



WHERE TO, DUNEDIN?

Heritage, high-tech business and academia are holding hands in Dunedin and heading boldly into the future. But will this collaboration be enough to boost prosperity and population growth in the southern city? Peter Feeney reports.



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Dunedin mechanic Rob Milburn out for a winter surf. He loves “the hills, the harbour and the ocean, the beaches, the environment, the people. It’s easy getting around. It’s a stunning place.”

From a construction site in Shenzhen, China, a behemoth is rising: a futuristic, imaginative firing of white, leaf-shaped roofs and exquisitely curved walls rising from a vast, man-made pool. At 120,000sq m, this global headquarters for Chinese fashion giant Marisfrolg is bigger than three Te Papas and an architectural match for anything dreamed up by Antoni Gaudi or Frank Gehry. Perhaps most surprisingly, the project has been designed down to every last sculptural detail in Dunedin.

To reach the offices of Architecture Van Brandenburg – the mad geniuses behind Marisfrolg – I take a taxi from the airport, which boasts a more traditional sculpture in bronze: the Southern Man, forever linked to Speight’s beer and its TV commercials, despite the brewer dropping its craggy high-country heroes – and “pride of the south” catchphrase – for a more metrosexual look in late 2012. The drive to town takes in another memorial of sorts: the site of New Zealand’s first major freezing works, Burnside, in the Kaikorai Valley. The last operation there ceased in 2008 and, after a recent fire, it’s now a smoke-blackened eyesore.

Marisfrolg and Burnside tell two very different Dunedin stories. In the 1880s, the Burnside works supported a cutting-edge export business in frozen meat. It was a big employer, in a then-bustling, business-minded city. Architecture Van Brandenburg (AVB) is also export focused, although it employs only 12 people. But AVB is typical of the nimble, innovative companies Dunedin is betting on as it seeks to rebrand itself and remain relevant. It’s a race between the past and an uncertain future – with the outcome, for now, too close to call.

Dunedin might seem an unlikely location for a project as grand in scope as Marisfrolg. But for Fred van Brandenburg – a Dutch-born, apartheid-era South African immigrant-made-good in New Zealand – the decision to set up a Dunedin office was perfectly calculated.

Otago Polytechnic, with its 3D printers and modelling experts (“a phenomenal intellectual value”, he says), helped with the original 2007 Marisfrolg proposal. Of the company’s staff, only Fred and his

son Damien are architects; the rest are product designers, interior designers, even boat builders (handy when it comes to all those curves), and all bar two are polytechnic graduates. Luca, another van Brandenburg son, handles media.

The van Brandenburgs are relative Johnny-come-latelies to the Dunedin innovation scene. Ian Taylor's Animation Research Limited (ARL) produced the first real-time sports graphics in the world. A former *North & South* New Zealander of the Year, Taylor also heads Taylormade, a 60-strong, multi-media production company which since 1989 has produced animation, film and new media content. Natural History NZ, the successor to TVNZ's Natural History Unit, has been making documentaries from Dunedin for international broadcasters since 1977. ADInstruments has been providing computer-based physiology-monitoring equipment for more than a quarter-century. "From day one, it was an export business," says founder Michael Macknight (see page 82). ADInstruments now has offices in 11 countries, from the US and UK to Brazil, Pakistan and China.

A staunch Dunedinite, Macknight is quick to describe a couple of recent company head-office departures from his city as "illogical business decisions" – besides doing nothing for NZ Inc.

Intellectual capital is crucial to his business and the University of Otago is a wellspring of bright young minds. Most of his staff are local graduates, and the university is both a customer and a source of expertise. It's a symbiotic association that's become common in Dunedin. In 2001, the University of Otago set up the Centre for Innovation, the first purpose-built biotechnology incubation facility in New Zealand. BLIS Technologies and Pacific Edge, now multimillion-dollar companies, were established there the same year, built on the commercialisation of raw university research.

Dunedin Mayor Dave Cull, elected last year to a second term, is a tertiary education champion, calling the sector, "our biggest industry... with more than a fifth of [Dunedin's] population involved."

Two per cent of the city's residents have a PhD – the highest rate in the country. So when the council, chamber of commerce, Ngai Tahu, Otago South-



From left: Designer Griff Humphreys, with Damien, Fred and Luca van Brandenburg. Top: A model of AVB's Marisfrolg fashion house HQ, currently on display at the Venice Architecture Biennale.

land Employers' Association, the university and polytechnic came together to form a long-term blueprint for the city, a strategy to further empower the coupling of the tertiary institutions to business and industry was the inevitable result.

The resulting Economic Development Strategy (EDS) was adopted in 2010. The EDS plays to obvious strengths: access to a highly skilled workforce and relatively low wages and rents – factors already attracting firms like AVOS Systems, a technology company led by YouTube's co-founders and backed by Google Ventures. Tourism remains important to the region, but the central aim is to re-forge the city as New Zealand's high-tech Seattle of the South Seas.

Macknight says Dunedin's reputation has been tarnished over the years by undergraduates fleeing their uninsulated student flats to spread tales of privation in the Ice Station Zebra of New Zealand academia. The EDS is the blueprint behind a raft of initiatives to encourage graduates to stay, presumably in cosier accommodation. One such is the Audacious business awards, which reward the best in student entrepreneurship with cash plus prizes that include broadband-smartphone packages and legal and accounting advice. Language Perfect won the award in 2007; today they have more than 200,000 users of their language-learning software worldwide. First-ever winner in 2006 was medical school student Kim Chilman-Blair,

whose company Medikidz provides medical information to children, through a comic-book model, and is now based in London.

Never mind the America's Cup defeat in San Francisco – this year Ian Taylor's ARL won an Emmy Award (in the Outstanding New Approaches, Sports Event Coverage category) for their America's Cup mobile app, which allowed fans to engage with the event anywhere, anytime. ADInstruments was voted the number one place in the world to work in life sciences in 2012 by *The Scientist* magazine, ahead of companies like Dupont (with 70,000 employees). BLIS Technologies was the Food and Beverage 2010 Global Entrepreneurial Company of the Year. Natural History NZ has quietly garnered close to 200 international awards over its 37 years in business.

Such companies are genuine success stories – but are little known outside of Dunedin. John Christie, chief executive of the Otago Chamber of Commerce, is Dunedin-born and bred. "Dunedin doesn't shout what it's doing from the rooftops," he says. "We're a city that does the hard graft. Sometimes it can be difficult to discover what's going on."

In response, Paula Hellyer of Glow Consulting dreamed up the Long Lunch, which regularly brings together Dunedin's creative entrepreneurs in interesting city locations. "We put people together in the hope that they will find common ground, get to know each other and collaborate," she says. "Success stories here like to hide; they don't think what they do is particularly special."

Meet Jeremy Smith in the early-20th-century time capsule that is his office at historic Olveston House. Our chat begins with the surprising confession that he ran away to the circus aged 16; an unlikely beginning for a career in heritage tourism.

He tells me there's plenty of old money washing about. "You wouldn't know it though, people just don't flaunt it here." As a recent example of public generosity, Smith cites the 2012 campaign that raised \$3 million from the local community to help keep neurosurgery at Dunedin Public Hospital. There's an old-world way of doing business here too, in frugal and sometimes fractious Dunedin. The *Otago Daily Times*, found-



Top left: Michael and Kelly Macknight. Top right, Dunedin Mayor Dave Cull. Above: The Speight's building and factory.

ed in 1861, is still locally owned, the only major New Zealand daily newspaper not swallowed up by overseas media interests. A few years back, Ian Taylor spoke out on the subject of executive salaries, saying, "They should be measured by how well [the executive] protects jobs, and should bear a direct relationship to how well the employees are paid."

Innovation, risk-taking – and hard Scottish graft – none of this is new to Dunedin. The city boasted many of the colony's notable "firsts", like the university's medical, dental and arts schools, largely built on the proceeds of the country's first big gold strike in Otago. Julius Vogel's public works of the 1870s and the golden fleece of sheep farming main-

tained the momentum. Companies like Shacklock (which became Fisher & Paykel), Hudson's (which merged in 1930 with British chocolate maker Cadbury's) and Speight's were all founded and still operate in Dunedin. The first export shipment of frozen meat sailed from Port Chalmers in 1882, kick-starting a trade that would help pull the colony out of the depression of that decade.

Freezing meat was the answer then to the tyranny of distance. Today, in the internet age, good ideas can come from anywhere – or so Dunedin's strategists are wagering. But Dunedin has endured a long interregnum in between. The city's head-start turned out not to be decisive, or permanent. With the end of the Land Wars, the vector of development moved



BLESSED IN DUNEDIN

Middle class with million-dollar views – the Milburns aren't going anywhere.

The morning I visit Rob and Bernadette Milburn, they're sitting down to waffles for breakfast. Bernadette is an occupational therapist, working with the disabled; Rob's a mechanic. Their house is an unpretentious four-bedroom brick and roughcast in Brockville which – a whole 10 minutes' drive from the Octagon – rates as an outlying suburb.

There's a biting southerly but Bernadette, in a typically insane Dunedin way, insists it's balmy. Actually it's numbingly cold. But the Milburns live proudly in a house with no central heating. "I like the cold," says Elizabeth, their 21-year-old daughter. I believe her. By my cellphone reading, it's warmer outside than in her downstairs bedroom. But there's a cheerful log fire in the lounge, lit I suspect solely for my benefit. As I defrost I'm beset by chirpy truisms: "You get more done if it's colder" (Bernadette); and "You sure appreciate a hot day when it comes" (Rob).

Rob and Bernadette are not wealthy, but work has been steady. Parked down the driveway is the usual mechanic's line-up of miscellaneous vehicles, including a LandRover for 4WD adventures and a 1989 Dodge van: "Our holiday home on wheels," says Bernadette.

Nestled on the slopes of the Kaikorai Valley, they have "million-dollar views" of the harbour. "Everything's close," declares son James, 19. "There's a good community feeling here," adds Bernadette. "You know everyone."

Rob was born in Dunedin and met Bernadette when she came from Wellington to study. They attended the same church; Rob's father invited Bernadette home for lunch. "She was served up on a platter really..."

Bernadette laughs: "His father has always said he's had to do everything for Rob."

That was in 1987. They moved to Invercargill in the 90s. "We had an opportunity to start a branch of the family business there," explains Rob.

But with the first of their four kids starting high school, they moved back.

"Rob's heart was in Dunedin," says Bernadette, then adds one of her trademark puns: "We tried to take fresh blood into Southland but we failed."

Rob explains the Dunedin connection: "My people were some of the first on the peninsula, farming. They started the first cheese factory there."

Dunedin: what's to like? "The hills," says Rob. "The hills, the harbour and the ocean. The beaches. We like the environment, the people. It's easy getting around. It's a stunning place."

Bernadette: "We went for a walk across the hills yesterday – it was a 10-minute drive to native bush with stunning views of the sea. What other city has that?"

"Or you're at a deserted peninsula beach with a few penguins and some seals," adds Rob, a dedicated surfer. He's out on his board right through winter in a 5mm suit. With no gloves... The couple made a road trip up the North Island recently in their Dodge van. "The difference is that I'll be surfing here with five people, not 50."

What do they think of the prospect of oil being found off the coast? "A necessary evil," says Rob. "Those opposing the drilling will hopefully make the recovery of oil and gas safer, which is a good thing. The environment is important, but creating those kinds of jobs is beneficial to the working-class community in Dunedin."

They opposed the destruction of Carisbrook. The working man's stadium, Rob calls it. "There was absolutely nothing wrong with it."

After breakfast, they were going fishing, then for a picnic at Aramoana. Where they had the massacre? "That was a long time ago, Peter," says Bernadette. In fact, 1990. "It's the best place to wave goodbye to the cruise ships."

She's joking, surely? "No! It's like having an apartment block sail past. It's thrilling. The tourists on the boat pay thousands to wave at us; we're waving for free."

"We're very lucky," says Rob, then hesitates. "I'd say we're blessed, but we'd come across as icky Christians."

"We are Christians," laughs Bernadette. "But not at all icky."

north, gradually pulling head offices and firms with it.

Even by the early 20th century, Dunedin's relative decline against other centres was unmistakable. Census results became the occasion of anxious editorials – a theme that has continued to this day. Fletcher Construction, Methven Taps, the Union Steamship Company, DIC, Coulls and Somerville Wilkie (later part of the Whitcoulls group) are just a few of the companies founded here that have since moved on. There was even negative growth for a time in the 1970s.

The city's relative stagnation meant it largely missed the building boom that gathered force from the 1960s elsewhere, and which caused the demolition of so many historic buildings. In a visit in 1993, I remember the downtown looking tatty, with the Robert Burns statue gazing forlornly in the vague direction of the long-gone, magnificent Stock Exchange building. Its destruction in 1969 is Dunedin's guilty secret, the act that is said to have woken the citizenry to an appreciation of their city's heritage assets.

Athol Parks of City Walks sports an encyclopaedic knowledge of Dunedin's history, with impressive Edwardian mutton-chops to match. On a stroll around the CBD, he shows me the scene of the crime: the Stock Exchange replacement, the John Wickcliffe building. It's an insipid 1970s office block, and it's hard to imagine the civic leaders of the day ever thought it might constitute an improvement.

Parks tells me the block today is struggling for tenancies, unlike the Warehouse Precinct down the road, where newly renovated offices are being snapped up. Dr Hayden Cawte heads software development start-up AREO, typical of the kind of tech company with offices there. "The area is rife with innovation, ambition and optimism," he says. "As the saying goes, new ideas need old buildings."

In 1994, in a landmark move that was to signal future interventions, the council bought and then spruced up the railway station. The sale price was a bargain at \$1 (though the do-up was somewhat more expensive). Later came a string of expensive investments, all over a five-year period: a \$42 million refurbishment of the Town Hall complex; the \$38 million Toitu Otago Settlers Museum do-up; a \$78 million waste-water treatment



Arjun Haszard of Quick Brown Fox organic liqueurs runs a regular stall at the Saturday Otago Farmers Market at the historic Dunedin Railway Station.

plant and finally the much-scrapped-over Forsyth Barr Stadium – at a whopping price-tag to the city of \$160 million (out of a total cost of \$266 million).

The spend-up has spurred tourism and added to the quality of life, and also helped make Dunedin's per capita debt position second only to Auckland's. Nevertheless – and somewhat to its own surprise – Dunedin has emerged in recent years as a small city of enviable lifestyle with superior infrastructure. It has undisputed assets: the art deco beachside suburbs of St Clair and St Kilda, with their heated salt-water swimming pool, cafes and playgrounds; the Otago Peninsula, a sanctuary for sub-Antarctic wildlife; a CBD that boasts, by default, the greatest concentration of heritage buildings in the country; and world-class tourist attractions such as Olveston House, which was this year voted New Zealand's number-one travel attraction on TripAdvisor, and the privately owned Larnach Castle.

History has also bequeathed under-utilised space in heritage buildings, which property developers like Steve Macknight (brother of Michael) are snapping up and restoring. Auckland leads in capital gains but gross rental yields in Dunedin, thanks to cheap real estate and a steady supply of student renters, are the highest in the country. Yet rents are still less than in any comparable New Zealand city – almost the only encouragement many artists, designers and start-up entrepreneurs need.

Since 2000, economic growth in Dunedin has exceeded population increase. But the population has only doubled since 1910 so the city has stayed small. Arjun Haszard of Quick Brown Fox organic liqueurs runs a regular stall at the Saturday Otago Farmers Market at the Dunedin Railway Station. Here he serves up alcoholic chocolate concoctions from a miscellany of glass tasting vessels he's picked up at local op shops. He tells me how Strictly Coffee helped his start-up by letting him roast and brew on their premises. Local beer baron Richard Emerson bumps into Haszard on occasion and offers advice on everything from labelling to marketing.

Dunedin's compact size enables creative collisions of this kind, the sort of accidents Len Brown wants to encourage with his various sub-city Auckland hubs. It's why Dunedin's new incubator, Startup, opened up shop this August on the edge of the university and polytech precinct. Project manager Dr Henk Roodt, who's been a business coach for the Audacious awards for the past two years, looked at similar spaces in Finland and Denmark, and discovered the most successful were close to a tertiary base. "It gives individuals easier access to smart facilities, while still making it easily accessible to entrepreneurs who are not part of the university." The venture joins a crowded space: Upstart has been helping high-growth Dunedin companies get started for 10 years, and



Above: The 10-storey former Chief Post Office is being converted into a 120-apartment hotel and office space for Silver Fern Farms. The bottom floor is shown, before and after the renovation.



KiwiRail's old Hillside engineering workshops, which closed in 2012, with the remnants of the demolished Carisbrook Stadium in the foreground.

has just merged with venture capital investors PowerHouse Ventures. Since 2008, The Distiller, located in the Centre for Innovation, has been providing services for pre-seed entrepreneurial tech ventures.

But there's another side to the ledger, working in parallel to the brave new world of high-tech and innovation: continuing job losses.

In recent years, Dunedin has lost more than 100 full-time state sector jobs in hospital kitchens and the NZ Post mail centre. KiwiRail closed its Hillside engineering workshops in 2012, having lost a succession of tenders to Chinese Northern to build new wagons and locomotives. Ninety jobs went, as well as the expertise of a 111-year-old company. The big blow came in 2008 when Fisher & Paykel moved its factory offshore cutting 430 jobs (although keeping their R&D division in Dunedin). The same year, operations at the Burnside Freezing works ceased. It's been 14 years since any wool was spun at the once-famous Mosgiel mill.

When Dunedin does make the national news, it's often about layoffs. As Michael

Macknight says: "If 10 jobs are lost, you read about it. But if 50 jobs are created, you don't." At times it must feel like death by a thousand cuts. In February this year, Air New Zealand axed its latest direct flight of the day between Auckland and Dunedin – seemingly a trivial decision, but one that will mean an extra overnight stay in Auckland for many Dunedin businesspeople. In April, Bell Tea, citing the bill for earthquake strengthening its historic Dunedin building, ended a long association with the city, moving its remaining jobs to Auckland. The company was founded in Dunedin in 1898.

The last straw for many came in July last year, when Crown Entity AgResearch announced it would relocate 85 research jobs from its Invermay facility near Mosgiel, leaving only 30 positions remaining. The proposal was against the advice of AgResearch's own internal change team and the wishes of almost all Invermay's scientific staff. Using a multiplier effect, then-president of the Otago Chamber of Commerce Peter McIntyre estimated the losses would affect more than 300 individuals and businesses.

Jock Allison was director of Invermay from 1978 to 1986, and a director of AgResearch from 1992 to 1999. If the move

proceeds, it will, he believes, "lead to the virtual destruction of two world-class research groups [deer and sheep genetics], dismantle collaborations deriving from the Dunedin agricultural research hub, the loss of top scientists, and end, inevitably, in the closure of Invermay."

Mayor Dave Cull recalls a recent conversation with Sam Robinson, chairman of AgResearch. "The last thing he said to me was, 'All our advice is that scientists are attracted to late-model buildings and the best kit they can get.'

"But Invermay has the best building and kit in all AgResearch's facilities – it's just had a \$17 million upgrade. Their business case doesn't stack up; it's just sloppy. You have to conclude the decision has been driven by political reasons: to bolster Christchurch in an election year, and prop up a faltering university with a very poor research record – Lincoln."

The Invermay decision, says Cull, is one that by law the government could overturn, if it chose to. "It's not just about losing those jobs. It is going to the core of where we think Dunedin's economy is going... Dunedin has the biggest concentration of geneticists in the Southern Hemisphere if you take out

Singapore; we have a genetics research hub not only focusing on agriculture, but a huge research hub here, period – private as well. Taking Invermay out not only weakens that mix, but gravely weakens AgResearch's ability overall to service its customers: partly because they are tearing apart something that's a genetic hub, but also because most of the Invermay geneticists won't move, and the value of their work will be lost to the national economy."

Ironically, Steven Joyce (whose five ministerial portfolios include Economic Development) launched the city's much-praised economic development strategy. "He commented that it was one of the best he'd seen and was achievable," says Cull. "Then he allows AgResearch to kick one of the legs out from under it..."

Ongoing blows such as Invermay explain why, despite its best efforts, Dunedin is still struggling to expand its GDP and population (currently 120,000). While neighbouring Queenstown Lakes District is the second fastest growing in the country and Auckland struggles with infrastructure lag and rocketing house prices, Dunedin faces its own challenge: a centralising and consolidating tendency in government and business that at times

appears to defy logic.

Says John Christie: "Government offices can be here instead of everything gravitating to Auckland or Christchurch." Michael Macknight agrees. "We don't want subsidised jobs. We realise some jobs in manufacturing have to go. We just want logic. Shipping out of here is more expensive, but other inputs like salaries are cheaper."

And, in fact, a month before the Bell Tea announcement, coffee and food producer Cerebos-Greggs announced that it would be closing down its Auckland factory and shifting its New Zealand production to Dunedin. It's a move that will bring significant capital investment and jobs to the city. "It's entirely sensible," said Christie at the time. "I'm surprised more companies don't do it." Christie tells me that Fisher & Paykel's new Chinese owners, Haier, are creating 60 new research jobs in Dunedin. He's not sure if that news made the papers north of the Waitaki River... and he may well be right.

Cull suspects AgResearch's proposal may implode under the weight of its own inconsistencies. "They're not planning to do anything till 2017; they are haemorrhaging good staff. They haven't

sold the properties they were going to sell to fund the new building at Lincoln. And the University of Otago is actually doing more work with AgResearch, which is shifting researchers and geneticists back out to Invermay. So it's hard to know what will ultimately happen, especially when the AgResearch staff are so resolutely against the relocation... we'll wait and see what political reality imposes on the situation."

The bigger context around Invermay is the value placed on regional development. "Lip service" is how Cull describes the government's attitude. "Its actions belie the rhetoric. One of the issues dear to the government's heart is housing affordability, and pumping more [people and resources] into Auckland to push up demand doesn't seem to me to be helping that – in fact the opposite."

Otago and Southland together have close to seven per cent of the population but produce double that in export dollars for the country.

"The region is earning a living," Cull stresses. "If you let regional support capacity and centres wither, productivity in your regions is going to go backwards. If the regions don't prosper, the country won't."

Photographer Ken Downie took this picture of buildings surrounding the Octagon from the clocktower of the Dunedin Railway Station (shown on page 73). The white building in the foreground with the flag is the home of the *Otago Daily Times*.





St Clair Beach, above. Above right: The beachfront Esplanade restaurant in St Clair.

Cull has a ruddy, lived-in kind of face: not a bad poster kid for a city that's had more than its fair share of knocks but refuses to get out of the ring. The day we talk, he's just met with Otago's vice-chancellor, Professor Harlene Hayne. They discussed, among other things, the university's \$358 million building programme, most of it in Dunedin.

"But she was also saying that one of the factors about hiring academic staff was the city's lifestyle," he says. "The ability to cycle to work was frequently a must-have. So it's not just a matter of, is this a good place to do business? It's also about, is this the kind of place where people working in research and innovation want to live and raise families?"

The New Zealand economy may be experiencing a cautious growth cycle, but it also faces an ageing regional population – and a productivity challenge to match. The tide may be turning in Dunedin's favour, but perhaps we shouldn't expect anything too dramatic – that might be a little out of character for the city. "Dunedin has always been a pretty steady place," Michael Macknight tells me. "It hasn't had the booms or the busts. People who live down here are hugely positive about the place though. They want to be here." +

ALL IN THE FAMILY

The Macknight brothers weave together Dunedin's strengths in technology and heritage architecture.

Michael Macknight is CEO of AdInstruments, a tech company that produces data acquisition and analysis systems for the life science industry. Few will understand what that actually means. But with the demise of traditional manufacturing in Dunedin, it is technology companies like Macknight's that the city is betting its economic future on.

AdInstruments started as a spin-off project to Macknight's computer science masters at Otago University in 1986. Now he has 200 staff in 13 offices globally. His wife, Kelly, is head of PR. But the head office is still here, located in the Donald Reid building, part of the trendy warehouse district. Like many businesses, they bought an old warehouse to refit instead of renting: the do-up was undertaken by Michael's brother, Steve Macknight, a civil engineer and property developer. Together they own five significant

heritage buildings. Steve's company has won the Dunedin Heritage Re-use Awards two years running.

Michael, Kelly and Steve talk to me via Skype. I start by asking Steve how the maths stacks up in his line of work: heritage do-ups. He's surprisingly relaxed about earthquake strengthening costs ("Something that was going to happen anyway"). But he also feels that the uncertainty around the legislation – there may be tax incentives in the pipeline – is causing people to delay and slowing up progress.

"We have some really well-built old buildings here so there's a lot more potential... Rents are less than \$200 a metre; in Auckland and Wellington and Christchurch they are \$500-\$600 for the same quality space. We are able to buy these buildings cheaply, do them up, rent them and still make a return: a two-storey building can make a return.

In Auckland, you'd want to keep the façade and build 20 storeys behind it."

I ask Michael about the pros and cons of basing an export-driven company in Dunedin. "No matter where we put our HQ in the world, we're still a long way from most of our customers," he says. "We have sales people all around America and they face the same challenges, and end up working remotely via tools like Skype, as we do.

"Our Sydney office has major nightmares with staff not wanting to travel into the city for meetings, and wanting to start and finish at different times to avoid traffic. Here it's a five-minute walk to see the lawyers, or the accountants, rather than an hour in traffic. They were laying high-speed internet cable in the street during our refit. It costs us about half as much to employ a person in Dunedin as in Sydney, because the salaries are higher in Sydney, and the exchange rate, the office space and the payroll tax all cost more there."

Kelly adds: "People overseas are also quite interested in moving here because they get the lifestyle, but because we're a global company they're still progressing their careers."

"Absolutely," agrees Michael. "We want the cleverest people we

Top: Steve Macknight, a civil engineer and property developer, in the top floor of one of his Dunedin buildings. Concreting the wooden floors, he says, strengthened the historic building.

Above: Consultancy House, another of Macknight's projects, is an early steel-reinforced structure known as "New Zealand's first skyscraper". The seven-storey building was reportedly the tallest in the Southern Hemisphere when it was completed in 1910.

can get... We want them happy and enthusiastic, not bogged down in traffic and stressed over their mortgage. Many are first-time home buyers who could never afford a house in Auckland."

Michael and Kelly have 6.8ha of land – and are 15 minutes from the office. "If you're looking for a lifestyle that gives you an extra hour or two a day to yourself, this is it," says Michael. "And being a university town it comes with all those facilities, that vibe... Dunedin doesn't have the

downsides of other small towns."

I make the mistake of mentioning the cold, drawing a passionate response from Steve: "A big part of the negative perception about Dunedin is based on the weather. And a lot of it is plain wrong. We have half the rainfall of Auckland, we have less wind than Auckland. Most people's houses are warm.

"If you look at the numbers for an active outdoor lifestyle, Dunedin is a far better place to be. It snows maybe once a year." +