



Climate change - take action

Finally! With spring in the air, green shoots are starting to appear all over Auckland's commercial property market. My little phone is chirping once more and it's entirely possible that my predicting the CRE market's bottom last quarter may prove to be prophetic. So, all sunshine, lollipops and rainbows from now on, right?

Not so fast! Despite the exuberant confidence expressed by New Zealand's business leaders (ANZ Business Outlook, August), there is some way to go yet before we reach that alluring light at the end of the tunnel. Most sectors are still doing it tough and those small, incremental gains off a low base will take time to fully translate into anything we would recognise as robust, sustainable growth. And fundamentally, it is strong economic growth (or the lack thereof) that drives commercial property prices.

The tough market conditions notwithstanding, our Auckland Metropolitan Markets team had a stellar quarter, underpinned by the sales of two Newmarket office buildings as well as a mix of CBD and Fringe add-value properties. Most of the sales were completed by optimistic deal makers, who were able to look



Alan Haydock
Senior Director
Auckland Metropolitan Markets

through the bottom of the cycle and anticipate a lower interest environment. Hats off to the hard-working Metro team members who persevered during those challenging winter months!

What then might the future hold? The only thing I can say with any confidence is that there is a high degree of uncertainty out there. Evidently, RBNZ are more bearish on New Zealand's short-term economic prospects than many of our sanguine business leaders. Hence, despite the buoyancy of our non-tradable inflation (especially cost of services), RBNZ have decided to bring out the big shearers. And they may well be right to worry. While our sluggish economy is generally expected to plod along over the next few months (aka "soft landing"), when one looks at our GDP growth per capita over the last few years a much gloomier picture emerges. Many of us are getting poorer!

The record number of migrants that flooded in after we lifted the iron-curtain in 2022 caused New Zealand's GDP per capita to plummet. However, over the past 12 months net migration has begun 'normalising', though largely because more than 80,000 Kiwis decided to leave. While non-NZ citizen arrivals were also down, India continued to top our net gain by country league (with nearly 34,000) – more than twice the net migration coming in from China (year ending August 2024). Such a large influx of people may seem exceptional, but it's not. Rapid demographic change is a world-wide phenomenon, which can have significant impact on commercial property through gradual shifts in national culture, preferences and working practices. Thus, it is something investors need to be cognisant of when making portfolio decisions. ▶

On a brighter note, New Zealand's economic growth is widely expected to shift gears in 2025 as private consumption starts to accelerate and that exuberant business confidence finally translates into investment. This positive outlook is further bolstered by RBNZ signalling their intent to give the OCR a regular haircut. Hurrah! What could possibly go wrong? Well, as always, there are a few external risks that investors need to factor in. Most significantly, two of our top three trading partners, namely China and the US, expect their GDP growth to slow next year (OECD, Sep 2024), which could dent our export revenues; on the credit side of the ledger, contagion emanating from the conflicts in the Middle East and Eastern Europe could increase the cost of imported goods; and intensifying national protectionism, particularly within the US, India and China, could disrupt the global economic recovery. And there is always Donald Trump...

All considered, is now a good time to invest? As I outlined in my last newsletter, the 'omens' point to the market being near the bottom of the cycle. Over the past couple of years, as our economy weakened, Auckland's commercial property prices also softened (as expected). And conversely, when the OCR began to fall and banks decided not to be completely averse to lending, there was an immediate shift in market energy. Interestingly, rents have held up remarkably well through the downturn and although vacancies are trending up slightly, we see a solid tenant demand for good quality office space. Many companies seem to have abandoned their COVID-fuelled WFH policies and are ordering their staff back in the office (with some flexibility maintained for work-life-balance). Vive le bureau! Hence, the fundamental value drivers remain strong.

To sum up then, I believe there is a window of opportunity right now, for investors who are willing to take a calculated risk, before the property market is back in full swing. But, beware of what you're buying: the chasm between low-grade and high-quality spaces is growing wider fast. As business tenants, their staff and many property investors become more discerning, the value of the latter will continue to erode. Hence, if upgrading your outdated office building to the new, green standard is not for you, then now is not a bad time to consider selling. Conversely, if you are an experienced developer, there should be some great add-value opportunities coming up.

This is an exciting time in the market, one we may not see again for another decade. Please contact me or a member of the Metro team for the latest market intel and to discuss how you might take advantage of these unique market conditions.

CASE STUDY SALE



Newmarket 25 Teed Street

Property Details

Address: 25 Teed Street, Newmarket
Lettable area: 3,993sqm (approximately) plus 79 car parks
Land area: 2,028sqm (more or less)
Tenure: Fee simple
Zoning: Business - Metropolitan Centre
Occupancy: 50% leased with multiple tenants

Sales Details

Method: Off Market
Sale price: \$23,150,000 + GST (if any)
Yield: 8.0% on notional fully rented income
Purchaser: Add-value investor
Agents: Alan Haydock, Damien Bullick, and Paul Dixon
Summary: Sold to a Wellington add-value investor in an off market campaign

Recent sales and leases completed by the Auckland Metro team



SOLD

Newmarket

25 Teed Street

Sale price	\$23,150,000 + GST (if any)
Yield	8.0% on notional rental
Method	Off Market
Purchaser	Add-value investor
Agents	Alan Haydock, Damien Bullick and Paul Dixon



SOLD

Auckland Central

256-260 Queen Street

Sale price	\$9,000,000 + GST (if any)
Land rate	\$10,192/sqm
Method	Tender
Purchaser	Developer
Agents	Layne Harwood, Ian Hall, and Alan Haydock



SOLD

Eden Terrace

9-13 Exmouth Street

Sale price	Confidential
Land area	1,332sqm
Method	Tender
Purchaser	Add-value investor
Agent	James Were



SOLD

Grey Lynn

12-14 Pollen Street

Sale price	\$3,900,000 + GST (if any)
Land rate	\$5,320/sqm
Method	Off Market
Purchaser	Land banker
Agents	Alan Haydock and Damien Bullick



SOLD

Mount Eden

371 Dominion Road

Sale price	\$3,200,000 + GST (if any)
Yield	5.70%
Method	Auction
Purchaser	Investor
Agent	Mike Adams



SOLD

Auckland Central

139-143 Victoria Street West

Sale price	\$3,000,000 + GST (if any)
Building rate	\$3,333/sqm
Method	Tender
Purchaser	Investor
Agents	Jill Downie and Damien Bullick



SOLD

Waipu

48 South Road

Sale price	\$2,800,000 + GST (if any)
Land rate	\$60/sqm
Method	Tender
Purchaser	Confidential
Agent	Mike Adams



SOLD

Epsom

24 Mountain Road

Sale price	\$2,200,000 + GST (if any)
Land rate	\$3,038/sqm
Method	Tender
Purchaser	Residential developer
Agents	Tommy Zhang and Phil Haydock



SOLD

Onehunga

Unit G2, 158 Onehunga Mall

Sale price	\$1,685,000 + GST (if any)
Yield	0.07%
Method	Post Auction
Purchaser	Passive investor
Agents	James Were and Phil Haydock

Recent sales and leases completed by the Auckland Metro team



Auckland Central
27 Edinburgh Street

Sale price Confidential
Floor area 398sqm
Method Tender
Purchaser Add-value investor
Agents Mike Adams and James Were



Kingsland
341 New North Road

Sale price \$1,270,000 incl GST
Land rate \$3,413/sqm
Method Private Treaty
Purchaser Confidential
Agents James Were, Phil Haydock and Paul Dixon



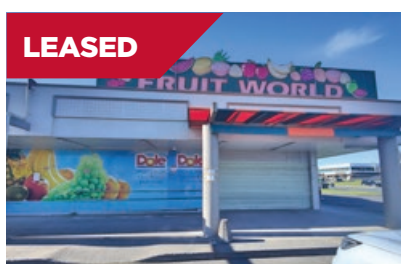
Morningside
1 Duncan Maclean Link

Sale price \$1,230,000 + GST (if any)
Yield 4.48%
Method Deadline Private Treaty
Purchaser Investor
Agents James Were and Phil Haydock



Onehunga
Unit G1, 158 Onehunga Mall

Sale price \$1,050,000 + GST (if any)
Yield 7.62%
Method Auction
Purchaser Passive investor
Agents James Were and Phil Haydock



Burswood
Unit 2, 290 Ti Rakau Drive

Net rental \$130,000pa + GST
Floor area 590sqm
Car parks 48
Agent Ken Hu



Auckland Central
Unit R1, 432 Queen Street

Net rental \$55,000pa + GST
Floor area 51sqm
Car parks 1
Agent Ken Hu



Ponsonby
303 Ponsonby Road

Net rental \$50,000pa + GST
Floor area 70sqm
Car parks N/A
Agent Ken Hu



Penrose
Tenancy 1, 555 Great South Road

Net rental \$47,998.38pa + GST
Floor area 381sqm
Car parks 4
Agent Ken Hu



Pakuranga
Shop 4, 497 Pakuranga Road

Net rental \$40,000pa + GST
Floor area 96sqm
Car parks N/A
Agent Ken Hu

The Auckland Metropolitan Markets Team

The Bayleys Auckland Metro team has an unrivalled track record amongst all agencies in the Auckland CBD and City Fringe.

Together, this vastly experienced team has completed numerous transactions across a variety of asset classes, including investment property, add value assets, development land and mixed use opportunities.

The team brings over 200 years combined experience in the commercial real estate industry and have been involved in over \$5 billion of sales and leasing transactions in the last 10 years.



Alan Haydock

Senior Director and Senior CRE Broker

BSc. (Chemistry, Mathematics) Dip Tchg.
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A market-leading CRE sales agent at Bayleys for more than two decades, Alan has completed transactions worth over one billion dollars. He is an exceptional negotiator, and creative deal maker and has a passion for servicing his loyal client base. Alan leads the dedicated Auckland Metropolitan Markets team of agents with expertise in all facets of the Auckland CRE market.



Layne Harwood

Director and Senior CRE Broker

+64 278 060 868 | layne.harwood@bayleys.co.nz

Layne joined Bayleys in 2018 after having the previous role of owner and Managing Director of Knight Frank New Zealand for 8 years. With strong relationships, Layne's primary focus includes key client liaison, capital market asset sales, structured transactions and hotel advisory.



Damien Bullick

Associate Director and Senior CRE Broker

BMS (Finance)
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After more than a decade in the CRE sector, Damien ranks regularly in the Top 10% of Bayleys salespeople. He is a skilled networker who uses his professional background in marketing, including a stint at renowned Christie's Auction House, to deliver exceptional campaign results for clients.



James Were

Associate Director and Senior CRE Broker

+64 21 740 032 | james.were@bayleys.co.nz

James has over 16 years experience in the CRE industry. James' knowledge and experience gained in negotiating various sale transactions in both buoyant and difficult markets has seen him become an invaluable resource and trusted advisor to long term repeat clients. Getting James involved early in a potential transaction has proven to ensure maximum values are achieved.



Mike Adams

Associate Director and Senior CRE Broker

+64 21 977 527 | mike.adams@bayleys.co.nz

Mike joined Bayleys in 2005 after 20 plus years in the motor industry, including as a general manager for Giltrap Group. Mike has a substantial and diverse client base and specializes in successful auctions and tender campaigns across a wide range of properties and locations.



Kate Kirby

Senior CRE Broker

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With over 17 years of experience in the CRE industry, Kate has cemented relationships with a wide range of asset classes and offers a complete range of commercial property services. Kate has strong negotiating skills and has an extensive knowledge of commercial property throughout Auckland. She possesses a strong work ethic and places a strong emphasis on a team approach in order to achieve the best results for her clients.



Ken Hu

Senior CRE Broker, MFin, BEcon

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Since joining Bayleys after a career as corporate analyst, Ken has successfully translated his qualified financial, economic and analytical expertise into value for his CRE clients. A fluent Mandarin speaker, Ken also has a strong grasp of both the Chinese and Auckland CRE markets.



Phil Haydock

Associate Director and Senior CRE Broker

BCom (Marketing, Information Systems)
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During Phil's more than 19 years in the CRE sector, he has been involved with over \$400 million of transactions. Phil is respected by clients for his professionalism and strong work ethic, traits which he refined in London, UK, and is now bringing to bear on the Auckland market.



Tova Haydock

CRE Broker, MSc. (Physics), MBA (Strategy, Finance) London BS

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Tova joined Bayleys in 2017 after more than a decade working as management consultant across Europe, the US and New Zealand. She specialises in strategy, project management and marketing, having worked with government and large corporates at an executive level.



Tommy Zhang

Director and Senior CRE Broker, MBA

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With over 7 years industry experience, Tommy has concluded numerous Kiwi-Chinese property transactions. Having worked with law firms, property development, business broking, banking and the wider Asian marketing channels/database, Tommy ensures continuity and maximum values are achieved for local and foreign property investors.

The Auckland Metropolitan Markets Team



Ian Hall
Director and Senior CRE Broker
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Having joined Bayleys in 2022, Ian has worked in commercial property since he was 19, and now specialises in larger city and city fringe assets, institutional grade investments, complex transactions and development sites in Auckland.



Ward Kamo
National Director - Tu Whenua
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Since joining Bayleys in 2018, Ward Kamo has been National Director of Tu Whenua – Bayleys Maori business division. Iwi have a plethora of opportunity in front of them as a result of their treaty settlements. He has the most extensive network of fund managers, developers, property advisers, valuers, and research specialists available today.



Jill Downie
CRE Broker
+64 21 448 777 | jill.downie@bayleysco.nz

Jill Downie boasts an impressive 25-year plus career working in residential and commercial real estate across New Zealand and Australia. Jill has established many long-term client relationships due to her professionalism, and strong work ethic.



Stephen Scott
Director and Senior CRE Broker
+64 27 406 0298 | stephen.scott@bayleys.co.nz

Since joining Bayleys in 2009, Stephen is a trusted adviser having gained many real estate accolades throughout his career. Stephen works with the Bayleys network of colleagues to maximise opportunities for clients, and he is adept at juggling various stakeholder interests.



Grant Magill
Senior CRE Broker
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With more than 26 years in Auckland's CRE market, Grant joined Bayleys in 2022. His deep knowledge, passion for property and dedicated approach has earned Grant a loyal client base who value his advice and consistent results.



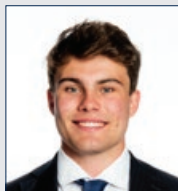
Rick Kermode
Senior CRE Broker
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Rick joined Bayleys after previously working for international affiliate Knight Frank, with a background in a range of sectors within commercial sales and leasing.



Paul Dixon
Director and Senior CRE Broker
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Having worked in commercial property for 18 plus years, Paul holds huge success in focusing on the selling of hotel, tourism, waterfront and business sale properties with a committed NZ-wide client base, building a strong reputation in the marketplace.



Jack Kiely
CRE Broker, BCom (Economics, Management)
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Joining Bayleys in 2022, Jack works collaboratively with market-leading agents in his team, harnessing the extensive expertise in his office, to facilitate highly successful commercial property transactions for his clients and brings a positive point of difference generating better than expected results.



Natasha Sathyan
Executive Assistant, BProp.
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Natasha joined Bayleys in 2018, after completing her property degree. She uses her knowledge of the CRE industry and marketing skills to support the Auckland Metropolitan team in all aspects of the business, including communications, marketing collateral and campaigns.



Amber Rees
Sales and Marketing Administrator
BA (Event Management)
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Joining Bayleys Head office in 2023, Amber uses her skills gained from an events and marketing degree to support the Auckland Metropolitan team, assisting with the sales and marketing campaigns.



Alesha Pulevaka
Sales and Marketing Administrator
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Since joining Bayleys in October 2022, Alesha has worked across three divisions in the company, she uses her wide knowledge of the business to help her best support the agents in all aspects.



Chloe Hoi
Sales and Marketing Administrator
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Chloe joined the Bayleys Head office at the end of December 2023 after working in the yachting industry. She is well-travelled and has experienced living life overseas in the UK. Chloe's brings a high level of drive and enthusiasm to her Sales and Marketing role.