

PROPERTY **E**CONOMICS



SILVERDALE WEST INDUSTRIAL

PLAN CHANGE RFI RESPONSE

ECONOMIC MEMORANDUM

Client: Fletcher Development Limited

Project No: 52233

Date: October 2023

25 October 2023

ECONOMIC MEMORANDUM

To: **Natasha Flavell**

Associate Development Manager

Fletcher Building Limited

Email: Natasha.Flavell@fbu.com

RE: **SILVERDALE WEST PRIVATE PLAN CHANGE**

INTRODUCTION

Property Economics has been engaged by Fletcher Development Limited (**Fletchers**) to provide a high-level response to Auckland Council's request for additional information (**RFI**), specifically Query T9, pertaining to the traffic impact assessment of the Fletchers PPC

Council's concern lies in understanding the reasoning behind the Integrated Traffic Assessment (**ITA**) conducted for the PPC, particularly the assumption of a significant proportion of the land holding is likely to be consumed by warehouse, distribution and logistics activities.

Although this query primarily focuses on the traffic effects, it is closely linked to Property Economics' prior Economic Assessment¹. In that assessment, we estimated that an appropriate distribution of light industrial activities at the PPC site would allocate approximately 50% to warehousing, logistics, and distribution, with the remaining 50% divided among general industrial (20%), industrial park (15%), and manufacturing (15%). This means the highest proportion of land at Silverdale West would likely be consumed by land extensive activities, which while proportionally small by number would account of a significant proportion of the developed land.

ECONOMIC RESPONSE

Council Query T9: *The ITA assumes a high proportion of 'warehouse, distribution' activities within the PPC area. This is based on advice that assumes "less expensive land prices". Given the forecast year of 2034 and uncertainty around land prices over time, we consider a sensitivity test should be provided that considers more general industrial activities across the zone that would be permitted as light industrial. This should demonstrate the proposed infrastructure upgrades can accommodate this potential outcome.*

PE Response:

One economic rationale behind our suggestion of a substantial allocation to warehousing, logistics, and distribution activities is the notable and growing demand for land-extensive industrial space

¹ *Silverdale Industrial Private Plan Change Economic Assessment, Property Economics, dated August 2023*

within the Auckland Region when new industrial area are zoned. This consideration is also identified and emphasised in the draft Auckland Future Development Strategy (**draft FDS**).

As per the draft FDS, the initial results of the draft Business Capacity Assessment suggest shortfalls in some sub-regions particularly for land extensive sectors in the short to medium-term².

Importantly, Page 48 of the draft FDS explicitly states that:

“Approximately 1,400ha of business land is needed in greenfield areas. As part of high-level planning indicative centres were identified to serve all the main future urban areas. Indicative business land was also identified to serve the north, north-west and southern future urban areas, the focus was on identifying sites for land extensive businesses, particularly in Silverdale, Whenuapai and Drury- Ōpaheke”.

“Structure planning for these areas will ensure that a range of business uses is provided for and that land extensive businesses, such as manufacturing, logistics and construction, are accommodated where appropriate”.

Considering the above, it is evident that allocating a higher portion of land to accommodate warehousing, logistics, and distribution activities at the PPC site aligns with the expected demand in the region and the Silverdale local industrial market. The Plan Change area is also strategically located for these large industrial activities with some critical characteristics (e.g., proximity / easy access to SH1 and proximity to a large (and fast growing) employment base in the Hibiscus Coast).

In terms of land values, the location of this new industrial zone in Silverdale, being on the urban fringe of the North Shore, means it would have lower land values than existing industrial area within the North Shore market (North Harbour Industrial Estate, Wairau Road, Rosedale, etc.). So in terms of land values, it is not the actual value at a point in time that is important it is the relativity. The relativity between the land values across the different areas will likely remain fairly constant, so Silverdale will still have lower industrial land values on a relative basis, and therefore remain attractive to land extensive industrial activities. Land value movements in Silverdale will be reflected in similar land value movements across the North Shore area so the relativity between industrial area remains similar. This means Silverdale will still have lower land values on a relative basis and therefore attractive to the larger scale, land extensive industrial activities who have struggled to find suitable sites to service this market.

The Landing Business Park is one of the most recent examples of a newly developed larger scale industrial zone in the region. The Landing Business Park is situated to the north of Auckland Airport. This expansive area spans 175ha and has become the base for several companies with large land requirements not easily found in Auckland. These include Hellmann Worldwide Logistics, Bunnings, Foodstuffs North Island, DSV, and others. As depicted in the following figure, within a 37-ha section of The Landing Business Park, there are eight warehousing and logistics facilities, each occupying land areas ranging from 2.1ha to 15.4ha.

² Refer 4th Paragraph on Page 31 of the draft FDS.

These all represent new developments when industrial land became available, and not all are related to the airport. As shown in the figure below a total of 36.5ha of land was consumed by only eight industrial businesses – the majority logistics, warehousing and distribution activities.

FIGURE 1: EXTENT OF THE LANDING BUSINESS PARK ACTIVITIES



Source: Google Maps, LINZ

This needs to be compared to a recent development in Silverdale at 36 Peters Way. This development contains around 74 small industrial units and occupies around 1ha of land. There is plenty of opportunity for these smaller industrial activities to locate in any industrial zone in Silverdale, whereas the land extensive businesses have no choice in the Hibiscus Coast area at present.

The land consumption comparison is stark – only 8 warehouse, distribution and logistics business consuming 36.5ha of land vs 74 industrial business consuming 1ha of land. It is for these reasons that Property Economics consider 50% of the developable land proportion of the PPC area be allocated to land extensive warehouse, logistics and distribution activities. If anything, this could be considered a conservative estimate based on recent development patterns of new large scale industrial areas being brought to the market. Modelling based on a lower proportion than indicated, or alternatively a higher proportion of smaller general industrial businesses, would likely represent an unrealistic theoretical outcome rather than one with practical outcome potential.

FIGURE 2: SMALL INDUSTRIAL UNITS DEVELOPMENT EXAMPLES IN SILVERDALE

Source: Bayleys, OneRoof.

Furthermore, the 50% allocation would contribute to addressing the anticipated shortage of industrial land for land extensive industrial businesses in Silverdale. These businesses currently have no location options in the area, whereas smaller industrial activities have multiple business location alternatives available placing more emphasis on land extensive industrial activities in the PPC area.

In light of the additional analysis provided in this Memo, Property Economics considers there is no practical economic basis for conducting sensitivity testing on the economic assumptions that have informed the ITA.

If you have any queries, please give me a call.

Kind Regards



Tim Heath

M: 021 557713

PO: Box 315596, Silverdale 0944, AUCKLAND

E: tim@propertyeconomics.co.nz

www.propertyeconomics.co.nz