



SOUTHBOUND

JUMP THE STRAIT TO THE MAINLAND, AND THERE'S STRATEGIC OPPORTUNITY FOR ASTUTE INVESTORS LOOKING TO WIDEN THEIR ACQUISITION NET.

WITH AROUND ONE-THIRD MORE land area than the North Island and just 25 percent of the country's population, the commercial and industrial property market in the South Island is somewhat segmented – both geographically and agency-wise.

Bayleys recognises this and recently appointed William Wallace to the new role of general manager South Island commercial and industrial, and strengthened its market presence when Bayleys Canterbury acquired long-established Christchurch-based commercial and industrial agency, M B Cook Limited.

Wallace brings broad property intelligence to the pivotal position, having experience across commercial sales and leasing and the development sector in New Zealand and South Africa.

“Bayleys knows the importance of connectivity and subscribes to the

philosophy of ‘altogether better’ across its business network,” says Wallace.

“The firm has key clients in the North Island looking for opportunities and assistance in the South Island and although based in Christchurch, I’ll be working to solidify Bayleys’ business throughout the south – with emphasis initially on Queenstown and Dunedin.”

Wallace says despite the whole country regrouping post-pandemic, and now faced with inflationary headwinds, there’s still a weight of capital seeking investment opportunities and the South Island beckons.

“In the North Island, there’s a recognised shortage of new land coming on stream for commercial and industrial development in some core regional centres – sometimes down to geographic constraints, other times reflecting a lag between market demand and council planning frameworks.

“This puts the focus on projects already consented and underway, or opens up conversations around where the next big opportunities lie.

“My feeling is the wider Otago region is undervalued and ripe for growth – but given the scope of projects underway right around the South Island, it’s clear that there will be compelling opportunity for private investors at every juncture.”

TOP OF THE SOUTH

Commercial and industrial property activity has intensified in the Nelson-Tasman region, with the area’s enduring lifestyle benefits and economic credentials underpinning deals.

Paul Vining, Bayleys Nelson’s director commercial and industrial says the industrial sector is buoyant, large footprint office space is in short supply, and more-intensified residential development with scale is happening.



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PAUL VINING, DIRECTOR COMMERCIAL AND INDUSTRIAL, BAYLEYS NELSON

GRAPE EXPECTATIONS

After an encouraging 2022 harvest, and with global demand for wine escalating, the wine industry continues to underpin Marlborough’s growth and prosperity.

“Around 70 percent of Marlborough’s economy is tied in one way or another to the wine sector,” says Glenn Dick, director Bayleys Marlborough.

“This year the juice tanks are full, consumer demand is there and as long as shipping networks can get back on track, things look good for the industry which then flows on to the rest of the region.”

Dick says Marlborough is attracting substantial investor interest across housing, retirement living, commercial



“GIVEN THE SCOPE OF PROJECTS UNDERWAY AROUND THE SOUTH ISLAND THERE WILL BE COMPELLING OPPORTUNITY FOR PRIVATE INVESTORS.”

WILLIAM WALLACE, GENERAL MANAGER BAYLEYS SOUTH ISLAND COMMERCIAL AND INDUSTRIAL

“Nelson City Council wants more people living in the CBD which would strengthen its commercial and retail core, but it’s a delicate juggle,” he says.

CBD retail has been resilient, and there’s a new suburban large-format retail and lifestyle precinct, Nelson Junction, under construction in Annesbrook.

SNAPSHOT OF THE SOUTH ISLAND COMMERCIAL MARKET

NUMBER OF PROPERTIES

32,606

TOTAL COMMERCIAL FLOOR SPACE

23,481,822sqm

TOTAL VALUE OF PROPERTIES

\$51,159,000,000

TOTAL VALUE OF DEALS

\$1,399,096,595

NUMBER OF DEALS

949

Source: Data Insight transaction data for period 1 April 2021 to 31 December 2021 in respect to properties categorised as commercial and sold by all New Zealand real estate agencies. Total market data is all properties categorised by Data Insight as commercial as at January 2022.



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GLENN DICK, DIRECTOR
BAYLEYS MARLBOROUGH

and industrial property, and there’s significant central government money being spent in the region.

“The Ministry of Education is redesigning three Marlborough schools to co-locate Marlborough Boys and Girls Colleges on one site and relocate Bohally Intermediate, and a new \$20 million district library/art gallery is under construction with a boost from the Provincial Growth Fund.

“Summerset is building a \$125 million retirement village, and the Westwood Business Park with neighbourhood shopping complex has the go-ahead on Blenheim’s western boundary.”

Potential occupiers are being sought for the Flight Industrial Park in Burleigh, with more than 15,000sqm of leasable building and yard area available, while Omaka Industrial Park – a greenfield development at Blenheim’s southwestern corner – recently obtained consent.

Dick says there’s been good uptake of vacant retail and office space in Blenheim, notably the multi-storey Market One building which is now completely leased and the residential sector is receiving attention.

“With the region’s population expected to exceed 60,000 by 2048, Marlborough’s shortfall of housing and available land is being addressed by council with emphasis on higher intensification options.”

Meanwhile, the proposed \$360 million Waitohi Picton Ferry Precinct redevelopment project to accommodate larger ferries, will bring more people to the region’s coastal gateway, while in Kaikōura, the new Sudima hotel is a sign of increased investment in the town.

GARDEN CITY PROGRESS

As the South Island’s primary economic, service and logistics hub, home to New Zealand’s second-largest airport and third largest seaport, with four tertiary institutions, six Crown Research Institutes, and a diverse economic base, Christchurch is thriving post-quakes.



Artist's impression of Christchurch's proposed multi-use arena Te Kaha. Photo credit CCC Newsline



“THERE’S AN ACUTE SHORTAGE OF UNENCUMBERED LAND AVAILABLE WHICH IS DRIVING PRICES UP”

NICK O’STYKE, BAYLEYS
CANTERBURY COMMERCIAL AND
INDUSTRIAL BROKER

Today the city’s key projects include the proposed Te Kaha/Canterbury Multi-Use Arena, Te Pae Christchurch Convention Centre, Parakiore Recreation and Sport Centre, Canterbury Provincial Chambers Works, Christchurch Hospital Waipapa Tower 3, and stage one of the University of Otago-Christchurch Health Science Campus redevelopment.

More than \$2 billion of new housing was approved in the last year, with Christchurch, Selwyn and Waimakariri councils approving more than 6,300 new homes in 2021, a 31-percent increase on 2020.

Large-scale apartment and terraced home developments are burgeoning, with attached housing making up 60 percent of new homes.

Christchurch City Council’s infrastructure programme includes 247 new projects covering water, transport and community facilities, while roading upgrades have streamlined arterials across the city and along strategic corridors.

William Wallace says infrastructural investment in Christchurch has provided confidence and opportunity for private commercial and industrial investment, underscored by the appeal and affordability of housing in the region.

However, Nick O’Styke, Bayleys Canterbury commercial and industrial broker says Christchurch is rapidly running out of industrial land.

“Two years ago, if a big operator wanted a 5,000sqm block I could’ve shown them multiple options,” he says.

“But now there’s an acute shortage of unencumbered land available which is driving prices up, keeping yields around sub-five-percent and creating minimal vacancy on the leasing side.”

Iwi-owned intergenerational investor, Ngāi Tahu Property’s industrial developments Mānia and Tāwhiri are largely sold out, with its Kairua development in Hornby having negligible availability.

Meanwhile, the 114-hectare Waterloo Business Park is nearly full, Izone in Rolleston is sold out, there is still some land for sale in Stage 12 of the IPORT Business Park in Rolleston, and Bayleys is marketing lots in the Belfast Business Park, the Waimak Bridge Business Park and Hornby Quadrant.

ADVENTURE CAPITAL

With borders reopened and international flights returning to Queenstown, forward visitor bookings are encouraging with commercial accommodation providers, hospitality operators and retailers at last seeing some light at the end of the pandemic tunnel.

David Gubb, managing director Bayleys Queenstown says while the



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DAVID GUBB, MANAGING DIRECTOR
BAYLEYS QUEENSTOWN

return of an active international visitor market is great news, the challenge will be on to find staff and it will again highlight a significant issue in the town – a shortage of rental accommodation for workers.

“Trade Me rental listings are already thin on the ground so the squeeze will be on once the overseas workforce is back to speed.”

On the hotel scene, New Zealand’s first beyond-five-star hotel, Carlin Boutique Hotel has opened near the town centre, while Centuria Capital has its 5-star Radisson Hotel under construction.

Queenstown Lakes District Council’s (QDLC) transformational town centre project is still in progress, with retailers frustrated at the disruption it has caused and, while visitors to the town centre will have to navigate road cones and barriers for some time, Gubb says the welcome sign is out.

“There’s not much vacant retail space – we just need the people now.”

Across town, mixed-use precincts in the Frankton area continue to evolve, while Queenstown’s urban growth is inching along the southern corridor starting at Frankton, down to Hanley’s Farm, and Jack’s Point.

Bayleys is marketing lifestyle sites in Homestead Bay and Drift Bay, and the Flint Park residential development on the outskirts of town is being considered for fast-tracked resource consent under the COVID-19 Recovery (Fast-track Consenting) Act 2020, as is the Lakeview | Taumata development.

The residential, hospitality and retail precinct Lakeview | Taumata is being developed by a consortium including Ninety-Four Feet, Centuria Capital and Britomart Hospitality Group, to be built over a 10ha former campground site in central Queenstown.

LAID-BACK WANAKA

In 2020, QLDC projected Wanaka’s population would grow from 8,423 permanent residents to 15,200 by 2050, an 80-percent increase.

William Wallace says three priority growth areas for Wanaka have been identified in the council’s new spatial plan – the corridor from Wanaka town centre to Three Parks, future urban areas in Hawea and south Wanaka, and existing areas in Luggate and Hawea.

“There are some exciting projects on the go with the \$280 million Silverlight Studios film studio and the Northbrook Wanaka Retirement Village within the wider Northlake precinct, fast-tracked under special COVID-19 legislation.

“Developer Winton’s comprehensive Northlake project comprises residential living and a commercial hub to service that community.

“Further, Metlifecare recently announced it will build a \$200 million premium retirement village at the Three Parks mixed-use commercial precinct after buying 5.4ha of land from the developer”.

DUNEDIN RIPE FOR PROGRESS

As the second-largest city in the South Island, Adam Gain, partner and sales manager of BayleysMetro, says Dunedin is a quiet achiever.

“It tends to come out of turbulent economic cycles stronger and there’s



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ADAM GAIN, PARTNER AND SALES
MANAGER, BAYLEYSMETRO, DUNEDIN

certainly plenty of investment planned and underway in Dunedin to support growth and positivity.”

Southern District Health Board’s plans for a world-leading health and education precinct centred around a \$1.47 billion new hospital – the country’s largest health infrastructure project – is touted as a transformational venture for central Dunedin, and it’s not the only project turning heads.

Construction sector hub Workforce Central Dunedin recently stated that there’s sufficient infrastructure work happening in Dunedin to sustain a boosted skilled construction labour force for at least the next 15 years.

The joint venture project between Ngāi Tahu Property and ACC for a new 8,000sqm office building in Dowling Street is expected to be completed by early 2024, and Otago Polytechnic’s multi-million-dollar trades training centre, He Toki Kai Te Rika is well-progressed.

There’s significant development underway in south Dunedin including retail, office space, plus a new library and community complex and retail dynamics in the CBD’s core are shaking out as council undertakes changes to the main shopping street.

“In 2021, Dunedin City Council voted to restrict George Street to one-way traffic only to transform the retail precinct and that’s had a mixed public reaction,” says Gain.

“Council has planned a \$28 million upgrade to the central city, with makeovers happening block by block.

“It’s all part of creating a very liveable city that’s ready for the future and as with all change, there will be some push back.”

Plans for an ambitious redevelopment of the city’s waterfront are on the back burner but still relevant and the city’s cycleways, district energy scheme and environmental protection projects are all being addressed.



Artist's impression of the outpatient building at the new Dunedin Hospital