The property market is back on the radar for many investors. Some dive in and navigate these foreign waters successfully but often their efforts aren’t all that effective. Others stay well clear of the sector because they simply don’t understand it or aren’t sure who to approach for advice. This special feature provides the opportunity for property industry experts to showcase their knowledge, products and services.

Sally Lindsay

Commercial buildings could be the answer for relieving pressure on Auckland schools with increasing roll sizes.

The Ministry of Education has to find space for 105,000 more students in Auckland over the next three decades and school roll sizes are already being pushed up by rapid intensification and rising migration. Several property experts believe some schools could relieve pressure on Auckland schools with increasing rolls.

“Sure on Auckland schools with rising migration. Several property experts believe some schools could relieve pressure on Auckland schools with increasing rolls.”

Harcourts General Manager Greg Clarke was recently quoted offering advice to the public (as opposed to professional investors) on commercial property investment.

“The substance of his thesis was that they were investing in small commercial and retail property types. He specifically talked about the issues in Wellington that likely to affect us here in Auckland. As he said, in these buoyant times, compounded by historically cheap interest rates, owners were wisely not selling. The few that did faced the problem of being unable to find suitable replacement investments. I agree with all of that.”

Harcourts are not major property companies spending heavily on commercial property sector, nevertheless, his point was confirmed by Bayleys national commercial director John Chappell who says one option for schools struggling to cope with expanding rolls is to lease out surplus space.

An overpopulated Auckland will give rise to vertical education due to lack of available land. In regional locations, land will be available, schools will be able to accommodate the traditional playing field.

First Retail Group managing director Chris Wilkinson says increasing student rolls are a real worry for the school system.

“Master planning in this area of New Zealand to another.”

The number of school places is falling way short of the number required.

“The number of schools built over the last couple of decades for an expanding population have now reached their maximum capacity.”

The New Zealand Herald reported last year that one of the Ministry of Education’s 26 long leases over large space, land and buildings could be tempted to develop their buildings in other ways for example, converting them into apartments or hotels.

Buying land will easily be considerably more challenging especially if the school is state-run.

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“Buying land will easily be considerably more challenging especially if the school is state-run.”

There’s another fail-safe method of off-setting those higher returns-the poor prospects for capital growth. Frankly, that fact, and fact it is, is sufficient reason to stay clear. Capital growth prospects should always be considered in the same light as all other considerations with any investment. One may argue the viability of owning investment capital ought to be based on capital growth, but if an investment has undesirable and poor growth prospects then its security is given.

“Sure, both categories have to be. But if an investment has undesirable growth prospects then its security is given.”

A field for amateurs...

STATE OF THE ART

DHL Express has moved into a new $15.3 million 36000 sq m expanded building at Auckland Airport to speed up processing following double digit volume growth. The Auckland Gateway facility has now automated technologies to process inbound and outbound freight twice as fast, moving from around 1100 shipments per hour when the new facility technology will reduce the handling process from 38 seconds to just 20 seconds.

The facility is equipped with a state-of-the-art imaging system, which can scan 1200 packages per minute. The new facility is equipped with a state-of-the-art imaging system, which can scan 1200 packages per minute.

Why should the mum and dad commercial propety investor not sell in the other towns ofあるいではみられないこの町

Where I disagree with Greg Clarke however, was his advice on how to handle the dilemma. It is far better to look to provincial centres to meet the demand for commercial property.

Mr Clarke says “With the current public consultation from the regional council in Marlborough, this is the time to approach the council for a review of the zoning and the building code.”

The public discussion is to be held on September 9th at the Marlborough Sounds Community Trust and the Marlborough District Council.”

Mr Clarke says the Marlborough District Council has been “very proactive in promoting commercial development.”

“Why should the mum and dad commercial property investor not sell in the other towns of New Zealand?”

How different is the retail sector in the rest of New Zealand compared to a level 3 province?

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State of the art

Wellington has less than 100.000 sq m of industrial property equating to only 10 rugby fields of space available for development per year, or to expand or to convert or to have expanded the space that it has for sale. Some industrial properties have been converted to other uses, such as bull rental as retail space and office space, while being frustrated in efforts to find well-located development land, pushing the available space a down.. A new market has taken over the Factory market on Hill Road and the Old Colgate Palmolive site has been taken over by a new business that has converted to a restaurant.

Three waves

Five years after earthquakes and the demolition flattened much of Christchurch’s CBD, 110,000 workers will be off the city centre inner-city by the middle of next year – the second wave of the inner-city riots. During the first wave, the CBD emptied as office workers, lawyers and financial service and retail businesses left to return to the middle city because they knew the CBD wouldn’t have an earthquake resistant office building. The CBD was left to the creatives, restaurants and bars and cafes. In the second wave though, it still has its office workers returning, but most of them are not like the first wave. The CBD is not the same as it was before the earthquake. It never will be.

Four starring

Hamilton councilors have agreed to staff drafting investment memorandums for a four-star plus hotel on currently zoned land to be marketed to international brands. Most of Hamilton’s six city centre hotels are to 3.5 star range and only the 177room Novotel Hamilton is rated a four-star. Sales of the five-star growth figures, demand has seen that rate of growth lead to a five-star standard. At least 130,000 people are expected to be staying overnight in 2016. The council has been approached by major international brands on the sidelines. The council will now look into the feasibility of a four-star hotel to operate in New Zealand.

New York and the capital

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Why now is a good time to sell

The consensus amongst most observers of the commercial and industrial property market is that it is close to the top of the current cycle. John Church, Bayleys Real Estate's National Director Commercial, has seen a number of market peaks and troughs over the years and says there are many signals that suggest the current market is nearing its peak which makes now a good time to be considering selling.

He says the best time to sell is when there is still something in the market for buyers as there clearly is at the moment:

- Interest rates are at historically low levels and are likely to decline further.
- While yields have followed interest rates down to very low levels, the return on equity from a leveraged commercial property investment remains among the most attractive levels compared to the income returns from bank deposits and bonds.
- Low vacancy rates across most market segments have removed much of the risk normally associated with purchasing commercial property.
- A strongly performing economy, right across the country, means there is a high level of investor confidence at present.

Bayleys Real Estate's National Director Commercial, John Church, has seen many market peaks and troughs over the years and says there are many signals that suggest the current market is nearing its peak which makes now a good time to be considering selling.

“Now is a good time to list your commercial property with Bayleys, says Church. “The consensus amongst most observers of the commercial and industrial property market is that it is close to the top of the current cycle. While yields have followed interest rates down to very low levels, the return on equity from a leveraged commercial property investment remains among the most attractive levels compared to the income returns from bank deposits and bonds.”
New $121m Vinta direct property fund to meet NZ investor demand

At a time when research shows that New Zealand is 35% under-invested in direct property compared to Australia, a new $121m direct unlisted property fund for New Zealand wholesale investors has been launched by Australasian property group Vinta.

“The gap between investor appetite and product availability in direct property is significant,” says Simon Donohoe, Head of Distribution at Fidato Advisory Limited.

Fidato’s Research highlights that direct property has produced risk-adjusted returns that are equal or superior to other growth assets, including equities. “Direct property offers a 12% risk parity, an 8% volatility per annum, versus equities at 9% return and 15% volatility. “Equally, direct property generates stable and relatively high levels of income between 1.7% and 2.4% per quarter – which is well suited to the needs of investors who aim to pay out stable distributions.”

Long-term, consistent Income

Other benefits include enhanced portfolio diversification, in particular the low correlation of direct real estate with other major asset classes, which suggests that diversification is enhanced by including it in mixed asset portfolios, he says.

Donohoe says that this means Vinta’s newly $121 million unlisted property fund is well timed, considering three high quality Wellington CBD office buildings as seed assets.

First among them is 33 Brown Street – the recently rebranded 12-storey headquarters of the Ministry of Education. Built in 1987, the building is close to the Reserve Bank and The Beehive.

Secondly, 110 Featherston Street offers 8,000 sqm of space over a ground level and seven upper levels. Occupied by Maori Trustee and NZ Crown tenants, the property is in the heart of CBD on a prime location close to the waterfront and the Golden Mile retail precinct.

A 13-27 Manners Street is a 15-storey building occupied by quality public and corporate tenants including a subsidiary of Nokia and Healthcare of New Zealand.

Donohoe says that Vinta is seeking $80 million in total equity from investors, of which up to $16 million will be co-invested by Vinta.

Vinta has owned and managed the portfolio for the last 15 years and over that time has generated a WALT of 12.38%, or 7.6% per unit, the minimum number of units that an investor may acquire for $200,000 and multiples of $25,000 thereafter. Year 1 forecast some distributions yield for the Fund is 7.6% p.a. (unaudited). An investor may not receive a 7.6% allocation until year 2.

Applying an investment strategy with initial low gearing of 55% of property value, the Fund offers a weighted average lease term (WALT) of 60 years, measured by income at 31 March 2017.

National Business Review

“Investors looking for solutions that meet the needs of investors that they share with us as they needed and asked if we could help. At PFI (Property for Industry Ltd) we do what it says on the label: we specialise in industrial property. We’re not interested in shiny office towers and glitzy shopping malls, we’re out the back, out where the work gets done—which means we know our way around those parts of Auckland (and New Zealand’s other cities) where you find manufacturing plants like the one Z wanted to build.

We’re out there because we proved long ago that industrial property has the potential to deliver strong, stable returns to investors.

The right property

As we learned more about Z’s requirements in a site for their biodiesel plant, it occurred to us we might have what they needed. A few years earlier we had purchased a 1.5 hectare property in Narek Place, Waiariki, a site in the heart of the automotive industry. It had been a wind farm, but we reckoned it could be the site for a biodiesel plant, it occurred to us we might have what they needed.

We bought the wind farm, and the owners were keen to lease, rather than own, income from the land and began to actively seek new tenants. PFI provided Z Energy with the right property in the right location for their purpose-built biodiesel plant.

ourney with Z. Time had moved on, our tenant at Narek Place was a glitzy building, storage tanks and the terminals, but the location was ideal, close to the motorways, and virtually round the corner from the oil terminal.

It took nearly a year of working closely with Z, piecing together the right solution for both parties, but finally everyone was agreed. We integrated the site that I was keen to lease, rather than own, into the plan.

It’s because PFI specialise in industrial property that we understood Z’s unique requirements

Place had changed and we were in a position to think about what might be possible there. Granted, the Narek Place site was bigger than Z needed, but the location was ideal, appropriately zoned, close to the motorways, and virtually round the corner from the oil terminal.

Z Biofuel is a biodiesel company, which is why they reckon they are ideally placed to help New Zealand businesses operate more sustainably: that’s why they’ve invested $26 million building New Zealand’s first commercial-scale biodiesel plant. The fuel it produces will reduce the country’s carbon emissions by tens of thousands of tonnes a year. As they say, that’s a great beginning.

“Their story is the opportunity of turning a waste product into high-quality fuel, they also had to figure out where to store it. But what they really had to do was figure out where to build their plant. Not only did the site have to be the right size for the technical challenges of turning a waste product into high-quality fuel, they also had to figure out where to build it. The site had to be the right size for the storage tanks and vehicle access.

Finding such a site, Z discovered, was a challenge. A challenge they soon realised couldn’t be solved by real estate agents. As these things happened, they already had a connection with PFI from an earlier chapter in New Zealand’s bio-fuel story and so

We create value for investors by owning the right industrial properties in the right locations & leasing those properties to the right tenants on the right terms.

We believe in the value of industrial property and property for manufacturers. We are passionate about working alongside manufacturers and seeing the potential of their site and recognising the value of their asset.

We are an independent and family owned business, we understand and invest in industrial property. We are committed to understanding what is required to attract and retain blue-chip, long-term tenants like Z Energy and consistently deliver strong, stable returns to our shareholders.
Strength in the Auckland industrial market is behind an intensive building programme being undertaken by Goodman Property Trust.

With over $100 million of new projects in progress the listed property specialist is undertaking the largest volume of new building work in more than 10 years. With a combination of pre-committed and uncommitted projects it’s a successful strategy that is delivering efficient new workspaces to meet occupier demand.

John Dakin, chief executive of Goodman (NZ) Limited said, “With occupancy at record highs and continued economic growth supporting business expansion there are few options available for companies seeking high quality business premises. The market is effectively full, and with no vacancy, there is a real shortage of new buildings for customers looking to move.”

Goodman has taken advantage of the strong property fundamentals to accelerate its development programme with eight industrial projects under construction.

The building work is happening across the city’s main industrial precincts of Penrose, Otahuhu, East Tamaki and Wiri. Peter Dufaur, general manager for development at Goodman said, “We’re building in strategic locations to satisfy market demand. It’s a rolling development programme that is producing high quality industrial facilities designed to make customers businesses more productive.”

These new buildings also incorporate greater levels of amenity for the staff that work there.

Mr Dufaur says, “The business park environment that Goodman is creating at estates like Highbrook are world class and a long way removed from traditional ideas of what industrial property looks like. Extensive landscaping, recreational areas, consistent architectural themes and a customer mix that includes amenity operators and service providers represents the next generation of workplace design.”

The buildings themselves are highly efficient, and for sophisticated customers who understand the potential savings in total occupancy costs that modern premises provide, the decision to relocate to a new Goodman owned building provides immediate economic benefits.

Conceived from portal frames that offer clear span, sprinklered, warehouse space, the latest industrial facilities are typically 10 metres high at the portal knee. The roof height allows for racking systems that maximise the volumetric capacity of the space, enhanced by reinforced concrete floors that can accommodate loads of up to 30-35 kpa.

With translucent roof panels maximising natural light and options to install sensor controlled high performance LED lighting throughout the warehouse and office areas, operating costs can be significantly reduced.

Rain water harvesting can be integrated into new projects enhancing the environmental performance of a building while reducing demand on reticulated services.

Peter Dufaur says, “Starting with a highly specified base build Goodman can easily tailor premises, optimising the design and layout while incorporating new technology to create greater efficiency for the customer.”

**Leasing Opportunities**

Jarrod MacGregor, the portfolio manager responsible for marketing the new premises said with a number of new projects currently in the design phase, it’s the right time for businesses to be talking to Goodman about their space requirements.

The development programme includes two new warehouse facilities at Highbrook Business Park of 2,800sq m and 7,500sq m. Strategically situated in Auckland’s East Tamaki, with direct motorway access providing routes north and south, the smaller of the two facilities is already leased nine months, ahead of its completion.

The successful pre-leasing of this facility reinforces the popularity of the award-winning estate and means that another uncommitted industrial project will soon commence, continuing the rolling development programme.

Other Goodman owned estates are proving equally popular with a similarly sized industrial facility of 4,930sq m underway at the Gate Industry Park in Penrose.

There are also options available within the portfolio for customers with more immediate accommodation demands.

M20 Business Park in Wiri has a newly completed 3,550sq m warehouse and office development ready for occupation with an existing facility of a similar size becoming available in November.

With estates located across the main industrial precincts of Auckland Goodman can accommodate a wide range of business uses, from logistics and warehousing through to datacentre operations.

With rail sidings available at its Savill Link estate in Otahuhu, it can even satisfy demand for facilities with direct access to the main trunk line.

Mr MacGregor, says, with a substantial property portfolio and an active development programme Goodman has a property solution for most industrial space requirements.

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