

PROPERTY **E**CONOMICS



PILKINGTON PARK RFI

ECONOMIC RESPONSE

MEMORANDUM

Client: Wyborn Capital Investments
Limited

Project No: 52209

Date: November 2023

16 November 2023

ECONOMIC MEMORANDUM

To: Wyborn Capital Investments Limited

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RE: ECONOMIC RESPONSES TO AUCKLAND COUNCIL'S RFI ON PROPOSED PILKINGTON RD PPC

INTRODUCTION

Property Economics has been engaged by Wyborn Capital Investments Limited (**Wyborn**) to provide responses to Auckland Council's Clause 23 Request for Information (**RFI**), relating to the proposed rezoning of 7.4ha of land on 167-179 Pilkington Road, Point England, from Business - Light Industry Zone (**BLIZ**) zone to Business - Mixed Use (**BMUZ**), under the Auckland Unitary Plan Operative in Part (**AUP(OIP)**).

For ease of reference, this memo provides the economic requests raised by Council first, with the relevant responses / analysis and commentaries from Property Economics (**PE**) following in *blue italics*.

ECONOMIC RESPONSES

#E1. Site Activity

Request: Please provide information on the site's current and recent past activity. For the existing activity, it would be helpful to advise on the geographic catchment areas and approximate employment levels.

PE Response:

The proposed site presently accommodates a range of light industrial activities, including food production, freight transport and logistics, as well as wholesale trade. Its main anchor is Pilkington Park, a hub dedicated to warehousing and distribution.

Due to the more extensive land requirements associated with these activities, the current level of employment at the proposed site is relatively low. According to the most recent Stats NZ Business Demography Data, as of 2022, there are around 60 employees working within the boundaries of the proposed site.

As outlined in our Economic Assessment, the localised catchment of the proposed development accommodated nearly 80,000 employees in the industrial sector as of 2021. According to the 2022 update provided by Stats NZ, this catchment now boasts a total industrial employment base of

nearly 83,000 people. Given this, the current employment level at the site represents just 0.07% of the total industrial employment within the localised catchment.

Consequently, the potential reduction in industrial employment resulting from the proposed project (if any) would be small and also need to be offset against on-site employment generated in the commercial activities proposed within the development. Therefore, any net employment loss (if any) would be negligible given the employment on the site has not been extensive for many years.

Prior to recent activity on the site, it was the NZ base for one of New Zealand's largest winemaking and distribution companies Pernod Ricard. The geographic catchment for their product was a wide breadth of international markets.

#E2. Employment Potential

Request: Please provide an assessment of the employment potential on the site within the current BLIZ provisions applied and any changes in the level of employment with a change to a BMUZ.

PE Response:

The proposed site covers an area of around 7.4ha. Our high-level economic analysis, which estimates the land consumption per employee in well-established industrial areas throughout the broader region (as summarised in the table below), indicates that the number of employees accommodated within these established industrial zones typically ranges from 30 to 90 employees per hectare of land. Typically, the further out the industrial area, the lower the EC per ha.

Based on an average density of around 60 people per hectare within the local Panmure Glen Innes Industrial area, we can estimate that the employment potential for the site, under the current provisions of the BLIZ is likely to be approximately 440 employees, albeit this may be lower as in reality the shape of the site may reduce its practical developable area.

TABLE 1: EMPLOYMENT PER HECTARE BY ESTABLISHED INDUSTRIAL AREA

	Land Area (ha)	Total EC (2022)	EC per ha (People)
Panmure Glen Innes Industrial	58	3,358	60
East Tamaki Industrial	748	41,420	60
Manukau Industrial	1,073	38,200	40
Takanini Industrial	67	2,150	30
Otahuhu Industrial	168	8,000	50
Mount Wellington - Onehunga Industrial	828	57,800	70
Henderson Lincoln East Industrial	110	7,500	70
Rosebank Peninsula Industrial	151	8,900	60
North Harbour Industrial	278	25,800	90

Source: Stats NZ, Property Economics.

Notes: 'Land Area' is measured based on AUP(OIP) industrial zonings (both heavy and light).

'EC' refers to total Employment Count at Statistical Area 2 level. 'EC per ha' is rounded to nearest 10.

Furthermore, the existing site currently hosts only 60 employees. To reach the increased “theoretical” employment potential of 440 people, a significant transformation would be required. This transition involves materially shifting from the current land-extensive uses, such as warehousing and distribution, to more compact and labour-intensive industrial activities.

Importantly, the proposed BMUZ provisions continue to allow the development of various light industrial activities at the site, meaning that the loss of industrial land capacity and employment potential would mainly affect those light industrial activities not accommodated by the proposed BMUZ, and not currently located within the site.

#E3. Commercial Activity

Request: Please provide an estimate of the level and type of commercial activity able to be established on the site if a BMU zone is applied. In particular, it is important to understand the potential level of retail and other centres-based activity that could be reasonably accommodated on the site if it were developed with a commercial focus.

PE Response:

Based on the land use information provided to Property Economics, the PPC would enable a minimum of 5,500sqm of GFA for commercial purposes and an additional 1,160sqm of GFA for a community hub.

By utilising the existing per-hectare employee ratio¹ in the adjacent Glen Innes Town Centre (GITC) as a basis, it is reasonable to anticipate that the site, theoretically, has the potential to provide for approximately 100 employment opportunities based an allocation of 6,660sqm for commercial and community uses.

This employment potential surpasses the existing employment level of 60 employees. Consequently, the commercial and community uses for the site have the potential to generate a higher level of employment relative to the site’s previous employment base.

¹ Property Economics estimates that within each hectare of its provision, GITC currently houses 150 employees.

The specific level and type of commercial activities to be developed within the proposed BMUZ will be determined at the time of future development. However, concerning the likely influence of these commercial activities (if any) within the proposed BMUZ on existing centres, notably the GITC, the Council's Section 35 Monitoring: B2.5 Commercial Growth Report² has presented valuable statements that carry significant implications for assessing the impact of the proposed development.

Specifically, on Pages 37 - 38 of this Technical Report, Council states:

“Regionally significant centres are often spatially sleeved with the Mixed-Use zone, which provides a natural location for the expansion of such centres. Aside from its role in accommodating expansions to centres, the Mixed-Use zone also generally provides opportunity for smaller scale offices, up to a threshold of 500m² gross floor area per site. The Mixed-Use zone is also more extensively applied across Auckland compared with centre zones, with a total quantum of 985.92ha within the region. In comparison, the Metropolitan Centre zone occupies 379.9ha and the Town Centre zone 442.94ha. The combination of these factors suggest that a relatively significant proportion of commercial office growth can be anticipated in the Mixed-Use zone without generating significant adverse effects on higher order centres”.

Property Economics concurs with the aforementioned statements and considers that the proposed site, given its close proximity to the GITC, has the potential to serve as an extension of the centre's future extent as market demand increases over time.

The PPC, therefore, aligns with the expected development outcome and the transitional nature of the BMUZ, and it would not undermine the role and function of the centre or other high-order commercial centres across the broader Auckland Region, even if it evolves into a commercial area in response to future market demand.

Furthermore, as illustrated in the figure below, there is an existing retail area situated at the intersection of Merton Road and Felton Matthew Avenue, accommodating Countdown St Johns and a few food and beverage services.

² Auckland Unitary Plan. Resource Management Act 1991, Section 35 Monitoring: B2.5 Commercial Growth Technical Report, March 2022, Plans and Place Department, Auckland Council

FIGURE 1: EXISTING RETAIL AREA WITHIN THE MERTON ROAD BMUZ



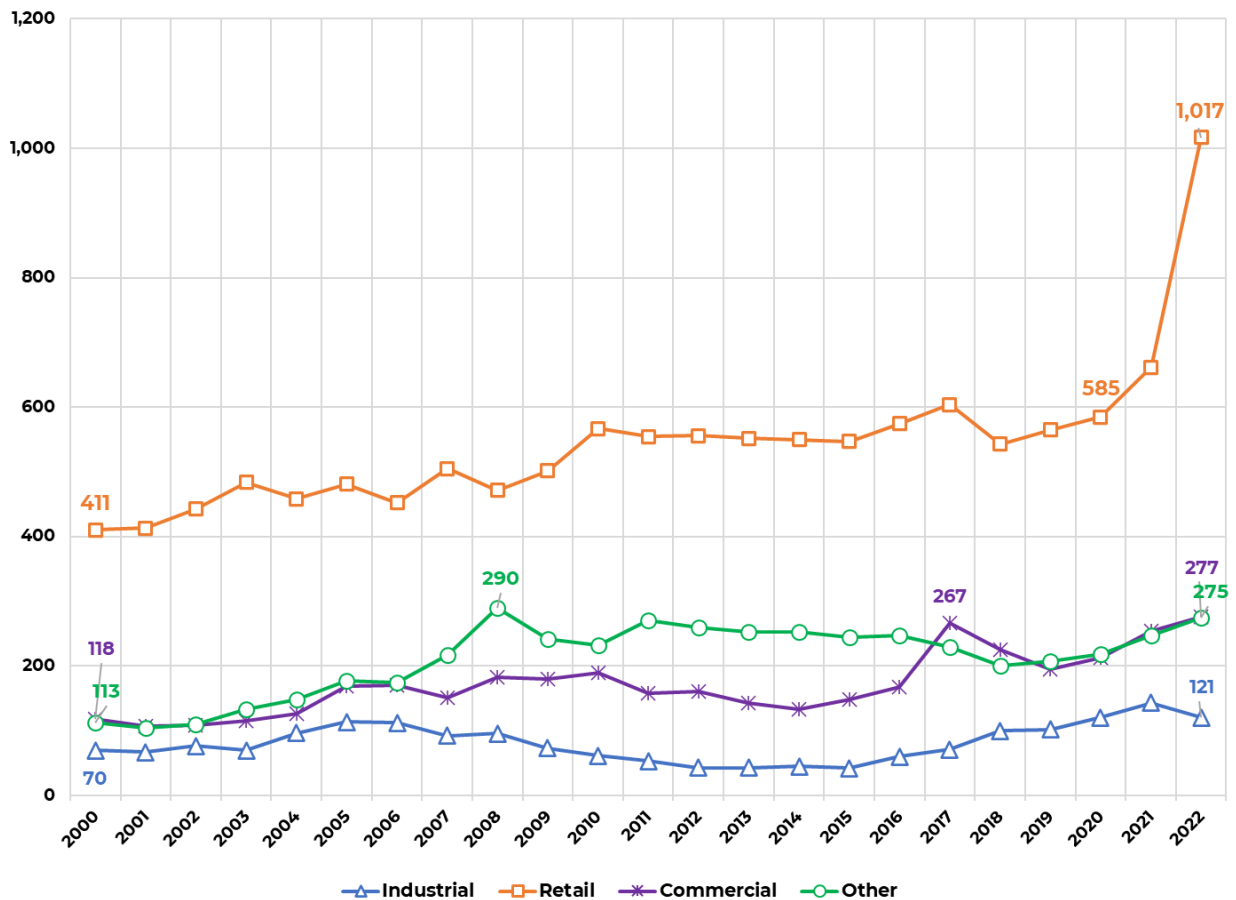
Source: Auckland Council, Google Maps, LINZ

This area falls under the same underlying zoning of BMU. The presence of these activities indicates that enabling retail and other centre-based activities within the BMU would not negatively affect the role and function of GITC or dilute the retail and commercial activities within the GITC.

The recent growth of the GITC shows the fact that retail and commercial activities within the adjacent BMUZ has not had a detrimental effect on the business activity within the centre.

For context, the GITC encompasses an area of around 11.3ha, situated to the north of the proposed site. Its anchor tenants include PAK'n SAVE, Harvey Norman, and Chemist Warehouse.

According to Stats NZ, as of 2022, the employment level at GITC stands at around 1,700 people, with the most prominent sector being Retail, as depicted in the figure below. This represents a growth of around 1,000 employees over the past 22 years, indicating that GITC has become an increasingly attractive retail destination in the local market and has not been adversely affected by the retail and commercial activities in the neighbouring BMUZ.

FIGURE 2: EMPLOYMENT COUNT TREND OF THE GITC BY BROADER SETCOR


Source: Stats NZ, Property Economics

In light of the economic factors mentioned, Property Economics considers that the proposed development has no propensity to undermine the retail or commercial activities within the GITC or jeopardise its intended role and function. This anticipated outcome is consistent with the coexistence of the existing retail area within the Marton Road BMUZ.

#E4. Residential Activity

Request: Please provide an economic assessment of the likely residential household yield on the proposed site or any assessment of the appropriateness of residential development in this location. Please identify any additional demand generated for retail, hospitality, and household services commercial activity from the additional household growth.

PE Response:

According to AUP(OIP) H13.2(6), one of the key objectives of the BMUZ is to enable moderate to high intensity residential activities and employment opportunities in areas in close proximity to, or which can support the City Centre Zone, Business – Metropolitan Centre Zone, Business – Town Centre Zone and the public transport network.

In terms of the suitable locations for increased residential intensification, AUP(OIP) B2.4.1(3) specifies that “land within and adjacent to centres and corridors or in close proximity to public transport and social facilities (including open space) or employment opportunities is the primary focus for residential intensification”.

In the view of Property Economics, the PPC site, given its proximity to the established commercial centres (i.e., GITC and Panmure Town Centre), the Strategic Transport Corridor Zone, and the surrounding significant employment hubs, business activities, and services, ‘ticks all the boxes’ for intensified residential. This is visually represented in the figure below, which provides a graphic depiction of the subject site's surrounding environment.

It shows that within a 1-km drive or walk from the proposed site, numerous existing schools, train stations, retail centres, employment hubs, medical facilities, supermarkets, community amenities, as well as passive and active recreational areas and parks are readily available.

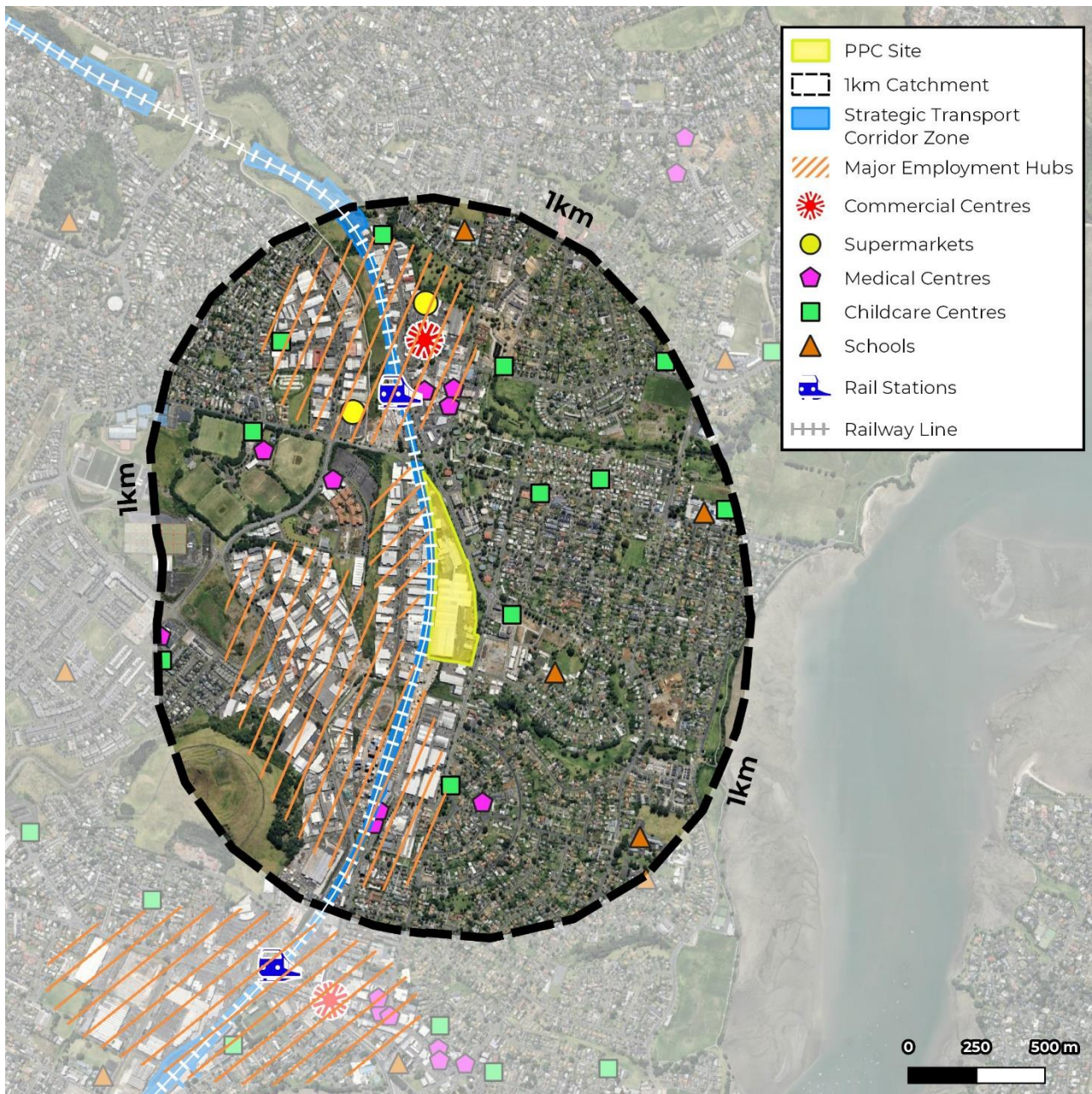
Consequently, a substantial array of services, facilities and amenities for the community is already situated within the local vicinity, reflecting the merit for the proposed site to accommodate higher-density residential development.

From an economic perspective, considering the strategic location of the PPC site, the suggested BMUZ would offer a more efficient utilisation of the land resource and enhance the efficiency and lower marginal community costs of these existing services and facilities. This is considered as an economic benefit of the PPC relating to the additional demand from household growth in this location.

Although the specific level of future residential household yield on the PPC site will be determined at the time of future development, any increased demand for retail, hospitality, and household services resulting from additional residential growth can be well accommodated by the extensive and diverse range of services and amenities already present in the local area, as well as their commercial activities proposed on-site.

Considering the locational characteristics of the PPC site, such as its proximity to Glen Innes Train Station and Town Centre, the proposed development has the potential to optimise the efficient utilisation of scarce land resources in a strategic location. This could be achieved by reducing travel distance and time for both residents and local employees, thus enhancing the feasibility of the proposed mixed-use activities. Its strategic location and value for non-industrial activities means there is risk the site would not be developed further for more intensive industrial activities, thereby reducing the efficient utilisation of the land.

FIGURE 3: EXISTING INFRASTRUCTURE AND SERVICES NEAR THE PPC SITE



Source: Auckland Council, Google Maps, LINZ

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

Kind Regards

Tim Heath