State of the nation

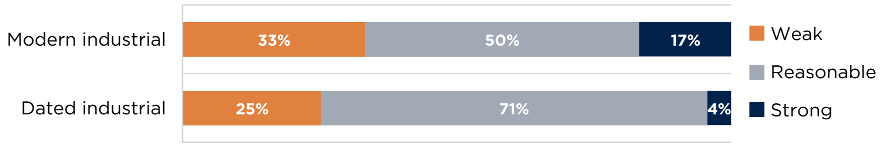
Around the country, the industrial leasing market is grappling with the fallout from economic handbrakes, geopolitical tensions, and subdued consumer spending – but the outlook is optimistic.

The latest *New Zealand Industrial Market Update* from Bayleys Insights & Data team confirms that the leasing market has been sluggish off the back of weak economic growth and occupier caution, however, there are pockets of optimism.

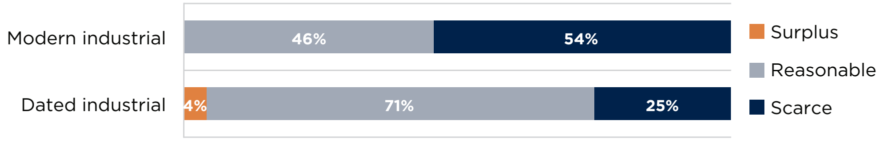
To set the scene, vacancy levels have risen as occupiers sought to balance bottom lines with efficiency, while uncertainty within the logistics sector has lessened demand for space, despite New Zealanders' love affair with e-commerce and expectations around last-mile delivery. Most recently. the Trump tariff debacle has caused unease for some bigger industrial occupiers as supply chains and freight routes came under the spotlight, making space requirements a moving target.

MARKET SENTIMENT ACROSS NEW ZEALAND

How is occupier demand for industrial warehousing?



How is the supply of industrial warehousing for lease?



Market sentiment based on a survey of Bayleys brokers across New Zealand

"Vacancy rates have edged higher in recent months, and we expect this trend to continue in the short term as some logistics occupiers consolidate their footprint," says Bayleys analyst Samantha Lee.

"Softer demand from logistics operators combined with slow decision-making and tightening of rental budgets by prospective tenants is contributing to a rise in industrial vacancy levels around much of the country, particularly in the main urban centres as businesses seek operational efficiencies.

"A flight to quality is still evident among larger occupiers wanting to upgrade into better spec'd spaces in core locations and this signals renewed confidence following a period of slower activity."

Rents have stabilised around the country, rental growth has eased from previous surges, and while some incentives are being noted, widespread discounting of face rents remains unlikely.

Lee says the cyclical nature of real estate means that nothing stays the same for long, and developers are looking through the current market cycle to deliver A-grade stock with high sustainability credentials in preferred areas.

"Despite the current market softness, developers remain focused on positioning themselves for the next upswing in the cycle, particularly in well-connected industrial precincts."

AUCKLAND GROWTH NODES

Scott Campbell, Bayleys national director industrial and logistics, says vacancy rates have inched up in around the country as occupiers realign their real estate footprints to better suit business conditions.

"It's an indication that occupiers are being savvy and cutting their cloth to suit their means. Many businesses are opting to stay put in their current premises, but tweaking them for efficiencies such as optimising cubic capacity.

"The sub-500sqm market is performing pretty well, while data shows around half of the total vacant Auckland space is in the 3,000sqm-plus bracket. With the large format retail sector still tracking well, we'd expect demand for large warehousing space to pick up off the back of this."

Campbell says an early sign that the market could be turning a corner is the uptake of sub-lease space in recent months, with one example being modern A-grade space on the North Shore formerly occupied by NZ Post and now taken by Pet Direct.

"There are deals to be done on sub-lease industrial space and savvy occupiers are identifying some great opportunities in good locations."

Developers are also pushing ahead with planned pipelines of new stock, some of it speculative, with several areas of Auckland getting a boost.

"Spedding Road, Whenuapai is coming onstream and tipped to be Auckland's next big industrial precinct, while Puhinui Road is starting to come online and, with its direct links to Auckland Airport, major motorways and the Wiri Inland Port, is an identified growth hub.

"News that the first stage of the Mill Road roading infrastructure project is expected to start mid-2026 is also good news for South Auckland which is one of the fastest growing areas in the region."

BAY OF OPPORTUNITY

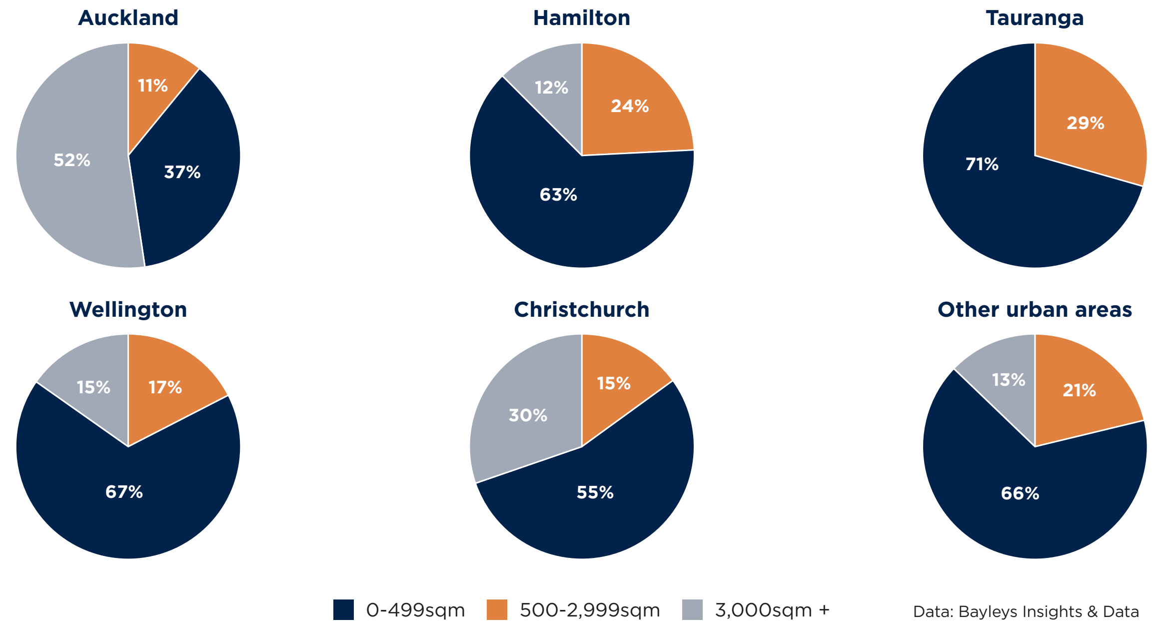
Bayleys Tauranga commercial manager, Mark Walton says industrial leasing activity in Tauranga remains moderate, with demand primarily driven by regional businesses looking to expand their footprint or consolidate operations into larger, more efficient premises within the economic golden triangle zone.

"In the past month, we've seen a noticeable lift in enquiry from larger occupiers and national distributors, along with growing demand from businesses that provide services to agriculture. Many of these groups are in the early planning stages, positioning themselves ahead of anticipated economic improvement."

In line with most of the country, Walton says rents have remained relatively stable over the past 12 months.

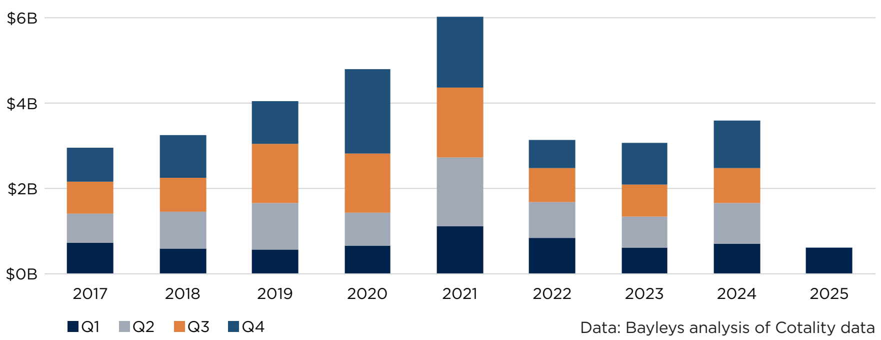
"However, we have seen some rental softening for smaller industrial units sub-500sqm where vacancy levels have increased. Looking ahead, we expect rental growth to resume over the medium to long term as vacancy tightens and new development supply remains limited."

TOTAL VACANT FLOOR AREA BY VACANCY SIZE



Data: Bayleys Insights & Data

SALES OVER TIME: NEW ZEALAND



Data: Bayleys analysis of Cotality data

Live-zoned industrial land in and around Tauranga is becoming increasingly scarce, and there has been a notable uplift in land values and sales activity over the past three months which Walton says reflects renewed confidence and future development pressure.

"There has been minimal new industrial development over the past 18 months, largely due to softer demand and challenges around development feasibility. Anticipating a shift in market conditions as confidence returns and demand strengthens, smart developers are now positioning themselves by securing sites for future projects."

The new Tauriko West Road of National Significance which includes a new four-lane State Highway 29 and widening of State Highway 29a, will support economic growth, increase productivity and protect freight routes within the Bay of Plenty which bodes well for industrial occupiers in the region.

CAPITAL OPTIONS

Fraser Press, director Bayleys Wellington says the biggest change in the region's industrial market is the emergence of opportunity for occupiers in some prime precincts – finally.

"There is now a selection of A-grade stock with scale available for lease which hasn't been the case for some 8-10 years. For example, we have a brand new 2,000sqm facility in Porirua, a 2,470sqm warehouse in Grenada, and 2,236sqm of clear-span, high stud warehousing in Ngauranga. These are sought-after precincts with the properties having great yard space, good office ratios and strong connectivity to main arterials and the motorway network.

"Industrial precincts like Seaview, Gracefield, Petone, Wingate, Lower Hutt, and Paraparaumu still have minimal overall vacancy, and rents remain pretty steady right across the region with no evidence of any drop to speak of.

"It's currently an occupier-favourable market, and for the right tenant and the right terms, landlords are showing flexibility around lease structures and terms."

Press says while there's industrial land available in the northern corridor of Paraparaumu, Otaki and Levin with new roading networks unlocking connectivity advantages, residual economic uncertainty means developers are yet to start delivering speculative space to the wider Wellington market.

CHRISTCHURCH GROWTH

In the South Island, Sam Stone, director industrial Bayleys Christchurch says the city's industrial precincts are showing steady leasing activity with some segments of the market out-performing others, and vacancy in the larger format industrial sector reducing.

"I'd describe leasing activity in Christchurch as moderate, with tenants generally taking a more cautious approach and actively looking at value for money.

"Demand is mostly coming from local and national businesses rightsizing their presence in the Christchurch market, with 72 leases completed in Q1 FY 2025/2026.

"On those numbers, we are expecting this financial year to be well up on the 202 industrial leases completed FY 2024/2025."

Stone says rents have been stable, but as the development sector ramps up to deliver new stock to the market, there could be rent movement ahead.

"In the last 6-8 weeks, we have sold more industrial land than in the prior 18 months, which shows confidence coming back to the market and points to a forward pipeline.

"There are a number of proposed industrial land developments currently going through the rezoning process, and the cost of this land is expected to increase resulting in upwards pressure on rental rates."

ALPINE LIFT

William Gubb, Bayleys Queenstown commercial and industrial manager says demand for industrial space remains strong as the region continues to experience consistent population growth.

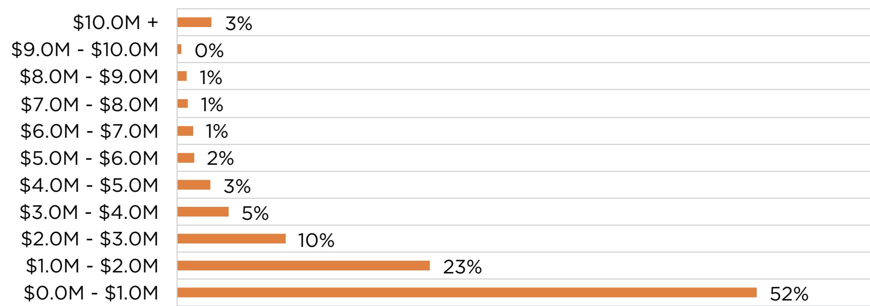
"Enquiry is coming from a mix of national and local operators looking to either setup business in the region, or upsize to more suitable premises.

"Given that vacancy rates are so low in Queenstown and among the lowest around the country, rental rates have steadily increased across both existing buildings and new developments."

Limited industrial-zoned land in Queenstown is putting pressure on both vacancy and rental rates, says Gubb and forcing occupiers to look to satellite locations for more cost-effective options.

"There's heightened demand for industrial space in areas such as Cromwell which is now becoming a key service location for both Queenstown and Wanaka."

SALES BY PRICE BAND: NEW ZEALAND (2024-2025)



Data: Bayleys analysis of Cotality data