NEW ZEALAND
PROPERTY PROFESSIONAL
MAGAZINE

AUTUMN 2022

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Publisher
Property Institute of New Zealand.
Property Professional is published quarterly and a copy goes to every New Zealand based member of the Property Institute. The articles are not peer reviewed and represent the unaudited views of the relevant authors. If you have any questions about the content of an article please contact the Editor or the relevant author.

ISSN 2253 5195 (Online)

VIV GURREY

Join us for our online conference and AGMs

Members of the Property Institute of New Zealand will have received the recent news that to guarantee we give the best and safest possible member experience the 2022 PINZ Conference will move to an online event. This was a difficult decision for all concerned and highlights our 'members first' approach to what we do.

In an ever-changing environment the risks, both financially and from a health and safety perspective, are too great. Now we are busy planning an ambitious online conference, drawing together the best speakers, great content and good value for money.

The online conference will deliver the same 12 Continuing Professional Development (CPD) points as the face-to-face event and will be delivered in two parts:

- **First half:** Wednesday 15 June – Friday 17 June
- **Second half:** Wednesday 29 June – Friday 1 July.

The Wednesday and Thursday of each part will focus on the geopolitical and environmental changing landscapes, both global and domestic.

The Fridays will be on a range of technical sessions. Feedback tells us that you would prefer to break up the hours and we have purposefully scheduled a break of a week in between the two parts. Building on the successful online AGMs we held in 2020, the PINZ and NZIV AGMs will be held on Thursday 9 June 2022.

We do expect this conference will be different. Our approach is to aim for top speakers, nationally and globally, shortening several sessions to offer more variety and keep the programme dynamic and moving. This means we will have more speakers, more content, and more opportunity for members who may not be able to attend an in-person event.

I would like to acknowledge and to thank the Rotorua Branch for their input and assistance in trying to facilitate an event in their region, but regrettably Covid has intervened again. Our job is to ensure we plan ahead and do the best we can for our members.

Looking forward to 2023

In the same sentiment of advance planning, we have also resolved to hold next year's National Conference in Christchurch at the desirable Te Pae Convention Centre which has been purpose built for events like ours.

Many readers will know that PINZ has been selected to host next year's International Valuation Standards Council (IVSC) and the World Association of Valuation Organisations (WAVO) Conference in conjunction with our own Annual Event. This means we will have guests from throughout the world and it is our aim to put on a truly special conference that showcases our organisations and more generally New Zealand. This conference has been locked in for **7–9 June 2023**, to provide potential overseas visitors and our members with plenty of lead-in time to make plans.

In this issue

I do hope you enjoy this edition of *Property Professional* magazine, which as always contains a great mixture of news, views and information. This edition has a strong Climate Change theme, which is likely to become a more pertinent consideration for property professionals in the coming years.

If you attended the AGM series, you will know we have launched our new Future and Inspiring Leaders Programme. In this edition you'll also get to meet our 'Future Leaders' who have been selected to take part in a programme that offers experience at governance level within the PINZ family of organisations.

I'm particularly excited by this initiative, which is a part of our strategic priority to foster and promote inclusion and diversity with the industries we are all part of and grow the talent we have to draw from within the organisation as we support our members in building incredible careers.

Please enjoy your complimentary copy of *Property Professional*.

Ngā mihi nui

Viv Gurrey
Chief Executive Officer
Property Institute of New Zealand

CLIMATE CHANGE
A challenge for valuers

This article looks at the role of valuers in the fast-moving area of climate change and its effects.

GARY GARNER & PATRICIA KUCZYNSKA

The world is changing – faster

The emergence of issues around climate change is a swift-moving area that most people would agree is increasingly commanding the attention of regulators, the media, environmentalists and the general public. Equally, it is also an evolving matter demanding earnest consideration by New Zealand businesses.

Following the 2021 United Nations COP26 Climate Change Conference, a recent Knight Frank report points out that almost every country on earth is now working to tackle climate change. Moreover, this report (Harley et al., 2021) looks specifically at how the world of real estate is adapting, and how the property market might look in the future.

To many, this whole area is proving to be quite challenging, as it is typically technologically complex and often involves emotive and controversial responses. While reaction and involvement by the business community one way or another seems unavoidable, there are nonetheless potential new opportunities emerging for registered valuers and their businesses. However, due to the nature and scope of the issue, those in the valuation profession wanting to become involved are encouraged to develop their thinking 'outside the box'.

New and emerging legislation requires visionary and proactive thinking so that valuers (and other professionals for that matter) are well positioned to help businesses, property owners and other stakeholders meet their obligations into the near future.

In pointing out that climate change will affect everyone, the Ministry for the Environment (2020) has directed that the community needs to plan how it will respond and adapt 'hand-in-hand with reducing our emissions.' Despite uncertainties around adverse consequences and outcomes, the likely impact of how climate change is projected to impact New Zealand is well documented, for example Mullan et al. (2018), with a national framework for assessing risk already developed under the Climate Change Response (Zero Carbon) Amendment Act 2019.

This legislation sets a framework for the effective adaptation of risk assessment issues across New Zealand, and in the process identifies this country's 10 most significant climate change risks

New and emerging legislation requires visionary and proactive thinking so that valuers (and other professionals for that matter) are well positioned to help businesses, property owners and other stakeholders meet their obligations into the near future.

based on consequence and urgency. The most urgent of these risks is about the built environment, and the most pressing problem is that there are risks associated with the availability and quantity of potable water supplies. This is closely followed by risks to buildings due to extreme weather events, such as drought, increased fire weather and ongoing sea-level rise. All very much valuation-related issues.

Climate change reporting has already begun

There has been a modicum of written material produced lately in various parts of the world about how climate change might impact property valuations, for example in the US (Hao et al., 2012), UK (French, 2020) and Malaysia (Zulkarnain et al., 2020).

However, readers may be surprised to know that New Zealand has become the first country in the world to introduce a law that requires the financial sector to disclose the impacts of climate change on their business, and explain how they will manage climate-related risks and opportunities. New Zealand valuation specialists are therefore in a unique position to respond to the new financial sector requirements, which includes taking into account the introduction of new policy and changing market participants' perspectives.

Quite apart from the legislation, one can already see how other regulatory controls might have paved the way. For example, consider the recently introduced mandatory requirement for farmers to have a Farm Environmental Management Plan (FEMP). Every rural valuer would be aware that as of 1 May 2020 all landholdings above 20 ha have needed an FEMP, which helps farmers and landowners recognise on-farm environmental risks. Many rural valuers, especially those involved in rural consultancy, will already be highly involved in preparing and delivering on this kind of reporting.

On a broader scale, the 'market' for climate change information and reporting is huge. If you count FEMP as part of this, then it has already well and truly begun and some registered valuers in New Zealand are already strongly engaged. But if you extrapolate demand across all sectors in the context of climate change, it is clear the potential market for all valuers is massive, especially for rural and commercially-focused (including high-rise sector-based) practitioners.

The new climate-related disclosures legislation – the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 – makes it mandatory reporting for some organisations, (i.e. large publicly-listed companies, insurers, banks, non-bank deposit takers and investment managers). This new legislation has effectively amended the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 (FMC Act) and the Public Audit Act 2001.

As a result, the new law will require around 200 large financial institutions covered by the FMC Act to start making Climate-Related Disclosures (CRDs). Affected organisations – known as Climate Reporting Entities (CREs) – are expected to publish disclosures from financial years commencing in 2023, subject to the publication of climate standards from the External Reporting Board (XRB).

Technically speaking the current legislation has application to only a relatively small number of businesses (numerically). However, these are the biggest entities and new regulations can create a domino effect for all the other financial market participants. It is clear that the stage is set to expand these sorts of requirements more widely.

The 'market' for climate change information and reporting is huge.

Also, some businesses (possibly wanting to be perceived as being corporately responsible and/or environmentally friendly) are voluntarily engaging in the process regardless of any mandatory requirement that might apply just to 'big business'. Therefore, the opportunity for the involvement of valuers is already there, providing an example as to how they might become involved in the assessment of risks in the built environment. Three key areas are:

1. Risks to buildings due to extreme weather events, drought, increased fire weather and ongoing sea-level rise.
2. Risks to potable water supplies (availability and quality) due to changes in rainfall, temperature, drought, extreme weather events and ongoing sea-level rise.
3. Transition risks: 'transitional impacts (i.e. policy changes and economic consequences of efforts being made towards decarbonisation of the economy). With respect to transitional risk there is both a 'top-down' impact – in the form of changes in legislation and policy – as well as a 'bottom-up' shift in consumer preferences for low – or no emissions products' (du Plessis et al., 2022). Importantly, this aspect is a CRD requirement for financial reporting.

Ideal positioning of valuation profession

Possibly because of their advocacy position and independence (making them arguably less biased than many other industry participants and advisors) valuers are as well placed as anyone to comment on the economic impact of the foregoing risks. This is because it is their job to know the market and how it might respond to them. Of course, this does not abrogate the responsibility of valuers deferring to technical experts for certain specialised issues, as that practice is very appropriate and already commonplace in the profession. But the overall positioning of the profession as one having the expertise and capability to contribute to risk assessment more generally is undoubted.

Climate change may have special significance for the built environment, but according to the Ministry for Primary Industries it is farming that creates the greatest proportion of methane and nitrous oxide gases, accounting for around half of New Zealand's total greenhouse gas emissions (MPI, 2020). This concentration of gases – often referred to as 'the greenhouse effect' – has commonly been attributed as the leading cause of adverse changes in the earth's energy balance and temperatures. There is currently a good deal of research and development going on that seeks to explore options that reduce biological emissions without reducing farm productivity, especially around the number of animals on farms.

Bearing this in mind, it is rural valuers who are particularly well placed (arguably along with rural consultants as many are registered valuers anyway) to comment on the impact of any issues that affect farm productivity, including (and in particular) anything to do with

water. In 2021, the Valuer's Education & Integrity Foundation (VEIF) sponsored a series of seminars dealing with this topic, and they covered off considerations and guidance on this for property valuers and other related professions. Rainfall, temperature, drought, extreme weather events and ongoing sea-level rise are all things greatly affecting farm productivity, and who better than a registered valuer to determine the impact of such risks?

Also, the NZIV Property and Valuation Standards Board are developing, as a preliminary step in this area, a climate risk introduction and glossary paper. This paper will summarise definitions and cross-referencing relevant legislation as a basis for the establishment of a valuation 'knowledge hub' (i.e. think-tank), which will fundamentally incorporate a climate change component.

Rainfall, temperature, drought, extreme weather events and ongoing sea-level rise are all things greatly affecting farm productivity, and who better than a registered valuer to determine the impact of such risks?

Climate Reporting Disclosure (CRD) requirements

Increasingly, the influence on property values is being seen as one of the more significant impacts brought about by climate change. Holmes et al. (2020) suggest that the stakeholders here include virtually everyone, and therefore we all have a role to play in considering and assessing this impact, along with the other primary impacts (human health and essential services).

Accounting firm PWC have recently issued a report (du Plessis et al., 2022) looking at CRD requirements for tangible assets. It considers how climate-related matters impact on the financial statements of organisations in a New Zealand context, including the implications for a number of aspects, some of which relate directly to the work of valuers. This is shown in the following extracts:

1. **Financial Statements**
   - Borrowers could face a new range of risks that will likely impact their credit risk, and therefore ability to meet their debt obligations. If the value of assets against which loans are secured fall in value or become inaccessible or uninsurable, the collateral value represents expected credit losses.
   - Organisations will need to consider disclosures about market risk – including investments in industries impacted by climate risk. There may be cases where enhanced sensitivity disclosures for particular risks might be relevant.

2. **Fair Value Measurements**
   - Valuations involving forecasts might need to be adjusted to factor in climate-related risk. This includes adjustments reflecting climate impacts on rental income, occupancy rates as well as insurance cost assumptions.

3. **Insurance Contracts**
   - The measurement of insurance liabilities should incorporate assumptions about climate-related risks. Such disclosures may include significant judgements, and changes in those judgements, as a result of those assumptions.
   - The disclosure of risk exposures, concentrations of risk, risk management, and sensitivity analysis showing the effect of changes in risk variables may all need to be reflected in climate-related risk disclosures.

The PWC report also provides commentary on the impact on Property, Plant and Equipment, which may also be of interest to some. du Plessis et al. (2022) suggest that 'over time, the impact of climate change will likely result in an adjustment to the forecast income expected to be generated from an asset, or changes to an entity's cost base' (p. 7). For example, cost bases might increase where: (a) businesses are forced to source 'greener' inputs; (b) they incur the impact of carbon taxes (or credits); (c) there are increased physical risks in evidence in certain business locations (e.g. increased flood risk); and (d) the costs involved in repurposing certain assets is apparent.

Forward-thinking, risk averse valuers may be appropriately challenged to think about ways they could become involved in climate risk reporting as a new, exciting avenue for their business.

The challenge for valuers

The chaos and devastation of climate change (whatever the cause or reason) being experienced in many parts of the world, including New Zealand, is both saddening and very sobering. However, the positive news is that the valuation profession is in an excellent position to help in the assessment of risk and impact, assisting property stakeholders in the mitigation of its potential impact.

Many valuers are currently extremely busy just coping with client demand, which for many is at an all-time high. Just keeping pace with that is probably proving quite a challenge for many firms. However, our profession is cyclical and this situation is unlikely to last. Therefore, forward-thinking risk averse valuers may be appropriately challenged to think about ways they could become involved in climate risk reporting as a potentially new, exciting avenue (with new economic opportunities) for their business into the future

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PROPERTY ON THE FRONTLINE OF CLIMATE CHANGE IMPACTS

This article looks at the built environment and carbon pollution, and how the solutions to the problems encountered have benefits for property owners.

NIALL BENNETT

University of Auckland building with Green Star rating

IPCC warning

'Businesses in the property sector, such as real estate developers, are on the frontline of climate change impacts,' warned the UN's latest assessment on the impacts of global warming.

The report, from the UN's Intergovernmental Panel on Climate Change (IPCC), was compiled by hundreds of the world's leading climate scientists and is based on reviews of thousands more experts. The effects of climate change will be felt everywhere, the report says, and no inhabited region will escape the impacts of rising temperatures and extreme weather. It concluded:

> *The cumulative scientific evidence is unequivocal: Climate change is a threat to human well-being and planetary health. Any further delay in concerted anticipatory global action on adaptation and mitigation will miss a brief and rapidly closing window to secure a liveable and sustainable future for all.*

This means property assets are on the climate frontline. They are under threat, but there's time to act. The property sector has a large role to play in helping to slash climate pollution, which brings a whole range of other benefits.

Property, the built environment and carbon pollution

The property sector, the built environment, and the construction and building sector have a significant role to play as Aotearoa moves towards a healthier, zero carbon nation. That's because our built environment is responsible for 20% of New Zealand's carbon pollution.

Buildings and property cause carbon pollution when using energy for the likes of heating, cooling and lighting.

New homes built in Aotearoa belch out five times too much carbon pollution, and must shrink their carbon footprint by 80% to meet the requirements under the Paris Agreement of 2°C of warming by 2030. Globally, buildings and construction together account for 36% of global final energy use and 39% of energy-related carbon emissions.

Buildings and property cause carbon pollution when using energy for the likes of heating, cooling and lighting. They also cause it during their construction, when pollution is emitted through the extraction of raw materials and the manufacture of building products, such as concrete and steel. The construction emissions of these materials and products is often referred to as 'embodied carbon' or 'locked-in emissions'.

Embodied carbon is a significant issue. Concrete is the most widely used construction material on the planet, and is second only to water as the most consumed material in the world. It's used so widely because it has many benefits, e.g. it's strong, durable and can be formed into various shapes and sizes.

Kapiti Coast District Council building with NABERNZ rating

> The International Energy Agency and the United Nations Environment Programme have warned that zero emissions buildings need to be the construction standard globally within a decade.

Both the International Energy Agency (IEA) and the United Nations Environment Programme (UNEP) have warned that zero emissions buildings need to be the construction standard globally within a decade. They also caution that the rate at which existing buildings are being retrofitted to be energy efficient needs to increase rapidly.

Retrofitting existing homes and buildings deals with other types of emissions – those from heating, hot water and turning on the lights, and are known as operational emissions.

Like embodied emissions, operational emissions are also a big deal. The key difference is that while emissions from embodied carbon are locked in place from the get-go, operational emissions can (and must) be reduced over time through improvements in energy efficiency and the increasing use of renewable energy.

The solutions and their significant benefits

Making such improvements won't just reduce climate change emissions, as there are big co-benefits that we could enjoy too. Tackling the climate change emissions of the property sector and built environment could boost economic growth, create millions of new jobs and put global greenhouse gas emissions into structural decline, says a report and economic recovery plan from the IEA in conjunction with the International Monetary Fund (IMF).

As you might expect coming from those institutions, it's a pretty weighty piece of work looking across different sectors, and clearly shows that constructing and retrofitting more energy efficient buildings has the greatest potential of all for job creation. More jobs are created, says the IEA and IMF, per million dollars, than in other sectors.

Tackling the climate change emissions of the property sector and built environment could boost economic growth, create millions of new jobs and put global greenhouse gas emissions into structural decline.

Besides the clear job creation benefits – and those would-be local jobs too that are quick to implement – there's a lot of other benefits (including lower energy bills for consumers, reduced energy poverty, improved health and comfort, and better resilience in the face of climate events and price shocks). Also, improving the efficiency of buildings lowers energy bills for consumers, who can spend the savings on other goods and services, providing a further boost to the economy.

We could see those co-benefits here in Aotearoa. Improving the insulation and energy efficiency of our homes would lower carbon emissions and also give the country a benefit of over $3 billion, improve health outcomes and create over 1,000 new jobs. Over in Australia, energy efficiency measures in offices have shaved AU$1 billion off energy bills.

It's this wealth of co-benefits that make reducing the carbon pollution from the built environment so attractive. Even without the climate benefits, which are significant, there are a whole host of other reasons to slash the sector's emissions.

The solutions to reducing these emissions exist and are outlined in the zero carbon roadmap for Aotearoa's buildings.

The action and momentum

There's also building momentum, and optimism, that the sector is well-placed to succeed. The optimism is evident, for example, in the researchers who uncovered the five times too big carbon footprint of our homes mentioned earlier. The necessary carbon reductions are 'doable', 'a challenge that can be taken up', the research 'has shown us that this is possible' and there 'are things we can do quickly to get the carbon down,' they say.

Our government is acting too. The Building for Climate Change (BfCC) programme is a huge step forward, and a once in a generation plan for reforming our buildings and homes. The Government has also made a key promise to improve the energy efficiency of the properties it owns and tenants. This is significant as government is the largest occupier of buildings in Aotearoa.

The solutions exist. Government is moving and the benefits are considerable. Not every sector in New Zealand will hit the 2030 emissions reduction target. But the building and construction sector is ready to step up, with solutions, momentum and optimism, do the heavy lifting, and exceed the 2030 targets.

But there's still more to do

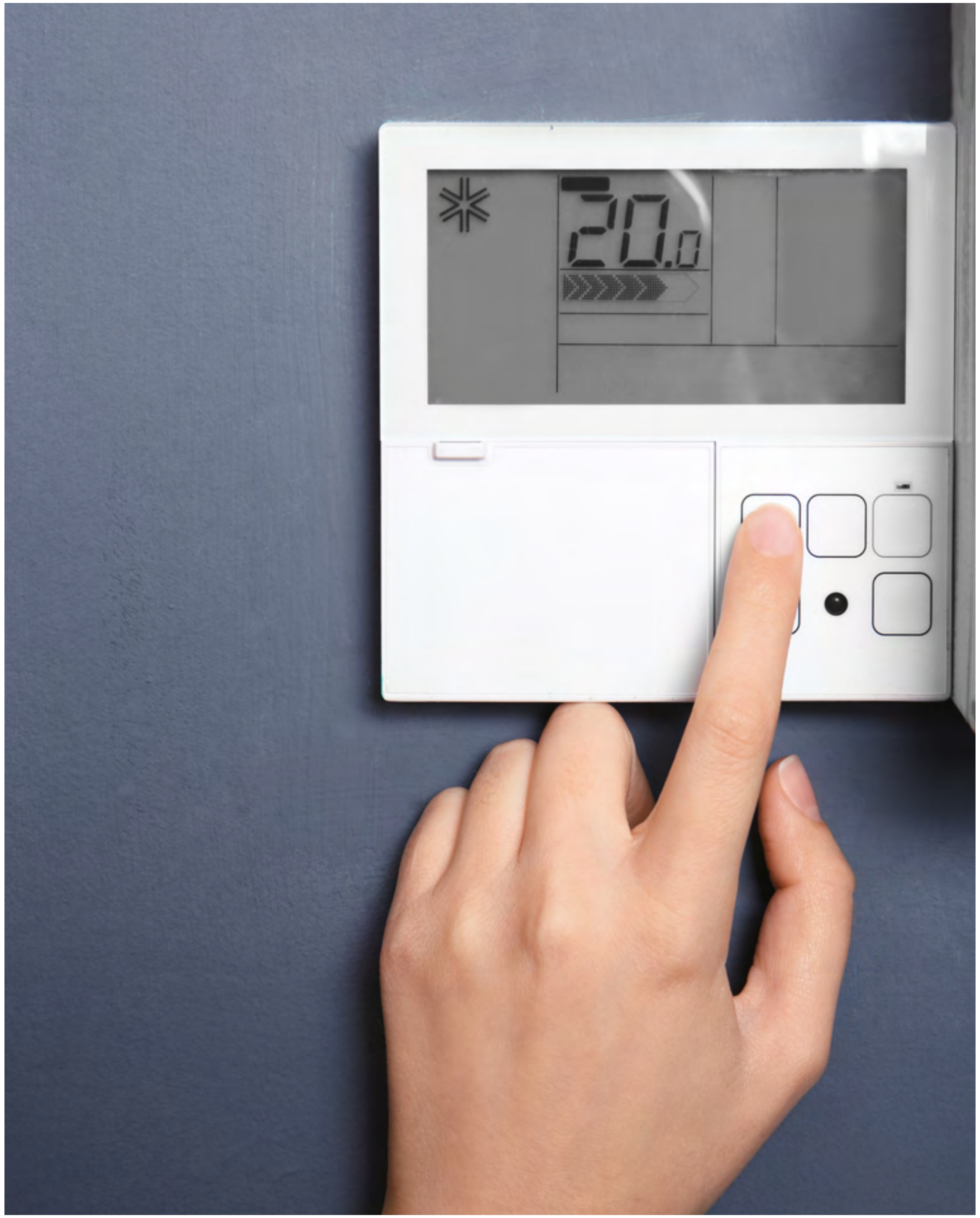
The current government have promised a lot of initiatives to improve our homes and buildings. There also appears to be real interest in boosting efforts to make our homes and buildings more energy efficient. They've promised to introduce mandatory energy efficiency information to help homebuyers. This is something long called for and it will help embed transparency and energy performance literacy in Aotearoa.

The BfCC programme will continue, and it's hugely important that this delivers in a timely and ambitious manner.

On top of that Labour has committed to requiring government-funded construction projects to meet a minimum 5 Green Star rating. This is a big vote of confidence in the rating scheme and a real boost for getting the sector up to speed with sustainable construction.

We've already seen the Government's endorsement of NABERSNZ bear fruit in the commitment to energy efficiency for our office buildings. The Government's procurement agency has confirmed that from 1 January 2023, NABERSNZ will be compulsory for all government agencies who occupy single-tenant, co-tenanted or co-located government office accommodation. This is a huge step forward and sends a strong message to the rest of the sector that this is the direction we're headed.

According to NABERS Australia and the NSW Dept of Planning, Industry and Environment, NABERS has saved building owners AUS$1 billion in energy bills since its introduction. If the New Zealand property sector want to see similar benefits, we need this transparency and energy consideration embedded not just in our public assets, but



According to NABERS Australia and the NSW Dept of Planning, Industry and Environment, NABERS has saved building owners AUS$1 billion in energy bills since its introduction.

across all buildings. Based on the Australian experience it's likely to deliver significant savings for Kiwi businesses.

The role of homes and buildings also features prominently in the Climate Change Commission's (CCC's) advice to the Government. But does the ambition align with what's needed? Unfortunately not.

'The time for accelerated climate action is now,' the advice's introduction concludes, while at the same time saying that 'newly built homes [should be] 35% more energy efficient compared to today's performance' by 2035. The truth is a 35% improvement is achievable much sooner than 2035 – perhaps close to a decade sooner – if backed with the necessary ambition.

In fact, when it comes to our homes and buildings, the CCC's ambition is weaker than what is outlined in the BfCC programme, which says that 'by 2035, New Zealand's new buildings are using as little energy and water as possible.' 'As little energy as possible' is very different from 35% less energy. For comparison, research from Australia has shown that Green Star certified buildings use 66% less energy than average buildings. This is happening right now, in 2022.

There is also much to be commended. The CCC's recommendation to shift away from fossil fuel connections in our homes and buildings, as well as the introduction of mandatory measures to improve energy efficiency, which was included in the raft of solutions laid out in the NZGBC zero carbon roadmap, are to be welcomed. However, there should be a greater emphasis on the significant challenges posed by embodied carbon, which is a key focus in the BfCC programme.

Our job now (that of people in the property sector who want Aotearoa to be less polluted, better and healthier, while protecting our assets) is to hold government to these promises and raise their ambition

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NAVIGATING RISING CONSTRUCTION COSTS

STUART COX & SAM SMITH

Over the last 12 months the construction industry has been disrupted by material delays, shortages and price hikes, with COVID-19 lockdowns stifling manufacturing and impacting construction programmes on building sites. Builders are paying more for materials and spending longer on sites, while also navigating the challenges of operating under COVID-19 restrictions.

Rising costs and labour shortages

The rising cost of raw materials (coupled with delays in manufacturing and the availability of construction supplies) has led to significant fluctuations in construction costs, impacting sites around New Zealand. Structural steel design, fabrication and installation have been subject to dramatic volatility, with price increases of over 20%, which has been further exacerbated by China cutting steel production and exports to this country. The issue is not limited to steel-based products, with the cost and availability of timber and concrete also subject to significant increases. Other materials (such as insulation, electrical material and roofing) are also seeing similar price rises.

All of this has happened at a time of high development demand in the New Zealand industrial market, with major investments in industrial sites fuelled by the growth of e-commerce, the need for efficiencies in supply chains and readily available global capital funding. With a booming industrial market and shortage of skilled labour, some contractors are being selective and pulling out of tenders due to an already secured workload. Others are attempting to absorb these costs and tendering for projects with lower margins to remain competitive, keep work flowing and retain their workforce in uncertain conditions fuelled by the pandemic.

With the current trajectory of volatile construction costs and expanding procurement times, businesses committing to new industrial builds need to understand how to navigate these market cost and programme risks to their projects. Businesses also need to be forward planning and build smarter, to ensure their new industrial sites are cost-effective and aligned with their business objectives.

Most industrial projects are engaged on a 'Design and Construct' delivery model where budgets are tight and risk allocation can swing the project between profit and loss.

Overcoming the cost risks

Most industrial projects are engaged on a 'Design and Construct' delivery model where budgets are tight and risk allocation can swing the project between profit and loss. The current increases in construction material prices are causing issues for builders on existing contracted fixed price contracts where margins are diminishing. This is placing increased pressure on relationships as builders seek variations on projects to redress the situation.

The scale of these price increases will likely put sub-contractors and builders at risk, which can affect the viability and successful completion of projects. Any business seeking a new industrial site needs to undertake comprehensive due diligence on the builders and developers to ensure they have confidence that they can deliver the project.

To manage the market volatility, it is important that project requirements are well documented in a robust design brief that clearly defines the project scope at the very initial concept stage (before tender and site locations are even considered). This solidifies project and construction requirements to minimise the risks associated with cost escalation, variations and resultant delays.

Also, businesses need to look at building smart and optimising the design of their industrial development to closely align with their operational purposes, and it is here where external advice can be a game changer. If occupiers are looking to incorporate automation, then this potentially changes the initial build specification of the warehouse due to power loadings and floor tolerances.

Incorporating these requirements into the design stage is crucial. Taking into account future demand and operational requirements will ensure that the facility drives operational efficiencies, optimises the footprint of the site and minimises the potential of cost increases during the project delivery.

Forward planning

Global freight issues (from demand outweighing global vessel supply) are having a widespread impact on the worldwide market, including the construction industry. Many construction materials are produced overseas, with shipping lead times increasing from four weeks to seven from Asia and eight weeks from Europe.

Construction materials that were previously readily available from suppliers or wholesalers can be out of stock and are sometimes months away from our shores. To mitigate these delays, products coming from overseas need to be ordered earlier and longer lead times allowed in the development and build programmes.

In tandem with forward planning in the build programme, to overcome the lengthier construction period businesses should consider integrating the fit-out programme with the base build programme through early access provisions in the contracts. These provisions integrate the base build and fit-out works to optimise and accelerate the end-to-end programme timelines. It helps bring forward go-live operational dates, which can keep projects on track with the current escalating risks.

Seeking external guidance should be the first step for those looking to build. The complex set of factors at play in the New Zealand construction market provide a unique challenge, but one which can be overcome with the right advice and sector insight.

As the demand for industrial projects continues, the cost and time risks will continue to grow, but with the right planning these can be managed. Businesses need to forecast their future objectives and act now to properly plan for new industrial facilities and to manage the ongoing risk in a volatile market

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Many construction materials are produced overseas, with shipping lead times increasing from four weeks to seven from Asia and eight weeks from Europe.

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HOW THE FOUR C's MIGHT IMPACT ON NEW ZEALAND PROPERTY & INFRASTRUCTURE


VAUGHAN WILSON

Part two:
COVID & CHINA

This is the second of a two-part article on the Four C's – Climate Change, Conflict, COVID and China – and their effects on New Zealand property. The last issue of *Property Professional* focused on the first two, Climate Change and Conflict.

COVID

Spanish Flu and its economic effects

The Spanish Flu erupted at the closing of the First World War with returning soldiers helping to spread the disease to all quarters of the globe. It was called the Spanish Flu as Spain did not have an embargo on its press during the war, unlike the censorship in other countries. With Spain reporting on the disease first, a stigma formed that it originated there.

The disease ravaged young adults (20-40 years old) in comparison to the COVID-19 virus affecting the older population. The Spanish Flu triggered a cytokine storm ravaging the stronger immune system of what were effectively the healthiest people. This was particularly unfortunate as a large number of these people had just survived the battles, bullets and infections of the Great War. Overall, death rates are difficult to tally, but estimates have ranged from 17 million to 100 million.

It is not easy drawing comparisons to the Spanish Flu period. In 1918, they did not have the ability to develop a vaccine and their lines of communication were much slower than today. Still, there were masks, and lockdowns of sorts, but people congregated and the disease spread much the same as it has with the COVID virus.

The combination of the Spanish Flu and the war led on to 10 years of prosperity, a growth in GDP not dissimilar to what we are seeing now. The period 1920-1929 was nicknamed the Roaring 20's due to the boom of economies and consumption. Inflation for much of this period hovered at close to zero and in some cases was negative, except for Germany which suffered hugely from reparations and mass inflation and reparations. Inflation fell on the back of falling prices of commodities as the decade progressed. Interest rates varied a little from economy to economy, but were generally around 4-5%.

When the stock market eventually crashed in the US in October 1929, stock prices fell heavily and took a long time to recover. The US stock market didn't recover to 1929 levels until 1954. At the time of the crash, price earnings ratios were up to 32.9%.

For the better part of 10 years the economies of major developed countries grew as they flourished after the war and the pandemic, but the mass market in consumer products and the raw materials that went into them (such as steel) saturated consumer demand. The eventual steep drop-off in demand led to the crash.

COVID and the economy

Could we see this with our current situation? Inflation, unlike 100 years ago, is beginning to rise, and rise fast. Logistics and distribution have been hugely affected by the COVID-19 pandemic. There is a dire shortage of critical parts (such as the super conductor chips used in motor vehicles) holding up entire productions of cars and trucks.

While we haven't seen the massive death tolls from 100 years ago, there are similarities. We have excellent economic growth, relatively low interest rates (albeit they are increasing), and a high demand for consumer goods and basic staples, as well as luxury goods.

The residential property markets of most first world countries have been experiencing high levels of growth since the initial phases of the pandemic. Other forms of property investment are also in demand as

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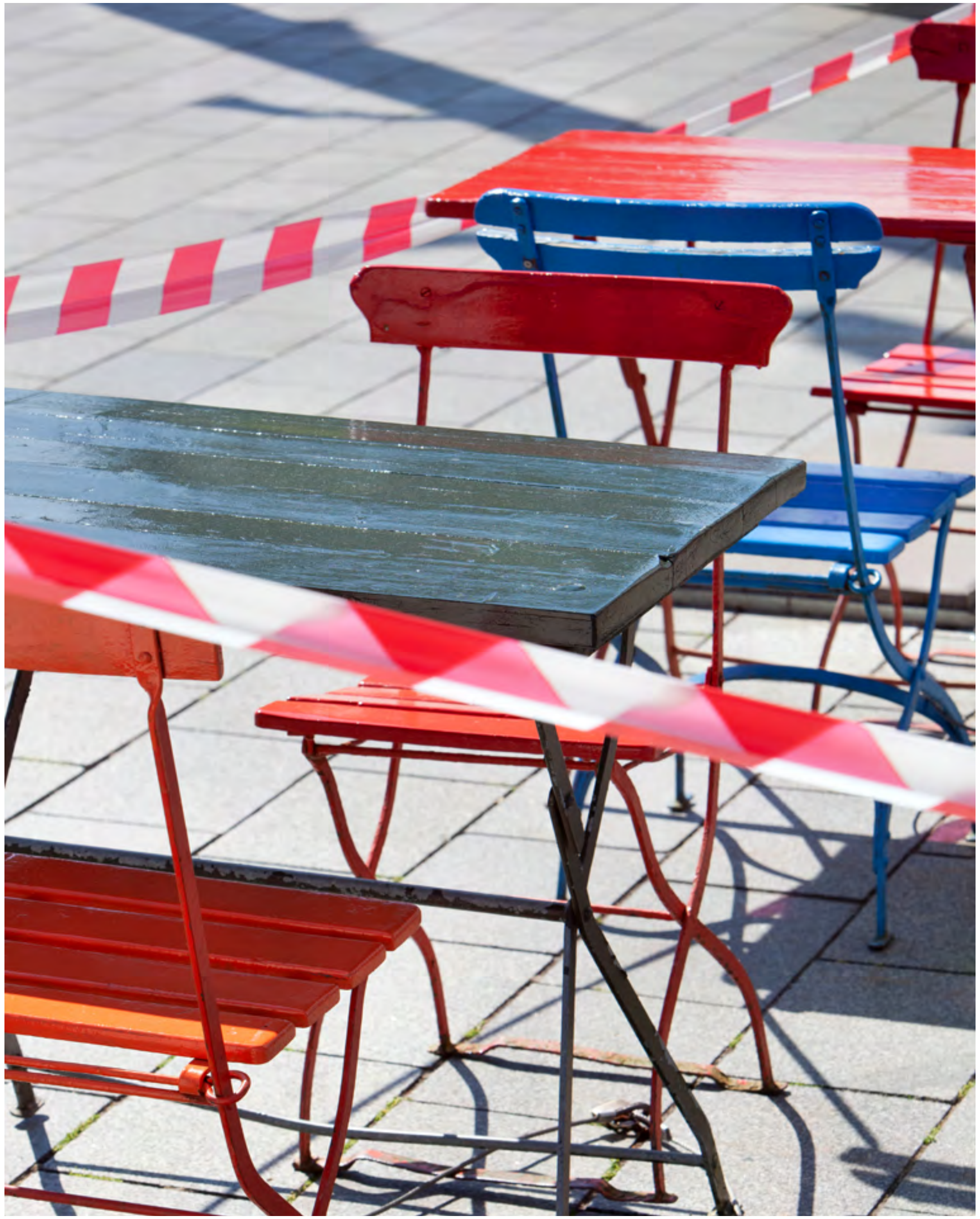

investors seek better returns than what is available in the bank. Our stock markets are running hot too, with high PE ratios and continued pressure upward on share values.

As in the 1920s, there is an untamed demand for new residential property for people to live in, either as tenants or as owners, but 100 years ago this was largely due to returned servicemen from the war. In New Zealand there is a pent-up demand for more houses due to lack of significant construction over many years. This demand has been building for years, with a growing population (largely through migration) and our cities not keeping pace with urban shift.

COVID has affected international tourism throughout the world and nowhere more so than in New Zealand. As our former largest industry earner it has virtually shrunk to nil, with many of the companies involved (such as adventure tourism, accommodation, airlines and many others) struggling or gone to the wall.

New Zealand companies are also now suffering from the lack of appropriately skilled people to fill positions. Before COVID we had a steady flow of migrants coming to live here and a healthy number of seasonal and temporary workers. They filled roles extending from tourism and hospitality, to film, IT, health and many others. New Zealand's growing GDP means companies are expanding and need appropriately skilled workers and these simply don't exist within our closed borders.

Wages are on the rise as companies and organisations compete for workers. Continued lockdowns also restrict productivity and certain products have shortages, such as building materials. Delays are creeping into the construction industry and projects are falling behind and becoming more expensive. Inflation is starting to appear and interest rates are on the rise to combat this. Stagflation, a stagnant economy but with rising prices, is a possibility.

COVID and its effect on property market

So where does this lead to for New Zealand property? For the moment property associated with tourism is struggling. Prior to COVID, domestic tourism was a bigger market than international, but the spend per person was larger with international tourists who were more likely to use hotels and spend more on retail and activities.

Residential property is still increasing in value, but its days of massive increases appear to have come to an end, and rising interest rates and government policies seem to have quelled much of the volatility. Rising interest rates also mean affording the latest prices is now more expensive. New houses are costing more due to the price increases in building materials. This market is still buoyant, but time will tell if purchasers play a 'wait and see' strategy and the volume of new builds reduces.

Letting migrants and seasonal workers into the country post-COVID will also require more residential construction to house them and this is very location-specific. How this is to occur, who is to pay for it, and whether it be a more permanent or temporary type of construction are all unknown factors. This demand will definitely add to the shortage of residential stock and has the potential to push rentals and prices of houses higher still.

Commercial and industrial property is still popular, with good yields being had for quality investments. Investors see growth in rentals on the back of a growing economy, even with the increase in interest rates. The availability of finance for commercial investments may see this market slow in the future.

There is still a lot of interest in rural property, but government policy aimed at carbon and methane reduction and controlling outstanding landscapes and water usage may reduce prices going forward. Investors are more cautious about what other policies the Government has up its sleeve to further affect the rural sector. Shortages of staff in this sector will also hamper rural property development.

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China

China as a main export market

Prior to the COVID pandemic, international tourism had become New Zealand's largest earner and China was a leading market. With this effectively at zero for the time being, New Zealand has survived economically on its other exports and the world's demand for them. Prior to COVID, China was our largest export market and now it has further cemented this position with increased purchasing of our key export products.

Overall, China accounts for 32% of our exports as of June 2021. Key exports statistics include 44% of our dairy exports, 90% of our log exports and 41% of our meat exports. It is the largest export market in nine out of our top 10 export products. June 2021 was a record month for exports to China, totalling NZ$6 billion, 17% higher than the year before. Our key markets are buying New Zealand made products, and China is no exception.

Australia has also benefited from COVID-19 with its exports doing well. Unlike New Zealand, much of this success has come from significant growth in prices for commodities, such as iron ore. However, China has been in a stoush with Australia due to its support for a more thorough investigation into the origins of the Coronavirus.

This ruction has led to China finding alternative suppliers for some commodities, although for iron ore they had few options as Brazil (the number two supplier after Australia) has largely been out of action due to COVID, hence the increase in international prices.

China has even forced large tariffs onto other Australian exports (such as wine), making those products very expensive in China.

China has been trying to reduce its carbon footprint from electricity generation from coal, which accounts for around 56% of this generation. This has led to blackouts and electricity rationing and has affected households and factories alike. China is the world's largest manufacturing country, with 29% of the global output. Factories are facing rising costs of production because of increases in essentials (such as electricity and basic raw materials). China has re-opened coal mines and stepped-up production of the coal previously supplied by Australia.

Prior to COVID, New Zealand had a large number of foreign students study at our high schools and universities and the revenue helped fund significant portions of the annual operations budgets for these institutions. These earnings, like international tourism, are effectively at nil for the current time, with the exception of students here prior to the pandemic.

Chinese real estate sector

In the last two months, China has felt massive tremors in its real estate sector at home. Its largest real estate developer Evergrande has defaulted on debt payments and now other large developers (such as Fantasia Holdings, Huizhou Guang Group and Hong Kong listed Sinic Holdings) are also having trouble paying their debt requirements. The Chinese real estate sector accounts for nearly 30% of the country's GDP, compared to developed countries (19% for the US). A collapse in property prices will have significant and long-term ramifications on consumer spending in China.

Issues with creative accounting are beginning to bubble to the surface, with Evergrande having off balance sheet debt. Its net gearing is estimated at 177% as a ratio of the firm's equity instead of 100% as reported. China has focused for some time now on property development to house its people in better accommodation that previous generations, hence the large percentage of GDP.

Investment to date has been driven by unsustainable prices and excessive leverage, which has led to excess capacity, with housing wealth being 78% of all Chinese assets in 2017, compared to about 35% in the US. China's rate of home ownership had increased to 93% in 2017, but with an ageing population and with 60% of the population now urbanised, the market is largely saturated and the boom is coming to an end.

China's effect on New Zealand property market

So where does all this leave New Zealand's property market? The New Zealand economy is certainly very exposed and reliant on China for much of its foreign income. At 32% of its overall exports by dollar, we are incredibly vulnerable to China and changes in its foreign policies and economy.

If China was to take a hard line against New Zealand for this country's stance on, say, how the Coronavirus was first released into the public or their stance on Taiwan, we could feel their wrath. This could take the form of large tariffs on our goods and services, bans on whole export types, and a Chinese Government ban on their people visiting New Zealand when the tourism markets and international students can once again travel. This would have potentially tragic negative effects on our economy and result in changes in our interest rates, job security, overall economy and thus people's abilities to pay mortgages as job losses, company failures and other major issues strike the New Zealand economy. Property values would likely reduce with the market for purchase diminishing while people hold back from buying and upgrading their real estate assets.

Australia has been largely insulated from this due to the overall demand worldwide for their commodities and their other exports, and the increases in commodity prices. The increases in prices for our exports have been more modest and we have benefited from increased volumes. Given our dependence on China, any changes in our trading with that country could have significant and long-term effects on all aspects of our property markets from commercial and industrial right through to rural, retail and residential.

Given the heightened tensions in the South China Seas, the China/Taiwan issue, the involvement of China in the smaller South Pacific nations and the ongoing investigation on the source of the Coronavirus in Wuhan, it would seem New Zealand is walking a tightrope in international diplomacy and there is a lot at stake. Support for our traditional allies (such as Australia, Britain and the US) is balanced against not wanting to upset China.

With China and other countries buying so many of our logs, this has led to a shortage for New Zealand timber mills to create building materials for use in this country (such as timber lengths and ply sheets). This has created a shortage and price increases right when the New Zealand building sector is expanding, which has affected its productivity, pushing back completion dates and causing increased overall prices of construction and a slower economy.

Of course, this also led to further increases in property prices for new houses, therefore pushing up all house values. New houses are being settled at prices higher than what was originally contracted given the various clauses in house sales contracts and construction contracts allowing for this. This feeds into the overall house market pushing up the values of second-hand houses. Alterations and healthy homes upgrades are also affected both in price and in delay.

If it difficult to say if the current issues in China with their real estate sector will have a long-term effect in New Zealand. Some of the investors who are caught up with this in China also own property in New Zealand and they may be forced to sell here to pay for debt there. This in turn could lead to increased stock hitting the market for sale in New Zealand. As a counter to this, it could also mean more money coming from China looking for real estate investments in New Zealand away from the troubles and saturated real estate market there.

Eventually our borders will re-open and international tourism to New Zealand will begin. The market for Chinese people visiting New Zealand may also be affected by the real estate issues in China, with the developing middle class being restricted from luxuries like international travel while they grapple with investment defaults at home.

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In summary

We are at the crossroads of a tumultuous time in the history of the world and the history of New Zealand. There are a large number of challenges facing this country and the overall continuation of its economy, its people's welfare and quality of life. Changes are afoot, and most are forced upon New Zealand and New Zealanders without choice or alternative.

This is the new frontier and every country in some form or other is grappling with the Four C's – Climate Change, Conflict, COVID and China. Our remote location will help insulate us from some of these, but in many cases will also hurt us with the distance to market and lack of economies of scale enjoyed by our trading partners. Developed countries will likely be the first to impose carbon costs on our citizens to reduce our carbon footprint and only time will tell whether we can continue with our competitive nature under these impositions.

Similarly, our allied affiliations may pit us against our largest trading partner leading to challenges in exports not seen since the UK entered the EEC (EU) in 1973.

What about COVID and its ongoing ramifications, mutations and overall effects on quality of life? With baby boomers the single largest sector of our population, and potentially the most highly vulnerable (as they age) to the risks of Covid, it is speculative whether the pharmaceutical companies can keep pace with the virus' costume changes to prevent future infections and deaths. In the words of London besieged by Hitler's bombs, 'Keep calm and carry on.'

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NEILL SULLIVAN

This profile looks at the life and career of Neill Sullivan, Valuer-General at LINZ.

Neill has held the statutory role of Valuer-General within Toitū Te Whenua Land Information New Zealand (LINZ) since 2004, having joined the agency in 1998 when the Rating Valuations Act 1998 (RVA) superseded the Valuation of Land Act 1951.

The role is referenced in the RVA, Valuers Act 1948 (VA) and Crown Pastoral Land Act 1998 and covers a range of duties including regulation of the rating valuations system, Chair of the Valuers Registration Board, NZIV counsellor, regulation of the rent setting process for South Island high country pastoral lease properties and advisor to the Government on technical valuation matters. This is a diverse portfolio, which keeps the Valuer-General close to the frontline of valuation issues and controversies.

Valuation pathway

Neill was educated at Christchurch Boys' High School, then onto Lincoln College in 1979, completing the B. Com (VPM) course. He graduated alongside a number of familiar faces on the New Zealand valuation landscape, including the likes of Rick Chapman, Mark Dunbar, Grant Utteridge, Pete Loveridge, Nick Hargreaves, Ian McKeage, Doug Saunders, Paul van Velthooven and Ken Pawson.

Valuation was a fast-growing profession back in the late 1970s, having been boosted to degree status, and much like current times the demand for graduates was intense. Attractive bonding packages were being offered by employers such as Valuation New Zealand, the Housing Corporation and the Ministry of Works. It was a choice for Neill to either take up the physical grunt of a building apprenticeship or the cosier option of an office job with associated field work. Valuation seemed the obvious winner, although it was a close call at the time.

He opted to join the Housing Corporation in Christchurch as a fledgling valuer before being posted to Lower Hutt. After registration, he had a brief period working privately in the Hutt before heading off for the big OE in 1987, arriving in London a week before the sharemarket crash. He spent two years with the Valuation Office Agency in the UK, which he felt was somewhat antiquated at that time and made him appreciate the New Zealand rating valuation system.

Neill spent two years (1989-1991) on the Gold Coast working for Herron Todd White Valuers, gaining registration in Queensland before coming back to New Zealand in 1992 amidst a deep recession with unemployment nudging 15% – he says try telling that to people today and they laugh at you!

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Neill with Ken Taylor, a Valuers Registration Board member

The Valuer-General role is now purely regulatory and is seen as either a friend or foe to valuers in various circumstances.

After a stint back on the building site he found a valuation job with Holmes Davis in the Hutt for a couple of years before joining Valuation New Zealand as a commercial and residential valuer in Wellington. He stayed there until the agency was restructured, at which point he joined the Office of the Valuer-General in LINZ, and he says that the diversity of work encountered in the regulatory role has kept him interested and engaged ever since.

What does the Valuer-General do?

What the Valuer-General doesn't do is any operational valuation work. With the enactment of the RVA the responsibility for all rating valuation assessments was passed onto individual councils who contract valuation service providers, such as Quotable Value, Opteon and Lewis Wright. All revaluations do, however, have to be certified by the Valuer-General before they can be implemented by a council and used for rating purposes, This is the most intense part of the role involving a detailed audit and decision-making function.

Other statutory work formerly done by the Valuer-General under the Public Works Act 1981 and Public Bodies Leases Act 1969, to name a few, was transferred to the valuation profession and became the domain of registered valuers.

As a result, the Valuer-General role is now purely regulatory and is seen as either a friend or foe to valuers in various circumstances. The good parts being when the Valuer-General is advocating for the valuers' cause, issuing registration certificates to graduates who have passed their exam or presenting to valuers to improve their awareness and professionalism. The trickier bits are when the Valuer-General has to fulfil statutory obligations under the VA to investigate complaints against valuers, or when general revaluations are not certified and more work is required.

Sitting on both the Valuers Registration Board and the NZIV Council can lead to some interesting cross-entity moments and requires clarity as to what hat Neill is wearing. Meetings between the Board and NZIV can also require some careful navigating, although as everyone is trying to promote what's right for the public and the profession the outcomes are invariably good.

Neill says it's pleasing to see that valuers now have a greater sense of their importance to the New Zealand economy and understand why their role is so valuable. Financial leverage based on property lending has allowed the economy to grow strongly, and valuers continue to play a key role through the high-quality independent advice they provide, which gives confidence to market participants and financial institutions. The New Zealand property market is a global success story, and with the continued involvement of property professionals like valuers he feels it will remain a pillar of our economy well into the future.

Who's in the Office of the Valuer-General (OVG)?

The OVG is a small team comprising Callum Taylor (Deputy Valuer-General), Mark Harris (Senior Valuation Adviser), Michelle Doyer (VRB Registrar) and Arvin Singh, who Neill says is the administration guy who helps keep the train on its tracks. For revaluation work they also contract in registered valuer support from Trish Lowe (Christchurch), Rose Parker (Whangarei) and Liam Hegarty (Nelson).

What's happening in the rating valuation space?

Neill says the rating valuation playing field is getting more complex, and the recent red hot property market has put a lot of pressure on the system and its ability to deliver revaluations to the required standard. Interpreting the market for one-off property valuations is tough enough at the moment and the difficulty is significantly magnified in the mass appraisal valuation arena.

Powerful land value movements, along with developers relying on resource consent applications rather than zoning ordinances, have made it especially challenging to interpret sales evidence and in many cases determine the highest and best use of properties. Council revaluations continue to be certified, although the time horizon for successful completion has been extending.

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Neill notes that Auckland Council is now the biggest municipality in Australasia, with nearly 600,000 rating units, and always looms as a three-yearly revaluation 'monster' given the market dynamics that occur across that many properties. The COVID complexities and general demand for valuers has also contributed to the most difficult rating valuation landscape he has seen since 1998.

Having said that he says that we are now seeing the emergence of better validation tools, such as thematic maps and other digital offerings. These allow valuers more insight into property information and stronger quality assurance tools, albeit most are dependent on the accuracy of base data, which is an ongoing challenge.

Neill believes that both the Valuers Registration Board and NZIV Council, with strong support from PINZ, have steered the profession well and it is now in a far stronger position than where it was post-GFC in 2008.

Valuation has famously been described as an art not a science, but recent data technology developments will he says likely change this adage to an art and a science. In this regard, he believes that valuers need to be open to sharing their sandpit and work together with a new breed of data scientists.

A few highlights

Neill believes that both the Valuers Registration Board and NZIV Council, with strong support from PINZ, have steered the profession well and it is now in a far stronger position than where it was post-GFC in 2008. Campaigns to raise valuers' awareness of the importance and contents of standards, as well as the Code of Ethics, have been really effective in lifting the overall performance and quality of public offering of the profession. He says that the reports he reads now are vastly more informative and show the reader how the evidence links to the valuation, although there is still some room for improvement.

The quality of training and mentoring for graduate valuers has been improving steadily in recent years meaning that registration candidates are better prepared when they present for Board exams. Graduates are choosing to work for employers who will provide a supportive pathway to registration and firms are responding by offering focused plans. Neill says that good mentoring equals good registration results and bad mentoring equals bad registration results.

Neill also notes that responsive and effective policy-making was a feature of the post-Canterbury earthquake times, and he thought that modifications to the RVA to allow rating valuers to assess properties as undamaged by effectively combining insurance policies and the existing improvements for the first post-quake revaluation in 2013 was a great solution. Cantabrians didn't want the earthquake effects to drive down property values, and this temporary modification of the law for rating valuation purposes was well received by the community and the various councils for whom it simplified the rating process.

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Any Valuer-General hot water moments?

Neill shares that he once made the front page of the *NZ Herald*, which he thought was quite an achievement. It was the time of the first Auckland Super City revaluation in 2011 and he was presenting at a meeting of councillors to talk through the revaluation process and their role in it.

Neill was told that he needed to get their attention in the first five seconds or risk being irrelevant. So he said, 'You can mess with Kiwi's health and education but if you touch their property rights, look out.' He says that COVID has probably changed this a bit, but Kiwi's are obsessed by property and rating values are seen by the public as being far more important than just a means of apportioning the rates bill.

Councillors needed to be aware of the intense scrutiny that comes with a revaluation and why it was important they supported it. That got the required attention at the meeting, but there was some adverse public reaction to the statement. A reminder for him to choose his words carefully and that a high degree of decorum is expected from a statutory officer!

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PINZ FUTURE LEADERS PROGRAMME

The Property Institute of New Zealand has a strategic priority to deliver a lifelong career path and to support our people from graduation to retirement. The Future Leaders programme has been designed to involve the leaders of tomorrow in the governance and operation of the Institute today, and it is a fundamental pillar to nurturing cognitive inclusion across the Institutes.

The Future Leaders programme provides an opportunity for members of all ages to join one of our governance boards or councils, gain mentoring support from our industry leaders, engage with their local branch and support the delivery of the national property conference. We have also built an Aspiring Leaders team within the programme to build capacity to assist with some critical strategic deliverables that the Institute is working on.

Participation as a Future Leader represents a unique and valuable member benefit by providing members with credible transferable experience at the leadership and governance level. The programme is open to any member of any age who has only had limited experience or exposure to leadership or governance processes during their career to date.

We are delighted to introduce our Future Leaders for 2022 on the following pages.

Jessica Allan

Jessica is a property professional providing excellent service in the valuation, procurement, development, maintenance and portfolio management of construction projects, infrastructure assets and real estate – land and buildings.

As well as over 10 years of work experience in the property and construction sector, she also has a Master of Construction in Construction Project Management, a postgraduate Diploma in Construction Management with endorsement in Facilities Management, a National Diploma of Infrastructure Asset Management and several other qualifications, including a Bachelor of Business majoring in Real Estate Valuation and Management.

Jessica says an integral part of many of her previous roles called on her to build and maintain valuable professional relationships and to communicate across a wide range of stakeholders. She endeavours to maintain a confident and professional attitude in varied situations.

For her, it is an honour to be accepted for the Future Leaders programme. She greatly appreciates the opportunity to serve both the profession and the wider community, and to benefit from the rewards of participation and the enrichment to her character and professional skills.

Jessica is the new Youth Representative on the NZIV Council. She looks forward to participating in the Future Leaders programme and to what it may bring as she specialises in the valuation profession.

Hayley Brownlie

Hayley is currently employed by The Property Group (TPG) as a Senior Property Consultant based in Napier, covering projects on a nationwide basis. She has nearly 10 years' experience in the property sector, having started her career as a property valuer, gaining registration in 2017 before moving into property consulting in 2019. She has been involved with a number of significant infrastructural projects for both public and private clients in recent years. The best part of her work is seeing these projects make a real difference in our communities.

Hayley works with an awesome national team where the right skills are used to find the right solutions, regardless of where the valuer or the project are located. Her areas of expertise include development feasibility and financial modelling, site selection, property strategy and portfolio reviews, urban renewal and regeneration projects, and property acquisition and disposal.

A career highlight has been spending the last eight months working alongside a talented TPG team. This has been to develop financial modelling tools to assist with enabling more households to achieve home ownership through shared equity, rent to buy and leasehold progressive home ownership schemes – something she is very proud of.

Hayley applied to join the Future Leaders programme to gain an insight into how the boards and councils work. In particular, she is interested in the processes they go through to guide the direction of the professional communities, and wants to use her own experience in both valuation and consulting to contribute to discussions that guide the operations. An added incentive is to use her own experience to support young people who may be at a crossroads in their property career, and to highlight the diverse number of opportunities that are out there in the property sector.

Hayley once lived in Ibiza in Spain with her now husband, running a 26-bedroom Spanish villa as Airbnb accommodation.

Vili Feiloivao

Vili's property career started in the public sector 10 years ago where he quickly learnt that property was a passion. With property having so many elements to it (such as development, management and valuation) he was lucky to have progressed and experienced all of these areas through his previous employers in the private sector.

This gave him a solid foundation and understanding of this growing industry, including connecting him with key networks that have helped shape his career. Fast forward to 2022, and he has been working in the valuation and consultancy space, which has elevated his skillset and advanced him into senior/ management roles in the property industry. His current role is Valuation Panel Manager NZ at Corelogic, maintaining key relationships between industry lenders and valuation firms. Vili loves his job.

Through the Future Leaders programme, his hope is to connect with other aspiring future leaders who want to keep the property industry alive and look at other ways/initiatives that entice and bring in more talent to the industry. Vili believes we are losing a huge generation through retirement and it would be unfortunate to see that knowledge not passed on to upcoming leaders. He also says that Pasifika and Māori have a very small percentage of representation in the property industry and he would like to see that change through this programme.

Max Hoonhout

In November 2021, Max completed a Bachelor of Property/Bachelor of Science (Chemistry) conjoint at the University of Auckland. While studying, he was on the Executive Committee of the Property Students Association and his passion for property drove him to achieve numerous awards and the Blair Hargrave Scholarship.

Max was lucky enough to work alongside the Corporate Office Leasing team at Bayleys during his final year of study and once he graduated he moved to Unispace to pursue a career in project management. He was also the 'Poochi' kid on the Tower Insurance advert that was a contender for worst ad in 2010!

He believes the property industry is centered around people and is built on meaningful relationships. He witnessed first-hand the diminishing presence of students at lectures and networking events due to the pandemic.

Max applied for the Future Leaders programme because he wants to encourage aspiring property professionals to take advantage of the opportunities PINZ offers to connect, discuss with, and learn from more experienced property gurus. As a future leader, he hopes to grow his understanding of the industry while playing an active role in discussions that guide the operations of this professional community.

James Jenkins

James says his working career started 'as a young child being dragged to work in my mother's café, cleaning and catering functions.' As he became older and joined the workforce he tried the trades – building, engineering and finally landscape contracting.

During this time, he also achieved a Bachelor of Business Studies (Property), which led to an opportunity as the Property Manager at Eastland Group. During a sustained period of company growth, he now leads the Eastland Property portfolio consisting of over 150 tenancies across a diverse range of property types and with many exciting projects on the horizon.

James applied for the Future Leaders programme to continue to develop by gaining further leadership, governance and mentoring experience from industry leaders within the PINZ community. He also feels it is a great opportunity for the Institute to grow membership and provide a lifelong career path for those in the commercial property, development and advisory space. James is pleased to be a part of making that happen.

Justin Latchford

Justin is a property professional with 15 years' experience, primarily in the Wellington region. Currently he is a Portfolio Manager in the Investment Planning team at Kāinga Ora – Homes and Communities. Before this, he worked as an Asset Manager with responsibility for complexes.

He established his property career working at Quotable Value New Zealand from 2007 to 2019, becoming a Registered Valuer in 2012. His experience spans valuation and private consultancy reporting and he has also contributed to business improvement programmes.

Justin has previously contributed to PINZ as Secretary for his local Wellington branch from 2008 to 2017. He is taking part in the Future Leaders programme to expand his contribution in the property advisory space and access new learning opportunities.

Outside of work Justin enjoys spending time with his young family and playing the guitar and drums.

Georgia Marshall

Originally from Blenheim, Georgia moved to Lincoln in 2016 to begin a four-year degree in Land and Property Management, specialising in Rural Valuation and Agricultural Management. In January 2020, she began her career as a Rural Valuer with Colliers, gaining valuable skills and experience within the rural property sector.

Very recently, she decided to embark on a new challenge and accepted a consultancy role with FMG Insurance, beginning in mid-April 2022.

Georgia applied for the Future Leaders programme because she has a passion for property and people and is looking to develop her skills as a leader. One of her intentions in applying for the programme was to learn how boards and councils are governed and to add value wherever possible.

She would like to support PINZ well into the future as she believes the Institute represents professionalism through upholding strong ethics and standards, as well as providing public confidence in the property sector.

Georgia represented New Zealand in highland dancing over a six-week period at the 2014 Royal Edinburgh Military Tattoo.

Blake Ngarimu

Blake began his career as a Graduate Valuer at Quotable Value in 2019, after completing his Bachelors degree at Massey University. Over the past three years he feels privileged to have undertaken and be a part of a wide range of valuation and consultancy work.

This work includes the successful delivery of a number of mass appraisal valuations for local council, asset and rental valuations. However, it has mainly been market valuations including attached-flat and multi-unit development properties. In 2021, he was promoted to become a Senior Valuer and Consultant in the Wellington office. He is also in the later stages of working towards obtaining his valuation registration and aims to sit his exam in May this year.

Blake applied for the Future Leaders programme as he considers it a great opportunity to gain experience and knowledge that he can carry with him throughout his career. He also feels it is about gaining exposure and a chance to immerse himself in the wider property organisation on all levels to make and foster connections with industry leaders. One day he would ideally like to be a leader and believes this opportunity will allow him to develop the required skills to achieve this goal.

Blake's iwi is Ngāti Porou and their sacred mountain is Mount Hikurangi, which is the highest non-volcanic mountain in the North Island and also the first place in the world to see the sunrise each and every day.

Celeste Patutama

Ko Celeste Patutama tōku ingoa. He uri ahau nō Ngāti Awa, Te Arawa, Kuki Airani, Niue me Itari hoki. He mātanga paetahi arowhenua ahau mō WSP. My name is Celeste Patutama. I am of Ngāti Awa, Te Arawa, Cook Island, Niuean and Italian descent. I am a Graduate Property Consultant at WSP.

Celeste graduated from the University of Auckland in 2021 with a Bachelor of Property. She is passionate about Māori land, property development and valuation and entered the industry as a summer intern at the Ministry of Education at the end of 2020. She worked in the Capital Works – Major Works team delivering construction projects in schools across the Wellington and Wairarapa regions.

In March 2021, she started her current role at WSP as a Graduate Property Consultant, working in acquisitions, disposals and legalisation of land under the Public Works Act 1981 for major roading projects. WSP Property Consultancy has recently established a specialised Māori Land Development team that Celeste is excited to be part of.

She applied to the Future Leaders programme to meet new people and be amongst New Zealand's up and coming property industry leaders. She hopes to gain industry experience, develop her professional skills and bring a Māori and Pasifika perspective to the programme.

Celeste represented the Cook Islands at the 2017 Netball Youth World Cup in Botswana.

Michael Power

Michael has been working within the property valuation industry since January 2016 and became a Registered Valuer in early 2019. Throughout his career he has completed a wide range of valuations for residential, commercial and industrial properties. He has worked for Prendos since June 2020 and focuses primarily on the East and South Auckland areas.

He wanted to be part of the Future Leaders programme to expand his knowledge base and skillset and learn more about the operations of PINZ and NZIV. He has always had a keen interest in property and intends to continue within the industry for a long time to come.

His most interesting experience outside of work has been as a marriage celebrant for a family friend's wedding a few years ago.

Clementine Rankin

Clementine has worked for QV based in Nelson since 2018, in both the rating valuation and consultancy aspects of the business. She works mainly in the rural space – everything from vineyards and hops through to lifestyle blocks and baches, from down a coal mine on the West Coast through to a water taxi in the Marlborough Sounds. It's a varied and very interesting career!

In November 2021, she passed her registration exam and entered the New Year as a Registered Valuer, which was an exciting moment. Clementine applied for the Future Leaders programme because her registration study brought the importance of being up-to-date with all aspects of valuation to the fore.

In particular, it reminded her that standards are constantly changing and adapting, so she applied to become a part of the board overseeing these changes. She looks forward to learning more about the process involved behind the scenes and hearing the different viewpoints and interpretations everyone brings to the table.

She also enjoys indoor target shooting and is secretary of the local club. It's a challenging sport, based on high ideals of accuracy and decision-making – much like valuation.

Ben Rotto

Growing up in Queenstown through the 1990s and 2000s with parents involved in the local business community formed a natural path for Ben to follow into the property industry. He graduated from Lincoln University with a B. Com (VPM) in 2014.

He then moved back to his hometown where he began his career at APL Property, taking a year in a property management role before beginning his career as a valuer. He succeeded in becoming a Registered Valuer in 2020, now providing a range of valuation services, mainly within the Whakatipu Basin residential and lifestyle markets.

He has been an active member of the Institute from early on in his career, having served on the Executive Committee of the Central Otago branch from 2016, and taking on the role of Chairperson in 2020. More recently, he has become a co-opted member of the board of the Valuer's Education and Integrity Foundation (VEIF).

Ben is always mindful of the future of the valuation profession – he looks at issues that might affect the perception of valuers in the public eye, and at where the Registered Valuers of tomorrow are coming from. He is particularly passionate about encouraging and assisting more members into the profession. Ben hopes that his time in the Future Leaders programme allows him to make contributions on this front and is looking forward to gaining the experience in governance that this opportunity affords.

Outside of work, he manages a non-profit organisation focused on the development of both adult and junior-level hockey players in the Queenstown area. He is also a qualified International Ice Hockey Federation referee. When he's not at the Queenstown Ice Arena, you will find him enjoying the outdoor activities on offer in the Queenstown-Lakes District.

Jeremy Tucker

Jeremy has been in the valuation industry for just over five years. He started as a graduate of Auckland University and moved into the Rating Valuation team in the Opteon Auckland office at the end of 2016. He has remained in the rating side of the industry and made the move south to Tauranga. He is now based in the Tauranga office as an Urban Managing Valuer where Opteon service five councils in the Bay of Plenty and Waikato.

He has enjoyed his experience so far in rating valuations, as being exposed to all property types has enabled him to gain strong market knowledge across all their districts.

Jeremy has been on the PINZ branch committee for Tauranga for the last two-and-a-half years. In February 2022, he gained his registration with the Valuers Registration Board and is looking forward to the next part of his career.

He is hoping to further his knowledge of the governance side of running entities and businesses. He believes that there is a lot to learn and feels that being among other like-minded people will be a great experience.

Jeremy was 'born and bred from Gizzy on the best coast in New Zealand' – in his spare time he enjoys partaking in all sports and hanging out with friends and family.

Tom Wilson

Tom graduated from Lincoln University in 2018 and after finishing his studies was keen to get overseas and travel Europe. He worked the next summer driving a pea harvester in Christchurch to make some cash for his travels and shortly after took off abroad.

He returned to New Zealand 'without a dollar to my name' and was eager to begin his career. After working briefly in business development for Wilson Parking, he was offered a position at Telfer Young Otago in the Commercial Property team. He greatly enjoys his work as a valuer and has had the opportunity to be involved in a range of valuations across the retail, office, industrial and specialist property classes.

Tom heard about the Future Leaders programme and thought it would be a great opportunity to gain exposure to the operations of PINZ and NZIV and become more involved within the industry.

Outside of work he enjoys playing ice hockey.

Chloe Woollard

Chloe is the Valuation Manager at Auckland Council and a valuer. Her role includes managing contracts and the performance of valuation service providers, the day-to-day work of council valuers, and contracts and the supply of property and sales data for the Auckland region.

Valuations are a core business for Auckland Council, with approximately 600,000 properties in the region totalling more than $1.02 trillion in value and responsible for the generation of more than $2 billion in rates annually.

Chloe is very excited to be involved in the Future Leaders programme. She is looking forward to meeting people from different areas of the valuation industry and growing her governance skills.

Jhanica Ye

Jhanica's career began with the Asset Advisory team at Beca in summer 2019 as an Intern Valuer, which led to a full-time Graduate Valuer role upon completing a Bachelor of Property/Bachelor of Commerce conjoint degree at the University of Auckland in September 2020.

With the variety of opportunities presented, she chose Beca because she saw the potential to develop into a well-rounded Asset Advisory Consultant. She has had the opportunity to work on some awesome projects varying from breweries to airports around New Zealand, focusing on the valuation of complex infrastructure, plant and machinery assets.

Being supported by leaders at the start of her career who took the time to invest in her growth inspired Jhanica to pay it forward. She wants to represent a generation of young professionals and future leaders hoping to make a mark in the industry. By participating in the Future Leaders programme, and working with other future leaders, she hopes to provide a fresh perspective in this fast-evolving world.

She also wants to question and challenge the status quo by raising a higher profile for female professionals and plant and machinery valuers. Jhanica is also excited to develop her skills as a leader and be part of an inclusive and diverse organisation like PINZ who invest in future leaders.

Jhanica received the Prime Minister's Scholarship for Asia in 2018 to study abroad in Seoul, South Korea. She spent this time immersing herself in their culture and even learnt Korean while studying at Yonsei University. One of the most memorable parts of her trip was visiting the Joint Security Area between North and South Korea.

LEGAL & TECHNICAL

Housing intensification

THE ACCELERATION REQUIRED TO INCREASE HOUSING SUPPLY

NICK WILSON & GENEVIEVE COCKBURN

This article examines the need for accelerated housing supply in urban areas. It discusses the initiatives the Government has introduced in the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021, which are intended to enable intensification sooner. It also highlights some of the impacts, opportunities and challenges that such an acceleration may bring.

National Policy Statement on Urban Development 2020

The Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 passed into law on 20 December 2021, amending the Resource Management Act 1991. The changes brought about under the Amendment Act are aimed at increasing housing supply by permitting greater density on residential sites.

Prior to this, the Government had implemented the National Policy Statement on Urban Development 2020 (NPS-UD) on 20 August 2020, which directs local authorities in urban areas to amend their district plans to allow for more housing at a greater density. One of the objectives of the NPS-UD is to improve not only housing supply but housing affordability.

The NPS-UD identifies three tiers of urban environment and three corresponding tiers of local authorities:

- Tier 1 urban environments are the areas that have been identified as having the greatest urban development – Auckland, Hamilton, Tauranga, Wellington and Christchurch.
- Tier 2 urban environments are considered to be undergoing some urban development, but not to the extent as those in Tier 1. The Tier 2 areas are Whangārei, Rotorua, New Plymouth, Napier Hastings, Palmerston North, Nelson Tasman, Queenstown and Dunedin.
- Tier 3 includes any other urban environments. The provisions of the NPS-UD largely do not affect these urban environments unless they undergo development that requires the implementation of the NPS-UD to achieve a well-functioning urban environment.

The following requirements and restrictions also apply:

Requirement to enable intensity

In Tier 1 urban environments, the local authorities must ensure their district plans and regional policy statement enable:

- In city centre zones, building heights and density that realise as much urban development capacity as possible
- In metropolitan centre zones, building heights of at least six storeys that reflect the demand for housing and business use in those locations
- Building heights of at least six storeys within the walkable catchments of rapid transit stops and the edge of the city centre and metropolitan zones

- Building heights and density commensurate with the greater of the level of accessibility by active or public transport to commercial activities and community services or relative demand for housing and business use in that location.

The NPS-UD required the relevant Tier 1 local authorities to have notified their plan changes to give effect to these objectives by August 2022.

> In Tier 1 urban environments, the local authorities must ensure their district plans and regional policy statement enable building heights and density that realise as much urban development capacity as possible

Requirement to prescribe development outcomes
All local authorities must make sure that their objectives for urban zones in their district prescribe relevant development outcomes to ensure that the district plan policies and rules are given full effect.

Restriction on minimum car parking requirements
The NPS-UD prohibits local authorities from having any objectives, policies, rules or assessment criteria that have the effect of requiring a minimum number of car parks to be provided for a particular development (other than accessible car parks). The NPS-UD has implemented this restriction, to place importance on the use of active or public transport as a part of the well-functioning urban environment that the NPS-UD looks to create.

Acceleration of the NPS-UD

The Amendment Act accelerates the implementation of the NPS-UD by creating a new Intensification Streamlined Planning Process (ISPP) replacing the process contemplated by the NPS-UD for intensification plan changes by local authorities. The ISPP involves the following:

- Submissions on the plan change being heard by an independent panel
- The panel makes recommendations to the local authority
- The local authority either accepts the recommendations and notifies its decision or refers the decision to the Minister for the Environment who makes the final decision.

The ISPP fast-tracks the application of the NPS-UD as there are no appeal rights against a recommendation of a panel, or a decision of a local authority of the Minister for the Environment. The ISPP therefore allows decisions to be made on such plan changes by August 2023 (rather than mid-2024).

Incorporation of medium density standards

Perhaps the largest change implemented by the Amendment Act is this incorporation of Medium Density Residential Standards (MDR Standards). The Act requires that Tier 1 urban environments and any Tier 2 urban environment specified in an Order in Council are required to implement the MDR Standards through their plan changes (and the ISPP).

The MDR Standards permit the construction of three buildings of up to three storeys per residential site in an urban environment without the need for a resource consent. The buildings are only required to have a 2.5 m setback from the front boundary and a 1 m setback from the side and rear boundaries.

There are some exceptions to which the MDR Standards will not apply and these include sites which involve:

- A matter of national importance that decisions-makers have to recognise and provide for under section 6 of the Act (e.g. historic heritage or significant natural hazards)
- A matter required in order to give effect to any other National Policy Statement (besides the NPS-UD)
- Open space provided for public use

- A need to give effect to a designation or heritage order
- A matter necessary to implement, or ensure consistency with, iwi participation legislation.

The MDR Standards will take effect from the date that an intensification plan change is notified, rather than the date the final decision is made. However, this does not apply to sites which come under an exception or sites to which a new residential zone applies.

Impact on infrastructure

While the Amendment Act looks to remove some of the speed bumps encountered in the consenting process, it does not look much further to address other issues that make up the current housing shortage. The main criticism about the implementation of the Amendment Act is the lack of provision for infrastructure funding and how the acceleration of density may cause issues for local authorities to create the necessary infrastructure to support it.

The prohibition on minimum car parking requirements, while aimed at promoting active and public transport, has raised concern over housing intensification in areas that do not have the public transport to meet the expectations of the public.

We also note that, at present, a buyer of an apartment or house in Tier 2 areas (such as Queenstown or Rotorua) would most likely require car parking associated with that dwelling. Many developers would therefore still wish to incorporate significant car parking into their development plans.

The main criticism about the implementation of the Amendment Act is the lack of provision for infrastructure funding and how the acceleration of density may cause issues for local authorities to create the necessary infrastructure to support it.

Response from local authorities

The Christchurch City Council has been one of the most vocal local authorities to criticise the Amendment Act. Known as the 'Garden City', this mainly low-rise city has raised concerns that there are no minimum landscaping requirements for residential developments. As well as adding to the appearance and beautification of neighbourhoods, landscaping with trees and plants plays an important role in mitigating climate change, one of the apparent objectives of the NPS-UD.

The Christchurch City Council has noted that the city's urban tree canopy cover has decreased by 2% since 2015-2016, and it attributes this (in part) to increased residential intensification.

Auckland Council asked for more time to work on the intensification changes, and noted that they probably need to concentrate their efforts on building sufficient infrastructure for the city at its current development rate. However, its Planning Committee has recently met to agree an approach to meet its requirements under the Amendment Act and to enable greater housing levels and density. This approach has given the impression that Auckland Council has decided to simply 'get on with it'.

It is unclear at present whether the Government's efforts will result in achieving their objective of greater housing affordability. Supply chain and inflationary pressure are making house building even less affordable and these increased costs are likely to be pushed onto house buyers. While the effects of the accelerated legislation are yet to be seen in full force, all eyes will be watching as housing intensification increases and local infrastructure is expected to not only keep up but assist in accelerating housing supply.

Disclaimer

This article is only intended to provide general comments on the subject matter. Specialist advice should be sought about your specific circumstances

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ADVERTORIAL

PROPTECH

There's a trick to being dynamic in the time of COVID

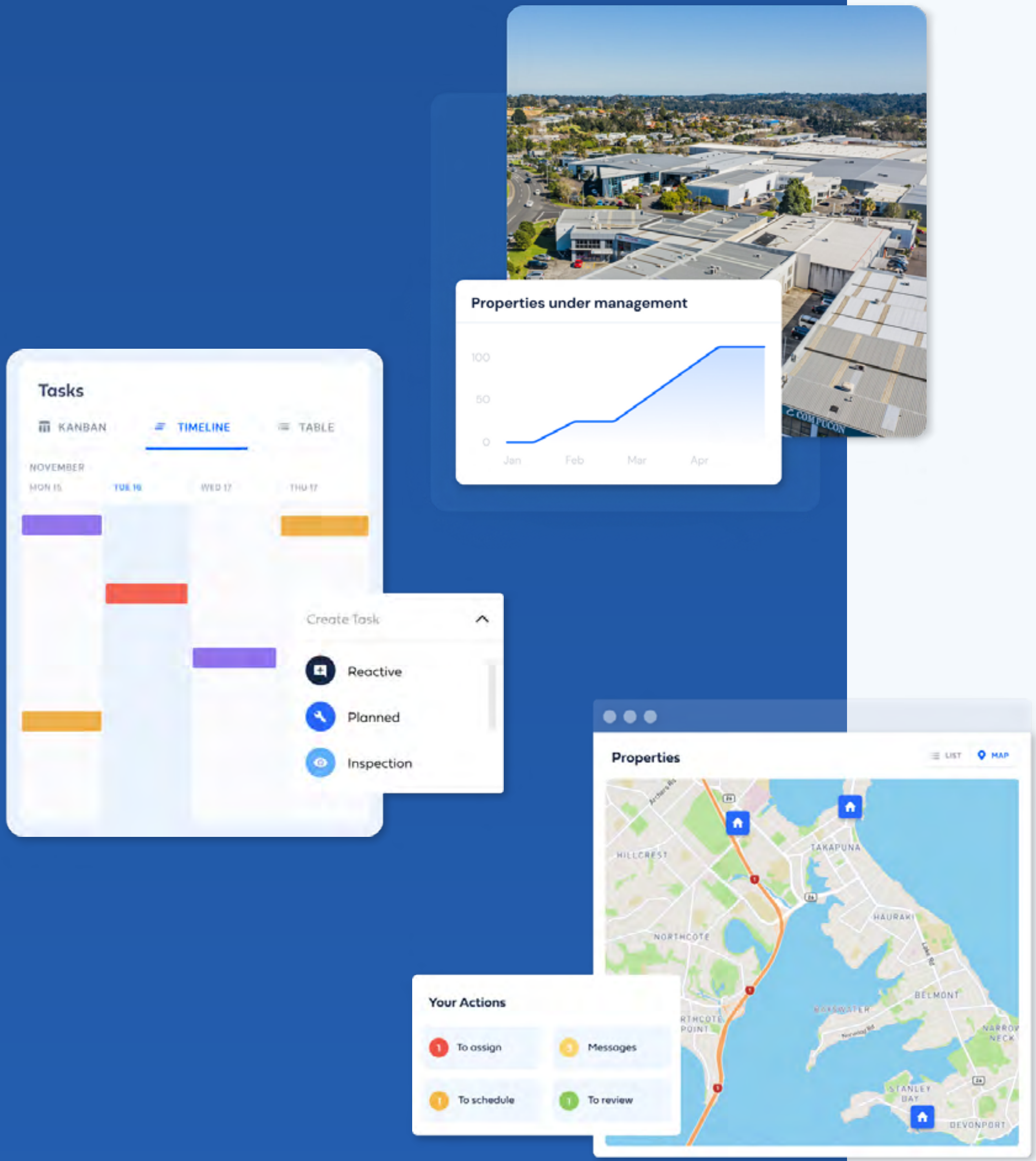
GEORGIE FENWICKE

Navigating the impacts of COVID on building products and contractor scheduling with Frankie

Many people can't imagine accounting without Xero. Today, the idea of manual reconciliation without a bank feed is just silly and seems like a colossal waste of time.

In the space of 10-15 years, Xero has done away with the frustration of paper receipts and spreadsheets; and replaced it with insights and more time to ask questions. That is the impact of technology on how we work. It gives you more time to analyse vs process.

Property Technology (PropTech) is starting to see the same transformation and it couldn't come at a better time. Over the last two years, we've moved to remote working, and have had to reschedule thousands of maintenance events and keep track of these changes.



The history of PropTech

As Forbes reported back in 2019, 'The opportunity to [bring more tech into] real estate is not new. In fact, there have been three waves of PropTech since the 1980s.'

They group the waves into three periods:

- **Early PropTech: Real estate in the Microsoft era (1980–2000)**
  - Outlook, Yardi, SAP and Ofek continue to be used regularly in technology stacks around ANZ
  - These tools were designed in the 1990s to solve day-to-day issues of calendar management, paying invoices and email.
- **PropTech 1.0: Technology starts to open up (2001–2010)**
  - The rise of the smart phone and the gaming industry have had surprising impacts on property, particularly in commercial assets – Xero, Autodesk, Procore, Unity.
- **PropTech 2.0: Productivity and the power of connections (2010–today)**
  - In the last 10 years, we've seen the rise of the brilliant Valocity and Re-Leased in New Zealand. Internationally, OpenDoor has driven a change in thinking on residential purchasing
  - Globally, there are some very interesting collabs as well and a lot of it is driven by data integrations.

PropTech today – integrating into your workflow

Change is afoot in the world of PropTech and the increase in digital adoption is very encouraging, particularly in Property Operations.

Property Operations is a mix of Asset and Facilities management, a holistic function that controls and allocates capital (CAPEX) and operating expenses (OPEX). These functions have been siloed for some time, but there is real opportunity if teams worked together more closely with the same tool.

A day in the life of a property manager is a moveable feast. There are issues that crop up every morning that need to be solved quickly – a roof leak, flooding, a broken door, the lift isn't working. There's also the backlog of scheduled works and inspections to be coordinated that week. Annually, there's a need to plan budgets, review the condition of major areas of the building and review the quality of service contracts.

Property maintenance and operations are facing a number of challenges in 2022:

- **Contractor availability and the need to reschedule:** The Omicron wave is going to make a few of us homebound for the next few months – we'll need to work remotely and give contractors a bit of breathing room to schedule around their team's capacity. Keeping on top of what has and hasn't happened yet is critical.

- **Availability of building products and parts:** Supply chain challenges for building products are driving delays in works. GIB and timber are already in tight supply.

- **Working remotely but together:** Working remotely often blurs lines of responsibility. Having a tool to clearly track who is doing what and when is critical to avoid duplicating work.

Frankie

Introducing Frankie

All these factors drive our product roadmap at Frankie, which is cloud software for industrious property teams to extend the life of buildings and prevent unbudgeted property spend.

At present, property teams need a tool that helps them dynamically plan and reschedule works in an environment of great uncertainty. In a few years, you'll need PropTech to review trends and budgets across your portfolio.

We build technology to integrate with your existing toolkit. For instance, Outlook calendar, Xero and that of your contractors, e.g. simPRO. Like Xero in the early 2000s, we believe in giving you more time back in the day by giving you tools that take the hassle out of chasing the status of work and put you in control of managing portfolios at a strategic level.

Just think – if you had more time in the day, what would you be interested in getting started?

Georgie Fenwicke is the founder and CEO of Frankie.
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