

STRUCTURAL SHIFTS

WE'RE SEEING ORGANIC CHANGES AT A STRUCTURAL LEVEL IN THE COMMERCIAL AND INDUSTRIAL MARKET.



RYAN JOHNSON,
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YES, WE WANT TO MOVE ON FROM COVID-19 however, the second wave in New Zealand and elsewhere around the world is only serving to highlight the tricky nature of the pandemic beast and the trail of change it leaves in its wake.

New Zealand's economic recovery is going to take some time, yet the property market across most sectors continues to defy the gloomy forecasts made when the first lockdowns struck.

Considering we are knee deep in a global health crisis, property across the commercial and industrial sectors is holding up pretty well.

The hunt for income is undiminished and we are seeing activity levels well above what we could have expected given that there are still uncertainties around jobs and business profitability in some quarters.

The cost of debt in New Zealand is eye-wateringly low and banks are happy to fund quality, well-located property with stable tenants and preferably, long-weighted average lease terms.

On the flip side, those with money in the bank are getting historically-low returns on term deposits which is sparking some new opportunities.

Investore Property, one of New Zealand's most active listed retail property landlords, is offering \$125 million of retail bonds with a 2.4 percent per annum interest rate and a seven-year term.

Less than two years ago, similar offerings boasted minimum returns of around double that.

In this penultimate edition of *Total Property* for 2020, three themes are explored in the commentary – how

the America's Cup challenge has transformed the look and feel of the wider Viaduct Harbour precinct, the state of the country's retail sector, and how trends in the suburban office market have been accelerated.

In around six months' time, the 36th America's Cup will be contested in Auckland, hopefully providing a boost to the economy.

The once-gritty working waterfront is now a world-class mixed-use precinct that has seen national and international corporates move their CBD bases westwards to join the forward-thinking precinct.

When an event that commands a global audience descends on a city, the infrastructure must be robust, welcoming and connected – and the Wynyard Quarter is a flag-flying example of that.

While America's Cup dollars will be welcomed here, the growing "click frenzy" of online shopping has definitively changed the retail landscape as we know it – forever.

The consumer appetite for e-commerce options across most parts

of the retail spectrum and the way these portals are interfaced with physical retail space, is having a profound impact on the retail sector.

In response, the demand for logistics facilities is burgeoning as businesses look to future-proof supply chains.

Post-COVID, large format retail seems to be well-insulated while smaller more-niche businesses have had to be Darwinian – it really is survival of the fittest today.

The "support local" mantra is seeing a swing back to neighbourhood shopping which is good for landlords and owner-operators with commercial property in suburban communities.

This focus on the suburbs is also prevalent in the office sector, as corporates swivel to adaptable core + flex models to meet their office space requirements in a changing world.

Corporate occupiers had been exploring more flexible ways of working for some time, and the recent

forced work-from-home situation has consolidated new workplace strategies for many.

However, ultimately, our fundamental social nature, a need to nurture talent and the desire for connection will preserve demand for physical office space.

Looking outwards, New Zealand is well-positioned to emerge from this health crisis with core investment credentials intact.

Returning ex-pats and high net worth individuals are eyeing up business going-concerns, core property, and other opportunities with fresh perspective and we're seeing the magnetic pull of a stable political environment, a well-managed health response and a relaxed lifestyle.

The phrase "never waste a good crisis" has never been more appropriate than now and the Bayleys commercial and industrial team is busier than ever.

Opportunity lies between the covers of *Total Property* and it's there for the taking...

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.