



**2016 – 2025 LAND DEMAND PROJECTION
Hastings District & Napier City**

February 2016



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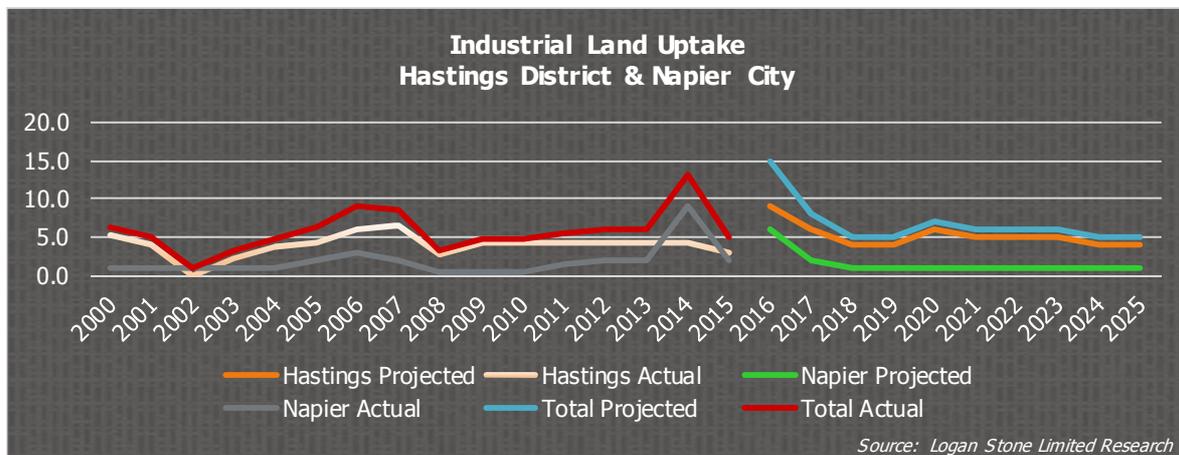
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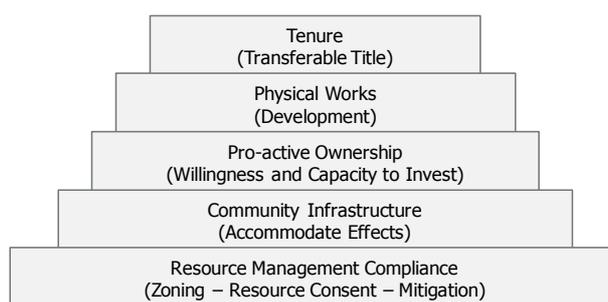
RE: 2016 – 2025 Land Demand Projection – Hawke’s Bay Region

1. Conclusions

- Within the Napier City and Hastings District territorial areas, some **64 hectares** of industrial land is likely be consumed before 2026.
- Strong growth and regional economic performance, together with a continuation of the current favourable conditions may escalate consumption to **80 hectares**.
- Less favourable conditions and low activity suggest a lower uptake of just **45 hectares**.



Site selection for industrial development, within a region or locality, is dependent on multiple factors of varying weight to different activities. There are several layers of investment and endeavour required to provide a supply of “ready to build” land. A supply of land is necessary to accommodate growth. In a low growth provincial, solicitous economy, that supply needs to be ahead of demand. The following diagram illustrates the layers of investment necessary to provide “ready to build” land.



The diagram illustrates the necessity for a broad base at the beginning of the development time frame and the more narrow layer at the retail or “ready to build” end of the land development process. Different entities are involved in each layer, although often a single entity will complete multiple or all of the layers in the development process.

2. Drivers of Industrial Demand

- The principal source of industrial land demand will be based upon Hawke’s Bay’s existing competitive endeavours being primary production and associated processing, distribution and marketing.
- Napier Port is a critical regional facility capable of generating further industrial demand due to its competitiveness and the nature of its business.
- There will be an increasing demand for land to be used for open storage/consolidation purposes by the freight, logistics and forestry sectors.
- Significant construction activity is planned over the coming three years and if it eventuates will be an impetus for industrial expansion.
- Population growth consistent with existing projections will not in itself generate demand for additional industrial land.
- Organic growth of existing non-primary based industry and small scale industry will be catered for within existing industrial precincts through adaptive re-use and property refurbishment/redevelopment.
- Potential for a substantive new industry exists, the establishment of which would escalate demand beyond the core projections.
- Land availability, in the sense of appropriate resource management, infrastructural development and genuine market offering will affect consumption.
- The positive nature of Hawke’s Bay’s lifestyle attributes will not have a meaningful impact on industrial growth.
- An encouraging and co-operative local authority culture, and economic development framework will assist industrial growth.

This paper has ignored the prospect of an operative Ruataniwha Water Storage Scheme.

3. Scope

The purpose of this summary report is to project the consumption of land by industrial activities, within Hastings District and Napier City, for the period from 2016 to 2025 inclusive.

4. Constraints

The conclusion is a projection based upon historic research, observations over time, industry consultation, research into current prospects and consideration of the current and future environment and conditions.

The projection is an educated gaze through the proverbial crystal ball, sensitive to external factors and with a high degree of cumulative dependency. Variance monitoring and adjusted forecasting will be necessary to retain longevity.

The ten year period is the limit of meaningful projections.

5. Methodology

Logan Stone completed an Industrial Land Study in 2001 for Hastings District Council which included projections relating to the consumption of Industrial Land. The projections were reviewed in 2008 and 2010. That work has been a reference for this study.

Historic consumption has been analysed from available data including developed land stock, consent (building and resource) data and enduring observations.

The observed growth has been considered against the corresponding population growth, economic activity and prevailing holistic environments (economic, political, social, regulatory, global).

The current, and likely future, holistic environment has been considered.

Interviews have been conducted to ascertain current prospects for activity, together with activities around promotion and hurdle reduction.

From a base of certain activity, projections have been constructed based upon the historic consumption, the new environment, the potential prospects and the sources of likely demand. The state of the global economy and its prognosis is less certain over the study period than that which may have been predictable in the past.

The projections are based upon a set of high level assumptions and trends.

6. Assumptions

- A stable New Zealand political and economic environment.
- Continuation of the current legal and regulatory framework, accepting its orderly evolution.
- Increased global trade opportunity due to more open global trading environment and access to new markets.
- A positive and co-operative local government approach to regional economic development and continued infrastructural investment.
- Continued competitiveness and growth of Napier Port.
- Continued capital investment sourced from outside of the region.
- Continued growth in Hawke's Bay's tourism sector and infrastructure.
- The Ruataniwha Water Storage Scheme has been ignored in this paper.
- Industry will attract labour (and further capital), rather than labour attracting industry.

7. Trends

- Processing, warehousing and production continue to be less land intensive.
- Technology continues to reduce the industrial footprint, the required labour force and the location dependency of key personnel.
- The length of time required for storage of raw material, packaging and finished product continues to reduce.

- Cubic capacity continues to expand vertically.
- Hawke's Bay's global isolation is reducing.
- An ageing population and changing demographic.

8. The Holistic Environment

- A stable political system at local and national level.

Central government supportive of foreign trade and regional development, with funding and initiatives a regional responsibility. Enhanced local authority co-operation. Acceptance of need to preserve natural environment and resources and to mitigate threats thereto. Some political risk of more stringent environmental protection in future. Encouragement of offshore investment within an increasingly scrutinised regulatory framework. Increasing prospect of escalating global conflict.
- Global economic volatility in short term with increasing uncertainty about the medium term prognosis.

Stable national economy, sensitive to global economy and exposed to foreign trade. Positive export environment expected to be prolonged. Increasing offshore investment appeal. Increasing productivity, ingenuity and global market connections. Consumer lead economy dependent upon financial capacity. Economy exposed to off shore earnings, with increasing opportunity. Growing state dependency cost. Hawke's Bay is in a relatively strong regional economic position at present benefitting from the lower \$NZ, new investment in horticulture, viticulture and other primary sectors. In addition the visitor industry is strong and consumer optimism higher than for some time. The residential property market is strengthening and the construction sector is recovering.
- Stable social structure and environment.

Some risk due to possible expansion of the gap between wealth and poverty and a reduction in the opportunities for income available to unskilled workers. Demographic change with population bubbles. Increasing connectivity in a global (and national) technological sense.
- Increasing influence of technological progress including mobility, remote access, automation and innovation.

Willingness for and acceptance of technological change and progress. Enhanced logistical framework changing the traditional property needs. Increases in productivity, efficiency and connection.
- Legal evolution producing growing regulatory compliance and scrutiny with increasing responsibility and accountability.

Strong monitoring of health and safety, employment and environmental protection enshrined within statute and regulation. Continuing focus on transparency, consumer protection and financial disclosure. Increased overhead costs for business.
- Natural environment matters are high focus and priority for the entire community with increasing protection and mitigation requirement of developments and productive processes.

Environmental protection may become a higher priority in a different central government from the current. A key focus to protect the Heretaunga Plains from urban sprawl and to remove and/or mitigate non primary activity from the Plains continues to be supported by regulatory evolution. The threat of a rising sea level will have an impact on the medium term development of Hawke's Bay's coast and lower lying land areas.

Intelligence Pool

- Napier Port
- Napier City Council
- Hastings District Council
- Hawke's Bay Regional Council
- Pipfruit New Zealand

- Tomoana Food Hub
- Business Hawke's Bay
- Hawke's Bay Chamber of Commerce
- Consulting Engineers
- Construction Companies
- Participants in the horticultural, viticultural, pastoral, cropping meat, wool and processing sectors
- Developers
- Landowners
- Logistic operators

9. Source of Demand

- *The principal source of industrial land demand will be based upon Hawke's Bay's existing competitive endeavours being primary production and associated processing, distribution and marketing.*

The resurgence of the pipfruit sector has occurred through new markets, varieties and business structures into which new investment has been attracted. The growth in the crop is the result of new plantings, increased productivity and supportive climatic conditions in recent seasons. Whilst the sector remains exposed to climatic conditions, the demand for product and the crop size have initiated enduring demand for post-harvest facilities. Much of the increase in land use over 2016, to 2019 is from this sector.

Other primary industries will contribute to industrial growth at a lower scale.

- *Napier Port is a critical regional facility capable of generating further industrial demand due to its competitiveness and the nature of its business.*

Napier Port continues to grow its volumes in a competitive environment and remains a competitive and successful business. It continues to invest to accommodate traditional and new throughput. Container activity is growing and in 2014, Napier Port developed a 7 hectare parcel in Napier City to manage empty containers. A further 5 hectare parcel is also now under development by a container logistics entity. Napier Port's throughput is export dominated providing an opportunity for competitive import distribution activity.

- *There will be an increasing demand for land to be used for open storage/consolidation purposes by the freight, logistics and forestry sectors.*

Container storage, fruit and produce bin storage, log storage, shipment consolidation and truck, plant and equipment depots are all growing users of land with low building footprint requirements. In contrast there is an increasing need for load areas to be under cover and enclosed, increasing the industrial footprint. Zone ordinances have a higher set off and yard requirement for many industrial zones and in particular for the activities that boarder non-industrial precincts or zones. Storm water management solutions currently favour on-site water detention capacity which together with landscape (regulatory and voluntary) requirements further reduce land use intensity. Changes in logistics have effected larger trucking units and accessibility requirements. Some of these influences have off set the reduced production.

- *Significant construction activity is planned over the coming three years which if it occurs will be an impetus for industrial expansion.*

Large construction projects are planned for the coming three years. The flow on effects of this construction activity will engender growth in the local economy, service industries and the residential property sector. Historically periods of such activity bring about industrial business growth.

- *Population growth consistent with existing projections will not in itself generate demand for additional industrial land.*

From a combined Napier City and Hastings District population estimated at 136,300 in 2013, Statistics New Zealand have projected a population in the low to high range for 2025 of 136,200 to 154,300. That is an increase at the high end of 13.2% over the 15 years or 0,88% per annum average. Most of the demand created by that population growth will be accommodated within the existing industrial precincts.

- *Organic growth of existing non-primary based industry and small scale industry will be catered for within existing industrial precincts through adaptive re-use and property refurbishment/redevelopment.*

The various existing industrial precincts have been subject to limited activity over the past twenty years. Much of the existing property was developed on sites capable of accommodating building expansion which did not happen in every case. Much of the older industry has now ceased or been re-engineered and the requirement for warehousing has reduced, so that there remains capacity within the precincts for further activity. Regeneration is apparent and is likely to continue.

- *A substantive new industry continues to be a prospect for the region and its establishment will escalate demand.*

As noted in the 2001 Pitman report, there is a prospect for a major industry to establish in Hawke's Bay. Such a prospect always exists and so it should not be discounted.

- *Land availability, in the sense of appropriate resource management, infrastructural development and genuine market offering will affect consumption.*

Industry enquiry is about land available to use within in a short time. Zoned land is one aspect of what is required but land developed and ready for use is land that is subdivided, accessible and serviced. Land owners and entrepreneurs must commit to investing in such development if the land is to be "on the shelf" and available to an end user. If land just has potential then industrial development will be constrained as some interested industry will not be prepared or able to wait.

- *The positive nature of Hawke's Bay's lifestyle attributes will not have a meaningful impact on industrial growth.*

Hawke's Bay's appeal as a place to live is strong, but not necessarily so superior to other parts of New Zealand to encourage relocation. For most businesses, except perhaps service industries and small scale home style or artisan business, the business needs are a priority to the living pleasures of the owners or workers. Hawke's Bay may be suitable for start-ups or businesses with an association to our core activities, but business relocation is likely to require a compulsion beyond the lifestyle aspects.

- *An encouraging and co-operative local authority culture and economic development framework will assist industrial growth.*

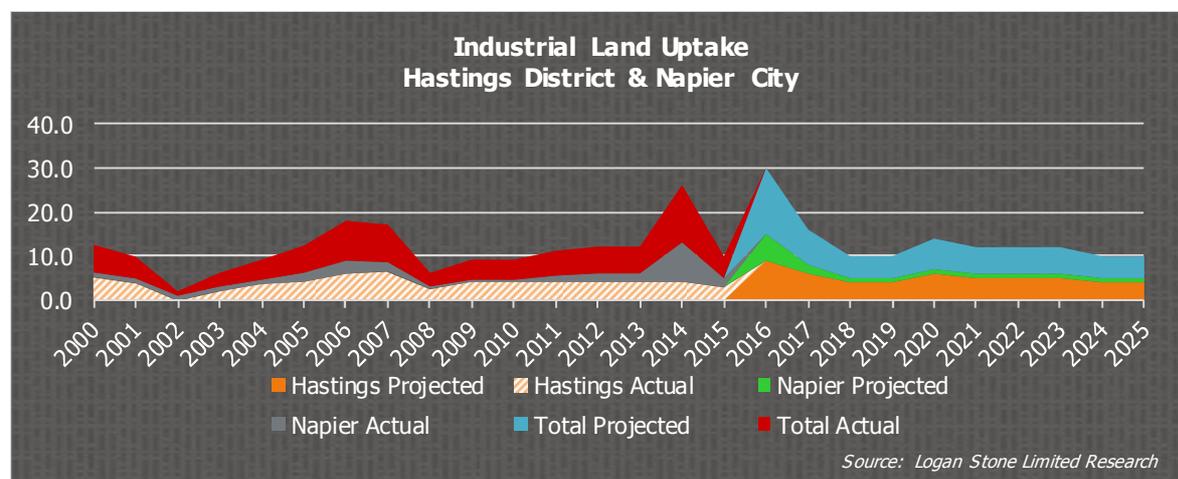
Council encouragement, assistance and persistence are positive aspects that will assist in decision making.

10. Projections

The following table records the actual (as far as can be ascertained) industrial land consumption and the projected uptake through until the end of 2015.

	Hastings		Napier		Total	
	Projected	Actual	Projected	Actual	Projected	Actual
2000		5.3		1.0		6.3
2001		3.9		1.0		4.9
2002		0.0		1.0		1.0
2003		2.1		1.0		3.1
2004		3.6		1.0		4.6
2005		4.2		2.0		6.2
2006		6.0		3.0		9.0
2007		6.6		2.0		8.6
2008		2.6		0.5		3.1
2009		4.1		0.5		4.6
2010		4.1		0.5		4.6
2011		4.1		1.5		5.6
2012		4.1		2.0		6.1
2013		4.1		2.0		6.1
2014		4.1		9.0		13.1
2015		3.0		2.0		5.0
2016	9.0		6.0		15.0	
2017	6.0		2.0		8.0	
2018	4.0		1.0		5.0	
2019	4.0		1.0		5.0	
2020	6.0		1.0		7.0	
2021	5.0		1.0		6.0	
2022	5.0		1.0		6.0	
2023	5.0		1.0		6.0	
2024	4.0		1.0		5.0	
2025	4.0		1.0		5.0	
Ten Year Total	52.0		16.0		68.0	
Ten Year Average	5.2		1.6		6.8	
Ten Year Actual to 2014		43.94		23.00		66.94
Ten Year Actual Avge to 2014		4.39		2.30		6.69

The following graph illustrates the projections for both local authorities in addition to the aggregate projections.



Of note from the above graph are the following observations:

- The 2009 uptake increase in Napier is the result of in fill development in Onekawa.
- The peak in Napier uptake in 2014 relates to development in Pandora
- Growth projections for 2016 are based upon current activity and initiatives which will satisfy some pent up demand as well as current demand. The pent up demand appears to be the result of low confidence and deferred decision making due to a lack of competitive and operational pressures.

Actual consumption over the coming ten years is dependent upon a variety of factors, some of which can be controlled at a micro level. Alterations in economic activity, financial markets, political policy and stability, climatic conditions and the regulatory framework will affect the decision making around industry development and expansion. The projections are unlikely to match actual uptakes, but are soundly based and a rational starting point for forward planning.

Ongoing consumption is sensitive to historical uptake and so a significant variation has a flow on effect. As time passes and conditions change the variance between actual consumption and the projections should be monitored, so that the projections can be reviewed and adjusted.

Analysis of the Long Term Plan Floor Area Growth Tables prepared for Hastings District Council suggests that industrial land uptake in Hastings District will be between 76.7 hectares and 102.3 hectares for the period to 2026. From the tables an average annual uptake of between 7.7 hectares and 10.3 hectares between 1999 and 2015 is derived. The tables include redevelopment of existing sites and appear, to the author of this report, to be optimistic.

Yours faithfully

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