

New Zealand Yield Update

October 2025

In Q3, market yields experienced notable firming, the most significant since Q2 2021 as lower interest rates enhanced liquidity and pricing for assets. Currently, the margin over 2-year swaps stands above the long-term average, indicating a favourable environment for continued firming.

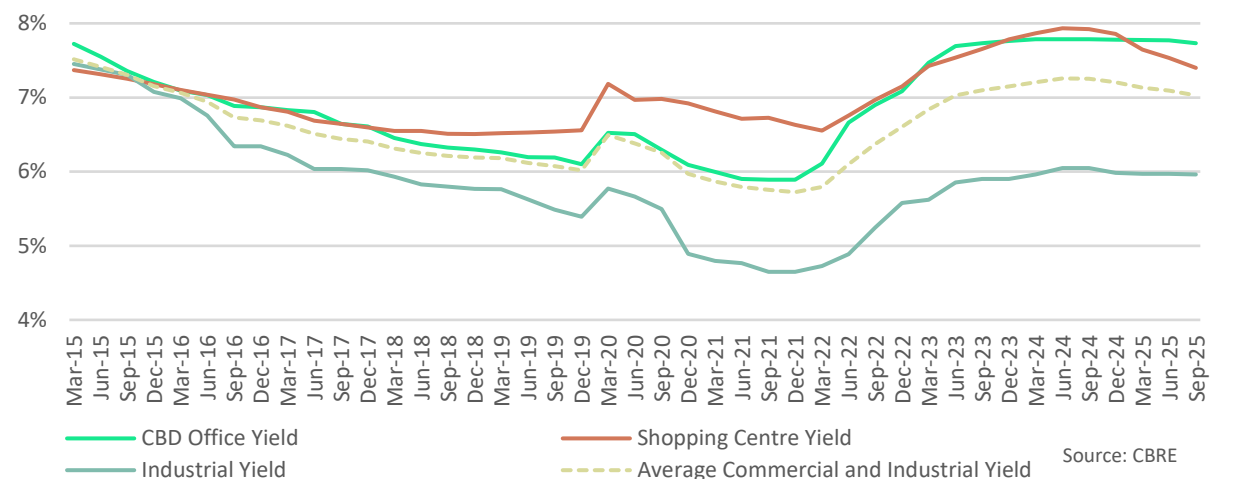
The RBNZ’s rate cutting cycle has delivered a more positive context for the investment market, and a lift in activity (both in terms of transactions and buyer and seller engagement) is also providing greater pricing clarity. Reflecting these, CBRE’s assessment of market trends shows renewed yield firming momentum that is starting to become more widespread across market sectors. While the economy remains weak, we are closer to a cyclical upturn, lower interest rates are locked in for the foreseeable future and debt is becoming easier to access. The 2 year swap rate has dropped by over 200 basis points since June 2024. While the 10 year government bond rate has not fallen materially, our yield modelling research last year showed that the swap rate typically has a greater influence on property yields than the bond rate.

FIGURE 1: New Zealand Interest Rates



As a result, in Q3 we have firmed yields across 11 office, retail, and industrial property sectors in the Auckland market, the most extensive quarterly firming of yields since Q2 2021. Figure 2 shows Auckland yield movements by broad asset sector.

FIGURE 2: Auckland Commercial and Industrial Yields (average of Prime and Secondary)



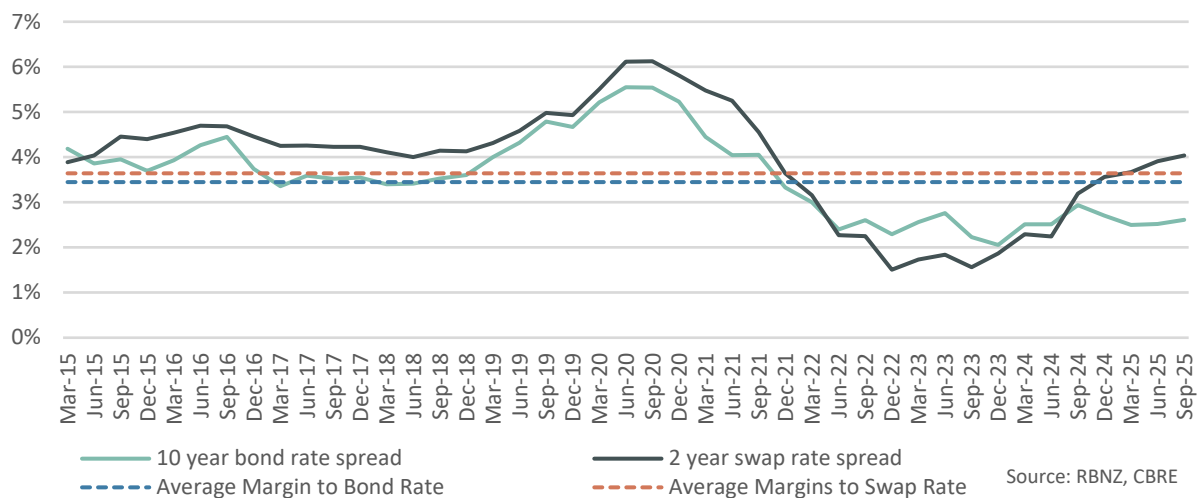
Our Q3 assessment resulted in a c10 bps firming for CBD A and B grade assets; generally traditional tower and character typology, well located properties offering potential for medium term value growth through higher occupancy and rents. Similarly, we firmed yields for some Non CBD, mainly B and C grade, office assets. At the top end of the market, where liquidity currently relies on international capital, we consider that CBRE’s assessed market yields have remained stable for now.

Retail is also an improving asset class. Local private and wholesale investors are active, Australian investors have been showing increased interest in the sector, and syndicators are planning to test the market with some smaller retail raises. Seismic concerns, while asset-specific, have hurt many shopping centre transactions in recent years but the new government policy announcement to ease seismic building code and remedial requirements is expected to help boost interest in the sector. Combined with the relatively high absolute yields on offer, the turn in sentiment towards the sector helped deliver a double digit Q3 yield firming for retail centres.

Industrial is the most liquid market, accounting for nearly half of New Zealand's transaction volumes so far in 2025. However, especially for assets in higher price brackets, buyers seem reluctant to go below current market yield levels, resulting in modest firming in Q3. It’s possible that diverging sentiment will broaden the gap between vendor and purchaser price expectations and may result in falling liquidity during Q4.

Figure 3 compares average yield margins to the 2 year swap rate and 10 year bond rate. The comparison indicates that property yield margins relative to swap rates improved significantly; by over 240 bps since Q3 2023. The current margin of circa 400 bps is above the long term (past 30 year) average of 364 bps. This underpins the potential for continued yield firming as transaction liquidity further improves over 2026.

FIGURE 3: Auckland Commercial and Industrial Yield Margins to Interest Rates



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