PROPERTY ECONOMICS

HALL FARM WAINUI

RETAIL CENTRE ASSESSMENT

Client: AV Jennings

Project No: 51776

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SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics has been engaged by AV Jennings to provide a retail economic assessment of the market potential for a proposed small-scale, mixed-use commercial centre, with the purpose of serving as a local convenience centre to the proposed Hall Farm subdivision. A second scenario is also evaluated which assesses the proposed centre's retail potential allowing for part of the Wainui Future Urban Zone (**FUZ**) development to form part of the proposed centre's market.

The primary purpose of this report is to provide a sound economic foundation to assist in decision making in the context of future demand for convenience activity from Hall Farm 'at capacity' and an allocation from the Wainui FUZ under a second scenario. It will act to quantify sustainable GFA and land area requirements for a convenience-based village centre on the basis the community's future requirements can be accommodated by the provision in an efficient manner.

The report is written in the context of the Hall Farm and Wainui FUZ (allocated to the Hall Farm centre) developments reaching their effective capacities by 2028 and 2038 respectively.

1.1. HALL FARM AND WAINUI FUZ

This report provides analysis of retail expenditure and GFA requirements under two scenarios. Scenario 1, where convenience demand comes solely from Hall Farm and Scenario 2 where convenience demand comes from both Hall Farm and a portion of the neighbouring Wainui FUZ development, which Property Economics understands to contain the potential for around 9,000 dwellings.

Property Economics is of the understanding that Hall Farm is to be developed to a capacity of approximately 750 households. For the duration of this report, convenience demand coming solely from Hall Farm 'at capacity' is referred to as Scenario 1.

For the purposes of analysis under Scenario 2 convenience demand comes from Hall Farm 'at capacity' and 1,000 additional Wainui FUZ households.

Scenario 1 has an 'at capacity' timeframe of 2028 while for Scenario 2 it is assumed that the additional 1,000 dwellings in the Wainui FUZ linked to Hall Farm via a new arterial road will be developed by 2038.

1.2. OBJECTIVES

The core objectives of this report are to:

- Determine the size of the market and level of retail expenditure generated by the Hall Farm suburb when fully developed.
- Undertake demographic profiling for the Millwater suburb which is utilised as a proxy catchment for the proposed Hall Farm development in this analysis.
- Determine the level of sustainable retail and commercial service floorspace that can be sustained by the market based on appropriate role and function of the Hall Farm centre.
- Quantify the appropriate land provision for the Hall Farm centre based on the 'at capacity' market.
- Identify appropriate retail and commercial service store types for the Hall Farm centre based on market size, role and function.
- Undertake the above process to quantify the market size, floorspace requirements and land provision for the Hall Farm Centre based on Scenario 2, which includes a Wainui FUZ provision.

2. CENTRE POLICY PLAN CONTEXT

Under the Auckland Council Unity Plan Business Zone provisions the Hall Farm centre, depending on market size, could be classified as either a 'Local Centre' or a 'Neighbourhood Centre'. Descriptions of these two centre types are set out below.

In essence a Neighbourhood Centre under the Unitary Plan is a smaller group of stores focused on a small strip / cluster of shops, whereas a Local Centre is defined as being a larger group of stores sometimes with a supermarket. An example of a nearby neighbourhood centre is the small group of stores on Millwater Parkway opposite the Metro Sports Park. A nearby example of a local centre is the Stanmore Bay retail centre anchored by a New World supermarket on Whangaparaoa Road.

2.1. LOCAL CENTRE POLICY PLAN CONTEXT

H11. Business – Local Centre Zone

H11.1. Zone Description

This Business – Local Centre Zone applies to a large number of small centres throughout Auckland. The centres are generally located in areas of good public transport.

The zone primarily provides for the local convenience needs of surrounding residential areas, including local retail, commercial services, offices, food and beverage, and appropriately scaled supermarkets. Large-scale commercial activity requires assessment to ensure that a mix of activities within the local centre is enabled. The expansion of local centres will be appropriate if it provides greater social and economic well-being benefits for the community. Provisions typically enable buildings up to four storeys high, enabling residential use at upper floors.

2.2. NEIGHBOURHOOD CENTRE POLICY PLAN CONTEXT

H12. Business – Neighbourhood Centre Zone

H12.1. Zone Description

The Business – Neighbourhood Centre Zone applies to single corner stores or small shopping strips located in residential neighbourhoods. They provide residents and passers-by with frequent retail and commercial service needs.

Provisions typically enable buildings of up to three storeys high and residential use at upper floors is permitted. Development is expected to be in keeping with the surrounding residential environment.

3. PROPOSED HALL FARM DEVELOPMENT

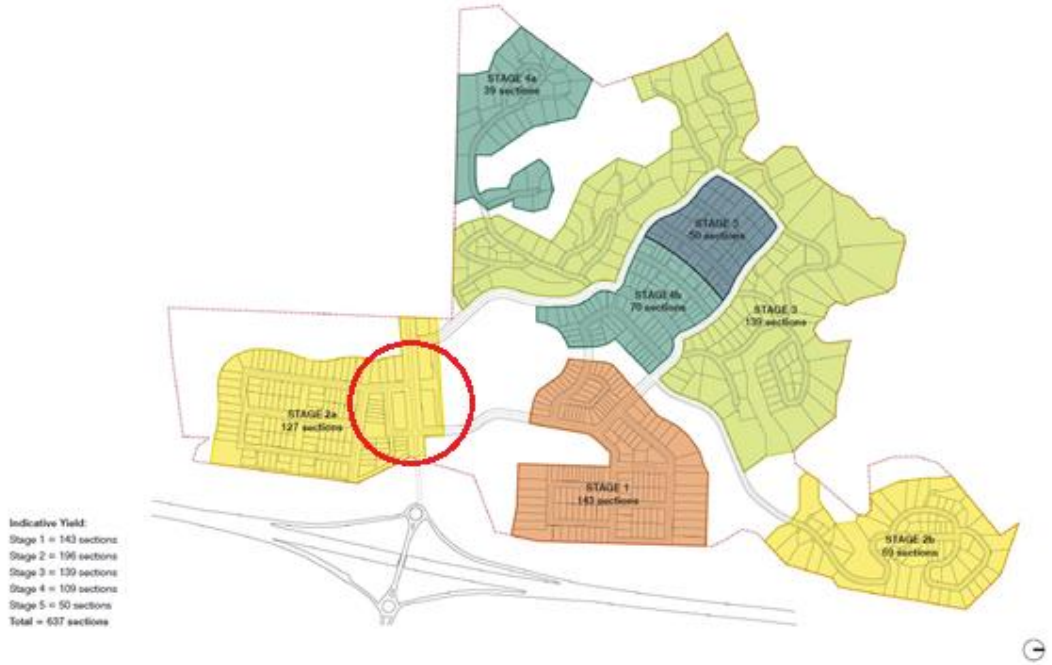
AV Jennings proposes to develop Hall Farm into a new residential subdivision to be developed in 5 stages, eventually yielding around 637 sections generally ranging between 300 sqm and 2,000 sqm in size. The development is located approximately 35km north of Auckland CBD and 3.5km west of Orewa Town Centre.

The component of this development relevant to this overview is the proposed centre near the entrance to Hall Farm from the motorway interchange, with the intent of servicing the convenience retail and commercial service requirements of surrounding residential development.

Property Economics also consider the potential for the neighbouring Wainui FUZ area to be connected to Hall Farm in the future. It has been assumed the Hall Farm centre's market will extend to serve 1,000 of these households in the future.

Figure 1 indicates the stages of development and the approximate location of the proposed village centre in the context of the Hall Farm masterplan (circled red).

FIGURE 1: STAGES OF DEVELOPMENT AND THE PROPOSED VILLAGE CENTRE



Source: AV Jennings - Hall Farm Masterplan

4. MILLWATER PROXY CATCHMENT

For the purpose of this report, the adjacent Millwater suburb has been used as a comparable proxy catchment in respect of economic and social characteristics of the likely market in Hall Farm on a ceteris paribus basis, to assist in estimating retail expenditure for Hall Farm. It is necessary to use a proxy development to obtain an indication of the level of retail demand that will result from the Hall Farm market once fully developed.

The Silverdale Central Area Unit (**CAU**), identified in Figure 2 encompasses the Millwater suburb proxy market. While the CAU elongates south alongside SH1, it contains little to no residential activity in this area and therefore has no influence on the demographics in the CAU.

A full economic and social demographic profile of the Millwater suburb can be found in Appendix 1.

FIGURE 2: SILVERDALE CENTRAL (MILLWATER SUBURB)

Source: Property Economics

The points below outline some of the salient findings from the demographic profiling of Millwater and some comparative context.

- The Millwater suburb currently has a population base of approximately 6,600 people and 2,400 households, equating to approximately 2.77 persons per dwelling on a 1:1

household unit to single dwelling ratio basis. The suburb is also characterised by a lower proportion of residents 65 and over, and a higher than average proportion of residents between 35 and 55 years and younger than 14 years. This indicates that Millwater is an attractive suburb for family households.

- In terms of household income levels, the identified catchment has a significantly higher portion of households with incomes over $100,000 p.a. (58%) when compared with the wider Auckland Region and New Zealand averages of 36% and 28% respectively. This is to be expected in a suburb which contains 'new' and larger dwellings and represents a demographic that Hall Farm is likely to attract.

- Comparatively, Millwater has a much higher proportion of 'Two Parent Family' households at 55%, compared to 30% nationally and 35% regionally.

- Millwater has an estimated retail spend per household of approximately $35,000 p.a, higher than regional and national averages of $29,000 and $27,000 respectively.

- The catchment is characterised by high employment levels, and a high proportion of employment in the professional and managerial categories. Also, the catchment has a significantly higher proportion of home ownership and homes held in family trusts compared to the wider regional and national averages.

All these attributes point towards Silverdale Central (Millwater) being a catchment predominantly populated by young families with higher than average income, wealth and retail spending potential in a comparative context. Given its close proximity and similar demographic profile, the Millwater suburb is likely to simulate the economic and social variables of Hall Farm when developed.

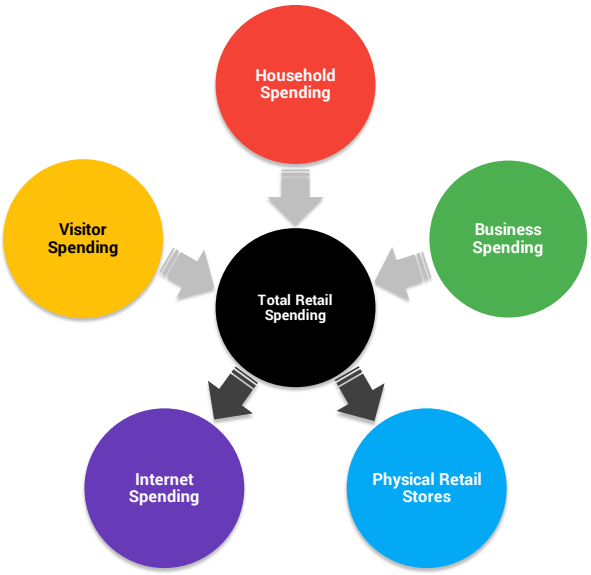
5. RETAIL EXPENDITURE AND SUSTAINABLE GFA

This section sets out the projected retail expenditure and sustainable GFA forecasts under Scenario 1 and Scenario 2. Forecasts of retail expenditure and sustainable GFA have been prepared using Property Economics' Retail Growth Model.

5.1. RETAIL EXPENDITURE GROWTH MODEL

A more detailed breakdown of the model and its inputs is set out in Appendix 2.

The following flow chart provides a simplified graphic of the Property Economics Retail Growth Model to assist in better understanding the methodology, key inputs utilised and assist in interpreting outputs.



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.

LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the Hall Farm development 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 range of stores, 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.

Therefore, 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 Hall Farm, 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.

EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2018 NZ dollars and exclude the following retail activities, as categorised under the Australia New Zealand Standard Industrial Classification (**ANZSIC**) categorisation system:

- Accommodation (hotels, motels, backpackers, etc.)
- Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)
- Hardware, home improvement, building and garden supplies retailing (e.g. Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

The above retail sectors have been excluded because they are not considered to be core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality. Fundamentally, these activity types are not considered essential or relevant to the potential Hall Farm centre.

SUSTAINABLE GFA

This analysis uses a sustainable footprint approach to assess retail demand and market potential. 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 'break even' point, but a level of sales productivity ($/sqm) that allows retail stores to trade profitably and provide a good quality retail environment, and thus economic wellbeing and amenity.

It is also necessary to separate the Gross Floor Area into:

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

A store's net retail floor 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 area leased by a retailer (sometimes referred to as GLFA –

Gross Leasable Floor Area). Back Office Floorspace in a retail store is the area used for storage, warehousing, staff facilities, admin functions or toilets and other 'back office' uses.

These activities on average 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 a 30% ratio has been applied.

5.2. RETAIL EXPENDITURE AND SUSTAINABLE GFA FORECAST

Retail expenditure and floorspace analysis has been focused solely on the sectors of convenience retailing (excluding the supermarket sector). This sector represents a subset of the total retail market. Convenience retailing can be generally defined as stores used for quick stop and frequently required shopping, used primarily due to their close proximity and easy accessibility for the customer. These stores are not exclusive to any one retail category with examples of such stores including, dairies, bakeries, fruit & vegetable stores, cafes and restaurants.

At a broad level, convenience retail spend is estimated to represent around 19% of all retail expenditure (excluding supermarket spend) and this proportion has been adopted for the purpose of this analysis.

For the purpose of this analysis it has been assumed that Hall Farm will be at capacity by 2028 and that the 1,000 dwellings in Wainui FUZ connected through a new Hall Farm arterial road, will be in the market by 2038. All following estimates of retail expenditure and sustainable GFA consider the developments to be at capacity at these respective points in time.

In order to forecast retail expenditure and sustainable GFA for Hall Farm, Property Economics have used the Millwater suburb as a comparable proxy development. Given its close proximity the Millwater suburb is considered likely to simulate the economic and social variables of future Hall Farm residents. Benchmark estimates from Millwater for retail expenditure per household have been utilised to estimate convenience-based retail expenditure and sustainable GFA in both Hall Farm scenarios.

5.2.1. Scenario 1: Convenience Retail Expenditure, Sustainable GFA and Sustainable Land Requirements

Under Scenario 1 a convenience-based retail expenditure of around $4.24m is estimated to be generated annually, which is sufficient to sustain around 710sqm GFA of convenience retail activity. However, not all convenience retail expenditure generated by Hall Farm will be internalised or remain available to the Hall Farm centre, particularly with other commercial areas such as Orewa Town Centre and Silverdale Centre in close proximity providing supermarket provisions such as New World and Countdown. Other centres are also likely to draw customers convenience spend from the Hall Farm market as are Hall Farm residents place of work.

As a result, an estimated 50% of the estimated generated retail spend is considered appropriate to internalise locally, leaving an estimated $2.12m of internalised convenience retail expenditure, reducing sustainable convenience retail demand to around 355sqm GFA. However, retail stores only comprise around 50% of a local centre's tenancy composition with convenience commercial service activity demand also requiring consideration in the proposed centre's provision. Factoring in convenience commercial and professional services demand elevates the total centre sustainable GFA requirements for convenience retail and commercial service activities in the Hall Farm centre to 710sqm GFA.

In respect of land requirements for an efficiently developed centre, applying a GFA to land ratio of 45% would be appropriate. This means around 1,600sqm of developable and usable land is required to accommodate the Hall Farm convenience retail and commercial service activities. This excludes land required for any playgrounds, urban parks, community or recreational facilities that sometimes form part of local centres. Land demand for these activities would be additional to the determined 1,600sqm.

5.2.2. Scenario 2: Convenience Retail GFA and Land Requirements

Under Scenario 2, in light of previous considerations regarding factoring in commercial services, leakage of retail spend and land requirements, the Hall Farm local centre is projected to generate an annual convenience retail expenditure of approximately $11.6m, $5.8m of which is likely to be internalised. The resulting sustainable convenience retail GFA is around 970 sqm, which increases to 1940sqm GFA when also considering demand for non-retail convenience activities.

In respect of the land requirement, around 4,300sqm of developable and usable land area would be required to accommodate this retail demand.

TABLE 1: HALL FARM CENTRE OVERVIEW

	Scenario 1	Scenario 2
Households	650	1,650
Internalised convenience retail spend	$2.1	$5.8
Sustainable GFA (sqm)	710	1,940
Sustainable land area (sqm)	1,600	4,300

Source: Property Economics

6. TRADE COMPETITION EFFECTS VS DISTRIBUTION EFFECTS

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

In terms of assessing potential retail economic effects under the RMA 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 denying a retail application under the RMA, 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 this private plan change, in terms of retail impacts, needs be considered under the RMA.

Retail distribution effects are generated by, and are the result of, consequential trade competition 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. Where the patterns of support and commercial 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.

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.

It is Property Economics' understanding that the proposed centre will be a commercial development with a primary role and function of providing convenience-based retail and commercial services to the emerging residential market surrounding the centre (Hall Farm).

The nearest competitors to the proposed centre are the Orewa Town Centre and Silverdale Town Centre, with few other convenience-based centres in close proximity such as Millwater Parkway shops. Both town centres support a variety of specialty and large format retail and commercial service provisions including supermarkets (Pak'N Save and Countdown in Silverdale and New World and Countdown in Orewa), department stores such as Farmers and The Warehouse, cafes and restaurants and convenience-based retail stores.

These centres serve as the main commercial centres for the Silverdale / Orewa area, offering a much broader range of comparative retail and commercial services and serving a larger area than the proposed centre at Hall Farm. They also contain a number of community and recreational facilities that are unlikely to be replicated in the proposed centre.

Being a small, convenience-based location, the proposed Hall Farm centre's competitiveness is largely driven by its closer proximity to its local market. In this sense the proposed centre is unlikely to pose a significant threat to these other centres to the point where retail distribution effects would begin to become evident. The proposed centre would be simply too small to

undermine those larger centres and there is no plausible potential that the proposed provision could undermine or jeopardise the retail and commercial provisions in Silverdale and Orewa to a level where their function or viability is threatened.

Taking into consideration the scale, type, location and market growth components of the proposed centre, and its proximity to centre competition, the development is not considered of a scale that could generate significant adverse retail distribution effects on surrounding centres and is therefore considered appropriately scaled and pitched.

Any effects generated by the proposed development are considered likely to be trade competition effects, and nor do the retail stores themselves have the propensity to generate significant adverse retail distribution effects on the market. Any trade diversion effects will be negligible in my opinion, trade competition based and quickly offset by projected market growth.

Given the proposed scale of the Hall Farm centre, projected market growth and role and function of the surrounding centres, Property Economics is of the opinion that the market will be able to comfortably accommodate a convenience-based centre at Hall Farm in the future.

7. POTENTIAL TENANCY TYPES

The potential range of tenancy types considered suitable for the proposed Hall Farm centre given its convenience centre role and function in the market is highlighted in the following list.

Note this is not intended to represent an exhaustive list, simply an indication of the types of retail and commercial & professional services businesses that could fit seamlessly into such a centre that would meet the local community's convenience and frequently required needs.

EXAMPLES OF CONVENIENCE RETAIL STORE TYPES

- Supermarket / Superette / Dairy / Mini-mart
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery
- Fruit & Vege Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways (Fish & Chips, Pizza, Chinese, Thai, Turkish, Indian, etc.)
- Cafés & Restaurants
- Newsagent
- Pub / Bar / Tavern
- Florist
- Gift Shops
- Pharmacy

EXAMPLES OF CONVENIENCE COMMERCIAL / PROFESSIONAL SERVICE ACTIVITIES

- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors
- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Travel agency
- Child care facilities
- Banks
- Financial Advisors

- Gym
- Lawyers

A small mix of the activity types from the range listed above, in combination with a good quality urban environment and public realm with easy accessibility and integration to the surrounding residential base, would enable the centre to grasp the opportunity available in the growing market and give the centre a strong chance of being successful well into the future.

In terms of the centre itself, consideration should be given to creating a point of difference with competing centres rather than simply duplicate existing offers and environments. If development of the centre can be pitched to deliver a slightly better outcome with a more favourable environment for shoppers and the community, then the chances of the centre becoming the preferred convenience choice increase, which a natural flow-on increase in store performance and productivity.

Integration of community, recreational and / or religious facilities may provide a point of difference and provide additional reasons for people to visit the centre. This could be on land within, or adjacent to, the proposed centre.

8. SUMMARY

In light of the retail economic analysis, Property Economics consider Hall Farm would be best served in terms of efficiency and sustainability if it had its own neighbourhood centre (as defined in the Unitary Plan) that did not conflict with, and was complementary to, surrounding comparatively larger commercial developments in Orewa and Silverdale.

The development is relatively isolated on the west of SH1 and as a matter of convenience a small commercial development is likely to be beneficial to satisfy the demand that is likely to arise from the Hall Farm suburb itself rather than draw meaningful custom from further afield.

Under Scenario 1 Property Economics consider 710 sqm convenience GFA on approximately 1,600sqm of usable and developable land area is sustainable at capacity. Under Scenario 2 Property Economics consider around 2,000sqm convenience GFA on 4,300sqm of usable and developable land area is suitable. Sustainable land requirements exclude land required for any community or recreational facilities, playgrounds or urban parks that AV Jennings may want to incorporate into the proposed centre. If desired, land for these activities would be additional to the land requirements specified.

AUP (OIP) Activity Table H12.4.1 is considered to provide an appropriate suite of activities and tenancy sizes without any additional restrictions required around tenancy sizes given the proposed centre's role and function. This enables the developer flexibility which is important when tenants and composition of the centre are unknown at this point.

To help futureproof the centre as a whole, providing flexibility to allow residential activity to be developed as part of the centre is considered appropriate. The land area determined in this economic analysis is for retail and commercial services activities only (the key components of a localised convenience centre) but does not necessarily represent all potential land uses. As such a centre land area (or extent of commercial zone) slightly larger than identified in this report would be acceptable from an economic perspective as there is no propensity for significant adverse effects to be generated.

In Property Economics experience we would recommend a slightly larger centre area than determined in this report to enable the incorporation of non-commercial land uses into the centre and again provides pragmatic flexibility for the developer. If commercial demand is slightly less than envisaged then residential activity, visitor accommodation, health facilities, etc can be incorporated into the centre. This approach appears to sit comfortably with AUP (OIP) Table H12.4.1 and the opportunities this suite of provisions enables.

APPENDIX 1: MILLWATER DEMOGRAPHIC PROFILE

GENERAL	Population	6,630
	Households	2,409
	Person Per Dwelling Ratio	2.75

AGE PROFILE	0–4 Years	9%
	5–9 Years	9%
	10–14 Years	9%
	15–19 Years	6%
	20–24 Years	4%
	25–29 Years	3%
	30–34 Years	6%
	35–39 Years	9%
	40–44 Years	12%
	45–49 Years	8%
	50–54 Years	7%
	55–59 Years	4%
	60–64 Years	4%
	65 years and Over	10%

HOUSEHOLD INCOME	$20,000 or Less	2%
	$20,001–$30,000	2%
	$30,001–$50,000	8%
	$50,001–$70,000	9%
	$70,001–$100,000	21%
	$100,001 or More	58%

PERSONAL INCOME	$5,000 or Less	15%
	$5,001–$10,000	4%
	$10,001–$20,000	13%
	$20,001–$30,000	10%
	$30,001–$50,000	16%
	$50,001 or More	42%

ETHNICITY	European Ethnic Groups	80%
	Mäori Ethnic Group	4%
	Pacific Peoples' Ethnic Groups	1%
	Asian Ethnic Groups	12%
	MELAA Ethnic Groups	1%
	Other Ethnic Groups	1%

QUALIFICATION ATTAINMENT	No Qualification	14%
	Level 1 Certificate	9%
	Level 2 Certificate	11%
	Level 3 Certificate	8%
	Level 4 Certificate	10%
	Level 5 or Level 6 Diploma	11%
	Bachelor Degree and Level 7 Qualifications	17%
	Postgraduate and Honours Degrees	4%
	Masters Degree	4%
	Doctorate Degree	0%
	Overseas Secondary School Qualification	12%

EMPLOYMENT	
Employed - Full Time	57%
Employed - Part Time	14%
Unemployed	3%
Not in Labour Force	26%

EMPLOYMENT CLASSIFICATION	
Managers	26%
Professionals	24%
Technicians and Trades Workers	9%
Community and Personal Service Workers	9%
Clerical and Administrative Workers	13%
Sales Workers	12%
Machinery Operators and Drivers	2%
Labourers	4%

STUDENT RATIO	
Full Time	10%
Part Time	4%
Full-time and Part-time Study	0%
Not Studying	86%

HOUSEHOLD INCOME SOURCES	
Wages, Salary, Commissions, Bonuses etc	83%
Self-employment or Business	27%
Interest, Dividends, Rent, Other Invest.	33%
Payments from a Work Accident Insurer	1%
NZ Superannuation or Veterans Pension	12%
Other Super., Pensions, Annuities	3%
Unemployment Benefit	1%
Sickness Benefit	1%
Domestic Purposes Benefit	1%
Invalids Benefit	0%
Student Allowance	1%
Other Govt Benefits, Payments or Pension	5%
Other Sources of Income	1%
No Source of Income During That Time	0%

INDUSTRY OF EMPLOYMENT	
Agriculture, Forestry and Fishing	1%
Mining	0%
Manufacturing	7%
Electricity, Gas, Water and Waste Services	0%
Construction	11%
Wholesale Trade	11%
Retail Trade	9%
Accommodation and Food Services	5%
Transport, Postal and Warehousing	2%
Information Media and Telecommunications	3%
Financial and Insurance Services	7%
Rental, Hiring and Real Estate Services	2%
Professional, Scientific and Technical Services	13%
Administrative and Support Services	3%
Public Administration and Safety	4%
Education and Training	9%
Health Care and Social Assistance	7%
Arts and Recreation Services	2%
Other Services	4%

HOUSEHOLDS	Single	6%
	Couple	31%
	Single Parent With Children	6%
	Two Parent Family	55%
	Other Multi-person	2%
NUMBER OF RESIDENTS	1 Residents	5%
	2 Residents	30%
	3 Residents	19%
	4 Residents	29%
	5 Residents	13%
	6 Residents	3%
	7 Residents	1%
	8 Plus Residents	1%
HOME OWNERSHIP	Dwelling Owned or Partly Owned	65%
	Dwelling Not Owned and Not Held in a Family Trust	13%
	Dwelling Held in a Family Trust	22%
YEARS AT RESIDENCE	0 Years	43%
	1–4 Years	36%
	5–9 Years	19%
	10–14 Years	1%
	15–29 Years	1%
	30 Years or More	0%
NUMBER OF BEDROOMS	One Bedroom	1%
	Two Bedrooms	1%
	Three Bedrooms	24%
	Four Bedrooms	64%
	Five Bedrooms	8%
	Six Bedrooms	2%
	Seven Bedrooms	0%
	Eight or More Bedrooms	1%
WEEKLY RENT PAID	Under $100	0%
	$100–$149	0%
	$150–$199	0%
	$200–$249	0%
	$250–$299	0%
	$300–$349	0%
	$350 and Over	100%

APPENDIX 2: PROPERTY ECONOMICS RETAIL GROWTH MODEL

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

CAU 2013 Boundaries

All analysis has been based on Census Area Unit 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 2018, 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, 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 2018 growing to 10% 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.

In 2008 this reversed with the worldwide GFC recession took grip, while over recent years an economic recovery has emerged. As such, the economic environment has undergone rapid transformation. The national market is currently experiencing low interest rates (although expected to increase over the short term) and an inflated $NZ (increasing importing however disproportionately). The recent 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 can be volatile however and generally falls within the range of 0.5%-2.0%. It is considered prudent in the shorter term to be conservative with regard to the level of sustainable retail floor space within given centres and as the economy stabilises and experiences cyclical growth longer term rates might be slightly higher.

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.