



MARKET SPEED BUMPS

THE ROAD AHEAD MAY HAVE POTHOLES TO NAVIGATE, BUT IT'S ALL ABOUT SWERVING TO MITIGATE RISKS.



RYAN JOHNSON,
NATIONAL DIRECTOR COMMERCIAL
AND INDUSTRIAL

VOLATILITY IS THE NOUN OF THE year in global property circles, with nearly every driver having been chewed up and spat out, with assaults from every market angle.

The world is in flux – economically, geopolitically, and socially – as a global pandemic meets head-on with war, recessionary indicators, climate change impacts and broad uncertainty.

There's change happening on every front and with the slowing economy in China, and economists in Australia, Europe and the US saying recession is inevitable – it would be arrogant to think that New Zealand could be immune to any fallout.

In the commercial and industrial property market, the brakes have come on hard – and fast.

There's a significant disconnect between valuations and the market, offshore cautiousness has largely halted transactions above \$15 million, interest rate hikes have been aggressive and sales volumes have plummeted.

In many ways, this comes as no real surprise given the bullish nature of the property market with record volumes and values realised from mid-2020 until the start of this financial year.

We've been prepping our clients for a market downturn for some time now, as to some extent, New Zealand has been the canary in the global coal mine fiscally.

Our central bank was one of the first in the world to target inflation and price stability with interest rate rises.

Back in February, the cost of debt for commercial investors was hovering

around four percent. That's now leapt to 7.5-eight percent (if they can secure lending) and when you add in a margin of risk, you're looking at yields, if geared, of around eight-10 percent.

While institutional investors are expected to sit on their hands while downside volatility settles, the weakening New Zealand dollar against other major currencies is creating opportunities for overseas buyers to look for property here.

Real estate is traditionally a good hedge to inflation, but all owners of commercial property will be monitoring bottom lines carefully as we head into 2023.

Given occupier demand and strong market fundamentals, the industrial, logistics and large-format retail sectors will be able to leverage income as an inflationary buffer while we'd expect some returns friction in other sectors.

One thing is very clear – investors and property owners need to partner with people who can guide them through the current muddled waters with some confidence.

Bayleys has weathered property highs and lows for almost half a century, and this year we've appointed some superbly-qualified key people to further enhance our service offering.

Attracting such talent is an endorsement of Bayleys' client base and professional alliances, and the depth and breadth of our reputable brand and culture.

As New Zealand's largest full-service real estate agency, our clients can use the collective strength of Bayleys to help mitigate risks and optimise returns.

Whether that's through valuation advice, lease negotiations, building consultancy, or leveraging our global real estate partnership with Knight Frank, and the findings from our insights and data team – we'll tough it out with you.

In this edition of *Total Property*, we bring you 122 new property

opportunities around the country and right across the commercial and industrial market segments.

In our insights pieces, our core business line leaders discuss the highs and lows of 2022; we look at the rise of serviced apartments in the commercial accommodation sector with major players on the acquisition path; and explore global capital markets with an analysis of the economic and geopolitical forces at play.

This edition brings *Total Property* to a close for the year – but we're already looking ahead to 2023, when we'll mark Bayleys' 50th anniversary.

We've ridden out tough cycles before and we'll do it again – so partner with us for the ride (and try and avoid the worst of the potholes...)

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 51 markets. Our closest connections are to the Knight Frank Asia Pacific Group with 9,625 people in 146 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 (2018-2022)
- Medium Agency of the Year - All Disciplines (2022)
- 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)

2,968
SALES AND LEASING
TRANSACTIONS

\$5.28B
OF PROPERTY SOLD
OR LEASED

240
COMMERCIAL SALES
AND LEASING AGENTS

*For the period 1st April 2021 - 31st March 2022.