Intelligent Investment

COMING BACK INTO ALIGNMENT

Office demand and employment growth after a decade of disconnection

REPORT

CBRE Research
March 2026

Key Insights

- Analysing recent and historic employment and office absorption trends suggests that the structural shifts that drove white collar employment to disconnect from office occupancy since 2011 are finally drawing to a close.
- Between 1999 and 2010, employment growth and office net absorption (the change of occupied space) had a close relationship. For every 1 percent increase in office-using employment, occupied office space increased by 0.93 percent in the Auckland CBD office market [(1)].
- This relationship began to weaken in 2011 and fell apart between 2014 and 2019. During this period, only 0.24% of employment increases resulted in additional net absorption. The relationship deteriorated further after 2020 when organisations started implementing hybrid working.
- Space worker ratios, or leased square metre per office using employee, an indicator of shifting office space patterns, also dropped significantly, from 16.6 in 2010 to 12.8 in 2019. Improved office efficiency (from both layout and new buildings), the rise of Activity-Based Working (ABW)
- Since 2020, hybrid working has had a further negative impact on space worker ratios; however, leased sqm per office using employee in the last five years did not drop as severely as post-GFC, with a slightly lower annual rate of decline.
- CBRE New Zealand Office Occupier Survey 2025 shows that the hybrid working trend has stabilised, but with senior leadership and HR now playing the central role in setting attendance expectations. These expectations indicate office attendance and utilisation are likely to lift in coming years.
- While our occupier sentiment surveys suggest office occupancy will be improving in the future, actual occupancy data already shows a positive turn in market trends. In 2025, of the 25 largest CBD office space take ups, 21 resulted in a net occupancy gain, with 10 involving a pure expansion that did not involve relocation. This has contributed to H2 2025 net absorption exceeding 18,000 sqm, marking the strongest half-yearly performance in the last decade since H2 2015.
- These trends suggest that the structural shifts causing white collar employment to disengage from office occupancy between 2011 and 2022 have concluded, resulting in a renewed connection between employment and occupancy/net absorption.
- Economic forecasters are uniform in their view that the labour market has bottomed out, and over the next few years employment will be experiencing a cyclical rebound averaging circa 2% pa, in line with the projected improvement in GDP growth [2].
- Our analysis points to office space demand and net absorption rebounding above what has been seen over the past 15 years as absorption responds to employment growth driven by a rebounding economy. Base scenario projections indicate absorption of c25,000 sqm pa to 2029 compared to 14,000 sqm pa between 2011-2019 and 29,000 sqm pa between 2000-2007.
- While our analysis indicates that positive employment growth in the future will result in a higher rate of office space demand and absorption than seen over the past 15 years, office based employment growth in itself has become a significant topic with the advent of generative and agentic AI, its increasing capabilities, and increasingly widespread adoption. The eventual impact of artificial intelligence on the white-collar labour market is subject to considerable debate. CBRE New Zealand Research is preparing a separate, forthcoming report analysing AI's impact on the New Zealand employment market, particularly within the office using industries through a deeper dive to reconcile contrasting trends and opinions.

Notes:

(1) To ensure data integrity and analytical rigor, this report focuses on the Auckland CBD, where office occupancy data are comprehensively tracked by CBRE NZ Research. Accordingly, employment data also presents the Auckland CBD market, with the same geographic scope as the occupancy data.

(2) For the time being, the published forecasts from economists indicate that 2026 will be a year of growth. which might be subject to revision in light of unfolding global events.

01

The relationship between employment growth & office net absorption/occupied space

The historically close relationship between white collar or office based employment growth and office space demand broke over the past 15 years. Like many trends, this structural shift started before Covid, but accelerated in the aftermath of the pandemic.

Between 1999 and 2010, growth in office using or white-collar employment (1) and office net absorption in the Auckland CBD market had a strong correlation. Specifically, the ratio of occupied stock growth to employment growth, or the slope (2), was 0.93 across the Auckland CBD office market. This suggests that for every 1 percent increase in office-using employment, occupied office space increased by 0.93 percent during a given period. Overall, office using employment increased by 26.3%, and the total occupied stock increased by 24.4%.

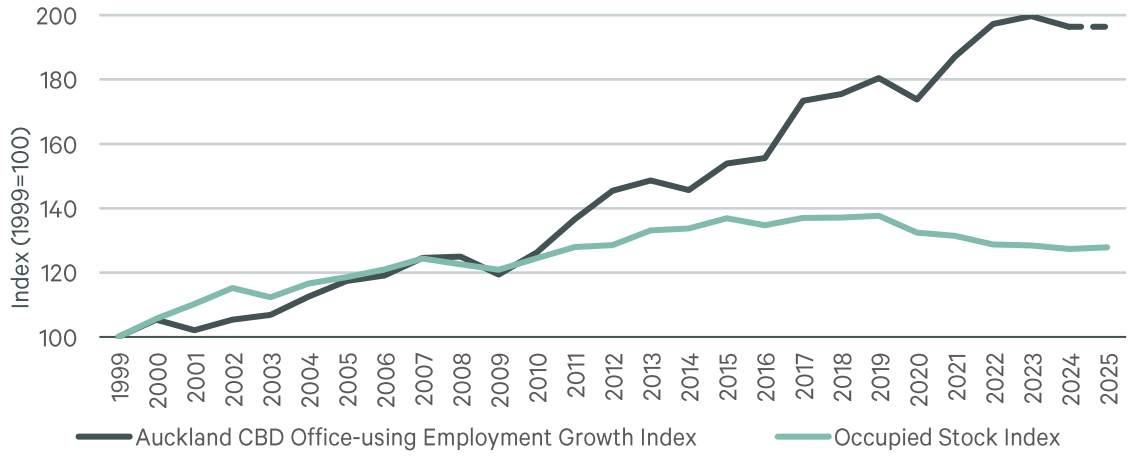
However, this strong correlation began to weaken from 2011. The initial adoption of increased workplace and workspace flexibility in the post GFC period, when Agile and ABW (Activity Based Working) came into our lexicon has had a moderating impact on office space absorption rates at a time when office-based employment levels rose sharply. The slope between office employment and occupied stock during the 2011-2019 period dropped to only 0.24. While office using employment growth was 42.9%, occupied office space only increased by 10.6%.

The subsequent spread of hybrid working practices in the Covid era further intensified the disconnect between office using employment and office space demand, resulting in a negative slope of -0.62 between 2020 and 2024. While office using employment grew by 8.8% during this five-year period, occupied office space decreased by 7.1%. Despite this negative correlation, the average annual growth gap between employment and absorption was smaller during 2020-2024 than 2011-2019, at 3.2% vs 3.6%.

(1) Office using or white-collar employees in the report include seven industries, defined as ANZSIC Divisions J through P. These industries contributed 81% of the total Auckland CBD occupied stock by the end of 2025.

(2) Slope is described by the mathematical equation: $\Delta y/\Delta x=(y_2-y_1)/(x_2-x_1)$. In the report context the equation is: slope = Δoccupied stock index / Δemployment growth

FIGURE 1: Office Using Employment Growth and Office Occupied Stock Change -- Auckland CBD



Source: Infometrics, CBRE. Note: Employment data for 2025 is not yet available and is estimated by CBRE here to have remained stable, with likely employment losses during the year being offset by new occupiers into the CBD boosting employment (One NZ being the main example)

FIGURE 2: Employment Growth and Auckland CBD and non-CBD Office Net Absorption Statistical Comparison

	Total Employment Growth	Occupied Stock Growth	Index Slope	Employment Compound Annual Growth	Occupied Stock Compound Annual Growth
2000~2010	26.3%	24.4%	0.93	2.1%	2.0%
2011~2019	42.9%	10.6%	0.24	4.0%	1.1%
2020~2024	8.8%	-7.1%	-0.62	1.4%	-1.2%

Source: Infometrics, CBRE.

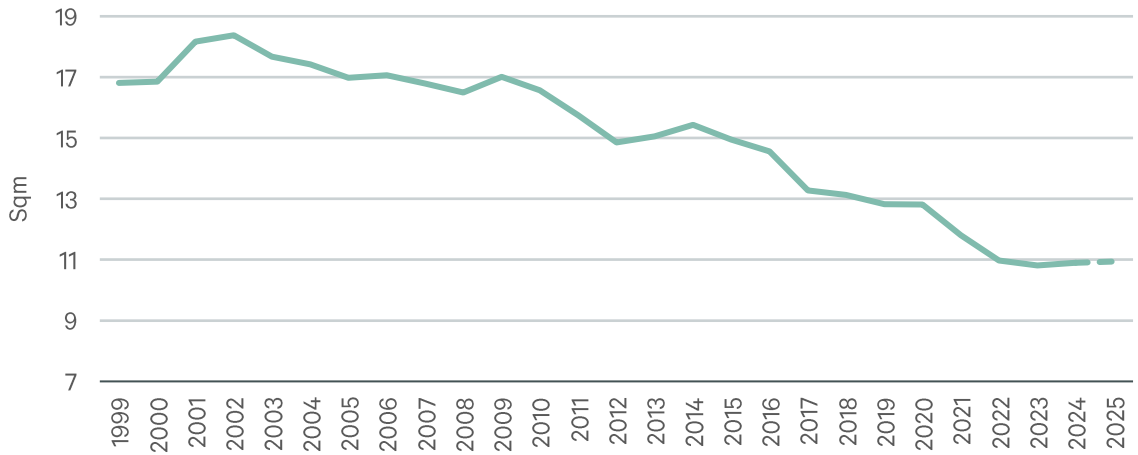
The data allow another way to look at employment and absorption trends by considering space worker ratios, or the amount of leased square metres of office space per office using employee. Leased square metres per office using employee fluctuated but essentially remained flat between 1999 and 2010 at close to 17 sqm.

Mirroring the disconnect between employment growth and office occupancy from 2011, by 2019, leased square metre per office using employee dropped to 12.8 sqm. The Covid pandemic and hybrid working models further disrupted the relationship between office using employment and office space demand. Given the negative correlation between employment growth and occupied stock in this period, leased sqm per employee dropped further to 10.9 by the end of 2025 (1).

A recent small increase in 2024 and 2025 is attributable to a modest decrease in employment (-1.7%), coupled with a slower rate of decline in net absorption (-0.5%). While 2025 calendar year data is not yet available, our initial estimation shows a flat trend in office using employment growth in 2025, based on the New Zealand total employment growth, the traditional trend between overall employment and office using employment growth plus some of the occupancy gained in the CBD in the past year that added to employment numbers (such as One NZ's move)..

Figures 3 and 4 illustrate that leased square metres per employee have stabilised since 2022. More importantly, the trends shown in Figures 1 through to 4 hint at the structural shifts that drove white collar employment to disconnect from office occupancy during the 2011 to 2022 period finally drawing to a close. Recent data indicate that a closer relationship has been reestablished between employment and occupancy/net absorption.

FIGURE 3: Leased Square Metre per Office Using Employee -- Auckland CBD



Source: CBRE

FIGURE 4: Trend of Leased Square Metre pre Employee

	Leased Square Metre per Employee (as at the end of the period)	% Change (between the start and the end of the period)	Compound Annual Change
1999	16.81	N/A	N/A
2000~2010	16.57	-1.4%	-0.1%
2011~2019	12.82	-22.6%	-2.8%
2020~2025	10.94 (estimated)	-14.7%	-2.6%

Source: CBRE

03

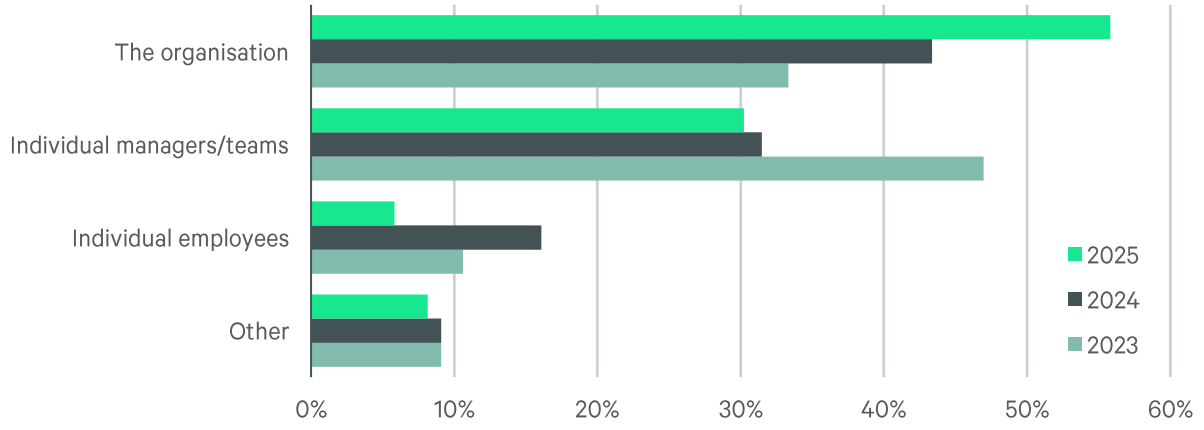
Evolving office occupier trends and recent occupancy outcomes

CBRE New Zealand's annual in-depth surveys of the office occupier sector over the past three years provide valuable insights into occupier sentiment, the impact of hybrid work on workplace trends, and occupier real estate strategies. Our most recent survey shows improving signs of underlying office demand due to evolving hybrid working practices and higher office utilisation rates.

Office attendance is gaining ground in New Zealand's evolving hybrid work mix as decision making shifts higher up in the organisational hierarchy towards senior leadership. This has led to higher expectations of office attendance although this is yet to be evident in actual attendance. Survey results show that 48% of organisations reported employees spending an average of 3 days per week in the office, while 31% reported 4 days. However, 47% of organisations expressed an expectation for employees to work from the office 4 days per week. New Zealand's office utilisation rate has increased from 59% in 2023 to 64% in 2025.

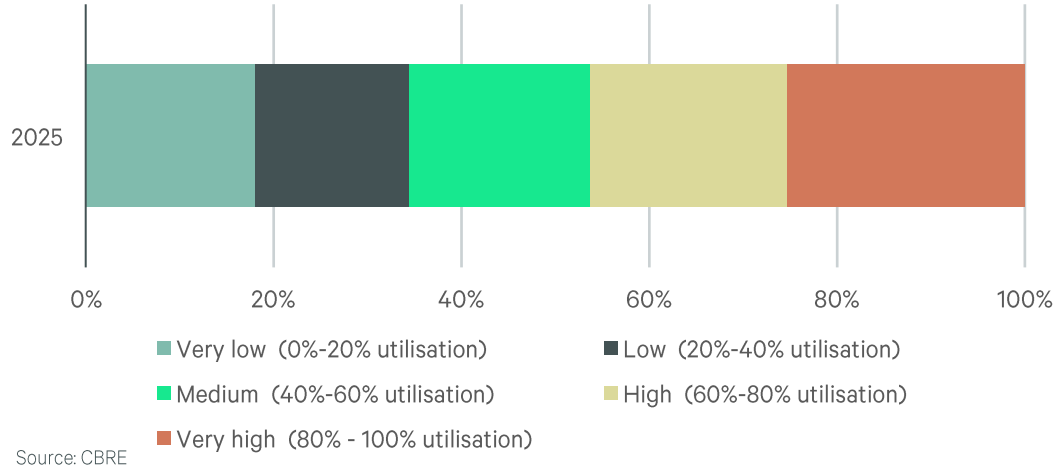
While expectations for office attendance are rising, just 11% of organisations currently link attendance to KPIs, bonuses, or restructuring decisions. However, this will likely rise as employers seek to close the gap between actual and expected attendance. As organisations increasingly require in-office attendance approaching 4 days per week we anticipate office utilisation rate will continue to rise and will assist in boosting absorption demand.

FIGURE 5: Decision-making around hybrid work patterns



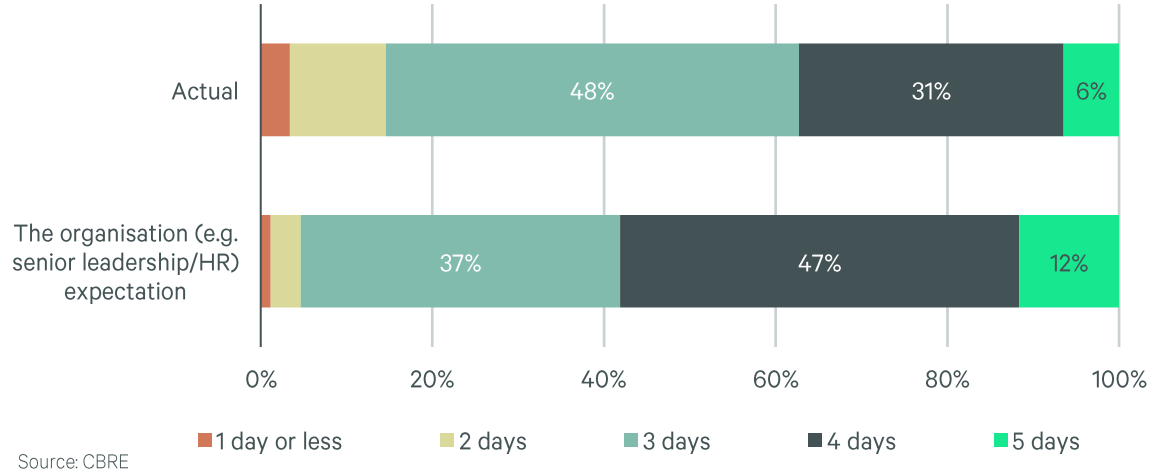
Source: CBRE

FIGURE 7: Office Utilisation



Source: CBRE

FIGURE 6: Days in the Office – Actual & Organisational Leadership Desired Attendance

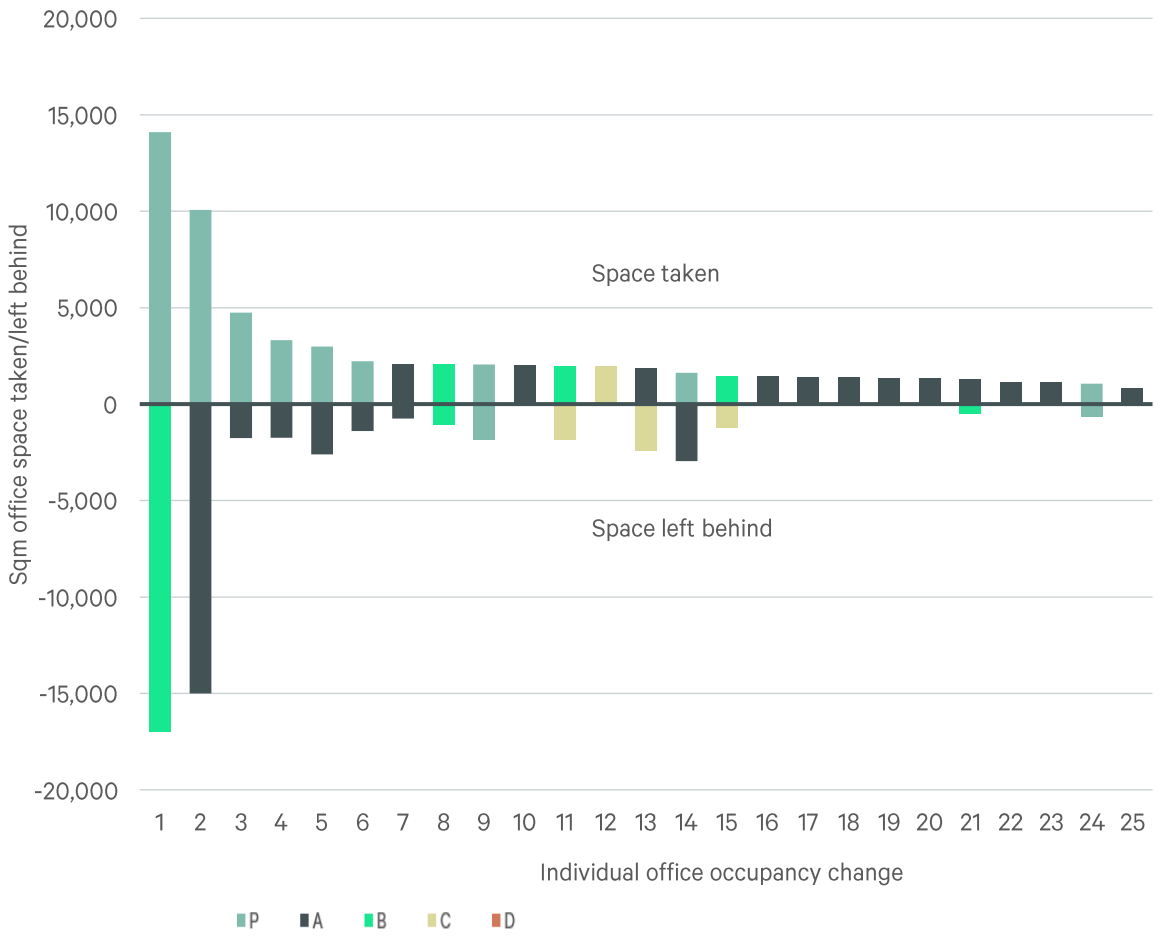


Source: CBRE

While our occupier sentiment surveys suggest office occupancy will be improving in the future, actual occupancy data already shows a positive turn in market trends. Although reducing office footprints continue to be a market feature as per One NZ's relocation from Smales Farm to Wynyard Quarter, our December 2025 occupancy surveys identified several organisations that had expanded their office footprint. Figure 8 indicates that in 2025, of the 25 largest office space take ups, 21 resulted in a net occupancy gain, with 10 involving a pure expansion that did not involve relocation. This has contributed to H2 2025 net absorption exceeding 18,000 sqm, marking the strongest half-yearly performance in the last decade since H2 2015.

In light of these occupancy trends, the following section considers the outlook for employment and office occupancy/absorption.

FIGURE 8: Large Occupier Take Ups in Auckland CBD in 2025 – Size and Quality Grade Change Outcomes



Source: CBRE

03

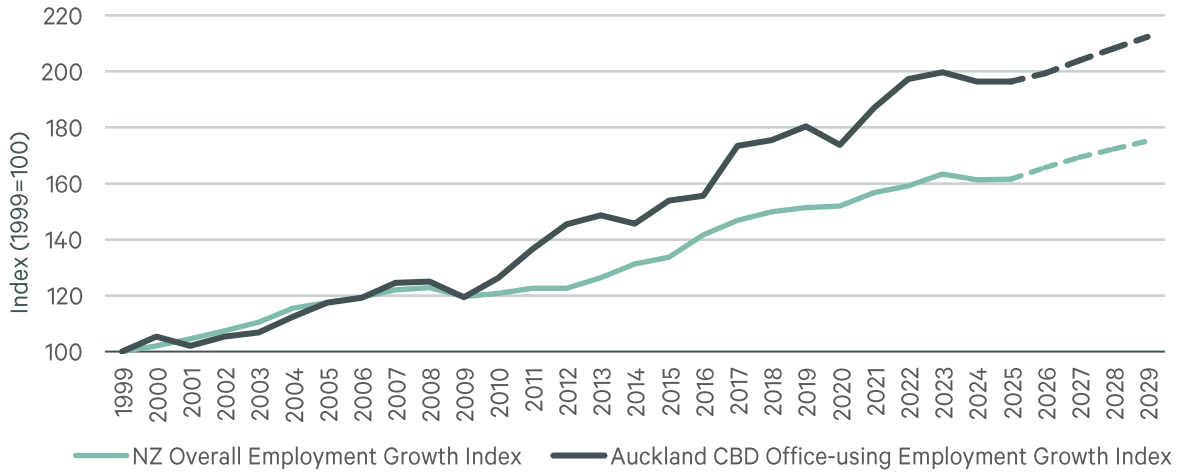
Employment & office net absorption outlook

Economic forecasters are uniform in their view that the labour market has bottomed out, and over the next few years employment will be experiencing a cyclical rebound averaging circa 2% pa, in line with the projected improvement in GDP growth.

Auckland CBD office-using employment growth (CBD office employment) tended to match or exceed overall employment in New Zealand during the past 25 years. This trend strengthened post-GFC but has moderated in the last five years. Our forecasts for office-based employment growth over the next four years to 2029 assume the overall national employment growth rate of 2.0% per annum. In our view, this is a fairly modest growth rate in light of the historic outperformance of CBD office-based employment growth.

At the same time, employment forecasts reflect a recovering economy, the strength of which might now be subject to revision in light of unfolding global events. For the time being, the published forecasts from economists indicate that 2026 will be a year of growth.

FIGURE 9: Auckland CBD Office-Using Employment and New Zealand Employment Growth



Source: Infometrics, CBRE

FIGURE 10: Growth rate in New Zealand Overall Employment and Auckland CBD office-Using Employment

	New Zealand Employment Index	Compound Annual % Change	Auckland CBD office using Employment Index	Compound Annual % Change
1999	100	N/A	100	N/A
2010	120.8	1.7%	126.3	2.1%
2019	151.4	2.5%	180.4	4.0%
2025	161.6	1.1%	196.4 (estimated)	1.4%
2029	175.2	2.0%	212.4	2.0%

Source: Infometrics, CBRE

Our model of net absorption includes leased sqm per employee as a variable to help derive office net absorption based on our adopted CBD office using employment growth as outlined on the previous page. We use this model to understand the potential impacts of various scenarios of occupier responses to employment growth.

Our pessimistic scenario indicates a further, albeit modest, decline in leased square metres per employee as hybrid working's structural adjustments towards lower space use continue of evolve.

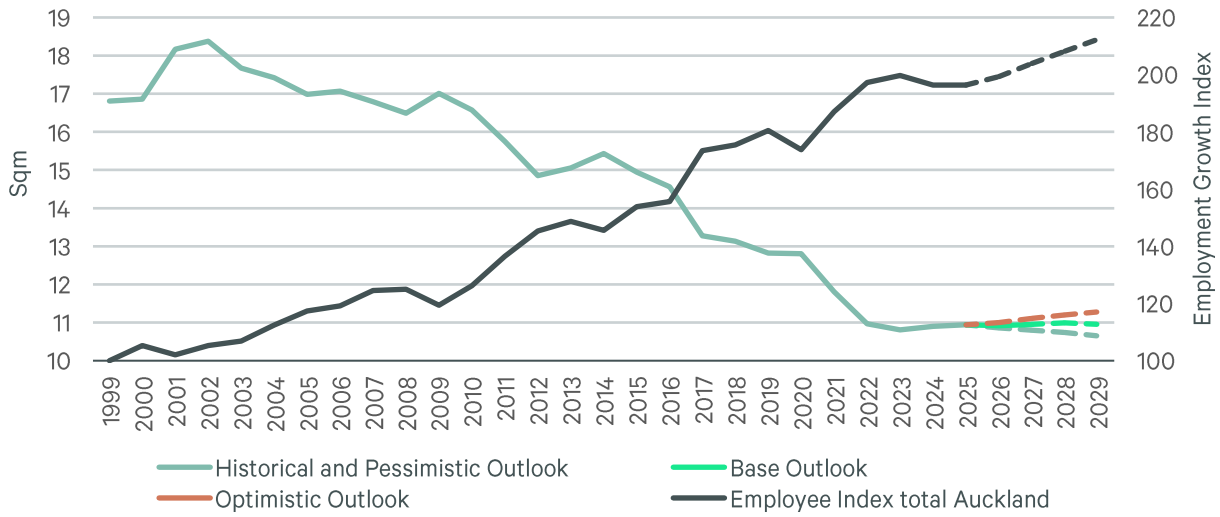
Our base scenario has leased square metres per employee stablising at current levels. This is consistent with the premise that the growing disconnect that has emerged between employment growth and office absorption found a new base, and the close pre GFC relationship of their growth rates will re-establish.

The optimistic scenario is based on a slight increase in leased square metre per employee on the basis that space utilisation rates and days per week spent in the office by employees will shift upwards as organisations' increased emphasis on return to work policies bears results.

The model projects that if leased sqm per employee remains largely flat, based on the projected employment growth, average annual underlying net absorption in the next four years will be circa 25,000 sqm pa. This result is stronger than the nine-year average of 14,000 sqm pa between 2011 and 2019, however, lower than the eight years between 2000 and 2007, when average annual absorption was over 29,000 sqm. When we forecast declining leased sqm per employee in the pessimistic demand scenario, (although at a slower annual rate of -0.7% than the post-GFC -2.8%), net absorption will be around 16,000 sqm per annum. This is still slightly higher than the annual absorption between 2011 and 2019. In the optimistic scenario leased sqm per employee will increase slightly to 11.3. Under this scenario, the average annual net absorption will be up to 35,000 sqm due to the double whammy positive of both increasing employment and increasing leased sqm per employee.

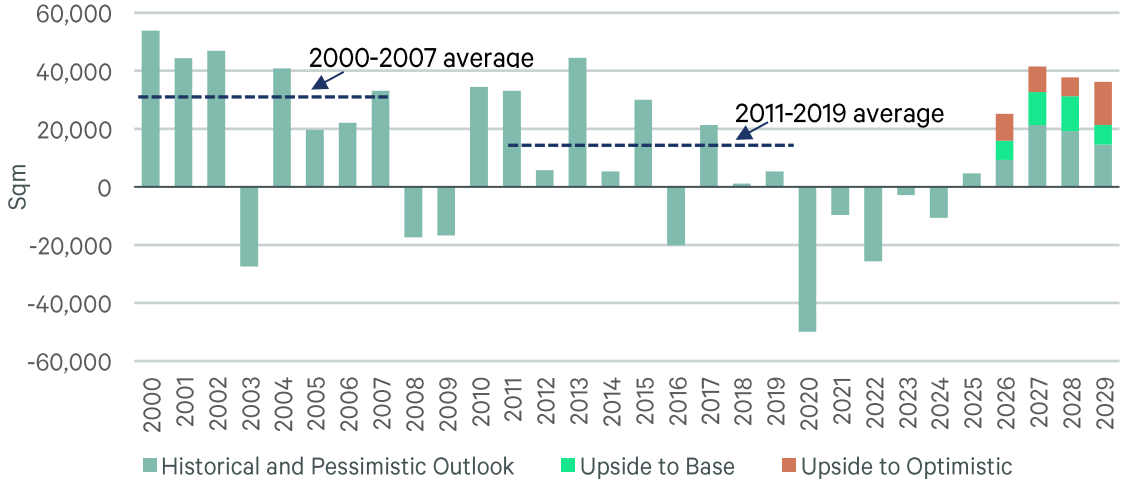
Our analysis points to office space demand and net absorption rebounding above what has been seen over the past 15 years as the structural shifts that drove white collar employment to disconnect from office occupancy during the 2011 to 2022 period finally draw to a close, and absorption responds to employment growth driven by a rebounding economy.

FIGURE 11: Leased Square Metre per Employee and Office-Using Employment Growth



Source: Infometrics, CBRE

FIGURE 12: Auckland CBD Office Annual Underlying Net Absorption



Source: CBRE

While our analysis indicates that positive employment growth in the future will result in a higher rate of office space demand and absorption than seen over the past 15 years, office based employment growth in itself has become a significant topic with the advent of generative and agentic AI, its increasing capabilities, and increasingly widespread adoption.

The eventual impact of artificial intelligence on the white-collar labour market is subject to considerable debate. AI technology companies suggest widespread automation of white-collar work will be achieved in the near term, leading to large declines in white-collar and knowledge worker employment, although independent research drawing both on likely exposure as well as historical impacts of previous technological transformations does not indicate this level of job market catastrophe.

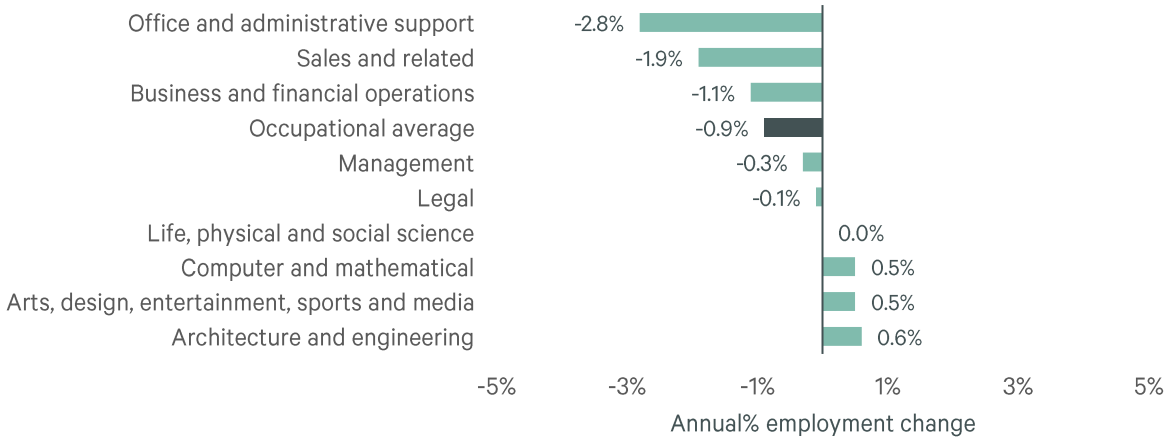
CBRE's global research team recently published a research paper examining the potential influence of AI on office real estate. Their analysis suggests a dual effect on the labour market: while AI will automate and displace certain office-based roles, its potential to augment human capabilities will drive significant productivity gains and create new job functions. Figure 13 indicates that the aggregate impact across all office-using sectors is projected to be negative, but less severe than often portrayed in purely automation-focused narratives.

At the same time, recent research by Claude AI developer Anthropic indicates a much greater level of potential disruption based on AI's theoretical capability to undertake tasks performed in a wide range of industries. Figure 14 shows both this theoretical capability as well as current adoption rates and suggests that if the gap between the two closes significantly, labour markets will be affected by a substantial degree.

The purpose of this research report has been to highlight our belief that analysing recent and historic employment and office absorption trends suggests that the structural shifts that drove white collar employment to disconnect from office occupancy during the 2011 to 2022 period are finally drawing to a close and as a result of a cyclical upturn in employment we are likely to enter a more positive period of office space demand.

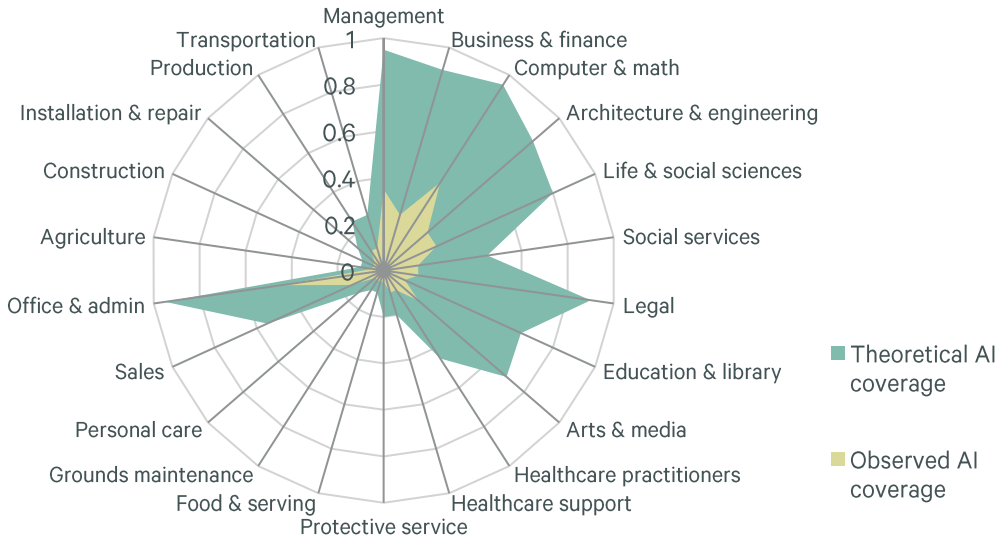
CBRE New Zealand Research is preparing a separate, forthcoming report analysing AI's impact on the New Zealand employment market, particularly within the office using industries through a deeper dive to reconcile the contrasting trends and opinions highlighted by the analysis revealed in Figures 13 and 14.

FIGURE 13: AI Impact on Annual Office Employment Change, 2026-2034, by Office-using Occupation Category (the U.S market)



Source: CBRE

FIGURE 14: Theoretical Capability and Observed Exposure by Occupational Category



Source: Anthropic

Contact

Zoltan Moricz
Head of Research, New Zealand
zoltan.moricz@cbre.com

Shang (Roger) Du
Senior Analyst, Research
roger.du@cbre.com