APPENDIX 7:

KAWERAU DISTRICT INDUSTRIAL LAND ASSESSMENT (PROPERTY ECONOMICS)

PROPERTY ECONOMICS

April 2010

Kawerau District Industrial Land Assessment

KAWERAU DISTRICT COUNCIL

SCHEDULE

Code	Date	Information / Comments	Project Leader
002	April 2010	Report	Philip Osborne

DISCLAIMER

Property Economics has taken every care to ensure the correctness of all the information contained in this report. All information has been obtained by what are considered to be reliable sources, and Property Economics has no reason to doubt its accuracy. It is however the responsibility of all parties acting on information contained in this report to make their own enquiries to verify correctness. This document has been prepared for the use of kawerau District Council only.

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1. INTRODUCTION

Property Economics has been engaged by Kawerau District Council to undertake an industrial land assessment for the district as part of the Putauaki Industrial Zone plan change process. This includes an assessment of the business land demand report undertaken in 2008 for the Whakatane and Kawerau Districts by Property Economics.

This assessment builds on this previous report in estimating industrial land demand for Kawerau and, key under the RMA, the effects of potentially 'over' supplying the industrial land market in this area. With regards to this it is important to have a clear understanding of the level and type of activity that will be generated by these land areas. Therefore a clear assessment of floorspace and site coverage is necessary.

It is crucial to look at the entire business environment of both Kawerau and Whakatane combined in undertaking this assessment, as due to the size and location of Kawerau these areas operate as one market, particularly in the industrial sectors.

2. CURRENT BUSINESS ENVIRONMENT

2.1. EMPLOYMENT STRUCTURE

Table 1 below illustrates the current (2008) business employment data, by sector, for the Whakatane and Kawerau Districts. This district is comprised of a high level of industrial activity sectors with manufacturing and construction representing over 25% of all business employees.

TABLE 1: WHAKATANE & KAWERAU EMPLOYMENT DATA (NEW ANZSIC CODES)

2006 ANZSIC Categories	2008
C Manufacturing	2,560
D Electricity, Gas, Water and Waste Services	180
E Construction	1,150
F Wholesale Trade	280
G Retail Trade	2,000
H Accommodation and Food Services	800
I Transport, Postal and Warehousing	350
J Information Media and Telecommunications	176
K Financial and Insurance Services	265
L Rental, Hiring and Real Estate Services	215
M Professional, Scientific and Technical Services	440
N Administrative and Support Services	580
O Public Administration and Safety	680
P Education and Training	1,960
Q Health Care and Social Assistance	1,570
R Arts and Recreation Services	166
S Other Services	690
Total	14,062

TABLE 2: KAWERAU EMPLOYMENT COMPOSITION (2009 ECS)

	2000	2009	Change
A Agriculture, Forestry and Fishing	100	35	-65%
B Mining	0	0	0%
C Manufacturing	1,970	1,420	-28%
D Electricity, Gas, Water and Waste Services	0	9	0%
E Construction	180	240	33%
F Wholesale Trade	60	55	-8%
G Retail Trade	200	180	-10%
H Accommodation and Food Services	95	70	-26%
I Transport, Postal and Warehousing	70	55	-21%
J Information Media and Telecommunications	9	6	-33%
K Financial and Insurance Services	25	45	80%
L Rental, Hiring and Real Estate Services	40	40	0%
M Professional, Scientific and Technical Services	35	30	-14%
N Administrative and Support Services	15	25	67%
O Public Administration and Safety	100	95	-5%
P Education and Training	240	270	13%
Q Health Care and Social Assistance	95	130	37%
R Arts and Recreation Services	15	9	-40%
S Other Services	120	210	75%
Total Industry	**3,370**	**2,910**	**-14%**

Table 2 outlines the changes in the Kawerau District employment composition between 2000 and 2009. Over this period it is clear that there has been a substantial decrease in the number of employees accommodated within this area. Of particular interest is the change in industrial employment. For the purposes of this report industrial activities include:

- 10% of Agricultural and Mining activities
- Construction
- Manufacturing
- Wholesale Trade
- Utilities
- Warehousing and Transportation

Kawerau has experienced a significant decrease (over the 2000 to 2009 period) in Manufacturing and Transport & Warehousing. While some commercial activities have seen growth these industrial sectors are the mainstay of employment in this area and are likely to remain so. It is therefore crucial that a competitive economic environment is fostered for these sectors. Of primary concern in this area is the price of land followed by the accessibility to the market.

Table 3 shows the estimated growth in industrial land demand for the Whakatane and Kawerau Districts as assessed through the 2008 report.

TABLE 3: WHAKATANE AND KAWERAU INDUSTRIAL LAND DEMAND ESTIMATES (2008)

Employee Growth	Manufacturing	Transport & Storage	Construction	Wholesale Trade	Utilities	Other	Total
2007-2011	144	-6	-11	6	5	-7	132
2011-2016	-19	-14	-12	14	10	7	-14
2016-2021	-19	-5	-24	-6	-2	4	-51
2021-2026	72	18	61	22	8	-2	179
2026-2031	38	10	27	12	4	0	90
2031-2036	37	10	27	11	4	0	89
2036-2041	36	9	26	11	4	0	87
2041-2046	39	10	28	12	4	-2	90
2007-2046	**328**	**31**	**121**	**82**	**37**	**1**	**601**
Floorspace Growth (sqm)							
2007-2011	8,737	-375	-255	462	712	-436	8,844
2011-2016	-1,143	-816	-287	1,000	1,302	460	516
2016-2021	-1,159	-284	-549	-428	-266	292	-2,394
2021-2026	4,330	1,062	1,417	1,597	994	-110	9,290
2026-2031	2,272	557	622	838	521	-1	4,809
2031-2036	2,254	553	617	832	517	-3	4,771
2036-2041	2,202	540	603	812	506	7	4,671
2041-2046	2,341	574	641	864	537	-125	4,833
2007-2046	**19,833**	**1,811**	**2,810**	**5,977**	**4,824**	**85**	**35,340**
Land Requirements (sqm)							
2007-2011	28,160	-1,424	-835	1,782	2,456	-1,497	28,643
2011-2016	-3,684	-3,095	-940	3,863	4,491	1,577	2,212
2016-2021	-3,736	-1,078	-1,797	-1,652	-917	1,002	-8,178
2021-2026	13,955	4,029	4,641	6,169	3,427	-376	31,845
2026-2031	7,322	2,114	2,038	3,237	1,798	-3	16,504
2031-2036	7,266	2,098	2,022	3,212	1,784	-10	16,372
2036-2041	7,098	2,049	1,975	3,138	1,743	25	16,029
2041-2046	7,545	2,178	2,100	3,336	1,853	-428	16,584
2007-2046	**63,925**	**6,870**	**9,204**	**23,085**	**16,635**	**292**	**120,010**

Source: Property Economics

This shows growth in the next 36 years of some 11 hectares (net) for the entire area. Several points are required to be noted at this time in terms of the general changes in the economic environment and those particular pertaining to Kawerau.

Economic activity, and especially industrial activity, has seen a significant fall over the past 2 years. Industrial activity is concerned more than ever with the costs associated with production (including land costs) and the level of accessibility to both inputs and its market. For Kawerau this has led to a decrease in employment activity over this period.

However, the supply of appropriate industrial (or in general business land) land in Kawerau is now, more than ever, crucial in its maintenance of a competitive economic environment. Given the fickle nature of the agricultural market, Kawerau is required to facilitate the entry and retention of 'value added' industries utilizing the forestry and other primary markets as catalysts for creating a competitive advantage as an industrial location. Given this requirement the general analysis of business land demand outlined in the Whakatane report is less relevant to the Kawerau District.

The demand for industrial land is less likely to be driven by conventional economic factors. This market demand is potentially driven by the environment that the land availability itself creates. In simple terms the Kawerau economy, more so than most economies, will be driven by the provision of industrial land rather than the need to provide business land for expected growth.

Given the potential growth in this market and Kawerau's location to the primary inputs, it is considered that the aforementioned 11 hectares (net) of industrial land underplays the importance to this District of providing a flexible business land environment that competes on prices (given the relative costs of servicing). Having said this however there are several considerations that must be assessed to insure efficiencies in the market.

2.2. POTENTIAL COSTS AND BENEFITS OF THE OVER SUPPLY OF INDUSTRIAL LAND IN KAWERAU

Of key consideration here is the potential cost to economic efficiency of over supplying the market with industrial land over the next 20 to 30 years. Conventional arguments for the appropriate timing of business land release to the market would suggest that allowing too much industrial land to enter the market leads to several efficiency problems namely:

- The costs of servicing land that is unlikely to be productive in the near future
- The loss of land efficiencies through disjointed development
- The increased potential for land banking
- The premature loss of other productive activities (primarily agriculture)
- Reduced impetus to cluster activities reducing productive efficiencies and thereby reducing long term competitiveness
- Influx of temporary business activity

These do not represent all the potential costs to a community of supplying too much business land, however they are the most obvious. Along with these potential costs come potential benefits for an economy. The key benefits include:

- A decrease in business land prices
- An increase in flexibility for existing growth and new entrants
- A reduction in overall expenses for locating businesses
- An overall increase in the competitive level for the economic environment

These are the key considerations in potentially providing more industrial land for Kawerau. Given the current economic environment and competitive advantages afforded this area for business activity, it is considered that the economic benefits of providing a flexible supply lead business land market would outweigh the potential costs, if managed appropriately.

Property Economics believes that the provision of industrial land over and above the estimated 11 hectares (net) would not represent a loss in efficiency in Kawerau if appropriately located and serviced in a timely manner. Kawerau District represents a unique business environment in which business activity is likely to be generated through the provision of this land without significant associated costs.

In terms of employment activity Kawerau is currently experiencing a decline. This fall is due in large part to factors outside of the areas control, however Kawerau most focus on its competitive advantage of a cheaper industrial alternative that is likely to provide flexibility to 'value added' activities that have symbiotic relationships with primary activities located here.