

SOME clarity RETURNS

AS WE ANALYSE TRANSACTIONAL DATA FOR DEALS COMPLETED POST-LOCKDOWN AND LOOK AT ANECDOTAL FEEDBACK, SOME CLARITY AROUND MARKET DYNAMICS IS EMERGING.



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ALMOST FIVE MONTHS ON FROM lockdown, and after many economists revised their initial pessimistic market outlooks concluding that New Zealand's economic situation would be healthier than initially expected, there is now a niggling view being expressed that we could be in for a W-shaped recovery.

No-one wants a double-dip recession but as Government stimulus and subsidy measures are propping up the economy in some quarters in the near term, there will no doubt be challenges when the payouts end.

Beyond this unease, it is heartening to see New Zealand businesses forging ahead to overcome the disruptors and to witness investors actively prepared to back the property sector.

Many components of the commercial and industrial property market are thriving – think logistics, industrial warehousing, large format retail, medical and healthcare-related assets and the supermarket sector.

Bayleys received more than 260 enquiries on the Woolworths New Zealand portfolio – tenanted by Countdown – featured in the last edition of *Total Property*. Interest came from many different buyer groups including private investors, family trusts and institutional investors proving there's no shortage of targeted capital looking for secure income-producing assets within the commercial and industrial property arena right now.

Banks are very willing to lend on the right assets where long lease terms, strong tenant covenants, underlying demographic growth credentials and the quality of the property align.

The retail and office sectors are a bit more exposed currently. With border restrictions effectively shutting off the international tourism market and domestic consumers treading cautiously with their spending, many retail and hospitality operators are finding the going a bit tough.

There are clear indications of an active sub-leasing market evident in the office sector – particularly in Auckland and Wellington, where around 45,000sqm and 20-25,000sqm of office space respectively could be reassigned as occupiers get their heads around more flexible working options and other flies in the ointment.

On the upside, we're seeing the re-emergence of the syndication market as investors chase income along with the security of a hands-off managed investment with scale, in the wake of bottomed-out bank term deposit rates.

It's general election year and a chance for parties to flex their policy muscles. In this edition of *Total Property*, we ask Labour and National representatives for their take on the property sector and how they will address economic growth as we emerge from unsettled times.

Ensuring robust, well-planned and well-implemented infrastructure programmes that allow for growth and consolidation within the commercial and industrial space would seem vital to the future of the wider commercial property sector.

Provincial Growth Fund initiatives such as a new regional intermodal freight hub northeast of Palmerston

North to deal with growing freight volumes in the lower North Island, along with other game-changing projects like an inland port in Hawke's Bay and the new Dunedin Hospital development, are encouraging.

We expect the commercial property market will seek out new channels of growth in coming years to broaden existing stock and cater to evolving business models. We'll be looking to the major political parties to provide clear direction on infrastructural and regulatory planning and implementation that would support this.

The appeal of medical-related property investments is highlighted in another feature editorial in *Total Property* where we talk to leading players in the sector about acquisition trails and opportunities.

Healthcare is a non-discretionary, defensive and increasingly sophisticated asset class that seems likely to continue an upwards trajectory in light of community health sector responses to

COVID-19 and a new appreciation for our medical fraternity.

We also turn the spotlight on women working in the commercial property industry and explore ideas around diversity, inclusion and perception.

These are important conversations to be having and ones which Bayleys at a governance and philosophical level see as vital to a robust, inclusive and above all, more professional industry. Studies from McKinsey of over 1,000 companies found that the 'Diversity Dividend' translated to those companies outperforming their peers by 25 percent and increasing profitability by a further 2.2 percent.

The wheels of property keep turning regardless of market fundamentals and if 2020 has taught us anything – it is to expect the unexpected.

There's never a dull moment, that's for sure, so join us and explore the new property opportunities featured in this edition of *Total Property* – the fifth of seven portfolios scheduled for this momentous year.

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.



Bayleys have developed a true global partnership with Knight Frank, through our acquisition of their local business and their representation globally. This gives our clients access to a globally-connected network spanning 60 markets. Our closest connections are to the Knight Frank Asia Pacific Group with 8,265 people in 154 offices all working collaboratively to find the right buyer for your property.

OUR INDUSTRY RECOGNITION



Agency Team of the Year NZ 2020 & 2017
As awarded by the Royal Institute of Chartered Surveyors (RICS) at the RICS Awards.

Industrial Agency Team of the Year NZ 2018
As awarded by the Royal Institute of Chartered Surveyors (RICS) at the 2018 Sales Awards.



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

2,492
SALES AND LEASING
TRANSACTIONS

\$2.8B
OF PROPERTY SOLD
OR LEASED

230
COMMERCIAL SALES
AND LEASING AGENTS

*For the period 1st April 2019 - 31st March 2020.