

Memo

To: Rachel Morgan, Barkers

From: Greg Akehurst, Director

Date: 2 April, 2020

Re: Request for Further Information: Drury Central Private Plan Change Request

Introduction

As I understand it, Council require further information on the following Economic issues in their deliberations on issuing consent on the Metropolitan Centre development at Drury proposed by Kiwi Property. Council have identified 2 issues that they need further information on. They are;

1. Faster growth of Drury Centre and implications for possible impacts on Pukekohe and Papakura.

The impact of the proposed new Drury centre on the social and economic environment of Papakura and Pukekohe is dependent to an extent on the timing of development in the Drury Centre. This phasing will be influenced by transport projects like Mill Road, as well as residential development sparked by investment in rail. Figure 5.1: Drury FUZ Household Growth and Timing, 2016 - 2048 of the Economic Impact assessment by ME provides one scenario as to population growth rates, with around 50% of growth occurring in the third decade 2038 to 2048. It is unclear from the assessments provided if faster growth of population than anticipated, and hence the size of Drury Centre, will have a material effect on estimated impacts on Papakura and Pukekohe.

Request

Please advise on the implications for Papakura and Pukekohe of faster population (and retail spend at Drury Centre) than estimated.

2. Future of Papakura

Setting aside issues of whether Papakura remains a Metropolitan Centre, Papakura centre still serves a local catchment that benefits from access to a wide range of local services and activities. The amenity of the town centre environment is important. It is unclear from the assessments on the impact of Drury Centre on Papakura, if Papakura retains a sustainable path for incremental expansion and upgrade of its retail offering.

Request

Can you please advise on the likely future growth path of Papakura, with Drury Centre in place.

Response

1. Faster Growth Scenario

Council have stated that, “*The impact of the proposed new Drury centre on the social and economic environment of Papakura and Pukekohe is dependent to an extent on the timing of development in the Drury Centre.*” Therefore, they request;

Please advise on the implications for Papakura and Pukekohe of faster population (and retail spend at Drury Centre) than estimated.

To provide comfort that the implications of faster growth have been assessed a “Faster Growth Scenario” has been developed that does 2 things;

- First, the scenario assumes that the proposed growth anticipated to occur within the Drury FUZ occurs 10 years ahead of schedule. In other words, the household growth assumed to occur by 2033, occurs by 2023, by 2038, occurs by 2028 and so on. As the current projections stop at 2048, it is assumed that a diminishing growth occurs post 2048 to reflect a more or less at capacity FUZ area.
- This faster paced growth may occur as a result of improved road and rail connections, or faster growth in Auckland overall – or a range of other reasons either singularly or in combination. Household numbers are then translated into retail demand that needs to be provided for in a range of centres – including the Drury Metropolitan Centre. Adopting an early arrival of growth as part of the development impact scenario is to ensure some semblance of realism is being modelled. It is not the case that large retail developments are progressed in complete absence of supporting household demand, so this needs to be incorporated into the assessment.
- Second, in response to the early arrival of growth, the Drury Metropolitan Centre is developed ahead of current scheduling. This has been modelled occurring in 2 stages. First a 50,000sqm GFA development is operational by 2023. This is further expanded to 75,000sqm in 2033 and finally to 90,000sqm in 2043.

Assumptions

In the initial assessment of impacts generated by the Drury Metropolitan centre on Pukekohe and Papakura and other centres existing and planned, it was assumed that the Drury Centre was only developed at a scale that could be supported by household growth – primarily from the Drury FUZ, but with an allowance for some sales to come in from the surrounding catchments (Franklin, Papakura, Pukekohe). No allowance was made for the Drury Metropolitan Centre to meet the needs from households further away. Therefore, no allowance was made for capturing passing trade, or for households driving up from Pokeno and beyond to meet their retail needs, or for other Aucklanders to make special visits to Drury to shop. This is behaviour that is well observed elsewhere across Auckland’s Metropolitan Centres and therefore the assumptions in our original report are conservative.

However, under the Faster Growth Scenario, where it is assumed that a 50,000sqm GFA centre is developed significantly ahead of growth (even allowing for 10 year early arrival of that growth), it is

necessary to allow a sizeable portion of demand to be drawn from wider catchments. To model this, I have assumed that 25% (initially) comes from the wider markets (from wider Auckland and some closer parts of Waikato District). This reduces to 10% over the first 15 years.

If there was no Metropolitan Centre at Drury, but the area developed residentially, households Metropolitan Centre demands will be met across a range of centres with a small portion going to Pukekohe. Traditionally, households look inwards to larger centres, towards the centre of the city, rather than outwards if they do not have a local Metropolitan Centre. This is even more the case, if they live on the very edge of the city such as at Drury, and Pukekohe represents a separate ‘Town’ – outside the City. I have modelled Pukekohe capturing 50% of the Metropolitan Centre needs from Drury FUZ households.

The implication of this behaviour is that if there was no Metropolitan Centre at Drury – Pukekohe will not be the major beneficiary of the additional spend arising from households in the Drury FUZ. In terms of assessing the potential retail impacts this becomes important as the baseline does not assume that all the metropolitan centre spend arising from the newly arrived households is being spent at Pukekohe.

The other assumptions are the same as for the initial assessment (likely market penetrations, spend per household and the type and nature of other centres in the FUZ).

Results


In terms of impacts on Pukekohe, the early opening of a Metropolitan Centre at Drury in 2023 is expected to capture 11,478sqm of Retail space that would otherwise be met at Drury. This is equivalent to 16.8% of Pukekohe Catchment Demand. It is important to note that the Pukekohe Centre fulfils a wider role than simply retail and hospitality. Activities such as Education, Medical, Social Services, Household Services add over 55,000sqm while the non-household sector adds almost a further 50,000sqm.

In total, the Centre Land Use survey identified approximately 178,200sqm GFA in Pukekohe¹.

Figure 1: Potential Impacts on Pukekohe Town Centre

Category	2016	2018	2023	2028	2033	2038	2043	2048
Pukekohe Total Catchment Demand	49,292	56,026	70,843	84,034	97,414	107,716	117,452	127,498
Pukekohe Town Centre Focused Demand	39,433	44,821	56,674	67,227	77,931	86,173	93,961	101,998
Other Catchment Demand - Pukekohe met	0	0	11,478	12,272	19,374	20,394	24,578	24,778
Total Demand at Pukekohe TC	39,433	44,821	68,153	79,499	97,305	106,567	118,539	126,777
Post Impact Pukekohe Demand	39,433	44,821	56,674	67,227	77,931	86,173	93,961	101,998
Impacts Compared to Total	0.0%	0.0%	-16.8%	-15.4%	-19.9%	-19.1%	-20.7%	-19.5%
Sales Change vs 2018		0.0%	26.4%	50.0%	73.9%	92.3%	109.6%	127.6%
Sales Change vs 2023			-16.8%	-1.4%	14.3%	26.4%	37.9%	49.7%
Sales Change vs 2028				-15.4%	-2.0%	8.4%	18.2%	28.3%

¹ Table 3-2, page 10 of “Pukekohe Centre Household Sector Activity” report – 20 March, 2020



Over time the impacts diminish as the catchments surrounding Pukekohe grow. However, the strength of the Drury Centre slows the recovery some. After 5 years, Pukekohe is still expected to be trading at slightly below the 2023 level (1.4% the second figure on the Sales Change vs 2023 row). By 2033 – in spite of the expansion for Drury to 75,000sqm, Pukekohe is trading at 14% above the 2023 level.

I note that its trading level is lower than it would otherwise have been. The ‘Impacts compared to Total’ row indicates that in 2038, with Drury trading at 75,000sqm GFA, Pukekohe is operating at approximately 19% lower than it would otherwise have been if the Metropolitan Centre at Drury hadn’t been built. However, this is in part because with no Metropolitan Centre at Drury, the Drury FUZ households are having to meet a portion of their needs at Pukekohe. This is not an efficient outcome. By placing the 75,000sqm Drury Metropolitan Centre into that environment results in a 19% reduction in Pukekohe turnover. However, it is worth noting that even in this situation, Pukekohe is still trading strongly – at significantly higher levels than today (86,000sqm of GFA in 2038 in retail categories covered compared with around 50,000sqm GFA today).

Over time, catchment growth outweighs any impacts arising from the Drury Metropolitan Centre – even if it expands to 90,000sqm (2043 in this scenario). By 2048, Pukekohe is expected to be operating at almost 50% above anticipated 2023 levels.

Based on the above analysis, even if the Drury Metropolitan Centre was developed and operational at 50,000sqm by 2023, the impacts on Pukekohe are not significant. Given that the areas of impact Drury’s Metropolitan Centre is likely to have on Pukekohe account for only 63% of the total GFA² in Pukekohe, then the maximum impacts noted (around 20% in any one year) translate to between 10% - 13% impact on the entire centre when other activities operating in the Pukekohe Centre are accounted for.

Finally, with respect to retail impacts, we do not believe that there will be any significant effect on turnover at Papakura. This is because there is significant outflow of Metropolitan spend from the Papakura catchment that is likely to be captured by Drury – with no change to Papakura centre sales. There may be diversion of some supermarket spend from households in the southern parts of the Papakura catchment – if the Supermarket offering at Drury proves to be more convenient (closer or on the homebound journey). In the following section, Papakura’s future is discussed in more detail.

2. Future of Papakura

As discussed in the Papakura report, it is clear that Papakura has not performed as a Metropolitan Centre for a significant period of time. The Retail Centre Assessment found that Papakura has not performed as a Metropolitan Centre for a significant period of time. However, it also found that

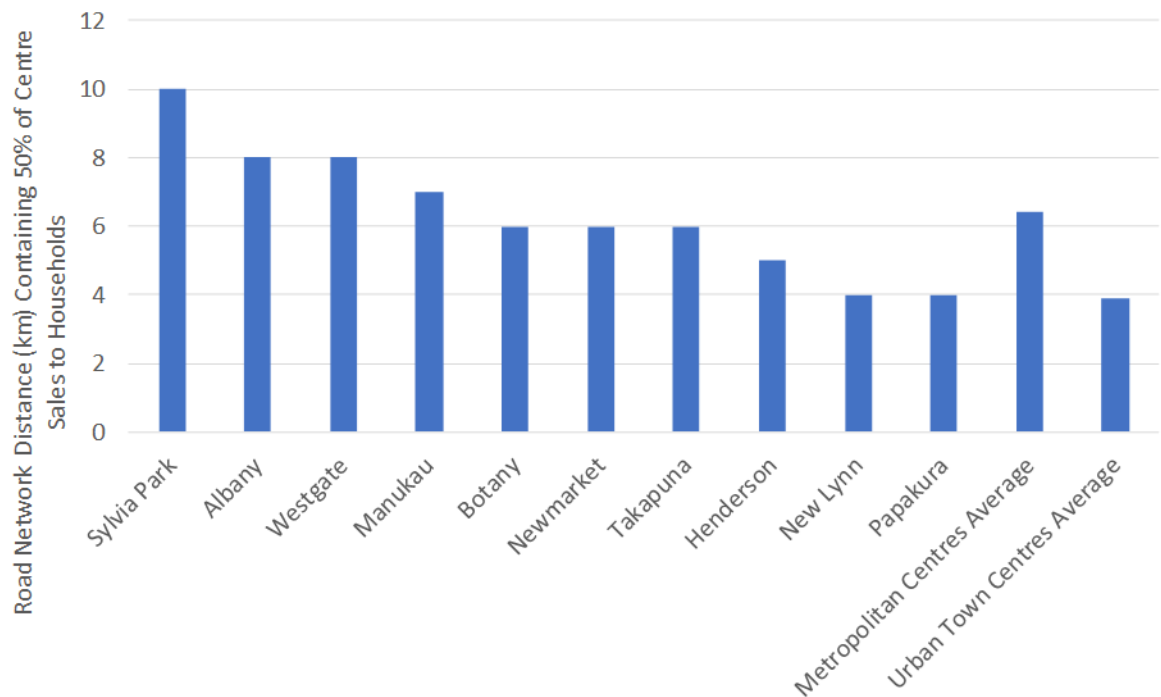
² Including Educational, Medical, Office, Automotive and Light Industry as well as household services.

Papakura has a “varied role where it contains a diversified range of land uses with a reasonably significant level of social infrastructure”. Much of the role that Papakura currently serves is dictated by its geography. Historically the centre was well placed in the middle of a discrete township and sat astride the main North South route (Gt South Road). However, as Auckland grew and the Papakura became more integrated into the city along with the opening up of the Southern Motorway, the physical and catchment constraints at Papakura limited its growth. The development of Manukau City Centre as the predominant centre in South Auckland and in more recent times the Large format retail that have emerged along the Takanini straight parts of Gt South Road have further restricted retail growth and development at Papakura.

As a result of these forces, Papakura does not have a strong presence of the larger comparison retailers and national chain retailers that are present in other Metropolitan Centres offering higher order goods. Compounding this is the built form of Papakura. Most of the building stock is old with small footprint frontages and fragmented ownership, making amalgamation and redevelopment difficult and costly.

While it is clear that Papakura is no longer serving a Metropolitan Centre role, it does play an important Town Centre role. It meets the needs of a more localised catchment – much in line with Auckland’s other Town Centres. This can be seen in the graph below (originally from an Auckland Council report 2012 – reproduced in the Papakura Metropolitan Centre household Sector Activity report (Fig 4-3)).

Figure 2: Road Network Distance – 50% of Centre Sales



Source: Fairgray, 2012.

Metropolitan Centre

Papakura has the smallest 50% catchment, at 4km, whereas the Metropolitan Centre Average is 6.5km. Urban Town Centres, however average very slightly under 4km, meaning they trade to catchments very similar to Papakura's. Papakura's future is therefore more aligned with a large Town Centre. As long as growth remains strong within its catchment and Council supports it within its Town Centre role, it can thrive. Figure 3 outlines the amount of Retail and Household service floorspace required to meet the catchment needs of Papakura. This is the total demand met by all centres not just the Papakura town Centre. It shows demand growing from 58,000sqm for retail and hospitality in 2018 to 147,500sqm GFA by 2048.

As discussed in the Retail Centre Report, a Metropolitan Centre in Drury is not expected to capture significant GFA from Papakura. This is because the majority of Metropolitan Centre demand arising from the Papakura catchment is already being met elsewhere (Manukau and the LFR that has emerged at Takanini)³. What is likely to happen is that a portion of that already leaking demand will be diverted to Drury. In particular from the portions of the Papakura catchment on the southern side of the Papakura centre.

Figure 3: Total Papakura Catchment Supported Retail Space – all locations (sqm)

	2018	2023	2028	2033	2038	2043	2048
Food and Liquor	13,500	17,300	21,400	25,200	28,000	31,000	34,200
SFR specialty	6,000	7,700	9,500	11,200	12,500	13,800	15,300
Clothing	4,800	6,100	7,600	8,900	9,900	11,000	12,200
Footwear	700	900	1,100	1,300	1,500	1,700	1,800
Department Stores	9,300	12,000	14,800	17,500	19,400	21,500	23,800
Furniture	2,100	2,600	3,300	3,800	4,300	4,700	5,200
Floor Coverings	1,600	2,000	2,500	2,900	3,300	3,600	4,000
Houseware	300	400	500	600	600	700	800
Manchester, Other Textile Goods	800	1,100	1,300	1,500	1,700	1,900	2,100
Elec. & Gas Appliance	2,600	3,400	4,200	4,900	5,500	6,100	6,700
Computer & Peripherals	500	600	700	900	1,000	1,100	1,200
Other Elec. Electronic Goods	300	400	500	500	600	700	700
Sport & Camping Equip.	1,800	2,300	2,900	3,400	3,800	4,200	4,600
Hospitality	13,700	17,700	21,800	25,700	28,500	31,600	34,900
Core Retail & Hospitality	58,000	74,600	92,100	108,500	120,500	133,500	147,500
Automotive	9,000	11,500	14,200	16,700	18,600	20,600	22,700
Out Of Centre	5,400	6,900	8,500	10,100	11,200	12,400	13,700
Household Services	2,100	2,700	3,400	4,000	4,400	4,900	5,400
Professional Services	13,900	17,800	22,000	25,900	28,800	31,900	35,200
Total	88,300	113,600	140,200	165,200	183,500	203,300	224,500

Figure 4 shows the amount of demand that we anticipate being met by Papakura's Town Centre. For retail and hospitality this grows from 20,600sqm to 52,500sqm by 2048. In total, GFA demand in the centre grows from 33,600sqm to 85,500sqm by 2048. This growth is strong in the early years

³ Refer to Table 4-1 on page 23 in the 'Papakura Metropolitan Centre Household Sector Activity' report that accompanies this application.

averaging over 5% annually to 2023, then 4.7% to 2028, before declining to average around 2% annually from 2038 to 2048.

Figure 4: Papakura Catchment Retail Demand met in Papakura Town Centre (sqm)(2018 – 2048)

	2018	2023	2028	2033	2038	2043	2048
Food and Liquor	6,100	7,800	9,600	11,300	12,600	13,900	15,400
SFR specialty	1,800	2,300	2,900	3,400	3,700	4,100	4,600
Clothing	1,400	1,800	2,300	2,700	3,000	3,300	3,600
Footwear	200	300	300	400	400	500	500
Department Stores	1,400	1,800	2,200	2,600	2,900	3,200	3,600
Furniture	300	400	500	600	600	700	800
Floor Coverings	200	300	400	400	500	500	600
Houseware	-	100	100	100	100	100	100
Manchester, Other Textile Goods	100	200	200	200	300	300	300
Elec. & Gas Appliance	400	500	600	700	800	900	1,000
Computer & Peripherals	100	100	100	100	100	200	200
Other Elec. Electronic Goods	-	100	100	100	100	100	100
Sport & Camping Equip.	300	400	400	500	600	600	700
Hospitality	8,200	10,600	13,100	15,400	17,100	19,000	20,900
Core Retail & Hospitality	20,600	26,500	32,800	38,600	42,900	47,500	52,500
Automotive	4,500	5,800	7,100	8,400	9,300	10,300	11,400
Out Of Centre	500	700	900	1,000	1,100	1,200	1,400
Household Services	1,100	1,400	1,700	2,000	2,200	2,400	2,700
Professional Services	6,900	8,900	11,000	13,000	14,400	16,000	17,600
Total	33,600	43,300	53,400	62,900	69,900	77,400	85,500

Conclusion

Based on our analysis of Papakura and the likely impacts and effects from establishing a Metropolitan Centre at Drury to cater for the significant growth expected in the south, I conclude that Papakura has a robust future as a significant Town Centre within the Auckland Centres hierarchy. Papakura has a significant retail and hospitality function together with a sizeable amount of social infrastructure. The level of social infrastructure present in Papakura is consistent with other larger Town Centres in Auckland, including Mangere, Onehunga, Panmure, Warkworth and Helensville, to name a few.

As with Pukekohe, the retail and hospitality sectors represent a portion of total centre activity. In addition to the numbers in Figure 4, the Centre Assessment report identified over 42,000sqm of Other GFA, made up of; education, medical, recreation, social and transport infrastructure activities. These activities will grow in line with the growth in Town Centre retail described in Figure 4 ensuring a robust future for Papakura.

Papakura's role as a social services centre with significant social infrastructure available is likely to be complimentary to the role that a Metropolitan Centre will play at Drury. Once the Drury centre evolves and the FUZ surrounding Drury is more fully developed, it will be necessary to provide a complete range of these services at Drury as well.