

PROPERTY WHEELS KEEP ON TURNING

SOLID RETURNS IN A BUOYANT MARKET,
LEGISLATION TO ENHANCE TAX EFFICIENCIES AND
A CAPITAL INJECTION FOR INFRASTRUCTURE.

WE'RE NEARLY HALF WAY through the year and, as the country rebounds from the turbulence that 2020 dished up, commercial and industrial property continues on its winning trajectory.

The latest MSCI/Property Council of New Zealand figures for the quarter ending March 2021 show "all property returns" for commercial and industrial property sitting at a rolling average of 15.9 percent – a creditable result when pitched against residential property returns and current bank term deposit rates.

Of the primary sectors, industrial shines at 21.8 percent, followed by office at 13 percent and retail at 10.4 percent.

Drilling down into the retail sector, its bulk retail that was the strongest performer. Large format retailers like The Warehouse, Briscoe Group and major supermarket chains have reported strong trading figures and an uptick in online consumer buying



"THE STRENGTH OF NEW ZEALAND'S COMMERCIAL AND INDUSTRIAL PROPERTY MARKET IN A GLOBAL CONTEXT IS ALSO SIGNIFICANT – WE RANK SECOND ON THE MSCI "ALL PROPERTY TOTAL RETURNS" INDEX FOR 2020."

RYAN JOHNSON,
NATIONAL DIRECTOR COMMERCIAL
AND INDUSTRIAL

patterns in the wake of the pandemic and this has underpinned the robust returns for property in that sub-sector of the market.

The office sector has rebounded after subdued quarters in the first half of 2020, as stronger investor confidence underscores the value equation.

The 15-year long-run income return averages still put industrial property at the top of the pecking order and industrial also leads for capital growth.

The strength of New Zealand's commercial and industrial property market in a global context is also significant – we rank second behind Norway on the MSCI "all property total returns" index for 2020, while our trans-Tasman neighbours, Australia, are in 21st place.

A change in legislation relating to depreciation of commercial and industrial property assets above \$1 million, is set to come

into force on 1st July, 2021.

The ability of owners to claim tax deductions for building depreciation was removed in 2010, but is being reinstated, bringing us back into line with other OECD countries.

This further enhances the appeal of commercial and industrial property as an investment vehicle by improving its tax efficiencies.

Not only can commercial and industrial property investors deduct mortgage interest costs against their income – unlike residential investors – now they can once again depreciate buildings, fixtures and fittings to give additional tax advantages.

At the time of transaction, vendors and purchasers must allocate the same values to depreciable property, so it's important for all parties to seek advice and to understand the tax implications ahead of sale.

Although there was little acknowledgement of the business sector in the latest budget round,

the \$57.3 billion commitment to infrastructure spending between 2021 to 2025, gives some confidence to the wider commercial and industrial sector.

As the country looks to grow the economy, anything that improves the infrastructure is to be applauded. The Government has allocated \$300 million to accelerate investment in low-carbon technology and \$3.9 billion goes to infrastructure projects, including \$1.3 billion for rail.

Investors and developers may have been hoping for some green lights and support for the build-to-rent sector, which could help bolster long-term accommodation options for New Zealanders, but nothing was forthcoming.

Editorially in this edition of *Total Property*, we turn the spotlight on the Nelson-Tasman region with a look at the drivers influencing the commercial and industrial sector; delve into large format retail and the reasons it's performing so well as an asset class, and investigate why cold storage is hot property in today's market.

Along with insightful commentary on the sector, there are 70 new property opportunities for sale around the country.

Total Property shows that the wheels of the commercial and industrial property bus just keep on turning – so thanks for coming along for the ride.

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

#1  **RICS**

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.

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

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

- Large Commercial and Industrial Office of the Year (2018-2020)
- Commercial and Industrial Salesperson of the Year (2018-2019)
- Small Business Broking Office of the Year (2019)
- Best Multi-Media Marketing Campaign of the Year (2018 & 2020)

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.