Before the Auckland Unitary Plan Independent Hearings Panel

IN THE MATTER of the Resource Management Act 1991 as amended by the Local Government (Auckland Transitional Provisions) Amendment Act 2010

AND

IN THE MATTER submissions lodged by Tonea Properties (NZ) Limited on the Proposed Auckland Unitary Plan

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EVIDENCE IN CHIEF OF **TIMOTHY JAMES HEATH**
ON BEHALF OF TONEA PROPERTIES (NZ)
SUBMITTER NO.4885, FURTHER SUBMITTER NO.1180

30 WALTERS ROAD, TAKANINI

RETAIL ECONOMICS

10 February 2016

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INTRODUCTION

1. My name is Timothy James Heath.

2. I am a Property Consultant, Retail Analyst and Urban Demographer for the company Property Economics Limited, based in Auckland. I hold a double degree from the University of Auckland:

- Bachelor of Arts 1991 (Geography Major)
- Bachelor of Planning 1993.

3. I am a registered member of The Property Council of New Zealand and proprietor and founding Director of Property Economics Limited, a consultancy providing property research services to both the private and public sectors throughout New Zealand. I have undertaken such work for 20 years, with the last 14 years of these as Director of Property Economics Limited.

4. I advise local and regional councils throughout New Zealand in relation to retail, industrial and business land use issues as well as strategic forward planning. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including retail and economic impact assessments, industrial market assessments, and forecasting market growth and land requirements for the retail and industrial sectors.

5. I am fully familiar with the Takanini retail environment and wider Papakura, Franklin and Manukau markets having undertaken detailed retail, commercial and industrial assessments across these southern Auckland areas over the last 20 years. Much of this work involved assessing retail markets, distributional and economic effects of new development, and longer term strategic outlooks and implications for the purpose of forward land use planning and District Plan policy development.

6. I have been engaged by TONEA Properties (NZ) Limited (**TONEA**) to provide retail economic evidence on the proposed zoning of the 30 Walters Road, Takanini land holding (subject land), to Town Centre Zone, and delete the precinct provisions applying to the subject land. My focus in this statement will be to test whether the proposed Town Centre Zone and retail and commercial activity proposed is appropriate and can be sustained by the market in the context of the RMA. This involves determining whether the proposed rezoning is better from the perspective of costs and benefits, and assessing its likelihood of generating significant adverse retail distributional effects on the wider centre network, in particular the Papakura Town Centre.

7. Although this is not an Environment Court hearing, I confirm that I have read and agree to comply with the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014. This evidence is within my area of expertise, except where I state that I am relying on the evidence of another person. I have not omitted to consider material facts know to me that might alter or detract from the opinions that I express.

RETAIL ECONOMIC SYNOPSIS

8. Mr Smith's evidence will detail TONEA's proposed zoning in more detail, but broadly TONEA seek to rezone the subject land to Town Centre (instead of Mixed Use Zone) and delete the proposed precinct provisions applying to the site.

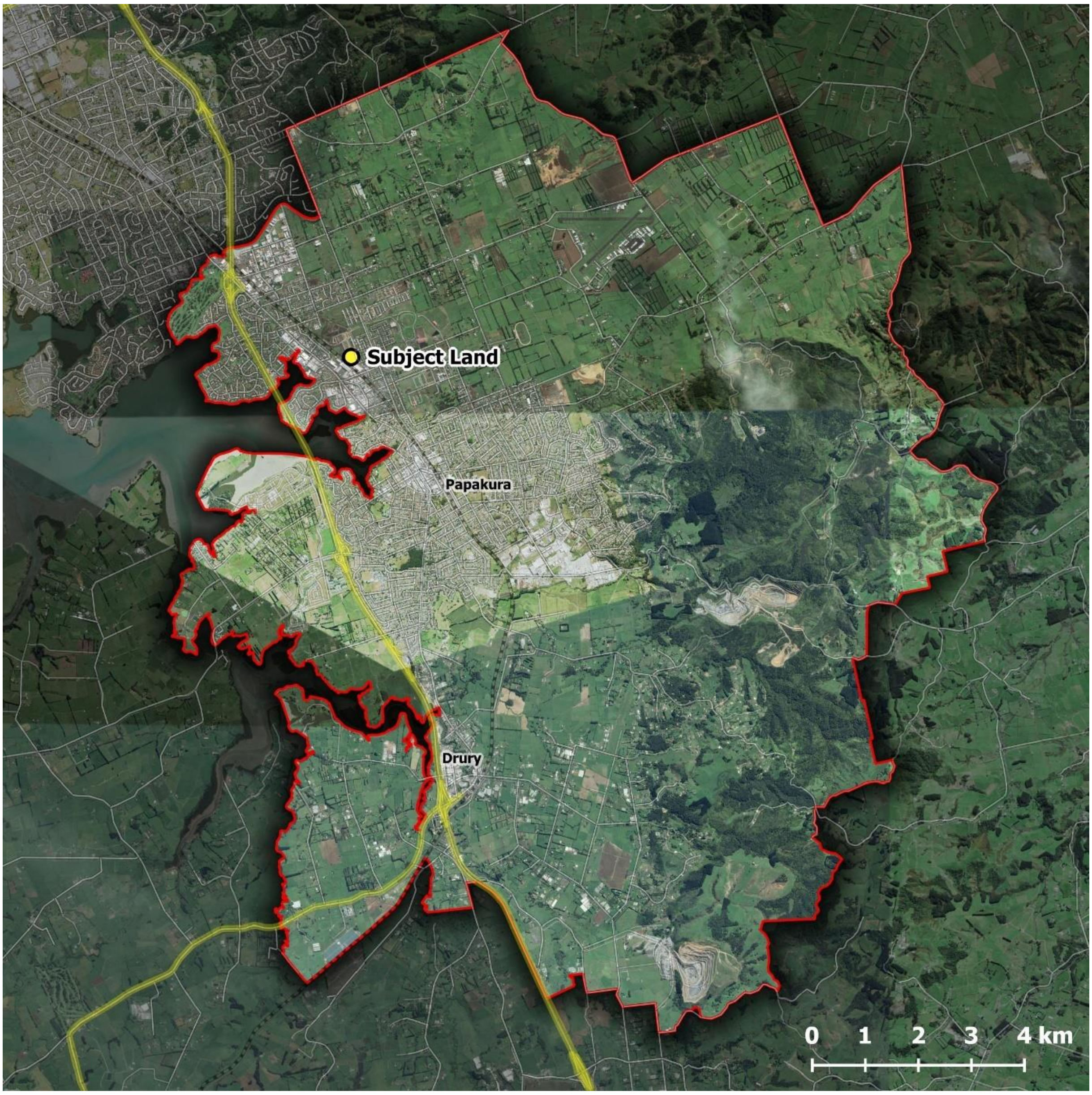
9. The first step in the analytical process from a retail economic perspective is to define the core trade catchment for retail and commercial development on the subject land. Important in this determination is the existing retail and commercial activity already developed on 30 Walter Road, as they would operate as a single retail destination. The core trade catchment utilised for this analysis is highlighted in Figure 1.

10. Given the urban fringe locale of subject land, albeit the surrounding area is urbanising quickly, shoppers are drawn from a more extensive geospatial area due to it being the closest commercial centre of note for the eastern rural hinterland of Papakura and Takanini, and includes Ardmore.

11. It is also important to note that this is an indicative catchment only, and residents within this catchment will also shop in centres outside of the identified area due to the layering of centre catchments, i.e. centres have different roles and functions in the market depending on their size, offer, retail composition, type and position in the commercial hierarchy of the market. In this regard the core economic market illustrated in Figure 1 represents the area where it is anticipated the subject site will derive the majority of its customers, and represents the area the activity on 30 Walters Road is primarily designed to service.

12. It is this catchment on which the subsequent analysis in this statement is based.

FIGURE 1: 30 WALTERS ROAD CORE ECONOMIC CATCHMENT



Source: Property Economics. Google Earth

POPULATION AND HOUSEHOLD PROJECTIONS

13. Table 1 displays the population and household growth projections within the identified core catchment. These projections are derived from the Property Economics Growth Model with the key inputs being the latest Statistics NZ medium series projections (2015 release) and recent residential building consent data 2000 - 2015.

TABLE 1: TOTAL CORE MARKET POPULATION AND HOUSEHOLD PROJECTIONS

	2016	2018	2023	2028	2033	Net Growth 2016 - 2033
Population	56,806	59,773	66,672	72,596	78,644	**21,839**
Households	19,438	20,554	23,216	25,698	28,156	**8,718**
Household Size	2.92	2.91	2.87	2.82	2.79	-0.13
Population Growth (p.a.)		2.58%	2.21%	1.72%	1.61%	38%
Household Growth (p.a.)		2.83%	2.47%	2.05%	1.84%	45%

Source: Property Economics. Statistics NZ

14. For the purpose of this report, years 2016 is classified as current (colour coded blue), year 2018 is classified as short term (colour coded yellow), year 2023 is classified as medium term (coded green), years 2028 - 2033 is classified as longer term (colour coded red), and net growth over the assessment period is colour coded black.

15. 30 Walters Road's core catchment currently has a usually resident population base of nearly 57,000 people and contains around 19,500 households, with this projected to increase to nearly 79,000 people, while households are forecast to grow to around 28,200 by 2033. This represents net growth of around 22,000 people (38%) and just over 8,700 (45%) households, compared to the current 2016 base year over the assessed period.

16. This growth has potential upside over this period with larger developments in the catchment, like Fletcher Residential's Manukau Golf Course development, seeking higher development densities than currently consented. As such these growth forecasts could be considered conservative.

17. Table 1 also indicates that growth in 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.

18. To give the size of the identified core catchment's future market some comparative context, the estimated population base by 2033 is equivalent to the current populations of New Plymouth District, Hastings District and Napier Districts combined. All three of these districts have their own CBD, LFR destinations and cluster of smaller predominantly convenience centres in their network.

RETAIL EXPENDITURE AND SUSTAINABLE GFA

19. This section of the statement estimates the level of ANZSIC[1] retail sector expenditure that is generated by the identified market on an annualised basis in 2015 NZ dollars. Specific focus is placed on retail activity given these store types are likely to dominate within the proposed Town Centre for the subject land.

20. Retail expenditure forecasts have been based on the aforementioned core market shown in Table 1, and have been prepared using the Property Economics Retail Expenditure Model. A more detailed breakdown of the model and its inputs can be seen in Appendix 1.

21. Note the figures below exclude the retail activities, as categorised under the 2006 ANZSIC classification system, of:

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

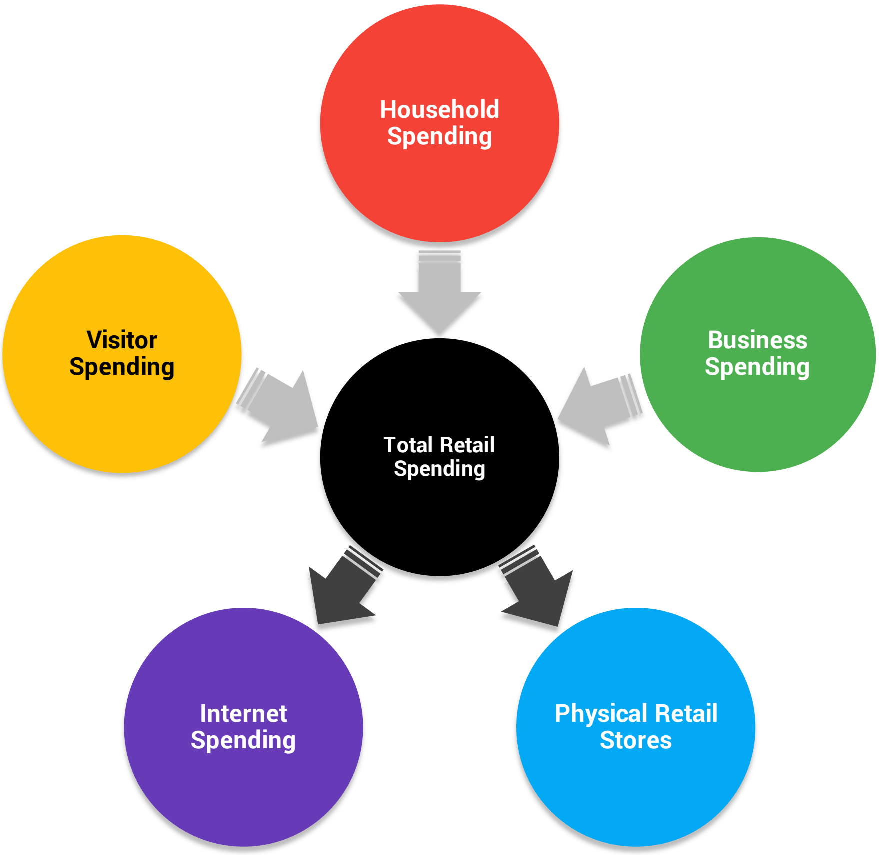
22. The above activities are not considered to be core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality. The latter two bullet points contain activity types that generally have great difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that for most of these activities it would be unviable to establish new stores in centres given their modern store footprint requirements and untenable to remain located within them for an extended period of time (beyond an initial lease term) due to property economic variables such as rent, operating expenses, land value, site sizes, etc.

23. Also excluded are trade based activities such as kitchen showrooms, plumbing stores, electrical stores, paint stores, etc. for similar reasons.

[1] Australia New Zealand Standard Industrial Classification

24. This is not to imply that these activity types are not situated in centres, as in many instances some of these land uses are often an historical overhang. However, moving forward it is increasingly difficult from a retail economic perspective to see these store types establishing stores in centres (new or redeveloped), albeit they likely have equal planning opportunity to do so.

25. The following flow chart provides a simple graphic representation of the Property Economics Retail Expenditure Model to assist in better understanding the methodology and key inputs utilised.



26. Growth in real retail spend has also been incorporated at a rate of 1% per annum over the forecast period. The 1% 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.

27. It is important to note that the retail expenditure generated in the identified core market does not necessarily equate to the sales of any retail stores within the market. 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 and price points.

28. A good quality centre will attract customers from beyond its core market, whereas a low quality centre experiences higher levels of retail expenditure leakage out of its core market. Therefore, the retail expenditure generated in an area represents the sales centres or retail stores within that area could potentially achieve.

29. 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.

30. 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.

31. Table 2 estimates the identified catchment's total annualised retail expenditure, and its corresponding sustainable GFA. It is important to note that this does not denote the level of retail expenditure or sustainable floorspace that is likely to be captured by 30 Walters Road (or even Papakura's) retail provisions, but the total expenditure generated by the core catchment (in terms of retail market) across all retail sectors.

TABLE 2: CORE CATCHMENT RETAIL EXPENDITURE AND SUSTAINABLE GFA PROJECTIONS

	2016	2018	2023	2028	2033	Net Growth 2016 - 2033
Retail Expenditure ($m)	$469	$489	$554	$620	$693	$223
Retail GFA (sqm)	85,304	88,962	100,751	112,718	125,845	40,541

Source: Property Economics

32. Table 2 shows that the current level of retail expenditure generated by the identified core market is currently estimated at around $470m pa, forecast to grow to nearly $700m by 2033 (rounded). Translating retail expenditure to sustainable retail floorspace using sustainable productivity rates, around 85,300sqm GFA (rounded) is currently sustainable with this increasing to around 126,000sqm GFA by 2033. Overall, generated retail expenditure is estimated to increase by $223m annually from the current 2016 base year, with the additional spend enough to sustain an additional 40,500sqm GFA of retail foot print.

Takanini Village

33. Takanini Village encompasses 5.4ha of land, with Takanini Village Stage 1 covering approximately 2.9ha (55% of the total site). This stage was successfully developed in 2014 and contains approximately 12,800sqm GFA, and includes a medical centre (including doctors, physiotherapist, pharmacy and dentist), real estate agency (Ray White), ASB outlet, House of Travel tenancy, Spark store, Bin Inn outlet, a tavern, and numerous eateries among other stores. There are two retail anchor stores for Takanini Village - The Warehouse and Warehouse Stationery.

34. Stage 2 of the Takanini Village development, the component subject to this hearing, is approximately 2.5ha. This land is immediately adjacent to Stage 1 on the northern end of the site and is currently undeveloped. Once developed this land will form a contiguous centre with Stage 1. In essence it represents an extension to an existing centre, rather than a development of an entirely new stand-alone centre. This is important in my view when considering the merits of the Town Centre Zone for the subject land.

35. The tenancy schedule in the Stage 1 development highlights Takanini Village is not purely a retail development, but contains a range of retail, commercial and medical tenants that broaden its scope and appeal to the market. This is another important consideration when assessing the proposed Town Centre Zone, as the existing Stage 1 development encompasses a broad spread of activities within a relatively small GFA foot print that are typically located in town centres. As such, Takanini Village is more than a retail centre to the community, but a centre playing a wider role and function in the market that facilitates increased economic wellbeing and social amenity.

36. Takanini Village Stage 1 offers the Papakura market a significantly improved retail environment and shopper experience than the current offerings in neighbouring Southgate or the Papakura Metropolitan Centre. This is the first centre development in Papakura in my 20 or so years analysing this market that significantly raises the benchmark in respect of quality, and successfully attempts to improve the shopping experience, whilst at the same time providing the fundamental retail and commercial community requirements.

37. This type of development should be embraced in Papakura, as it is an area that has struggled to secure good quality commercial development up to this point. Clearly the high levels of residential growth around the subject site over recent years, at higher densities, have built up a residential base (and by default demand) to support such development.

38. When the development potential of Stage 2 (i.e. development of 2.5ha for retail and commercial activities) is considered in conjunction with the adjacent Stage 1 Takanini Village already developed and the Southgate Centre immediately west across the railway line, they clearly have a combined function like a town centre. In effect they operate as a single retail node combining supermarket, large format retail, department store and a wide range of other retail and commercial service activities.

39. Further adding weight to Takanini as a key retail destination is Pak'N Save just along Takanini straight. All together they represent the highest performing retail area in Papakura, which by default shows it is the most frequently visited and used retail area in the district. This area is now the preferred retail area of Papakura, with retail brands and stores entrenched that will make this unlikely to change over the forecast period.

40. A high proportion of district growth is forecast to be within a few minutes drive of the site. This means the site being developed for retail and commercial uses will result in a more efficient and effective retail network, and reduced travel times.

41. A key consideration in this area's ability to meet the retail and commercial needs of the local community is the level of development and the quality of the development undertaken. These two factors are inherently linked to the certainty of development under the proposed zoning. A Town Centre zoning for this site provides not only increased options for development (thereby increasing the likelihood of development), but greater certainty for developers in terms of what they can undertake but also the level of complimentary development that is likely to be undertaken by other developers.

42. Additionally, by its very nature, the provision for Town Centre activities provide greater levels of functionality and agglomeration benefits that allow the fostering of symbiotic relationships between organisations that improve efficiency and provide greater levels of economic benefits to the community.

43. Southgate and Takanini Village are now established and successful centres in the commercial network of the area. The subject land is Stage 2 of the Takanini Village development, and preventing it from developing a broader suite of town centre activities given market growth would represent a lost opportunity that could generate unnecessary economic costs to the community as a result.

44. The retail economic research indicates that this catchment can be considered one of Auckland's high growth nodes from a proportional growth context. With its household base increasing by an estimated 45%, this will result in significant annual growth in retail expenditure generated by the core market throughout the period to 2033. The core market will be generating over $220m more in 2033 than currently, which could sustain over 40,000sqm of additional retail GFA. Takanini Village Stage 2 will only go part way to satisfying the additional retail and commercial service GFA required to meet this increasing demand within the market,

45. In my opinion, in this instance building on a successful existing centre through expansion in an area of high growth makes more economic and social sense rather than trying to channel increasing GAF into a new centre altogether, or an existing centre further away.

46. From previous retail assessment of the Papakura market, the district suffers from significant retail leakage north to Manukau and other large centres beyond. A positive by-product of rezoning the subject site Town Centre Zone is giving the district's centre provision increased opportunity to capture a larger proportion of the market's generated spend, with less of a requirement to undertake such shopping elsewhere. Such a scenario would improve the performance of Papakura, reduce core catchment leakage, increase local employment opportunities and increase spend in Papakura as a whole.

47. In the future, the proposed rezoning to Town Centre Zone is highly unlikely to have any consequential trade competition impacts on other stores or centres given the level of increasing demand growth determined in this statement. The retail expenditure investigation shows that the market has capacity to support the proposed rezoning, and would be necessary to maintain economic efficiency within the centre network. Ultimately, it would simply increase competition, increase total sales in Papakura and decrease the price of fundamental goods and services for consumers.

48. Overall, the rezoning would in my opinion provide net benefits to the social and economic wellbeing to the Papakura community by increasing the local provision to satisfy demand and increasing overall economic efficiency within the market.

49. The rezoning is also likely to generate additional employment opportunities to the benefit of the local market, among other potential economic benefits such as increased commercial choice and accessibility, greater level of self-sufficiency and market efficiency through a higher rate of retail expenditure internalisation, economic injection through construction and ongoing flow-on benefits and increased amenity. These potential economic benefits are unlikely to be outweighed by any potential economic costs such as reduction in mixed use land supply (of which 2.5ha is a minimal proportion) in the context of the market. Therefore, the net economic benefits are likely to subjugate the economic costs of the rezoning by a large margin. From a S32 RMA cost benefit perspective, the subject site is likely to generate positive net economic benefits.

50. For the foregoing reasons I support the rezoning of the subject land to Town Centre Zone.

Tim Heath

10 February 2016

APPENDIX 1: PROPERTY ECONOMIC 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 2031.

CAU 2013 Boundaries

All analysis has been based on Census Area Unit 2013 boundaries, the most recent available.

Permanent Private Households (PPH) 2013

These are the total Occupied Households as determined by the Census 2013. PPHs are the primary basis of retail spend generation and account for approximately 71% of all retail sales. PPHs have regard for (exclude) the proportion of dwellings that are vacant at any one time in a locality, which can vary significantly, and in this respect account for the movement of some domestic tourists.

Permanent Private Household Forecasts 2006-2031

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.

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.

2013-2031 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 2013 Census, and the average PPH expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ. While there are variables other than household income that will affect retail spending levels, such as wealth, access to retail, population age, household types and cultural preferences, the effects of these are not able to be assessed given data limitations, and have been excluded from these estimates.

Real Retail Spend Growth (excl. trade based retailing)

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

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

- Food Retailing
- Footwear
- Clothing and Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other Stores.

These are the retail categories as currently defined by the ANZSIC codes (Australia New Zealand Standard Industry Classification).

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

Internet Retail Spend Growth

Internet retailing within New Zealand has seen significant growth over the last few decades. This growth has led to an increasing variety of business structures and retailing methods including; internet auctions, just-in-time retailing, online ordering, virtual stores, 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 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 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 households 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.
Over the last 5 years this has now reversed with the worldwide GFC recession taken grip. 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-GFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 20 year period. This rate 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 2013

This is the total retail spend generated by businesses. This has been determined by subtracting PPH retail spend and Tourist retail spend from the Total Retail Sales as determined by the Retail Trade Survey (RTS) which is prepared by Statistics NZ. All categories are included with the exception of accommodation and automotive related spend. In total, Business Spend accounts for 26% of all retail sales in NZ. Business spend is distributed based on the location of employees in each Census Area Unit and the national average retail spend per employee.

Business Spend Forecast 2013-2031

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.