

December 2008/January 2009

## Mixed Results for Commercial Auctions

### ➤ Auckland & Wellington Focus

With recession set to continue in 2009, the health of the commercial property sector has recently been put to the test at a number of auctions up and down the country. Overall auction activity in Auckland and Wellington was diverse, with some vendors appearing unwilling to accept the “softening” mood of the market. Auction clearance rates varied dramatically from “excellent” to “fair”.



*K' Rd Mixed Retail/Office Building sold at 8.9%*

The majority of properties auctioned in Q4 2008 comprised were secondary stock in the under \$1.5 million price bracket. The low price band typically attracts a wider pool of buyers, and although buyer interest was in evidence, it appeared vendors were not quite ready to come to terms with the changing dynamics of investment property. Risk is being factored in more strongly by investors now and vendors need to realise this.

The most recent action was at the Bayleys Total Property auction on 3<sup>rd</sup> December which attracted around 250 people. The onset saw some competitive bidding and a lot of people observing. A total of 21 commercial properties were on offer, however just six properties sold under the hammer, pointing to a disappointing clearance rate of 30%. Nine properties were “Passed In”, five received “No Bids” and one sold post auction. A selection of properties which sold at the auction are listed below:

Property Address	Class	Date	Sale Price	Net Income	Initial Yield
<b>Auckland</b>		<b>Bayleys Real Estate</b>			
112 Chivalry Rd, Glenfield	Retail	3/12/2008	\$1,870,000	\$135,252	7.23%
278-280 K'hape Rd, City	Retail/Office	3/12/2008	\$1,450,000	\$129,000	8.90%
790 Gt North Rd, WSprings	Service Station	3/12/2008	\$2,800,000	\$218,668	7.81%
96 Station Rd, Papatoetoe	Service Station	3/12/2008	\$895,000	\$83,400	9.32%
60-62 Plunket Ave, Manukau	Offices	3/12/2008	\$740,000	\$60,000	8.11%

Source: Darroch Valuations

In Wellington the next day, Bayleys Total Property Auction was a great success with 6 out of 6 properties selling. The key results are shown herein.

Property Address	Class	Date	Sale Price	Net Income	Initial Yield
<b>Wellington</b>		<b>Bayleys Real Estate</b>			
126 Cuba St, City	Retail	4/12/2008	\$1,345,000	\$95,000	7.06%
228 Gracefield Road, Seaview	Industrial	4/12/2008	\$760,000	\$67,647	8.90%
18 Ulric St, Plimmerton	Industrial	4/12/2008	\$500,000	\$36,500	7.30%
176-186 Cuba St, City	Retail	4/12/2008	\$904,000	\$79,346	8.78%

Source: Darroch Valuations

### Earlier Auctions

**Just one month earlier (30<sup>th</sup> of October), a previous Bayleys Total Property auction in Wellington achieved an 80% hammer clearance rate amidst competitive bidding, despite a smaller than usual sized crowd.** One sale was completed post auction. All of the properties that sold were under \$1.25 million.

On the same day in Auckland, CBRE auctioned a number of retail units (located in the Glen Eden Centre) and some mixed use properties at Onehunga, achieving a 76% clearance rate overall. The retail properties in the Captain Scott Rd development (Glen Eden) sold well with only one being passed in. There was a notable presence of Asian investors interested in the Glen Eden development where most of the units on offer were in the under \$1 million category. One Onehunga property subsequently sold post auction.

A number of other commercial auctions have not been as successful. Colliers cancelled a Wellington auction on the 21<sup>st</sup> November due to flagging interest. CBRE's Wellington auction (19 November) saw just 2 out of 7 properties sell under the hammer.

A selection of investment sales from the earlier October Auctions in Auckland and Wellington are listed below:

Property Address	Class	Date	Sale Price	Net Income	Initial Yield
<b>Wellington</b>		<b>Bayleys Real Estate</b>			
24 Barnes St, Seaview	Industrial	30/10/2008	\$300,000	\$25,081	8.36%
13-15 Rutherford St, Hutt	Industrial	30/10/2008	\$1,250,000	\$88,822	7.11%
14 Sunlight Grove, Porirua	Industrial	30/10/2008	\$375,000	\$31,000	8.27%
75 Featherston St, CBD	Retail	30/10/2008	\$1,050,000	\$92,112	8.77%
76 Featherston St, CBD	Retail	30/10/2008	\$356,000	\$29,554	8.30%
12 Gregory St, Naenae	Industrial	30/10/2008	\$955,000	\$90,677	9.49%
<b>Auckland</b>		<b>CBRE</b>			
163, Onehunga Mall Rd	Mixed	30/10/2008	\$1,040,000	\$77,980	7.50%
Unit 2, Glen Eden Centre	Retail	30/10/2008	\$505,000	\$34,601	6.85%
Unit 5, Glen Eden Centre	Retail/Bank	30/10/2008	\$1,015,000	\$68,754	6.77%
Unit 6, Glen Eden Centre	Retail	30/10/2008	\$910,000	\$61,366	6.74%
Unit 8, Glen Eden Centre	Retail	30/10/2008	\$1,010,000	\$85,613	8.48%
Unit 10, Glen Eden Centre	Retail/Office	30/10/2008	\$1,600,000	\$148,691	9.29%
Unit 12, Glen Eden Centre	Retail	30/10/2008	\$790,000	\$62,880	7.96%

Source: Darroch Valuations