

Drivers of Business Location in the Auckland CBD



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Note that this report is part of a more comprehensive document which included businesses' perspectives on the proposed City Rail Link and six case studies detailing selected businesses' recent re-location experiences. To protect the anonymity of businesses who have contributed to the information provided in this report, these case studies have been removed.

1. Introduction and Method

1.1 Introduction

Auckland Council has commissioned research to understand business location decisions in the downtown area of the CBD and in particular, the extent to which transport is a key consideration in these decisions.

Britomart is a shopping, entertainment and business precinct in the heart of downtown Auckland, characterised by heritage buildings, restaurants, bars, designer boutiques and art spaces. Development of the area first began in 2002/2003. To date, 18 historic buildings have been restored and seven state-of-the-art new buildings developed. Britomart is also home to the Auckland rail terminus, a major bus interchange and is located near the Auckland ferry terminal. Auckland Council is keen to understand the role the transport function of Britomart has played in the development of the Britomart Precinct, and to use these learnings to understand how transport infrastructure can affect changes in land use and economic activity. The information gathered will be used to inform decisions on the future form of transport investment in the Auckland CBD.

1.2 Method

The information presented in this report was obtained from n=16 in-depth interviews with senior management¹ from a range of service sector organisations currently located in the Auckland CBD. All organisations were large (ranging from n=55 to 2,700 staff), all were multinational firms or New Zealand-owned companies that were significant players in their industries, and all had their national head office in the Auckland CBD. One further interview was conducted with a representative from the University of Auckland.

Names of possible participants were provided to Gravitas by Auckland Council. Each potential participant was contacted by a key staff member within Auckland Council prior to recruitment to briefly explain the objectives of the research and the research process and to encourage them to participate in the research before being contacted by Gravitas.

Table 1.1 provides a breakdown of the organisations that participated in the research, by industry and current location.

¹ Roles included Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Senior Managing Director, Commercial Portfolio Manager, Regional Director, Head of Corporate Property, Senior Property Manager

Table 1.1: Profile of Participating Organisations

| | Number of Participants (n) |
|--|----------------------------|
| Industry | |
| Banking, finance and insurance | 5 |
| Real estate/property management/property development | 4 |
| Legal | 3 |
| Accounting | 1 |
| Transport/engineering services | 1 |
| Telecommunications | 1 |
| University of Auckland | 1 |
| | |
| Current Location | |
| Elsewhere in CBD | 9 |
| Britomart Precinct | 7 |

A semi-structured topic guide was developed by Gravitas in collaboration with Auckland Council. The topic guide contained both closed and open-ended questions, with structured and unstructured probes used to elicit full and detailed information on all open-ended questions.

Interviews were conducted between the 27th of September and the 17th of November, the relatively long field work period necessary in order to accommodate the schedules of senior staff from within the businesses of interest, particularly over the period of the Rugby World Cup. Each interview was conducted at a time and place to suit the participant. Interview lengths ranged from 30 to 50 minutes. All interviews were audio-recorded and later transcribed to assist with data analysis. Interviews were conducted by senior executive research staff. Thirteen of the interviews were conducted face-to-face. The remaining three were conducted via telephone (in two cases, this was because the nominated staff member was based in Wellington).

A Note On Verbatim Comments

The verbatim comments of research participants have been provided throughout the report to give emphasis to points made and to add colour to the text. While these comments were made by individual participants, they have been selected as being reflective of more general views expressed by interviewees.

Verbatim quotes by participants provided in the body of the report have been made anonymously and no attempt should be made to attribute these comments to any particular organisation.

2. Key Criteria in Selecting Business Locations

Businesses identified a wide range of criteria considered in their recent location decisions. The relative importance placed on many of these criteria varied across the businesses interviewed, dependent on their industry, number of staff, organisation values, desired brand positioning and experience of their current location. (These differences are outlined as part of the discussion on each criterion below). Criteria are listed by the frequency of mention across the 15 businesses interviewed.

2.1 Quality of Space

Premises are a statement about the business as well as practical workspaces. Organisations seek to develop working spaces that will be comfortable, functional and uplifting for staff and clients alike. Though this can be achieved in any building to a certain extent, through good space design and quality of fit out, some buildings have a better feel than others. This can be influenced by stud height, fixed configurations such as floorplate shape and location of lifts, available light, orientation to views, and the feel and quality of public areas. When choosing between a shortlist of suitable building options, how the space will ultimately look and feel can be very influential. Firms may draw on the advice of architectural/space planning professionals to inform their decision making at this stage.

For all businesses spoken with, the building they are located in is an important component of their brand image and consequently most will only consider A-Grade buildings when looking to re-locate.

“One key criteria was that the building had to be such that it’s actually got what you call a professional image. Standalone, it’s kind of a proud building on its own on its own site with its own frontage.”

“If we’ve got our clients turning up to crappy-looking premises, that’s not consistent with our brand. We’re the number one [industry] in the world in terms of profitability. If we don’t have premises that match our brand, then we don’t have any credibility.”

“I simply didn’t feel that the quality of the building and the accommodation that we had [prior to our move to the Britomart Precinct] were commensurate with the quality that we wanted. We are looking at growth, we are looking to enhance our reputation in a broader sense and I think we really had to move to somewhere better to achieve that.”

Some firms note that there are relatively few A-Grade buildings in the downtown CBD area and that finding suitable space was constrained by this. For one legal firm, some of the buildings that would be suitable (such as the Vero and Price Waterhouse Coopers buildings) already housed key competitors and so were not considered. For most businesses, A-Grade buildings where a competitor has naming rights are also seldom considered.

For some (particularly accountancy and legal firms), high rise office space is a key criteria, being an important component of their brand positioning:

“There is an expectation I think, created by international norms, that professional services firms will be in status locations, in premium office space in high rise. There are very few law firms around the world in low rise.”

“[Being in a high rise building] is about being able to present as appealing and successful an image as our competitors do, both to clients and, more importantly, to our people.”

In contrast however, one business rejected high-rise accommodation outright, deliberating opting for a low-rise development which they hoped would dispel any sense of the organisation being overly ostentatious and would be a better fit with the image they sought to portray to customers.

For multinational legal and accountancy firms in particular, the quality of the premises and space are viewed as important tools in the recruitment market:

“We’re competing for the top 5% to 10% of graduates so we’re wanting to project an image of being the best. You want to be projecting a successful aesthetic, prestige location, good views of the water. The candidates all come here, they’ll see the building, they’ll walk around the floors. That’s all part of selling the physical amenity.”

2.2 Large Floor Plates

For some firms spoken with, a desire to consolidate teams to gain operational efficiencies was a key catalyst in their re-location decision. Being large firms, most participants sought locations with large floor plates in order to ensure that staff could be accommodated in a single space and also allowing staff to be distributed over as few floors as possible.

This has tangible benefits in terms of improved communications, efficiency and stronger staff bonding/team spirit:

“For example, I think the attraction of [the] Vero [building] would have been they’ve got larger floor plates so we could have possibly fit all on one floor. Here we are on a floor and a half ...”

“Previously our staff were spread over two floors and that’s quite difficult operationally. We had the back office on one level and the front office on another. From a management perspective or a communications perspective, it’s just really, really inefficient. We just couldn’t get everyone on the same floor. So, when we were looking, the criteria for space was that the area must be big enough to take all our staff on one floor.”

“One of the key drivers [for moving] was bringing all the teams together to get operational efficiency and also to get a sense of team. When people are split apart, it’s hard for them to relate and connect, to feel all together as one team. In our new space we wanted connectivity, we wanted open plan, we wanted no physical barriers, and we wanted as few floors as possible.”

A recent trend among some large corporates is towards a campus-like development, characterised by bigger sites, lower land values, and lower rise developments. These campus developments are perceived to offer greater connectivity among staff, and provide opportunities for more innovative forms of architecture (large atriums, natural light and air etc.) with desired facilities and amenity built in (cafes, gym, informal and formal areas and so on). This assists in creating a more unique, bespoke environment, which generally can’t be easily created in a high-rise development as floor plates, restrictions on height etc. are too limiting. Construction costs also tend to be lower in a lower-rise development.

Campus-style developments then become an important branding/marketing tool as the building becomes a statement about the organisation and part of the business’s brand profile (as opposed to having three or four floors in a shared high-rise building). Campus style is believed, by some, to be a more modern solution. This type of development is believed to be influential in attracting and retaining staff, due to the enhanced working environment and on-site amenity – although importantly, this can be compromised by locations which are less central to transport options.

2.3 Achieving Agglomeration Effects

Locating close to customers and other businesses dealt with is an important consideration for many participants.

For convenience and efficiencies, legal services firms place importance on proximity to the District and High Courts and also ease of access to one another:

“When we’re on a transaction, the other side of the transaction will be one of our competitors. So the people from the legal firms we are negotiating with, we want to be proximate to them because we tend to have meetings. Transactions are most negotiated at meetings. That’s why we all tend to be clustered together in the CBD, because we are interacting with one another all the time.”

Proximity to clients and customers is also a key location criteria for all professional services firms, both perceptually and also to maximum efficiencies in terms of getting to and from meetings etc. Locating “in the centre of things” also means it is easier to meet people more often; whether it be a quick catch up coffee, a meeting with a number of people from different organisations, or simply bumping into people on the street – it is easier and less time consuming:

“We thought about our customer base [in selecting this location]. Fifty percent of our customers are corporate so being in the city is actually very good for us. Our first floor is sales and marketing. A lot of them can walk to their clients from here – and they do. So location to customers is quite important.”

“In the early days, when we were thinking of shifting from our Queen Street office, they considered development down on Carlton Gore Road. The primary reason for not doing it was partly because of transport but principally to do with the fact that it was perceived to be too far away from our core client base – being able to easily get to them or them getting to us.”

“We want to be in the vibrant CBD where you’re running into, bumping into your clients basically.”

“We needed to be in the CBD really to be near our customer base. It was important to be part of that financial services hub. It just makes things more convenient. For example we just had a meeting this morning with [client] and they are in the building next door. It’s just easier to do those sorts of things.”

2.4 CBD Location

Note: It should be noted that all businesses included in the research were located in the Auckland CBD.

Some businesses (particularly legal, accounting and banks/financial services firms) only considered CBD locations. For other businesses, while a CBD location was not specified in their brief to real estate agents, realistically the CBD was the only place where they could meet many of their other location criteria, particularly quality buildings, large floor plates and agglomeration effects. A CBD location was considered important for a number of reasons:

Image

Brand image is important for professional services firms and a CBD location can be seen as an essential statement of the calibre of their organisation. This is particularly influential when significant competitors in the same sector, or key clients, are also located centrally

“One of the key reasons why it’s better for us to be in the CBD is because we are in the finance industry and the CBD is seen to be the hub of the financial centre in New Zealand. When we have overseas site managers come, you want to be in the centre of where the financial activity is going on, the stock exchange is just down the road ...”

Agglomeration Effects

Professional services firms also place importance on offering convenience for clients – both in terms of locating proximate to clients, and also being in a location with comprehensive facilities to accommodate clients from outside the area, including good transport links to the airport, high quality accommodation, adequate parking etc. Hence the CBD is generally the location of choice.

Staff Expectations

For professional services firms that rely heavily on being able to recruit high quality graduates (or entice back those young people who have left New Zealand to go on their OE), a CBD location is considered essential to attract staff:

“Our lifeblood are the graduates we recruit from the university and the people we attract back from overseas, particularly from the UK. So we want to be in a location which is going to be competitive from the point of view of attracting talent. There is prestige attached to working in the CBD. One of our competitors in the 1980s was located in low rise in [CBD fringe] and it probably set them back for a decade because it just wasn’t the place where young professionals wanted to be working, when you compare it with a glass tower in the centre of the CBD, close to the water.”

Anecdotal evidence from those in the property industry suggests that increasingly, the benefits of a CBD location being sought by the large professional service firms are more readily available in the lower half of the CBD (from Wellesley Street north). Consequently the larger firms are moving down towards the waterfront, with small to medium businesses (start up businesses, companies that have downsized etc), some of which were previously located on the CBD fringe, moving in to the middle and upper part of the CBD – often closer to clients/customers and more proximate to amenities for staff, including good public transport linkages.

“This building [mid-city high rise] would be a premium grade building if it wasn’t for the fact that it’s now essentially located on the edge of the city as opposed to the core of the city. But this building is now available at effectively B grade prices. So it’s forming a great opportunity for a small company that was sitting out on the fringe before, now they can suddenly live in a building like this, be located in a building they probably never dreamed of.”

“We might move a bit. I don’t think we would look at a location like the ASB Tower. Everything else being equal, that puts us one or two blocks further away from most of the journeys that we’re making on foot – to Shortland Street, down to the Viaduct. Most of our movement is northwards.”

“Yesterday I went for a walk up past Aotea Square, up to Scotia Place. Probably from Wellesley Street up, there’s a different style of tenant. It was mainly language schools, AUT students smoking out on the street. There’s almost no corporate activity happening around the precinct anymore. We wouldn’t consider locating there.”

Accessibility

The CBD is seen as having generally good public transport links and also being a central location that doesn’t necessarily favour staff coming from any particular direction over another. It is an equitable solution in this respect.

A number of the businesses that participated in the research had surveyed staff prior to their move to identify residential locations and current/preferred mode of travel to and from work. In all cases, the diverse range of residential locations acted as a strong catalyst to locate in central Auckland:

“People come from north, south, east, west. The moment you take a building to any of those other points of the compass, you advantage a few people who live there and everybody else has massive transport hurdles. We ended up with some very strong property solutions down at Sylvia Park, up north of Albany, out at Henderson, which would have saved us a truckload of rent. But moving to any non-central location would have undermined our core principles of getting people out of their cars, getting our people on to public transport, being near to our customers, being near to our suppliers and providing all the support amenities that people lean on during their day.”

“Just in my team for example I’ve got people coming from west Auckland and the North Shore and other people as far out as Beachlands and Papakura. So being in the CBD, being close to the central point of focus I think is pretty imperative.”

Parking Provision

For particularly large organisations, the CBD is also perceived to offer the best supply of adequate public car parking space:

“Being in the CBD actually solves a lot of your car parking issues because, although CBD parking is quite expensive, it is also the CBD where the big car park buildings are built. You don’t get those out in the suburban or CBD fringe locations. We actually need to be somewhere where there are hundreds of Wilson car parks around. That way, if the landlord can’t provide the car parks we need, we can probably solve the problem ourselves.”

2.5 Parking Availability

Some professional services businesses spoken to (particularly legal and accountancy firms) consider that, to retain high quality senior staff, the inclusion of a car park as part of the remuneration package is essential. Therefore, provision of sufficient parking within the building or close by, is an essential location criteria. For businesses with sales teams (banking/financial services and real estate/property management in particular), parking availability in close proximity to the building was essential; that having to regularly walk long distances to car parks would impact adversely on efficiency. Adequate provision for client/visitor parking is also considered essential.

Professional services businesses (particularly legal and accounting firms, and businesses with ‘after hours’ operations such as contact centres) also note that often staff are required to work later in the evening, and particularly in the winter, access to a private vehicle (particularly within the building) is considered a safer option than using public transport:

“We have a lot of people here that work quite late. Hanging around at the bus depot after dark is not that appealing. It’s not so bad during daylight savings but in winter staff bring their cars. We have a 50:50 male:female split. Women don’t want to be hanging around Britomart potentially quite late at night.”

2.6 Image of the Local Vicinity

For all businesses consulted, the reputation of the local vicinity is of importance in their location decision, the ‘right’ reputation potentially enhancing the company’s brand image. For legal firms in particular, in terms of the recruitment market, some parts of the CBD were definitely considered more desirable than others:

“Where you are located in the CBD is reasonably important in terms of brand positioning, but it’s most significantly important in the recruitment market. For example, if we were located in the Wynyard Precinct, that might be cool but it would be inconvenient. There would be a sense of being disconnected. That may not impact on a client’s decision on whether to use the firm or not, but we would be concerned about how that would affect us in the graduate recruitment market. We wouldn’t go to Victoria Park. I don’t think we’d go further than Albert Street actually because it is just too far from the places where graduates want to be.”

2.7 Accessibility For Staff

Accessibility for staff is a key consideration for the location decision for some firms, particularly for businesses which employ larger numbers of staff and staff at a range of levels. As part of their decision-making process, some firms had undertaken staff surveys to identify where staff lived and had taken this information into consideration when evaluating possible locations.

In contrast however, other businesses (particularly legal firms) were less concerned about accessibility by staff, taking the view that other factors (remuneration, career growth opportunities and kudos of their brand) were much more influential in attracting and retaining staff. Some firms spoken with were uncertain how staff (who didn’t have car parks) travelled to work, but assumed it was not problematic and that staff had options and would work out the best method to suit themselves.

2.8 Proximity To Amenities

For most businesses, proximity to amenities for staff – including banks, supermarket, cafes and services such as drycleaners - is an important location decision criterion. (Businesses note that, while it may not necessarily be a criterion specified on a brief to real estate agents, it is typically a key consideration when reviewing shortlisted locations). Indeed, a number of possible business locations (Victoria Park/Wynyard Quarter, Carlaw Park etc) were rejected on the basis of a lack of staff amenities.

“When you get down to your shortlist [of possible sites], you start to look at the supporting infrastructure, the amenities around, proximity to shops and banks and cafes and bus routes, looking at how staff will engage with those amenities, checking that it will work for them.”

For legal and accounting firms in particular, proximity to facilities that allow senior staff to entertain clients is also considered important.

“We can’t overlook the fact that the fee earners entertain often, both on-site –so it’s got be easy for people to get here – as well as entertaining off-site quite a lot. So being close to good restaurants and good entertainment areas is a consideration.”

2.9 Environmental Responsibility

For some businesses, achieving a high green star rating/being located in a building with a high green star rating was perceived as an important fit with company values. One of the green star credits is proximity to public transport, hence the appeal of locations close to the Britomart transport centre. (However, one firm noted that, whilst they would have ideally only sought out five-star green rated buildings when seeking to re-locate, the limited supply of such buildings would have restricted their options too much. Consequently, the ‘five star green rating’ became a ‘nice to have’ in their decision criteria rather than an essential attribute).

One business spoken with, keen to enhance their public reputation with respect to environmental issues, noted that opportunities to reduce their carbon footprint were critical in their location decision. In line with this, the business only considered locations close to public transport options. This was considered essential if staff were to be successfully encouraged to change their mode of transport to a more sustainable option.

“We had a huge commitment to improve our environmental contribution, reduce our carbon footprint, so reducing the number of people coming to work in cars became very important to us in our decision making. Getting all of our people out of cars and onto public transport was a critical dependency in the whole decision process.”

2.10 Earthquake-Proof Building

Particularly since the Christchurch earthquake, the structural integrity of buildings has become increasingly important in the location decision. Being able to reassure staff that the building they will be moving to is structurally sound has become an influential factor in the decision process. Even some professional services firms who have traditionally preferred high-rise locations, would now consider more low-rise options to minimise earthquake risk:

“One of the other big benefits of new buildings became more evident after the Christchurch earthquakes – people started asking ‘well hang on, what kind of structural integrity does this building have? I really loved being in the [historic Auckland building]. It’s quite nice and it’s got a bit of character and everything else. But after the Christchurch earthquake, I’d much rather be in a brand spanking new building built to today’s code. I went to Christchurch after the earthquakes and all the buildings that looked like the [historic Auckland Building] fell over.”

“High rise has always been our preference. Post-Christchurch though, I think you’d have to look quite seriously at low rise – the Westpac/Ernst and Young type structure.”

2.11 Security

Security was cited as an important location criterion by some businesses, particularly those that had had bad experiences in the past. For these participants, one of the key draws of an ‘A grade’ building was the heightened security (most have concierges) and ‘better quality’ neighbours (these buildings often have exclusions on language schools, medical centres, embassies, government departments and some retail stores which are seen as less desirable neighbours due to safety and security concerns):

“The first building we had was really rough. We were on the same floor as WINZ and some other organisation dealing with teenagers. In my first month there I remember seeing our director chasing after somebody who had just grabbed one of the reception chairs. So [when we moved here] we were initially concerned because the building is so close to the shops. We were concerned about shoppers coming in, even coming up to the foyer – shoppers, students, people on holiday or whatever coming up. But we have been very pleased actually. We’ve got a concierge there who is there by the escalators so there is no way anyone can just wander up ...”

“With things like medical centres [located in the same building], you get a lot of sick people, members of the public coming in and out of the lifts all the time, getting off at the wrong level. And with embassies, you have got a whole different range of security issues. So we have to have some exclusions. There are some exclusions as to who else we have in the same building.”

“Safety is an important consideration for us. It’s important after hours. Most streets are safe during the day, but it’s after hours that you get problems. We had some problems at [former location]. Some of the staff parking was down the back of the building and it wasn’t a very nice area late at night. So we were looking for a place with well lit wide streets, lots of people around ...”

2.12 Cost - The Deal

Cost may not be a critical consideration for those committed to an A-Grade location - assuming costs are at market prices. For others, cost and the leasing deal (rent free periods, fit out) are a key consideration. The businesses spoken with had all elected to remain in, or move to, the CBD and so were willing to pay the higher lease costs the CBD attracts for the perceived benefits that the location and office space offered.

2.13 Commercial Sensibilities

For businesses in the real estate/property management industry, the decision to move was strongly driven by commercial sensibilities – that is, locating to a property they owned and/or were property managers for.

2.14 Availability of Space

Although businesses can be very planful in terms of sourcing new premises, participants comment on still having to choose from the options available at the time. Market supply is quite influential on the ultimate decision and shortlists of suitable buildings were commented on as often only one or two real choices.

3. Alternative Business Locations Considered

Businesses typically considered a large number of possible locations as part of their decision making process (up to 40 alternatives in the case of one firm that ultimately located to the Britomart Precinct) although often only two or three are considered real contenders due to the limited number of A-grade buildings available in the CBD. The most frequently considered alternative locations – and the key reasons why each was rejected – are outlined below.

3.1 Western Waterfront/Wynyard Quarter/Victoria Park

Many of the businesses that had recently located in the CBD had considered sites along the western waterfront, in the Wynyard Quarter and around Victoria Park. Triggered by the re-location of significant firms such as Air New Zealand and Vodafone, there had been some perception that the CBD was drifting to the west. Some firms initially saw the appeal of their brand being perceived as an ‘early adopter’ in this trend. Being a 100% ‘Greenfields’ development, sites in this area also offered the opportunity of the development of a bespoke building, incorporating large floor plates (thereby maximizing the benefits of consolidation). Access to the area for staff living on the North Shore was also viewed positively.

However, whilst some key businesses have moved westward, the supporting infrastructure - in terms of retail, cafes, restaurants etc. – had not moved with them, and only very limited supporting infrastructure had been established in the area. As a result, staff find themselves continuing to access amenities in the Queen Street/Britomart area which typically necessitates a car journey as the distance is too far to walk. In addition, the area is not currently well served by public transport, with the exception of those using the Northern Busway. Indeed, for one organisation, the poor access to amenities at their Nelson Street site (and the consequent difficulty attracting good quality graduates because of this) was the key catalyst to locating back into the heart of the CBD on Queen Street.

“Halsey Street is seen as the absolutely western limit, as far as you would want to go. I understand that people at Air New Zealand and ACP find it pretty isolated over there. You’ve got to get in a car to come back to the CBD. It’s too far to walk.”

“There was a feeling that the CBD was drifting [to the west] and all these big guys were opening up there and how great would it be if Vodafone’s new building was there and Air New Zealand was there and [participant’s organisation] was smack bang in the middle of them. But it came back to transport, access to transport and the pedestrian access during the day. A lot of people only think of transport getting to work and back but it’s quite important to staff how quickly they can walk and hit Queen Street or a bunch of other places. It’s a bit of a walk [from Victoria Park]. You can walk it, but it’s the kind of distance where people are going to go ‘no, I can’t be bothered, but now I will have to take my car so I can stop in at the shop after work.”

“Certainly for some people, [the distance to the CBD] would be an absolute turn-off without question. It’s 10 minutes’ walk into town, and whilst that doesn’t sound a lot, when you’ve only got 30 minutes for lunch, you don’t want to spend 20 minutes of it walking – and there is no shelter there either.”

“We have had a quite a lot of negative feedback from tenants in Maritime Square about how long it takes to get back from a meeting in the central city.”

One business that shortlisted a site in the western waterfront area expressed concern that so much space was available for future development, giving rise to uncertainty as to who else might move into the area (competitors? less desirable or incompatible land uses?) and what impact this might have on the future functioning of the area.

3.2 Newmarket

Newmarket’s advantages as a possible business location include its high quality, plentiful amenities (cafes, restaurants, shopping, and entertainment options), relative proximity to the CBD, and reasonably good transport links, both to the CBD and to the eastern, western and southern suburbs via the train and motorway.

However, Newmarket was rejected by businesses spoken with on the basis of a lack of premium quality and/or green-rated office space.

3.3 Sylvia Park

Sylvia Park/Mt Wellington was considered as a possible location by businesses open to a low-rise, campus-style development. The sites considered had good access to amenities with proposed developments typically incorporating links into the Sylvia Park shopping centre. Access to rail and vehicle access to the motorway was also viewed positively as were the competitive rents and the reputation of the developer.

However, access difficulties for staff and customers (particularly those on the North Shore) was the key detractor from Sylvia Park.

3.4 Area Around Vector Arena

In the same way that the western side of the CBD was rejected by many businesses as being too isolated from the amenities and public transport links around Queen Street, so too was the area around the Vector Arena:

“We found that it’s just a little bit ... a stone’s throw too far from where things are happening, and from the staff’s perspective, all the lounges, restaurants and cafes are just that bit too far away.”

3.5 Other Locations

Other locations that were considered and ultimately rejected include:

- Wyndham Street, near Hobson Street – rejected as too far from the Britomart Transport Centre, especially during winter;
- Former Deloitte building on Nelson Street – rejected as the floor plates are too small/staff would be spread over too many floors and access to amenities around Queen Street is poor;
- Sites along Great South Road between Ellerslie and Newmarket – rejected due to a lack of availability of lease space of sufficient size;
- Site near Carlaw Park – offered the possibility of a bespoke building but rejected due to a lack of amenities, limited public transport access and difficulties accessing the site from the motorway; and
- Sites in Albany – offering the possibility of a bespoke building due to large amounts of land available but rejected due to distance required to travel for many staff and customers.

4. Attractors and Detractors of Britomart

Perceptions of the Britomart Precinct as a place to do business were generally positive, particularly among those businesses that had located there. However, some shortcomings were identified – which acted as detractors for those businesses that considered Britomart as a possible location but ultimately rejected it, and were issues that businesses locating to the Precinct have needed to address.

4.1 Public Transport Access

Public Transport Access as an Attractor

The development of the Britomart Transport Centre is seen by some as a significant catalyst for the development of the wider Britomart Precinct, in particular being a notable contributor to the speed which with organisations have looked to re-located closer to the waterfront:

“There is no question that the station has contributed to the speed of the shift. The shift towards the waterfront I think was occurring anyway, but just anecdotally from what I see in the marketplace, more and more companies are focusing on locating in and around Britomart from a public transport point of view. You will often see a brief come out from a tenant, identifying that they want to be [in the Britomart Precinct] for those reasons. Or you might be negotiating with a prospective tenant and you will be lined up against a [leasing] competitor with a property down in the Britomart area and they favor it because of staff proximity to public transport.”

From a cost perspective, being located close to the Britomart Transport Centre has the strong advantage of allowing businesses to reduce the number of car parks they need, which can be a significant cost saving:

“[When leasing office space], we are noticing a noted decline in demand for car parks. For example, one building we own [near the Britomart Precinct] has 400 car parks. Historically the car parks have all been tightly held. We currently have approximately 40 vacant. That’s quite unusual and it’s predominantly because people are using public transport.”

The Britomart Precinct’s close proximity to public transport is also considered a key amenity for staff:

“[This location] makes it easier for staff. The physical position is really central to allow ease of access on and off the Britomart rail system and on and off the ferries. We’d be hard pressed at the moment to find a better position.”

"[Staff say to me] it's closer to the ferry, it's closer to the bus stop, it's closer to the train station [than where we were]. In some cases it's only 400m difference but [staff] just love it. The bus stops right outside, they can hop off the bus, walk 10 metres and they are here. They don't have to walk in the rain."

"The people that travel by train absolutely love the building because they physically don't even have to go outside. They just walk straight up from the train station straight into the building. It's almost like the train stops at their front door – which it does in a way!"

For businesses previously located near suburban transport hubs (such as Newmarket and Penrose), consolidating their operations into the CBD meant that staff's transport use patterns could be maintained/disruption to staff travel patterns was minimised:

"Public transport [access] was primarily important because the business that we had in Penrose, that we were bringing in to this office, was near the train line out there. So, by being near Britomart, the people who used to take the train to Penrose could simply stay on the train and come all the way in. That was an important factor."

Some firms that were aware that a number of their staff used public transport had considered the walking distance to the main transport links, and also staff's ability to be able to walk in bad weather without getting wet as optimal. The Britomart area is seen as the ideal location in this regard.

"You've got the ferries as well as buses and rail – [Britomart's] got all three. That factor distinguishes it from anywhere else I can think of. I was walking through the Atrium this morning and a train had just come in and people were pouring out of that entrance and heading up to the University, 30 or 40 people went straight up the stairs into Westpac or Southern Cross. It's the sheer convenience of the site for staff. It's not 50 metres away, it's right there. I think that's pretty powerful."

As well as providing convenience of proximity, the strong public transport focus of the Precinct - and the associated high volume of foot traffic it generates - is also perceived to contribute to the vibrancy of the area:

"Having that mass of people come in and out of the railway station gives you that feeling that the place is interesting and vibrant."

Public Transport Access as a Detractor

Some businesses (not currently located in the Precinct – particularly legal firms) expressed concern and uncertainty about what impacts the public transport function (particularly the train) may have on other aspects of the Precinct as the area ‘ages’:

“I wonder how the area will age - having a train station underneath, whether they will be able to maintain its pristine-ness. There will have to be a real focus on that to make sure that it stays looking smart. Train station locations elsewhere in the world, well they’re not normally associated with prestige and top end real estate.”

“I see 90% of [Britomart’s] value and its attractiveness [as a potential business location] as being a top quality commercial development, not as a train station. It’s appealing because it’s close to the water, it’s got nice amenities and it’s been well developed. The fact that the train runs underneath is actually a little bit of a negative. If you think about train stations elsewhere in the world, they tend to be dirty, littered with drunk people ... They’re generally associated with less attractive real estate because of those factors, and noise and dust too. I think Britomart succeeds as a commercial location despite having a train station rather than because of it.”

“It’s great that we can walk out our door and it’s only a few steps and we’re in the train station. But if public transport really takes off ... I think you can be too close to something. If public transport takes off and you’ve got Grand Central Station outside your front door, it becomes a distraction. You want to be able to enjoy the benefits [of the Britomart Transport Centre] but we want to be at a distance.”

4.2 Proximity to Amenities

Given its proximity to the amenities on Queen Street, the transport options at Britomart, and more recently, the entertainment and dining options around the waterfront, the Britomart Precinct provides excellent access to amenities.

“One of the main reasons we chose this location over other options was the transport – not just the transport for getting from home to here but walking from here at lunchtime to do some shopping, to go into Queen Street. You can walk to everywhere from here, even if it’s raining.”

Proximity to amenities is perceived as particularly important to those businesses that need to appeal to high quality graduates.

4.3 Parking Provision

Parking Provision as a Detractor

One of the key distinguishing features of the buildings in the Britomart Precinct is the lack of on-site parking (as many buildings don't have a basement due to the train running underneath). Property management businesses consulted noted that, for some firms – particularly those who have traditionally had a high ratio of car parks to staff (legal in particular) - the lack of parking available in the Britomart Precinct has been a detractor for the area:

"I know another tenant who was moving out of the building at the same time as us. They went to the PWC Building. I think [lower] Queen Street would have suited them better actually but they went to PWC purely because there is no parking in [lower] Queen Street."

"[Britomart location] is centrally located for public transport but we had the legacy of providing 250 car parks. Going from 250 to none would have been a significant issue. Staff retention would have become an issue because of the lack of car parking I think. ... Our workforce is 70% female and many of them are doing school drop offs and pick ups and that kind of thing. So dropping car parks altogether with our workforce just wasn't an option."

For some businesses who have located to the Precinct, it has been a challenge to negotiate with staff who formerly had car parks as part of their remuneration package. Others experience day-to-day frustrations associated with not having parking available on-site:

"If I've got a big project I want to work on in the weekend at home, how do I get all those boxes to my car? So the lack of parking has got implications beyond just the fact that you have to walk every day from your car to the office. That is a problem."

Concern was also expressed that the lack of parking available may be a disincentive to corporate tenants (particularly high-profile professional services firms) and may result in these buildings being forced to take on tenants who are not a natural fit with an A-Grade building. Government departments (where car parks are seldom included as part of the remuneration package) are cited as an example:

"Level 7 of the PWC Building has Immigration there. The lifts are always chocker with people. It just doesn't fit the building, a premium office grade building. You want to be in a building with other corporates that you can do business with, not with government departments. I can see it happening in the second lease cycle, in ten years or so ..."

Parking Provision as an Attractor

However, other firms that have located into the Precinct have embraced the more limited parking as a way to reduce costs and to promote more sustainable business practices (in keeping with company values). These firms have addressed staff concerns about reduced parking through a range of initiatives including;

- Providing public transport subsidies (the business reimburses part of each staff member's monthly public transport costs);
- Providing one-on-one public transport journey planning assistance through Auckland Transport's Maxx website; and
- Providing public transport timetables and information brochures to staff.

Cost efficiencies have also been achieved by businesses located in the Britomart Precinct who now no longer pay for as much parking as they did prior to the move. For example, one business had shed the cost of 100 car parks as a result of moving to the Britomart Precinct.

4.4 Image/Reputation

The current key tenants in the Britomart Precinct have contributed to the area having a positive reputation as a business hub:

"The quality of the buildings that are being built, the quality of the tenants that are coming down, it's got a good reputation. You can just tell by looking at the brands that are there – Westpac, a large trading bank, Ernst and Young, top four accounting firm, CBRE, the largest real estate firm in the world, Zurich, one of the largest insurers in the world ..."

At least one business noted that, prior to their move, they had had concerns about the fit of their brand with other businesses in the Precinct and also concerns that clients/customers may perceive the area as too 'upmarket', even decadent, for the firm. However, it is reported that these concerns haven't been realized as the very top end retail that was promised hasn't eventuated:

"Originally there was a bit of concern as to whether we would fit in with what the developers were aspiring for us to deliver. They were looking to develop quite high end retail. Did we fit with that? As it's transpired, it's been fine. They haven't managed to attract the Pradas and the Chanel's that they thought they might, the \$8 cup of coffee hasn't eventuated, and some of the brands that have come in are good to be associated with. So it's turned out quite nicely to be honest."

However, for at least two businesses, the uncertainty around the impact of the development on the reputation of Britomart was a factor in their decision not to locate in the Precinct:

“We were very nervous about Britomart, much more nervous about it than we were of Fort Street. What they have done at Britomart is great, don’t get me wrong, but it’s still not particularly nice, it’s not particularly attractive, once you go past a certain point. There’s still a lot of vacant land there. That was quite important to us - like we didn’t want homeless drunk people hanging around in the foyer of the building.”

“We were concerned about the area through to the old railway station. That is really ugly, and we didn’t want to be in the middle of that. Actually we didn’t even want to be on the edge of that or have it as our outlook.”

For businesses who had been looking to re-locate five to six years ago, the resource consent application for the Britomart development including mixed use. Some businesses expressed particular concern about the possibility of being located in the same building as residential accommodation (not a good fit with the company’s brand and also raising concerns around logistics such as lift capacity and noise). At least one business spoken to rejected a move to the Britomart Precinct on this basis.

4.5 Newness

For businesses that see themselves as innovative, trend-setters and ‘early adopters’ (typically not legal firms), the newness of the Britomart Precinct was a key attractor:

“[Britomart] has got appeal because it’s new. I think newness is a point of difference. Buildings like the PWC building that used to have that wow factor have been around a while now. [With Britomart], there’s a certain wow factor involved with the newness and the atrium and the high quality retail and the entertainment precinct that comes with it.”

“[Financial services provider] needed to re-position their business in Auckland into a more modern location. They needed to do something [to attract and retain] their younger staff. To them, moving to the Britomart Precinct was part of their recruitment sales proposition. So they’re putting their people into this new precinct that’s a bit edgy and grungy and has a bit of everything for everybody – and it’s different. It’s got outdoor spaces and it’s an environment as opposed to being just a building on a street.”

5. Impact of Re-Location on Business

Participants identified a range of impacts the re-location has had on their businesses, almost all positive, and some unexpected.

5.1 Increased Public Transport Use

The Human Resources team from one organisation that had recently moved into the Britomart Precinct reported that, prior to the move, 139 of the 450 staff (31%) had used public transport to get to and from work. With the move to the Britomart Precinct, this had increased to 222 out of the 500 staff (44%). The increase in public transport use has occurred across a cross-section of the staff.

Whilst most other businesses spoken with did not monitor what modes staff used to travel to work, many stated anecdotally that the number of staff using public transport seemed to have increased as a result of their move. All felt that the transport access options their location provided had maintained or increased staff's choice.

5.2 Impacts of Consolidation

For some businesses, a key catalyst of the decision to re-locate was a desire to consolidate various parts of the business into a single location. This consolidation has had a range of positive impacts:

Increased Efficiency and Productivity

One of the key advantages of consolidation is the increased efficiencies and productivity associated with having staff all in one place. In particular, firms report considerable time savings from not having to physically move between buildings during the working day:

"From my own example, being a properties department, we do a lot of work with our legal department, which was in the PWC building so I would run up to the PWC building or they would run down three or four times a week. We now walk down one level, two flights of stairs. A lot of that you can't put a number on and say 'well this has increased productivity by X', but the impact on productivity is very real."

"Before the move we were always traipsing up to some hotel because we just didn't have enough space for things like leaders forums. In this building there's a lot of function rooms upstairs so now we just go up one level of stairs. So there's great facilities available and it actually makes your job easier in some ways."

“It has pulled together all the different diverse parts of the business. And people now have meetings with people, they talk to people, and work together in collaborative spaces ... They don’t get in taxis, they don’t walk from site to site losing valuable time. It makes our business run faster and better. It’s been a massive improvement.”

For staff that need to work outside the building for part of the work day (such as sales and support staff), the CBD’s strong links to the motorways are seen to enhance efficiencies. This is particularly noted by businesses that were previously located on the CBD fringe.

“A lot of our staff actually work around Auckland. This location [in the Britomart Precinct] has helped those staff because it’s much quicker coming here with the motorway access, than what it was going to [CBD fringe location], so that’s been good. We will have saved money and staff time.”

Consolidation is also perceived to have improved the customer experience. Through the creation of a ‘one-stop-shop’, all the customer’s business can now be dealt with at a single location and at a single point in time:

“Having all the business units together enables us to bring customers in and deal with them on a number of different fronts whereas previously they’d have to go to one building for one thing and another building for something else.”

Finally, consolidation also results in greater efficiencies for suppliers, with cost savings (at least in theory!) passed back to the business.

Improved Corporate Culture and Sense of Team

As a result of consolidating in one location, businesses report significant improvements to the corporate culture and staff’s sense of team:

“I think there’s a good connection between the executive and the staff because now people actually see the CEO and CFO and the GMs and they feel like they are part of the team.”

“There is definitely a lot better synergies. I think it is always easier to deal with someone when you actually know the person and you see the person and you can sit and have a cup of coffee with them. For example I have got much better relationships with a lot of people now. That’s not to say I had bad relationships with them but I was just one of 50 guys that phoned them today that they didn’t know and I was another problem on their desk that they needed to solve. Now I am someone they know, someone they talk to and we might have had a couple of beers together at one or two functions.”

5.3 Ability To Attract And Retain Staff

For many of the businesses consulted, their new location had enhanced their ability to attract staff. The location of the building/proximity to the heart of the CBD, views, and internal amenities for staff (such as appealing ‘break out’ spaces) are considered key attractors to potential staff.

“It is easier to attract staff now, absolutely. I think it’s our location, the type of building, all the working floors all have beautiful aspects, great spaces on the corners of the building where people can have their lunch. I think stuff like that makes it a very attractive proposition.”

The increased amenity offered through the buildings themselves and being located in the CBD, coupled with the range of transport options available in the Britomart Precinct has resulted in very low rates of staff turnover. Businesses consulted reported losing very few staff as a result of their re-location to the Britomart Precinct:

“The staff enjoy being in this location in terms of amenity. We didn’t lose any staff through the relocation process and we haven’t lost any since. That’s a positive outcome from my perspective. [The staff that have moved from the suburban offices], I think they’re very happy. I think they’re happy to trade off the travel time with the access they now have to the various amenities.”

5.4 Changes in Communication

The larger floor plates and more modern layout achieved through re-location are perceived to have resulted in changes to the ways in which staff communicate with one another. Open-plan environments (achieved through larger floor plates) are conducive to more informal meetings and improved ‘break out’ spaces and staff kitchens also encourage more informal communication.

The opportunities for staff across departments to get to know one another informally (as they are physically co-located, share the same facilities etc) is also perceived to improved communication and the speed with which tasks are able to be completed:

"[Prior to the move] every time I sat with one of the senior legal guys, it took me half an hour to explain the risk, explain what was happening. Now a lot of the legal guys know me, they see me around the office, and they go 'Hi [X], how's it going? How are things in your life? Oh, you need me to sign that document? Sure'. They still look at [the document] but it gets done more quickly because they know me now. It is always easier to deal with someone you know, and I think that trust starts to build too."

For some organisations, their move has also enhanced external communications as they are now more proximate to clients and customers:

"[Now that we have moved into the CBD] we want to try to generate a lot more networking internally. If we have got colleagues across the road from NZTA, invite them for a beer on Friday night – 'pop in, have a beer and catch up for half an hour.' I think we will find it does help us enormously in terms of those informal communications which are so much more important in terms of our market these days."

5.5 Shared Sense of Corporate Image

Since moving to a more prestigious building, some staff had changed their personal work attire to better reflect the corporate image of the company they saw reflected in the new building. Others reported that moving to the new building had boosted some staff's sense of self-esteem and self-worth as they felt part of something new and of high quality

6. Location Intentions for the Future

Businesses unanimously agreed that future re-location decisions would be driven predominantly by the lease cycle, that is, that they were unlikely to consider an alternative location until their lease came up for renewal again – and for some, this was not for another 10 to 12 years. Businesses spoken to were generally very happy with their current location decision and felt it would take a significant event (such as an earthquake) or significant change in the economy which impacted heavily on their industry for them to re-locate prior to the end of their lease.

“I literally cannot see any reason why we would want to move out of our premises, even in ten years’ time when the lease expires. It would have to be something of such a magnitude, almost the kind of thing that you can’t envision. I think the whole of the CBD would need to change.”

“The initial lease is 12 years and we have two renewal provisions each for six years but I don’t see us leaving there ever. The building is everything we wanted. Why would you leave? The only scenario I can see coming into play is if the industry downsized to a point that this building was no longer viable. You should never say never but I just can’t see that happening.”

However, illustrating the importance of the accessibility to public transport in the location decision, one large Britomart Precinct business did note that, if the key transport hub of the city moved some distance away, this could prompt a review of the business’s location:

“The main driver [to re-locate] would be closing the train station and closing the bus station and moving them 15 blocks away because then I think everything else will drift that way. We would have to think about moving that way too.”