UPPER NORTH ISLAND STRATEGIC ALLIANCE - INDUSTRIAL LAND DEMAND STUDY

SUMMARY OF KEY FINDINGS

BACKGROUND

The Upper North Island Freight Story (2013) was developed between the Upper North Island Strategic Alliance (UNISA) Councils[1], the New Zealand Transport Agency, KiwiRail and Auckland Transport. It identified approximately 13,000 hectares of industrial land being either currently available or planned for future provision in the Upper North Island until 2041. This report also identified that approximately 7000 ha of this was currently being used for industrial purposes.

The snapshot of industrial land supply in the Freight Story only paints part of the industrial land picture, as it does not provide context as to whether the amount of available or signalled industrial land is excessive, is in the 'right place', meets specific industry requirements, or addresses other factors deemed important for meeting industrial land demands now and into the foreseeable future.

The Freight Story identified that a further piece of work was required to better refine the understanding of industrial land supply and to help better understand industrial land demand at the Upper North Island (UNI) scale. UNISA Councils agreed to commission further work on industrial land demand, including a recommendation on methodology suitable for use by all Councils in the Upper North Island.

The objectives of the UNISA Industrial Land Demand Study were two-fold:

1. To develop a better understanding of the trends that determine industrial land needs (both general and specific) over the next 10, 20 and 30 year periods, and the key factors that influence industry decisions on where they locate.

2. To refine the collected industrial land supply data from the UNISA Freight Story to better identify and understand the characteristics of current industrial land availability, and any emerging opportunities to make smart and efficient investment decisions.

UNISA commissioned Business and Economic Research Limited (BERL) to undertake the study. The study has been completed, with a number of key findings applicable to the Upper North Island.

[1]UNISA Councils include Whangarei District Council, Northland Regional Council, Auckland Council, Hamilton City Council, Waikato Regional Council, Tauranga City Council and Bay of Plenty Regional Council.

INDUSTRIAL LAND UTILISATION

A key part of the project was to further understand a picture of the way in which industrial land provision in the upper North Island is meeting industry needs and how investment decisions in industrial land allocation and supply can be optimised.

Key findings from the BERL report were:

• The total amount of industrial land across the UNISA area has increased since the mid 1990s (when the data was first analysed) and utilisation of this land has also grown.

Land occupied by known industry types increased from 7300 ha to 9500 ha. This estimate does not include vacant land. In terms of utilisation, for every 100 hectares of occupied industrial land in 1996, there were 72 hectares of vacant industrial land. By 2011, for every 100 hectares of occupied industrial land, there were only 34 hectares of vacant industrial land.

• Land value per hectare has varied by industry over the period since the mid 1990s, with the price per hectare of heavy industrial land remaining fairly stable while that of light industry and that of warehousing and distribution has grown markedly.

• Despite the increase in industrial land use, the value per hectare of vacant industrial land was found to be well below the occupied industrial land during the period, and only one-third the value of vacant commercial land.

This implies that there could be reasonably priced vacant industrial land available for development in the UNISA area. It does not however indicate whether this land is in the right location, or has the characteristics required by the industry types that are projected to expand. To draw this conclusion the report notes that further, detailed investigation at a local level would be required and this was outside the scope of the report.

CHARACTERISTICS OF INDUSTRIAL LAND LOCATIONAL CHOICES

The report sets out a number of key factors that influence where an industry/ business locates. These factors include:

✓ **Land use zoning**

For example:
• Suitable zoning to allow for future expansion of businesses;
• Certainty of operation (such as being suitably distanced from non-industrial areas)

✓ Market, including suppliers and customers

✓ Transport infrastructure, especially roads

✓ A skilled workforce

✓ Telecommunications

Firms in the **primary and processing** industries also need to be:

✓ Close to suppliers but suitably distanced from non-industrial areas

✓ Have access to land that is at a low cost and has low regulatory and planning fees.

These same factors apply to firms in **heavy industry** as they require large sites suitably distanced from non-industrial areas for their sometimes noxious activity. Heavy industry also typically requires access to rail.

Transport and storage firms are typically attracted to purpose-built greenfield developments.

This is in contrast to firms in **light industry** which are often attracted by land and/or existing premises that can be geographically close to the owner's residence.

The results of this work at the Upper North Island scale is consistent with similar research carried out within different regions around New Zealand.

The findings provide a valuable tool in the form of a checklist to assist councils in decision-making regarding the location of industrial areas. Knowledge of these key characteristics can assist in reducing the allocation of resources into less suitable locations. This checklist can be utilised as a best practice guide for Councils across the UNISA area.

IMPACT OF POLICY, REGULATION, AND CHARGING

The UNISA Mayors and Chairs were particularly interested to find out whether regulatory, policy, and charging regimes (such as development contributions) were a significant factor in the location choices of industrial businesses.

The report finds that land use planning is the most significant regulatory and policy influence affecting the supply and uptake of industrial land for industrial purposes, as it can have an impact on the price of land. This is especially so when there is permissive zoning for other uses resulting in increased prices for land available to industry. Regulatory costs (such as fees, charges, and development contributions) do matter to firms and developers, but these are significantly less influential than the pricing effect arising from permissive zoning and will matter most where zoning is permissive, as additional costs on top of higher land prices will make industrial land uses even less economic.

In situations where growth pressures were absent, permissive zoning of land for industrial purposes can

be an advantage, providing flexibility for developers and firms in low growth areas. However, where growth pressures exist, a widely observed effect of permissive zoning of areas intended for industrial activity is that other types of land use will emerge in preference to industrial purposes. In many areas, the result of this has been a proliferation of higher value retail and commercial activity, with a resultant crowding out of most industrial activity.

The report can assist in optimising decision making across the UNISA area around regulatory, policy and charging regimes.

The report can also assist as part of an evidence base for district plan reviews, plan changes and variations to support the use of more precise zoning to protect and support the more efficient uptake of industrial land within the UNISA area.

RECOMMENDED DEMAND PROJECTION METHODOLOGY

BERL have developed a model to project the amount of industrial land needed in the future. It is possible for councils to use the methodology themselves without the need for specialist economic advice.

The BERL model was designed to be used across a wide range of Councils, using nationally accessible datasets. It is expected that some Councils may develop the detail and industrial complexity in the models but with the underlying parameters the same across the UNISA area. Over time, the use of a consistent demand model will help to provide a closer alignment between industrial land zoning, and industry demand for land. This will help to ensure that decision making regarding zoning of land and provision of infrastructure becomes more efficient.

The BERL model is outlined below. For full details of how to apply the model, please refer to the UNISA Industrial Land Demand Study available at: **hamilton.govt.nz/unisa** or by emailing **districtplanteam@hcc.govt.nz**

The recommended methodology was applied to the Northland Region, and involved the participation of staff from Whangarei, Far North, and Kaipara District Councils. A key part of this exercise was to 'ground truth' results generated by data sourced from Statistics New Zealand and Corelogic at the Census Area Unit at the local level. This is an important finding as it suggests that attempts to apply the model across the whole of the Upper North Island will be unsuccessful. The tool is best applied locally using a consistent approach and then the results could be compared across regions. Full results of the Northland test case are available in the UNISA Industrial Land Demand Study available at: **hamilton.govt.nz/unisa**

INDUSTRIAL LABOUR DEMAND AS A DRIVER OF INDUSTRIAL LAND DEMAND

New Zealand Economy 2030

X

Employment increase % by industry

X

Employment projections for LA industries

X

Increased LA employment in industry by density class / type

X

Floor area per employee and per hectare by density class / type

X

Hectares needed by density class / type

=

Total demand for industrial land in 2030

APPLYING THE STANDARDISED METHOD

Source industrial employee data per CAU from Statistics New Zealand

Source industrial land use data per CAU from Core Logic

Check employee data per CAU using local knowledge and cross examination of data sources to ensure data is accurate

Check land use data per CAU using local knowledge and cross examination of data sources to ensure data is accurate

Apply industry growth projections to employee data to determine future employment

Divide industrial land use data by industrial employee data to determine employment density

Divide projected future employment by employment density to determine the amount of future industrial land needed

FOR MORE INFORMAITON:

Refer to the full BERL study which can be found at **hamilton.govt.nz/unisa** or by emailing **districtplanteam@hcc.govt.nz**