



New Zealand retail market in 60 seconds

Biggest trends



Light at the end of the tunnel

After an extended period of challenges with the pandemic and inflation, some positivity is on the horizon. Inflation is getting under control, interest rates are reducing, and changing attitudes to hybrid work may see more office workers returning to city centres. Geo-political tension overseas is creating uncertainty and contributing to slower decision-making for some businesses.



Patchy performance

Across the country, the performance of retail properties has been highly sensitive to location and configuration. Hybrid working patterns have had varying impacts, with some suburban locations benefiting, but often at the detriment of central city locations. Vacancy rates within city centres are often significantly higher than in large-format and trade retail.



Logistics driving competitive edge

Large-format retailers are reviewing how their logistics operate alongside their retail properties. This has seen an increase in centralised distribution and/or less stock onsite.



Outlook for the next 12 months

Two-step rents

Patchy performance has led to a two-step market. Properties that have performed strongly have been achieving rental growth. Weaker properties have been impacted by softer rents, although in some cases landlords are holding vacancies longer or using short-term leases with the goal of securing full rents in the future.



Investment market shifting into neutral

Sentiment amongst agents suggests the investment market is heading into neutral territory after a period of weakness. Yields have risen since 2022 due to higher interest rates. While recent drops in interest rates should help bring yields down, long-term bond rates have remained persistently high due to lingering concerns about inflation. As a result, yields may not reduce significantly from recent levels.

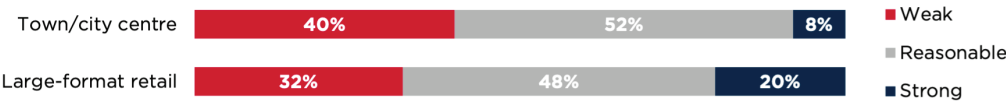


Higher rents needed for new builds to stack up

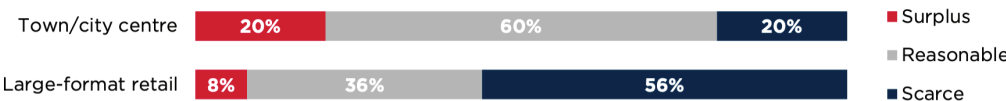
Reducing yields largely offset the impact of higher construction costs during 2020-2021. Softer yields and persistently high construction costs mean higher rents are needed for new developments to be feasible. Some experts perceive construction costs are now showing signs of softening which may help improve the viability of new developments.

Broker sentiment across New Zealand

How is occupier demand for retail premises?



How is the supply of retail premises for lease?



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

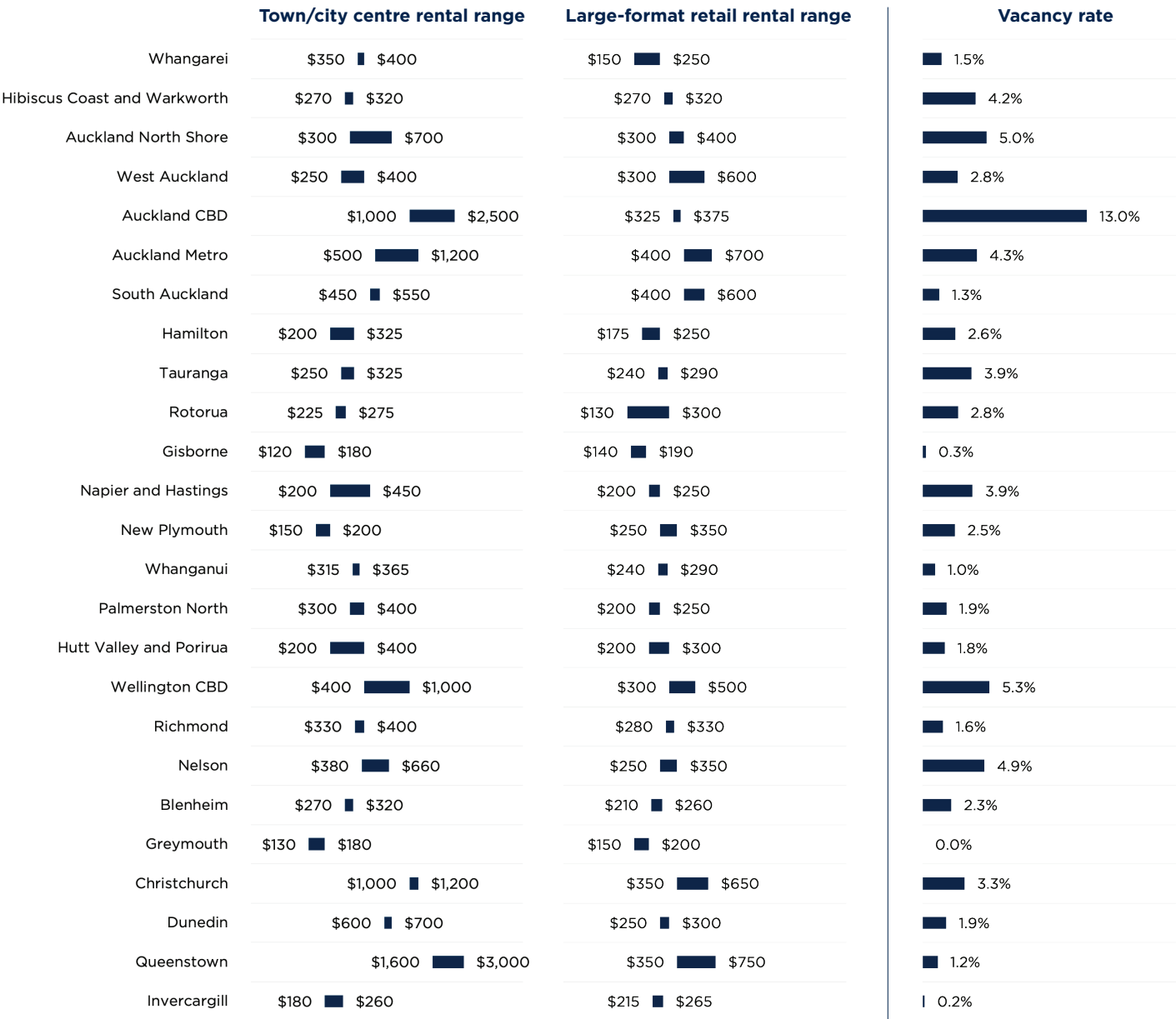
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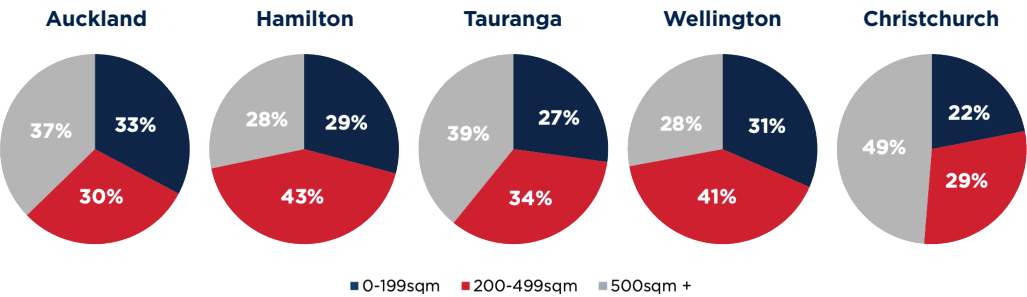


Leasing indicators

Leasing indicators by urban area



Total vacant floor area by vacancy size



Vacancy rate is blended across town centre, large-format and trade retail properties. Vacancies on the main CBD streets are significantly higher in the five major cities.

Vacancy rate: five biggest urban areas



Benchmark properties

We use these benchmark properties for our insights:

Town/city centre retail: Main shopping street. Floor area: 100sqm. Cold shell.

Large-format retail: Good location for large-format retail. 500sqm. Reasonable car parking.

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



4 Bute Road, Browns Bay, Auckland

Floor area 722sqm
Sale price \$3,900,000
Contact Steven Liu, Layne Harwood, Paul Dixon, Michael Nees



65 Greville Road, Pinehill, Auckland

Floor area 426sqm
Tenant Bargain Chemist
Contact Chris Beasleigh, Andrew Bishop



112 Apollo Drive, Albany, Auckland

Floor area 260sqm
Tenant Prime Foods
Contact Ranjan Unka, Chris Beasleigh



1 Kelmarna Avenue, Herne Bay, Auckland

Floor area 1,640sqm
Sale price Confidential
Contact Alan Haydock, Damien Bullick



378-380 Broadway, Newmarket, Auckland

Floor area 320sqm
Tenant Westpac
Contact Tom Patton, Chris Beasleigh



217 Green Lane West, Greenlane, Auckland

Floor area 22,000sqm
Tenant NZEEC
Contact Chris Farhi, Steve Rendall



2-18 West Coast Road, Glen Eden, Auckland

Floor area 7,729sqm
Sale price \$29,000,000
Contact Ryan Johnson, David Bayley, Jason Seymour



47B Waihi Road, Judea, Tauranga

Floor area 689sqm
Sale price \$2,725,000
Contact Brendon Bradley, Mark Walton



67 Jellicoe Street, Te Puke, Bay of Plenty

Floor area 596sqm
Tenant Sub10 Training and Recovery
Contact Brendon Bradley, Lynn Bradley



220 Prebensen Drive, Onekawa, Napier

Floor area 390sqm
Tenant Mercoledi Investments
Contact Kerry Geange



134 Emerson Street, Napier South, Napier

Floor area 102sqm
Tenant Lovisa
Contact Grant Anderson



16-18 Whitemans Road, Upper Hutt, Wellington

Floor area 2,600sqm
Sale price \$7,000,000
Contact Fraser Press, Mark Sherlock



47 Bridge Street, Nelson

Floor area 178sqm
Tenant One NZ
Contact Gill Ireland



20 Buckleys Road, Linwood, Christchurch

Floor area 27,400sqm
Sale price \$44,600,000
Contact Jesse Paenga, William Wallace, Ryan Johnson



24 Beach Street, Queenstown, Otago

Floor area 257sqm
Tenant Rees Pharmacy
Contact John Archibald

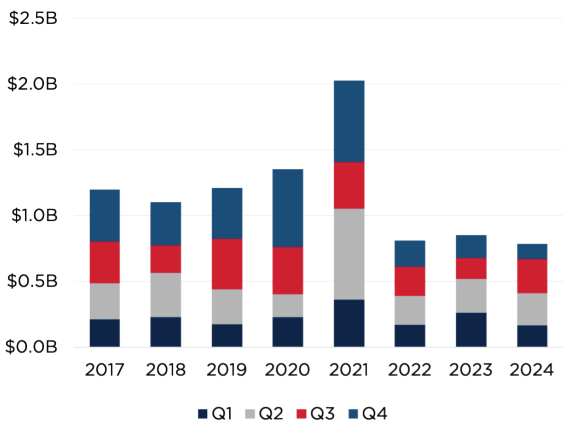
Investment indicators

Typical yields by urban area

	Town/city centre		Large-format	
Whangarei	8.0%	9.0%	7.0%	8.0%
Hibiscus Coast and Warkworth	5.5%	6.5%	6.0%	7.0%
Auckland North Shore	6.0%	7.0%	6.0%	7.0%
West Auckland	6.0%	7.0%	7.0%	8.0%
Auckland CBD	6.0%	7.0%	5.5%	6.5%
Auckland Metro	7.0%	8.0%	6.0%	7.0%
South Auckland	6.0%	7.0%	6.0%	7.0%
Hamilton	6.0%	7.5%	6.5%	8.0%
Tauranga	6.0%	6.5%	6.0%	6.5%
Rotorua	7.5%	8.5%	7.0%	8.0%
Gisborne	8.5%	9.5%	6.3%	7.3%
Napier and Hastings	7.5%	8.5%	7.0%	8.0%
New Plymouth	6.5%	7.5%	6.5%	7.5%
Whanganui	9.0%	10.0%	6.5%	7.5%
Palmerston North	7.0%	8.0%	7.0%	8.0%
Hutt Valley and Porirua	7.5%	8.5%	6.5%	7.5%
Wellington CBD	7.0%	8.0%	6.5%	7.5%
Richmond	6.0%	6.5%	6.5%	7.5%
Nelson	7.5%	8.0%	7.8%	8.8%
Blenheim	7.0%	8.0%	5.0%	6.0%
Greymouth	6.0%	7.0%	6.5%	7.5%
Christchurch	5.5%	6.5%	5.5%	6.5%
Dunedin	6.5%	7.0%	5.5%	6.0%
Queenstown	3.0%	3.8%	5.0%	6.0%
Invercargill	7.5%	8.5%	7.5%	8.5%

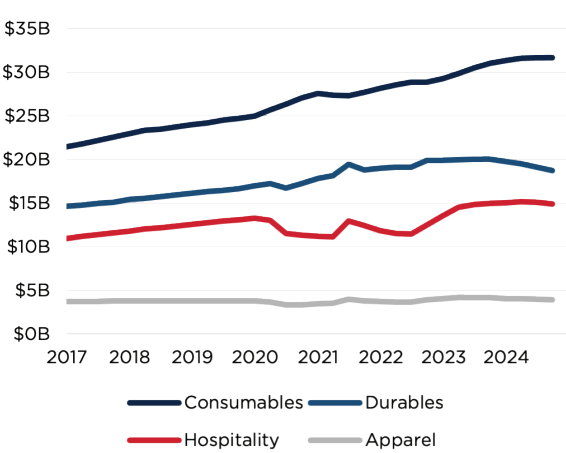
Data: Bayleys Insights & Data

Sales over time: New Zealand



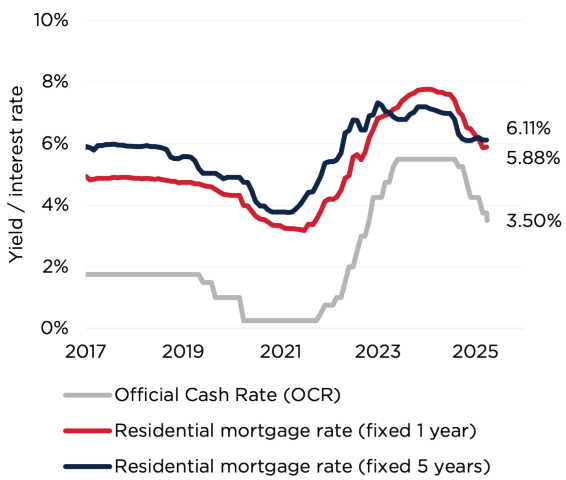
Data: Bayleys analysis of CoreLogic data

Electronic card transactions



Data: Stats NZ

Interest rates



Data: RBNZ

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