

Before the Selwyn District Council

under: the Resource Management Act 1991

in the matter of: Proposed Private Plan Change 80 to the Operative District Plan

and: **Two Chain Road Limited**
Applicant

Evidence of Nick O'Styke (real estate)

Dated: 5 October 2022

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EVIDENCE OF NICK O'STYKE

INTRODUCTION

- 1 My full name is Nicholas Francis Graham O'Styke, and I am the director of industrial sales for Bayleys Canterbury.
- 2 As a sales agent and business owner for Bayleys Canterbury, I have over 10 years' experience in the Canterbury industrial land market. I have been heavily involved in the sale of land in and around Rolleston's industrial park, including for iPort.
- 3 I am familiar with private plan change 80 (PC80).

CODE OF CONDUCT

- 4 Although this is not an Environment Court hearing, I note that in preparing my evidence I have reviewed the Code of Conduct for Expert Witnesses contained in Part 7 of the Environment Court Practice Note 2014. I have complied with it in preparing my evidence. I confirm that the issues addressed in this statement of evidence are within my area of expertise, except where relying on the opinion or evidence of other witnesses. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

SCOPE OF EVIDENCE

- 5 My evidence addresses the following:
 - 5.1 Industrial land availability in Greater Christchurch;
 - 5.2 Industrial land in Rolleston, Selwyn; and
 - 5.3 Further considerations regarding the PC80 site.

SUMMARY OF EVIDENCE

- 6 Freehold industrial land in Canterbury, and in particular Selwyn, is in high demand. While there may be land that is 'zoned' industrial, practically speaking, that does not mean there is sufficient freehold industrial land supply to meet current demand.
- 7 The majority of the current market for industrial land is seeking an owner-occupier arrangement which there is currently a real shortage of. This demand is reflected in the significant increase in industrial list values over the last few years, and the fact that industrial land at a number of business parks is now completely sold out.

- 8 In my 11 years in the industrial land industry, I have only seen demand grow. This growth has been exponential and I do not see it slowing down any time soon. I am of the view that Canterbury, and particularly Rolleston (being an extremely attractive location for industrial land investors), is very close to an acute shortage in industrial unencumbered, freehold land.
- 9 The Two Chain Road Site provides a unique and rare opportunity for any industrial developer, and I consider there would be substantial interest in today's current (and future) market for a piece of the site should it be rezoned industrial.

INDUSTRIAL LAND AVAILABILITY

- 10 Freehold land in Canterbury, and in particular in Selwyn, is in high demand.
- 11 While there may be land that is 'zoned' industrial, practically speaking, that does not mean there is sufficient freehold industrial land supply to meet current demand. There are a number of market and other factors which come into play as to whether such land is attractive to industrial investors. Much of it is not.
- 12 I understand that from a desktop review of all of the land zoned 'industrial' in Christchurch it might look like there is ample supply, but from my experience this is far from the case.
- 13 The majority of the current market for industrial land is seeking an owner-occupier arrangement. This means that investors are looking for bare, unencumbered land to develop i.e. land that is not leasehold, or controlled by another party. This type of industrial land is now becoming few and far between in both Greater Christchurch and Selwyn. The majority of industrial land currently available in Selwyn is only available for lease, or on a design-build arrangement (i.e. land with a contract builder arrangement). These arrangements give an element of control to a third party and often cannot be purchased.
- 14 In my 11 years in the industrial land industry, I have only seen demand grow. This growth has been exponential, and I do not see it slowing down any time soon. I am of the view that Canterbury is very close to an acute shortage in industrial unencumbered, freehold land.
- 15 Several large business parks have completely sold out including IZone Business Park, Wigram Business Park, Central Business Park, Belfast Business Parks, Mānia Business Park and the Tawhiri Business Park (totalling approximately 320 ha of zoned land).

- 16 There is now very little industrial land available in Hornby and elsewhere in Christchurch, and companies are increasingly looking to Rolleston. In my experience, when a company moves, suppliers also follow and there is currently a lack of capacity to accommodate this.
- 17 The need for larger bare industrial sites has increased in the wake of the COVID-19 pandemic. Globally, online sales have increased dramatically, where products now come from warehouses rather than retail stores. Supply chain disruptions have driven companies to hold more product at any given time. This has required companies to have greater warehousing capacity, resulting in increased demand for larger industrial sites capable of accommodating larger facilities, particularly those in close proximity to efficient transport networks.

Industrial Land in Rolleston

- 18 Rolleston is very quickly running out of industrial land and I believe a shortage of freehold unencumbered land is also imminent, demonstrated by the sold-out business parks described above. The construction of the new motorway has been a significant contributor to this, and I expect the planned new overbridge between Rolleston and iPort will only exacerbate this.
- 19 Recently, a further 10-15 ha have been sold at the iPort Business Park located on 122 ha of land at Rolleston. Of the land available for sale, approximately 3 titles remain from the original 67 available for sale.
- 20 I believe there will soon be a shortage, and there are no other greenfield park options available to industrial parties wishing to establish in Rolleston.
- 21 I consider this looming shortage is also demonstrated by the increase in industrial land prices. Significant increases in land pricing are a good indicator as to the current supply and demand situation around particular land markets. Land in Rolleston is now nearly four times the list value in 2019 and industrial land, which was once \$100-140 per sqm and is now in the range of \$300-400 per sqm.
- 22 While it is becoming difficult to find freehold vacant land in Christchurch and Selwyn, it is even harder in Rolleston. Vacancy rates in Rolleston are historically low, so many parties have little option but to build, as existing industrial property is rarely available for sale. Again, much of the industrial land that is available in Rolleston is not available for freehold sale, unless you are also willing to enter into a build contract with the seller or lease the land.
- 23 Rolleston is an extremely attractive location for industrial land investors, mainly due to factors including:

- 23.1 Its proximity to two inland ports (Midland Port and MetroPort) and associated rail transport;
 - 23.2 Better ground conditions in Selwyn and comparable sites than in Christchurch, especially east of Christchurch; and
 - 23.3 Newer amenities in Selwyn than in Christchurch including wider roads, better infrastructure, and close proximity to SH1 and West Coast Road.
- 24 There has also been significant building momentum in Rolleston. For IZone, first came the establishment of one of the largest buildings in Greater Christchurch, the Warehouse Group's South Island distribution centre. Since then, we estimate over 150 businesses have moved their operations into Rolleston. There has been an organic growth of the town and its businesses, which has naturally coincided with the significant increase in residential development more generally in Selwyn.
- 25 As such, prices have increased significantly, and I can quite comfortably say these prices have at least doubled in the last five years (and in most cases have increased as much as 3-4 times), which I consider is a big sign that demand is exceeding supply.

THE PC80 SITE

- 26 The PC80 site is unique, and I consider it to be a rare opportunity for any industrial developer. Firstly, it is beneficial that the site is located close to IZone as the area has and will continue to build momentum for companies and their associated suppliers. There are efficiencies in locating industrial uses in close proximity to one another.
- 27 Aside from the site going a long way to satisfy a current need in the industrial land market for unencumbered freehold land in Rolleston, it also provides an opportunity to future developers to utilise the Main South Line rail siding, which would create real efficiencies with respect to freight and transport.
- 28 If this were to occur, this would be the longest rail siding in the whole of Greater Christchurch and as such the site is unique, with nothing else of the like currently, or likely to ever, enter the industrial market.
- 29 Rezoning gives certainty of land availability into the medium to long-term which is essential for any growing township such as Rolleston.

CONCLUSION

- 30 We anticipate that Christchurch, and particularly Rolleston, is very close to an acute shortage in industrial, unencumbered, freehold land. There is very limited existing, or proposed, stock for us to sell and this has driven industrial list values to significantly increase.
- 31 Rezoning land industrial gives certainty to developers in the medium and long-term. There will be a point in time, between now and when more industrial land is freed up via rezonings and plan changes, where there is next to nothing available. It is vital that the District ensure sufficient capacity to cater for industrial land demand in the future.
- 32 I have no doubt that there would be substantial interest in today's current market for a piece of the site should it be rezoned Industrial.

Dated: 5 October 2022

Nick O'Styke