Auckland CBD – Q3 2022 Market Report

Overall vacancy rate for Auckland CBD Office increased to 11.6% in Q3 2022. The spread of occupancy is further divided to 10% from 7.2% last quarter between Prime and Secondary grade. Primary grade was record 6.6% while Secondary grade vacancy rate was recorded at 16.6%.

With the opening of international borders and the removal of Covid-19 testing, this has led to greater business confidence which in turn has led to a increase in leasing activity. In order to retain and attract talent, the market is seeing an increase in a flight to quality as tenants are more willing to pay for Premium grade buildings and options that can offer a turnkey / fitted solution.

Sustainability has also continued to be a key item in attracting tenants to buildings and is a factor that many businesses are considering as a key item when searching for a new premises.

Whilst there was an increase in transactions and activity in the first half of 2022, 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.

Increasing interest rate and forecasts of a slowing economy presents risk to businesses which requires more vigilant cost control and flexible accommodation.

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

Typical Gross Rental Comparison

11.6%

Vacancy

$750/sqm

Average Rent

Grade	Typical Net Face Rental ($/sqm)		Incentive
	Low	High	
Prime	$580	$700	↑
Secondary	$350	$500	↓

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

Occupier's Perspective

On the back of the planned increase of the workforce returning to the office, 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 expectation of increasing interest rate and possible slowing economy.

The flight to quality has seen Prime grade options vacancy decrease and face rents increase.

Market Trends

Development activity has increased with approx. 120,000 sqm of office space to come online in the next 5 years. Landlords / developers have been bolstered by the demand for high quality assets and will likely see more mooted developments as a result.

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.

Occupiers are wary about the supply chain disruptions and sensitive to delays that affect business.