

# Boost for Bay's Property Market

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Napier is undergoing a flurry of retail and office development as confidence grows in the Hawke's Bay economy. Image TCL-Google.

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Pessimism is giving way to optimism says Turley & Co's half-year Commercial-Industrial Property Market Report for Hawke's Bay.

"This will ripple forward more broadly for commercial and industrial property," the report says.

"By early 2014 we may be able to say with greater confidence, commercial and industrial property has turned the corner.

"The persistence of low interest rates and improving confidence, and an adjusted property values backstory, is causing commercial property headwinds to fade. The Canterbury rebuild will increasingly add positive momentum. Hastings-Napier has seen considerable commercial property development 2011-13 that is ongoing and is long-term positive - significant city centres renewal applies alongside some major new industrial developments."

Commercial property rents are set to increase "due to building-costs inflation in part led by Canterbury recovery and also due to seismic strengthening of buildings nationally".

"Hawke's Bay economic (jobs) and thus commercial-industrial property stimulus would arise from building of the Ruataniwha Water Storage project and/ or viable oil and gas finds in the province.

"Globally-projected demand increases for food (protein) is a key reason for provincial economy considerable optimism.

"How 2013 into 2014 might pan-out for commercial and industrial property nationally and in Hawke's Bay, is not easily forecast. Global economic and local adjustments are still playing-out and are expected to shift around."

"Topflight" investment properties had experienced strong demand.

"Counter to this, unprecedented bargain prices applied in 2012 for riskier properties, principally in the distressed loans category. This is probably less likely moving into 2014."

Construction cost inflation "will lead and ultimately bolster existing premises values".

Seismic issues had seen insurance premiums 2010-2013 "at least doubling with some increases reflecting factors three to five or greater" affecting the viability of some buildings.

"Modern or strengthened buildings are seeing considerable valuation improvements for superior seismic status of at least 65 per cent New Building Standard (NBS) but more so, 80-100 NBS or greater. Achievable rents and tenancy prospects are market superior at these levels.

"It seems likely, unfortunately, that some heritage architecture will be lost. The country's commercial building stock will by some attrition be average age reduced. Stimulatory effects from new buildings and strengthening were nationally and locally well under way in 2012 flowing into 2013-14.

"There will clearly be winners and losers around buildings seismic performance issues. It is a tough topic for occupiers, owners and the community."

Napier and Hastings have benefited from "considerable" developments since 2011.

Bayleys' July Marketbeat report says strong retail development, relocation and refurbishment had resulted in an increase in the Hastings vacancy rate.

Logan Stone's occupancy survey for February found a vacancy rate of 6 per cent compared with 2.7 per cent in February 2007.

Napier's strong level of retail developments has seen a high level of tenant movement but national tenants feature stronger than in Hastings.

Napier's higher level of tourism has meant it has been "more successful than Hastings at attracting national and international brands".

Hawke's Bay Economic activity looked to be gathering momentum "which should support steady on-going activity within the commercial and industrial property markets", Bayleys' report says.