

THE GOLDEN TRIANGLE

LOGISTICS 2019



New Zealand's economic Golden Triangle of the Auckland, Waikato and Bay of Plenty regions, remains in expansion mode. The triangle houses a majority of the nation's population and generates a majority of its Gross Domestic Product. Recent years have seen high levels of business expansion and job creation which has fuelled demand for workspace and driven a surge in development activity.

Demand for industrial property is strongly supported as a result of the Golden Triangle housing the two busiest sea ports and Auckland's airport which is the largest international gateway to New Zealand.

Growth in the area means that it is dominating national infrastructure spending reflecting the pivotal role it plays in the national economy.

TOTAL SQM OF INDUSTRIAL BUILDING CONSENTS
775,000 sqm

INDUSTRIAL VACANCY
1.8%

Rents

POPULATION
55%

WAIKATO EXPRESSWAY
\$2 billion

NATIONAL FREIGHT AT
56%

The Golden Triangle in numbers

	Golden Triangle	Rest of New Zealand	Proportion of national total
Population (2018)	2,470,400	2,414,900	50.6%
Population (2043)	3,241,400	2,681,700	54.7%
Employment (2018)	1,108,900	1,129,000	49.60%
Employment growth (2010 - 2018)	24.5%	17.25%	66.36%
GDP (year to March 2018)	\$149,519,000	\$135,166,000	52.52%
Value of building consents - all property (year to April 2019)	\$10,700,000,000	\$7,800,000,000	58%
Commercial and industrial consents, sqm (year to April 2019)	1,200,408	1,905,081	38.6%

Source: Statistics NZ

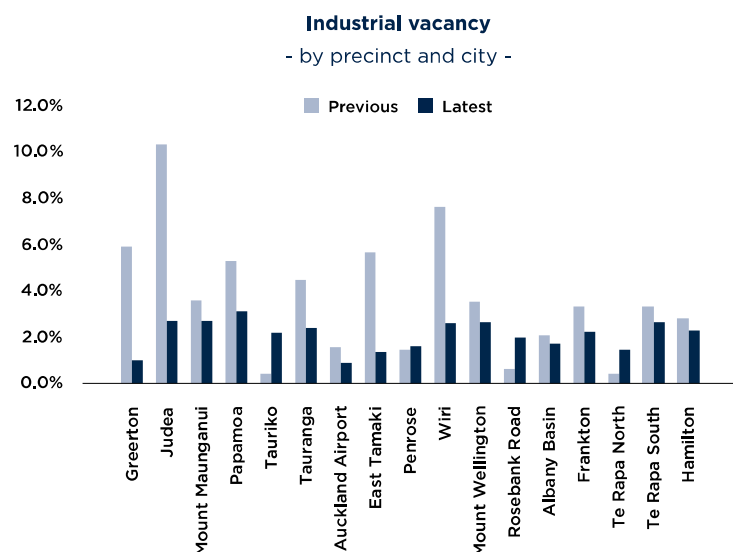
Vacancy rates at historic lows

Heightened demand has run ahead of new supply, despite a sharp uplift in development activity.

The results of *Bayleys Research* vacancy surveys show that, as at the date of the latest surveys the combined vacancy rate across the three cities was just 1.8%.

In all three locations vacancy fell over the period from the previous survey with the rate falling in Auckland from 3.3% to 1.7% and in Hamilton from 2.8% to 2.3%, while in Tauranga the latest figure is 2.4% compared with 4.4% a year earlier.

Note: Graph data Auckland 2019 v 2018, Hamilton and Tauranga 2018 v 2017.



Source: Bayleys Real Estate

Infrastructure supporting growth

Government infrastructure spend is heavily weighted to the upper North Island to support the growth it is experiencing and to facilitate the efficient movement of goods across the area.

NZTA figures show that 56% of national freight movements pass through the upper North Island. The port of Tauranga is the nation's most active export port by some margin. In the year to June 2018 14.7 million tonnes of goods were exported through Tauranga approximately 35% of the national total.

Given these fundamentals it is not surprising that, of the \$129 billion earmarked for infrastructure projects over the next 10 years, 77%, approximately \$100 billion, is to be spent on projects within the Golden Triangle, with \$55 billion of the expenditure to be on roading and land transport projects.

Waikato Expressway

Within the Golden Triangle the most significant infrastructure project has been the \$2 billion Waikato Expressway which has an anticipated completion date of 2020. Upon completion the expressway will provide 102 kilometres of four lane median divided highway running from the south of Cambridge to the Bombays where it will link with the Southern Motorway.



Western Ring Road

The western ring route was completed with the opening of the Waterview tunnel providing an alternative motorway route from north of the Auckland region to the south and better connecting new industrial precincts in the northwest and north of the region with Auckland's international airport and the established south Auckland industrial precincts.

Southern Corridor

The \$268 million Southern Corridor Improvements Project covers the stretch of Southern Motorway (SH1) from the SH20/SH1 connection at Manukau down to Papakura in the south. The project includes additional lanes in both directions and an upgraded Takanini Interchange.

Bay of Plenty

Tauranga has also benefitted from major roading improvements over recent years, primarily:

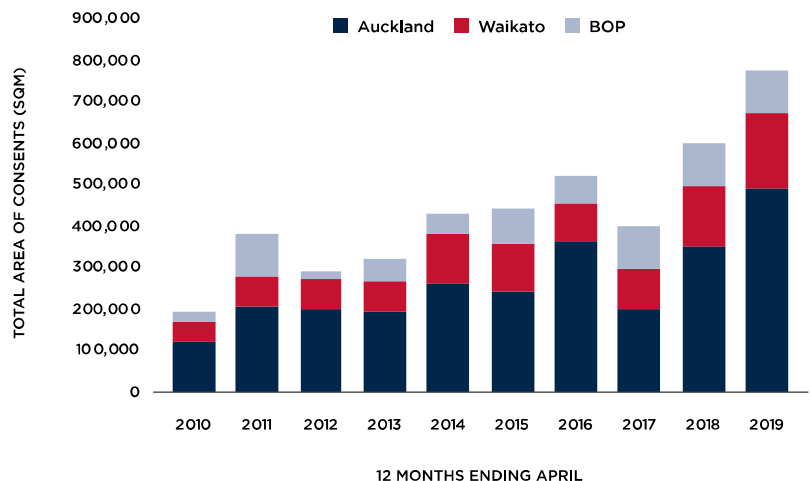
1. The \$455 million Tauranga Eastern Link (TEL) a four lane motorway covering 23km from Te Maunga junction in Tauranga to Paengaroa
2. The \$45 million Maungantapu Underpass connecting Welcome Bay with Turret Road
3. The \$102 million Baypark to Bayfair Link Upgrade which will see two flyovers built on SH2 by 2020 which will improve the route to the port of Tauranga and connect to the TEL, completing what is known as the 'Eastern Corridor' for the Bay of Plenty

Development response gathers pace

The historically low vacancy rates apparent across the Golden Triangle have elicited a significant response from the development sector with construction activity ramping up over the last two years.

Building consents issued for industrial premises across the three regions totalled just short of 776,000sqm over the 12 month period to April 2019 up from 600,000sqm a year earlier and nearly twice the 2017, April year, total of 395,000sqm.

Golden Triangle industrial consents
- by floor area -



Infrastructure improvements drive development of new precincts

Development activity in Auckland is likely to have been higher if it were not for the constraints on land supply which the region has. Within established precincts development land is extremely rare and where it does exist, it often has commanded values which make industrial development financially unviable. As a result new precincts have been developed on the periphery of the city but even here land options can be quickly exhausted. In Pokeno, for example, a vast majority of the industrially zoned land has been sold.

The next focus of significant industrial expansion, in the southern part of the region, will be Drury South where sales activity has already been significant.

Hamilton, located centrally between the Ports of Auckland and Tauranga and benefiting from significantly upgraded transport links, is positioning itself as a strategic logistics and distribution hub.

The development of major inland ports at Ruakura and Horotiu illustrate the growing appeal of the City.

Leasing and investment trends

District	Standard lease type	Rental market (\$/sqm)		Rental trend	Leasing market		Cap rate (yield)		Investment market		Land value (\$/sqm)
		Warehouse	Office/show		Demand	Supply	Yield	Forecast	Demand	Supply	
Auckland											
Wairau Valley	Net	\$115 - 180	\$170 - 275	Rising	Strong	Scarce	4.5 - 6.0%	Steady	Strong	Scarce	\$1,000 - 2,000
Albany/ North Harbour	Net	\$120 - 150	\$200 - 280	Rising	Steady	Scarce	4.5 - 5.5%	Steady	Strong	Scarce	\$700 - 850
Silverdale	Net	\$105 - 140	\$180 - 260	Rising	Strong	Scarce	5.0 - 6.0%	Steady	Strong	Scarce	\$550 - 600
Penrose	Net	\$120 - 135	\$170 - 250	Rising	Steady	Scarce	4.75 - 6.5%	Firming	Strong	Scarce	\$650 - 1,000
Mount Wellington	Net	\$120 - 135	\$170 - 250	Rising	Steady	Scarce	4.75 - 6.5%	Firming	Strong	Scarce	\$650 - 1,000
West Auckland	Net	\$110 - 140	\$195 - 250	Rising	Strong	Scarce	5.75 - 7.25%	Firming	Strong	Scarce	\$550 - 800
Rosebank Road	Net	\$110 - 130	\$165 - 210	Rising	Strong	Scarce	5.5 - 7.25%	Firming	Strong	Scarce	\$550 - 900
East Tamaki	Net	\$120 - 150	\$240 - 255	Rising	Strong	Scarce	4.75 - 6.25%	Firming	Strong	Scarce	\$600 - 900
Airport Corridor	Net	\$120 - 135	\$230 - 260	Rising	Strong	Scarce	5.0 - 6.0%	Firming	Strong	Scarce	\$550 - 650
Manukau/Wiri	Net	\$110 - 135	\$160 - 235	Rising	Strong	Scarce	5.0 - 7.25%	Steady	Strong	Scarce	\$550 - 625
Drury	Net	\$110 - 120	\$220 - 230	Rising	Steady	Scarce	5.2 - 7.25%	Steady	Steady	Scarce	\$320 - 375
Bay of Plenty											
Tauranga	Net	\$90 - 150	\$130 - 200	Rising	Strong	Shortage	4.5 - 6.5%	Firming	Strong	Shortage	\$350 - 500
Mount Maunganui	Net	\$95 - 135	\$130 - 200	Rising	Strong	Shortage	4.0 - 5.5%	Steady	Strong	Shortage	\$600 - 1,300
Tauriko	Net	\$100 - 135	\$130 - 160	Rising	Strong	Sufficient	4.3 - 5.3%	Steady	Strong	Shortage	\$400 - 500
Greerton	Net	\$80 - 105	\$170 - 201	Rising	Steady	Sufficient	5.0 - 6.5%	Firming	Strong	Shortage	\$300 - 400
Judea	Net	\$90 - 100	\$130 - 60	Rising	Steady	Shortage	5.25 - 6.5%	Steady	Strong	Shortage	\$400 - 500
Papamoa	Net	\$105 - 135	\$130 - 160	Rising	Strong	Shortage	5.0 - 6.0%	Firming	Strong	Shortage	\$400 - 700
Waikato											
Hamilton	Net	\$80 - 150	\$180 - 200	Rising	Strong	Shortage	5.0 - 7.5%	Firming	Strong	Shortage	\$250 - 350
Frankton	Net	\$70 - 110	\$100 - 150	Rising	Strong	Shortage	5.0 - 6.5%	Firming	Strong	Shortage	\$200 - 285
Te Rapa North	Net	\$100 - 130	\$200 - 230	Rising	Strong	Shortage	4.8 - 6.0%	Firming	Strong	Shortage	\$300 - 385
Te Rapa South	Net	\$90 - 120	\$175 - 220	Rising	Strong	Shortage	4.8 - 6.0%	Firming	Strong	Shortage	\$300 - 385
Horotiu	Net	\$100 - 120	\$180 - 200	Rising	Strong	Shortage	5.5 - 7.0%	Firming	Strong	Shortage	\$235 - 260
Airport	Net	\$100 - 120	\$190 - 210	Steady	Steady	Steady	5.5 - 6.5%	Firming	Steady	Steady	\$150 - 180

Research team

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