

# Auckland CBD – Q4 2021

## Market Report

Auckland CBD's vacancy rate has gone against the trend of increasing since early 2020, currently sitting around 10.0% overall, from 11.9% as at July 2021. Whilst the pandemic shifting nature has caused an increase in work-from-home and has prohibited offshore business partners from travelling to New Zealand, there is evidence to suggest that the outlook for 2022 is likely to involve an office presence for many businesses. Especially once international travel recommences.

As seen across all markets in Australia and New Zealand, Auckland CBD is seeing an increase in a flight to quality to entice staff to return to the office once Omicron wave has subsided. Sustainability has also continued to be a key item in attracting tenants to buildings and is something many businesses are considering as a key item to consider when searching for a new premises.

Whilst there was an increase in transactions and activity in the last quarter of 2021, sub-lease vacancy has increased on the back of downsizing due to the increase in remote working. Landlords have been offering higher incentives, and spec fit outs are continuing to be offered in the sub 300 sqm market to suit organisations who have delayed decisions and require turn-key space.

Finally, whilst Auckland CBD experienced the lowest level of investment volumes in 2021 in several years, investment continues by the government including the CRL works, with a number of new stations to be incorporated, making travel around the city easier.

### Typical Gross Rental Comparison



Grade	Typical Net Face Rental (\$/sqm)		Incentive
	Low	High	
Prime	\$550	\$650	↔
Secondary	\$400	\$550	↔

Note - Vacancy and absorption statistics sourced from LPC research, and various research houses

## Occupier's Perspective



On the back of the planned increase of workforces returning to the office in March, Occupiers will need to assess how they will utilise their space moving forward, and what that will mean for their future requirements. Utilisation data will become increasingly important in assisting Occupiers making these informed decisions.



With vacancy decreasing slightly, the flight to quality has seen Premium grade options vacancy decrease and face rents increase.

## Market Trends

Supply chain nightmares continue to mar the wider property industry, with construction materials wait times increasing dramatically and prices spiking dramatically. New developments will need to be futureproofed, with an aim to allow improved hygiene. Items such as touchless technology and filtered air con are all types of items to be included.

With an increase in flight to quality landlords are further incentivising tenants by providing turn-key-fitouts. Many small to medium sized businesses are able and willing to pay the higher Premium rents, specially if a fitout is provided as part of the deal.