

MARKET disruptors

THE PANDEMIC'S LONG TAIL CONTINUES TO IMPACT BUSINESS AND MARKET DYNAMICS – BUT BRICKS AND MORTAR PROPERTY HAS BEEN ALMOST BULLET-PROOF.



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WITH “DISRUPTION” THE OVERRIDING theme of the last 18 months, an ability to pivot and flex is starting to become second nature – despite pandemic fatigue setting in.

In the commercial and industrial property market, disruptors have

accelerated change in some instances, halted it in others and created a frenzy of buying activity that – after taking the industry by surprise last year – has flowed on throughout 2021.

The acceleration of digital disruption and the way it has changed how we work, spend, and socialise cannot be ignored.

While not without its downsides, the application of biometric face recognition and other smart tech’ has expanded exponentially around the world and the touchless sensing market is going to weave its way into daily Kiwi life for sure with promises of security, and personal safety/health.

The rise and rise of video conferencing has changed the way we connect with family, clients, colleagues and service providers, while automation and other technological advances in the industrial sector are streamlining ecommerce fulfilment chains.

COVID has escalated these trends and shaved years off expected uptake across multiple asset classes, demographics and service sectors.

Frustratingly, not all disruptors have a positive spinoff.

The ongoing fragmentation of global supply chains is really putting the screws on the construction sector with delays, price hikes and material shortages creating havoc for development and building companies – and end-occupiers.

The nationwide surge in industrial building consents is tempered by this short-circuiting on the supply side and by escalating land values seen around the country – and most markedly, in Auckland.

Industrial land values rose 22 percent in the year to June 2021 and until we see some rezoning for additional industrial usage, those pressure-cooker scenarios will remain.

With the cry for more housing echoing around New Zealand, there’s competition for available land – particularly on the prized city fringe where micro-fulfilment centres and last-mile logistics operators are keen to position themselves.

However, residential will always win that contest with multi-level living generally proven to be the best-and-highest use.

As a result, when new industrial property stock does hit the market, as indeed with any commercial new-build, rental rates will have to be cranked up to reflect the additional costs incurred along the way.

Talking of dollars, as *Total Property* went to print, the cost of debt was around one percent higher than it was a year ago, so the interest rate cycle lows have exited, and off the back of a 30-year high CPI result of 4.9 percent, we also saw the biggest moves in the past decade in our swap curves.

Based on drivers and indicators, we can expect this increase in the cost of debt to flow into 2022 which will inevitably lead to repricing across all subsets of the real estate sector, and

will see a reset in decisions around balance sheets and recycling capital.

There is still significant pent-up demand from capital looking for real estate assets and the depth and breadth of the domestic market has been eye-opening.

Bayleys Research shows 88 percent of the firm’s real estate transactions over \$20 million were generated within New Zealand, but rest assured, once borders loosen up, the off-shore capital that has been itching to transact will be back, and actively hunting.

In this final edition of *Total Property* for the year, Bayleys’ business line leaders give their take on the road forward in 2022 and conclude that we will remain in a state of flux for some time yet, although there are some positive markers.

We scan in to Hawke’s Bay and look at what’s driving that real estate market, and also explore the upper North Island’s Golden Triangle dynamics, speaking with some of the powerhouse zone’s big players.

There are 121 new commercial and industrial property opportunities showcased for sale nationwide and we’re expecting spirited interest in the lead-up to the end-of-year break.

Thank you for your ongoing support of Bayleys’ *Total Property* as we’ve navigated another monumental year – and a reminder that regardless of the state of the nation, we’re always on high alert in the commercial and industrial real estate space.

Have a great summer and here’s to some freedoms heading our way.

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 REINZ Awards for Excellence in Real Estate.

- Large Commercial and Industrial Office of the Year (2018-2021)
- 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.