PROPERTY ECONOMICS

# HIGHBROOK
# PROPOSED PLAN CHANGE
# ECONOMIC OVERVIEW

**Client:** Highbrook Living Limited

**Project No:** 52139

**Date:** November 2021

W: www.propertyeconomics.co.nz E: phil@propertyeconomics.co.nz P: 09 479 9311 PO: Box 315596, Silverdale 0944

SCHEDULE

| Code | Date | Information / Comments | Project Leader |
|---|---|---|---|
| 52139.10 | November 2021 | Report | Phil Osborne |

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## CONTACT DETAILS

Phil Osborne

Mob: 021 557702

Email: phil@propertyeconomics.co.nz

Web: www.propertyeconomics.co.nz

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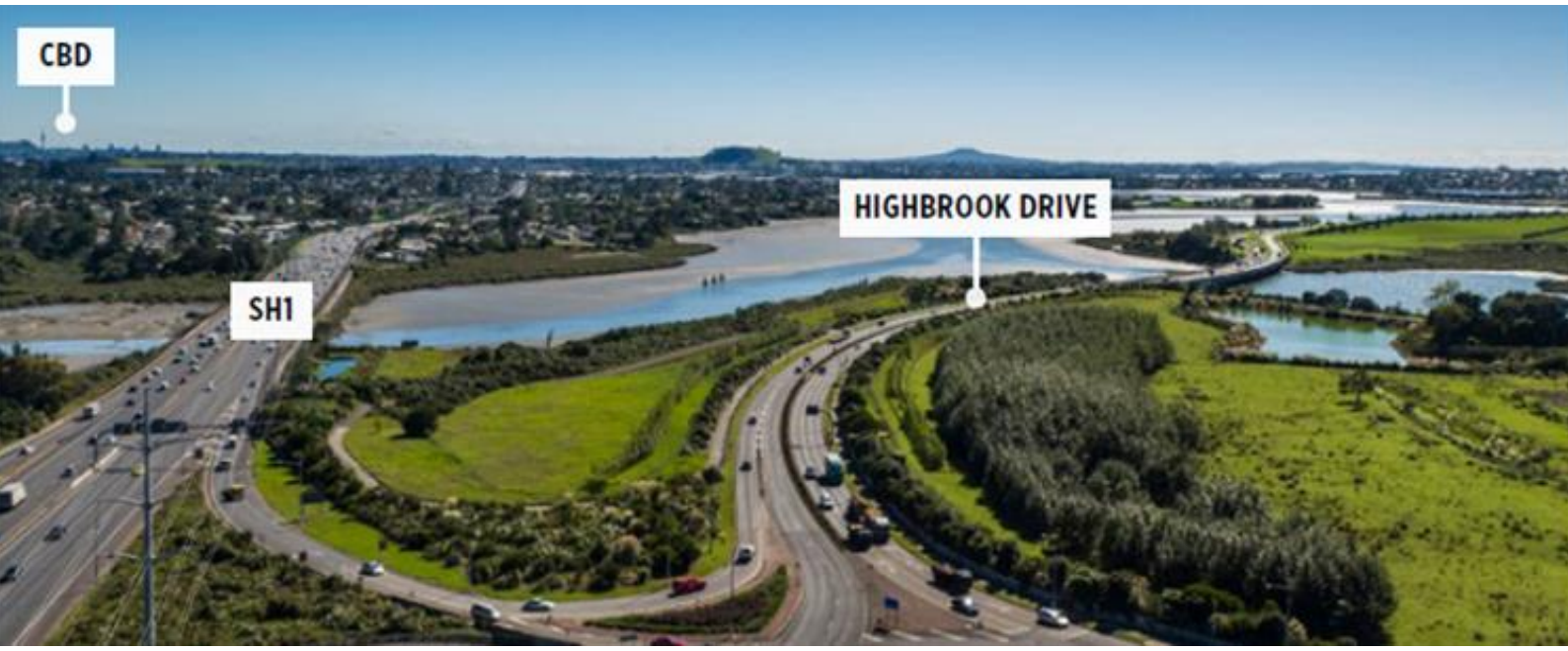



# 1. INTRODUCTION

Property Economics has been engaged by Highbrook Living Limited (**HLL**) to prepare an economic report assessing a Proposed Plan Change (**PPC**) request by HLL (**the Applicant**) to the Auckland Unitary Plan Operative in Part (**AUPOIP**). This PPC seeks to rezone approximately five hectares (5ha) of land on Highbrook Drive, Auckland, from Light Industrial Zone (LIZ) to Terrace Housing and Apartment Buildings Zone (or Mixed Housing Urban Zone).

This report is designed to review the industrial market in the context of the current zoned land provision, future industrial development, and projected market demand as outlined in the relevant Auckland Council reports. It also considers the economic efficiency of the PPC to accommodate the proposed high-density residential development at the proposed site.

The following section illustrates the sequential steps undertaken in the assessment adopted for this report to understand the methodology.

## 1.1. KEY RESEARCH OBJECTIVES

The core objectives of the report are to:

- Identify the core market for light industrial activities provided at the proposed site.
- Review and assess the industrial land provision for Auckland and the identified catchment.
- Breakdown Auckland region and the identified catchment industrial provision into occupied and vacant land.

- Review the industrial employment market for the catchment.
- Assess the potential 'uptake' of light industrial within the catchment.
- Review the sufficiency of the light industrial zone land within the catchment.
- Assess the viability of the proposed site for light industrial activity.

## 1.2. INFORMATION SOURCES

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

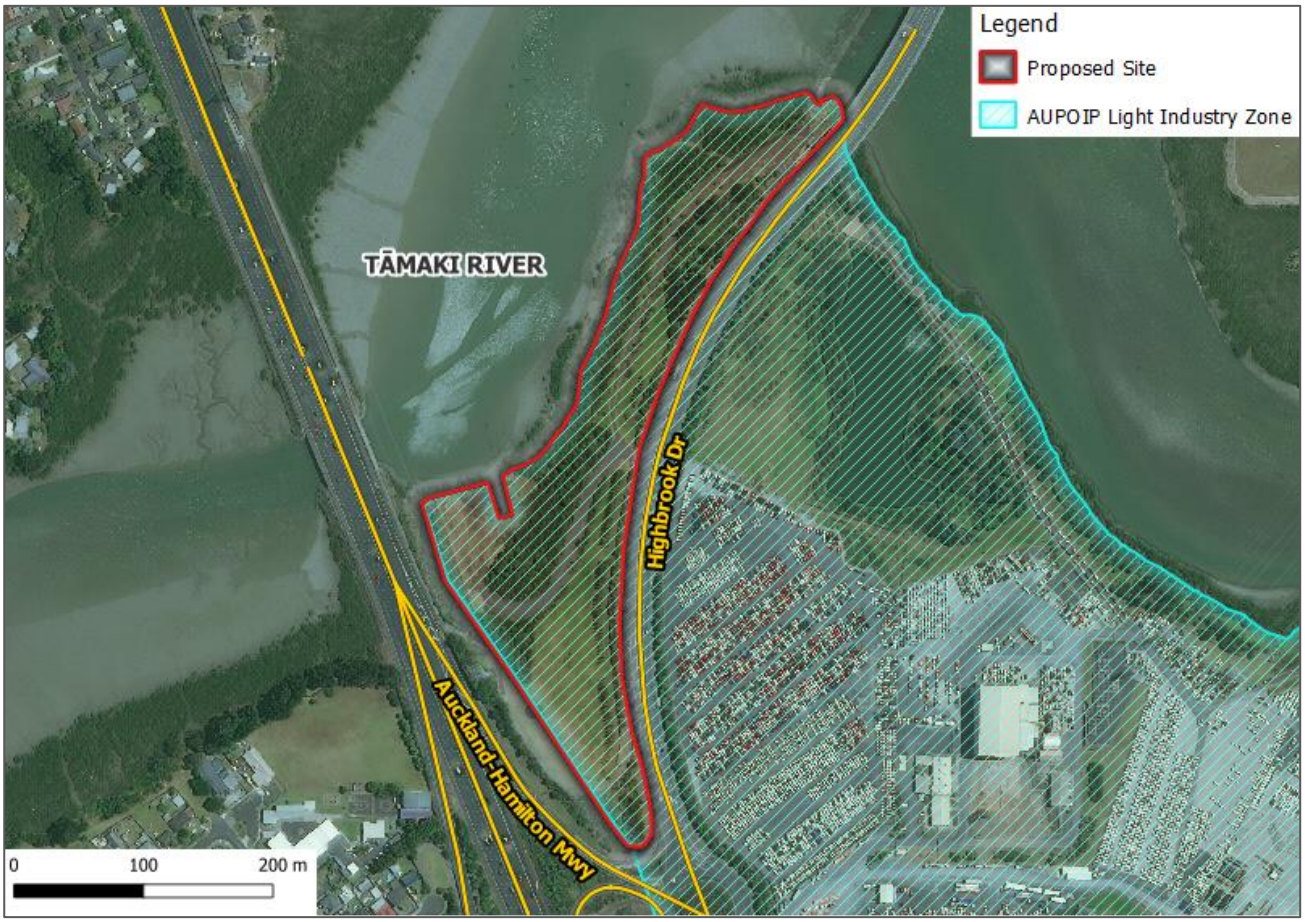
- Auckland Unitary Plan Operative in Part – Auckland Council
- Auckland Plan 2050 – Auckland Council
- Building Consent Statistics – Statistics New Zealand
- Business Demographic Statistics – Statistics New Zealand
- Drury Opaheke Structure Plan – Auckland Council
- Google Maps NZ
- Catchment Maps – Property Economics
- H17 Business- Light Industry Zone – Auckland Council
- 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
- Whenuapai Structure Plan 2016 – Auckland Council

# 2. PROPOSED PLAN CHANGE

The PPC site spans approximately 5ha and is located in north Ōtara, Auckland. The site is bounded by Highbrook Drive to the south-east, State Highway 1 to the west, and Tāmaki River to the north. The proposed site forms part of the existing Light Industry zone (LIZ) under the AUPOIP and is currently vacant.

The PPC seeks to rezone this site from the existing LIZ to Terrace Housing and Apartment Building Zone (THAB) or Mixed Housing Urban Zone to enable efficient land use. The PPC site is illustrated in Figure 1 below.

**FIGURE 1: LOCATION AND BOUNDARY OF THE PPC SITE**



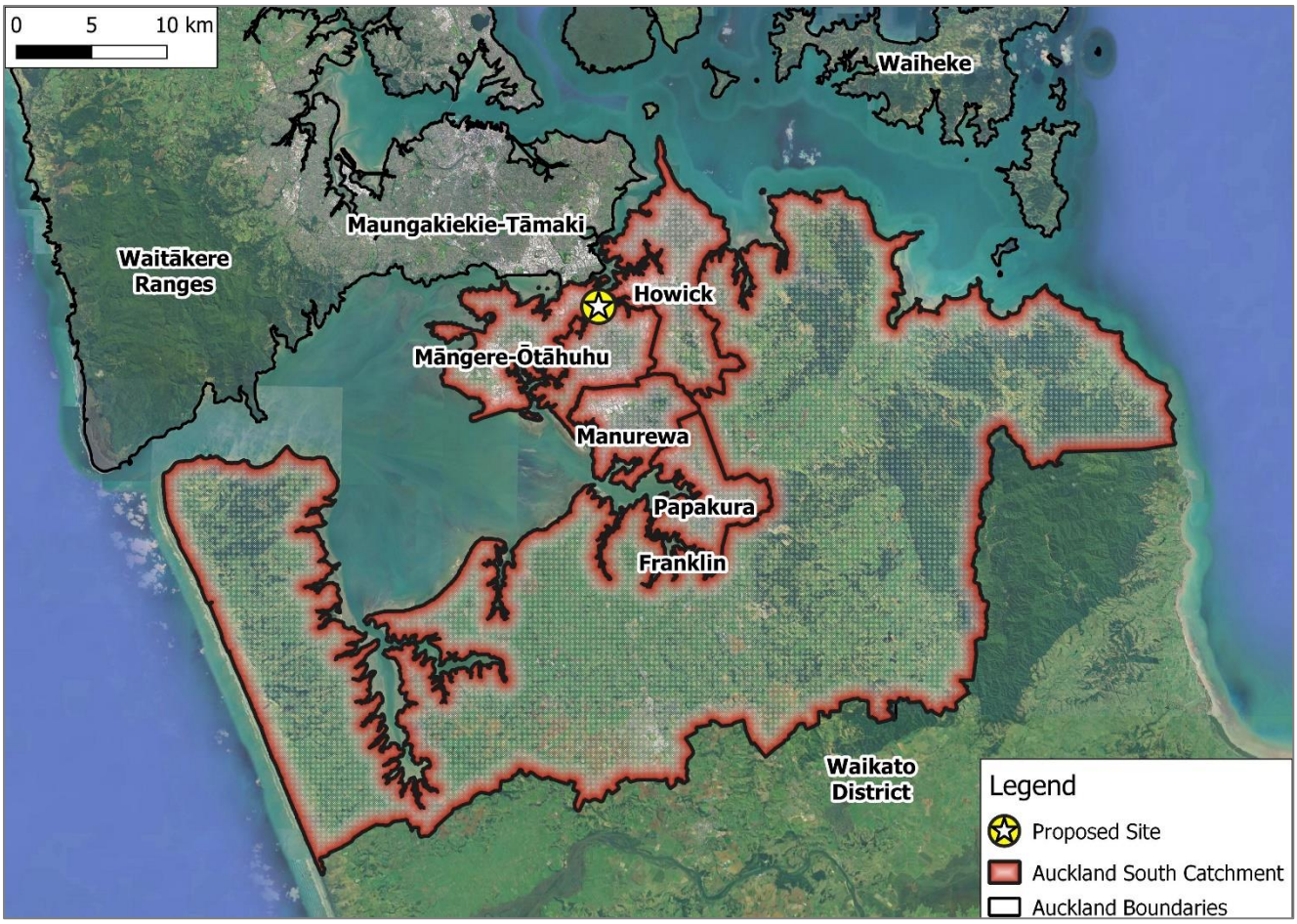

*Source: Property Economics, Google Maps*

# 3. IDENTIFIED INDUSTRIAL MARKET

Figure 2 highlights the core economic market considered most relevant to the PPC in terms of light industrial activity. This core catchment is based upon HBA 2017 local board groupings for Auckland Urban South and Rural South (referred to as 'Auckland South'), comprising the following areas:

- Howick
- Māngere-Ōtāhuhu
- Ōtara-Papatoetoe
- Manurewa
- Papakura
- Franklin

**FIGURE 2 IDENTIFIED LIGHT INDUSTRIAL LOCAL ECONOMIC CATCHMENT**




*Source: Property Economics, Google Maps*

Auckland South is a highly diverse community. It has large Pacific communities (Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Manurewa), large Māori communities (Manurewa, Papakura) and large migrant communities (Howick, Ōtara-Papatoetoe) on a proportional basis relative to

other areas of the city. This feature makes Auckland South a diverse community and encompasses almost half a million residents., which is around one third of the Auckland region total population base. This scale and population diversity mean that land use within the identified market will need to service demand from the population base of Auckland South primarily.

It is worth noting that this identified area does not represent the entire market, and some industrial activities within the PPC area may also serve the broader Auckland market (and beyond). However, given Property Economics professional experience, Auckland South is the geographic area from which industrial activities at the proposed site would likely primarily service. It is also the primary area where the industrial businesses within the proposed site would have a strategic locational advantage in terms of proximity over other competitors. Therefore, Auckland South is identified as the core catchment throughout the report.

# 4. INDUSTRIAL EMPLOYMENT MARKET AND TRENDS

This section assesses the current business demographics of the Auckland Region and the Auckland South market by industrial sector. It establishes a factual platform from which future industrial demand can be forecast. Table 1 shows the temporal industrial employment composition for these markets in 2020 according to ANZSIC[1] industrial employment categories. The employment data is sourced from Statistics NZ Business Demographic Database.

Note, a proportion of employees coded within industrial categories can work within other more commercial (office) arms of a business in other locations, i.e., employees in the sales branch of electrical companies are coded in the electricity, gas, water, and waste services. Despite being in a classified industrial industry, these employees are technically not industrial employees for this analysis or absorb industrial GFA. Property Economics has proportioned each industrial sector according to employee type to better differentiate between employee types to reflect the actual number of industrial employees within the Auckland region.

The ratios adopted for categorising the ANZSIC sectors into industrial, commercial, retail, etc., have been based on industrial sectors and compiled based on empirical data such as regional rating databases. These ratios can be found in Appendix 1.

As indicated in Table 1, the Auckland Region has over 248,500 employees in 2020. Specifically, Manufacturing and Construction are the most significant sectors, contributing to around 141,800 job opportunities across the broader area.

[1] *Australia New Zealand Standard Industrial Classification.*

**TABLE 1 INDUSTRIAL EMPLOYMENT BY SECTOR, 2020**

| ANZSIC | Auckland 2020 | Auckland South | | |
|---|---|---|---|---|
| | | Count | % of AS Total | % of AKL |
| A-Agriculture, Forestry and Fishing | 564 | 279 | 0.3% | 49% |
| B-Mining | 43 | 31 | 0.03% | 71% |
| C-Manufacturing | 79,696 | 37,639 | 39% | 47% |
| D-Electricity, Gas, Water and Waste Services | 1,685 | 515 | 0.5% | 31% |
| E-Construction | 62,098 | 16,989 | 17% | 27% |
| F-Wholesale Trade | 59,291 | 17,531 | 18% | 30% |
| I-Transport, Postal and Warehousing | 39,593 | 23,264 | 24% | 59% |
| L-Rental, Hiring and Real Estate Services | 5,596 | 1,299 | 1.3% | 23% |
| TOTAL | 248,565 | 97,547 | 100% | 39% |

*Source: Statistics NZ, Property Economics*

Auckland South local boards aggregately account for 39% of the Auckland Region total industrial employment, with around 98,000 people identified as employees in 2020. This reflects the significant role of Auckland South as an industrial hub across the region.

Within the Auckland South catchment, Manufacturing and Transport, Postal and Warehousing together account for 63% of the total industrial employment in Auckland South. This equates to around 61,000 employment job opportunities. In particular, Manufacturing is the dominant sector in terms of employment count with over 37,600 employees in 2020. This is followed by Transport, Postal and Warehousing, which accounts for 24% (23,264 employees) of Auckland South total industrial employment.

Given the employment data, it is evident that Auckland South plays a vital role in providing a diverse range of industrial employment in the broader region. This is based on a strong historical industrial base built up over many years in the area meaning the current industrial economy within Auckland South is facilitated well by the existing (occupied) industrial land.

Given that the PPC site is currently vacant and not creating any employment opportunities for the local communities, the PPC would not undermine the existing employment within the area and dampen the holistic industrial performance within Auckland South.

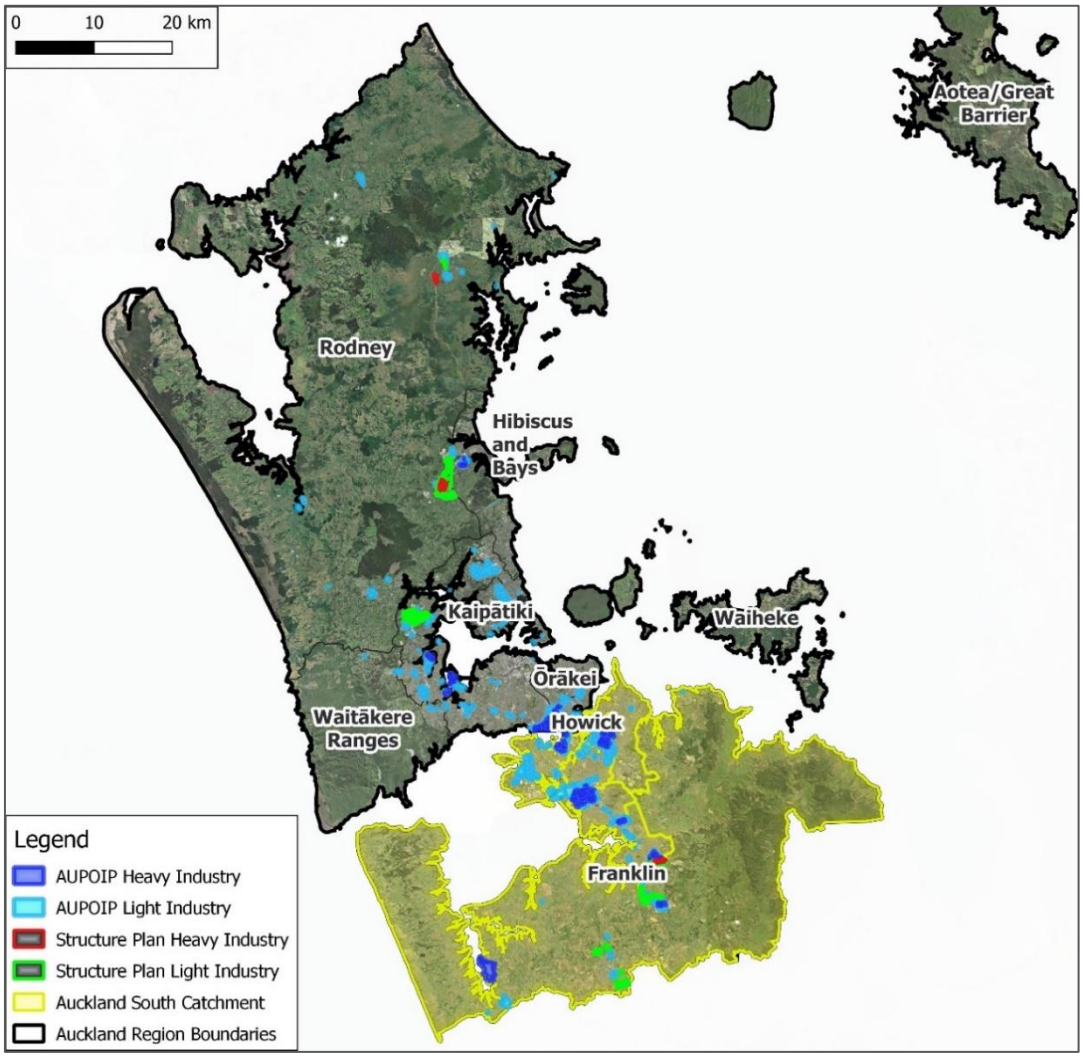
# 5. INDUSTRIAL LAND PROVISION

This section assesses the industrial land provision across the Auckland region and the identified core market of the PPC based on *Housing and Business Development Capacity Assessment 2017*. This will help to understand the likely impact of the PPC on the industrial land supply of the broader region and the localised industrial market.

## 5.1. AUCKLAND REGION

As indicated in Figure 3, most zoned industrial land is located in Auckland's main urban areas. In addition to the light and heavy industry zones based upon AUPOIP, the areas identified by Auckland Council promoted Structure Plans are expected to provide a significant level of additional industrial land capacity to facilitate Auckland industrial growth in the long term.

**FIGURE 3 AUCKLAND INDUSTRIAL LAND SUPPLY**




*Source: Auckland Council, Property Economics*

As summarised in Table 2, the Auckland region has 6,351ha of land zoned for industrial purposes[2]. Specifically, 684ha of land has been identified as vacant, approximately 11% of the total zoned land. The total capacity for development is estimated to be 2,993ha, 47% of the total zoned area, with potential vacant land included[3].

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

**TABLE 2 AUCKLAND REGION INDUSTRIAL CAPACITY**

| | HEAVY | | LIGHT | | TOTAL | |
|---|---|---|---|---|---|---|
| ZONE/AREA | Area (ha) | Capacity (ha) | Area (ha) | Capacity (ha) | Area (ha) | Capacity (ha) |
| **AUPOIP Zones** | **1,870** | **713** | **4,481** | **2,280** | **6,351** | **2,993** |
| Vacant Land | | 109 | | 574 | | 684 |
| Vacant Potential Land | | 604 | | 1,706 | | 2,310 |
| **Structure Plan** | **187** | **101** | **1,414** | **828** | **1,601** | **930** |
| 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 (est.) | 33 | 21 | 22 | 14 | 55 | 36 |
| Whenuapai | 0 | 0 | 390 | 300 | 390 | 300 |
| **PC69 - Spedding Block** | 0 | 0 | 52 | 34 | 52 | 34 |
| TOTAL (excl. Vacant Potential Land) | 2,057 | 211 | 5,947 | 1,436 | 8,004 | 1,647 |
| TOTAL (incl. Vacant Potential Land) | 2,057 | 815 | 5,947 | 3,142 | 8,004 | 3,957 |

*Source: Auckland Council, Property Economics*

In addition to the zoned capacity, it is worth considering the future industrial land areas identified by Auckland Council Structure Plans. Note, Structure Plans have revealed the net developable land in the identified light and heavy industry areas, which is used to proxy the capacities of these future industrial land / areas in Table 2.

Due to data unavailability, the industrial capacity in Warkworth is estimated by Property Economics based on spatial data and a 35% infrastructure assumption. Likewise, zoned land (area) is measured by Property Economics using the boundaries identified by Structure Plans.

[2] *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.*

[3] *'Vacant Potential Land' is defined as sites where building coverage is low.*

A further source of light industrial land supply within the region is PC69-Spedding Block PPC. This proposal provides approximately 52ha of vacant light industrial land to the market, equating to around 34ha of developable land on a 35% infrastructure basis. This would improve the holistic industrial land capacity of the Auckland region.

Based on the estimates, the total industrial land capacity across the region is anticipated to be increased by an additional 930ha in the future, leading to a total capacity of 1,647ha, with Vacant Potential Industrial Land excluded. This is expected to facilitate industrial development across the region further.

Including the Vacant Potential Land total capacity is increased substantially to 3,957ha. Light Industry has around 3,142ha of this total capacity, identifying as vacant or developable with Vacant Potential Land excluded. In contrast, 815ha of land within the Heavy Industry identified as vacant and will be able to facilitate the future growth of the industrial economy of the Auckland region.

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

While the Auckland HBA 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, and Property Economics own assessments estimate the total land demand for industrial activities within the Auckland Region at approximately 1,420ha to 2048[4].

Based on the total industrial and potential capacity of 3,957ha provided in Table 2, Auckland Region has more than sufficient industrial land capacity to meet the projected demand of 1,420ha by 2048. This sufficiency suggests that the PPC will not materially impact the regions' ability to provide for future industrial activities and demand.

## 5.2. AUCKLAND SOUTH

Based on the floorspace capacity provided by HBA 2017 Appendix C, Property Economics has estimated the future floorspace demand for industrial land in Auckland South. As indicated in Table 3, both Heavy and Light industries have significant capacity remaining after accommodating the projected consumption by 2048.

[4] *Note for Heavy Industrial this applies a 0.37 FAR (Floorspace/Land Area Ratio) and for Light Industrial this applies a FAR of 0.4.*

**TABLE 3 AUCKLAND SOUTH FUTURE FLOORSPACE SUFFICIENCY (000 SQM)**

| SUMMARY (000 SQM) | 2028 | | | 2048 | | |
|---|---|---|---|---|---|---|
| | HEAVY | LIGHT | TOTAL | HEAVY | LIGHT | TOTAL |
| Floorspace Capacity | 732 | 4,077 | 4,809 | 732 | 4,077 | 4,809 |
| Estimated Consumption (part est.) | 313 | 1,253 | 1,566 | 595 | 2,382 | 2,977 |
| Residual Capacity (Sufficiency) | 419 | 2,824 | 3,243 | 137 | 1,695 | 1,832 |

*Source: Auckland City Council, Property Economics*

Over the medium-term Auckland South is estimated to have surplus capacity of around 3.3m sqm of industrial floorspace by 2028. This surplus will be decreased to 1.8m sqm by 2048 due to the increased land consumption. Of this surplus, the Light industry accounts for around 93%, equating to 1.7m sqm. This illustrates the high level of excess light industrial capacity over the long term in the Auckland South catchment.

Indeed, as these estimates have not considered the future industrial development identified by Structure Plans, the residual capacity in the Auckland South Light industry is anticipated to be greater than the estimated surplus of 1.8sqm.

Table 4 presents the estimated total industrial land sufficiency within Auckland South over the next 27 years. Note, the estimated capacity and consumption are based on HBA 2017 floorspace capacity and consumption estimates. These estimates are converted into land capacity and consumption based on 0.37 and 0.4 FAR assumptions on Heavy and Light Industry respectively.

In terms of the total existing land area capacity, the 1,200 hectares represents not only the vacant industrial land capacity within the catchment but the additional assessment under the Auckland HBA of the vacant potential land areas (estimated at full hectare equivalents) for industrial use.

As indicated in Table 4, Auckland South has an estimated industrial land capacity of around 1,217ha. Of which Light Industry accounts for approximately 84%, equating to 1,019ha. Having considered the estimated future demand for industrial land, the excess of industrial land capacity is estimated to be approximately 819ha by 2028 and 461ha by 2048. At the sectoral level, it is estimated that all long term Light Industrial demand can be meet within the catchment with a surplus of 424 hectares of capacity.

Given the estimated residual capacity, it is evident that there is more than sufficient (Heavy and Light) industrial land capacity in Auckland South. This suggests that the proposed zone would not be required to meet the projected industrial land requirements through to 2048.

**TABLE 4 AUCKLAND SOUTH INDUSTRIAL LAND SUFFICIENCY**

| SUMMARY (ha) | 2028 | | | 2048 | | |
|---|---|---|---|---|---|---|
| | HEAVY | LIGHT | TOTAL | HEAVY | LIGHT | TOTAL |
| Estimated Capacity (Supply) | 198 | 1,019 | 1,217 | 198 | 1,019 | 1,217 |
| Estimated Consumption (Demand) | 85 | 313 | 398 | 161 | 595 | 756 |
| Residual Capacity (Sufficiency) | 113 | 706 | 819 | 37 | 424 | 461 |
| Structure Plan | | | | 24 | 221 | 245 |
| Drury-Opāheke | | | | 24 | 126 | 150 |
| Pukekohe-Paerata | | | | 0 | 95 | 95 |
| TOTAL SURPLUS CAPACITY | 113 | 706 | 819 | 61 | 645 | 706 |

*Source: Auckland City Council*

A further consideration, as outlined by Table 4 is the introduction of additional structure plan areas that would contribute significantly to the overall catchment's industrial capacity. As acknowledged in Table 2, the areas identified through Structure Plans are expected to supplement industrial land capacity across the region.

Specifically, Drury-Opāheke and Pukekohe-Paerata are located in Auckland South providing additional industrial capacity to the Auckland South market once through the relevant RMA process. Including these relevant plan areas contributes a further 245 hectares of industrial land over the long term. This results in an overall excess of light industrial capacity within the catchment of nearly 650 hectares if all zoned.

This assessment would suggest that the current and future market for light industrial activity within the Auckland South catchment is well catered for both in the short and long terms. In relation the proposed site it would further suggest that this small site is not required for the Auckland or Auckland South industrial markets to operate efficiently.

# 6. INDUSTRIAL ACTIVITY VIABILITY ASSESSMENT

Location and site characteristics are the most critical factors influencing the viability of a zone for industrial activities. These factors have implications regarding 'industry fit', demand levels, development costs, and the overall potential for the zone's success.

The PPC site forms part of the AUPOIP LIZ in Ōtara. However, the site is intrinsically different from the rest of the LIZ because of its unique location and landform. For instance, inappropriate parcel shape can deter many uses with residual sites often having access limitations or constraining building footprints. The submission site is the case as Highbrook Drive separates it from the broader LIZ on the opposite side of the road and Tāmaki River from the balance of Highbrook. In effect the site is a very narrow and isolated piece of land. This feature increases the uncertainties and extra costs associated with land use and development within the proposed site.

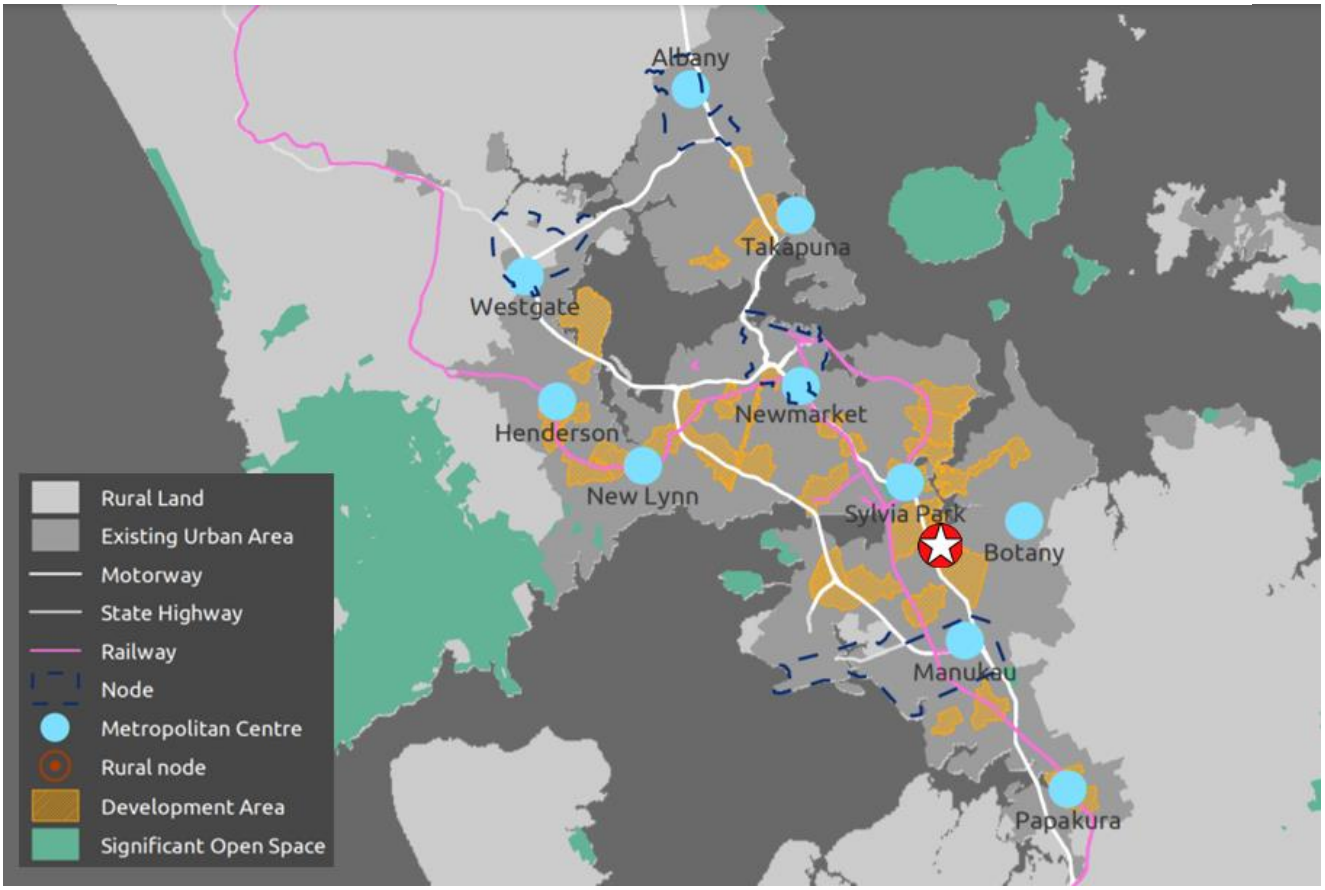
Further, the existing businesses in the adjacent LIZ involve logistics services, electricity providers and utility contractors. One common feature among these businesses is their demand for larger space. However, the proposed site's long and narrow feature (circa 400m long and 35m wide (for the majority of its length)) restricts its potential to accommodate large-scale industrial activities.

Likewise, due to the current landform and site characteristics the site will be unable to allow for an efficient on-site layout and design, especially in relation to manufacturing and warehousing activities. Therefore, the proposed site is not efficient or practical for light industrial activities.

As defined in AUP *H6 Residential-Terrace Housing and Apartment Buildings Zone* (THABZ), high-density residential development is predominantly located around metropolitan, town and local centres. These residential zones need to ensure that residents access services, employment, education, retail and entertainment opportunities, and public open space.

Having identified the proposed site in the context of Auckland Plan 2050 development locations and strategies, the proposed site (the 'RED STAR' in Figure 4 below) has several notable features as a residential location to maximise its land use efficiency. For instance, the site is located between three Metropolitan centres, Sylvia Park, Manukau and Botany. It is also located adjacent to significant industrial sector employment opportunities and in one of the development areas with the broader region. Direct access to State Highway network will allow people to access entertainment and services freely.

**FIGURE 4 AUCKLAND PLAN 2050 DEVELOPMENT STRATEGY (PART)**



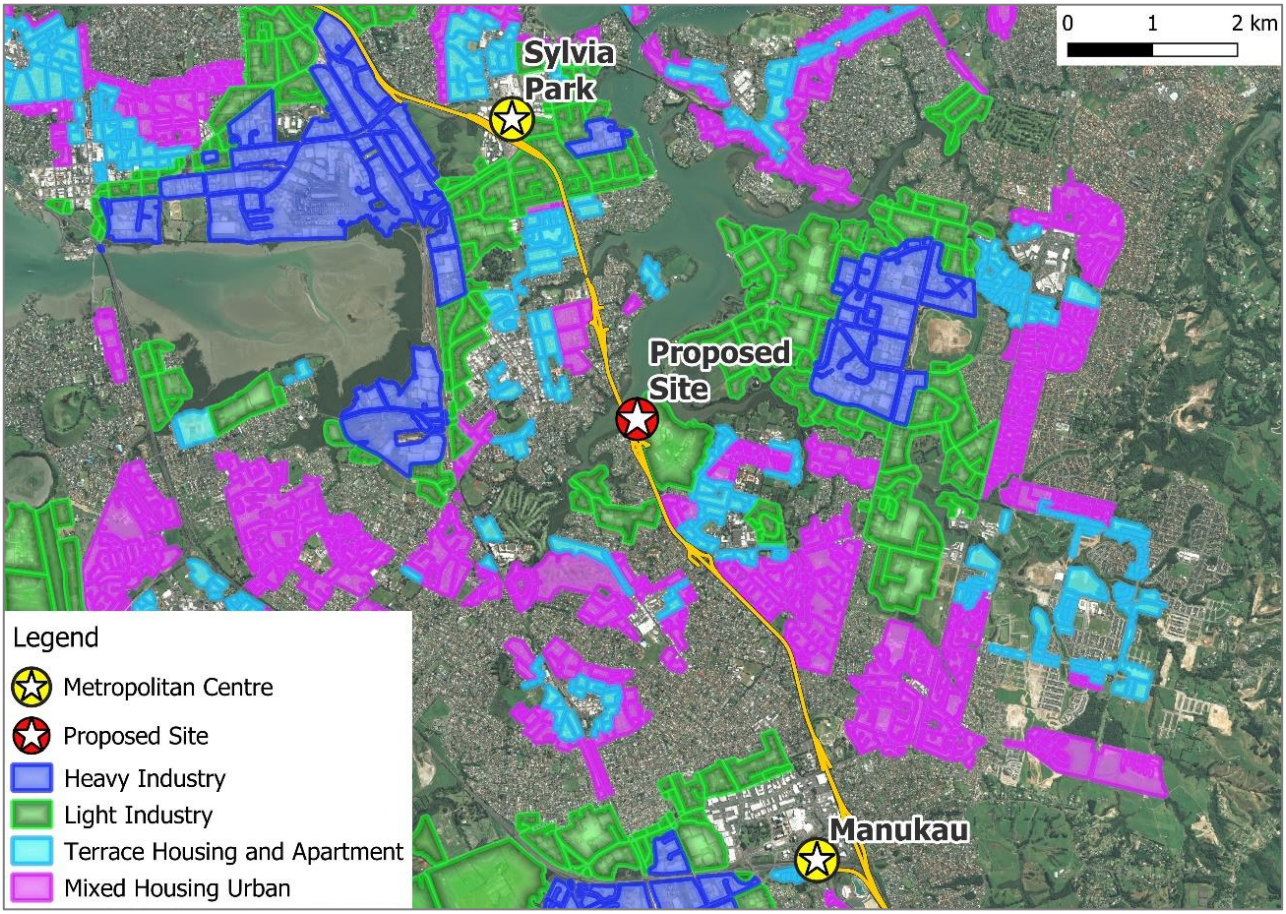

*Source: Auckland Council*

Additionally, Figure 5 following shows that there are multiple existing high-density residential zones near the PPC site. This reflects the potential of the proposed site to be used for similar residential purposes.

Even though being directly adjacent to the LIZ, there is no direct interface between the proposed site and the wider industrial zone. Therefore, people in the proposed zone are unlikely to be adversely impacted by the existing industrial activities across the road. Indeed, Highbrook Drive will be able to act as a natural buffer to manage any potential reverse sensitivity effects.

Having assessed the location of the proposed site in the context of the surrounding zones, the PPC to rezone the proposed site to high-density development is considered more appropriate to use of the land and leverage the unique locational and characteristics of the site. This would, in turn, ensure an efficient land use of the site that in all likelihood might otherwise remain unutilised.

**FIGURE 5 EXISTING INDUSTRIAL AND RESIDENTIAL ZONES**




*Source: Property Economics, Auckland Council*

# 7. SUMMARY

The purpose of this report is to assess the high-level economic grounds of rezoning the PPC site from the current AUPOIP Light Industrial Zone (LIZ) to Terrace Housing and Apartment Buildings Zone (or Mixed Housing Urban Zone).

According to HBA 2017, the Auckland Region has the equivalent industrial capacity around 2,993ha, which consists of 2,280ha of Light Industrial land and 713ha of Heavy Industrial land. Considering the industrial areas proposed by Council Structure Plans, the total industrial land capacity is estimated at approximately 3,957ha cross the region. In contrast to the predicted total industrial land demand of around 1,420ha in the region, these estimated capacities are more than sufficient so that the PPC would not undermine the industrial performance of the broader region.

Auckland South is estimated to have around 1,217ha of total equivalent industrial land capacity, with Structure Plans excluded. Of this 1,217ha, 1,019ha of capacity is identified as LIZ. This would result in an estimated surplus capacity of 819ha by 2028 and 461ha by 2048 for industrial activities. It is evident that there is more than sufficient industrial capacity in Auckland South. Including the Structure Plans, the total surplus capacity of LIZ would be 706ha by 2028 and 645 by 2048, suggesting that the PPC site is not required to accommodate the projected industrial land demand to 2048. In total, the industrial land capacity is estimated to have a surplus of 819ha by 2028 and 706ha by 2048, with Structure Plans included.

This report also assesses the locational attributes of the PPC site for light industrial activities. Given its unique locational characteristics and narrow width, the PPC site is not suitable or practical for light industrial activities. This is because industrial businesses (such as the existing logistics and warehousing businesses in the wider Light Industry zone) typically require relatively large space, truck moveability and accessible routes. However, this is not the case for the proposed site, where sufficient and developable land appears to be limited.

The currently vacant status of the proposed site also indicates that the land is not as attractive to industrial activities. With the site likely to remain vacant under the current LIZ provision, more appropriate zoning is required to leverage the site's locational characteristics for more suitable land uses. As an alternative, a zone enabling high-density residential development is considered a more appropriate to fit the locational characteristics of the site. This is mainly attributed to the site's proximity to existing metropolitan centres, transport networks and large employment hubs.

In summary, this report shows that the proposed PPC will not undermine the industrial land sufficiency of the localised catchment and the wider region, while maximising the land-use efficiency of the site.

# APPENDIX 1: INDUSTRIAL BUSINESS CLASSIFICATIONS

Property Economics utilises the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) as guidance, whereby businesses are assigned an industry according to their predominant economic activity.

Industrial activities in general refer to land extensive activities, it includes part of the primary sector, largely raw material extraction industries such as mining and farming; the secondary sector, involving refining, construction, and Manufacturing; and part of the tertiary sector, which involves distribution of manufactured goods. The employees work for the following sectors are considered an industrial sector employee:

- 10% of Agriculture, Forestry and Fishing
- 10% of Mining
- Manufacturing
- 30% Electricity, Gas, Water and Waste Services
- Construction
- Wholesale Trade
- Transport, Postal and Warehousing
- 40% Rental, Hiring and Real Estate