

Key Results

Industrial vacancy rates have increased across all key Auckland industrial property markets over the past year as the overall demand for space contracted as a result of slower economic growth. The increase in vacancy has, in part, been driven by the ongoing contraction in the manufacturing sector which was particularly evident in the Manukau City and Auckland City industrial precincts.

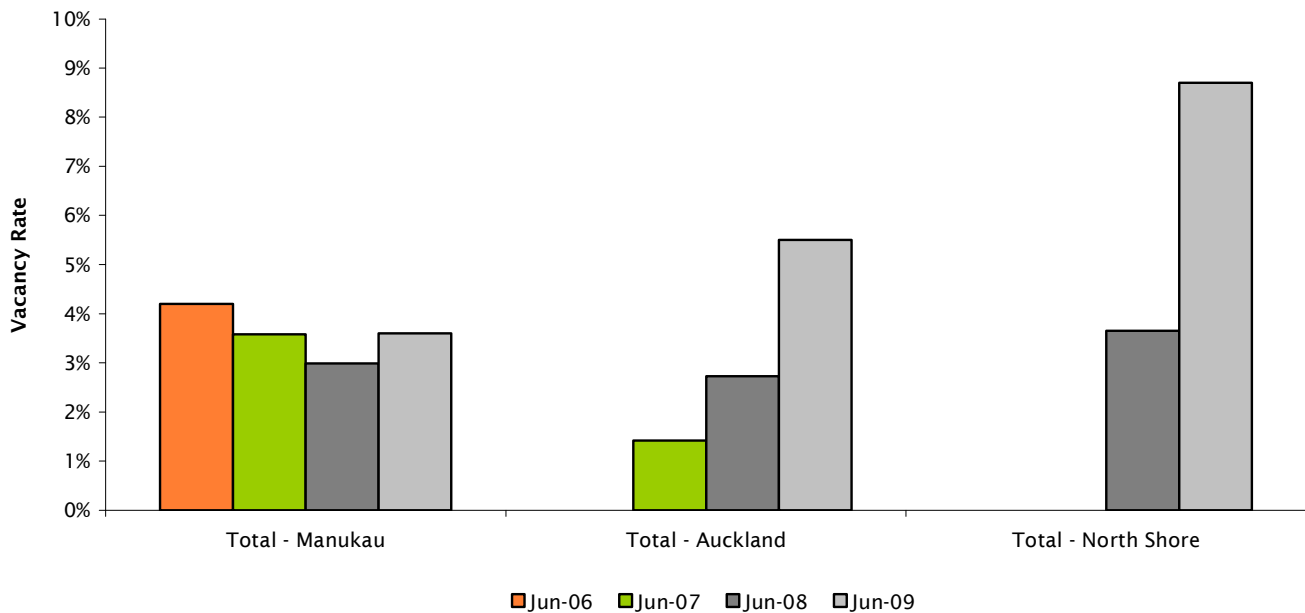
The industrial vacancy survey covers over 7,850,000 square metres of industrial space. This comprises 3,380,000 square metres in Manukau, 3,090,000 square metres in Auckland, and 1,410,000 in North Shore.

Key results from the 2009 industrial vacancy rate survey include:

- The overall industrial vacancy rate as at June 2009 for Manukau City was 3.6%, up 0.6 percentage points from the 3.0% vacancy rate recorded in June 2008. This is the same vacancy rate that was recorded for Manukau City in June 2007;
- The overall industrial vacancy rate as at June 2009 for Auckland City was 5.5%, up 2.8 percentage points from the 2.7% vacancy rate recorded in June 2008; and
- The overall industrial vacancy rate as at June 2009 for North Shore City was 8.7%, up 5.0 percentage points from June 2008.

Figure 1 presents the trend in vacancy rates over the period June 2006 through to June 2009.

Figure 1: Industrial Vacancy - June 2006 to June 2009



Source: Darroch Research

Manukau City:

- The increase in the overall industrial vacancy rate over the past year for Manukau was generated by an increase across secondary grade buildings, up 1.2 percentage points. Over the same period Prime grade industrial buildings in Manukau experienced a slight decrease, down 0.9 percentage points;
- With the exception of Airport Oaks, all precincts experienced an increase in their vacancy rates, with East Tamaki increasing the most, up from 2.7% in June 2008, to 4.3% in June 2009;
- The decline in the vacancy rate experienced in Airport Oaks is due to the inclusion of a large amount of new occupied stock, the actual amount of space vacant has changed very little since June 2008;
- The most significant tenant category to vacate Manukau City, by a large margin, was Manufacturing followed by Vehicle Services / Repairs / Parts / Engineering, Storage and Distribution and Wholesale;
- The vacancy rate in Manukau City over the year to June 2009 did not increase as much as expected, which is likely the result of Fonterra taking in excess of 25,500 square metres of industrial space for milk powder storage. Hypothetically, if this space was vacant as at the time of the survey, the vacancy rate would have increased by 0.7 percentage points making the final vacancy rate 4.3%;
- The majority of large tenancy changes in Manukau City occurred in East Tamaki and Airport Oaks. Significant vacancies of note include; 4,621 square metres was vacated by Schenker International at 2-8 Freight Place, Airport Oaks and Alto Plastics and Gold Link Storage and Distribution vacated a total of 8,854 square metres at 22 Ormiston Road, East Tamaki. A significant letting to note is 6,131 square metres of space taken up at 30 Airpark Drive, Airport Oaks by NZ Vanlines; and
- The 'Manufacturing' (40.7%) and 'Transport and Storage' (28.3%) categories continue to dominate the tenant profile in Manukau City, together occupying over two thirds of all industrial space (69.0%).

Auckland City:

- An overall vacancy rate of 6.0% was recorded across all buildings in the secondary category, up 3.1 percentage points from June 2008. At the same time the Prime grade vacancy rate in Auckland City decreased 0.2 percentage points to 0.9% in June 2009;
- All precincts experienced an increase in vacancy, with Penrose more than doubling their vacancy rate over the twelve months to June 2009, up 2.3 percentage points to 4.1% and Onehunga more than tripling their vacancy rate over the twelve months to June 2009, up 5.4 percentage points to 7.8%;
- The most significant tenant category to vacate Auckland City was Manufacturing followed by Vehicle Services / Repairs / Parts / Engineering and then Wholesale;
- Significant vacancies of note over the past twelve months that occurred in Auckland City include; 8,964 square metres vacated by Hammer Auctions at 174 Neilson Street, Onehunga and 4,705 square metres vacated by Kimbyr Investments at 12 Southpark Place, Penrose. A significant letting to note is Rexel and Sektor taking up 8,969 square metres of space at 525 Great South Road, Penrose; and
- The 'Manufacturing' category makes up the largest category in Auckland City, representing about one third (33.3%) of the total space occupied. 'Transport and Storage' accounts for just 11.5% of all industrial tenants in this industrial market.

North Shore City:

- The increase in the overall industrial vacancy rate for North Shore City reflects an increase in vacancy across both the prime and secondary grades, increasing 4.7 and 5.1 percentage points to 5.9% and 9.1% respectively;
- All precincts experienced an increase in vacancy rates, with Wairau Valley experiencing the most significant gain, up 7.8 percentage points from June 2008 to 9.2%;
- The most significant tenant categories to vacate North Shore City were Manufacturing and Wholesale followed by Vehicle Services / Repairs / Parts / Engineering and then Construction;
- Wairau Valley had a couple of significant tenancy vacancies occur over the last twelve months; Continental Fabrics vacated 12,360 square metres at 217-225 Archers Road and 3M vacated a total of 9,610 square metres on the corner of Wairau Road, Archers Road and Poland Road due to a decision to outsource their manufacturing business and relocate their head office to Apollo Drive, Mairangi Bay. The former 3M site has now been removed from our survey as it is to be converted into a Bunnings bulk retail centre and not released for industrial use; and
- The tenant profile in North Shore City differs significantly to that of both Auckland City and Manukau City, 'Manufacturing' accounts for just 18.2% and 'Transport and Storage' less than 5%, illustrating that the type of industrial space available on the North Shore is generally smaller and not suited to large scale operators and heavy industry uses.

Manukau Industrial Vacancy Survey Results

Table 1: Manukau Industrial Vacancy Survey Results by Quality

Survey	Total Manukau			Prime			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
June 2006	2,757,691	115,771	4.2%	412,055	12,996	3.2%	2,345,636	102,776	4.4%
June 2007	2,927,434	104,902	3.6%	614,671	23,967	3.9%	2,312,763	80,935	3.5%
June 2008	2,907,434	86,726	3.0%	614,526	14,130	2.3%	2,292,908	72,596	3.2%
June 2009	3,379,100	120,831	3.6%	937,579	13,005	1.4%	2,441,521	107,826	4.4%

Source: Darroch Research

Table 2: Manukau Industrial Vacancy Survey Results by Precinct

Survey	East Tamaki			Airport Oaks			Wiri / Manukau			Mangere		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
June 2006	1,110,518	24,501	2.2%	486,839	33,029	6.8%	925,638	52,908	5.7%	234,696	5,333	2.3%
June 2007	1,134,030	23,045	2.0%	544,604	27,615	5.1%	1,009,654	45,103	4.5%	239,147	9,139	3.8%
June 2008	1,134,441	30,722	2.7%	544,316	27,043	5.0%	987,106	28,961	2.9%	241,571	0	0.0%
June 2009	1,353,516	58,378	4.3%	646,853	27,322	4.2%	1,072,169	32,361	3.0%	306,562	2,770	0.9%

Source: Darroch Research

Auckland Industrial Vacancy Survey Results

Table 3: Auckland Industrial Vacancy Survey Results by Quality

Survey	Total Auckland			Prime			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
June 2007	3,045,030	43,101	1.4%	270,756	12,522	4.6%	2,774,275	30,579	1.1%
June 2008	3,035,861	82,743	2.7%	270,756	2,864	1.1%	2,765,106	79,879	2.9%
June 2009	3,088,635	169,838	5.5%	291,643	2,749	0.9%	2,796,992	167,089	6.0%

Source: Darroch Research

Table 4: Auckland Industrial Vacancy Survey Results by Precinct

Survey	Mt Wellington			Penrose			Onehunga			Otahuhu		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
June 2007	1,185,098	18,130	1.5%	1,107,051	11,839	1.1%	487,350	3,333	0.7%	265,532	9,799	3.7%
June 2008	1,178,418	37,709	3.2%	1,104,562	19,977	1.8%	487,350	11,737	2.4%	265,532	13,320	5.0%
June 2009	1,225,430	62,757	5.1%	1,094,487	45,184	4.1%	507,346	39,332	7.8%	261,372	22,564	8.6%

Source: Darroch Research

North Shore Industrial Vacancy Survey Results

Table 5: North Shore Industrial Vacancy Survey Results by Quality

Survey	Total North Shore			Prime			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
June 2008	1,319,861	48,216	3.7%	177,557	2,192	1.2%	1,142,304	46,024	4.0%
June 2009	1,410,744	122,135	8.7%	210,351	12,439	5.9%	1,200,393	109,696	9.1%

Source: Darroch Research

Table 6: North Shore Industrial Vacancy Survey Results by Precinct

Survey	Albany			Mairangi Bay			Takapuna			Wairau Valley		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
June 2008	615,062	31,844	5.2%	140,287	4,719	3.4%	142,259	5,538	3.9%	422,253	6,115	1.4%
June 2009	681,970	67,435	9.9%	149,619	5,559	3.7%	120,725	6,969	5.8%	458,430	42,172	9.2%

Source: Darroch Research

Auckland Industrial Development Activity

Table 7: Significant Industrial Developments and Subdivisions

Development	Location	Developer	Total Area of the Development (ha)	Remaining land to be Developed (ha)
Silverstone Business Park	Silverdale	Formerly Cornerstone Group (in receivership)*	36.1	36.1
Interplex @ Albany	North Shore	Various	40.0	2.8
Airpark I & II	Airport Oaks	Various	70.7	9.4
The Gate Industry Park	Penrose	Goodman Group	13.6	0.4
Highbrook Business Park	East Tamaki	Goodman Group	107.6	63.0
Savill Link	Otahuhu	Goodman Group	25.6	7.2
Westney Industry Park	Mangere	Goodman Group	34.0	18.3
M20 Business Park	Wiri	Goodman Group	14.0	13.0
Total			341.6	150.2

Source: Darroch Research

* Currently on the market - owned by a consortium of banks and funders.

There has been limited new supply added to the market over the past twelve months compared with the preceding few years, what has occurred has been largely design-build developments, the majority of which have been located in East Tamaki and Airport Oaks. Highbrook Business Park, East Tamaki is the most active industrial development site with a number of buildings currently under construction for tenants such as Schneider Electrics and Viridian.

The large amounts of speculative development that had been a feature of the market over the last few years have gone with the effects of the recession, including declining rents and land values and limited availability of credit, being felt across the industrial property market.

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