Tourism Holdings centre sells

A purpose-built outlet for listed Tourism Holdings at Queenstown has sold for about $3.5 million.

The new office and fleet centre developed by Porter Group at its Remarkables Park centre opposite Queenstown International Airport was sold to a Wellington-based private investor.

The Lucas St building is due for completion in March 2012.

Colliers International brokers Mark Simpson and Alastair Wood received seven offers on the deadline date and had more than 100 inquiries during the property's marketing period.

Mr Simpson said the inquiries demonstrated a strong investor appetite for such offerings.

Tourism Holdings has signed a 15-year lease and Telecom has a 12-year lease for part of the building.

Rent reviews are tied to inflation.

The site is 5000sq m and the building 700sq m.

The *National Business Review* understands the building cost is $1.65 million and the land cost $2.25 million based on about $550 a square metre.

Such was the popularity of the offer that several bids were at yields under 7%.

– Chris Hutching

Poor management or high rents closing businesses?

Conor O'Brien

Higher rents are forcing hospitality and retail operators to close but real estate insiders claim good operators are doing well.

Hospitality New Zealand (HNZ) has a growing membership representing close to 200 members but in the last 12 months 93 members had to close down, HNZ chief executive Bruce Robertson said.

"While the economic climate has certainly played its part, another critical factor is landlords' rental expectations. It is apparent that some landlords have completely unrealistic expectations as to what a hospitality business can carry in terms of rent in the current economic climate.

"It would seem that historically some landlords have seen hospitality businesses as being able to carry premium rents. In the current market this is simply not the case," Mr Robertson said.

MATTHEW WASHINGTON: Time for landlords to get more realistic with rental levels

But Jones Lang LaSalle retail broker Christopher Beasleigh said that while some unscrupulous landlords did charge high rents, it was a minority and failed businesses needed to examine their business model before casting blame.

"If you're a really good operator, you're going to do well. I think it's more the operator than high rent. Some of the rents can be high and it can be crippling but the good operators seem to survive and the weaker operators seem to fail.

"I put it down more to how good the staff are and the whole management structure of the business," Mr Beasleigh said.

There had not been a noticeable increase in rents in the hospitality industry, he said.

"I think the biggest killer for hospitality is the amount of money they borrow to do fitouts. If you spend a couple of million on a fitout you can have quite an expensive loan.That's what kills these guys," he said.

But Pumpkin Patch chief financial officer Matthew Washington believes it is "about time landlords started getting a bit more realistic with their rental levels.

"The bottom line is they should start sharing some of the pain their tenants are experiencing," he said.

Higher rents in the retail and commercial sectors were an issue right across Australasia, he said.

But the same economic conditions that plagued hospitality businesses were affecting landlords as well.

"Landlords depend on contracted tenant income to pay their mortgages and meet other expenses," RICS Oceania New Zealand manager Andrew Crosby said. "According to Property Council/IPD New Zealand Property Index for the September 2011 quarter, retail total returns were only 5.4% and that includes capital values declining 2.3%.

ANDREW CROSBY: Landlords face earthquake strengthening costs in the next year

"In 2012 many landlords will be faced with costly earthquake risk mitigation expenses and increased insurance costs," he said. "There is a lot of retail in un-reinforced masonry structures throughout the country."

Both Mr Robertson and Mr Washington think some landlords need to drop rents or risk losing business.

"Realistic landlords are having proactive discussions with their hospitality tenants and coming to new arrangements which ensure the landlord gets some income and the hospitality business can survive. Other hospitality landlords, through unrealistic rents, are being left with vacant buildings and no rent," Mr Robertson said.

"Some of our landlords are realistic and take a long-term view on their position whereas other landlords take a shorter term views and may pay the price in the longer term," Mr Washington said.

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Economic focus for hotel forum

The hosts of the New Zealand hotel industry conference are looking ahead to the next one in May.

The New Zealand Hotel Council and Horwath HTL this week decided the sixth conference will be held at the five-star Pullman Auckland hotel on May 31, 2012.

The conference platinum sponsor is again the Accor chain.

New topics will include the outlook for global and domestic economies and effect on tourism, branding, management leadership, demand and supply, technology trends, and best distribution channels for the China market.

An expanded New Zealand Hotel Awards is planned, including Senior Hotel Executive of the Year, Outstanding Young Hotel Executive and Environmental Sustainability.

The 2011 conference was attended by 300 delegates, sponsors and exhibitors

– Chris Hutching