

New Zealand Investment Market Overview

KEY MARKET CHANGES

- The New Zealand investment market in H2 continued to be affected by the headwinds of higher interest rates and market uncertainty. Total sales volumes recovered somewhat with an increasing number of lower value, below \$20 million, sales. However, there were fewer higher value properties transacting and this led to total transaction values easing somewhat compared to H1.
- Office and retail were the most actively traded sectors in H2. Industrial is the third most traded sector but compared to 2020-2021 has seen the biggest sales volume decline. After a very active 2021, development site sale volumes also experienced a significant fall. On the other hand, the commercial accommodation and aged care/retirement village sectors seen high activity levels.
- Institutional (listed vehicles and managed funds) and private purchasers were the most active buyer category but they were also active sellers. From a net buyer perspective, syndicates were the most active buyer.
- Asian institutional investors continued to dominate the overseas purchaser market in H2 through the acquisition of the YHA hotel portfolio and PAG’s continued activity in the office market.

New Zealand Six Monthly Total Investment Sale Values (\$5 Million+)



City By City Sales Volume Comparison

	2H 2022		1H 2022		Semi-Annual avg. over 5 years	
	Volume (\$mil)	No. Sales	Volume (\$mil)	No. Sales	Volume (\$mil)	No. Sales
Auckland	656	45	1,332	30	1,570	72
Wellington	457	18	319	7	357	14
Christchurch	403	18	156	6	319	18
TOTAL	1,516	81	1,807	43	2,247	103

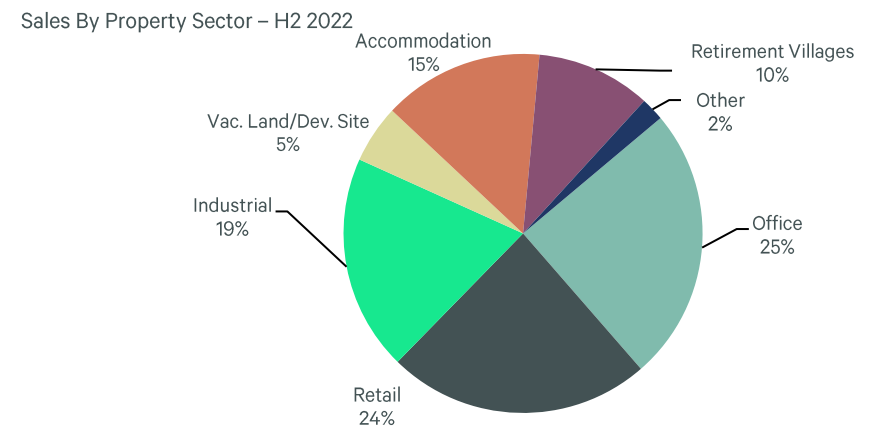
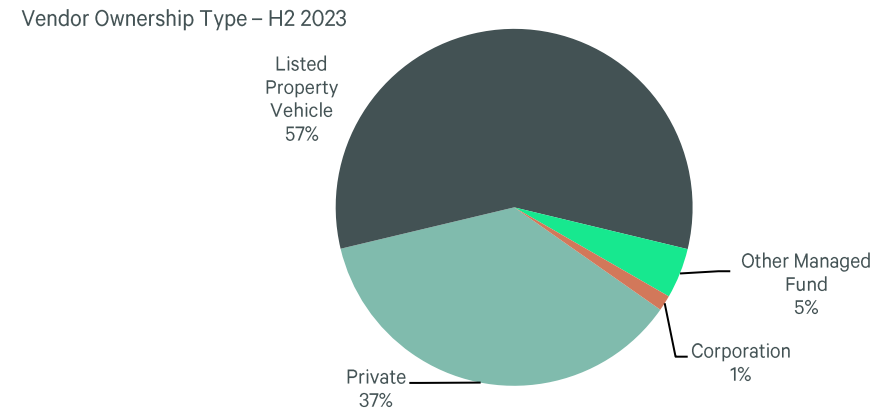
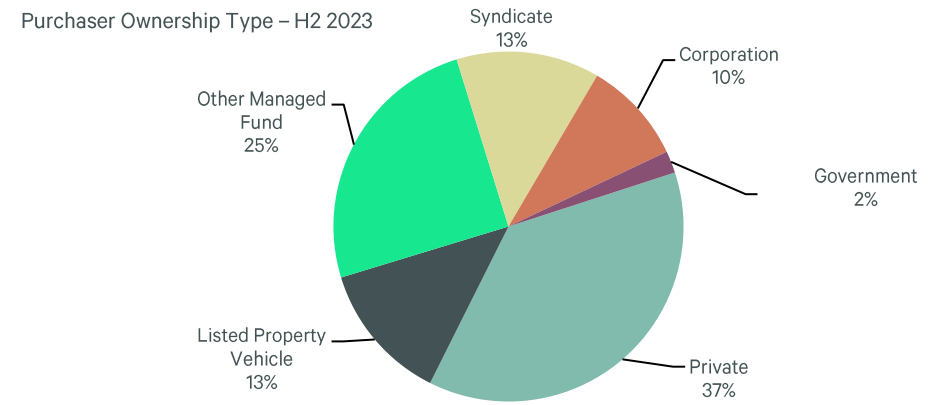
During H2 2022 office sales had the largest share of total transaction value, with \$445 million spread across 12 assets. The largest office transactions were for Wellington CBD properties. 40 & 44 Bowen Street were transferred into an investment partnership between Precinct and PAG with PAG contributing 80% of the \$240 million investment, and 44 The Terrace was purchased by RJH from Kiwi Property. The largest retail sale, as well as the largest South Island sale, was the Northlands Shopping Centre which Kiwi Property sold for \$160 million to syndicators Mackersey Property. These transactions contributed to listed property vehicles being the most prominent vendor group, representing 57% of total values.

The Auckland investment market had its quietest period since H1 2011 with no \$50+ million unconditional transactions in the office, retail or industrial sectors. The largest Auckland sale was the \$170 million transaction of the Stamford Plaza Hotel which was purchased by a consortium led by local hotel investors CP Group. Stamford was also the largest commercial accommodation sale in the country, with the other major transaction in the category involving a portfolio of six YHA hotels to a Hong Kong based managed fund.

Of the 32 industrial transactions across New Zealand’s three main centres in H2, only three were above \$20 million. The largest was Coca Cola’s purchase of its Mt Wellington distribution centre off Dilworth for \$55 million. In 2022, the industrial sector accounted for 20% of total sales compared to 34% in each of the previous two years.

The age care sector was represented by four properties transacting. The largest deal involved two Christchurch retirement villages purchased by Metlifecare from private investors. Apart from these and Northlands Shopping Centre, other large Christchurch transactions included a \$40 million office sale in Hazeldean Business Park, and PFI selling a logistics facility in Hornby for \$21 million.

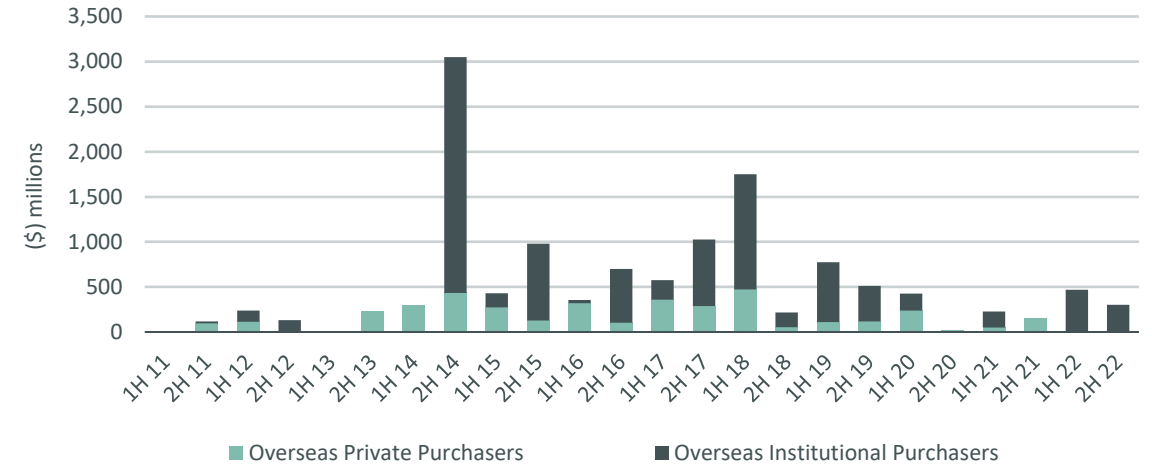
The largest sale in the alternatives sector was Vital Healthcare purchasing the Kawarau Park Health Hub for \$94 million. Development site/land sales represented 5% of total sales, down from 15% in 2021. The biggest sale was an industrial parcel in Hobsonville for \$60 million to CDC Data Centres. This follows on the heels of CDC completing a new data centre in close proximity.



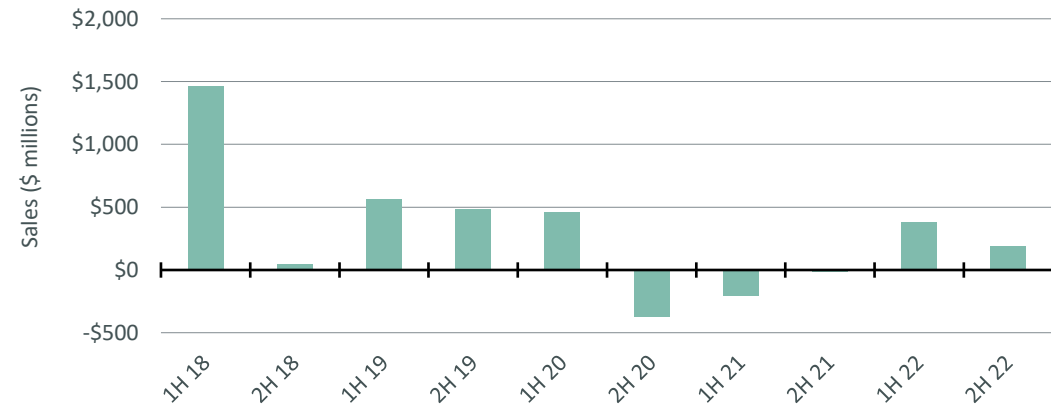
Offshore Investor Market

Overseas investment activity was net positive in H2 at \$185 million. Institutional capital dominated with \$301 million placed by offshore managed finds into the office and commercial accommodation sectors. PAG was the largest single purchaser through acquiring two Wellington office assets in an investment partnership with Precinct Properties who are the developers of these assets. Offshore vendors in H2 were represented by Stamford Land selling the Stamford Plaza hotel in Auckland for \$170 million.

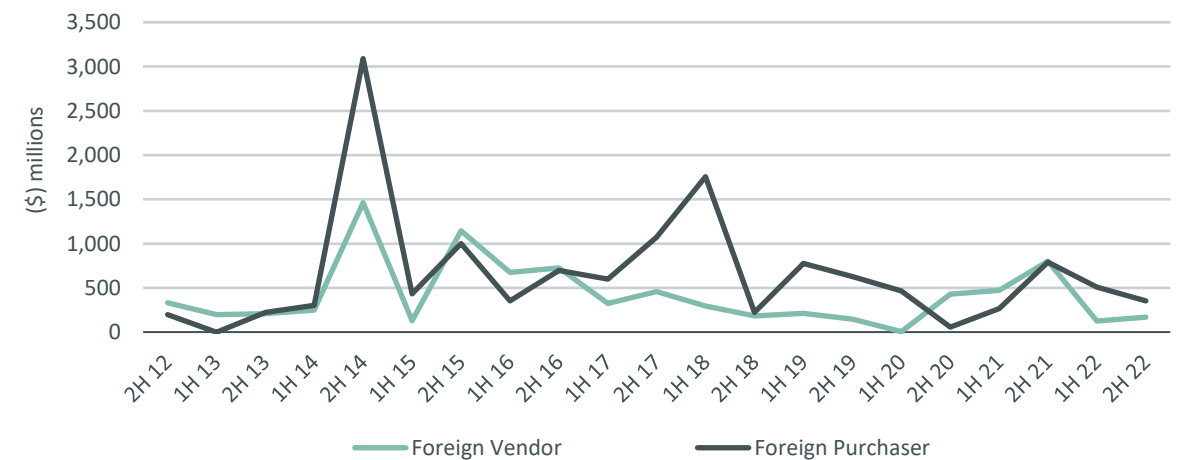
Overseas Purchaser Activity



Net Flow of Overseas Funds



Overseas Flow of Funds

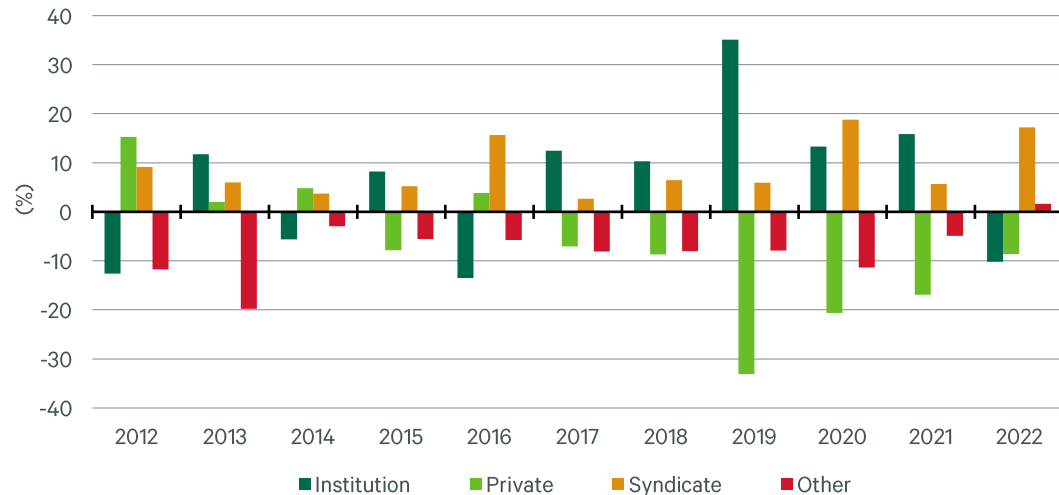


Investment Accumulation

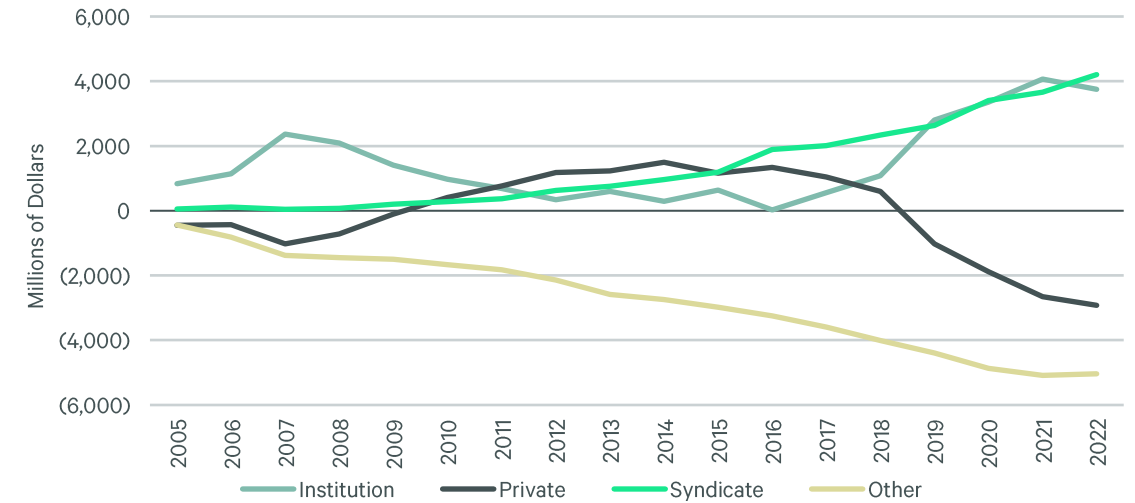
Listed vehicles and managed funds (the institutional category) were the most active market participants on both the purchaser and vendor side last year but after steadily accumulating since 2016, they were net sellers in 2022 to the tune of \$318 million. Private investors have been net sellers since 2017 and remained so in 2022, selling \$1,152 billion and purchasing \$883 million of property. Syndicates were the only investor group whose net accumulation of assets increased during 2022, selling very little and purchasing \$566 million in 2022 although not all of their recent purchases have been able to be successfully syndicated as yet.

The longer term trend indicates a clear inverse relationship between institutional and private investors. Leading up to the GFC, private investors were net sellers to institutions, this position reversed in the GFC's aftermath and it wasn't until 2017 that the private sector became net sellers to institutions. Although institutions have become net sellers in 2022, private capital is yet to emerge as the dominant buyer group it was during 2008-2011.

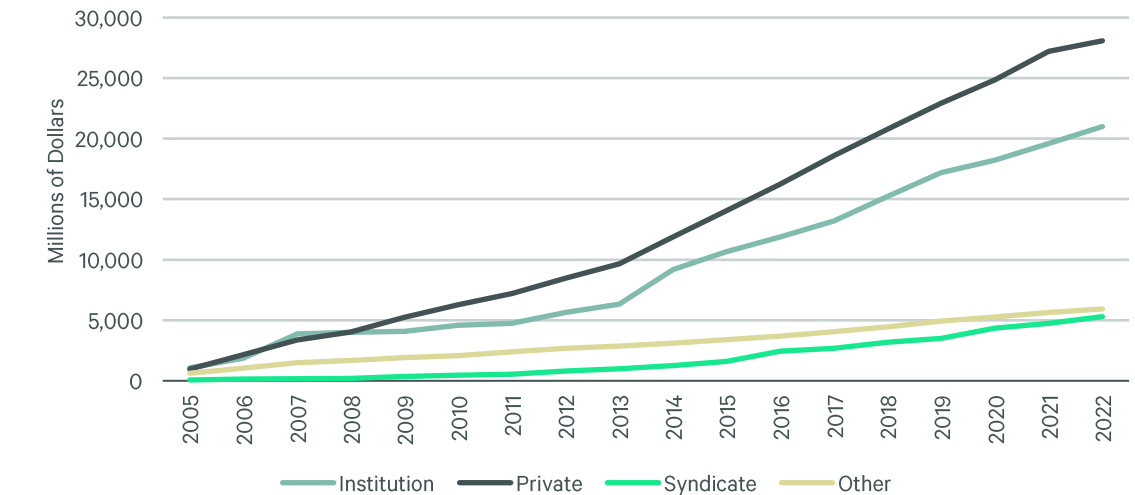
Net Annual Investment Position



Cumulative Net Investment Volume



Cumulative Gross Investment Volume



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