

Broken supply chain threatens construction



The broken supply chain is just one of several challenges facing the construction sector.

New Zealand has been dropped off the global supply chain by many construction material suppliers in the wake of Covid-19, threatening to stall the building sector here.

Building Industry Federation chief executive Julien Leys said post-pandemic business model reviews by global shipping and building supply companies mean New Zealand is no longer included on their supply routes.

Supplies are getting only as far as Australia. That puts additional costs on building supply companies here to try to get what they need into the country.

Leys said he has spoken to one company spending as much as \$85,000 per week on shipping costs.

The broken supply chain is just one of several challenges facing the construction sector, threatening its ability to capitalise on a pipeline of projects including the Government's shovel-ready infrastructure projects and affordable housing targets.

Other hurdles include a skilled labour shortage, rising prices of materials, and reduced margins.

A Statistics NZ report in September 2020 estimated the average delays to commercial building projects caused by the Alert Level 4 lockdown was about 30

working days (33 for residential) or six to seven weeks.

Leys estimated some projects may now be facing delays as long as eight months.

"Before Covid the supply chain appeared to be fine, but the pandemic exposed the fact it was a lot more fragile than anybody realised.

"We have to find a way to manufacture things ourselves and fill those supply gaps," he said.

Trina Farr, business manager for New Zealand construction market intelligence company Pacificcon, said the sector is seeing flow-on effects of supply issues.

"Businesses that manufacture in New Zealand have seen increased demand where otherwise there might have been more overseas competitors supplying."

Farr said supply chain disruption has forced many businesses to adapt their processes to ensure they can meet project timeframes.

"Some are ordering stock as soon as they've won a job, despite the project not commencing for some time.

"Some businesses have completely reviewed their purchasing and project management systems," she said.

Leys said the labour supply issue must also be addressed, with closed borders compounding a pre-

Covid skills shortage.

"With Australia announcing its own programme of infrastructure across multiple states, companies here are starting to worry the few staff they do have will be drawn across the Tasman," he said.

The Government opened the doors to 300 migrant construction workers earlier in the year, but Leys estimated the labour shortfall is about 60,000.

A 2019 report by quantity survey company Rider Levett Bucknall forecast a construction labour shortage of 57,600 by 2026.

Waikato construction business owner Wafaei Swelim said fresh thinking is required to address the labour shortage.

"We're in a country that struggles to find enough human resources. Getting more people in isn't the answer.

"More people means you need more infrastructure, more housing and more services. Automation is the answer."

Swelim said his 3D printed concrete company QOROX is helping to address issues around speed and could revolutionise building in this country, making it a key solution to New Zealand's housing issues.

A key efficiency is staff training.

"You are training machine operators instead of builders. It's much faster," he said.

Swelim believed the tight margins most construction businesses are working to has made many risk-averse.

"They can't afford to try something new in case it doesn't work," he said.

2019's Construction Sector Accord established a joint vision between Government and industry to establish a high-performing construction sector.

The accord's transformation director, Dean Kimpton says a steering group is considering a report into supply issues in the construction sector and how Government can best assist in resolving them.

Leys said the full impact of the pandemic on New Zealand's construction supply chain is yet to be realised.

"We are in a new phase now. The immediate impact of Covid has passed and we're starting to see some of the bigger disruptions.

"The situation we have right now is really complex to solve; it's nothing the industry has seen before," he said.

- Article supplied by Bayleys

Vineyard could be just what the doctor ordered

A highly productive Marlborough organic sauvignon blanc vineyard — which also contains chic, modern premises housing a medical practice — has been placed on the market.

The property, in Rapaura, just north of Blenheim, consists of some 7ha of established sauvignon blanc vine plantings which are BioGrow organic certified. Sitting among the vines is a four-year-old 208sqm designer home, which has been converted into a medical practice.

The vineyard is currently leased to a wine company, with the lessee paying rates, power, and insurance for the vineyard portion in one of Marlborough's premier sauvignon blanc locales, the Wairau Plains.

With organic sauvignon blanc in high demand, the lease could easily be re-negotiated for a longer term or the new owner could add significant value and have wine made under a single vineyard label.

Meanwhile, a new lease could be negotiated with the medical practice or the purchaser could use the premises.

The rectangular-shaped property is 8.25ha. The rural productive land and land housing the medical centre are rated separately with Marlborough District Council.

The freehold land and buildings at 41 Murrays Rd, Rapaura, are being marketed through Colliers Marlborough with offers closing on 31 August.

Sales director Ari Poswillo says the property's primary production and building assets offer a broad range of opportunities for any new owner in a premium location, close to Blenheim CBD, in the heart of the internationally acclaimed wine region.

"With dual revenue streams from two very different economic sectors, the greater property is one of the most rural-based diversified investment propositions you are likely to find anywhere in New Zealand," Poswillo says.

"There is the opportunity for a new owner to negotiate a new lease for the property with the existing vineyard tenant, or to look at providing other wineries in the region, which are



The freehold land and buildings at 41 Murrays Rd, Rapaura, in the Wairau Plains wine region.

always on the lookout for more high-quality sauvignon blanc fruit.

"We have already had several wine companies — buoyed by the site's BioGrow certification for producing organic high-quality sauvignon blanc grapes — interested in taking on the Murrays Rd lease when it comes up for renewal. This interest will be made available to any new owner.

"Meanwhile, there is also the potential to negotiate a lease with the established medical centre, or to return the building to its residential designation for occupation. In its current configuration, we believe it is the only such vineyard/medical centre property in New Zealand."

Poswillo says the medical centre was originally designed as an upmarket north-facing four-bedroom home with fully double-glazed windows, open-plan living and dining areas, ensuite attached to two bedrooms and heat pumps. The single-storey building has its own car parking and is fenced off from the vineyard activities.

- Article supplied by Colliers

Property market healthy but tourism sector lags

Strong interest and record prices are being achieved throughout the commercial property markets around New Zealand but some market segments are lagging, NAI Harcourts' Commercial has reported in its third Key Assets publication for the year.

NAI Harcourts New Zealand general manager Tony Kidd says historically low interest and deposit rates, combined with reduced supply of investment stock, a shortage of appropriately zoned development and an increase in construction costs are contributing to the strong general state of the sector.

However, he says not all market segments are experiencing strong growth and prices. "An example is the tourism sector that has generally experienced a drop in asset values over the last 12-24 months, with revenue per available room being down on previous years," he says.

Of the 25 properties, 16 are for sale, with the others providing excellent lease opportunities.

Properties include several new industrial developments under construction:

- Units in 35 Peters Way, Silverdale, for lease by Rene Geertshuis and Geoff Thomas, with three of the four remaining units available.
- Lot 7/96 Hobsonville Rd and Lot 88 Hobsonville Rd, for sale by Dan Lemkus and Marty van Barneveld, offering new industrial units (four in one and 15 in the other complex).
- In Brent Greig Lane, Te Rapa, Hamilton, The de Leeuw has 15 off-the-plan units for sale offering live-and-work options. He and Debbie Ricketts are also marketing an industrial park in Qual Place, Frankton, with 13 tenancies returning \$356,660 per annum plus GST.
- Shannon Caldwell and Matt Webb are marketing a multi-unit investment (12 units) on two freehold titles, located on Hospital Hill, Napier, to be sold by tender, closing 19 August.

- Supplied by NAI Harcourts

MORTGAGE TENDER

172 Point Chevalier Road, Pt Chevalier

690m² zoned Mixed Housing Urban

So much potential here with this very, very special Point Chevalier property. This essentially level, frontage, 690m² section is zoned Residential - Mixed Housing Urban with a 154m² (according to Property Guru) 48-no character bungalow. Come check out the potential for yourself in the popular and dynamic Point Chevalier location.

External viewing only: Sunday 2:40 - 3:00pm

Tender
Closing 4:00pm, Tuesday 17 August 2021
barfoot.co.nz/316205

BARFOOT & THOMPSON COMMERCIAL

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- Tilt slab construction with composite aluminium panelling
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Auction
6:30pm, Thursday 26th August 2021, 128 Hurstmore Road, Takapuna (Unless Sold Prior)
View www.naiharcourts.co.nz/NSC36749

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Perfectly positioned adjoining the Ellerslie Racecourse between the aspirational suburbs of Ellerslie and Remuera, development sites of this scale and quality are extremely scarce.

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- Bordering the affluent suburb of Remuera
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- Potential for a range of dwellings and a diverse typology mix
- Opportunity to apply for fast track consent development.

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