

Reset WITH Optimism

Commercial Bay, Auckland

WITH SIX MONTHS OF THE YEAR BEHIND US, AND SOME OBSTACLES STILL EXPECTED AHEAD, THERE ARE SIGNS OF OPTIMISM IN THE COMMERCIAL AND INDUSTRIAL REAL ESTATE SPACE.



RYAN JOHNSON,
BAYLEYS' NATIONAL DIRECTOR
COMMERCIAL AND INDUSTRIAL

AS I WRITE THIS, NEW ZEALAND has been forced to reset the pandemic elimination clock as the long tail of the virus rudely caught up with us, just when we thought we were headed for the all-clear.

Hot on the heels of this bit of news came confirmation that New Zealand's gross domestic product fell 1.6 per cent in the March 2020 quarter – the biggest drop in 29 years.

While a second wave of the virus was always a possibility and naturally, economic indicators were always going to slump thanks to global and domestic disruption, it's kind of a kick in the teeth, right?

But the country needs to navigate the Level One environment with optimism while positioning itself for recovery and opportunity in the months and years to come.

We're in this weird kind of artificial reality right now where interest rates and the cost of debt are low, yet we're all tending to just deal with the month in front of us.

Every day the Bayleys' team is talking to clients and traversing the new environment with owners and occupiers as they reassess leases, look to sell non-core properties, seek to reposition their assets or consider reweighting asset portfolios.

As a full-service, high-volume transactional company operating across 15 dedicated business lines, Bayleys is witnessing real-time activity from all parts of the real estate market.

As is our global partner, Knight Frank. They're analysing real estate data from around the world as it comes to hand and its recent Asia Pacific bulletin delves deep into trends and findings for this wider region.

End-of-May Asia Pacific data shows that all markets across the real estate sectors have started to see a return of activity with some common themes emerging.

General observations include: the e-commerce related logistics sector remaining buoyant and barely skipping a beat, tenant needs/demands across the sector spectrum being addressed with rental decreases and incentives, some realignment of space required for office workers and ongoing conversations about how to price potential tenancy risk into a real estate investment transaction.

Knight Frank reports an upswing in sale and leaseback deals to release capital and we explore this topic in more depth elsewhere in this edition of *Total Property*.

There's little evidence as yet of repricing in the Asia Pacific market, and while attitudes towards investment risk are currently under the spotlight with a heightened appetite for security, the flight to quality and well-leased prime assets is expected to continue.

This is expected to drive much of the activity in the investment market with prime stock once again rising to the top. Investors will be prioritising quality buildings with demonstrated strong lease covenants, properties with robust health,

well-being and sustainability credentials, and proven premium locations underpinned by viable and resilient transport networks.

A real estate asset's true worth always comes back to income and owners are having to be really proactive in shoring up leases, keeping open and transparent lines of communication with tenants, being attentive to those tenants and understanding their business needs in the quest to protect incomes for landlords and business owners.

Meanwhile, the recent opening of the flagship Commercial Bay precinct at the harbour end of Queen Street in Auckland was a monumental milestone for its creators, Precinct Properties and it's given a much-needed boost of positivity to the city.

As part of a comprehensive mixed-use redevelopment of a preeminent CBD site, the three-level retail precinct with global premium brands, diverse food and beverage offerings and quality boutique retail opened to a warm welcome and

great fanfare – in the midst of a world-wide pandemic.

While that latter scenario was never factored into Precinct's initial grand plans, the meticulous attention to detail at all stages of the project ensured that regardless of external forces, they never lost sight of the finishing line – despite hurdles along the way.

This is underscored by the raft of business owners who had the confidence and support to be part of a world-class development – even in these uncertain times. Hats off to everyone involved.

Elsewhere in this edition of *Total Property*, we explore the dynamics at play in the Waikato where some major projects are set to give Hamilton and the wider region, a big hoist up.

Hang on in there New Zealand. There is light at the end of the COVID tunnel and if our teams can help you in any way to move things forward and provide some market context, please get in touch.

The only way is up...

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.