

Economic Impact Assessment of Proposed Rangitikei District Plan Zoning Change – Industrial Land Demand + filling 217Ha

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Abstract:

This report follows *Economic Impact Assessment of Proposed Rangitikei District Zoning Change – Rural to Industrial near Marton (217 Ha)* and *Economic Impact Assessment of Proposed Rangitikei District Zoning Change – Rural to Industrial near Marton (smaller 100 Ha option)* (to meet RMA s32 requirements). It compares the Long-Term Plans (LTPs) of neighbouring Territorial Local Authorities (TLAs), their level of commitment to setting aside zones for industry and the demand for industrial land generally to assist in the determination as to whether filling the larger option of 217 Ha is achievable.

1. Summary of 217 Ha and 100 Ha Options

- a. Assuming it can be filled in a reasonable timeframe (e.g. 10 years), the 217 Ha option could add a further 1,300 FTEs (or a further 24% to the Rangitikei workforce) over the 100 Ha option and up to \$19m p.a. extra spend in the region over the period it takes to be filled
- b. The 217 Ha option effectively utilises all of the land (plus some already industrial – Malteurop mill – including a small area of bare land closer to town adjacent to existing residential) within a zone bounded by SH1, Wings Line, the Main Trunk Railway line and Makirikiri Road providing good potential access to major road and rail networks
- c. With the 100 Ha option there is a question over whether the remaining 117 hectares is economically viable (if this location is the preferred site around Marton and RDC has clearly selected it because of its apparent advantages).¹

But the comparison of possible site sizes also raises the question as to whether filling the 217 Ha site is achievable. This is a supply versus demand question: best-answered by considering how much neighbouring TLAs, specifically Palmerston North and Whanganui between which Marton is equidistant (40 kms and 35 kms respectively), are allocating to Industrial Zoning and what their LTPs infer to indicate whether the 217 Ha can be filled (even if it is through an Industrial Warehousing/ bioForestry mix to spread risk and assuming they are sufficiently compatible) and by looking at trends in demand for industrial land in New Zealand generally.

2. Context: Fit with Palmerston North's LTP

Palmerston North views its strength in distribution as a key point of difference. Quoting its LTP 2018-2028: "Over the next five years or so, over a billion dollars will come into the city and region for infrastructure. As a major freight and logistics hub for the lower North Island, we already shift six times the freight of Taranaki and two and a half times as much as Wellington. Developing our infrastructure will enable even greater opportunity in this critical sector".²

The city's Industrial Zones and estimates of their size include:

¹ Estimated \$300,000 and \$800,000 gross revenue for maize grain and maize silage @ \$0.32 per kgDM and \$226.64 per tonne respectively

² *Message from the Mayor and CE, Palmerston North City Council, LTP 2018-2028, p6*

Table 1: Palmerston North Industrial Zones

Industrial Zone	Estimated Size (hectares)
North East Industrial Area	95
+ Scheduled NEIZ Sites	12
+ Extension	<u>126</u> 233
Midhurst Street Industrial Area	}
Napier Road Industrial Precinct	}
Railway Road Industrial Enclave	} 450
Braeburn Industrial Area	45
TOTAL	730 ³

See attachment for map of Palmerston North Industrial Zones (NEIZ in purple and others in aquamarine).

Palmerston North’s District Plan dated May 2018 states: “Specific market requirements for large industrial sites of 5ha and above, and sites which can be accessed on a 24-hour basis, are not readily available in the City’s urban industrial area. With projected growth, particularly in the distribution and communication industries in the City, building on Palmerston North’s strategic geographic location in the centre of the southern North Island, land is required to accommodate these activities, as well as growth in other types of industrial activity.

“The North East Industrial Zone area was identified as the most suitable area in the City for industrial zoning following a detailed analysis of options. Its location and topography are well-suited to industrial development, services can be provided which will meet the needs of most industrial users, and it is unsuitable for alternative urban uses such as residential largely due to the proximity to the Palmerston North Airport. It can readily be accessed by road and rail, and proximity to the City’s airport means that synergies with that mode of transport are also possible. At approximately 233 hectares, and allowing for internal roading and landscaping space, it is large enough to provide for the City’s industrial expansion needs for the long-term.

“As an industrial expansion area in a rural context, there is the opportunity to ensure high-quality and efficient layout and design of the area as a whole. Given the rural context, perimeter screening by appropriate planting will be essential. There are some residential activities within and adjacent to the Zone, and the effects of industrial activities on their amenity values will need to be taken into account in both the shorter and longer term. However, the Zone’s separation from established Residential Zone areas means that the scale of potential adverse effects on City residents is much reduced due to this location. The area of this Zone can be regarded as a “scarce resource” in city-wide terms because of its accessibility and relative distance from residential areas. For this reason, the Zone’s focus is on providing for industrial activities with non-industrial activities generally considered on a case by case basis through the resource consent process.”⁴

Although not certain on “specific market requirements”, PNCC is clearly optimistic about the city’s/region’s industrial expansion needs. The North East Industrial Area increases Palmerston North’s existing Industrial Zoning by one-third, having been created in 2004, the Scheduled NEIZ Sites added in 2010 and the largest portion (over half) added as recently as 2015. Their 2018 Plan provides some useful general advice and leads for Rangitikei.

³ Area is only available for NEIZ, others are visual estimates from maps

⁴ Palmerston North City Council District Plan, Section 12A: North East Industrial Zone, p1, May 2018

3. Context: Fit with Whanganui’s LTP

Whanganui seems to be following Palmerston North’s lead. After being dormant for more than 20 years, the Whanganui-Castlecliff rail line re-opened nine years ago and is now used by trains transporting containers between Whanganui’s inland port and CentrePort in Wellington. Further upgrades are occurring. Government has also earmarked funds for the revitalisation of the Port of Whanganui. Eastown on the other side of Whanganui has also been developed.

The city’s Industrial Zones and estimates of their size include:

Table 2: Whanganui Industrial Zones

Industrial Zone	Estimated Size (hectares)
Mill Road	120
Zone 1.0 – Marine Industry	10
Zone 3.0 - Industrial	6
Zone 4.0 – Industrial	58
East of Cobham Bridge	6
Brunswick/Upper Aramoho	60
London Street	5
Eastown	5
TOTAL	270⁵

See attachment for map of Whanganui Industrial Zones (pale blue – Mill Rd is western-most).

Mill Road Industrial Zone on the edge of the suburb of Castlecliff was created in 2008 because of “limited premises available around [Whanganui’s main industrial zone] Heads Road”⁶. Foresight was missing however in that stormwater systems were not installed and the area was prone to flooding.⁷

Rhonda Morris, Whanganui & Partners Strategic Lead Manufacturing, Logistics and Commercial, who began working on the Mill Road project 16 months ago states: “The development is probably well over-due, we’ve always relied on the Heads Rd infrastructure to sustain our manufacturing, commercial and industry area, but we’ve just rapidly grown and we’ve got so much more to be able to do in that area.” Mill Road is 120 Ha and adds another 80 percent to Whanganui’s existing industrial zoning. It could be a “lengthy process, but it’s so valuable in order for us to grow.”⁸

4. Industrial Zoning in Marton and the remainder of Rangitikei

There is currently an estimated maximum 40 Ha of industrial zoning in Marton, with three-quarters bare land, north and adjacent to the proposed site and the remainder spread sporadically throughout the township.

There is probably a maximum of 10 Ha in the main remaining Rangitikei townships (Taihape and Bulls).

5. Trends in Industrial Land Demand

Berl Economics in its *Upper North Island Industrial Land Demand* report stated that between 1996 and 2012 the land area recorded as occupied by known industry types increased by 30 percent to 9,500 Ha.⁹ This of course is the Upper and not the Lower North Island. However, this is not totally out of

⁵ Area is only available for Mill Road, others are visual estimates from maps

⁶ *New Commercial Development taking off in Whanganui*, Whanganui Chronicle, June 8, 2017

⁷ As a Whanganui District Councillor, I was privy to this at the time. The 2013-2016 Council made the appropriate decisions to rectify the problem.

⁸ *Mill Rd project proving to be hot property for businesses*, Whanganui Chronicle, May 11, 2019

⁹ *Upper North Island Industrial Land Demand*, Berl Economics, February 2015

sync with Palmerston North's growth of 47 percent and Whanganui's 80 percent – both of course off lower bases and allowing for differing timeframes.

In 1996 for every 100 Ha of occupied industrial land, there were 72 hectares of vacant industrial land. By 2011, for every 100 Ha of occupied industrial land, there were 34 Ha of vacant industrial land¹⁰ – vacancies down 53 percent.

Interestingly, land value per Ha also varied by industry over the 1996-2012 period: the price per Ha of "Heavy Industrial land remaining fairly stable, while that of light industry, warehousing and distribution [had] grown markedly".¹¹

More recently, Bayleys Real Estate research shows "the overall vacancy rate within the industrial property sector was a low 2.4 per cent - down [almost half] from 4.4 per cent at the end of 2017".¹² Granted, the Upper North Island will be driving most of this trend, but that is not to say that a similar trend is not occurring in the Lower North Island. "Vacancies have hit historically low levels, and upward pressure on rents is intensifying. Rental returns on prime industrial sites now ranged between 4.5 per cent and 5.54 per cent."¹³ Expect higher for Marton.

Berl, in another report *Business Land: problems and causes*, gives a valuable observation: "There are more dynamic changes taking place within the economy that will influence the future demand for greenfield and brownfield land for industrial activities. For example, the changing needs of some industrial activities, like transport and logistics, where the efficiencies arising from scale combined with increased automation are leading to a preference for larger sites in proximity to good transportation connections and markets."¹⁴

6. Discussion and Conclusions

Marton's location as the "hub of the Rangitikei" between and equidistant from its larger neighbours Palmerston North and Whanganui, and the relevance and application of their long-term plans, strongly suggests that a re-zoning of the proposed site from rural to industrial is fully-justified from an economic impact point of view.

The proposed site itself should significantly satisfy Berl Economics' criteria raised in the previous section and points to full utilisation of the site (i.e. 217 hectares) with the additional benefits that should bring.

Palmerston North City Council's District Plan 2018 provides some useful insight: "Specific market requirements for large industrial sites of 5ha and above, and sites which can be accessed on a 24-hour basis, are not readily available", but PNCC has gone ahead anyway and it is working "shifting six times the freight of Taranaki and two and a half times as much as Wellington".

Most of Palmerston North's and Whanganui's growth is coming from improved distribution networks. Rangitikei needs to consider its own industries and their needs, but a mix of Industrial uses (warehousing and bioForestry) may be preferable in terms of spreading risk and increasing demand for the site, notwithstanding possible compatibility issues.

¹⁰ idem

¹¹ idem

¹² *Industrial property sector hit by soaring values and 'historically low' vacancies*, NZ Herald, June 1, 2019

¹³ idem

¹⁴ *Business Land: problems and causes*, Berl Economics, April 2016