



ChristchurchNZ™

Christchurch and Canterbury

Economic Data

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Overview

The slowdown in economic growth that started in the third quarter of 2016 has continued, reflecting transition out of the rebuild economy, and in more recent quarters, the weakening national and global conditions. Economic growth for the year ending June 2019 remained positive within the Christchurch economy at 1.2 percent, against national growth of 2.5 percent. Growth in Canterbury was 1.7 percent for the year ending June 2019.

Although economic growth is continuing to soften, the lower than expected unemployment rate (Christchurch at 3.8 percent and Canterbury at 3.5 percent) for the quarter is welcomed. The national unemployment rate for the quarter was 3.9 percent.

Christchurch's strong economic fundamentals, available land for development and strong rebuild platform make it uniquely placed among New Zealand's urban centres to absorb significant growth without the additional costs and challenges facing other cities. This further underpins the need to continue to attract people and business to the region and provide a platform for enhancing productivity to offset slowing growth.

Weekly residential rent in Christchurch and Canterbury continues to increase year on year but is still lower than national values. House prices are slightly higher compared with the March 2019 quarter. The cost of housing as a percentage of income for Canterbury households continues to remain below the national average. Average weekly earnings have increased 3.3 percent over the past year, outpacing rental and house price inflation in Christchurch, improving residential affordability.

The visitor economy remains an important export earner for the city and region. Total guest nights for the region increased in the second quarter of 2019 while growth in visitor spending of 4 percent year-on-year for June 2019 continues to be above national growth levels of 3.2 percent.

The knock-on effect of the March 15th event on tourism seems to be limited, as international arrivals and spending is positive and higher for the second quarter of 2019 compared with the corresponding period in 2018. Much like the previous quarter, the central city hospitality and retail offering is expanding and attracting higher levels of spending. Retail sales for the central city have increased by 8 percent in the June 2019 quarter compared to the June 2018 quarter, with spending by visitors from other parts of New Zealand up by 13.5 percent.

This quarter, building work consents and values have rebounded from a low in the first quarter of this year. Building activity has contributed significantly to the growth of the city's economy in recent years and despite this decreasing activity since the peak of activity in 2015/16 the Christchurch economy was still able to grow for the quarter. This can be attributed to the diversity of the city's overall economy.

Positives

- The city's economic growth is positive (despite slowing building activity), unemployment remains relatively low, highlighting strength in the underlying economy.
- Relatively low and stable residential rents and prices combined with steady earnings growth, continues to improve Christchurch's already strong household affordability relative to other urban centres in New Zealand.
- Christchurch unemployment fell below the national average for the first time since March 2018. Unemployment in Canterbury remains below the national average.
- The visitor economy continues to grow at a rate above the national average.
- Central city retail growth, particularly from spenders from outside the city, suggest Christchurch's central city is developing into an attractive visitor proposition.

Headwinds

- Local economic growth remains low and global uncertainty and lower global growth poses a risk to the local and national economies in coming months.
- New investment in retail and office space is subdued due to plentiful supply and internal CBD churn of tenants. Investor confidence in office and retail remains low, but investor confidence in industrial investment is picking-up. There is a risk that further regeneration of the central city slows and potentially stalls in the short-term due to low investor confidence.
- Canterbury consumer confidence while positive, is lower than the national confidence and appears to be falling. Business confidence is unevenly distributed across sectors, with the services industry moving into net negative sentiment and well below national average sentiment, while confidence in the manufacturing sector has improved and is above national average sentiment.

Christchurch's immediate challenge is delivering levels of economic activity that justify continued investment for the regeneration of the central city. The city's affordable housing, low congestion and high quality of life provide a competitive advantage to attract people and increase business activity. However, unless the city can effectively transition out of the rebuild, attracting more activity and shifting towards higher-value, export orientated activity, the city will not be able to offer competitive earning and employment opportunities relative to other urban centres in the medium and long term.

The immediate solution to these challenges is the attraction of new economic activity to the city – growing visitor spend and attracting new business investment, to support regeneration and maintain economic growth. Over the longer term, growing productivity across the economy both within existing industries, and through the rebalancing of the economy towards higher value activity will improve Christchurch's competitiveness as a location for talent and high-value business. As the city's economic development and city promotion agency, ChristchurchNZ is focused on stimulating sustainable economic growth through working with business, tertiary and government partners to develop areas of high value activity – "Super Nodes"; promoting the opportunity of Christchurch as a productive and diverse region with a high standard of living to migrants, businesses and investment; and supporting major events and the wider visitor economy to provide quality leisure experiences for visitors and residents.

Christchurch Economy

Gross Domestic Product (GDP)

Economic growth continues to be positive, but at lower levels than the past four years.

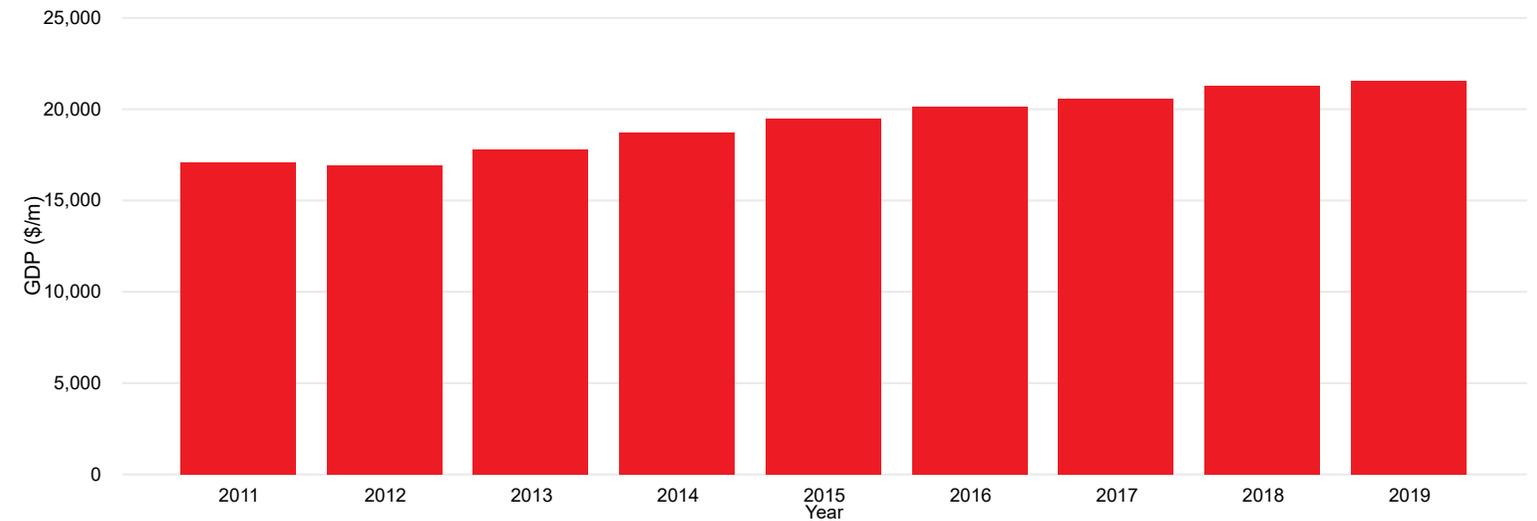
The value of economic output in Christchurch reached \$21.53 billion in the year to June 2019 (measured in 2010 prices – Infometrics estimates). This represents 8.6 percent of New Zealand GDP and similar to the previous quarter. With construction activity past its peak, the Christchurch economy looks to its wider economy for growth, largely driven by manufacturing and tourism.

The size of the Canterbury economy for the year to June 2019 amounts to \$31.6 billion which represents 12.6 percent of New Zealand GDP.

GDP growth for the year up to June 2019 was 1.2 percent for Christchurch and 1.7 percent for Canterbury compared with the previous year. National growth is also lower compared with the previous year, while still positive at 2.5 percent.

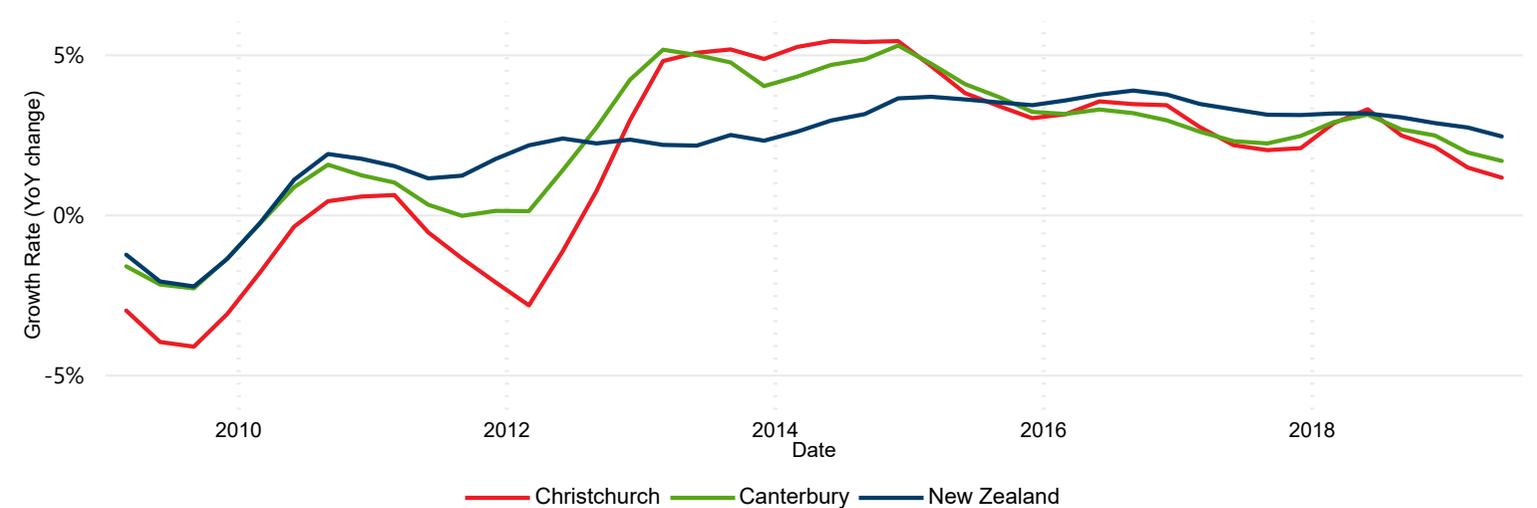
This deviation from national growth rates has continued a trend since March 2017, with the exception of the June 2018 quarter, where the difference closed, and reflects the continued transition out of the rebuild.

Christchurch Economy Size (GDP \$m)



Source: Infometrics, ChristchurchNZ

Economic Growth (GDP %)



Source: Infometrics, ChristchurchNZ

Labour: Unemployment & Participation

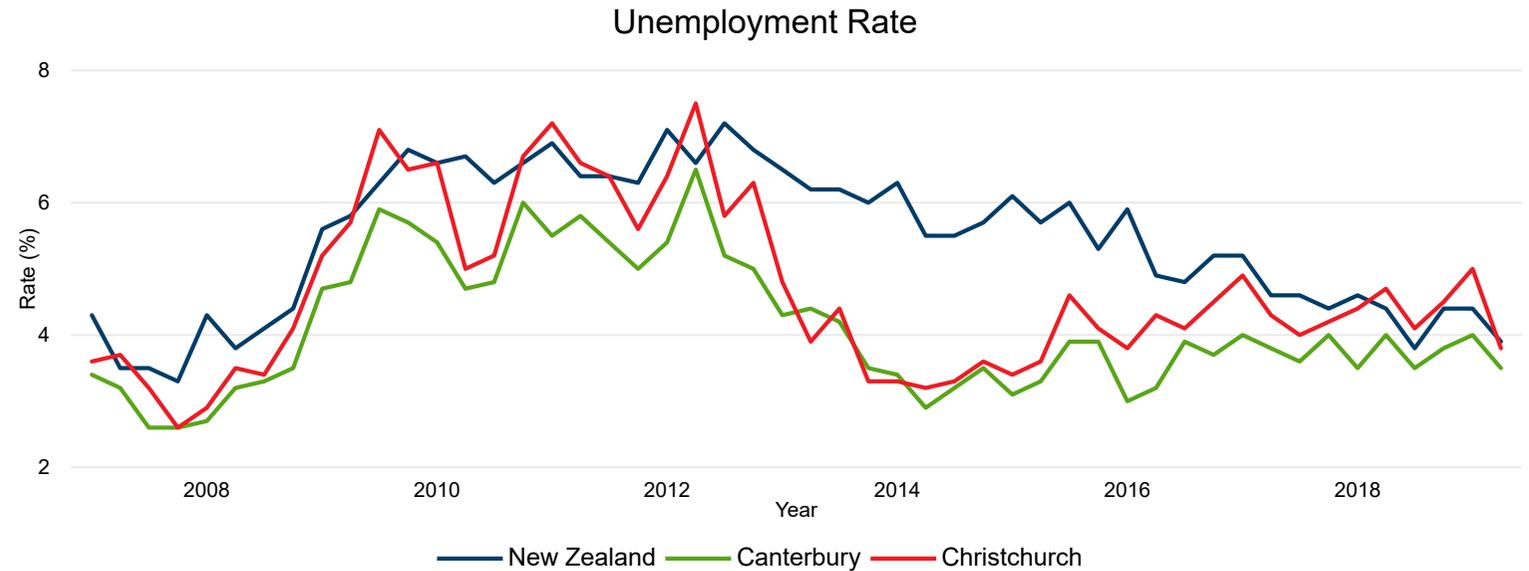
Unemployment

The unemployment rate decreased in all but one of the twelve New Zealand regions in the June quarter and as a result the national rate is lower at 3.9 percent from 4.4 percent in March 2019.

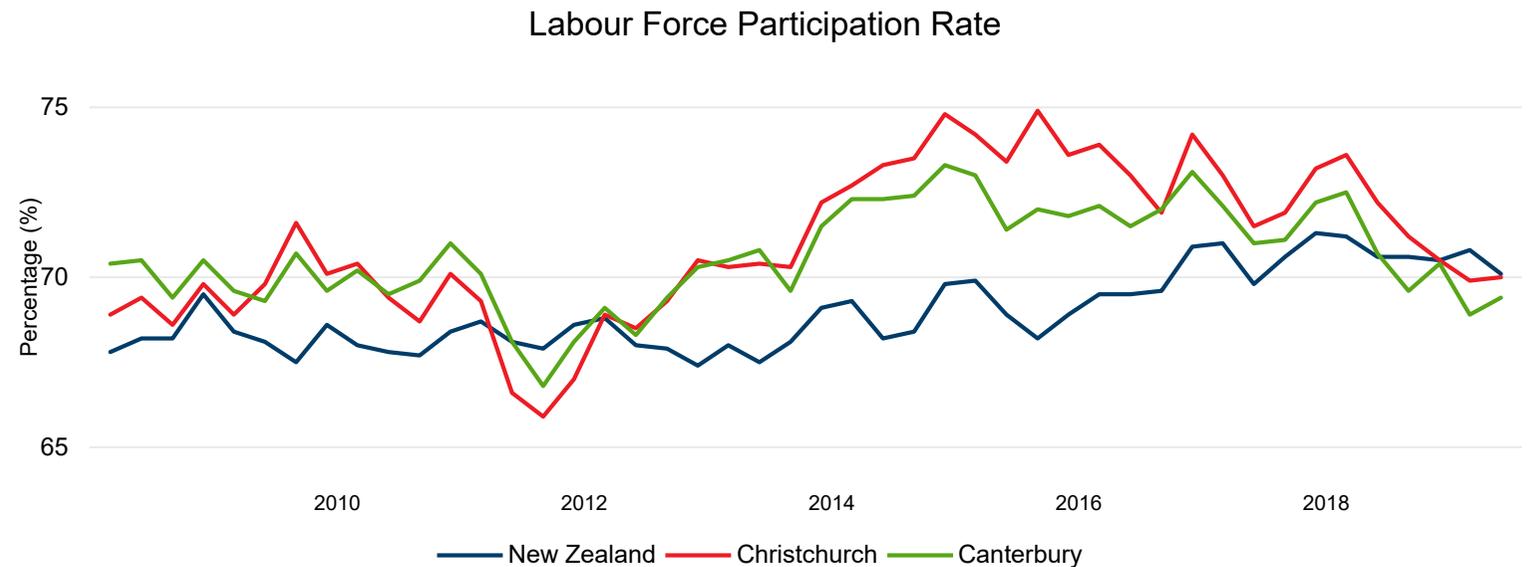
The unemployment rate in Christchurch and Canterbury decreased to 3.8 and 3.5 percent respectively. The lower levels of unemployment are welcome, however with the continued lower levels of rebuild construction the good unemployment rate will likely continue to be under pressure for the next few years.

Participation

The labour force participation rate in Christchurch in the June 2019 quarter increased to 70 percent, while the Canterbury rate increased to 69.4 percent. These rates are slightly lower than the national rate, after several years of labour force participation in the city and region being higher than the country as a whole. The labour force participation rate represents the proportion of the population aged 15 years or older that are either working or actively looking for work. The convergence of Christchurch and Canterbury's labour force participation rates with the national rate reflects the transition of the local labour market out of the rebuild stimulus towards more normal conditions.



Source: Statistics New Zealand



Source: Statistics New Zealand

Building Activity

Building Activity

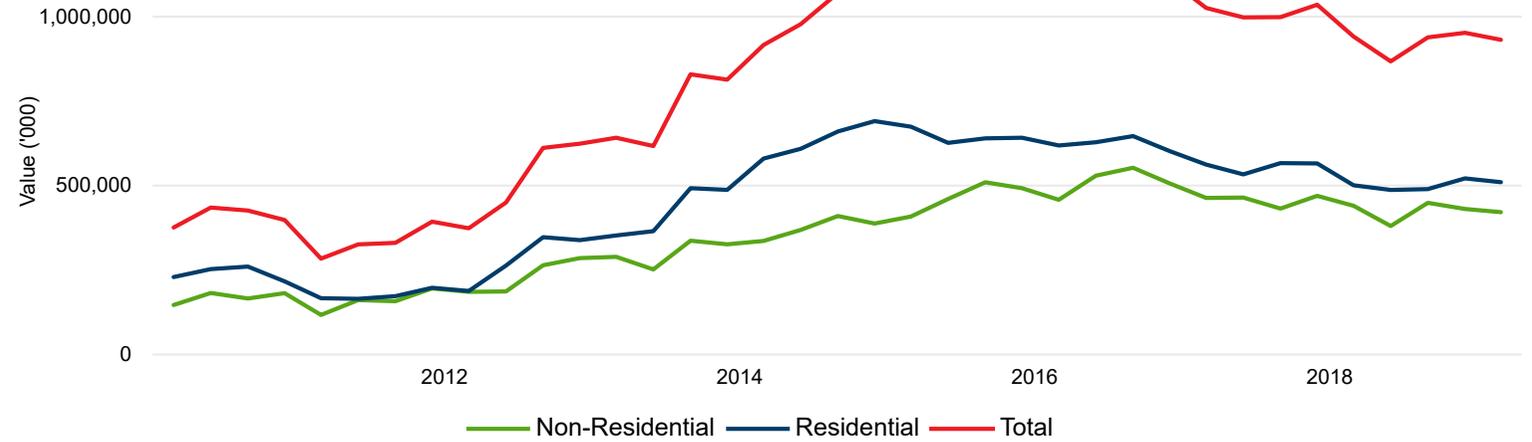
Building activity in the Canterbury region remains well above pre-earthquake levels, albeit at lower volumes than the post-quake highs. The June 2019 quarter was 2.7 percent higher than the June 2018 quarter. Residential activity increased by 1.5 percent from June 2018, and the non-residential market experienced a 11.1 percent decrease from June 2018 levels. Activity continues to track back towards “normal” construction levels, although remains higher than pre-earthquake, indicating the ongoing importance of the construction sector to the Christchurch economy.

Building Consents

In the quarter ending June 2019 there were 698 new residential building consent approvals for Christchurch, which equates to an increase in floor area of 6.3 percent from June 2018. Within Canterbury, 1,052 new residential buildings were consented in the June 2019 quarter - a decrease in floor area by 3.7 percent compared to the June 2018 quarter. The volume of consents remains greater than pre-quake levels.

Non-residential consents in Christchurch (floor area) increased by 50.3 percent in the June quarter, mainly as a result of the consent of the Metro Sports Facility to be constructed in the city, while the consent (floor area) for Canterbury and New Zealand increased by 6.1 and 0.8 percent respectively, compared to June 2018.

Value of Building Work in Canterbury



Source: Statistics New Zealand, ChristchurchNZ

Christchurch Building Consents: Floor Area (sqm)



Source: Statistics New Zealand, ChristchurchNZ

Residential Affordability

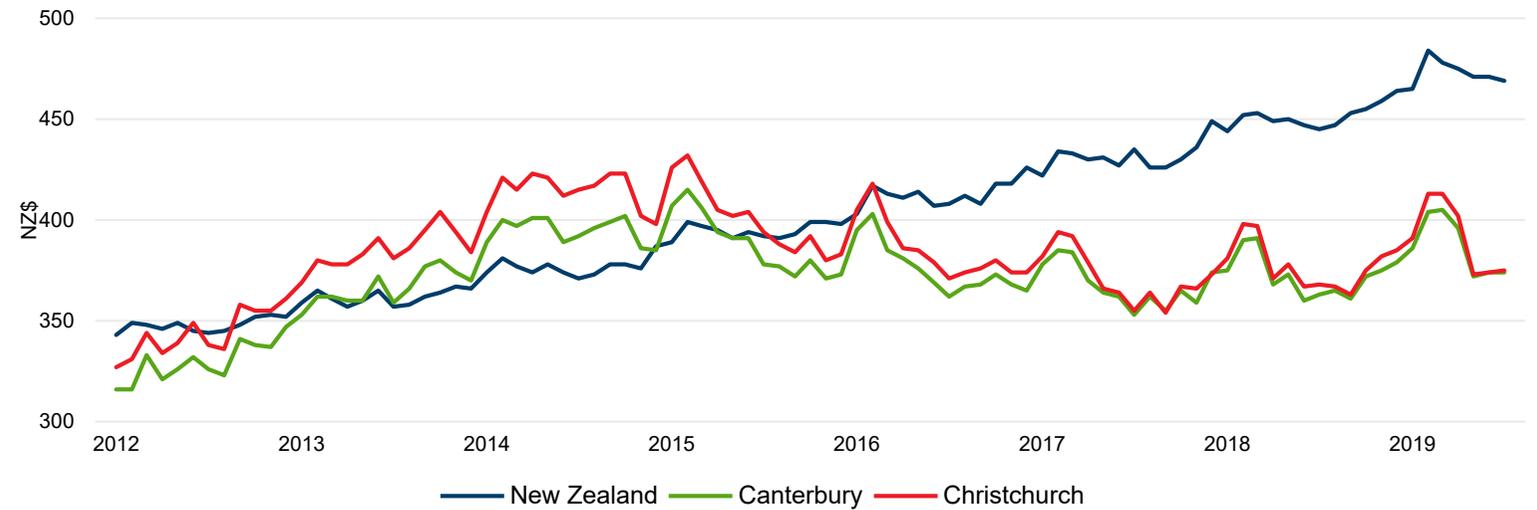
Residential Rent

Rents in Christchurch followed the national trend, but at lower rates. This comes after a period of continued increase between September 2018 and March 2019. Private sector mean weekly rents in Christchurch were \$374 in June 2019, 1.9 percent higher than June 2018. Mean rents in Canterbury were \$374 in June 2019, up from \$360 in June 2018. The growing gap between New Zealand and Christchurch rents continues with New Zealand rents growing 5.1 percent over the past year, averaging \$471 per week in June 2019. Nationally, rental growth is slightly more than house price growth (over the past 12 months), which suggests tougher economic conditions for households and the national economy cooling down.

House Sales

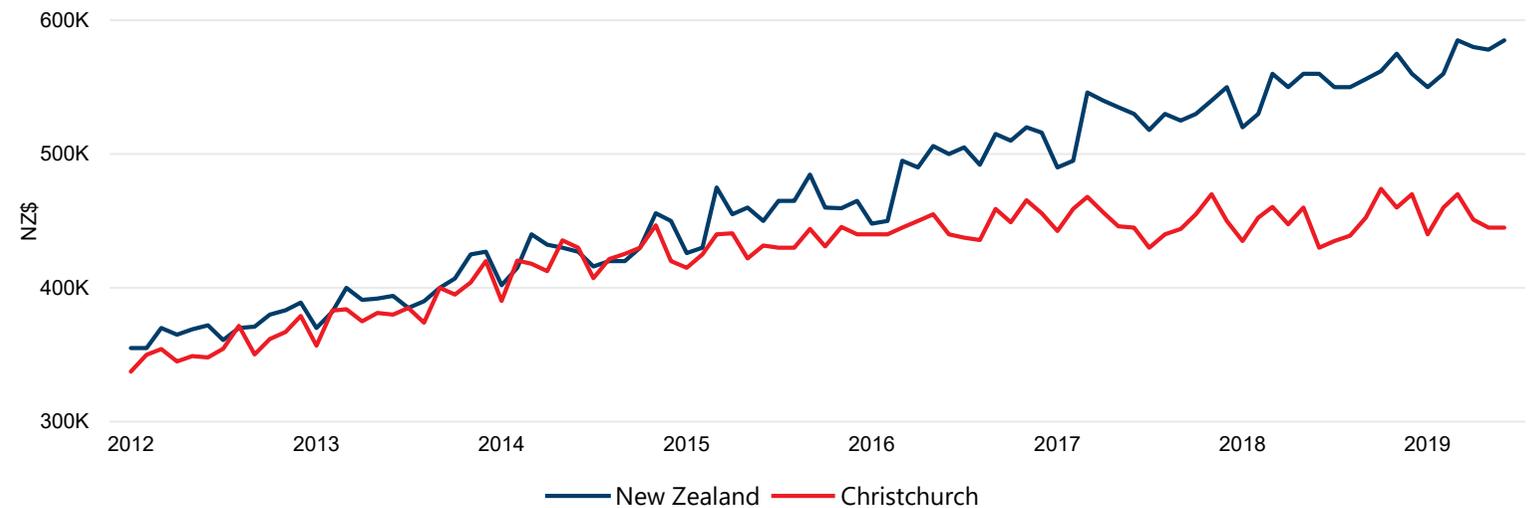
House price growth has increased at 3.5 percent over the past year for Christchurch and 2.8 percent for Canterbury. The number of houses sold during the June quarter 2019 in Christchurch increased 0.9 percent compared to June 2018. The median house price for Christchurch was \$445,000 in June 2019. Much of New Zealand continues to experience growth in house prices despite the cooling of the housing market in Auckland. The median house price for New Zealand was \$585,000 in June 2019, up 4.5 percent on June 2018.

Mean Residential Rent: Weekly



Source: Ministry of Business, Innovation & Employment

Median House Price



Source: Real Estate Institute of New Zealand

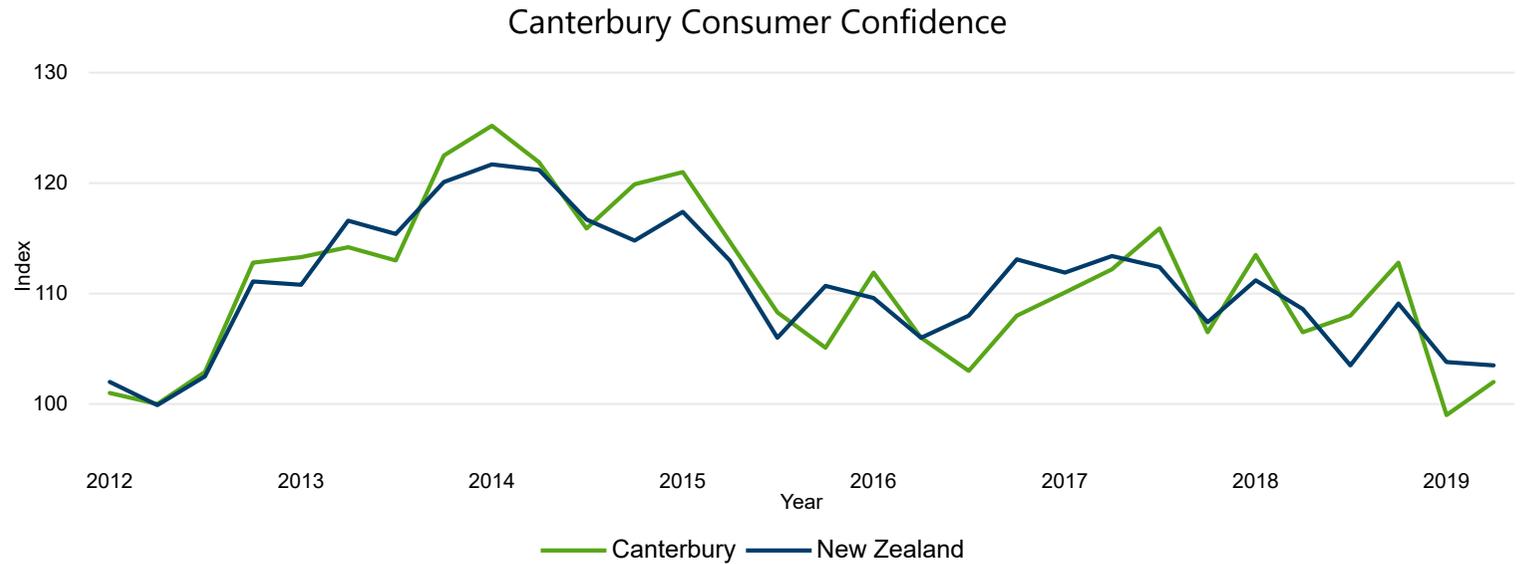
Economic & Consumer Confidence

Canterbury Consumer Confidence

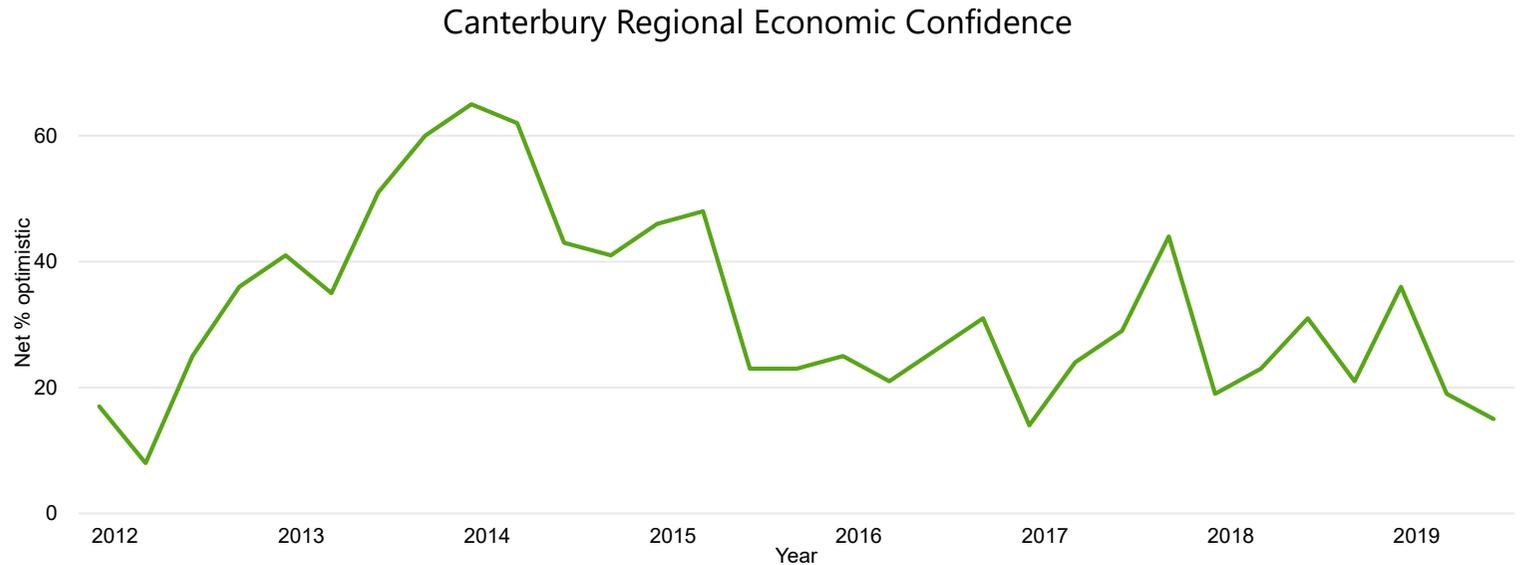
Consumer confidence is an indication of households' expectations about their own financial situation, their expectations for the New Zealand economy and their inclination to buy a large household item. This indicator increased by only 3 percent for Canterbury in June 2019, compared to March 2019, but continues to be lower than recent years. This low value indicates that households still have concerns about their own personal financial situation and the economy over the next few years. Canterbury's consumer confidence is only slightly below the national value for June 2019.

Regional Economic Confidence

Regional economic confidence reflects the difference between the percentage of people that expect economic conditions in Canterbury to improve and those that expect conditions to worsen over the next 12 months. A net 15 percent of Canterbury households are optimistic regarding the economic prospects of the region for the June 2019 quarter. This is a decrease on the March 2019 figure of 19 percent. Softer economic growth locally is likely to be a contributing factor.



Source: Westpac McDermott Miller, ChristchurchNZ



Source: Westpac McDermott Miller, ChristchurchNZ

Christchurch Ports

Imports & Exports

Despite their volatility, exports and imports can provide a good indication of how Christchurch, and wider Canterbury, interacts with the rest of the world.

The value of imports through Christchurch Airport and Lyttelton Port was \$1.29 billion in the June 2019 quarter, down 9.2 percent from the same period last year while the share of national imports is at 8.3 percent for the quarter.

In the June quarter, the value of exports through Christchurch's air and sea ports was \$2.3 billion, a 34.5 percent increase on the same period last year.

The share of national exports for Christchurch is at 13.1 percent of national exports for this period. Exports from Christchurch are dominated by machinery and mechanical appliances, dairy produce, preparations of cereals, flour, starch or milk and meat.

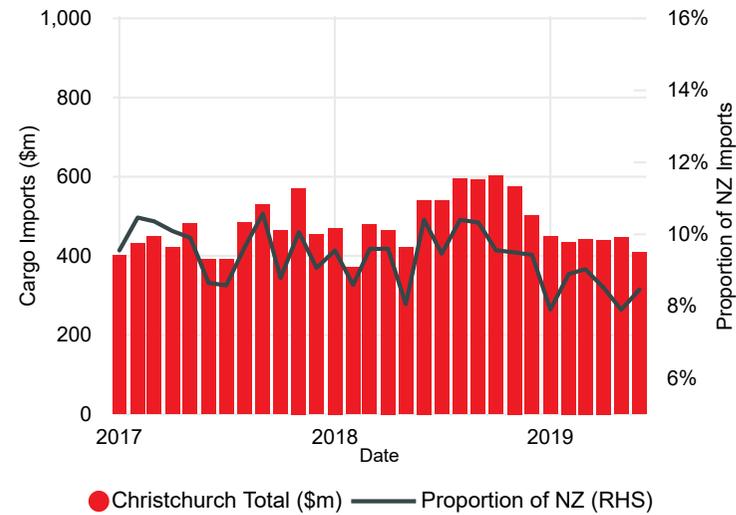
The exchange rate weakened slightly (by 1.5 percent) in the current quarter, compared to the June 2018 quarter. The weaker exchange rate means that New Zealand exports are relatively cheaper, while imports are more expensive.

Global Commodity Prices

The performance of Global Commodity Prices have been mixed over the last year. The ANZ Commodity Price Index tracks six of New Zealand's key export commodities – meat, skins and wool; dairy; horticultural; forestry; seafood; and aluminium. All but one (meat, skins and wool) of the commodity prices decreased in June 2019, while the world price index decreased by 3.9 percent month on month. Over the past 12 months only the meat, skins and wool have increased (7.9 percent). Conversely, aluminium products have decreased the most, falling 21.6 percent over the last 12 months. Dairy prices have been trending lower in the current month, seeing a 8.5 percent drop in June 2019 compared to May 2019.

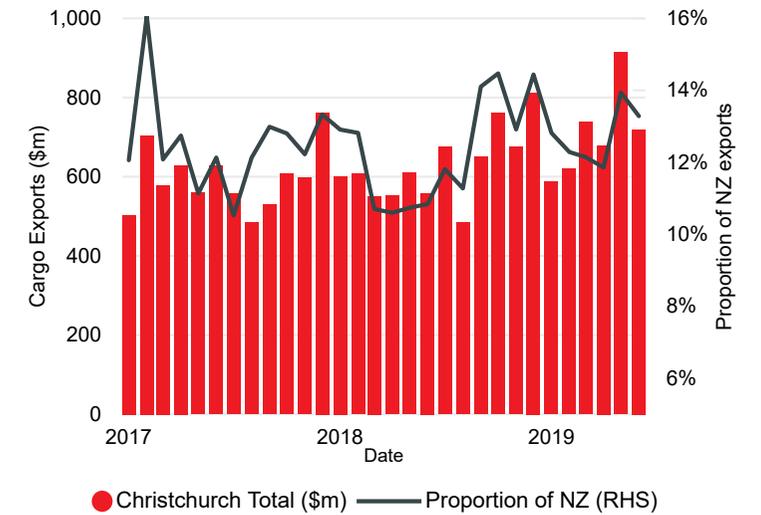


Commodity Imports to Christchurch Ports



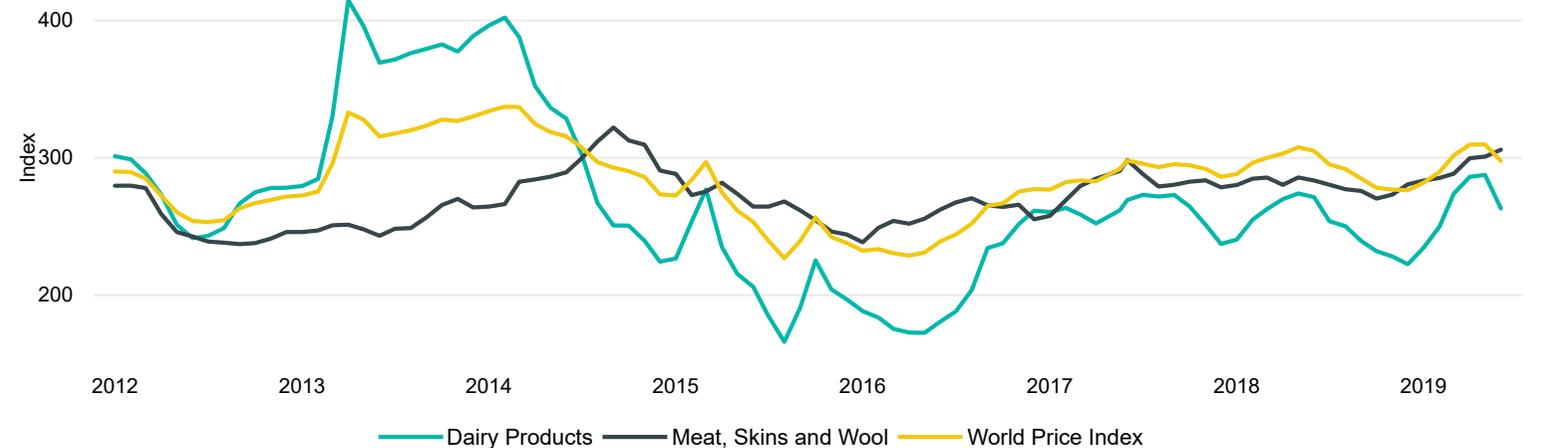
Source: Statistics New Zealand, ChristchurchNZ

Commodity Exports from Christchurch Ports



Source: Statistics New Zealand, ChristchurchNZ

World Price Index



Source: ANZ Commodity Price Index

Business Confidence

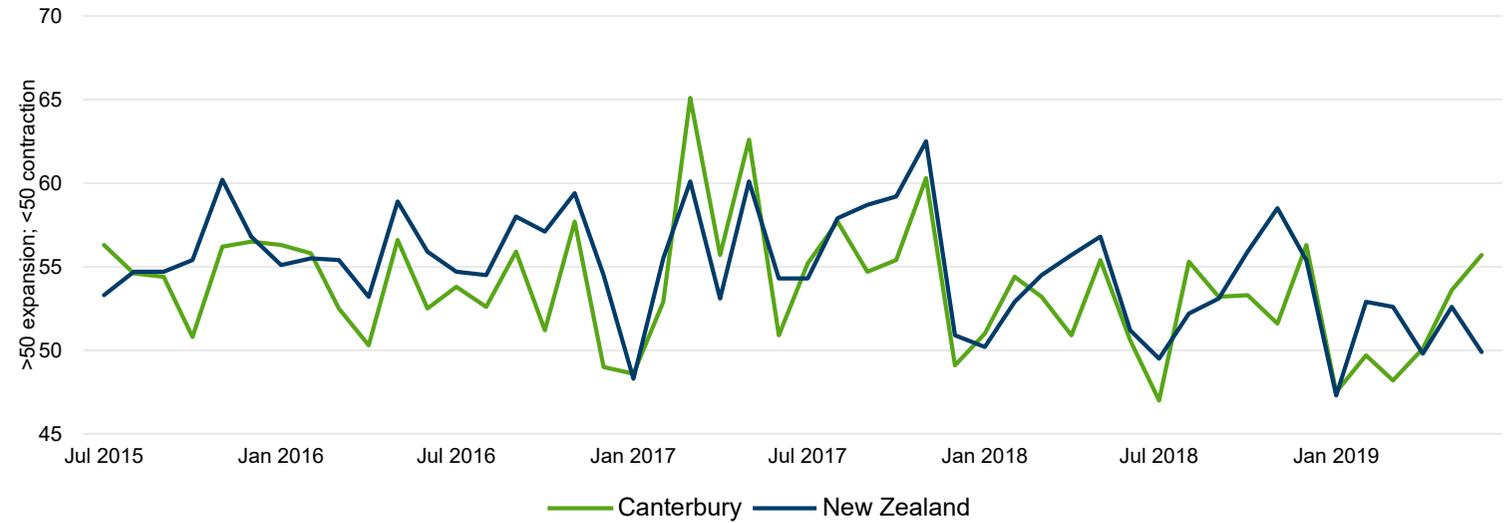
Performance of Manufacturing

The BNZ-Business NZ Performance of Manufacturing Index for Canterbury during the June 2019 quarter was 53.1, which suggests expansion and is above the national average of 50.8. The manufacturing sector is a key driver of economic activity employing over 36,000 people in the region in 2018.

Performance of Services

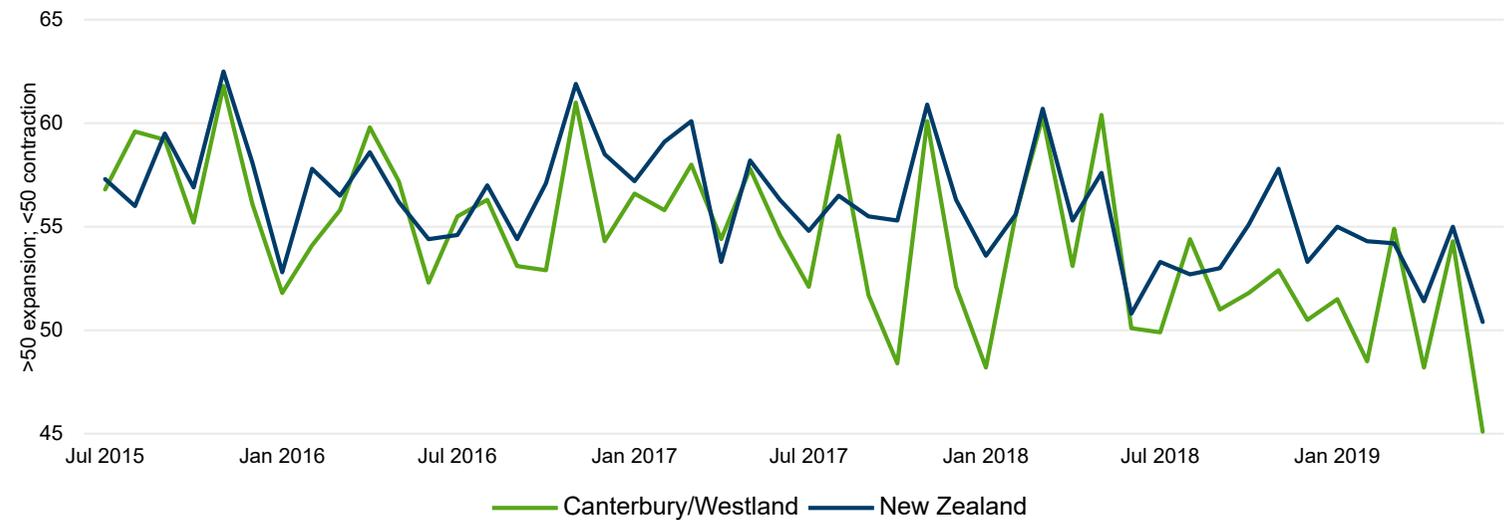
The BNZ-Business NZ Performance of Services survey (PSI) provides a gauge on the performance of the services sector. The PSI indicator averaged 49.2 for Canterbury in the June 2019 quarter, down from 54.5 in June 2018. Values over 50 indicate the sector is expanding and the index has dipped just below this threshold. Nationally the PSI averaged 52.3 in the June quarter, a fall from 54.6 in the same quarter last year, continuing a positive run since 2011.

Performance of Manufacturing Index



Source: BNZ Business NZ

Performance of Services Index



Source: BNZ Business NZ

Labour: Earnings & Vacancy

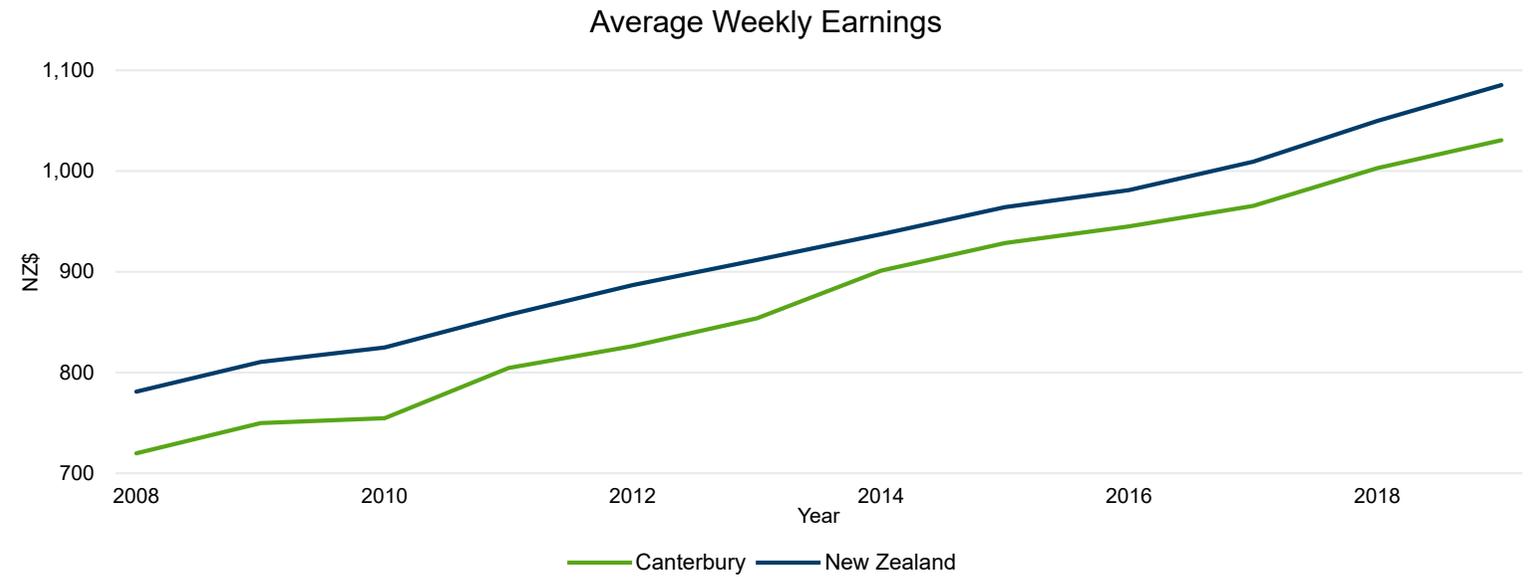
Earnings

Canterbury earnings continue to remain below the national average, while the earnings differential has widened somewhat (at 94% of national earnings), and continues below the highs of March 2015 (at 97% of earnings). Average earnings for employees (including overtime) grew by 3.2 percent in Canterbury in the June 2019 quarter compared to the same period of the previous year, reaching \$1,024 per week.

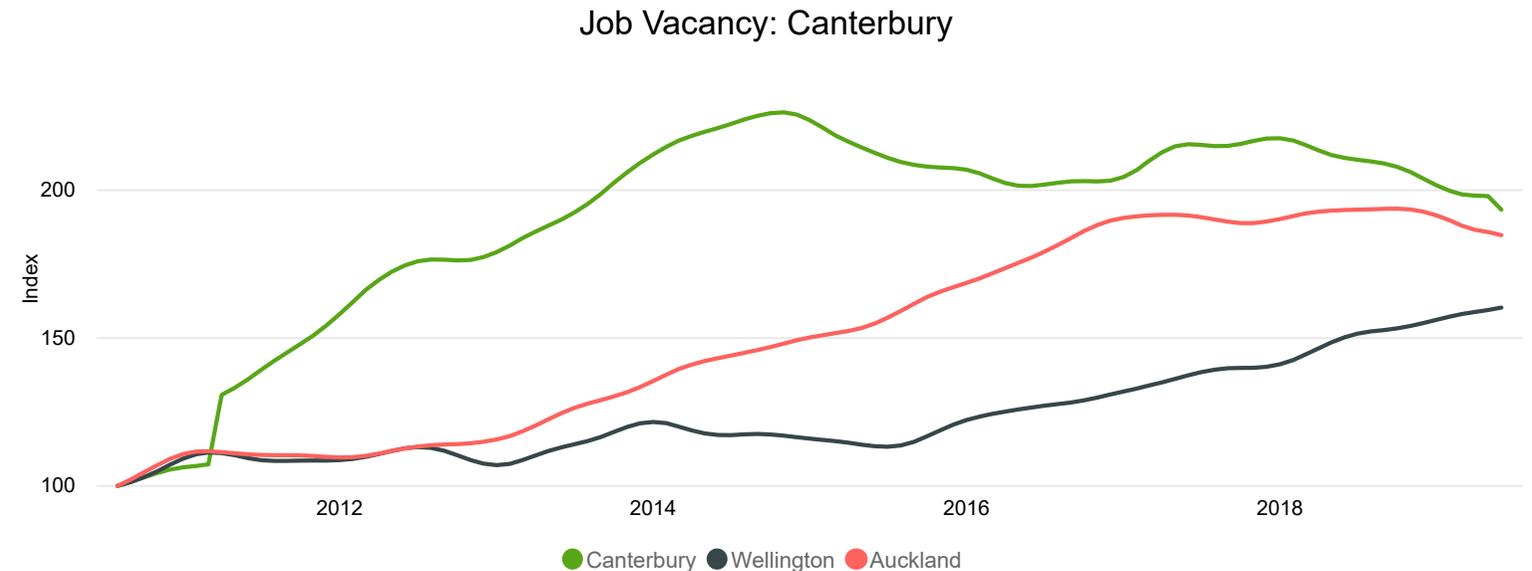
Across New Zealand, earnings grew by 4 percent, reaching an average of \$1,085 in June 2019. Canterbury employees worked 32.38 hours on average in the June 2019 quarter, compared to 33.47 hours nationally, which contributes towards the earnings differential.

Vacancy

The amount of jobs advertised in Canterbury is lower in June 2019 than in March 2019. The index shows that Christchurch has more job vacancy advertisements compared to the base year (Aug 2010), however the trend shows a decrease. Auckland shows a similar reduction while Wellington continues to increase (driven by public sector jobs).



Source: Statistics New Zealand



Source: Statistics New Zealand

Christchurch Migration Trends

International Migration

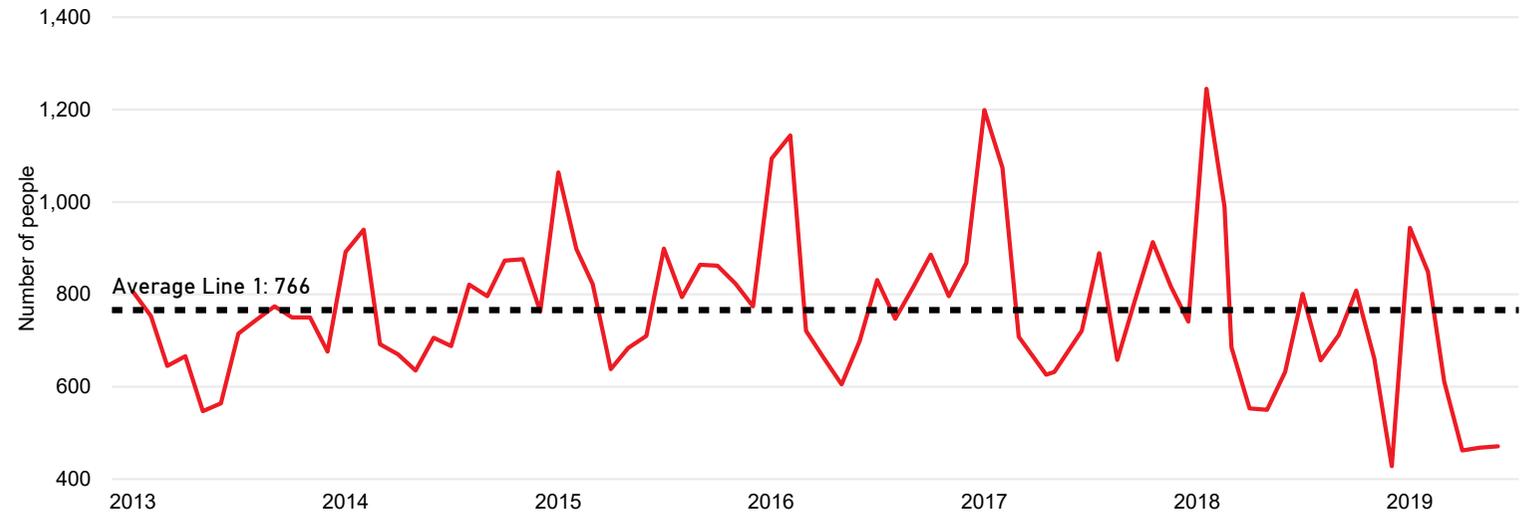
**Note: net migration figures cannot be derived at present due to departure cards no longer being collected. A new methodology for these figures is currently being created by Statistics New Zealand.*

In the June 2019 quarter, 1,401 people (intending on long-stay) arrived in Christchurch, 1,846 in Canterbury and 21,000 across New Zealand. Long-term arrivals in Christchurch are down by 19.3 percent compared to the same period in 2018, and nationally it is lower by 15.6 percent, compared to 2018. The lower numbers in long-term arrivals are a national trend.

International Education

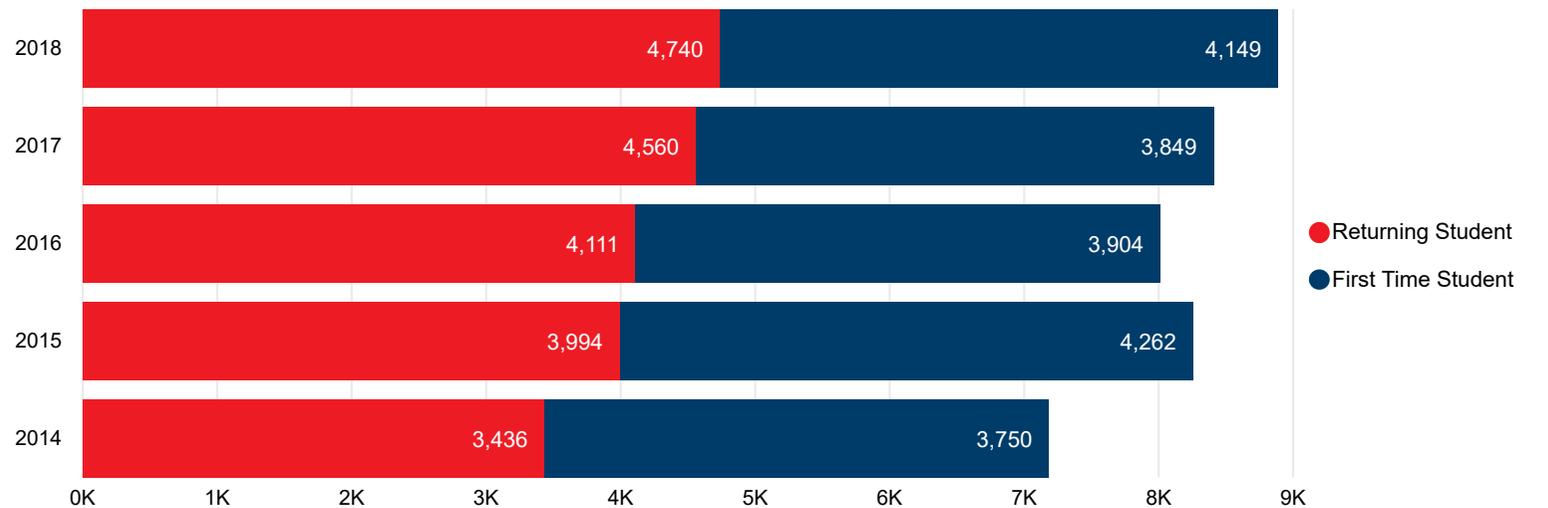
Student visas indicate the forward pipeline of international students. 2018 calendar year figures show there have been 4,149 first-time student visas applications in Canterbury, up 7.8 percent on 2017. A further 4,740 returning student visas were issued, a 3.9 percent increase on 2017. The highest number of first-time student visas came from China, India and Japan. Total student visas issued for 2018 numbered 8,859, a 5.4% percent increase on 2017 (8,409).

Christchurch Long-Term Arrivals



Source: Statistics New Zealand

Canterbury Student Visas



Source: Statistics New Zealand

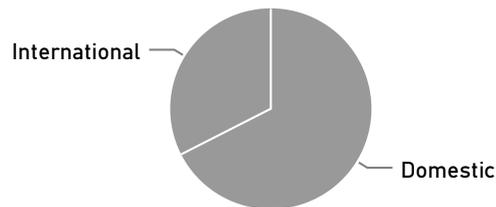
Visitor Economy: Spending

Visitor Spending

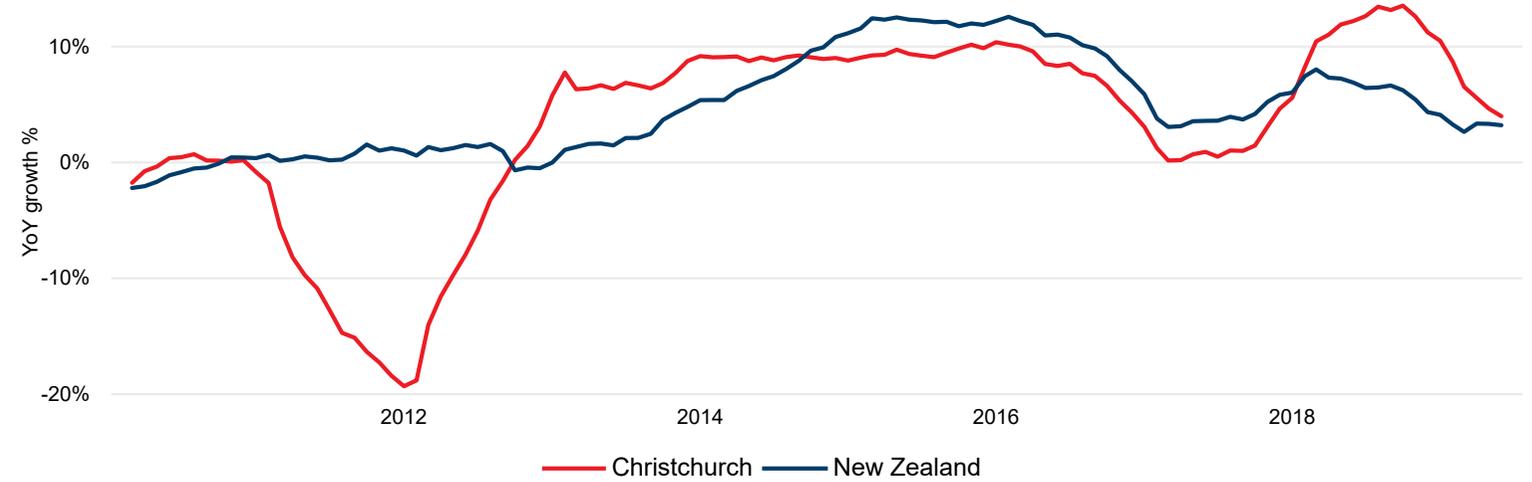
International visitor spending was \$222 million in Christchurch for the 2019 June quarter, up 7.4 percent on June 2018, however the domestic visitor spend was down by 1.4 percent. The increase in international spending has resulted in a slight increase in total visitor spending for the June quarter by 1.3 percent compared to the 2018 period. The long-term trend line is positive for both domestic and international spending in Christchurch.

When considering year on year growth, Christchurch continues to outpace New Zealand with regards to total visitor spend growth. Christchurch total visitor spend increased 4 percent for the year ending June 2019 compared to a 3.2 percent increase in New Zealand.

Christchurch Total Visitor Spending, 2019 (\$m)

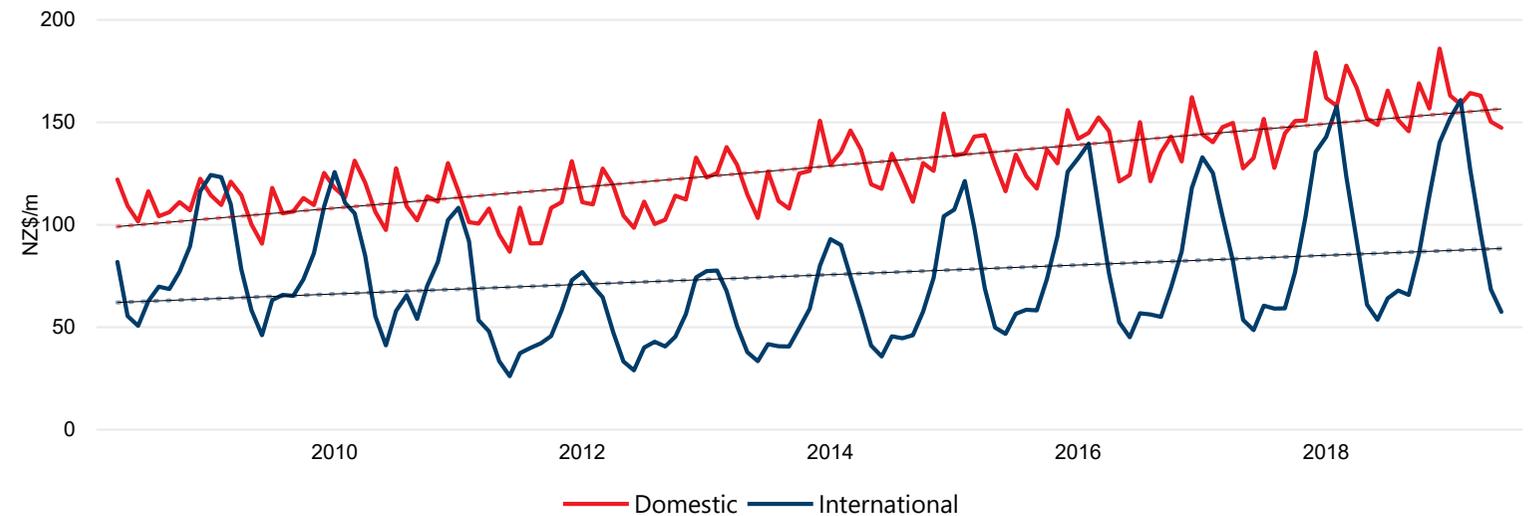


Total Visitor Spending: Year-on-year change



Source: Ministry of Business, Innovation & Employment

Visitor Spending \$m



Source: Ministry of Business, Innovation & Employment

Visitor Economy: Guest Nights & Arrivals

Guest Nights

Total guest nights in Canterbury increased by 1.5 percent between the June quarters of 2019 and 2018, compared to a 2.8 percent increase nationally. Domestic guest nights in Canterbury were up 6.6 percent over the June 2019 quarter, compared to the June 2018 quarter.

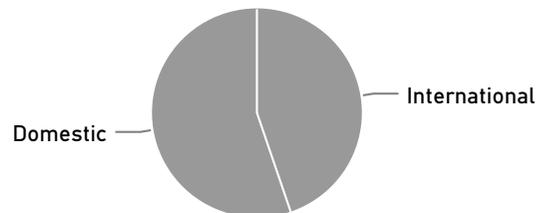
International guest nights in Canterbury decreased by 4 percent in the June 2019 quarter compared to June 2018. Nationally, international guest nights were down 5.5 percent over the same period. In Christchurch, total guest nights grew 0.3 percent compared to the same quarter of the previous year.

International Visitor Arrivals

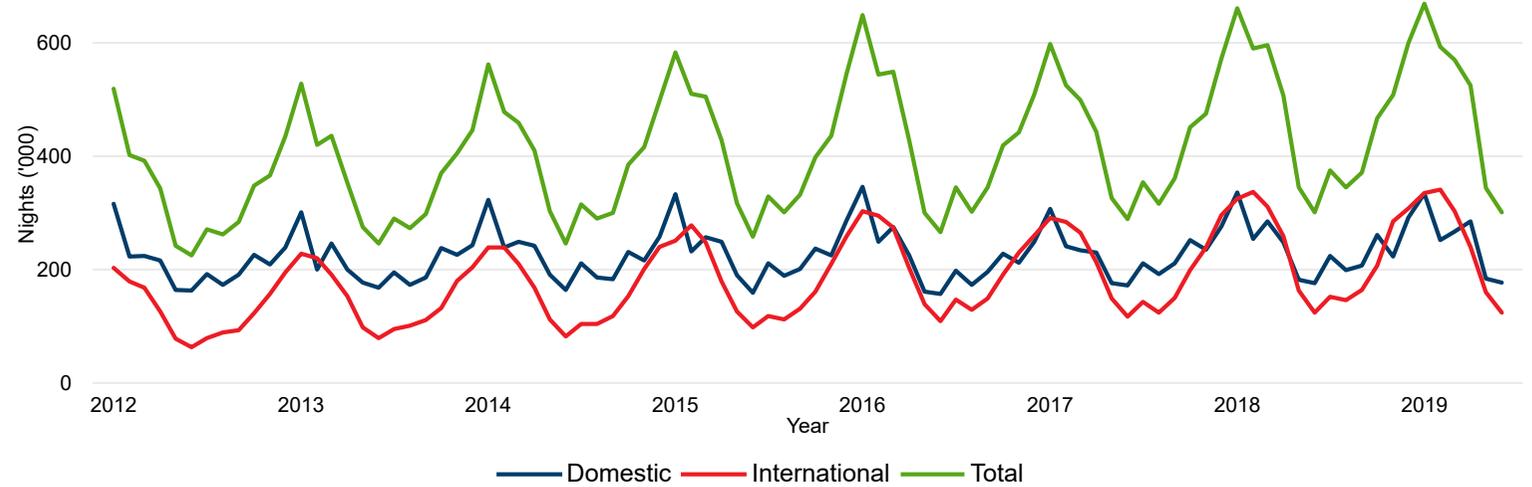
Christchurch visitor arrivals numbered 102,350 in the quarter of June 2019, a 1.6 percent increase from June 2018. The greatest growth by country of residence between June quarter 2018 and 2019 was Japan with 31.4 percent increase (from a low base), along with Australia, up 2.7 percent and China up 1.1 percent. Visitors from South Korea Germany, UK, Canada and the United States of America decreased.

The long-term trend for visitor arrivals to Christchurch is increasing.

Canterbury Guest Nights: Q2 2019

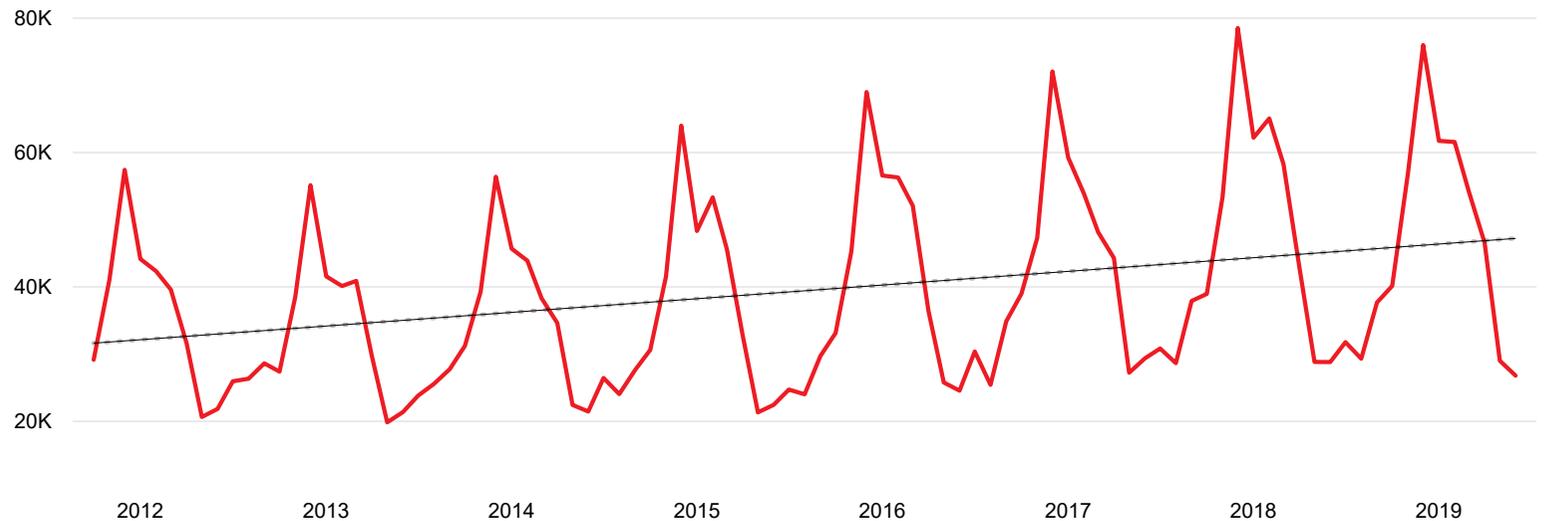


Canterbury Guest Nights



Source: Statistics New Zealand

Christchurch Visitor Arrivals



Source: Statistics New Zealand

Visitor Economy: Occupancy

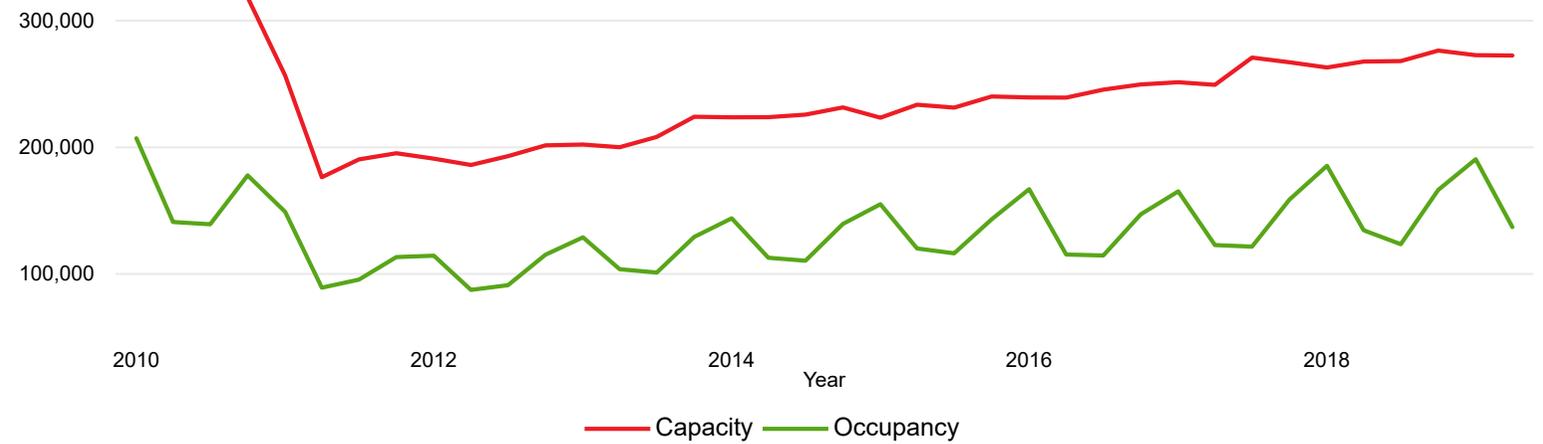
Occupancy Rates and Room Capacity

The occupancy rate for Christchurch visitor accommodation averaged 50 percent over the June quarter, which is similar to the June 2018 quarter.

The second quarter of 2019 had a 1.8 percent increase in capacity and 1.9 percent increase in total occupancy over the corresponding quarter in June 2018.

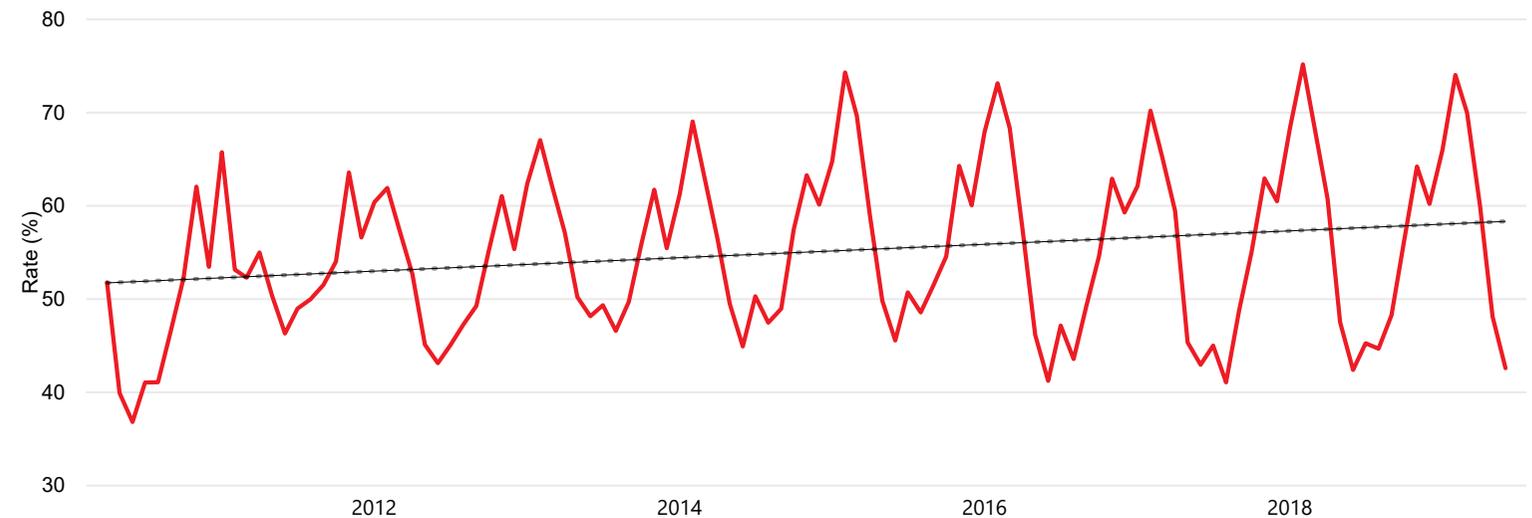
The long-run occupancy rate continues to trend upwards.

Christchurch Monthly Occupancy & Capacity



Source: Statistics New Zealand

Christchurch Occupancy Rate



Source: Statistics New Zealand

Central City Visitors

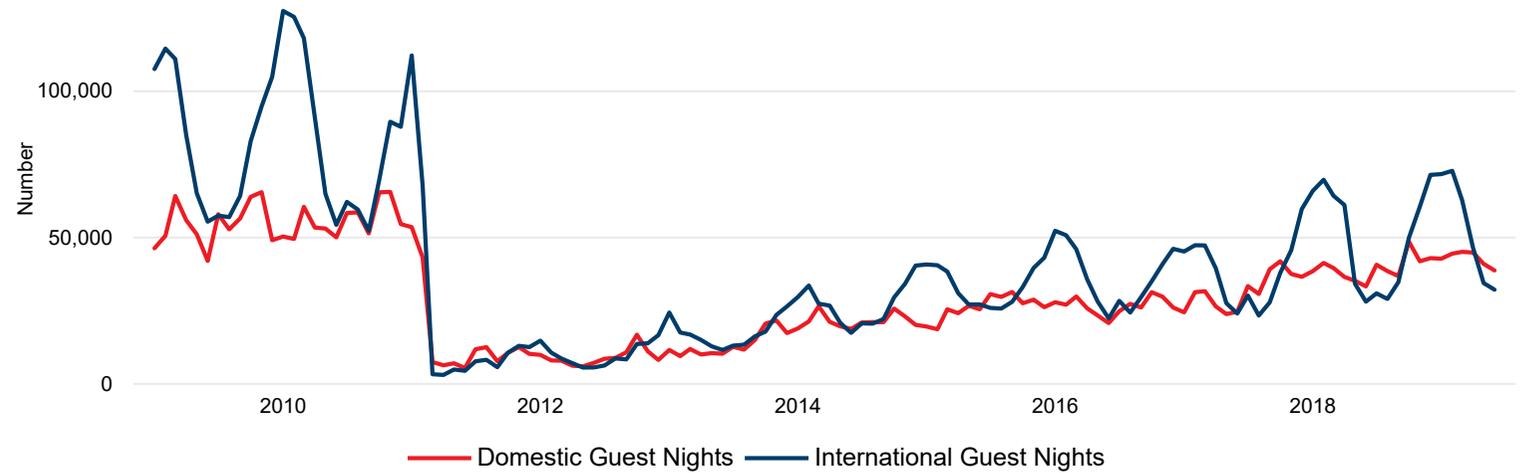
Central City Visitors

Central city guest nights have increased from 992,158 in 2018 to 1.2 million in 2019 (YE June), a growth rate of 11.3 percent over the period. International guest nights make up 54 percent of guest nights within the four avenues, with domestic making up the remaining 46 percent.

The average length of stay is slightly higher in the second quarter of 2019, compared with the 2018 June quarter.

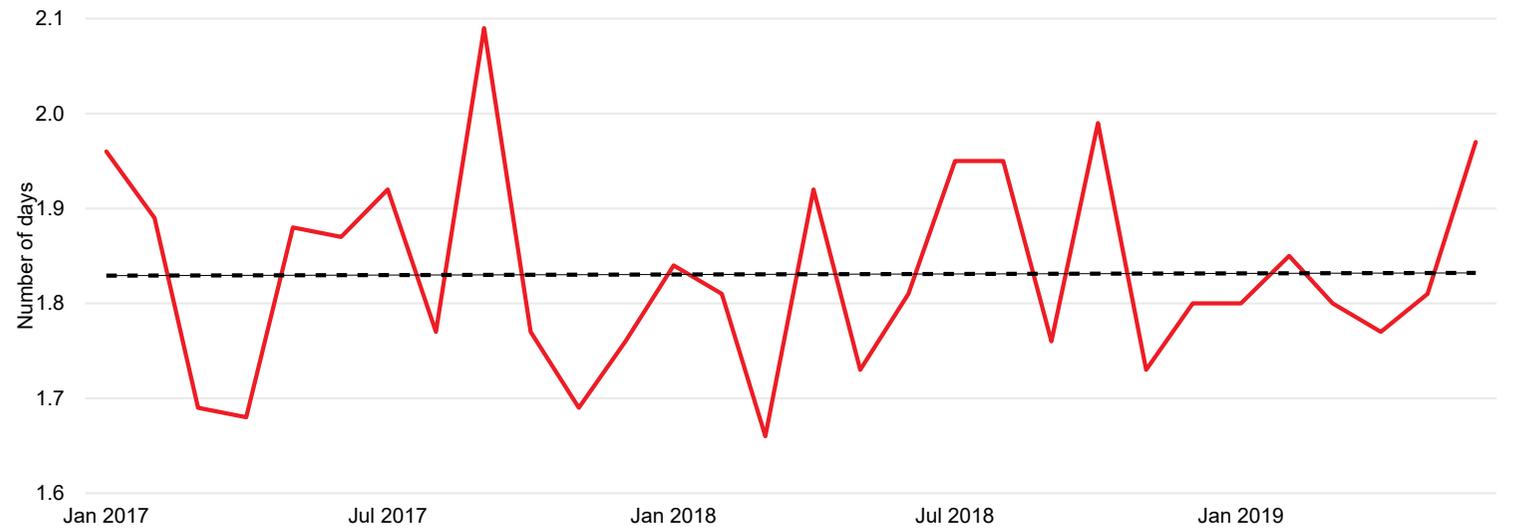
However, the average length of stay, remains flat over the last 2 years.

Christchurch Four Avenues: Guest Nights



Source: Statistics New Zealand

Christchurch Four Avenues: Average Length of Stay



Source: Statistics New Zealand

Central City Visitors Continued

Central City Accommodation

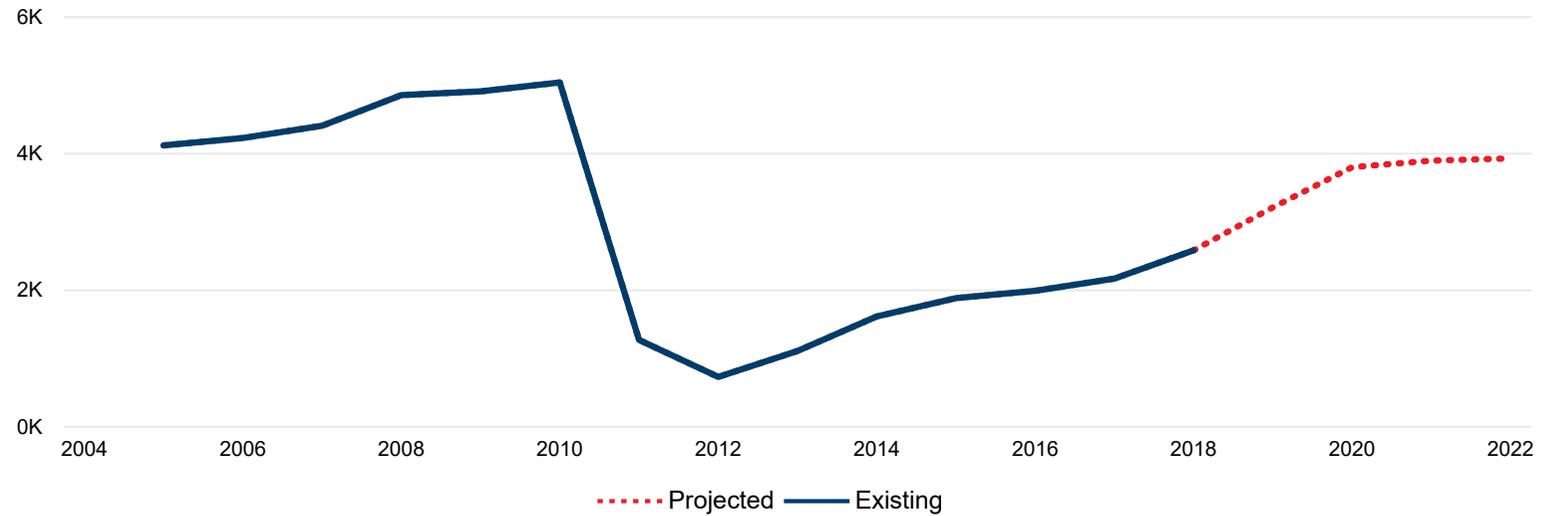
The number of accommodation establishments in the central city has continued to increase year on year from 2012.

Over the last 12 months, average hotel room capacity has increased by 19.1 percent, to 2,586 rooms by the end of 2018. An additional 1,345 rooms are expected to be completed from 2018 to 2022. This will increase the number of hotel rooms to 3,931.

With the convention centre, Te Pae, reaching completion by 2020 and the Multi-Purpose Area (Stadium) to be completed by 2023, it is expected that more business-related events will occur in the city. This will draw more visitors into the Central City, further increasing guest nights, particularly in the winter and shoulder seasons and additional visitor spending within retail stores.

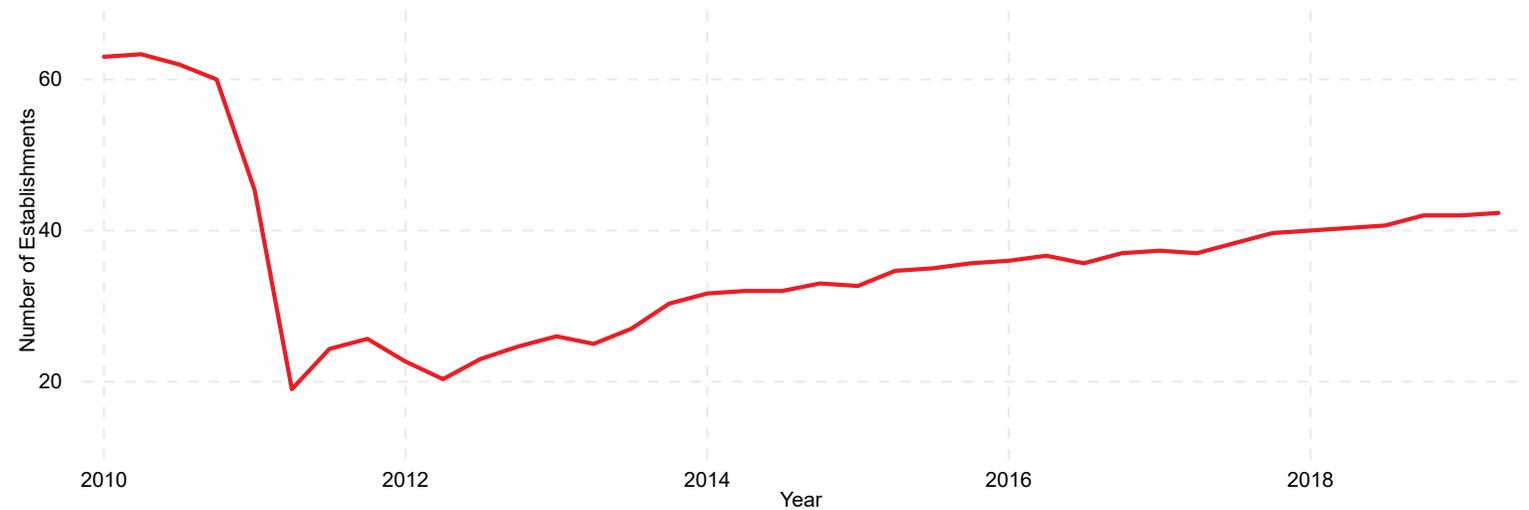
With several central city hotel developments remaining in the pipeline, the visitor economy has capacity for growth.

Four Avenues Hotel Rooms Projection



Source: Statistics New Zealand, ChristchurchNZ

Number of Establishments in the Central City



Source: Statistics New Zealand

Retail Spending Christchurch

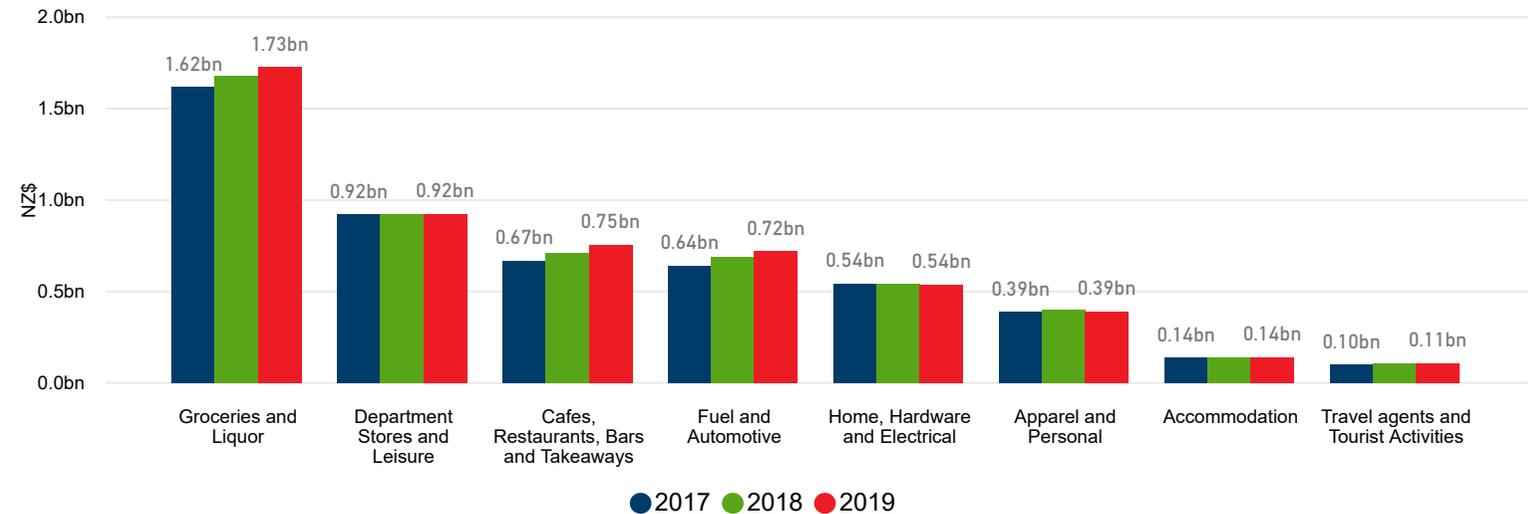
Retail Spending (MarketView Card Spending)

The Marketview data for Christchurch spending shows that spending for the second quarter of 2019 is higher (2.6 percent) compared to the corresponding period in 2018.

The year-on-year growth to June 2019 is positive at 2.1 percent for spending in Christchurch with spending on cafes, restaurants, bars and take aways the largest growing category (6.1 percent), followed by fuel and automotive (4.1 percent) and groceries and liquor (2.8 percent). Department store and leisure (0.2 percent) is slightly higher while spending on home, hardware and electrical (-1.0 percent) and apparel and personal (-2.1 percent) fell for the year up to June 2019.

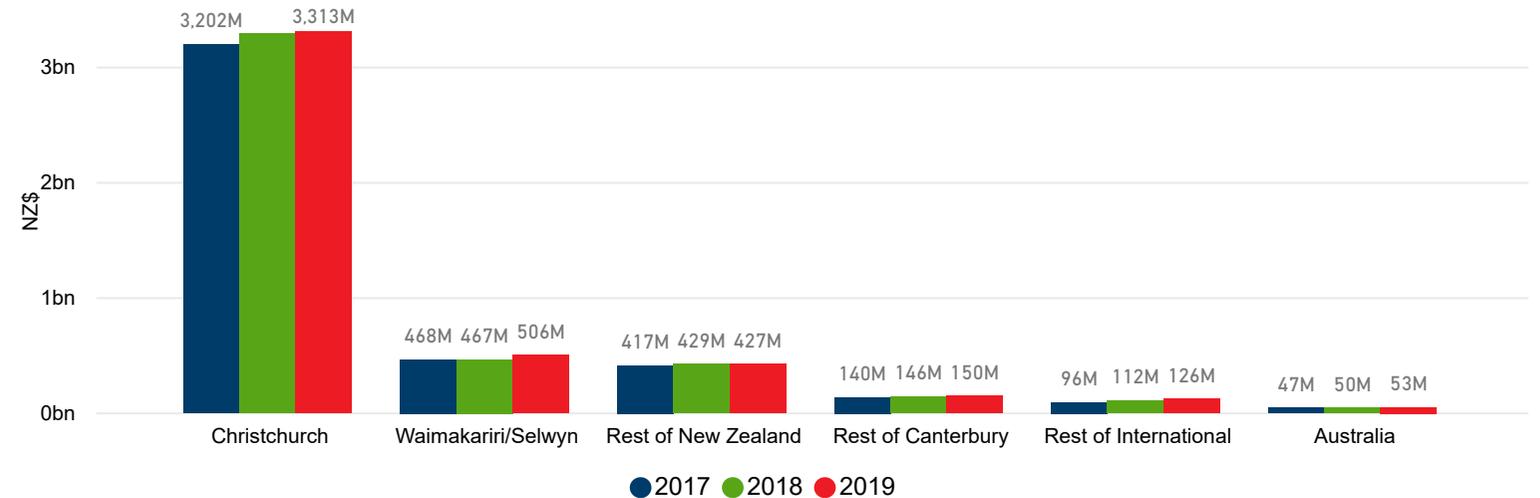
Local residents are the primary spenders in the city, representing 72.4 percent of all spending and year-on year growth was at 0.6 percent in June 2019. International spending growth was strong driven by an 13 percent increase in spending from international visitors not from Australia. Spending from Waimakariri/Selwyn was up by 8.4 percent.
*Note that the MarketView figures on customer origin exclude fuel and automotive spending.

Total Spend in Christchurch by Category (YE June)



Source: MarketView, ChristchurchNZ

Total Spend in Christchurch by Customer Origin (YE June)



Source: MarketView, ChristchurchNZ

Retail Spending Central City (Core & Core-Fringe)

Retail Spending (MarketView Card Spending)

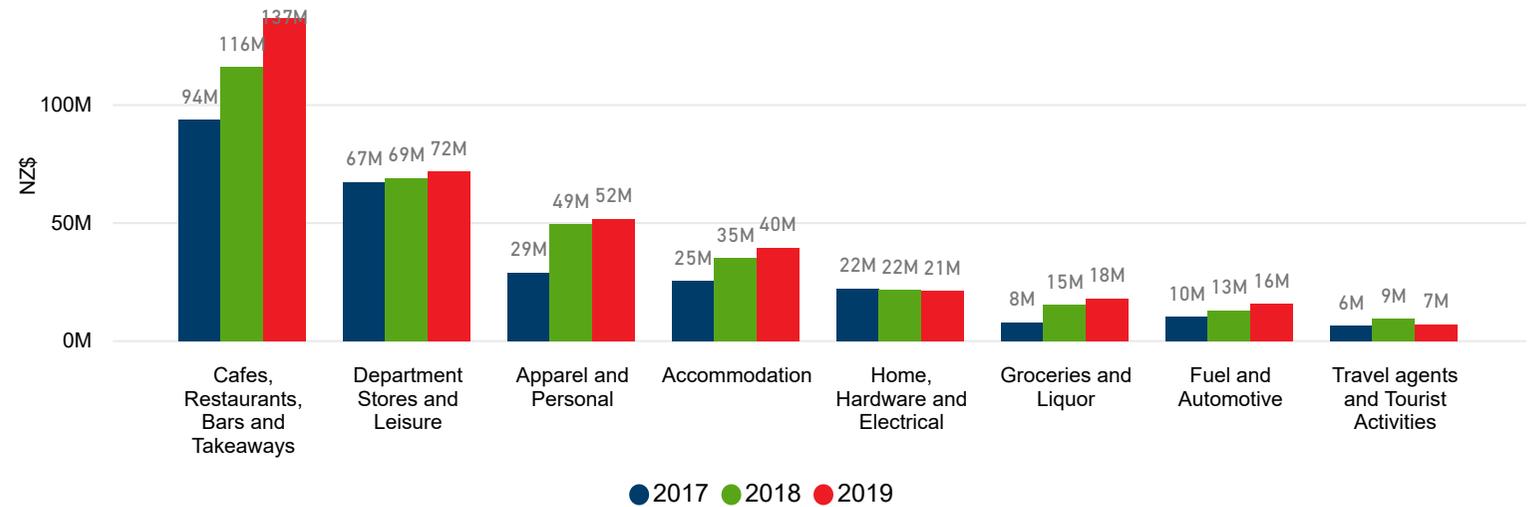
While city-wide spending in the city is only slightly higher, the central city shows encouraging growth. The Christchurch central city (core and core-fringe) has seen many new retail and hospitality developments over the last two years which have attracted many retailers back into the central city. The rapid growth in supply and the altered shopping habits of residents in the post-quake period away from the central city present a short-term risk of supply exceeding demand. While the central city has some short-term challenges, its rapid redevelopment significantly enhances Christchurch's offering as a city open for business and people.

Central city spending increased by 8 percent for the June quarter compared with the June 2018 quarter. The annual growth is up by 10.2 percent. Growth in central city spend is due to a combination of increased spending by local residents, residents from the adjacent regions and international visitors. The local population continues to provide the greatest volume in spend for the central city. The annual growth from the international market is headed by a 20.8 percent increase for Australian spending and a 23.3 percent for the rest of international spending between June 2018 and June 2019, which reinforces the notion that Christchurch has a strong visitor experience offering. The local market has driven the volume of spend, with a 4.3 percent increase by Christchurch residents, 19.6 per cent by Waimakariri/Selwyn and 9.5 percent from rest of Canterbury residents.

**Note that the MarketView figures on customer origin exclude fuel and automotive.*

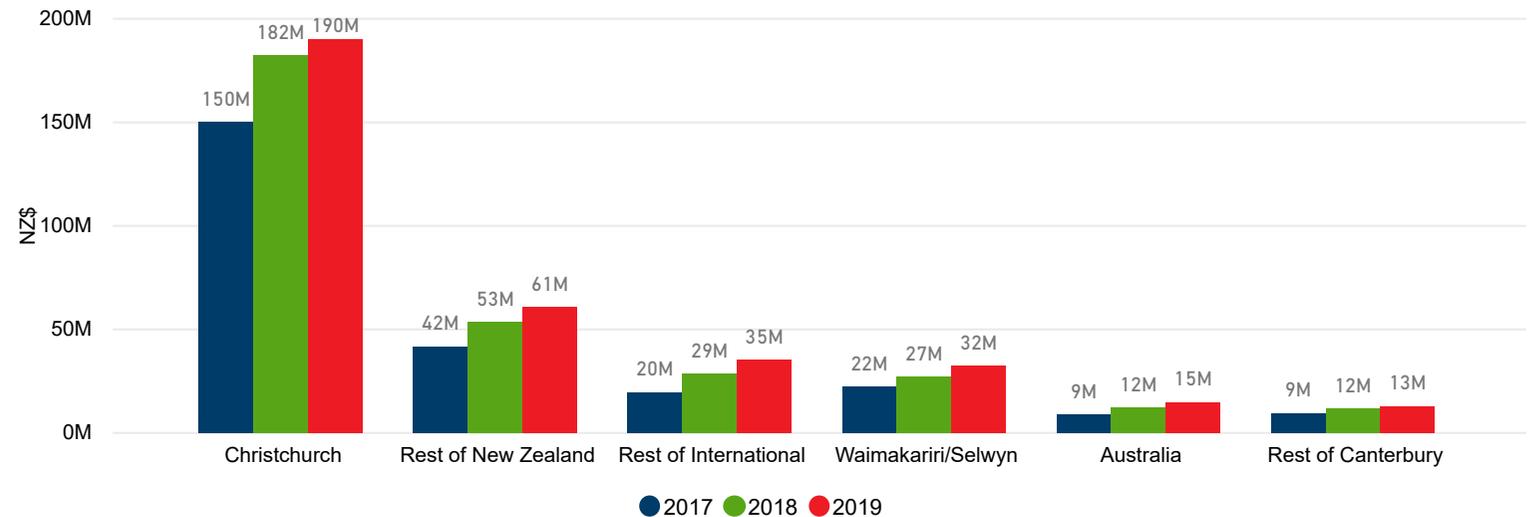
**See next page for area delineation.*

Total Spend in the Central City by Category (YE June)



Source: MarketView, ChristchurchNZ

Total Spend in the Central City by Customer Origin (YE June)

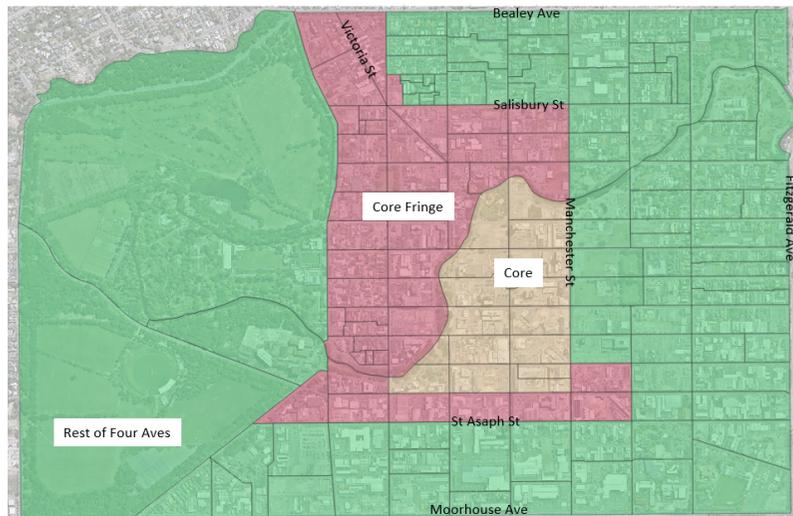


Source: MarketView, ChristchurchNZ

Retail Spending Central City (Core & Core-Fringe)

Spending in the second quarter of 2019 is higher by 8 percent when compared to spending during the second quarter of 2018. The volume and significant growth seen in local retail spending suggests that new offerings have succeeded in attracting residents back into the central city as well as encouraging visitors to spend time and money in the central city. These offerings include the retail precinct, which has attracted visitors and, as a result, generated significant growth in retail spending.

This is demonstrated by the annual increase in spend seen in fuel and automotive (20.6 percent), groceries and liquor (18.5 percent), cafés, restaurants and bars (18.0 percent), accommodation (13.1 percent) and apparel and personal (4.9 percent).

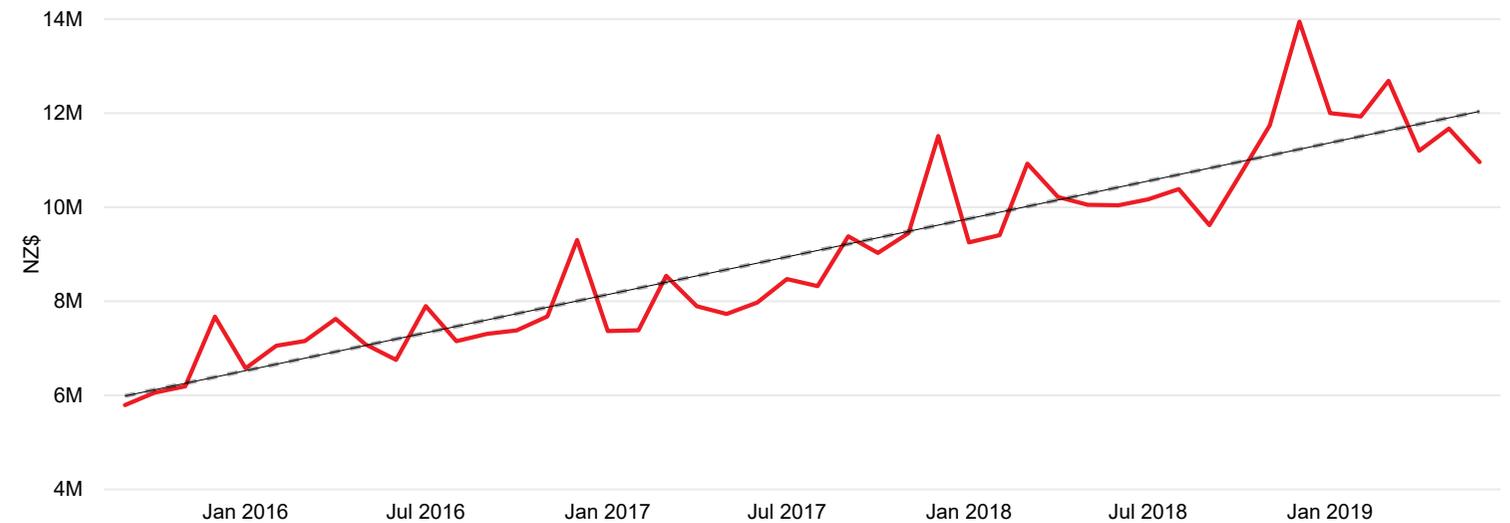


Central City Retail Spend: Quarter 2 Comparison



Source: MarketView, ChristchurchNZ

Spending on: Cafes, Restaurants, Bars and Takeaways



Source: MarketView, ChristchurchNZ

Four Avenues Population

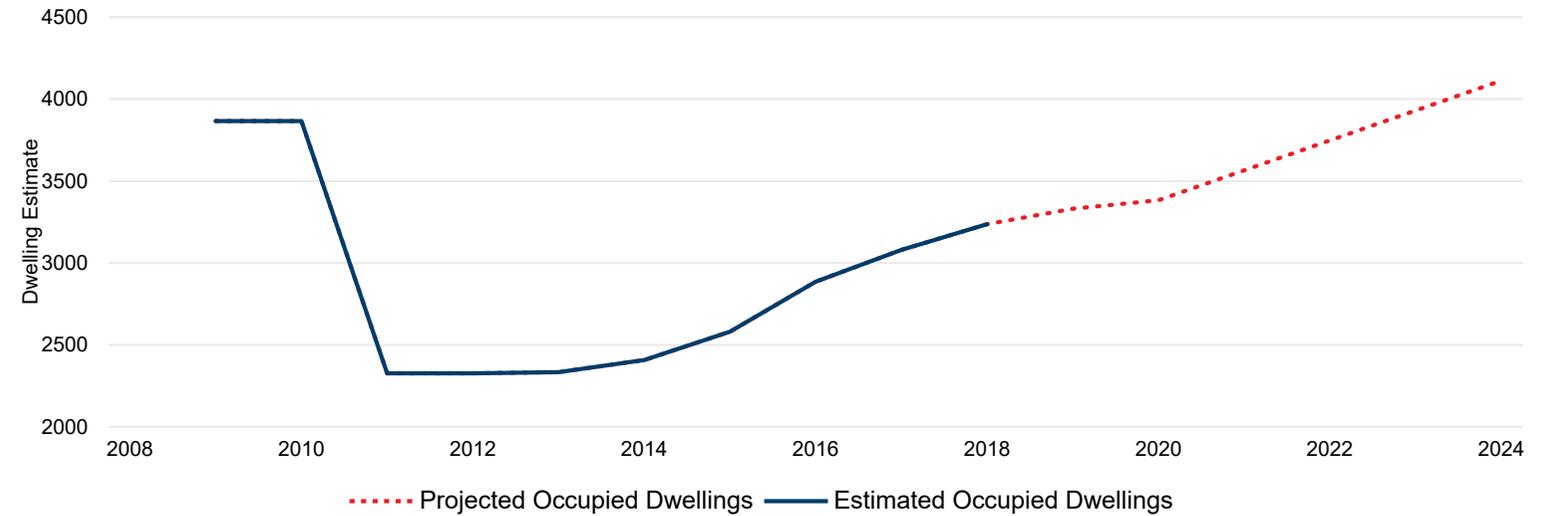
June 2018 data

Central City Housing and Population

The central city population has increased to 6,170 as of June 2018 with an additional 310 people moving into the four avenues since June 2017. However, this is still only 75 percent of the pre-earthquake population of 8,280.

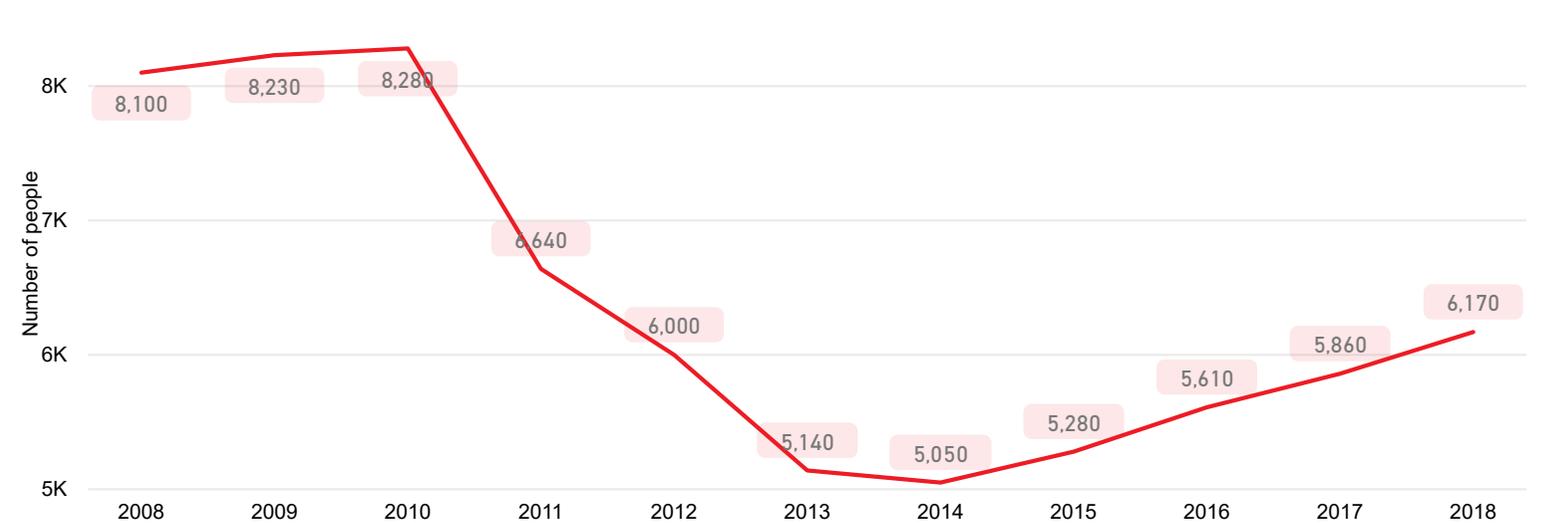
As of June 2018, 3,237 dwellings are located within the four avenues, 84 percent of pre-quake dwellings. By 2024 there is expected to be 4,113 dwellings within the four avenues, including the completion of Fletcher Living's One Central housing development.

Four Avenues Dwellings Projection



Source: Statistics New Zealand, CCC, ChristchurchNZ

Four Avenues Population Estimate



Source: Statistics New Zealand, ChristchurchNZ

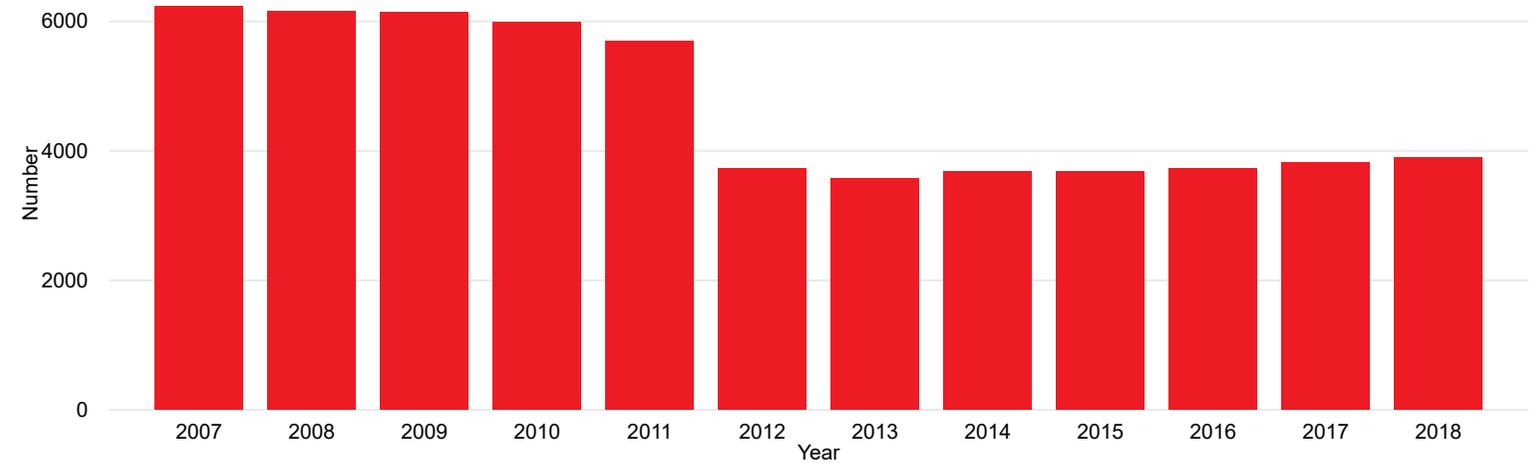
Four Avenues Business

June 2018 Data

Central City Business and Employment

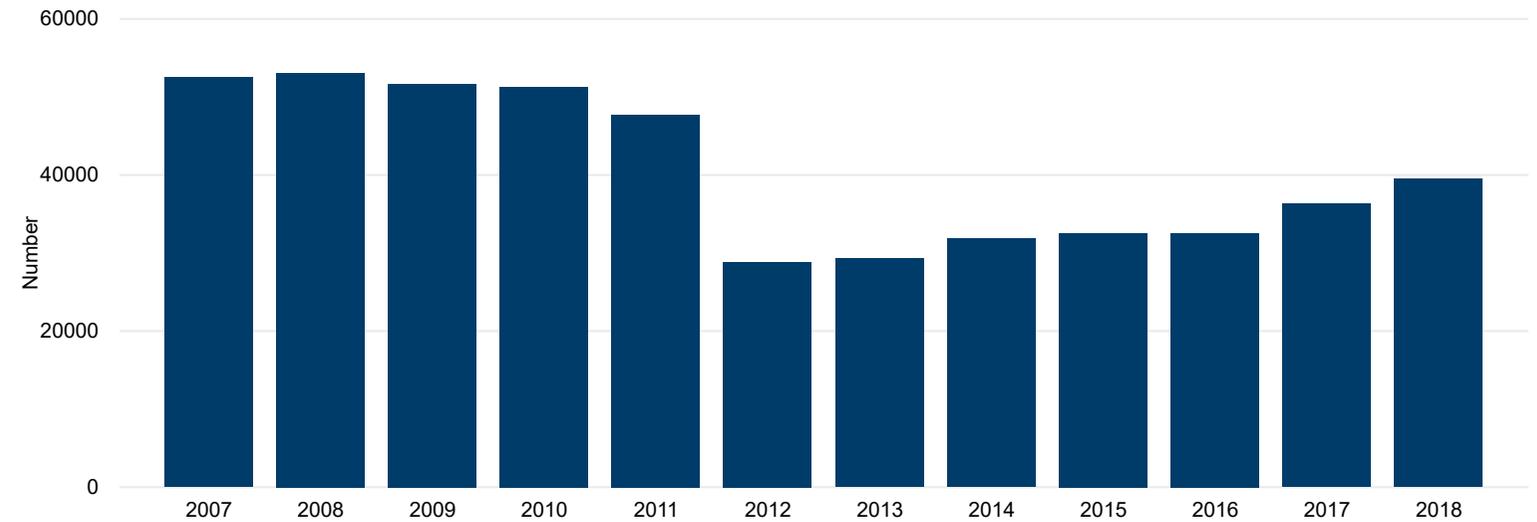
2018 figures show total employment within the Four Avenues to equal 39,500 employees (18.3 percent of the Christchurch workforce), with 3,897 business units operating (9.3 percent of Christchurch businesses). This equates to 77.0 percent and 65.1 percent of pre-quake levels respectively. Since 2017, health care and social assistance has contributed to bringing the most employees back into the four avenues, followed by administrative and support services; and professional scientific and technical services. Financial and insurance services as well as retail trade were also significant contributors to employment growth.

Four Avenues Businesses



Source: Statistics New Zealand

Four Avenues Employees



Source: Statistics New Zealand

Commercial Property

Office Stock and Rental Rates

With only minimal increases in stock expected for 2019 and many commercial developments in the CBD nearing completion, its likely stability will return to market levels. Moreover, organic growth and tenant attraction is set to drive vacancies lower in the next 12 months, further stabilising rents.

Effective office rents for both CBD Tier 1 and suburban stock have seen a decline with strong competition for tenants in both the CBD and suburbs. The average rent in the CBD for prime stock is at \$350/sqm and \$230/sqm within the suburban area for secondary stock. The secondary stock throughout the city continues to experience larger declines as higher quality new build stock enters the market. There is limited market growth expected in the near future.

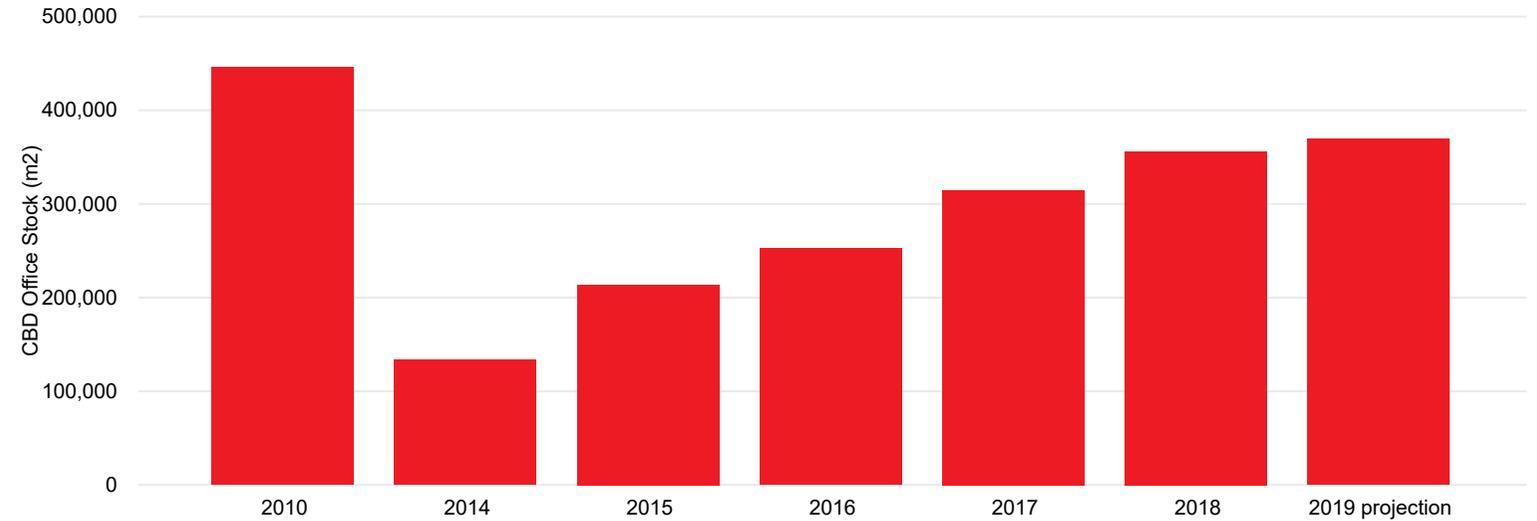
Vacancies

In line with new stock added, vacancies in the central city are beginning to stabilise as seen by flat growth between 2017 and 2018. Colliers reported that office vacancy in the CBD is at 20% (September 2018), down from 24% in September 2016. As tenants continue to relocate to the central city, suburban vacancy rates are expected to increase between 2018 and 2019. Some areas affected include: Addington from 14.5 percent to 17.3 percent, Riccarton from 19.6 percent to 23.3 percent and Burnside from 11.4 percent to 14.1 percent, making for a total increase across the city from 14.4 percent to 17.3 percent.

Retail and Hospitality

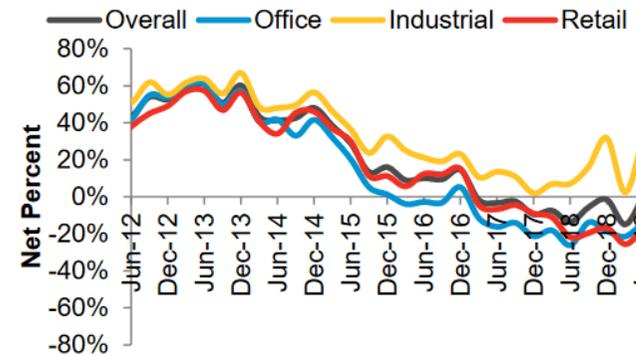
The retail and hospitality leasing markets are performing at a competitive level in 2018, with retail precinct vacancy sitting at 23.2 percent in 2018 and hospitality turnover rates churning at a high level. Positive influences on these markets such as the quality of recent developments, key anchor tenants, Hoyts EntX, office completion, Riverside Market, lime-, beam- and flamingo scooters, Tūranga central library and more are likely to continue to attract foot traffic and thus tenants into vacant spaces over the medium term.

CBD Office Stock (sqm)



Source: Colliers, ChristchurchNZ

Christchurch Investor Confidence



Investor Confidence Survey: Colliers

Industrial investor confidence continued its growth trajectory, and is now at a net positive of 32%. In the commercial space, there was a higher proportion of optimistic responses compared to pessimistic in Christchurch resulting in a small net positive score of 0.4%. Also, almost half of the respondents provided a neutral response, indicating stabilised market conditions.

Data sources

ANZ: <http://www.anz.co.nz/commercial-institutional/economic-markets-research/>

BNZ Business NZ: <http://www.businessnz.org.nz/surveys/501>

BusinessNZ: <http://www.businessnz.org.nz>

Christchurch City Council: <https://www.ccc.govt.nz/culture-and-community/christchurch/statistics-and-facts/facts-stats-and-figures/central-city-indicators/>

Colliers International: <https://www.colliers.co.nz/offices/christchurch%20agency/>

Education New Zealand: <https://intellilab.enz.govt.nz/>

Immigration New Zealand: <https://www.immigration.govt.nz/about-us/research-and-statistics/statistics>

Infometrics Ltd: <http://www.infometrics.co.nz/>

Marketview: <https://marketview.co.nz/>

Ministry of Business, Innovation and Employment: <http://www.mbie.govt.nz/>

New Zealand Institute of Economic Research Inc (NZIER): <http://nzier.co.nz/>

Real Estate Institute New Zealand: <https://www.reinz.co.nz/>

Statistics New Zealand: <http://www.stats.govt.nz/> *This work is based on/includes Statistics New Zealand's data which are licensed by Statistics New Zealand for re-use under the Creative Commons Attribution 3.0 New Zealand licence.*

Westpac: <https://www.westpac.co.nz/>



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