Heavy lifting

The industrial sector has shown grit through market cycles and while many occupiers have been right-sizing their real estate footprints, the sector's major property developers are pressing on to deliver new stock to the market.

Controlling the controllable has been the mantra for industrial occupiers for the last few years with macro forces impacting day-to-day business operations and forward planning.

Bayleys' global real estate partner Knight Frank says it expects continued cautiousness in the industrial occupier market as the second half of the year unfolds, as businesses seek to balance costs, efficiencies, and future growth plans against external factors.

Knight Frank's *Asia-Pacific H1 2025 Logistics Overview* looks at leasing activity across the APAC region, with Auckland one of 17 markets tracked on rents and vacancy in the industrial sector. Overall rental growth has stabilised in the last six months and is expected to remain stable for the balance of the year.

Scott Campbell, Bayleys national director industrial and logistics says these general trends are evident around New Zealand, with nuances between regions and major urban centres.

"Generally, regional New Zealand is performing pretty well, while there's some softness in the main centres. Rental growth has proven to be highly sensitive to vacancy and while there is still reasonable inventory to be absorbed, rents are expected to remain stable without the sugar rush increases that had been occurring.

"It is apparent that given the space available for lease and the forward pipeline of planned new-builds by development entities, there's significant opportunity for occupiers to strategically position themselves for long-term growth."

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> **SCOTT CAMPBELL**
> BAYLEYS NATIONAL DIRECTOR INDUSTRIAL AND LOGISTICS

While the sticky economy has impacted business profitability and prompted some to realign their property footprints, recent government announcements aimed at growing the economy have been well-received, and Campbell says industrial occupiers will benefit from the Investment Boost initiative in particular.

"Investment Boost allows businesses to claim 20 percent of the cost of new (or new to New Zealand) business assets that they bought on or after 22 May 2025 as an expense against taxable income upfront in the first year, then claim depreciation as usual on the remaining 80 percent.

"This effectively front-loads depreciation deductions and means capital intensive businesses will have an incentive to buy new plant and machinery, improve cubic capacity with new racking systems, or purchase new fleet vehicles – with no upper cap on the asset value."

On the construction front, there's evidence that developers are proactively back indicating confidence is dialling up in the industrial sector, with the pipeline of forward work encouraging for occupiers considering their next move, says Campbell.

"There's been a wave of new developments announced with many being speculative builds which gives some choice and flexibility to the occupier market.

"We are working closely with the big players in the industrial sector and are really impressed with the quality of stock either already in train or planned for the near future."

INNOVATION AND VALUE-ADD

Goodman Property Trust focuses its investment in the Auckland industrial sector, where the underlying market fundamentals for prime space remain strong, says its general manager of development Mike Gimblett.

"Auckland is New Zealand's gateway city and its largest consumer market, benefitting from positive demographic trends, with sustained population growth forecast.

"At this stage, we don't see the same level of opportunity in regional markets however, we might work with existing customers if they have requirements outside of Auckland."

Maintaining a development pipeline broadens the range of property solutions Goodman can offer its customers and in the past 12 months, the development team has completed new warehouse and logistics facilities at Roma Road Estate in Mt Roskill and Savill Link in Ōtāhuhu, delivering more than 50,000sqm of highly-sustainable, operationally-efficient space.

"These facilities are now fully-leased, with a weighted average lease term exceeding nine years, and are expected to achieve a 5 Green Star Built rating once independent assessment is complete, says Gimblett.

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MIKE GIMBLETT
GOODMAN PROPERTY TRUST GENERAL MANAGER DEVELOPMENT

“We’ve also commenced the first stage of the regeneration project at our 7-hectare value-add property in Mt Wellington, along with preliminary design work and infrastructure upgrades at Penrose Industrial Estate, preparing for potential data centre development.

“Completing this initial phase in Penrose gives us greater optionality in a rapidly evolving sector. A development-ready site complete with power, consents, and design flexibility significantly reduces delivery risk and offers speed-to-market advantages for data centre operators.”

Meanwhile infrastructure and enabling works are currently underway at Goodman’s Waitomokia precinct in Māngere, with construction of the first industrial facilities scheduled to begin in 2026.

“Over time, we expect to develop up to 110,000sqm of high-quality warehouse and logistics space at the estate,” explains Gimblett. “The masterplan – developed in consultation with iwi and other stakeholders – protects and preserves the site’s significant natural features and incorporates the area’s important cultural history into the estate’s design.”

While a slowing economy has eased capacity constraints and moderated customer demand, vacancy for prime space remains low and the demand outlook for operationally efficient warehouse facilities close to consumers remains strong.

With more than 215 customers leasing space in our $4.7 billion Auckland industrial portfolio, we typically expect 5–15 percent of leases to expire each year, says Gimblett.

“We work hard to retain these customers, and in a more challenging operating environment, customers are focused on total occupancy cost and looking for ways to get more from the same footprint, maximising the value of the spaces they lease.

“Our portfolio occupancy is currently around 98-99 percent and following a period of strong market rental growth and with significant under-renting across the portfolio, contracted rents continue to increase.”

NATIONWIDE DEVELOPMENT

National commercial/industrial property and construction firm Calder Stewart is progressing with a pipeline of both pre-committed and speculative industrial development around the country and credits the sector for its strength and resilience.

Calder Stewart’s associate director property, Ben Stewart says there’s a lack of urgency in the current market with some occupiers taking longer to commit to new premises, based largely around business confidence.

“Occupiers are exploring ways to make their property strategy as efficient as possible – whether it’s consolidating existing premises, establishing automation, or introducing sustainability measures – all of which can lead to lower total occupancy costs.”

In Drury South, Calder Stewart owns 15ha of industrial-zoned land and has two big projects underway there. NZ Safety Blackwoods new facility is at the automated storage and retrieval systems fitout stage with its lease commencing early next year, while a distribution facility for Briscoes has almost 50 percent of the steel erected and is starting to take shape with precast panels. Both projects have generated significant enquiry from other customers who have expressed interest in Drury.

In Christchurch, it has developed design-build turnkey packages on Calder Stewart-owned land with recent projects including a distribution centre for Fonterra in Hornby which they will own, a distribution centre nearing completion in Middleton for an international benchtop company committing to a

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BEN STEWART
CALDER STEWART ASSOCIATE DIRECTOR PROPERTY

long-term lease, and a storage facility for Transpower in Rolleston.

Calder Stewart also recently launched its master-planned industrial Milburn Quadrant north of Milton in Otago, a 200-hectare heavy industrial-zoned precinct directly connected to State Highway 1 and the South Island’s main trunk rail line. It will deliver the country’s largest inland port along with supporting industrial warehousing and facilities, with Stewart saying this will provide scalable opportunities for exporters, manufacturers, and freight operators seeking reliable, long-term logistics solutions.

GLOBAL INSIGHT

ESR Australia and New Zealand is a real estate asset owner, developer and manager focusing on innovative and efficient logistics, data centres, and energy infrastructure assets that power the digital economy and supply chain for investors, customers, and communities across Australasia.

With over AUD$33.4 billion in funds under management across Australia and New Zealand, it is part of ESR Group, a leading real asset owner and manager in Asia-Pacific delivering value and growth opportunities for global investors through its fully-integrated fund management and development platform while providing modern, sustainable space solutions for its customers.

ESR General Manager Development New Zealand, Tony Catton says it continues to see strong growth in New Zealand’s industrial property market, driven by e-commerce expansion, the need for resilient supply chains, and major infrastructure investment.

"While Auckland remains a key focus due to its strategic importance and population base, we’re also exploring opportunities in high-growth regions such as Hamilton and Tauranga, which benefit from strong connectivity to major transport corridors."

Catton says although customer demand is currently subdued, ESR expects it to strengthen as the wider economy grows.

"Occupiers are looking for modern, efficient, and sustainable facilities, particularly in logistics, e-commerce, and FMCG sectors. Proximity to major transport hubs like airports, ports, rail, and motorway networks remains a top priority for customers to improve operational efficiency and reduce delivery times.

“We’re also seeing strong interest in large-format warehousing and customised solutions that meet ESG standards, reflecting a growing focus on sustainability.”

ESR recently acquired 38 Dalgety Drive in Wiri, a 9.2ha heavy industrial-zoned site which Catton says is advantageous for a broad range of occupiers and will be redeveloped in two stages into a state-of-the-art logistics facility built to achieve a 5 Star Green Star Design and As Built NZv1.1 rating.

“Planning is well underway, with Stage 1 construction expected to commence in Q4 2025 and completion targeted for 2026, subject to approvals. This location offers exceptional connectivity to Auckland Airport, Wiri Inland Port, and key arterial roads, making it ideal for logistics operators.”

ESR is optimistically pushing forward with new development based on the underlying fundamentals it recognises in the Auckland market.

“Our confidence is supported by historically low vacancy rates, customer demand for modern and sustainable facilities, and the long-term structural growth of the industrial sector. We also bring a proven track record in delivering large-scale logistics developments across Australia and New Zealand, which gives us the capability and experience to execute successfully.

“Industrial rents in Auckland continue to trend upwards, although at a slower pace than in the past two

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TONY CATTON
ESR GENERAL MANAGER DEVELOPMENT NEW ZEALAND

years, largely due to land scarcity and ongoing occupier demand. Vacancy rates remain at historic lows, creating competitive conditions and limiting the availability of prime-grade facilities.

“The main challenge is securing well-located industrial land with scale, but as the economy strengthens, we anticipate customer demand will increase quickly.”

WELL-SUPPORTED PIPELINE

A proven performer in the speculative industrial space, Auckland-headquartered and family-run business Euroclass has been operating in New Zealand for 40-plus years, completing more than 300 projects around the country with its main focus on commercial and industrial construction.

Matt Doughney of Euroclass says it continues to see strong enquiry across Auckland’s prime industrial precincts, particularly for modern, well-specified facilities in the 1,000-5,000sqm range with demand led by logistics, e-commerce, and manufacturing occupiers seeking efficiency gains from purpose-built premises with smart design to maximise footprint and volume.

“Vacancy rates for quality stock remain exceptionally low, keeping competition high. Even with mixed economic signals, our pipeline is well supported by tenants consolidating operations, upgrading from older premises, and enhancing supply-chain resilience.

“The combination of robust enquiry, historically low vacancy, and the structural shortage of high-quality industrial space gives us the confidence to continue developing speculatively and means well-located, modern, flexible, high-spec’ buildings are absorbed quickly and often before completion.

“Delivering ahead of demand allows us to meet occupiers’ requirements faster than the market typically permits and we feel premium industrial facilities in prime locations will continue to secure quality tenants in the current market.”

Euroclass’s 4,500sqm speculative build at Basalt Business Park in Wiri, one of the last available buildings in one of Auckland’s newest industrial precincts, is attracting strong interest ahead of its completion in two months. That property is available for lease or purchase, as are two other speculative builds at 6 Progressive Way, East Tāmaki, and 5 and 7 Inanga Street, Hobsonville.