



Garden City office market bubbling along nicely

Rentals rising in A-grade Christchurch buildings

Chris Hutching

Christchurch's office market is set to expand by 74,350sq m – roughly equal to five buildings the size of the PricewaterhouseCoopers Centre in Armagh St.

Gary Sellars, senior partner at Fright Aubrey, valuers and property consultants, told a meeting of Property Council (South Island) members about the new developments that come against the background of a minimal vacancy rate in the prime office sector. But while the top grade buildings – PwC, Clarendon, and Forsyth Barr Hse – are fully or nearly fully leased, there are 17% vacancies in the city's older C-grade stock and 12.2% in B-grade office buildings (marginally higher than a year ago).

Rentals in A-grade buildings are approaching \$300/sq m while B-grade offices command \$22-250/sq m, with

C-grade at \$160-200/sq m.

The most recently completed new office buildings are on the central business district fringe in Show Place near the Addington race course where rentals are typically around \$280/sq m.

The newest central city office tower constructed in Cashel St by Rapaki Group for Inland Revenue is nearly completes. IRD is paying



PWC CENTRE: The office market is to expand by five times its size

\$337 a square metre, the highest office rental in the city.

Other proposed office buildings at the design or marketing phase include Ngai Tahu's Tahu House on the former King Edward Barracks site opposite the Bridge of Remembrance, and Club Tower on Oxford Tce. Latitude Group is seeking rentals of more than \$400 a square metre for Club Tower.

McFarlane Group, associated with Angus McFarlane has three office building pro-

posals and is seeking tenants for them.

They include the Munns site in Armagh St and two six-level buildings in Worcester Boulevard and Manchester St.

Two new office buildings are under way at Show Place in a joint venture between

Henshaw Development and listed Goodman Property Trust, while five-level offices are proposed by Parkview@22Moorhouse.

A more extensive and integrated development on the

fringe of the central business district is Hazeldean Business Park where seven buildings are planned. Marketing has begun and the first stage of construction is about to start.

Operating expenses for office buildings are \$40-60 a square metre and car parks \$35-65 a square metre.

The new office buildings are seeking four- and five- star Green Council ratings.

Mr Sellars did not discuss the proposed \$100 million city council office tower, which is expected to mainly house council staff.

On the industrial front, Mr Sellars highlighted strong demand and limited supply as land values increase. Industrial offices are being rented at \$140-180 a square metre, warehouse space at \$75-90 a square metre and car parks at \$7 per week. The main industrial developments at marketing and construction phase are the Goodman Property redevelopment of the former Hornby glassworks site, Workstation 555 by Latitude Group in Sydenham near the central city, and the Russley Rd airport business park.

Mr Sellars forecast more rental growth, unsatisfied investor demand, and continued downward pressure on yields, currently at around 7% for office buildings.

A recent sale was BNZ House in Armagh St, which sold last month for \$20 million on a 7% yield.