Re-Leased

Commercial Real Estate Live Data

NEW ZEALAND

Tenant Health Index

**Unlock deeper understanding of tenant dynamics.
The Tenant Health Index (THI) provides a clear, data-driven assessment of tenant occupancy health across New Zealand.**

Market Lens

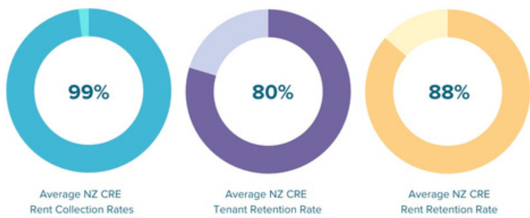
The Re-Leased platform captures live rental collection data directly from over 40,000 unique leases from across the country. The report looks at the New Zealand picture and also provides segmented analysis across major property asset classes (Office, Industrial, Retail and Hospitality).

This report does not rely on surveys or secondary collections, and the data has been collected, anonymised and aggregated in line with the Re-Leased Terms and Conditions as at the time of publishing.

Core Metrics of the THI

The Tenant Health Index provides a detailed view of tenant dynamics within commercial properties, offering insights into key performance areas. High collection rates ensure reliable cash flow, while strong tenant retention reflects long-term stability and enduring relationships. Robust rent retention shows the preservation of rental income, even when tenants change. Additionally, the Rent to Lease Retention Variance highlights shifts in rental income relative to tenant retention, providing valuable information for pricing and negotiation strategies.

By combining these metrics, the Tenant Health Index empowers landlords and investors to benchmark tenant health, enabling more informed decisions that optimise property performance and investment strategies.



Collection Rates

Measures: Percentage of rent paid within 30 days of the due date.
Significance: Indicates tenants' payment reliability and financial health.

Tenant Retention

Measures: Percentage of tenants remaining after 12 months.
Significance: Reflects tenant loyalty and long-term occupancy potential.

Rent Retention

Measures: Percentage of rent paid by retained tenants compared to the previous year.
Significance: Assesses whether rental income is maintained with existing tenants.

Rent Variance

Shows: Difference between rent retention and tenant retention rates.
Positive Variance: Retained tenants are paying more, possibly due to rent increases or leasing more space.
Negative Variance: Tenants are paying less despite staying, indicating potential revenue decline.

Collection Rates

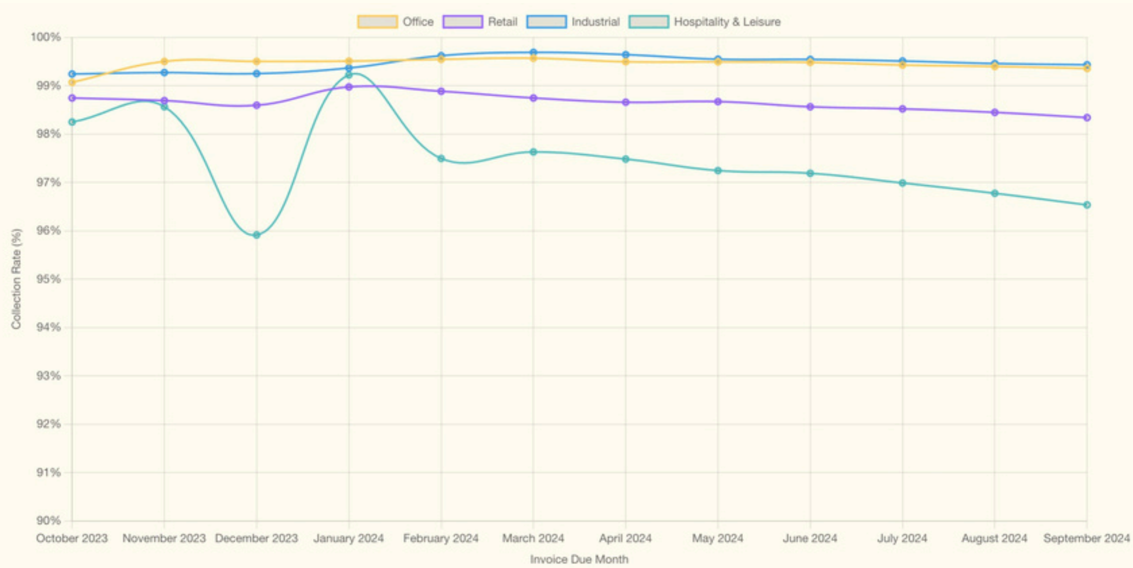
This measures the percentage of rent that is paid within 30 days of the due date, reflecting how reliably tenants are meeting their payment obligations. A high collection rate indicates strong financial health and cash flow consistency.

Commercial Real Estate Rent Collection

New Zealand has restored its commercial property rent collection rates, rebounding from the pandemic-induced low of 64% in April 2020, which followed the initial lockdown in March 2020.

Average collection rate: 98.6%

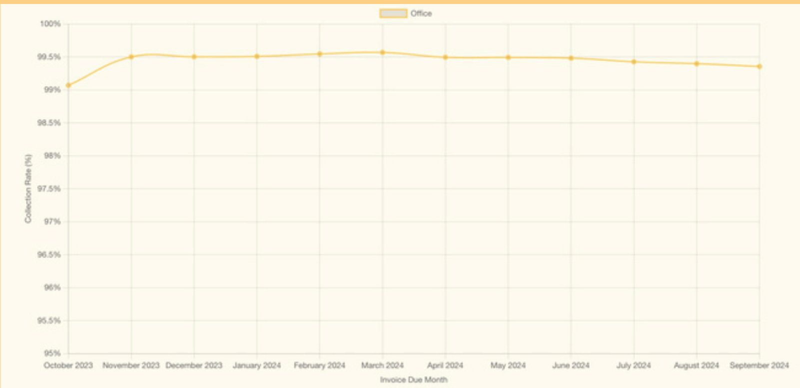
New Zealand's commercial real estate market shows robust health in rent collection, with tenants across all sectors consistently meeting payments on time and demonstrating minimal fluctuations. Although there's a slight downward trend in rent collection from March to September, the high average rate of 99% reflects solid financial stability, reliable cash flow for landlords, and a positive short-term outlook for managing arrears.



Office Collection Rate

Average collection rate: 99.29%

Office rent collection rates in New Zealand remain robust, showing that businesses are not only sustaining their office space commitments but also demonstrating financial stability. This resilience stands out, especially as hybrid work models have led many companies to downsize. In New Zealand, companies are securing stable leases to support hybrid work setups, particularly in prime locations like Auckland, Wellington, and Christchurch. Tenants are consistently meeting rental obligations, supported by landlord incentives.

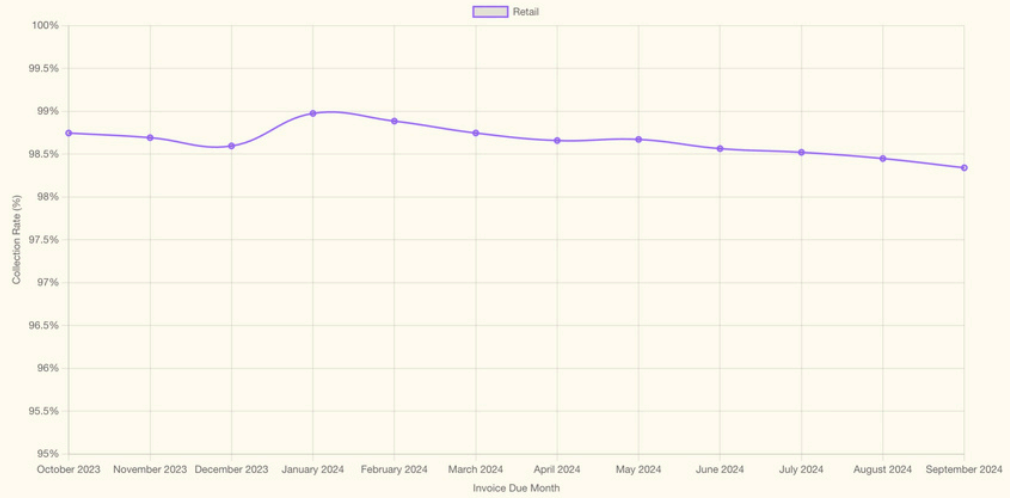


Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	99.1%	99.5%	99.5%	99.5%	99.5%	99.4%	99.2%	99.3%	99.3%	98.7%	99.2%	99.3%

Retail Collection Rate

Average collection rate: 98.63%

The retail sector, though slightly trailing other sectors, maintains strong rent collection rates. New Zealand retailers are adapting well to the post-pandemic market, recovering from a low collection rate of 48% in April 2020. This recovery enables landlords to receive nearly all rents on time. Although retail may need closer monitoring compared to the hospitality or industrial sectors, the risk of arrears remains generally low.

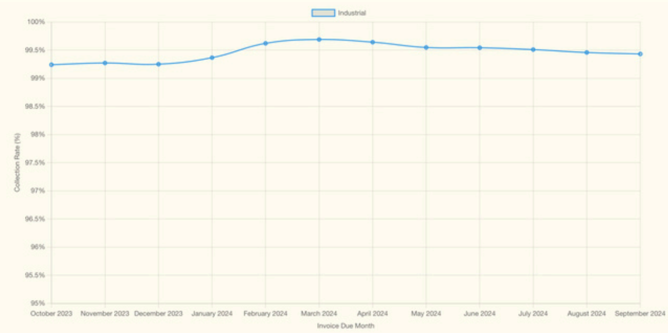


Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	98.7%	98.7%	98.6%	99.0%	98.9%	98.6%	98.6%	98.6%	98.3%	98.4%	98.6%	98.4%

Industrial Collection Rate

Average collection rate: 99.12%

The industrial sector in New Zealand continues to thrive, driven by high demand for logistics and warehousing. Rent collection rates are nearly perfect, reflecting the financial strength of tenants in this sector. With competition for space and the strong growth of e-commerce, landlords can rely on timely payments, with little concern about arrears.



Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	99.2%	99.3%	99.3%	99.4%	99.6%	98.3%	99.1%	99.1%	98.9%	99.1%	98.9%	99.1%

Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	98.2%	98.6%	95.9%	99.2%	97.5%	96.4%	96.2%	97.1%	96.7%	97.8%	98.0%	97.4%

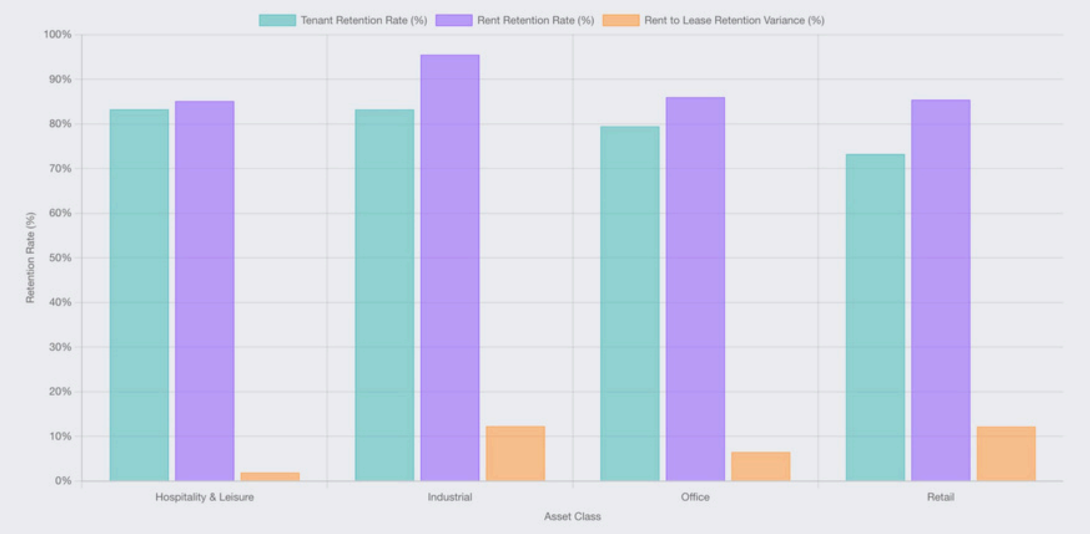
Hospitality and Leisure Collection Rate

Average collection rate: 97.43%

Although the New Zealand Hospitality and Leisure sector has the lowest average rent collection rate among all asset classes, it still shows stability, averaging around 97% with minor variations between 95.9% and 99.2%. This performance reflects consistent rent compliance, creating a relatively low-risk environment for landlords and underscoring the sector's steady recovery post-pandemic. Economic measures, such as interest rate cuts and controlled inflation, further support a gradual recovery outlook for the broader market.

Tenant and Rent Retention

Based on the dataset provided and industry trends, we can identify several key insights regarding **tenant retention, rent retention,** and the **rent to lease retention variance** in the New Zealand commercial real estate market, particularly in sectors such as industrial, office, retail, and hospitality.



Tenant Retention Rate

Tenant retention rates across sectors reflect the stability and loyalty of tenants over a 12-month period. In the dataset:

- **Hospitality & Leisure** retains the highest tenant retention rate of 83.26%, demonstrating resilience as consumers return to leisure activities post-pandemic. Challenges persist, especially in urban areas, but stability remains relatively high within the sector.
- **Industrial** is strong in tenant retention at 83.23%, driven by strong demand for logistics and warehouse space, supported by the continued growth of e-commerce.
- The **Office** sector continues to be impacted by hybrid work models, however, businesses are committed to high-quality spaces and are choosing smaller, premium office spaces, supported by landlord incentives that encourage longer lease commitments.
- The **Retail** sector continues to face structural challenges and evolving consumer behaviour, notably with a shift towards online shopping. With a reduced retention rate of 73.23%, New Zealand's retail industry is navigating significant economic and operational pressures. However, retailers are showing resilience and remain optimistic about the future.

Rent Retention Rate

Rent retention tracks the amount of rent retained from tenants who stay in the property year-over-year. The dataset reveals:

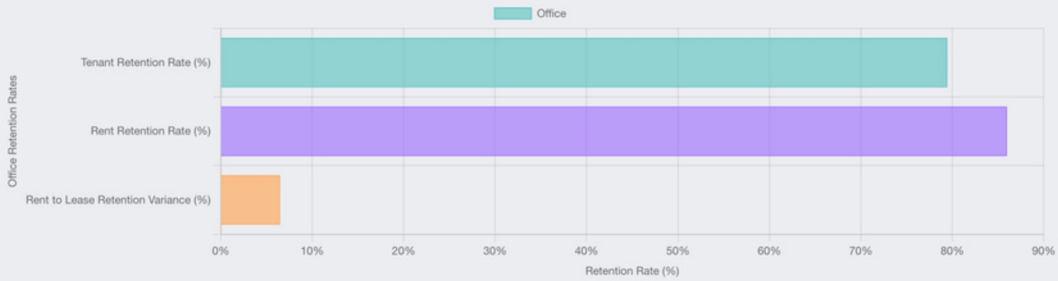
- **Hospitality & Leisure** shows steady rent retention, with landlords managing to maintain rents for retained tenants, particularly in prime locations. Businesses that have adapted well to new market realities are able to sustain or increase their rents.
- **Industrial** leads in rent retention at 95.5%, indicating that landlords can charge premium rents for highly sought-after warehouse and logistics space in Auckland, Wellington and Christchurch. The demand remains strong, with minimal turnover.
- **Office** rent retention reflects some stabilisation as businesses that continue to occupy space are generally paying slightly higher than before, as they adjust to new space requirements.
- **Retail** shows moderate rent retention, suggesting that while some landlords have been able to retain and increase rent levels in prime locations, others have had to offer discounts or incentives to keep tenants in place, particularly in non-prime locations.

Rent to Lease Retention Variance

The variance between rent retention and tenant retention reflects how much more (or less) retained tenants are paying compared to the previous year:

- **Hospitality & leisure** displays a modest positive variance of +1.85%, indicating that retained tenants are paying only marginally higher rents, especially in high-demand areas. While recovery is gradual, some tenants are willing to pay more for prime spaces.
- The **industrial** sector shows positive rent-to-lease retention rates at +12.3%, indicating that landlords can charge premium rents for highly sought-after warehouse and logistics space.
- **Office** displays a variance of +6.54%, suggesting that occupiers who maintain leases, are willing to pay slightly higher rents for smaller, premium spaces.
- **Retail** experiences a high variance of +12.2%, reflecting a transformation in the sector. Successful retailers in prime locations are able to withstand rising rents, while traditional retailers face more challenges.

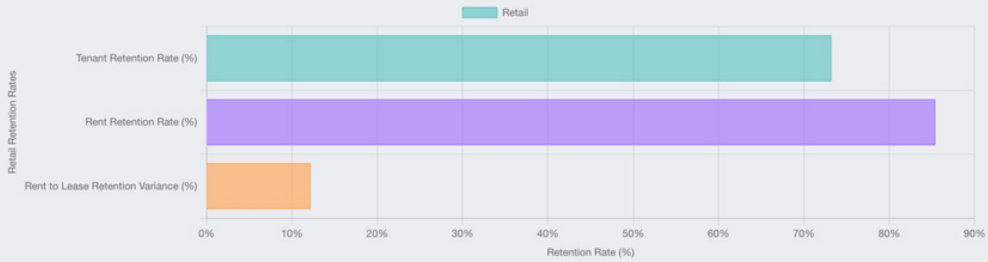
Office Tenant and Rent Retention



The widespread adoption of hybrid work models is reshaping leasing trends, with companies maintaining dedicated spaces for employees balancing home and office work. Tenant retention in the Office sector sits at 79.45%, yet businesses that remain are opting for smaller, premium spaces, with a strong demand for prime and A-grade locations in Auckland, Wellington, and Christchurch.

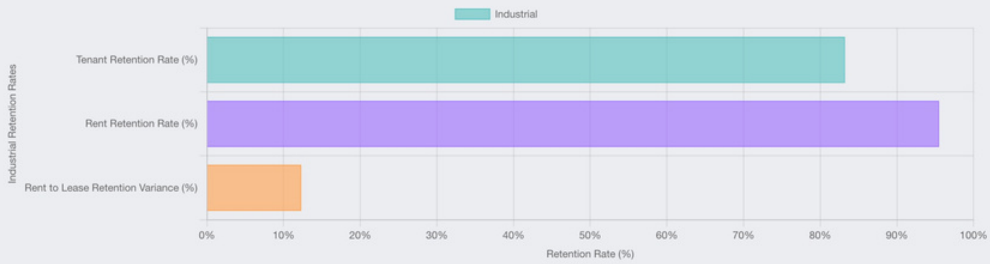
Occupiers are committed to securing high-quality spaces that attract and retain talent, driving longer lease commitments to avoid the disruption of frequent relocations. This shift toward long-term leases is fuelled by tenants seeking prime locations, landlords offering favourable terms to secure these commitments, and businesses gaining clarity on office needs in a post-pandemic landscape where flexibility is now standard.

Retail Tenant and Rent Retention



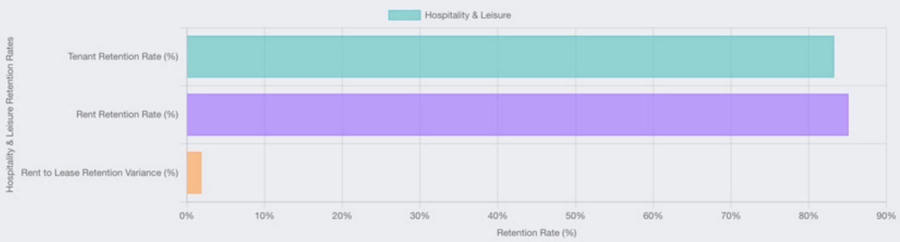
Retail faces ongoing challenges with tenant turnover, driven by the rise in online shopping. Despite lower tenant retention, remaining tenants in prime retail locations can pay increased rents, reflecting the sector's segmentation into those who can afford higher costs and those unable to keep up.

Industrial Tenant and Rent Retention



Overall, the industrial commercial real estate sector in New Zealand is characterised by low vacancy rates, stable to rising rents, and a cautious yet active investment environment. Supply constraints and evolving occupier strategies continue to shape the market dynamics in 2024.

Hospitality and Leisure Tenant and Rent Retention



The hospitality sector in New Zealand shows strong tenant retention as leisure activities recover post-pandemic. Landlords have maintained rents, particularly in prime tourist locations. However, challenges such as labour shortages and rising costs remain, limiting significant rent increases for retained tenants.