



HASTINGS DISTRICT COUNCIL

INDUSTRIAL DEMAND STUDY



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CONCLUSIONS

1.1 TEN YEAR INDUSTRIAL DEMAND CONCLUSION

From our study, we have reached the following conclusions relative to industrial land demand in 2012.

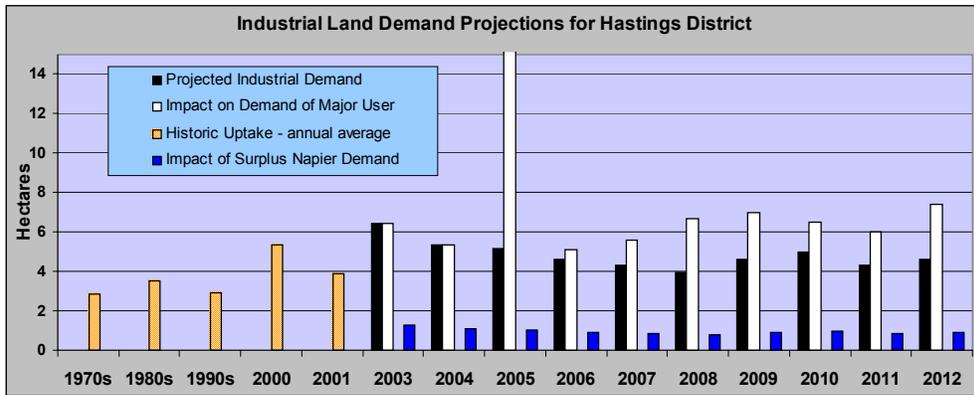
1.1.1 Uptake Rate

The uptake rate for industrial land is difficult to predict, however Table A illustrates the arbitrary spread of the expected growth over the coming ten years.

DEMAND FOR INDUSTRIAL LAND				
Year	Actual Demand	Projected Demand (Ha)	Impact of Major Industry (Ha)	Impact of Unmatched Napier Demand (Ha)
1970s	2.8			
1980s	3.5			
1990s	2.9			
2000	5.3			
2001	3.9			
2003		6.4	6.4	1.3
2004		5.4	5.4	1.1
2005		5.2	15.2	1.0
2006		4.6	5.1	0.9
2007		4.3	5.6	0.9
2008		3.9	6.7	0.8
2009		4.6	7.0	0.9
2010		5.0	6.5	1.0
2011		4.3	6.0	0.9
2012		4.6	7.4	0.9
Aggregate Projected Growth		48.3	72.21	9.68
Percentage Increase over existing use		14.7	21.7%	2.9%
Ideal vacant portion of Zoned Land 30.0%				
Therefore Total Zoning Requirement		524.05	570.48	482.57
Area of land to be rezoned		82.16	114.76	26.85

TABLE A

There is a real possibility that a distribution/warehouse facility could establish itself in Hawke's Bay on a 20.0 to 50.0 hectare site. Such development would require a full review of these projections as it would be an additional impetus for further development.



GRAPH A

The second series (white) on the Graph A illustrates the increased growth that would be generated by a major industry (10.0 hectares) establishing here in 2002.

	2002		2012		Additional Land to be Zoned
	Used	Zoned	Used	Required Zoning	
Projection	328	455	377	538	82
Adjusted Projection (major industry 2005)			400	571	114

TABLE B

THE OBJECTIVE

2.1 INTRODUCTION

The Strategic Development Unit of the Hastings District Council have commenced a project analysing the District's industrial activity and demand in order that future growth will be catered for by way of land availability and infrastructural investment and through a positive culture within Council. Availability of suitable serviced land is seen as essential to industrial growth and the purpose of this study is to determine industrial demand over the coming ten years

Hastings District Council has completed the supply analysis having details of the vacant industrial land and the land available for development.

The purpose of this report is to consider the industrial demand over the coming ten years with the objective of determining total demand in 2012.

Any projections are fraught with risk and in our contemporary dynamic environment have a low chance of being accurate. Nevertheless, through an understanding of current industry and economic conditions, analysis of the past and a global perspective, future trends can be identified and quantified. Projections must be based on the current framework with an acknowledgment that a shift in influential aspects such as government policy, technological innovation, or global trading conditions will impact on projections.

The projections contained within this report should be revisited on a bi-annual basis. The worth of the document is then enhanced as it becomes a living tool of ongoing utility.

2.2 LOGAN STONE LIMITED

Logan Stone Limited is a specialist property consultancy that has been actively involved throughout the Hawke's Bay economy over the past fifteen years. The recessionary years of the late 1980s brought about a number of challenges for industrial property that was either obsolete, redundant or due for structural reformation.

Logan Stone's involvement from that time in the sector has been significant and has included development of the strategy to reshape the former Whakatu works, initiation of the Heinz Wattie acquisition of the former Tomoana works, strategic advice in relation to numerous industrial investments and developments ranging from smaller subdivisions to larger processing facilities.

In recent years Logan Stone has been involved in the industrial land markets of both Napier City and Hastings District having been a consultant to both specific industries and industrial sector initiators and analysts. Logan Stone's understanding of industrial markets, the industrial participants, and the future trends is unique and brings a commercial market perspective to this project relating to future industrial demand.

THE METHODOLOGY

3.1 DRIVERS OF DEMAND

3.1.1 Economic Activity

Along with other provincial areas, the Hawke's Bay economy is enjoying a period of strong activity and growth, which has been gathering momentum since 1998. In addition to the strength of the traditional primary industry base, Hawke's Bay is benefiting from strong growth in the forestry sector, visitor industry, and attracting ongoing investment in viticulture and post harvest facilities. Significant activities include;

- ~ Consolidation of the Heinz-Wattie Tomoana investment
- ~ Rationalisation of the post harvest pipfruit cool chain and infrastructure
- ~ Continuing added value processes across all primary products
- ~ Establishment of Hawke's Bay as the national wool centre
- ~ Ongoing investment in viticulture and wine tourism
- ~ Renaissance of the innovative and advanced Hawke's Bay engineering expertise
- ~ Consistently increasing export volumes through the Port of Napier
- ~ Forestry, harvesting and processing
- ~ Visitor industry growth – accommodation, attractions

While not an exhaustive listing, the above activities have been responsible for a large amount of the current economic activity throughout the region. The macro environment for an export orientated economy has been favourable with the result that returns and confidence have increased. Around all of these activities the "lifestyle", or alternative to metropolitan living, has enhanced the appeal of Hawke's Bay as both a place to live and a place to do business and invest.

The current activity is soundly based on the traditional strengths of the region and due to the number and depth of global markets, has the potential to continue in the medium (10 to 20 year) horizon regardless of the international economy. New industries are contributing and growth in these is expected. We note that the global economy is predicted to be coming out of a recessionary phase, further increasing export opportunities.

In contrast, the short term focus of contemporary business, particularly manufacturing, together with modern portability and ready acceptance of relocation costs and sunken capital, places some risk on the permanence of multi national investment.

The Hawke's Bay industrial sector has been traditionally driven by primary producers who have invested or initiated investment to accommodate their respective post harvest needs. Traditionally those needs were based around the slaughter of livestock, the packaging of product and the storage of each ready for export. In more recent times, the added value culture has brought about a demand for increased processing of most primary products, together with more advanced storage facilities. The desire to achieve premium prices in competitive global markets has attracted the interest of marketers and external funding. The opportunities of adding value prior to export are well recognised in a far broader range of products including meat, fruit, and the timber and wine industries.

Future industrial demand will be based around the post harvest sector, its associated logistics and the continuing opportunities for added value processing. Hawke's Bay will only ever have a small number of larger industries, however niche industries producing high quality products for specific markets will continue to require industrial processing accommodation and associated storage and distribution amenities.

While primary sector production and its onshore logistics will be the major industry driver into the future, the flow on effect is significant in relation to service industries. Such industries have direct opportunities in servicing the productive sector, but also significant opportunities in servicing the domestic, lifestyle and visitor industry markets.

The industrial sector could be partitioned into three areas as scheduled in Table C;

Sector	Drivers	Expected Growth
Service Industrial	Demographics, Economic Activity, Domestic Demand, Development.	Steady, affected by growth in other areas. Strong growth in warehousing.
Processing Sector	Construction, Global Economy, Commodity Prices, Primary Production & Transportation.	Steady growth, but ample land for existing industry expansion. New users may impact.
Remainder (including manufacturing and major new industry)	Regional Economy, NZ Economy, Land Prices, Labour Force, Transportation, Raw Material, Lifestyle.	Continued expansion of existing industries, low possibility of major new industry Low demand projection.

TABLE C

3.1.2 Research

While past industrial demand has occurred within a differing economic, political, technological and social framework than that that will apply in the future, it is the starting point to determine industrial growth projections. In that regard we have researched past industrial growth within the Hastings district, Hawke’s Bay and a number of comparable provincial regions in New Zealand.

We have researched and obtained data under the following headings;

- Industrial Building Growth
- Industrial Land Growth
- Regional Gross Domestic Product Growth
- Population Growth
- Household Growth
- Average Household Income Growth

Of most relevance has been the historical data relating to growth in the building stock, which although not fully conclusive is a consistent measure and guide. Through our property expertise, we have been able to interpret that data in a meaningful way, for forward projection.

We have gathered the following inventory of statistical data;

- ~ Hastings District historical building consent and floor area data for industrial zones
 - Industrial land zoning
 - Industrial land supply

- ~ Hastings District demographic information - historical data relating to
 - Employment
 - Household income
 - Contribution to national economy
 - Other economic data

- ~ Demographic information and industrial activity data for Hamilton City, Rotorua District, Nelson City, Napier City, Palmerston North City, and City of Dunedin

Industrial activity is both a derivative and driver of economic activity and population change. It is diverse, and includes activities ranging from service industrial activity, to added value processing and manufacturing activities.

Decisions leading to industrial growth are affected by confidence and political stability, in addition to the availability of resources such as land, capital and labour. In a dynamic environment subject to technological developments and changing business cultures and philosophies, past growth patterns become less reliable for predictive purposes.

Future demand can best be estimated through the analysis and weighting of several different measures. A holistic view of both the District and the Nation is a key perspective in interpreting the research. To a large degree, intuitive interpretation, based on an understanding of the regional economy and industry is key in the projection model.

Should additional land be required at some time in the future, there is a cost in both the appropriate zoning of that land and the infrastructural investment necessary to bring it into service. The efficiency of the District's infrastructure is a key consideration in the identification of any future development land. It may be that provincial attitudes may need to reflect economic efficiencies, and that potential users will have to compromise on perceived "ideal sites" due to regional cost/benefit issues. Matching the demand with solutions is outside the scope of this study.

Regardless of industry needs, potential growth and/or future opportunities, we subscribe to the theory that economics and the market will drive activity and therefore demand. In relation to industrial land usage, the market theory impacts in both the value of industrial land, given the provincial shortage nationwide and the demand for products in global markets.

While subject to political posturing and a number of hurdles, the general trend is for freeing of global world trade. In an environment where food safety and environmental integrity are becoming more scarce and of greater value, the demand from world markets for Hawke's Bay product is likely to be unmatched by supply and therefore a driver for increased investment.

Similarly a comparison of industrial land values on a national base indicates an opportunity for growth and current market dynamics illustrate that expectation within Hawke's Bay.

3.2 DATA

3.2.1 Data Sets

Table D summarises the growth in industrial floor areas over the past twenty years within Hastings District.

Decade/Year	Total added Floor Area (m ²)	Annual Average Floor Area (m ²)	Derived Average Annual Land Usage (Ha)
1970	99,496	9,950	2.84
1980	123,810	12,381	3.54
1990	100,970	10,097	2.88
2000	18,671	18,671	5.33
2001	13,554	13,554	3.87
Average Annual Growth since 1970	12,930		

TABLE D

The annual average growth for the 30 years from 1970 to 1999 is 10809 m² with the average growth over the two years of 2000 and 2001 being 16112 m².

The fourth column is the derived annual industrial land usage as a result of the added floor area.

These figures indicate that the last 32 years has seen a demand of 101.86 hectares of land, or an annual average of 3.18 hectares. The average for 2000 and 2001 however is 4.6 hectares which corresponds with the regions economic activity and anecdotal evidence in relation to demand.

3.2.2 Land Value and Growth

The following table benchmarks the indicative industrial land values between Hawke's Bay and other provincial regions.

The table indicates significant growth in Hawke's Bay over the recent few years further indicating the strength of demand currently in existence in the market place.

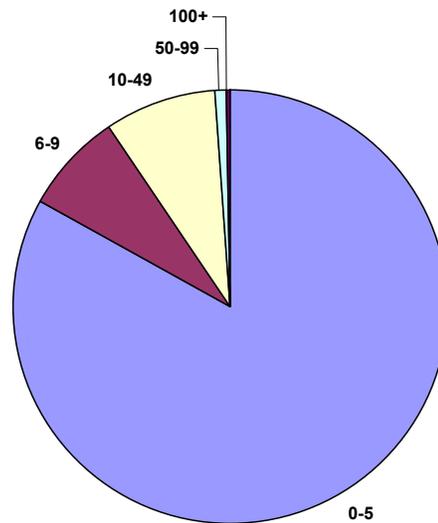
The growth in industrial land value is likely to;

- Increase land use efficiency by industrial land owners
- Encourage demand for further investment into industrial land
- Encourage land users to land bank for the future

(See Appendix A) Land Value Comparisons

3.2.3 Business Units and Full Time Equivalent Persons Engaged

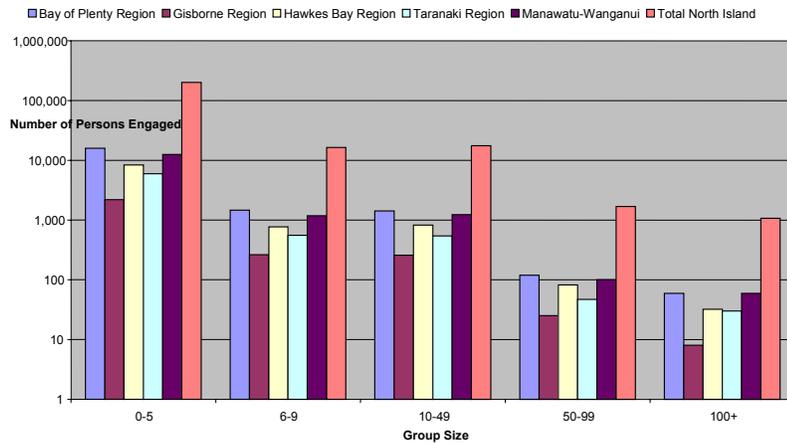
Graphs B & C profiles the Hawke's Bay business structure and compares it to other provincial regions.



Geographic Units Engaged by the Hawke's Bay Regional Council for each Group Size

GRAPH B

Geographic Units Engaged by Regional Council



GRAPH C

THE OUTCOME

4.1 PROJECTIONS

4.1.1 Base Projections

Having regard to the data sought and its integrity, we consider the most relevant data for future projections to be based upon the past uptake of industrial land within the Hastings District Area. In projecting forward, we have had regard to;

- The changing nature of the primary industries and their focus on added value processing;
- The new structure of onshore logistics and its demands for transportation and storage;
- The increased efficiencies of processing;
- The new ability of Hawke's Bay to attract external investment capital;
- The future requirements of the new Hawke's Bay Industries;
- The limited availability of industrial land in Napier City.

Table A illustrates the projections based upon two scenarios. These being;

- A continuation of demand without the impact of a major industry within the immediate short term;
- The impact on demand of the establishment of a major industry in 2004.

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2004		5.4	5.4	1.1
2005		5.2	15.2	1.0
2006		4.6	5.1	0.9
2007		4.3	5.6	0.9
2008		3.9	6.7	0.8
2009		4.6	7.0	0.9
2010		5.0	6.5	1.0
2011		4.3	6.0	0.9
2012		4.6	7.4	0.9
Aggregate Projected Growth		48.3	72.21	9.68
Percentage Increase over existing use		14.7	21.7%	2.9%
Ideal vacant portion of Zoned Land 30.0%				
Therefore Total Zoning Requirement		524.05	570.48	482.57
Area of land to be rezoned		82.16	114.76	26.85

TABLE A

4.1.2 Impact of Major Industry by 2005

From Table A, the fourth column depicts the projection as a result of a major industry, that being a 10 hectare land user being established in 2005. The flow-on effect of such an industry would be significant and will increase the aggregate projected land area demand for the ten year study period by some 20 hectares.

4.1.3 Influence of Napier's Industrial Demand

Napier City has experienced strong industrial growth over the past four years, with much of that demand being driven by the post harvest requirements for the forestry industry. Larger areas of vacant land in Pandora have now been either developed, committed, or area being held for strategic purposes. Vacant land within Onekawa is almost entirely used, with the uptake in that industrial suburb being in excess of 15 hectares over the past three years.

Napier has limited opportunity for further industrial land with the Awatoto industrial area being almost fully committed. The Port of Napier is unlikely to obtain future resource consents for further reclamation and there are few options available close to the Port. This facility continues to grow its volume of throughput and it is likely that an inland dock or receival station could be developed for the Port away from the harbour itself. Such a facility is most likely to be achieved in Hastings, as a receival depot for export product from Hastings and areas further south. The logical location for such an amenity is currently Whakatu.

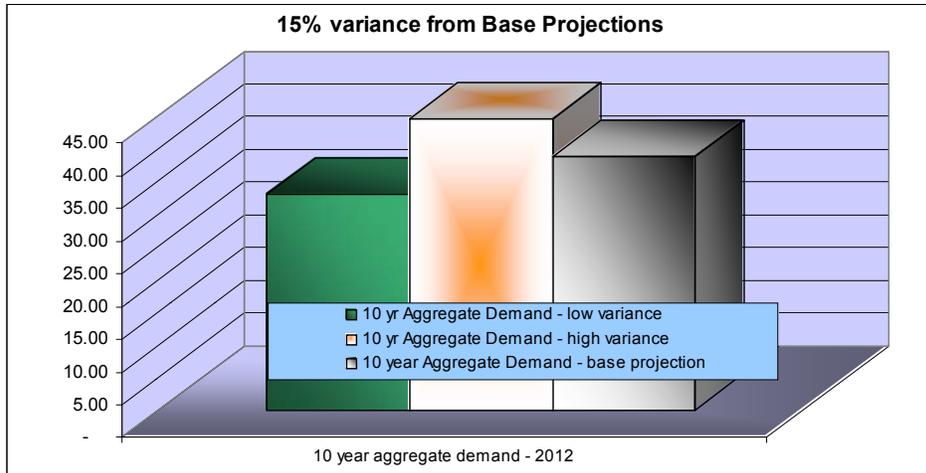
Napier's limited potential for industrial growth is likely to increase demand within Hastings District and the right hand column on the above table quantifies the Napier demand included in the projections.

The impact of Napier's industrial land shortage will be a further 10 hectares of land requirement by 2012.

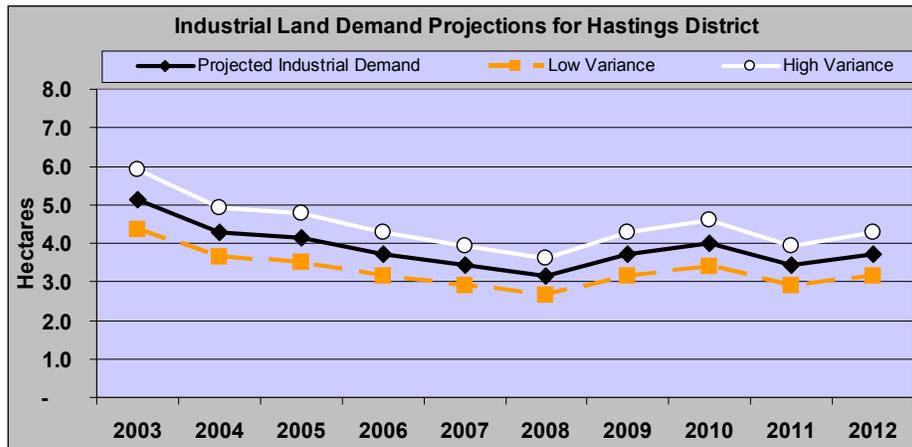
4.1.4 Sensitivity

Graphs D, E, F, and G illustrate the impact of a 15% variance from our base projections on both the take up of industrial land throughout the ten year period and the aggregate demand over the ten years.

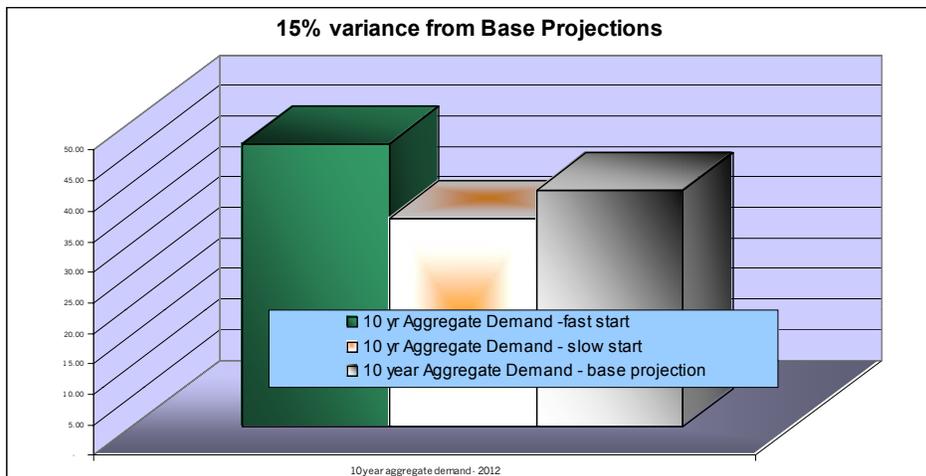
Graphs D, E, F, and G illustrate the impact of a slow and a fast start to industrial demand. The variation in the start from the base projections will impact on the aggregate demand over the entire period due to the flow on effect from demand for further industrial space.



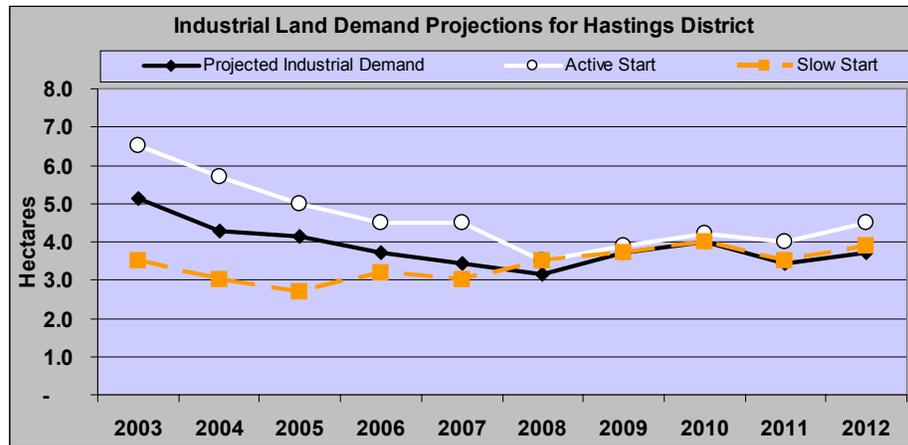
GRAPH D



GRAPH E



GRAPH F



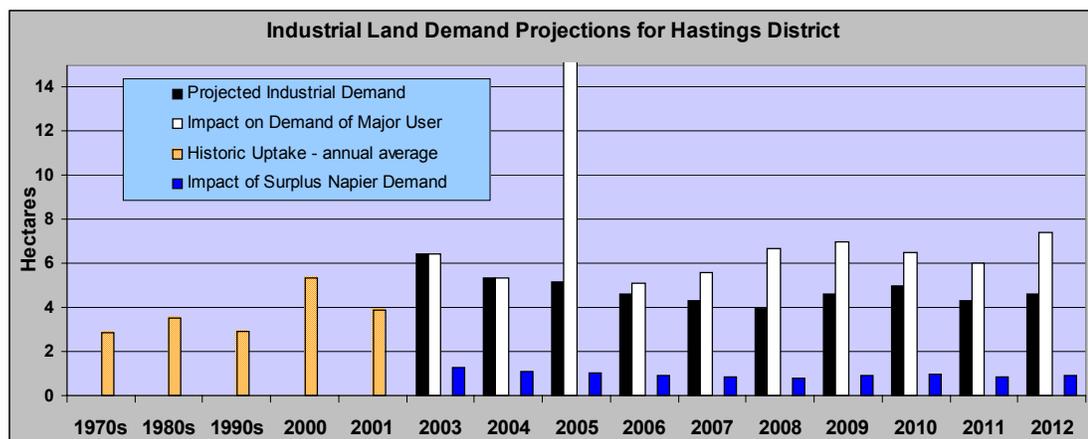
GRAPH C

4.2 CONCLUSIONS

On balance, the prognosis for the region’s economy for the coming ten year period remains positive.

In projecting future demand for industrial land, we have researched the industrial take up in the region over the past thirty years, relating actual figures to the economic performance of the region.

Graph A illustrates the average annual consumption of industrial land over the past thirty years, and our projections for the period through until 2012. The second set of projections considers the impact that the establishment of a major industry (10 ha land user) in 2005 would have. In addition to the land occupied by that industry, we predict that additional demand, as a result of servicing industries and other initiatives, will occur.



GRAPH A

The second series (white) on Graph A illustrates the increased growth that would be generated by a major industry (10.0 hectares) establishing here in 2002.

There is a real possibility that a distribution/warehouse facility could establish itself in Hawke's Bay on a 20.0 to 50.0 hectare site. Such development would require a full review of these projections as it would be an additional on impetus for further development.

Establishment of a distribution warehouse facility of the scale mentioned will require specific site selection and a consent process. While the possibility is strong, we think the reality of it is some time away and that from a global perspective there are more likely alternatives. Should such a proposition be advanced, however, then specific consent would be necessary. Establishment of such a facility would alter future projections as it would be an impetus for growth throughout the regional economy.

There remains the distinct possibility that Hawke's Bay may attract a super factory for primary product processing, similar to the Heinz Wattie Tomoana site, or with local initiation and sponsorship, achieve a contemporary warehouse distribution facility, perhaps requiring up to fifty hectares.

The former possibility has been excluded from our base projections while the second has been included in the alternative projections.

By 2012 new demand for industrial land in the order of 48 hectares will have occurred, or 14.7% more than that currently used.

It is necessary for up to 30% of the zoned industrial land to be available for development. This encourages industry and assists with price stability.

Therefore the total industrial land zoning requirement will be 538 hectares or 82 hectares more than that currently zoned.

Under the alternative scenario (major industry in 2005) a further 71.0 hectares of land will be required increasing the total zoning requirement by 115 hectares to 570 hectares.

	2002		2012		Additional Land to be Zoned
	Used	Zoned	Used	Required Zoning	
Projection	328	455	377	538	82
Adjusted Projection (major industry 2005)			400	571	114

TABLE B

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APPENDIX A

LAND VALUE COMPARISONS

1996											
Land Value Range(\$/M2)		Napier		Hastings		Dunedin		Nelson		Rotorua	
		Low	High	Low	High	Low	High	Low	High	Low	High
Service Industrial	0.1000	40	70	40	70	60	100	80	100	30	80
	0.2000	35	60	35	60	50	100	60	75	25	75
Main Industrial	0.2000	20	35	20	35	40	65	105	120	25	75
	0.5000	15	30	15	30	35	55	81	92	17	45
	1.0000	12	22	12	22	25	50	70	80	10	40
	3.0000	10	18	10	18	20	45	67	76	7	25
	5.0000	5	15	5	15	15	40	63	72	3	30
Greenfields	2.0000	4	6	4	6	5	10	10	15	8	40
	5.0000	3	7	3	7	2	5			2.5	15
2001											
Service Industrial	0.1000	70	120	70	120	60	100	110	130	45	115
	0.2000	50	100	50	100	50	100	83	98	35	95
Main Industrial	0.2000	35	70	35	60	55	85	128	143	35	95
	0.5000	30	60	30	50	50	75	98	109	25	65
	1.0000	25	45	25	42	40	70	85	95	20	55
	3.0000	20	32	20	32	35	65	81	90	12	40
	5.0000	15	23	15	23	30	60	77	86	7	30
Greenfields	2.0000	6	13	6	12	5	10	15	20	8	40
	5.0000	5	8	5	10	2	5			4	22
2002											
Service Industrial	0.1000	70	140	70	140	60	100	120	140	50	120
	0.2000	50	120	50	120	50	100	90	105	40	100
Main Industrial	0.2000	35	80	35	65	55	85	135	150	40	100
	0.5000	30	80	30	55	50	75	104	115	30	70
	1.0000	25	80	25	45	40	70	90	100	25	60
	3.0000	20	50	20	35	35	65	86	95	15	45
	5.0000	15	25	15	25	30	60	81	90	10	35
Greenfields	2.0000	6	15	8	20	5	10	20	25	10	45
	5.0000	5	12	7	15	2	5			5	25

