

**BEFORE THE HEARINGS PANEL  
FOR THE QUEENSTOWN LAKES PROPOSED DISTRICT PLAN**

**UNDER THE** Resource Management Act 1991 ("**Act**")

**IN THE MATTER OF** Stage 3b Proposed District Plan – Industrial  
Zone

**BETWEEN** **CARDRONA CATTLE COMPANY LIMITED**  
Submitter #3349

**AND** **QUEENSTOWN LAKES DISTRICT COUNCIL**  
Planning Authority

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**EVIDENCE OF GEOFF ANGUS IN SUPPORT OF  
THE SUBMISSION OF CARDRONA CATTLE COMPANY LIMITED**

**12 JUNE 2020**

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## **PROFESSIONAL DETAILS**

### **Qualifications and experience**

1. My name is Geoff Angus.
2. I am a Principal Consultant of Taurus Group (NZ) Limited, a diverse financial advisory and chartered accountancy practice I co-founded in the 1990's. In addition to being a Principal Consultant for Taurus Group, I also hold a number of governance roles in finance, property, professional service industries and social enterprises.
3. I hold a Masters Degree in Economics from the University of Canterbury and a member of the Chartered Accountants of Australia and New Zealand (Chartered Accountant). I also hold a Public Practice Certificate, am a member of the New Zealand Institute of Directors and a member of the New Zealand Association of Economists.

### **Code of conduct**

4. Although this is a Council hearing, I confirm that I have read the Code of Conduct for Expert Witness contained in the Environment Court Practice Note and that I agree to comply with it.
5. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.

## **SCOPE OF EVIDENCE**

6. I have been asked to provide an economic impact assessment in regard to the submission made by the Cardrona Cattle Company Limited (**CCCL**) in respect of this hearing topic (#3349). My evidence aims to provide a broad assessment of the economic effects associated with the rezoning of Victoria Flats from "Rural" to "Industrial".
7. In preparing my evidence, I have relied on data sourced from:
  - Statistics New Zealand; and
  - Colliers International
8. In my evidence, Victoria Flats has been assessed with a Queenstown Ward (Queenstown) centric view. While other Wards are analysed, any effect the rezoning and development of Victoria Flats on other Wards is not considered relevant but the price of land in those areas is relevant given they provide potential alternative location for industrial development.

## **INDUSTRIAL ACTIVITY ANALYSIS**

### **Sector Employment**

9. Queenstown's employment growth in the industrial sector can be described as extreme over the years 2000-2020. Data shows three distinct periods from 2000-2020.

10. The 2000-2007 period can be categorised by a period of extreme growth on the back of a period of very strong economic growth, both domestically and internationally.
11. Queenstown's industrial sector employment grew by over 1700 over the 8 years resulting in a 120% net, or a 10.3% annual average growth rate.
12. The 2008-2010 period can be categorised by a severe fall in employment. This large fall in employment was primarily due to the Global Financial Crisis (**GFC**) in which both domestic and international economies faltered. Queenstown districts industrial sector saw a cut in employment of 340 employees over the 3 years resulting in a 12% net, or 3.7% annual average decline.
13. The 2011-2020 period can be characterised by a period of recovery resulting in large growth following a global booming economy resulting in increased local tourist numbers and demand for tourist related facilities and infrastructure. Firms became well accustomed to the post GFC economy and took advantage of opportunities. It is worth noting that much of rise within the industrial sector within the period can be attributed to a rise in construction activity within Queenstown.
14. The above periods illustrate the growth in the industrial sectors within the District. However, with the world being afflicted by COVID-19, it is almost impossible to predict the future as this virus continues to wreak havoc on economies, most particularly the localized Queenstown economy.
15. However, several factors are likely to assist with some level of economic recovery within the Queenstown Ward and the resulting level of industrial sector employment. There is expected to be less reliance on construction activity (and the demand for construction industry goods and services) as demand for hospitality and accommodation construction falls in the medium term in line with significant fall in international tourist numbers as a result of the Covid 19 pandemic.
16. Given a recent acceleration in commercial property prices in the Queenstown area, the scale and profitability of industrial firms could justify the prevailing high local industrial land prices to some degree. However, any future growth in the number of industrial firms would be expected to be characterised by smaller firms which are diversified away from the construction sector. A supply of cheaper industrial land would be desirable as a catalyst to growth in this sector.
17. Moreover, sector-based employment figures indicate that Queenstown has a significant proportion of its population directly employed within the accommodation and food sectors.
18. Given that COVID-19 is likely to severely impact the New Zealand's tourism industry for several years to come, labour from the accommodation and food sector could provide a source of employment in new firms within the industrial sector. This growth would be expected to be fueled by mooted government subsidised training programs that will allow up-skilling of this new labour source in the industrial sector.
19. New Zealand's COVID-19 response has been extremely successful in eliminating the virus. As such, New Zealand's desirability as a country in which to reside has grown with expatriates returning to New Zealand.

Given Queenstown's desirable lifestyle, residential property is expected to remain sought after, increasing sustaining residential building activity while also providing an impetus to the industrial sector.

20. The extent to which this eventuates will largely depend on the structure and detail of government assistance policies targeted specifically at the local Queenstown and wider Central Otago economy. There has already been a recognition that some form of diversification away from the hospitality and accommodation sectors is desirable, and local and central government initiatives are expected to directly (e.g. grants from the Provincial Growth Fund) and indirectly (e.g. government funded training initiatives) target industrial and semi-industrial businesses if viability can be demonstrated.
21. A key to establishing viability will be the supply (and ultimately the cost) of industrial land, of which cheaper alternative sources of supply will be a critical part in developing the industrial market and the subject land represents one of the few sources of such land.

### Industrial Building Consents

22. *Table 1* below shows the total new industrial consents from within Queenstown-Lakes district by ground floor area and value from 2000-2019. This illustrates the industrial sector development within the Queenstown-Lakes District over the last 20 years.

*Table 1: QLDC Industrial Consents Issued*

<b>Year</b>	<b>Consents Issued</b>	<b>Value 000s</b>	<b>Ground Floor Area</b>
<b>2000</b>	19	\$2,222	5,869
<b>2001</b>	27	\$2,913	7,738
<b>2002</b>	17	\$4,333	8,590
<b>2003</b>	26	\$6,444	12,883
<b>2004</b>	18	\$2,640	7,291
<b>2005</b>	29	\$19,615	32,951
<b>2006</b>	26	\$7,564	8,371
<b>2007</b>	36	\$13,256	17,469
<b>2008</b>	26	\$6,153	9,720
<b>2009</b>	8	\$1,447	2,650
<b>2010</b>	11	\$2,054	2,787
<b>2011</b>	14	\$6,905	5,356
<b>2012</b>	8	\$2,375	3,265
<b>2013</b>	6	\$1,412	1,596
<b>2014</b>	12	\$1,870	1,856
<b>2015</b>	19	\$7,364	7,074
<b>2016</b>	9	\$3,171	2,917
<b>2017</b>	25	\$15,363	12,254
<b>2018</b>	20	\$12,904	13,180
<b>2019</b>	27	\$24,103	15,138

23. The 9-year period from 2000 to 2008 shows a steadily increasing linear trend in the number of factories, and industrial and storage facilities built. Given the booming economy during this time, industrial growth within the Queenstown-Lakes District grew substantially.
24. The 5-year period following the GFC saw a slowdown in all industrial building activities as substantial cost-cutting was adopted by firms. However, by 2014, industrial building activity started to increase again and peaked in 2019 when industrial 27 consents were issued.
25. While a Queenstown centric view has been taken within the economic assessment, data available is that of consents from the Queenstown-Lakes District, which includes the Wanaka Ward (Wanaka). It should be realised that much of the demand is located within Wanaka where pricing is more affordable.
26. This reinforces the view that a supply of cheaper industrial land within the Queenstown catchment (as opposed to Wanaka and other areas) would be advantageous to attracting firms to effectively establish and operate in Queenstown.

## **AVAILABILITY OF INDUSTRIAL LAND**

### **Queenstown**

27. The availability of land within the Queenstown Ward zoned industrial has undertaken many changes in the last 10 years. With the development of Frankton Flats and Five Mile, the availability of vacant land within Queenstown increased. However, recent zoning changes have altered the availability of industrial land.
28. Data provided by Colliers International indicates 30% of industrial vacant lot sales in 2019 within the geographical area were made in the Queenstown District with an average price of \$1,230/sqm.
29. Frankton Flats and Five Mile have been developed significantly since the economic downturn of 2008-2010. This development brought about changes in the market for in-district property. The abundance of land has attracted retailers such as Mitre 10 MEGA and Bunnings, who favour larger sites for large GFA stores.
30. Relatively little of Frankton Flats is zoned industrial; most of which is now developed. However, several vacant industrial sections along Glenda Drive remain undeveloped. Given the proximity to Queenstown and success of the area, these plots are priced at a premium; \$1,400-\$1,700/sqm. It is worth noting that given the proximity to retail shopping, 'light industrial' occupants are preferred.
31. Gorge Road/Industrial Place is an established industrial area. However, this industrial land is already well developed; No significant vacant industrial land is available on Gorge Road.
32. Suggested prices for the subject land are estimated in the range of \$300/sqm which will provide competitive alternative to the current market and allow a lower entry price for new firms.

### **Wanaka**

33. Wanaka has experienced substantial growth in land prices on the back of Queenstown's success. It has several established sites through the township zoned industrial. Vacant industrial lots in more established areas such as Ballantyne Road sell for \$800/sqm.
34. Data provided by Colliers International indicates 18% of industrial vacant lot sales in 2019 within the geographical area were made in the Queenstown District with an average price of \$450/sqm.

### **Cromwell**

35. Cromwell, while not in the QLDC territorial authority, is located geographically close by and therefore needs to be considered for its industrial land availability.
36. Cromwell has a relative abundance of land. This has meant successful industrial park developments have been brought to market at a cheaper \$/sqm rate.
37. Data provided by Colliers indicates 52% of industrial vacant lot sales in Cromwell Ward were made in the Cromwell with an average price of \$250/sqm.
38. However, in terms of the Queenstown market, the subject land does not necessitate road travel through the Kawarau Gorge, so we would expect to command a premium over land in Cromwell given savings in transport costs over Cromwell locations.

### **CONCLUSION**

39. In-district data shows an increase in industrial sector employment over the last 20 years, with a large spike since the GFC on the back of construction growth. Industrial building consents tell a similar story with a significant level of sector construction over the last 20 years. While the short term is difficult to predict, we believe that the Industrial sector will outperform the accommodation and food sectors and cause net worker migration into the industrial sector. The Industrial sector's strong fundamentals will push in-district industrial activity higher in the medium to long term.
40. The availability of vacant industrial lots has been impacted by the development of Frankton Flats and Five Mile. Given the booming construction sector within Queenstown Ward, big-box industrial retailers such as Bunnings and Mitre 10 MEGA have capitalised on the opportunity. Frankton Flats and Five Mile areas have been favoured by such firms given the relatively vast amount of land that otherwise could have been developed as industrial land.
41. However, the decision to rezone the aforementioned big-box retailers from industrial to retail (based in large part to the market price for retail land effectively making it uneconomic for industrial development) has dictated that the majority of the Frankton Flats area has become a space for retail to thrive. However, this has decreased the availability of vacant industrial land within Queenstown and especially vacant land available at an economic price level for small to medium firms.
42. Sales throughout the geographical region show a significant imbalance of land demand. Cromwell, with its relative abundance of land at a lower price

point, sells more vacant industrial land than Queenstown and Wanaka combined. Vacant industrial land in 2019 in Queenstown sold for an average of \$1,230/sqm, almost 500% higher than the \$250/sqm average land for the same period in Cromwell. Pricing structures for firms participating in many light-industrial activities preclude the possibility of paying \$1,230/sqm.

43. Economic theory indicates that this price level for vacant-industrial land in the market place is impractical for many firms, and given the close geographical nature of Cromwell and Queenstown, Queenstown has the potential to lose firms to other districts that can offer suitable land at the price required.
44. Moreover, it is probable that 'Covid' market forces may not put significant pressure on these price points for industrial land. In the current 'Covid' conditions the market for industrial land is effectively in hibernation with little immediate demand. Sellers would be expected to transact in this market only as forced or distressed participants.
45. However, taking a longer view of say five years or more, prices could be expected to return to current levels. With low holding costs as evidenced by an Official Cash rate of close to zero and limited high yielding alternative investment options, landowners could be expected to hold land until prices rebounded.
46. Accordingly, retaining existing land holdings could in effect provide the best available return to existing landowners over the longer term. One effect of this could be that the current uncertain 'Covid' market for industrial land may not necessarily be expected to provide a supply of significantly cheaper land in the immediate Queenstown locale.
47. Given the location of Victoria Flats, its development would likely be advantageous to Queenstown and provide an important source of cheaper land and also a source of competition for land closer to Queenstown at a price closer to land in those locations. This would have the dual benefit of providing viable land prices for new firms and competitive tension with respect to other land holdings closer to Queenstown.
48. The location of Victoria Flats at the very edge of the ward would command land prices significantly lower than that of the current average price. This is likely to bring back 'Queenstown-based' firms into the district and promote positive economic competition for goods and services rendered within Queenstown. Victoria Flat's development would also significantly lower commuter traffic through the Kawarau Gorge, which would bring further economic benefits.
49. The economic assessment indicates that the development of Victoria Flats will yield a positive economic result for the Queenstown Ward through underpinning viability for new firms and introducing competitive tension into the market for industrial land in Queenstown.