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TEMPLE VIEW RETAIL ASSESSMENT

CHURCH OF JESUS CHRIST LATTER DAY SAINTS TRUST BOARD

Code	Date	Information / Comments	Project Leader
50833.2	August 2012	Report	Tim Heath

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## 1. INTRODUCTION

Property Economics has been engaged by the Church of Jesus Christ Latter Day Saints Trusts Board (“LDSTB”) to undertake an assessment of the retail market (both current and future) for the potential development of a retail and commercial centre within the suburb of Temple View in Hamilton.

This report will provide a detailed understanding of market demand, the implications of projected growth and the influence this will have on the wider market, and ultimately determine what can realistically be sustained by the Temple View market.

The research and analysis in this report will assist LDSTB in developing the appropriate retail centre composition within Temple View, and allocate an appropriate land provision for a proposed centre that can be sustained by the market. The key objective is to provide LDSTB with quantitative research on the localised market that provides a robust information base to allow strategic development decisions to be made in confidence with sound retail and economic rationale.

### 1.1. OBJECTIVES

The main objectives of this report are to:

- Identify and map the location of Temple View and the surrounding centre network.
- Delineate the geo-spatial extent for the likely retail trade catchment for a Temple View centre and determine the market size of the catchment.
- Project catchment population and household growth over the period to 2031.
- Undertake a sensitivity analysis factoring in additional 100, 200 and 300 dwellings in Temple View.

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- Provide a detailed profile of the key economic and social demographic characteristics in the catchment.
  - Calculate the level of annualised retail expenditure generated by the catchment and project this out to 2031.
  - Determine the amount of retail floorspace that can be sustained by the catchment in the relevant convenience and commercial service sectors, both currently and over the assessed horizon, taking into account the influence of the wider retail network.
  - Identify the role and function of a commercial node in Temple View in terms of appropriate activity, store types and scale (land area)

## 1.2. INFORMATION SOURCES

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

- Census of Population and Dwellings 2006 - Statistics NZ (extrapolated to 2012 by Property Economics)
- Household and Population Projections – Statistics NZ, LDSTB
- Household Economic Survey - Statistics NZ
- Retail Trade Survey - Statistics NZ
- Business Frame Employment Data – Statistics NZ
- Catchment Visit – Property Economics

## 2. TEMPLE VIEW TRADE CATCHMENT

Figure 1 illustrates the indicative economic trade catchment for a potential convenience centre within Temple View. This has been based on the proximity to 'like' retail and commercial activity (i.e. centres fulfilling similar role and function), the wider centre network of Hamilton and shopping patterns, demographic distribution, the roading network and other natural and physical geographic barriers. Given the more isolated geographic and spatial position of Temple View, relative to the Hamilton City urban area, the majority of shoppers are likely to be derived from Temple View itself, and a high level of retail expenditure retention is expected for convenience goods and services.

For the purpose of context, the proposed Temple View centre as well as surrounding retail and commercial centres have been identified on Figure 1.

FIGURE 1: TEMPLE VIEW INDICATIVE TRADE CATCHMENT



Source: Property Economics

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### 3. DEMOGRAPHIC PROFILING

This section identifies some of the relevant economic and social characteristics of the identified catchment and compares them to wider Hamilton City averages for comparison purposes. A full breakdown of the demographic profiles has been attached in Appendix 1.

Some of the salient findings from the profiling for retail analysis purposes include:

- The identified catchment is currently populated by around 1,400 people, comprising of around 350 households, giving a significantly higher average household size of 4.1 (rounded) compared to the wider Hamilton City average of 2.8. Relative to the wider city, the catchment represents only a small proportion of the total Hamilton market, i.e. less than 1% (0.6%).
- There are a significantly high proportion of family based households within Temple View, comprising over 70% of households in the identified catchment (including single-parent families). In comparison the proportion of family households in Hamilton City is lower at only 40%. Conversely, there is a lower proportion single households in the Catchment compared to the city average (12% vs. 20% respectively).
- In nominal terms, over half the households in Temple View have four or more members, compared to Hamilton City where on average, less than a third of households have four or more members. In essence, the household family unit in Temple View is larger than the wider Hamilton average.
- The average age of the catchment population is 25-years, which is notably lower than the city average of 33-years. This is a reflection of the high proportion of children in the catchment, of whom those under 19-years of age represent around 45% of the populous. The proportion of under 19-year olds in Hamilton City overall is 15% lower at only around 30%.
- Average annual household income in catchment is marginally lower than the Hamilton City average, at approximately \$73,600 pa vs. \$74,500 pa respectively. This can be attributed to a number of factors, including a higher proportion of populous not in the workforce (37% vs. 30%), a higher proportion of students (1/4 vs. 1/5), and a higher proportion of working age population with no income or on the unemployment benefit. After factoring in these attributes, the slightly lower annual household income level is not a surprise, but it does lead to a lower annual retail expenditure on a per household basis relative to the wider city.

- In terms of ethnic profile, the identified catchment has a significantly higher proportion of their population of Maori and Pacific decent compared to the city average (44% and 12% vs. 15% and 3% respectively). Conversely, European and Asian ethnic groups are significantly under-represented compared to the Hamilton City average.

#### 4. POPULATION & HOUSEHOLD PROJECTIONS

Table 1 displays the population and household growth projections in the identified catchment. The household and populations projections adopted for this assessment have been based on additional development of 100, 200 and 300 households in the Temple View suburb by 2031.

The rate of growth for these projections have been amortised out of the assessed period for each projection. An overview of these projections for the identified catchment is summarised in Table 1.

TABLE 1: POPULATION AND HOUSEHOLD PROJECTIONS

POPULATION	2012	2016	2021	2026	2031
100 Additional Households	1,438	1,504	1,562	1,620	1,682
200 Additional Households	1,438	1,582	1,727	1,883	2,056
300 Additional Households	1,438	1,649	1,877	2,134	2,430

  

HOUSEHOLDS	2012	2016	2021	2026	2031
100 Additional Households	350	373	397	423	450
200 Additional Households	350	392	439	491	550
300 Additional Households	350	409	477	557	650

Source: Property Economics

For the purpose of this report, year 2012 is classified as current (colour coded in blue). Year 2016 is classified as short term (colour coded in yellow), year 2021 is classified as medium term (coloured in green) and years 2026 and 2031 are classified as long term (colour coded in pink).

Currently there is an estimated 1,400 (rounded) people residing in the catchment, with an additional 100 households in the area, this would grow to approximately 1,700 people, 200 additional households 2,100 people and 300 additional households 2,400 people. These scenarios would result in 450, 550 and 650 households respectively in Temple View by 2031.



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Table 1 also indicates that the number of households is to increase at a faster rate than the population due to a projected fall in the person per dwelling ratio over the forecast period. This is not isolated to the study area but a trend projected to occur across the whole country due to an aging population, smaller families and a higher proportion of 'split' or single parent households.

## 5. RETAIL EXPENDITURE AND SUSTAINABLE FLOORSPACE

Retail expenditure forecasts have been based on the aforementioned population and household growth projections as outlined in Section 4 and has been prepared using the Property Economics Retail Expenditure Model. A more detailed breakdown of the model and its inputs can be seen in Appendix 2. In order to provide a more detailed understanding of convenience retailing and the activities this encompasses, a more comprehensive list of convenience store types is provided in Appendix 3.

For the purpose of analysis, retail expenditure and floorspace analysis has focused solely on the sectors of convenience retailing. This sector represents a subset of the total retail market considered to be relevant to Temple View, given its limited population base and isolated nature of the area itself, i.e. over the assess period it is considered unlikely that any retail offer in Temple View would be able to play a higher order comparison role or has a market large enough to sustain a supermarket.

Convenience retailing can be generally defined as stores used for quick stop and frequently required shopping, used primarily due to their close proximity to the customer. These stores are not exclusive to any one retail category with examples of such stores including, dairies, bakeries, fruit & vegetable stores, cafes and restaurants. Convenience retail spend is estimated to represent around 17% of all retail expenditure and this ratio have been adopted for the purpose of this analysis.

Table 2 illustrates the total convenience retail expenditure generated in the identified catchment (in 2012 dollars) and the resulting level of sustainable retail floorspace and gross floor area (GFA) follow each of the three scenarios.

Net floorspace demand has been estimated by applying sustainable retail sales productivity rates to forecast retail expenditure on a sector by sector basis. Sustainable floorspace refers to the level of floorspace proportional to an area's retainable retail expenditure, that is likely to result in appropriate quality and offer in the retail environment. This does not necessarily mean the 'breakeven' point for retailers, but a level of productivity that allows retail stores to trade profitably and provide a good quality retail environment.

It is useful to translate net retail trading into Gross Floor Area (GFA) as net retail trading floorspace excludes the floor area in a retail store used for storage, warehousing, staff room, office, toilets, etc. These uses typically occupy around 25-30% of a store's GFA. It is important to separate out 'back office' floorspace as it does not generate any retail spend and the general public is typically excluded.

TABLE 2: RETAIL EXPENDITURE AND SUSTAINABLE FLOORSPACE PROJECTIONS

100 Additional Households	2012	2016	2021	2026	2031
Convenience Retailing Expenditure (\$m)	\$1.8	\$1.9	\$2.1	\$2.4	\$2.7
Sustainable Net Floorspace (sqm)	197	215	238	264	295
<b>Sustainable GFA (sqm)</b>	<b>281</b>	<b>308</b>	<b>339</b>	<b>378</b>	<b>421</b>

  

200 Additional Households	2012	2016	2021	2026	2031
Convenience Retailing Expenditure (\$m)	\$1.8	\$2.0	\$2.4	\$2.8	\$3.2
Sustainable Net Floorspace (sqm)	197	226	263	307	360
<b>Sustainable GFA (sqm)</b>	<b>281</b>	<b>323</b>	<b>375</b>	<b>439</b>	<b>514</b>

  

300 Additional Households	2012	2016	2021	2026	2031
Convenience Retailing Expenditure (\$m)	\$1.8	\$2.1	\$2.6	\$3.1	\$3.8
Sustainable Net Floorspace (sqm)	197	236	286	348	426
<b>Sustainable GFA (sqm)</b>	<b>281</b>	<b>337</b>	<b>408</b>	<b>498</b>	<b>608</b>

Source: Property Economics

Table 2 shows that the current level of convenience retailing expenditure generated by the identified catchment is around \$1.8m pa, translating to sustainable floorspace of 200sqm net or around 300sqm GFA.

Under the three scenarios, convenience retailing expenditure is forecast to increase to 2.7m pa by 2031 with 100 additional households in the catchment, \$3.2m pa with 200 additional households and \$3.8m pa with 300 additional households.

This translates to retail floorspace requirements of:

- 100 additional households: 420sqm GFA by 2031
- 200 additional households: 510sqm GFA by 2031
- 300 additional households: 608sqm GFA by 2031

It is important to note that the retail expenditure generated by the catchment does not necessarily equate to the sales of the retail shops within the catchment. Residents can travel in and out of the catchment freely, with higher order centres such as Dinsdale, Nawton, The Base / Te Awa, Glenview and the Hamilton CBD. These centres will continue to draw customers from the identified catchment as a result of a more comprehensive or 'higher order' offer and position in the retail hierarchy of the city.

Therefore, the retail expenditure generated in a catchment represents the sales a centre or retail stores within the catchment could potentially achieve and the key influence on what the market can potentially sustain. In this case, given the isolated nature of Temple View and the distance to more urban centres, much of the convenience component of retail expenditure (of which is assessed) is expected to be internalised within the proposed centre.

## 6. LAND REQUIREMENTS

This section assesses the approximate land requirement for a potential Temple View centre, based on the analysis completed in the report. The land requirements determined in this section include areas such as car parks, outdoor amenities, landscaping, walkways, infrastructure and other facilities and therefore is a gross land requirement. It is also assumed that all retail and commercial activity will operate 'at grade' or on a single level basis.

First, it is important to recognise that most centres are more than simply retail centres. They typically contain a number of localised commercial services such as medical practitioners, estate agents, etc. For this reason, an average of 33% commercial service floorspace to retail floorspace in convenience centres has been adopted in this analysis. This recognises the non-retail functions of convenience centres and the corresponding land requirements for non-retail activities.

TABLE 3: TEMPLE VIEW CENTRE LAND REQUIREMENTS

100 Additional Households	2012	2016	2021	2026	2031
Convenience Retailing Expenditure (\$m)	\$1.8	\$1.9	\$2.1	\$2.4	\$2.7
Sustainable Convenience Retailing GFA (sqm)	281	308	339	378	421
Sustainable Commercial GFA (sqm)	93	102	112	125	139
Total Sustainable Centre GFA (sqm)	374	409	451	502	560
<b>Estimated Sustainable Centre Land Area (sqm)</b>	<b>747</b>	<b>818</b>	<b>903</b>	<b>1,005</b>	<b>1,120</b>

  

200 Additional Households	2012	2016	2021	2026	2031
Convenience Retailing Expenditure (\$m)	\$1.8	\$2.0	\$2.4	\$2.8	\$3.2
Sustainable Convenience Retailing GFA (sqm)	281	323	375	439	514
Sustainable Commercial GFA (sqm)	93	107	124	145	170
Total Sustainable Centre GFA (sqm)	374	430	499	584	684
<b>Estimated Sustainable Centre Land Area (sqm)</b>	<b>747</b>	<b>860</b>	<b>998</b>	<b>1,168</b>	<b>1,368</b>

  

300 Additional Households	2012	2016	2021	2026	2031
Convenience Retailing Expenditure (\$m)	\$1.8	\$2.1	\$2.6	\$3.1	\$3.8
Sustainable Convenience Retailing GFA (sqm)	281	337	408	498	608
Sustainable Commercial GFA (sqm)	93	111	135	164	201
Total Sustainable Centre GFA (sqm)	374	449	543	662	809
<b>Estimated Sustainable Centre Land Area (sqm)</b>	<b>747</b>	<b>897</b>	<b>1,085</b>	<b>1,324</b>	<b>1,617</b>

Source: Property Economics

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Current estimated sustainable centre size is in the order of 750sqm in land area, this translates to around 2-3 convenience stores and one commercial service. This is essentially the equivalent of a typical corner dairy, takeaways, butcher and real estate agents type centre.

At 100 additional households by 2031, we would expect growth in the sustainability of the centre size to approximately 1,100sqm in land area and increasing to 1,400sqm if 200 additional households were development, and 1,600sqm for growth of 300 additional households.

In the wider context, these commercially sustainable land areas are small, so it is considered appropriate to factor in a 'buffer' and allocate around 2,000sqm by 2031, as the balance of land not required can be utilised for other land uses such as playgrounds or additional parking until required for commercial purposes.

## 7. APPROPRIATE CENTRE SIZE ROLE AND FUNCTION

The research and analysis completed in this report indicates a sustainable retail offer of approximately 1,100 – 1,600sqm GFA, 5-7 convenience retailing stores and 1-3 commercial stores by 2031.

Overall, the three assessed scenarios essentially equate the similar sized convenience based centres, with approximate sizes of:

- 100 Additional Households:
  - 1,100sqm Land Area
  - 3-5 Convenience Stores
  - 1-2 Commercial businesses
- 200 Additional Households
  - 1,400sqm Land area
  - 4-6 Convenience Stores
  - 2-3 Commercial Businesses

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- 300 Additional Households
    - 1,600sqm Land area
    - 5-7 Convenience Stores
    - 2-3 Commercial Businesses

Given the size of the population base and forecast growth regardless of the scenario chosen, only a small convenience orientated centre would be appropriate for the Temple View catchment. Convenience centres operate within a specific sector of the retail market, and fulfils the role of servicing the localised market for their day to day convenience retailing and commercial service needs. This is significantly different to the roles played by higher orders, such as The Base, Chartwell and Hamilton CBD, and supermarket based neighbourhood centres such as Dinsdale and Glenview who offer a more comprehensive retail offer with more specialised store types.

As a localised convenience centre, the proposed development would predominately be competing against other convenience centres and essentially allow the localised market to be more efficiently serviced while maintaining the role and function of surrounding centres.

The types of stores and services that would be appropriate would include Dairies / Superette, Butcher, Bakery, Takeaways, Hairdresser, Real Estate Agent, Café and etc. Generally stores typically found in convenience centres, a list of examples is outlined in Appendix 3.

The Temple View market (current and future) is not larger enough to sustain a supermarket, so a supermarket based neighbourhood centre is not a practical or likely outcome to plan for.

The promotion of a small convenience centre would provide a net benefit to the community by providing improved enablement (via a centre offering convenience goods within Temple View itself, thereby reducing the need for residents to travel into Hamilton for such), and increase the economic and social welling of Temple View residents.

Therefore the provision of such a centre in Temple View of the scale determined in this report is supported.

## APPENDIX : 1 DEMOGRAPHIC PROFILING

	TEMPLE HAMILTON VIEW	CITY
<b>GENERAL</b>		
Population	1,406	225,554
Households	342	80,480
Person Per Dwelling Ratio	4.1	2.8
<b>AGE PROFILE</b>		
Average Age	25	33
0-9 years	21%	16%
10-19 years	23%	15%
20-29 years	13%	16%
30-39 years	11%	15%
40-49 years	11%	14%
50-64 years	11%	14%
65 plus years	10%	10%
<b>HOUSEHOLD INCOME PROFILE</b>		
Average (pa)	\$73,566	\$74,463
\$0-\$30,000 (pa)	25%	26%
\$30,001-\$50,000 (pa)	24%	18%
\$50,001-\$70,000 (pa)	18%	16%
\$70,001-\$100,000 (pa)	16%	19%
\$100,001 plus (pa)	17%	22%
<b>EMPLOYMENT</b>		
Employed - Full Time	70%	73%
Employed - Part Time	21%	21%
Not in Labour Force	37%	30%
<b>YEARS AT RESIDENCE</b>		
Less Than 5 Years	60%	74%
5 - 14 Years	26%	18%
15 Plus Years	14%	9%
<b>IMMIGRATION</b>		
NZ Born	85%	79%
Immigrated 0-9 Years Ago	5%	12%
Immigrated 10-19 Years Ago	3%	3%
Immigrated 20 Plus Years Ago	7%	5%
<b>ETHNICITY</b>		
European Ethnic Groups	38%	60%
Māori Ethnic Group	44%	15%
Pacific Peoples' Ethnic Groups	12%	3%
Asian Ethnic Groups	2%	10%
MELAA Ethnic Groups	0%	1%
Other Ethnic Groups	3%	10%

	TEMPLE VIEW	HAMILTON CITY
<b>QUALIFICATION ATTAINMENT</b>		
No Qualification	16%	20%
Secondary School	39%	36%
Trade / Vocational	16%	18%
Bachelor Degree	14%	12%
Higher Degree	5%	5%
Other	9%	9%
<b>INDUSTRY OF EMPLOYMENT</b>		
White Collar	74%	73%
Blue Collar	26%	27%
<b>STUDENT PROPORTIONS</b>		
Full Time	17%	14%
Part Time	8%	6%
Not Studying	74%	80%
<b>SOURCE OF INCOME</b>		
Unemployment Benefit	6%	3%
Self Employed/Own Business	8%	9%
Wages/Salary	43%	45%
Other Income	37%	39%
No Income	7%	5%
<b>WEEKLY HOURS WORKED</b>		
1 hr - 19 hrs	14%	13%
20 hrs - 39 hrs	22%	22%
40 hrs - 59 hrs	55%	57%
60 plus hrs	8%	8%
<b>NUMBER OF RESIDENTS</b>		
1 Residents	11%	20%
2 Residents	21%	32%
3 Residents	16%	18%
4 Residents	14%	17%
5 Residents	15%	8%
6 Residents	11%	3%
7 Residents	5%	1%
8 Plus Residents	7%	1%
<b>HOUSEHOLD STRUCTURE</b>		
Single	12%	20%
Couple	16%	28%
Single Parent With Children	17%	13%
Two Parent Family	54%	33%
Other Multi-person	2%	6%
<b>HOME OWNERSHIP</b>		
Residents Own / Mortgage	53%	64%
Rent	47%	36%

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## APPENDIX : 2 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 catchments out to 2031.

### CAU 2006 Boundaries

All analysis has been based on Census Area Unit 2006 boundaries, the most recent available.

### Permanent Private Households (PPH) 2006

These are the total Occupied Households as determined by the Census 2006. PPHs are the primary basis of retail spend generation and account for approximately 71% of all retail sales. PPHs have regard for (exclude) the proportion of dwellings that are vacant at any one time in a locality, which can vary significantly, and in this respect account for the movement of some domestic tourists.

### Permanent Private Household Forecasts 2006-2031

These are based on Statistics NZ Census Area Unit (CAU) Medium Series Population Growth Projections and have been adjusted to account for residential building consent activity occurring between 2006 and 2011, with this extrapolated to the year of concern. This accounts for recent building activity, particularly important for the 5-10 year forecasts, and effectively updates Statistics NZ projections to reflect recent trends. Geo-spatial differences in growth between 2001 and 2006 CAUs have been accounted for with a pro rata distribution.

### International Tourist Spend

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

### Total Tourist Spend Forecast

Growth is conservatively forecast in the model at 2% per annum for the 2011-2031 period.

### 2006-2031 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 2006 Census, and the average PPH



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expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ. In particular a regression analysis has shown the following relationship exists:

PPH Retail Spend = 27.3% of Average PPH Income plus \$4,999 constant.

This relationship between income and retail spend is statistically significant, with a R<sup>2</sup> (the measure of the relationship between the two variables) considered extremely strong.

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

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

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

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

- Food Retailing
- Footwear
- Clothing and Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Hardware
- 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).

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

### Internet Retail Spend Growth

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

As some of internet spend is being made to on-the-ground stores, a proportion of internet expenditure is being represented in the Statistics NZ Retail Trade Survey (RTS) while a large majority remain unrecorded. At the same time this expenditure is being recorded under the Household Economic Survey (HES) as part of household retail spend, 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 floorspace demand. In order to account for this, a non-linear percentage decrease of 2.5% in 2016 growing to 9% by 2031 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 floorspace demand.

### Retail Spend Determinants

Retail Spend for a given area is determined by: the 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

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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 floorspace 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 floorspace. This is the reason that productivity levels are not adjusted but similarly inflation is factored out of retail spend assessments.

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

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

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

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

### Current and Future Conditions

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

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Over the last 4 years this has now reversed with the worldwide GFC recession taking grip. As such, the economic environment has undergone rapid change. The national market is currently experiencing low interest rates (although expected to increase this coming quarter), a highly inflated \$NZ (increasing importing however disproportionately), a stalled property market, and a stagnation in general business confidence. These factors will continue to dampen 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 stifled 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 floorspace within given centres.

### Business Spend 2006

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 (\$6,640pa).

### Business Spend Forecast 2006-2031

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.

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## APPENDIX : 3 CONVENIENCE STORE TYPES

*Note this is not intended to represent an exhaustive list.*

- Superette / Dairy
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery
- Fruit & Vege Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways (Fish & Chips, Pizza, Chinese, Thai, Turkish, Indian, etc.)
- Cafés & Restaurants
- Video store
- Chemist
- Newsagent
- Pub / Bar
- Florist
- Camera / Photography Shop
- Gift Shops
- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors
- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Child care facilities
- Gym
- Lawyers

