



Industry in Silverdale, Auckland

SMALLER INDUSTRIAL UNITS HAVE BECOME ALL THE RAGE IN RECENT TIMES FOR SMALL BUSINESSES OR STORING HOUSEHOLD TREASURES.

INDUSTRIAL MICRO UNITS HAVE become so popular that finding available stock is proving more difficult. This is underpinned by overall industrial vacancy rates of 1.34 percent in Wellington and 1.6 percent in Auckland, recent Bayleys research reveals.

The obvious attraction for many owners is the relatively low price point, according to Bayleys Wellington commercial and industrial director Fraser Press.

“You’re looking at cheaper entry prices from the late \$300,000s to mid \$400,000s for units of about 50 square metres, Press says.

And while many “lock and leave” units are frequently used as passive storage for household goods, cars, boats, or artworks, the vast majority are sold to owner-occupiers.

Often they may be tradespeople but Press says they also include many professionals such as accountants, small businesses, and artists.

In his experience, a majority are used by purchasers for their own use while a minority are leased out.

There have been relatively few investors in this market due to tighter funding requirements by bank lenders, Press says.

“We’re coming to the tail end of marketing three major small unit developments in Wellington with construction underway.”

They include 84 units at Imperial Business Park in Petone where all but a handful have been sold down to owner-occupiers or investors.

The architecturally designed complex has different sized units with some frontages, allowing for showroom, retail, office and industrial uses.

Press says the development in landscaped grounds offers easy access onto State Highway 2 via The Dowse



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BAYLEYS WELLINGTON COMMERCIAL
AND INDUSTRIAL

Interchange and is just three minutes away from the busy hub of Jackson Street where there are cafes and restaurants, and large bulk retailers including Kathmandu, Briscoes, Rebel Sports, Bunnings and Smiths City.

“The name of the development comes from the fact it was the former Imperial Tobacco site. It sits next to Mitre 10 Mega, Plumbing World and Gilmours, so it’s right in the heart of things.

“Once construction starts on these projects people can see what they will look like and leasing quickly ramps up.”

The units range in size from 51sqm and have sold from the late \$300,000s to mid \$500,000s.

“A few of them were lock and leave units without car parks while others overlooking the street were sold to small business occupiers who wanted glass frontages suitable for display.”

Press and his Bayleys colleagues also launched the marketing of 59 units at Takapu Rise at the northern edge of Wellington approaching Tawa adjoining the northern motorway network.

They have been built by Rosco Industrial, the same developer that constructed Imperial Business Park.

Press says the majority have sold with a handful remaining available. The units were bigger at 85sqm to 91sqm with prices ranging from the late \$600,000s to \$700,000.

Takapu Rise also offers a mix of retail, office and industrial workspaces ranging from 46sqm to 117sqm in landscaped grounds with roller door or fixed glass panel frontages, constructed from concrete slabs, precast concrete panels and metal cladding to the exterior, aluminium joinery and some translucent roofing to allow in natural light.



Artist's impression of Imperial Business Park, Petone



Artist's impression of Takapu Rise, Wellington



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Construction is underway and the development is due for completion in mid-2023.

“We’ve been surprised by the number of smaller business owner-occupiers who have been interested. The stud height means that owners can add a mezzanine floor,” Press says.

At Porirua, a similar development of 80 units called The Works Elsdon is underway.

“There’s been quite a flood of these units coming to market and now we’re at the delivery phase,” Press says.

Further north on Auckland’s North Shore, Richard Moors who is based in Bayleys’ commercial office in Takapuna says the industrial market generally is “extremely tight” at the moment.

Silverdale, about 30km north of central Auckland, has seen much of the micro-unit action over the past 18 months.

Moors says a significant number of the 74 strata freehold units in Industry on Peters Way were sold off the plans just days into the marketing. They were priced from \$269,000 plus GST and range in size from 40sqm to 124sqm, with mezzanines optional. Several have been on-sold.

About 60 percent were sold to owner-occupiers and the balance to investors.

“The entry-level pricing means smaller industrial businesses can participate when they might have been priced out of the wider industrial sector,” says Moors.

The Light Industrial zoning allows for workshops, warehouses, distribution, storage, light manufacturing and fitness facilities.

“There’s definitely a desire for 50sqm to 200sqm units because, in addition to a large number of tenants looking for excess storage space, many small

businesses have had problems with supply chains.”

It has also become more imperative for e-commerce businesses to have extra space to store materials and goods, and allow customers to come and look at their purchases or potential purchases, Moors says.

“Distribution is definitely paramount with 80 percent of sales driven by small-to-medium enterprises.”

Finance is another driver of development and sales.

“Owner-occupiers are favoured by banks, in some cases lending up to 100 percent of value. Investors seem to be sitting on their hands a bit, watching yields and struggling to find finance from banks,” Moors says.

Another attraction is the more modest average lease terms for micro units which are more commonly about three to four years with rights of renewal.

“Lease rentals tend to be less based on a per-square-metre formula than pricing on a per-week basis.”

Silverdale has seen some of the more significant growth in recent years in line with the increased residential development, which taps into the transport corridor up the coast, Moors says.

Wairau and Albany remain the pre-eminent industrial locations in Auckland with a number of smaller units turning over.

“Given the overall tight industrial market it pays for tenants to be a little creative and think ahead,” Moors says.

Bayleys general manager commercial and industrial South island, William Wallace, says limited stock means that smaller units in places like Sydenham near the Christchurch central city have moved quickly and have proved popular with tradespeople.

“It’s because of the price bracket. You’re not spending millions. Some of them go for \$200,000. It’s a great little investment, especially for owner-occupiers. The problem is there’s just not many available,” Wallace says.



Artist's impression of The Works, Elsdon, Porirua



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When we get one in Sydenham we usually get eight to 10 inquiries. Port Hills Road at Woolston is a popular area on the way to the port.

“Further afield there are opportunities at Wigram and Rolleston, which is becoming a mini city, although there is a limit to the developable land left out in those places.

“A lot of land to the west of Christchurch is for future residential zoning and it will

have to open to industrial and commercial development so micro units will be a popular development.

“Bromley tends to be more for light industrial and car wreckers but the other main industrial areas of Waltham and Phillipstown are two areas of possible development. Waterloo Business Park at Hornby also has some micro unit stock available,” Wallace says.

Bayleys Canterbury commercial and industrial broker Nick O’Styke says that over the past five years most micro unit developments have been within major business parks at Rolleston, Belfast, Wigram and Hornby.

“They tick over and they’re never a problem to lease. It’s often less about a square-metre rate than affordability for a painter, car mechanic or whatever. We’ve seen big growth at Rolleston mainly at Izone Park and more recently at Iport Business Park.

“Lease terms are usually shorter than you expect for big assets, and they’re fairly easy to lease.

“From a construction point of view they’re simpler too. They’re tilt slab with toilet facilities and a small office. Within a week or two of coming to the market they get snapped up.” O’Styke says.



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