



20 Feb 2019

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Industrial Land – effective availability South Christchurch

I have been asked to provide a synopsis of the market for industrial land in Christchurch. I have approximately 8 years of experience as a real estate agent in the commercial and industrial markets in Christchurch having transacted many industrial and commercial land-only deals throughout the City.

Many buyers of industrial land will consider Rolleston as well as land in Christchurch. Below is a list of the larger industrial subdivisions in Christchurch and Rolleston.

Rolleston

iZone, Rolleston
iPort, Rolleston

North Christchurch

Lakes Business Park
Christchurch International Airport Limited (CIAL)
Belfast Business Park
Empire Rd Bridge End Waimakariri
Memorial Ave

South Christchurch

Waterloo Business Park
Hornby Quadrant
Ngai Tahu/Foodstuffs

East Christchurch

Portlink

Most enquiry/demand for industrial land to purchase or for design and build is for land in the south, including Rolleston. Until recently land prices tend to be lower further from central Christchurch with the lowest land prices in Rolleston. With just a handful of lots remaining available for sale by the Selwyn District Council the land supply in iZone will become restricted to private holdings and Calder Stewart. Calder Stewart own a number of titles and seldom sell land, preferring to offer design and build with a lease or buy option. As the Selwyn District Council completes its sell down, iPort a large industrial subdivision

adjacent to iZone, is selling down lots of varying sizes at prices that now tend to be closer to those expected on the industrial subdivisions on the industrial fringe of Christchurch.

Waterloo Business Park is a large industrial subdivision on the southern industrial fringe of Christchurch with its own zoning. A range of lot sizes are offered for sale or design, build and lease, or just for design, build & lease. This business park is largely subdivided with titles issued with a high percentage already sold.

Hornby Quadrant is a large parcel also owned by Calder Stewart. The land is not subdivided but is zoned industrial. As for their Rolleston Holdings, Calder Stewart's preference is to design, build and lease. There are also building-ties meaning they will sell a completed building but rarely sell just the land.

Ngai Tahu and Foodstuffs recently purchased over 50ha of land adjacent to Hornby Quadrant. We would expect Foodstuffs to retain a portion for their own use and it is likely Ngai Tahu will develop on a design build lease/sale basis similar to Calder Stewart.

All land available for industrial development at the airport (CIAL) is design, build & lease. The land can't be sold.

Freehold land close to the airport (Lakes Business Park & Memorial Ave) is priced at similar levels to inner fringe industrial land and land to the north at Belfast and Empire Rd is the lowest priced land in the Christchurch.

Portlink, Hillsborough is in the eastern sector. It is landlocked but has suffered following the earthquakes as the manufacturing footprint has moved west, to the southern sector.

It is also worth noting that there are large areas of vacant industrial land on the city fringe that are owned by Environment Canterbury. These are leasehold blocks and there is considerable reticence for local investors and tenants alike to take on lease obligation for this land. Until now this land is effectively not available.

Land Availability Considerations

As a general rule, in this market, small businesses can't afford to purchase and build their own building whereas large privately owned businesses tend to favour outright ownership. Large corporates and international operations will prefer leases.

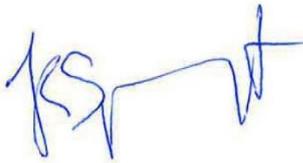
While there appears to be land available for development the reality is that this is attractive to a small group of occupiers in the current market. The areas where the greatest demand is – Rolleston, Waterloo Business Park and Hornby Quadrant are effectively controlled by 4 developers. Furthermore Calder Stewart, developer of Hornby Quadrant, releases titles one at a time on a design & build basis and the other developers, stage by stage. The development strategy for Ngai Tahu is unknown. Would-be purchasers are also deterred by the building ties when they could potentially design and build on the same land for a lower cost. Following the same line of thought, would-be tenants are also the subject of a building

tie and the economics of a design build lease in this market tends favour larger developments.

These developers each offer a good quality product but the end-to-end offering is not attractive to all market occupiers.

In any market, not just Christchurch, I believe more land owners each offering a range of lot sizes make for a more efficient and competitive market. This will be by way of not only a greater variation in lot sizes and pricing but also availability. Availability is an important factor in decision making. Long lead times are a deterrent.

Yours sincerely

A handwritten signature in blue ink, appearing to read "JS Speight".

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