PROPERTY ECONOMICS

HOMESTEAD BAY

QUEENSTOWN

ECONOMIC ASSESSMENT

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Client: RCL Group

SCHEDULE

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1. INTRODUCTION

Property Economics has been engaged by RCL Group (**RCL**) to undertake a high-level retail economic assessment to provide valuable insights for decision-making regarding the development potential, scale, and composition of commercial centre(s) in Homestead Bay, Queenstown.

The proposed commercial centre is designed to primarily service the convenience requirements of the existing and future residential base in the localised market. This commercial centre is an integral part of the broader Homestead Bay Plan Change development, spanning approximately 165ha of land to the south of Jacks Point.

This report will also provide high-level retail economic analysis of the surrounding commercial network within the wider Queenstown-Lakes District. It will identify the demographics of the core economic catchment, those who are likely to be the most frequent users of the commercial centre.

Furthermore, the report will outline the anticipated market growth and provide a breakdown of the sustainable composition of the commercial centre, categorising store types over a forecast period of 20 years, extending to the year 2043.

The research output will provide a sound basis for decision making to assist RCL's delivery of the commercial centre provision in an economically efficient and sustainable manner (i.e., what the retail spend in the market can support).

## 1.1.	RESEARCH OBJECTIVES

The core research objectives of this economic assessment include:

- Delineate the core economic (or trade) catchment for the proposed retail / commercial centre at Homestead Bay.

- Undertake economic and social demographic profiling of the identified catchment to identify the characteristics of its key and most frequent customer base.

- Identify the existing commercial environment within the relevant area of the Queenstown Lakes District, including the existing commercial centre network.

- Estimate the current population and household base within the catchment and rentals / visitor accommodation.

- Project population and household growth within the identified catchment out to 2043.

- Quantify the level of retail expenditure generated in the catchment on an annualised basis by ANZSIC[1] retail sector.

- Forecast annual retail expenditure growth out to 2043 based on the growth projections.

- Determine the amount (sqm, GFA) and number of retail activities that can be sustained by the identified market out to 2043 by sector / store type.

1.2. INFORMATION & DATA SOURCES

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

- Catchment Map – Google Maps, LINZ, Stats NZ

- New Zealand 2018 Census Data - Stats NZ

- Operative District Plan Zonings & Provisions – Queenstown Lakes District Council

- Population and Household Estimates – Stats NZ

- Proposed District Plan Zonings & Provisions – Queenstown Lakes District Council

- Retail Growth Model – Property Economics

- The Queenstown Lakes Spatial Plan July 2021 - Queenstown Lakes District Council

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[1] *Australian and New Zealand Standard Industrial Classification 2006*

2. PROPOSED DEVELOPMENT OVERVIEW

The RCL land, situated between Jacks Point and the Drift Bay lakeside estates, covers around 165ha. It is adjacent to State Highway 6 (**SH6**) on the eastern side, ensuring comfortable drive-time access to both the wider urban area of Queenstown and the surrounding region. For example, it takes just 7 minutes to drive to the SH6 / Lucas Place roundabout in Frankton and therefore similar distance to Remarkables Park and 5-Mile retail destinations.

According to the Queenstown-Lakes Proposed District Plan (**PDP**), the western border, southern boundary, and northeast portion of the RCL land are proposed to be part of the wider Jacks Point Resort Zone (**JPZ**). The purpose of this JPZ is to provide residential and visitor accommodation in a high-quality sustainable environment comprising of two villages, a variety of recreation opportunities and community benefits, including access to public open space and amenities.

FIGURE 1: SUBJECT AREA AND THE SURROUNDING ZONE ENVIRONMENT

Source: Queenstown Lakes District Council, LINZ

Despite not being included in the urban zonings outlined in the PDP, the Queenstown Lakes Spatial Plan July 2021 (**Spatial Plan**) has identified the North – South corridor, extending from Frankton to Homestead Bay, as a suitable area to "*support local services, community facilities and provide more affordable housing ch*oices". This is based on its "*integration with existing development and location on the proposed frequent public transport network*"[2].

To better consolidate growth with more housing choice in the southern corridor, RCL seeks to enable the development containing:

- A spine of commercial / community activities and higher density housing associated with the recreation grounds and open space along the northern boundary.

- Lower housing densities to the south on the more sensitive and visible ground.

- A 'green frame' of open spaces including the recreation grounds to the north, the gullies, the knolls overlooking the lake and the landscape strip along SH6.

- A public transport spine through the higher density areas linking the SH6 with Māori Jack Road, and a potential loop through the centre of the site.

- A perimeter walking / cycling path around the site providing access to the lake edge and to a wider district network of trails and paths.

Regarding commercial activities, specifically, RCL seeks to facilitate the development of two suburban commercial centres within the area. These centres will primarily cater to the retail needs of the emerging local community.

The following figure illustrates the proposed land uses and their respective locations within the subject area. It is proposed that the retail and commercial activities will be situated in the northern extent of the area, adjacent to a high-density (40+ household per ha) residential area on the west side and a standard-density (15 – 25 household per ha) area on the east side.

Additionally, a smaller convenience centre is planned for the heart of the southern standard-density residential zone, strategically positioned at the intersection of two primary roads. In total, the commercial area is proposed to cover around 1-2ha of land within the subject area.

The primary objective of this economic assessment is to determine the appropriate and sustainable allocation of floor area for the commercial centre(s) within the RCL structure plan area.

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[2] *The Queenstown Lakes Spatial Plan July 2021, Page 59*

FIGURE 2: PROPOSED STRUCTURE PLAN

LEGEND

Residential Zone Lower Density Area	Indicative Primary Road
Residential Zone Standard Density Area	Indicative Secondary Road
Residential Zone Medium Density Area	Indicative Walkway / Cycleway Link
Residential Zone Higher Density Area	Indicative Lookout Locations
Suburban Commercial Zone	Wetland / Stormwater
Open Space Recreation Zone	Potential Mixed Density Area Residential Zones Medium / Standard
Community / Recreation Area	Existing Overland Flow Paths identified in Ecological Enhancments Plan
Education	Site Boundary
Neighbourhood Reserve	Note: Exact area and dimensions of SH6 Open Space buffer to be confirmed.

Source: RCL Group & Homestead Bay Development

3. EXECUTIVE SUMMARY

This report provides a high-level retail economic assessment of the localised market from which retail and commercial activities within Homestead Bay will primarily service.

The development's core catchment is characterised by a higher age and higher income profile which, in conjunction with higher priced homes, are the typical ingredients involved in signposting a higher equity base of residents and therefore higher level of available discretionary spend within the catchment.

This indicates that the proposed centre's catchment would represents one of the more affluent catchments across the district in terms of retail spending power and represents an area where a higher pitch of centre (relative to alternatives in the market) would be appropriate. This would require a centre with a better-quality environment and shopping experience to maximise the potential within the catchment.

The core catchment is estimated have a population base of around 2,340 people in the assessment base year of 2023. This is anticipated to grow to circa 13,000 people by 2043. This represents significant growth on a proportional basis which is not unusual for high growth greenfield areas. In terms of the catchment's dwelling base, this is projected to reach around 7,030 dwellings by 2043, including unoccupied dwellings and visitor accommodation.

The proposed commercial centre currently has a localised market containing with an older and more affluent bias compared to the rest of the Queenstown-Lakes District. This means the localised market typically has higher levels of spending potential and an increased propensity to spend more per person on retail goods and services than the balance of the Queenstown market.

There are currently no established centres in Homestead Bay and surrounding environment meaning virtually all day-to-day retail demand generated in the local market is 'lost' (termed retail leakage) to other centres, primarily 5-Mile Centre and Remarkables Park in Frankton and the Queenstown Town Centre. This retail leakage reflects the market opportunity of the proposed centre in Homestead Bay.

The identified catchment is projected to grow rapidly as the ongoing residential developments within the area and the surrounding areas are delivered to the market over the next 20 years. Commercial centre(s) with an estimated total provision of around 3.7ha-5.4ha is considered appropriate and sustainable to service the future population's convenience retail and commercial service requirements by 2043, depending on the scenario (i.e., centre without- and -with supermarket).

Given Homestead Bay is well positioned to be the primary convenience centre for the catchment, around 50-60% of this land required would be suitable for the Homestead Bay centre. The balance across other centre zones in the catchment.

4. CORE RETAIL CATCHMENT

To estimate the retail development potential (or opportunity available) for the proposed retail and commercial centre, it is necessary first to identify its core economic (trade) catchment.

The core economic / retail catchment is essentially the geographic area from which the proposed centre is likely to derive the majority of its most frequent customers and sales or the area the centre is designed to primarily service, and where the centre is considered to have a strategic locational advantage in terms of proximity over other centres.

Given the localised nature of the proposed centre (convenience store types), in combination with the strong visitor component of the wider district, future retail and commercial activities within the proposed centre would primarily service the Homestead Bay and Jacks Point communities, surrounding residential developments and rural population within the immediate catchment, and visitors / tourists.

The following figure illustrates the geospatial extent of the proposed commercial centre's core economic catchment in the context of the existing centre network and roading network.
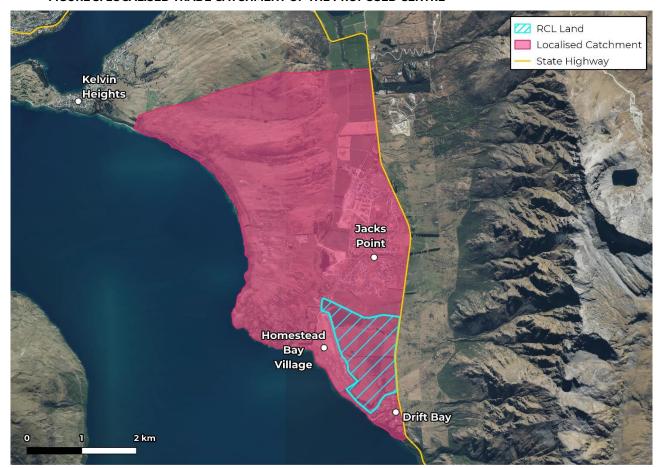
FIGURE 3: LOCALISED TRADE CATCHMENT OF THE PROPOSED CENTRE

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

This localised catchment (coloured in Red) has been based on the proposed centre's expected composition and scale, proximity to other competing retail and commercial activity (i.e., centres fulfilling similar or a higher-order role and function in the market), demographic distribution, roading network, other natural and physical geographic barriers, and the professional opinion of Property Economics factoring in known retail spending patterns and trade areas for similar size and type centres in NZ.

It is important to note that the surrounding area (e.g., the existing main centres in Frankton and Queenstown) would compete for the retail spend generated within the catchment as local residents would also shop in stores outside of the catchment and vice versa. This localised retail catchment is used as the basis for the subsequent retail analysis.

5. CORE CATCHMENT MARKET GROWTH

One crucial element for the enduring prosperity of commercial retail centres is the anticipated expansion of its primary customer or residential base over time. This section presents the population and household growth projections for the catchment identified earlier.

These projections are based on the anticipated capacity growth profile of the Southern Corridor provided by RCL over the next 20 years. They also take into account the most recent population and household estimates from Stats NZ for the existing residential base situated within the catchment.

The following table summarises the projected population, households, and dwellings within the catchment. It shows that the catchment is estimated have a population base of around 2,340 people in the assessment base year of 2023.

This is anticipated to grow to around 13,000 people by 2043. This represents significant growth on a proportional basis but is not unusual for high growth greenfield areas. This represents the 'at capacity' 2043 estimated population base of the core catchment, assuming that all the lots zoned and projected within the Southern Corridor will be delivered and occupied by 2043 at a steady growth rate over the period.

TABLE 1: FUTURE POPULATION AND DWELLINGS BASE WITHIN THE CATCHMENT AREA

	2023	2028	2033	2038	2043
Resident Population	2,340	4,675	7,450	10,225	13,000
Households	760	1,870	2,980	4,090	5,200
Unoccupied Dwellings	270	660	1,050	1,440	1,830
Estimated Visitor Accommodation[1]	135	330	525	720	915
Total Dwellings	1,030	2,530	4,030	5,530	7,030

Source: Property Economics. Note: [1] This is based on 50% of Unoccupied Dwellings assumption.

In terms of the household base, the catchment is estimated to have around 760 households (rounded) in 2023 on a 2.5 person per dwelling basis. This would increase further to around 5,200 households over the next 20 years by 2043 on a one household per dwelling basis.

The Stats NZ 2018 Census data indicates that the catchment had around 74% of dwellings identified as occupied. On this basis, the number of Unoccupied Dwellings within the catchment would be around 1,830 by 2043. Cumulatively, the catchment would have a total of around 7,030 dwellings by 2043, with the Unoccupied Dwellings and Visitor Accommodation included. This equates to a net growth of around 6,000 dwellings above the estimated 2023 dwelling baseline.

Note that unoccupied dwellings include private and non-private dwellings, baches, and holiday homes are defined as empty dwellings, based on the 2018 NZ Census data. In Property Economics' professional experience across the country, visitor accommodation accounts for between 50% of the local unoccupied dwellings for a high-growth travel destination like Queenstown-Lakes. Applying this ratio suggests that the number of visitor accommodation units would be around 915 at capacity by 2043.

Based on the above analysis, it can be expected that the Southern Corridor local community would experience a significant level of growth in both population and households over the next 20 years triggered by the consented and ongoing residential developments.

This will need to be serviced by additional retail and commercial development within the catchment to satisfy the day-to-day retail and commercial services demand of local community and the amenity requirement of visitors.

6. DEMOGRAPHIC PROFILE

An economic and social demographic profile for the catchment has been complied in comparison to the wider Queenstown-Lakes District to identify the most pertinent points of difference and similarity in the catchment. This is to determine where the identified market sits in terms of demographic characteristics on a comparative basis.

A more detailed breakdown of the demographic profiles has been attached in Appendix 1. Some of the salient findings from the demographic profiling include:

- The identified catchment has an average household size of 3.08 persons per dwelling, higher than the district average at 2.63 persons.

- There is a high proportion of residents aged 40 - 79 years within the catchment, an age grouping representing 40% of the total population compared to 38% across the district. This leads to median age of 35.3 years within the catchment, four years older than the district average of 34.3 years old. This is not unusual in areas where higher house prices exist as it takes longer to build up the requisite equity base to purchase in more expensive areas or secure a holiday home / investment property.

- The median annual household income of $168,000 in the catchment is 63% higher than the regional average of $103,000. Regarding the proportion of household earnings over $70,000 p.a., the core catchment has a significant 87% materially higher than 69% of district households. This typically translates into higher levels of annualised retail expenditure generated on a per household unit basis and greater retail spending power – particularly on my lifestyle activities and dining out at restaurants and bars.

- The catchment's higher household income levels compared to the wider district can be attributed to a combination of factors, including a higher Managerial and Professional employment (54%) compared to the wider district (38%), and higher proportion of business owners 36% vs 25%, respectively. These employment positions typically have higher wage rates relative to trade and labour-based jobs.

- Additionally, there are fewer households within the catchment that rely solely on wages / salaries for their income compared to the wider district area. Households in the catchment are more likely to be earning income from investment and pensions and therefore have multiple income streams.

- Compared to the wider district, the catchment has a significantly higher proportion of residents identifying as European (86% vs 78%), and, conversely, a smaller proportion of people identifying as Asian (6% vs 9%), Māori (3% vs 5%) and Middle Eastern Latin American African (2% vs 4%). These differences in ethnic composition are likely to translate to differing spending patterns, shopping behaviours and store preferences.

- As a result of the high-income level, the catchment is a more expensive place to reside when compared to the rest of the district. The catchment has 92% of residents paying $600 and above per week for rent compared to the district average of 48%. This is both a reflection of the high-quality environment in which the properties are located, and the quality of the homes developed.

- On balance, this higher age and higher income profile of the catchment, in conjunction with higher priced homes, are the typical ingredients involved in signposting a higher equity base of residents and therefore higher level of available discretionary spend within the catchment. This indicates that the proposed centre's catchment would represents one of the more affluent catchments across the district in terms of retail spending power and represents an area where a higher pitch of centre (relative to alternatives in the market) would be appropriate. This would require a centre with a better-quality environment and shopping experience to maximise the potential within the catchment.

7. EXISTING AND PLANNED COMMERCIAL ENVIRONMENT

This section provides the relevant background context for the assessment of a potential retail and commercial centre at the RCL land. This provides an overview of the current and emerging commercial centre network within the wider Queenstown-Lakes District and the implications of the appropriate scale of a retail and commercial centre within the structure plan area. These other 'competing' centres have an influence on local shopping patterns and what can be sustained commercially within the area.

The following figure shows the geospatial location and extent of the identified localised centres under the PDP provisions. Note that Wānaka is included for completeness rather than representing a centre that has a material effect on the opportunity at the Southern Corridor.

FIGURE 4: EXISTING AND PLANNED COMMERCIAL CENTRE NETWORK

Source: Google Maps, LINZ, Property Economics

MAIN COMMERCIAL CENTRES IN PROXIMITY

There are three main commercial centres in the Wakatipu Basin serving as the key commercial, civic, and cultural hubs of the district. These centres are the largest type of centre zones in overall scale and intensity within the district designed to service the broader catchment's retail and commercial requirements and permit large format retailing, cinema complex, and other entertainment facilities.   These are the Queenstown Town Centre, Remarkables Park and 5-Mile Centres.

The Queenstown Town Centre (**QTC**) is the largest commercial centre within the district in terms of land area (around 25ha) and is positioning itself to capture an increasing proportion of the local and wider district market. It is also the traditional town centre to the district and is about an 18-minutes' drive to the subject area. Being the largest town centre of the district, the QTC centre accumulates larger numbers of employees from servicing larger catchment and a broader range of retail and commercial functions required in a community. It is also the primary accommodation destination with the largest cluster of hotels and visitor accomodation premises in the district.

The 5-Mile Centre is a large retail park located off Grant Road in Frankton and is approximately a 10-minute drive from the RCL land. This centre is anchored by department stores such as K-mart and The Warehouse, along with a PAK'n SAVE supermarket and a Countdown supermarket. It also boasts a diverse range of homeware stores, including Briscoes, as well as an electrical store, lighting shops, a pharmacy, banks, clothing stores and cafes. Furthermore, various commercial services are located here, including medical, accounting, legal, and childcare services.

The Remarkable Park Centre is positioned to the south of Queenstown Airport, covering about 10ha of land. This centre is anchored by a New World supermarket and offers a variety of large-format retail outlets, such as Hunting and Fishing, Spotlight, Torpedo7, and Furniture Gallery. Additionally, there is a cluster of cafes and restaurants within the centre to cater to the needs of the local community and visitors. The Remarkable Park Centre is approximately an 8-minute drive from the RCL land.

Note that there are other town centres in the broader district, including the Arrowtown Town Centre (ATC) and the Wānaka Town Centre (WTC). These two centres are relatively distant from the RCL land, and therefore, they do not pose direct competition to the proposed new commercial centre in the RCL land. These town centres primarily serve different catchment areas or markets within the wider district.

EXISTING LOCAL SHOPPING CENTRES

Under the PDP, a Local Shopping Centre Zone (**LSCZ**) is proposed to replace the current Corner Shopping Centre Zone (CSCZ) in existing locations and is introduced to several new locations within the district, including Frankton, Fernhill / Sunshine Bay, Arrowtown, Hawea, and

Wanaka. These LSCZs are based around convenience goods stores accommodating single corner stores or small shopping strips located in residential neighbourhoods.

These zones are a focal point for a range of activities that meet the day to day needs of the community at a limited scale that supplements the function of town centres. Ideally, residents are able to walk or have to drive only a short distance to their LSCZs and they are not designed to rely on public transport.

The LSCZs that are in a relatively closer proximity to the RCL proposed centre are in Kelvin Heights and Frankton. The current business activities within these zones include local takeaway shop, dairy and convenience services like hairdressers, providing frequent required retail and commercial service needs to local community and passers-by and as such are scattered through the residential areas.

The Peninsula Road LSCZ is about a 10-minutes' drive to the RCL land via State Highway 6A and Peninsula Road. The future road connecting Jacks Point to Kelvin Heights would reduce this trip significantly. This centre is currently used for residential purposes and has no existing retail and commercial activities. It can be expected that this centre will primarily accommodate the day-to-day convenience retail demand of the residents living in Kelvin Heights once that area is further developed.

The Frankton LSCZ is the largest LSCZ within the district on State Highway 6 and is about 10-minutes' drive from the RCL land. The existing retail activities within this centre include a diverse range of retail (e.g., food retailing and food and beverage services) and commercial activities (e.g., rental services, laboratories, medical centre, post shop, etc.), satisfying the demand of Frankton local community and surrounding areas. The eastern area of this centre adds slightly more development potential but will likely be geared towards top-up shopping and convenience once fully developed and occupied.

In addition to the aforementioned centres, the Jacks Point Village (JPV) Centre is an emerging commercial centre in close proximity to the RCL land, catering to the needs of the Jacks Point local community and visitors alike. This centre encompasses around 3.5ha of land designated as Mixed Use, with an additional 0.5ha having a Local Shopping Area Overlay. Presently, the JPV centre houses a childcare facility and a medical centre among its existing tenancies.

Furthermore, there is potential for a commercial centre within the Homestead Bay Village (HBV) precinct. Based on the information available, Property Economics understands that this precinct is proposed to include hotels and approximately 14,000sqm of amenity and commercial activities once it is developed. Property Economics considers this is unlikely to be realised in full and will primarily rely on visitors rather than the local market.

Within the identified catchment area, there are currently no established centres. Consequently, the current community, primarily situated in Jacks Point, relies on the Frankton LSCZ, Remarkables Park, and the 5-Mile Shopping Centre for their commercial needs.

8. RETAIL DEMAND AND SUSTAINABLE GFA

This section sets out the projected retail expenditure and sustainable GFA forecasts for the catchment. These forecasts have been based on the aforementioned population and household growth projections, retail shopping patterns, and expenditure flows and have been prepared using Property Economics' Retail Model.

8.1. RETAIL GROWTH MODEL

A more detailed breakdown of the model and its inputs is set out in Appendix 2.

The following flow chart provides a graphical representation of the Property Economics Retail Model to better understand the methodology and key inputs utilised.

Source: Property Economics

GROWTH IN REAL RETAIL EXPENDITURE

For the purposes of projecting retail expenditure, growth in real retail spend has been incorporated into the model at a rate of 1% per annum over the forecast period. This 1% rate is based on the level of debt retail spending, interest rates and changes in disposable income levels, and is the average inflation adjusted increase in spend per household over the assessed period.

LAYERED RETAIL CATCHMENTS

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

Therefore, the retail expenditure generated in an area represents the retail sales centres (or retail stores) within that area could potentially achieve and is the key influence on what the market can potentially sustain. This should not be interpreted as a negative for any retail activity in the catchment, but simply represents normal commercial market mechanisms (competition) and is a consideration that needs to be appropriately accounted for in any analysis.

EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2023 NZ dollars and exclude the following retail activities, as categorised under the Australia New Zealand Standard Industrial Classification (**ANZSIC**) 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, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

The above retail sectors have been excluded because they are not considered to be 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.

The latter two bullet points contain activity types that generally have greater difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that for most of these activity types 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) in successful

centres due to property economic considerations such as rent, operating expenses, land value, operational and functional requirements and site sizes.

Trade orientated activities such as kitchen showrooms, plumbing stores, electrical stores and paint stores are also excluded from the model for similar reasons. This is not to imply that these activity types are not situated in centres, as in many instances some of these store types remain operating in centres as a historic overhang.

However, in the future, it is increasingly difficult from a retail economic perspective to see these store types establishing in centres (new or redeveloped), albeit they likely have equal planning opportunity to do so. As such, demand for these store types is additional to the retail demand assessed in this analysis.

SUSTAINABLE GFA

This analysis uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floorspace 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 wellbeing and amenity.

It is also necessary to separate the Gross Floor Area into:

- Net retail floorspace (Sustainable Floorspace); and
- Back office floorspace that does not generate any retail spend.

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.

8.2. CATCHMENT AREA GENERATED RETAIL SPEND AND SUSTAINABLE GFA

The following table breaks down the total retail market for the catchment over the assessed 20-year period to 2043 on an annualised basis.

It is estimated that the catchment would generate a total of around $27m per annum of retail expenditure in 2023 from which retail stores can draw sales. This is projected to grow to around $161m per annum by 2043. This equates to an additional $133m in annualised retail expenditure above the 2023 base year.

TABLE 2: ANNUALISED RETAIL SPEND ($M) GENERATED BY THE CATCHMENT

ANZSIC Sector		2023	2028	2033	2038	2043	2023-43 Growth
	Food retailing	$11.8	$24.2	$39.9	$56.7	$75.0	**$63**
	Clothing, footwear and personal accessories retailing	$1.9	$3.6	$5.5	$7.5	$9.5	**$8**
	Furniture, floor coverings, houseware and textile goods retailing	$0.7	$1.4	$2.2	$3.2	$4.2	**$4**
	Electrical and electronic goods retailing	$0.8	$1.6	$2.7	$3.8	$5.1	**$4**
	Pharmaceutical and other store-based retailing	$2.9	$5.6	$8.6	$11.7	$15.1	**$12**
	Department stores	$2.0	$3.9	$6.2	$8.5	$11.0	**$9**
	Recreational goods retailing	$1.1	$2.2	$3.4	$4.7	$6.0	**$5**
	Food and beverage services	$6.2	$12.1	$19.2	$26.8	$34.7	**$29**
Catchment Total Generated Retail Spend ($m)		**$27**	**$55**	**$88**	**$123**	**$161**	**$133**

Source: Property Economics

At the sectoral level, Food Retailing[3] and Food and Beverage Services[4] are estimated to be the sectors with the most significant annualised retail spend over the forecast period. These two sectors cumulatively would generate around $110m of retail spend per annum in 2043, which accounts for around two thirds of the total annualised retail spend generated within the catchment.

This is followed by Pharmaceutical and Other Store-based Retailing and Department Stores, which are the most common retail activities within the larger retail destination (like Remarkables Park and 5-Mile) attracting local residents. These two sectors, cumulatively, are estimated to generate around $5m of retail spend per annum in 2023, increasing to around $26m per annum by 2043.

The following table illustrates the level of sustainable retail GFA (sqm) within each retail sector that can be supported by the generated total retail spend within the localised catchment.

The total sustainable GFA based on the catchment's total generated retail spend equates to 4,900sqm (rounded) in 2023 and is expected to grow further to around 28,600sqm by 2043. This equates to an additional growth in sustainable GFA of around 23,700sqm between 2023 and 2043 or a net growth of around 1,190sqm on average per annum over the next 20 years.

It is important to note that this is not the total retail GFA currently being supplied by the market, but rather the amount of GFA that can be sustained by the catchment's generated

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[3] *Includes supermarkets, fruit & vege stores, bakeries, butchers, dairies, etc.*

[4] *Includes cafes, bars, and restaurants.*

retail spend irrespective of where retail supply is located, or if this total generated retail expenditure was internalised within the catchment.

Despite comprising around 47% of retail expenditure, Food Retailing encompasses just 33% of 2043 sustainable GFA. This is a reflection simultaneously high productivity rates of supermarkets and the scale of which supermarkets are built / demanded.

In contrast, Department Stores which have relatively lower floorspace productivity rates, represents 7% of retail expenditure but around 14% of total sustainable GFA. For the Fashion and Department Store sectors, cumulatively, the generated spend ion the catchment could sustain around 5,800sqm GFA, around 20% of the catchment's sustainable GFA by 2043.

TABLE 3: CATCHMENT SUSTAINABLE GFA (SQM) BY SECTOR

ANZSIC Sector		2023	2028	2033	2038	2043	2023-43 Growth
	Food retailing	1,500	3,000	4,900	7,000	9,300	**7,800**
	Clothing, footwear and personal accessories retailing	400	700	1,100	1,500	1,900	**1,500**
	Furniture, floor coverings, houseware and textile goods retailing	200	500	800	1,100	1,500	**1,300**
	Electrical and electronic goods retailing	200	500	800	1,100	1,500	**1,300**
	Pharmaceutical and other store-based retailing	600	1,100	1,700	2,300	3,000	**2,400**
	Department stores	700	1,400	2,200	3,000	3,900	**3,200**
	Recreational goods retailing	300	600	900	1,300	1,700	**1,400**
	Food and beverage services	1,000	2,000	3,200	4,500	5,800	**4,800**
Total Retail Sustainable GFA (sqm)		**4,900**	**9,800**	**15,600**	**21,800**	**28,600**	**23,700**

Source: Property Economics

The preceding table is not intended to represent what is appropriate to develop or could be sustained at the proposed centre. It represents the amount of retail GFA the generated retail spend in the catchment could sustain. This GFA is clearly being delivered in other centres in Queenstown at present with the core catchment also being within the catchment of 5-Mile and Remarkables Park as well as the emerging Jacks Point commercial centre.

8.3. VISITOR SPEND FORECAST

The following table further estimates the annualised retail spend generated by visitors. It shows that as of 2023, $5m of general retail spend would be generated within the core catchment by visitors, specifically. This is projected to be further increased to $25m per annum by 2043. This is broadly representative of the '*pool*' of retail spend that that the proposed commercial centre would be potentially competing for within the core catchment area.

Food Retailing & Food and Beverage Services is again the largest retail spend category and cumulatively accounts for around 49% of the total annualised retail spend (around $2.6m per annum) as of 2023, increasing to around $12.2m per annum by 2043.

TABLE 4: ANNUALISED RETAIL SPEND ($M) BY VISITORS

ANZSIC Sector		2023	2028	2033	2038	2043	2023-43 Growth
	Food retailing	$0.8	$1.6	$2.4	$3.3	$4.1	**$3.3**
	Clothing, footwear and personal accessories retailing	$0.7	$1.4	$2.0	$2.7	$3.4	**$2.7**
	Pharmaceutical and personal care goods retailing	$1.2	$2.3	$3.4	$4.5	$5.6	**$4.3**
	Department stores	$0.4	$0.7	$1.0	$1.4	$1.7	**$1.4**
	Recreational goods retailing	$0.4	$0.7	$1.0	$1.4	$1.7	**$1.3**
	Food and beverage services	$1.8	$3.3	$5.0	$6.6	$8.1	**$6.4**
Total Retail Spend Generated by Visitors ($m)		**$5**	**$10**	**$15**	**$20**	**$25**	**$19**

Source: Property Economics

8.4. THE PROPOSED COMMERCIAL CENTRE CATCHMENT

RETAIL SPEND AND SUSTAINABLE GFA

Note that not all convenience retail expenditure generated within the catchment will be internalised within the proposed commercial centre, particularly as other existing larger centres such as the QTC, 5-Mile and Remarkables Park, and to a lesser degree the Frankton Local Shopping Centre. These existing centres are likely to draw some convenience expenditure from the catchment as they also encompass convenience store types.

As such, an estimated 20% of the generated food retail spend is considered appropriate to internalise locally within the proposed commercial centre. This lowers the convenience-based food retail spend to around $2.4m. This is broadly representative of the 'pool' of food retailing spend that that the proposed commercial centre would capture from the catchment area with a suitable offer.

Assuming an average sustainable productivity for food retailing activities within a convenience centre is around $9,500/sqm, the estimated $2.4m can be translated into a gross food retail floor area requirement of around 400sqm. This is expected to increase further to around 2,300sqm GFA for food retailing by 2043.

TABLE 5: ANNUALISED RETAIL SPEND ($M) WITHIN THE CATCHMENT

ANZSIC Sector	2023	2028	2033	2038	2043	2023-43 Growth
Food retailing	$2.4	$4.8	$8.0	$11.3	$15.0	**$12.6**
Supermarket	$1.8	$3.6	$6.0	$8.5	$11.3	**$9.5**
Other Food Retailing	$0.6	$1.2	$2.0	$2.8	$3.8	**$3.2**
Clothing, footwear and personal accessories retailing	$0.3	$0.5	$0.8	$1.1	$1.4	**$1.1**
Pharmaceutical and other store-based retailing	$0.6	$1.1	$1.7	$2.3	$3.0	**$2.4**
Recreational goods retailing	$0.1	$0.1	$0.2	$0.2	$0.3	**$0.2**
Food and beverage services	$4.3	$8.5	$13.4	$18.8	$24.3	**$20.0**
Total Retail Spend within the Centre ($m)	**$8**	**$15**	**$24**	**$34**	**$44**	**$36**

Source: Property Economics

On the above basis, the proposed centre catchment could sustain a full-serviced supermarket with an estimated GFA of around 2,100sqm by 2043. Supermarket spend typically accounts for about 75% of this sector spend and an appropriate offer of such in the proposed commercial centre could expect to achieve something similar. There is potential for a smaller scale supermarket in the early 2030s, but it would need to have expansion potential for future market growth.

Additional to this, the centre catchment could generate around $4.3m of annualised Food and Beverage Services (cafes, bars and restaurants) spend by 2023, which would be increased further to around $24m per annum by 2043. This can be translated into a sustainable GFA from 700sqm in 2023 increasing to 4,100sqm by 2043, based on productivity assumption of $8,500/sqm.

Other sectors (i.e., Clothing, Footwear and Personal Accessories Retailing, Pharmaceutical and Personal Care Goods Retailing, and Recreational Goods Retailing) could generate comparatively less retail spend within the proposed centre with a total retail spend of around $1m by 2023.

This can be translated into a sustainable GFA of around 200sqm by 2023 with the potential to be increased to around 1,000sqm by 2043[5]. In effect, store types in these sectors would

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[5] *Based on a $7,500/sqm productivity assumption for Clothing, Footwear and Personal Accessories Retailing and Pharmaceutical and Personal Care Goods retailing and $6,500/sqm assumption for Recreational Goods Retailing.*

represent a smaller boutique offering based on quality and higher pitch rather than a broad number of stores.

TABLE 6: ESTIMATED SUSTAINABLE GFA (SQM) WITHIN THE CATCHMENT

ANZSIC Sector		2023	2028	2033	2038	2043	2023-43 Growth
Food retailing		400	700	1,200	1,700	2,300	**1,900**
	Supermarket	300	530	900	1,280	1,730	**1,430**
	Other Food Retailing	100	170	300	420	570	**470**
Clothing, footwear and personal accessories retailing		100	100	200	200	300	**200**
Pharmaceutical and other store-based retailing		100	200	300	400	600	**500**
Recreational goods retailing		0	0	0	100	100	**100**
Food and beverage services		700	1,400	2,300	3,200	4,100	**3,400**
Total Retail Sustainable GFA of the Centre (sqm)		**1,300**	**2,400**	**4,000**	**5,600**	**7,400**	**6,100**

Source: Property Economics

SCENARIO 1 - CONVENIENCE CENTRES SIZE (EXCLUDING SUPERMARKET)

The following table summarises the sustainable size / land area of the proposed centre catchment based on the previous forecasts.

Research over many years by Property Economics around the country indicates that commercial services generally account for around 50% of convenience centre's activity, so an additional requirement for local commercial and professional services is considered appropriate for the identified market scale over the next 20 years.

Both retail and non-retail commercial services tenancies, for the most part, are interchangeable activities, in respect of both being able to occupy the same tenancy footprint. As such, non-retail commercial services often co-locate with retail stores in convenience centres.

Consequently, the localised catchment could sustain a total provision of around 14,800sqm GFA by 2043, equivalent to a developable land requirement of around 3.7ha.

This excludes any land for urban parks, roads, reserves, playgrounds, and community, education and public transport facilities which RCL may want to include to enhance the centre and provide additional agglomeration benefits and amenity values for residents. Land for these uses would be additional to the land areas identified in the table.

TABLE 7: CATCHMENT CONVENIENCE TOTAL SUSTAINABLE GFA (SQM) AND LAND REQUIREMENT

	2023	2028	2033	2038	2043
Convenience Retail Spend ($m)	$8	$15	$24	$34	$44
Sustainable Convenience Retail GFA (sqm)	1,300	2,400	4,000	5,600	7,400
Non-retail Commercial Services GFA (sqm)	1,300	2,400	4,000	5,600	7,400
Total Centre Sustainable GFA (sqm)	2,600	4,800	8,000	11,200	14,800
Total Centre Land Requirement (ha)	**0.7**	**1.2**	**2.0**	**2.8**	**3.7**

Source: Property Economics

SCENARIO 2 – CONVENIENCE CENTRES SIZE (INCLUDING SUPERMARKET)

The following table presents an additional scenario in which the total sustainable land requirements for centres in the catchment with a supermarket. This scenario assumes that approximately half of the food retail spend generated within the catchment area will be internalised locally within the proposed centre from 2038 onwards once a supermarket is established. In effect this scenario means the supermarket is established anytime post 2033 when a critical mass to support such a store emerges.

In this particular scenario, the centres would be able to support an annual retail spend of around $51m per annum by 2038, increasing to $67m per annum by 2043. This translates to sustainable retail GFA of around 16,400sqm by 2038 and 21,400sqm by 2043.

TABLE 8: CATCHMENT CONVENIENCE LAND REQUIREMENTS WITH SUPERMARKET

	2023	2028	2033	2038	2043
Convenience Retail Spend ($m)	$8	$15	$24	$51	$67
Sustainable Convenience Retail GFA (sqm)	1,300	2,400	4,000	8,200	10,700
Non-retail Commercial Services GFA (sqm)	1,300	2,400	4,000	8,200	10,700
Total Centre Sustainable GFA (sqm)	2,600	4,800	8,000	16,400	21,400
Total Centre Land Requirement (ha)	**0.7**	**1.2**	**2.0**	**4.1**	**5.4**

Source: Property Economics

As a result, the centre land requirement increases to around 5.4ha once longer-term growth is considered, including space for a supermarket. Given Homestead Bay is well positioned to be the primary convenience centre for the catchment, around 50-60% of this land required would be suitable for the Homestead Bay centre. The balance across other centre zones in the catchment.

8.5. APPROPRIATE RETAIL STORE TYPES

Based on the forecasts above, the indicative number of tenancies considered appropriate and sustainable for the proposed centre, given its convenience role and function, are summarised in the following table.

Note that that the sectoral breakdown of tenancies provided is indicative and should be used as a general guide only and many retail store contain product across multiple retail sectors. The key focus should be on the total number of tenancies when interpreting these figures to provide an indication of centre size by tenancy. It should be noted that some of this capacity is likely to be captured by over commercial zoned areas in the catchment and not solely for the Homestead Bay centre, albeit Homestead Bay has the highest propensity to be the main commercial centre for the catchment.

The following table excludes tenancies for other non-commercial activities / land uses that might form part of a local centre such as community facilities, civic area / urban parks, passive or active recreational spaces, library, etc.

The table also shows growth in the sustainable number of stores in 5-yearly increments over the assessment period 2023 - 2043. This will ultimately depend on the rate of growth and delivery of residential dwellings in the core catchment area.

The following table provides a summary of the recommended total number of tenancies and their indicative sectoral distribution in the 'with-supermarket' scenario. The catchment (with a supermarket) is anticipated to be able to support around 46 tenancies by 2043.

TABLE 9: INDICATIVE SUSTAINABLE TENANCIES BY SECTOR WITH SUPERMARKET

ANZSIC Sector	2023	2028	2033	2038	2043
Food retailing	1	1	3	11	14
Supermarket	0	0	0	2	2
Other Food Retailing	1	1	3	9	12
Clothing, footwear and personal accessories retailing	1	1	2	2	3
Pharmaceutical and other store-based retailing	1	2	3	3	5
Recreational goods retailing	0	0	0	1	1
Food and beverage services	4	8	13	18	23
Total Number of Retail Tenancies	**7**	**12**	**21**	**35**	**46**

Source: Property Economics

In Property Economics experience, the development of commercial centre(s) in a new growth area stimulates residential development and sale rates as it provides some of the fundamental amenities purchasers look for at a local community level.

Some of the potential range of tenancy types considered appropriate for a new Homestead Bay commercial centre, given its convenience role and function in the market, is highlighted in the following list.

- Supermarket / Superette / Dairy / Mini-mart
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery

- Fruit & Vege Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways
- Cafés & Restaurants

- Newsagent
- Pub / Bar / Tavern
- Florist
- Gift Shops
- Pharmacy
- Mobile Phone Store

On top of the retail store types identified above, the proposed commercial centre would also require some other commercial and professional service activities to accommodate the demand of the local community, including:

- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Banks
- Financial Advisors

- Doctors
- Accountants
- Personal care services
- Physiotherapists
- Gym
- Lawyers

- Medical practitioners
- Dentists
- Travel agency
- Childcare facilities

Note the lists above are not intended to represent an exhaustive range of appropriate business activities within the proposed centre, simply an indication of the types of convenience retail and commercial & professional services businesses that could fit seamlessly into such a centre that would meet the local community's convenience and frequently required commercial needs.

Note the aforementioned lists exclude other non-commercial activities / land uses that might form part of a local centre such as community facilities, civic area / urban parks, passive or active recreational spaces, library, etc.

8.6. APPROPRIATE CENTRE LOCATION

In Property Economics view, the location of the proposed centre(s) within the subject land should be located to provide efficient and easy access for the local community. Given that SH6 serves as the main road in the area, placing the centre near the SH6 – proposed primary road roundabout is deemed more beneficial from an economic perspective. This location would enhance accessibility, raise the centre's profile, and potentially lead to better economic performance ($ per sqm). Therefore, the current proposed location, as indicated in Figure 2 earlier, for the main centre is deemed appropriate.

Furthermore, should a supermarket be developed on the RCL land it has the potential to draw customers from beyond the Homestead Bay residential area, including Drift Bay.

Property Economics considers that the proposed main centre location is well-suited for efficiently serving both Homestead Bay and the surrounding markets. This positioning would yield greater economic and social benefits by allowing integration with the Northern Corridor. For reasons of economic efficiency, it is more appropriate to have the supermarket within the main centre.

As for the location of a small neighbourhood centre within the RCL land, there is greater flexibility, and it should be strategically distributed to ensure efficient community access. The currently proposed location at the southern primary road intersection is considered suitable from an economic and efficiency standpoint.

APPENDIX 1. DEMOGRAPHIC PROFILE

		Localised Catchment	Queenstown-Lakes District
GENERAL	Population	2,340	49,460
	Households	760	18,780
	Person Per Household Ratio	3.08	2.63
	Intercensal Population Growth (Total | % p.a.)	793 | 33.3%	12,747 | 7.4%
AGE PROFILE	0 - 9 Years	20%	12%
	10 - 19 Years	11%	9%
	20 - 29 Years	10%	20%
	30 - 39 Years	18%	20%
	40 - 49 Years	19%	14%
	50 - 59 Years	12%	11%
	60 - 69 Years	7%	9%
	70 - 79 Years	3%	5%
	80 Years and Over	0%	2%
	Median Age	**35.3**	**34.3**
Household Income	$20,000 or less	1%	4%
	$20,001-$30,000	1%	5%
	$30,001-$50,000	3%	10%
	$50,001-$70,000	8%	12%
	$70,001-$100,000	14%	18%
	$100,001-$150,000	22%	25%
	$150,001 or more	51%	27%
	Median Income	**$168,000**	**$103,000**
ETHNICITY	Asian	6%	9%
	European	86%	78%
	Maori	3%	5%
	Middle Eastern Latin American African	2%	4%
	New Zealander	1%	1%
	Other Ethnicity	1%	1%
	Pacific Peoples	1%	1%
QUALIFICATION ATTAINMENT	No qualification	6%	9%
	Overseas secondary school qualification	7%	10%
	Level 1 certificate	8%	9%
	Level 2 certificate	9%	8%
	Level 3 certificate	8%	9%
	Level 4 certificate	9%	10%
	Level 5 diploma	8%	6%
	Level 6 diploma	6%	6%
	Bachelor degree and Level 7 qualification	18%	19%
	Post graduate and honours degrees	13%	9%
	Masters degree	6%	4%
	Doctorate degree	0%	1%
LOCATION 5 YEARS AGO	Elsewhere in New Zealand	65%	44%
	No fixed abode five years ago	0%	0%
	Not born five years ago	12%	6%
	Overseas	15%	24%
	Same as usual residence	8%	26%

		Localised Catchment	Queenstown-Lakes District
EMPLOYMENT	Employed Full time	62%	66%
	Employed Part time	18%	14%
	Not in the Labour Force	19%	18%
	Unemployed	1%	1%

		Localised Catchment	Queenstown-Lakes District
EMPLOYMENT CLASSIFICATION	Clerical and Administrative Workers	11%	9%
	Community and Personal Service Workers	10%	12%
	Labourers	4%	10%
	Machinery Operators and Drivers	2%	4%
	Managers	28%	22%
	Professionals	26%	16%
	Sales Workers	8%	11%
	Technicians and Trades Workers	11%	16%

		Localised Catchment	Queenstown-Lakes District
PERSONAL INCOME SOURCES	Wages, Salary, Commissions, Bonuses etc paid by my employer	60%	70%
	Interest, Dividends, Rent, Other Investments	23%	20%
	Jobseeker Support	0%	1%
	New Zealand Superannuation or Veteran s Pension	6%	11%
	Other government benefits, Payments or Pension	2%	2%
	Other Sources of Income	2%	1%
	Other Superannuation, Pensions or Annuities	2%	2%
	Regular payments from ACC or a Private Work Accident Insurer	2%	2%
	Self Employment or Business I own and work in	36%	25%
	Sole Parent Support	0%	0%
	Student Allowance	0%	1%
	Supported Living Payment	0%	0%
	No source of income during that time	5%	3%

		Localised Catchment	Queenstown-Lakes District
INDUSTRY OF EMPLOYMENT	Accommodation and Food Services	7%	19%
	Administrative and Support Services	6%	7%
	Agriculture Forestry and Fishing	2%	3%
	Arts and Recreation Services	6%	5%
	Construction	18%	15%
	Education and Training	5%	4%
	Electricity Gas Water and Waste Services	0%	0%
	Financial and Insurance Services	4%	2%
	Health Care and Social Assistance	3%	4%
	Information Media and Telecommunications	0%	1%
	Manufacturing	1%	4%
	Mining	1%	0%
	Other Services	3%	3%
	Professional Scientific and Technical Services	17%	9%
	Public Administration and Safety	4%	3%
	Rental Hiring and Real Estate Services	5%	4%
	Retail Trade	10%	10%
	Transport Postal and Warehousing	5%	5%
	Wholesale Trade	2%	2%

		Localised Catchment	Queenstown-Lakes District
WEEKLY RENT PAID	Under $100	4%	1%
	$100 - 149	0%	2%
	$150 - 199	0%	2%
	$200 - 299	0%	7%
	$300 - 399	0%	11%
	$400 - 499	4%	15%
	$500 - 599	0%	15%
	$600 and over	92%	48%
DWELLING OWNERSHIP	Dwelling held in a family trust	29%	23%
	Dwelling not owned and not held in a family trust	24%	37%
	Dwelling owned or partly owned	47%	39%
DWELLING TYPE	Joined dwelling	4%	18%
	Other private dwelling	0%	2%
	Private dwelling not further defined	0%	0%
	Separate house	96%	81%
DWELLING OCCUPANCY	Dwelling Under Construction	18%	4%
	Empty Dwelling	7%	16%
	Occupied Dwelling	64%	69%
	Residents Away	11%	12%
NUMBER OF BEDROOMS	One bedroom	1%	6%
	Two bedrooms	4%	15%
	Three bedrooms	58%	42%
	Four bedrooms	31%	29%
	Five or more bedrooms	7%	9%
STUDYING	Full time study	23%	16%
	Not studying	74%	82%
	Part time study	3%	3%
Household Size	One usual resident	7%	17%
	Two usual residents	33%	35%
	Three usual residents	14%	17%
	Four usual residents	34%	19%
	Five usual residents	10%	8%
	Six usual residents	2%	2%
	Seven usual residents	0%	1%
	Eight or more usual residents	0%	1%
	Number of usual residents unidentifiable	6%	5%

APPENDIX 2: PROPERTY ECONOMICS RETAIL GROWTH MODEL

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

Statistical Area 1 2018 Boundaries

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

Household Estimates

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

Population Growth

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

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

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

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

International Tourist Spend

The total tourism retail spend has been derived from the Tourism Satellite Account and distributed to each district according to the data as published by MBIE. Within each district, this has been distributed on a 'spend per retail employee' basis. Employees are the preferred

basis for distributing regional spend geo-spatially, as tourists tend to gravitate toward areas of commercial activity, however they are very mobile.

Total Tourist Spend Forecast

Growth is forecast in the model at 3% per annum.

Average Household Retail Spend

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

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

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

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

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

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

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

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

Internet Retail Spend Growth

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

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a proportional decrease in on-the-ground spend and floor space demand. To account for this, a non-linear percentage decrease of 8% in 2020 growing to 12.5% by 2053 has been applied to retail expenditure encompassing all retail categories in our retail model. These losses represent the retail diversion from on-the-ground stores to internet-based retailing that will no longer contribute to retail floor space demand.

Retail Spend Determinants

Retail spend for a given area is determined by: the population, number of households, size and composition of households, income levels, available retail offer and real retail growth. Changes in any of these factors can have a significant impact on the available amount of retail spend generated by the area. The coefficient that determines the level of 'retail spend' that eventuates from these factors is the MPC (Marginal Propensity to Consume). This is how much people will spend of their income on retail items. The MPC is influenced by the amount of disposable and discretionary income people can access.

Retail Spend Economic Variables

Income levels and household MPC are directly influenced by several macroeconomic variables that will alter the amount of spend. Real retail growth does not rely on the base determinants changing but a change in the financial and economic environment under which these determinants operate. These variables include:

Interest Rates: Changing interest rates has a direct impact upon households' discretionary income, as a greater proportion of income is needed to finance debt and typically lowers general domestic business activity. Higher interest rates typically lower real retail growth.

Government Policy (Spending): Both monetary and fiscal policy play a part in domestic retail spending. Fiscal policy, regarding government spending, has played a big part recently with government policy being blamed for inflationary spending. Higher government spending (targeting on consumer goods, direct and indirectly) typically increases the amount of nominal retail spend. Much of this spend does not, however, translate into floor pace, since it is inflationary and only serves to drive up prices.

Wealth / Equity / Debt: This had a dramatic impact in the early-mid 2000s on the level of retail spending nationally. The increase in property prices has increased homeowners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumer spending. This debt spending is a growth facet of New Zealand retail. In 1960, households saved 14.6% of their income, while households currently spend 14% more than their household income.

Inflation: As discussed above, this factor may increase the amount spent by consumers but typically does not dramatically influence the level of sustainable retail floor space. This is the reason that productivity levels are not adjusted and similarly inflation is factored out of retail spend assessments.

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

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

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

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

Current and Future Conditions

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

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

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

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

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

Impacts of Changing Retail Spend

At this point, a 1% real retail growth rate is being applied by Property Economics over the longer term 30-year period. This rate is highly volatile however and is likely to be in the order of 0.5% to 1% over the next 5 – 10 years rising to 1% - 2% over the more medium term as the economy stabilises and experiences cyclical growth. This would mean that it would be prudent in the shorter term to be conservative regarding the level of sustainable retail floor space within given centres.

Business Spend

This is the total retail spend generated by businesses. This has been determined by subtracting International tourism retail spend and the household retail expenditure from the total retail sales, as determined by the Retail Trade Survey (RTS) which is prepared by Statistics NZ. All categories are included with the exception of accommodation and automotive related spend. In total, business spend accounts for 36% of all retail sales in NZ. Business spend is distributed based on the location of employees in each census area unit and the national average retail spend per employee.

Business Spend Forecast

Business spend has been forecasted at the same rate of growth estimated to be achieved by household retail sales in the absence of reliable information on business retail spend trends. It is noted that while working age population may be decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.