

Cautious optimism for the year ahead

Quarter 4 Update

1 October – 31 December 2018



Welcome back to a new year of exciting real estate. We expect to see the Auckland commercial property market continue to evolve over the next twelve months... however, before I go into that let me briefly reflect on what happened in 2018.

The City & Fringe Team's performance ended on a very positive note; we concluded more than \$40 million unconditional deals despite the tightening market conditions. Banks continued to lend sparingly, inflation stalled and, notwithstanding a less negative business confidence in New Zealand, uncertainty about the global economy rose over the final quarter of 2018. Sales of commercial property in the >\$20 million tier was generally strong and dominated by off-shore buyers, mainly Singaporean, US and Australian investment funds looking for prime assets. In the sub \$20 million tier we observed the pendulum swing from a hot seller's market to one where the buyer is coming back into a position

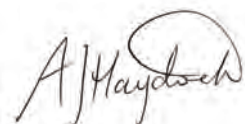
of power. We saw an increase in local customers who have good market knowledge, a different risk profile and perhaps more realistic yield expectations.

Our outlook for 2019 is cautiously optimistic, but reliant on a few key assumptions. Chief among these is low interest rates. If rates remain at historically low levels then yields are more likely to hold firm, thereby offering some protection of current prices. However, the risk of a serious economic slowdown may reduce confidence and hold buyers back and thus restrict the number of transactions as well as prices going forward.

Another factor to watch out for this year is vacancy rates. Several significant developments will come online over the next couple of years and although these A grade buildings are likely to lease well, the knock-on effect may be an increasing vacancy rate for secondary office. Should this translate into a softening of commercial rents then downward pressure on price and yields could follow. We are also watching for any signs that the surge in online shopping is having a dampening effect on demand for retail space. Depending on how well the New Zealand economy holds up, we may also see an increased number of mortgagee sales as the year goes on.

To be successful in this changing market, where past performance is not necessarily a good indicator of the future, please ensure you take advice from people with a proven track record in the area you are investing in. Be sure to ask questions and demand answers based on facts and figures – not hopes and dreams.

Me and my team are always happy to discuss your individual circumstance and provide honest, impartial advice customised to your needs. We look forward to working with you and make 2019 another successful year.



Alan Haydock

Manager

Auckland Commercial City & Fringe

Case Study – Sale of 292-300 Karangahape Road, Auckland Central



Property Details

Floor Area	1,288.70m ² + 8 c/p
Land Area	934m ²
Building Rate	\$4,384psm
Land Rate	\$6,477.50psm
Tenure	Fee Simple
Zoning	Business - City Centre

Sales Details

Method	Tender
Sale Price	\$6,050,000 plus GST (if any)
Purchaser	Add-Value Investor
Agents	Alan Haydock & Cameron Melhuish
Summary	14 tenders received. Nine were above \$5M. A 1970s modernist NZ Post Office building on a 934m ² site.

Completed Sales by the City & Fringe Team



SOLD

9 Barmac Place, East Tamaki

Sale Price	\$7,110,000 + GST (if any)
Yield	5.50% (holding income)
Method	Tender
Purchaser	Owner Occupier
Agent	Andrew Wallace



SOLD

292-300 Karangahape Road, Auckland CBD

Sale Price	\$6,050,000 + GST (if any)
Yield	2.25%
Method	Tender
Purchaser	Add Value Investor
Agents	Alan Haydock & Cameron Melhuish



SOLD

413 Tamaki Drive, St Heliers

Sale Price	\$4,710,000 + GST (if any)
Yield	3.59%
Method	Auction
Purchaser	Neighbouring Owner
Agents	Cameron Melhuish & Andrew Wallace



SOLD

371-373 Remuera Road, Remuera

Sale Price	\$4,325,000 + GST (if any)
Yield	4.66%
Method	Auction
Purchaser	Local Investor
Agents	Alan Haydock & Andrew Wallace



SOLD

27 Hargreaves Street, Freemans Bay

Sale Price	\$3,250,000 + GST (if any)
Yield	5.27%
Method	Auction
Purchaser	Investor
Agents	Alan Haydock & Mike Adams



SOLD

3010 Great North Road, New Lynn

Sale Price	\$3,023,854 + GST (if any)
Yield	5.50%
Method	Tender
Purchaser	Local Investor
Agents	Mike Adams & Jean-Paul Smit



SOLD

40 George Street, Mount Eden

Sale Price	\$2,750,000 + GST (if any)
Yield	1.47%
Method	Tender
Purchaser	Owner Occupier
Agents	Scott Kirk & Genevieve Thompson-Ford



SOLD

33 Randolph Street, Eden Terrace

Sale Price	\$2,630,000 (incl. GST)
Yield	N/A
Method	Tender
Purchaser	Owner Occupier
Agents	Cameron Melhuish & Andrew Wallace



SOLD

12-14 Fitzroy Street, Ponsonby

Sale Price	\$2,620,000 + GST (if any)
Yield	4.24%
Method	Auction
Purchaser	Investor
Agents	Alan Haydock & Damien Bullick

Completed Sales by the City & Fringe Team



SOLD

Unit A101, 2A-2B Courthouse Lane, Auckland CBD

Sale Price \$2,020,000 + GST (if any)
Yield 6.63%
Method Auction
Purchaser Offshore Investor
Agents Alan Haydock & Damien Bullick



SOLD

70 College Hill, Freemans Bay

Sale Price \$1,450,000 + GST (if any)
Yield N/A
Method Tender
Purchaser Local Investor
Agents Andrew Wallace & James Were



SOLD

3/3 Central Road, Kingsland

Sale Price \$1,350,000 + (incl. GST)
Yield 6.59%
Method Tender
Purchaser Add-Value Investor
Agents James Were & Scott Kirk



SOLD

G11, 23 Edwin Street, Mt Eden

Sale Price \$1,100,000 + GST (if any)
Yield N/A
Method Tender
Purchaser Investor
Agent James Were & Scott Kirk



SOLD

Unit 207, 19 Anzac Avenue, Auckland CBD

Sale Price \$790,000 + GST (if any)
Yield 5.70%
Method Auction
Purchaser Investor
Agent Andrew Wallace & Genevieve Thompson-Ford



SOLD

Level 6, 44 Anzac Avenue, Auckland CBD

Sale Price \$647,000 + GST (if any)
Yield N/A
Method Off Market
Purchaser Owner Occupier
Agents Ken Hu



SOLD

6-12 St Martins Lane, Grafton

Sale Price \$625,000 + GST (if any)
Yield 7.18%
Method Auction
Purchaser Investor
Agents Andrew Wallace & Genevieve Thompson-Ford



SOLD

Unit A206, 44 Courthouse Lane, Auckland CBD

Sale Price \$380,000 + GST (if any)
Yield 8.47%
Method Auction
Purchaser Owner Occupier
Agents Mike Adams & Jean-Paul Smit



SOLD

Unit 3W, 5 Hohipere Street, Mt Eden

Sale Price \$250,000 + GST (if any)
Yield N/A
Method Private Treaty
Purchaser Investor
Agents James Were & Scott Kirk

Completed Leases by the City & Fringe Team



LEASED

317-319 New North Road, Kingsland

Tenant Profile	Mobile App Development
Annual Net Rental	\$114,815 + GST
Floor Area	305m ² (approx.)
Car Parks (\$/w)	5 @ \$37.13
Agent	Andrew Wallace



LEASED

G22, 239 Queen Street, Auckland CBD

Tenant Profile	Retailer
Annual Net Rental	\$85,000 + GST
Floor Area	64m ² (approx.)
Car Parks (\$/w)	N/A
Agent	Ken Hu



LEASED

136 Great North Road, Grey Lynn

Tenant Profile	Tile Retailer
Annual Net Rental	\$81,990 + GST
Floor Area	303m ² (approx.)
Car Parks (\$/w)	3 @ \$40.00
Agents	Genevieve Thompson-Ford



LEASED

33C Falcon Street, Parnell

Tenant Profile	Lunch Programme Head Office
Annual Net Rental	\$72,480 + GST
Floor Area	220m ² (approx.)
Car Parks (\$/w)	6 @ \$40.00
Agent	Genevieve Thompson-Ford



LEASED

Tenancy 4, 88 Broadway, Newmarket

Tenant Profile	Retailer
Annual Net Rental	\$61,340 + GST
Floor Area	123m ² (approx.)
Car Parks (\$/w)	1 @ \$45.00
Agent	Ken Hu



LEASED

33 Taylors Road, Mount Albert

Tenant Profile	Auckland Women's Refuge
Annual Net Rental	\$60,000 + GST
Floor Area	405m ² (approx.)
Car Parks (\$/w)	N/A
Agent	Ken Hu



LEASED

Level 1, 118 Queen Street, Auckland CBD

Tenant Profile	Chartered Loss Adjusters
Annual Net Rental	\$52,497 + GST
Floor Area	187m ² (approx.)
Car Parks (\$/w)	N/A
Agents	Andrew Wallace



LEASED

Level 1A, 4-6 Dundonald Street, Eden Terrace

Tenant Profile	Engineering Firm
Annual Net Rental	\$29,680 + GST
Floor Area	100m ² (approx.)
Car Parks (\$/w)	2 @ \$45.00
Agents	Jean-Paul Smit



LEASED

G05, 23 Edwin Street, Mt Eden

Tenant Profile	Electric Bike Company
Annual Net Rental	\$38,240 + GST
Floor Area	107m ² (approx.)
Car Parks (\$/w)	3 @ \$40.00
Agent	Jean-Paul Smit & Ken Hu

Currently For Lease by the City & Fringe Team



1790 Great North Road, Avondale

Annual Net Rental \$85,600 + GST
Floor Area 480m² (approx.)
Car Parks (\$/w) 10 @ \$18.00
 Agents Genevieve Thompson-Ford & Jean-Paul Smit



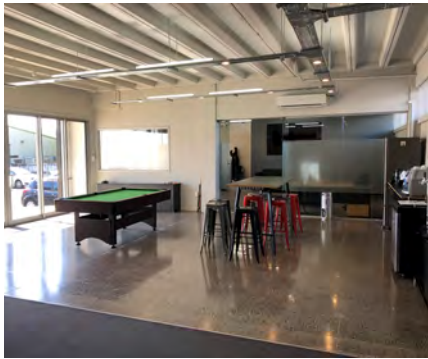
56-58 Grafton Road, Grafton

Annual Net Rental \$70,004 + GST
Floor Area 350.02m² (approx.)
Car Parks (\$/w) 9 @ \$45.00
 Agents Ken Hu & Jean-Paul Smit



76 Gladstone Road, Parnell

Annual Net Rental \$73,850 + GST
Floor Area 211m² (approx.)
Car Parks (\$/w) 6 @ \$55.00
 Agent Jean-Paul Smit



400B Great North Road, Grey Lynn

Annual Net Rental \$66,240 + GST
Floor Area 288m² (approx.)
Car Parks (\$/w) 6 @ \$45.00
 Agents Genevieve Thompson-Ford & Ken Hu



3 City Road, Auckland CBD

Annual Net Rental \$137,770 + GST
Floor Area 599m² (approx.)
Car Parks (\$/w) 19 @ \$65.00
 Agent Ken Hu



16 Edinburgh Street, Auckland CBD

Annual Net Rental \$106,400 + GST
Floor Area 380m² (approx.)
Car Parks (\$/w) 9 @ \$50.00
 Agent Jean-Paul Smit



19 Pollen Street, Grey Lynn

Annual Net Rental \$134,820 + GST
Floor Area 642m² (approx.)
Car Parks (\$/w) 3 @ \$65.00
 Agents Genevieve Thompson-Ford & Jean-Paul Smit



60-64 Upper Queen Street, Grafton

Annual Net Rental \$80,000 + GST
Floor Area 320m² (approx.)
Car Parks (\$/w) 12 @ \$50.00
 Agents Genevieve Thompson-Ford & Ken Hu



130 Ponsonby Road, Ponsonby

Annual Net Rental \$66,400 + GST
Floor Area 166m² (approx.)
Car Parks (\$/w) 3 @ \$75.00
 Agent Jean-Paul Smit

Auckland Commercial City & Fringe Team



Alan Haydock is a Senior Commercial Sales Broker and is the Manager of the Auckland City & Fringe Commercial Team. He is one of Bayleys top performing commercial brokers, consistently achieving "Top 3 Commercial Brokers"(Nationally)". With over 20 years experience, Alan has an impressive track record and has transacted over \$800 million of sales. He has strong negotiating skills, an extensive knowledge of commercial property and has developed strong networks within the property industry.

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Damien Bullick is a Senior Commercial Sales Broker and has been working in commercial real estate for nine years. His primary focus is on the Auckland City & City Fringe locations. Having previously held position as a Commercial Marketing manager for Bayleys Realty Group, Damien specialises in the on market promotion of city fringe commercial property. Damien is currently ranked in the top 10% of Bayleys of sales people nationwide.

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Cameron Melhuish is a Senior Commercial Sales Broker with Bayleys Real Estate Limited. Cameron, who has been with Bayleys since 2001, has a primary focus on commercial property sales in the Auckland City and Fringe locations. To date, he has been involved in over \$400 million worth of property transactions and is regular Top 20 Achiever in Bayleys national commercial team.

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Scott Kirk, Senior Commercial Sales Broker specialising in the Auckland City & Fringe location. He has rapidly established himself as a highly effective broker and is regularly a Bayleys 'Top 10' Commercial Agent nationally. With 15 years of experience he offers exceptional knowledge and experience to guide clients through transactions. Scott is a reliable and result driven performer achieving top outcomes for his established and growing database of clients.

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Mike Adams is a Senior Commercial Broker, specialising in the sales and leasing of a diverse range of commercial and industrial properties throughout the Auckland region and beyond. Since joining Bayleys in 2005, Mike has enjoyed considerable success, concluding a large number of transactions and has been in the Top 10% of all Bayleys Salespeople nationwide. Mike has a diverse list of regular clients including multi-nationals, local corporates, motor industry contacts, family trusts & owner occupiers.

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Phil Haydock is a Senior Commercial Broker specialising in the Auckland City & Fringe locations. Phil has been in the industry since 2005, during this time he has built up a thorough understanding of the Auckland commercial property market and has been involved in over \$200 million of property transactions. Phil is known for his professionalism, strong work ethic and negotiation skills which were further refined during his years in the highly competitive London market.

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James Were is a Senior Commercial Broker and has over ten years' experience in the commercial property industry, working locally and in the UK with Cushman & Wakefield. He specialises in the Auckland City & City Fringe. He has been involved in over \$350 million worth of sales and leasing transactions. His natural charm and determination to succeed, has enabled James to develop a solid understanding of the Auckland property market, and cement a number of strong longstanding relationships.

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Andrew Wallace is a Commercial Sales & Leasing Broker in the Bayleys Auckland City & Fringe Commercial Team. Andrew has been involved in over \$80 million of property transactions and was awarded the BRE Commercial Rookie of the Year 2015/16. Andrew holds a Bachelors degree in both Property and Commerce from the University of Auckland. He has a strong understanding of the property market and is building a strong track record.

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Jean-Paul Smit is a Commercial Sales & Leasing Broker with Bayleys Real Estate Limited since joining in 2014. He has a primary focus on the Auckland City & Fringe and is establishing himself as a highly effective broker in his area. Jean-Paul values integrity and professionalism and it is his passion for property, strong work ethic and empathy which has enabled Jean-Paul to achieve the best results possible for his Vendors and Landlords.

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Genevieve Thompson-Ford is a Commercial Sales & Leasing Broker who's energetic, professional and honest approach to business gives her clients confidence when making selling, purchasing or leasing decisions. Skilled in marketing and customer service she utilises her business acumen to ensure the smooth running and coordination of the entire leasing or sales process. Genevieve's passion lies where she lives - in the Western Fringe suburbs of Ponsonby, Grey Lynn, Freemans Bay and Victoria Quarter.

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Ken Hu is a Commercial Sales & Leasing Broker in the Auckland City & Fringe Team. He has a Master's degree in Finance and a double Bachelor's degree in Economics and Finance from the University of Auckland. He worked as a senior market analyst for Samsung Electronics NZ before joining our team. Ken's analytical and research skills combined with his sound understanding of both Chinese and NZ market further complements and strengthens our solid reputation for producing professional, quality information that delivers results.

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Tova Haydock is a Commercial Sales Broker having joined Bayleys Real Estate in 2017 after enjoying over a decade working internationally as a management consultant. Her career covers New Zealand as well as the US and Europe, including seven years living in the United Kingdom. She specialises in commercial and corporate property located in the Auckland City and City Fringe. Tova is a seasoned negotiator, with an MBA from London Business School, and is used to operating at senior executive and board levels of major organisations.

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