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## Industrial Land Supply Tight in Auckland City

### ➔ Brownfields Development to Take a Breather as Market Softens

**Auckland City is nearing its capacity in terms of industrial expansion. The decline in the number of vacant sites available for building has been well documented over the past decade, and the latest survey from Darroch Valuations reinforces this issue.**

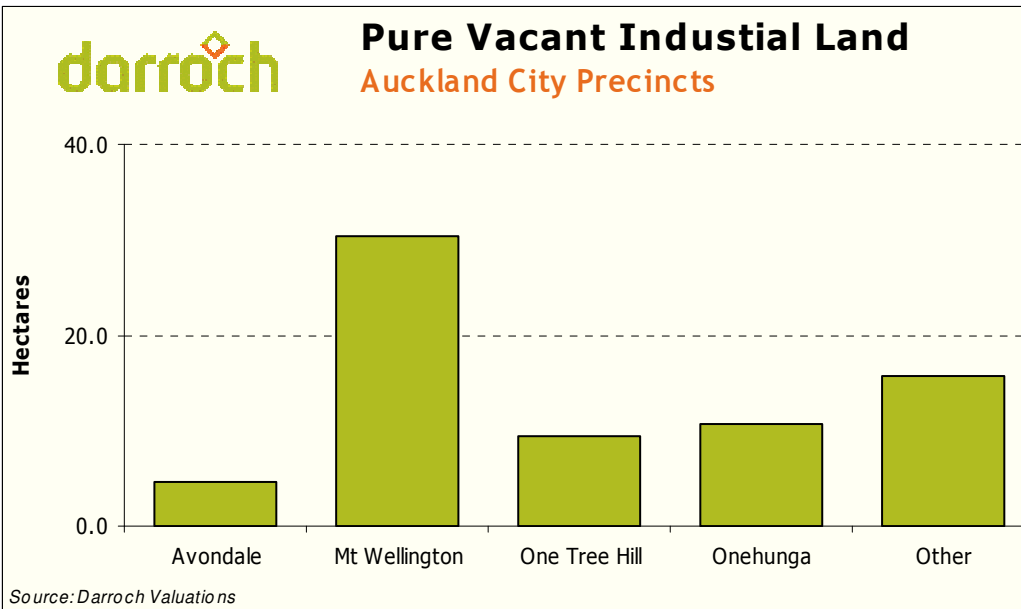
In Auckland City, the Penrose/Mt Wellington area was once touted as the powerhouse of New Zealand's industrial sector. But geographical constraints have meant the City has had to watch from the sidelines as its neighbours; Waitakere, North Shore, Rodney and especially Manukau have taken on greater responsibility for regional industrial growth.



*New Pricing Structure for Land is Underway*

In Auckland City, all that remains available are a scattering of vacant industrial parcels, predominantly in the Mt Wellington precinct. According to Darroch Valuations latest survey, "pure" vacant industrial sites in the City currently stand at close to 70 hectares. In addition to the supply of "pure" vacant sites, Auckland City still has some potential for straightforward infill development, as a number of sites are underutilised as building platforms. Closer inspection reveals an additional 20 hectares is being utilised in some yard capacity – whether timber yard, or scrap metal or general storage or transport - and is essentially "semi-vacant". Realistically these sites have future development potential, especially those situated in prime positions. Combined, vacant land across Auckland City is closer to 90 hectares. This total does not include a count on industrial zoned sites which are occupied by poor quality buildings - which in turn have redevelopment potential.

Of the "pure vacant" sites available, Mt Wellington precinct still offers the best opportunity as it contains most of the city's remaining parcels. Some of these sites have been held by investors for a number of years, while others have changed hands on the expectation of impending development. For one reason or another development has failed to materialise. Sometimes the asking price for the land has been a stumbling block for developers, making projects less feasible. It can also be put down to pure economics, as alternative locations (such as Manukau & West Auckland) were cheaper.



Due to the limited number of industrial sites in Auckland City, a lot of new industrial growth has tended to focus around brownfields redevelopment. Over the years, the practice of demolishing old factories on large sites became well honed, but this slowed during the mid 2000's because of the rising cost of land and to fewer of these sites remaining. The current economic climate has effectively put a stop to redevelopment, and as a result land values are likely to come under pressure to soften. Land speculators and developers have left the market, stifling demand and placing downward pressure on land values.

Darroch Valuations' Auckland Manager John Darroch said; "Unlike building costs which tend to be fixed, land value is more arbitrary, relative to demand. At the moment demand for land is weak and we are currently experiencing a re-pricing of land; a process that is likely to continue over the next 12 to 18 months".

"The remaining developers are finding market conditions very tough. The sell down market has all but stalled, values have softened, investors have stopped buying and many companies have abandoned previous plans for expansion/relocation. Instead, the focus is on business downsizing" said Mr Darroch.