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Press Release

Tight at the top: CBRE survey shows limited space in high-quality industrial property

Invercargill

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A new CBRE survey of office and industrial property across Invercargill shows the higher-quality end of the office and industrial markets are close to full, with limited options for businesses looking to relocate or establish a presence in the city.

The survey, which provides a comprehensive review of vacant space in Invercargill commercial & industrial property, reveals that only 1% of total prime office space is sitting vacant, while prime industrial vacancy is almost zero.

Secondary-grade space (older, lower-standard building stock) offers more options for occupiers; especially in the office market, where 9% of secondary office space is vacant.

Invercargill's limited A-grade office stock is largely spoken for and much of it is owner-occupied, said Regan Johns, Valuation Director at CBRE.

"Invercargill City Council and Southland District Council relocating into the CBD have further tightened the availability of top-tier space, while banks, accounting firms and law firms occupy most of the balance. The vacancies we do have are generally concentrated in older C-grade buildings, reflecting moves and footprint reductions by government departments and businesses, as well as earthquake-prone issues in lower building grades."

The past few years have brought more high-quality office stock to Invercargill, notably the eight-level HWR Tower opened in 2023. Two refurbishment projects are also underway, which will introduce additional prime space to the market.

Jorge Chang Urrea, Research Manager at CBRE New Zealand, said the tight availability of prime offices alongside higher vacancy in secondary space is typical of the current market in many centres nationally.

"Following the Covid pandemic, trends in the office occupier market including a flight to quality and downsizing have resulted in very low prime vacancy in many centres around the country. Secondary stock often needs upgrading or seismic remediation before it can compete on the same level and attract tenants."

In the industrial market, CBRE's survey points to extremely low vacancy in the higher-quality grades, with just 0.4% vacant space in prime property.

While secondary industrial vacancy is also fairly low, at 3.5%, there is a little more breathing space for tenants who are willing to consider lower-grade space, particularly in West Invercargill.

Robert Todd, CBRE Valuation Director, said the very low availability of industrial space reflects the region's healthy rural based economy and a flight to quality among industrial occupiers.

"Tenants want efficient loading facilities, better yard circulation and high quality on-site offices, which is pulling demand toward newer builds. As a result, established industrial areas are close to full."

Industrial land supply is tight, with limited releases of land for new industrial estates currently in the pipeline, he said.

"Southland's strong rural sector has seen the Lorneville precinct north of Invercargill evolve into a rural service and trade hub. However land supply in the industrial market in general is limited, with large owners having released very little land for development."

Invercargill's industrial market is primarily focused on servicing the rural sector and other local trade sectors, along with engineering and marine manufacturing.

"The strong local farming sector means there is good demand for well-specified industrial premises, with national and South Island-based rural service businesses competing for space."

There is also limited transactional activity in the local industrial market, with quality assets tightly held. Properties that do come up for sale are generally met with strong demand from local investors, although yields tend to be higher than in the main centres, he added.

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