

Addington building boom

A spate of office development in Addington means developers are competing for tenants, as LIZ McDONALD reports.

When property developer Ernest Henshaw began putting up energy-efficient buildings in Addington near central Christchurch, his was the only major office complex in what was once an industrial area.

Nine years later, the Show Place development has become a substantial office park with corporate tenants such as Nestle, Solid Energy, Holcim, IAG and Transpower, with the seventh building now going up at a cost of \$17 million.

But now the office park has competition. To the north, on a 5-hectare former industrial site, the Workstation55 complex has been created by Auckland's Latitude Group, while towards Hagley Park two new office projects are under construction – Amherst Properties' five-storey Parkview building on Moorhouse Avenue and Sterling Properties and Calder Stewart Industries' \$80m Hazeldean Business Park on Lincoln Road.

Meanwhile, Ngai Tahu Properties wants to build offices on Lester Lane land after developing other properties on its block around the Christchurch Railway Station.

All the developers are trying to woo tenants with features such as eco-friendly design, car parking, Green Star ratings, attractive views, cafes and park-like environments.

There is plenty of choice for businesses wanting to set up shop in this part of town. Between them, the complexes will eventually hold many thousands of office staff.

And that is without even looking towards the central city, where several new major office buildings are either on the drawing board or being constructed.

Simes Ltd chief executive Layne Harwood, who has leased space in the area and is marketing Workstation55, says some of the business parks are offering similar products, and all are competing to create attractive environments.

"Show Place set the benchmark, and the others are following – Addington is really changing and it will change more in the next five years or so," Harwood says.

Tony Sewell, general manager of Ngai Tahu Properties, says that tenants are able to be choosy, with good parking and green construction expected.

"No doubt we are competing with the other office parks. For people who are looking at this part of town, there are several locations to choose from.

"We are all looking at all the things we need to do to attract tenants there. It makes everyone sharpen their pencil a little bit."

While the economy is sluggish and confidence down, office developers have been spurred into action by vacancy rates which are at their lowest since the 1980s building boom, and by rents which have risen accordingly.

Recent research from commercial realtor CB Richard Ellis shows that office operating costs, which combine rents, rates and service charges, are rising faster in Christchurch than anywhere else in New Zealand, and the city has made the global top-50 list of cities for growth in office expenses.

The research found that while the average annual outlay for running an office in Christchurch is cheaper than in Auckland and Wellington, it is now up to \$245 a metre, 16.7 per cent up on 12 months ago.

Harwood describes office leasing as one of the strongest sectors of the property market. At the high end of the office-leasing market, annual rents for existing premises have topped \$300 a square metre, with new buildings now under construction looking for up to \$400.

The developers in Addington are also banking on the recent trend of demand for suburban office space, with some businesses choosing car parking, green features and more spacious surroundings on cheaper land as a trade-off for a mid-city site.

Increasingly, the Addington developers are describing their locations as city-fringe, rather than suburban.

Leasing agent Sally Ryan, of Colliers International Christchurch, who is marketing space in both the Show Place and Parkview projects, says office space out of the central business district suits only some businesses.

"Some will say no, I want to be in town for cross-pollination, but others want the green buildings and the great surroundings."

Ryan also says that while some tenants will happily sign up for a new building before construction, others hold back "until they see the bricks and mortar".

The Show Place complex – now owned



by Henshaw Goodman Ltd after the Goodman Property group bought into Henshaw's company last year – has the biggest building for lease in the Addington development cluster.

This is the \$17m glass-and-concrete, four-storey building is now under construction at 15 Show Place, and space on all four levels, a total of over 3600sq m, is being advertised.

Goodman Property chief executive John Dakin says that while there is competition for tenants in the neighbourhood, “there’s certainly interest in the space”. Dakin believes the high specifications of the project put it in a strong market position.

Across at the park’s newest completed building at 6 Show Place, the middle floor of 680sq m is empty, sandwiched between tenants Transpower upstairs and Solid Energy below. There is also one vacant tenancy at No. 1 Show Place, the park’s first building.

Over at the Hazeldean Business Park, concrete walls are going up and the first two buildings will be ready for action later by December, plus a third next year and another in March 2010. The complex will eventually include eight buildings housing at least 1500 workers in 22,000sq m of offices on a two-hectare site. Like Show Place, the Hazeldean development is a co-production between a local developer and a larger entity, in this case Sterling Properties and Calder Stewart Industries.

Development manager for Calder Stewart, Kevin Arthur, says that while some of the new office parks are definitely in competition, they cover different parts of the market.

Arthur is confident that the park’s features are proving a drawcard for businesses.

Tenants signed include Alan Reay Consultants, Simes Ltd and consultancy MWH New Zealand.

“We are very happy with it so far. We would obviously like more tenants; we have plenty of space to lease in there,” says Arthur.

Workstation55 is also a large complex, but unlike the other Addington developments, it mixes refurbished industrial buildings with new offices.

Its tenants include Fonterra, Statistics New Zealand and Eaton Corporation, with others sought for the various other buildings on the site. New office/warehouse space on the site will be released to the market this week.

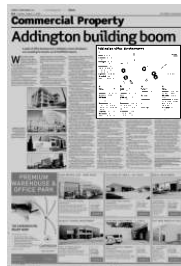
A smaller office development under way in Addington is Parkview, on a site between Moorhouse Avenue and the railway line. This building is under construction after several years in the planning by developer Amherst Properties, who has already signed law firm White Fox and Jones for the space.

Around the corner, iwi-owned Ngai Tahu Properties wants to put its planned office complex on the corner of a large block it has left over after building the Tower Junction shopping centre, new auction rooms for car auctioneer Turners, and a series of smaller showroom buildings.

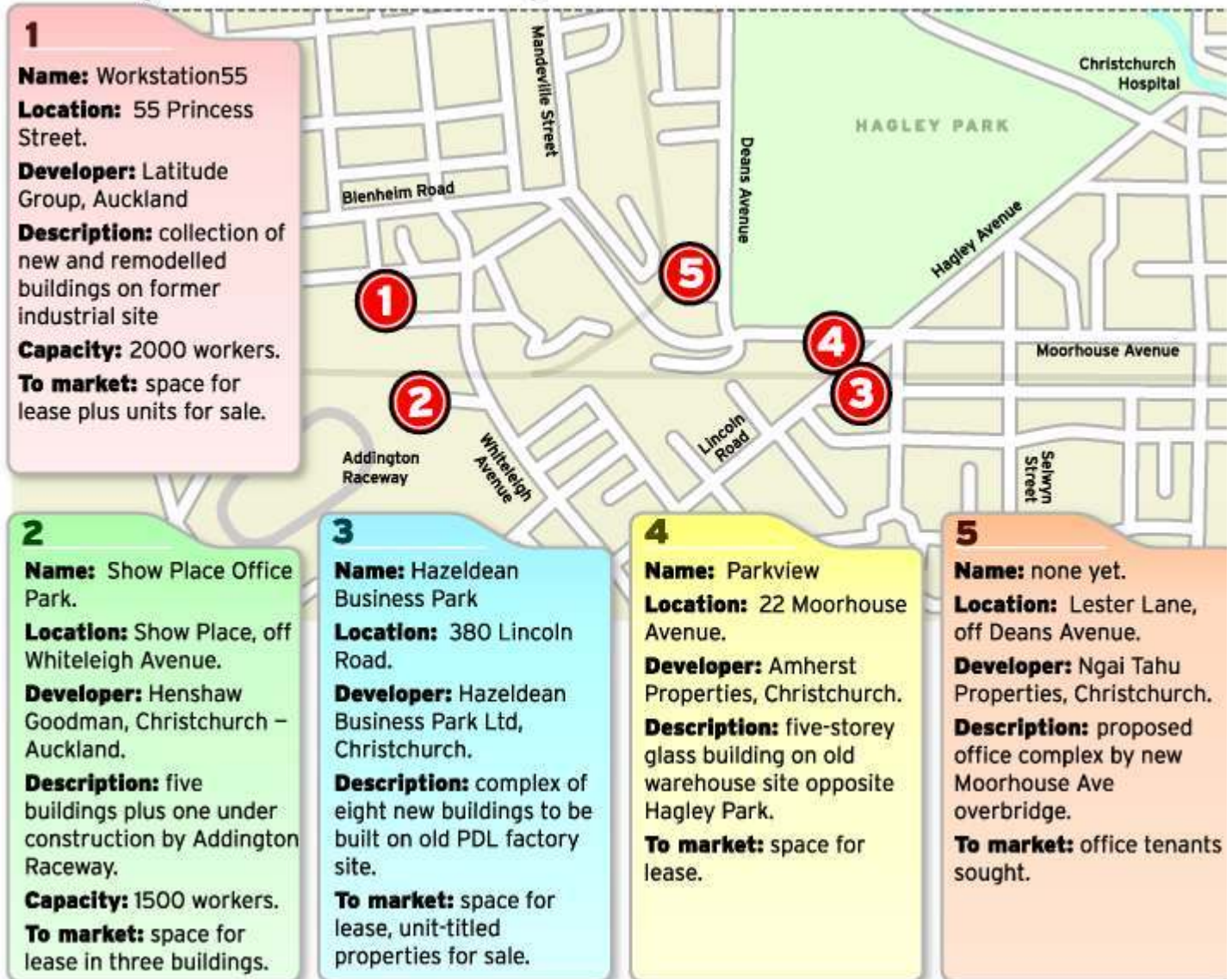
The latest corner of the Ngai Tahu site, on Lester Lane, was opened up by the deviation and overbridge built by the Christchurch City Council to link Moorhouse Avenue and Blenheim Road. Ngai Tahu plans three or four buildings on the site, but is waiting for firm commitments from tenants before going ahead.

CONTACT

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Expansion: Addington office building projects, from the top, Parkview, Hazeldean Business Park, Workstation55 and Show Place Office Park. Photos: Kirk Hargreaves

