

3 May 2022

To Jason Woodyard,

RE: 301 & 303 Buckland Road Response to Economic RFI

This memo provides responds to a request for further information by Auckland Council's consulting economist, Mr Derek Foy. Each request is responded to in order, as follows.

E1. Business land per capita ratio.

Clarification as to the geographic area that the 108ha land (GBZ and Business Light Industry Zone "BLIZ") included in Figure 3 (of the Urban Economics report) relates to, and discussion about how relevant Auckland average ratios are to a peripheral location such as Pukekohe.

The geographic area within which the 108ha of Light Industry and General Business zone land is the Pukekohe urban area as illustrated in Figure 1. Figures 3 and 4 of the report has been updated below (Figures 1 and 2). This includes the primary catchment population of 28,700 which results in a business land per capita ratio of 37.6m² per capita. This results in future demand for 21 hectares per decade over the next 20 years. This is marginally different to the previous demand forecast of 25 hectares per decade.

Figure 1: General Business & Light Industry Land Per Capita

Sub-Region	Population 2021	Land (Ha)			Land Per Capita (m ²)		
		General Business	Light Industry	Sub-total	General Business	Light Industry	Sub-total
Auckland Central	542,000	50	720	770	0.9	13.3	14.2
Franklin	59,000	30	220	250	5.1	37.3	42.4
Manukau	425,000	40	1,830	1,870	0.9	43.1	44.0
North Shore	263,000	100	460	560	3.8	17.5	21.3
Papakura	61,000	0	370	370	0.0	60.7	60.7
Rodney	127,000	30	370	400	2.4	29.1	31.5
Waitakere	239,000	30	470	500	1.3	19.7	20.9
Total Auckland	1,716,000	280	4,440	4,720	1.6	25.9	27.5
Primary Catchment	28,700	35	73	108	12.3	25.4	37.6

Source: Urban Economics

Figure 2: Primary Catchment General Business & Light Industry Land Demand (2021-2041)

Population	2021	2031	2041	2021-2031	2031-2041
Primary	28,700	34,220	39,710	5,520	5,490

Land Demand	2018	2028	2038	2018-2028	2028-2038
General Business	35	42	49	7	7
Light Industry	73	87	101	14	14
Total	108	129	149	21	21

Source: Statistics NZ, Urban Economics

Pukekohe is a large rural town with approximately 28,700 people and planned for 65,900 people. At this scale I anticipate that it would have a composition and per capita quantity of business land that reflects the regional average.

E2 Vacant business land

Please describe any areas of vacant business land that have been considered in the assessment of economic effects, that are located outside of the Pukekohe town centre. If this has not been considered, please provide an explanation as to the rationale for this.

This assessment has not been undertaken because it is not considered efficient for Pukekohe's business land demand to be met outside of Pukekohe, such as in Manukau CBD, in particular because this would require residents to travel for example to access large format retail stores. The planned size of Pukekohe is 65,900 people (Pukekohe-Paerata Structure Plan 2019, page 19), which is a large rural town the size of for example Whanganui or Hastings. When its rural catchment is considered Pukekohe is notably larger. At this scale the town can be expected to support a full range of businesses locally and this would be the most efficient economic outcome.

E3 Business land prices

Please describe whether the trend of rapid increase in land prices shown in Figure 10 is unique to Pukekohe or is consistent with wider Auckland trends, and discuss the extent to which trends in Pukekohe are influenced by macroeconomic factors as opposed to local land supply constraints.

The rapid business land price increases over the past 40 years shown in Figure 10 are broadly consistent with the regional trend. The macroeconomic factors/trends, i.e. the national factors/trends, are quite different, with many cities and towns, such as Christchurch, having maintained much lower business land prices, as a result of strong supply relative to demand. More generally, business land prices in some locations are circa \$200-250/m², which is near to the fundamental cost of producing this land (raw land plus development costs), and these locations have an efficient or near to efficient market. Auckland business land prices are considerably above the fundamental cost of producing business land and this confirms an undersupply relative to demand or other inefficiency, such as market consolidation, exists.

E4 FLR Floorspace estimates

Please explain how the estimate of demand for an additional 64,000m² LFR (p26 of the Urban economics report) were arrived at. That estimate is inconsistent with the estimate of 25,000-30,000m² additional LFR demand presented on p29.

The report estimates demand for an additional 64,000m² of retail floorspace over the next two decades. This however is for total retail floorspace demand growth, and of this, approximately 65% (42,000m², is demand for LFR). The projections rely on the current per capita provision and expected future population growth.

E5 Economic effects

Please provide some assessment of the direct and indirect economic effects of on the Pukekohe Town Centre if the site was exclusively occupied by LFR. This assessment should explain what assumptions have been made about where spend resident in the catchment is directed, and the degree to which spend is likely to leak into the catchment from other places, or out of the catchment to competitor locations.

The economic impacts of LFR have generally already played out in the market. In this case, the impact of LFR on the Pukekohe town centre has already occurred, as all major LFR brands are within Pukekohe or south Auckland, and consumers can currently access these stores. Any additional LFR brands that enter Pukekohe would in large part retain current expenditure leakage to other LFR stores in south Auckland. Given the rapid growth in population expected in Pukekohe, and the general growth in demand for retail floorspace, the proposal is not considered to have any potential adverse economic effects relating to retail activity within the town centre. Such effects would be a concern primarily as they relate to new centres that include a large cluster of specialty retail, as this would complete more directly with a town centre, such as the recently consented shopping centre in Drury. However, given Pukekohe is a self contained large rural town, its residents would in large part prefer to use the local town centre, and this would offset any competitive impacts.

E6 Economic benefits

Please provide some assessment of the number of jobs that are likely to be supported on the PPC site, and the associated economic benefits.

The site is 7.9 hectares and would enable approximately 23,700sqm of business floor area. The development cost would be approximately \$71.1 million. The total 'value added' to GDP is estimated to be \$20.9 million (based on the construction sector value added rate of 29%). This would support approximately 160 Full Time Equivalent Employees (FTE) through the construction process, based on a value added rate of \$133,000 per construction sector employee per annum.

In addition, there would be approximately 316 FTEs per annum generated by ongoing employment within the proposal. This is conservatively estimated at a rate of 75m² of GFA per FTE employee. This is to account for the range of uses that the General Business Zone enables.

Overall, given the current shortage of available land in Pukekohe, this can be considered to be in large part a net addition (i.e. economic activity that would not otherwise occur). This is a notable benefit that should be considered under s32 of the RMA.

Figure 3: Economic Contribution from Construction of Site

GFA Yield (m ²)	Development Cost (\$M)	Value Added (\$M)	FTE Employees
23,700	\$71.1	\$20.9	160

Source: Statistics NZ, Urban Economics

Figure 4: Ongoing FTE Employment Generated from Site

GFA Yield (m ²)	FTE Employee /GFA (m ²)	FTE Employees
23,700	75	316

Source: Statistics NZ, Urban Economics