

# RISK MANAGEMENT

## COMMERCIAL AND INDUSTRIAL PROPERTY DOES NOT EXIST IN A VACUUM AND MANAGING RISK IS TOP OF MIND ACROSS THE SECTOR.



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AND INDUSTRIAL

WHERE TO START? IT'S BEEN A WILD ride across multiple parts of the country and there's just a lot happening in New Zealand as we go to print.

Many of Bayleys' staff and clients have been directly affected by recent catastrophic weather events and it's surreal to see the swathe of destruction unleashed on our communities.

The fragility of New Zealand's infrastructure has been exposed with implications for livelihoods, assets and insurance, while our domestic food

supply chain will be severely disrupted as decisions are made around future feasibility or safety.

The country already had a significant infrastructural investment deficit and now, eye-watering figures are being bandied about for remediation and future-proofing in affected regions.

Managing risk will be a priority as Hawke's Bay, Gisborne, Coromandel, Northland, Nelson/Marlborough and parts of Auckland regroup, rebuild and rise again and other regions will be on close watch, acutely aware that nature is a fickle beast.

Risk equations are also heightened in the commercial and industrial property sector, as referenced in this edition of *Total Property*.

Industry leaders discuss the growing importance of environmental, social and governance (ESG) factors, asset obsolescence and the escalating implications of climate change.

There's a real need to look at building assets more holistically today, as no

structure exists in isolation and a whole-of-life approach needs to be applied.

The relevance of secondary or aging stock is being called into question as ESG, seismic and weather events challenge building integrity and as the occupier market questions resilience, location and suitability in an ever-more sophisticated workplace world.

First-tier lenders are looking to ensure their lending books are at the pointy end of the quality spectrum, and conversations around debt may get uncomfortable for some.

There are quantifiable benefits of working with a full-service agency like Bayleys that has eyes and ears across all market segments, in all parts of the country, and with international context via our global partnership with Knight Frank.

There are solutions to most property challenges and now – more than ever – it's important to engage across the board to explore all possibilities and potential outcomes.

Bayleys' building consultancy team provides advice around building conditions, ESG, workplace design, occupier and investor trends and works in tandem with our insights team and broker network to really delve into the SWOT matrix to logically – and logistically – work through options.

If I can just focus on a few positives in the commercial and industrial sector for a minute, the rebound of immigration and return of tourism to support "NZ Inc." along with workers returning to the CBDs is supporting sustained rental growth for prime real estate assets across office, industrial and retail segments.

Latest MSCI data from December 2022 highlights that income is propping up total returns – with 6.9 percent per annum income return for retail, 5.3 percent for office and 4.1 percent for industrial – and signalling that this will strengthen further.

For building owners, rental growth is negating softening cap rates and given market fundamentals and megatrends, we could comfortably assume that this rental growth could continue.

Yes, inflation and cost of debt are hovering over all of us but when even the economists can't agree on how far inflation will rise, or when and how

quickly it will fall – we just have to accept that the economy is sticky.

Arguably, New Zealand's financial conditions are the tightest they've been since around 2009 and with the central bank engineering a policy-induced recession – it's understandable that markets and the population are rattled.

As the RBNZ continues to figure out how much the economy needs to be slowed to get where it wants to be fiscally, and attempts to stifle consumer behaviour – strong wage growth and job security have seen spending hold up better than business confidence.

Sharon Zollner, chief economist for ANZ recently described the economy as "climbing a hill not hitting a wall" and I guess that's the approach we all need to take as New Zealand deals with disaster relief, implications of recession, cost of

debt and growth post-pandemic.

In this edition of *Total Property*, we present 70 new commercial and industrial property opportunities for your consideration, and along with ESG discussions, we have commentary on freight hubs and inland ports, and workplace trends.

As witnessed across Aotearoa in recent months as people have mobilised to offer help and support, "altogether better" is a mantra that applies broadly, as well as binding the Bayleys team to a common goal to maximise the value of your real estate assets.

Action and reaction, change and opportunity, highs and lows – it's all happening in New Zealand currently and if commercial and industrial property is on your agenda, please get in touch for a frank and informed discussion.

## 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.