

Akaroa Basin Business Land Assessment

Property Economics
June 2008

Summary

The Christchurch City Council commissioned this technical report to provide advice on the supply of business land to 2037 as part of the Akaroa Harbour Basin Settlements Study.

AKAROA BASIN CATCHMENT (ABC)

The report identifies the Akaroa Basin Catchment (the **ABC**) as including the entire Akaroa Harbour Basin as well as extending north to include Le Bons Bay, Okains Bay, Chorlton, Little Akaroa and Pigeon Bay. The economic catchment is based on the roading network, natural geographic constraints, existing population and business distribution, location of competing centres, and Akaroa's role in the wider network. Akaroa is the primary commercial node in the catchment.

GENERAL BUSINESS ACTIVITY

Current activity

The businesses that currently exist in the ABC are extremely location-orientated and currently serve as either support services or are associated with visitor activity. Some 75% of retailing in the catchment is sustained through visitor spend alone.

Business growth

Business activity is expected to grow by around 200 employees within the ABC, a 39% increase from 2006 to 2036. Retail spend is also projected to increase from \$20m per annum currently, rising to \$37m by 2036 (noting however that not all of this spend remains within the catchment). This growth in business activity will need to be addressed in land use decisions, as the cost, availability and suitability of business land play a significant part in prospective economic growth.

Restrictions to further growth

Although the ABC comprises 21% of Banks Peninsula's business activity, it has seen less than 12% of the recent development in Banks Peninsula. This either shows that business confidence is low or that growth is being restricted. Given that the last 7 years has been a period of net positive business confidence, the latter is more likely to be the reason. There is only one business zone within the catchment (the Town Centre Zone), which is split into two nodes.

PROJECTED BUSINESS LAND NEEDS BY ACTIVITY

Retail Activity

Retail floorspace

The net sustainable level of retail floorspace for the ABC is estimated at 2,200 sqm currently, and is predicted to rise to over 5,500 sqm by 2036. This growth will principally be driven through growth in 'cafes, restaurants & takeaways' (due primarily to visitor growth), and 'personal and household services' categories of activity. This growth will result in either greater trading volumes (turnover per square metre) for the existing retail, or demand for additional retail floorspace. The reality is likely to be a combination of both.

Retail is fundamental to the ABC and the Town Centre Zone is the only zone where this activity can occur as of right; however retail activity occurs on only 12% of sites within the total land area zoned 'Town Centre', with accommodation and residential activity absorbing 26% and 33% of Town Centre sites respectively. The report projects that the total amount of additional retail land needed for the ABC in the next 30 years will be approximately 0.7 ha.

Town Centre integration

The integration of the two Town Centre Zone nodes is extremely difficult given the number of residential properties that exist between these nodes. Of concern is the ability for some of these residential properties to transform into commercial activities given their existing high values as residential activity.

Potential business development

A business activity that the ABC is underrepresented in, and that it may have an advantage in, is water transportation services. This is likely to grow in the future largely as a result of tourism growth and associated support services.

Industrial activity

Industrial land demand to 2036 is estimated to be as little as 0.87 hectares. This reflects Akaroa's poor location for this type of activity: it is isolated with (a) very poor access to transportation hubs; (b) a low supply of labour; (c) few local suppliers; (d) poor water supply; and (e) high land costs. Industrial floorspace is considerably more expensive (by 4 times) in the ABC than elsewhere in Banks Peninsula, indicating that most industrial activity in the ABC is less economic and hence more likely to locate elsewhere.

The positives for this type of activity are exposure and proximity to a large tourist market. This would lend itself to more cottage-type industries that service the tourist market, for example support services, souvenirs and smaller niche business etc. There is a need to allow for this niche activity expansion (eg enabling it to locate in or near the Town Centre Zone by addressing the current level of residential activity in this location).

Office/Commercial activity

A low amount of commercial activity reflects Akaroa Basin's low population base, which is normally the main factor that sustains this type of activity. Akaroa is isolated, meaning it is far more dependent on the local population (which is low) for its work. It also has little space (and hence little flexibility for expansion), parking difficulties in peak times and a low supply of labour. Only 0.5 ha of land is likely to be needed to 2036. The positives for this activity are exposure and proximity to a large tourist market and a good environment and good amenities for workers.

Accommodation activity

Given the current demand for accommodation, and assuming the same occupancy rate over the next 30 years, the ABC will require an additional 2.33 ha of land for this activity. Based on the current distribution of activity, it is assumed that the vast majority of this demand will need to be accommodated in close proximity to the Akaroa Town Centre, although some might locate where it can offer a more 'retreat-oriented' experience.

Total Forecast Business Land Requirements

The report discusses projected population, household, employment and tourism growth, noting that there is also a potential increase in residential building consents through holiday homes. Based on past and expected trends, there is estimated to be demand for an additional 4.40 hectares of business land by 2036 in the ABC. This is comprised of:

| | Hectares | Floorspace (sqm) |
|---------------|-----------------|-------------------------|
| Industrial | 0.87 | 2,760 |
| Commercial | 0.50 | 3,500 |
| Retail | 0.70 | 3,295 |
| Accommodation | 2.33 | 4,900 |
| TOTAL | 4.40 | 14,455 |

ALTERNATIVE SCENARIOS

Basin-wide scenarios

Unforeseen external factors may change the anticipated land demand. Several scenarios were considered in addition to a 'Status Quo' scenario as outlined above (scenario 1), including:

- Longer and/or higher peak population (scenario 2);
- Diversification away from tourism dependent industries (scenario 3);
- Significant increases in living and transport costs (scenario 4); and
- Proactive support and encouragement of local rural economies (scenario 5).

The effect that each scenario has on the final demand for land out to 2036 is shown below. The report recommends planning for the highest land demand scenario, which is around 5 hectares (scenario 2).

Indicative land demand under the 5 scenarios

| Sector | Scenario | | | | |
|---------------|-------------|-------------|-------------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 |
| Industrial | 0.87 | 0.87 | 1.04 | 0.70 | 0.91 |
| Commercial | 0.50 | 0.53 | 0.53 | 0.55 | 0.53 |
| Retail | 0.70 | 0.84 | 0.74 | 0.67 | 0.74 |
| Accommodation | 2.33 | 2.80 | 2.33 | 2.21 | 2.33 |
| TOTAL | 4.40 | 5.03 | 4.63 | 4.12 | 4.50 |

Settlement-specific scenarios

Two other scenarios were contemplated and are discussed below:

- Potential growth consolidation in Duvauchelle, Takamatua and Wainui (scenario 6); and
- Improved wharf facilities in Wainui (scenario 7).

Scenario 6

Wainui

The report notes that Wainui is very small at present and has very limited commercial development potential due to the lack of broadband availability, which is a major constraint to commercial, industrial and even residential growth. If residential growth is only negligible, then there would be no need for retail activity in this settlement. If growth were to occur, it would only generate enough demand for a 'B1' scale centre of around 500 sqm net. A centre of this size could be supported by approximately 320 resident households.

Duvauchelle

Duvauchelle, by contrast, has the most commercial activity of all the small settlements (not including Akaroa), but there is potential for more efficient use of those sites. If growth occurs in Duvauchelle, approximately 400 residential households would be needed to support a small commercial centre.

Takamatua

Given Akaroa's position as a business destination, it is unlikely that any significant 'overflow' of demand will find its way to Takamatua. Its proximity in this case works against it as businesses that require a location in this study area are drawn either to Akaroa itself or to those centres that currently exhibit a greater level of activity.

Scenario 7

Infrastructure investment would provide a stimulus for increased residential and commercial activity. Commercial activity would primarily service the tourist market, but also the convenience retail needs of the local community. It would be relatively small in scale, around 500-1000 sqm net floorspace in size and requiring approximately 300-500 resident households to support it.

PROVIDING SUFFICIENT SUPPLY

Retail land supply

Town Centre Zone – business activity

With over 85% of all employment activity related to visitor activity and support services, it is unlikely that potential growth can be, to any significant degree, encouraged to relocate away from the primary Town Centre, unless given no other option. From an economic efficiency and cost/benefit perspective, it is considered advantageous to have additional activity in these sectors located either in, adjacent to, or in very close proximity to the existing Akaroa Town Centre, due to the synergies associated with locating business activity within a smaller area.

Due to severe space and other restrictions within this Zone, businesses have been forced to locate outside of this area. Some smaller businesses along with niche accommodation may continue to do this, however in order to provide for new or associated business growth it is considered necessary to provide accessible, affordable business locations within the Akaroa Town Centre and potentially, to a lesser degree, elsewhere in the harbour where retail could be supported.

Town Centre Zone – residential activity

Residential land in the Town Centre could in theory be used for business activity, but because residential land is so expensive it is highly unlikely that any residential land will be used for solely business purposes. This also reduces the likelihood that significant commercial expansion of the Akaroa Town Centre can occur given it is surrounded by residential properties.

The report states that unless land within the town centre and the basin in general is exclusively zoned for industrial, commercial and residential, all activity will tend towards the highest use, which in the ABC will be residential, albeit combined with some tourism-related business.

Alternative locations for industrial, accommodation and retail activities

Locating industrial and accommodation activities outside of the Akaroa Town Centre may alleviate the pressure for redevelopment and the possible loss of its character, but at the same time reduce the viability and convenience of the Town Centre and increase infrastructure and transport costs for operators and tourists. Of the two activities, accommodation has lesser need to locate in centre. If retail cannot be accommodated in the Akaroa Town Centre, then it would be best to locate it in areas which already have some retail activity (like Duvauchelle or settlements which could support retail activity such as Wainui or Takamatua). However, this should only be small in scale, as described above.

Industrial land supply

Long term industrial land demand in the basin beyond niche cottage industries can be met through more efficient use of existing sites with industrial activity on them.

EXISTING 'OUT OF ZONE' BUSINESS ACTIVITY

Of the existing 3.1 ha of 'out of zone' business activity, 2.1 ha is commercial activity (excluding accommodation) while industrial activity absorbs a further 1 ha (eg Barrys Bay cheese factory). However, actual floorspace on these sites is very small. The report suggests that it would be appropriate for existing clusters of commercial activities in the settlements beyond Akaroa to be recognised in the District Plan, given their existing use and the lack of supply in Akaroa.