

# NEW ZEALAND PROPERTY IN ITS OWN

# bubble

## NEW ZEALAND COMMERCIAL AND INDUSTRIAL PROPERTY BATS ABOVE ITS WEIGHT AS AN INVESTMENT ASSET CLASS NATIONALLY, AND AGAINST ITS GLOBAL PEERS.

IF THERE WAS A PROPERTY OLYMPICS, New Zealand would be a hands-down winner in many events.

New analysis from Property Council New Zealand shows property is officially New Zealand's largest industry, making a direct contribution to GDP of \$41.2 billion, or 15 percent of total GDP.

Meanwhile the latest MSCI data ranks New Zealand second in the world, behind Norway, for total commercial property returns over the past 12 months.

Our property market continues to operate in its own bubble and, against peers like Australia, the USA, UK and Canada, New Zealand is a standout high achiever with the commercial property sector returning 15.9 percent as an annualised return in the 12 months to March 2021.

New Zealand-based investors have benefited from closed borders, and have been quick to acquire property nationally. Domestic buyers – including syndicators and listed entities –



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RYAN JOHNSON,  
NATIONAL DIRECTOR COMMERCIAL  
AND INDUSTRIAL

concluded 82 percent of transactions above \$20 million in the past financial year, substantially above pre-COVID levels of circa-53 percent.

As the largest participant in the arena, the syndication market is now raising more capital than ever and at tighter returns. Syndicators' market share has grown by 19 percent since COVID – allowing retail “mum and dad” investors greater access to institutional-grade commercial real estate.

The unprecedented wave of equity we've seen enter the commercial and industrial sector since Quarter 3 2020, has also contributed to observed strong capital growth.

With stockpiles of “dry powder” – from the listed sector, term deposit withdrawals, offshore ultra-high-net-worth investors, Kiwisaver funds and closed-end private equity funds – waiting to fire into the New Zealand market, asset values look set to be supported well into the latter part of 2021 and early 2022.

Bulk retail and industrial property have battled it out for supremacy on the returns points table across the country – and while it's a close-fought race, both subsectors are underpinned by changing consumer patterns.

The non-discretionary nature of the bulk retail segment spotlighted during pandemic times, quietly nudged industrial property returns into second place – just – but Kiwis' love affair with online shopping means the industrial sector has been resilient.

NZ Post data shows online sales accounted for 11 percent of all shopping done nationwide in 2020 and, with more than 9,000 new eCommerce stores opening in New Zealand last year, urban logistics and last mile delivery operators seem well-positioned to leverage consumer dynamics well into the future.

Let's not overlook the office sector – core assets with strong covenants and WALTs within the office market are still a mainstay in portfolio allocations, and total returns in the sector have held largely consistent with long-term trends.

Looking at the evolving office market on the back of workplace trends and new normals, a recent Bayleys occupier survey asked the question of office

occupiers: "Considering your business operations and space requirements, what are you looking to do in the next 12 months?"

It found 57 percent of respondents said they would stick with the status quo, 30 percent would increase their floor area and just 13 percent said they would decrease floor area.

This sentiment highlights both business confidence and the important role physical office space plays in fostering culture and collaboration for companies in the face of hybrid and flex-working models.

The big story of investor intention post-COVID has been the focus on secure income and since 2020, properties with long WALTs have made up 40 percent of transactions above \$20 million, totalling \$1.7 billion.

This edition of *Total Property* features 73 commercial and industrial property opportunities for sale around New Zealand, along with insights into the current market from industry operators.

We look at the growth of West Auckland and the push-pull of property forces there; we home in on the industrial sector focusing on urban logistics and eCommerce drivers, and discuss how the offsite construction sector is positioned to move into the mainstream.

Now almost two-thirds of the way through the year, commercial and industrial property continues to perform credibly on the national and international stage so if your portfolio needs a realignment or a boost, talk to us.

## 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** 

**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** 

**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)

**2,550**  
SALES AND LEASING  
TRANSACTIONS

**\$3.6B**  
OF PROPERTY SOLD  
OR LEASED

**230**  
COMMERCIAL SALES  
AND LEASING AGENTS

\*For the period 1st April 2020 - 31st March 2021.