

Wellington Industrial MarketView

Q1 2014

CBRE Global Research and Consulting

INDUSTRIAL STOCK
-11,218 sqm

INDUSTRIAL VACANCY RATE
-1.2%

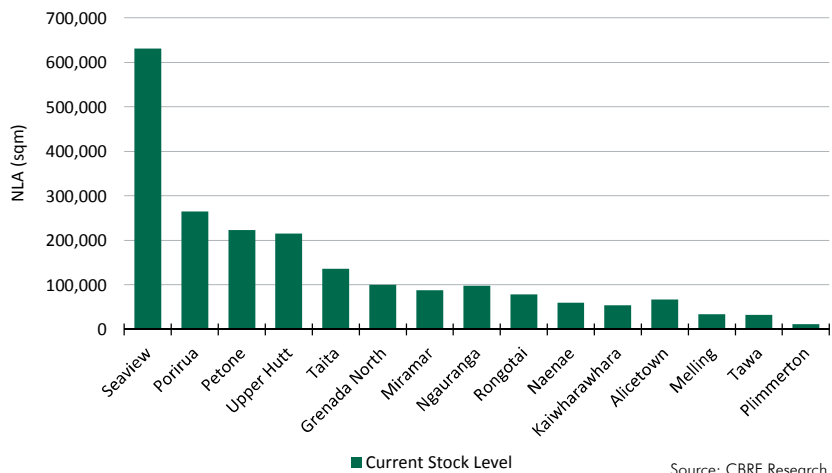
NET ABSORPTION
+7,111 sqm

IMPROVING SECONDARY MARKET SUPPORTS FALL IN VACANCY

Summary

- The Wellington industrial market contains 1,272 occupancies and just under 2.1 million sqm of stock, a decrease of 11,218 sqm over the twelve months to December 2013.
- Seaview remains the largest precinct in the Wellington industrial market, being more than twice the size of Porirua, the next largest precinct. Secondary buildings (Grades B, C and D), continue to represent the vast majority of Wellington's industrial stock.
- Vacant stock totals 176,693 sqm, which is a 26,230 sqm decrease from our previous survey in December 2012. The overall vacancy rate decreased 1.2%, moving from 9.6% to 8.4% over the same period.
- Positive net absorption within Grade D resulted in a reduction in overall vacancy, and saw Grade D vacancy rate fall below that of both Grades B and C.
- A positive net absorption figure of 7,111 sqm was recorded for the Wellington area as a whole. This figure is 8,318 sqm lower than in 2012, as a result of a number of buildings being withdrawn, coupled with no major additions to industrial stock in the Wellington region during this period.

Chart 1: Industrial NLA per Suburb



Source: CBRE Research

Wellington's 15 industrial precincts contain 1,272 industrial occupancies and 2,097,146 sqm of industrial stock. This stock is divided unevenly by precinct and by grade.

Overall supply decreased by 11,218 sqm in the twelve months to December 2013, as a result of stock being withdrawn for refurbishment in Seaview, Petone and Rongotai. These withdrawn buildings resulted in decreases within Grade C and Grade D stock.

Seaview recorded the largest decrease in supply over the twelve months to December 2013, with a decrease of 8,860 sqm. This decrease is primarily due to 143 Hutt Park Road being withdrawn ahead of the construction of the new Masterpet warehouse.

Another large stock withdrawal over the period was 113 Tirangi Road in Rongotai, which has been earmarked

to become part of a planned extension to the airport retail park.

As at December 2013, vacant industrial space in the Wellington region amounted to 176,693 sqm, resulting in the total amount of vacant space decreasing by 26,230 sqm over the twelve months to December 2013. As a result, the overall vacancy rate decreased 1.2%, moving from 9.6% to 8.4% during 2013.

Of all the precincts, Seaview contains the highest vacancy level (48,478 sqm), followed by Upper Hutt (27,094 sqm). Rongotai has the highest vacancy rate (18.7%), followed by Upper Hutt (12.6%).

Plimmerton recorded the lowest vacancy (1,202 sqm), followed by Tawa (1,848 sqm). Kaiwharawhara recorded the lowest vacancy rate (3.5%) followed by both Melling and Tawa (5.6%).

Chart 2: Increase in Industrial Supply by Grade

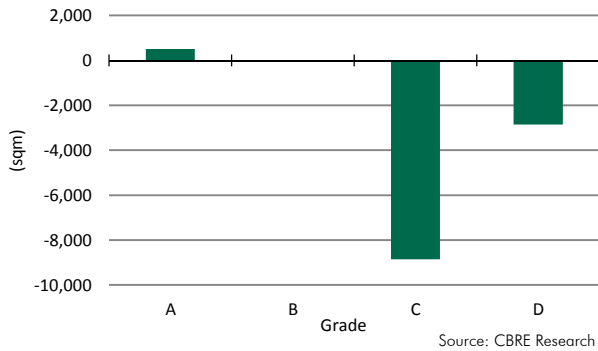


Chart 3: Net Absorption by Grade

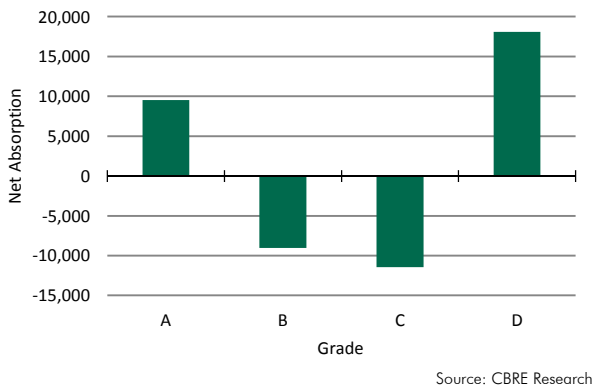


Chart 4: Industrial Vacancy by Grade

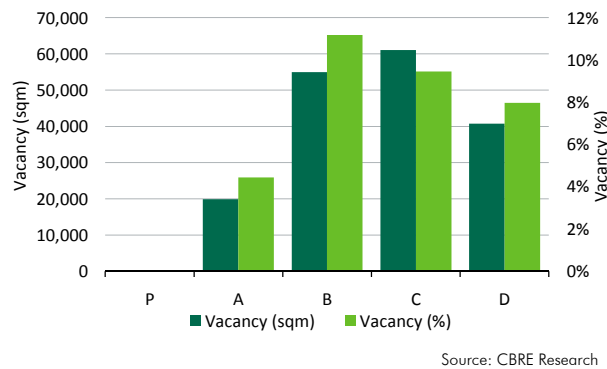
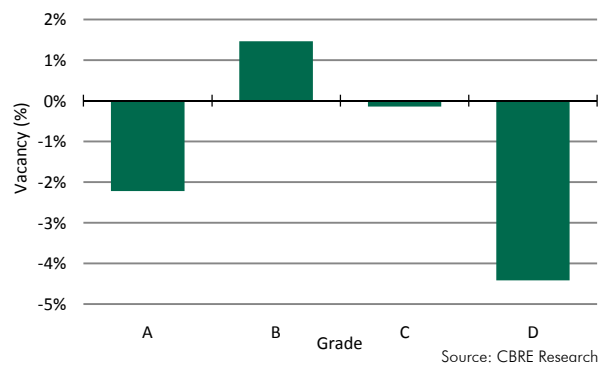


Chart 5: Annual Vacancy Change by Grade (%)



Overall Supply Decreased as a Result of Withdrawals

Supply of industrial stock decreased by 11,218 sqm over the twelve months to December 2013. The majority of this withdrawal was Grade C stock, the main contributor to this being 143 Hutt Park Road in Seaview (8,860 sqm), which has been withdrawn for demolition and reconstruction, with an 8,000 sqm distribution centre for Masterpet to be developed on this site. The decrease in Grade D stock was the result of the withdrawal of 28 Victoria Street (960 sqm), for refurbishment and the demolition of 113 Tirangi Road (1,900 sqm) which is likely to be repurposed as retail stock.

Grades B and C Suffer as Large Tenants Vacate

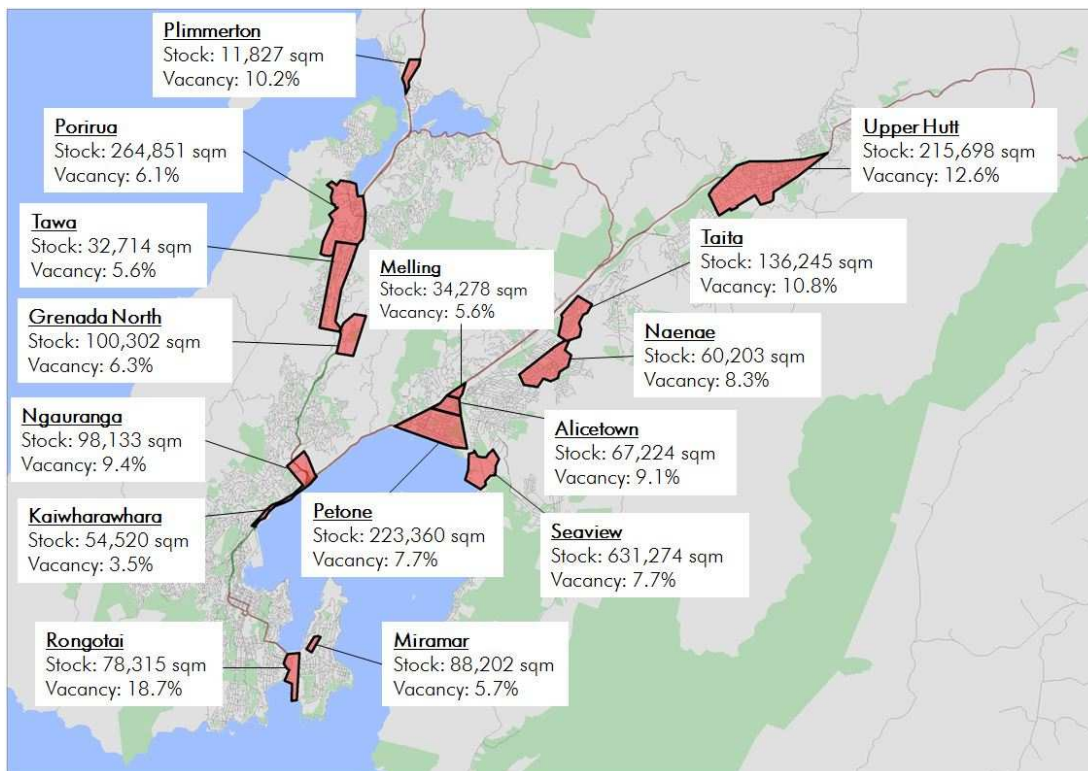
Overall, a positive net absorption figure of 7,111 sqm was recorded during the twelve months to December 2013. The majority of this was the result of positive net absorption in excess of 8,000 sqm being recorded at two locations in Wellington region: 117 Gracefield Road, Seaview and 415 Maidstone Terrace, Upper Hutt. A number of positive net movements in excess of 3,000 sqm were also recorded elsewhere in Seaview. Grade D enjoyed positive net absorption of 18,099 sqm, as a result of a number of positive moves in excess of 1,000 sqm, and just three negative movements in excess of 1,000 sqm. Large negative net absorption events, particularly within Grades B and C, included the withdrawal of 8,860 sqm at 143 Hutt Park Road, WHiPA vacating 5,100 sqm at Tirangi Road, and L. G. Anderson vacating 4,450 sqm on Gracefield Road, following their move to premises in Lower Hutt.

Grade B Movement Heavily Influenced by WHiPA Move

Grade A vacancy fell by 9,945 sqm over the twelve months to December 2013 as a result of a number of tenancy movements, the largest of which was Envirowaste moving into 8,532 sqm at 117 Gracefield Road. Grade B vacancy increased by 7,189 sqm, moving from 9.7% to 11.2% over the same period, with WHiPA vacating 5,100 sqm at 126 Tirangi Road following the relocation of their gym facilities to the Kilbirnie Recreation Centre being a major contributor to this increase. Grade C vacancy remained relatively stable over the twelve months to December 2013, decreasing by 0.2% to 9.5% overall. Grade D experienced a vacancy decrease of 22,549 sqm during the period. The main movement within this grade was 8,315 sqm of previously vacant space at 415 Maidstone Terrace in Upper Hutt becoming occupied.

Grades A and D See Vacancy Rate Fall

Grade B saw the largest increase in vacancy rate moving 1.5% from 9.7% to 11.2% during the twelve months to December 2013. All other grades experienced a vacancy decrease over the same period. Grade A vacancy decreased 2.3%, moving from 6.7% to 4.4%, Grade C experienced a 0.2% vacancy decrease, moving from 9.7% to 9.5%, whilst Grade D saw the largest overall decrease, moving 4.3%, from 12.3% in December 2012, to 8.0% twelve months later.



Source: CBRE Research

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