

Hawke's Bay belated GFC recovery

Chris Hutching

Hawke's Bay valuer Pat Turley says the region's industrial market is going through a development boom although rents and property values overall are still flat after five years of downward pressure.

He says the economic recovery lag has been much longer than he expected for most Hawke's Bay commercial-industrial property.

In 2008 he thought it would take about five years for a recovery but it has been more like seven.

Anecdotal evidence and financial indicators point to a turnaround and he expects more improvement this year.

There was more commercial-industrial development activity during 2013 and 2015, with the new supply and proposed developments throwing the advantage to tenants, offset by the weight of older building stock nearing the end of its life.

There is an oversupply of low-grade warehouses illustrated by the vacancy left by Fonterra's exit of 1 Pandora Rd – a former 18,000sq m wool store built in the 1970s.

Parts of Onekawa and Omahu have several vacancies and demand for existing premises is generally weak.



FOOD HUB DEVELOPMENT: This 9000sqm water bottling facility has been built for Miracle Water at 145 Elwood Rd, Hastings by the Tomoana Food Hub

Rents for most industrial accommodation remain off their peak and leasing-up periods can be quite long – the exception is newly-built premises.

Some recently completed Hawke's Bay developments include:

- a \$25 million hotel, retail, office development called Village Exchange in Havelock, one of the largest property developments in Hawke's Bay;
- a two-level office building in Wright St at Ahuriri;
- redevelopment for Placemakers Napier on the former Turners Auctions site; and
- two water bottling plants at Elwood Rd, Hastings (Miracle Water) and in Awatoto (One Pure).

Developments under way include:

- the Heretaunga Club, Hastings development, including new building and car parking for 3000 members;
- offices for Crombie Lockwood overlooking Marine Parade, Napier;
- offices for Aon in Hastings;
- Business HQ development in Queen St, Hastings (space to let);
- Deleat's Group, Hastings, a 19,000sq m winery facility under construction, adjacent to Napier-Hastings expressway.

Among development proposals is a Countdown supermarket in Havelock North, a commercial development plus a large format building in Havelock North, and a Prebensen Drive, Napier plan for Euro City, Complete Paints and other tenants.

While sub-5% yields for investment acquisition are becoming more common, many recently reported sales have been between 7- 8% – for example, Hastings' newly redeveloped multi-tenanted Forsyth Barr House was sold in late 2015 at 7.90% with a weighted average lease term of 3.2 years.

The outlook for the office market is more mixed with no shortage of premises.

Seismic rating remains a significant factor in values and office relocations are largely dictated by earthquake strengthening.

The waterfront precinct of Ahuriri remains the most popular area.

There have been a few high rents struck in new premises although the inducements have yet to be disclosed.