

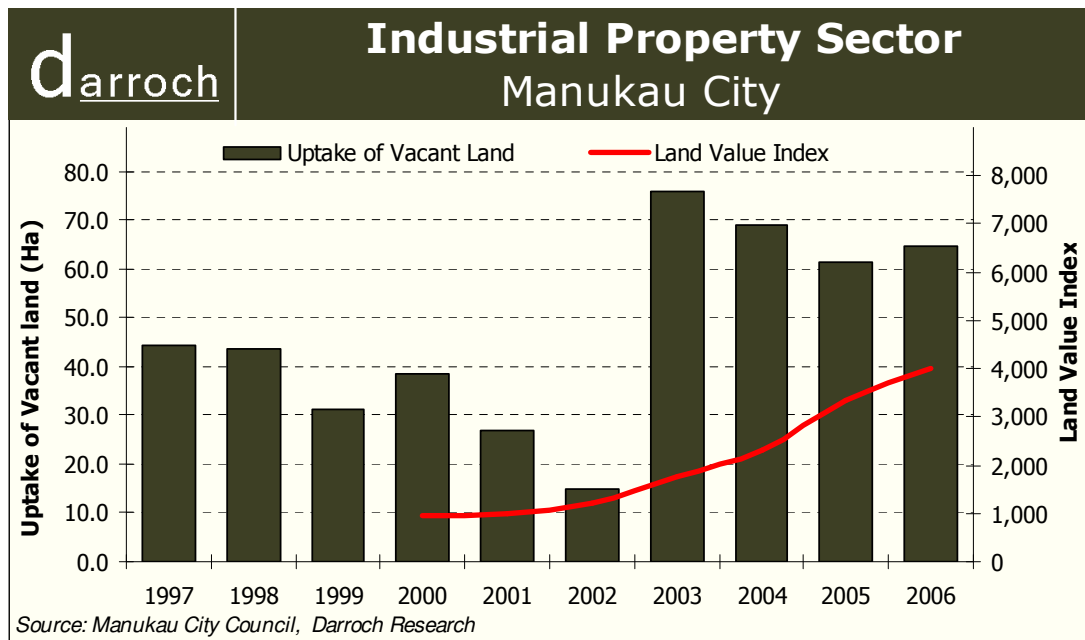
Manukau Industrial Land Values Skyrocket

September 2006

Industrial land values in Manukau's East Tamaki and Central/Wiri precincts have shown dramatic increases in the last two years. The rise in Manukau's land values coincides with Metropolitan Auckland's struggle to provide readily available green fields sites elsewhere. Both Auckland City and North Shore City face shortages in industrial land supply and as a result the thrust of the region's new industrial development has switch more and more towards South Auckland.

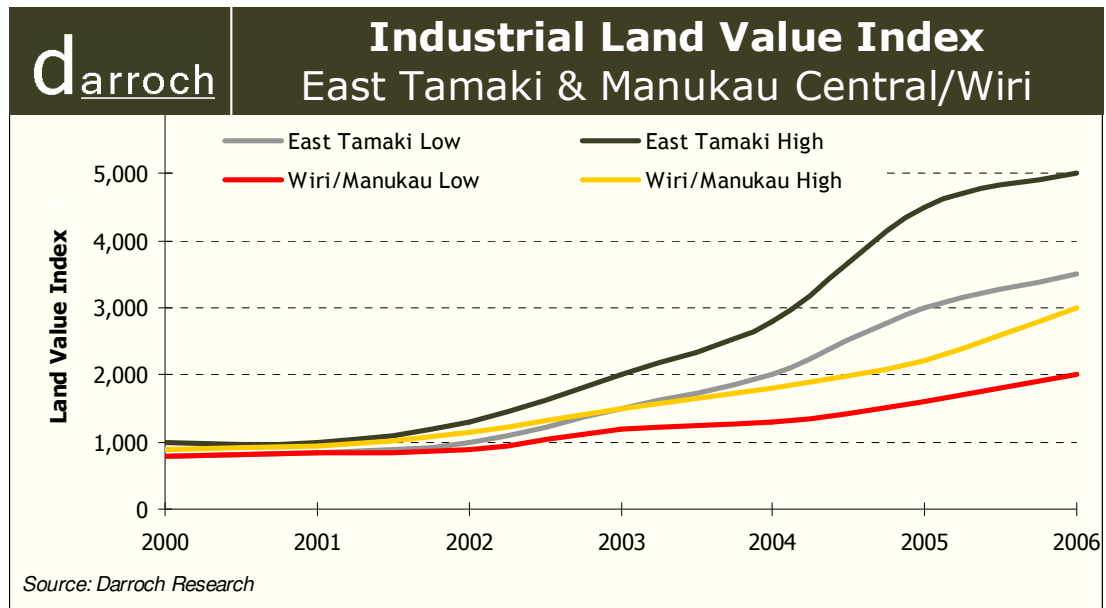
Of all the main territorial authorities in Auckland, Manukau has the greatest available supply of land zoned for industrial use – estimated at 745 hectares according to the Council's latest *Business Space Survey*. Compare this to both Auckland City and North Shore where vacant industrial land is near exhausted, and it becomes easier to comprehend Manukau's rapid growth of late. Investors and developers are attracted south by the availability of green fields industrial land. In the last four years alone, just over 260 hectares has been amalgamated into new construction – that is over 50 hectares per annum each year since 2002. To put this in perspective, the rate of uptake on the North Shore is just 15-20 hectares per annum over the same period.

This level of industrial expansion in the city is unprecedented and despite Manukau seemingly able to cope with this recent demand, the reality is that readily available or serviced industrial sites are now becoming harder to find. Land banking by major developers and investors has become more prominent and prime vacant sites are attracting premium prices. As a result land values have risen dramatically over the past six years and rents have started to creep up too, thanks to the rising cost of the land.



According to Darroch Research, *Manukau's Industrial Land Value Index* rose to just over 4,000 points in 2006 – up from a base of 1,000 points in 2000. Back then, industrial land values were around the \$80 to \$110 per square metre range. Currently, these are in excess of \$300 per square metre with some prime sites achieving more than \$500 per square metre. It is conceivable that given the regional shortage of serviced industrial land, continued upward pressure on land values in Manukau may be sustained if this shortage is not adequately addressed and if the economy doesn't weaken significantly.

The real acceleration in price has been in the last two years where the impact of sustained demand putting pressure on available supply starts to take effect. East Tamaki has witnessed phenomenal price growth of late with the value of prime sites jumping to almost 5,000 base points on *Manukau's Industrial Land Index*. This is up 2,000 points since 2004. Similar trends are evident in Manukau Central/Wiri although growth levels there have not been as dramatic. Likewise growth in industrial land prices in secondary locations is not as acute but still showing notable gains.



What is clear is that the value "band width" between prime and secondary sites has widened as demand for land has strengthened. Coupled with fewer readily available options and competition from commercial developers (business 5 & 6 zones can accommodate office and some showroom trade centres), some prices been paid reflect commercial levels rather than industrial.

The situation is compounded by the fact that the Auckland Regional Council is struggling to grasp exactly what is the total industrial land holding across the city. In its most recent review of its *Growth Forum*, the Auckland Regional Council highlighted a shortage of "business" zoned land appearing across Auckland. This includes land for both commercial and industrial use. Despite the ARC identifying some new greenfields areas, the absorption rate of land in recent years suggests future supply may be utilised sooner than planned. As an alternative option, the ARC also expects infill development to take on greater momentum. ARC is currently in the process of updating their land register and clearer data should be available shortly.

Despite recent pressures on Manukau, it is anticipated that industrial development across the city will continue to expand. To compliment the major industrial nodes of East Tamaki and Wiri/Manukau, the Airport Area is forecasted to grow considerably over the next decade with logistics and warehousing taking on greater prominence. The Airport itself has a master plan for expansion which includes the addition of a second runway. Similarly, on the Waiouru Peninsular, Highbrook is taking shape as New Zealand's first international scale business park.