

1st Quarter 2010

Auckland Industrial Land Supply Holds Steady

➡ Lack of Development Keeps Levels in Check

Industrial land supply levels in Auckland City have remained largely untouched over the past 12 to 18 months; reflecting the cautious state of the property market and slowish recovery of the economy.

According to the results of Darroch's latest *Auckland Industrial Land Survey (2010)*, vacant industrial land in the City comprises approx 110 hectares – a similar level to our previous survey undertaken 18 months ago. Of this total, approximately 85 hectares is unimproved and classified as 'pure vacant'. Most of the vacant sites are located in Penrose/Onehunga and Mt Wellington. Approximately 70 hectares of pure vacant land are in lots greater than 1 hectare in size.

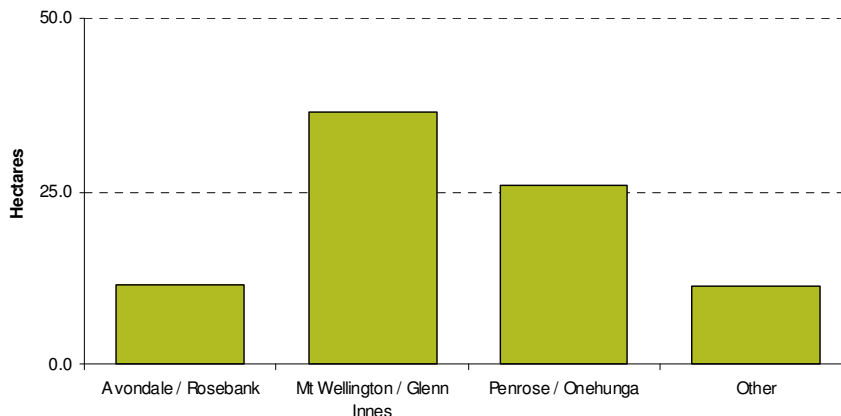


The survey also showed that a further 25 hectares is 'semi-vacant' and is currently being used in a yard capacity – storage, timber or scrap – but is deemed to have further development potential.

Across Auckland and New Zealand, the land development market remains generally weak. There are far fewer active developers around Auckland than two to three years ago. Rising vacancy rates has meant demand for new premises is subdued. If demand for improved premises is weak then demand for vacant land is even weaker.

Reduced demand for vacant land has seen a corresponding softening in land prices. Downward pressure on industrial land prices has been a constant factor in the market place over the past 24 months. Few developers are willing to take risks in the current environment. Higher holding costs, reduced sale prices and decreased profits remain key threats. In short, full development potential is unlikely to be realised in this market until demand/supply factors come back into better balance.

Figure 1: Auckland Industrial Land Survey 2010 – 'pure vacant' sites



Key Survey Results:

- 'Pure vacant' sites comprise approx 85 ha
- Approx 70 ha of land is comprised of sites larger than 1 ha in size
- 'Semi-vacant' sites accounted for a further 25 ha