

# PROPERTY ECONOMICS



**167-173 PILKINGTON ROAD**

**PILKINGTON PARK PPC**

**ECONOMIC ASSESSMENT**

Project No: 52209

Date: September 2022

Client: Wyborn Capital Investments  
Limited



## SCHEDULE

Code	Date	Information / Comments	Project Leader
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## CONTACT DETAILS

Tim Heath

Mob: 021 557713

Email: [tim@propertyeconomics.co.nz](mailto:tim@propertyeconomics.co.nz)

Web: [www.propertyeconomics.co.nz](http://www.propertyeconomics.co.nz)

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## 1. INTRODUCTION

Property Economics has been engaged by Wyborn Capital Investments Limited (**Wyborn**) to prepare an economic report assessing a proposed Private Plan Change (**PPC**) seeking to rezone around 7.4ha of land on Pilkington Road, Auckland, from Business - Light Industry zone (**LIZ**) to Business - Mixed Use zone (**MUZ**).

This report assesses the industrial market in the context of the current zoned land provision, future expected industrial land supply, and industrial land market demand as outlined in the relevant Auckland Council reports.

The existing business environment within the broader Auckland Region and the localised catchment area of the PPC are assessed as to their suitability and further growth opportunities and help inform the economic costs and economic benefits of the PPC.

The findings of this report will assist Wyborn and Auckland Council in their understanding of the relevant economic context and the applicable economic costs and benefits of the proposed PPC. The cost-benefit analysis contained within this report summarise the most pertinent implications of the proposed PPC and directly inform the reports recommendation as to the appropriateness and suitability of the proposed PPC from an economic perspective in the context of the RMA.

### 1.1. KEY RESEARCH OBJECTIVES

The core objectives of the report are to:

- Delineate the geospatial extent of the proposed PPC's core economic catchment and competitor land network.
- Quantify the projected population base of the Auckland region and localised catchment.

- Assess the existing industrial land capacity and anticipated uptake of industrial land in Auckland.
- Assess the vacant supply / capacity of industrial land in Auckland's current and anticipated future industrial land network.
- Assess industrial employment trends in the local catchment and wider Auckland region.
- Identify potential growth opportunities available within the localised catchment to internalise additional employment / economic activity.
- Assess the most recent development pattern among non-residential building consents around Auckland.
- Identify the high-level economic costs and benefits of the proposed PPC and provide an economic position based on those costs and benefits as to the appropriateness and suitability of the proposed PPC from an economic land use planning perspective.

## 1.2. INFORMATION SOURCES

Information and data have been obtained from a variety of sources and publications available to Property Economics, including:

- 2018 Census – Stats NZ
- Auckland City Unitary Plan (Operative in Part) Zonings – Auckland Council
- Building Consent Statistics – Stats NZ
- Business Demographic Statistics – Stats NZ
- Core Economic Catchment Map – Google Maps, ESRI, LINZ, Property Economics
- Drury Opaheke Structure Plan – Auckland Council
- Household and Population Projections – Stats NZ
- Housing and Business Development Capacity Assessment 2017 – Auckland Council
- Pukekohe-Paerata Structure Plan 2019 – Auckland Council
- Silverdale West Dairy Flat Industrial Area Structure Plan 2020 – Auckland Council
- Warkworth Structure Plan - Auckland Council
- Plan Change 69 Whenuapai (Spedding Block) – Auckland Council

## 2. EXECUTIVE SUMMARY

This report assesses the most pertinent economic considerations for rezoning the proposed PPC site, on Pilkington Road, Point England, from Light Industrial Zone (LIZ) to Mixed Use Zone (MUZ).

The Housing and Business Capacity Assessment 2017 (HBA) estimated the Auckland Region's total zoned industrial vacant land capacity at around 684ha, consisting of 574ha of LIZ and 109ha of Heavy Industrial land. In addition to this, there was also a further vacant 'potential' land (zoned land that has not been substantively developed) of around 2,310ha, of which 1,706ha is anticipated to be LIZ and 604 is anticipated to be HIZ. Furthermore, there is also another 675ha of industrial land being advanced via Council Structure Plans across Auckland. Combined, this is more than sufficient to accommodate Auckland's long term (30-year) industrial land requirements.

While an unknown proportion of this land has been absorbed by the market since the HBA was published, with anticipated total industrial land demand of around 1,420ha by 2048, the vast majority of this vacant capacity would remain available in place given its sheer quantum and remains well above long term industrial land demand projections.

While the PPC site currently remains an industrially based business location, the localised catchment is in the midst of a transition to a more mixed-use environment, with a noticeable fall in the share of industrial sector employment over the last 21 years. This transition requires the land provisions within the catchment to be more flexible to adapt to the observed market trends and accommodate the increasingly diversified community demand.

The proposed PPC's catchment employment internalisation rates indicate that the catchment has provided sufficient industrial employment to the local population and the catchment has a net inflow of industrial employees. However, commercial sector employment, particularly financial and insurance services, and knowledge-based professional and technical jobs, have not been sufficiently accommodated within the catchment to satisfy local demand. These sectors are the employment growth opportunities that the localised market needs to capture for further economic prosperity and market efficiency.

The economic benefits associated with the proposed MUZ at Pilkington Road would outweigh the economic costs by a considerable margin. Its unique locational characteristics means the MUZ would better meet the NPD UD requirements and generate significant infrastructure, transport, employment, market and economic efficiencies that cannot realistically be realised through maintenance of the LIZ.

Accordingly, Property Economics supports the PPC from an economic perspective under the RMA, NPS UD and AUP(OIP).

### 3. PPC OVERVIEW

The following figure shows the extent of the proposed PPC site with its current and proposed zoning in the context of its immediate surrounding zoned environment. Also shown is the 800m walkable catchment from Glen Innes Train Station, a key infrastructure asset in close proximity of the PPC site.

The site encompasses approximately 7.4ha of land in Point England, Auckland, and is adjacent to Apirana Avenue and Pilkington Road to the east and Merton Road to the north.

The proposed PPC seeks to rezone this site from LIZ to MUZ to enable a more efficient and more diverse / integrated mix of land uses.

**FIGURE 1: SUBJECT SITE IN THE CONTEXT OF SURROUNDING UNITARY PLAN ZONINGS**



*Source: Auckland Council, Google Maps, Property Economics.*

LIZ anticipates industrial activities that do not generate objectionable odour, dust, or noise. This includes light manufacturing and production, logistics, storage, transport, and distribution activities. The proposed PPC site is currently occupied by a mix of mainly light industrial business activities, including food manufacturing, freight transport and wholesale trade.

In contrast to the existing LIZ provision, the proposed MUZ would enable more a flexible land use including a compatible mix of residential and employment activities that does not cumulatively affect the function, role, and amenity of centres, i.e., designed to complement rather than compete with centre zones.



Important to note is that there is a level of overlap between the LIZ and MUZ in respect of some land use activities. Some light industrial activities are permitted within the MUZ, including industrial laboratories, light manufacturing and servicing, repair and maintenance services, and warehousing and storage. As such, many of the types of activities that currently operate within the PPC area would remain as a permitted activity under the MUZ provisions.

As shown in the figure above, the subject site is contiguous with the existing MUZ to the immediate south. The PPC, therefore, is envisaged to extend the existing MUZ extent to cover the proposed site and enhance the site's land use flexibility and efficiency.

Additionally, Figure 1 shows that most of the PPC area is within an 800m walkable catchment of the Glen Innes Train Station. Policy 3 of the NPS UD<sup>1</sup> gives a clear direction to enable building heights of at least 6 storeys within a walkable catchment to existing and planned rapid transit stops. As an industrial zone, this site is unlikely to deliver a material level of multi-level development and therefore struggle to take advantage of the intensified development opportunities available to the PPC site and associated economic benefits and efficiencies. The Mixed-Use zone, however, would enable residential apartments to fill the vertical building capacity, thereby better deliver on the objectives and policies of the NPS UD.

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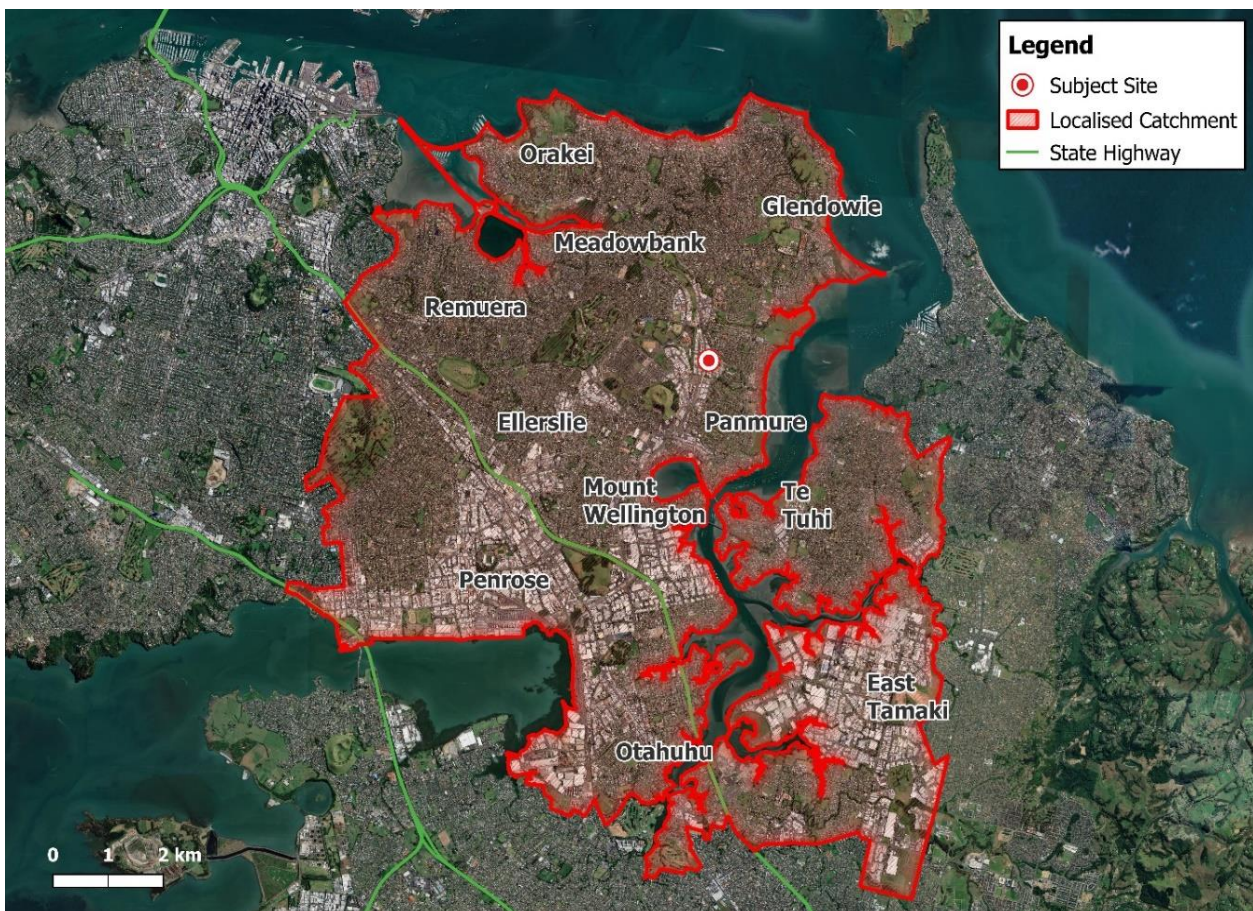
<sup>1</sup> National Policy Statement on Urban Development –2022

## 4. LOCALISED ECONOMIC ENVIRONMENT

The following figure shows the extent of the localised catchment for activities developed on the PPC site. This catchment does not represent the total market that activity within the subject site would service, as they may service broader regional / national / international markets, but rather the area that activities within the proposed PPC would primarily service or the catchment serviced on a more frequent basis and has a strategic locational advantage in regard to access and proximity.

The localised market of the proposed PPC covers a broad range of environments area that includes the major regional industrial nodes of East Tamaki, Otahuhu, Penrose, Mt Wellington, Panmure, as well as the northern waterfront areas of Orakei to Glendowie and neighbouring suburban areas of Meadowbank, Remuera and Ellerslie.

**FIGURE 2: GEOSPATIAL EXTENT OF THE LOCALISED CATCHMENT**



Source: Google Maps, LINZ, Stats NZ, Property Economics

## 5. POPULATION GROWTH

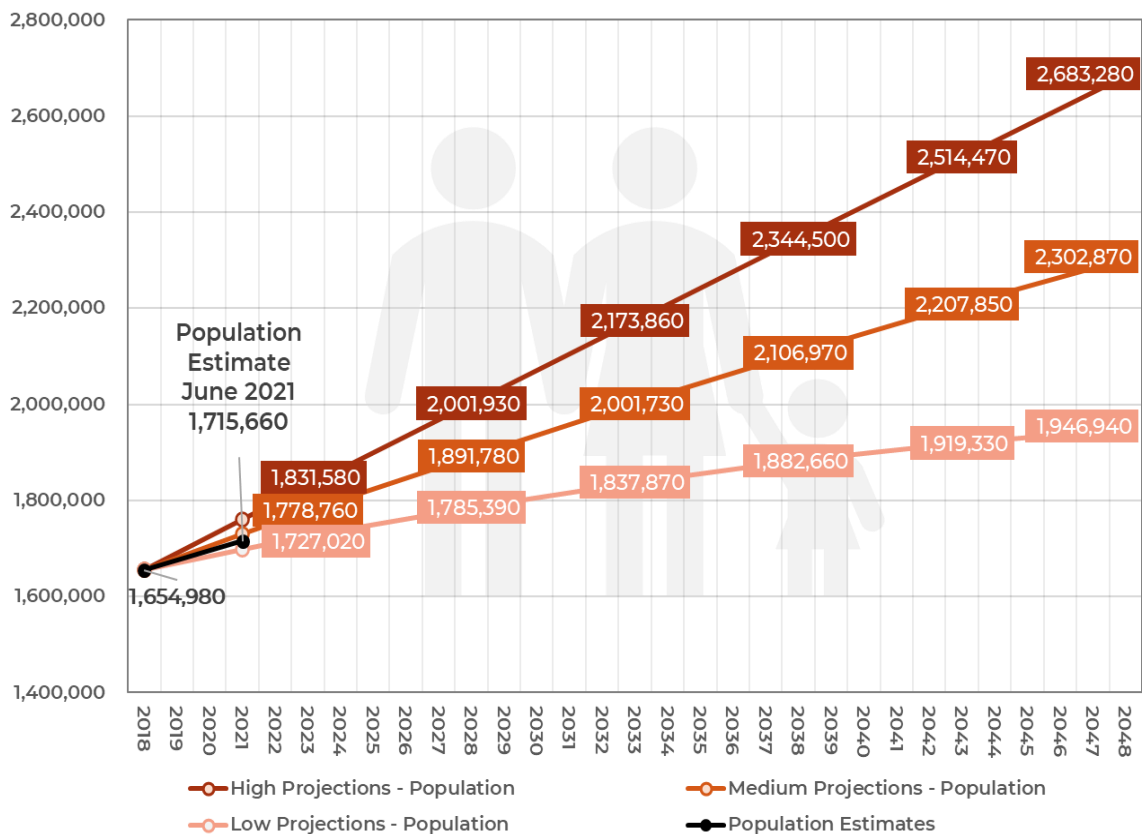
This section presents the population growth projections for the Auckland Region and the localised catchment. These projections are derived from the latest Low-, Medium- and High-growth scenario population projections from Stats NZ. Population projection series are compared against the recent population estimates to provide context and comparison between the current market size and anticipated growth to 2048.

### Region

The figure below shows that the Auckland Region has seen growth in its population base of around 60,700 since the 2018 Census up to 2021. The population at the time of the last Census (2018) was around 1,655,000 people and was last estimated at 1,715,660 people in June 2021. Proportionally, this growth is equal to about 3.6% net additional people in the Auckland Region, comparatively lower than the national net growth of 4.5% for the same period.

There are several possible reasons for this below-average growth, including the shortage of new homes entering the Auckland market (relative to demand) and the rate of house price growth over the 2018-2021 period, both of which have contributed to driving an increase in multiple households residing within a single dwelling.

**FIGURE 3: AUCKLAND REGION POPULATION GROWTH PROJECTIONS**



Source: Stats NZ

Compared to the recent population estimates, the population growth between 2018 and 2021 was somewhere in between the Low- and Medium-growth projections. If this growth continues, the Medium-growth scenario is considered to better represent the future population base of the Auckland Region in contrast to the Low- or High-growth scenarios. This suggests that the population of Auckland would be around 2.3 million people by 2048, equating to around a net addition of 587,000 people (or +34% net growth) over the next 27 years.

### Localised Catchment

The following figure shows that the total population of the localised catchment is estimated to have increased from 222,950 people to 227,900 people from 2018 to 2021, equating to net growth of 2.2% above the 2018 population base, or a net increase of 4,950 additional people over the last three years.

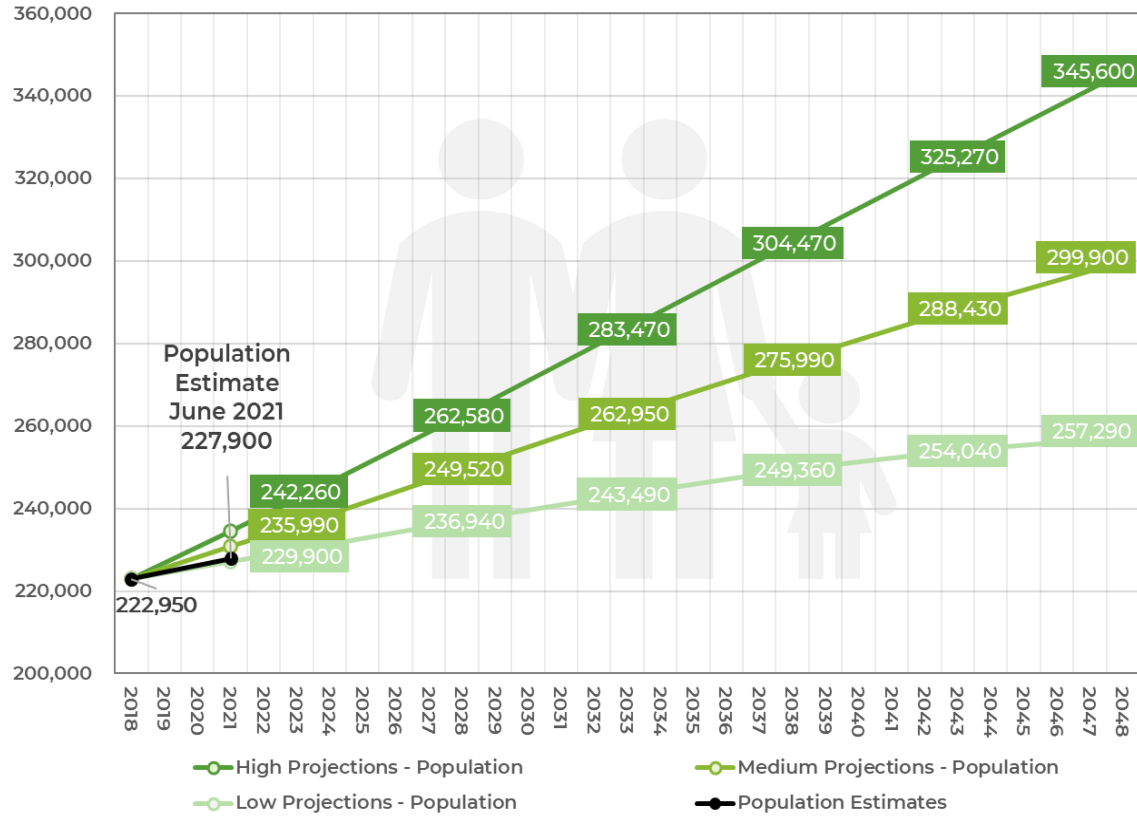
This also shows that the localised catchment represents a noteworthy portion of the Auckland region, around 13% in 2021. This is partly due to the catchment representing an area of intense urbanisation and intensified suburban living. This proportion is likely to grow in the future under the Medium Density Residential Standards (**MDRS**) enabling greater levels of intensification across residential zones. This provides a level of intensified residential development opportunity in established urban areas that previously was not available.

Under the Stats NZ Medium growth scenario, the population is anticipated to reach around 300,000 residents by 2048. This equates to net growth of 32% above the current 2021 population base or a net increase of 2,667 residents per annum by 2048.

This expected population growth will need to be accommodated by additional residential, retail, and employment activity within the localised market to improve the efficiencies of the future communities. More intensive development requires a greater level of mixed use development where residential and employment land uses, among others, complement each other to generate market efficiencies. Future Auckland will require workers to reside closer to place of employment to improve the city's efficiency, while employment hubs are most efficiently placed around major transportation nodes where there are greater levels of accessibility. The subject land can deliver both in an efficient location.



**FIGURE 4: LOCALISED CATCHMENT POPULATION GROWTH PROJECTIONS**



Source: Stats NZ

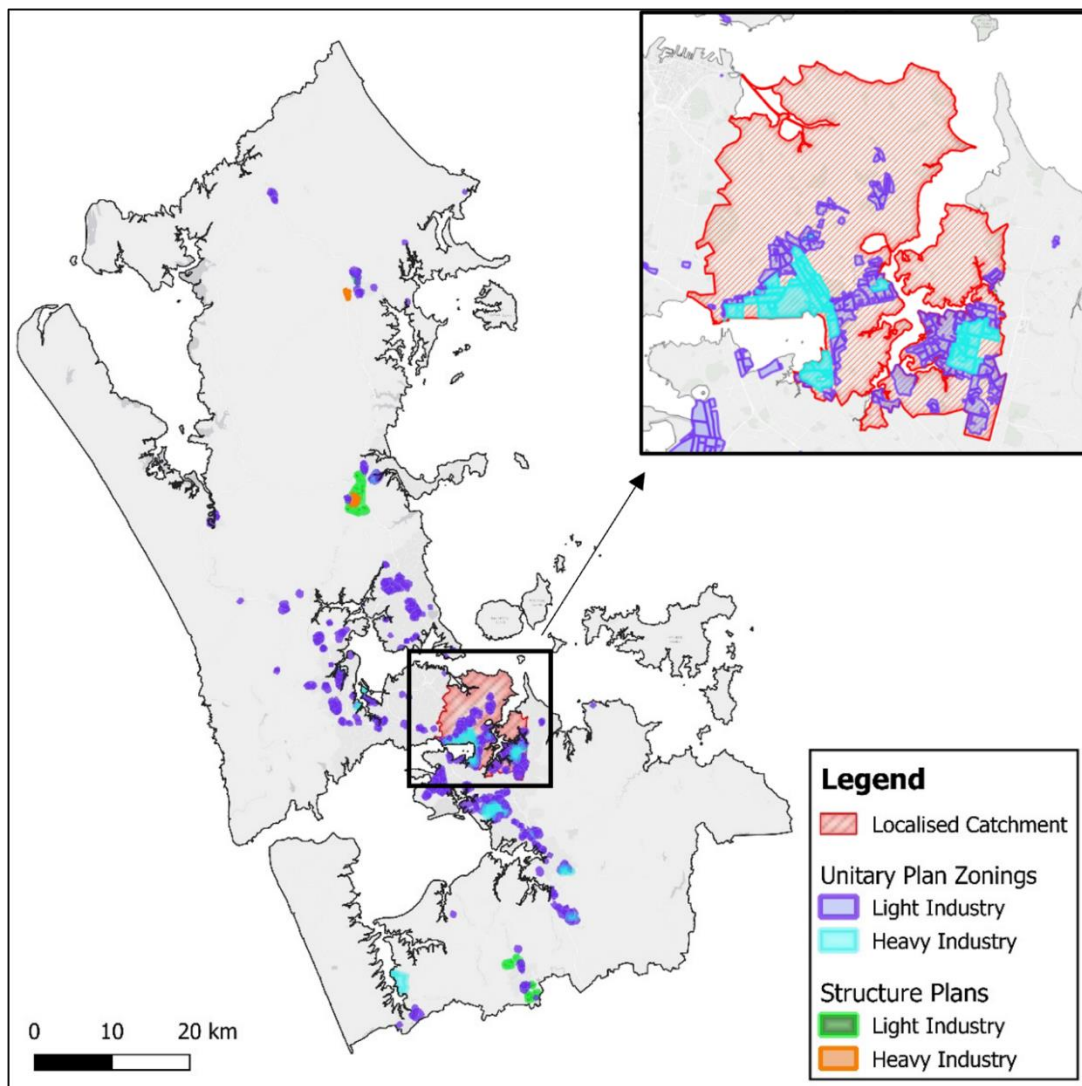
## 6. INDUSTRIAL LAND PROVISION

This section assesses the industrial land provision across the Auckland region based on the AUP(OIP) zoning and Housing and Business Development Capacity Assessment for Auckland: December 2017 (HBA 2017). This will assist in understanding the likely impact of the PPC on the industrial land capacity and sufficiency of industrial land of the broader region.

The figure below shows that most zoned industrial land is located within Auckland's main urban areas. In addition to the light and heavy industry zones based upon AUPOIP, the areas identified by Auckland Structure Plans (various areas) are expected to provide substantial additional industrial land capacity to accommodate Auckland industrial growth over the long term.

Within the localised catchment, the existing industrial land provisions are primarily located in the southern urban areas (i.e., Penrose, Mt Wellington and East Tamaki).

**FIGURE 5: AUCKLAND CURRENT AND EXPECTED INDUSTRIAL LAND PROVISION**



Source: Auckland Council, ESRI, Property Economics

As summarised in the following table, the Auckland region has 6,351ha of land zoned for industrial purposes<sup>2</sup>. Around 684ha of this land has been identified as vacant, or approximately 11% of the total zoned land<sup>3</sup>. The total capacity for development is estimated to be 2,993ha, 47% of the total zoned area, with Vacant Potential<sup>4</sup> land included.

Light industrial land dominates the total vacant industrial land provision with around 2,280ha of vacant and vacant potential land to the region. In percentage terms, this equates to 76% of the total industrial land capacity. In contrast, heavy industry has 109ha vacant land, increasing to 713ha when vacant potential land is considered.

**TABLE 1: AUCKLAND REGION INDUSTRIAL CAPACITY**

ZONE/AREA	HEAVY		LIGHT		TOTAL	
	Area (ha)	Capacity (ha)	Area (ha)	Capacity (ha)	Area (ha)	Capacity (ha)
<b>AUPOIP Zones</b>	<b>1,870</b>	<b>713</b>	<b>4,481</b>	<b>2,280</b>	<b>6,351</b>	<b>2,993</b>
Vacant Land		109		574		684
Vacant Potential Land		604		1,706		2,310
<b>Structure Plan</b>	<b>191</b>	<b>107</b>	<b>1,029</b>	<b>534</b>	<b>1,220</b>	<b>641</b>
Drury-Opāheke	56	24	276	126	332	150
Pukekohe-Paerata	0	0	224	95	224	95
Silverdale West Dairy Flat	98	56	502	293	600	349
Warkworth	37	27	27	20	64	47
<b>PC69 - Spedding Block</b>	0	0	52	34	52	34
<b>TOTAL (excl. Vacant Potential Land)</b>	<b>2,061</b>	<b>216</b>	<b>5,562</b>	<b>1,142</b>	<b>7,623</b>	<b>1,358</b>
<b>TOTAL (incl. Vacant Potential Land)</b>	<b>2,061</b>	<b>820</b>	<b>5,562</b>	<b>2,848</b>	<b>7,623</b>	<b>3,668</b>

Source: Auckland Council.

In addition to the zoned capacity, Auckland Council has allocated 1,220ha of land within various Structure Plans of the Future Urban Zone. The net developable land in the identified existing light and heavy industry areas are used as a proxy to estimate the capacity potential of these future industrial land areas. As a result, this 1,220ha of identified industrial land is expected to provide capacity for 641ha of industrial land uses. This would mean that Auckland has the capacity to support an additional 1,358ha of industrial land uses within the identified existing

<sup>2</sup> Note, HBA 2017 provides estimates for business land based on various measures, including spatial data, base zone provision, and all provisions. The estimate used in this report is based upon spatial data.

<sup>3</sup> It is important to note that these vacancy figures are four years old and, it can be assumed that current levels are lower than those represented here, given growth in industrial employment.

<sup>4</sup> 'Vacant Potential Land' is defined in the Housing and Business Development Capacity Assessment (2017) as sites where building coverage is low. This means sites where there is significant development potential for additional industrial activity / GFA to occur.

and future vacant industrial land supply. Including the Vacant Potential Land, however, raises this capacity estimate significantly to a total of 3,668ha.

Even though the future industrial areas identified by the Structure Plans will likely be underdeveloped in the short- or medium-term, providing a large amount of future industrial land across the Auckland region will provide surety of supply and efficient operation of the industrial land market in the long term.

A further source of light industrial land supply within the region is the recently advanced PC69-Spedding Block PPC. This plan change provides around 52ha of vacant light industrial land to the Auckland market, equating to around 34ha of developable, industrial land on a 35% infrastructure basis (accounting for roads, easements, paths, etc.).

While the HBA 2017 typically portrays industrial demand by floorspace, it is possible to assess the likely land requirement to accommodate this level of activity. Tables sourced from the HBA 2017 and Property Economics own assessments estimate the total land demand for industrial activities within the Auckland Region at approximately 1,420ha to 2048<sup>5</sup>.

Based on the total industrial and potential capacity of 3,668ha provided in the table above, Auckland Region has more than sufficient industrial land capacity to meet the projected demand of 1,420ha by 2048.

Additionally, the recent economic slowdown caused by the COVID-19 pandemic is expected to dampen nationwide industrial development in the short term and dampen the anticipated demand for vacant industrial land within the region. Consequently, a portion of the projected demand is likely to be pushed to longer term timeframe.

This provides the region with time to prepare and smooth out land sufficiency over the longer-term period. It further indicates that the proposed PPC's rezoning from LIZ to MUZ will have little-to-no propensity to undermine the region's ability to accommodate future industrial activities and demand in the short, medium, and long term, particularly given the MUZ can contain some light industrial activity.

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<sup>5</sup> Note for heavy industry this applies a 0.37 FAR (Floorspace/Land Area Ratio) and for light industry this applies a FAR of 0.4.



## 7. INDUSTRIAL EMPLOYMENT TRENDS









This section assesses the historical and current industrial sector employment composition of the Auckland region and the localised catchment by the latest Stats NZ Business Demography Statistics. This establishes a factual platform from which future industrial demand can be anticipated.

### 7.1. AUCKLAND REGION INDUSTRIAL EMPLOYMENT

Over the last 21 years, the Auckland Region has seen a 31% net growth in industrial employment above the 2000 industrial employment base of around 188,430 people. This equates to a net additional industrial employment growth of 2,738 people on average per annum over the assessed period.

As of 2021, the Auckland Region industrial employment base equates to nearly 246,000 people, with Manufacturing and Construction being the largest sectors, cumulatively contributing over 143,400 employees to the broader market. This accounts for about 58% of Auckland's total industrial employment base.

**TABLE 2 AUCKLAND INDUSTRIAL EMPLOYMENT TREND**

ANZSIC Sector	2000	2005	2010	2015	2020	2021	2000-21 Growth (#)	2000-21 Growth (%)
 A - Agriculture, Forestry and Fishing	643	669	552	575	564	598	-45	-7%
 B - Mining	30	40	31	36	43	43	13	43%
 C - Manufacturing	81,279	85,439	73,214	73,289	79,696	77,768	-3,511	-4%
 D - Electricity, Gas, Water and Waste Services	839	1,003	998	1,259	1,685	1,757	918	109%
 E - Construction	24,310	33,362	32,603	40,820	62,098	65,655	41,345	170%
 F - Wholesale Trade	46,984	53,036	51,142	55,027	59,291	58,834	11,850	25%
 I - Transport, Postal and Warehousing	31,370	31,626	31,678	34,019	39,593	35,627	4,257	14%
 L - Rental, Hiring and Real Estate Services	2,975	4,176	3,859	4,575	5,596	5,643	2,668	90%
<b>Total Industrial Employment</b>	<b>188,430</b>	<b>209,351</b>	<b>194,077</b>	<b>209,601</b>	<b>248,565</b>	<b>245,924</b>	<b>57,494</b>	<b>31%</b>

Source: Stats NZ, Property Economics

Manufacturing has been the largest industrial employment provider in the region. However, its total employment base has experienced a net 4% decline (or around 3,500 employees) between 2000 and 2021. This can be partly explained by the growth of new technologies and capital investment by businesses in automation which has ability increase productivity / outputs with fewer employees. This is vital to manufacturing business remaining competitive

both nationally and internationally. Another trend that has dampened industrial employment growth has been the increased outsourcing of manufacturing, i.e., companies that were making products in Auckland and now making the same products in China. These changes may also have the potential to affect the quantity, type and location of business land requirements across the broader region for some industrial sectors.

Construction was the sector with the highest nominal and percentage growth (+170%) in employment base between 2000 and 2021. This growth was primarily triggered by the surging housing demand and the significant commercial and infrastructure projects required to accommodate the growing population. This means that a significant portion of the construction sector employment is specifically employed in residential construction. It is important to note not all construction employees require or consume industrial land as a large proportion of 'trades' (plumbers, electricians, tilers, etc) have vehicles as their mobile workplace.

The figure below maps the geospatial distribution of industrial employment nominal growth between 2010 and 2021 for Auckland SA2 areas. Areas with the highest level of net industrial employment growth are red, while areas with net losses of industrial employment are blue.

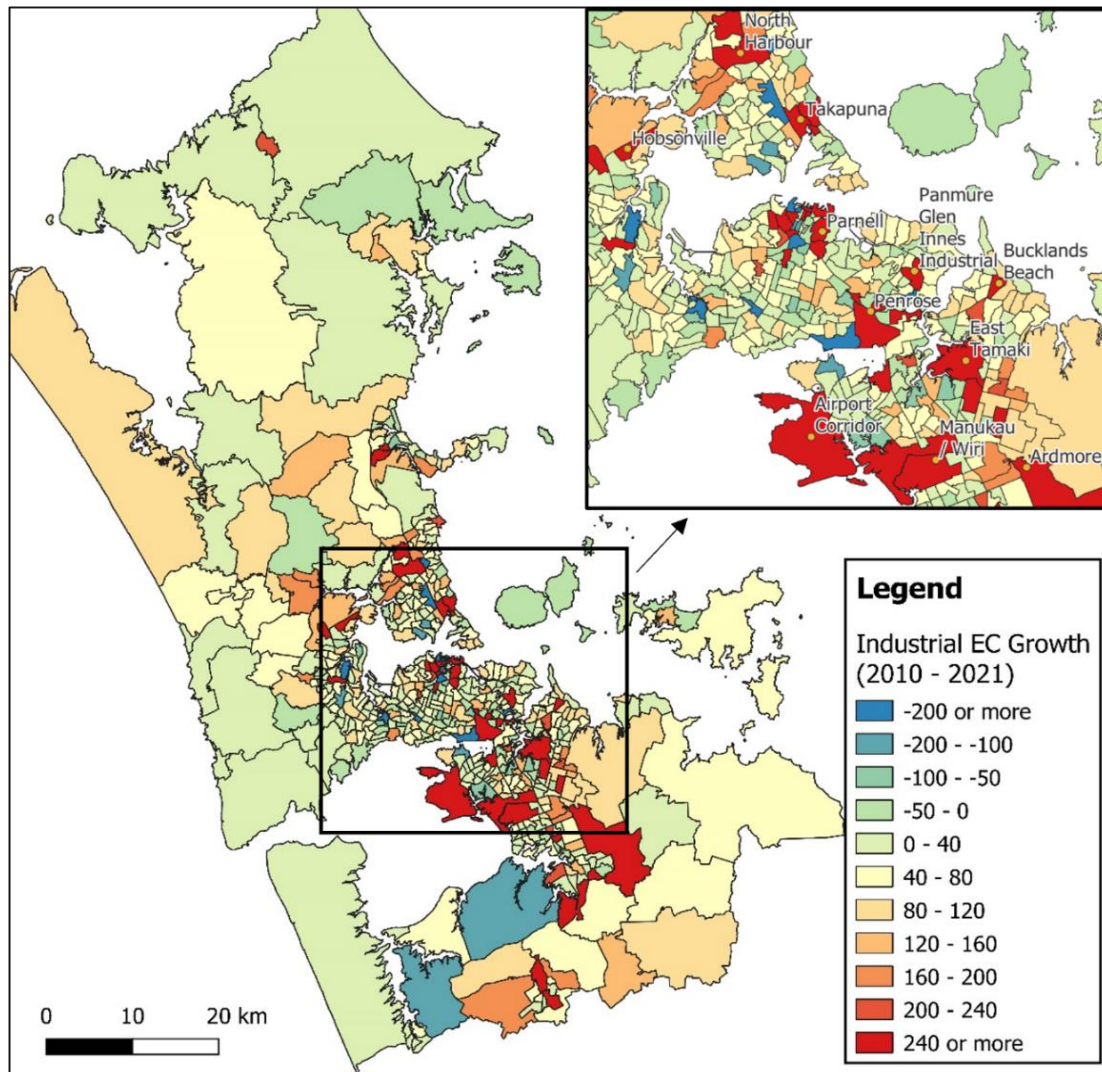
The areas with the most growth in industrial employment are, unsurprisingly, those areas that are established hubs of industrial activity and have significant quantum's of industrial land: Airport, Manukau / Wiri, Highbrook (East Tamaki), Penrose / Mount Wellington, and Rosedale.

Some industrial nodes, however, saw net declines in industrial employment over this timeframe: Onehunga, Wairau Valley and Henderson. These declines are likely due to the aforementioned improvements in industrial output through technological innovation, outsourcing and shifts to more value-added industries.

Most of the increased industrial growth in these locations was primarily fuelled by the surging construction activity across the broader region. For instance, the current industrial employment base in Panmure Glen Innes Industrial (SA2 area) has increased by around 550 net additional employees between 2010 and 2021, with the Construction sector being the largest contributor accounting for over 34% of this growth.

Growth in Auckland industrial sectors is likely to continue in the foreseeable future, it can, however, be expected that not all industrial expansion in these sectors will be translated into demand for industrial land. This is particularly true in the Construction sector as employees such as self-employed plumbers, electricians, and other individual labourers typically work from their work vehicles / residential homes and often do not require individual premises, and even larger SMEs require limited space, with mainly administrative use. This makes mixed use environments appealing for these activities due to the higher levels of amenity

**FIGURE 6: DISTRIBUTION OF AUCKLAND INDUSTRIAL EMPLOYMENT GROWTH (2010 - 2021)**



Source: Stats NZ, Property Economics.

## 7.2. LOCALISED CATCHMENT INDUSTRIAL EMPLOYMENT

The proposed PPC's identified catchment accounts for 32% of Auckland 2021 industrial employment base, with around 79,250 people identified as industrial employees. In contrast to the broader region, the localised catchment has been growing at a slower rate in industrial employment over the last 21 years. Although at a sector by sector proportional basis the greatest difference is in the Electricity, Gas, Water and Waste Services Sector, ultimately this slower growth at a Catchment level is driven by the comparatively weaker growth in two of the largest sectors; Construction and Wholesale Trade









This relatively slower growth in the catchment is likely a direct consequence of both the industrial and surrounding suburban areas being well established and largely developed. It is expected that a greater proportion of the industrial growth over the last twenty years would

have occurred in emerging industrial hubs and growing areas such as Highbrook and the Airport (i.e., places where vacant land is more freely available).

It is therefore expected that this trend will continue to occur, with or without the potential loss of industrial land arising from this PPC. In essence, industrial employment growth in the catchment is only realistically realisable through repurposing industrial land to enable higher productive / higher employment base industries and business activities to establish. A positive way of achieving this is through the MUZ which enables a better mix of activities and land uses that enable the same land resource to be utilised more efficiently.

The most appropriate locations to provide these opportunities is in the Central Auckland Isthmus area such as the subject land where the city's population density is highest and greater demand exists for a mix of activities and business environments. This enables industrial activities to still be established and changes in the market to be accommodated as industrial activity transitions into the future.

**TABLE 3: LOCALISED CATCHMENT INDUSTRIAL EMPLOYMENT TREND**

ANZSIC Sector	2000	2005	2010	2015	2020	2021	2000-21 Growth (#)	2000-21 Growth (%)
 A - Agriculture, Forestry and Fishing	26	17	11	16	13	21	-5	-18%
 B - Mining	5	9	2	1	3	2	-3	-56%
 C - Manufacturing	30,720	32,122	28,906	29,442	30,695	30,176	-544	-1.8%
 D - Electricity, Gas, Water and Waste Services	417	541	414	482	562	491	74	18%
 E - Construction	6,697	10,444	10,942	12,245	15,713	15,828	9,131	136%
 F - Wholesale Trade	17,188	19,813	19,470	21,365	23,132	22,481	5,293	31%
 I - Transport, Postal and Warehousing	9,056	6,873	6,153	7,938	9,125	9,067	11	0.1%
 L - Rental, Hiring and Real Estate Services	506	796	811	971	1,130	1,186	680	135%
<b>Total Industrial Employment</b>	<b>64,615</b>	<b>70,615</b>	<b>66,710</b>	<b>72,460</b>	<b>80,373</b>	<b>79,252</b>	<b>14,638</b>	<b>23%</b>
<b>% of Auckland IE</b>	<b>34.3%</b>	<b>33.7%</b>	<b>34.4%</b>	<b>34.6%</b>	<b>32.3%</b>	<b>32.2%</b>	<b>-2.1%</b>	<b>n.a.</b>

Source: Stats NZ, Property Economics

Manufacturing and Construction, cumulatively, account for 66% of the industrial employment within the catchment, or around 52,700 employees.

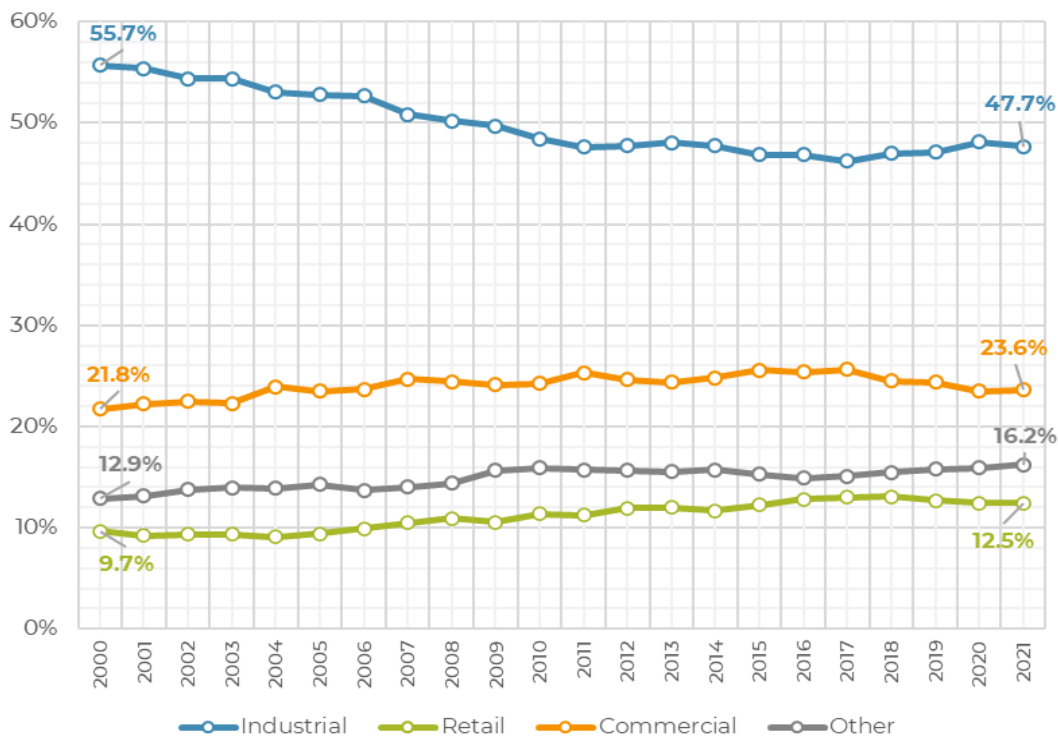
Manufacturing is the dominant sector in terms of employee count, with around 30,200 employees (38%) in 2021. This is followed by Wholesale Trade industries, which accounted for 28% (around 22,500 employees) of the catchment's total industrial employee base.

Over the 2000-2021 period, total industrial sector employment grew by 700 employees, on average, per annum or a total of over 14,600 employees.

The following figure shows industrial employment as a share of the catchment total employment base in contrast to other broader sectors (i.e., Commercial, Retail and Other). It highlights that the employment structure of the local economy has been in a gradual transition with a gradual decline in the share of the industrial sector. This is not unexpected in areas that have experienced a growing population base, with an increase in commercial and professional services, health, recreational, educational and community facilities all required to better service the growing local market's needs.

The industrial sector accounted for over 55% of the total employment base in the early 2000s and has declined to just below 48% in 2021 due to diversified growth in other sectors. Over the same timeframe, other property sector employment has grown proportionally. Cumulatively, Retail, Commercial and Other property sectors accounted for 44% of all employees in the identified catchment in 2000. Now that proportion is 52%.

**FIGURE 7: LOCALISED CATCHMENT EMPLOYMENT COMPOSITION BY BROAD SECTOR**



Source: Stats NZ, Property Economics

The proposed PPC is considered well located to accommodate the changing employment structure and business activities within the localised economy. The proposed PPC will provide greater flexibility in land uses to adapt to the local employment transition and accommodate the growing diversified employment and business activity demand of the surrounding communities. The proposed PPC will continue to enable a range of light industrial activities to operate from the site but also enable supplementary commercial land uses.

## 8. LOCAL EMPLOYMENT GROWTH POTENTIAL

To better understand the opportunities available within the localised catchment and to internalise a higher proportion of employment to the benefit of the local economy, the following table compares the differences in the number of employees residing within the localised catchment against the catchment's employment base across the ANZSIC sectors based on Stats NZ 2018 Census and 2018 Business Demography Statistics.

The right-most column shows the employee internalisation ratio by sector and can be interpreted as, for every one employee in a sector within the catchment there is this many employees in that sector that live in the catchment. A ratio above 1 indicates that there is a net inflow of employees in that sector to the catchment while a ratio below 1 indicates a net outflow / leakage of employees in that sector.

It is important to note that it would be unreasonable to expect a one-to-one match of residents within the catchment to localised employment across all sectors because of the competitive nature of the employment market. However, the lower the rate, the lower the level of employment internalisation for that sector in the catchment and, therefore, the greater the market opportunity.



















The number of people employed in ANZSIC sectors, such as Wholesale Trade, Manufacturing, Electricity, Gas, Water and Waste Services, and Administrative and Support Services, is significantly higher than the local residential employment base for these sectors, with a rate of 2.4 or more. This indicates that a very high proportion of the employment in these sectors is derived from residents living outside the catchment. This is not unexpected given the extensive industrial offering in the well-established industrial areas in the localised catchment.

The level of employment internalisation drops significantly for Commercial and Other sectors such as Financial and Insurance Services (0.63), Arts and Recreation Services (0.70), and Information Media and Telecommunications (0.83) and industries in the Professional, Scientific and Technical Services (0.76) sector. This reflects that a proportion of residents employed in these office predominant jobs are not employed in the catchment area.

These ratios, lower than 1, signal an opportunity to increase employment internalisation across these sectors and improve market efficiencies if additional business land capacity with a better working environment and higher amenities were created to meet the catchment's modern-day business and worker expectations.

The proposed PPC would support the diversification of employment opportunities in many of the aforementioned sectors where there is an opportunity to increase the catchment's internalisation. Additionally, it is these sectors that typically provide a higher density of employment than industrial land uses. Traditionally industrial activity has been more land intensive but land values increase in Auckland this century is forcing increased industrial land use efficiency.

**TABLE 4: LOCALISED EMPLOYED RESIDENTS COMPARED TO LOCAL WORKFORCE - 2018**

ANZSIC Sector	Local Resident Employment Base	Employed within the Catchment	Local Employment Base Rate
 A - Agriculture, Forestry and Fishing	474	146	0.31
 B - Mining	57	46	0.81
 C - Manufacturing	10,683	29,534	2.76
 D - Electricity, Gas, Water and Waste Services	747	1,826	2.44
 E - Construction	8,169	15,083	1.85
 F - Wholesale Trade	8,079	23,075	2.86
 G - Retail Trade	8,616	13,094	1.52
 H - Accommodation and Food Services	6,222	10,121	1.63
 I - Transport, Postal and Warehousing	5,244	8,537	1.63
 J - Information Media and Telecommunications	2,679	2,235	0.83
 K - Financial and Insurance Services	4,461	2,827	0.63
 L - Rental, Hiring and Real Estate Services	2,874	3,277	1.14
 M - Professional, Scientific and Technical Services	15,996	12,116	0.76
 N - Administrative and Support Services	6,006	14,344	2.39
 O - Public Administration and Safety	3,849	4,938	1.28
 P - Education and Training	8,802	9,548	1.08
 Q - Health Care and Social Assistance	10,134	8,685	0.86
 R - Arts and Recreation Services	2,100	1,462	0.70
••• S - Other Services	3,576	5,329	1.49
<b>Total All Industries</b>	<b>108,768</b>	<b>166,223</b>	<b>1.53</b>

Source: Stats NZ



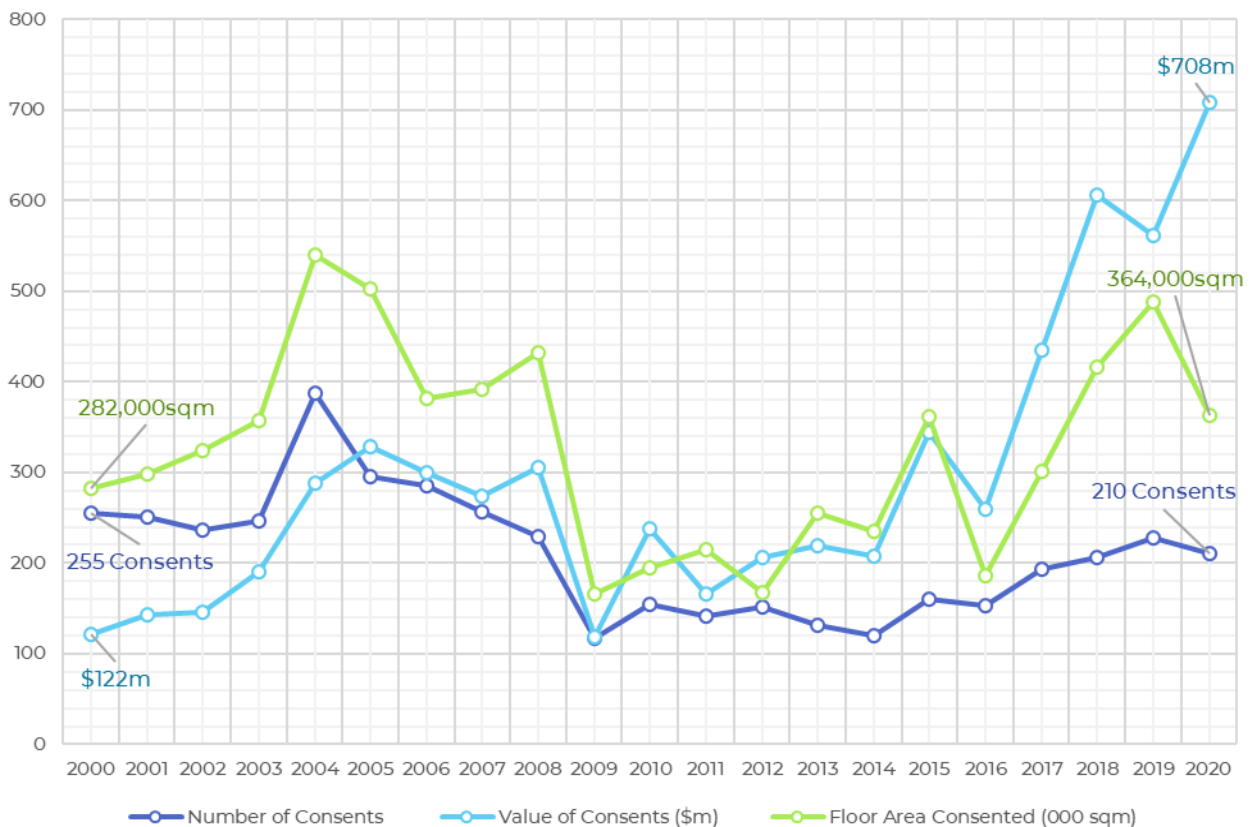
## 9. AUCKLAND INDUSTRIAL CONSENT TRENDS

The following figure shows the details (number, sqm and \$value) of Auckland industrial building consents issued over the 2000-2020 period.

There were, on average, 210 industrial consents approved annually over the past 21 years for a total of 4,412 industrial consents. These totalled an equivalent dollar value of over \$6.2b. Nearly 6.9m sqm of new industrial floor space was consented equating to an annual average of 327,000sqm.

It is worth mentioning that since 2016 industrial building consents have seen a significant growth in both floor area and dollar value (which is expected given both these metrics are intrinsically linked) within the Auckland Region however the number of industrial building consents has remained relatively constant. This is likely due to a combination of a shift towards larger industrial units on average (storage, distribution and logistics), shift to larger, capital intensive facilities and increasing costs of construction.

**FIGURE 8: AUCKLAND INDUSTRIAL BUILDING CONSENTS TREND (2000 – 2020)**

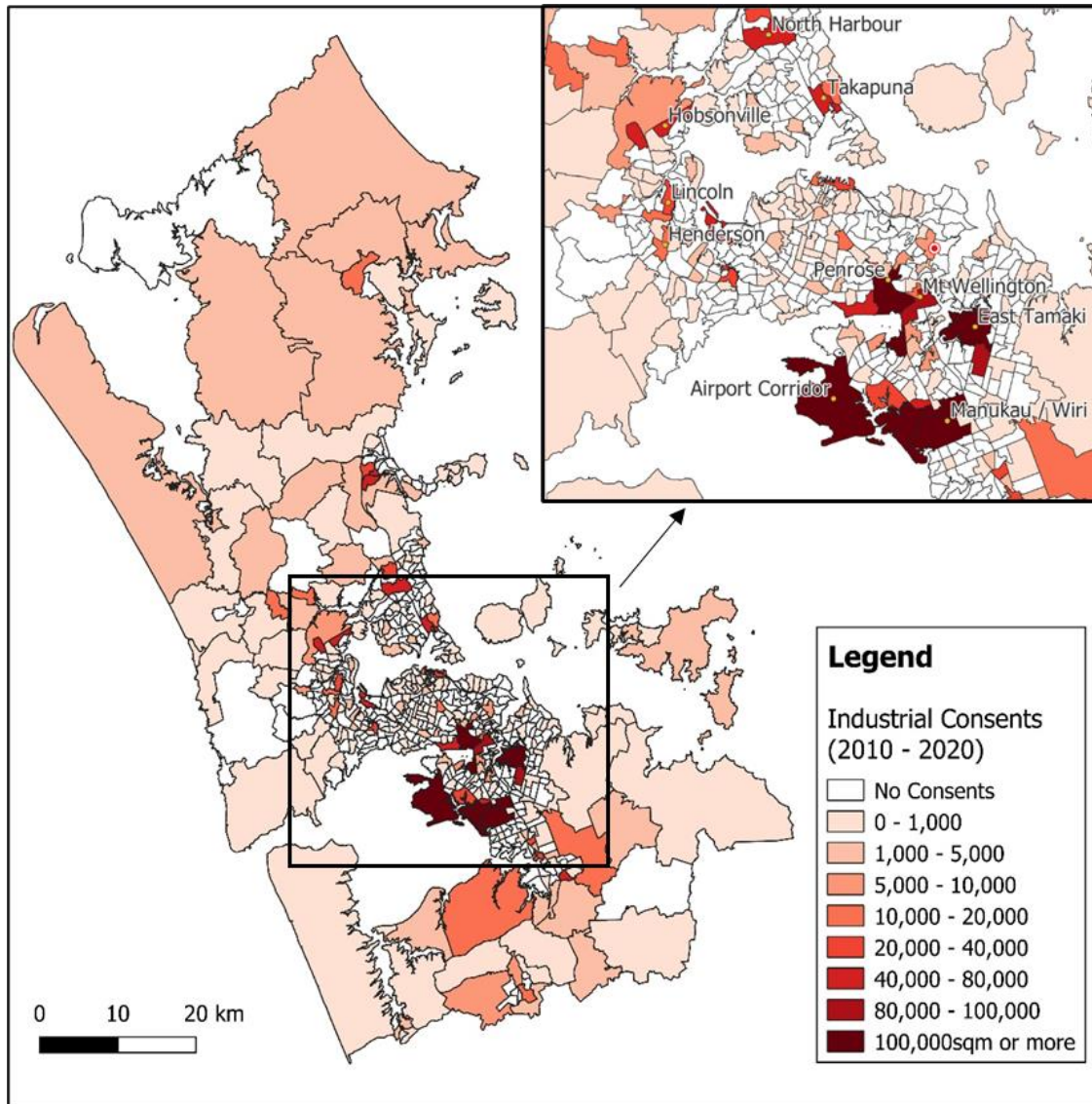


Source: Stats NZ

The following figure maps the industrial building consents across Auckland to provide an overview of geospatial distribution of industrial development between 2010 and 2020.



**FIGURE 9: DISTRIBUTION OF AUCKLAND CONSENTED INDUSTRIAL GFA (2010-2020) BY SA2**



Source: Stats NZ, Property Economics

Areas such as the Auckland Airport Corridor, Penrose, Mt Wellington, Manukau / Wiri, and East Tamaki have seen the largest concentration of consented industrial GFA. In contrast, the Panmure Glen Innes industrial area (where the PPC site is located) reported ten industrial building consents over the past 11 years with a cumulative floor area of circa 0.5ha only. This may be a reflection of being an established industrial area with potentially limited opportunities, but more likely reflective of increasing land values making traditional industrial development less feasible.

The land value increase is making some of the very large industrial operations to look further south to the Waikato to establish their industrial arm of their business. For example, the Sleepyhead Estate in Ohinewai is a recent real-world example of how land price, land size necessity and operational requirements has driven the business out of Auckland. Kmart is

another recent example moving their new distribution centre to Hamilton. This is likely to be a growing trend in the future for very land extensive industrial activity. NZ is starting to experience increasing demand for 100,000sqm+ factories / distribution centres (mega-factories in a NZ context) that are inefficient and unfeasible to accommodate in Auckland.

The vastly improved road and rail connection to Auckland (and Tauranga – the golden triangle) makes the Waikato a more realistic locational opportunity than previously. This opportunity and gravitational 'pull' is only going to increase in the future. This is considered a positive economic outcome for Auckland as it would represent an inefficient use of the land resource in Auckland if vast tracts of industrial zone land were consumed by only a few businesses with low density employment consuming significant levels of infrastructure capacity. In effect the opportunity cost would be the displacement of higher employment generating smaller industrial activity within the city.

In the north (e.g., Riverhead, Kumeu-Huapai and Warkworth West) and in the south (e.g., Ardmore, Kingseat-Karaka, Drury and Pukekohe) are the emerging industrial locations that will have significant levels of industrial building consents / development in the pipeline. These areas are designed specifically to accommodate Auckland's industrial land demand and provision land supply sufficiency to meet NPS UD requirements.

Future industrial development demand within the proposed PPC site area will likely not be as large as the emerging industrial nodes. This is partly due to the area being significantly built-out and, partly due to the competing industrial hubs with competitive advantages (i.e., cheaper land).

## 9.1. LOCAL INDUSTRIAL CONSENT TRENDS

The following table shows the local catchment's most recent building consents trends among non-residential building consents.

The catchment had 466 industrial building consent applications approved between 2010 and 2020, equating to a total value of around \$1.2b of consented industrial activity. On average, there were 42 industrial building consents per annum with an average annual dollar value of \$111m.

Residential development was the most significant type of activity in the localised catchment area over the same timeframe, led by the increase in the number of consents for multi-unit homes such as townhouses, apartments, and flats.

The catchment area recorded around 5,760 residential building consents valued at over \$4b cumulatively between 2010 and 2020. Once established, these residential developments will bring more people to live and work within the catchment. This would also amplify commercial services demand within the localised catchment.

**TABLE 5: BUILDING CONSENTS TREND WITHIN THE LOCALISED CATCHMENT BY ACTIVITY TYPE**

Year	Industrial			Retail & Commercial			Commercial Office			Residential			Other Non-Residential		
	No.	Value (\$m)	Floor Area (000 sqm)	No.	Value (\$m)	Floor Area (000 sqm)	No.	Value (\$m)	Floor Area (000 sqm)	No.	Value (\$m)	Floor Area (000 sqm)	No.	Value (\$m)	Floor Area (000 sqm)
2010	33	\$101	67	12	\$33	22	13	\$12	9	362	\$148	100	35	\$38	19
2011	26	\$41	86	21	\$27	15	10	\$35	38	404	\$170	110	15	\$11	4
2012	34	\$32	46	5	\$10	10	13	\$27	19	405	\$179	114	41	\$40	22
2013	41	\$85	103	5	\$5	7	8	\$9	6	474	\$233	135	26	\$51	19
2014	29	\$56	77	6	\$7	3	8	\$32	17	488	\$220	113	34	\$67	26
2015	46	\$101	126	11	\$5	5	8	\$20	11	521	\$308	165	29	\$79	25
2016	41	\$92	48	15	\$34	9	20	\$42	16	494	\$360	141	36	\$101	29
2017	51	\$166	86	13	\$14	4	13	\$46	22	481	\$334	152	33	\$86	39
2018	60	\$289	221	19	\$76	24	10	\$10	2	594	\$608	222	39	\$90	28
2019	64	\$152	118	10	\$65	26	7	\$28	15	809	\$788	303	49	\$64	18
2020	41	\$108	64	15	\$18	15	8	\$13	3	725	\$689	251	57	\$88	23
Average	42	\$111	95	12	\$27	13	11	\$25	14	523	\$367	164	36	\$65	23
Total	466	\$1,225	1,043	132	\$294	138	118	\$274	158	5,757	\$4,039	1,806	394	\$716	251

Source: Stats NZ, Property Economics.

The catchment has also received nearly 400 Other Non-Residential consents (incl. health buildings, sports facilities, accommodation, school buildings, art galleries, libraries, and public transport buildings), as well as consents for Retail & Commercial Service and Commercial Offices. These consents made up an equivalent dollar value of almost \$1.3b. These consents represent improvements to the offering of an area including improved options in retail / food and beverage, higher quality community infrastructure, and more employment options.

Most importantly, the consent data shows that development in the area is not one dimensional but across a broad range of activities and sectors. This reinforces the transitioning local economy and a greater mix of activities being both developed and demanded.

The building consent data shows that there is a diverse range of land use development within the identified catchment. In order to stimulate growth within the local economy the market needs flexibility to respond in a way that supports the localised market's future economic and employment needs and ensures an ongoing supply of appropriate business land in efficient locations.

## 10. ECONOMIC COSTS AND BENEFITS

The proposed PPC to rezone the subject land from LIZ to MUZ would generate a range of potential economic costs and benefits. This section outlines the high-level economic costs and benefits of rezoning the site in the context of the AUPI(OIP) and RMA.

### ECONOMIC COSTS

- ➖ **Loss of Industrial Land Capacity:** The proposed PPC would lead to a nominal loss of existing industrial zone land of around 7.4ha within the Auckland industrial market. This loss is mitigated, somewhat, as the proposed MUZ zoning enables many light industrial activities so the loss is relegated only to those LIZ activities that are not enabled by the proposed MUZ zoning, some of which would be inappropriate to locate in this location given changes in the surrounding market and the MUZ land adjacent. Moreover, given the estimated current industrial land capacity and sufficiency of the region, the loss of industrial land capacity due to the proposed PPC is considered minimal and would have no material propensity to undermine the growth of industrial activity within the catchment or wider region.
- ➖ **Potential for Reverse Sensitivities:** The range of activities enabled within the MUZ may generate some reverse sensitivity between different land uses. However, this is likely to be offset with management of any such potential by creating master plan for the entire site and developing a set of site focused planning provisions.

### ECONOMIC BENEFITS

- ➕ **Better Adapts to Market Trends and Demand:** The localised market has seen a gradual transition in employment structure with a noticeable drop in the share of industrial employment, as a proportion of total employment, over the last 21 years. The MUZ would enable greater flexibility of land uses, enabling the PPC to better adapt to the changing employment composition of the localised market and accommodate the diversified employment demand. In an efficient manner.
- ➕ **Increased Land Use Efficiency:** The MUZ is likely to deliver a greater intensification of activity than the industrial zone that currently exists on the site. Specifically, it enables a broader range of land uses including residential and non-ancillary commercial offices, both of which typically deliver a greater number of employees per sqm of built floorspace than industrial activity.
- ➕ **Increased Employment Retention and Opportunity:** The increased development potential of the land under a MUZ increases employment opportunities at the local

level and therefore employment retention to the benefit of local economic activity and market efficiency.

- **Increased Injection of Capital in the Local Economy:** The MUZ would enable a more diversified range of land uses, including light industrial, residential, retail, and commercial developments which can stimulate greater returns and provide a wider range of asset classes for investment. The ability to generate higher investment returns attracts capital and provides greater local investment opportunities.
- **Improved Amenity and Convenience:** The MUZ would increase the amenity value of the subject land and provide a greater level of convenience, competition and amenity for the surrounding communities with a higher quality development.- Both the enhanced amenity and increased convenience have flow on benefits for the surrounding sites and general neighbourhood which will encourage further (re)development.
- **Increased Economic Activity:** The potential for higher levels of business activity to be established within the subject land will generate additional business and employee spend in the local economy. This flow-on with “tributary” benefits that boost economic activity at the local level through economic multiplier impacts.
- **Greater Business Clustering and Agglomeration Effects:** The subject site directly adjoins the existing MUZ to the south and is proximate to the Glen Innes Train Station and Glen Innes Town Centre and the PPC is envisaged to work as a natural extension of the MUZ. This would allow greater business agglomeration effects within the localised market.
- **Decreased Marginal Infrastructure Costs:** The PPC also has the potential to generate economies of scale and lower marginal infrastructure costs. The proposed site is envisaged to be an extension of the existing MUZ extent. This minimises new infrastructure costs and increases infrastructure efficiency.
- **Improve Transport Efficiencies:** The intensification, range and breadth of land uses in the MUZ developments enables greater utilisation and efficiencies of the public transport network in keeping with the NPS UD, in particular people accessing working environments by public transport.



## SUMMARY

In Property Economics view, balancing all the economic considerations, the proposed PPC would generate significantly more economic benefits for the local and regional economy and communities than economic costs.

Property Economics supports that the proposed PPC on economic grounds. In the context of the RMA.