



OCTOBER 2012

CURTIS ST KARORI REZONING  
ECONOMIC ASSESSMENT

WELLINGTON CITY COUNCIL



Code	Date	Information / Comments	Project Leader
50844.4	October 2012	Report	Tim Heath / Phil Osborne

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## 1. INTRODUCTION

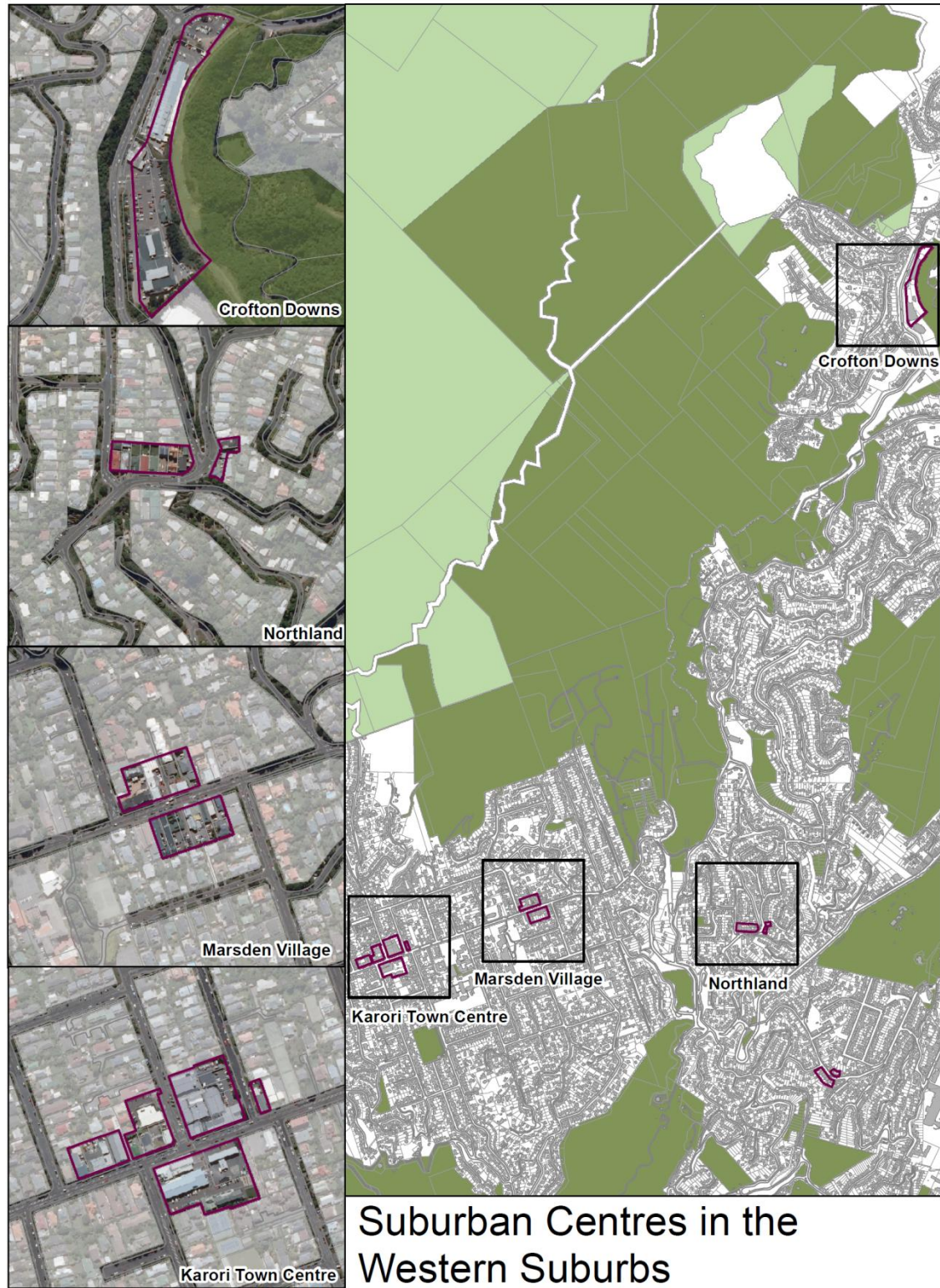
Property Economics has been engaged by Wellington City Council (“WCC”) to undertake an assessment of the potential economic environment in which the Curtis Street rezoning lies, and whether from an economic perspective the rezoning can be supported. This report is designed to provide background information regarding employment growth and potential demand for this site as a business, as well as the potential impacts upon existing uses within the Karori area.

This report represents Phase 2 of the economic evaluation for WCC’s proposed rezoning of the site, and complements an earlier higher level Phase 1 Economic Overview report, and as such should be considered in conjunction with the Phase 1 report.

The methodology employed in this report involves the identification of employment changes over the past 3 years in both the Wellington City area as well as the specific Karori catchment, i.e. changes in the market as a result primarily of the Global Financial Crisis . Growth in commercial activity has been assessed by both employment and land area to 2031 for this specific catchment giving an indication of the potential demand for this land (business land) in the future.

Figure 1 below shows the location of the Karori centre as well as the surrounding centres of Northland, Marsden Village and Crofton Downs. The retail and commercial offers within centres have been physically assessed in terms of their roles and function in the community and the likely impacts of this rezoning on Curtis Rd.

FIGURE 1: RELEVANT CENTRE LOCATIONS AND ZONED AREAS



Source: WCC

## 2. ECONOMIC ENVIRONMENT

A high level assessment has been undertaken with regard to the business activity changes that have occurred in both Wellington City and the Karori area over the past 3 -4 years. These changes are based on both retail activity and other (non-retail) business activity, and are geospatially represented by meshblocks. The following section illustrates both the spatial changes as well as the overall employment activity changes by ANZSIC<sup>1</sup> sector.

### 2.1. WELLINGTON CITY

Table 1 shows the changes in employment for Wellington City over the past decade. A clear trend of overall growth within the economy can be seen through to 2008 with over 20,000 new ECs (Employment Count as termed by Statistics NZ). Growth over this period was seen in sectors such as Construction, Professional Services and Public Administration, with consistent falls in Manufacturing and Transport and Storage. These trends emulated in degrees the national experience.

From 2008 to 2011 the trend of overall growth has halted. As the international and national economies have shrunk, so too has Wellington City. With a net drop over the last 3 years of 3,500ECs, Wellington City has seen a fall in Construction and Public Administration (primarily via Government Department reductions), while Transport and Storage continues to drop due to the lack of appropriate sites and land costs within the City.

Overall, Wellington City has only seen any meaningful growth in Professional Services as the commercial hub of the region.

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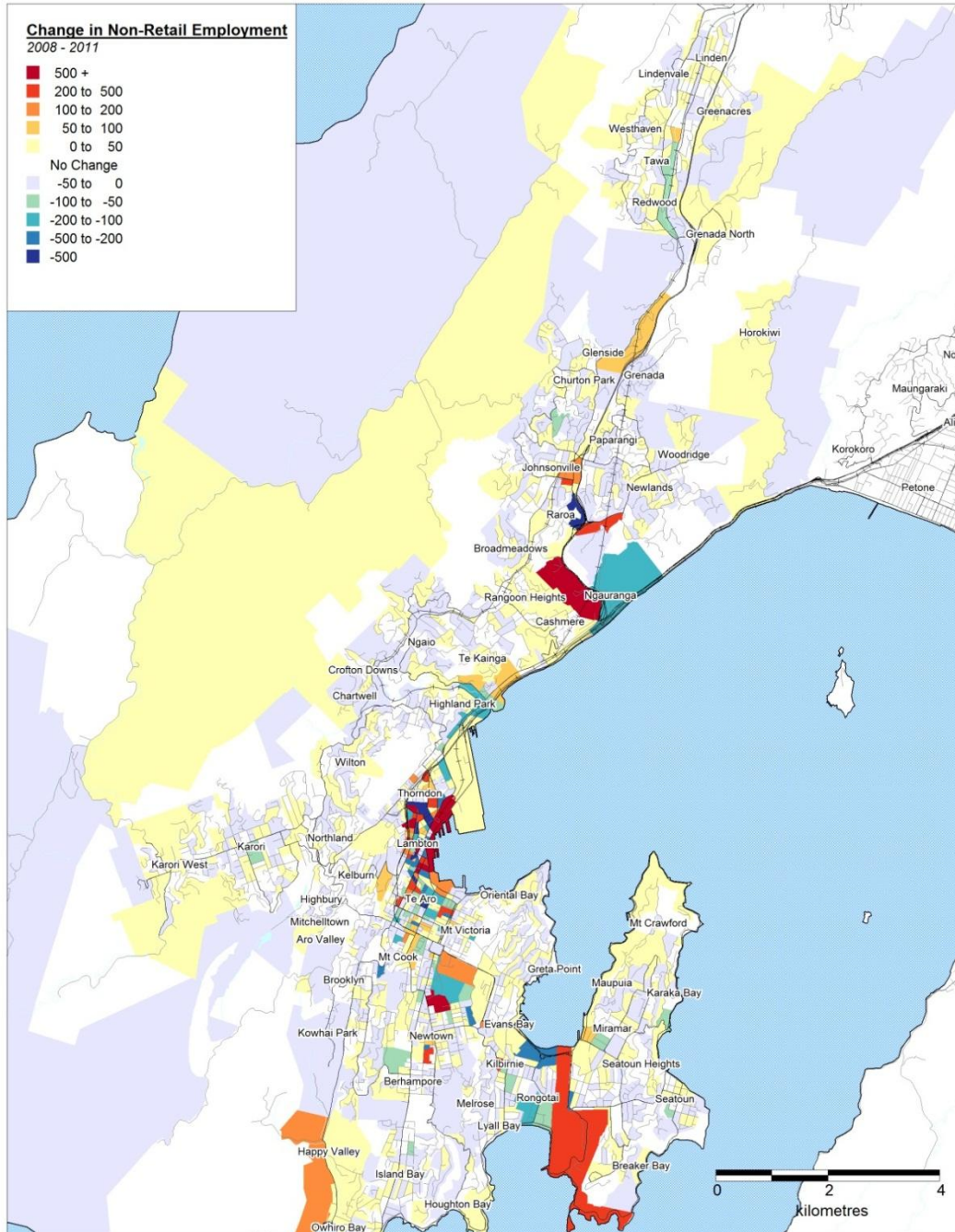
<sup>1</sup> ANZSIC – Australia New Zealand Standard Industrial Classification

TABLE 1: WELLINGTON CITY EMPLOYMENT CHANGES BY SECTOR (2000 – 2011)

Wellington City	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2008 - 2011
A Agriculture, Forestry and Fishing	120	210	190	130	150	190	130	120	100	150	160	120	20
B Mining	40	35	60	80	80	50	65	85	120	160	140	140	20
C Manufacturing	5,710	5,650	5,700	5,750	5,440	5,360	5,240	5,200	4,840	4,320	3,890	3,880	-960
D Electricity, Gas, Water and Waste Services	670	730	700	790	1,020	940	790	810	850	1,040	1,070	960	110
E Construction	3,140	3,020	3,070	3,230	3,400	3,830	4,210	4,470	4,930	4,690	4,540	4,570	-360
F Wholesale Trade	5,040	5,030	4,660	4,620	4,070	4,140	4,330	4,000	4,040	3,950	3,850	3,770	-270
G Retail Trade	8,890	8,880	8,950	9,320	9,420	9,940	10,160	10,160	10,320	9,830	9,350	9,480	-840
H Accommodation and Food Services	8,080	8,130	8,480	8,360	8,580	8,660	8,980	9,210	9,290	9,270	9,660	9,720	430
I Transport, Postal and Warehousing	7,120	5,830	5,670	5,260	5,220	5,660	5,670	5,670	5,790	5,980	5,770	4,640	-1,150
J Information Media and Telecommunications	5,980	5,630	6,300	6,510	5,980	6,760	6,670	7,100	6,500	6,300	6,270	5,590	-910
K Financial and Insurance Services	11,920	10,960	10,920	10,070	10,180	10,080	10,320	9,900	10,150	10,010	10,030	9,370	-780
L Rental, Hiring and Real Estate Services	1,410	1,430	1,520	1,520	1,580	1,540	1,600	1,530	1,580	1,480	1,410	1,430	-150
M Professional, Scientific and Technical Services	13,490	16,570	14,210	13,900	14,510	15,940	16,830	17,730	18,760	19,610	19,100	20,470	1,710
N Administrative and Support Services	7,410	7,730	7,500	7,720	8,140	8,990	8,710	8,730	9,320	8,400	8,170	8,290	-1,030
O Public Administration and Safety	16,000	16,580	17,660	18,300	19,160	20,990	22,500	24,020	24,580	24,580	24,900	23,880	-700
P Education and Training	7,560	7,720	8,160	8,540	9,000	9,080	9,220	9,810	10,250	10,130	10,540	10,740	490
Q Health Care and Social Assistance	9,850	10,100	10,370	11,030	10,660	10,590	11,010	10,430	10,910	10,670	11,340	11,600	690
R Arts and Recreation Services	2,770	2,640	2,930	2,960	2,960	2,840	3,130	3,350	3,600	3,950	3,750	3,900	300
S Other Services	4,970	4,870	5,150	5,290	5,450	5,660	5,730	5,720	5,830	5,440	5,590	5,610	-220
<b>Total Industry</b>	<b>120,170</b>	<b>121,745</b>	<b>122,200</b>	<b>123,380</b>	<b>125,000</b>	<b>131,240</b>	<b>135,295</b>	<b>138,045</b>	<b>141,760</b>	<b>139,960</b>	<b>139,530</b>	<b>138,160</b>	<b>-3,600</b>

Source: Property Economics, Statistics NZ

FIGURE 2: WELLINGTON CITY NON-RETAIL EMPLOYMENT DISTRIBUTION CHANGE (2008 – 2011)



Source: Property Economics

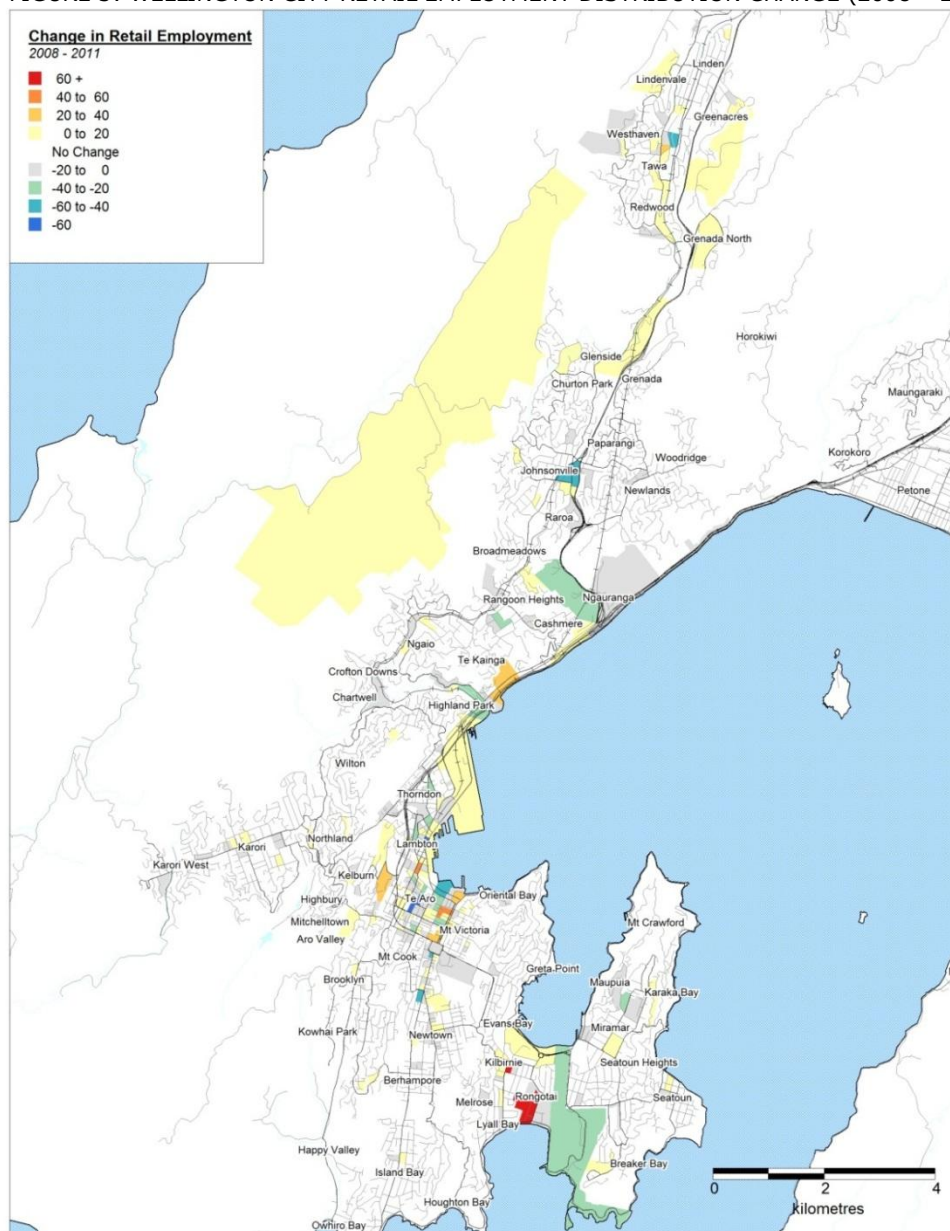
Figure 2 represents the geospatial distribution of these changes in non-retail employment. It shows that although there have been significant falls in employment overall, the main centres within the City have continued to grow. When looking at this on the ground it becomes clearer that there is a retrenchment of business activity to the centres with higher amenity and greater levels of competitiveness, i.e. the larger commercial centres and employment hubs have a greater ability to attract business activity and therefore



employment due to their falling market rents and larger provisions of amenity and floor space. Local servicing and start-up businesses in more peripheral suburban areas typically experience a decline in this market, as has been the case in and around Karori over this period.

This ‘centralisation effect’ is not unusual in declining markets, or markets where employment activity is being shed, with ‘in-centre’ building stock becoming increasingly available as a result of business downsizing and closures.

FIGURE 3: WELLINGTON CITY RETAIL EMPLOYMENT DISTRIBUTION CHANGE (2008 – 2011)



Source: Property Economics

Retail has followed a similar path with the non-retail employment movement. Although this may not represent businesses physically shutting or opening, it represents a rise or fall in activity due to the tightening in economic activity. Once again centres are the most active with a nominal move from retail in the north (Tawa and Johnsonville) to some growth in the central and southern areas.

Karori has seen minimal net movement over this period in retail employment with any retailer loss often quickly offset by a new retail ventures starting up due to the limited retail GFA opportunities available in the area when assessed against generated demand.

Overall, the net employment drop of nearly 8% over recent years is seen as temporary with this activity needed to supply a growing and recovering market.

## 2.2. KARORI AND ENVIRONS

This section assesses the employment activity changes in the Karori area, made up of the four Karori Census Area Units (“CAU”) – namely Karori Park, Karori North, Karori East and Karori South. Table 2 shows the changes over time with the period 2000 – 2008 experiencing growth of over 200 ECs (13%), this was led by Retail Trade and Professional Services (both predominantly commercial centre activities).

However, the last three years have seen nearly a third of that growth lost with large drops in Education only offset by a large increase (40%) in Health services. Without this sector’s growth, this period would have alarmingly eradicated growth from the previous 8 years. This shows the vulnerability of Karori if no further business GFA provision is provided locally, and the flow-on effects for local employment opportunities and the unnecessary restriction it can place on growth in the local suburban economy.

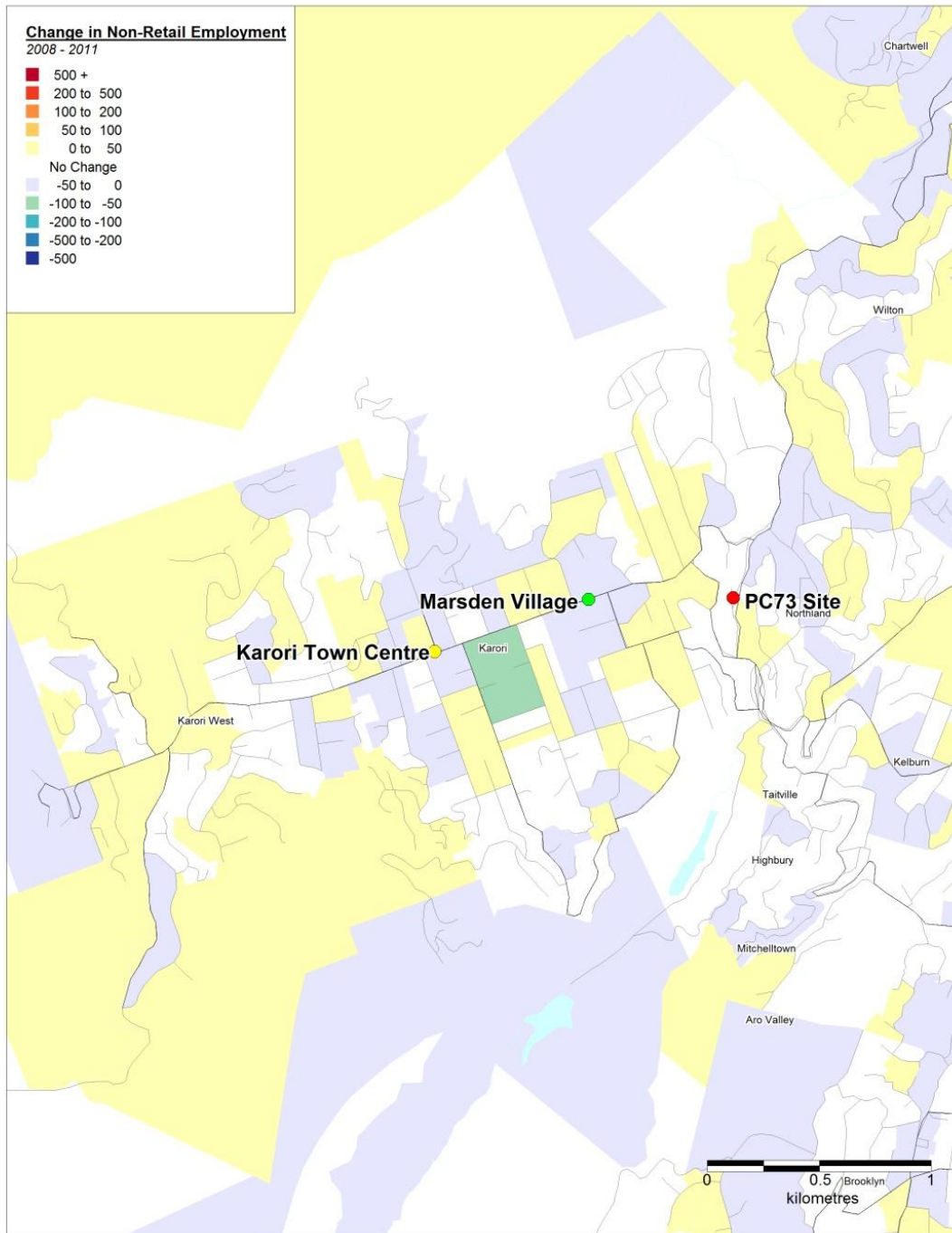
TABLE 2: KARORI EMPLOYMENT CHANGES BY SECTOR (2000 – 2011)

Karori	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2008 - 2011
A Agriculture, Forestry and Fishing						3							
B Mining									3			3	
C Manufacturing	18	24	21	39	48	45	48	27	36	21	27	18	-18
D Electricity, Gas, Water and Waste Services	3	3	3	3									
E Construction	42	45	57	48	63	57	78	66	48	60	63	48	
F Wholesale Trade	21	39	36	27	36	30	15	35	50	30	33	36	-14
G Retail Trade	232	219	236	217	232	215	222	253	282	277	258	260	-22
H Accommodation and Food Services	99	79	96	115	109	108	128	136	135	96	114	120	-15
I Transport, Postal and Warehousing	23	26	26	34	34	45	37	21	18	15	32	23	5
J Information Media and Telecommunications	18	12	15	12	6	9	27	27	21	37	20	27	6
K Financial and Insurance Services	15	12	15	18	21	18	24	18	18	18	18	21	3
L Rental, Hiring and Real Estate Services	30	40	33	36	42	45	52	39	30	33	30	21	-9
M Professional, Scientific and Technical Services	93	119	107	106	123	132	132	134	142	136	128	116	-26
N Administrative and Support Services	78	66	75	75	76	48	39	57	57	48	30	36	-21
O Public Administration and Safety	15	15	18	18	12	12	30	27	27	32	30	27	
P Education and Training	542	505	479	484	505	543	550	530	567	538	442	481	-86
Q Health Care and Social Assistance	276	274	285	278	309	287	315	289	293	303	316	411	118
R Arts and Recreation Services	32	29	34	37	72	72	68	70	69	96	76	96	27
S Other Services	84	69	72	83	69	81	82	75	81	90	81	66	-15
<b>Total All Industries</b>	<b>1,621</b>	<b>1,576</b>	<b>1,608</b>	<b>1,630</b>	<b>1,757</b>	<b>1,750</b>	<b>1,847</b>	<b>1,804</b>	<b>1,877</b>	<b>1,830</b>	<b>1,698</b>	<b>1,810</b>	<b>-67</b>

Source: Property Economics, Statistics NZ

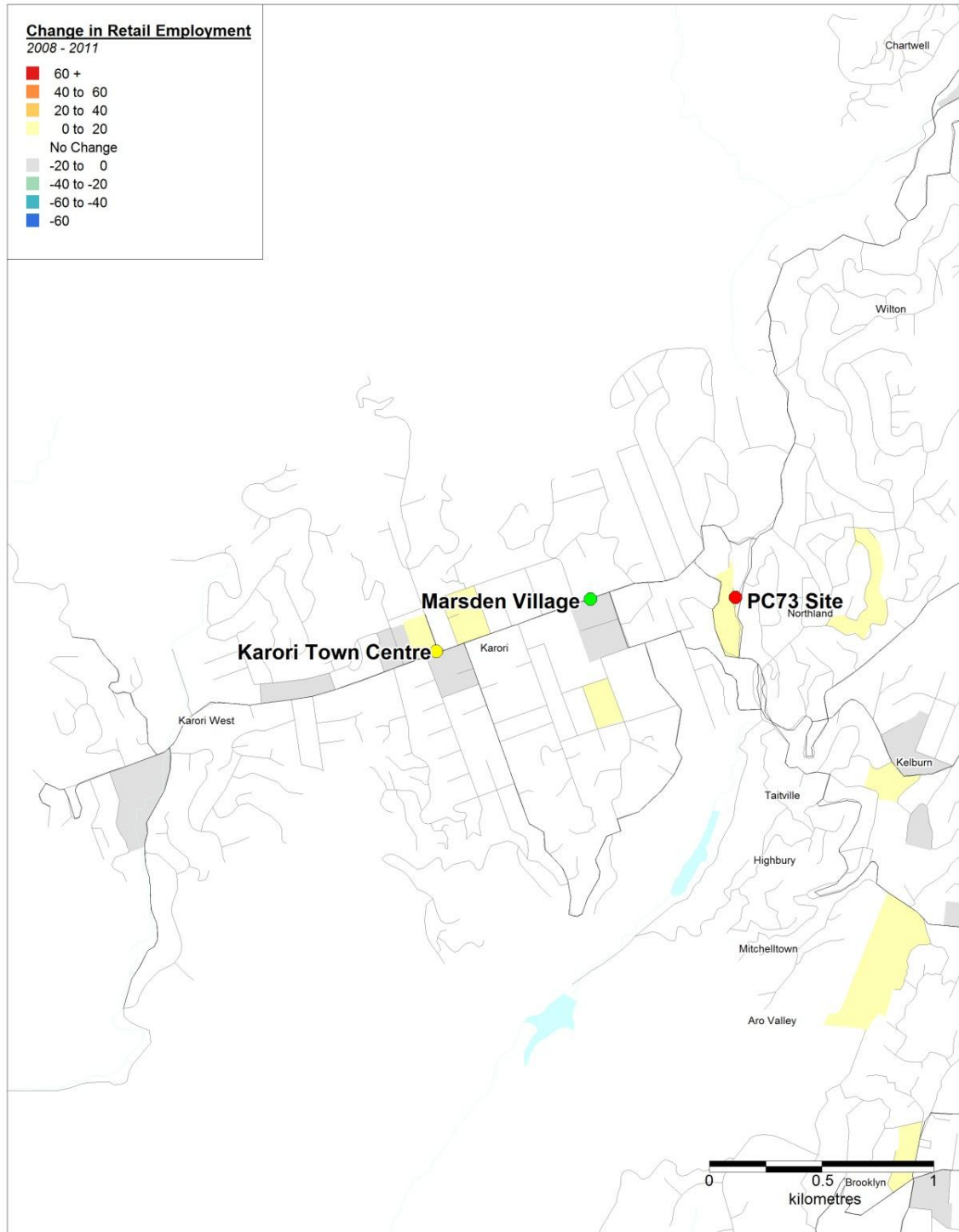
Figures 4 and 5 following distribute these employment changes throughout the wider Karori area for context. Both the non-retail and retail maps show the larger nominal drops have occurred in centre with the reduction of activity occurring in Karori Town Centre specifically.

FIGURE 4: KARORI NON-RETAIL EMPLOYMENT DISTRIBUTION CHANGE (2008 – 2011)



Source: Property Economics

FIGURE 5: KARORI RETAIL EMPLOYMENT DISTRIBUTION CHANGE (2008 – 2011)



Source: Property Economics

### 2.3. COMMERCIAL MARKET GROWTH

Although Karori has experienced a slight fall in activity over the past three years it is expected that the loss suffered due to the global slowdown (in part) will be regained over the next five years. On top of this 'claw back' the area is expected to experience moderate to low growth over the next 20 years. This growth itself is dependent on residential growth (due to the area's local servicing role), as well as the ability for the local area to provide competitive business environments. This potential growth will ultimately be based on the provision of locations, GFA and associated accessibility and amenity for 'finer grain' (i.e. small scale) commercial activities that continue to service the local markets.

TABLE 3: KARORI POPULATION AND HOUSEHOLD GROWTH ESTIMATES (2011 – 2031)

	2011	2016	2021	2026	2031
Population	14,350	14,608	14,800	14,953	15,029
Households	5,297	5,500	5,676	5,853	6,007
Household Size	2.71	2.66	2.61	2.55	2.50
Population Growth (p.a.)		0.36%	0.26%	0.21%	0.10%
Household Growth (p.a.)		0.76%	0.63%	0.62%	0.52%

Source: Property Economics

Table 3 shows the level of residential population and household growth for the Karori catchment to 2031. As previously noted the expected growth is not significant. This growth itself is (in part) dependent on the availability of employment opportunities in the local area and the amenity that this activity brings, i.e. a population projection for an area is simply that – a projection, and it will remain as such unless it is used as a basis to fuel development of local employment opportunities, as population projections are often only realised if employment opportunities are provided and taken up overtime in the area of concern.

TABLE 4: KARORI ANNUAL RETAIL SPEND GENERATION PROJECTIONS (2011 – 2031)

	2012	2016	2021	2026	2031
Food retailing	\$73	\$77	\$81	\$86	\$91
Clothing, footwear and personal accessories retailing	\$15	\$16	\$17	\$18	\$20
Furniture, floor coverings, houseware and textile goods retailing	\$8	\$8	\$8	\$9	\$9
Electrical and electronic goods retailing	\$7	\$8	\$8	\$9	\$9
Hardware, building and garden supplies retailing	\$3	\$4	\$4	\$4	\$4
Pharmaceutical and personal care goods retailing	\$5	\$5	\$5	\$6	\$6
Department stores	\$18	\$18	\$20	\$21	\$22
Recreational goods retailing	\$7	\$8	\$8	\$9	\$9
Other goods retailing	\$7	\$7	\$8	\$9	\$10
Food and beverage services	\$25	\$27	\$29	\$31	\$34
<b>Total</b>	<b>\$168</b>	<b>\$177</b>	<b>\$188</b>	<b>\$202</b>	<b>\$215</b>

Source: Property Economics

Table 4 translates this expected residential growth into annualised retail spend growth for the area in 2012 NZ dollars. It is important to note that this is not the level of retail expenditure expected to be spent within the Karori area due to a current and practical level of leakage in the future, this is simply the level of retail spend generated by the catchment. It is expected through this model (outlined in Appendix 1) that retail growth is anticipated to grow by nearly \$50m per annum by 2031. Even with on-going (and expected) significant levels of leakage this will support increased levels of local retail GFA in the area, and conversely if the local provision is not increased in the future then retail leakage out of Karori as a proportion of generated demand will continue to increase.

The retail demand generated here will in fact increase the demand for retail floorspace within the catchment, which is set out later on in the report in Table 7.

Demand for commercial floorspace is not restricted to retail. Although retail floorspace itself is general wholly at ground level, particularly at a suburban centre level, there is an expectation that a proportion of other commercial activities will locate on floors above this, even in suburban centres as they become more efficient and 'built-up'.

Tables 5 and 6 calculate the projected commercial employment within the Karori catchment to 2031. These projections are based on trended changes over the past 12 years in relation to the residential population and an expectation that these increases in themselves increase the retention of jobs within the area. It is of interest to note that when considering the Statistics NZ Business Frame data (and allowing for the proportion that is not 'picked up' through this assessment), the Karori area accommodates only 30% of the jobs held by its residents. This represents a 30% retention level (or conversely 70% employment leakage) which, for an area with a residential population base of 14,000, is considered low.

TABLE 5: KARORI AREA COMMERCIAL EMPLOYMENT (EXCL RETAIL) PROJECTIONS (2011 – 2031)

Karori (Scenario 1)	2011	2016	2021	2026	2031
H Accommodation and Food Services	42	42	44	53	53
J Information Media and Telecommunications	27	22	11	26	22
K Financial and Insurance Services	21	18	21	24	25
L Rental, Hiring and Real Estate Services	21	36	53	40	43
M Professional, Scientific and Technical Services	116	112	155	169	192
N Administrative and Support Services	36	94	56	40	1
O Public Administration and Safety	27	18	14	40	43
P Education and Training	72	98	96	88	75
Q Health Care and Social Assistance	103	83	84	104	104
R Arts and Recreation Services	34	14	30	35	46
S Other Services	17	25	24	27	24
<b>Total All Industries</b>	<b>515</b>	<b>563</b>	<b>588</b>	<b>645</b>	<b>629</b>

Source: Property Economics



TABLE 6: KARORI AREA COMMERCIAL EMPLOYMENT (EX RETAIL) PROJECTIONS (2011 – 2031)

<b>Karori (Scenario 2)</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>
H Accommodation and Food Services	42	42	48	59	64
J Information Media and Telecommunications	27	22	11	30	26
K Financial and Insurance Services	21	18	23	27	30
L Rental, Hiring and Real Estate Services	21	36	57	44	52
M Professional, Scientific and Technical Services	116	113	166	189	230
N Administrative and Support Services	36	95	60	44	2
O Public Administration and Safety	27	18	15	44	52
P Education and Training	72	99	103	98	90
Q Health Care and Social Assistance	103	84	90	117	124
R Arts and Recreation Services	34	14	32	39	55
S Other Services	17	26	26	30	29
<b>Total All Industries</b>	<b>515</b>	<b>567</b>	<b>631</b>	<b>722</b>	<b>754</b>

Source: Property Economics

Commercial employment growth has been assessed both on a standardised trend bases and an increasing retention rate. Scenario 1 shows a retention rate trending to 32% with growth of approximately 115 commercial ECs. Scenario 2 illustrates a retention rate trending to one expected for an area of this size in close proximity to a large centre. This retention rate trends to 38%, and results in growth of 240ECs over the same period. While these employment retention percentage increases may seem incrementally low, they represent what Property Economics consider a realistic and practical retention rate over time given the position of Karori in the wider market of Wellington and its growing local market.

Table 7 translates both the expected commercial and retail demands into land requirements to 2031. There are several variables to be aware of here including:

- All commercial activity is at grade which may be reduced proportionally if accommodated in greater density via more efficient two or three storey buildings.

- A level of this growth may occur in existing businesses that can accommodate the increase in employment in their current premises.
- Businesses decisions are generally made (although to a lesser degree for smaller businesses) over longer periods with considerations made for growth potential in the existing area, therefore a greater level of supply may be needed to provide flexibility to the market.

TABLE 7: KARORI COMMERCIAL LAND REQUIREMENTS (2016 – 2031)

Land Requirements	2016	2021	2026	2031	Total
Scenario 1					
Commercial	3,713	1,968	4,370	-1,184	8,867
Retail	5,005	4,933	5,688	5,747	21,373
<b>Total</b>	<b>8,718</b>	<b>6,901</b>	<b>10,057</b>	<b>4,563</b>	<b>30,239</b>
Scenario 2					
Commercial	4,039	4,922	7,085	2,510	18,556
Retail	5,005	4,933	5,688	5,747	21,373
<b>Total</b>	<b>9,044</b>	<b>9,855</b>	<b>12,773</b>	<b>8,256</b>	<b>39,928</b>

Source: Property Economics

The total land requirements under these two scenarios range from 3 -4 hectares of land to accommodate new business activity. If Karori / Council does not provide this land for the market, or is seen to be willing to provide it, then business decisions moving forward may not appropriately provide for the local community.

### 3. PREVIOUS CONSIDERATIONS

This section summaries and readdresses the comments and recommendations in two previous reports undertaken by Property Economics in 2004 and 2007 regarding the Wellington and Karori markets. These comments are assessed in relation to the changes that have been experienced in the market over the past 8 years.

#### 3.1. 2007 WELLINGTON INDUSTRIAL LAND ASSESSMENT

This report assessed employment growth within the Region and the City based on 2006 data and projections. Specifically this growth was based around the demand for industrial land in the City.

The growth assessed in this report for Wellington City is summarised below

- 145,798 ECs by 2021
- Industrial growth in ECs stagnant to 2021 (at approximately 19,000) – trended scenario
- Industrial growth in ECs stagnant to 2021 (at approximately 22,200) – proportional scenario
- While the Region would require well over 200ha of additional industrial land by 2021, Wellington City would only require up to 100ha (this is also due to the price differential and a temporary fall in demand that has since been experienced).

Currently, industrial activity within Wellington City has experienced a larger fall than predicted, primarily as a result of the enduring effects of the GFC. The fall in Manufacturing and Construction employment numbers predicted for 2021 have already been met. Given the current situation these projections may well be better suited to 2026 given the timeframe for recovery.

In terms of supply:

*'At the general assessment level, there is a shortage of some 40-70ha of appropriate industrial land in Wellington City to accommodate growth. As such it is likely that industry will continue to locate outside of Wellington City, and congregate in other areas within the Wellington Region. There is the possibility that those activities that service wider markets than the Wellington Region or lower North and upper South Island may relocate to other centres such as Christchurch and Auckland due to a lack of industrial land in Wellington City.'*

*Should Industrial activity locate to elsewhere in the region outside of Wellington City, the movement of employees at a basic level is likely to decrease. At present some 5,500 industrial employees currently work in Wellington City while living outside of the city. This is likely to reduce should the flight of industry continue. However, as a corollary, there is the potential for an increase in input and output movements between Wellington City and the remainder of the Region.*

*This is highly dependent on the current make up of industrial businesses, not activities, and requires finer grain assessment and interviews to gain a practical insight into the potential for relocation of business and the associated transport movements given the unavailability of industrial land in Wellington City.*

*The removal of industrial activity from Wellington City may weaken the economy in the presence of shocks by reducing diversity provided industrial activity is maintained in the Region. Further it may be unlikely that a lack of industrial activity in the Wellington Region will make the economy more prone to economic shocks, provided there is sufficient industry within the nation. As a small country, New Zealand cities are not so reliant on having a diverse economy in themselves (within reason), rather the national economy needs to remain diverse with individual cities fitting where appropriate.'*

Even with the slightly downgraded growth projections, the key factor in this report was the need for appropriately located industrial activity in Wellington City and Region. A recommendation of this report was to: *'Actively facilitate and direct non-industrial development into preferred 'centre' locations, Plan Change 52 provides an application of such a policy instrument as linked with large format retail developments, providing a regulatory distinction for the centres at Tawa, Johnsonville, Karori, Newtown, Kilbirnie and Miramar.'*

The findings and recommendations of the 2007 report of industrial land in Wellington City are still valid even with the deferment of a small proportion of the anticipated growth. Proposed Plan Change 73 as promoted by WCC is a step in the right direction to help facilitate suburban oriented business and employment opportunities.

### 3.2. CONCLUSION FROM 2007 REPORT

The key message of this report is that there is an urgent need to recognise that a broad range of industrial activities are not occurring in Wellington City. The reasons behind this are numerous, but include: land price and availability; the permissive zoning regime and the predominant uptake of any vacant suburban centre zone land by non-industrial activities; and alternative options for space extensive industrial activities being met by development opportunities in those districts to the north of Wellington City.

The consequences of an absence of available zoned land serving predominantly industrial activities relate to a diverse economic performance and on-going employment prospects within the City.

In terms of the District Plan, and the Council's functions in terms of giving effect to the RMA, the enablement of community economic and social wellbeing does not imply that industrial activity should be pushed across the board at the expense of other land use. However, at a broad level a district plan should enable appropriate opportunity to the industrial sector to develop new or expanded markets and to facilitate emergent trends.

The quantum and location of the Suburban Centre Zone provides industrial opportunities, however the existing approach is currently entirely market lead within industrial activities 'losing out' to highest and best land use activities, and is unlikely to result in a range of positive economic outcomes.

However, this in itself may not amount to a significant resource management issue that would justify amendments to the City Plan, especially as those local authorities to the north of Wellington City appear to have a symbiotic relationship with meeting the long term industrial land needs of Wellington Region as a whole.

Ultimately, from a District Plan viewpoint, it is likely that larger scale greenfield developments (over 1Ha), where both the employment base, and access and distribution needs of such businesses, are better met on the northern exterior fringe of Wellington City. This is not to imply that smaller scale industrial service industries could not be better facilitated within the District Plan, or that they may well be a larger economic rationale as to why Wellington City would facilitate a substantial shift towards encouraging a broader range of industrial activity within the City through its wider range of policy instruments. This would support the development of new economy businesses in the City as well.

#### 4. 2004 KARORI RETAIL AND OFFICE FLOORSPACE ANALYSIS

This report assessed the future retail and office requirements for the Karori catchment to 2011. Essentially the areas assessed are the same, although there has been a slight adjustment with regards to the Statistics NZ CAU boundaries.

Within this assessment retail floorspace within the Karori and Marsden centres were measured as was the office floorspace (totalling approximately 2,400sqm).

Also utilising Statistic NZ population projections retail spend and thereby local retail floorspace demand were assessed, although no assessment was made with regards to future commercial (office) floorspace requirements.

The following is an excerpt from the 2004 report findings:

*'There are currently just under 4,800 households in the Karori catchment. This is forecast to increase to a little over 4,900 by 2011, indicating low population growth. Based on mean income levels and retail spend growth of 1.5% per annum over the forecast period, in 2004 this equates to a potential retail spend from the area of \$155 million, increasing to \$178m annually by 2011.'*

Table 8 below from the 2004 report highlights the projected retail expenditure growth for the assessed Karori catchment.

TABLE 8: PROJECTED RETAIL SPEND (\$M) FOR THE KARORI CATCHMENT IN \$2004

Category	2004	2006	2011
Food Retailing	\$55.4	\$57.6	\$63.6
Footwear	\$1.2	\$1.3	\$1.4
Clothing and Softgoods	\$8.2	\$8.5	\$9.4
Furniture and Floorcoverings	\$6.4	\$6.6	\$7.3
Appliance Retailing	\$8.1	\$8.5	\$9.3
Hardware	\$4.3	\$4.5	\$5.0
Chemist	\$7.2	\$7.5	\$8.3
Department Stores	\$15.5	\$16.1	\$17.8
Recreational Goods	\$10.2	\$10.6	\$11.7
Cafes, Restaurants and Takeaways	\$18.5	\$19.2	\$21.2
Personal and Household Services	\$6.8	\$7.1	\$7.8
Other Stores	\$12.9	\$13.4	\$14.8
<b>Total</b>	<b>\$155</b>	<b>\$161</b>	<b>\$178</b>

Source: Property Economics, Statistics NZ

Table 9 provides an estimate of sustainable retail floorspace. Based on the available retail spend, the catchment could sustain just under 20,000m<sup>2</sup> of retail floorspace. However, Karori and Marsden Village are primarily convenience based centres only and therefore a significant proportion of this expenditure is spent outside the area in other centres, e.g. the CBD. It should be recognised that retail leakage in most retail categories will remain high in the future, due to the close proximity of the centre to the CBD ensuring the role of the Karori Town Centre primarily as a convenience retail centre.

The 2004 report determined factoring in an appropriate level of retail leakage “the Karori catchment can sustain nearly 6,500m<sup>2</sup> of retail trade floorspace at the local level. The amount of local sustainable retail trade floorspace increases to nearly 7,400m<sup>2</sup> by 2011.

Karori and Marsden Village currently have a total retail trade floorspace of 4,223m<sup>2</sup> (equating to around 5,000m<sup>2</sup> of total retail gross floor area including storage space, staff areas, etc.). This is nearly 2,200m<sup>2</sup> of retail trade floorspace (or 2,700m<sup>2</sup> of total retail GFA) below what it can currently sustain.

Based on a general site coverage rule for this type of retailing of 50%, at present Karori could sustain an additional 5,400m<sup>2</sup> (0.54ha) of commercial land for retail activity. Catchment growth out to 2011 means the land requirement increases to 0.75ha over this period. This assumes the status quo remains for the provision of commercial office space.

TABLE 9: SUSTAINABLE RETAIL FLOORSPACE (SQM)

Category	Total Sustainable Floorspace 2004	Percentage Spend Captured Locally	Local Sustainable Floorspace 2004	Local Sustainable Floorspace 2006	Local Sustainable Floorspace 2011
Food Retailing	5,537	75%	4,153	4,323	4,772
Footwear	163	10%	16	17	19
Clothing and Softgoods	1,091	10%	109	114	125
Furniture and Floorcoverings	1,272	10%	127	132	146
Appliance Retailing	1,083	10%	108	113	124
Hardware	861	10%	86	90	99
Chemist	724	50%	362	377	416
Department Stores	3,103	0%	0	0	0
Recreational Goods	1,360	10%	136	142	156
Cafes, Restaurants and Takeaways	1,847	50%	924	961	1,062
Personal and Household Services	906	25%	227	236	260
Other Stores	1,721	10%	172	179	198
<b>Total</b>	<b>19,668</b>		<b>6,420</b>	<b>6,683</b>	<b>7,378</b>

Source: Property Economics, Statistics NZ

The 2004 report also determined “the current amount of commercial zoned land in Karori is 2.9ha (2.0ha Karori Town Centre and 0.9ha Marsden Village). This indicates at present the amount of sustainable commercial zoned land could increase to 3.44ha, and 3.65ha by 2011. Any new commercial zoned land for retail activities would operate most effectively if located within the Karori Town Centre and on Karori Road, so it could trade onto the main street rather than down one of the side streets. This works best from both a functional and convenience perspective. Marsden Village should not be expanded.

It is important to note that at present the majority of food and beverage spending is outside the catchment. It can be expected that a new large format supermarket would recapture a significant proportion of this current leakage.

Other key points from Table 9 include:

- Karori could sustain one large supermarket or two smaller format supermarkets
- It is unlikely that the catchment can sustain a critical mass of comparison goods, such as clothing, appliance or electronic stores. Karori is expected to sustain only a small grouping of mainly privately owned (i.e. non-chain) boutique retail outlets.
- Given the limited catchment growth forecast in Karori, it is unlikely that this location will become popular to large format tenants other than supermarkets, such as a Warehouse or Bunnings.
- Currently Karori is under represented in those goods generally provided by large format retailers. Including appliance retailing, department stores and hardware. This type of retailing is not considered appropriate for the centre.”

There is some deviation between the retail projections outlined in the 2004 report and the current assessment of the market. Given a similar population base the current retail projections are approximately 5% lower than those expected by 2011 in the 2004 report.

The land requirements for the 7-year timeframe assessed in the 2004 report called for an additional 0.75ha of retail land. The current assessment to 2031 shows local land requirements for retail at approximately 0.5ha (5,000sqm) over each 5-year timeframe.

The recommendations outlined above for the Karori area still remain. However there is a concern that the retail offer in Karori is not currently meeting the needs or ‘enabling’ the local community. There does exist in this market over this timeframe clear demand for further retail supply. As with the original report this retail is unlikely (and is not included in the demand requirements) to take the form of comparison retail space.



## 5. THE CURTIS STREET SITE

The Curtis Street site specifically is a fairly tight elongated piece of land situated in a gully below the road level in close proximity to the 'mouth' of the main road in / out of Karori, as such any activity on the site would be a destination in its own right (a 'drive to' node) rather than sustained by 'drive-by' traffic due to its lack of profile.

In terms of accessibility to the local market, the site is well placed to meet the needs of the Karori and surrounding communities, and complement the other commercial / business zones in the network, i.e. the site size (and subsequently the activity enabled to be developed on it) restricts the scale of development yield from the land to a level that would not undermine the existing commercial network of the area.

Based on a catchment visit by Property Economics in October 2012, the Karori Town Centre and Marsden Village retail nodes are fully tenanted (i.e. have no vacant 'at grade' space available), despite some of the quality of the retail offer and premises in my view considered at the 'lower end' of the quality spectrum.

As identified 8 years ago in the 2004 report, the Karori market can sustain more convenience activity and GFA than currently supplied in the market. This constrained market often leads to reduced internal competition and overtime can lead to diminishing quality of a centre's offer, built form and environment, with limited capital reinvestment required in such centre's due to their unchallenged competitive advantage. Such a situation appears to be coming to fruition in Karori with no new commercial GFA developed since 2004 despite the assessed market undersupply eight years and subsequent growth. This imbalance will only be amplified in the future if no additional land provision is made in the local area for business and employment activity.

In terms of activities considered appropriate for the site given the market demand, in my view a higher density finer grain activity composition is likely to result in heightened economic benefit and land efficiency for Council, i.e. the more employment and economic activity generated on the site, the better outcome for both the community and Council from an economic and retail perspective. The higher level of activity generated on the site, the higher the likely community economic and social wellbeing afforded the localised community.

In this regard, a more efficient outcome would be to minimise the potential for a single large scale operation to absorb the entire site (such as a supermarket or home improvement and building supply store), and enable a greater propensity for multiple tenancies and activities to be developed. This could include a mix of small scale light industrial activity, commercial service / office activity and retail activities. These activities are likely to be

localised in their focus, i.e. predominantly service the localised market, and not regional industries which by virtue of their scale are typically larger.

Retail activities are likely, and are considered appropriate to be, convenience oriented and service the surrounding markets. Based on the demand / supply dynamics for such activity at the localised level, there is a clear under provision which is well placed to be partly offset by convenience retail activity on-site. It should be noted that a large supermarket or building supply and home improvement store is unlikely to generate a negative outcome, however based on the analysis the land could be more efficiently utilised if it were developed for a range of business activity rather than a single entity.

The scale and location of the site is such that it would not have the propensity to generate significant adverse retail distribution effects on any existing centre in the network. In terms of location and the Karori market it will predominately service, the site is considered to be in a 'second tier' location, representing more a 'spill over' site as a result of the constrained ability within Karori itself to provide additional business zone land. This limits potential effects, as any individual vacancies that might 'pop up' over subsequent years in either the Karori Town Centre or Marsden Village (as a result of PC73 activity or otherwise) are likely to be quickly tenanted given their more 'preferred' location and better accessibility for the market being served.

In terms of potential controls on the site, from a retail and economic perspective, there are a number of sectors and industries that are not as well represented locally in Karori than can be sustained. As such, in my view WCC need to enable a mix of activities to be established that provides flexibility for the market, albeit with the caveat of my comments above in relation to large scale / format activities consuming the site.

Similarly for commercial activity, given the size of the site, there is no propensity for the development of the land to generate significant adverse effects on other commercial nodes in the city in an RMA context.

Given the limited propensity for commercial development of the site to generate significant adverse effects from an economic and retail perspective, a more 'real world' outcome of such development in my opinion is considered to be a net economic benefit to the community and wider Wellington City market. There is a clear shortage of land for commercial development at the suburban level in Wellington given its limited usable land resource for commercial development. The Curtis Street site and PC73 enable such opportunity to come to fruition overtime which can only 'add to' rather than 'erode' the economic base of Karori and wider Wellington City economy.