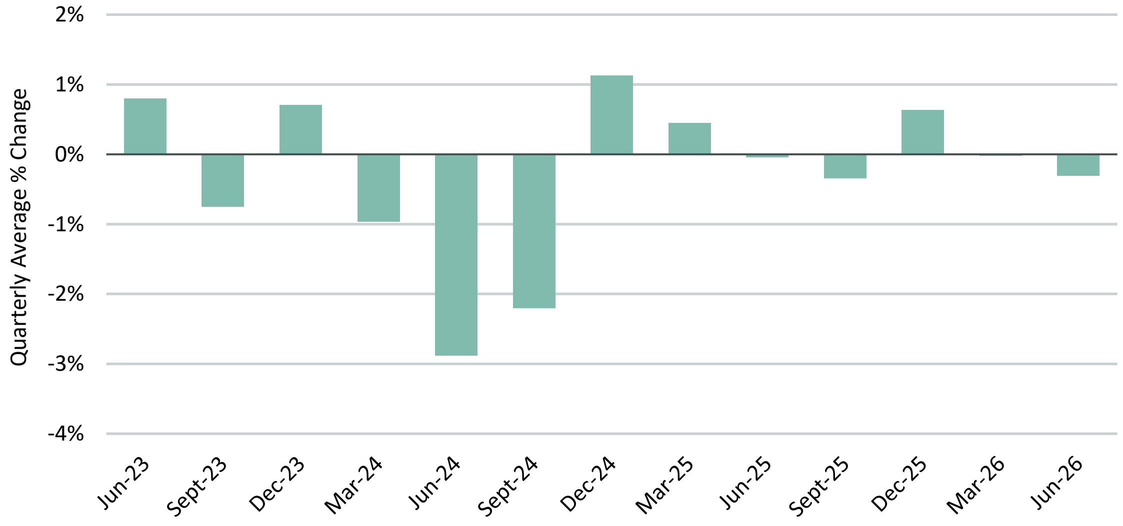
CBRE

Auckland Property Market Overview

INSIGHTS

- Investment activity maintained a good level of momentum in the second quarter despite some headwinds. Liquidity is returning to the office sector, and retail has also been dynamic. However, higher vacancy and incentives weigh on investors' minds on top of a less supportive interest rate environment.
- The CBD office leasing market shows leasing momentum improving off the 2025 slump, but now largely plateauing. Demand remains focused on well-located, high-quality buildings with strong amenities and transport connections.
- Non-CBD office markets continue to be negatively impacted by a centralisation trend and generally soft demand.
- Industrial leasing activity had an uptick in Q2. However, higher vacancy is leading to a more competitive market and incentives are facing upward pressure.
- Retail leasing has been generally soft in Q2. Most retail centres had stable or lower rents. The CBD retail market is improving.
- The June vacancy survey shows a positive sign in the CBD office market. However, vacancy rates are higher in the non-CBD office market and the industrial market, both with negative net absorption.

Weighted Average Office, Retail, Industrial Capital Values – q-o-q % change



Market Indicators

Market Sector	Stock (sqm)	Vacancy (%)	Net Face Rent ($/sqm)	Incentives (%)	Yield (%)
Prime CBD Office	819,854	12.8%	375 - 950	8 - 25	5.15 – 8.80
Secondary CBD Office	678,704	25.2%	200 - 600	10 - 25	5.75 – 9.50
Prime Industrial	6,883,767	2.3%	180 - 260	8 – 10	4.80 - 6.00
Secondary Industrial	7,422,144	2.4%	120 - 220	5 - 8	5.40 - 7.10
Prime CBD Retail			2,500 – 6,000	1 – 3	5.35 - 6.50
Major Regional	294,628	1.4	700 – 2,900	4 – 6	6.40 - 7.00
LFR Centre	474,053	1.8	180 - 550	4 - 6	6.50 - 7.10

Rent data is as at June 2026. Office and Industrial stock and vacancy data is as at June 2026; Retail stock and vacancy data is as at December 2025.

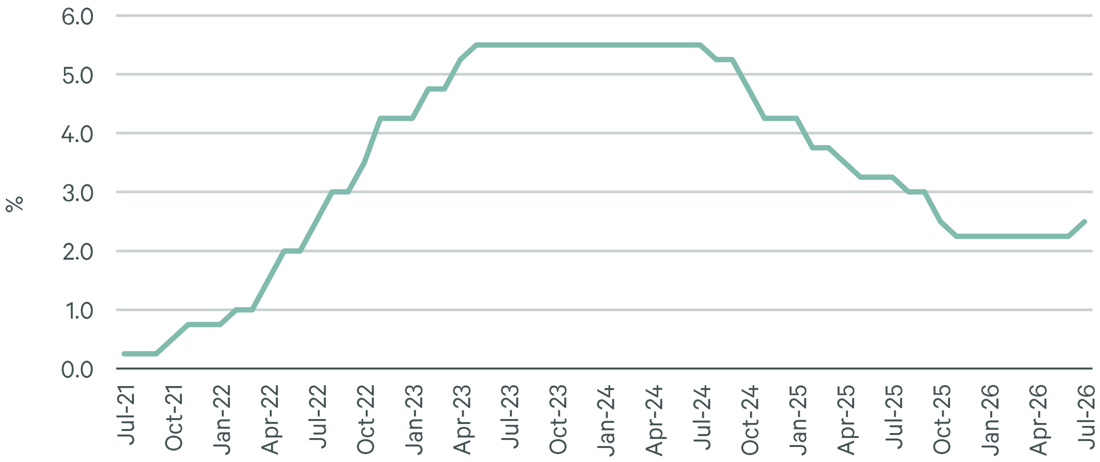
Economy

The adverse effects of the Middle East conflict on the New Zealand economy became clearer when the latest inflation figures were published some weeks ago by Statistics New Zealand. Annual inflation in Q2 2026 reached 4.1%, up from 2.5% in the previous quarter. The rise was mostly driven (not surprisingly) by a drastic increase in petrol prices, which were almost 28% higher compared to Q2 2025, due to a steep increase in global oil prices during the blockade of the Strait of Hormuz. As a result, the RBNZ increased the OCR by 25 bps to 2.50% in July. Since annual inflation in the second quarter sat above the inflation target midpoint (2.0%) and higher than what the RBNZ predicted, the market is predicting further OCR increases at upcoming meetings.

Adopting a base scenario where much of the inflationary effects of the Middle East war and its negative impact on growth abate, leading indicators show the resumption of economic recovery in 2027 through 2028. Net migration has started to improve, driven by a fall in emigration and a rise in immigration. There should be more upside due to NZ growth improving vs. Australian growth. While the downsizing of government departments is not over, government spending has started to recover. As some planned infrastructure projects progress, there should be a rise in capital spending, and as the recovery from the recession in 2024 broadens, it will spread to other areas of capital spending.

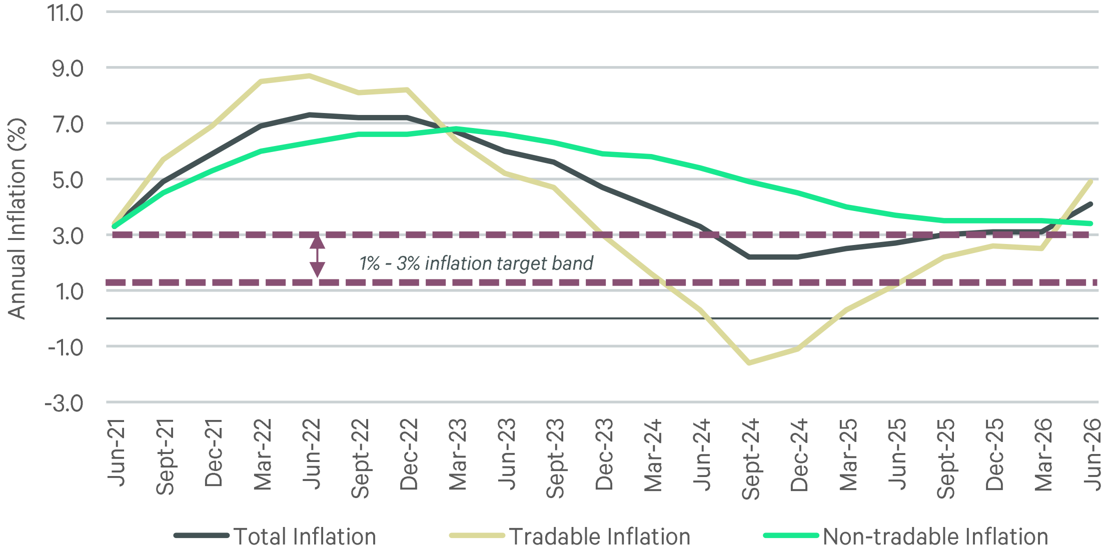
A significant degree of spare capacity in the economy is a good reason for the Reserve Bank to be reasonably relaxed about medium-term inflation. This means that the current interest rate hikes are front loading, and unlikely to result in a more substantial rise in interest rates than expected pre-conflict. In the past few months financial markets were focused on the boost to inflation from the war rather than the offsetting factors from the spare capacity prior to the war and the mild negative impact of the war on GDP growth that will prolong how long it takes to consume the spare capacity.

Official Cash Rate (OCR)



Source: : Reserve Bank of New Zealand

New Zealand Inflation (annual % change)



Source: Statistics New Zealand

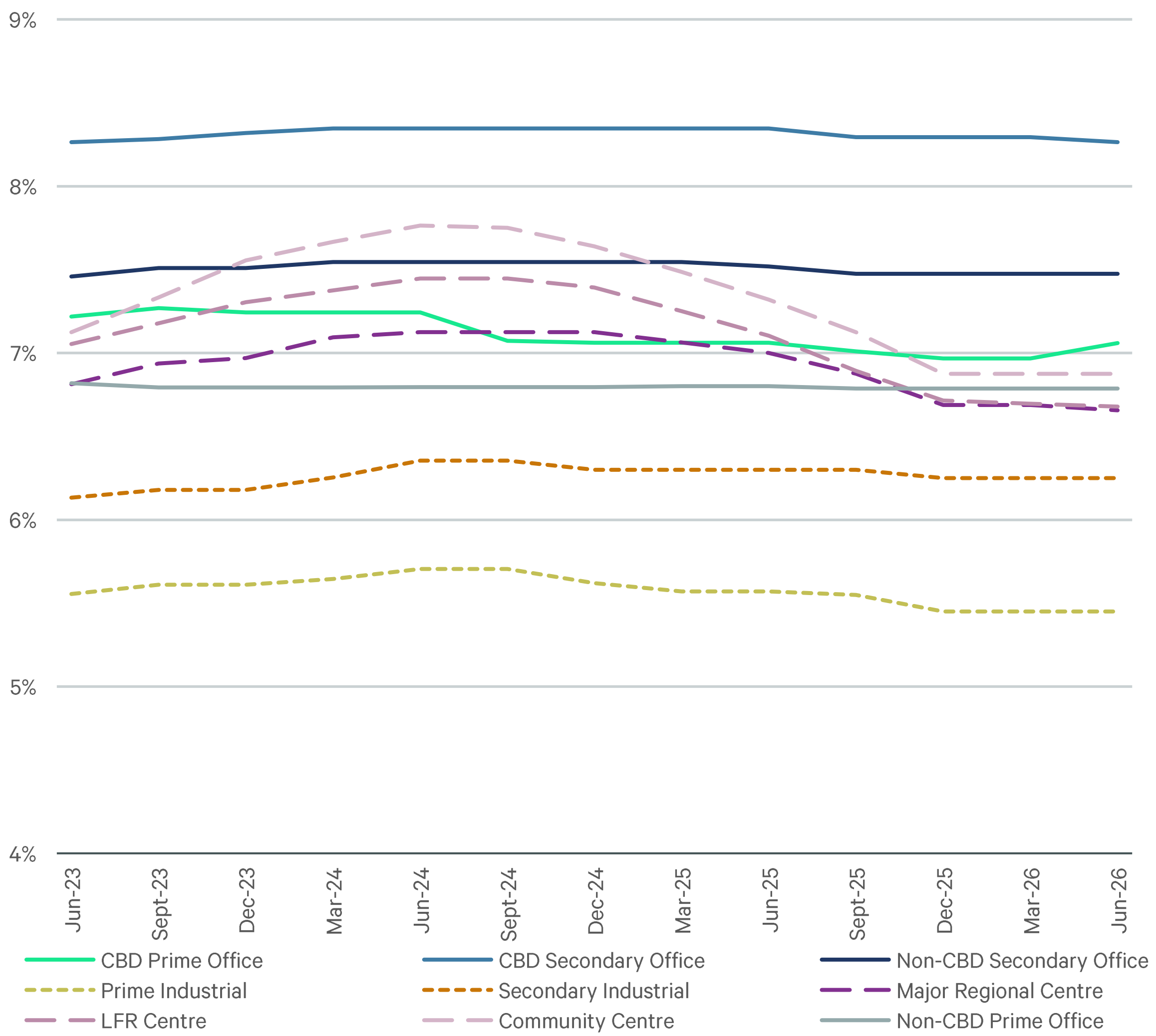
Investment Market

Investment activity maintained a good level of momentum in the second quarter despite the headwinds caused by the effects of the Middle East conflict. Building on activity late last year, it appears that offices are back on investors' agenda. Liquidity is returning to the sector, providing more frequent transactions and a higher degree of confidence around market pricing than we have seen over the past couple of years.

The recent office sales evidence is largely supportive of where we have been trending our market yields over the past few quarters, but our assessments have resulted in some adjustments, whose overall impact has been a moderate softening of market yields for the CBD office sector in the June quarter. Retail has also been dynamic in the past quarter, and the arbitrage on offer relative to offshore markets and debt costs is benefiting yields for prime assets in the sector.

Industrial is showing a somewhat different picture. The gap between vendors and purchasers is perceived to be wider than it was 6-12 months ago, with the size of the speculative supply pipeline and its impact on future vacancies and market rents weighing on investors' minds on top of a less supportive interest rate environment. On balance, we have kept yields stable in Q2, but with a negative watch.

Auckland Indicative Yields by Sector



Note: CBD Prime office and major regional shopping centre yields firmed in Q3 2024 due to some non-market or basket component changes including introducing and withdrawing a few new buildings. The market trend in Q3 was flat in these submarkets. CBD Secondary office yields firmed also due to some basket component changes. The market change is 1 bp softening.

CBD Office Vacancy

CBD vacancy decreased by around 6,500 sqm in H1 2026 to 266,000 sqm, or 17.8%, reflecting the interplay of occupier moves, new stock entering the market with vacancy, and older stock being removed from the market all playing a role.

H1 net absorption reached 4,500 sqm, following a strong H2 2025. Two factors drove the positive result: tenants relocating from Non-CBD suburbs into the CBD, and tenants expanding their footprint.

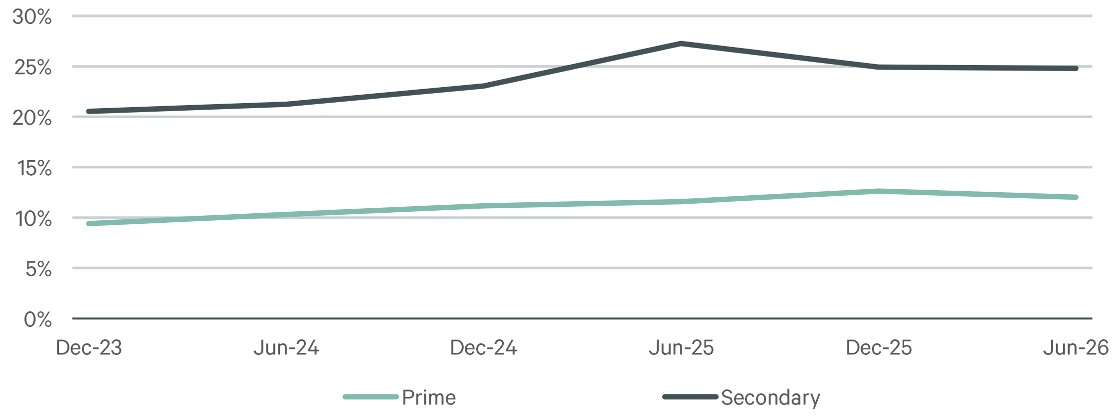
GHD leased around 2,700 sqm at 21 Queen Street and will relocate from Freemans Bay in March 2027. Generate KiwiSaver took more space at 21 Queen Street. These two tenants have taken up all the backfill vacancies left by the NZ Super Fund, which recently relocated to 12 Queen Street. NZTA expanded their footprint at 137 Quay Street and Contact Energy took an additional floor in the AON Centre. These moves were the big drivers of positive net absorption in the CBD.

In H1, gross new supply stayed well below the H2 2025 level. Only the ex. Post Office building at 12 Queen Street was reintroduced to the market, refurbished by Cooper and Company. The ground floor is vacant, being subleased by NZ Super Fund.

Three buildings were withdrawn in H1. Some preparation work is underway on 22 Durham Street, part of the Exchange project. 20 Hobson St and 25 Swanson St have left the office market, though the developer has yet to set out clear plans for them. This results in more than 5,000 sqm of Grades C & D vacant space withdrawn from the market.

Overall, lower vacancy rates in Premium, Grades A and B are driven by positive net absorption, while Grade C rose on weaker occupancy and negative absorption. Although Grade D had 1,700 sqm of more vacant space, vacant stock withdrawn overweighed new vacancies, resulting in a lower vacancy rate.

Auckland CBD Office Vacancy



Auckland CBD Office Vacancy Change by Grade

		PREMIUM	GRADE A	GRADE B	GRADE C	GRADE D	TOTAL
Vacancy at Jun-26	%	5.1%	17.6%	24.8%	23.1%	31.2%	17.8%
	sqm	18,574	80,675	84,527	61,540	20,820	266,136
Vacancy at Dec-25	%	5.8%	18.2%	25.6%	21.9%	32.8%	18.2%
	sqm	21,180	82,292	87,268	58,658	23,260	272,658

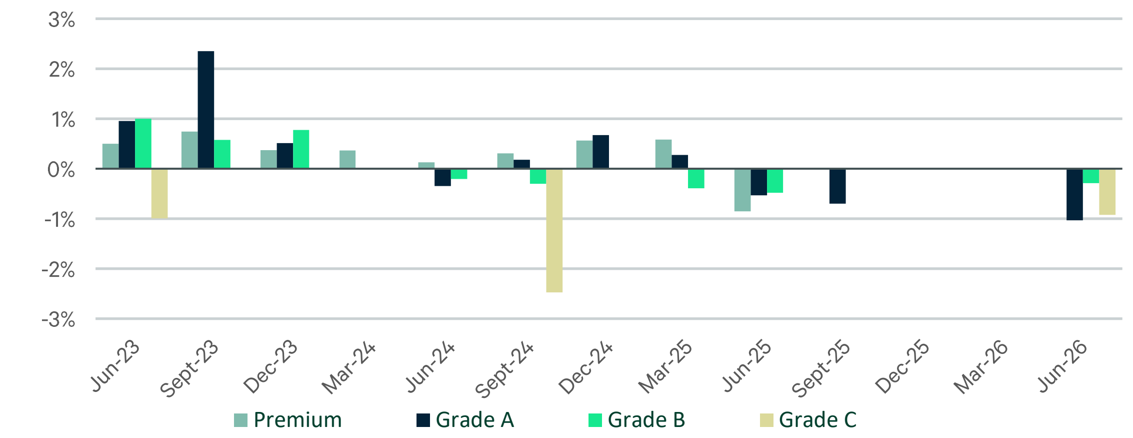
CBD Office Rents

The CBD office leasing market shows leasing momentum improving off the 2025 slump, but now largely plateauing. Demand remains focused on well-located, high-quality buildings with strong amenities and transport connections. Elevated incentives are being used selectively by lessors to secure deals, with examples showing materially higher incentives than has been the recent norm. This has resulted in net effective rents falling across several qualitative submarkets, with the main exception being CBD Premium grade.

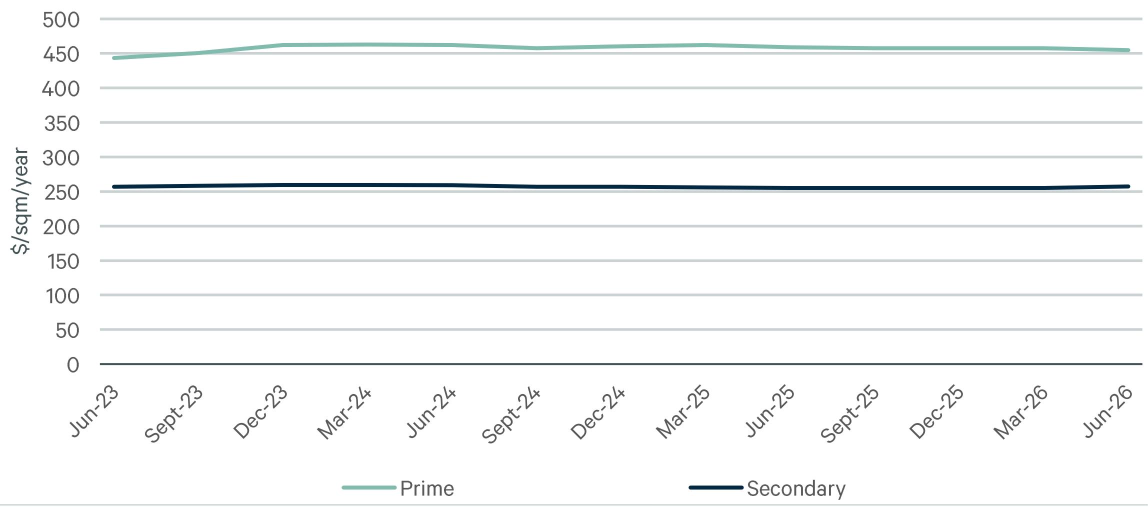
On average, Prime (Premium and Grade A) net effective rents are $455/sqm/year, down by $2 or 0.4%, while Secondary (Grades B & C) are $257/sqm/year, down by 0.6%.

The Secondary office rent increased by $2 shown in the chart due to some basket component changes, not a market change.

Auckland CBD Net Effective Office Rents by Grade – Quarterly Change



Auckland CBD Net Effective Office Rents



CBD Office Market Outlook

Vacancy

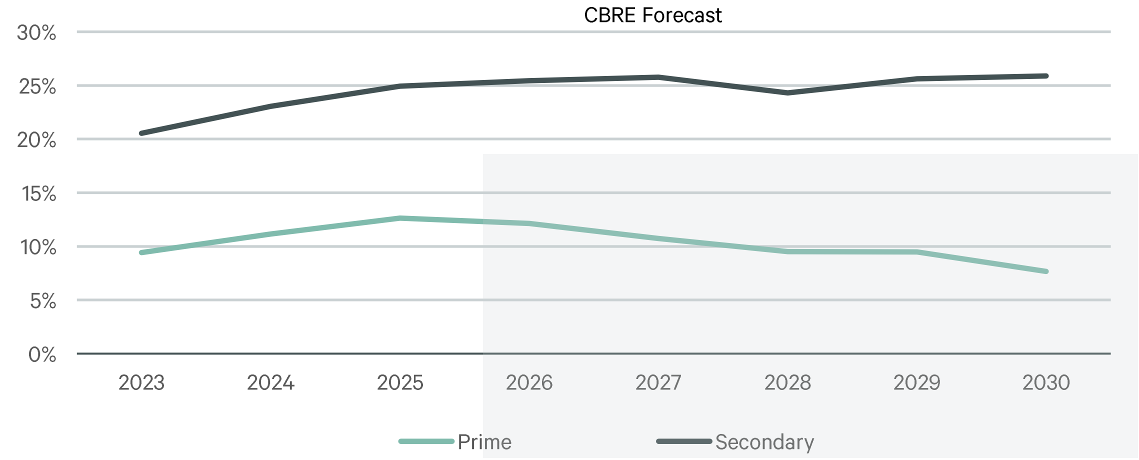
The substantial rise in vacancy rates during 2024-2025 were driven primarily by a combination of weak demand and a large supply pipeline. We believe that due to the stronger demand and limited new supply, vacancy rates will decline gradually in the next three years to 2028. More new supply in 2029 will likely push Secondary vacancy rates up mildly due to backfill vacancies.

The vacancy reduction varies by scenario. With new supply relatively certain, the main drivers of the variation are the amount of Secondary space withdrawn and the pace of net absorption recovery in 2026 and later years. The base scenario shows that flight to quality will continue, and the Prime vacancy rate will drop gradually from 12.6% in 2025 to 9.5% by 2028, before some new projects come to the market. In contrast, the Secondary vacancy rate will keep at a higher level, around 25%.

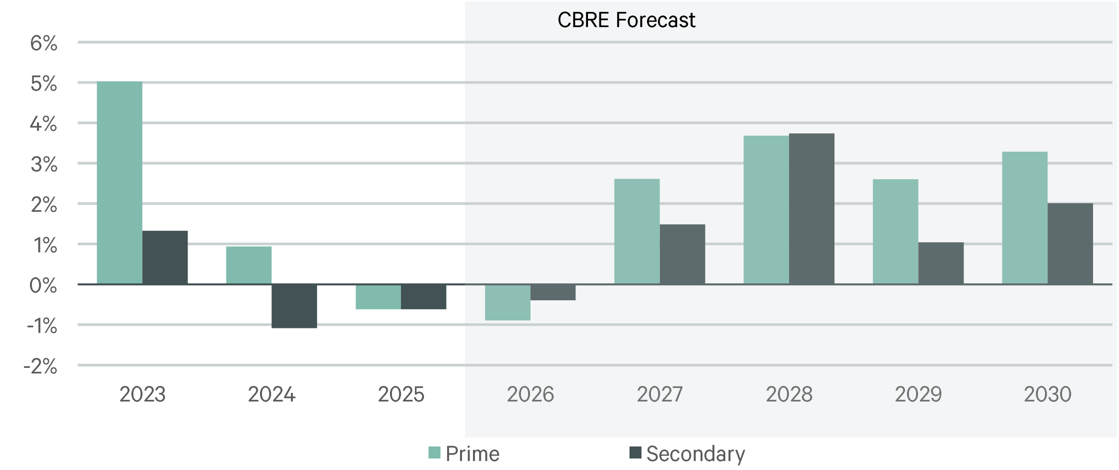
Rent

Combined with improved demand and much less new supply entering the market in the next two years, Prime effective rents are expected to increase by around 2% to 4% in 2027 and 2028 after a further rent decline in 2026 due to higher incentives. Given already-low rents and the substantial incentives built into the Secondary (Grade B) market rents, further substantial falls are unlikely. We forecast that Grade B rents will continue to face downward pressure this year but will have some recovery next year, as landlords with good leasing progress and lower vacancy begin to withdraw incentives.

CBD Office Actual and Forecast Vacancy



CBD Office Actual and Forecast Annual Net Effective Rental Change



Note: CBD Prime is Premium and Grade A and Secondary is only Grade B

Non-CBD Office Vacancy

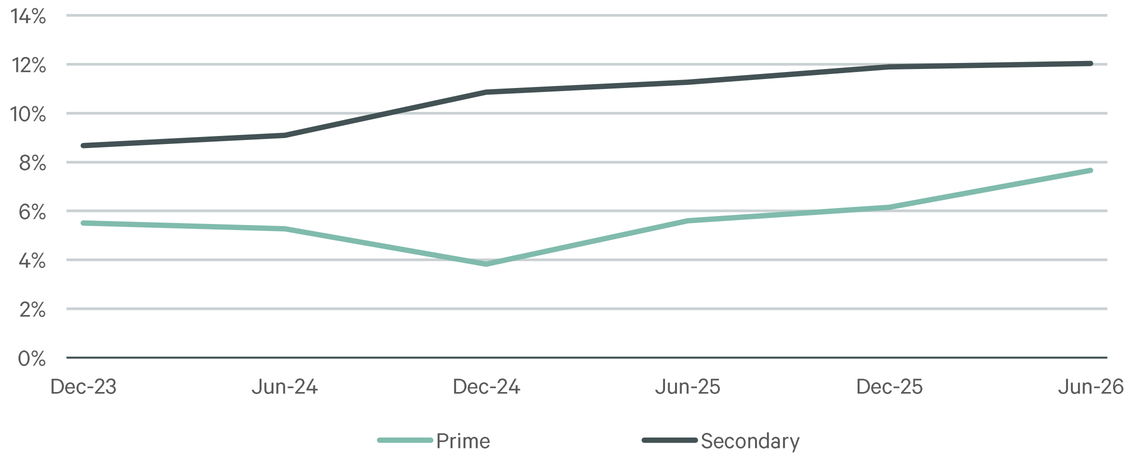
Overall vacancy rose from 11.7% to 12.0% in the first half of 2026, reaching a post-pandemic high.

In Grade A, the majority of new vacancies originated from 78 Taharoto Road in Northcote and 33 Broadway in Newmarket due to WDHB and Avanti Finance vacating their previous offices. Grade A saw little vacancy take up in H1, with only four tenants taking over 2,000 sqm in total across the city fringe suburbs.

Grade B vacant space decreased by around 5,500 sqm in H1, driven by expansion and by relocations out of non monitored/non traditional office space. North West College took new, larger space at 199 Universal Drive, and will relocate from a non-office space by the end of 2026. PSA relocated from 155 New North Road to a larger office at 2 Nuffield Street. ASB vacated 288 Lincoln Road, which is vacant for lease. However, Grades C & D saw more new vacancies than occupancies, leading to higher vacancy rates.

Overall net absorption was -5,700 sqm in the six month to June 2026. Although still negative, it was the strongest half year since H2 2024; the three preceding halves each came in below -10,000 sqm. Parnell again recorded the strongest positive net absorption at 2,000 sqm, following 3,000 sqm in H2 2025. Albany, Takapuna, Newton, Greenlane, Penrose and East Tamaki all had positive absorption, however, each below 1,000 sqm. In contrast, North Shore Suburban, Newmarket, and Manukau recorded the most significant negative absorption, reaching -5,900 sqm in H1 in total.

Auckland Non-CBD Office Vacancy Change by Grade



Auckland Non-CBD Office Vacancy

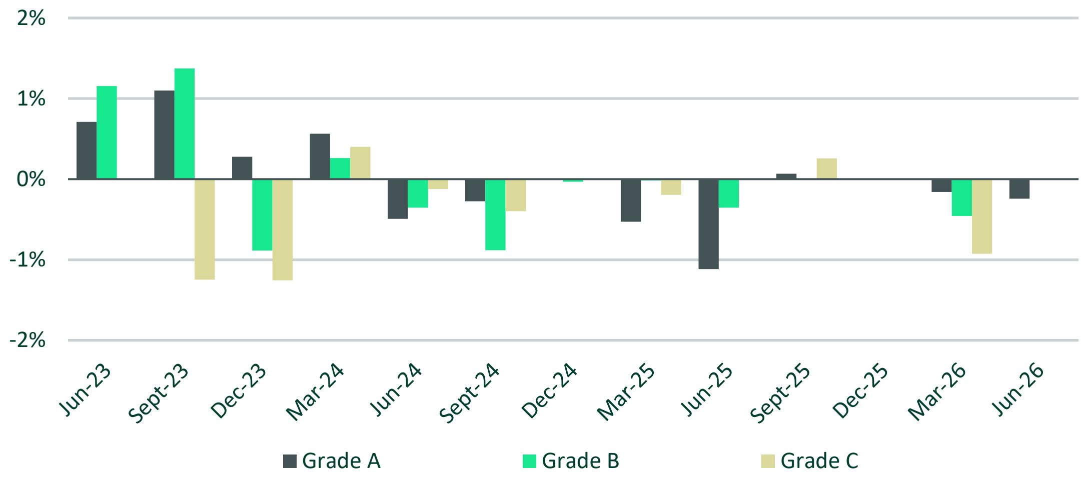
		GRADE A	GRADE B	GRADE C	GRADE D	TOTAL
Vacancy at Jun-26	%	11.8%	11.7%	12.3%	12.0%	12.0%
	sqm	44,173	61,480	80,110	17,928	203,691
Vacancy at Dec-25	%	10.8%	12.8%	11.5%	10.4%	11.7%
	sqm	40,347	67,502	74,694	15,477	198,020

Non-CBD Office Rents

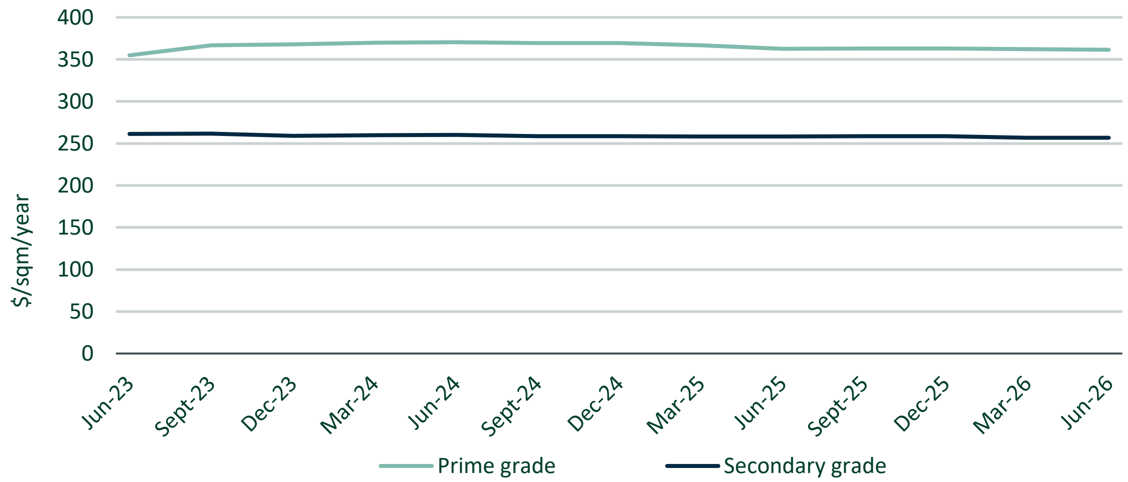
The non-CBD office market has been soft in the past year, and the trend persisted in H1 2026, being negatively impacted by a centralisation trend and generally soft demand. Although the market had enquiries, leasing activity was low. While demand in the city fringe and southern suburbs was stronger than in North Auckland in the past few years, more recently, these regions have also seen a drop in demand and an increase in vacancy. Therefore, we increased Grade A incentives slightly again in Q2 in the city fringe suburbs and kept net effective rents stable for the rest of the suburbs and grades in Q2.

The Grade A (Prime) net effective rent across all the suburbs was at $362/sqm/year, and the Secondary rent (Grades B & C) at $257, largely the same as in Q1. Newmarket still has the highest Prime rents largely due to some new and high quality buildings on Carlton Gore Road.

Auckland Non-CBD Net Effective Office Rents by Grade – Quarterly Change



Auckland non-CBD Net Effective Office Rents



Non-CBD Office Market Outlook

Vacancy

Centralisation remains a concern and so does relatively weak demand for satellite office space in suburban locations. Therefore, total vacancy will increase in 2026 and stabilise in 2027 before further declines in 2028 and 2029.

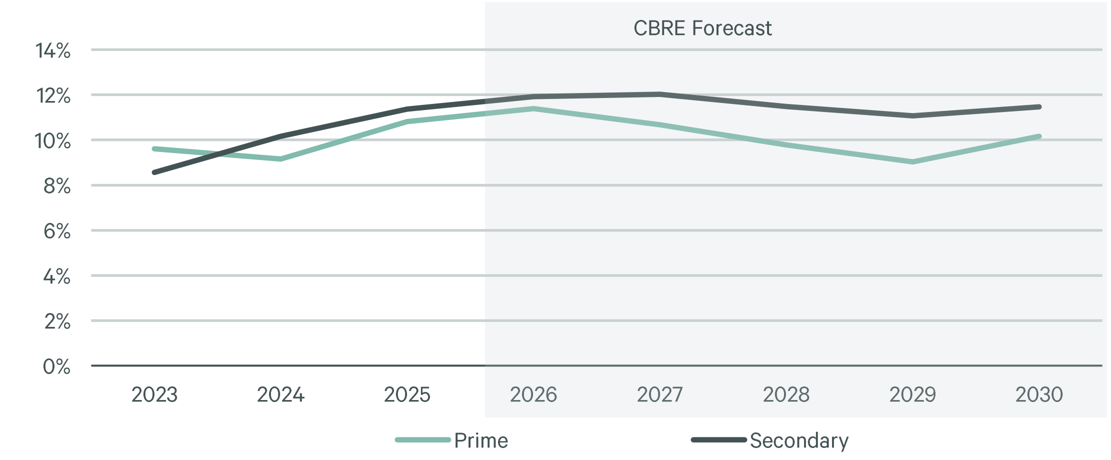
Around 12,000 sqm of new stock, combined with centralisation will result in higher vacancy in Grade A this year. Secondary vacancy will also increase due to the similar reasons to Grade A.

Overall, Prime vacancy rates are expected to decline moderately from 11.4% by the end of 2026 to 9.8% by the end of 2028. However, Secondary vacancy rates will remain above 10%, with some decline in 2028 and 2029 due to a stronger economy with higher employment rate.

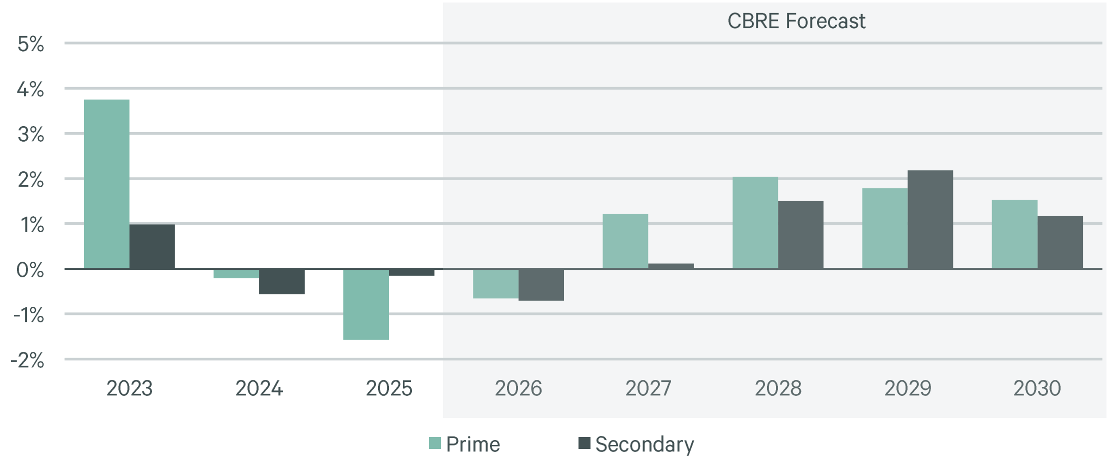
Rents

Rental forecasts for 2026 are negative. Given continued low demand resulting in a higher vacancy rate this year, both grades' net effective rents will continue to face downward pressure, especially in the city fringe and North Auckland. Driven by positive demand from 2027, rents are likely to grow by 1% to 2%.

Non-CBD Office Actual and Forecast Vacancy



Non-CBD Office Actual and Forecast Annual Net Effective Rental Change

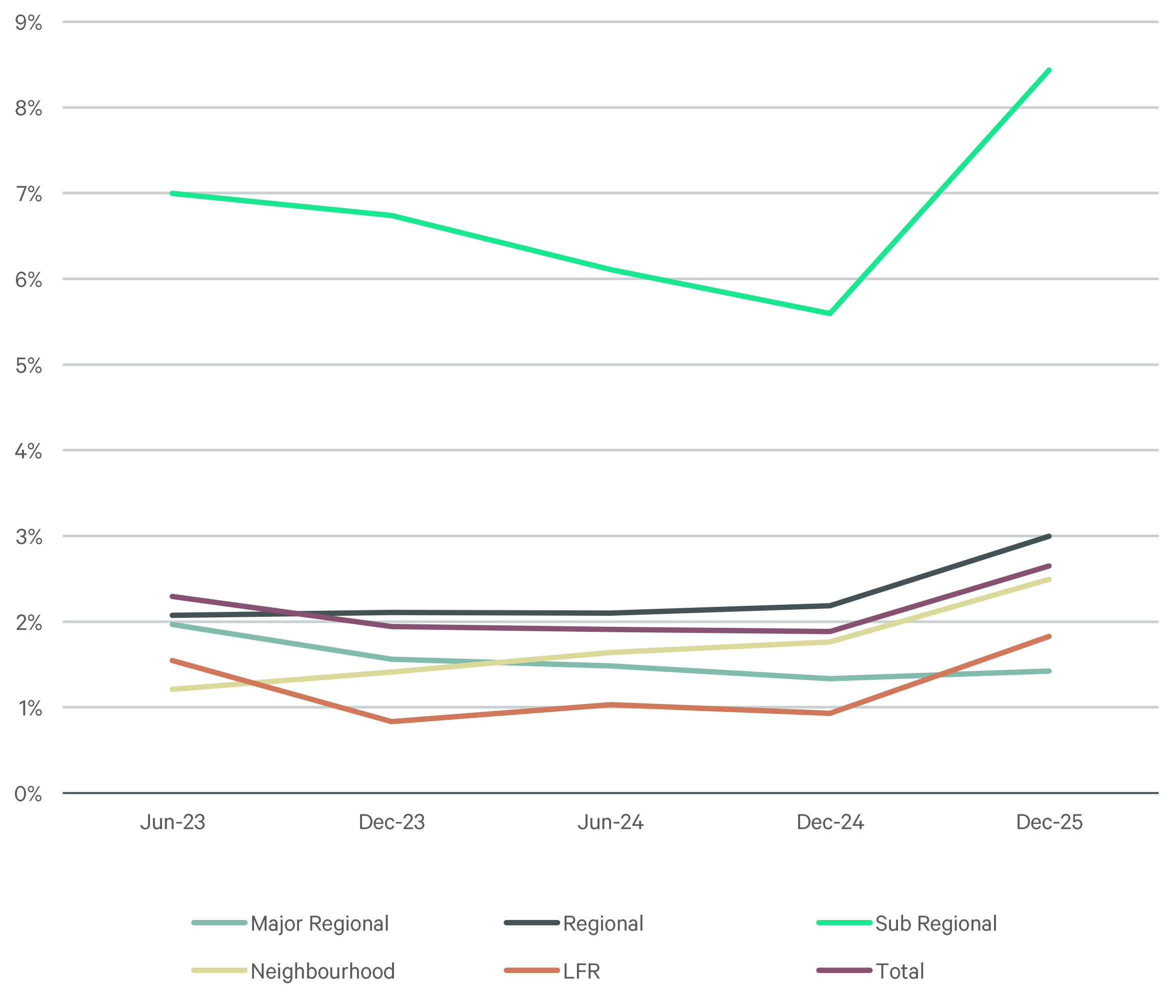


Note: Non-CBD Prime is Grade A and Secondary is Grade B

Retail Vacancy

Challenging conditions for retailers are reflected in vacancies. While retail centre vacancy remains low in an absolute sense at 2.7%, it has increased materially from 1.8% over the past year. The increase was broad based across centre categories but most keenly experienced amongst sub regional centres representing the squeezed middle ground of the retail format continuum, reflecting the vacancy gap between high and low quality stock as high quality centres with strong anchors are significantly outperforming.

Auckland Retail Centre Vacancy

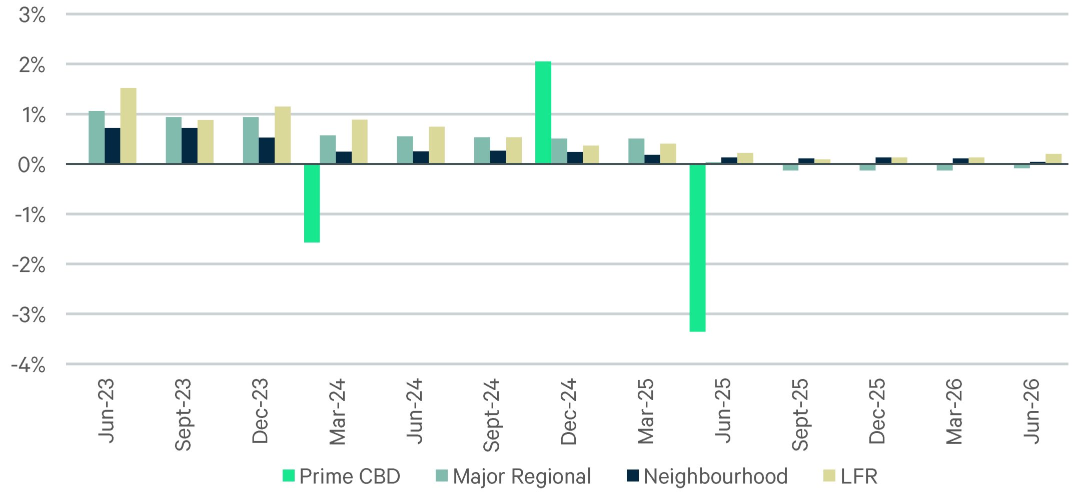


Retail Rents

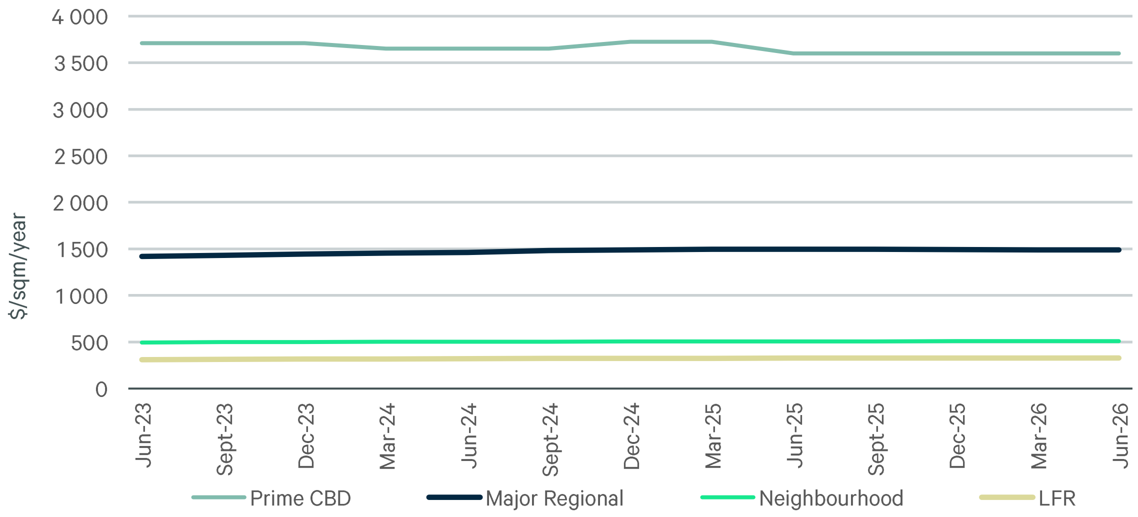
Retail leasing have also been generally soft. Our assessment indicates that retail rents are stable to decreasing across most centre categories. Sentiment is improving in the CBD retail market. Vacancy is going down, anti-social behaviour is getting resolved and trading is getting better, although some parts of the Secondary market are still going backwards.

Therefore, Prime CBD and neighbourhood indicative rents kept at $3,600 and $509, respectively in Q2. Large format retail kept at $328, although with a minor increase of 0.2%, while major regional rents decreased fractionally by $1 or -0.1%.

Auckland Retail Rents – Quarterly Change



Auckland Retail Rents



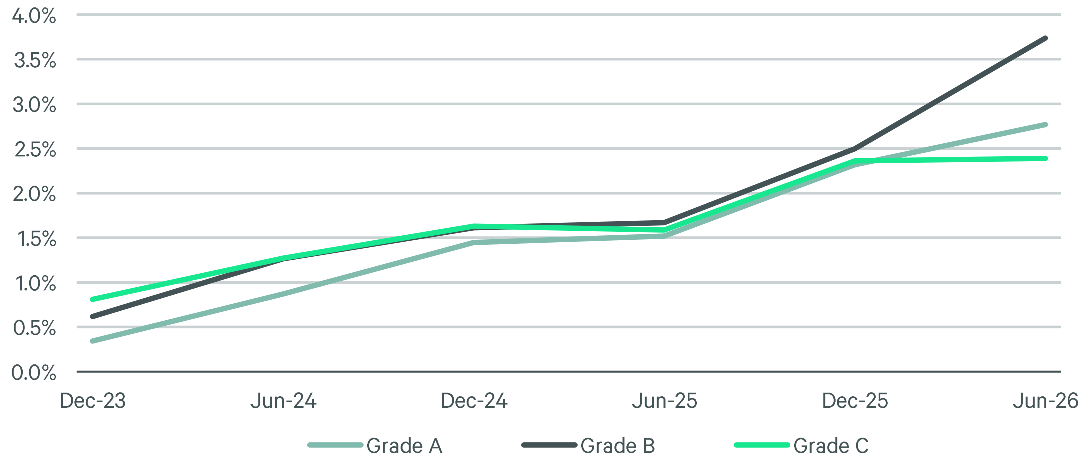
Industrial Vacancy

Vacancy in H1 2026 increased by 0.6 percentage points to 3.0%. Total vacant space increased by approximately 80,000 sqm. Grade A vacancy increased by 33,000 sqm, or 0.5 percentage points. Speculative developments contributed 17,000 sqm of new vacant space, and the existing stock a further 16,000 sqm on a net basis, where space consolidation left more new vacancies than take-up could offset. Secondary vacancy increased by 47,000 sqm or 0.6 percentage points, also mainly driven by space consolidation with more vacancies than in H2 2025.

A key market trend is occupiers consolidating out of smaller, lower-quality buildings and relocating to new stock, which leaves backfill vacancies in the older stock.

Net absorption (six monthly) was negative again following H2 2025, and the annual absorption for the year to June fell to -83,000 sqm. Grade A net absorption stayed positive at 31,000 sqm in H1, while Secondary (Grades B, C & D) absorption recorded -76,000 sqm, due to both new vacancies and occupied stock withdrawn for redevelopment.

Auckland Industrial Vacancy



Auckland Industrial Vacancy Change by Grade

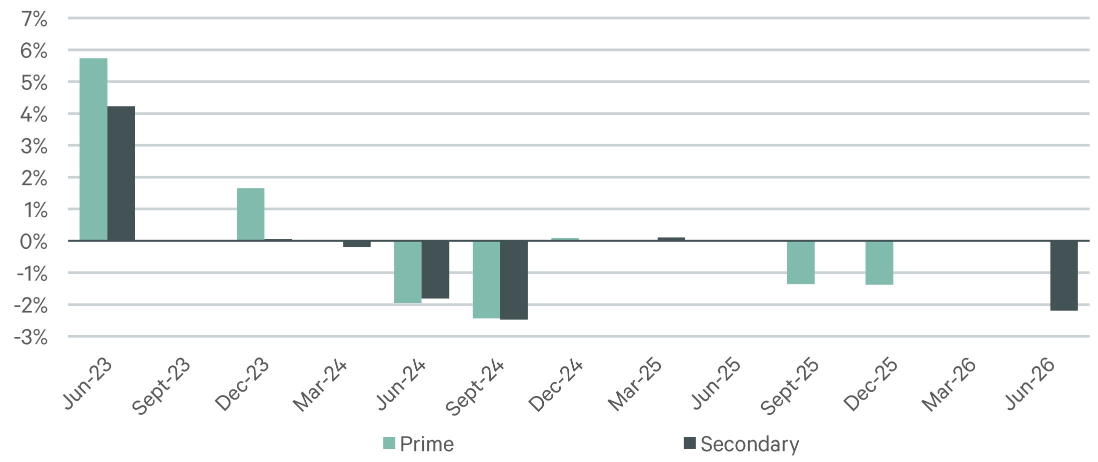
		GRADE A	GRADE B	GRADE C/D	TOTAL
Vacancy at Jun-26	%	2.77%	3.74%	2.39%	2.95%
	sqm	192 169	149 048	81 984	423 201
Vacancy at Dec-25	%	2.3%	2.5%	2.4%	2.4%
	sqm	159 564	99 741	81 275	340 580

Industrial Rents

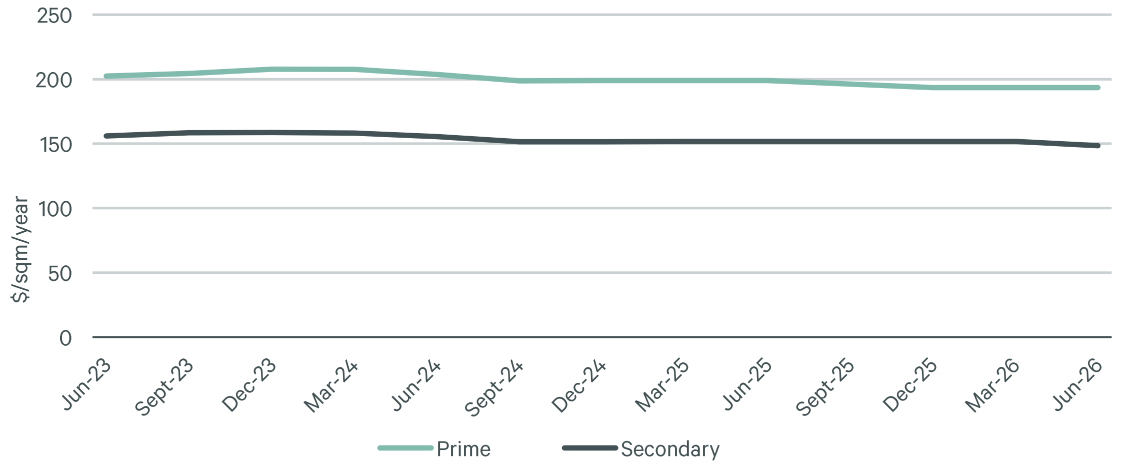
The leasing market had an uptick in occupier activity in the latter part of Q2 but leasing market conditions were subdued overall. Similarly to office, some owners with vacancy exposure are highly motivated and prepared to incentivise leasing deals to secure occupiers within a general view that as vacancy increases further, finding tenants will become more competitive over the next few quarters. While in recent quarters we have increased incentives only for Prime industrial, in Q2, incentives increased for Secondary, leading to a 2.2% drop in their indicative effective rent.

The overall Prime net effective average industrial rent held at $193/sqm. Precincts such as East Tamaki, Wiri, Mt Wellington and Penrose continue to command the highest net effective rents within the Prime segment. The aggregated Secondary average declined by $4 from $152 to $148.

Combined (office and warehouse) Net Effective Industrial Rents



Auckland Industrial Net Effective Rents – Quarterly Change



Industrial Market Outlook

Vacancy

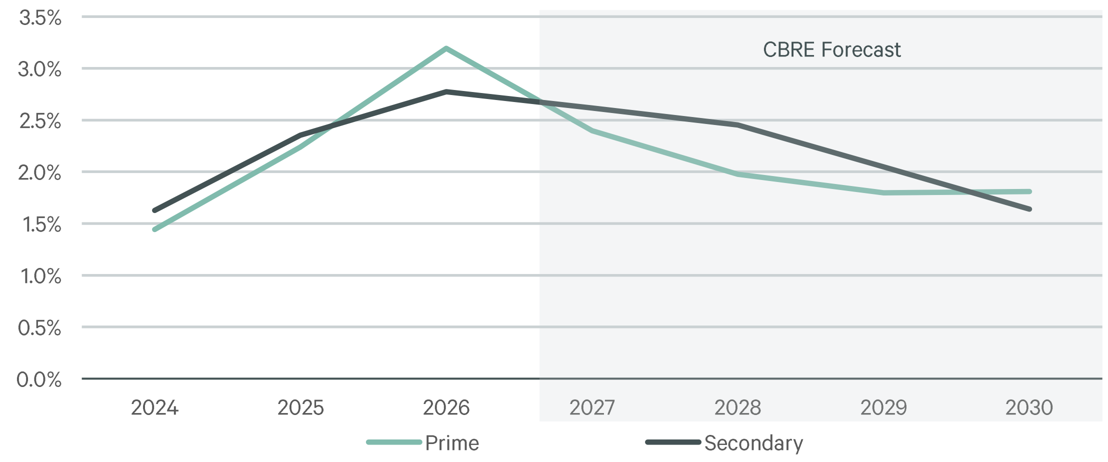
Based on the under-construction pipeline, we expect around 203,000 sqm of new buildings to be completed by the end of 2026. Only over 40% the new supply is pre-leased. The substantial speculative supply this year suggests developers will adopt a more cautious approach in 2027.

Net absorption in 2026 will be close to last year's level and will lag behind supply, partially driven by 3PL tenants continuing to consolidate into higher-quality or larger spaces and vacating lower quality and/or smaller warehouses, as well as some backfill vacancies due to tenants relocating to new buildings. We expect that vacancy in 2026 will continue to increase. In 2027, Prime vacancy is expected to decrease more dramatically, due to both higher net absorption and lower net new supply than in 2026. Flight to quality, particularly to high-stud warehouses, will boost new supply from 2028 onwards, once much of the speculative space has been taken up. Demand will also improve, helping vacancy decrease gradually from 2028.

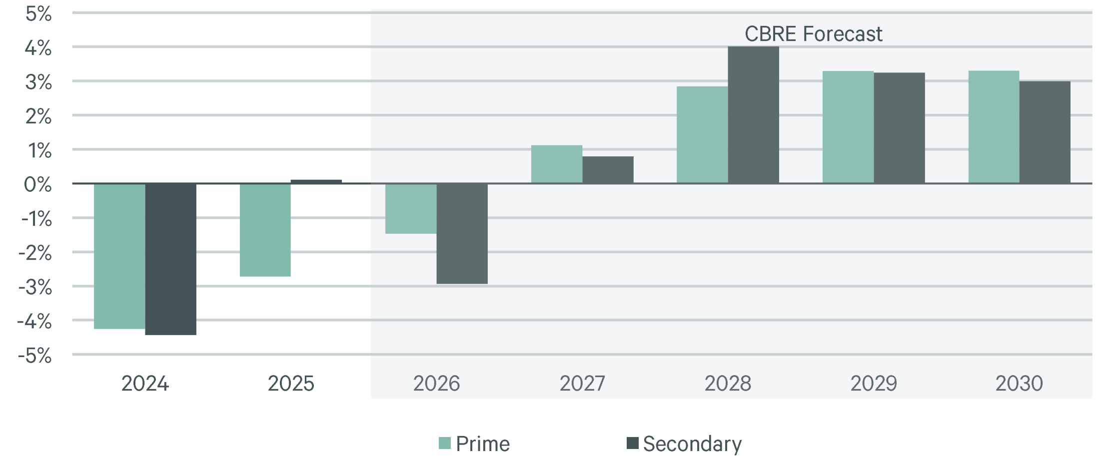
Rents

The market was relatively active in Q1 but became more subdued in Q2 this year. Although Secondary incentives rose in Q2 while Prime held steady, the submarket still faces upward pressure on incentives. As the large speculative projects complete and come to the market, the tenant-led dynamic will strengthen, and incentives are likely to rise again.

Auckland Industrial Actual and Forecast Vacancy



Auckland Industrial Actual and Forecast Annual Net Effective Rental Change



Definitions

Office building grades

Premium: Top quality landmark space which is generally the pacesetter in establishing rents and includes the following general attributes: prestige lobby; high architectural merit; prominent location; prestigious occupiers; the latest or recent generation of building services; ample natural lighting; good views and outlook; quality access to and from an attractive street environment; large size - +20,000 sqm. **Grade A**: High-quality modern space including many but not all Premium features. **Grade B**: Good quality modern space with some but not all Grade A features and to a lower standard. **Grade C**: Average quality air-conditioned space. **Grade D**: Older style poor quality space. **Prime**: Combination of Premium and Grade A. **Secondary**: Combination of Grade B and C. As of Q4 2024 Auckland CBD stock, each Grade includes some of each the building typology – Tower/Standard, Campus, and Character.

Industrial building grades

Prime: Industrial space used for general warehousing or logistics with stud heights of 9 metres or more, largely column free. Lettable area will exceed 1,500 sqm. The property will be of a high specification and well maintained. The grade encompasses properties from the current generation of design build premises to buildings built over the previous cycle. **Secondary**: Industrial space generally built prior to the mid 1990s, inferior to Prime space in terms of building quality and specifications being lower stud (generally between 6 and 9 metres) and in some cases lacking Capex and having deferred maintenance issues although still providing functional industrial accommodation. Lettable area will exceed 500 sqm.

Rents and yields

CBRE uses the “basket of buildings” methodology to determine market yields and rents. For each property sector covered, a group of representative buildings are nominated and a panel containing senior members of appropriate departments within CBRE convenes to assess the market level of yields and rents for these buildings. Based on this, CBRE’s indicative average rental and yield figures reflect our view of the market after considering available appropriate evidence. Yields represent initial yields based on market rents. Rents are net effective. The industrial rents presented are a combined warehouse and office figure. As of Q4 2024 Auckland CBD each Grade’s “basket of buildings” includes examples of each building typology.

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