

LET'S LOOK FOR SILVER

LININGS

STRUCTURAL CHANGE IS EVIDENT IN THE COMMERCIAL AND INDUSTRIAL MARKET AS SUPPLY-DEMAND FUNDAMENTALS AND A WAVE OF CASH LOOKING FOR BRICKS AND MORTAR ASSETS, CONTINUE TO DRIVE ACTIVITY AND VALUES.

THE CHALLENGE THIS YEAR will be to firmly draw a line under 2020 and accept that pandemic-fuelled limitations will be with us all for some time to come.

Along with the vaccine rollout, other national and global forces will influence our trading dynamics, economic well-being, business activity and investment fundamentals.

Our Government has election promises to fulfil around infrastructure, housing and employment stimulus; New Zealand has just signed an upgraded free trade agreement with China which should provide impetus for primary sector exporters, and low interest rates continue – for now.

Overseas, the new US Biden administration is yet to consolidate its stance on foreign policy and trade, and the tricky virus is keeping huge parts of the global economy in limbo.

In New Zealand, the commercial and industrial property doors have been flung



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RYAN JOHNSON,
BAYLEYS’ NATIONAL DIRECTOR
COMMERCIAL AND INDUSTRIAL

wide open with almost feverish activity being observed for quality stock – it’s a long time since we’ve seen so much cash hovering in the market ready to pounce on an opportunity.

Fiscal stimulus packages, historically-low interest rates and term deposit outflows have created unrivalled demand for income-generating assets – with downsizing baby boomers being a notable segment of the market continuing to seek return-on-investment for the equity they’re releasing.

Commercial property is coming up trumps with MSCI figures from Q3 2020 showing that total returns – income and capital growth – across the commercial, retail and industrial sectors sat at 8.2 percent.

The top end of the market is attracting significant enquiry and translating into weighty results. From August to December 2020, Bayleys transacted 18 \$20 million-plus deals worth around \$620 million.

Two of these transactions – a large format retail offering and a medical/healthcare asset – had yields of 3.75 percent, which showcased one of the most rapid periods of cap’ rate compression yields seen over a quarterly period.

Industrial continues to drive the market as a standout defensive asset class; we expect to see more clarity in the office sector soon as occupiers consolidate plans around space requirements, location and future needs – while retail/hospitality is a mixed bag.

Interpreting MSCI returns for the retail property sector, could see well located retail properties with non-discretionary anchors be the asset class offering counter-cyclical opportunity – food for thought.

Savvy investors are pursuing property opportunities in asset classes that mesh with some of the structural demographic and sociographic changes evident in the post-COVID market.

Think assets associated with an ageing population, e-commerce/logistics and supply chain premises, tech and data centres and the emerging Build-to-Rent sector where the government’s new stance on urban

intensification and home affordability will likely attract significant private development capital.

Meanwhile, the syndication market is offering investors the opportunity to access what would otherwise be institutional-grade assets with regular returns above market averages and bank deposit rates.

Augusta recently launched its largest ever single asset property investment opportunity – the Visy Glass property in one of Auckland’s leading industrial precincts, Penrose.

The 8.57ha industrial complex has a triple net 20-year lease (with built-in rental growth and renewals to 2091) to Visy Glass Operations (NZ) Limited, part of the Visy Group, one of the world’s largest paper, packaging and recycling companies.

It’s an example of a quality industrial asset that is now accessible to many,

thanks to the \$50,000 minimum investment requirement.

In this edition of *Total Property*, we deep dive into the cost of debt, with leading industry commentators speculating on where the OCR will end up and the implications for the broader commercial and industrial property market.

It’s a decade since game-changing seismic events rocked Christchurch to its core and we check in with the city to gauge its progress and see how the CBD has rebounded, and we ask the experts how New Zealand businesses can strengthen their position with the banks when seeking finance to grow or support their operation.

Having transacted over \$2.5 billion in sales during 2020, Bayleys is heading into 2021 encouraged by the activity and momentum being seen across our nationwide network – so if anything in *Total Property* resonates with you and you’d like us on your side, get in touch.

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.