



## WHILE THERE'S NO GLOSSING OVER THE FACT THAT THE CITY HAS CHALLENGES AHEAD – LARGELY INFRASTRUCTURAL – THE TIME-WORN “ABSOLUTELY POSITIVELY WELLINGTON” REFRAIN IS STILL LOUD AND STRONG IN THE COMMERCIAL PROPERTY SECTOR.

SIGNIFICANT PRIVATE INVESTMENT, the stability of government occupiers, a push for more inner city residential accommodation and the geographical squeeze on CBD land, are all driving the commercial and industrial property sector in Wellington.

Framed and constrained by hills and water, the capital's city centre continues to evolve – albeit with the usual niggles that a major city faces as it flexes and grows.

Commentators are quick to home in on council tensions, new library options, discord over traffic through Lambton Quay, the broader Let's Get Wellington Moving Again mantra, and – is the city really still the coolest little capital?

However, even with these issues and the pandemic's throttle on the active CBD workforce, Fraser Press, a director with Bayleys Wellington Commercial, said CBD property sales volumes and values haven't skipped a beat. Leasing activity is buoyant and heavyweight private and listed developers are proceeding with multi-million dollar projects region-wide.

“Yes, there are some hurdles, but there's a lot of collaboration going on with private and public entities in the central city,” he said.

“The new convention centre – Tākina – is under construction near the waterfront and set to open in mid-2023, and secondary grade office stock is morphing into functional and affordable inner city residential accommodation.

“New development pipelines are triggering a flight-to-quality for large corporates who want high levels of amenity and superior seismic thresholds, and we're seeing some interesting stuff happening in the suburbs, too.”

Bayleys' retail sales and leasing specialist Jim Wana, said there hasn't been a lot of vacancy occurring across the city's key retail precincts and, aside from news that department store David Jones is exiting the Wellington market, and some real pressure on some parts of the hospitality sector, retail is pretty much business as usual.

“Despite the continuing rise of e-commerce globally, and the escalation of online platforms for established New Zealand businesses, there's still proven demand for physical retail space.

## “THERE'S A LOT OF COLLABORATION GOING ON WITH PRIVATE AND PUBLIC ENTITIES IN THE CENTRAL CITY.”

FRASER PRESS, DIRECTOR  
BAYLEYS WELLINGTON  
COMMERCIAL

“The major developments underway and planned in the near future for the CBD, all have a retail component at street level which creates more opportunity for smaller operators to secure space near active and growing population bases.”

Meanwhile, as Lambton Quay fronts its challenges, and continues to seek national and international brands to cement its shopping appeal, the eclectic Cuba-Manners-Willis street precinct is thriving, as independent retailers relish the

opportunity to do their own thing in the company of like-minded entrepreneurs.

Press said the biggest surprise to come out of COVID-riddled 2020 was the resilience of the industrial sector which has attracted feverish attention from both seasoned and emerging investors.

“Sub-five-percent yields are commonplace now – Auckland's industrial market trends have finally turned up here,” he said.

“And when, during lockdown, the former Imperial Tobacco site in Petone was put on the market, we collectively held our breath – before receiving a startling 15 tenders.

“Within eight weeks, we had then launched Imperial Park, a light industrial business park, with 70 units selling down in a matter of weeks – we just could not have predicted that.”

Latest figures show the Wellington economy created more job opportunities than any other region around the country in the year to December 2020, largely due to more jobs being created in healthcare and the public sector as part of the pandemic response.

### STRONG CITY BONDS

Willis Bond, the development company behind large-scale commercial and mixed-use projects across Auckland and Wellington, continues to be proactively involved in the capital.

They've ticked off recent developments like 100 Cuba Street and the PwC Centre and have two more premium base-isolated projects on the go now – the Victoria Lane project, and the Site 9 building – its seventh major development on Wellington's waterfront.

## “MOST BUSINESSES HAVE INDICATED THAT WHILE REMOTE WORKING SERVES A USEFUL PURPOSE, THEIR TEAMS ULTIMATELY WANT TO WORK TOGETHER MOST OF THE TIME.”

DAVID MCGUINNESS,  
DIRECTOR WILLIS BOND

David McGuinness, director Willis Bond, said these latest projects are “progressing at a rate of knots”.

“We are well into the piling at Site 9 and the steel diagrid structure at the Victoria Lane site is pretty impressive.

“We're working towards a completion date of late-2022 for Victoria Lane and mid-2022 for Site 9 – where Bell Gully is onboard as anchor tenant – and we are now seeking tenants for other large-format, flexible office floors across both projects.

“We also have another residential offering near the central city coming to the market early-2022.”

McGuinness said COVID-19 saw businesses re-evaluate workplace strategies and requirements and this has expedited some trends that were already happening in the market.

“Most businesses have indicated that while remote working serves a useful purpose, their teams ultimately want to work together most of the time.



Artist's impression: Willis Bond's Victoria Lane project.



“This means office environments will evolve, with greater emphasis on staff amenities and encouraging social interaction.”

“As well as government, every week we meet strong, growing businesses committed to the Wellington CBD.

“We remain positive about the commercial market, but aware that demands around workplace resilience, flexibility and design are changing rapidly, which presents a great opportunity.”

McGuinness said innovation, seismic integrity and sustainability are important for the city.

“Post-Kaikoura earthquake, we’ve incorporated base-isolation and low-damage design philosophies into our Wellington projects and recently worked with Greater Wellington Regional Council to support its commitment to reducing emissions by providing electric vehicle charging facilities at its new Cuba Street building via the Thundergrid management service.”

Willis Bond is also working on a resilient suburban satellite business campus at the former AgResearch site in Wallaceville, around 30 kilometres from the CBD, with occupation expected from late-2022 onwards.

“Blue Mountains Campus in Upper Hutt is an exciting regional project supported by both the Upper Hutt Council and central government and will deliver a new green and resilient commercial centre for the region,” said McGuinness.

“We’ve got strong interest from a state-owned enterprise and good interest from retail operators, which will ensure there is a strong on-site amenity for tenants.”

### CBD ENERGY

After more than 20 years in the Wellington property development arena, Craig Stewart of Stratum Management still champions the CBD and continues to add to its fabric.

In the Victoria/Dixon Street precinct, he’s spearheaded multiple apartment developments, selling down hundreds of residences. The latest in a long line, Pinnacle, is a sold-out 180-unit complex which will be completed shortly.

He then has plans for a site in Thorndon and several others in the inner city.

All of these residential projects have commercial/retail usage at street level to service the occupants of the apartments and workers in the city.

“You need that convenience factor – a hairdresser, a laundromat, a café, a corner store – it’s what makes living in the city easy, creates vibrancy and it’s a win-win for the retailer and the residents.”

Stewart said the evolving cross-section of people living in the inner city contributes to its energy.



Artist's impression: Stratum Management's 180-unit Pinnacle complex.

## “DEVELOPMENT LEVIES AND COMPLIANCE COSTS ARE ESCALATING WHICH ADDS SIGNIFICANTLY TO THE UPFRONT OUTGOINGS FOR PRIVATE DEVELOPERS LIKE US WHO CARRY ALL THE RISK.”

CRAIG STEWART, DEVELOPER,  
STRATUM MANAGEMENT

“While appreciating that ‘affordable’ means different things to different people, we invest heavily in a pipeline of good quality entry-level housing that fills a gap in the current market,” he said.

“Central government talks a lot about the provision of affordable city housing, but I’m at the coalface every day and there’re no handouts.

“Development levies and compliance costs are escalating which adds significantly to the upfront outgoings for private developers like us who carry all the risk.”

Extending his sphere of influence, Stewart – with fellow developer, Richard Burrell – bought the 2.25 hectare former Imperial Tobacco site in Petone mid-2020. Stewart will initiate some high-density residential housing on the site,

while Burrell has already sold down the bulk of a proposed business park.

### BUILD-TO-RENT

Private developer Alex Cassels is a proponent of the build-to-rent model which, globally, is one of the fastest-growing real estate asset classes.

He’s working on several inner city projects, converting some of the CBD’s tired office stock to residential accommodation with commercial premises on the ground floor.

Designed to provide housing for long-term renters, with security of tenure and rents linked to the CPI for financial certainty, Cassels has partnered with Wellington City Council to provide hundreds of affordable rental apartments for a growing CBD working population.

At 195 Willis Street, the council has signed a 15-year lease agreement for 52 apartments in the former Freemasons House building and Cassels said plans are underway for similar council partnerships at 203 Willis Street, 53 Boulcott Street, and another location.

Cassels said the strategic migrating of dated commercial office buildings into the residential market makes sound economic and social sense.

“In recent years, we’ve acquired many well-positioned CBD office buildings that were structurally-sound and didn’t require massive amounts of remedial work with the aim of conversion to accommodation,” he said.

“Construction costs are high, and we aren’t looking to significantly alter the buildings’ integrity.

“Innovation is well and good, but with long lead times and some market uncertainties, we’ve focused on doing the basics well and giving these former office blocks a new life.”

Acknowledging that the city does have some challenges around infrastructure, Cassels said it’s vital that Wellington be soundly and purposefully-managed over the next 10-20 years.

“We all want a well-run city that presents a professional and cohesive face so that people want to live here.”

Cassels is also invested and committed to other development projects in the CBD including social housing collaborations and a boutique hotel in Ghuznee Street.

### SYDNEY EFFECT

Originally from Wellington and now based in Sydney, Stephen Sutorius, and his development company Thames Pacific, are behind Wellington’s largest inner city residential development “The Paddington” which is well out of the ground on a 7,500 square metre site in Te Aro that formerly housed Capital City Motors’ car yard.

The \$130 million project includes 152 low-rise freehold terraced houses with a thematic nod to Sydney’s iconic Paddington terraces, and many being marketed as live-work opportunities.

Sutorius was confident the development would meet the market and he’s been proven correct, with only a handful still for sale.

## “THE LIVE-WORK TERRACES HAVE BEEN POPULAR WITH INVESTORS WHO HAVE MITIGATED INVESTMENT RISK BY HAVING A RESIDENTIAL INCOME STREAM AND COMMERCIAL INCOME.”

STEPHEN SUTORIUS, DEVELOPER,  
THAMES PACIFIC

“We had been researching different markets and when we bought the site, Wellington was at an early stage in the development cycle with prices rising and pent up demand,” he said.

“Wellington locals – and the city itself – have plenty of character and hence new housing should offer the same.

“The live-work terraces have been popular with investors who have mitigated investment risk by having a residential income stream and commercial income, as well as with owner-occupiers who run small-format businesses with a ground level presence.

“These live-work terraces sold out early in the project, with only three now remaining in our final developers’ release, priced from \$918,000.”

Sutorius said more than half of the project will be complete and handed over later this year, with the final terraces settling early 2022.

Thames Pacific has a Wellington development pipeline in excess of \$380 million, primarily large-scale, well-located inner city residential developments with commercial components. It will launch another Te Aro project later this year, and has also entered the suburban industrial market with a business park in Seaview, Lower Hutt.

### THE SPACE RACE

Meanwhile, it is documented that the value of NZX-listed Precinct Properties’ buildings in Wellington rose in the June 2020 financial year from \$705.7 million to \$747.7 million.

Focusing on premium office space with basement car parking and ground floor retail/service offerings in strategic inner city locations, Precinct is currently working on the second stage of its Bowen Campus near parliament. It is constructing two, 5-Green Star-rated buildings at 40 and 44 Bowen Street to add around 21,000sqm of office space to the city’s pool at a cost of more than \$190 million.

This adds to the first stage which saw Precinct develop the Charles Fergusson building, leased to the Ministry for Primary Industries, and Defence House, formerly The Bowen State building, leased to the New Zealand Defence Force.

Precinct remains confident that the capital’s CBD office market will endure, underpinned by long-term tenants such as Crown departments and national/international corporates.



Artist's impression: Thames Pacific's terraced-housing development The Paddington.