

MIND THE Gap

THERE'S A SHIFT IN DYNAMICS HAPPENING ACROSS THE COMMERCIAL AND INDUSTRIAL MARKET – SO WILL THE EARLY BIRD CATCH THE WORM?



RYAN JOHNSON,
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IN THE COMMERCIAL AND INDUSTRIAL market, we are seeing lower transaction volumes than witnessed in the wake of the 2008 global financial crisis – which is not unexpected given the economic forces currently at play.

Nationally, the total value of commercial property assets over \$5 million sold in the first half of 2022 is down 76 percent on the same period last year, while the number of sales has halved.

While in themselves the numbers are not that surprising given the economic climate and upward pressure on interest rates, the sheer drop is quite sobering and looking back over industry data for the past 20 years, I can't find a six-month period where there was a more startling dive.

It's thrown into sharp relief when you consider that the volume and value

figures in 2021 were at a record high, surpassing the previous highest volume in 2007.

However, when you factor some of the biggest increases in wholesale funding costs into the mix, and the speed at which the cost of debt has escalated, market readjustment was inevitable.

While stock levels are roughly the same as this time last year, and values have softened across all sectors, there are encouraging signs that the ground beneath us could be changing again and while it's a big call – I think we're seeing early signs of more certainty for the coming six months, as to what the new landscape will look like.

Construction costs have shown tentative signs of starting to come down, fuel prices have eased back from their eye-watering highs, container costs are coming down off their all-time peaks,

residential construction intentions have slowed freeing up the workforce for building in other sectors, and there are indications that inflation and the cost of debt are peaking.

There is also more certainty in the lending environment now, with banks having de-risked their books, while on the ground, we're noticing the bid-ask gap closing as sellers and buyers adjust to market realities.

Expect to see a lot more action on the commercial and industrial property front in the last third of the year as traditionally, September-December is when a large proportion of annual deals happen.

The progression of the calendar year tends to force vendors' hands and for many, the decision to sell has already been made so the next phase is – are the buyers willing to transact, and at what level.

At the upper end of the market, offshore and institutional investors are very subdued with many listed entities trading at significant discounts to net tangible assets.

But, the inertia we're seeing from investors can't last forever and there will be opportunity galore in the market.

Those who transact in the coming four-six months will likely have the opportunity to acquire assets that they simply could not have acquired for the same price in the last five years, as a five-10-percent discount seems to be priced into core assets.

Back in 2009-2011 as the market recalibrated post-GFC, some amazing opportunities were snapped up and given that the market is not as leveraged as it was back then, I believe the change cycle will be much faster this time around.

In this edition of *Total Property* we present 76 commercial and industrial property opportunities for sale around the country, and feature topical industry insights and commentary.

The National Policy Statement for

Urban Development (NPS-UD) offers potential for significant higher-density housing and associated amenity in key centres and we discuss the challenges and possibilities.

Having established the networking and mentorship group Bayleys Commercial Real Estate Women (BCREW) in recognition of the increased numbers of women working throughout our commercial and industrial business, we talk to some of the movers and shakers about their property careers.

And, as office workspace requirements continue to evolve, Bayleys' *Coworking+* insights report confirms the rise of non-traditional office space and operational models, so we spoke to some leading operators for their take on the flex space market.

Plenty to mull over – and, as always, we're in it for the long haul so let's talk soon.

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

#1 RICS

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.

#1 REINZ
REAL ESTATE INSTITUTE
OF NEW ZEALAND

Bayleys is proud to have been recognised at the REINZ Awards for Excellence in Real Estate.

- Large Commercial and Industrial Office of the Year (2018-2021)
- 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.