

NAI Harcourts Market Leader.

Bringing you news from the world of commercial real estate.

Getting more out of your commercial property investment

Whether you're in the market looking to invest in a commercial property or you already own commercial real estate, you'll want to ensure that you get the maximum return on your investment.

The value of commercial real estate is primarily driven by the income the property generates, so you'll want to look for ways to increase that income, decrease expenses and boost the overall value of the property.

Here are some tips on how you can make the most out of your commercial real estate investment.

Reducing expenses

The profitability of a commercial building can be increased by cutting expenses, without having a negative effect on operations. Reducing expenses can be achieved in a number of ways:

- Upgrading to more energy efficient lighting, heating, air conditioning or water heaters.
- Passing expenses on to tenants where possible by getting individual water or gas meters installed.
- Implementing a regular maintenance programme to help avoid costly major break downs or replacement of equipment.

- Having your property value reassessed could reduce your tax bill if your property is over-valued.

In general, modernising your property to make it more efficient is a good investment as long as the changes will reduce expenses and add more value over time than they cost.

Increasing rents

Increasing rents may seem an obvious way to improve the profitability of a commercial property but think carefully before you act. If your building has a very low vacancy rate, then raising rents could be an option, but if your tenants are primarily small businesses or low income tenants, your occupancy could fall.

Higher rents may be justified if you've made improvements to the building, such as:

- Upgrading and modernising the common areas, especially the front foyer.
- Additional parking or covered parking.
- A new security system.
- Adding a gym or café.
- Modernised heating, air conditioning, elevators or facilities.
- Cosmetic changes to the exterior of the building.

Rents should be in line with other similar types of properties. The goal is to charge the maximum amount of rent possible without

having tenants leave or making it difficult to attract new ones.

If you haven't yet purchased the property, you'll need to do your homework on the area. Look at what other commercial properties in the area are selling for and find out what tenants are paying for their space.

Look at what future developments are planned that could positively or negatively affect the value of your investment – like a new motorway, public transit route or shopping mall development. Depending on the type of commercial property you invest in, the income you can achieve could be significantly improved by better accessibility for commuters, closer proximity to transport hubs or increased foot traffic.

A case in point is the \$790 million redevelopment of the Westfield Newmarket shopping complex in Auckland, with a gross lettable area of over 88,000 square metres. This development will significantly change the area and solidify Newmarket as Auckland's prime retail destination. We also believe that this will have a positive effect on the surrounding Newmarket precinct and quite likely on commercial property values.

Making structural changes

Adding more space or more efficiently utilising existing space is a common way of adding value to a commercial building. Depending on the type of commercial property and its location, you may be able to add more store frontage, office, warehouse or

conference space. You can also look at ways to get more rental space out of your existing space. Buildings often have large empty or underutilised spaces like foyers, equipment rooms and common areas. Turning these into rentable areas can quickly improve your bottom line.

Making cosmetic changes

The external appearance of a commercial property can have a big impact on the rents you can charge. You don't have to make major structural changes to make the exterior of the building look more appealing. Here are some easy ways to add value by improving the appearance a commercial building:

- Lawns are cut, rubbish and recycling areas are tidy and cleared regularly, parking areas are clean and unobstructed.

- Professional landscaping can greatly improve the street appeal of the building.
- All common areas and bathrooms are clean and well maintained.
- The building smells fresh, any leaks are repaired to avoid mould and damp.
- Signage is appealing, properly positioned and easy to read.
- The exterior is regularly painted, any damaged cladding is repaired or replaced.

Investing in regular maintenance of the exterior will not only improve its appearance but will also avoid potentially costly repairs down the road. Updating outdated windows and doors is a bigger investment but can

greatly improve the appearance of a building while significantly reducing noise levels, heating and air conditioning costs.

Look after your tenants

Retaining tenants and attracting new ones is critical to maintaining and increasing the value of a commercial property. Establishing good relationships with tenants, responding quickly to any issues and taking a proactive approach to managing and enhancing your investment will help maximise its value over the long term.

Key Assets - Issue 2 2019 out now

The latest issue of NAI Harcourts' Key Assets magazine is out now, featuring a broad range of commercial properties and businesses for sale and lease.

The commercial property markets continue to perform well across the country, particularly in the main urban markets, where yields are generally low and demand is still strong from both local and international investors. Whilst this is aided by a low interest rate regime, caution is warranted due to continuing low business confidence, as indicated by ASB Bank in their latest Key Assets article.

This issue of Key Assets brings a number of excellent properties and businesses throughout the country to the market. These include various leasing options within the Te Rapa

Industrial Gateway in the Waikato which are being marketed by Theo de Leeuw, Sean Stephens and Aaron Donaldson from our Hamilton office. This master planned industrial development is strategically located close to the main transport hubs and networks and is 10 minutes to the Hamilton CBD, 75 minutes to Auckland and 85 minutes to Tauranga. Excellent leasing opportunities await!

Dennis Corbett and Esmae Farrington from our Kerikeri office in the Bay of Islands are also featuring an outstanding property for sale at 126B Kerikeri Road and known as Woodlands Park. A superb location with approximately 18.52 hectares of bush clad land is offered with an option to purchase the Woodland Motel and Conference Centre that occupies an additional adjoining two hectares.

The property presents a unique opportunity for development or land banking with the current zoning being residential.

Plus we have some twelve hospitality-type businesses for sale that are located mainly in the South Island.

This issue also includes a brief overview on the state of the market for various regions throughout New Zealand, as well as informative editorials from NAI Global in New York, ASB Bank, Heaney & Partners Barristers and Solicitors, and Gaze Commercial.



You can view the latest issue of Key Assets at: naiharcourts.co.nz/keyassets