more traction with new development activity and growing demand from retailers.

## Demand

CBD retail is starting to diversify from the handful of bars and restaurants that had been initially operating in the early recovery stages.

Areas with a high level of activity seen in 2H15 include St Asaph Street and Victoria Street, which offer a number of cafes, bars and eateries on the outskirts of the core CBD. However, over the next year we anticipate demand from consumers will become more centrally focused as more people live and work within the CBD.

*F&B remains a prominent driver of retail demand*

Large developments within the retail precinct have drawn in many of the major banks, with ANZ and BNZ both taking up naming rights of new buildings. Demand from large tenants is fuelling retail growth and has brought a healthy injection of capital and activity into the retail market.

We anticipate that space in key streets such as Cashel Street Mall will be in high demand from retailers. This area is likely to have the highest volume of pedestrian foot traffic with Hereford Street, Lichfield Street, Colombo Street, and Oxford Terrace also being desirable locations bordering the Retail Precinct. As retail across New Zealand continues to suffer from strong online competition, locations with high levels of foot-traffic are becoming increasingly important if tenants wish to remain competitive and successful.

## Supply

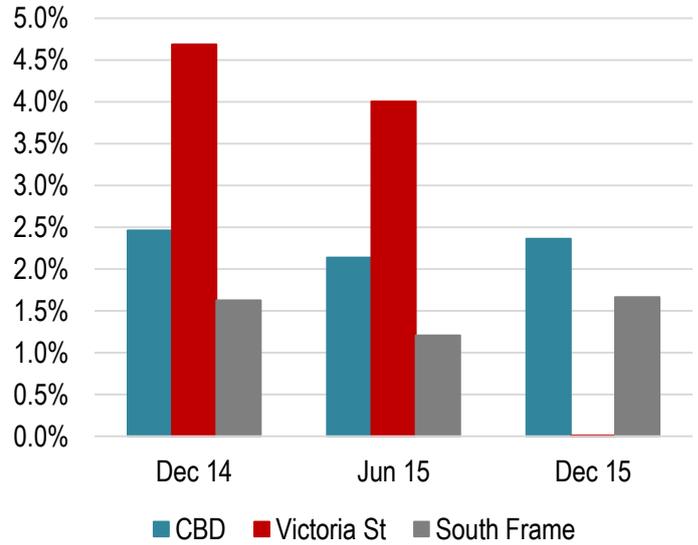
Christmas 2016 will see the return of central city retail in full, with the opening of the Retail Precinct. The precinct is centered around Cashel Street, which offers a pedestrian only promenade forming the main commercial vein of the CBD.

The retail precinct is made up of five main buildings known as The Terrace, The BNZ Centre, The Crossing, The ANZ Centre and the existing Ballantynes building. Additionally within the precinct are the Litchfield Street car park and a block of land opposite the Bridge of Remembrance, which has ended up in Crown ownership and is currently occupied by the Re:Start container mall.

*Development remains pedestrian orientated*

Given the amount of suburban retail that has been developed post-quake, along with the central city offerings, we do not anticipate a great increase in supply of new space post the end of this property cycle for the Christchurch CBD.

Christchurch CBD Vacancy by Precinct



Retail Precinct



Suburban rentals remain stable



Yields forecast to remain firm



High CBD retail construction activity

## Asset Performance

Suburban rentals are holding at existing levels, as demand remains steady in the prime spots of Papanui and Riccarton. Hot spots post-quake include Barrington and the Colombo, along with Hornby, which is reflective of the post-quake population shift to the south and west of the city. Prime suburban retail rents are persistent in the NZD 350 to NZD 1,000 per square metre range.

*Retail market characterized by limited Transactional activity*

There has been a minimal amount of retail property transactions within both the suburban and CBD markets, with assets being tightly held by investors. Quality stock that comes to market is in high demand and is selling at low

yields reflecting the popularity of property across all sectors in the Christchurch market.

A major transaction at the end of 2015 was the bulk retail centre on the corner of Blenheim Road and Curletts Road. The property sold for NZD \$22.14 million at a yield of 7.7%. Transactional activity is again likely to remain muted throughout 2016 with prime assets remaining scarce.

## 12-Month Outlook

The outlook for the Christchurch CBD Retail market looks positive. The retail precinct will centralise a number of varying retailers and will be a real destination in itself, something the previous CBD lacked pre -quake.

*Growth of the CBD residential and office accommodation will determine CBD retail success*

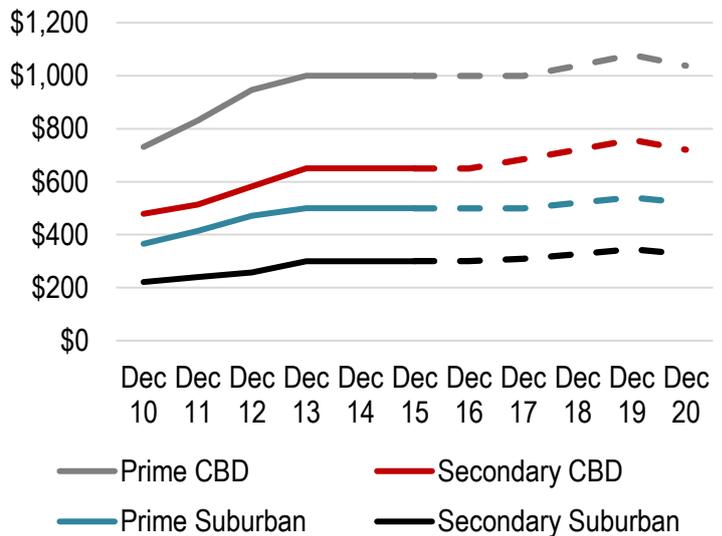
Future retail development will be governed by the demand created from the residential CBD population and the office worker population. The CBD worker population is tipped to reach 16,000 by the end of the year and 47,000 by 2021.

The direction of prime CBD rentals remains somewhat of an unknown as the willingness of suburban occupiers to take space in the CBD and their ability to pay prime CBD rents are yet to be fully tested.

**Occupier/ tenant:** With a large amount of new stock to come on line over the next 18 months there will be a number of opportunities for early adopters to position themselves in prime positions within the new market.

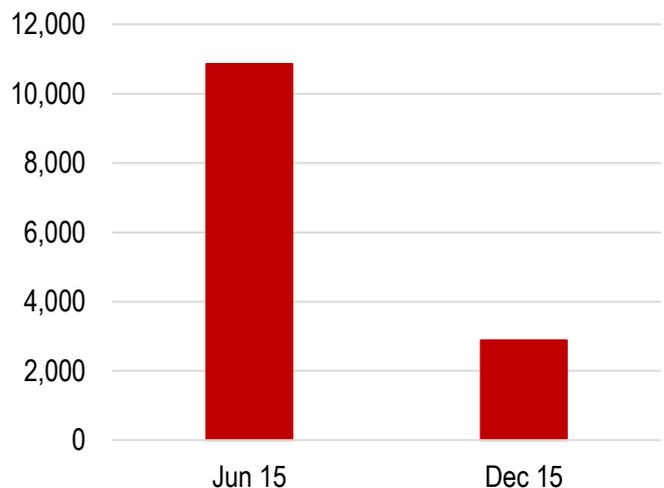
**Owner/ landlord:** For those owners outside the core Retail Precinct look to position yourself to take advantage of the growing residential population in the north-east and north-west quadrants of the CBD.

### Christchurch Retail Rents (NZD/psm)



Christchurch Retail Leasing Transactions		
Address	Lessee	NLA
91 Riccarton Road	Waihi Beach	213
109 Worcester St	Jewellery/Perfume	38

### Christchurch CBD Net Absorption



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