

The Eastern and Southern Industrial precincts led overall vacancy higher, while the Western Precinct remains tight. Supply continues to expand from new industrial sub-divisions in Western Christchurch.

Demand

The Industrial market outlook remains very positive for Christchurch, particularly in the Western locations where vacancy remains persistently low. Vacancy across the sector has risen over the last 6 months by 100 basis points to sit at 5.2%. The spike in vacancy can mainly be attributed to older larger stock becoming available in the Southern and Eastern Precincts.

Western market captures majority of industrial demand

The Christchurch Western Industrial precinct continues to be the star performer with an overall vacancy rate of 3.2%, holding steady from the previous survey with significant new completions since then.

The Wigram/Middleton submarket has seen a decrease in vacancy of 30 basis points to close out at 2.8%, well below the city average, attesting to the strong demand for space in the locality. Vacancy in the Hornby/Islington submarket has risen 20 bps; however, this is still incredibly low given the amount of new stock that is being added to the market.

The Christchurch Eastern industrial precinct, which houses the sub localities of Bromley, Hillsborough and Woolston, has shown a spike in vacancy of 240 basis points finishing the year at 9.2%, the highest of the three Christchurch precincts surveyed.

Supply

Strong local economic conditions continue to drive the development of new industrial stock in the Christchurch market. The trend of design/build projects in the new industrial subdivisions is still the favoured option for delivery of new stock.

Significant new developments include a 4,800 square metre warehouse on William Lewis Drive at Central Business Park, which is occupied by Letlogix Warehousing Limited.

Development activity has also been strong at Wigram Business Park. New buildings include a 1500 square metre warehouse occupied by SEW Eurodrive, along with a number of other recently constructed warehouses in excess of 2,000 square metres.

Design-build forms large portion of new supply

Development at Waterloo Business Park and Hornby Quadrant is starting to increase significantly with a number of large footprint warehouses under construction at present.

Christchurch Industrial Vacancy

Location	Vacancy %
Middleton/Wigram	2.8%
Hornby/Sockburn	3.4%
South City/Sydenham	8.4%
Bromley/Woolston	9.2%
Total	5.2%

Key Industrial Indicators

Property Type	Rental Range (\$/m ²)	Forecast Rental Growth Next 12 Months (%)	Yield Range (%)
Prime	100 - 130	0% to 2.5%	6.25 - 7.5
Secondary	70 - 100	0% to 2.5%	7.5 - 9.0



Stable rental levels across the market



Record low yields for Prime Assets



Strong underlying investment fundamentals

Asset Performance

Christchurch's position as the growing industrial hub of the South Island continues to drive this sector of the property market. Rental rates have plateaued over the past 18 months and remain in the NZD 100 to NZD 130 per square metre range for prime and new built warehouse space, with push back from occupiers at the upper end of this range. Secondary rentals remain firm in the NZD 70 to NZD 100 per square metre range.

Investor demand remains strong for prime industrial assets

There remains a limited amount of investment grade stock on the market, and what is available is highly sought after. Demand is very high in the sub NZD 2,000,000 market with local

investors looking to find a home for their capital. Local owner-occupiers also remain active in this price bracket. Occupier demand and rental levels have certainly stabilised over the past 18 months, however investor demand for industrial property continues to increase. This is driving yields down to historical low points, now in the 6.00% to 7.50% range.

The most significant sale in 2015 was the Countdown Distribution Centre on Shands Road in Hornby South. A syndicate purchased the property for NZD 39,525,000 at a yield of 7.2%.

12-Month Outlook

We anticipate the trend of development in the west to continue given the large tracts of Greenfield land. We note that the majority of this development will be design/build projects for specific tenants.

Prime yields forecast to firm with investor activity

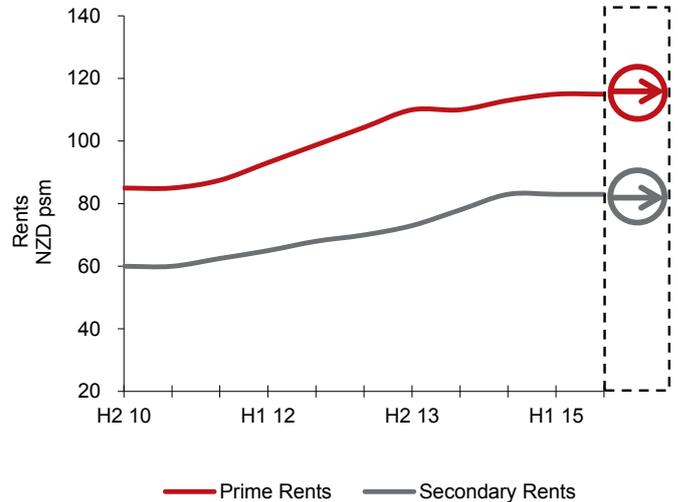
The underlying industrial drivers remain favourable, particularly in western Christchurch. This will support the maintenance of current rental levels as businesses continue to grow in size, scale and accommodation requirements.

Yields at the prime end of the market are at an historical low point for Christchurch, which we would expect to continue in the medium term. This high demand is having a flow on effect into the secondary market, however older buildings that are requiring strengthening or maintenance work will remain unpopular due to their associated risks.

Occupier/ tenant: When considering a potential premises to occupy make sure the building is located in a place that will be conducive to your businesses operations. The motorway upgrades around Christchurch will improve the performance of a number of industrial localities by significantly cutting driving times.

Owner/ landlord: Owners of secondary buildings should consider refurbishment as the occupier market searches for quality premises.

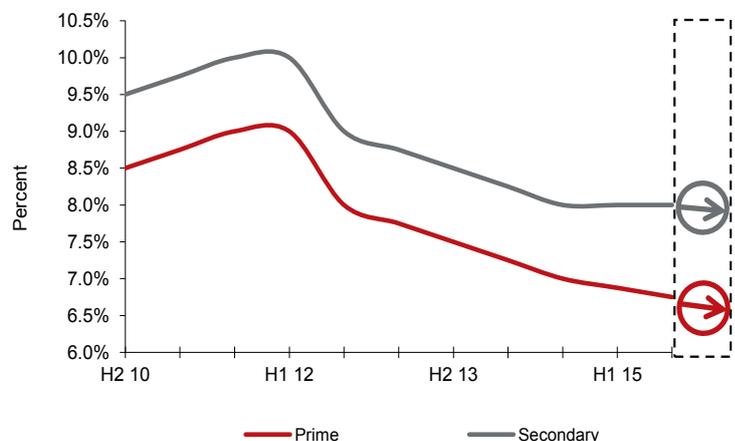
Rents



Sales Transactions

Christchurch Industrial Sales Transactions			
Address	Suburb	NLA	Initial Yield
49 Seymour St	Hornby	2,745	5.9%
146 Shands Road	Hornby South	22,000	7.2%
12 Birmingham Dr	Middleton	5,771	7.2%

Yields



**FOR MORE INFORMATION, PLEASE CONTACT:
Research & Capital Markets**

Director, Justin Kean
Justin.Kean@ap.jll.com
+64 9 363 0226

Valuer, Tom Barclay
tom.barclay@ap.jll.com
+64 3 375 6628

Analyst, Ryan Woock
Ryan.woock@ap.jll.com
+64 9 363 0279