

## Macro Indicators<sup>®</sup> Report | Q1-2 2020 | Report 31

### Hawke's Bay + New Zealand Highlights Q1-2 2020

Refer to separate same date reports: *Retail, Office and Industrial*.

- Very prime characteristics investment property cap rates were remarkably and stubbornly low by Mar 20 (relative values high)
- Modern construction prime tenant property investments were hotly contested to Mar 20
- Regardless of COVID-19 uncertainties, we expect prime investment property values to perform well and for the most prime, values appreciation is a strong possibility (potentially underway)
- COVID-19 effects will most likely give rise to increasing relative value divergence for investment property risk profile qualities
- COVID-19 effects will most likely substantially adversely affect vacant development land values with the possible exception of well-placed residential development land (assuming an ongoing housing shortfall)
- Commercial-industrial land values were tracking upwards but not universally to Mar 20
- Developers were offering very competitive new-build rents with asset valuations maintained by firmer cap rates (higher values)
- Some new development rents were lower than leasings in the mid 2000s
- Seismic performance (NBS rating) spurred considerable commercial property activity since 2012. But more recently Hawke's Bay economic expansion drivers were leading a developments flurry (almost all sectors booming).

Refer to Q3-4 2019 reports for previous commentary and context [www.turley.co.nz/2020/02/28/2h19-commercial-industrial-reports-issue-30](http://www.turley.co.nz/2020/02/28/2h19-commercial-industrial-reports-issue-30). Contact us for more information [www.turley.co.nz/tcl-people/our-people](http://www.turley.co.nz/tcl-people/our-people)

### New Zealand Cap Rates Sample

Commercial-industrial property investment market transactions activity has quietened in 2020:

Tenant	Location	Price	Date	Yield
Tile Warehouse	Auckland	\$4.33m	Jul-19	4.15%
Brother International Ltd	Tauranga	\$15.50m	Apr-19	4.54%
Z Energy	Auckland	\$6.87m	Apr-20	4.60%
Bridgestone	Te Rapa	\$2.80m	Aug-19	4.76%
PlaceMakers	Tauranga	\$8.80m	Jun-19	4.77%
Carters	Auckland	\$11.60m	Oct-19	4.77%
Visy	Hamilton	\$71.02m	Jul-19	4.93%
Holden	Wellington	\$5.20m	Oct-19	4.99%
Glassons	Auckland	\$15.75m	Nov-19	5.00%
Kmart	Hamilton	\$19.43m	Oct-19	5.15%
Childcare Centre	Auckland	\$3.39m	Feb-20	5.20%
Fastway Couriers	Taupō	\$3.50m	Aug-19	5.34%
Best Start	Auckland	\$4.50m	Nov-19	5.36%
Asmuss	New Plymouth	\$3.13m	Oct-19	5.54%
Westpac	Masterton	\$1.86m	Jun-19	5.94%
ANZ	Matamata	\$1.65m	Jul-19	6.04%
Tomoana Food Hub	Hastings	\$41.0m	Feb-20	6.25%
Burger King	Blenheim	\$2.80m	Aug-19	6.31%
Spotlight	Nelson	\$8.60m	May-19	6.40%
Kathmandu & Decjuba	Palmerston Nth	\$4.10m	Jul-19	7.00%
Asmuss	Wellington	\$8.10m	Oct-19	7.02%
Mainland Minerals	Timaru	\$3.90m	Jul-19	7.18%
The Warehouse	Hawera	\$6.10m	Dec-19	7.26%
Harcourts Grenadier	Christchurch	\$1.90m	Jun-19	7.63%
Heinz Watties Distrib. Ctr	Hastings	\$29.10m	Jul-19	7.83%
Noel Leeming	Gore	\$1.10m	Jun-19	8.18%
Burger King	Napier	\$1.17m	Aug-19	8.32%



Tomoana Food Hub, Hastings | 6.25% Feb 20 | Photo Colliers



The Warehouse, Hawera | 7.26% Dec 19 | Photo Bayleys

Refer to Turley & Co *Retail, Office and Industrial* reports for these property category indicators.

Contact Turley & Co for lease and other investment sales details and cap rates data since 1984. And for Registered Valuer/Registered Property Consultant valuation or property strategy assistance [www.turley.co.nz/tcl-people/our-people](http://www.turley.co.nz/tcl-people/our-people)

## Hawke's Bay Commercial-Industrial Development and Construction Tracking

Sample of most recent Hawke's Bay commercial-industrial confirmed developments:

Completed	Hastings Health Centre	Health	\$20m plus integrated primary health centre corner St Aubyn Street West and King Street Hastings.
Underway 2020	Private Hospital	Health	\$70m elective surgery hospital on Canning Road, Hastings. Development underway.
Underway 2020	Private Hospital	Health	Royston Hospital \$10m Orthopaedic Day Surgery Unit, due to be completed mid-2021.
Underway 2020	Te Aute Rd, Havelock North	Retirement Village	\$100m development by Ryman Healthcare on a 6-hectare site on the outskirts of Havelock North. Recently named James Wattie Retirement Village.
Underway 2020	Ulyatt Rd, Napier	Retirement Village	5,795 sqm retirement village and complex by Bupa Healthcare.
Completed	Mitre 10 Sports Park	Recreational	\$25m development of community health and sports centre at the Mitre 10/ Hawke's Bay Regional Sports Park.
Advanced 2020	Opera House precinct, Hastings	Community	\$23-31m reconstruction works and strengthening upgrade underway for Opera House, Plaza and Municipal buildings. Renamed 'Toitoti' Hawke's Bay Arts & Events Centre; the Opera House, Cushing Foyer and Functions centre reopened in February 2020. Stage 2 of the refurbishment (Municipal Building) expected to be completed by 2022.
Advanced 2020	Hawke's Bay Airport	Community	Hawke's Bay Airport \$20.2m terminal expansion underway, expected to be completed by early 2021.
Underway 2020	Napier Port wharf expansion	Community	Dredging for the Napier Port 6 Wharf project has begun, expected to be completed by the end of 2022. The project is estimated to cost between \$170-\$190m.
Underway 2020	Munroe St, Napier	Large Format Retail	Construction of \$20m 6,000 sqm large format retail development which will house Briscoes and Rebel Sport. Paused.
Underway 2020	Ford Rd, Napier	Large Format Retail	Wallace Development large format retail development opposite Mitre 10 Mega Napier – Kmart, Torpedo 7 and retail/ hospitality units.
Completed	Joll Road, Havelock North	Retail, office	Multi-level retail/ hospitality/ offices development. Stage 2 is proposed.
Underway 2020	Former HBT building, Hastings	Retail, office	Two levels of modern high-end office accommodation with retail and hospitality units fronting both Queen St East and Karamu Rd North.
Completed	Police Regional Headquarters	Office	~\$20m 2,600 sqm three storey building on the corner of Eastbourne St West and Railway Rd. Hawke's Bay architecture awards winner.
Underway 2020	MSD office development	Office	MSD and OT office development corner Wellesley Rd and Tennyson St. Set to be completed mid-2021.
Underway 2020	70 Tennyson Street	Office	Redevelopment of multi-storey offices by Wallace Development.
Underway 2020	Rockit Coolstore/ Packhouse	Industrial	~\$35m ~25,000 sqm coolstore/ packhouse for Rockit Apples at Irongate. Due for completion December 2020.



Hastings Health Centre | Photo HHC



Mitre 10 Park Sports Hall, Hastings | Photo TCL



15 Joll Rd, Havelock North | Photo TCL

Sample of Hawke's Bay commercial-industrial proposed developments:

Proposed	Olympic sized pool complex	Community	Government approval in principle for a \$32m Olympic sized pool proposed at the Mitre 10 Park Hastings.
Proposed	Cranford Hospice	Community	~\$15m new hospice on Chesterhope Road to begin once \$10m funding is confirmed.
Proposed	Solar farm at Hawke's Bay Airport	Community	Hawke's Bay Airport has entered into a Joint Venture with Centralines to explore the potential for a commercial solar farm to the west of the airport's main runway.

Proposed	Four-storey Hotel, Marine Parade	Hotel	Proposed four-storey hotel on Marine Parade Napier including 47 rooms and 4 top-level apartments.
Proposed	Napier CBD Hotel	Hotel	Redevelopment of the current Rebel Sport site and Kiwi Keith's Quality Backpackers into a proposed hotel with ~100 rooms.
Proposed	Hilton Hotel, Napier	Hotel	Proposed redevelopment of PwC building Napier into a luxury Hilton Hotel – 40 rooms and serviced apartments.
Proposed	Napier Hotel	Hotel	Proposed boutique art deco hotel corner Emerson & Dalton Streets Napier – redevelopment of 'Hotel Central' building.
Proposed	Hastings Hotel	Hotel	Proposed new 35-room, \$8m Quest apartment hotel development behind the Opera House, Municipal Building and Plaza by Wallace Development.
Proposed	Countdown, Hastings	Supermarket	New Countdown store proposed for Hastings on the same site, old store to be demolished.
Proposed	Stortford Lodge retail units	Retail	Proposed Stortford Lodge retail complex consisting of six retail units.
Proposed	Havelock Rd, Havelock North	Office	ONE Havelock – architecturally designed three-storey office development situated at the gateway to Havelock North.
Proposed	Packhouse	Industrial	Cedenco plans to build 'state of the art' apple processing operations building at Tomoana Road.
Proposed	Ziwi	Industrial	\$70m state of the art 12,000 sqm pet food factory/ production kitchen proposed at Awatoto. Works expected to start August 2020.
Proposed	Melita Honey	Industrial	Proposed 4,750 sqm building for honey processing, packaging and storage facility at Links Rd.
Proposed	Inland Port	Industrial	Napier Port inland port on 12.1 ha industrial land at Whakatu. Government funding in principle \$20m.
Proposed	Food & Innovation Hub, Tomoana	Industrial	A Food & Innovation Hub is proposed at Tomoana with \$12m government PGF funding approved for the Hub.

Contact us for comprehensive Hawke's Bay developments tracking 2015-2020 [www.turley.co.nz/tcl-people/our-people](http://www.turley.co.nz/tcl-people/our-people)

## New Zealand & Hawke's Bay Economic Indicators

Turley & Co collated economic indicators for Hawke's Bay and New Zealand for metrics pre-COVID-19 and the latest. Refer to our website for future updates [www.turley.co.nz/indicators](http://www.turley.co.nz/indicators). Points refers to percentage points v. basis points.

### Hawke's Bay Economic Indicators<sup>®</sup>

Indicator	Metric Pre COVID	Date	Metric Latest	Date	Change Period (mths)	Change	Change Ratio	Shift	Source	Notes
Population	171,400	Jun-18	173,700	Jun-19 <sup>2</sup>	12	2,300	1.3%	↑	Stats NZ	Published annually.
Unemployment <sup>1</sup>	4.10%	Dec-19	4.10%	Jun-20	6	0.00 pts	0.0%	→	Stats NZ	Published quarterly.
Regional Economy Ranking	11th	Dec-19	3rd	Mar-20 <sup>2</sup>	3	8 places		↑	ASB	Published quarterly.
Consumer Confidence <sup>1</sup> (pts)	109.6	Dec-19	107.2	Jun-20	6	-2.40 pts	-2.2%	↓	Westpac	Published quarterly.
Retail Occupancy (Npe, Tdale, Hast and HN)	93.0%	Oct-19	93.0%	Mar-20 <sup>2</sup>	6	0.00 pts	0.0%	→	Turley & Co	Published bi-annually.
Retail Spending (NZD million)	\$2,821	Jun-18	\$2,974	Jun-19 <sup>2</sup>	12	\$153	5.4%	↑	MBIE	Published annually.
New Building Consents (all categories)	751	Sep-18	843	Sep-19 <sup>2</sup>	12	92	12.3%	↑	MBIE	Published annually.
New Building Consents (residential)	594	Sep-18	664	Sep-19 <sup>2</sup>	12	70	11.8%	↑	MBIE	Published annually.
Median House Price (seasonally adjusted)	\$520,000	Dec-19	\$565,000	Jun-20	6	\$45,000	8.7%	↑	REINZ	Published Monthly.

Most Hawke's Bay indicators include Central Hawke's Bay and Wairoa.

<sup>1</sup> Includes Gisborne.

<sup>2</sup> Latest metric is pre-COVID.

## New Zealand Economic Indicators<sup>®</sup>

Indicator	Metric Pre COVID	Date	Metric Latest	Date	Change Period (mths)	Change	Change Ratio	Shift	Source	Notes
<b>People &amp; Population</b>										
Population Est.	4,966,600	Dec-19	5,002,100	Mar-20 <sup>2</sup>	3	35,500	0.7%	↑	Stats NZ	Last updated 18 May 20, next update 17 Aug 20.
Net Migration Quarter Est. <sup>1</sup> (seasonally adjusted)	19,640	Dec-19	26,840	Mar-20 <sup>2</sup>	3	7,200	36.7%	↑	Stats NZ	NZ and non-NZ citizens long-term or permanent migration.
International Travel Monthly Visitor Arrivals (seasonally adjusted)	312,610	Dec-19	3,390	May-20	5	-309,220	-98.9%	↓	Stats NZ	Overseas visitors short-term travel.
Employment	67.30%	Dec-19	66.90%	Jun-20	6	-0.40 pts	-0.6%	↓	Stats NZ	Last updated 5 Aug, next update 4 Nov.
Unemployment	4.10%	Dec-19	4.00%	Jun-20	6	-0.10 pts	-2.4%	↓	Stats NZ	Last updated 5 Aug 20, next update 4 Nov.
Underutilisation in Labour Market	10.00%	Dec-19	12.00%	Jun-20	6	2.00 pts	20.0%	↑	Stats NZ	Last updated 5 Aug, next update 4 Nov.
<b>Rates &amp; Yields</b>										
CPI (inflation annual change)	1.90%	Dec-19	1.50%	Jun-20	6	-0.40 pts	-21.1%	↓	Stats NZ	Last updated 16 Jul 20, next update 23 Oct.
OCR	1.00%	Nov-19	0.25%	Jun-20	7	-0.75 pts	-75.0%	↓	RBNZ	As at 13 Nov 19 and 24 Jun 20.
5-Year Govt Bonds (at last day of mth)	1.65%	Dec-19	0.91%	Jun-20	6	-0.74 pts	-44.8%	↓	Interest	As at 31 Dec 19 and 29 Jun 20.
Floating Mortgage (mthly average)	5.45%	Dec-19	4.62%	Jun-20	6	-0.83 pts	-15.2%	↓	RBNZ	Average % end of month.
Prime Investment Property Cap Rate/s	4.0% to 6.0%	Dec-19	TBC	Jun-20	6		TBC	TBC	Turley & Co	High calibre building and tenant, 10 years plus lease.
<b>Economy Other</b>										
Median House Price (seasonally adjusted)	\$629,000	Dec-19	\$639,000	Jun-20	6	\$10,000	1.6%	↑	REINZ	Published Monthly.
Consumer Confidence (pts)	109.9	Dec-19	97.2	Jun-20	6	-12.70 pts	-11.6%	↓	Westpac	Updated quarterly. As at 16 Dec 19 and 16 Jun 20.
Business Confidence	-13.20%	Dec-19	-31.80%	Jul-20	7	-18.60 pts	140.9%	↓	Trading Economics	Updated monthly.
Terms of Trade	1.90%	Dec-19	-0.70%	Jun-20	6	-2.60 pts	-136.8%	↓	Trading Economics	Updated quarterly.
GDP (quarterly growth)	0.50%	Dec-19	-1.60%	Jun-20	6	-2.10 pts	-420%	↓	Stats NZ	Last updated 18 Jun 20, next update 17 Sep 20.
GDP (NZD billion)	\$300	Jun-19	\$314	Mar-20 <sup>2</sup>	9	\$14	4.7%	↑	Stats NZ	Last updated 18 Jun, next update 17 Sep.
Govt Spending (NZD million)	\$12,445	Jan-20	\$12,445	Apr-20	3	\$0	0.0%	→	Trading Economics	Updated quarterly.
Govt Net Debt (NZD million)	\$57,495	Jun-18	\$57,736	Jun-19 <sup>2</sup>	12	\$241	0.4%	↑	Trading Economics	Updated annually. 2019 is pre-COVID.
Govt Net Debt: GDP	19.60%	Jun-18	19.00%	Jun-19 <sup>2</sup>	12	-0.60 pts	-3.1%	↓	Trading Economics	Updated annually. 2019 is pre-COVID.
Household Debt: Income	162.80%	Oct-19	163.40%	Apr-20	6	0.60 pts	0.4%	↑	Trading Economics	Updated quarterly.
Household Debt: GDP	93.80%	Oct-19	94.40%	Jan-20	3	0.60 pts	0.6%	↑	Trading Economics	Updated quarterly.

Refer overleaf ...

<sup>1</sup> Compared quarterly currently excluding Apr-May considerable decline.

<sup>2</sup> Latest metric is pre-COVID.

---

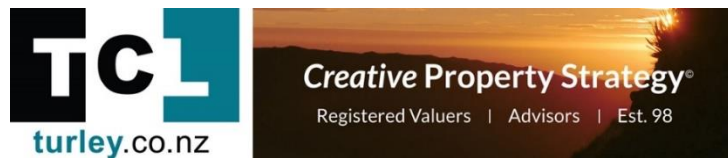
## More Information

- Turley & Co news and reports [www.turley.co.nz/news-2/current](http://www.turley.co.nz/news-2/current)
- Economic indicators [www.turley.co.nz/indicators](http://www.turley.co.nz/indicators)
- Articles [www.turley.co.nz/articles](http://www.turley.co.nz/articles)
- Press [www.turley.co.nz/press/latest](http://www.turley.co.nz/press/latest)
- LinkedIn [www.linkedin.com/company/tcl-turley-co-ltd](http://www.linkedin.com/company/tcl-turley-co-ltd)

Contact Team Turley [www.turley.co.nz/tcl-people/our-people](http://www.turley.co.nz/tcl-people/our-people) for specific commercial-industrial property and development land information, and further metrics (rents, yields, land values transactions, etc).

---

Our People [www.turley.co.nz/tcl-people/our-people](http://www.turley.co.nz/tcl-people/our-people)



Tim Whittaker Te Mata Peak Millennium Sunrise

**Hawke's Bay-based premium quality valuation and *creative property strategy*® leading \$0.5b acquisitions-disposals NZ-wide for 22-years. Valuation litigation and commercial property specialist. Development and public land specialist. Property economy analysts and commentators. Turley & Co press page [www.turley.co.nz/press/latest](http://www.turley.co.nz/press/latest)**

The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purpose. To the extent that any information or recommendations in this publication constitute financial or property advice, they do not take into account any person's particular financial or property situation or goals. Turley & Co recommends that you seek advice specific to your circumstances from your financial advisor and independent property advisor. The contents of this publication are not for reliance. Projections may not hold and may be incorrect. Neither Turley & Co nor any person involved in this publication accepts any liability for any loss or damage whatsoever that may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication. Contact Turley & Co for Registered Valuer and Registered Property Consultant property assistance and advisory.