

COLD STORAGE IS HOT PROPERTY

IDENTIFIED AS ONE OF THE LEADING GROWTH SECTORS IN THE INDUSTRIAL PROPERTY MARKET, THERE ARE HUGE CHALLENGES FOR THE COLD STORAGE SECTOR IN NEW ZEALAND AND GLOBALLY.

THE GLOBAL COLD CHAIN SECTOR is one of the fastest growing segments of the industrial market and in the US alone, is expected to grow from USD\$233.8 billion in 2020 to reach USD\$546.7 billion by 2028 – a compound annual growth rate of 14.6 percent during the forecast period 2021-2028, according to Fior Market Research.

In the US cold chain sector, around 70 percent of the market is controlled by a handful of heavyweight operators, including Lineage Logistics and Americold Logistics – with these companies also having a significant presence in the New Zealand market.

While cold storage became one of the hottest real estate investments during the pandemic in some parts of the world thanks to a surge in online shopping amid fears of virus transmission, and later a requirement for vaccine storage, its popularity as a growth sector was

already well-advanced pre-2020.

In developing countries, a move towards greater consumption of protein-rich foods away from a more traditional carbohydrate-heavy diet is just one of the interesting drivers of cold chain demand.

In the developed world, a greater reliance on frozen or chilled convenience foods often ordered online, growth in food delivery apps and associated cloud kitchens, and increasingly-active export-led economies which see meat, seafood and other food products traverse oceans and skies to far-flung markets, has intensified demand for cold storage amenity.

The broader cold chain – including refrigerated containers, blast freezers and chillers, cold rooms, dedicated cold storage warehouses and refrigerated transport – is vital to New Zealand’s economy which is founded on the primary sector. Given our isolated

geographical location, New Zealand’s export cold chains are some of the longest in the world requiring specialist logistics knowledge.

Bayleys’ national director industrial, Scott Campbell, said anecdotally, the secure and safe storage of COVID-19 vaccines has contributed to high demand in the cold storage sector in New Zealand currently.

“The Government roll-out of its vaccine programme requires a cold chain for the transportation and storage of the vaccine doses to preserve the pharmaceuticals’ integrity.

“With pre-purchase agreements in place, the Ministry of Health was under pressure to find cold storage in Auckland for its Pfizer vaccines which require minus-70-degrees Celsius conditions.

“We understand that the Ministry’s main freezers were initially located in Auckland, with secure, temperature-

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The other pandemic-related driver in the cold storage sector in the past 12 months has been the downstream effect of restricted trade and disrupted supply chain movements.

“Food producers and suppliers – particularly those with frozen goods for the export market – were scrambling to find storage solutions, competing for space, and trying to get to grips with new health and safety protocols,” said Campbell.

“It’s fair to say there’s still lumpiness in the sector as everyone tries to find a way forward under constrained and unparalleled conditions.

“In New Zealand, there is a limited amount of cold storage space and it’s not as though we can instantly create additional footprint or repurpose other facilities given the stringently-controlled and very-specific conditions required.”

Campbell points to the investment made by grocery giants Foodstuffs and Woolworths NZ Ltd, with both entities building huge distribution facilities with cold storage capacity to cater to the growing demand for online shopping, and the need to streamline logistics.

“In line with trends observed internationally, supermarkets are investing heavily to create more resilient supply chains and ramping up their ecommerce capabilities to reduce travel and delivery times,” said Campbell.

“For example, Woolworths NZ is developing a 20,000sqm Countdown distribution centre in Wiri with large institutional developer LOGOS, bringing all its North Island fresh distribution under one roof,” said Campbell.

“It’s basically a large fridge with different temperature zones for storing different types of produce and with cool chain throughout.

“It neighbours a meat processing facility, run by global Hilton Food Group, linked by air bridge to the produce distribution centre, meaning one truck can be loaded up with a broad range of produce to be delivered to a store – which is better from a transport perspective as it minimises traffic movements and reduces carbon emissions.”

Developing purpose-built cold storage facilities requires deep pockets according to Campbell, with the ongoing maintenance costs over its lifespan also significant.

“Retro-fitting is very expensive and, as energy-efficiencies are sought, and the chase for more capacity continues, it remains to be seen what volume of new stock is developed in coming years – we’ll watch with interest.”

With port activity and seasonal workforces in this country severely disrupted by COVID-19’s long tail, Campbell said certain parts of New Zealand’s food export chain are suffering.

“We hear that apples are being kept in cool storage for far longer than is optimal, exacerbated by the port issues in Auckland, and the wider horticultural sector is struggling to get fruit off the trees.

“It’s a logistical nightmare for the sector and one which will hopefully be resolved as all cogs in the supply chain wheel start turning again.”

Bayleys recently concluded two significant transactions within the cold storage sector, with the sale of facilities in the Bay of Plenty and Hawke’s Bay.

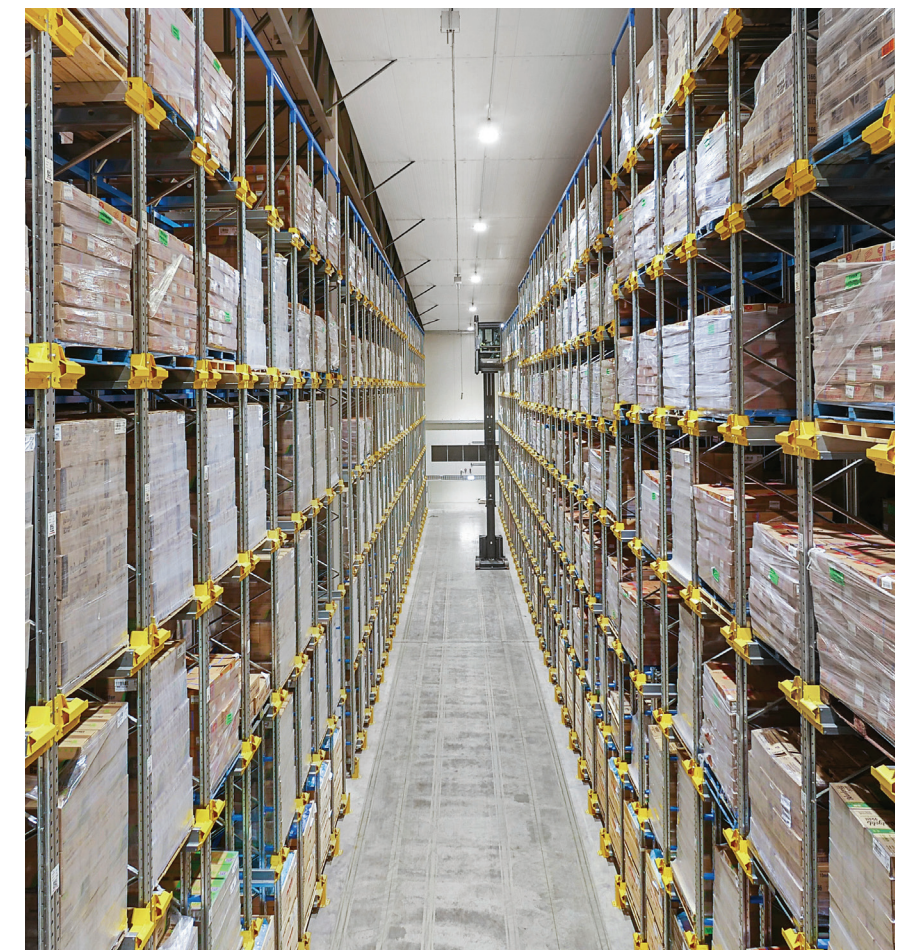
Brendon Bradley of Bayleys Tauranga facilitated the sale of a 5,961-square metre cold storage facility on 1.62 hectares of land held in two titles at 7-13 Te Maire Street in Mount Maunganui.

The property is fully leased to CSN, a leading player in New Zealand’s cold storage sector with a significant presence in Nelson, Christchurch and the Bay of Plenty. The property was bought by an Auckland investor for \$16,126,000 – reflecting a 5.3 percent yield.

CSN handles a wide range of goods including marine, agricultural, and horticultural products along with manufactured food and nutraceuticals, both in the export sector and for domestic and import markets.

It intends to expand its current Mount Maunganui facility on the underutilised site in Te Maire Street.

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scale, fully tenanted by Lineage Logistics New Zealand Limited, sold for an as-yet undisclosed figure.

The property comprised 10,558sqm of buildings on a flat, accessible 1.5-hectare site, well-located within Hawke’s Bay’s food belt and the sale was brokered by Rollo Vavasour of Bayleys Hawke’s Bay.

Lineage Logistics New Zealand Limited is a wholly-owned subsidiary of United States-based Lineage Logistics LLC, the largest cold store supply chain company in the world. Lineage recently acquired Emergent Cold’s operations around New Zealand which greatly expanded its Asia-Pacific footprint in the cold storage market.

COOL CHANGE

Coolpak Coolstores Limited has more than 55,000-pallet storage capacity across its Timaru and Rolleston facilities comprising ambient controlled chilled and frozen space, together with 280-tonne per day of blast freezing capability.

The flexible spaces range from large

warehouses to smaller, client-specific rooms tailored for exclusive use, with satellite racking and radio shuttle retrieval, for handling efficiencies.

Both sites are MPI-approved transitional facilities, equipped with all the necessary equipment required to efficiently handle the packing or devanning of containers.

Business development manager for Coolpak, Mark Exton, said it has a 10.5-hectare footprint across the two sites and during the last four years, they’ve been in growth mode.

“There’s only been one month when we haven’t been working on expansion or construction,” he explained.

“We now have approximately 35,000 pallet spaces at our Rolleston facility in the Izone Business Park, more loading docks, significantly more container loading space, increased reefer power points and double the number of trucks to service clients.

“To keep on top of growth, we also purchased the adjoining three-hectare site at Rolleston, which we are in the process of developing.”

Exton said the COVID-19 pandemic threw up many challenges, but Coolpak was adaptable enough to flex to the new normal.

“Fortunately, we were already operating at a level that meant it was easy to adopt any new rules and regulations.

“Exports to China required a little more thought, and the additional measures needed to cover this scenario will be kept in place regardless, as they enhance the security of our storage and logistics offering.”

With changing consumer patterns and export-led demand, Exton said the frozen sector is escalating.

“We’ve seen significant growth in

dairy, meat and seafood – and while we knew frozen was going to be an evolving market segment, it has gathered pace at a surprising rate.

“As New Zealand is a country of exporters, we expect this growth trajectory to continue.”

Coolpak is comfortable focusing its energies on Rolleston and Timaru for now said Exton, but it’s open to new opportunities that could add value to Coolpak as an operator, and its service delivery to any prospective client.

Technology already plays a large part in Coolpak’s day-to-day operations within its state-of-the-art facilities and Exton said automation is an area they’ve focused on.

“We’d ideally like to automate as much of the store operation as possible, but that isn’t always practical and the costs to achieve it can’t always be justified.

“New technologies are always emerging, and we are continuously looking at how they can improve what we offer.

“Currently we are looking into ways to improve our warehouse management system architecture and to automate some of our turret operations.”

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BUSINESS DEVELOPMENT
MANAGER, COOLPAK