

NEW ZEALAND INDUSTRIAL MARKET UPDATE

New Zealand industrial market in 60 seconds

Leasing market

Leasing conditions stabilising

Demand is generally more selective with fewer requirements from major occupiers, particularly in the design-build space. Stock available for lease has increased and leasing timeframes have extended. Vacancy is expected to edge higher as new large-scale developments are completed. Conditions are stabilising and improvement is expected as the economy recovers over the next year.



Rental growth flat with incentives nudging higher

Market rental levels are broadly stable in most locations. Elevated stock levels, including space delivered from recent developments, are limiting the upward pressure on rent. Latest deals suggest higher incentives are being offered to secure tenants and maintain face rents. Given significant rent growth in recent years, tenants who have leased premises with long periods of fixed or indexed rent increases may still incur significant rises when they catch up to market at their next market rent review.



Opportunity for smaller format premises

The past development cycle mainly focused on large-scale premises or micro industrial. The market has seen persistent demand and arguably under-development of smaller-scale premises (500 to 1,000sqm) in well-located areas, so this may prove to be an opportunity for developers in the coming cycle.



Market sentiment across New Zealand

How is occupier demand for industrial warehousing?



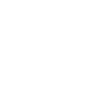
How is the supply of industrial warehousing for lease?



Investment market

Investment market back to neutral with yields stabilising

Broker sentiment points to the industrial market sitting in neutral, with a significant recovery from the weak period experienced in recent years. Listings are seeing higher levels of enquiries and competitive bidding for realistically priced assets. Yields are currently favourable compared with term deposits, so the market is likely to see a rise in smaller investors attracted to the relatively higher returns.



Transaction volumes limited by stock and pricing alignment

Sales volumes are improving from their lows but still remain subdued. Primary reasons are a limited supply of quality assets for sale, alongside cases in the wider market of vendors holding off on transacting due to their price expectations exceeding market. Buyers still remain highly selective, with a focus on location, building quality and lease quality. More activity is expected in the first half of the year, with potential that the Election could slow volumes in the second half.



Development feasibility improving, supply risk remains

Development feasibilities are improving, primarily through lower construction costs. Leasing demand is likely to be the key constraint on projects. A solid pipeline of speculative builds is progressing, with the developers confident that supply shortfalls will persist in the long term.



Need help?

Use this form to request help from your local Bayleys team

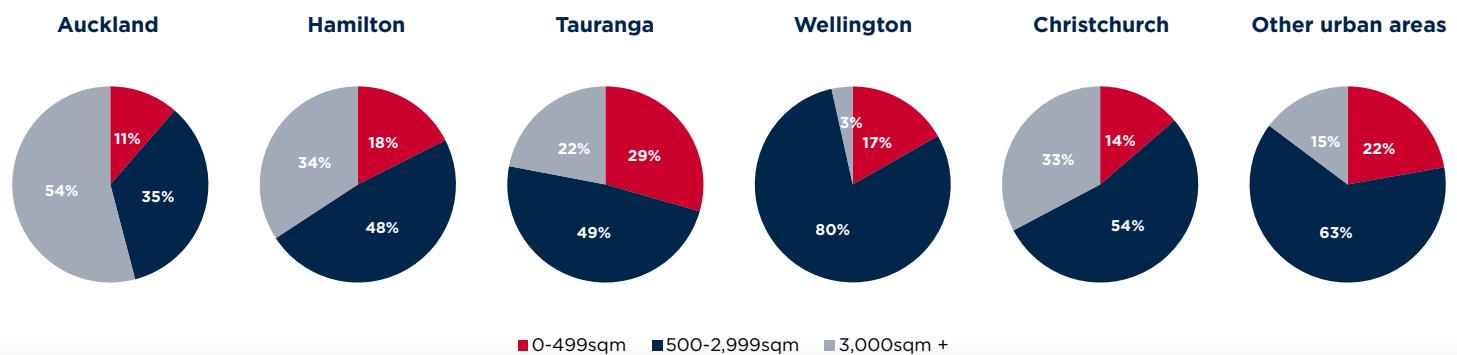


Leasing indicators

Leasing indicators by urban area

	Dated warehouse rental range	Modern warehouse rental range	Vacancy rate
Whangarei	\$120 ■ \$140	\$150 ■ \$165	1.4%
Hibiscus Coast and Warkworth	\$150 ■ \$170	\$180 ■ \$220	2.5%
Auckland North Shore	\$180 ■ \$190	\$200 ■ \$230	2.4%
West Auckland	\$150 ■ \$170	\$200 ■ \$230	2.9%
Auckland Metro	\$170 ■ \$190	\$210 ■ \$230	5.2%
South Auckland	\$165 ■ \$185	\$205 ■ \$235	4.5%
Hamilton	\$90 ■ \$120	\$120 ■ \$140	3.9%
Tauranga	\$100 ■ \$120	\$125 ■ \$140	3.7%
Rotorua	\$85 ■ \$100	\$155 ■ \$175	1.3%
Gisborne	\$90 ■ \$110	\$170 ■ \$190	0.3%
Napier and Hastings	\$100 ■ \$120	\$150 ■ \$170	1.9%
New Plymouth	\$70 ■ \$80	\$100 ■ \$120	1.7%
Whanganui	\$80 ■ \$100	\$140 ■ \$160	1.2%
Palmerston North	\$100 ■ \$110	\$120 ■ \$170	2.1%
Wellington region	\$120 ■ \$140	\$170 ■ \$200	3.4%
Richmond	\$80 ■ \$100	\$120 ■ \$150	0.4%
Nelson	\$80 ■ \$100	\$120 ■ \$150	1.3%
Blenheim	\$105 ■ \$125	\$195 ■ \$205	1.2%
Grey mouth	\$80 ■ \$100	\$105 ■ \$115	0.0%
Christchurch	\$90 ■ \$110	\$140 ■ \$150	3.4%
Dunedin	\$90 ■ \$110	\$175 ■ \$195	1.7%
Queenstown	\$175 ■ \$195	\$215 ■ \$235	0.5%
Invercargill	\$80 ■ \$100	\$105 ■ \$115	0.4%

Total vacant floor area by vacancy size



Benchmark properties

We use these benchmark properties for our insights:

Modern industrial: Built after 2000. Good industrial location. Warehouse 2,000sqm. 10m stud under the knee.

Dated industrial: Built before 2000. Reasonable location. Warehouse 2,000sqm. 8m stud under the knee.

We revise our methodology from time to time. Our latest results may not be fully interchangeable with historic results. The benchmarks do not represent the minimum or maximum rates in the market. Our vacancy rate is assessed on advertised vacancies (including subleases), rather than physical vacancies. Our analysis covers a wide geographic area and all property sizes, so our results may differ to those by other researchers. All findings are indicative only.

Sample of recent transactions

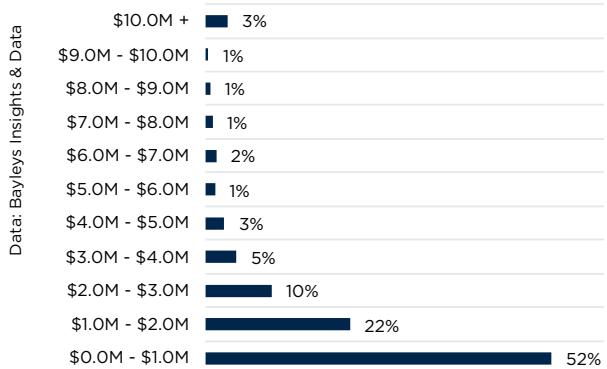
 <p>LEASED</p> <p>3 Woods Road, Whangarei, Northland</p>	 <p>LEASED</p> <p>17/64 Matakana Valley Road, Matakana</p>	 <p>SOLD</p> <p>Boundary lines are indicative only</p> <p>414-416 Rosebank Road, Avondale, Auckland</p>
<p>Floor area 1,043sqm</p> <p>Tenant Rahaus Living</p> <p>Contact Daniel Sloper, Henry Napier</p>	<p>Floor area 75sqm</p> <p>Tenant In the Bag</p> <p>Contact Chris Blair, Dahnie Burton</p>	<p>Floor area 8,679sqm</p> <p>Sale price \$6,200,000</p> <p>Contact Alister Hitchcock, Craig Smith, Mark Preston</p>
 <p>LEASED</p> <p>6 Copsey Place, Avondale, Auckland</p>	 <p>SOLD</p> <p>Boundary lines are indicative only</p> <p>505-507 Mt Wellington Highway, Auckland</p>	 <p>LEASED</p> <p>1 Stonehill Drive, Wiri, Manukau, Auckland</p>
<p>Floor area 1,120sqm</p> <p>Tenant Mediaworks Outdoor</p> <p>Contact Alister Hitchcock, Mark Preston</p>	<p>Floor area 8,860sqm</p> <p>Sale price \$36,000,000</p> <p>Contact James Hill, James Valentine, Sunil Bhana</p>	<p>Floor area 2,107sqm</p> <p>Tenant Vending Direct</p> <p>Contact Greg Hall, Paul Steele</p>
 <p>SOLD</p> <p>Boundary lines are indicative only</p> <p>5 Barnett Place, Te Rapa, Hamilton City</p>	 <p>LEASED</p> <p>8 Paerangi Place, Tauriko, Tauranga</p>	 <p>SOLD</p> <p>14 Birch Avenue, Judea, Tauranga</p>
<p>Floor area 5,924sqm</p> <p>Sale price \$7,000,000</p> <p>Contact Alex ten Hove, Luke ten Hove</p>	<p>Floor area 3,558sqm</p> <p>Tenant Blueprint Global NZ</p> <p>Contact Rory Brown, Christy Arundel</p>	<p>Floor area 4,637sqm</p> <p>Sale price \$11,100,000</p> <p>Contact Brendon Bradley, Ryan Bradley, Mike Houlker, Sunil Bhana</p>
 <p>SOLD</p> <p>14 Groome Place, Hastings, Hawke's Bay</p>	 <p>SOLD</p> <p>15 Auster Place, Bell Block, New Plymouth</p>	 <p>SOLD</p> <p>3-5 Peter Robb Lane, Whanganui</p>
<p>Floor area 6,996sqm</p> <p>Sale price \$24,000,000</p> <p>Contact Kerry Geange, Stephen Scott, Layne Harwood</p>	<p>Floor area 2,400sqm</p> <p>Sale price \$2,300,000</p> <p>Contact Iain Taylor, Darryl Taylor</p>	<p>Floor area 3,127sqm</p> <p>Sale price \$10,500,000</p> <p>Contact Karl Cameron, Amie Rowan, John Bartley</p>
 <p>SOLD</p> <p>89 Port Road, Seaview, Lower Hutt</p>	 <p>LEASED</p> <p>3/24 Railway Avenue, Upper Hutt</p>	 <p>LEASED</p> <p>1C/750 Lower Queen Street, Richmond</p>
<p>Floor area 4,598sqm</p> <p>Sale price \$10,250,000</p> <p>Contact Christian Taylor, Grant Young</p>	<p>Floor area 12,026sqm</p> <p>Tenant Carters Building Supplies</p> <p>Contact Ethan Hourigan</p>	<p>Floor area 486sqm</p> <p>Tenant MYPOD</p> <p>Contact Gill Ireland, Seb Hickman</p>
 <p>SOLD</p> <p>67 Vickerys Road, Wigram, Christchurch</p>	 <p>LEASED</p> <p>75 Seymour Street, Hornby, Christchurch</p>	 <p>SOLD</p> <p>Boundary lines are indicative only</p> <p>5/4a Ree Crescent, Cromwell, Otago</p>
<p>Floor area 6,421sqm</p> <p>Sale price \$11,000,000</p> <p>Contact Greg O'Brien, Sam Stone, Steven Schwalger, Scott Bentley</p>	<p>Floor area 5,817sqm</p> <p>Tenant Trade Depot</p> <p>Contact Benji Andrews, Greg O'Brien, Sam Stone, Alex White, Stewart White</p>	<p>Floor area 210sqm</p> <p>Sale price \$830,000</p> <p>Contact William Gubb, Steven Kirk</p>

Investment indicators

Typical yields by urban area

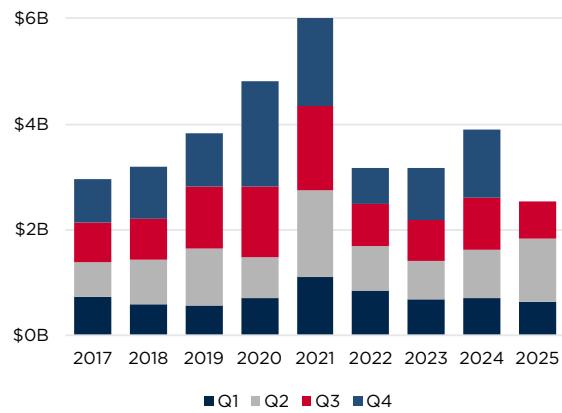
	Dated industrial	Modern industrial
Whangarei	7.3% ■ 8.3%	6.0% ■ 6.8%
Hibiscus Coast and Warkworth	5.5% ■ 6.0%	5.0% ■ 5.5%
Auckland North Shore	5.0% ■ 6.0%	4.5% ■ 5.3%
West Auckland	5.5% ■ 6.0%	5.0% ■ 5.5%
Auckland Metro	6.0% ■ 6.8%	5.0% ■ 5.5%
South Auckland	5.5% ■ 6.3%	5.0% ■ 5.5%
Hamilton	6.3% ■ 7.8%	4.8% ■ 6.0%
Tauranga	5.5% ■ 6.5%	5.0% ■ 6.0%
Rotorua	7.0% ■ 8.0%	6.5% ■ 7.5%
Gisborne	7.0% ■ 8.5%	5.5% ■ 6.5%
Napier and Hastings	7.0% ■ 8.0%	6.5% ■ 7.5%
New Plymouth	7.0% ■ 8.0%	6.0% ■ 6.5%
Whanganui	7.5% ■ 8.5%	7.0% ■ 8.0%
Palmerston North	7.0% ■ 8.0%	6.0% ■ 7.0%
Wellington region	7.5% ■ 8.5%	6.0% ■ 7.0%
Richmond	6.0% ■ 6.5%	5.4% ■ 5.8%
Nelson	6.5% ■ 7.0%	5.8% ■ 6.0%
Blenheim	7.5% ■ 8.0%	5.0% ■ 6.0%
Greymouth	7.0% ■ 7.5%	6.0% ■ 6.5%
Christchurch	6.0% ■ 7.0%	5.0% ■ 5.8%
Dunedin	7.5% ■ 8.0%	6.0% ■ 6.5%
Queenstown	5.2% ■ 5.5%	4.5% ■ 5.0%
Invercargill	7.5% ■ 8.5%	7.5% ■ 8.5%

Sales by price band: New Zealand (2024 to 2025)



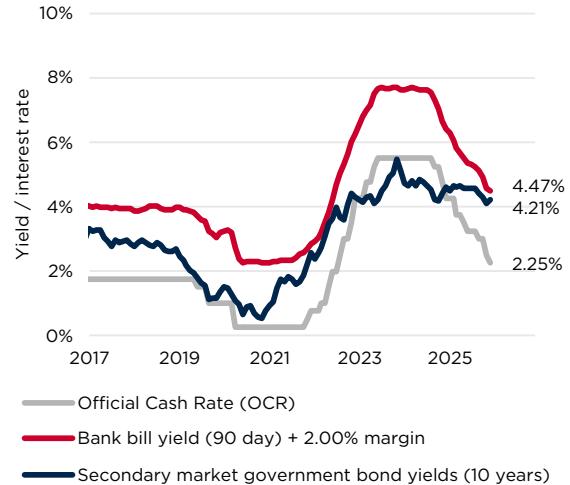
Data: Bayleys analysis of Cotality data

Sales over time: New Zealand



Data: Bayleys analysis of Cotality data

Interest rates



Data: RBNZ

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