Space odyssey

More structured attendance strategies and demand for quality workplace is driving enquiry and action in the Auckland office leasing market.

Welcome to Issue 1 of *Auckland Office Workplace* for 2024 where we profile 22 premium leasing opportunities and share some insights about the office sector.

Our experienced leasing team is eager to build on the momentum gained in 2023 – a year when business owners facilitated a return to the office to boost productivity, collaborative ways of working and company culture.

While hybrid work arrangements mixing work-from-home and in-office will endure, employees are being urged to return to the centralised office and this directive mimics international trends.

Globally, heavyweights like IBM Consulting, Disney, Tesla, Uber, and Twitter are moving from a fairly flexible hybrid strategy to a much more structured in-person work approach with in-office mandates for a set number of days per week.

Corporate occupiers in Auckland tend to be expecting in-person office attendance for a minimum three days per week currently. This could increase as the year progresses as the job market looks to be softening with potentially more competition for roles, and the employer having more say over job conditions.

> “In the quest to attract and retain the best people for their business, quality over quantity of work space is being prioritised by business owners.
>
> **MATT LAMB**
> BAYLEYS NATIONAL DIRECTOR OFFICE LEASING

With proactive moves to get staff back to head office, and the quest to attract and retain the best people for their business, quality over quantity of work space is being prioritised by business owners.

It's about making the commute worthwhile, with sustainability and ESG principles, high levels of amenity, staff health and wellbeing, and proximity to streamlined transport networks underpinning office leasing decisions.

Modern, fresh and flexible open-plan workplaces with dedicated collaboration areas and tech-enabled meeting rooms is the overarching brief we're being given – regardless of the size of the office footprint being sought.

Bayleys' leasing team collaborates daily with organisations of all sizes helping to review, fine-tune and enhance their workplace strategies to ensure an optimal solution is found – whether they stay put or relocate.

As businesses right-size their office requirements for new ways of working, we're seeing office floor plans being reconfigured to provide more break-out and collaborative space and a reduction in the number of desks. This rejigging means there's more sublease space currently available in Auckland, creating new opportunity for a range of occupiers.

There's still high demand for premium office stock with tight vacancy in this segment. Firms like Deloitte and Bell Gully are leading by example, relocating to new high-spec premises at 1 Queen Street and demonstrating clear commitment to accredited flagship space with extensive amenity.

The gap between prime and secondary office asset vacancy is widening creating a definite two-step market and we expect this trend to continue.

While acknowledging that retrofitting and upgrading is expensive, owners of secondary-grade office premises will need to invest in their buildings to ensure they get tenants, achieve rental growth and protect the long-term value of their property investment.

The stabilising cost of construction and growing sentiment that interest rates will start trending down will help landlords in this regard.

Flexibility is still playing out with lease structures, we're seeing a reduction in annual rent increases with a realignment back to pre-pandemic levels of around 3% per annum, and landlords in the secondary market are having to enhance lease incentives to attract tenants.

If you're seeking a market update or exploring an office solution to optimise your business's operational efficiency, workstyle philosophy, brand and values - we'd love to hear from you.

We specialise in leasing across the whole of Auckland and have the market intel, the contacts and the experience to find the best space for you and your business.