Top 10 predictions for 2018 - Colliers

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Investors who are wondering what 2018 will hold in the commercial property sector might find some clues in Colliers International New Zealand's latest list of predictions.

It's become an annual tradition for Colliers to release their top 10 list of forecasts for the coming year in December - so here's their run down on the trends the sector is likely to see in 2018.

1. New Zealand investment groups will dominate rural property purchases. Overseas buyers will chase urban assets instead, mostly due to the attractive returns, but also partly due to Overseas Investment Act restrictions on rural land purchases of 5ha or more.

2. Extra office supply in Auckland and Wellington won't dent strong capital value and rental increases. Syndicators and overseas funds will continue to be the dominant buyers of substantial city centre properties, as domestic institutions find it hard to justify buying at current price levels.

3. The high level of confidence shown by industrial property investors in 2017 will prove to be justified. Investors can expect more rental rises and steady (already very low) yields, particularly in the main centres.

4. Increasing online retail activity will boost demand for warehousing from retail logistics providers. This will be aided by continuing low fuel prices. In Auckland, a regional fuel tax will concentrate demand close to arterial roads.

5. A more stringent application of GST to offshore online purchases will boost domestic online sales. Domestic online sales will grow more quickly in 2018 than for any of the last few years.

6. Increasing staff costs and lower immigration will begin to prey on the minds of retailers. This will particularly affect those in the food and beverage sector. However, the lag effect of these measures and continued positive consumer confidence will defer any negative effects beyond 2018, while robust tourism growth will counteract these effects in tourist hot spots.

7. In a year, the national median house price will be higher than it is now. Downside protection will be provided by base demand, which remains robust, low interest rates and, at the margins, easing of the LVRs.

8. Off the plan residential sales will get a boost. Concentrating overseas buyers on new homes, plus a bit of Government buying, will begin to boost 'off the plan' sales, allowing supply in the following years to increase.

9. Government efforts to increase skilled labour for the construction industry will be constrained. Other Government policies, such as free tertiary education for a year, and reduced immigration will impact plans to train or import more labour. Construction cost inflation isn't going to go away in the short term.

10. The official cash rate won't go up until late 2018 at the earliest. A shortage of quality stock for sale in a high demand environment will be a more powerful influence than marginally higher debt costs, driving further yield compression in the commercial sector.