



QB Studios, Parnell, Auckland. Photo credit Sarah Rowlands photography

AS THE RETURN-TO-THE-OFFICE CONTINUES, NEW ZEALAND'S OFFICE MARKET KEEPS FLEXING TO CLOSE THE GAP BETWEEN REVISED WORKPLACE EXPECTATIONS AND SPACE CREDENTIALS.

WITH THE BUSINESS WORLD FINDING a new groove after an agitating couple of years, office-based operators are rethinking their priorities around workspace with flexibility, employee wellbeing and sustainability high on the agenda.

Having re-evaluated the need for large floor plates on long lease terms, many businesses are opting for asset-light

models and choosing flex or coworking space as they reimagine physical office requirements.

In response, landlords and operators are growing their flex space portfolios to meet this demand.

Bayleys has released its 2022 *Coworking+* report which shows that the total flexible office footprint across Auckland, Wellington and Christchurch

sits at 79,203sqm – a 525-percent increase on 2016.

This footprint is spread across 76 facilities, with 54 percent of flexible office spaces located in the CBDs and the balance found on the city fringe or outer suburbs.

There is an identified pipeline of around 19,000sqm of new flex space across Auckland, Wellington and

Christchurch, although some of this work is being deferred given current construction sector challenges.

Head of Bayleys Insights & Data team, Chris Farhi says Auckland's flexible office space growth over the last 12 months was impacted by the extended lockdown in the second half of 2021 but is rebounding as office teams regroup and landlords look to optimise space.

"Meanwhile in Wellington, there's been considerable growth largely due to the entrance of established Auckland-headquartered flexible workspace operator Generator, providing high-spec' office options within flagship city buildings," says Farhi.

"With many inner-city Wellington office towers compromised due to seismic threshold factors, the capital is seeing a wave of smaller government project teams and corporates locating into flexible office spaces to meet immediate, short-term needs.

"Likewise, Auckland-based companies seeking solutions for smaller satellite teams in Wellington are opting for coworking or flexible office space."

Bayleys' analyst Ankur Dakwale says coworking and flex space has become more sophisticated in the seven years it's been researching the sector, as businesses reassess what they require from a physical office.

"The flex space market provides functional workspace with team building and networking opportunities, along with high levels of amenity – without the outgoings and longer lease structures associated with the traditional office market.

"With the rotating of teams also common now within offices, desk numbers and total staff headcount don't necessarily align so occupiers need the ability to scale up or down according to workflows.

"We've also seen more demand for suburban flexible office space driven by hybrid working trends, and companies decentralising parts of their operation to reduce commute times for their staff."

CORNERING PART OF THE MARKET

First opening a purpose-built shared workspace in New Plymouth in 2018, business entrepreneur Adnan Belushi, chief executive officer and founder of workspace solution company Johnson Corner, has launched a new flex space facility within the Highbrook Business Park in East Tāmaki, Auckland.

Partnering with Highbrook's landlord Goodman Property, Belushi says Johnson Corner will set a new standard for how tenants are serviced by landlords, using

"WE ARE COMMITTED TO FURTHER MATURING THE FLEXIBLE WORKSPACE INDUSTRY AROUND NEW ZEALAND."

ADNAN BELUSHI,
CEO AND FOUNDER,
JOHNSON CORNER



IWG's Spaces, Commercial Bay, Auckland



B:HIVE at Smales Farm, Takapuna, Auckland

sophisticated operators under broad-reaching management agreements.

"Our management and service agreement gives Goodman full inclusion and access to the space, while we use our expertise to drive the flex space business in alignment with their asset.

"We see this model becoming increasingly popular with landlords as by utilising the suite of services provided under our management agreement, there are mutually-beneficial revenue-share income splits, with landlords enjoying rent premiums with a minimum 10-percent return on their investment."

Belushi says Johnson Corner taps into new and fast-growing client groups, provides integrated solutions and has the ability to scale meaning landlords can generate more income from their space.

"Taranaki has been an excellent test for us and we anticipate more growth and demand here, so we're exploring new opportunities.

"We are also working with landlords in Hamilton, Tauranga, Wellington,

and Christchurch to create solutions within their assets and are committed to further maturing the flexible workspace industry around New Zealand."

Belushi says partnering with a skilled operator gives landlords valuable insights into what's happening within their building and helps provide tenants with a better level of service – especially with enterprise clients, who could potentially branch out across a landlord owner's portfolio.

Flex office is a fast-moving game and one emerging global trend he's excited about is for workspaces to be set up in residential buildings or housing developments.

"This takes the workplace environment very close to working from home – it's the next evolution and could provide better support and better spaces for workers," he says.

"A good example would be the build-to-rent project by Kiwi Property at Sylvia Park in Auckland."

SCALING TO MEET DEMAND

IWG, the world's leading provider of flexible workspace operating in 3,500 locations across more than 120 countries, has the lion's share of the New Zealand flexible workspace market and is growing in response to businesses taking more of a people-first approach to workplace strategies.

Erika Jury, IWG's New Zealand sales and enterprise manager says its unique portfolio of brands which includes Regus, Spaces and BizDojo is designed to meet every different type of hybrid work need and style whether a multinational company, or a small-scale start-up.

"As hybrid working continues to take root around the world, IWG is looking to expand its global network by a further 1,000 locations in the next 12 months alone across cities, suburbs and rural areas, locating workplaces close to where employees live.

"Our research found that workers are four times more likely to choose an office close to home than a city centre, and only one in five is willing to commute for more than 30 minutes, underlining the irreversible shift in working habits.

"We largely see IWG's network expanding in partnership with local property owners and investors who are looking to diversify and monetise their portfolio, with flex increasingly becoming recognised as an integral, high-demand amenity."

With hybrid working here to stay, Jury says there are benefits for people, profits and the planet.

"Employees working in the hybrid model have a better work-life-recreation balance and reduced commuting costs.

Research by Global Workplace Analytics found that by adopting the hybrid model, businesses can save up to \$17,500 (NZD) per person per year, says Jury.



Precinct's Generator, Britomart, Auckland

"WE ARE A MICROCOSM OF THE NEW ZEALAND ECONOMY, WITH A REAL MIX OF OCCUPIERS ACROSS SECTORS AND INDUSTRIES."

AMY BROWN, HEAD OF BUSINESS DEVELOPMENT, GENERATOR

"Companies operating with the hybrid model instantly need less space, so by downsizing or 'right-sizing' real estate portfolios, companies use space as efficiently and cost-effectively as possible."

GENERATING A RETURN TO THE OFFICE

Flexible workspace provider Generator, owned by listed-property entity Precinct, has been operating across high-profile Auckland facilities since 2011 and now has a flagship presence in Wellington.

Generator's head of business development, Amy Brown says its first

Wellington site, Waring Taylor – in the former Dunbar Sloane building in the city centre – opened in November 2021 and occupancy sits above 90 percent.

"Our Bowen Campus facility will open this spring, and our sales programme is gaining momentum and we anticipate pre-commitment reaching around 50 percent ahead of opening," she says.

"We like to say that we are a microcosm of the New Zealand economy, with a real mix of occupiers across sectors and industries – tech, finance, recruitment and HR, creative and public relations agencies, consulting firms, not-for-profits – and the mix is expanding all the time."

Brown says Generator data shows around 30 percent of their clients are New Zealand corporates, 30 percent are multinational or enterprise clients, 15 percent are SMEs, around 12 percent are start-ups and the remainder described as other.

"The return to the office across Generator's facilities has been encouraging and there is real demand for premium space post-lockdown restrictions.

"We see that as a response to businesses needing to 'earn their team's commute' and offering staff things they can't get at home – professional IT equipment, the ability to connect and collaborate with others, and a space where they can proudly host clients.

The return of face-to-face meetings has seen a surge in demand for meeting and event spaces in both cities as businesses look to collaborate with their teams in person, according to Brown.

"There has also been high demand for hot-desking, and a lower demand than traditionally seen in the small office market for space accommodating less than eight desks.

"In contrast, we have had increased demand for larger spaces – 12 desks and over – and we are continually reimagining our fitouts to meet evolving market requirements."



Johnson Corner, Highbrook Business Park, Auckland