



**“OCCUPIERS ARE THINKING MORE DEEPLY ABOUT THE OFFICE SPACE THEY NEED AND HOW THAT SPACE REFLECTS THEIR BRAND AND CULTURE.”**

CHRIS FARHI, BAYLEYS' HEAD OF INSIGHTS, DATA AND CONSULTING

Farhi says landlords are proactively incorporating the turn-key suite model into buildings, with astute building owners being very creative about the ways they can offer a point of difference and add value to an occupier's lease, while enhancing their own return on investment.

“Those subtleties play out in the design, fitout, and service offerings meaning there can be a bit more art than science in setting commercial parameters,” says Farhi.

“The convenience factor for tenants is high as they do not need to undertake hard fitout (e.g. building meeting rooms), which given the current supply chain challenges, is definitely a drawcard.”

The market is more than ready for the upper-end of the market office suites that take away the logistical hassles of organising fitouts and that allow for a higher level of amenity for staff than might otherwise be in reach, says Bayleys Auckland senior office leasing broker Polly Markus.

“It means businesses can hit the ground running from the day they move in,” she says.

## FULLY-FITTED OFFICE SUITES IN THE MAIN CENTRES ARE RESONATING WITH BUSINESSES LOOKING FOR EFFICIENCIES, STRONG CORPORATE IMAGE AND ADDED BENEFITS.

AS OFFICE WORKERS GRAVITATE BACK to city centres to work-from-work as opposed to the pandemic-induced work-from-home model, there's one trend that's standing out in the market for the fastest-growing demographic of the New Zealand business economy – small and medium-sized enterprises (SMEs).

It's the “turn-key” private office suite market which is giving occupiers quality office premises in sought-after locations, close to public transport, and with a high level of amenity – both within the building and in the immediate area.

While the “turn-key” phrase may be somewhat redundant thanks to keyless entry systems, the concept of having a move-in ready office is gaining

significant traction in the redefined office market.

The benefits go beyond convenience including no up-front capital expenditure and (usually) flexible easy in/easy out leases.

Chris Farhi, Bayleys' head of insights, data and consulting says turn-key office suites emerged in the market around five years ago, immediately causing a ripple.

“The concept was very novel, and commentators were unsure if the market could justify, or would adopt, the model.

“However, there are already at least a dozen buildings in central Auckland offering these fully-fitted office suites and the market remains hungry for more.”

It's part of the general flight-to-quality that was already advanced prior to the pandemic and while data shows that demand in some parts of the office market is down on two years ago, Farhi says the office suites sector remains strong.

“Occupiers are thinking more deeply about the office space they need and how that space reflects their brand and culture, along with what it demonstrates to their staff and clients, and how it slots into operational budgets,” he says.

“These private offices hit the sweet spot between traditional office offerings requiring tenant investment in fitout and shared coworking facilities that offer fully furnished solutions.

“Traditional offices tend to be offered without fitout or with the remnants of fitout from the prior tenant, with the common areas typically having generic ‘base build’ design rather than stylistic cohesion alongside the tenancies.

“Office suites on the other hand typically have higher grade fitout, cohesive design across the common and exclusive areas, and boast more shared spaces.”

Suites are also distinct from coworking spaces which Farhi acknowledges have become more sophisticated over time.

“However, coworking typically has smaller exclusive-use areas and at the extreme, users simply share desks in an open plan office space.

“There's typically less privacy and less opportunity for the business to have its own identity, but balancing this, coworking facilities may also provide more shared services such as a full concierge or community manager.”







ARE's flagship office tower at 1 Albert Steet, Auckland.

## “A FULLY-FITTED OUT OFFICE SUITE IN A POLISHED AND WELL-LOCATED BUILDING GIVES BUSINESSES THE OPPORTUNITY TO OCCUPY SPACE THAT TRADITIONALLY MAY ONLY HAVE BEEN ACCESSIBLE TO LARGER COMPANIES WITH DEEPER POCKETS.”

POLLY MARKUS, BAYLEYS AUCKLAND  
SENIOR OFFICE LEASING BROKER

limited by a long lease, and if they need to expand, they can often do this within the same building meaning convenience and continuity of business.”

Markus says some landlords offer leasing models that allow occupiers to clip on additional membership options like bar access, or the use of flexi-space when required, providing extra layers of service that smaller office businesses are eager to tap into.

Bayleys Auckland office leasing broker Ben Laing says contemporary office suites are typically 80-350 square metres.

“What we’ve seen recently is landlords taking an office floor, splitting it into several office suites that incorporate one or more internal meeting rooms and a kitchenette, so they are largely self-sufficient.

“In some cases, larger boardrooms might be shared across the floor so the tenants can get cost-efficient access to top facilities that they might not be able to justify alone.

“If you’re comparing actual desk/workstation space – then the cost of the exclusive work area of an office suite is generally higher than for a traditional office, but you’re not doing the fitout, and you additionally have high-quality shared or collaborative space.”

Laing says it appears landlords are becoming more comfortable about upfront investment in furniture, which further elevates the proposition from a tenant’s perspective.

“Changing the sell-in proposition from ‘we will provide furniture if you commit’ to ‘we have provided furniture, and you can view it right now’ is compelling.”

Bayleys’ data across the office market reveals a growing range of price points for office suites – largely dictated by location and level of amenity.

“Originally, we saw these suites focused squarely at the premium end of the market, but now there’s an emerging array of more affordable options,” says Farhi.

“There’s also growing interest from tenants in having simplicity around

pricing proposals so they can get more predictable operating costs to better compare options.”

The fully-fitted office model is yet to take off in the regions, although Bayleys’ leasing teams say with construction challenges, supply chain delays and a desire for office occupiers to “stick to their knitting”, it could be a matter of time before it becomes a logical and practical model in the smaller centres.

“We are observing a flight to quality amongst occupiers across New Zealand and we see high-quality office suites helping to fulfil this need for small and medium-sized businesses,” says Farhi.

### CAPITAL SHOWS APPETITE

Traditionally, the Wellington office market has been typified by large floor plate space, largely occupied by government agencies, but there are new models emerging to suit new ways of working and new segments of the business market.

Bayleys Wellington Commercial leasing broker Matthew Morris says there’s been a noticeable trend for smaller fitted-out suites, particularly post-COVID.

“We’re fielding a lot more calls from business owners looking for office suites that are ready to go, accompanied by flexible lease terms.

“This interest is coming largely from the tech sector, with businesses growing out of their start-up phase and looking for their first serious office.

“Many of these businesses have some sort of financial backing from seed investors or similar and have the ability to pay the premium involved with securing fitted space.”

Morris says most of the fitted office suites he’s placed tenants into in the past 18 months have required only furniture to be added, there are signs that fully turn-key options including desks and storage could do well in the Wellington market.

“There is definitely an opportunity for offerings that provide everything, requiring a tenant to basically bring a briefcase and settle in,” he says.

“Add in flexi-lease options and I think that model will do well as SMEs start to stretch their wings and landlords become more open to dynamic office models.”

### ALBERTS CHANGES THE NARRATIVE

ASX and NZX-listed Auckland CBD office property investment entity Auckland Real Estate (ARE) has a growing portfolio that includes five CBD buildings strategically located near essential transport, retail, and hospitality.

Its flagship property is the iconic building at 1 Albert Street, formerly known as West Plaza.

Enduringly referred to as the city’s best building, the sculptural office tower has

been internally reworked to meet the requirements of today’s business world.

It now features Alberts, an innovative, modern workspace offering that incorporates flexibility and options for the growing SME market.

The model has attracted a broad range of occupiers including – but not limited to – recruitment, real estate, financial, marketing/PR, and insurance business segments.

Alberts leasing manager Kylie Metzener explains that there are three workplace solutions available.

“Alberts Private Suites provide a seamless plug and play solution and are available on flexible, all-inclusive rental terms with no tenant investment required.

“Tenants can upgrade to a modern city location with all fixtures, fittings, furniture and IT in place – they simply walk in and work.

“There’s no downtime involved with moving office and they can reduce their overall office footprint by accessing shared facilities, reception, kitchens and ancillary spaces.”

The Alberts Bespoke option is designed collaboratively to suit tenants’ specific needs.

“The sophisticated workspace is built, furnished and fitted by Alberts with no tenant investment and the all-inclusive rent packages are easy to budget without the capital expenditure,” says Metzener.

The Alberts model also offers traditional tenancies with inherent flexibility.

“This is delivered as an empty space, with the tenant collaborating with Alberts

## “BUSINESSES WANT MORE FLEXIBILITY FROM THEIR SPACES TODAY TO ENABLE THEM TO BE MORE NIMBLE IN THEIR DAY-TO-DAY OPERATION.”

KYLIE METZENER,  
ALBERTS LEASING MANAGER



on the design and build and incorporating a market-based incentive package.”

For a monthly per-person fee, tenants can include membership of Alberts Club which unlocks access to meeting rooms with advanced virtual technology, collaboration areas, private lounges, event spaces, cinema, plus food and beverage outlets.

Metzener says Alberts’ focus is firmly on tenants, with the office options on offer driven by changing tenant demands, such as remote working.

“Many organisations are searching for workspaces that will flex and grow with them as patterns of work continue to change.

“We know businesses want more flexibility from their spaces today to enable them to be more nimble in their day-to-day operation, and to take advantage of increased levels of collaboration between organisations.”

ARE executive chairman Andrew Saunders says repositioning 1 Albert Street as the Alberts flexible workspace model, is all about understanding the target market.

“The high level of adoption by tenants of more flexible workspaces solution is not new, with COVID-19 speeding up an already emerging trend.

“When you see companies like BNZ locally, and Atlassian and Google internationally, moving to versions of hub and node remote working, we as building owners need to respond.

“Unfortunately, many owners are stuck in one mindset so for a forward-thinking, progressive owner such as ARE, this is exciting, and reminds us of the importance of ensuring we remain focused on understanding the needs of the tenant market.”

Saunders says the completion of Alberts Club, a private club for tenants and their guests, delivers a key part of its workplace solution strategy.

“As we continue to develop the portfolio and workspace product at the various properties ARE owns, the brand awareness will increase, and we are confident that tenant acceptance will continue.”