

North Shore Industrial Returns Steady

⇒ High Stud Warehousing Still in Demand

Solid rental growth has been a feature of most commercial and industrial property on Auckland's North Shore according to Darroch's latest analysis. On balance investment properties typically achieved close to 4% rent growth each year for the past five years, making landlords happier in the process. Across each location, individual performance varied but on average most retail, office, and industrial markets managed returns in the 3% to 5% band. Darroch has tracked rent levels on the North Shore for all investment classes since 1999 and our analysis of the **North Shore Industrial Sector** has been summarised to three and five yearly growth rates below.

North Shore Rental Performance/Compound Growth Rates p.a.				
Location	Prime		Secondary	
	3 Yr Avg	5 Yr Avg	3 Yr Avg	5 Yr Avg
Warehouse Rental:				
Albany	4% to 5%	5% to 6%	5% to 6%	4% to 5%
Wairau Valley	3.5% to 4.5%	3.5% to 4.5%	2.5% to 3.5%	3.5% to 4.5%
Industrial Office / Showroom Rentals				
Albany	4% to 5%	4% to 5%	3.5% to 4.5%	4% to 5%
Wairau Valley	3.5% to 4.5%	3% to 4%	2% to 3%	2.5% to 3.5%

Source: Darroch Research

In general industrial premises on the Shore have achieved solid steady rent growth over the past few years. In our opinion this level of growth is likely to continue given current low vacancies for industrial across the North Shore particularly with high stud warehousing which is still in hot demand. Albany's growth rates were generally at 4% to 6% - slightly higher than their Wairau Valley counterparts where older lower stud properties were more common.

Looking to the future, rental growth will be governed by demand/supply factors, general business confidence and vacancy rates. Darroch's Research Manager, Peter Sluyter says "Although weaker economic conditions could impact negatively on leasing demand, most commercial property markets across Auckland currently have high occupancy levels and are still in pretty good shape. In the short term at least, this should help mitigate any pressures that threaten rental growth - should the gap between demand and supply factors widen".