# NEW WORLD DOMINION ROAD

# RETAIL IMPACT ASEESSMENT

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**Client:** Foodstuffs North Island

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## SCHEDULE

| Code | Date | Information / Comments | Project Leader |
|---|---|---|---|
| 51922.3 | March 2021 | Report | Tim Heath / Phil Osborne |

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# 1. INTRODUCTION

Property Economics has been engaged by Foodstuffs North Island Limited to undertake an economic assessment on the retail and economic implications of a proposed development containing a New World supermarket along Dominion Road, Auckland. While the development on the subject site is proposed to include a range of activities including, residential apartments, commercial office and retail, this report places a specific focus on the supermarket activity as all other activities are permitted under the Auckland Unitary Plan (AUP).

As a Discretionary activity under the Business - Mixed Use Zone under which this site applies, the primary purpose of this report is to address the relevant areas of economic analysis required to inform the application and assist the consent authority's understanding of potential economic effects relevant to the assessment under the COVID-19 Recovery (Fast Track Consenting) Act 2020 (**CRA**). It addresses and provides a detailed understanding of key social and economic demographics, market dynamics, projected market growth and the influence and implications these factors are likely to have on the relevant retail markets and existing centre provision in the surrounding catchment.

The economic analysis also provides an assessment of the proposed development in the context of the relevant Auckland Unitary Plan (**AUP**) provisions and evaluates whether any significant adverse retail distribution effects are likely to be created. Particular focus will be placed on the potential impacts on the existing centre network and the criteria for new supermarkets within Business Mixed-Use Zone land, outlined under Section H13 of the AUP. Relevant objectives, policies, matters of discretion and assessment criteria are outlined as follows:

H13. Business – Mixed Use Zone

H13.2. Objectives

(4) Business activity is distributed in locations, and is of a scale and form, that:

a) provides for the communities social and economic needs.

(6) Moderate to high intensity residential activities and employment opportunities are provided for, in areas in close proximity to, or which can support the City Centre Zone, Business – Town Centre Zone and the public transport network.

(7) Activities within the zone do not comprise the function, role and amenity of the City Centre Zone, Business – Metropolitan Centre Zone, Business – Town Centre Zone and Business – Local Centre Zone.

H13.3. Policies

(1) Reinforce the function of the city centre, metropolitan centres and town centres as the primary location for commercial activity, according to their role in the hierarchy of centres.

(17) Provide for a range of commercial activities that will not compromise the function, role and amenity of the City Centre Zone, Business – Metropolitan Centre Zone, Business – Town Centre Zone and Business – Local Centre Zone, beyond those effects ordinarily associated with trade effects on trade competitors.

## 1.1. DEVELOPMENT OVERVIEW

Pudong Housing Development Limited and Foodstuffs (NZ) Limited have proposed a mixed-use development that will see the construction of a 2,787sqm New World supermarket, 347sqm of retail floorspace, 228sqm of commercial office activity and 122 residential units on a large site along Dominion Road between Grange Road and Prospect Terrace in Mt Eden.

Dominion Road is a central arterial road leading into the City Centre that is a focal point for business activities, with Mixed-Use or Local Centre zoned across 4km travelling from Mt Roskill. Consequently, businesses along this road service not just the local market, but also the large volumes of passing traffic heading into or out of the City Centre.

The site is located behind existing retail shops fronting Dominion Road that contains a variety of convenience food and beverage stores and commercial service activities.  Although the site is zoned as Business Mixed Use, it is directly adjacent to the Eden Village Local Centre and would operate as an extension of the zone and centre.

It is understood that the residential product on the subject site is targeted at 'Young Professionals' who benefit from the high amenity and public transport access. While being introduced as an addition to an established market, the New World will serve to heighten the locational benefits for the residential apartments.

The Proposal is described in detail in the Assessment of Environmental Effects and Architecture package prepared by Warren and Mahoney

## 1.2. KEY RESEARCH OBJECTIVES

The main objectives of the research and analysis include:

- **Core Trade Area**: Delineate and map the geospatial extent of the proposed supermarket's core retail economic market and the site's location within the surrounding competitor network from a localised (Mt Eden and wider surrounds) perspective.

- **Population Growth**: Quantify the current estimated population and household base of New World Mt Eden's core economic market, and project this out to 2038 based on Statistics New Zealand Medium and Low population projection series. The Low projection series is utilised as the recent growth profile tracks below the low series due to lack of new residential supply in the area.

- **Demographic Profiling**: Undertake profiling of the core economic market in terms of key economic and social characteristics including age, income, employment, household structure and ethnicity to identify and understand the composition of the market at a more detailed level.

- **Retail Demand**: Calculate the level of retail expenditure generated within New World Mt Eden's core economic market on an annualised basis in the relevant retail sectors (supermarkets and convenience food & beverage sectors) and forecast this out to 2038.

- **Sustainable GFA**: Determine the amount of sustainable food retailing floorspace that can be supported by the core market of the proposed supermarket out to 2038 in terms of GFA.

- **Supermarket Supply:** Identify the supermarkets within the surrounding core markets by brand and size to determine current supermarket provision in the market.

- **Retail Demand Supply Differential:** Cross-reference existing supply with market demand (current and future) and determine the additional GFA requirement in the market to meet future demand on a timescale basis.

- **Centre Composition:** Determine the business and employment breakdown of the St Lukes, Mt Eden and Balmoral centres on a temporal basis (retail and non-retail) to better understand their role and function in the market, general health of the centre, and its ability to absorb any trade diversion effects.

- **Centre Impacts Analysis**: Determine the potential for significant adverse retail distribution effects to be generated on the existing centres as a result of the proposed development, within the context of the broader role and function these centres play in the market, the AUP Mixed Use Zone and COVID-19 Recovery (Fast Track) Act 2020. This includes trade competition vs retail distribution effects.

## 1.3. INFORMATION & DATA SOURCES

Information has been obtained from a variety of reputable data sources and publications available to Property Economics, including:

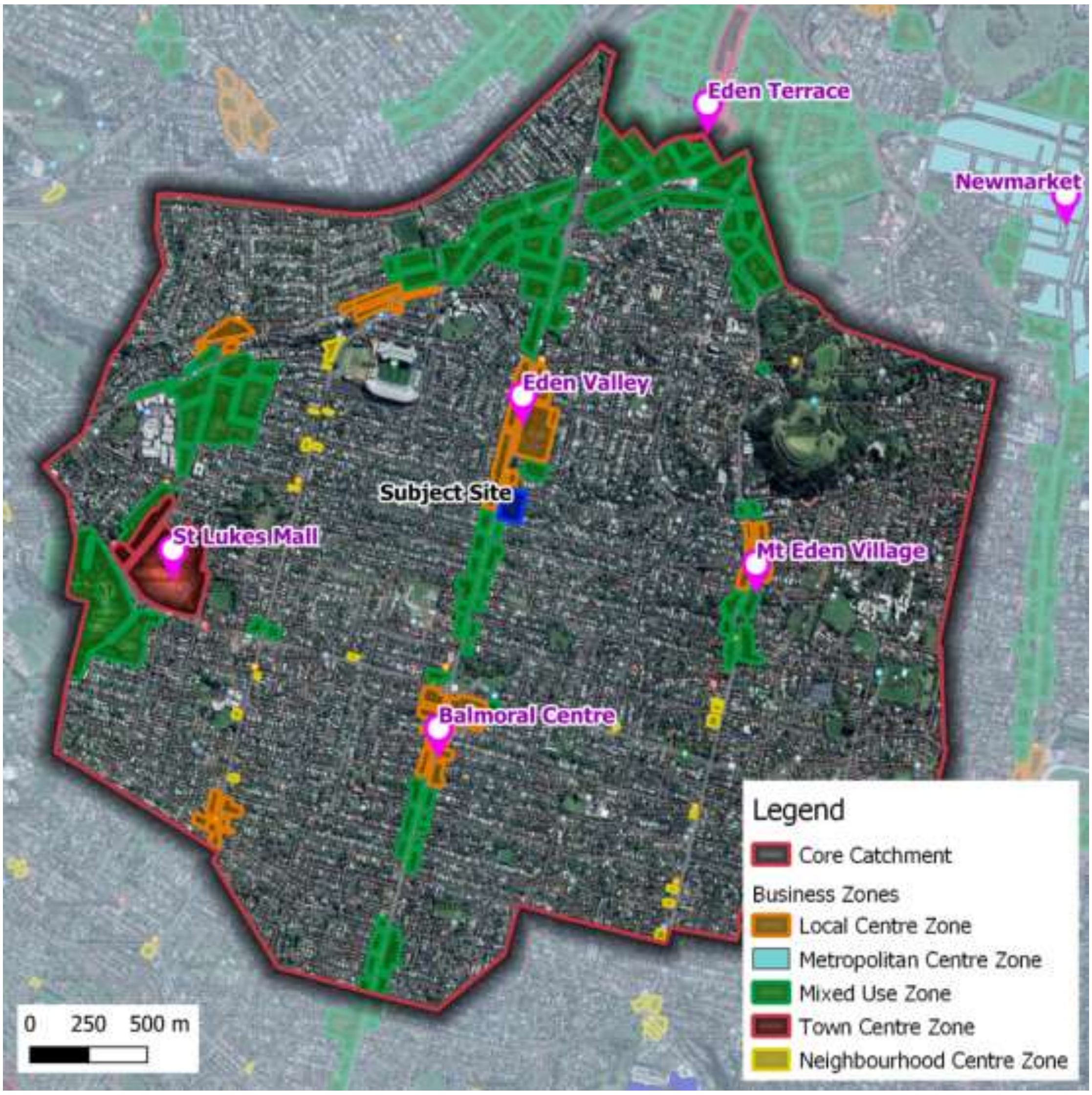
- Census of Population and Dwellings 2018 - Statistics NZ
- Household and Population Projections – Statistics NZ
- Household Economic Survey - Statistics NZ
- Retail Trade Survey - Statistics NZ
- Catchment Map – Google Maps
- Employment Data – Statistics NZ Business Frame
- Centre Provision – NZ Shopping Centre Directory
- Planning Provisions – Auckland Unitary Plan
- Supermarket Supply – Property Economics
- Centre Visits – Property Economics

## 2. CORE ECONOMIC MARKET

In order to estimate the retail development potential (or opportunity available) for the proposed New World supermarket and assess its potential impacts, it is necessary to first identify its core economic market. The core economic market or retail catchment is essentially the geographic area from which the proposed supermarket is likely to derive the majority of its sales or the area the store is designed to primarily service, and where the store is considered to have a strategic locational advantage in terms of proximity over other supermarkets.

Figure 1 illustrates the geospatial extent of the proposed supermarket's core retail market. This has been based on the existing and proposed supermarket network, road network, natural and physical geographical barriers and the professional opinion of Property Economics in known shopping patterns and trade area dynamics for retail developments in New Zealand.

**FIGURE 1: PROPOSED NEW WORLD MT EDEN CORE CATCHMENT**




*Source: Property Economics, Auckland Council*

Figure 1 also shows the surrounding business zone network, highlighting how the subject site fits into the business hierarchy. Although the subject site is within a Mixed Use Zone, it is adjacent to one of Dominion Road's two Local Centre's. Consequently, rather than being in direct competition with the commercial centres, it is in some respects an extension of this zone.

Supermarkets generally draw from markets in close proximity to the store (surrounding suburbs) given their inherent role within the market in providing essential day-to-day goods. As this is not a large supermarket at only 2,787sqm in size, it is well-positioned to attract its local market rather than trying to be a destination supermarket.

It is important to note however that this catchment is not unique and common to other supermarkets currently operating within Mt Eden and the surrounding area that will compete for the generated spend. Residents within this catchment will also shop in supermarkets outside of the catchment and vice versa. In light of this, the catchment illustrated in Figure 1 represents the core economic market where the proposed New World likely to derive the majority of its customers, sales and generate more frequent use.

This core retail catchment (the area highlighted with a red outline ) will be used as the basis for the subsequent supermarket retail analysis.

## 3. DEMOGRAPHIC PROFILE

An economic and social demographic profile for the core catchment has been complied in comparison to the wider Auckland average. This is to determine where the market sits in terms of demographic characteristics and general profile of where the bulk purchases are likely to be derived.

A more detailed breakdown of the demographic profiles has been attached in Appendix 1.

Some of the salient findings from the demographic profiling include:

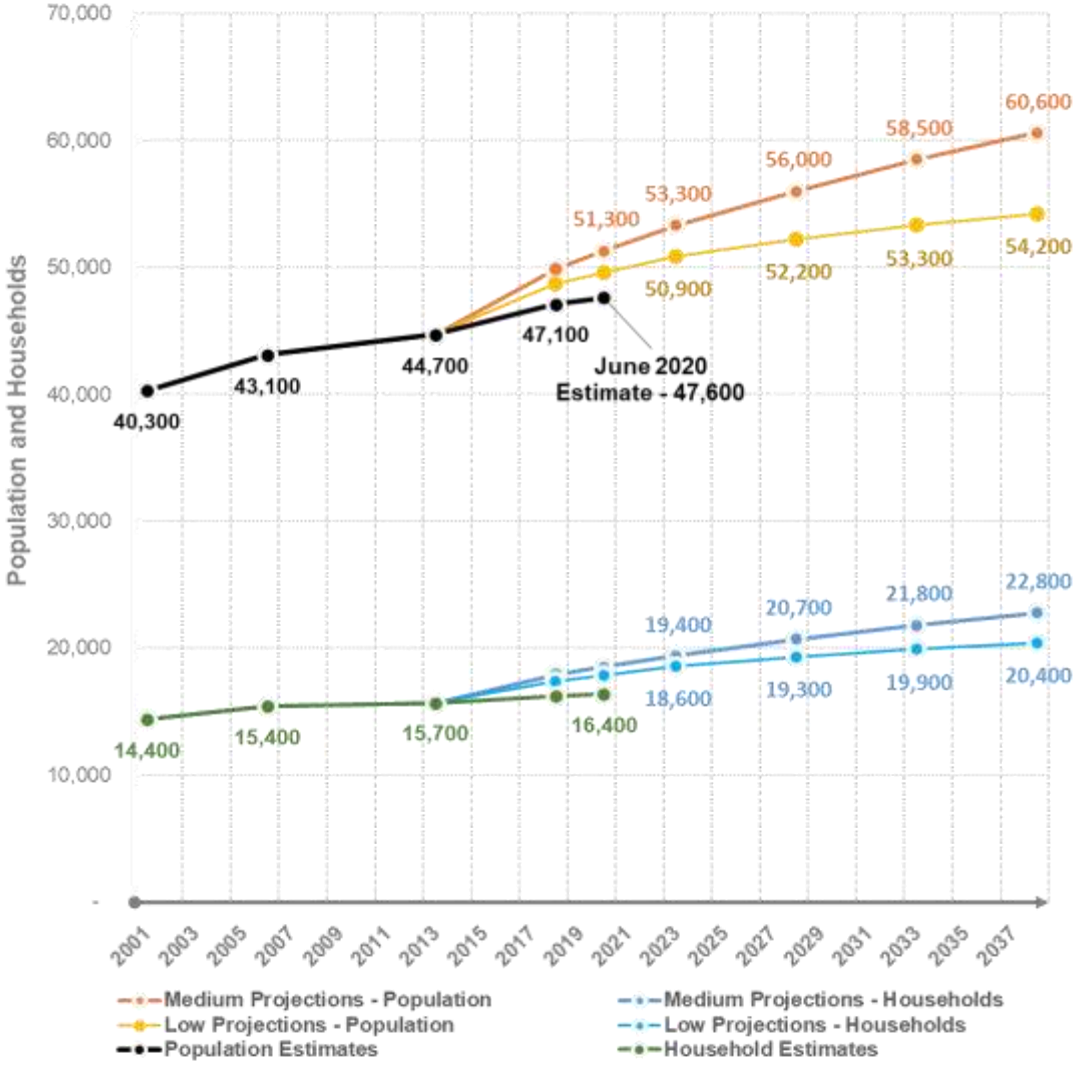
- The identified catchment has a current estimated population base of around 47,640 people and 16,360 households. This equates to a household size of 2.91 persons per dwelling, lower than the wider Auckland region (3.09).
- The median annual household income of $110k in the Dominion Road catchment is significantly higher than the regional average at $94k. In respect to the proportion of household earnings over $150k p.a. the core catchment has 35%, compared to only 26% of regional households.
- These differences in income levels between the catchment and Auckland region average can be related to the difference in educational attainment. Within the identified catchment approximately 50% of the working-age population have a Bachelor's degree qualification or higher, compared to only 31% of the Region.
- On a similar note, the catchment has an unusually high proportion of residents aged between 20 – 29 years, an age group that represents 22% of the population in the catchment compared to 16% across the region. This represents the young professional target market identified within the design documentation.
- There is a greater difference in the distribution of dwellings by the number of bedrooms than there is with the average household size distribution. While the households in the catchment are indeed smaller on average, this difference is marginal. However, 43% of the dwellings have one or two bedrooms compared to only 27% across the Auckland Region.
- Compared to the Auckland Region, the catchment has a significantly higher proportion of residents identifying as European (56% compared to 47% in the region), and conversely a smaller proportion of people identifying as Maori (6% vs 10%) or Pacifica (6% vs 14%).
- Overall, the core catchment can be considered a younger, more qualified, higher income market. Attributes that typically lead to higher discretionary spend potential than the Auckland Regional average.

## 4. POPULATION AND HOUSEHOLD PROJECTIONS

Figure 2 displays the population and household growth projections for the New World Dominion Road catchment. These projections are derived from the latest available Statistics NZ population growth projections for both the Medium and Low growth series.

As these projection series are yet to be updated to reflect the 2018 Census base, we make a comparison between the current population estimates determined in the 2018 Census against the growth that was anticipated.

**FIGURE 2 POPULATION PROJECTIONS AND ESTIMATES FOR PRIMARY CATCHMENT**




*Source: Property Economics, Statistics New Zealand*

Figure 2 shows that the estimated population in June 2020 of 47,600 falls short of both Statistics New Zealand's Medium and Low population projections. Under the Medium projection, the population within the Dominion Road catchment was expected to grow to 51,300 residents by 2020 and 60,600 by 2038 (an additional 9,300 over 18 years).

However, as seen across many of the well-established urban areas in Auckland, a lack of infill housing development (new residential supply) has led to more reserved population growth than originally anticipated. In essence, recent growth rates are not a reflection of catchment demand, but a reflection of a lack of new residential stock being developed in the area.

It is certainly possible that in the future, developments like the apartment complex proposed on the subject site will bring additional residents into these established urban areas and thereby meet this projected growth. However, future growth projections are likely to be more reserved as the potential for infill development is reassessed.

Due to a lack of new homes being developed (relative to demand) and rising house prices, New Zealand has seen an increase in multi-household and multi-generational dwellings. This is reflected in the proportionally smaller increase in the household estimates compared to the rise in population estimates.

Historically, the number of households under the projections series was forecast to increase at a faster proportional rate than the population due to a projected fall in the person per household ratio over the forecast period. This anticipated trend was not isolated to the identified catchment but projected to occur across the whole country due to an ageing population, smaller families, and a higher proportion of 'split' or single households.

However, the results of the 2018 NZ Census and subsequent population estimates have shown that the reverse has been true. That is, that the population per household ratio has increased slightly across the country with this catchment being no exception, increasing from 2.84 to 2.91 between 2013 and 2018. This demographic trend shift is likely to continue unless new housing stock is enabled to be developed at a rate more commensurate with market demand.

## 5. SUPERMARKET EXPENDITURE & SUSTAINABLE GFA

This section sets out the projected supermarket retail expenditure and sustainable retail GFA (Gross Floor Area) for the proposed supermarket's core retail catchment. The forecasts have been based on the medium population and household growth projections utilising the new 2020 base and have been prepared using Property Economics' Retail Expenditure Model. A detailed breakdown of the model and its inputs are outlined in Appendix 3.

In this section, retail expenditure and floorspace analysis is focused on supermarket retailing, the sector considered to be most relevant to this assessment. A more defined breakdown of the Food Retailing Classification as defined by the ANZSIC[1] is attached in Appendix 2.

### 5.1. RETAIL EXPENDITURE MODEL

The following flow chart provides a graphical representation of the Property Economics Retail Growth Model to assist in better understanding the methodology and key inputs utilised.


[1] *Australia New Zealand Industry Classifications*

### GROWTH IN REAL RETAIL EXPENDITURE

For the purposes of projecting retail expenditure, growth in real retail spend has been incorporated into the model at a rate of 1% per annum over the forecast period. This 1% rate is based on the level of debt retail spending, interest rates and changes in disposable income levels, and is the average inflation adjusted increase in spend per household over the assessed period.

## 5.2. SUSTAINABLE GFA

This assessment uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floor space proportionate to an area's retainable retail expenditure that is likely to result in an appropriate quality and offer in the retail environment. This does not necessarily represent the a financial 'break even' point, but a level of sales productivity ($/sqm) based on net (and GFA) retail floorspace that allows retail stores in their respective sectors to trade profitably and provide a good quality retail environment, and thus economic well-being and amenity.

Many stores may trade comfortably above or below the sustainable level as many do, but its designed to provide an average lower level 'line in the sand' or minimum standard productivity level to enable stores to not only trade but trade to a level that enables a reasonable level of quality (stores, performance and environment).

Some stores trade below these levels, and in my experience, they are lower quality stores comparatively in built form, fit out, performance and environment which affects the level of amenity for shoppers, and are often stores not viable for an extended period of time.

It is necessary to separate the Gross Floor Area into:

- Net retail floorspace (**Sustainable Floorspace);** and
- Back office floorspace that does not generate any retail spend (Back Office Floorspace).

A store's net retail floor area (or retail trading area) only includes the area which displays the goods and services sold and represents the area to which the general public has access. By contrast, the Gross Floor Area typically represents the total floor area leased or developed by the retailer. Back Office Floorspace in a retail store is the area used for storage, warehousing, staff facilities, prep areas, office or toilets and other 'back office' uses.

These activities typically occupy around 25-30% of a store's GFA. It is important to separate out such back office floorspace from sustainable floorspace because back office floorspace does not generate any retail spend. For the purposes of this analysis an average 30% ratio has been applied.

## 5.3. SUPERMARKET EXPENDITURE & SUSTAINABLE GFA

Table 1 forecasts the total level of Food retailing expenditure generated by the core catchment from 2020 – 2038, as well as the level of sustainable GFA that can be supported by the generated spend within the core catchment on an annualised basis.

Table 1 indicates that around $188m of supermarket retail expenditure is currently generated within the core catchment annually, with this forecast to increase to around $271m annually by 2038. This equates to a sustainable supermarket GFA provision of 21,500sqm currently, increasing to 31,000 by 2038. This increase, approximately 9,500sqm in sustainable supermarket demand, is equivalent to an additional 2-3 modern day full service supermarkets supported by the spend generated within the identified catchment.

**TABLE 1: SUPERMARKET EXPENDITURE AND SUSTAINABLE GFA FORECASTS**

| | 2020 | 2023 | 2028 | 2033 | 2038 |
|---|---|---|---|---|---|
| Supermarket | $188 | $202 | $223 | $247 | $271 |
| Specialty Food Retailing | $63 | $67 | $74 | $82 | $90 |
| **Total Food Retail Expenditure ($m)** | **$251** | **$269** | **$298** | **$329** | **$362** |
| Supermarket | 21,500 | 23,000 | 25,500 | 28,200 | 31,000 |
| Specialty Food Retailing | 10,500 | 11,300 | 12,500 | 13,800 | 15,200 |
| **Total Net Floorspace (sqm)** | **32,000** | **34,300** | **38,000** | **42,000** | **46,200** |

*Source: Property Economics*

Food retailing expenditure is split into supermarket and speciality stores (e.g. Butcher or Fruit Grocery). For the purpose of this analysis, Property Economics have assessed 75% of total food retailing expenditure as supermarket related food retail spend, which is the basis of the reported figures.

In Property Economics' professional experience, a well-established / mature market splits spend at a 3:1 ratio between supermarkets and speciality food retail stores respectively. This can vary slightly depending on the number of speciality stores within a particular market but is considered appropriate to adopt for this market.

However, the proposed supermarket is not restricted to 75% of the market, this is simply used as a benchmark. It is still able to compete with other retailers in the area for the additional 25%. In this case, there is currently an additional $63m of non-supermarket food related retail expenditure annually within the core catchment, which is projected to rise to $90 by 2038. Conversely, other retailers also have the ability to compete for the supermarket related spend.

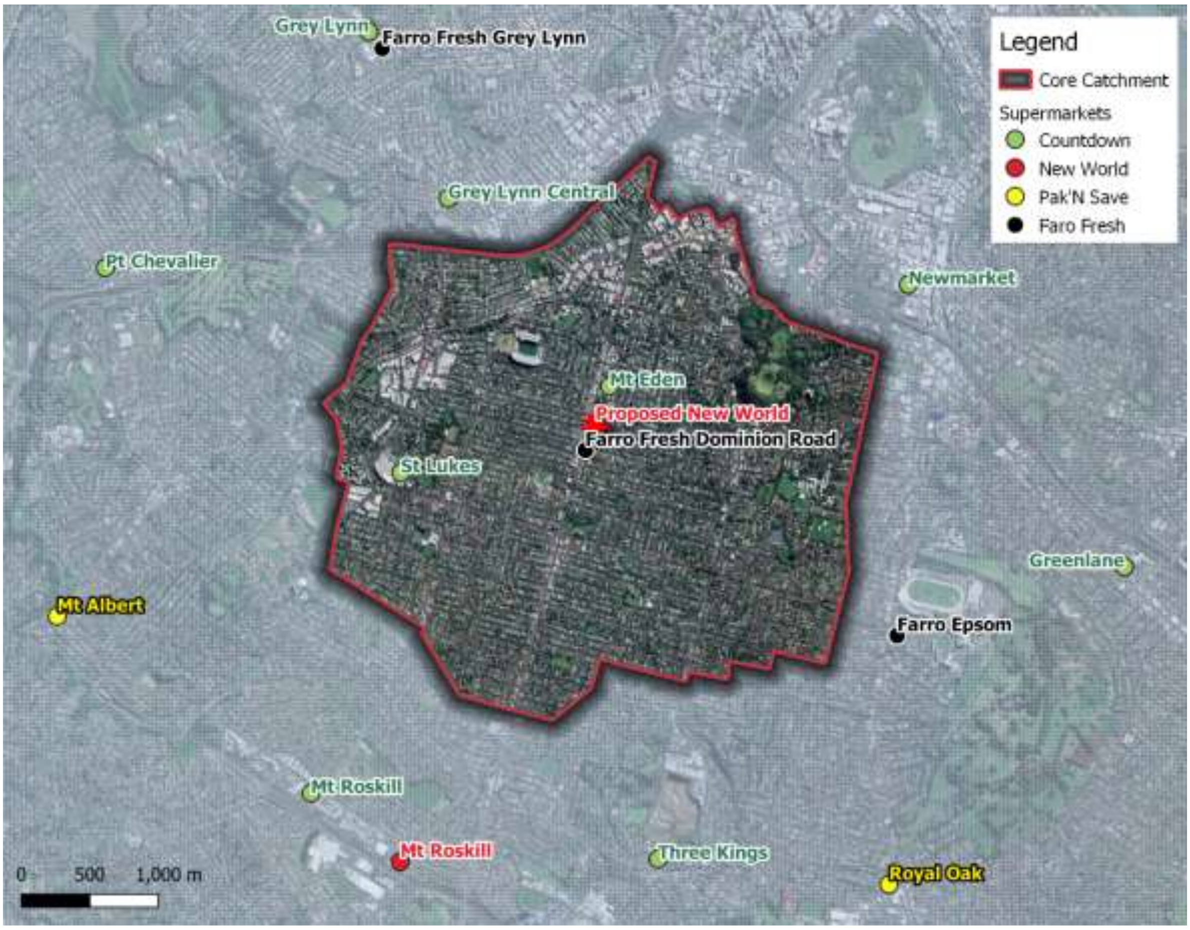
As is shown in Section 7, demand for supermarket retail currently significantly outweighs supply. Property Economics is of the opinion that there is sufficient capacity so that if spend is to shift away from the aforementioned 3:1 ratio, due to competition between retailers for example, the market is unlikely to come to the point where a new supermarket is no longer viable. i.e. it is unlikely that any discussed competition effects would cause the differential to close significantly.

## 6. EXISTING SUPERMARKET SUPPLY

In light of the generated supermarket spend calculated in the previous section, this section identifies and makes a comparison with the supply against this sustainable floorspace.

Figure 3 shows the existing supermarket network, identifying other competing supermarkets that would co-exist within the localised market.

**FIGURE 3: SURROUNDING SUPERMARKET NETWORK**




*Source: Property Economics, Auckland Council*

There are two Countdown's within the Core Catchment, one 300m up Dominion Road from the proposed New World site and another inside the St Lukes Mall. Given its position within the St Lukes Mall, the latter has the ability to capture spend from a wider area, extending well outside of the Core Catchment. Being located within a Mall, it is typically less convenient for the weekly shopping trip than Supermarkets in local centres due to parking and higher traffic volumes.

Additional to this supermarket network is a Farro Fresh grocery store approximately 150m south of the subject development along Dominion Road. Property Economics classifies Farro Fresh stores (which are typically have a GFA less than 1000sqm) as Specialty Food Retailing. This retail expenditure is also included in Table 1. Although these stores would compete for some of the same retail dollars and Farro Frash will likely face direct competition across some product types from the proposed New World, this impact is minimised by the clear distinction in offer and product range. Farro Fresh stores do not encompass the same extensive product range seen in full-service supermarkets, particularly in personal and household product lines.

Outside of this Core Catchment, Property Economics have identified six different Countdowns, a single New World and two Pak'N Save's supermarkets that may draw spend from the Core Catchment to varying degrees.

As a point of note, the closest Supermarket to the proposed New World outside of the Catchment is Grey Lynn Central at approximately 7-minute drive. Beyond this, Newmarket, Three Kings and Mt Roskill are roughly 8 minutes' drive away.

Where the Pak'N Save's in this instance are furthest away, these supermarkets are larger than other brands and draw custom from a wider area. What it does highlight is that for those in the southern section of the catchment, their supermarket options are further away than most.

## 6.1. LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the identified catchment does not necessarily equate to the sales within that particular area. Residents can freely travel in and out of the subject area, and they will typically choose to shop at retail destinations with their preferred products, brands, proximity, accessibility and price points. A good quality offering will attract customers from beyond its core market, whereas a low-quality offering is likely to experience retail expenditure leakage out of its core market.

As Figure 3 shows, there are several Supermarket options available and depending on where each person works, even the stores furthest away may be convenient to the local residents. While Supermarket spend is generally drawn from a localised catchment, it is dependent on the level of competition which exists in the wider market. Often the core catchment of a number of supermarket provisions will overlap, particularly in areas with relatively high population density where there are multiple supermarkets in the area. This leaves layered catchments, creating a situation where a consumer could be in the primary catchment of multiple supermarkets. This is likely to be the case for the proposed New World supermarket where it is evident on Figure 3 that those on the edge of the catchment would have several options that are similarly convenient to shop at, hence there is potential for leakage of spend out of the proposed core economic market.

The retail expenditure generated in an area represents the retail sales centres (or retail stores) within an area could potentially achieve and is the key influence on what the market can potentially sustain. This should not be interpreted as a negative for any retail activity in the core catchment, but simply represents normal commercial market mechanisms (competition) and is a consideration that needs to be appropriately accounted for in any economic analysis of market potential and effects.

## 6.2. SUPERMARKET SUPPLY AND DEMAND

**TABLE 2: CORE CATCHMENT SUPERMARKET SUPPLY**

| Supermarket Provision (sqm) | GFA |
|---|---|
| Mt Eden Countdown | 4,500 |
| St Lukes Countdown | 3,900 |
| **Total Existing Supply** | **8,400** |
| New World Mt Eden | 2,600 |
| **Proposed Total supply** | **11,000** |

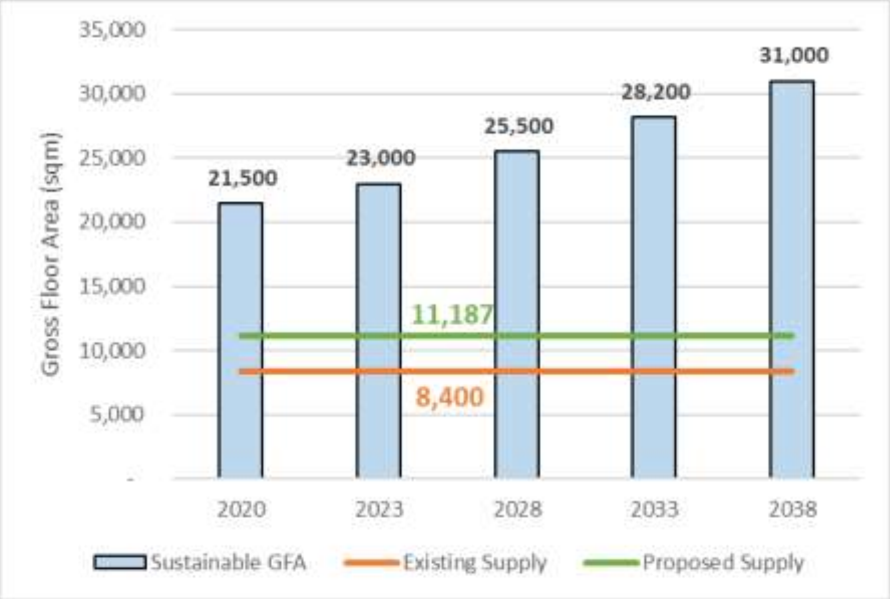
*Source: Property Economics, New Zealand Shopping Centre Directory*

Table 2 shows that currently there is around 8,400sqm of Supermarket GFA operating across two main supermarkets within the Core Catchment. With the addition of the New World on the subject site, this will bring total Supermarket floorspace within the Core Catchment to 11,000sqm.

# 7. SUPERMARKET SUPPLY AND DEMAND DIFFERENTIAL

To provide an overview of the core market current supermarket supply versus demand dynamics this section cross references the current supermarket provision against sustainable supermarket demand, outlined in the preceding sections.

**FIGURE 4: CORE CATCHMENT SUPERMARKET SUPPLY-DEMAND DIFFERENTIAL**




*Source: Property Economics*

A comparison of demand and supply data shows there is significant potential in the core catchment for additional supermarket GFA with sustainable demand exceeding supply by a clear margin. Current supply levels are below the market's sustainable GFA indicating that there is significant capacity for expansion with this differential increasing moving forward unless new supply enters the market.

Currently, the Core Catchment supports an additional 13,100sqm of supermarket GFA. Given no further change in supply, this potential is projected to rise to almost 22,600sqm by 2038. While these projections were undertaken utilising a Medium Projection series a lower scenario this does not fundamentally change potential in the market for additional GFA today. Even with the introduction of the New World on the subject site, this demand / supply differential remains at just over 10,300sqm in 2020.

The analysis indicates that generated supermarket spend currently outweighs supply, a trend which is likely to continue. This surplus spend will invariably be directed at other supermarkets outside of the catchment area such as those shown on Figure 3. While this would lower the 'real world' supermarket demand / supply differential in the core catchment, it is still highly likely that an under provision will remain. This is particularly the case moving forward where market growth will elevate the current situation.

## 8. CENTRE COMPOSITION

As the centres most at risk of adverse retail impacts, this section outlines the composition of the St Lukes, Mt Eden and Balmoral centres according to their Employment.

Table 3 shows the employment[2] breakdown in 2019 for these three centres and the growth across each sector over the last 5 years (2014 -2019). Appendix 4 contains a map showing the extent of the catchments used for the following analysis which were based on covering the extent of the centre zones given the meshblock[3] boundaries.

**TABLE 3: 2019 EMPLOYMENT BREAKDOWN FOR MT EDEN, BALMORAL AND ST LUKES CENTRE'S**

| ANZSIC | Mt Eden | 5 Year Growth | Balmoral | 5 Year Growth | St Lukes | 5 Year Growth |
|---|---|---|---|---|---|---|
| A - Agriculture, Forestry and Fishing | 3 | +3 | 0 | +0 | 6 | +6 |
| B - Mining | 0 | +0 | 0 | +0 | 0 | +0 |
| C - Manufacturing | 117 | +29 | 18 | -3 | 18 | +0 |
| D - Electricity, Gas, Water and Waste Services | 0 | +0 | 0 | +0 | 0 | +0 |
| E - Construction | 46 | +11 | 0 | -3 | 15 | +3 |
| F - Wholesale Trade | 24 | -3 | 15 | +3 | 48 | +12 |
| G - Retail Trade | 276 | +59 | 18 | -15 | 1,124 | -18 |
| H - Accommodation and Food Services | 235 | +53 | 377 | +150 | 201 | +5 |
| I - Transport, Postal and Warehousing | 12 | +6 | 0 | +0 | 9 | -3 |
| J - Information Media and Telecommunications | 6 | +0 | 15 | +0 | 53 | -22 |
| K - Financial and Insurance Services | 42 | -46 | 12 | -3 | 91 | -18 |
| L - Rental, Hiring and Real Estate Services | 27 | -9 | 3 | -6 | 102 | +75 |
| M - Professional, Scientific and Technical Services | 134 | +21 | 18 | -3 | 62 | +35 |
| N - Administrative and Support Services | 9 | -3 | 9 | +6 | 34 | +19 |
| O - Public Administration and Safety | 15 | -10 | 18 | -16 | 0 | +0 |
| P - Education and Training | 9 | +0 | 12 | +3 | 12 | +12 |
| Q - Health Care and Social Assistance | 149 | +37 | 70 | +19 | 97 | +8 |
| R - Arts and Recreation Services | 6 | -6 | 6 | -9 | 38 | +26 |
| S - Other Services | 18 | -6 | 37 | -5 | 106 | +9 |
| **Total All Industries** | **1,128** | **+ 136** | **628** | **+ 118** | **2,016** | **+ 149** |

*Source: Property Economics, Statistics New Zealand*

Additionally, Table 4 following shows the employment and recorded business counts (Geographical Units) at a more detail ANZSIC Level 2 for the Retail Trade (G) sector.

[2] *Employee Counts or ECs are units of employment measure by Statistics NZ*

[3] *Meshblocks are the smallest geographical area for data provided by Statistics New Zealand*

**TABLE 4: EMPLOYMENT AND BUSINESS COUNT BREAKDOWN AT ANZSIC LEVEL 2 (2019)**

| Centre / ANZSIC Level 2 | Employee Count | Business Count |
|---|---|---|
| **Mt Eden Centre Total Retail Trade** | **276** | **30** |
| Food Retailing | 216 | 9 |
| Motor Vehicle and Motor Vehicle Parts Retailing | - | - |
| Other Store-Based Retailing | 60 | 21 |
| **Balmoral Centre Total Retail Trade** | **18** | **33** |
| Food Retailing | 9 | 15 |
| Motor Vehicle and Motor Vehicle Parts Retailing | - | 3 |
| Other Store-Based Retailing | 9 | 15 |
| **St Lukes Total Retail Trade** | **1,124** | **96** |
| Food Retailing | 113 | 3 |
| Other Store-Based Retailing | 1,011 | 93 |

*Source: Property Economics, Statistics New Zealand*[4]

Table 4 shows the smallest of these three centres, Balmoral is predominately Accommodation and Food Services (which is almost entirely Food and Beverage retailers rather than Accommodation in this case). Interestingly, around 40% retailers have only entered the market over the past 5 years and this is a trend going back to 2011 where the employment in this industry was only 94. This rise in Food and Beverage Services has coincided with the decline of Retail Trade. In 2005 there were 137 Employees in Retail Trade and by 2014 this had declined to 33. Almost half of these remaining stores are Food Retailing stores (15) which, unlike Mt Eden, may benefit from not having a supermarket within the centre itself.

Conversely, Mt Eden's Employment has experienced more Commercial activities like Professional, Scientific and Technical Services and as Table 4 shows, 60 employees in Non-Food or Motor Vehicle retailing. In this case, the remaining 216 employees in Retail trade work in the Food Retailing sector, which is likely to be dominated by the Countdown in this case.

Finally, St Lukes Mall, which is the largest centre and also zoned as a Town Centre, has over half the employment in Retail Trade at over 1,100 employees. While there is a mix of other activities (possibly due to coverage of some Mixed Use Zone area within the associated Meshblock boundaries), this is the clear focal point of this centre.

*[4] Note that with the Statistics New Zealand Business Demography data, the employee and business counts that are too small to be reported directly are rounded randomly up or down to base 3. It is also important to know that the Employee Count does not count non-employing enterprises that are counted in the business count, hence the potential for more businesses than employees.*

## 9. TRADE COMPETITION VS DISTRIBUTION EFFECTS

The aforementioned economic analysis is based on not promoting a development that would generate significant adverse retail distribution effects on the centre network in the context of the CRA and AUP provisions.

In terms of assessing potential retail economic effects under the CRA there is first a need to differentiate between trade competition effects and flow-on retail distribution effects. By themselves, trade competition effects are not justification for declining a retail consent application under the CRA, unless they are of a level that generates significant adverse flow-on retail distribution effects on the existing centre network of the area. It is within this broader context that the relative merits of the application need to be considered.

Retail distribution effects are generated by, and are the result of, consequential trade competition and retail activity disbenefit effects. These effects can range across the spectrum (positive and negative) depending on the level of effects generated, which are heavily dependent on the scale, type and location of the proposed activity, among other attributes.

As such, it is accepted case law, that Councils should have regard to significant effects on the amenity of the public caused by any reductions in the viability or vitality of the commercial centres that arise as a consequence of trade competition, i.e. often termed "distributional" or "consequential" effects.

Where the patterns of support and retail activity within an existing centre would not change dramatically within a locality as a consequence of a proposed activity, then the retail distribution effects are not considered to be significant.

Justice Randerson J ( High Court, CIV-2003-404-5292) stated "*The key point of distinction between the adverse effects of trade competition on trade competitors and adverse effects which may properly be considered under the RMA, is that trade competition effects focus specially on the impacts on individual trade competitors. In contrast, where a proposal is likely to have a more general effects on the wider community, then the RMA permits consideration of those effects.* (para 60)…….".

The Supreme Court in the Discount Brands Decision[5] stated "*An important matter which the Council's Regulatory and Hearings Committee needed to inform itself upon was the effect which the activity proposed might have on the amenity values of the existing centres – on the natural or physical qualities and characteristics of those areas that contributed to people's appreciation of their pleasantness, aesthetic, coherence and cultural and recreational attributes. Such effects on amenity values would be those which had a greater impact on the people and their communities than would be caused simply by trade competition*".

[5] *Discount Brands Limited v Westfield (New Zealand) Limited (2005) 2 NZLR 597(SC) also reported as Westfield (NZ) Ltd v North Shore CC [2005] NZSC 17; [2005] NZRMA 337 (SC).*

Collectively, those decisions emphasise and establish that where trade competition produces social and economic effects that are not significant and are not beyond the effects ordinarily associated with trade competition, those effects are to be disregarded when assessing an application.

Put another way, retail distribution effects would occur where a new business (or cluster of businesses) affects an existing centre to such a degree that it would erode a centre's viability, causing a decline in its function and amenity, and disenabling the people and communities who rely upon those existing (declining) centres for their social and economic wellbeing.

Retail distributional effects are differentiated from the effects of trade competition on trade competitors, which are to be disregarded pursuant to s31(5) (a) of the CRA when considering resource consent applications. Although retail distributional effects are a relevant consideration for a consent authority, it should be noted that Environment Court case law has made it clear that those effects must be significant[6] (but not necessarily ruinous) before they could properly be regarded as going beyond the effects ordinarily associated with trade competition.

It is within this context that the potential effects of the proposed New World supermarket is considered in the following section.

[6] *Northcote Mainstreet vs North Shore City Council (High Court, CIV-2003-404-5292), Randerson J stated:*
*"In regard to shopping centres, I would not, with respect, subscribe to the view that the adverse effects of some competing retail development must be such, as to be ruinous before they could be considered. But they must, at the least, seriously threaten the viability of the centre as a whole with on-going consequential effects for the community served by that centre."*

# 10. POTENTIAL FOR RETAIL EFFECTS ON CENTRES

## OVERVIEW

Within the Mixed-Use Zone, there is a provision for up to 2,000sqm of Supermarket retailing as a Restricted Discretionary activity. As this 2,787sqm New World exceeds this provision, it is classified as a Discretionary activity.

The site is directly adjacent to the Eden Valley Local Centre zone which contains an estimated 4,500sqm Countdown and a range of retail shops. This is the main supermarket of concern in regards to the potential for adverse Retail Impacts. Additional stores of interest within the identified Core Catchment include a Countdown within the St Lukes Mall and a Farro Fresh in the Business Mixed Use Zone close to the proposed New World.

Additionally, there are three centres identified in section 8 that the New World has the potential to have adverse retail impacts upon. While there are multiple supermarkets and centres outside the core catchment in proximity to the subject site that can be considered as potential competitors to the proposed supermarket, it is to a substantially lesser degree than those within the core catchment.

## POTENTIAL IMPACTS

In Property Economics view, having undertaken the requisite analysis, there is little to no propensity for this New World to cause any additional trade competition effects that would flow over into significant retail distribution effects in the context of the CRA.

As our supply and demand calculations have shown, the current generated retail spend within the Core Catchment significantly outweighs the supermarket supply in the market. While some of this demand will be absorbed by the supermarkets outside of the Core Catchment, any trade effects on these stores would be small scale in nature and disbursed over a wide area. Consequently, the proposed New World would not individually threaten their viability and such trade effects would be quickly offset by market growth.

Conversely, while the New World is likely to redirect proportionally more spend from the two Countdowns (and to a lesser extent the Farro Fresh) within the Catchment, there is no reason to expect this would result in negative trade distribution effects. Having assessed both the supermarket demand (generated retail spend) and supply (supermarket GFA), and specialty food retailing demand, the data would suggest that there is more than sufficient retail expenditure to profitably sustain both of the existing Countdowns, the Farro Fresh store and the new New World within the Core Catchment.

Any shopper who prefers the New World brand, may currently be required to disperse their supermarket expenditure to Mt Roskill. Therefore, this New World will provide convenience and additional choices to the local consumers while supporting the growing population around the centre.

Being located within a Mall means St Lukes would pull spend from the Mall's wider catchment and rely proportionally less on local spend. Regardless, the St Lukes Mall is not defined in any way or anchored by the Countdown. As Table 4 shows with the 93 retail stores contained within the catchment, the performance of these large Malls like St Lukes rides on the quality and range of retailing options.

Given its location directly adjacent to the Eden Valley centre, this New World acts as an extension of the Local Centre Zone rather than detracting visitors away from the centre. The Eden Valley Countdown is a high performing supermarket in Auckland which is likely a reflection of the relatively low supermarket density within the Core Catchment. Therefore, while the New World would capture some Countdown sales, it is not at the risk of either closing down or becoming unprofitable.

Where the New World has theoretically some potential impact is on the smaller speciality food retailers within Mt Eden. While Table 4 shows that there are several of these stores in both the Mt Eden and Balmoral centres, the centre is not dependent on these smaller stores. Any minor trade competition effects occurring as a result of any redistribution of spend (potentially through easier parking and better accessibility) are likely to be quickly offset by market growth.

The Eden Valley local centre does not have sufficient zoned capacity to accommodate a significant increase in its convenience retail provision being a fully developed zone. Given the growth in the market and the indication by the market (through the existence of commercial activities that typically exist in centres on the subject site) that the current Local Centre Zone is insufficient for such activity, additional convenience provision is required.

As such the proposal, given its underlying Mixed Use Zone is considered well positioned to provide a portion of this growing requirement to the market in an efficient manner improving the efficiency of the network and business land provision as a whole.

## APPENDIX 1: DEMOGRAPHIC PROFILING

| | | Dominon Road | Auckland |
|---|---|---|---|
| GENERAL | Population | 47,638 | 1,642,811 |
| | Households | 16,362 | 531,779 |
| | Person Per Household Ratio | 2.91 | 3.09 |
| | Intercensal Population Growth (Total \| % p.a.) | 1,202 \| 0.5% | 125,352 \| 1.6% |
| AGE PROFILE | 0 - 9 Years | 10% | 13% |
| | 10 - 19 Years | 12% | 13% |
| | 20 - 29 Years | 22% | 16% |
| | 30 - 39 Years | 17% | 15% |
| | 40 - 49 Years | 15% | 13% |
| | 50 - 59 Years | 12% | 12% |
| | 60 - 69 Years | 7% | 9% |
| | 70 - 79 Years | 4% | 5% |
| | 80 Years and Over | 2% | 3% |
| | **Median Age** | **32.8** | **34.7** |
| Household Income | $20,000 or less | 7% | 8% |
| | $20,001-$30,000 | 6% | 7% |
| | $30,001-$50,000 | 9% | 12% |
| | $50,001-$70,000 | 10% | 11% |
| | $70,001-$100,000 | 14% | 15% |
| | $100,001-$150,000 | 19% | 21% |
| | $150,001 or more | 35% | 26% |
| | **Median Income** | **$111,000** | **$94,000** |
| ETHNICITY | Asian | 28% | 25% |
| | European | 56% | 47% |
| | Maori | 6% | 10% |
| | Middle Eastern Latin American African | 2% | 2% |
| | New Zealander | 1% | 1% |
| | Other Ethnicity | 1% | 1% |
| | Pacific Peoples | 6% | 14% |
| QUALIFICATION ATTAINMENT | No qualification | 7% | 15% |
| | Overseas secondary school qualification | 7% | 9% |
| | Level 1 certificate | 5% | 9% |
| | Level 2 certificate | 6% | 8% |
| | Level 3 certificate | 11% | 12% |
| | Level 4 certificate | 4% | 7% |
| | Level 5 diploma | 4% | 5% |
| | Level 6 diploma | 5% | 5% |
| | Bachelor degree and Level 7 qualification | 28% | 19% |
| | Post graduate and honours degrees | 12% | 7% |
| | Masters degree | 9% | 5% |
| | Doctorate degree | 2% | 1% |
| LOCATION 5 YEARS AGO | Elsewhere in New Zealand | 39% | 41% |
| | No fixed abode five years ago | 0% | 0% |
| | Not born five years ago | 5% | 8% |
| | Overseas | 16% | 12% |
| | Same as usual residence | 39% | 40% |

| | | Dominon Road | Auckland |
|---|---|---|---|
| EMPLOYMENT | Employed Full time | 58% | 52% |
| | Employed Part time | 15% | 14% |
| | Not in the Labour Force | 24% | 30% |
| | Unemployed | 4% | 4% |
| | | 0 | 0 |
| EMPLOYMENT CLASSIFICATION | Clerical and Administrative Workers | 10% | 12% |
| | Community and Personal Service Workers | 8% | 9% |
| | Labourers | 4% | 8% |
| | Machinery Operators and Drivers | 2% | 6% |
| | Managers | 20% | 18% |
| | Professionals | 37% | 26% |
| | Sales Workers | 9% | 10% |
| | Technicians and Trades Workers | 9% | 11% |
| PERSONAL INCOME SOURCES | Wages, Salary, Commissions, Bonuses etc paid by my em | 69% | 62% |
| | Interest, Dividends, Rent, Other Investments | 20% | 15% |
| | Jobseeker Support | 4% | 6% |
| | New Zealand Superannuation or Veteran s Pension | 9% | 13% |
| | Other government benefits, Payments or Pension | 3% | 4% |
| | Other Sources of Income | 2% | 2% |
| | Other Superannuation, Pensions or Annuities | 1% | 2% |
| | Regular payments from ACC or a Private Work Accident Ir | 1% | 1% |
| | Self Employment or Business I own and work in | 17% | 14% |
| | Sole Parent Support | 1% | 2% |
| | Student Allowance | 3% | 3% |
| | Supported Living Payment | 1% | 2% |
| | No source of income during that time | 7% | 8% |
| INDUSTRY OF EMPLOYMENT | Accommodation and Food Services | 8% | 6% |
| | Administrative and Support Services | 5% | 5% |
| | Agriculture Forestry and Fishing | 0% | 1% |
| | Arts and Recreation Services | 2% | 2% |
| | Construction | 6% | 9% |
| | Education and Training | 9% | 8% |
| | Electricity Gas Water and Waste Services | 1% | 1% |
| | Financial and Insurance Services | 5% | 4% |
| | Health Care and Social Assistance | 9% | 9% |
| | Information Media and Telecommunications | 4% | 2% |
| | Manufacturing | 6% | 10% |
| | Mining | 0% | 0% |
| | Other Services | 3% | 4% |
| | Professional Scientific and Technical Services | 19% | 13% |
| | Public Administration and Safety | 4% | 4% |
| | Rental Hiring and Real Estate Services | 3% | 2% |
| | Retail Trade | 8% | 9% |
| | Transport Postal and Warehousing | 3% | 5% |
| | Wholesale Trade | 5% | 7% |

| | | Dominon Road | Auckland |
|---|---|---|---|
| WEEKLY RENT PAID | Under $100 | 3% | 6% |
| | $100 - 149 | 2% | 8% |
| | $150 - 199 | 2% | 3% |
| | $200 - 299 | 5% | 6% |
| | $300 - 399 | 19% | 14% |
| | $400 - 499 | 23% | 25% |
| | $500 - 599 | 17% | 19% |
| | $600 and over | 29% | 20% |
| DWELLING OWNERSHIP | Dwelling held in a family trust | 16% | 14% |
| | Dwelling not owned and not held in a family trust | 49% | 41% |
| | Dwelling owned or partly owned | 34% | 45% |
| DWELLING TYPE | Joined dwelling | 32% | 19% |
| | Other private dwelling | 0% | 0% |
| | Private dwelling not further defined | 0% | 0% |
| | Separate house | 68% | 80% |
| DWELLING OCCUPANCY | Dwelling Under Construction | 1% | 1% |
| | Empty Dwelling | 2% | 3% |
| | Occupied Dwelling | 94% | 91% |
| | Residents Away | 3% | 4% |
| NUMBER OF BEDROOMS | One bedroom | 15% | 7% |
| | Two bedrooms | 28% | 20% |
| | Three bedrooms | 29% | 39% |
| | Four bedrooms | 20% | 24% |
| | Five or more bedrooms | 8% | 10% |
| STUDYING | Full time study | 23% | 22% |
| | Not studying | 74% | 75% |
| | Part time study | 3% | 3% |
| Household Size | One usual resident | 20% | 18% |
| | Two usual residents | 28% | 29% |
| | Three usual residents | 19% | 18% |
| | Four usual residents | 20% | 19% |
| | Five usual residents | 8% | 9% |
| | Six usual residents | 3% | 4% |
| | Seven usual residents | 1% | 2% |
| | Eight or more usual residents | 1% | 2% |
| | Number of usual residents unidentifiable | 3% | 4% |

# APPENDIX 2: FOOD RETAILING – ANZSIC06

## Division G – Retail Trade

## Subdivision 41 – Food Retailing

<u>411 SUPERMARKET AND GROCERY STORES</u>

**4110 Supermarket and Grocery Stores**

This class consists of units mainly engaged in retailing groceries or non-specialised food lines (including convenience stores), whether or not the selling is organised on a self-service basis.

*Primary activities*

- Convenience store operation
- Grocery retailing
- Grocery supermarket operation

*Exclusions/References*

Units mainly engaged in retailing specialised food lines are included in the appropriate classes of Group 412 Specialised Food Retailing.

<u>412 SPECIALISED FOOD RETAILING</u>

**4121 Fresh Meat, Fish and Poultry Retailing**

This class consists of units mainly engaged in retailing fresh meat, fish or poultry.

*Primary Activities*

- Butcher's shop operation (retail)
- Fish, fresh, retailing
- Meat, fresh, retailing
- Poultry, fresh, retailing
- Seafood, fresh, retailing

**4122 Fruit and Vegetable Retailing**

This class consists of units mainly engaged in retailing fresh fruit or vegetables.

*Primary activities*

- Fruit, fresh, retailing
- Greengrocery operation (retail)
- Vegetable, fresh, retailing

**4123 Liquor Retailing**

This class consists of units mainly engaged in retailing beer, wine or spirits for consumption off the premises only.

*Primary activities*

- Alcoholic beverage retailing (for consumption off the premises only)

*Exclusions/References*

Units mainly engaged in selling alcoholic beverages for consumption on the premises, such as hotels, bars and similar units (except hospitality clubs), are included in Class 4520 Pubs, Taverns and Bars.

**4129 Other Specialised Food Retailing**

This class consists of units mainly engaged in retailing specialised food lines, such as confectionery or smallgoods or bread and cakes (not manufactured on the same premises).

*Primary activities*

- Biscuit retailing (not manufactured on the same premises)
- Bread retailing (not manufactured on the same premises)
- Bread vendor (not manufactured on the same premises)
- Cake retailing (not manufactured on the same premises)
- Confectionery retailing
- Non-alcoholic drinks retailing
- Pastry retailing (not manufactured on the same premises)
- Smallgoods retailing
- Specialised food retailing n.e.c.

*Exclusions/References*

Units mainly engaged in

- retailing a wide range of food lines are included in Class 4110 Supermarket and Grocery Stores;
- providing food services for immediate consumption for taking away or consumption in limited seating areas are included in Class 4512 Takeaway Food Services;
- manufacturing bakery products and selling those products from the same premises are included in Class 1174 Bakery Product Manufacturing (Non-factory based); and
- · retailing food through vending machines or other non-store means (except mobile vans) are included in Class 4310 Non-Store Retailing.

## APPENDIX 3: PROPERTY ECONOMICS RETAIL EXPENDITURE MODEL

This overview outlines the methodology that has been used to estimate retail spend generated at Census Area Unit (CAU) level for the identified catchment out to 2038.

### MB 2013 Boundaries

All analysis has been based on Meshblock 2013 boundaries, the most recent available.

### Permanent Private Households (PPH) 2013

These are the total Occupied Households as determined by the Census 2013. PPHs are the primary basis of retail spend generation and account for approximately 71% of all retail sales. PPHs have regard for (exclude) the proportion of dwellings that are vacant at any one time in a locality, which can vary significantly, and in this respect account for the movement of some domestic tourists.

### Permanent Private Household Forecasts 2006-2038

These are based on Statistics NZ Census Area Unit (CAU) Medium Series Population Growth Projections and have been adjusted to account for residential building consent activity occurring between 2006 and 2015, with this extrapolated to the year of concern. This accounts for recent building activity, particularly important for the 5-10 year forecasts, and effectively updates Statistics NZ projections to reflect recent trends.

### International Tourist Spend

The total international tourism retail spend has been derived from the Ministry of Economic Development Tourism Strategy Group (MEDTSG) estimates nationally. This has been distributed regionally on a 'spend per employee' basis, using regional spend estimates prepared by the MEDTSG. Domestic and business based tourism spend is incorporated in the employee and PPH estimates. Employees are the preferred basis for distributing regional spend geo-spatially as tourists tend to gravitate toward areas of commercial activity, however they are very mobile.

### Total Tourist Spend Forecast

Growth is conservatively forecast in the model at 2% per annum for the 2015-2038 period.

### 2013-2038 PPH Average Household Retail Spend

This has been determined by analysing the national relationship between PPH average household income (by income bracket) as determined by the 2013 Census, and the average PPH expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ.

While there are variables other than household income that will affect retail spending levels, such as wealth, access to retail, population age, household types and cultural preferences, the effects of these are not able to be assessed given data limitations, and have been excluded from these estimates.

### Real Retail Spend Growth (excl. trade based retailing)

Real retail spend growth has been factored in at 1% per annum. This accounts for the increasing wealth of the population and the subsequent increase in retail spend. The following explanation has been provided.

Retail Spend is an important factor in determining the level of retail activity and hence the 'sustainable amount 'of retail floorspace for a given catchment. For the purposes of this outline 'retail' is defined by the following categories:

- Food Retailing
- Footwear
- Clothing and Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other Stores.

These are the retail categories as currently defined by the ANZSIC codes (Australia New Zealand Standard Industry Classification).

Assessing the level and growth of retail spend is fundamental in planning for retail networking and land use within a regional network.

### Internet Retail Spend Growth

Internet retailing within New Zealand has seen significant growth over the last few decades. This growth has led to an increasing variety of business structures and retailing methods including; internet auctions, just-in-time retailing, online ordering, virtual stores, and etc.

As some of internet spend is being made to on-the-ground stores, a proportion of internet expenditure is being represented in the Statistics NZ Retail Trade Survey (RTS) while a large majority remain unrecorded. At the same time this expenditure is being recorded under the Household Economic Survey (HES) as a part of household retail spending, making the two datasets incompatible. For this reason, Property Economics has assumed a flat 5% adjustment percentage on HES retail expenditure, representing internet retailing that was never recorded within the RTS.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a decrease in on-the-ground spend and floor space demand. In order to account for this, a non-linear percentage decrease of 2.5% in 2016 growing to 9% by 2038 has been applied to retail expenditure encompassing all retail categories in our retail model. These losses represent the retail diversion from on-the-ground stores to internet based retailing that will no longer contribute to retail floor space demand.

### Retail Spend Determinants

Retail Spend for a given area is determined by: the population, number of households, size and composition of households, income levels, available retail offer and real retail growth. Changes in any of these factors can have a significant impact on the available amount of retail spend generated by the area. The coefficient that determines the level of 'retail spend' that eventuates from these factors is the MPC (Marginal Propensity to Consume). This is how much people will spend of their income on retail items. The MPC is influenced by the amount of disposable and discretionary income people are able to access.

### Retail Spend Economic Variables

Income levels and household MPC are directly influenced by several macroeconomic variables that will alter the amount of spend. Real retail growth does not rely on the base determinants changing but a change in the financial and economic environment under which these determinants operate. These variables include:

**Interest Rates:** Changing interest rates has a direct impact upon households' discretionary income as a greater proportion of income is needed to finance debt and typically lowers general domestic business activity. Higher interest rates typically lower real retail growth.

**Government Policy (Spending):** Both Monetary and Fiscal Policy play a part in domestic retail spending. Fiscal policy, regarding government spending, has played a big part recently with government policy being blamed for inflationary spending. Higher government spending (targeting on consumer goods, direct and indirectly) typically increases the amount of nominal retail spend. Much of this spend does not, however, translate into floors pace since it is inflationary and only serves to drive up prices.

**Wealth/Equity/Debt:** This in the early-mid 2000s had a dramatic impact on the level of retail spending nationally. The increase in property prices has increased home owners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumable spending. This debt spending is a growth facet of New Zealand retail. In 1960 households saved 14.6% of their income, while households currently spend 14% more than their household income.

**Inflation:** As discussed above, this factor may increase the amount spent by consumers but typically does not dramatically influence the level of sustainable retail floor space. This is the reason that productivity levels are not adjusted but similarly inflation is factored out of retail spend assessments.

**Exchange Rate:** Apart from having a general influence over the national balance of payments accounts, the exchange rate directly influences retail spending. A change in the $NZ influences the price of imports and therefore their quantity and the level of spend.

**General consumer confidence:** This indicator is important as consumers consider the future and the level of security/finances they will require over the coming year.

**Economic/Income growth:** Income growth has a similar impact to confidence. Although a large proportion of this growth may not impact upon households MPC (rather just increasing the income determinant) it does impact upon households discretionary spending and therefore likely retail spend.

**Mandatory Expenses:** The cost of goods and services that are necessary has an impact on the level of discretionary income that is available from a household's disposal income. Important factors include housing costs and oil prices. As these increase the level of household discretionary income drops reducing the likely real retail growth rate.

### Current and Future Conditions

Retail spend has experienced a significant real increase in the early-mid 2000s. This was due in large part to the increasing housing market. Although retail growth is tempered or crowded out in some part by the increased cost of housing it showed massive gains as home owners, prematurely, access their potential equity gains. This resulted in strong growth in debt / equity spending as residents borrow against capital gains to fund retail spending on consumption goods. A seemingly strong economy also influenced these recent spending trends, with decreased employment and greater job security producing an environment where households were more willing to accept debt.

Over the last 5 years this has now reversed with the worldwide GFC recession taken grip. As such, the economic environment has undergone rapid transformation. The national market is currently experiencing low interest rates (although expected to increase over this coming year) and a highly inflated $NZ (increasing importing however disproportionately). Now emerging is a rebound in the property market and an increase in general business confidence as the economy starts to recover from the post-GFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

### Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 20-year period. This rate is highly volatile however and is likely to be in the order of 0.5% to 1% over the next 5 – 10 years rising to 1% - 2% over the more medium term as the economy stabilises and experiences cyclical growth. This would mean that it would be prudent in the shorter term to be conservative with regard to the level of sustainable retail floor space within given centres.

### Business Spend 2013

This is the total retail spend generated by businesses. This has been determined by subtracting PPH retail spend and Tourist retail spend from the Total Retail Sales as determined by the Retail Trade Survey (RTS) which is prepared by Statistics NZ. All categories are included with the exception of accommodation and automotive related spend. In total, Business Spend accounts for 26% of all retail sales in NZ. Business spend is distributed based on the location of employees in each Census Area Unit and the national average retail spend per employee.

**Business Spend Forecast 2013-2038**

Business spend has been forecasted at the same rate of growth estimated to be achieved by PPH retail sales in the absence reliable information on business retail spend trends. It is noted that while working age population may be decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.

## APPENDIX 4 – CENTRE EMPLOYMENT CATCHMENTS