

NAI Harcourts Market Leader.

Bringing you the latest news, facts and figures from the world of commercial real estate.

What lies ahead?

NAI Harcourts general manager Tony Kidd on what to expect from the market in 2018.

An accurate prediction of the commercial property market in any year is the holy grail for anybody involved whether it's sales consultants, buyers or sellers.



In the end, all we can do is look to the usual economic indicators and what would need to change for the market to change.

The past year has been a particularly good one for industrial and commercial property in the main New Zealand centres and all signs point to 2018 carrying on in similar fashion, albeit with some caution.

Overall, the global economic performance is currently better than most predictions allowed for, so the big hurdles for 2018 are most likely to come from the political arena, whether it's North Korea, Brexit, political upheaval in the US, or continued tension in the Middle East. In the end, no market likes instability.

Closer to home, the biggest market hurdle for 2018 seems likely to be tougher credit conditions. With finance more difficult to come by via the major banks, there could well be an impact on demand for commercial property.

The government stance on foreign investment will impact on the appetite for New Zealand investments in 2018, however, this seems most likely oriented towards residential property. The commercial/industrial market could benefit as investors diversify. Though we have noted deals falling over due to overseas buyers being over cautious due to government policy.

Vacancy rates in the key New Zealand cities will continue to diminish, particularly for industrial stock where supply in key markets such as Auckland is already low.

The other trend to watch is e-retail where international brands. With Amazon about to arrive in Australia we could well see it playing a major role in changing the “bricks and

mortar” retail landscape here.

Developers and hotel operators will also aim to expand their footprint to take advantage of New Zealand's growing tourism industry and the increased demand for facilities and hotel rooms.

Finally, looking further ahead, the other major initiative that could impact the Northland economy particularly, is the government's election campaign suggestion that Ports of Auckland move to Whangarei. Investigations are underway as to the feasibility.

Overall, the commercial property market has so far successfully ridden out the uncertainty created by first the election campaign, and then the election result. While policy announcements and interest rate changes through 2018, may create pause for thought, the market will remain in a largely healthy state.

Commercial property crisis management

As any experienced investor knows, when you're running a commercial property portfolio, whether it contains one property or 25, you are running a business. And as any experienced business owner knows a vital part of your operation is having a crisis management plan.

Crisis management is a broad term covering multiple aspects of your business operations, but simply put, it means having plans in place to protect your assets – and, when it comes to property, the occupants. It's not the same thing as just having an emergency evacuation plan.

It's a key reason why a commercial property

manager has an important part to play in an investment business, particularly if you, as landlord, are in a different city or country from your investments.

Working with a commercial property manager, landlords should develop a plan which allows them maintain business continuity as much

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as possible in a time of crisis, while providing a safe environment for those in and around the building(s).

And the size of the commercial property you own, or manager doesn't matter. You still need to thoroughly examine how you would respond in a crisis and make sure all those impacted are familiar with the plan.



Here are some key aspects of crisis management planning to consider:

- **Identify the risk** – know what the risks are to your asset, based on its location and recent history.
 - **Know the law** – talk to your local council and identify your legal requirements around building safety.
 - **Ask the experts** – emergency services can aid in helping plan for evacuation and management of crises.
 - **Have evacuation drills** for multi-tenancy buildings.
 - **Record everything** – keep a log of everything that happens from the beginning of a crisis for future review.
 - **Keep in contact** – make sure everyone has a clear understanding of who to contact in a crisis, and who is responsible for key tasks; having a property manager tenants know, and who knows the building, as the central communications point will help ease the
- information flow; they can be working with any contractors or emergency services and keeping both you and tenants informed.
- **Expect the unexpected** – plan to have to contact contractors in weekends or out of office hours if need be.
 - **Keep secure** – have a plan to keep the site secure to protect items inside if need be, and to keep people from entering unsafe areas if need be.
 - **Media response** – in the event of media interest in the crisis identify a person who can deal with media confidently and knowledgeably. Seek external expert or legal advice where necessary.
 - **Insurance** – it seems obvious but make sure your insurance is up to date and comprehensive, and make sure it is clear what you as landlord are liable for and what tenants should be insured for.

Key Assets

Key Assets showcases commercial, industrial and retail properties, as well as businesses for sale and properties for lease, throughout New Zealand.

The NAI Harcourts portfolio also features in-depth expert commentary by leading authorities in the New Zealand market place.

The next issue of Key Assets is out in March 2018. Talk to your NAI Harcourts sales consultants about advertising your property in Key Assets today.

