

STAGE 3 - SECTION 32

CHAPTER 17

RURAL - CRANFORD BASIN

APPENDIX 7 - CRANFORD BASIN PROPERTY ECONOMICS
REPORT



MARCH 2015

**CRANFORD BASIN – CHRISTCHURCH
COMMERCIAL POTENTIAL OVERVIEW**

CHRISTCHURCH CITY COUNCIL



Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics has been engaged by Christchurch City Council ('**CCC**') to provide a high level synopsis of the potential for part of the Cranford Basin area subject to a potential rezoning (refer Appendix 1) to be developed for commercial and / or industrial activities from a market perspective and within the context of the RMA. Specific consideration will be given in respect of the potential for such activity to generate adverse distribution effects (commercial activity), and the efficient use of the land resource (industrial activity) in the context of growth and recovery of the city post-earthquakes.

This overview report is designed to assist CCC in the formulation of its S32 report for the potential rezoning and allow Council to take a more informed position on the merits of the potential for future commercial and industrial activities within the rezone area.

It is Property Economics' understanding that the land area within the Cranford Basin subject to the potential rezoning is approximately 55ha. This land area represents the balance of the land not required for infrastructural storm water and transportation works within the basin. The bulk of this residual land is envisaged for residential development and would be rezoned from Rural (as per the Operative Plan) to Urban.

2. COMMERCIAL POTENTIAL (RETAIL / OFFICE)

The potential 55ha land parcel, adopting average greenfield capacity yields as adopted in the Christchurch proposed Replacement District Plan ('**pRDP**') of 15 dwellings per hectare, would equate to a total residential capacity for the subject area of around 825 homes. This yield is utilised in the subsequent analysis.

Property Economics is unaware of any infrastructural or environmental constraints within the subject land that would prevent this average yield being achieved.

Applying the current Christchurch average household income to this yield, the total at capacity generated retail expenditure derived from this development would equate to around \$13m per annum in 2015 NZD.

Of course this new suburb (titled Cranford Basin for the purposes of this analysis) does not sit in isolation from the rest of the Christchurch market. It would in effect represent residential infill of previously undeveloped land within the city's urban fabric. As such the Cranford Basin development would integrate with the wider city network and not represent a separate catchment from a commercial perspective. In this regard Cranford Basin needs to be considered in the context of the surrounding suburbs in which it is sited in the northern area of Christchurch.

From a retail perspective there are a number of centres in the surrounding area that would assist serving any development in the Cranford Basin. The current higher order centres (in a centre hierarchy context and envisaged in the pRDP) include Northlands / Papanui and The Palms. Further north there is Northwood Mega Centa in Belfast (and Styx Town Centre consented but yet to be actioned), while south is Merivale, Edgeware and the Central City. All these centres have overlapping trade catchments to varying degrees, but given their close proximity to Cranford Basin would assist in meeting the retail requirements of Cranford Basin residents.

Figure 1: Existing and Proposed Centre Network



Retail expenditure generated in Cranford Basin would be spread among all the identified centres (among others as well e.g. Riccarton) to various levels depending on the consumers purpose of trip, but nonetheless they would all remove retail expenditure available for any future localised retail offer in the rezoned area.

Furthermore, as part of the pRDP Commercial Chapter process (being heard by the appointed Independent Panel during May 2015) there are a number of site specific submissions whose merits to accommodate commercial development (retail and office) need to be evaluated in terms of their appropriateness and ability to facilitate commercial development (retail and office) and trade based activity. Some of these submissions would involve enabling the expansion of nearby centres which would represent a consolidation of activity which is part of the pRDP higher order approach as Property Economics understands.

An initial review of some of these submissions would suggest they are likely to be better placed to accommodate a portion of retail growth generated in any Cranford Basin residential development, particularly the higher order comparative retailing (i.e. non-convenience store types).

Another consideration for this overview is the Bulk Retail Park ('**BRP**') zone for land immediately adjacent (north) of the subject Cranford Basin land. The land within this zone is largely developed so represents limited opportunity for material new retail capacity.

Despite its BRP zone, this centre does contain some localised convenience offers within the food and beverage component of the centre. The BRP zone of this centre is considered not to truly reflect many of the activities operating within the centre, and as such represents a mismatch between zone and on-the-ground commercial outcomes. Ultimately, the centre is considered to offer little in the way of meaningful ability to accommodate retail activities resulting from the increased demand from Cranford Basin.

Taking all the above into account, the most appropriate retail (and office) activity and opportunity for the Cranford Basin development is considered to be a relatively small localised convenience commercial offer (retail and commercial services), a centre designed to primarily meet the frequently required convenience necessities of its core localised market. Such a centre would be small in scale and scope, and be approximately 1,000sqm GFA in size. This equates to a net commercial land requirement of 0.2-0.3 hectares, excluding land for any community facilities, urban parks, transport interchange, etc. if deemed appropriate. Note this includes a provision for convenience commercial and professional service activities.

From a trading productivity perspective, a centre of this function and scale would be best situated on a main road through the development such as Cranford Street or the proposed new link road through the development to Winters Road. This would enable the centre a better opportunity to 'tap' into the opportunistic drive-by market and increase the economic performance and viability of the centre, and its potential for longer term success.

Stand-alone commercial office activity (or office park) is not considered appropriate (apart from a small scale activity identified above and would form part of any convenience centre). Such development would represent increased inefficiency in the market and would likely result in increased community costs that are unlikely to be outweighed by community benefits.

3. INDUSTRIAL ACTIVITY POTENTIAL

Assessing the potential for industrial activity to be developed within the Cranford Basin, and the need for additional industrial zone land in general needs to be considered within the wider Christchurch market context.

Industrial activities typically service more extensive markets than retail and commercial activities, and generally require only one operational site within a city, whereas many retailers require a multi-store network.

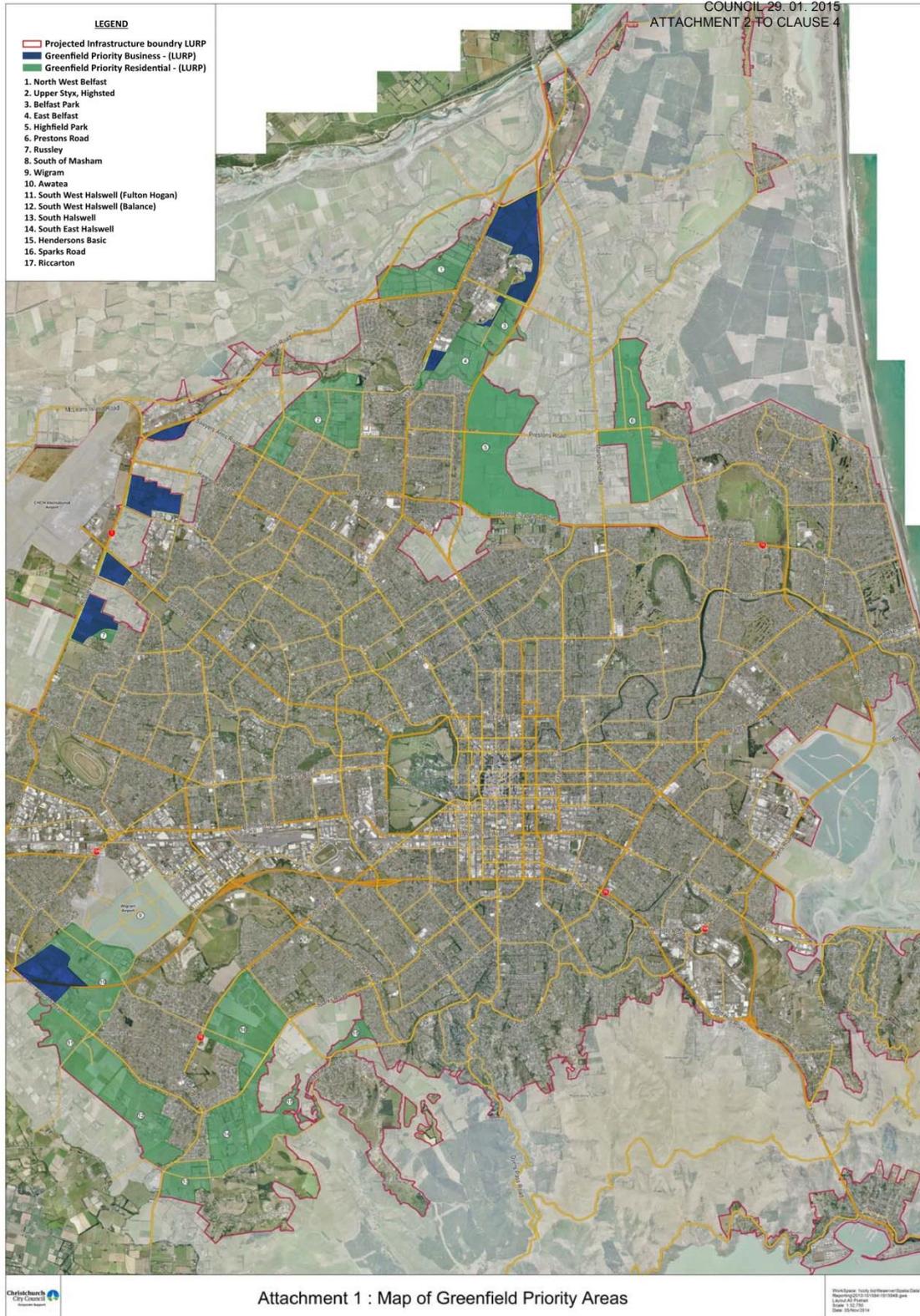
Briefly, at the city wide level, there is ample vacant capacity of industrial zoned land (both existing and proposed new greenfield land as identified within the Land Use Recovery Plan ('LURP')) within the city to accommodate all of Christchurch's foreseeable industrial demand well into the future.

Chapter 6 of the Regional Policy Statement seeks to rezone a further 488ha (rounded) of land currently with a variety of zonings to industrial zonings, on top of the existing zone provision. These are identified as greenfield business priority areas in the LURP and are coloured blue (for the purposes of this analysis) in the following map.

Additional to this is the land available for industrial activities to locate within the Special Purpose Airport Zone (around 143ha), further dampening demand for 'new' industrial land in the future given the competitive market for industrial business location.

In total, previous economic analysis and future industrial modelling undertaken by Property Economics on the Christchurch market, indicated that there is currently in excess of 1,000 ha of land available for industrial activities, while additional industrial land demand to 2031 based on projected industrial growth was in the order of 370ha. The analysis indicates there is a significant level of 'fat' in the city's industrial land supply to meet current and foreseeable future requirements.

Figure 2: Business Greenfield Priority Areas



The areas surrounding the proposed Cranford Basin rezone area are heavily biased towards residential activity, with only a small commercial / industrial precinct immediately north of the subject land on Cranford Street. The residential / industrial interface needs to be treated carefully as there is a higher propensity for environmental conflicts to be generated and reverse sensitivity issues to arise. These issues can generate legitimate concerns for both land use types moving forward, with their compatibility typically weakened the 'heavier' the industrial activity.

Given the extent of surrounding residential activity and the significant infill of the Cranford Basin itself with residential activity, the opportunity for heavier industrial activity to be established is considered very limited, and probably not a prudent activity type to enable within the rezoning. The more judicious industrial activities worthy of further consideration in my view are the light industrial business including trade based activities (as defined in the pRDP).

These activity types are prevalent in the Christchurch market, and given the rebuild and recovery process are likely to represent a healthy proportion of light industry growth over the next decade or so. These industrial activities have more compatibility with residential land use (than heavy industry comparatively) and can locate alongside such if managed appropriately.

To this end, there is then a need to consider the surrounding provision for such activities within northern Christchurch to ensure these operations can locate within the area. On the southern edge of the subject land is an existing trade supply destination for a small cluster of trade based business (e.g. Mico Plumbing, PlaceMakers, Plumbing Plus to name a few). This area, largely developed, would assist in servicing the trade requirements of Cranford Basin, albeit a small extension of this area (the adjacent paddock block) into the rezone land would assist in facilitating and servicing the increased demand for these activities.

Further to this there are other site specific submissions in the pRDP process that would provide the opportunity for some of these store types to develop and meet future demand, specifically the Homebase Centre on Marshland Road, albeit acknowledging no decision has been made on the merits of this submission at this point in time.

At a high level, there is no burgeoning industrial market demand for land that cannot be satisfied within the city's existing industrial land provision. At a more localised level, a significant new industrial land provision is to become available in Belfast as per the LURP.

Therefore in Property Economics view, only consideration should be given for a small expansion of the existing industrial provision on the southern edge of the proposed rezone area to accommodate light industrial activity (predominantly trade based activity in all likelihood).

The wider area is projected to see significant new building activity (primarily residential) as the recovery of the city takes hold which in itself would fuel demand for trade based activities. These activities are best provided local to where that development is to occur for efficiency reasons, and therefore an increased provision for such would provide the city with a more economically efficient provision and network. This is particularly relevant given the recovery and rebuilt process is likely to be a long term proposition, not a short term fix, i.e. development capacity in the surrounding area is projected to accommodate new growth for over 20 years.

4. SUMMARY

In general, and at a high level, there are three core sectors / activity types given consideration in this overview to determine land use efficiencies in the context of the RMA from the potential rezoning of the Cranford Basin from Rural to Urban. These are:

1. Retail

The net additional retail demand generated from the Cranford Basin development is not considered significant in a retail GFA context. Existing centres in the network would more efficiently meet this demand, apart from the potential for a small scale convenience offer requiring land in the order of 0.2-0.3 ha.

2. Office

No material office development within Cranford Basin is considered efficient or appropriate (particularly in the context of the Central City recovery), apart from a small professional service provision (i.e. doctors, physio, etc.) that is scaled appropriately to the aforementioned retail offering.

3. Industrial

In relation to heavy industrial activity, the Cranford Basin is not considered appropriate with sufficient land provision in Christchurch to satisfy such demand. In terms of light industry and trade based activity, and extension of the existing PlaceMakers trade node has merit, and can complement the development of residential activity if managed appropriately. This is likely to generate economic efficiencies in the network and a more effective and balanced city wide provision.

APPENDIX 1: CRANFORD BASIN PROPOSED REZONE AREA

