

NEW ZEALAND INDUSTRIAL 2019 REVIEW & 2020 FORECAST



Colliers International NZ

Globally, many favour the defensive characteristics and positive aspects supporting the growth of the industrial sector, and New Zealand is no different.

At the heart of the industrial sector, goods-producing industries such as manufacturing and construction now account for around one-fifth of New Zealand's \$300 billion economy, according to Statistics New Zealand. However, this is boosted by other services such as transport, warehousing and postal services, an industry showing another year of growth. Additional depth comes from rising public infrastructure spend.

Employment levels in the industrial sector are solid, and latest forecasts from MBIE show further strong gains over the next few years. This supports the absorption of industrial land and buildings.

In the North Island, the 'Golden Triangle' between Auckland, Hamilton and Tauranga will continue to rise as a popular occupier, owner-occupier and investor destination. The interconnection of population, ports and infrastructure is a strong driver for the sector.

Land availability at suitable prices to be profitable was an ongoing battle in 2019 requiring plenty of careful consideration. Experienced, well-funded stakeholders are looking to capitalise in this space and forge on with developments.

Hawke's Bay, Rotorua, Palmerston North and New Plymouth are showing positive signs in leasing activity. Prime premises are understandably the most desired, creating hotspots of activity. New construction is apparent, but typically caters for pre-committed enquiry in the larger markets.

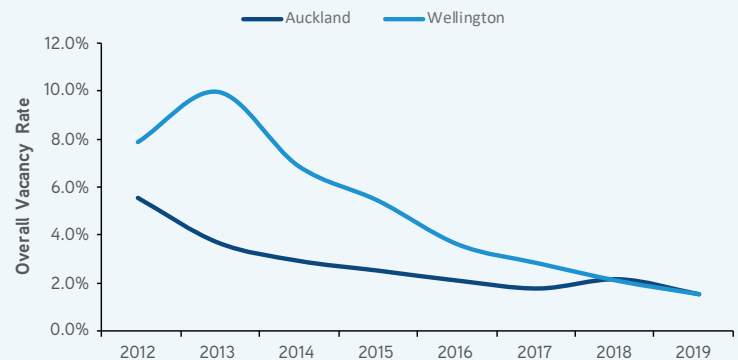
Wellington's industrial sector continues to forge ahead, but more new-build activity is needed to alleviate supply shortages. Access to new precincts could reduce the imbalances, but new infrastructure connections are needed.

In the South Island, Christchurch's industrial sector's ongoing recalibration provides a more balanced demand and supply profile which has seen rent remain relatively steady over the past few years. The lack of available development sites in Queenstown and Dunedin as well as the pressure on existing sites continue to push rents higher.

From a sales perspective, the industrial sector accounts for approximately 50% of all commercial and industrial sales activity annually in New Zealand. This provides investors with plenty of entry and exit opportunities. Further, rising rents, limited incentives and pent-up investor demand are driving average prime yields down, now typically ranging between 5.0% and 6.5%, but some are below 5%. Purchaser interest is growing for well-positioned, add-value secondary premises.

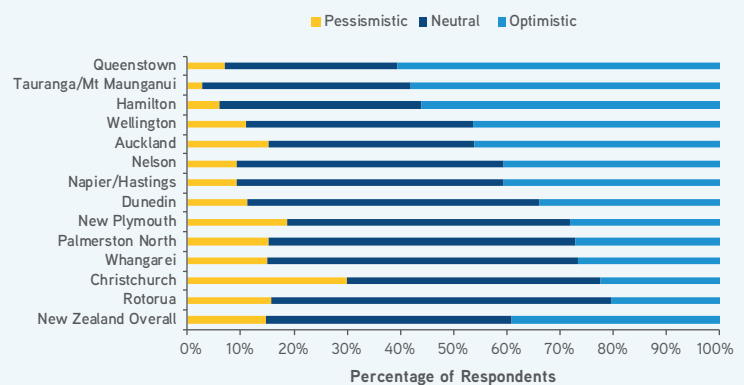
Colliers International Research's Investor Confidence Survey shows respondent expectations for industrial next year remain as strong as ever. Therefore, the outlook under current conditions showcases another positive year ahead.

Auckland & Wellington Overall Vacancy Rates



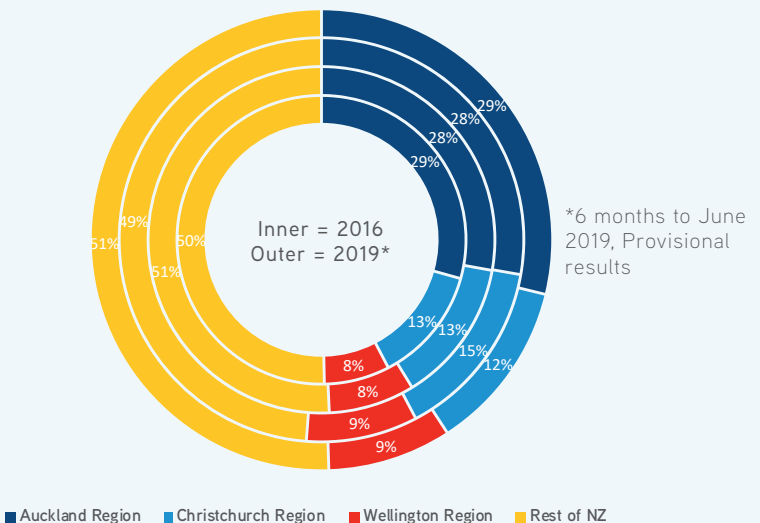
Source: Colliers International Research

Commercial Investor Confidence Survey Q3 2019



Source: Colliers International Research

Regional Percentage of Transactions 2016-2019



Source: CoreLogic, Colliers International Research

NEW ZEALAND INDUSTRIAL MARKET INDICATORS Q3 2019

Precinct	Average Net Prime Rentals (\$/sqm pa)*				Average Net Secondary Rentals (\$/sqm pa)*				Prime Market Yields (%)		Secondary Market Yields (%)	
	Office		Warehouse		Office		Warehouse		Low	High	Low	High
	Low	High	Low	High	Low	High	Low	High				
Auckland CBD												
Airport Corridor	230	280	125	150	150	190	95	115	4.35%	5.25%	5.50%	6.50%
East Tamaki	260	300	125	150	180	220	100	120	4.35%	5.25%	5.50%	6.50%
Manukau/Wiri	260	300	120	150	180	220	100	120	4.35%	5.25%	5.50%	6.50%
Mt Wellington	260	300	125	150	180	220	105	130	4.35%	5.25%	5.50%	6.50%
Penrose / Onehunga	260	300	125	150	180	220	105	130	4.50%	5.25%	5.50%	6.50%
Rosebank / Avondale	250	300	125	145	180	220	95	120	4.50%	5.25%	5.50%	6.50%
New Lynn	250	300	115	135	180	220	95	110	5.00%	6.00%	5.50%	6.50%
Henderson	250	300	115	135	180	220	95	110	5.00%	6.00%	5.50%	6.50%
Mairangi Bay	220	265	120	150	200	220	115	135	4.35%	5.25%	4.75%	6.00%
North Harbour	200	250	120	150	200	220	110	135	4.35%	5.25%	4.75%	6.00%
Wairau Valley	200	245	120	150	180	200	110	135	4.35%	5.25%	4.75%	6.00%
Waikato/BOP/Hawke's Bay												
Hamilton	170	220	105	130	120	150	75	100	5.00%	5.75%	6.50%	7.50%
Tauranga	165	185	100	120	120	140	85	95	4.25%	5.25%	5.50%	6.25%
Rotorua	100	120	90	100	65	85	65	85	6.10%	6.50%	6.60%	8.00%
Hawke's Bay	150	185	84	135	90	158	104	175	5.97%	9.05%	6.25%	9.20%
Taranaki												
New Plymouth	100	150	90	130	70	100	50	80	5.50%	7.50%	8.00%	11.00%
Manawatu/Wanganui												
Palmerston North	175	200	100	120	100	150	85	95	6.00%	7.50%	7.50%	9.00%
Wellington												
Seaview	145	170	110	130	100	125	75	100	6.00%	7.00%	7.50%	8.50%
Grenada	135	165	103	128	105	125	90	105	6.00%	7.00%	7.50%	8.50%
Miramar / Rongotai	123	143	93	108	105	120	80	90	6.50%	7.50%	7.75%	8.75%
Ngauranga	148	178	120	140	150	155	100	115	6.00%	7.00%	7.25%	8.50%
Petone / Alicetown	148	173	118	138	130	155	100	115	6.00%	7.00%	7.25%	8.50%
Porirua	130	145	105	115	105	120	80	90	6.25%	7.25%	7.50%	8.75%
Naenae/Wingate	125	155	95	115	90	100	65	80	6.50%	7.50%	7.75%	8.75%
Upper Hutt	118	138	88	103	88	103	63	78	7.25%	8.25%	8.25%	9.75%
Christchurch												
Hornby / Islington	180	230	90	115	135	175	70	90	5.75%	6.25%	7.00%	8.50%
Middleton / Sockburn	180	230	90	115	135	175	70	90	5.75%	6.25%	7.00%	8.50%
Sydenham	180	230	90	120	135	165	70	95	5.75%	6.25%	7.00%	8.50%
Riccarton / Addington	180	230	90	120	135	165	70	95	5.75%	6.25%	7.00%	8.50%
Bromley	140	200	75	100	95	125	50	70	6.75%	7.50%	8.25%	9.50%
Woolston	170	220	90	110	125	165	65	85	6.00%	6.75%	7.75%	9.00%
Rolleston	180	225	95	110	135	175	70	90	5.75%	6.50%	7.00%	8.25%
Otago												
Queenstown	250	300	200	220	200	250	160	180	4.75%	5.25%	5.25%	5.75%
Wanaka	200	250	130	175	150	200	110	130	5.00%	5.75%	6.00%	6.50%
Cromwell	150	200	120	140	130	150	100	120	6.00%	6.50%	6.75%	7.50%
Dunedin - Inner City	140	240	90	140	75	150	55	90	6.25%	7.25%	7.25%	9.00%
Dunedin - Mosgiel	190	220	90	120	75	110	55	70	6.50%	7.50%	7.50%	9.00%
Dunedin - Kaikorai Valley	120	240	85	125	80	120	55	85	6.50%	7.50%	7.50%	9.00%

Source: Colliers International Research

*Wellington based on gross face rents

Face rents, yields and capital values are based on averages across all precincts and does not represent the minimum or maximum rates being achieved.

Based on net combined rents of warehouse and office rents (assumes warehouse/office ratio of 80/20)

Assumes 2000sqm building with 50% site coverage

Note: Some figures may be rounded

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