

THE NUMBERS TELL THE STORY

ANECDOTALLY, AND TRANSACTIONALLY, THE COMMERCIAL AND INDUSTRIAL PROPERTY MARKET IS STRIDING AHEAD AROUND THE COUNTRY, BUT WHAT LIES BEHIND THE FIGURES?

THE ARRIVAL IN THE COUNTRY of the first doses of coronavirus vaccine hopefully signals a turning of the pandemic tide with the loosening of border restrictions, and a kickstart to those parts of the economy that have been in a holding pattern that's unsustainable for too much longer.

Statistics, percentages, alert levels, case counts – we've all been dialled into the significance and relevance of the numbers and it has told the global story of how a virus agitated life and business as we knew it.

On the commercial and industrial property stage, the numbers have been important, too – it's what we read into these and how we try and forecast for the year ahead that's the tricky bit.

We all knew that the unprecedented disruption would be reflected in the sales and values transactional data and the wider economic framework – but there have been some revelations when crunching the figures.



“ON A RISK-ADJUSTED BASIS, ALL ASSET CLASSES ARE GOING THROUGH A RE-RATING ANALYSIS.”

RYAN JOHNSON,
BAYLEYS' NATIONAL DIRECTOR
COMMERCIAL AND INDUSTRIAL

Data Insight reporting shows that commercial and industrial property sales across New Zealand in 2020 fell 15.8 percent on 2019 transaction numbers. To what extent was this a direct result of constrained conditions due to the pandemic? Or did it reflect a tightening of supply already underway before 2020 threw its curve ball?

The movement in US 10-year bond rates, a key global benchmark, saw a sharp spike from a low of 0.48 percent to 1.89 percent in just three months from November 2020 and that's pretty significant, as all asset classes are measured against this. Subsequently, on a risk-adjusted basis, all asset classes are going through a re-rating analysis.

In December 2020, the spread between cost of debt and yield was the largest gap seen in 25 years – at 5.31 percent against the long-run average since 1995 of 2.93 percent.

Bank term deposit outflows in New Zealand since August 2019, hit \$21.7

billion according to the Reserve Bank and that money is desperately seeking a viable return on investment.

As a result, there has been an appreciable surge in attention for commercial and industrial property opportunities, both in the main centres and regionally.

And with record yields being seen in the prime industrial market – hitting 3.75 percent in a recent Auckland transaction and with Wellington yields hot on these heels, it begs the question – is the market peaking?

No-one likes to make that call and the correlations between cap rates, bond yields and real estate values are moving targets, but the numbers are telling a compelling story...

While it is widely accepted that the New Zealand economy has fared better than first predicted under pandemic conditions, with a heated housing market and encouragingly-low unemployment figures buffering us against recessionary red flags, economists are warning that seasonally-adjusted data could soon show that the economy is slowing – or perhaps even going backwards.

Certain parts of the business economy have rallied in the wake

of the pandemic, while others like hospitality and tourism-related businesses have borne the brunt of the lockdown chronicles.

In the property sector, there is an emerging trend gaining attention. Globally, the build-to-rent sector (BTR) is one of the fastest-growing investment asset classes and it's attracting increasing attention in New Zealand with partnerships starting to address long-term rental stock to meet a growing demand.

Property Council New Zealand recently presented a paper to parliament on the BTR sector, lobbying for the provision of quality, professionally-managed long-term rental alternatives to home ownership for New Zealanders.

It wants to unlock projects with scale within the BTR sector in New Zealand, which lags behind global best-practice in this standalone asset class. So, expect to hear more of this as the year unfolds.

Back to the numbers – this edition of *Total Property* presents 85 fresh commercial and industrial opportunities for your close inspection.

It also turns a spotlight on Wellington and some of the property narratives playing out there, gives an update on shadow space in the Auckland office market, and drills down into why physical office space will survive and thrive despite changing work models.

Bayleys has the numbers to strengthen your investment options – so get in touch to see how it could stack up for you.

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 (2018-2020)
- 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)

2,492
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.