31 August 2018

Foodstuffs North Island Limited
c/-Mary Wong
Barkers & Associates
PO Box 1986
AUCKLAND 1140
Via Email: maryw@barkers.co.nz

Dear Mary,

RE: Proposed PNS Te Rapa – S92 FIR – Initial Economic Response

Property Economics has been engaged by Foodstuffs North Island Limited to provide an initial high-level retail economic response to Hamilton City Council's Further Information Request (**FIR**) dated 16 August 2018 in relation to the application (AN:010.2018.00009962.001) to develop and operate a new Pak'N Save supermarket and fuel facility at 980 Te Rapa Road, Hamilton, and specifically questions 1-13 under the Centres Assessment heading of the FIR.

My responses below will be in the same order as the questions put forward in the FIR for ease of reference.

1. This point is already answered in the retail economic assessment. There is no potential for significant implications or the primacy of the City Centre to be undermined as a result of the proposed development. The retail assessment identifies only non-consequential trade competition effects on individual stores are likely to result but no potential for wider retail distribution effects given no store closures are anticipated. The City Centre will still have the same number of supermarkets and brands post development of Pak'N Save Te Rapa (including two Pak'N Save supermarkets on its fringes) with the analysis determining no supermarket closures are likely.

   There is also no certainty around a supermarket being developed in existing zoned land in The Base. Supermarkets are a convenience retailer and, if this consent application were declined, it would be more likely Foodstuffs would seek an alternative location in another area in northern Hamilton which would disperse retail activity and lower the potential economic efficiency benefits of the current proposal. In essence an alternative stand-alone location is a more likely outcome which in Property Economics' view would represent an inferior and less efficient outcome.

2. The core Pak'N Save supermarket trade catchment and the trade catchment for The Base are significantly different, with the latter covering most of the wider Waikato Region. Shoppers coming from this wider area to The Base (and in effect into Pak'N Save's core catchment) increases the opportunity and spend available to the Pak'N Save store. This is exactly the same opportunity for the Countdown supermarket on the adjacent site. The opportunity is there as a result of being part of a wider regional retail destination and not driven by the supermarket brands themselves.

   The application is for a Pak'N Save supermarket and fuel facility, so it is considered appropriate to identify a core catchment for the proposed supermarket as the primary focus and then consider the impacts of being part of a regional destination on top of that.

3. Property Economics is not clear of either the point of this suggested exercise or its validity given the application. The answer to Q2 above addresses this point also. The merits of undertaking an assessment of The Base catchment (given the application) would in my view undermine the retail economic basis of the required assessment.

   Including The Base catchment in the analysis would elevate spend and demand levels significantly and dilute trade competition effects by spreading them across a wider area not materially relevant to the proposed store.

4. This is considered an unnecessary exercise as its all within the Pak'N Save core catchment which use The Base already. The analysis also shows the sales for the new store are largely going to be redistributed from other supermarkets more distant from the core market which can only increase efficiency. There is no requirement in the District Plan (or RMA) to ensure supermarkets are in the most efficient location as if location is shown to be wrong in due course (in a commercial sense) then Foodstuffs wear the consequences. That commercial risk is worn by private sector development.

5. Property Economics are unclear on what the issue to address or what the reviewer is referring to.

6. The reviewer has not correctly interpreted the tables as Tables 1 & 2 refer to completely separate areas, i.e. they are not comparable. This makes queries a-e in this question redundant.

7. The reviewer suggests Property Economics should in their assessment speculate future store productivities over a 20-year period. Such an approach is considered to contain a number of highly speculative assumptions of dynamic variables. This is not an approach adopted in the Property Economic assessment, nor considered pertinent to the

outcomes of an impact assessment for an application today. The Property Economics assessment determines no supermarkets are likely to close as a result of Pak'N Save Te Rapa being developed. This finding is not questioned.

8. The Property Economics report predicts an increase in the Te Rapa share of food and grocery spend because there will be a new Pak'N Save supermarket in Te Rapa that is not currently in the area, as such by default Te Rapa's share of food and grocery sales is likely to increase. The increase in share is proportionate to the redirection of spend from other food and grocery stores as identified in the assessment.

9. The relevance of this question is queried. Property Economics has assessed the efficiency of the application as is required and not a range of speculative and highly presumptuous future market scenarios that may never eventuate.

10. Once again the reviewer has not identified a clear issue within the Property Economics assessment but seeks additional analysis based on hypothetical future growth patterns and speculative changes to roading and travel patterns in the area. This is considered an inappropriate approach for the purposes of assessing the Pak'N Save application today and would require a plethora of unsubstantiated assumptions to generate such scenarios. Any outcomes based on the suggested approach would be considered significantly less robust than the Property Economic assessment.

11. The applicant's planner is more appropriately placed to provide more detail in respect of planning matters. The Property Economics report concludes that the city's centre network would be enhanced and consolidated by the proposed development, rather than disbursed and potentially undermined through an alternative stand-alone location. This supports the general thrust of the District Plan policy framework from an individual, incremental and cumulative perspective.

12. The approach proposed by the reviewer is considered to result in an inferior and unnecessary assessment of the industrial market in respect of the application. Most industrial areas and businesses in Hamilton do not operate at a sub-city level, i.e. they service markets broader than the area the industrial area / business is located meaning a sub-city breakdown would provide an inaccurate picture of the market land supply dynamics. This is aside from the fact that many sub-city industrial areas are not part of the proposed Pak'N Save catchment, so the relevance of such analysis is questioned further. Property Economics consider the current analysis provided is sufficient given vacant industrial land supply levels in the city.

    The second part of the reviewer's request on this matter would involve some broad speculation on Council infrastructure servicing timing. Again the robustness of this approach and any subsequent outcomes of such analysis would be questionable in Property Economics opinion and of limited relevance to the subject application.

13. Given the responses and additional clarification provided above an updated Centres Assessment Report is not considered required as the outcomes and findings of the retail impact assessment remain valid.

If there are any queries in relation to the above, please give me a call

Yours faithfully

Tim Heath
Director