PROPERTY ECONOMICS

FARINGDON WOOLWORTHS

ECONOMIC ASEESSMENT

Project No:	52364
Date:	February 2024
Client:	Woolworths NZ Ltd

SCHEDULE

Code	Date	Information / Comments	Project Leader
52364.5	February 2024	Report	Tim Heath / Phil Osborne

DISCLAIMER

This document has been completed, and services rendered at the request of, and for the purposes of Woolworths New Zealand Limited only.

Property Economics has taken every care to ensure the correctness and reliability of all the information, forecasts and opinions contained in this report. All data utilised in this report has been obtained by what Property Economics consider to be credible sources, and Property Economics has no reason to doubt its accuracy.

Property Economics shall not be liable for any adverse consequences of the client's decisions made in reliance of any report by Property Economics. It is the responsibility of all parties acting on information contained in this report to make their own enquiries to verify correctness.

COPYRIGHT

CONTACT DETAILS

Tim Heath

Mob: 021 557713

Email: tim@propertyeconomics.co.nz

Web: www.propertyeconomics.co.nz

TABLE OF CONTENTS

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1.   INTRODUCTION

Property Economics has been instructed by Woolworths New Zealand Limited (**Woolworths**) to undertake an economic assessment on the retail and economic implications of a proposed Woolworths development containing new 3,530sqm GFA supermarket (including a mezzanine office of 200sqm GFA), a click'n collect area of 325sqm GFA and two small scale retail areas (375sqm GFA cumulatively[1]) on Goulds Road, Rolleston South.

The primary purpose of this report is to address the relevant areas of economic analysis required to inform the application and assist Woolworths and Selwyn District Council (**SDC**) in understanding the potential economic effects relevant to the assessment in the context of the RMA.

The assessment also provides a detailed understanding of the projected market growth, key social and economic demographics, market dynamics, and the influence and implications these factors are likely to have on the relevant retail markets and existing centre provision in the identified core market / catchment.

This report also provides an assessment of the proposed development in the context of the District Plan 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 and emerging commercial centres and the existing supermarket network in Rolleston.

In essence, findings from this economic assessment form a view of whether the proposed Woolworths development at the subject site can be supported from an economic perspective.

1.1.   KEY RESEARCH OBJECTIVES

The main objectives of the economic research and analysis include:

- 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 perspective.

---

[1] Store GFA figures rounded.

- Quantify the current estimated population and household base of the proposed supermarket's core economic market, and project this out to 2038 based on Stats NZ Medium and High population projection series.

- 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.

- Quantify the level of retail expenditure generated within the core economic market on an annualised basis in the relevant retail sectors (supermarkets and convenience food & beverage sectors) and forecast this out to 2038.

- 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.

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

- 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.

- Quantify the sustainable convenience retail provision (GFA) within the identified catchment and assess the appropriateness of the proposed small retail tenancies in light of the existing neighbourhood centre provisions within the catchment.

- Spatially identify the existing and expected commercial centres within Rolleston and its vicinity, including those centres that are most at risk of receiving adverse retail impacts in the RMA context.

- Assess the employment trends and composition of the Rolleston Town Centre over the last 23 years to understand the role, function, vitality, and growth potential of the centre. This provides insights into the centre's ability to absorb any retail distribution effects.

- Assess whether the proposed development would have significant retail distribution effects on the existing and expected centres as a result of the proposed supermarket, within the context of the broader role and function these centres play in the market and the RMA.

- Undertake a high-level economic costs benefits analysis for the proposed development.

1.2. INFORMATION & DATA SOURCES

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

- Business Demography Statistics – Stats NZ

- Catchment Map – Google Maps

- Centre Activity Audit January 2024 – Property Economics

- Household and Population Projections – Stats NZ

- Household Economic Survey - Stats NZ

- Meshblock 2023 – Stats NZ

- NZ 2018 Census Data - Stats NZ

- Planning Provisions – Selwyn District Council District Plan

- Retail Growth Model – Property Economics

- Retail Trade Survey - Stats NZ

- Supermarket Audit – Property Economics

- Concept Plan – Woolworths

2. PROPOSED DEVELOPMENT OVERVIEW

Woolworths proposes to establish a new convenience centre containing a 3,530sqm GFA supermarket (which includes a 200sqm GFA office), plus a 325sqm GFA online shopping click'n collect area and two small convenience retail areas with a cumulative GFA of 375sqm at the subject site.

This development is located within a piece of land currently zoned as Inner Plains under the ODP, situated at the northeastern corner of the Faringdon Oval development by Hughes Developments Limited. The Proposed District Plan (**PDP**) seeks to urbanise the surrounding area for medium & large lot residential development. Property Economics understands some aspects of the PDP remain under appeal, but the rezoning of the subject site (from Inner Plains to General Rural Zone) is not.

FIGURE 1: SUBJECT SITE AND THE SURROUNDING ZONING ENVIRONMENTS
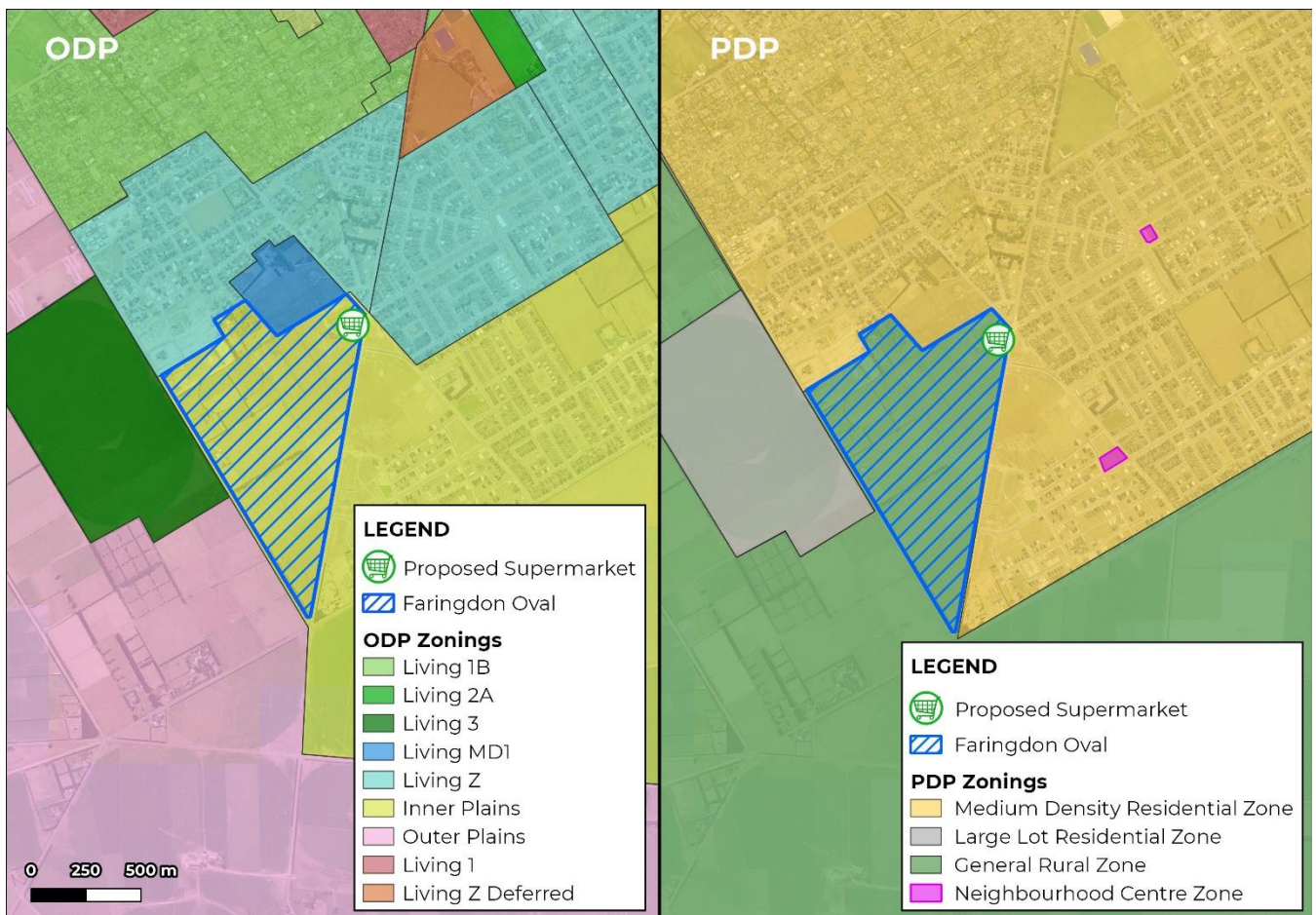
Source: Selwyn District Council, LINZ, Property Economics

The Faringdon Oval development encompasses a triangular block of land located in the south-west corner of Rolleston South, comprising six separate parcels of land owned by Hughes. The total land area for this development is approximately 69.3ha, referring to the Blue Stripe Area in the figure above.

The development plan of Faringdon Oval involves subdividing land on Dunns Crossing and Goulds Roads, as well as Rangatira Street. The objective is to create housing, a modest neighbourhood centre, and associated infrastructure and amenities in Faringdon South.

Upon its completion, Faringdon Oval is anticipated to serve as an extension of the current Faringdon community in Rolleston. It will provide a diverse range of residential densities and typologies, along with a high level of greenscaping and a comprehensively connected network of transport links.

Considering the provided context, the proposed Woolworths development, situated at the northeastern corner of Faringdon Oval, would become an integral component of the Rolleston future urban environment. It is strategically positioned to efficiently meet demand generated and improve the wellbeing of future communities within the South Rolleston catchment.

The proposed Site Plan of the Woolworths development is illustrated in the figure below.

FIGURE 2: PROPOSED SITE PLAN OF WOOLWORTHS DEVELOPMENT

Source: ASC Architects

3. CORE ECONOMIC MARKET

In order to estimate the retail development potential (or opportunity available) for the proposed 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 supermarket is designed to primarily service, and where the store is considered to have a strategic locational advantage in terms of proximity over other supermarkets.

The following illustrates the geospatial extent of the proposed supermarket's core retail market. This has been based on the existing and proposed supermarket network (including the PAK'n SAVE at 157 Levi Road – RC216016), 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 3: CORE CATCHMENT OF THE PROPOSED SUPERMARKET
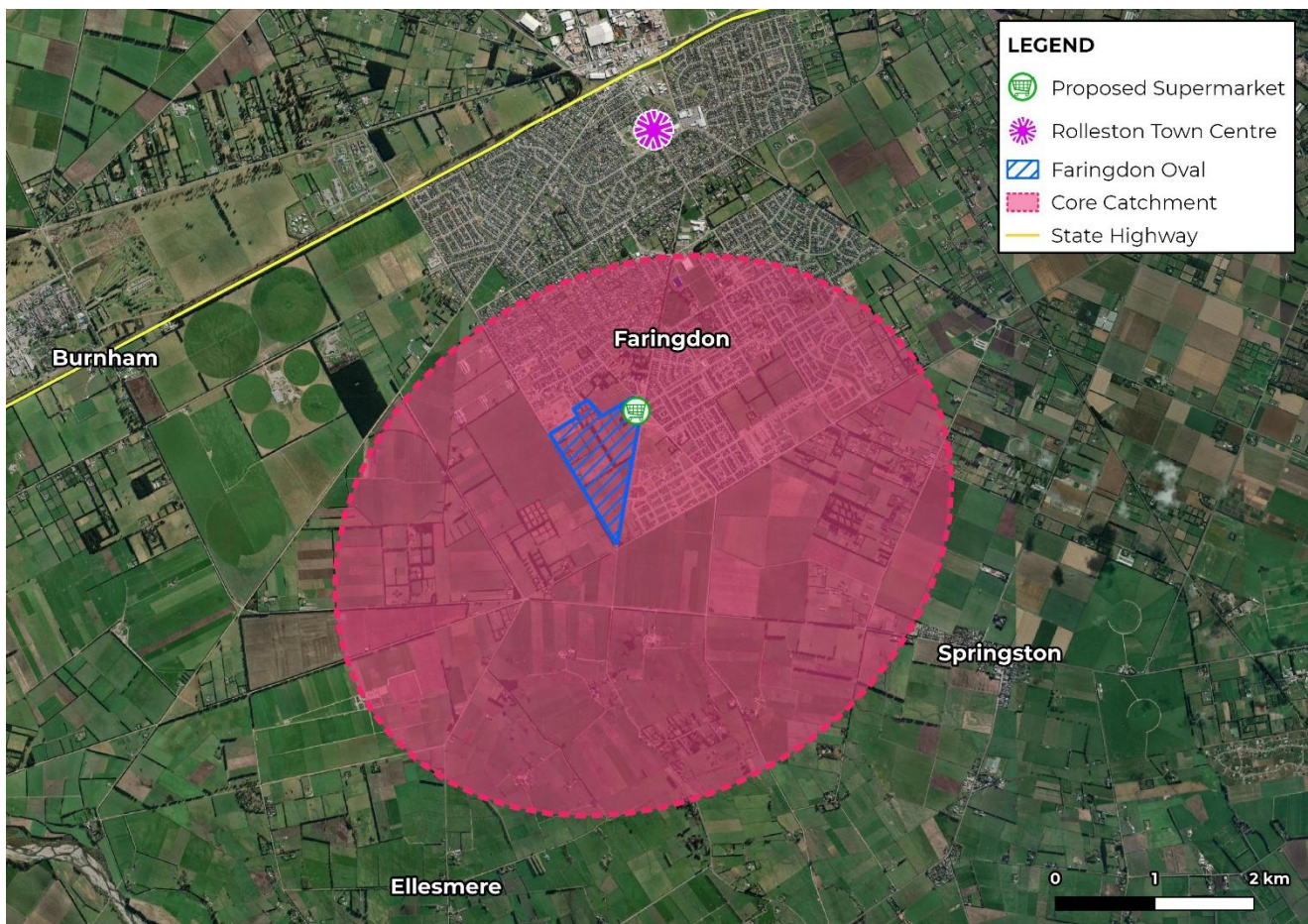
Source: LINZ, Property Economics

In Property Economics experience, 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.

Given the existing and consented supermarkets in and around the Rolleston Town Centre, the proposed development is well-positioned to attract its localised market rather than trying to be a destination supermarket for the wider Rolleston or district community.

It is important to note residents within this catchment will also shop in supermarkets outside of the catchment and vice versa. In light of this, the catchment illustrated in the above figure represents the core economic market where the proposed supermarket is likely to derive the majority of its customers, sales and generate more frequent use.

This core retail catchment (the area highlighted in Red) will be used as the basis for the subsequent supermarket retail analysis.

4.   DEMOGRAPHIC PROFILE

An economic and social demographic profile for the identified core catchment has been complied in comparison to the wider Selwyn District average. This is to determine where the market sits in terms of demographic characteristics and general profile of where the majority of the store's most frequent shoppers 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 (2023) estimated population base of around 8,260 people and 2,850 households. This equates to a household size of 2.9 persons per dwelling, slightly higher than the wider district (2.8), indicating a higher presence of families in the catchment.

- The median annual household income of $111,000 in the core catchment is significantly higher than the district average at $103,000. In respect to the proportion of household earnings over $100,000 p.a. the core catchment has 57%, compared to only 52% of district households. This typically translates into higher levels of available expenditure on a per household unit basis.

- These differences in income levels between the catchment and district average can be partly related to the difference in educational attainment. Within the identified catchment approximately 26% of the working-age population have a Bachelor's degree qualification or higher, compared to only 23% of the wider district.

- On a similar note, the catchment has an unusually high proportion of residents aged between 20 – 39 years, an age group that represents 31% of the population in the catchment compared to 24% across the wider district. This indicates a higher proportion of young professionals in the market and young families given the lower average age in the catchment relative to the district ((33 years vs 37 years).

- Also relevant is the occupation of the working residents and the proportion of working employees. The core catchment area has 22% of professional employment, compared to the district average of 20%. Also, the higher proportion of working employees in the catchment (77% vs 68%) increases average household incomes making the slightly higher household income level within the core catchment than the district average.

- In the core catchment area, around 12% of the dwellings are identified as under construction, a notable contrast to the wider district where only 2% are in a similar phase. This is not unexpected in new residential areas. This statistic highlights that the catchment area is experiencing substantial new development, highlighting the growing demand for retail and commercial services to support the performance and efficiency of this emerging urban area.

- Additionally, the catchment area is also a proportionately expensive place to reside when compared to the district average. It currently has 95% of rental residents paying over $400 per week for rent compared to only 41% across the wider district.

- Overall, the core catchment can be considered as having a relatively younger, earning slightly higher incomes, residing in higher price properties (on average) and growing quickly. In essence this catchment area would appear to have growing retail development potential and opportunity.

5.   POPULATION AND HOUSEHOLD PROJECTIONS

The following figure displays the population and household growth projections for the identified core catchment. These projections are derived from the latest available (June 2023) Stats NZ population growth projections for both the Medium and High growth series.

It shows that as of 2023, the catchment boasts a population of approximately 8,260 individuals, signifying substantial growth of about 74% over the past five years. This translates to an annual increase of around 700 people between 2018 and 2023.

Consequently, the current growth trajectory of the catchment's population aligns well with Stats NZ's Medium growth scenario. If this trend persists, it is anticipated that the population within the catchment will reach approximately 13,170 residents by 2038 and around 16,410 residents by 2048. This represents an additional +4,900 people over the next 15 years and a doubling of its current population base 25 years.

FIGURE 4: CORE CATCHMENT POPULATION AND HOUSEHOLD GROWTH PROJECTIONS
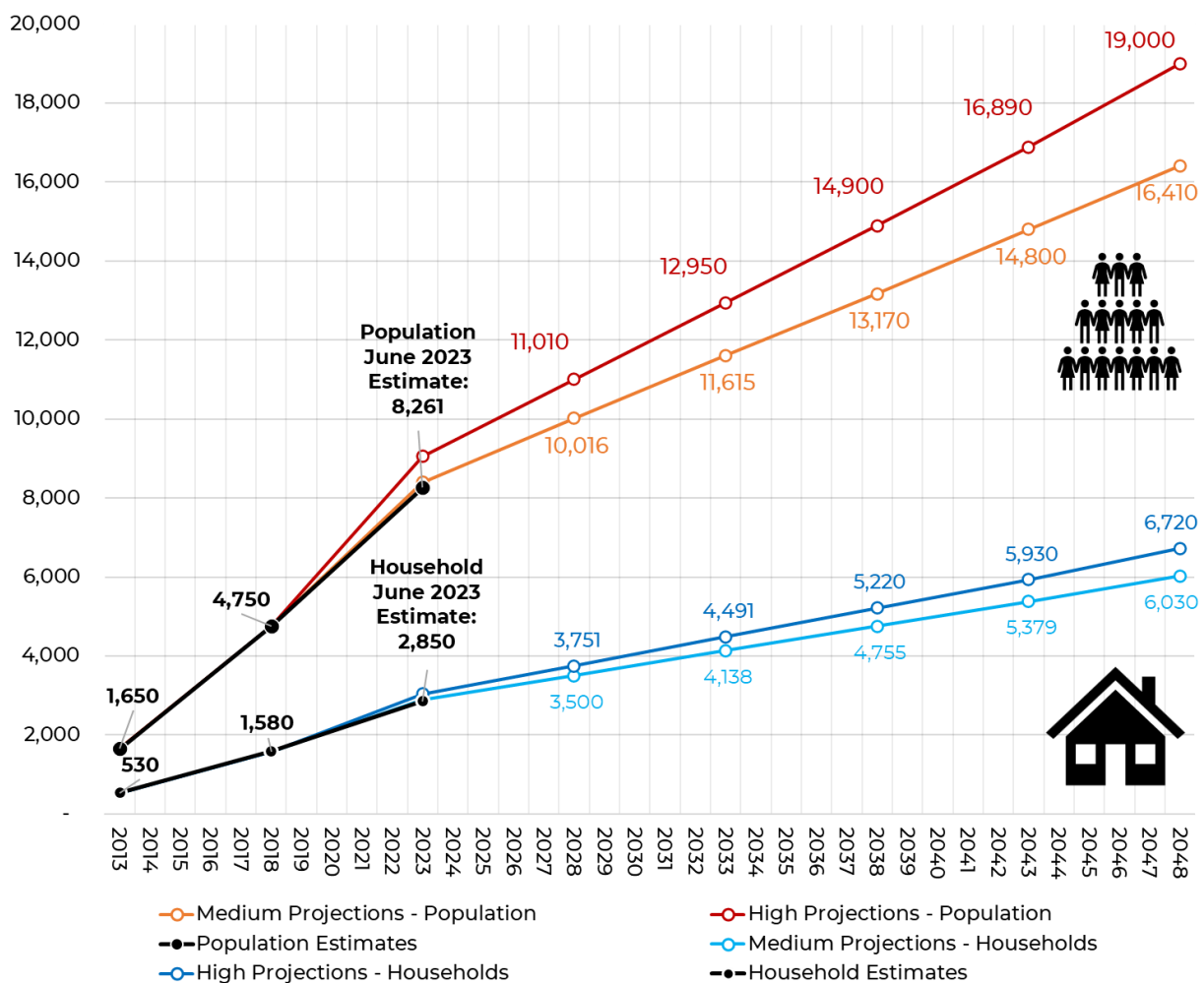
Source: Stats NZ

Under the High growth scenario, the catchment is expected to undergo substantial expansion, projecting an increase of approximately +80% in the next 15 years (by 2038) and +130% in the next 25 years (by 2048). This would result in a future population of nearly 15,000 people by 2038 and approximately 19,000 people by 2048.

The anticipated population growth underscores significant residential development potential in the area and escalating requirement for additional food retailing activities within the catchment. It also indicates any adverse retail impacts on an individual store's sales is likely to be quickly offset by expenditure growth in the market.

A comparison of population and household projections reveals that the number of households is expected to outpace the growth of the population in the catchment. This is primarily due to a projected decrease in the person per dwelling ratio over the forecast period. As household sizes decrease over time, there is a foreseeable demand for more compact residential development across the wider district. This is likely to generate additional demand for retail, including food retailing, within the broader district and Rolleston.

The latest net migration data from Stats NZ indicates net migration into NZ is at record levels reflecting a strong post-COVID rebound with NZ still being viewed as an attractive country for people to permanently migrate. High net migration puts increased pressure on constrained housing markets which are already under significant pressure and amplifies the need for new residential capacity to be injected into the supply pipeline over the short term. If high levels of net migration are sustained, the current population growth projections for Rolleston could be conservative.

Note that beyond the core catchment, the broader area south of State Highway 1 in Selwyn District is considered the wider secondary catchment (refer to Appendix 2), which would be partially served by the proposed development.

Providing context of market size and growth beyond the core catchment, this wider secondary catchment has experienced +37% population growth over the last five years, increasing from approximately 43,900 people in 2018 to just over 60,000 people in 2023. This growth trend is projected to persist over the next 25 years, reaching a population of up to 92,400 people by 2048 under the Stats NZ High growth scenario.

This represents significant projected growth of approximately +54% in population over the next 25 years, resulting in significant growth in demand for retail and employment offerings.

Given the above projections, in combination with the locational characteristics of the site, the proposed Woolworths development is considered strategically positioned to cater to the current and future communities in the wider catchment and accommodate the anticipated population growth within the broader secondary catchment area.

6. FOOD RETAILING EXPENDITURE & SUSTAINABLE GFA

This section sets out the projected supermarket retail expenditure and sustainable retail Gross Floor Area (**GFA**) for the proposed supermarket's core retail catchment. The forecasts have been based on the medium population and household growth projections utilising the new 2023 base and have been prepared using Property Economics' Retail Growth 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 and convenience food retailing, the sectors considered to be most relevant to this assessment.

6.1. RETAIL GROWTH 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.

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.

6.2.   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 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.

6.3.   CORE CATCHMENT GENERATED FOOD RETAILING EXPENDITURE

The following table breaks down the Supermarket and Convenience / Speciality Food Retail markets for the identified catchment over the assessed 15-year period to 2038 on an annualised basis. This is based off both the Medium and High projection scenarios presented in Section 5.

It is estimated that the identified core catchment currently (2023) generates a total 'pool' of around $69m per annum of retail expenditure from which retail stores can draw sales. This is estimated to increase further to $125m per annum by 2038 under the Medium growth scenario and $141m per annum by 2038 under the High growth scenario.

Total retail spend includes expenditure in department stores and national banner brands such as Harvey Norman, The Warehouse, Noel Leeming, Rebel Sports, Briscoes, Farmers etc. These activities draw from large catchments and are typically found in larger town and metropolitan centres and shopping malls and would not be anticipated to be efficiently delivered in Riverhead. Expenditure beyond the Convenience and Food Retailing sectors will therefore be serviced by the higher-order centres, such as the Rolleston Town Centre, and other larger centres in Christchurch.

TABLE 1: CORE CATCHMENT ANNUALISED FOOD RETAILING EXPENDITURE ($M) FORECASTS

Medium Growth Scenario	2023	2028	2033	2038
Total Generated Retail Expenditure ($m)	$69	$88	$105	$125
Supermarket ($m)	$27	$34	$41	$49
Convenience Food Retailing ($m)	$9	$11	$14	$16
Total Food Retailing Expenditure ($m)	$36	$45	$55	$65

High Growth Scenario	2023	2028	2033	2038
Total Generated Retail Expenditure ($m)	$69	$96	$118	$141
Supermarket ($m)	$27	$38	$46	$55
Convenience Food Retailing ($m)	$9	$13	$15	$18
Total Food Retailing Expenditure ($m)	$36	$50	$61	$73

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%.

Overall, it is estimated that Supermarket and Convenience Retailing portions of total retail spend amount to $36m for the 2023 base year. This retailing activity represents the spend typically done within the localised catchment area, and consumers are less willing to travel for or it is less efficient to do so, thereby giving the proposed supermarket at the site a competitive advantage.

With the growth that is anticipated within the catchment, this is estimated to grow to around $65m per annum under the Medium growth scenario and around $73m annually under the High growth scenario by 2038, equivalent to a growth of $29m-$37m annually respectively (or 81%-103% increase), in real terms, of generated retail expenditure.

6.4.   CORE CATCHMENT SUSTAINABLE FOOD RETAILING GFA

The table below illustrates the level of sustainable GFA within the food retailing sectors that can be sustained by the generated spend within the core catchment between 2023 and 2038.

It is estimated that the core catchment generates enough retail expenditure on an annualised basis to sustain around 4,600sqm of food retailing GFA in 2023, of which around 3,100sqm and 1,500sqm are attributed to Supermarkets and Convenience Food Retailing store types respectively.

TABLE 2: CORE CATCHMENT SUSTAINABLE FOOD RETAILING GFA (SQM) FORECASTS

Medium Growth Scenario	2023	2028	2033	2038
Supermarkets	3,100	3,900	4,700	5,600
Convenience Food Retailing	1,500	1,900	2,300	2,700
Total Sustainable Food Retailing GFA (sqm)	**4,600**	**5,800**	**7,000**	**8,300**

High Growth Scenario	2023	2028	2033	2038
Supermarkets	3,100	4,300	5,200	6,300
Convenience Food Retailing	1,500	2,100	2,600	3,100
Total Sustainable Food Retailing GFA (sqm)	**4,600**	**6,400**	**7,800**	**9,400**

Source: Property Economics

Between 2023 and 2038, the anticipated total sustainable retail GFA, determined by the food retail expenditure in the core catchment, is projected to reach approximately 8,300sqm in 2038 under the Medium growth scenario and 9,400sqm in 2038 under the High growth scenario.

Based on these estimates, it is expected that by 2026 (the estimated completion year of the development given planning, earthworks, infrastructure and construction lead times), the sustainable food retailing GFA within the core catchment would be around 5,300sqm under the Medium growth scenario and approximately 5,700sqm under the High growth scenario.

Considering these projections, the proposed Woolworths supermarket is seen as appropriate and well-positioned to fulfil a portion of the growing demand within the identified catchment.

Additionally, given the foreseen growth in both food retail spending and sustainable food retailing GFA over the next 15 years, the core catchment has sufficient capacity to absorb the impacts of the proposed Woolworths supermarket, which covers only around 3,700sqm of GFA for retail, storage, and preparation space, and increase supply to satisfy projected demand over the forecast period.

7. ROLLESTON SUPERMARKET NETWORK

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

The following figure illustrates the current and expected supermarket network in the local and surrounding urban environments.

FIGURE 5: EXISTING AND EXPECTED SUPERMARKET NETWORK
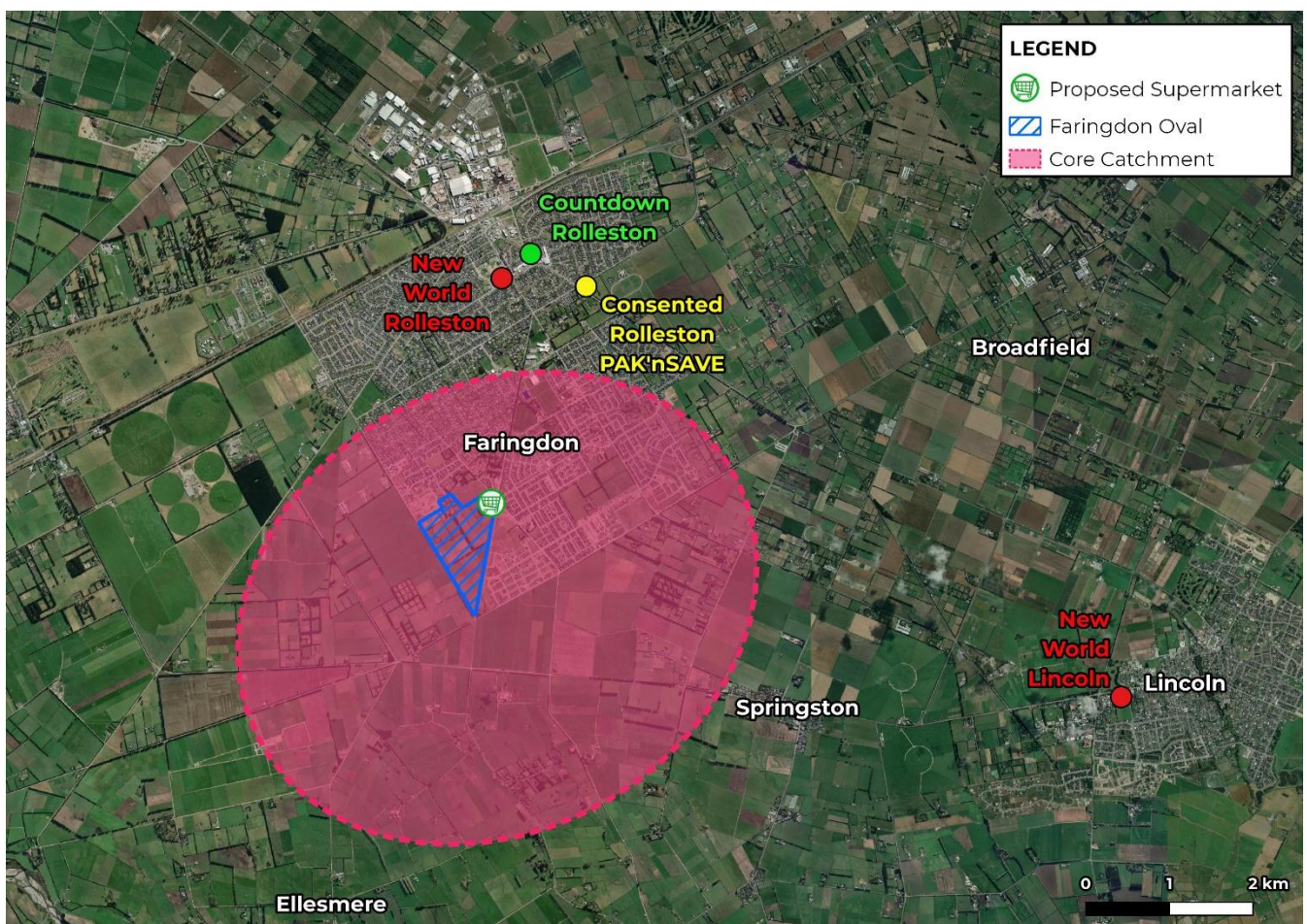
Source: Property Economics, Auckland Council

As depicted in the above figure, the identified core catchment currently is devoid of an existing supermarket and residents have to travel into the Rolleston Town Centre for their supermarket shopping. Considering the expected growth of the core catchment, the projected sustainable future supermarket GFA, and the absence of a supermarket supply within the catchment, there exists significant development potential to introduce an additional supermarket in the catchment. This would effectively meet the demand generated by the expanding local communities, both present and future, throughout the forecast period (2023 – 2038).

Beyond the core catchment, Rolleston Township hosts two established supermarkets - Countdown Rolleston (approximately 3,900sqm GFA) and New World Rolleston (approximately 3,200sqm GFA). Positioned in the Rolleston Town Centre, these supermarkets have the capacity to attract spending from a broader area, extending beyond the Rolleston Township to include the surrounding rural areas.

In addition to these existing supermarkets, there is a consented but not yet established PAK'n SAVE supermarket southeast of the Rolleston Town Centre. This forthcoming supermarket is granted approval with a GFA of around 8,100sqm, poised to become the largest supermarket in Rolleston upon establishment.

As such, it can be expected that this PAK'n SAVE supermarket will serve a significant catchment area, particularly considering the absence of the same brand in Selwyn. Given its "consented" status, this PAK'n SAVE supermarket forms part of the existing environment under the RMA.

Considering the market size south of State Highway 1 in Selwyn alone is over 60,000 people currently, typically a population base of around 12,000 people to sustain a supermarket and market size growing to over 92,000 people in the foreseeable future, there is market demand and growth to support all these supermarkets. This includes the New World supermarket in Lincoln and its recently consented expansion.

The Selwyn market north of State Highway 1 adds additional market size and growth to these metrics further supporting the requirement for additional supermarket GFA.

With a current market size over 60,000 people (excluding the market north of State Highway 1) and robust market growth, none of the existing supermarkets would be adversely affected to the point where their operation / performance would be jeopardised to the point where they are likely to experience significant impacts. Their contribution to the economic vitality of the area will remain.

The loss of market share would be unpalpable to either Woolworths or Foodstuffs. The sale impact effects would be spread across all these supermarkets meaning the sales '*hit*' on any one individual supermarket would not be fatal.

8.   ROLLESTON COMMERCIAL CENTRE NETWORK

There are three different levels of commercial zoning in the Partially Operative Selwyn District Plan (Appeals Version) (**PODP**) that forms a distinct commercial centre hierarchy with a clear role and function for each of the centres. A visual representation of the Rolleston commercial centre network is illustrated in the figure below.

FIGURE 6: ROLLESTON COMMERCIAL CENTRE NETWORK
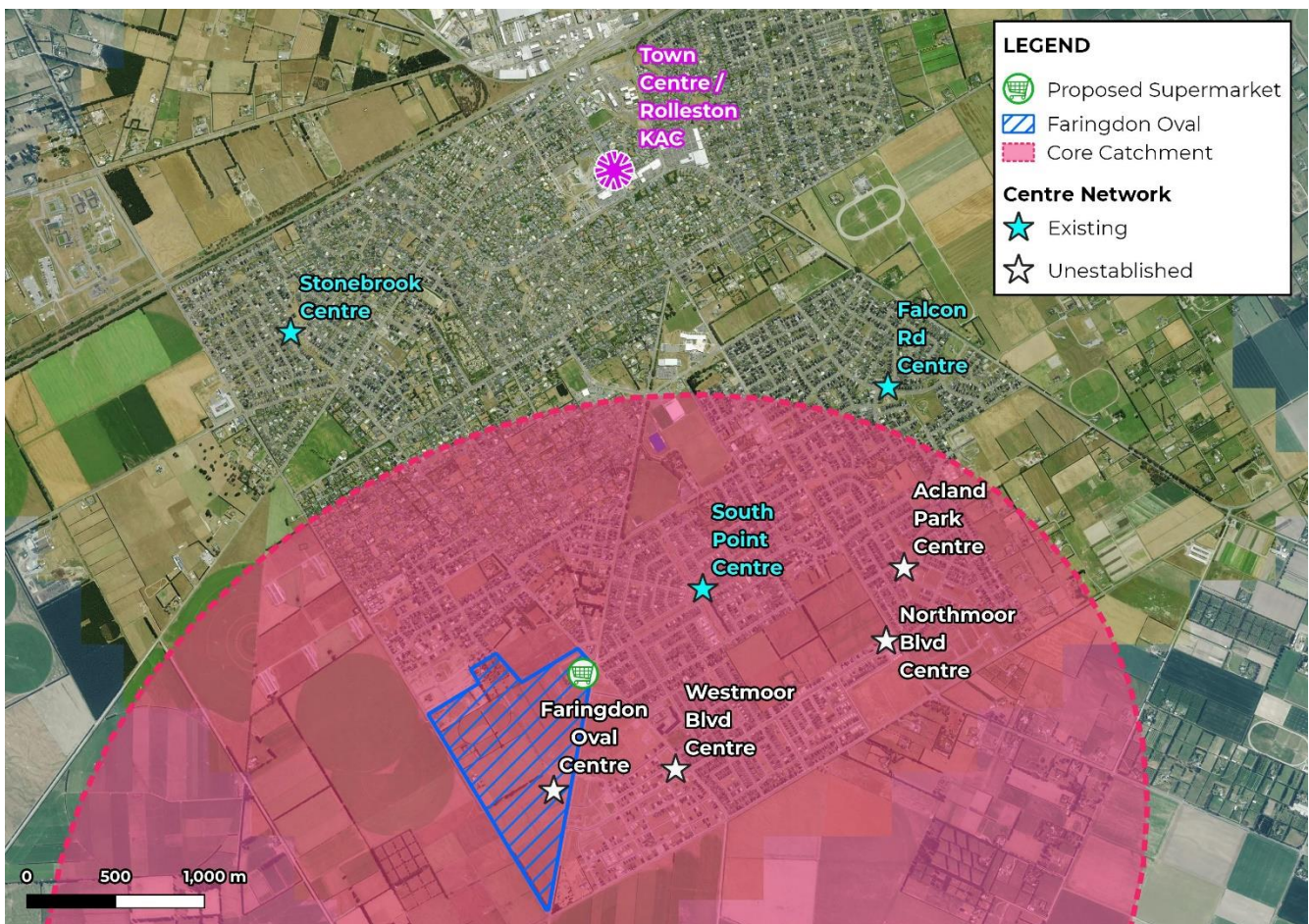
Source: Selwyn District Council, LINZ, Property Economics

There are only two centre types in Rolleston – Town Centre and a large number of Neighbourhood Centres (either operational, zoned or planned). These identified commercial centre zoning types are as follows:

- Town Centre Zone (**TCZ**) – The TCZ is applied to the District's main commercial centres and provides a focal point for communities. As per the PODP, the TCZ is identified as "*the primary focus for commercial activities within the District and provides a diverse range of commercial activities, along with residential, recreation, cultural and community activities and civic services*" (TCZ-O1).

The Rolleston Town Centre (**RTC**) stands as the central hub for commercial activities in the broader district and is designated as one of the Key Activity Centres (**KACs**) under the Land Use Recovery Plan (**LURP**). Currently, the RTC is primarily anchored by two supermarkets (Countdown Rolleston and New World Rolleston supermarkets), a department store (The Warehouse), and other nationally known retail brands such as Noel Leaming, Chemist Warehouse and Warehouse Stationary, .

Given its prominent position within the wider Selwyn commercial centre network, the RTC caters to a broader district catchment and offers a comprehensive range of retail, commercial activities and community facilities. It is well-established not only to serve the surrounding suburbs but also to meet the diverse needs of the broader district.

Recent and ongoing development of the centre has added to RTC's breadth of offer, improving the centre's role, function and performance.

- Neighbourhood Centre Zone (**NCZ**) – The NCZ encompasses small areas of commercial development that are located within a predominantly residential area. As per the PODP, the purpose of the NCZ is "*to provide primarily for small-scale commercial activities and community activities that directly support the immediate residential neighbourhood*".

  However, according to the PODP, it is important that the type and scale of activity within these zones is managed so that it supports the wider activity centre network in providing for the District's commercial needs but does not detract from the broader function of the TCZ as the focal point for commercial activities and community activities.

  As depicted in the figure above, there are currently four identified NCZs within the core catchment, excluding the Faringdon Oval neighbourhood centre. Among these four NCZs, only one centre is established, known as the South Point Centre.

  - <u>South Point Centre</u>: The established centre, South Point Centre, spans around 3,370sqm of land to the northeast of the proposed Woolworths development. Presently, the activities within this centre cover an estimated GFA of around 1,480sqm. This includes one convenience store and four food & beverage stores situated on the ground floor, along with a dance school occupying a first-floor tenancy.

  - <u>Acland Park Centre</u>: The potential centre is situated at the Broadway Parade roundabout and is currently undeveloped. As per Avanda Group[2], all tenancies in this forthcoming centre have been sold out. The planned amenities include a café, childcare centre, fitness circuit, and potentially other retail offerings,

---

[2] *Sourced from https://avanda.co.nz/?page_id=4092*

covering a land area of around 3,340sqm. Utilising a Floor Area Ratio (**FAR**) ratio of 0.45, it is anticipated that upon completion, this future centre will accommodate a total of approximately 1,500sqm GFA for retail and commercial tenancies.

- o <u>Westmoor Blvd Centre</u>: Situated southeast of the proposed development, this identified centre has no realistic potential for future retail / commercial use due to its approved residential subdivision, as Property Economics understands. Despite being identified as a NCZ under the PODP, this centre land is to be developed for residential dwellings and therefore becomes an irrelevant consideration for this assessment.

- o <u>Northmoor Blvd Centre</u>: This centre has received approval under the Fast-track Consenting Act 2020, specifying that it is permitted to accommodate only a pre-school centre and a health care services centre. Despite being granted approval, this centre remains undeveloped with no operational businesses. Since there is no commercial zoning or plans for convenience retail offerings in this potential centre, no consideration is required in this analysis.

Considering the overview of the centres mentioned above, the total existing and anticipated convenience retail provision within the catchment is approximately 3,000sqm GFA. This comprises 1,480sqm GFA at South Point and an estimated 1,500sqm GFA at Acland Park.

In the subsequent section, this figure (i.e., 3,000sqm GFA) will be compared with the estimated sustainable convenience retail provision in the catchment to assess the appropriateness and economic efficiency of the proposed small retail provisions within the proposed development, totalling 375sqm GFA.

The obvious gap in the Rolleston commercial centre network is provision for a local centre. Local centres are a crucial centre type in a network, typically based around a supermarket with complementary small scale convenience tenancies. Local centres allow a larger proportion of convenience expenditure to be captured locally, which improves market and network efficiency. The burgeoning residential base in south Rolleston is now at a level where a local centre can be sustained and would enable the local community to access a lot more day-to-day convenience retail and commercial services requirements at a local level.

Note that while the Faringdon Oval residential development has received consent, and subsequent retail demand, this has not been taken into account in the PODP.

- • **Local Centre Zone (LCZ)** – The LCZ encompasses the main commercial areas within the district's smaller townships. As per the PODP, the purpose of the LCZ is to "*provide primarily for commercial and community activities that provide for the daily and*

weekly goods and service needs of the surrounding area, with the wider commercial needs met by the commercial zones in the district's larger townships".

Currently, there are no zoned or identified LCZs in Rolleston. The ongoing zoning of NCZs is not the most economically efficient way to deliver convenience retail to south Rolleston moving forward. They are limited in their scope of offer and will still require every household in Rolleston to travel into RTC to access a supermarket.

The number of NCZs either operational, zoned or proposed is excessive for the market size and all are unlikely to be developed. This is reflected in one NCZ (Westmoor Blvd Centre) not being developed and reconsented for residential development.

In this regard the Woolworths proposal addresses the LCZ shortfall in a practical way and improves the convenience provision and the commercial network of Rolleston. In essence the proposal plugs an obvious gap in the market which without would lead to significant issues for the efficiency of Rolleston's network in the future.

9. SUSTAINABLE CONVENIENCE RETAIL PROVISION

This section forecasts the sustainable convenience retail provision within the identified catchment for the year 2038, utilising the projected 2038 population base under the Stats NZ Medium and High growth projections, namely, 13,170 and 14,900 people, respectively.

As shown previously, it is forecast that the projected 2038 population base of the catchment will generate a total annualised retail spend of around $125m - $141m. Based on a 15% convenience spend ratio, the total convenience-based retail expenditure generated by the catchment is estimated to be around $19m - $21m annually.

Assuming an average sustainable productivity for a convenience centre in Rolleston is around $6,500/sqm, the estimated $19m - $21m convenience retail spend can be translated into a convenience retail GFA requirement of 4,100sqm – 4,600sqm.

TABLE 3: CATCHMENT ESTIMATED SUSTAINABLE CONVENIENCE RETAIL PROVISION (SQM)

	Medium (2038)	High (2038)
Catchment population	13,170	14,900
Catchment generated annualised retail spend ($m)	$125	$141
Catchment generated total convenience retail spend ($m)	$19	$21
Catchment sustainable convenience retail GFA (sqm)	4,100	4,600
Catchment existing & expected convenience retail GFA supply (sqm)	3,000	3,000
Catchment convenience retail GFA demand & supply differential (sqm)	**+1,100**	**+1,600**

Source: Property Economics

Based on the analysis in the previous section, the total existing and anticipated convenience retail GFA within the catchment is approximately 3,000sqm. With this, the core catchment has the potential to support an additional 1,100 to 1,600sqm of convenience retail GFA by the year 2038.

Considering that the proposed development is set to provide only 375sqm of small retail provision, there is no propensity that the convenience retail component of the broader Woolworths development would compromise the role, function, and performance of the existing and expected convenience centres. Simply put, the proposed 375sqm of convenience retail GFA is considered suitable and sustainable within the catchment without posing a threat to the performance and future growth of the existing and anticipated centres.

Moreover, given the co-location of the proposed Woolworths supermarket, Property Economics considers there is potential for the development to offer a convenience retail provision greater than 375sqm of GFA at the subject site to create a broader local centre for the community.

The Woolworths supermarket itself will draw a significant level of the local market to the subject site. It would be more economically efficient if other smaller scale convenience needs could be satisfied at the same site, rather than scattered around numerous NCZs. If shoppers are coming to the site anyway for their supermarket requirements, it is more efficient if they can access other convenience store types on the same trip.

10. ECONOMIC IMPACT ON ROLLESTON TOWN CENTRE

10.1. ROLLESTON TOWN CENTRE EMPLOYMENT TRENDS

To understand the likely economic impact of the proposed development on the RTC, this sub-section outlines the composition of the RTC in terms of its role and function in the market, based on the latest employment count data sourced from Stats NZ.

The following table shows the employment[3] breakdown for RTC and the growth across each sector over the last 13 years (2010 - 2023). Appendix 4 contains a map showing the extent of the assessment area used for the following analysis which were based on covering the extent of the centre zone and the Rolleston KAC extent given the Stats NZ Meshblock 2023[4] boundaries.

TABLE 4: ROLLESTON TOWN CENTRE EMPLOYMENT TRENDS (2000 - 2023)

ANZSIC	2010	2015	2020	2023	Growth
A - Agriculture, Forestry and Fishing	0	18	39	42	42
C - Manufacturing	9	15	18	18	9
E - Construction	0	18	12	9	9
F - Wholesale Trade	0	0	6	0	0
G - Retail Trade	182	377	480	542	360
H - Accommodation and Food Services	40	202	245	320	280
I - Transport, Postal and Warehousing	0	3	0	0	0
J - Information Media and Telecommunications	0	15	18	18	18
K - Financial and Insurance Services	3	9	18	27	24
L - Rental, Hiring and Real Estate Services	12	18	6	12	0
M - Professional, Scientific and Technical Services	0	6	6	6	6
N - Administrative and Support Services	0	0	6	6	6
O - Public Administration and Safety	180	252	271	321	141
P - Education and Training	65	60	96	110	45
Q - Health Care and Social Assistance	0	25	15	39	39
R - Arts and Recreation Services	0	0	6	12	12
S - Other Services	6	18	12	15	9
Total All Industries	**497**	**1,036**	**1,254**	**1,497**	**+1,000**

Source: Stats NZ, Property Economics.

Overall, the RTC boasts a diverse and rapidly expanding employment base, reinforcing its pivotal role as the primary economic hub in the broader district.

---

[3] *Employee Counts or ECs are units of employment measure by Stats NZ*

[4] *Meshblocks are the smallest geographical area for data provided by Stats New Zealand*

Between 2010 and 2023, the total employed population in the RTC increased by an additional +1,000 employees, resulting in the current (2023) employment base being three times larger as it was in 2010 (1,500 persons in 2023 vs. 500 persons in 2010). This robust growth signifies that the RTC continues to expand rapidly to support the growing population, accommodating new business activities and, consequently, offering additional employment opportunities and amenities to the township and the broader district.

However, considering the continuous influx of new businesses and retail /commercial activities into the RTC in 2023 (not fully reflected in Stats NZ data ending in February 2023), Property Economics considers that the 2023 employment count data is conservative and does not accurately represent the practical level of business activity and employment base within the RTC. Property Economics considers the employment base of the RTC is larger as a result of recently opened developments in the RTC that would not have been picked up in the Stats NZ employment metrics as yet.

Based on the data, the sectors with the three most substantial nominal growths in employment over the past 13 years are Retail Trade (+360 persons), Accommodation and Food Services (+280 persons), and Public Administration and Safety (+140 persons). Collectively, the growth in these sectors represents 78% of the total employment growth in the RTC.

Notably, the growth in both the Retail Trade and Accommodation and Food Services industry solidifies the RTC's position as the predominant retail destination for the wider district. This is evident in the following figure, which illustrates that these two sectors together account for approximately half of the total employment base, equivalent to just over 700 persons.

Given this material retail employment base within the RTC and its robust growth, in conjunction with fast growing market demand, it can be expected that the potential retail impact of the proposed development would be less than than minor as the primary impacts would be on the high performing supermarket stores only.

Additionally, as indicated in the figure below, the Commercial and Other Services sector cumulatively account for the other half of the RTC's overall employment base, further supporting the RTC's diverse role and function in the wider district. This means that the RTC, despite having a substantial retail employment base, is not merely functioning as a retail hub. Indeed, the RTC accommodates a range of commercial, community, recreational, and residential activities that cater to the needs of the Rolleston township and the wider Selwyn District.

In light of the above analysis, Property Economics considers that the proposed development has no potential to undermine the overall role and function of the RTC, and as such the net impacts of the proposed development would be positive on the community.

FIGURE 7: ROLLESTON TOWN CENTRE EMPLOYMENT COUNT BY BROAD SECTOR
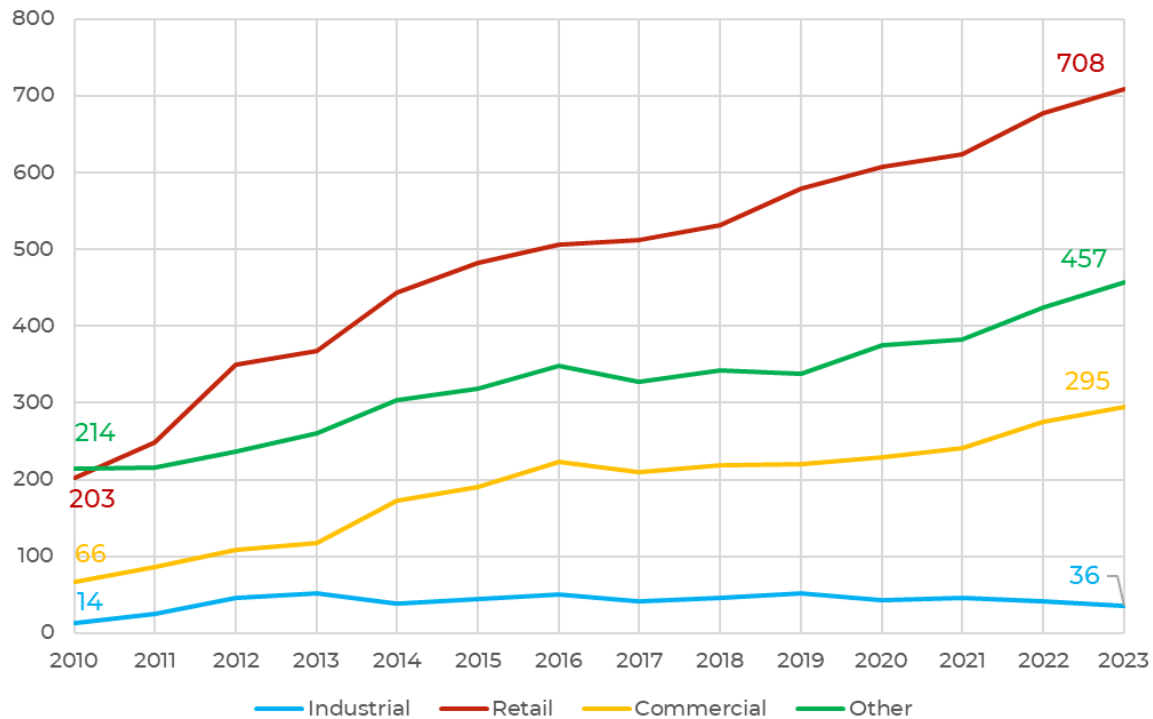
Source: Stats NZ, Property Economics

10.2.   GROUND TRUTHING – BUSINESS AUDIT

To gain a better understanding of RTC's capacity to absorb the retail impacts of the proposed development, it is crucial to evaluate its current composition of the centre. A key aspect of this assessment is the business audit conducted by Property Economics in January 2024. This audit involved a comprehensive count of all retail and commercial activities, including both operational and vacant entities, categorised by broad sector. The outcomes of the retail audit are presented in the table below.

Through Property Economics ground truthing, the RTC currently accommodates a total ground level tenancy count of 106 tenancies. Notably, retail tenancies constitute slightly over 60% of the overall composition, with the majority of retailers falling under Food and Beverage Services (25 tenancies) and Food Retailing (13 tenancies).

The RTC also provides a robust array of commercial and professional services, encompassing 37 diverse offerings such as medical services, banks, real estate agencies, beauty related stores. This distribution underscores the RTC's broad commercial and professional services offering, reflecting a notable level of diversity.

In addition to these established business activities, recent developments including Tennyson Market and Rolleston Fields underpin the growth of the centre. These expanding offerings are expected to complement the existing amenities of the RTC and further enrich its role and function in the wider district.

An important measure of a centre's performance is the level of vacancy, of which the RTC has only five tenancies identified as Vacant. Proportionally, this is equal to around 5% which is considered to be healthy for a centre of this size, particularly when it appeared a few of the vacant tenancies had only just become available in the new developments. .

In summary, the RTC serves as a crucial hub for the broader community, catering to a growing district catchment. With its current healthy vacancy rate of 5%, the centre effectively fulfils its envisaged role and function. Emerging investments are poised to enhance the business environment and vitality of the RTC. Consequently, there is no likelihood that its role and function would be undermined by the proposed development, including both the Woolworths supermarket and the small scale convenience activities.

TABLE 5: ROLLESTON TOWN CENTRE BUSINESS AUDIT (JANUARY 2024)

As of January 2024	Business Count
Total Retail Tenancies	**64**
Supermarkets	2
Food Retailing	13
Food and Beverage Services (incl. cafes, bars, restaurants)	25
Electronics Retailing	11
Fashion Retailing (cleothing, footwear and personal accessories)	4
Department Store	1
Pharmaceuticals	4
Other Retail (e.g., florists, pet shops, gift shops)	4
Total Commercial and Professional Services	**37**
Commercial & Professional Services (e.g., medical, hairdressers, banks, real estate)	32
Community Facilities (i.e., police, MP office, library)	3
Other Commercial Activities N.E.C	2
Vacant	**5**
Total Tenancies	**106**
Under-construction (Tennyson Market and Rolleston Fields)	2

Source: Property Economics

11. TRADE COMPETITION VS DISTRIBUTION EFFECTS

In assessing potential retail economic effects under the RMA, there is 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 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 the application need to be considered.

Trade competition effects focus especially on the impacts on individual trade competitors. They are direct store-on-store sales impacts on trade competitors. For example, where there is an existing florist in operation and another florist opens in proximity to that store, the existing florist would inevitably lose some custom to the new florist. Case law has established that any such adverse effects are not to be considered for the purposes of the RMA, unless they are significant or go beyond what is considered to be a 'normal' level of trade competition.

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 especially on the impacts on individual trade competitors. In contrast, where a proposal is likely to have a more general effect 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

---

[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).*

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".

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 retail effects of the proposed Woolworths development needs to be considered.

---

[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."

12.   SUMMARY

Overall, having undertaken the requisite economic assessments, Property Economics considers that both the proposed 3,530sqm GFA Woolworths supermarket, a click'n collect area of 325sqm GFA, and 375sqm GFA of small-scale convenience retail provision at the site are sustainable by the identified core catchment, both currently and over the forecast period.

While the introduction of the Woolworths supermarket may lead to a temporary and minor decline in retail sales for existing Countdown and New World supermarkets in the RTC, given the absence of an existing supermarket in Faringdon and the core catchment, this potential impact is likely to remain at the trade competition level only and not flow over to a threshold that would cause material retail distribution effects. Importantly, any such impact is likely to be spread across all existing supermarkets within the wider secondary market and would not result in the closure of any individual store.

After assessing employment trends and established business activities within the Rolleston Town Centre, Property Economics considers that the centre boasts a significant employment base, diverse role and function, strong growth and high performance (measured by vacancy rate) that would not be adversely affected by the proposed Woolworths supermarket and the 375sqm convenience retail provisions at the site.

In Property Economics view, the proposed site is strategically positioned in Faringdon, located on the main street (Goulds Road), making it highly accessible for the community and attractive for the proposed supermarket and retail activities due to its profile and flexibility.

From an economic perspective, it is deemed more efficient to consolidate convenience demand in a strategic location such as the subject site, as opposed to an alternative to scattered NCZs (a small-scale retail stores) across the market.

Given the anticipated pulling power of the proposed Woolworths supermarket, Property Economics would support a greater provision of small-scale convenience retail at the proposed LCZ. This approach can be expected to yield substantial net economic benefits for the local market and communities, including reduced travel distance to reach the frequently required supermarket store, enhanced business agglomeration effects, greater land use efficiency, reduced marginal infrastructure cost, and the creation of a well-functioning urban environment.

In light of this economic assessment, in Property Economics view, the proposed Woolworths development would have no material impact on the role, function, viability, vibrancy, and performance of any existing centre and supermarket in the network and would provide positive economic benefits for the market and community. Therefore, Property Economics supports the proposed Woolworths development from an economic perspective.

APPENDIX 1: DEMOGRAPHIC PROFILING

		Core Catchment	Selwyn District
GENERAL	Population	8,261	81,320
	Households	2,850	28,946
	Person Per Household Ratio	2.90	2.81
	Intercensal Population Growth (Total | % p.a.)	3,097 | 23.5%	16,601 | 6.3%

		Core Catchment	Selwyn District
AGE PROFILE	0 - 9 Years	17%	14%
	10 - 19 Years	13%	14%
	20 - 29 Years	13%	11%
	30 - 39 Years	17%	13%
	40 - 49 Years	17%	16%
	50 - 59 Years	11%	14%
	60 - 69 Years	7%	10%
	70 - 79 Years	3%	5%
	80 Years and Over	0%	2%
	Median Age	**33.2**	**37.8**

		Core Catchment	Selwyn District
Household Income	$20,000 or less	2%	4%
	$20,001-$30,000	4%	5%
	$30,001-$50,000	7%	10%
	$50,001-$70,000	10%	11%
	$70,001-$100,000	20%	18%
	$100,001-$150,000	32%	28%
	$150,001 or more	25%	24%
	Median Income	**$111,000**	**$103,000**

		Core Catchment	Selwyn District
ETHNICITY	Asian	9%	6%
	European	77%	81%
	Maori	8%	7%
	Middle Eastern Latin American African	1%	1%
	New Zealander	1%	1%
	Other Ethnicity	2%	2%
	Pacific Peoples	2%	2%

		Core Catchment	Selwyn District
QUALIFICATION ATTAINMENT	No qualification	12%	15%
	Overseas secondary school qualification	6%	4%
	Level 1 certificate	11%	13%
	Level 2 certificate	12%	12%
	Level 3 certificate	11%	11%
	Level 4 certificate	11%	10%
	Level 5 diploma	6%	6%
	Level 6 diploma	6%	6%
	Bachelor degree and Level 7 qualification	14%	13%
	Post graduate and honours degrees	6%	5%
	Masters degree	3%	3%
	Doctorate degree	1%	1%

		Core Catchment	Selwyn District
LOCATION 5 YEARS AGO	Elsewhere in New Zealand	63%	52%
	No fixed abode five years ago	0%	0%
	Not born five years ago	9%	7%
	Overseas	8%	5%
	Same as usual residence	20%	36%

		Core Catchment	Selwyn District
EMPLOYMENT	Employed Full time	65%	58%
	Employed Part time	13%	17%
	Not in the Labour Force	19%	23%
	Unemployed	2%	2%

		Core Catchment	Selwyn District
EMPLOYMENT CLASSIFICATION	Clerical and Administrative Workers	14%	12%
	Community and Personal Service Workers	10%	9%
	Labourers	7%	10%
	Machinery Operators and Drivers	6%	7%
	Managers	18%	22%
	Professionals	22%	20%
	Sales Workers	9%	8%
	Technicians and Trades Workers	15%	13%

		Core Catchment	Selwyn District
PERSONAL INCOME SOURCES	Wages, Salary, Commissions, Bonuses etc paid by my employer	77%	68%
	Interest, Dividends, Rent, Other Investments	16%	20%
	Jobseeker Support	1%	2%
	New Zealand Superannuation or Veteran s Pension	9%	14%
	Other government benefits, Payments or Pension	3%	3%
	Other Sources of Income	1%	1%
	Other Superannuation, Pensions or Annuities	1%	2%
	Regular payments from ACC or a Private Work Accident Insurer	1%	2%
	Self Employment or Business I own and work in	13%	19%
	Sole Parent Support	1%	1%
	Student Allowance	2%	2%
	Supported Living Payment	0%	1%
	No source of income during that time	5%	6%

		Core Catchment	Selwyn District
INDUSTRY OF EMPLOYMENT	Accommodation and Food Services	3%	4%
	Administrative and Support Services	4%	4%
	Agriculture Forestry and Fishing	4%	10%
	Arts and Recreation Services	1%	2%
	Construction	14%	12%
	Education and Training	8%	8%
	Electricity Gas Water and Waste Services	0%	1%
	Financial and Insurance Services	2%	2%
	Health Care and Social Assistance	8%	7%
	Information Media and Telecommunications	0%	1%
	Manufacturing	13%	11%
	Mining	0%	0%
	Other Services	4%	4%
	Professional Scientific and Technical Services	10%	9%
	Public Administration and Safety	7%	7%
	Rental Hiring and Real Estate Services	2%	2%
	Retail Trade	8%	8%
	Transport Postal and Warehousing	5%	5%
	Wholesale Trade	8%	6%

		Core Catchment	Selwyn District
WEEKLY RENT PAID	Under $100	0%	3%
	$100 - 149	0%	8%
	$150 - 199	0%	17%
	$200 - 299	2%	11%
	$300 - 399	3%	20%
	$400 - 499	83%	30%
	$500 - 599	13%	10%
	$600 and over	0%	1%
DWELLING OWNER	Dwelling held in a family trust	9%	15%
	Dwelling not owned and not held in a family trust	29%	21%
	Dwelling owned or partly owned	62%	65%
DWELLING TYPE	Joined dwelling	6%	4%
	Other private dwelling	0%	1%
	Private dwelling not further defined	0%	0%
	Separate house	94%	95%
DWELLING OCCUPANCY	Dwelling Under Construction	12%	2%
	Empty Dwelling	3%	5%
	Occupied Dwelling	83%	89%
	Residents Away	3%	4%
NUMBER OF BEDROOMS	One bedroom	1%	2%
	Two bedrooms	9%	8%
	Three bedrooms	41%	35%
	Four bedrooms	41%	45%
	Five or more bedrooms	9%	10%
STUDYING	Full time study	24%	24%
	Not studying	73%	74%
	Part time study	3%	3%
HOUSEHOLD SIZE	One usual resident	11%	13%
	Two usual residents	32%	35%
	Three usual residents	21%	18%
	Four usual residents	23%	21%
	Five usual residents	9%	9%
	Six usual residents	2%	2%
	Seven usual residents	1%	1%
	Eight or more usual residents	0%	0%
	Number of usual residents unidentifiable	3%	3%

APPENDIX 2: WIDER SECONDARY CATCHMENT (SA2)
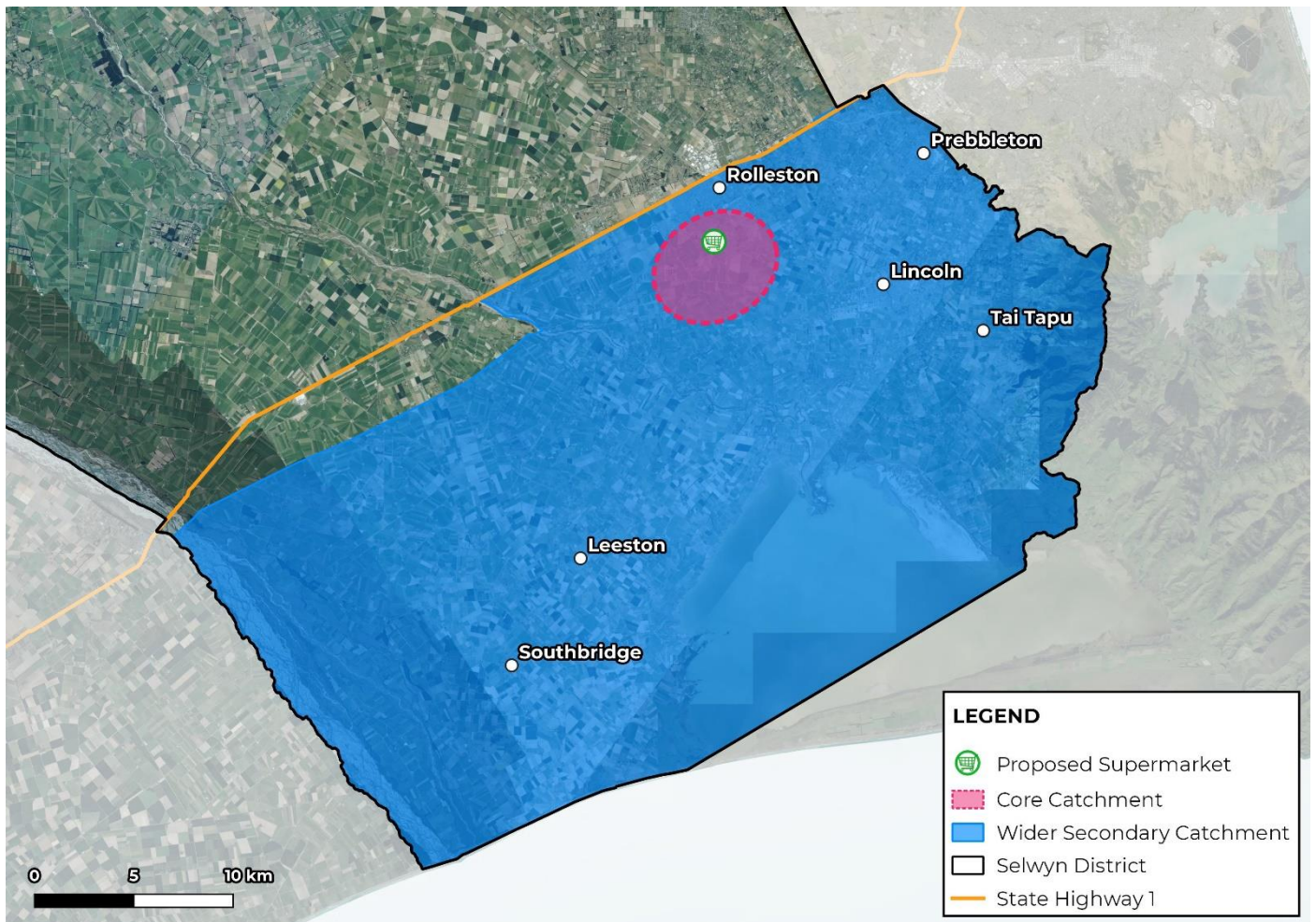
Source: Google Maps, Stats NZ, LINZ, Property Economics

APPENDIX 3: PROPERTY ECONOMICS RETAIL GROWTH MODEL

This overview outlines the methodology that is applied to estimate retail spend generated for an identified catchment for a specific projection period.

Statistical Area 2 2018 Boundaries

All analysis has been based on Statistical Area 2 2018 boundaries, the most recent available.

Household Estimates

As a key base input into Property Economics Retail Model. Specifically, the household count projections from Statistics New Zealand, based off the 2018 Census (available at the SA1 level) and Statistics New Zealand's population growth projections, have been applied in the model. These projections also make adjustments for changes in the population per household ratios at a national level. The Statistics New Zealand household projections are cross referenced with any more specific projections provided by the client.

Population Growth

The population growth projections used in projecting future household retail growth are outlined in the report. These are derived from Statistics New Zealand's most recent population projection series. These are cross referenced with any more specific population growth projections provided by the client.

Although the demographics at the household level drive the estimates in the distribution of the household retail spend, the growth in population has been used as the input to project future retail growth.

Statistics New Zealand's latest household projections are based on the assumption of a decreasing household size, resulting in proportionally greater household growth than population. However, the Household Expenditure Survey shows a clear positive relationship between household size and retail expenditure. Therefore, relying solely on the household growth as an indicator without adjusting for the changing demographic would artificially inflate the projected retail growth.

Given the recent trends of an increasing household size contrary to the projection assumptions, Property Economics considers projecting the retail growth based on future population growth rather than households is a more appropriate assumption. This is ultimately a conservative assumption in the decreasing household size scenario and will be more accurate the less the demographics shift.

International Tourist Spend

The total tourism retail spend has been derived from the Tourism Satellite Account and distributed to each district according to the data as published by MBIE. Within each district, this has been distributed on a 'spend per retail employee' basis. 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 forecast in the model at 3% per annum.

Average Household Retail Spend

The Household Expenditure survey breaks down average weekly spend by retail category on a national level by annual household income brackets and by the average number of usual residents. These have been applied to each of the geospatial units based on the distribution of household size and income for that geospatial unit, as determined in the 2018 Census.

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 Soft goods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other (Retail) 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.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a proportional decrease in on-the-ground spend and floor space demand. To account for this, a non-linear percentage decrease of 8% in 2020 growing to 12.5% by 2053 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 can 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 floor pace, since it is inflationary and only serves to drive up prices.

Wealth / Equity / Debt: This had a dramatic impact in the early-mid 2000s on the level of retail spending nationally. The increase in property prices has increased homeowners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumer 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 and 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 this 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 significant gains as homeowners, 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 spending trends, with decreased employment and greater job security producing an environment where households were more willing to accept debt.

New Zealand's economy has been impacted on by several key events over the last two decades. Firstly, this trend temporally reversed in the light of the worldwide GFC recession in 2008 with economic uncertainty and job losses reducing consumers' willingness and ability to accept debt. Following this however, New Zealand's economy recovered with growth in the first half of the 2010-2020 decade fuelled by the Christchurch earthquake. Additionally, rapid inflation in the construction industry has contributed to the rapidly rising house prices. This has had a significant impact on reducing disposable income, which has flow-on effects to the rate of retail growth. Finally, most recently the COVID-19 global pandemic resulted in a national lockdown with retailers forced to close under alert Level 3 and 4.

Despite this, New Zealand's economy so far has not fallen to the extent economists predicted heading into the first lockdown during the first quarter of 2020. Data available on Statistics New Zealand showed that total retail expenditure declined by only 0.2% between 2020 and

2019. This is in comparison to the average annual growth of just over 5% per annum between 2010 – 2019.

From an economic perspective, COVID-19 represents significant uncertainty and thereby making the already difficult job of anticipating the future, that much harder. There are several unpredictable factors that will decide the fate of worldwide economy and it is difficult to accurately predict what long term impacts this global pandemic will have on international travel, the domestic economy and retail trends as it relates to internet retailing.

Impacts of Changing Retail Spend

At this point, a 1% real retail growth rate is being applied by Property Economics over the longer term 30-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 regarding the level of sustainable retail floor space within given centres.

Business Spend

This is the total retail spend generated by businesses. This has been determined by subtracting International tourism retail spend and the household retail expenditure 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 36% 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

Business spend has been forecasted at the same rate of growth estimated to be achieved by household retail sales in the absence of 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: ROLLESTON TOWN CENTRE ASSESSMENT EXTENT

Source: Google Maps, Stats NZ, LINZ, Property Economics