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Changes confront New Zealand's property management industry

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The New Zealand asset and property management industry is being confronted by significant change, with a clear shift in focus from blue sky forecasts on growth to basic property fundamentals.

Speaking today at CBRE's annual Market Outlook breakfast in Auckland, CBRE Director, Asset Services, Stuart Bent said cash flow was paramount and property managers were needed to demonstrate strong debt management, tailored leasing strategies and a proactive approach to tenant retention.

Amidst more challenging market conditions, Mr Bent said tenant retention was critical to securing future income and retaining capital values.

Two recent examples of successful tenant retention involved First NZ Capital within Auckland's ANZ Centre, and Orion Systems within the Eden Business Park on the fringe of the Auckland CBD.

In the case of First NZ Capital, there had been less than two years left to run on the existing lease and the owner had been aware of the tenant's desire to expand.

An early lease surrender had been negotiated and First NZ had been relocated to a new integrated fit out on the building's top floor. At the same time, an existing building tenant, ANZ had expanded to take over First NZ's space.

Similarly with Orion Systems, the owners of Eden Business Park had been challenged to find a solution to the tenant's future requirements 12 months prior to their lease expiring.

"With an awareness of what the competition was offering added to the property manager's clear understanding of the tenant's business, a new six-year renewal was successfully concluded with flexibility for future expansion and market rental growth," Mr Bent said.

Aside from tenant retention, Mr Bent today urged landlords to increase their focus on weighted average lease terms.

“When new leases are being negotiated, owners should wherever possible push for long terms rather than waiting for leases to expire in a market which might support a better rental opportunity,” Mr Bent said.

Sub-leasing was also emerging as area on which to focus, given that many occupiers were reconsidering moving or negotiating to stay in premises that may have been deemed too small just months earlier.

“Finally, perhaps the most challenging shift in the property management arena has been the increased focus on sustainability initiative,” Mr Bent said.

“The challenge for property managers is to educate themselves, as the shift to green buildings presents the property industry with one of the biggest challenges it has ever had to face.”

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