



Post the 2010 and 2011 earthquakes, Christchurch has cemented its position as the logistics and distribution hub of the South Island.

A booming construction sector, new business formation and expansion has driven demand for additional industrial space. The resultant requirement for land has seen new industrial precincts emerge, particularly to the west of the city, with growth being supported by significant infrastructure improvements.



Yield compression



Construction booming



**Roading improvements
\$800m**

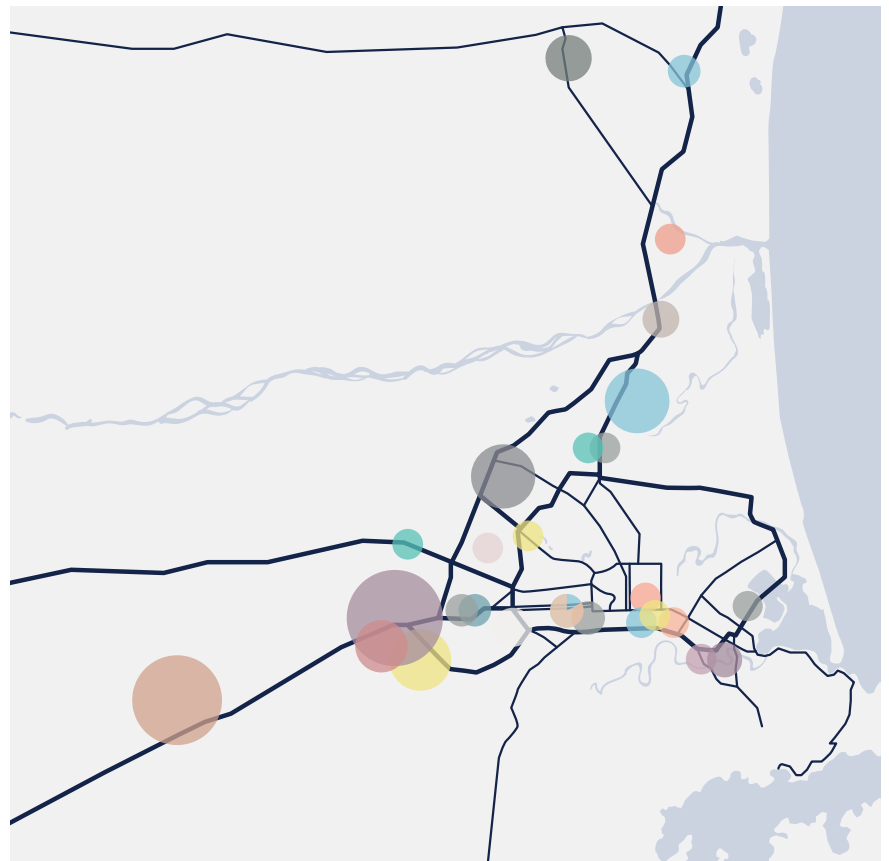


Industry sees western expansion

Industrial land sales

Christchurch's post-earthquake rebuild and subsequent infrastructure programme, along with expansion of the logistics and distribution sector saw demand for industrial workspace increase sharply. With limited land available within established industrial precincts and concerns over the seismic stability of land in some of the city's eastern suburbs, expansion of the industrial property base has been at its greatest to the west of the city.

As illustrated in this map, land releases in areas such as Islington, Hornby, Harewood (airport), Belfast and Rolleston met with immediate demand from the development and occupier sectors. Between 2015 and March 2019 data insight sales statistics show that over 3.5 million square metres of vacant industrial land was sold across the Canterbury region, more than was sold in the previous seven years.



- | | | | | |
|--|---|--|--|--|
| ● Addington | ● Christchurch Central | ● Kaiapoi | ● Sockburn | ● Wigram |
| ● Avonhead | ● Harewood | ● Kainga | ● Sydenham | ● Woodend |
| ● Belfast | ● Hillsborough | ● Rangiora | ● Templeton | ● Woolston |
| ● Bromley | ● Hornby | ● Redwood | ● Upper Riccarton | ● Yaldhurst |
| ● Burnside | ● Hornby South | ● Riccarton | ● Wainoni | |
| ● Casebrook | ● Islington | ● Rolleston | ● Waltham | |

Construction surges

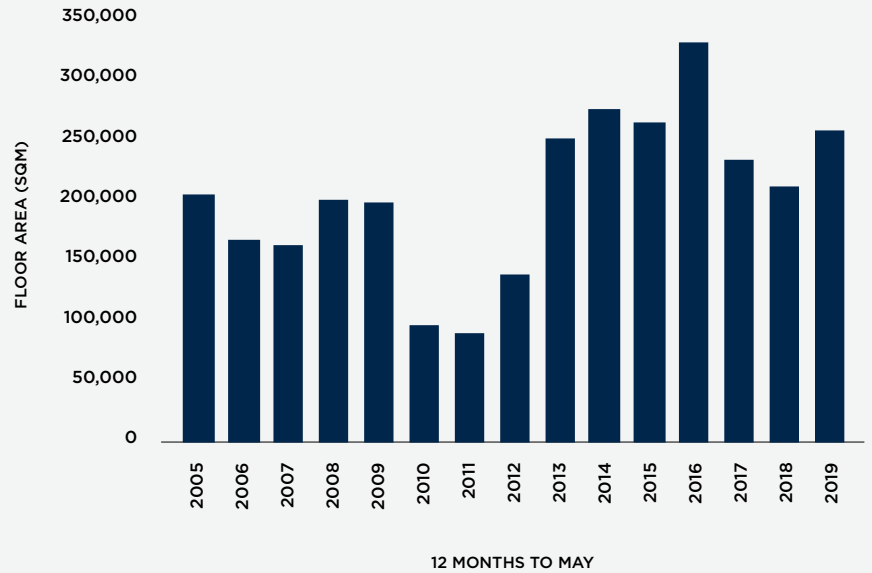
The increase in industrially zoned land, supported by a roll out of significant roading infrastructure improvements, has unlocked development potential resulting in a construction boom.

Building consents issued for industrial developments surged from 2012/2013, when consent for over 245,000sqm of new space was granted, compared to a peak at over 325,000sqm of consents during the 12-month period to May 2016.

With a raft of new industrial and business parks such as Wigram Business Park, Izone, Hornby Quadrant and Christchurch Airport's Dakota Park, all having been developed over recent years the surge in consents is not surprising.

Figures for the 12-month period ending May 2019 show that activity has accelerated again having softened slightly over 2017 and 2018.

Canterbury industrial building consents
- by floor area -



Source: Statistics NZ

Agency reports suggest that supply and demand has, as a result of the high levels of building activity, been brought into better balance. This in concert with the decline in land sales would indicate that building activity will ease over the course of the next year.

Industrial investment trends 2019

Locality	Capitalisation rate			Investment market		Land values	
	Yield	Trend over last year	Forecast	Demand	Availability	Prime \$/sqm	Trend
Sydenham	6.0 - 8.0%	→	→	Strong	Scarce	450 - 550	→
Hornby	6.0 - 7.5%	→	→	Strong	Scarce	225 - 300	→
Sockburn	6.0 - 7.5%	→	→	Strong	Scarce	250 - 350	→
Woolston	7.0 - 9.0%	→	→	Weak	Scarce	100 - 200	→
Rolleston	6.0 - 7.5%	→	→	Strong	Scarce	150 - 220	→

Source: Bayleys Research

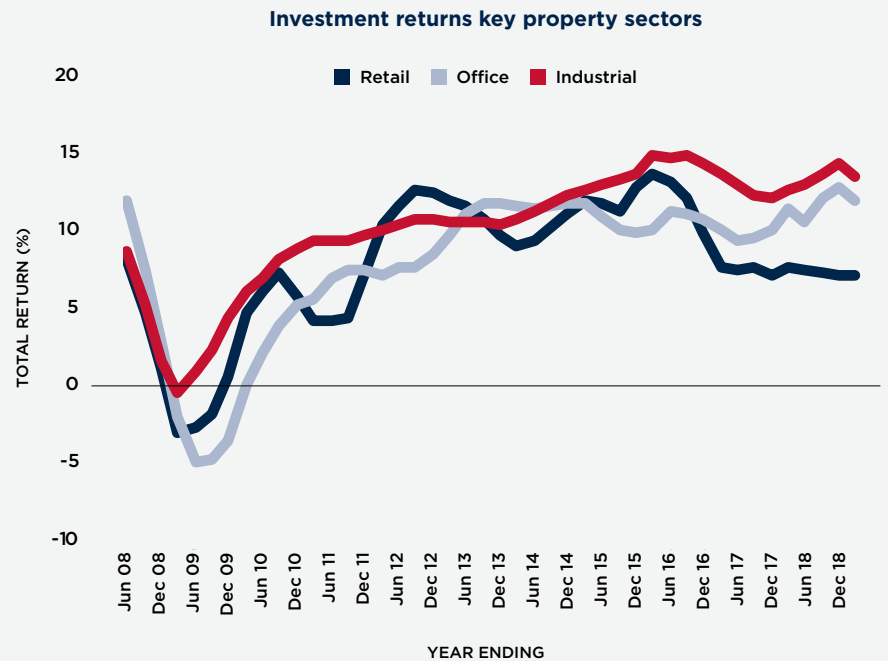
Industrial leasing trends 2019

Locality	Prime			Leasing market	
	Office/showroom \$/sqm net	Warehouse \$/sqm net	Trend over last year	Demand	Availability
Sydenham	150 - 220	85 - 120	→	Steady	Shortage
Hornby	150 - 240	85 - 120	→	Steady	Shortage
Sockburn	150 - 240	85 - 120	→	Steady	Shortage
Woolston	150 - 200	75 - 115	→	Weak	Surplus
Rolleston	170 - 225	85 - 110	→	Strong	Shortage

Source: Bayleys Research

Industrial tops investment performance

- Low interest rates are extending the property cycle
- Funds, both domestic and international, are chasing higher yielding assets
- Institutional investment grade industrial property has outperformed commercial office and retail property sectors
- Yield compression has driven up capital values
- Risk aversion from the banking sector is restricting credit for secondary grade property purchases



Source: MSCI

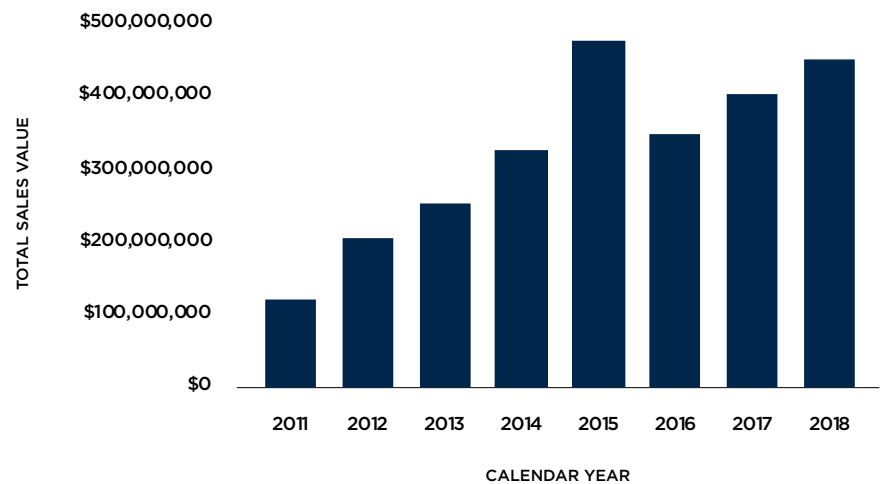
Sales activity holding at elevated levels

Sales activity peaked in 2015 as the sharp increase in building activity brought more options to market. Sales activity has been driven by high levels of interest, from both investors and owner occupiers, reflecting the low interest rate environment and strong levels of business creation and expansion.

Yield compression has seen capital values rise over recent years with the increase in values offsetting the easing in the rates of sales activity evident post 2015.

Prime yields sit between 6.0% and 7.0%, with secondary yields ranging from 7.0% to 9.0%.

Value of industrial property sales Canterbury



Source: Data Insight

Christchurch industrial sales

Address	Suburb	Price	Area (sqm)	Yield	Sale date
Matipo Street	Riccarton	\$3,400,000	1,624	6.30%	Mar-19
Braeburn Drive	Hornby	\$6,660,000	6,750	6.75%	Jun-19
Klondyke Drive	Hornby	\$1,957,000	1,230	7.56%	Feb-19
Shands Road	Hornby	\$3,700,000	3,828	6.75%	Jun-19
Seven Mile Drive	Belfast	\$570,000	291	6.45%	May-19
Broad Street	Woolston	\$1,150,000	740	7.29%	Feb-19
Dakota Crescent	Wigram	\$14,850,000	8,422	6.50%	Nov-18
Paragon Drive	Sockburn	\$550,000	267	6.50%	Oct-18

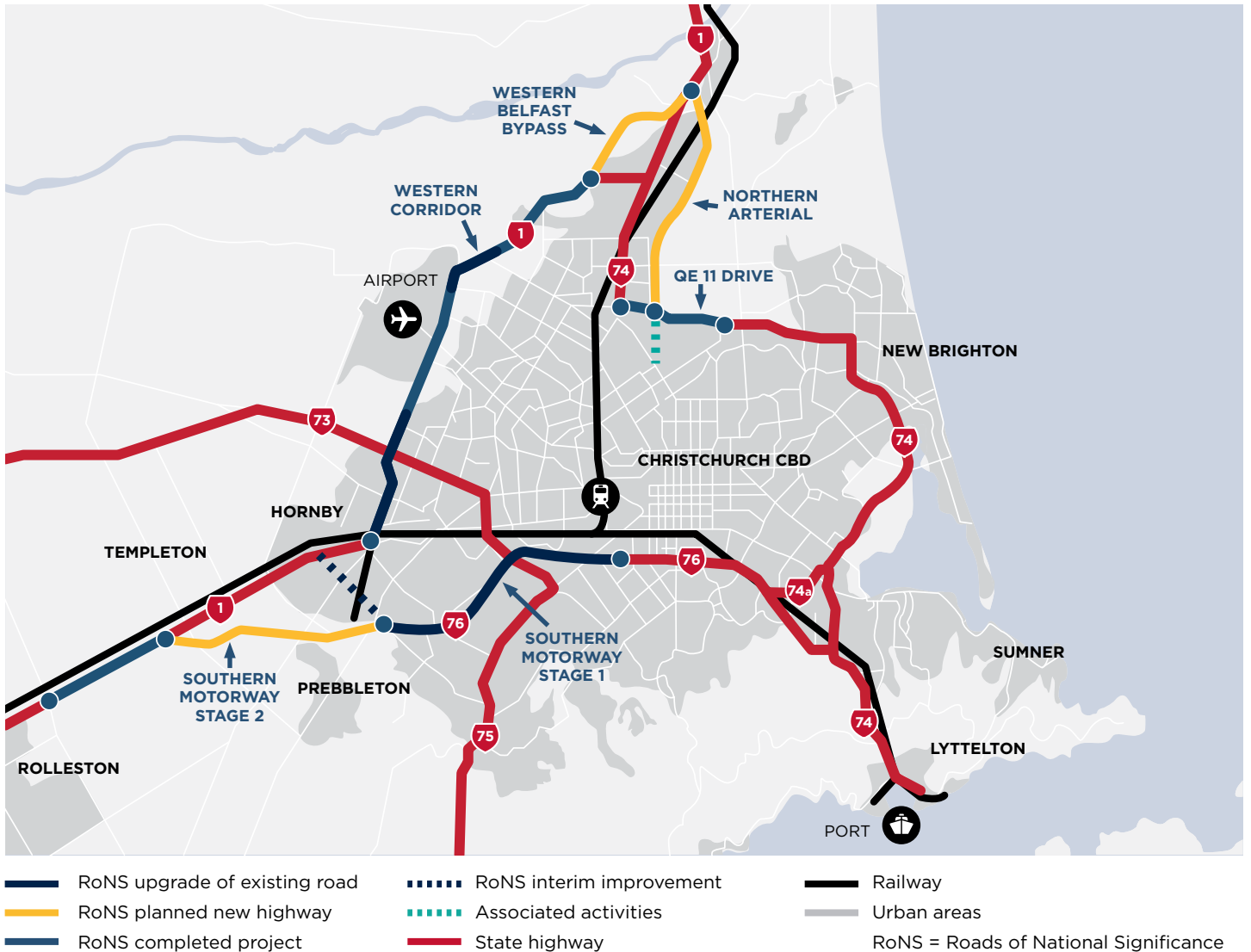
Source: Bayleys Valuations

Growth supported by infrastructure improvements

New motorways and significant roading improvements are strongly supporting the expansion of Christchurch's industrial sector to the west and south of the city.

Over \$800 million of investment in the northern, southern and western corridors is better connecting the city's major industrial precincts with the port, airport, CBD and wider South Island highway network.

Faster, safer roads which make travel times more reliable will further increase the appeal of Christchurch to logistics and distribution companies.



Port improvements

In addition to improvements in roading infrastructure major upgrades, both completed and underway at Lyttelton Port will provide benefits to the region's industrial sector.

Canterbury freight volumes are forecast to double in the next 15 years and the port has put in place a number of projects in order to future proof it and meet the demand.

The harbour's channel has been deepened allowing for access by larger vessels.

A major reclamation project is underway in Te Awaparahi Bay which, upon completion will triple the space available for the rapidly expanding container trade.

Research team

Ian Little B.Sc (Hons), MRICS
ian.little@bayleys.co.nz
Goran Ujdur B.Com
goran.ujdur@bayleys.co.nz

Campbell Taylor

Canterbury Manager - Commercial
campbell.taylor@bayleys.co.nz
WHALAN AND PARTNERS LTD, BAYLEYS,
 LICENSED UNDER THE REA ACT 2008

Scott Campbell

National Director - Industrial
scott.campbell@bayleys.co.nz
BAYLEYS REAL ESTATE LTD, MANUKAU
 LICENSED UNDER THE REA ACT 2008

0800 BAYLEYS

bayleys.co.nz/research/industrial

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