



# Out with the old, in with the new

*After more than two years in the trenches of economic despondency, there's some reprieve in sight.*



**RYAN JOHNSON**  
BAYLEYS NATIONAL DIRECTOR  
COMMERCIAL AND INDUSTRIAL

With the launch of this edition of *Total Property*, we're witnessing the tail end of the current property cycle mingling with green shoots of the emerging one. Listings are up, there's more significant stock in the market, and deal numbers are rising.

Expect to see more aggressive movement in the commercial property sector between now and Christmas because fundamentals are changing and there are many buyers poised to get a jump on the market.

The value of different asset classes points to a resurgence in commercial real estate investment given the sector's hedge against capital preservation and income.

Volumes of term deposits are the highest on record now, but

indications are that term deposit rates could be back to 3.5 percent before too long which changes the return equation significantly – especially when benchmarked against cap rates of around seven percent.

The all-in cost of debt is changing and commercial property is starting to make more sense on a risk-return basis. We're seeing a yield gap emerging and expect it to widen in the next three to six months, and there's a large number of investor buyers with strong balance sheets circling for commercial property opportunities having prepared for the exact scenario we're seeing now.

The two-year swap rate hit a multi-year low recently, and to what extent – and when – the Reserve Bank will truly ease monetary policy, is the talk of the town.

The market is demonstrably pricing in cuts based on the Reserve Bank's more dovish signals, and there's more confidence in the commercial investment sales market as a direct result.

We expect to see cap rates peaking in coming months, then we'll have a strong steer on where that all-in cost of debt will settle. Well-capitalised buyers are looking to get the best of all worlds and being smart. They're

bridging real estate cycles by pricing in cuts and negotiating extended settlement timeframes, along with other mechanisms, to optimise the debt market advantages that Q1 2025 promises.

Globally, our real estate partner Knight Frank is noting the living sector is the most targeted asset class as investors seek stability and resilience from the defensive characteristics of student housing, co-living projects, multi-family properties, and senior living facilities.

While developers offshore are right sizing the living sector pipeline to reflect demand and investment credentials, New Zealand may have untapped opportunity. This is driven by the rebound of international tertiary student numbers and a subsequent shortage of purpose-built accommodation in Auckland, plus the changing demands within the residential housing sector off the back of migration numbers and an ageing population.

There is, however, evidence of some distress in the medium-density development sphere with some high-profile entities folding or under

scrutiny, and a number of projects left in limbo.

We're also noting some stress among occupiers faced with the perfect storm of high outgoings, reduced consumer spend and a sluggish economy. Evidence of the traction and cut-through Bayleys has in the landlord and occupier market can be found in our latest *Industrial Workplace* leasing portfolio which has a record 220 opportunities for consideration – with a rise in sub-lease space a notable trend.

Bayleys can offer tangible client value through our market-leading intel and connections into national and global networks. There's been an upswell in interest for what our Insights team is offering via its high-level transactional analysis and forecasting, while our sales and

leasing teams are highly engaged with owners, buyers and occupiers as we distil down market dynamics and apply this to individual circumstances.

In this edition of *Total Property*, we bring you 70 new opportunities for sale, showcase some recent transactions, and provide market-relevant commentary. We look into office sector dynamics here and in the APAC region, check in with key property industry leaders to see how they're building sustainability into projects and long-term business models, and ask the next generation of property professionals why they chose real estate as a career.

We're across the market doing deals every day, and there are encouraging signs that 2024 could end on a higher note than it started so let us optimise your opportunities as the next real estate cycle gets underway.

## 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.

**Knight Frank** 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

**#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 (2018-2022)
- Medium Agency of the Year - All Disciplines (2022-2023)
- 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)

**2,772**  
**SALES AND LEASING TRANSACTIONS**

**\$3B**  
**OF PROPERTY SOLD OR LEASED**

**238**  
**COMMERCIAL SALES AND LEASING AGENTS**

\*For the period 1st April 2023 – 31st March 2024.