



PRECINCT OVERVIEW

AUGUST 2010 AUCKLAND

Industrial Market Overview

Knight Frank

- INCREASING ENQUIRY
- TOTAL RETURNS TURN POSITIVE
- SECONDARY MARKET REMAINS UNDER PRESSURE

Sales Activity

Recent data from the IPD / PCNZ index for the year to March 2010 shows that the industrial total return was 6.0%, an impressive sign given that the index had been in negative territory for several quarters. The index broke the positive barrier in the December 2009 quarter.

The abovementioned statistic is evident with recent purchasing activity across Auckland having remained relatively active in the last six months relative to late 2008 / early 2009. Purchasers have predominantly been made up of private investors; however owner occupiers have become more active again and are looking to take advantage of lower vendor expectations and interest rates. Overall, purchasers are highly speculative with interest and pricing dropping significantly for properties with higher risk and lower upside potential. Investors are continuing to operate selectively within the market, seeking out well located quality industrial premises with secure income.

Leasing Activity & Vacancy

Despite vacancy levels in the Auckland industrial sector being the highest they have been in almost ten years, the rate of increase is beginning to slow. In general, positive signs are beginning to appear for property owners with leasing enquiries increasing over recent months.

Although rentals have remained relatively stable, tenants are seeking greater incentive levels especially for secondary properties,

Market Indicators – August 2010						
	Av Prime Rent		Av Secondary Rent		Median Yield Range	
	Office \$/m ² net	WH \$/m ² net	Office \$/m ² net	WH \$/m ² net	Prime	Secondary
Airport Oaks/ Mangere	180-210	90-105	130-170	70-85	7.75%-8.50%	8.75%-9.50%
East Tamaki	190-225	95-110	140-180	80-95	7.75%-8.50%	8.50%-9.50%
Manukau/ Wiri	180-210	90-105	140-170	70-85	8.00%-8.50%	8.50%-9.50%
Mt Wellington	190-230	110-115	150-185	80-95	7.75%-8.50%	8.25%-9.50%
Penrose/ Onehunga	190-220	100-110	150-190	80-95	7.75%-8.50%	8.25%-9.50%
Source: Knight Frank WH Warehouse Av Average						

placing downward pressure on effective rents, especially for this segment of the market. With these conditions, many businesses are finding this a good time to relocate as landlords are eager to retain and / or attract new tenants.

As can be imagined, vacancy is particularly evident within the secondary sector as tenants look to upgrade to newer premises leaving space to be backfilled. The higher vacancy has also been driven by some speculative developments that were completed with no pre-commitment from prospective tenants.

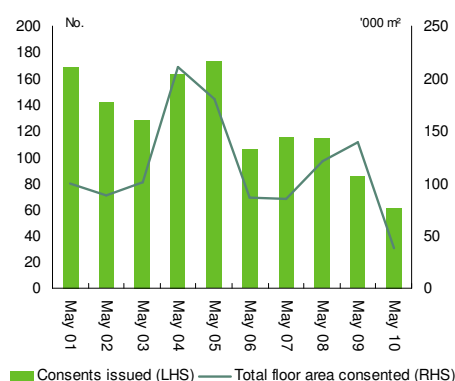
Infrastructure/Development

Development in the Auckland industrial sector has been minimal as the take-up of land has slowed considerably, in line with a low level of building consents. Coupled with this are stricter lending criteria leaving minimal options for development funding. Anecdotal feedback from developers has been that they are actively seeking opportunities but interest is yet to transfer into action. Evidence of this can be seen with the likes of Goodman reporting nearly \$50m of new building work to be commissioned in Manukau and AIAL has reported two or three design-builds being commissioned by the end of 2010.

On the infrastructure front, projects have been concentrated on main road upgrades. The Manukau extension is due to be completed in August 2010 and forms a 4.5 kilometre section of motorway linking SH20 Puhinui Interchange through to SH1. This will form the southern

section of the Western Ring Route, together with the SH20 Manukau Harbour Crossing project (which is a new four lane bridge over the Manukau Harbour and widening of SH20 between Walmsley Road and Queenstown Road). As well as a triple level interchange between SH20 and SH1 at Manukau, the project also includes new SH20 interchanges at Cavendish Drive and at Lambie Drive.

Figure 1
Industrial Consents for Auckland Region



Source: Statistics NZ

These extensions will provide a key connection to support future growth in the Airport precinct and across parts of Wiri, allowing more users to consider relocating to these southern Auckland industrial precincts. The above improvements complemented with the Highbrook interchange have also improved links between the Airport precinct and East Tamaki-Highbrook.

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KF Case Study: 200 Neilson Street, Onehunga



Sold: March 2010

Sale Price: \$2,500,000

Net Passing Rent: \$285,472

Passing Yield: 11.42%

Land area: 9,937 sqm

Lettable area: 5,295 sqm

\$/sqm of land: \$252

\$/sqm of lettable area: \$472

Comments: Property is a potential redevelopment option and comprises two industrial buildings that have seen a high degree of wear and tear. The land is understood to having been identified as having filled or weak soil condition.

In addition to the sale price, an incentive to the order of \$100,000 was offered from the purchaser to the vendor

Recent Building Sales

Address	Suburb	Price (\$)	NLA m ²	Site m ²	Passing Yield	Vendor	Purchaser	Date
46B Sir William Avenue	East Tamaki	695,000	584		Vacant	Terma Properties Ltd	Private Purchaser	Mar 10
92-100 Mays Road	Onehunga,	2,325,000	1,948	4,390	Vacant	Elite Properties Ltd	Conquest Imports Properties Ltd	Mar 10
200 Neilson Street	Penrose	2,500,000	5,295	9,937	11.42%	Unknown	Colonial Investments Ltd	Mar 10
17C Huia Road	Otahuhu	210,000	212		Vacant	Gargi Home Furnishing Ltd	Gargi Home Furnishing Ltd	Feb 10
14 Earl Richardson	Wiri	1,550,000	1,650	2,842	9.84%	Noel Bruce, Douglas Arthur Funnell, Jan Carol McKinnon & The Manukau City Council	Stuart Thomas, Anita Mary Keven & The Manukau City Council	Jan 10
42A Lambie Drive	Manukau City	693,000	370		Vacant	Private Owner	Gary Johnston (NZ) Properties Ltd	Dec 09

Recent Land Sales

Address	Suburb	Price	Site m ²	Site \$/m ²	Zoning	Vendor	Purchaser	Date
50 Ormiston Road	Flat Bush	\$1,650,000	4,176	395	Business 5	Hakam Holdings Ltd	HMQ for Police Purposes	May 10
12 Pavilion Drive	Mangere	\$720,000	2,285	315	Business 5	ABC Land Holdings (NZ) Ltd	RCV Ltd	Mar 10
30 Andromeda Crescent	East Tamaki	\$560,000	2,585	217	Business 5	Andromeda Developments Ltd	Brausch & Pryde Trustee Services Ltd	Nov 09
48 Crooks Road	East Tamaki	\$3,300,000	8,695	380	Business 6	Pupuke Investments Ltd	Private Purchaser	Nov 09
11 Pavilion Drive	Mangere	\$1,822,500	6,742	170	Business 5	Vintel International Ltd	Multitrade International Ltd	Apr 09

Recent Leasing Transactions

Address	Suburb	NLA (m ²)	WH Net Effective (\$/m ²)	Office Net Effective (\$/m ²)	Face Rental (\$)	Term (yrs)	Lessee	Start Date
39-43 Richard Pearse Drive	Airport Oaks	5,605	79	139	515,000	2	Schenker NZ Ltd	Apr 10
661 Great South Road	Penrose	1,150	93	120	125,000	4	Carrel Electrade	Dec 09
327A Neilson Street	Onehunga	1,145	68	81	92,500	3	Furntech Plastics	Feb 10
353 East Tamaki Road	East Tamaki	855	90	135		6	Efficient Carrying Co Ltd	Jun 10
10 Sir William Avenue	East Tamaki	790	89	N/A	70,000	6	Wu Di Motor Services Ltd	Jan 10
487 Great South Road	Penrose	416	38	45	16,000	2	Doomo Ltd	Jan 10

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