

TURN AND FACE THE STRANGE...

"Changes" - David Bowie

HOW WE WORK, LIVE AND PLAY IS BEING CHALLENGED, WITH FORCED DISRUPTION ACROSS OUR CONSUMER AND BEHAVIOURAL HABITS.

AND JUST LIKE THAT, the world has changed.

The depth and speed of the global COVID-19 onslaught and subsequent fallout has been sobering.

The economy and business as we know it has been blindsided and very few sectors have been immune.

However, while any business that was struggling pre-COVID-19 is unlikely to weather this unprecedented storm, those with more reserves in the tank have come out fighting.

We've witnessed innovation, pivoting business models and a think-on-your-feet approach as the financial ground beneath us shifts and the real estate sector grapples with the inter-relationship of bricks and mortar and human density within this brave new world.

COVID-19 has forced change upon the Bayleys network at every level as we – along with you – navigate the new-normal.

Despite the lockdown hiatus, commercial real estate conditions have continued to evolve towards a lockdown



RYAN JOHNSON,
BAYLEYS' NATIONAL DIRECTOR
COMMERCIAL AND INDUSTRIAL

exit, and in this edition of *Total Property*, we have 153 commercial and industrial properties for the market to ponder.

Life does go on...

I believe Bayleys has the best talent and capability in the market today, with strength, expertise and demonstrated agility across 15 dedicated commercial business lines nationwide and with global insights and connectivity, thanks

to our partnership with Knight Frank in key markets around the world.

Like most of you, our team has been sequestered at home with the kids, the dog, strained WiFi and sub-par coffee – and business has carried on as UNusual.

Throughout lockdown and the successive move down alert levels, we've prepared white papers, finalised real estate deals, formulated requests for proposals, renegotiated leases and mapped out action plans for our clients.

We even settled on an additional business entity to the Bayleys' stable during lockdown, with the acquisition of the market-leading Resort Brokers brand and business which will be absorbed into a new division known as Bayleys Hotels, Tourism & Leisure.

Although New Zealand's largest export – tourism – will experience a period of short-term pain, Bayleys has a strong belief in the sector. Our newly-expanded Hotel, Tourism and Leisure team will provide a nationwide brokerage and valuation offering from Kaitiaki to Bluff.

CRYSTAL BALL GAZING

What shape will New Zealand's economic and business recovery take? With international borders tightly-sealed and restrictions on our daily life, it's anyone's guess at the moment.

COVID-19 has crystallised and exposed fragilities and vulnerabilities. We have to go back to core fundamentals, as every aspect of business life is being stripped back to reveal the raw reality of each entity's revenue and expenses.

As the world's greatest investor Warren Buffett once declared: "It's only when the tide goes out that you learn who's been swimming naked."

The cost of debt is low and going lower, however, it's harder to access so we expect significant repricing across every real estate asset class as evidence on new values comes through from the market.

Real estate is ultimately about people and never more so than now. How we work, live, play – and any combination thereof – is being challenged, with forced disruption across our consumer and behavioural habits.

Pre-COVID-19, two of the undisputed linchpins of our robust economy were migration and employment.

Remember them?

Today, health, safety, technology and well-being is paramount. Expect more emphasis on HVAC systems, voice-activated amenities, more physical space around individuals in a workplace, and greater reliance on technology.

What does a strong tenant covenant look like today? Closed malls and large shopping centres were under pressure before but will now be further impacted by physical distancing and hygiene requirements. Some large anchor tenants will leave, a retail mall heavily-weighted towards apparel will likely succumb to e-commerce, and alternative uses for this asset class will be required.

Perhaps they will emerge as themed destination centres such as a health/well-being/fitness hub, for example. Hospitality operators could repurpose vacant mall space as "ghost kitchen" operations to meet demands for home-delivered food, or well-located malls and shopping centres may be commandeered as last mile delivery/fulfilment centres.

Every high human density real estate sector has been severely impacted with senior living, student accommodation, tourism accommodation, and some office assets strained.

Maybe the build-to-rent sector could repurpose some of these property assets to provide some respite to rental market constraints in Auckland, Tauranga and

Wellington. Depreciation moves have also been well-received by commercial landlords and may assist in the financial viability of the build-to-rent investment model.

A WAY FORWARD

Sale and leaseback has also emerged as a tangible solution to the capital squeeze on some owner-operators. In capitalising their property assets, many businesses will be able to steer ahead with a financial backstop and Bayleys is facilitating a number of these transactions as we speak.

Beacons of light in the commercial and industrial sector during these COVID-19 times include supermarkets and their associated "dark stores", last-mile delivery facilities, hub and spoke depots for timely order fulfilment, self-storage amenities, and cloud kitchens for home-delivered food production.

Information is key and while real estate investors and developers traditionally look to more conventional research avenues for planning purposes, today, it's the futurists and the sociologists who are trying to forecast what the post-pandemic world will look like.

For New Zealand – which has successfully flattened the COVID-19 curve – the local, domestic and trans-Tasman narrative will be imperative in getting the country back on its feet quickly.

So, as this pandemic story continues to unfold, keep talking to us.

We're working in real time with ears to the ground, eyes to the future and hands to the pump.

Altogether united – we're here and ready whenever you need us.

We're all yours, New Zealand.

WHO ARE WE?

Bayleys is New Zealand's largest commercial and industrial real estate agency and is the only significant national real estate business in this sector of the market that is New Zealand owned and operated.

We operate in a family-founded and values based corporate environment that demands integrity, excellence and results. In today's changing world we continue to innovate and focus on strong working relationships to deliver results that exceed our clients' expectations.

Being New Zealand's most active commercial agency means we are able to provide our clients with increased opportunities, options and economies of scale to achieve the best possible outcome and we have the results to back it up.

OUR INDUSTRY RECOGNITION

#1  **RICS**

Industrial Agency Team of the Year NZ 2018

As awarded by the Royal Institute of Chartered Surveyors (RICS) at the 2018 Sales Awards.

Commercial Agency Team of the Year NZ 2017

As awarded by the Royal Institute of Chartered Surveyors (RICS) at the 2017 Sales Awards.

#1  **REINZ**
REAL ESTATE INSTITUTE
OF NEW ZEALAND

Bayleys is proud to have been recognised at the 2019 REINZ Awards for Excellence in Real Estate.

- Large Commercial and Industrial Office of the Year
- Commercial and Industrial Salesperson of the Year
- Small Business Broking Office of the Year

2,300+
SALES AND LEASING
TRANSACTIONS

\$3.6B+
OF PROPERTY SOLD
OR LEASED

229+
COMMERCIAL SALES
AND LEASING AGENTS

*For the period 1st April 2018 - 31st March 2019.