PAK’N SAVE TE RAPA

RETAIL ECONOMIC

IMPACT ASSESSMENT

Project No: 51656

Date: June 2018

Client: Foodstuffs North Island
SCHEDULE

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<td>June 2018</td>
<td>Report</td>
<td>Tim Heath / Phil Osborne</td>
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1. INTRODUCTION

Property Economics has been engaged by Foodstuffs North Island Limited (FSNI) to undertake an economic assessment of the retail impact implications of the proposed new Pak’N Save supermarket in Te Rapa, Hamilton. This report also addresses the key aspects/requirements within the Centres Assessment Report (CAR) as identified in the Hamilton District Plan.

The report provides a detailed understanding of the market demand supply dynamics, the implications of projected growth and the influence this will have on the wider market. Particular focus will be placed on the potential impacts on the existing centres network in Hamilton and the CAR criteria for new supermarkets on industrial zoned land outlined under Section 9.5.4 and matters of Discretion assessment criteria in H2 in the policy.

It is Property Economics' understanding that the proposed Pak’N Save has a GFA just under 6,500sqm, including an approximate 500sqm mezzanine (office/admin) area. The development also includes Pak’N Save operated petrol pumps in the carpark, as seen in many other existing Pak’N Save offerings around the country, where discounted fuel for Pak’N Save shoppers can be sourced. The proposed site plans for the proposed supermarket, as supplied by FSNI, has been attached in Appendix I.

The site of the proposed Pak’N Save is situated on the corner of Te Rapa Road and Eagle Way, adjacent to the existing Countdown supermarket to the south of the site. It is also directly across State Highway 1 from The Base/Te Awa regional shopping destination.
1.1. **KEY RESEARCH OBJECTIVES**

The core objectives of this overview are to:

(i) Identify and illustrate the geo-spatial extent of the core retail economic market catchment for the proposed Te Rapa Pak’ N Save supermarket and determine its indicative market size.

(ii) Provide a detailed profile of the key economic and social demographic characteristics in the core catchment.

(iii) Project catchment population and household growth over the period to 2038.

(iv) Calculate the level of food retailing expenditure generated by the core catchment and project this out to 2038.

(v) Determine the amount of retail floorspace that can be sustained by the core catchment both currently and in the future, considering the influence of the wider retail network and shopping patterns.

(i) Analyse the composition of food retailing expenditure within Hamilton City between Te Rapa and the balance of the City.

(ii) Determine the supply of retail activity in the Core Catchment in GFA terms, and cross reference the food retailing sector with current and forecast demand.

(iii) Assess whether there are likely to be any retail distributional effects generated on the existing centres that are considered to be significant in their nature in context of the RMA.

(iv) Identify the current distribution of industrial zone land within Hamilton City, and quantify industrial land capacity.

(v) Determine the quantum of industrial land available for future development and compared this against current capacity levels.

(vi) Assess whether there are likely to be any material economic effects generated on the from the loss of industrial land due to the proposed development.
12. INFORMATION SOURCES

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

- Business Demographic Data - Statistics NZ
- Census of Population and Dwellings 2013 - Statistics NZ
- Household and Population Projections - Statistics NZ
- Retail Trade Survey - Statistics NZ
- Food Retailing Transaction Data - MarketView
- Pak’N Save Te Rapa Concept Plan – FSNI
- Hamilton City District Plan – HCC
- Hamilton City Property Data Assessment 2011 - Property Economics
- Housing and Business Development Capacity Assessment (Draft 2.1) - FutureProof
2. INDICATIVE CORE ECONOMIC MARKET

Figure I illustrates the geospatial extent of the indicative core economic market, or core catchment, for the proposed Pak’N Save supermarket, Te Rapa. This has been based on the existing and proposed centre network, demographic distribution (current and future), Statistics NZ meshblock boundaries for statistical analysis purposes, the roading network, other natural and physical geographic barriers, current supermarket spend transaction data, location of existing Pak’N Save supermarkets in Hamilton, and the professional opinion of Property Economics factoring in known shopping patterns and trade area dynamics for centres in NZ.

Any marginal reshaping of the catchment boundaries would not materially change the population and household base, and therefore the catchment and market size.

It is important to note that this is an indicative catchment only, and residents within this catchment will also shop in supermarkets/centres outside of the catchment and vice versa. In this regard the catchment illustrated in Figure I represents the area (core economic market) where the proposed Pak’N Save is likely to derive the majority of its customers, sales and generate most frequent use.

In general, the Pak’N Save Te Rapa will predominately service the northern component of Hamilton City and its northern rural environs given there are two other Pak’N Save supermarkets in Hamilton servicing the central and southern components of the city.

For the purpose of context, the wider supermarket network as well as other key retail and commercial centres in the surrounding area have also been identified on Figure I.

Another key focus assessed in his report is the Te Rapa CAU (coloured red in Figure I) which encompasses the proposed site and the current provision of supermarkets within the Te Rapa area.
FIGURE 1: PAK’N SAVE TE RAPA ECONOMIC MARKET AND SUPERMARKET DISTRIBUTION

Source: Property Economics, Google Earth
3. CORE CATCHMENT DEMOGRAPHIA

This section identifies some of the relevant economic and social characteristics of the identified core market and compares them to the wider Hamilton City and the Waikato Regional average for comparison purposes. A full breakdown of the demographic profiles has been attached in Appendix 2.

Some of the salient findings include:

- The identified core catchment currently has a population base of around 83,000 people comprising nearly 29,000 households (rounded). This equates to approximately 2.88 persons per household, significantly high than the wider City average of 2.74 and wider Regional average of 2.6 persons. This is a reflection of the higher proportion of family based households comparatively in the identified core market relative to its surrounding areas.

- Within the Core Catchment, over a third of households are Two Parent Families (34%), while conversely Singles only comprise 28%. This is materially different from the Hamilton City averages of 29% and 23% respectively, highlighting the Core Catchment's more family orientated demographics.

- Households within the Core Catchment also typically earn higher incomes than the Hamilton City and wider regional average with a third of households generating an annual income level over $700,000, compared 27% of the Hamilton City households and just 24% across the wider region. A similar, albeit smaller income differential is also present when comparing personal income levels across the assessed areas. Having higher household income and more families (larger households), supermarket spend on a per household unit basis would be higher on average than the households of Hamilton City and the region.

- Around a fifth of the Core Catchment's working age population has qualifications at a Bachelor's level or higher which is slightly lower than the Hamilton City average of 23%. This is unusual as qualification attainment between geographic areas typically corelate strongly with average household income levels. In this case the Core Catchment has a higher proportion of workers who are Self-employed and/ or in management positions.

- It is also worth noting that the Core market pays a substantially higher rental rate than Hamilton City and the wider region. The catchment has 33% of its renting population paying over $350 per week, compared to just under 25% in Hamilton City and just 78% regionally. This is likely a reflection of a better-quality housing stock, larger family homes and higher (income) potential to pay higher rents.
4. POPULATION & HOUSEHOLD PROJECTIONS

The future success of most retail centres often depends on the projected growth of its core economic market over time. Figure 2 displays the population and household growth profile for the Core economic market. This includes actual growth over the last one and half decades and projected growth over the next 20-years to 2038. These projections are derived from the Property Economics Growth Profiling Model with the base inputs being the most recent Statistics New Zealand medium series projections and residential building consent data 2000-2017.

**FIGURE 2: CORE CATCHMENT POPULATION AND HOUSEHOLD FORECAST**

The core economic catchment of the proposed Pak’N Save supermarket currently has population base of approximately 82,650 people and 28,650 households. This base population is forecast to grow to around 111,000 people and 40,700 households by 2038, this equates to an increase of around 1,350 new residents (on average) per annum over the next 20-years. By 2038 the household base of the core market is projected to be 42% larger than its current household base.

Source: Property Economics, Statistics NZ
This indicates that this northern area of Hamilton is projected to be a high growth cell in Hamilton on a comparative basis and will require more GFA to meet its retail and commercial requirements.

The Core Catchment is forecast to have strong growth over the forecast period with population increasing by 34% over the 2017 - 2038 period. This is significantly higher than both Hamilton City (26%) and the wider Regional forecast of just 14%. Nominally the Core Catchment is currently occupied by the equivalent of slightly over half the population of Hamilton City. albeit given its strong relative growth these proportions are projected to grow over the forecast period.

Growth in households is forecast to increase at a faster proportional rate (42%) than the population (34%) due to a projected fall in the person per dwelling ratio over the forecast period. This trend is not isolated to the identified catchment but projected to occur across the country due to an aging population. smaller families and a higher proportion of ‘split’ or single households.
5. **RETAIL EXPENDITURE AND SUSTAINABLE GFA**

This section sets out the projected retail expenditure and sustainable GFA forecasts for the identified Core Catchment. The forecasts have been based on the aforementioned population and household growth projections as shown in Figure 2, and have been prepared using Property Economics Retail Expenditure Model (REM). A more detailed breakdown of the model and its inputs outlined in Appendix 3.

Generated retail spend / expenditure in this section outlines the level of retail expenditure that is generated by residents within the catchment and from spending at retail stores by businesses and their employees operating within the Primary Catchment. A low level of international tourist spending has also been factored in.

5.1. **RETAIL EXPENDITURE MODEL**

The following flow chart provides a simple graphical representation of the Property Economics Retail Expenditure Model to assist FSNI in better understanding the methodology, key inputs utilised, and interpretation of outputs.
GROWTH IN REAL RETAIL EXPENDITURE

Growth in real retail spend has also been incorporated at a rate of 1½ per annum over the forecast period. The 1½ rate is an estimate 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.

Tourism retail expenditure growth has been extrapolated at a long term national rate of 2% per annum using data sourced from the Ministry of Business, Innovation and Employment (MBIE).

LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the identified market does not necessarily equate to the sales within that particular area. Residents can freely travel in and out of the area, and they will typically choose the centres with their preferred range of stores, products, brands, proximity, accessibility, shopping environment 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.

For that reason, it is appropriate for modern retail markets to be assessed on the basis of “layered catchments”. This is where consumers spread their retail spending across a wider spectrum of centres, with the majority of their “higher order” spend going to “higher order” centres (such as large scale regional or main metropolitan shopping destinations). Meanwhile, convenience spend tends to remain more localised, triggering a layering of centre catchments across the catchment.

EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2017 NZ dollars and exclude the following retail activities, as categorised under the ANZSIC¹ 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 and Mitre 10 Mega, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

¹ Australia New Zealand Standard Industrial Classification
The above retail store types have been excluded because they are not considered to represent core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality. Modern retail centres do not rely on these types of stores to be viable or retain their role and function in the market as such stores have the potential to generate only non-consequential trade competition effects rather than flow-on retail distribution effects. Therefore, the retail centre network's economic wellbeing and social amenity cannot be unduly compromised.

5.2. SUSTAINABLE CFA

This analysis uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floor space proportionate to an area’s retainable retail expenditure that is likely to result in an appropriate quality and offer in the retail environment. This does not necessarily represent the ‘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 well-being and amenity.

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 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. 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.

5.3. ANNUALISED RETAIL EXPENDITURE AND SUSTAINABLE GFA

Supermarket retailing is estimated to represent around 75% of all food and beverage retail spend and is the largest retail sector in terms of the market expenditure. For the purpose of analysis, Property Economics defines all modern large format supermarkets as being over 1,000sqm GFA, with grocery stores below this threshold typically being specialty food retailers.
superettes or dairies. The Huntly Four Square and Ngaruawahia SuperValue fall into this later category and these are not considered supermarkets under the applied definition.

It is important to note that the retail expenditure generated does not equate to the sales of retail stores within the catchment. Residents can travel in and out of the catchment freely, and they will typically choose the centres with their preferred range of stores, proximity and accessibility. A good quality / high performing centre will attract customers from beyond its catchment, whereas a low quality / low performing centre will have retail expenditure leakage out of its catchment. Therefore, the retail expenditure generated in a catchment represents the sales a centre or retail stores within the catchment could potentially achieve.

Table 1 illustrates the Supermarket retail expenditure generated in the core catchment and the resulting level of sustainable GFA. This represents the ‘core’ market that the proposed Pak’N Save Te Rapa would operate in, and the core retail expenditure ‘pool’ such a store is likely to draw the majority of its sales.

**TABLE 1: CORE MARKET FOOD RETAILING EXPENDITURE AND SUSTAINABLE GFA**

<table>
<thead>
<tr>
<th>Retail Expenditure ($m)</th>
<th>2018</th>
<th>2023</th>
<th>2028</th>
<th>2033</th>
<th>2038</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket Retailing</td>
<td>$242</td>
<td>$277</td>
<td>$307</td>
<td>$338</td>
<td>$374</td>
</tr>
<tr>
<td>Speciality Food Retailing</td>
<td>$81</td>
<td>$92</td>
<td>$102</td>
<td>$113</td>
<td>$125</td>
</tr>
<tr>
<td>Total</td>
<td>$323</td>
<td>$370</td>
<td>$409</td>
<td>$451</td>
<td>$498</td>
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</table>

<table>
<thead>
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<th>GFA (sqm)</th>
<th>2018</th>
<th>2023</th>
<th>2028</th>
<th>2033</th>
<th>2038</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket Retailing</td>
<td>27,700</td>
<td>31,700</td>
<td>35,000</td>
<td>38,700</td>
<td>42,700</td>
</tr>
<tr>
<td>Speciality Food Retailing</td>
<td>12,200</td>
<td>13,900</td>
<td>15,400</td>
<td>17,000</td>
<td>18,700</td>
</tr>
<tr>
<td>Total</td>
<td>39,900</td>
<td>45,600</td>
<td>50,400</td>
<td>55,700</td>
<td>61,500</td>
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</table>

*Source: Property Economics*

Table 1 indicates that around $242m of supermarket expenditure is currently generated within the identified core catchment annually, with this forecast to increase to around $374 by 2038. In terms of on-the-ground retailing, this translates to 42,700sqm of sustainable supermarket GFA.
from spend generated within the core catchment by 2038. Just under 28,000sqm of supermarket GFA is estimated to be sustainable by the core market at present.

Food Retailing expenditure within smaller Specialty Food Retailers is estimated to equate to over $80m per annum currently with this estimated to grow to $125m pa by 2038. Combined sustainable food retailing GFA within the core catchment is estimated to total to 61,500sqm by 2038, an increase of 21,600sqm from the 2018 base year level.

To put these GFA figures into perspective, the proposed Te Rapa Pak’N Save floor area covers around 6,000sqm GFA of retail, storage and prep space. However, as a result of being sited adjacent to The Base/ Te Awa regional shopping centre, the destination draws into a lot of shoppers and spend from outside the core catchment, and therefore has a potential market greater than purely the core catchment. The next section assists in quantifying this market to help establish a total market within which Pak’N Save Te Rapa will draw sales from.
6. FOOD RETAILING SPENDING PATTERNS

Food Retailing expenditure patterns have been assessed using retail transaction data sourced from MarketView—a service provided by the Bank of New Zealand (BNZ). BNZ MarketView data is based on the spending and retail transactions of BNZ credit and debit (EFTPOS) cardholders. The MarketView data has been collected from a range of stores across the spectrum of assessed retailers in the core economic market, from national chains to small independent stores.

As a guide, BNZ currently holds approximately 20% market share of the electronic card market in NZ, while electronic card transactions accounts for approximately 60% of retail spending within NZ. The retail transactional data sources for the core economic market are based on the most recently available calendar year ending August 2017. This discreet period has been chosen as it is an annualised period thereby removing any seasonal variations, allows analysis of the most up to date data available, and is considered the best proxy for quantifying the current spending patterns of the markets.

Given the large sample size of BNZ card holders and prolific use of EFTPOS within NZ MarketView data is considered to provide a robust and accurate depiction of the destination and origin of retail spending flows in and out of the each of the primary catchment's core market, and hence has been used as a basis for this assessment.

MarketView data for the purposes of this report has been assessed in terms of the destination of retail spending within Hamilton City and the proportion of spending that was made within the Te Rapa Census Area Unit and the Balance of Hamilton City.

For the purposes of analysis, at a high-level internet retailing has been excluded from the MarketView datasets in order to gauge a more accurate on the ground movement of retail dollars within the market. Internet retailing spend is also removed from the Property Economics REM outputs so datasets can be matched and compared on a common basis later in this report to form an estimate of net on the ground retail expenditure in an area.

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2 Market View data excludes business and corporate cards. The transaction values include GST, but exclude cash out with purchases. BNZ Market View does not pick up hire purchase, direct debit/credit payments or cash based spending.

3 Retail Expenditure Model
Figure 3 illustrates the origin of food retailing spend from within the identified Te Rapa CAU, as identified earlier in the report in Figure 1 versus the Balance of Hamilton City Territory Authority. The proportional figures shown represent the percentage of all retail spending made within Hamilton City.

FIGURE 3: HAMILTON FOOD RETAILING SPEND DISTRIBUTION (INSIDE VS OUTSIDE TE RAPA)

<table>
<thead>
<tr>
<th>Area</th>
<th>Balance of Hamilton City</th>
<th>Te Rapa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamilton City</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>Waikato District</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Waipa District</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Balance of Waikato Region</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Auckland Region</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Bay of Plenty Region</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Balance of North Island</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>South Island</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Property Economics, MarketView

The spending pattern data shows that around 15% of all food retailing sales within Hamilton City is being spent within the Te Rapa CAU at present, with two thirds of this spending originating from Hamilton City itself, i.e. a third of the food retailing spending within Te Rapa is made by non-Hamilton City residents.

Figure 3 also shows that Hamilton City composition of food retailing spending is made of 70% internalised spending i.e. Hamilton residents spending within Hamilton, and 30% from outside of the City.
Aggregating retail spending origins across all areas shows that an estimated 15% of all Food Retailing sales in Hamilton City is spent within the Te Rapa CAU. However, this proportion will increase once the proposed Pak’N Save Te Rapa is established.

Previous assessments of retail expenditure flows within Hamilton City by Property Economics found Food Retailing inflows into the city are in the order of 35%, meaning relative to the total level of Food Retailing spend made by Hamilton City residents, an additional 35% is spent within Hamilton City by shoppers/visitors from outside of the city.

From this we can determine the level of sustainable Food Retailing expenditure within the Te Rapa CAU given current spending patterns. Again, acknowledging that if a Pak’N Save supermarket were to be developed the likely level of inflow for food retailing within Hamilton City, and especially Te Rapa, will increase beyond the current 35%.

We are applying the current position to be conservative and assess sustainable levels based on current market dynamics. The formula below outlines the high-level methodology involved in determining the current level of retail expenditure within the identified Te Rapa CAU. Using current food retailing expenditure estimates for Te Rapa the sustainable level of GFA can be determined for current market retail flows.

Hamilton City x (1 - Inflow %) x (Te Rapa / Hamilton City %)  
(All figures relate to Food Retailing Expenditure)

### TABLE 2: TE RAPA CAU CURRENT FOOD RETAIL EXPENDITURE & GFA ESTIMATES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023</th>
<th>2028</th>
<th>2033</th>
<th>2038</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail Expenditure ($m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarket</td>
<td>$107</td>
<td>$121</td>
<td>$133</td>
<td>$146</td>
<td>$161</td>
</tr>
<tr>
<td>Speciality Food Retailing</td>
<td>$36</td>
<td>$40</td>
<td>$44</td>
<td>$49</td>
<td>$54</td>
</tr>
<tr>
<td>Total Food Retailing</td>
<td>$143</td>
<td>$161</td>
<td>$177</td>
<td>$195</td>
<td>$215</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023</th>
<th>2028</th>
<th>2033</th>
<th>2038</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable GFA (sqm)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarket GFA</td>
<td>12,200</td>
<td>13,800</td>
<td>15,200</td>
<td>16,700</td>
<td>18,400</td>
</tr>
<tr>
<td>Speciality Food retailing GFA</td>
<td>5,700</td>
<td>6,400</td>
<td>7,000</td>
<td>7,700</td>
<td>8,500</td>
</tr>
<tr>
<td>Total Food Retailing</td>
<td>17,900</td>
<td>20,200</td>
<td>22,200</td>
<td>24,400</td>
<td>26,900</td>
</tr>
</tbody>
</table>

*Source: Property Economics*

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*Hamilton Proposed District Plan Hearings Retail Evidence - Tim Heath 2013

5 Hamilton City Food Retail Expenditure × (1 + Inflow 35%) × (15%)
The figures shown on Table 2 reflect the current retail environment of the Te Rapa CAU. The estimated 75% of Hamilton City's Food Retailing expenditure being spent within Te Rapa in this respect is directly related to the current level of provision within Te Rapa. This underpins the fundamental difference compared against Table 1 which estimates the annualised food retailing spend generated by the Te Rapa Pak'N Save's core economic market.

Table 2 shows that the current level of Food Retailing expenditure being spent within the Te Rapa is estimated to be in the order of $743m currently, with the capacity to sustain 17,900sqm of food retailing GFA. Holding Te Rapa's current market share of Hamilton's Food retailing market constant, by 2038 sustainable Food retailing GFA will increase to 26,900sqm. However, it is important to note that Te Rapa's market share will materially increase if a Pak'N Save were to be developed, increasing the attractiveness of Te Rapa to both residents within and outside of Hamilton.

Based on the current spending patterns (i.e. 75% food retailing share of Hamilton), Te Rapa can sustain 72,200 GFA of supermarket floorspace. Te Rapa currently has an estimated 8,300sqm supermarket GFA, giving a current sustainable demand/supply differential of 3,900sqm GFA, i.e. the market has the potential to sustain an additional 3,900sqm of supermarket GFA in Te Rapa based on current spending pattern and suggests the two supermarkets in Te Rapa (New World and Countdown) are performing well. The determined 3,900sqm is slightly below the proposed 6,000sqm GFA Pak'N Save Te Rapa store.

However, with Pak'N Save entry into Te Rapa, the Te Rapa CAU will capture a higher proportion of Hamilton's food retailing market than the current 75%. If this proportion were to increase to 78% (considered a conservative increase given Pak'N Save's pulling power and being one of New Zealand's highest performing retail brands), the Te Rapa CAU could sustain an additional 6,300sqm of supermarket GFA. This low-level proportional increase (3% of Hamilton's food retailing spend) indicates the Te Rapa food retailing market would be large enough to sustain all three Te Rapa supermarkets (the existing New World and Countdown stores, and the proposed Pak'N Save) without undermining the sustainable potential or threatening their ongoing viability.
7. **EXISTING SUPERMARKET NETWORK**

In order to provide a clearer picture of the current level of supermarket provision within the market, GFA of supermarkets identified in within the Core Catchment has been estimated based on an aerial survey of building footprints. The results of this survey are shown in Table 3.

It is worth noting that the following survey information represents a ‘snapshot’ in time and retail stores are constantly opening, closing and relocating due to a variety of individual store and owner circumstances. In this regard, the retail market is dynamic and undergoing constant change.

### TABLE 3: CORE CATCHMENT SUPERMARKET NETWORK

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>Location</th>
<th>Building GFA (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New World</td>
<td>Te Rapa</td>
<td>4,100</td>
</tr>
<tr>
<td>Countdown</td>
<td>Te Rapa</td>
<td>4,200</td>
</tr>
<tr>
<td><strong>Te Rapa CAU</strong></td>
<td><strong>Subtotal (Te Rapa)</strong></td>
<td><strong>8,300</strong></td>
</tr>
<tr>
<td>Countdown</td>
<td>Huntly</td>
<td>3,750</td>
</tr>
<tr>
<td>New World</td>
<td>Ngaruawahia</td>
<td>1,050</td>
</tr>
<tr>
<td>Countdown</td>
<td>St James Park</td>
<td>3,800</td>
</tr>
<tr>
<td>New World</td>
<td>Rototuna</td>
<td>4,150</td>
</tr>
<tr>
<td><strong>Inside Core Catchment</strong></td>
<td><strong>Subtotal (ex Te Rapa)</strong></td>
<td><strong>12,750</strong></td>
</tr>
<tr>
<td><strong>Core Catchment</strong></td>
<td><strong>Total</strong></td>
<td><strong>21,050</strong></td>
</tr>
</tbody>
</table>

*Source: Property Economics*

As determined in the previous section, the current level of supermarket supply within the Te Rapa CAU (8,300sqm) balanced against the estimated current sustainable GFA (12,200sqm) indicates that the supermarkets in the Te Rapa CAU currently capture a higher than sustainable level of sales. With an additional 3,900sqm sustainable within the CAU given current retail flows.
An increase in Te Rapa total retailing proportion of Hamilton retailing from 75% currently to 78%
with Pak’N Save included increases spend to a level in Te Rapa than can accommodate the
Pak’N Save Te Rapa in today’s market.

Further to this, as identified earlier in the report, the core catchment is a high growth area and
future growth within the wider market is estimated to quickly accelerate supermarket
sustainable levels to 18,400sqm by 2038 holding retail spending patterns constant over time (at
current levels). To put this into context by 2038, the Te Rapa CAU is estimated to be able to
sustain around double the amount of Supermarket GFA that is currently operating within the
CAU.

Additionally, the commercial reality is supermarkets also compete with other food retailing
stores for food retailing expenditure, and Te Rapa CAU can sustain 17,900sqm GFA currently.
The current supermarket provision of 8,300sqm provides a balance of 9,600sqm GFA
supportable in the Te Rapa CAU. This is more than the 6,000sqm retail GFA Pak’N Save
proposes, indicating even without factoring any increase in the 75% food retailing proportion of
Hamilton (commercially implausible in Property Economics view), the proposed Pak’N Save
supermarket could be sustained, potentially with only a few small-scale food retailing stores in
Te Rapa compromised.

The strong projected growth on the core catchment means significantly more food retailing
provision will be required moving forward to meet growing food retailing requirements of the
market. Ultimately, the proposed Pak’N Save supermarket fulfils only part of that requirement,
but in an efficient location due to much of the market already utilising The Base /Te Awa
regional shopping centre.
8. SUPERMARKET SPENDING DIVERSION

This section assesses which centres the estimated $60m pa sales of the proposed Te Rapa Pak N Save supermarket are likely to be derived, and by default the likely level of impact / trade diversion on each wider centre under the CAR criteria. Effects on individual supermarkets, even from within the Progressive Enterprises and Foodstuffs brand family, are deemed trade competition effects which individually can be disregarded under the RMA. The cumulated distribution effects on centres is the relevant consideration in respect of the retail economic matters under the RMA and the CAR criteria.

**TABLE 4: ESTIMATED CENTRE BASED SUPERMARKET REVENUE**

<table>
<thead>
<tr>
<th>Centre</th>
<th>Estimated Revenue ($m pa)</th>
<th>Estimated Sales Post Diversion ($m pa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Base</td>
<td>$50</td>
<td>$95</td>
</tr>
<tr>
<td>Rototuna</td>
<td>$95</td>
<td>$84</td>
</tr>
<tr>
<td>Nawton</td>
<td>$30</td>
<td>$28</td>
</tr>
<tr>
<td>CBD</td>
<td>$205</td>
<td>$188</td>
</tr>
</tbody>
</table>

*Source: Property Economics*

New World Te Rapa is a standalone supermarket in the Te Rapa corridor, and the estimated $10m direct impact is a trade competition effect only, and therefore no further consideration is required.

Countdown Nawton, and the Nawton centre, is on the fringe of the Pak’N Save Te Rapa’s core economic catchment and services a well-established western Hamilton market. The shoppers from this market, if preferring the Pak’N Save brand, would already be leaving this local area and shopping at Pak’N Save Mill Street on the northern fringe of the city.

The establishment of the Countdown Te Rapa would have already stimulated any interbrand trade impacts, meaning Countdown Nawton is unlikely to see any noteworthy trade diversion other primarily some Pak’N Save Mill Street shoppers preferring to shop at Pak’N Save Te Rapa once developed.
As such, Property Economics consider any net additional trade diversion from Countdown Nawton ($2m pa) to be minimal and not at a level that would force Progressive to close Countdown Nawton and walk away from that market. As such, no store closures are likely and the estimated $2m pa impact on the Nawton Centre is less than minor in the wider context of the total centre sales.

In respect of trade diversion from the CBD, there are two Pak’N Save stores likely to experience some trade diversion - Pak’N Save Mill Street and Pak’N Save Clarence Street. The northern Pak’N Save Mill Street store will experience the majority of trade diversion being the closest Pak’N Save branded store to the proposed Te Rapa store. Cumulatively the Pak’N Save Te Rapa is estimated to divert a total of $17.5m pa from CBD Pak’N Save stores.

However, CBD supermarket stores alone would be over $250m annually, resulting in a supermarket sales diversion of only 7% of CBD supermarket sales. However, the CAR test is on the centre as a whole, and retail sales in the CBD would exceed $450m resulting in an impact on total CBD retail sales of less than 4%. There is all the other roles and function, professional services, etc that would be unaffected by such an insignificant loss in supermarket sales.

Rototuna is the suburban centre where supermarkets play an important anchor role and any trade diversion effects are more important to consider. Rototuna has estimated current supermarket sales of around $95m spread between the New World and Countdown stores. The estimated total level of trade diversion is $11m pa - $6m pa Countdown and $5m pa New World. This would lower Rototuna’s supermarket sales from $95m to $85m, a drop of 11.5%.

It is estimated no individual supermarket would experience an impact greater than $6m (Countdown Rototuna) and would not jeopardise the viability or on-going operation of either supermarket, particularly given it’s a high growth area of the city so any trade diversion losses would be offset within a short timeframe. As such, with no store closure likely, Rototuna can continue to perform its role and function successfully well into the future.

The supermarket likely to experience the greatest trade impact is Countdown Te Rapa (adjacent to the proposed Pak’N Save site). Estimated impact is $15m pa. This represents a direct trade competition effect. Assuming Countdown Te Rapa functions as part of The Base /Te Awa Regional Centre, which being directly across the road with a Kmart site Property Economics does. total centre retail sales are in excess of $350m pa. Pak’N Save Te Rapa would actually increase centre sales to over $400m given the location of the site next to Countdown. As such the trade impact on this sub-regional centre is positive with an overall net increase in retail sales.
The balance of Pak'N Save Te Rapa's estimated sales is derived from the vast array of non-supermarket food retailing store diversions of around $2m pa not specific to any one centre or area, and an estimated of $Sm increase inflow of supermarket spend from outside Hamilton City, predominately northern rural environs up to Huntly.

As such in Property Economics professional opinion no one centre in Hamilton is likely to incur significant adverse retail distribution effects or have its role and function compromised as a result of the subject application. Nor is it considered any existing supermarkets are likely to close with both supermarkets operators keen to hold onto their market position.
9. TEMPORAL TRENDS THE BASE / TE AWA CENTRE

The Base opened in 2005 with the Te Awa Mall component completed in August 2011. The centre currently encompasses 84,400sqm GFA with a range of retail and commercial service activities. There are currently an estimated 107 speciality stores, 20 mini major tenants, 7 major tenants, Hoyts Cinemas and 2 office tenancies. Key tenants at The Base / Te Awa include: The Warehouse, Mitre10 Mega, Farmers, Briscoes, Noel Leeming and Hoyts (Cinemas).

The Base / Te Awa plays a Regional Centre role within the market, servicing not only Hamilton City residents but the wider Waikato Region. Located in the centre of the Te Rapa industrial area, the Base focused on large format retailing initially, but the Te Awa mall development has expanded its role into speciality retailing activities as well. There is also the Base Outlet offering goods at a lower price point on average than mainstream retail stores.

Figure 4 illustrates the employment composition and growth of the Te Rapa CAU6 over the last 17 years. Nominally the CAU has increased in employment by 43% over the assessed period, from around 7400 employees to over 11,600 currently.

The noticeable trend is the increasing presence of retail employment: as a proportion of the total Te Rapa employment base from 8% in 200 to 17% currently. This shows the Te Rapa CAU has been an area in evolution over the past 17 years, broadening its employment base, but not at the expense of industrial employment (which has also grown).

The growth in retail employment has been predominantly driven and correlated to growth of The Base / Te Awa shopping centre, which has largely been confined to the same land holding. The only material exception has been the development of New World Te Rapa, and more recently Countdown and Kmart, with an uplift in retail employment when these stores became operational.

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6 Census Area Unit
Being located within an industrial area, there are a substantial number of industrial employees within the Te Rapa CAU. The number of which has continued to grow over the assessed period for sectors such as Wholesale Trade and Construction sectors doubling in employees since 2000. Manufacturing also maintains its position of strength as an industrial employment in Te Rapa. Cumulatively, these industrial sectors continue to underpin the economic base of the Te Rapa economy.
Focusing on retailing, Figure 5 shows the number of retail businesses operating within the Te Rapa CAU over the 17 years and trend of which they have followed. This is based on Geographic Unit counts and ANZSIC06 classifications as determined by Statistics NZ.

**FIGURE 5. TE RAPA CAU - RETAIL GEOGRAPHIC UNITS (2000 - 2017)**

As mentioned earlier, the primary location of these retail businesses is concentrated at The Base / Te Awa and reflects the regional shopping destination in the market.

Further to The Base / Te Awa’s current retail provision, the centre also has a significant level of active but unimplemented consents at around 47,000sqm GFA of which just over 18,000sqm is for retail activity. It is likely some of this provision will be for LFR tenancies to ‘anchor’ this consented provision. The balance of around 29,000sqm GFA is for other activities including commercial space, medical facility and multi-level carparking. A broad outline of the consented development and plans are shown in Figure 6.
These consents (and associated RMA effects) form part of the existing environment and baseline of this application from an retail economic perspective. (i.e. they have already been assessed and considered acceptable under the RMA). and would make the centre one of New Zealand’s largest suburban retail destinations. So while centre land may appear vacant to the eye. there is consented development and that would consume the majority of vacant land available.

In my experience the wider indicative layout of the centre’s potential development would create operational and functional issues for the on-going requirements of a Pak’N Save supermarket. particularly its internal focus. and limited profile/ direct access potential.
10. HAMILTON CITY DISTRICT PLAN

It is Property Economics understanding the proposed Te Rapa Pak‘N Save site is zoned industrial under the city’s District Plan. and is sited adjacent to B4 zoned land (Countdown and Kmart), and B3 (The Base /Te Awa). As such, the Pak‘N Save site would represent an expansion of the existing business zones as cumulatively they would in effect work as part of a single consolidated retail destination.

This section will address the economic matters required to be addressed as part of the CAR for the development building on earlier report findings, particularly regarding the impact of the supermarket on the functionality, vitality and amenity of the centres network in Hamilton City.

Section 7.3.3 of the District Plan outlines the assessment criteria for discretionary activities on industrial zoned land such as that of the proposed development.

Chapter 9.5.4 of the District Plan outlines the specific standards on which new supermarkets in the industrial zone are to be assessed. This is detailed below.

9.5.4 New Supermarkets in the Industrial Zone

a) Resource consent applications for new supermarkets in the Industrial Zone must provide a Centre Assessment Report, in accordance with section 7.2.2. 79 (Information Requirements), which:

i. addresses assessment criteria H2 (refer below): and

ii. demonstrates that the proposal will not undermine the role and function of other centres within the localised catchment in the business hierarchy.

In respect of the CAR the report shall be prepared in accordance with clause l.2.2.19 as below.

H Functionality. Vitality and Amenity of Centres

H2 Whether and to what extent the proposed Supermarket activity in the Industrial. Business 1 or 4 zones:

a) Avoids adverse effects on the vitality, function and amenity of the Central City and sub-regional centres that go beyond those effects ordinarily associated with competition on trade competitors.

b) Avoids the inefficient use of existing physical resources and promotes a compact urban form.
c) **Promotes the efficient use of existing and planned public and private investment in infrastructure.**

d) **Is located within a catchment where suitable land is not available within the business centres.**

e) **Reinforces the primacy of the Central City and does not undermine the role and function of other centres within the business hierarchy where they are within the same catchment as the proposed supermarket.**

10.1. **TRADE COMPETITION VS DISTRIBUTIONAL EFFECTS**

Prior to assessing potential impacts for centres in the core catchment there is a need to understand the difference between trade competition generated effects and retail distribution effects. This is a very important differentiation to understand in the context of the RMA.

To assist in understanding differences between trade and retail activity effects, and the general ability of retail activity to generate consequential economic impacts under the RMA, there is first a need to differentiate between trade competition effects and flow-on retail distribution effects.

Trade competition effects (in a generalised retail sense) are the retail trade impacts of retail activity on other similar or 'like' retail activity. It basically reflects a direct cause/effect relationship as a result of a simple repatriation of retail sales among retailer operators. In essence, it represents a redistribution of retail sales as opposed to a loss to the community brought about by the relocation of those sales.

Retail distribution effects are generated as 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 is heavily dependent on the scale, type and location of the proposed retail activity, among other attributes. Where the patterns of performance, amenity and commercial activity within an existing centre (or associated flow-on benefits from retail activity within that location) would not change significantly within a locality, then the retail distribution effects are not considered to be significant in a RMA context.

Conversely, the 'significant effect' threshold is breached where a new business (or cluster of businesses) affects key businesses in an existing centre to such a degree that the centre's performance (and potentially viability) is eroded, causing a significant decline in its function and
amenity. and disenabling the people and communities who rely upon those existing (declining) centre(s) for their social and economic wellbeing.

Retail distributional effects are differentiated from the effects of trade competition on trading competitors, which are to be disregarded pursuant to s104(3)(a) of the RMA with reference to any 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 significant7 (but not necessarily ruinous) before they could properly be regarded as going beyond the effects ordinarily associated with trade competition.

10.2. CAR ANALYSIS

Following on from above, in respect of assessment of adverse effects on the vitality, function and amenity of the Central City. Regional and Sub-Regional centres that go beyond trade competition, there is simply no propensity for this to occur on the basis of a single supermarket being proposed in Te Rapa. and Pak’N Save Mill Street will remain open. The primacy of the Central City will remain in place and its role and function not threatened. The Base/ Te Awa regional centre is likely to experience net benefits from the proposed development with its market having better access to food retailing sector store types. and a broader offer and better consumer choice that may attract additional people to the centre. Chartwell is sufficiently distant. and of a size. to not be able to incur significant distribution effects. and no loss of vitality, function and amenity.

In respect of inefficient use of existing physical resources and promotes a compact urban form. the proposed development satisfies these criteria in Property Economics opinion by supporting the extension of an existing retail destination and consolidating commercial activity in a regional hub (relative to a stand-alone site somewhere else which is the practical alternative).

The Base/ Te Awa centre has some vacant land capacity at face value. but as identified earlier the vast majority of this land is subject to an existing resource consent of nearly 50,000sqm containing a mix of commercial land uses. So, while in appearance it may appear vacant. a lot of the vacant land has already been allocated to a consented development. Also in my experience Pak’N Save supermarkets work most efficiently and effectively in the market when customers have direct access off major arterial roads. such as Te Rapa Road.

7 Northcote Mainstreet v 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.”
Overall, this makes the ‘vacant’ business zoned land at The Base problematic and or largely accounted for.

Vacant land in other centres is minimal and is not be of a scale (i.e. approximately 2ha) that could accommodate a Pak’N Save supermarket. Also, fundamentally the location of the Pak’N Save in another (existing) centre would service a different market to the market the proposed store is designed to service, and reduce efficiency in the market. On balance, the proposed development does avoid the inefficient use of physical resources and promotes a compact urban form.

Another assessment criteria is the efficient use of existing and planned public and private investment in infrastructure. The proposed development is well placed to maximise the efficient utilisation of the on-going investment in roads with the upgrades to Te Rapa Road helping service the store and customers access the store. This is part of an expanding regional centre in general, but the site also provides direct access to public transport either along Te Rapa Road or in The Base /Te Awa centre supporting investment in such infrastructure (current and future).

Overall, the result would be a net positive outcome for the community, with better access to supermarket brand choice and more competitive pricing. FSNI have also identified the New World Te Rapa store will not close down as a result of Pak’N Save Te Rapa being developed, albeit that is not a relevant retail economic consideration under the RMA being a stand-alone store incurring trade competition effects only.
11. HAMILTON CITY INDUSTRIAL ZONED LAND

This section of the report focuses on assessing if the proposed development and its occupancy on industrial zoned land will have adverse economic implications on Hamilton City industrial land supply and capacity to accommodate future industrial growth.

The primary methodology will entail assessing the current industrial market and comparing this against Hamilton City’s net additional industrial land requirements to meet future market needs (in hectares). This provides an estimate into whether industrial land is currently under provided, over provided or in equilibrium with respect to future demand and whether the subject site is required for industrial occupancy.

It is Property Economics understanding that the proposed development’s subject site is around 2.0ha. The proposed site plans for the proposed supermarket as supplied by FSNI, has been attached in Appendix 1.
11.1. GEOSPATIAL DISTRIBUTION OF INDUSTRIAL ZONED LAND

Figure 7 illustrates the geospatial extent of the Hamilton City’s industrial zones as determined by the Operative District Plan at November 2017. The proposed location of the Te Rapa Pak N Save is also shown for context.

FIGURE 7: HAMILTON CITY INDUSTRIAL ZONE LAND DISTRIBUTION

Legend
Industrial Zone Description
- Industrial Zone
- Logistics Zone
- Ruakura Industrial Park Zone
- Te Rapa North Industrial Zone

Source: Property Economics, HCC, OpenStreetMap
11.2. VACANT INDUSTRIAL ZONED LAND

Table 5 identifies the current amount of vacant business land in Hamilton City, Waikato and Waipa Districts and available to accommodate future business growth in the city given the wider area operates like a single economic market. The vacant and industrial zoned land has been sourced from the Housing and Business Development Capacity Assessment (Draft 2.1) undertaken for Future Proof.

**TABLE 5: FUTURE PROOF VACANT BUSINESS LAND BY SECTOR 2017 (HA)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Commercial</th>
<th>Retail</th>
<th>Industrial</th>
<th>Total Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamilton</td>
<td>643</td>
<td>186</td>
<td>697</td>
<td>1,526</td>
</tr>
<tr>
<td>Waikato</td>
<td>346</td>
<td>56</td>
<td>299</td>
<td>700</td>
</tr>
<tr>
<td>Waipa</td>
<td>78</td>
<td>70</td>
<td>193</td>
<td>341</td>
</tr>
<tr>
<td><strong>Future Proof Total</strong></td>
<td><strong>1,066</strong></td>
<td><strong>311</strong></td>
<td><strong>1,190</strong></td>
<td><strong>2,567</strong></td>
</tr>
</tbody>
</table>

*Source: Draft Future Proof Development Capacity Assessment*

This recent data indicates Hamilton City by itself has nearly 700ha of vacant industrial land available to accommodate growth. This increases to nearly 1,200ha if vacant industrial land in the wider Waikato and Waipa Districts was included (which includes areas such as Hamilton Airport and Horotui). Pak’n Save Te Rapa’s 2ha pales into insignificance when considered in this context with the application’s land area equating to less than 0.2% of vacant industrial supply.

It can be safely asserted industrial land supply in Hamilton, or the city’s ability to accommodate future industrial growth, will not be compromised by Pak’n Save Te Rapa absorbing 2ha of industrial land.

To round out the analysis, Table 6 shows the industrial (and business) land demand projections of Hamilton City and the adjacent territorial authorities sourced from the Future Proof Capacity report which estimates the forecast net additional industrial land demand over the long term. Hamilton has an estimated 524ha of industrial land demand (long term) with this increasing to just over 600ha with the NPS UDC 15% buffer included.
TABLE 6: TOTAL BUSINESS LAND DEMAND BY BROAD SECTOR, 2017 - 2047 (HA)

<table>
<thead>
<tr>
<th>Area</th>
<th>Commercial</th>
<th>Retail</th>
<th>Industrial</th>
<th>Total land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamilton</td>
<td>87</td>
<td>36</td>
<td>524</td>
<td>647</td>
</tr>
<tr>
<td>Waikato</td>
<td>33</td>
<td>11</td>
<td>209</td>
<td>254</td>
</tr>
<tr>
<td>Waipa</td>
<td>30</td>
<td>11</td>
<td>147</td>
<td>188</td>
</tr>
<tr>
<td><strong>Future Proof Total</strong></td>
<td><strong>150</strong></td>
<td><strong>61</strong></td>
<td><strong>880</strong></td>
<td><strong>1,090</strong></td>
</tr>
</tbody>
</table>

Source: Future Proof

Table 7 provides the demand / vacant land supply differential to provide a estimated net position on land capacity across the three territorial authorities.

TABLE 7: FUTUREPROOF SUPPLY VS DEMAND (2017 VACANCIES VS 2017 - 2047 DEMAND)

<table>
<thead>
<tr>
<th>Area</th>
<th>Commercial</th>
<th>Retail</th>
<th>Industrial</th>
<th>Total Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamilton</td>
<td>556</td>
<td>150</td>
<td>173</td>
<td>879</td>
</tr>
<tr>
<td>Waikato</td>
<td>313</td>
<td>45</td>
<td>90</td>
<td>446</td>
</tr>
<tr>
<td>Waipa</td>
<td>48</td>
<td>59</td>
<td>46</td>
<td>153</td>
</tr>
<tr>
<td><strong>Future Proof Total</strong></td>
<td><strong>916</strong></td>
<td><strong>250</strong></td>
<td><strong>310</strong></td>
<td><strong>1,477</strong></td>
</tr>
</tbody>
</table>

Source: Property Economics, Future Proof

Based on vacant land and forecast long term demand figures determined in the Future Proof report for industrial activities there is more than sufficient industrial zone land in Hamilton to accommodate future requirements. This is even more pronounced when considering the zoned provision in Waikato and Waipa Districts.

This confirms industrial land supply current and future is not at risk from the proposed development with the Hamilton market well catered for in the first half of this century.
APPENDIX 1: TE RAPA PAK’N SAVE CONCEPT PLAN

PLANNING REQUIREMENTS

- Building Envelope
  - Ground Floor: 2,625m²
  - 1st Floor: 1,230m²

- Demolition
  - Percentage: 1.7%

- Basement: 2,000m²

- Number of cars: 25

- Shopping Centre Parking
  - Total: 2,000
  - Car parks: 2,000

- Site Boundary

- Proposed Site

- Existing Net

- New Road Extension

- Existing Net

- Proposed Site

- Existing Net

- New Road Extension

- Existing Net

- Proposed Site

- Existing Net

- New Road Extension

- Existing Net

- Proposed Site

- Existing Net

- New Road Extension

- Existing Net

- Proposed Site

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# APPENDIX 2: DEMOGRAPHIC PROFLING

## GENERAL

<table>
<thead>
<tr>
<th></th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>82,650</td>
<td>160,600</td>
<td>444,400</td>
</tr>
<tr>
<td>Households</td>
<td>28,650</td>
<td>58,500</td>
<td>170,650</td>
</tr>
<tr>
<td>Person Per Dwelling</td>
<td>2.88</td>
<td>2.75</td>
<td>2.60</td>
</tr>
</tbody>
</table>

## AGE PROFILE

<table>
<thead>
<tr>
<th>Age Group</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–4 Years</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>5–9 Years</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>10–14 Years</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>20–24 Years</td>
<td>6%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>25–29 Years</td>
<td>6%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>30–34 Years</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>35–39 Years</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>40–44 Years</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>45–49 Years</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>50–54 Years</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>55–59 Years</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>60–64 Years</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>65 years and Over</td>
<td>12%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>

## HOUSEHOLD INCOME

<table>
<thead>
<tr>
<th>Income Level</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000 or Less</td>
<td>9%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>$20,001–$30,000</td>
<td>9%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>$30,001–$50,000</td>
<td>16%</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td>$50,001–$70,000</td>
<td>14%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>$70,001–$100,000</td>
<td>20%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>$100,001 or More</td>
<td>33%</td>
<td>27%</td>
<td>24%</td>
</tr>
</tbody>
</table>

## PERSONAL INCOME

<table>
<thead>
<tr>
<th>Income Level</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000 or Less</td>
<td>14%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>$5,001–$10,000</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>$10,001–$20,000</td>
<td>17%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>$20,001–$30,000</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>$30,001–$50,000</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>$50,001 or More</td>
<td>30%</td>
<td>26%</td>
<td>25%</td>
</tr>
</tbody>
</table>

## ETHNICITY

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Ethnic Groups</td>
<td>66%</td>
<td>61%</td>
<td>69%</td>
</tr>
<tr>
<td>Maori Ethnic Group</td>
<td>20%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Pacific Peoples' Ethnic Groups</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Asian Ethnic Groups</td>
<td>9%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>MELAA Ethnic Groups</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Other Ethnic Groups</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

## QUALIFICATION

<table>
<thead>
<tr>
<th>Qualification Level</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Qualification</td>
<td>22%</td>
<td>19%</td>
<td>25%</td>
</tr>
<tr>
<td>Level 1 Certificate</td>
<td>14%</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Level 2 Certificate</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Level 3 Certificate</td>
<td>9%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Level 4 Certificate</td>
<td>11%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Level 5 or Level 6 Diploma</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Bachelor Degree and Level 7 Qualifications</td>
<td>13%</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Postgraduate and Honours Degrees</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Doctorate Degree</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Overseas Secondary School Qualification</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>EMPLOYMENT</td>
<td>CORE CATCHMENT</td>
<td>HAMILTON CITY</td>
<td>WAIKATO REGION</td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>---------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Employed - Full Time</td>
<td>50%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Employed - Part Time</td>
<td>14%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Not in Labour Force</td>
<td>30%</td>
<td>33%</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMPLOYMENT CLASSIFICATION</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>20%</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>Professionals</td>
<td>22%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Technicians and Trades Workers</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Community and Personal Service Workers</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Clerical and Administrative Workers</td>
<td>13%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Sales Workers</td>
<td>9%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Machinery Operators and Drivers</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Labourers</td>
<td>9%</td>
<td>9%</td>
<td>13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STUDENT RATIO</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time</td>
<td>10%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Part Time</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Full-time and Part-time Study</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Not Studying</td>
<td>86%</td>
<td>80%</td>
<td>86%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HOUSEHOLD INCOME SOURCES</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages, Salary, Commissions, Bonuses etc</td>
<td>72%</td>
<td>73%</td>
<td>66%</td>
</tr>
<tr>
<td>Self-employment or Business</td>
<td>21%</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>Interest, Dividends, Rent, Other Invest.</td>
<td>27%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Payments from a Work Accident Insurer</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>NZ Superannuation or Veterans Pension</td>
<td>20%</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td>Other Super., Pensions, Annuities</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Unemployment Benefit</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Sickness Benefit</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Domestic Purposes Benefit</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Invalids Benefit</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Student Allowance</td>
<td>4%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Other Govt Benefits, Payments or Pension</td>
<td>7%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Other Sources of Income</td>
<td>3%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>No Source of Income During That Time</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INDUSTRY OF EMPLOYMENT</th>
<th>CORE CATCHMENT</th>
<th>HAMILTON CITY</th>
<th>WAIKATO REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>6%</td>
<td>2%</td>
<td>14%</td>
</tr>
<tr>
<td>Mining</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Construction</td>
<td>9%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>4%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Information Media and Telecommunications</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Financial and Insurance Services</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Rental, Hiring and Real Estate Services</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Public Administration and Safety</td>
<td>6%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Education and Training</td>
<td>9%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>10%</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Arts and Recreation Services</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Other Services</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>HOUSEHOLDS</strong></td>
<td><strong>CORE CATCHMENT</strong></td>
<td><strong>HAMILTON CITY</strong></td>
<td><strong>WAIKATO REGION</strong></td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------</td>
<td>--------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Single</td>
<td>18%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Couple</td>
<td>30%</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>Single Parent With Children</td>
<td>14%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Two Parent Family</td>
<td>34%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Other Multi-person</td>
<td>4%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NUMBER OF RESIDENTS</strong></th>
<th><strong>CORE CATCHMENT</strong></th>
<th><strong>HAMILTON CITY</strong></th>
<th><strong>WAIKATO REGION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Residents</td>
<td>17%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>2 Residents</td>
<td>33%</td>
<td>31%</td>
<td>36%</td>
</tr>
<tr>
<td>3 Residents</td>
<td>18%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>4 Residents</td>
<td>18%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>5 Residents</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>6 Residents</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>7 Residents</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>8+ Residents</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>HOME OWNERSHIP</strong></th>
<th><strong>CORE CATCHMENT</strong></th>
<th><strong>HAMILTON CITY</strong></th>
<th><strong>WAIKATO REGION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwelling Owned or Partly Owned</td>
<td>54%</td>
<td>46%</td>
<td>49%</td>
</tr>
<tr>
<td>Dwelling Not Ow ned and Not Held in a Family Trust</td>
<td>31%</td>
<td>43%</td>
<td>37%</td>
</tr>
<tr>
<td>Dwelling Held in a Family Trust</td>
<td>15%</td>
<td>12%</td>
<td>14%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>YEARS AT RESIDENCE</strong></th>
<th><strong>CORE CATCHMENT</strong></th>
<th><strong>HAMILTON CITY</strong></th>
<th><strong>WAIKATO REGION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Years</td>
<td>22%</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>1–4 Years</td>
<td>32%</td>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td>5–9 Years</td>
<td>24%</td>
<td>20%</td>
<td>21%</td>
</tr>
<tr>
<td>10–14 Years</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>15–29 Years</td>
<td>9%</td>
<td>8%</td>
<td>11%</td>
</tr>
<tr>
<td>30 Years or More</td>
<td>3%</td>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NUMBER OF BEDROOMS</strong></th>
<th><strong>CORE CATCHMENT</strong></th>
<th><strong>HAMILTON CITY</strong></th>
<th><strong>WAIKATO REGION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>2%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Two Bedrooms</td>
<td>11%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>Three Bedrooms</td>
<td>45%</td>
<td>46%</td>
<td>48%</td>
</tr>
<tr>
<td>Four Bedrooms</td>
<td>34%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Five Bedrooms</td>
<td>7%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Six Bedrooms</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Seven Bedrooms</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Eight or More Bedrooms</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>WEEKLY RENT PAID</strong></th>
<th><strong>CORE CATCHMENT</strong></th>
<th><strong>HAMILTON CITY</strong></th>
<th><strong>WAIKATO REGION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $100</td>
<td>10%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>$100–$149</td>
<td>8%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>$150–$199</td>
<td>7%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>$200–$249</td>
<td>9%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>$250–$299</td>
<td>16%</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td>$300–$349</td>
<td>18%</td>
<td>23%</td>
<td>18%</td>
</tr>
<tr>
<td>$350 and Over</td>
<td>33%</td>
<td>24%</td>
<td>18%</td>
</tr>
</tbody>
</table>
APPENDIX 3: PEL RETAIL EXPENDITURE MODEL

This overview outlines the methodology that has been used to estimate retail spend generated at Census Area Unit (CAU) level for the identified catchment out to 2033.

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 Occupied Household Forecasts 2006-2048

These are based on Rationale Area Unit (CAU) Medium Series Population Growth Projections, with this extrapolated to the year of concern.

International Tourist Spend

The total international tourism retail spend has been derived from the Ministry of Business, Innovation and Employment (MBIE) estimates nationally and cross referenced through Statistics NZ. This has been distributed regionally on a ‘spend per employee’ basis, using regional spend estimates prepared by the MEDTSC. 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 assessed period.

2016-2048 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 7% 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 remains 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 5% in 2076 growing to 15% by 2048 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 floor space 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 significant gains as home owners. prematurely. access their potential equity gains.

This resulted in strong growth in debt/equity spending as residents borrow against capital gains to fund retail spending on consumption goods. A seemingly strong economy also influenced these recent spending trends. with decreased employment and greater job security producing an environment where households were more willing to accept debt.

Over the last 8 years this has now reversed with the worldwide GFC recession causing a significant adjustment in consumer behaviour. As such. the economic environment has undergone rapid transformation. The national market is currently experiencing low interest rates (although expected to increase over this coming year) and a highly inflated $NZ (increasing importing however disproportionately).

Now emerging is a rebound in the property market and an increase in general business confidence as the economy starts to recover from the post-CFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years’ (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

**Impacts of Changing Retail Spend**

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

**Business Spend**

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 2013-2048**

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.