Northlake Special Zone
Assessment of Retail Economic Effects

October 2017

PREPARED FOR:

Northlake Investments Ltd

DISCLAIMER

Every effort has been made to ensure the soundness and accuracy of the opinions, information, and forecasts expressed in this report.

Information, opinions and forecasts contained in this report should be regarded solely as a general guide. While we believe statements in the report are correct, no liability is accepted for any incorrect statement, information or forecast. RCG disclaims any liability that may arise from any person acting on the material within.

DOCUMENT CONTROL

Document ID: 004-2017-14001

Code	Date	Version	Authors	Approver
04	October 2017	Final	John Polkinghorne **Associate Director** John Long **Managing Director**	John Long **Managing Director**

RCG LTD
11 CHESHIRE ST
PO BOX 137313
PARNELL, AUCKLAND
P +64 9 303 1501   F +64 9 303 1506
www.rcg.co.nz

Contents

1. Executive Summary

This report provides an "assessment of economic effects" for proposed changes to the Northlake Special Zone. Our report is structured as follows:

- Section 2 explains the Plan Change 45 process which led to Northlake being zoned, the further changes which are now proposed, and summarises RCG's previous work in Wanaka.
- Sections 3 to 5 outline various data for Wanaka and the Queenstown-Lakes District: their population, tourism, and retail offering.
- Section 6 introduces RCG's Retail Sales Model, which we use to look at retail sales and spending power in Wanaka, now and into the future.
- Section 7 presents results from the Retail Sales Model, including "floor space demand" projections.
- Based on the work above, we make an assessment of retail economic effects in section 8 and provide our final conclusions in section 9.

1.1 Introduction

- The Northlake Special Zone was created as a result of Plan Change 45 (PC45). It was made operative in December 2015.
- The zone allows for up to 1,520 homes and 1,000 m² of retail space in the 'AA-D1' area. Individual shops are limited in size to 200 m².
- Community and commercial (non-retail) activities are also allowed in the AA-D1 area, without any floor space restrictions.
- Less than two years after PC45 became operative, hundreds of sections have been sold in Northlake, with earthworks and infrastructure installation well underway. The first sections have already been titled and settled with their buyers.
- Northlake Investments Ltd has received land use consents for a "health centre", "restaurant" and "early childcare centre". We understand that leasing for these is well advanced, and construction will start in the next few months.
- Given this, and the high popularity of section sales, Northlake clearly has real momentum.

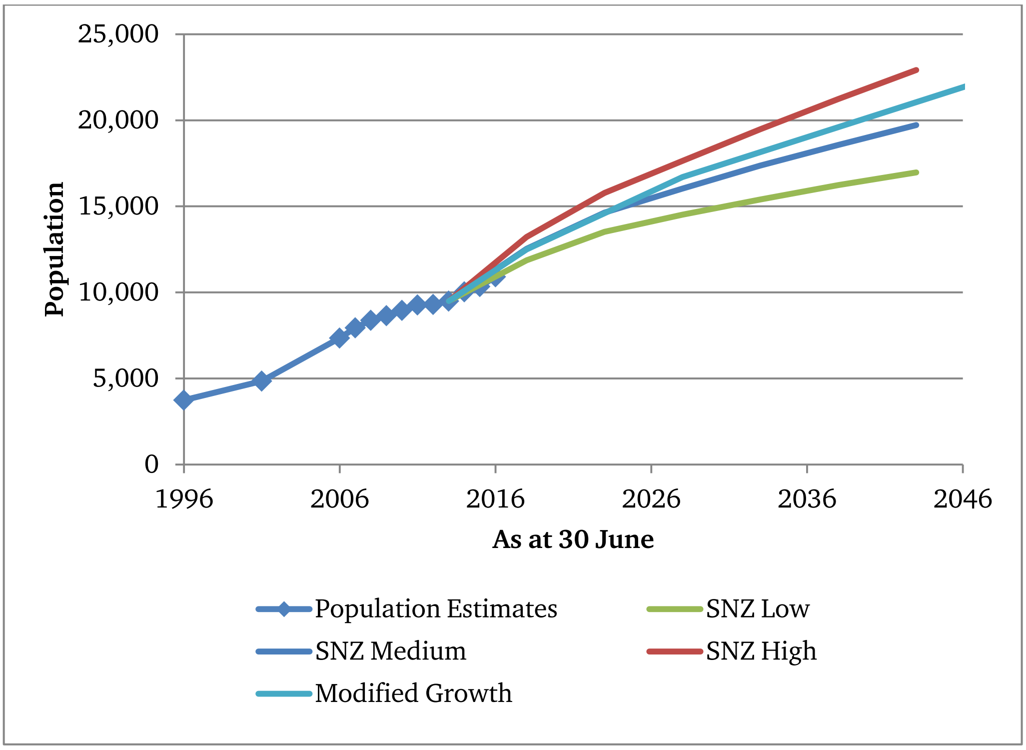
Northlake Investments Ltd is now seeking another plan change to the Operative District Plan (ODP), to allow for a slightly different mix of activities. RCG has been engaged to provide an expert opinion on the retail aspect of these proposed changes. The changes include provision for a total of 2,500 m² of retail space, including one tenancy of up to 1,250 m^2 (likely to be a food retailer, i.e. a small supermarket or large grocery store), with other tenancies limited to 200 m^2 as they are currently.

RCG has also carried out economic analyses for several other Wanaka developments:

- Reports and evidence for Three Parks over 2007-2009, which was made operative in January 2011;
- Evidence for the initial Northlake PC45 hearings in 2014-2015;
- Evidence for the Gordon Family Trust in 2016-2017. The provisions for this proposed Local Shopping Centre Zone, on Cardrona Valley Rd, remain subject to the Proposed District Plan (PDP) hearings process.

1.2 Population and Housing

The graph below shows 'estimated' and 'projected' population growth for Wanaka:



- Wanaka's estimated population was 10,910 as at 30 June 2016.
- Stats NZ released new population projections for Wanaka in mid-2017. These show a much higher rate of growth than previous Stats NZ projections.
- Stats NZ have released low, medium and high projections.

- Rationale Ltd has also made projections for Wanaka, on behalf of the council. These include a “modified growth” projection which they see as the most appropriate for [the council’s] long term planning”.
- We agree with this assessment and use the “modified growth” projection as our ‘preferred’ projection for our retail modelling work.
- Under this projection, Wanaka’s population will reach 16,700 by 2028, a 53% increase.
- Building consents in Wanaka are running at near-record levels, of around 350-400 homes a year.
- Wanaka is one of the most expensive housing markets in New Zealand, with average house prices of almost $800,000 in the year to June 2017.
- The Queenstown-Lakes Housing Accord targets “an increase in land and housing supply” and improved affordability. It will require further growth in consenting activity from their current record levels.

1.3 Tourism in Wanaka

- Although Northlake is a more ‘suburban’ part of Wanaka, focusing more on local households than visitors, tourism context is still essential.
- Tourism is a major factor in Wanaka retailing, and in the economic life of the town. Even in suburban areas, the presence of holiday homes, Airbnb etc means that tourists are still an influence.
- Tourism has been very strong across New Zealand, particularly in the Queenstown-Lakes District.
- “Guest nights” in Wanaka commercial accommodation are currently at record levels. There were 840,000 guest nights for the year to June 2017.
- Airbnb is a growing influence but remains relatively small compared to the commercial accommodation sector.
- Tourism spending in Wanaka is at record levels, with $313 million a year from international visitors (up 71% from two years ago), and $189 million a year from domestic ones.

1.4 Retail Facilities in Wanaka

- We estimate that there is around 20,000 m² of built retail space in Wanaka.
- The “existing environment” also includes retail areas which are approved but not yet built, such as the permitted retail at Three Parks or Northlake.
- The Wanaka CBD has at least 15,700 m² of retail space. It has a single small supermarket (New World) and other food retailers (Four Square, Mediterranean Market).
- Three Parks can include 10,000 m² of retail initially, with the early focus likely to be on large format retail (LFR).

- Northlake can currently include 1,000 m^2 of 'small format' retail space. Resource consents include a childcare centre, health centre and restaurant.
- Retail has been indicated for a site on Cardrona Valley Rd as part of the Proposed District Plan process. For 'economic effects' purposes, we assume that this site is approved in full.

1.5 The RCG Retail Sales Model

- RCG's Retail Sales Model lets us assess demand for retail floor space, now and into the future.
- The model is based on actual retail sales data at the national level, and allocated to catchments based on household, business and tourism data.
- Key assumptions include the level of population/ household/ tourism growth, and the 'sales per square metre' achieved by retailers.
- Our modelling is generally based on the Wanaka catchment, equivalent to the Wanaka Ward. We also look at 'Northern Wanaka" – the parts of the town which are closer to Northlake than to the existing New World.
- Eventually, there could be up to 3,395 households in Northern Wanaka.

1.6 Retail Demand in Wanaka

- Using our 'preferred' projections, demand for retail floor space in Wanaka will increase from 55,900 m^2 in 2018 (next year) to 77,100 m^2 by 2028.
- These results show huge demand growth. They also show that Wanaka is already seriously undersupplied with retail space.
- As such, Wanaka will be able to support substantial increases in its retail offering – indeed, it could accommodate substantial increases already.
- Looking just at demand for "large format retail" space in the food retailing category, demand will increase from 5,258 m^2 in 2018 to 7,326 m^2 by 2028.
- Again, this is significant growth over the next 10 years. These results also show that Wanaka is undersupplied with food retail space.
- The existing New World seems to trade very strongly indeed. Tourist spending alone is more than sufficient to support a supermarket of this size.
- Looking just at the 'Northern Wanaka' area close to Northlake, our brief analysis of the potential 3,395 homes here suggests that they could support 10,484 m^2 of retail space in 2028, if the area is completely developed for housing by this time.
- This gives us further confidence that the proposed Northlake changes can be supported by the local market.

1.7 Assessment of Economic Effects

- The ODP currently allows for 1,000 m^2 of retail space in Northlake. The proposed changes will increase this to 2,500 m^2.
- The changes allow for a single large tenancy of up to 1,250 m^2, with other shops limited to 200 m^2 as presently.
- Essentially, the main change is allowing for a large tenancy of 1,250 m^2. The area of 'small' shops is only changing from 1,000 m^2 to 1,250 m^2.
- Wanaka's retail market is undersupplied, and demand growth is rapid. This gives a clear rationale for providing for extra retail space, and means that any effects of new shops or centres on existing ones will be minor and short-lived.
- The CBD is very healthy and commercially successful at present, with unique amenity and accessibility for tourists.
- As Wanaka becomes a busier tourism destination, the CBD will strengthen its 'tourist' focus, with other centres providing for 'local' shoppers. This transition is already underway in Queenstown.
- This process will not "undermine" centres, and instead it will enable Wanaka residents and businesses to make the most of the retail opportunity – providing for their wellbeing.
- If retail growth is not facilitated, the risks are that the amenity of the CBD is reduced or that Wanaka retailers are not able to make the most of the opportunity to sell to tourists.
- As such, we see retail at Northlake as "supplementing" the Wanaka town centre, helping it to fulfil its function and providing something of a 'pressure release valve'.
- Even in conjunction with other planned or potential developments, Northlake will not undermine the Wanaka CBD's role as a "primary focus for the District's economic activity".
- Three Parks also has potential, as the main prospect for Wanaka retail growth in the future. It will serve the wider Wanaka catchment, and have a much larger and broader retail offering than Northlake.
- Three Parks is still largely undeveloped, with no retail built there since the zone became operative in 2011. However, it has potential for LFR, 'national' retail chains, a shopping centre etc.
- The main area of potential competition between Three Parks and Northlake is likely to be in food retailing, and our view is that this will not 'undermine' the role of Three Parks – given the significant difference in scale, and the major growth in demand across Wanaka.

1.8 Conclusions

- The proposed increase in Northlake's retail offering will promote sustainable and efficient outcomes, and not "undermine" higher order centres.

- The retail offering will help to support higher housing densities in Northlake (and vice versa). It provides amenity for local residents, and opportunities for local shopping and recreation.
- Other 'Northern Wanaka' residents will also be able to satisfy some everyday needs locally, without needing to drive across town to the CBD or Three Parks.
- This will assist the Wanaka CBD in maintaining an attractive, pedestrian-focused environment while promoting visitor spending growth.

2. Introduction

2.1 Northlake

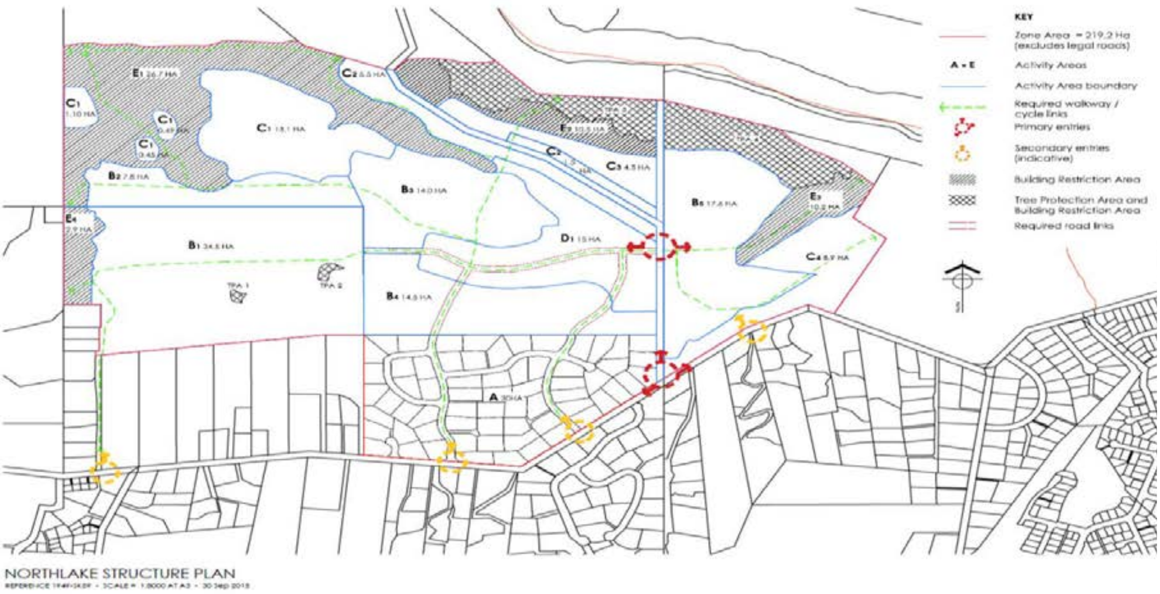
The Northlake Special Zone was originally proposed as Plan Change 45 to the Queenstown-Lakes Operative District Plan. This plan change was notified in August 2013, and made operative in December 2015.

Plan Change 45 created the Northlake Special Zone, with activities governed by a Structure Plan. The zone aims to provide for up to 1,520 homes, as well as "small scale neighbourhood retail activities".

More specifically, the Northlake Special Zone currently has the ability to provide up to 1,000 m^2 of retail space within Activity Area D1 (AA-D1), with individual shops limited in size to 200 m^2. There is no constraint on the extent of commercial (non-retail) or community floor space in the AA-D1 area.

Figure 2.1 below shows the Northlake Structure Plan approved as part of PC45, with the Northlake Special Zone outlined in red:

Figure 2.1: Northlake Structure Plan



Source: Queenstown-Lakes Operative District Plan

Although PC45 has been operative for less than two years, development has been very rapid. Northlake Investments Ltd is the largest landowner and developer within the Northlake Special Zone. The company has sold hundreds of sections in its subdivision (also called Northlake), with earthworks and infrastructure installation well underway. 'Stage one' sections in the Northlake subdivision have recently settled, with many more to come in the next few months. Other landowners in the Northlake Special Zone are also progressing their own subdivisions.

In 2017, three land use consents have been granted for a "health centre", "restaurant" and "early childcare centre" on Northlake Investments Ltd's land. We understand that these facilities have been supported by strong tenant demand, and that many of the future tenants are existing Wanaka businesses which want to open a second location to cater for growth.

2.2 The Current Proposals for Northlake

Northlake Investments Ltd, is now seeking a plan change to the Operative District Plan (ODP) to allow for a slightly different mix of activities. RCG has been engaged to provide an expert opinion on the retail aspect of these proposed changes. The changes include provision for a total of 2,500 m^2 of retail space, including one tenancy of up to 1,250 m^2 (likely to be a small supermarket or a large grocery store), with other tenancies limited to 200 m^2 as they are currently.

As noted above, RCG has been engaged by Northlake Investments Ltd to assess the economic effects of the proposed planning changes for Northlake.

Our report is structured as follows:

- A review of population and household growth in Wanaka;
- A review of tourism growth in Wanaka;
- Modelling retail demand in Wanaka, based on the household and tourism data above;
- Comments on retail 'supply' in Wanaka (including Northlake and other proposed facilities) and Queenstown;
- Our assessment of retail economic effects from the proposed changes at Northlake, and our conclusions on these.

2.3 Review of Previous Analyses

RCG has carried out a number of studies on the Wanaka retail market in the past. RCG staff have also provided expert evidence to QLDC and the Environment Court on these matters.

Three Parks

RCG had considerable involvement in the Three Parks rezoning (PC 16). This included the preparation of research reports and evidence on behalf of the applicant over 2007-2009, for QLDC and Environment Court hearings.

As befitted a project of Three Parks' scale, there were a number of economic experts called on to give opinions on the Wanaka retail market, and to carry out modelling work. Several different consultants prepared modelling exercises for the Wanaka retail market, which included an assessment of the market as it existed in 2009 and projections/ forecasts of retail demand into the future. To our knowledge, no other substantial modelling was undertaken again for Wanaka until RCG's 2016 work (described below).

Plan Change 16 was made operative on 19 January 2011.[1]

Northlake

The Northlake Special Zone (PC45) was supported by RCG evidence. John Long provided evidence for Northlake Investments Ltd on the plan change, initially with a Statement dated 5 February 2014 prepared for the QLDC hearing. The plan change was subsequently appealed to the Environment Court, and John Long provided a Statement dated 31 October 2014 and a Rebuttal dated 13 February 2015 for this hearing.

John Long's evidence was in support of the Northlake zone, where it included a small village cluster of shops. As proposed in PC45, and carried through in the evidence, there was to be an overall cap on retail activity of 1,000 m^2, and a size limit or 'tenancy cap' on individual shops of 200 m^2. In his evidence, John Long noted that he "[supported] the inclusion of a small retail cluster at Northlake for local lifestyle and amenity reasons in the expectation that this will have no significant offsite retail effects". We discuss John Long's evidence further in section 8.4 of this report.

[1] http://www.qldc.govt.nz/planning/district-plan/district-plan-changes/plan-change-16-three-parks/

Cardrona Valley Rd

John Polkinghorne provided evidence for the Trustees of the Gordon Family Trust, with Statements of Evidence dated 18 November 2016 and 4 April 2017. These statements were prepared for the hearings on the Proposed District Plan.

The provisions for the Gordon Family Trust's site on Cardrona Valley Rd are yet to be confirmed. The PDP as notified showed the land being rezoned as a Local Shopping Centre Zone (LSCZ) of 2.7 hectares. Through submissions and hearings, various parties have expressed their views on this – with some arguing for a smaller size, and for a cap on office and retail activities, potentially of just 3,000 m^2 GFA.

John Polkinghorne's evidence argues in favour of the 2.7 hectare size, and for office and retail activities to be uncapped (although with some restrictions on tenancy types).

Other RCG Work

Other RCG work in the Queenstown Lakes District has included consulting work for Kawarau Falls and Queenstown Airport, and evidence on PC19 (Frankton Flats B).

2.4 Abbreviations

Our report uses the following abbreviations:

AA-D1 – Activity Area D1 within the Northlake Special Zone

LFR – Large Format Retail

LSCZ – Local Shopping Centre Zone

NPS-UDC – National Policy Statement on Urban Development Capacity 2016

PDP – Proposed District Plan (as notified)

QLDC – Queenstown-Lakes District Council

RTO – Regional Tourism Organisation

Stats NZ – Statistics New Zealand

Wanaka CBD – Wanaka town centre

3. Population and Housing

This chapter looks at housing supply and demand in Wanaka and the wider Queenstown-Lakes District.

3.1 Drivers of Population and Household Growth

At the local level, population growth results from:

- Natural increase (births minus deaths);
- 'Net' international migration (immigration minus emigration);
- 'Net' internal/ domestic migration.

Household growth comes from the factors above, as well as declining 'household sizes', or the average number of people per household. This has been a long-term, internationally recognised trend, arising in part due to people having fewer children, but more due to people living longer (as 'empty nesters'). As a result, household growth tends to be faster than population growth.

Nationally, international migration has been at record levels for the last three years. This has dramatically boosted population growth. In the year to June 2017, New Zealand experienced record growth of 100,400 people, with 72,300 of that growth coming from net international migration.

Past experience shows that migration flows can turn around very quickly. However, it seems likely that on average, immigration in the future will be higher than it has been historically. For example, recent projections from Stats NZ assume higher levels of migration than had been used in the past.

3.2 Stats NZ Projections

Stats NZ produces a wide range of projections – for both population and households, and at the national, subnational and area unit level. These projections are scenarios for how an area's population could grow and change in the future.

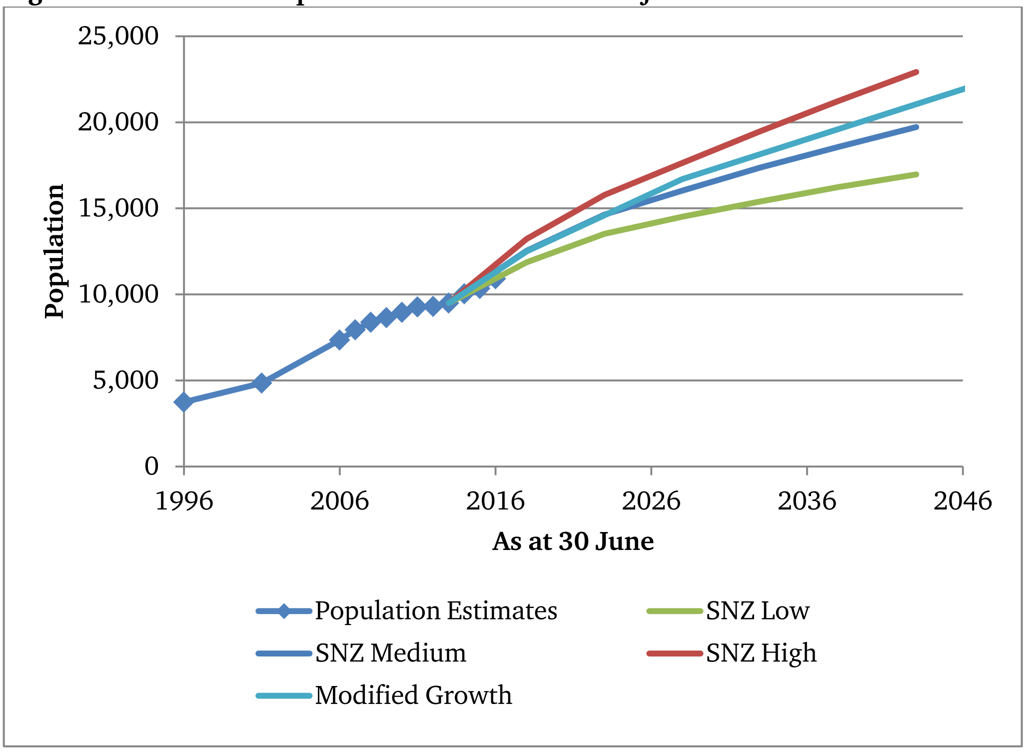
Stats NZ projections are regularly updated, typically every 2-3 years. They use the latest census as the "base year", and are then updated again in between the 5-yearly censuses.

Stats NZ construct their projections on a 'top down' basis, beginning at the national level, and then allocating growth at the subnational level and finally to individual area units. National population projections were last updated in October 2016, followed by subnational projections in February 2017, and area unit projections released gradually through the rest of 2017. The updated area unit projections for the Queenstown-Lakes District (including the Wanaka catchment) were released circa mid-2017, and our report is based on these.

These updated projections are substantially higher than the ones they replaced, and which had been used in John Polkinghorne's 2016 work.[2] Looking at the 'medium' projection for example, the previous projections showed Wanaka's population reaching 10,910 in 2018 and 17,490 in 2043. The updated projections show a population of 12,540 and 19,720 respectively. The level of growth compared with the 'base year' population of 9,500 in 2013 is much faster. The 'low' and 'high projections show a similar lift.

Figure 3.1 below shows the three SNZ projections for Wanaka, along with population estimates for 1996-2016. It also shows a fourth "Modified Growth" projection from Rationale Ltd, as explained in section 3.3 below:

Figure 3.1: Stats NZ Population Estimates and Projections for Wanaka



Source: RCG, Stats NZ

[2] They are also higher than the 'preferred' projections used in RCG's 2009-2010 work for Three Parks.

Based on the 'medium' projection from Stats NZ, Wanaka will have a residential population of 19,700 people by 2043. Under the 'high' projection, the figure would be 22,920, and under the 'low' projection it would be 16,970.

By comparison, Wanaka's estimated population was 10,910 as at 30 June 2016. As such, the town's population will more than double under Stats NZ's 'high' projection, and almost double under the 'medium' projection.

Wanaka is projected to grow somewhat faster than Queenstown on a percentage basis, accounting for 37%-38% of growth under the medium and high projections versus its current 32% share of the population.

Stats NZ's subnational household projections are now out of date – they were released in December 2015, and are based on an earlier set of population projections than the ones above. They will be revised in December 2017, and the 'medium' projection is likely to be revised upwards. Stats NZ do not provide household projections at the area unit level.

However, the existing household projections are still useful for providing another perspective on housing demand. These projections show the number of households in the Queenstown-Lakes District growing from 11,500 in 2013 to:

- 16,000 households in 2038 under the low projection, or average growth of 180 a year;
- 18,800 households in 2038 under the medium projection, or average growth of 292 a year;
- 21,500 households in 2038 under the high projection, or average growth of 400 a year.

Even the high projection seems unrealistically conservative in 2017, and we have not considered these household projections further. Instead, we focus on the population projections from SNZ, which are much more current, and the projections prepared for QLDC by Rationale Ltd.

3.3 QLDC Projections

The QLDC has commissioned various reports and projections from Rationale Ltd in recent years. The most recent report is titled "QLDC Growth Projections to 2058", and was released in May 2017.[3]

[3] "QLDC Growth Projections to 2058", Rationale Ltd, May 2017

This report uses SNZ projections as a 'base', but extrapolates them over a longer timeframe (to 2058 rather than 2043), and also introduces a fourth projection known as the "modified growth" projection. This falls in between SNZ's medium and high projections.

Rationale Ltd note that "the modified growth scenario is considered the most appropriate for the purpose of QLDC's long term planning". We agree that this projection is in an appropriate range for planning, and we use it as our 'preferred' projection for our retail modelling work.[4]

Rationale Ltd's "modified growth" projection show Wanaka's population growing to 16,700 people by 2028 and 22,500 by 2048.

In addition to projecting the population across the district, Rationale Ltd also include projections for visitor numbers (on 'average' and 'peak' days), and the total number of dwellings (occupied and unoccupied). Based on the 'modified growth' scenario as described on page 9 of their report,[5] Rationale Ltd assume growth in 'average' visitor numbers to be 2.4% per annum in the next 10 years, with growth in 'peak' numbers at 2.3% per annum.

3.4 Housing Demand and Supply

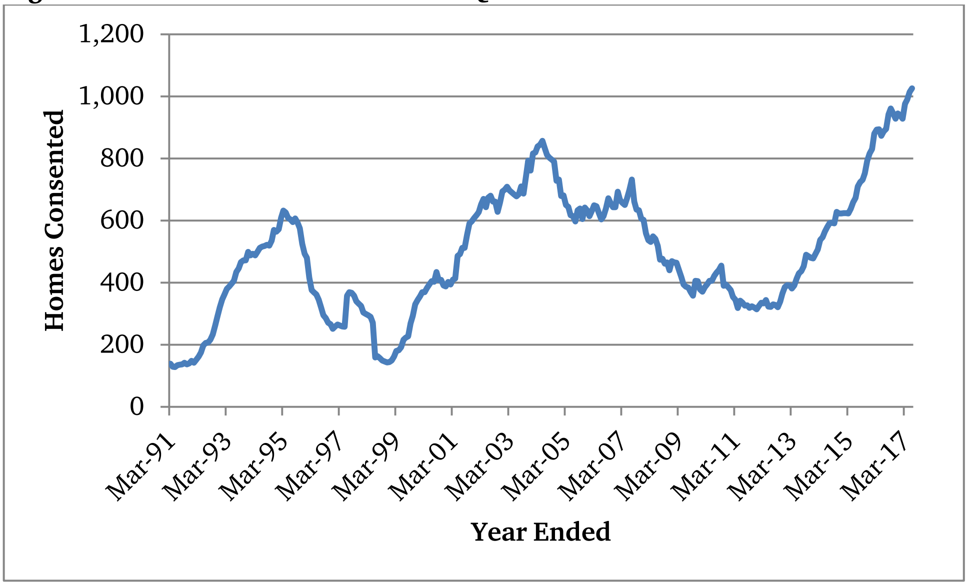
Councils across New Zealand use a range of approaches for looking at housing demand and supply. However, building consents are a very common measure of housing supply, as they are nationally consistent and long-term data is available.

Figure 3.2 below shows the number of homes consented in the Queenstown-Lakes District, on a 'moving annual total' basis:

[4] Historically, Stats NZ projections have often under-projected the level of growth in Wanaka and the wider district. While more recent projections have improved the level of accuracy, we believe it is prudent for councils to allow for a higher level of growth to avoid underprovision of land and services. Our view is that the Rationale "modified growth" scenario strikes the right balance, falling between the 'medium' and 'high scenarios.

[5] "QLDC Growth Projections to 2058", Rationale Ltd, May 2017

Figure 3.2: Homes Consented in the Queenstown-Lakes District

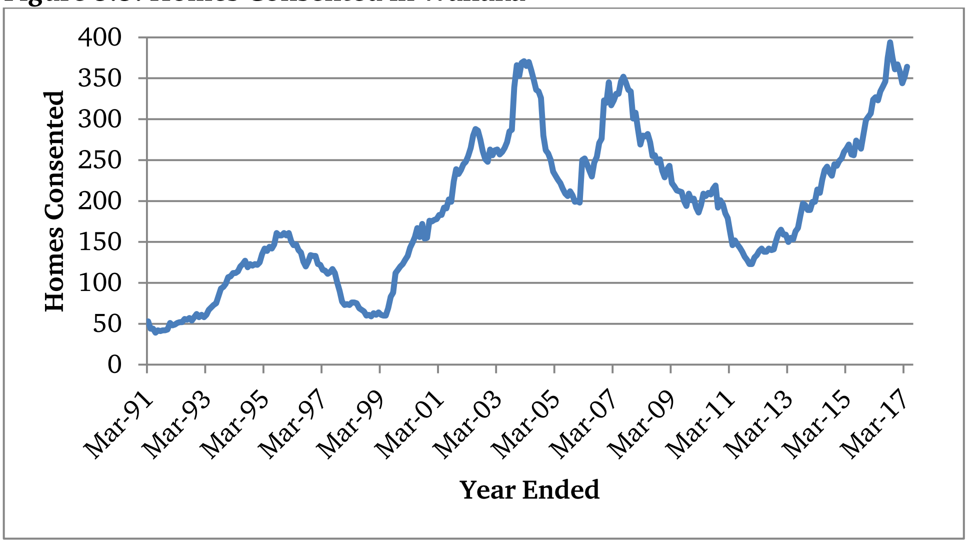


Source: RCG, Stats NZ

Building consents in the Queenstown-Lakes District are currently running at record levels. The long-term average since 1990 has been 500 homes consented a year, and consents are now running at more than 1,000 homes a year.

Figure 3.3 below shows the number of homes consented in Wanaka, on a 'moving annual total' basis:

Figure 3.3: Homes Consented in Wanaka



Source: RCG, Stats NZ

Based on customised data from SNZ which covers the period to April 2017, consenting activity in Wanaka is also running at near-record levels, of around 350-400 homes a year.

By comparison, Rationale Ltd's "Modified Growth" projection assumes that the number of dwellings in Wanaka rises from 6,000 in 2013 to 7,600 in 2018 and 9,400 in 2028. This implies average growth of 320 dwellings a year in 2013-2018, and 180 dwellings a year in 2018-2028. The rate of growth is projected to fall further beyond 2028, to an average of 95 dwellings a year in 2028-2048 and 90 a year in 2048-2058.

Over the 27 years for which we have data, 5,165 dwellings have been consented in Wanaka, or an average of 191 a year. However, the average for the last 15 years is higher at 250 a year.

3.5 Holiday Homes

Holiday homes are an important consideration for the Queenstown-Lakes District: a substantial proportion of homes are not occupied by permanent residents, and are instead used as holiday homes or rented out as short-term accommodation. As such, building consent data may overstate the number of homes available for new households.

In Wanaka, 64% of dwellings were occupied on census night 2013, and in Queenstown 77% of dwellings were occupied. Both figures have been trending upwards compared to the 2001 and 2006 censuses.

The occupied dwelling counts include those 'holiday homes' which were occupied on census night, so another comparison is to look at the number of households versus the total number of dwellings. On that basis, in Wanaka 59% of dwellings were occupied by a household who lived there, and in Queenstown the figure is 72%. Again, these figures have generally been trending upwards.

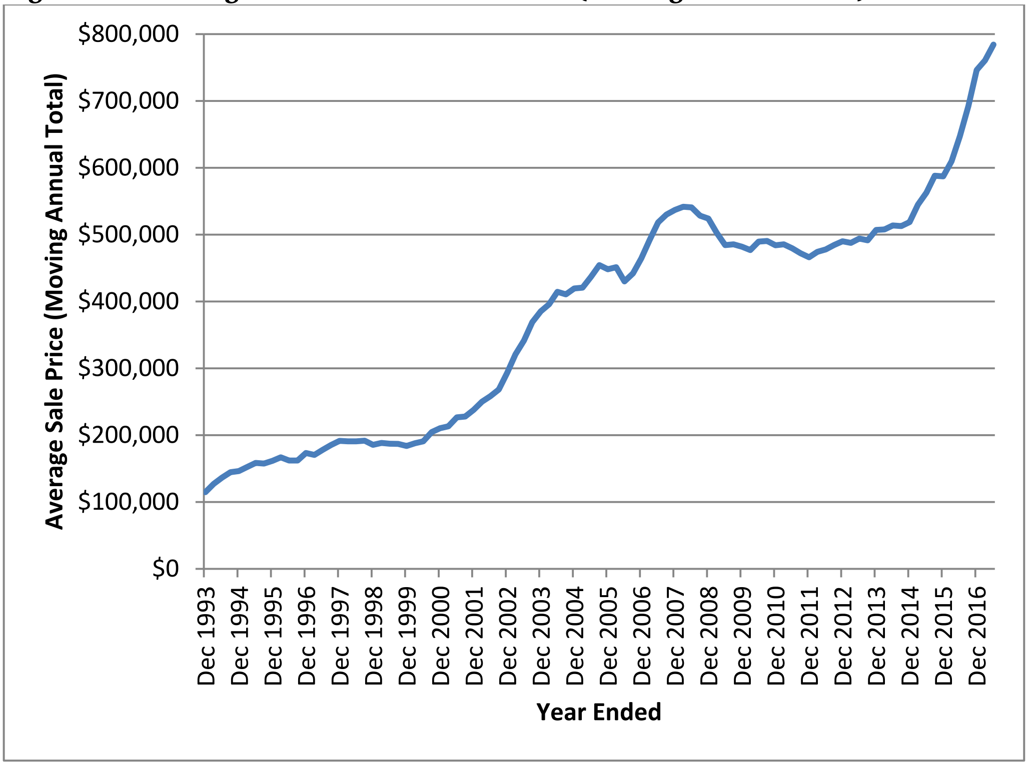
As such, household growth in Wanaka will come from two sources:

- New homes being consented built, of which the majority will be for 'permanent households' but some will be for holiday homes;
- An increasing proportion of homes being used as full-time residences rather than holiday homes/ short-term accommodation.

3.6 House Prices and Affordability

Wanaka average house prices fluctuated around the $500,000 mark over 2007-2014, and have since risen rapidly – to almost $800,000 in the year to June 2017.

Figure 3.4: Average House Prices in Wanaka (Moving Annual Total)



Source: MBIE Urban Development Capacity Dashboard

This makes Wanaka one of the most expensive housing markets in New Zealand – only Queenstown and Auckland have more expensive housing.

Although many of the factors driving this house price growth are national (low interest rates, record migration, rising construction costs etc), we believe that Wanaka's attractive lifestyle, popular with both domestic and international migrants, is an important local factor.

Affordability is a growing issue, especially for Wanaka locals, workers and aspirational residents who have seen house prices increase dramatically in the last few years, with incomes not rising to match. Queenstown's 'median multiple' – the ratio of median house prices to median household incomes – was the highest in the country in February 2017, at 10.71.[6]

---

[6] http://www.mbie.govt.nz/info-services/housing-property/housing-affordability/document-image-library/signed-housing-accords/queenstown-lakes-district-housing-accord.pdf

As a result of these issues, the government and QLDC signed the Queenstown-Lakes Housing Accord in July 2017, aimed at "an increase in land and housing supply" and improving affordability in the district. This replaced an earlier three-year Housing Accord from 2014, which had focused on the Wakatipu Basin only.

The Housing Accord aims to deliver 1,100-1,200 sections and dwellings consented across the Queenstown-Lakes District in 2017, with 1,200-1,300 in 2018, and 1,300-1,400 in 2019. This will require further growth in consenting activity from their current record levels.

Growth in household numbers (and holiday home numbers) will of course also create demand for additional commercial space, infrastructure and other amenities. These will all need to be provided to adequately service the strong residential growth.

4. Tourism in Wanaka

This section gives an overview of tourism trends in Wanaka and the Queenstown-Lakes District. We use two main data sources: the Commercial Accommodation Monitor and Regional Tourism Estimates, both of which are produced by MBIE.

Although Northlake is a more 'suburban' part of Wanaka, focusing more on local households than tourists, we believe it is still essential to provide some tourism context. Tourism is a major factor in Wanaka retailing, and in the economic life of the town. Even in suburban areas, the presence of holiday homes, Airbnb etc means that tourists are still an influence.

As such, we provide a lot of detail on tourism spending and growth, and then model tourism retail demand (including demand for floor space) for Wanaka into the future.

4.1 Tourism Context

At a New Zealand-wide level, the tourism sector has been very positive in recent years, and this is expected to continue. Tourism businesses are investing in new hotels and facilities, capacity is being added to airports, and airlines have also been adding seat capacity on major routes. One of the main emerging issues is a shortage of accommodation in Auckland, Queenstown and other tourism hotspots.

More locally, tourism has been particularly strong in the Queenstown-Lakes District. This has been helped along by investments in Queenstown Airport – one of the fastest growing airports in the world, and with many more domestic and international connections than it had only a few years ago. Total passenger numbers have grown by 81% in the last five years, with growth even faster in the international segment. The recent introduction of 'night flights', and future planned investments, should help to continue this strong growth.

The Queenstown-Lakes District is divided into two Regional Tourism Organisations (RTOs): Lake Wanaka and Queenstown. Our report focuses on the Lake Wanaka RTO.

4.2 Commercial Accommodation "Guest Nights"

"Guest nights" are the number of nights stayed in commercial accommodation by visitors. For example, a couple staying in a hotel for two nights accounts for four guest nights.

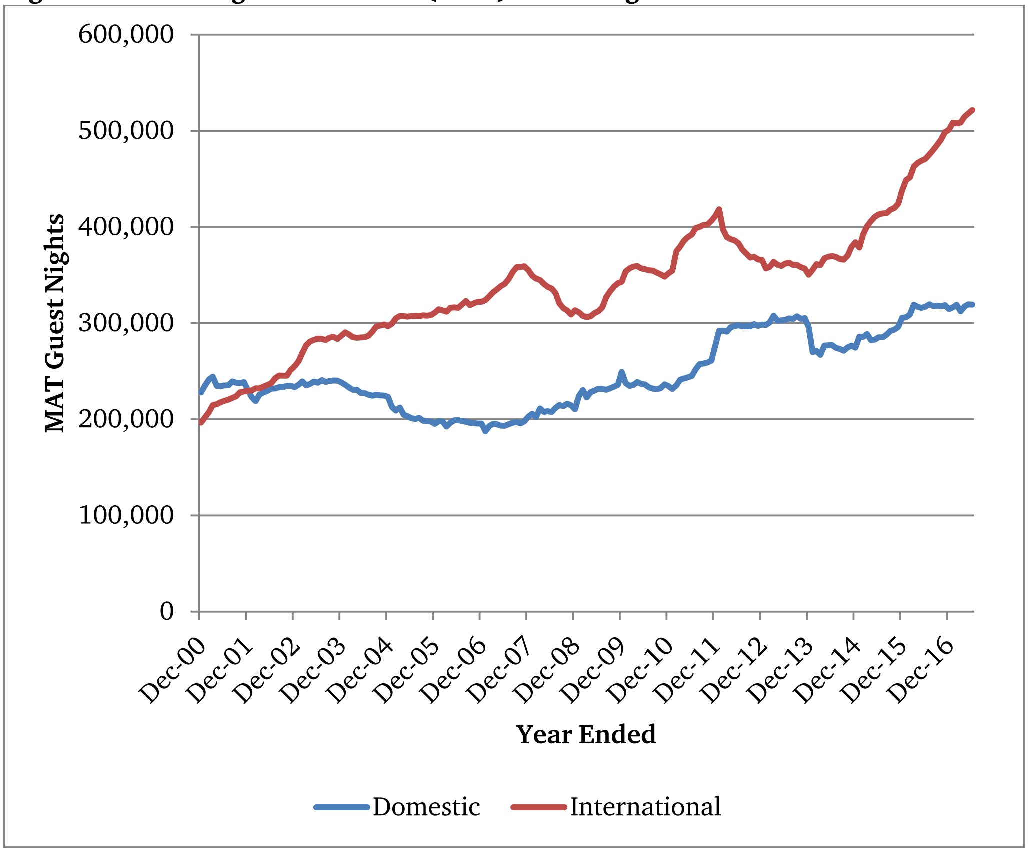
The Commercial Accommodation Monitor covers guest nights stayed in hotels, motels, holiday parks and backpackers. As such, it excludes small-scale private accommodation providers, e.g. Airbnb hosts.

The Commercial Accommodation Monitor is a reliable source of information on guest nights in its four defined accommodation types. It is a good indicator of tourism activity, although it is less useful for areas where most visitors do not stay overnight, or where they tend to stay with friends or relatives rather than in commercial accommodation.

The Commercial Accommodation Monitor shows that guest nights in Wanaka (and Queenstown) have grown strongly in recent years, and are currently at record levels. Wanaka guest nights reached 840,000 for the year to June 2017, while Queenstown guest nights reached 3.55 million.

Figure 4.1 below shows the number of guest nights stayed by domestic and international guests in the Lake Wanaka RTO:

Figure 4.1: Moving Annual Total (MAT) Guest Nights in the Lake Wanaka RTO



Source: Commercial Accommodation Monitor

Most guest nights in the Lake Wanaka RTO are from international guests: the figure has risen rapidly over the last few years, to 521,000 in the year to June 2017. Domestic guest nights have risen less dramatically, and have currently plateaued at around 319,000. Accommodation prices have increased significantly in the last couple of years, both in Wanaka and in other parts of New Zealand. This reflects high international demand and a lack of capacity growth. These higher prices are likely to be a factor behind the lower rate of growth in domestic guest nights.

There are a range of price and quality offerings within the commercial accommodation sector, ranging from 'holiday parks' through to 'hotels'. These also tend to have different occupancy rates and make differing levels of economic contribution to the district.

In the Lake Wanaka RTO, guest nights are split fairly evenly between the four accommodation types defined in the Commercial Accommodation Monitor. The relevant numbers are shown in Figure 4.2 below:

Figure 4.2: Lake Wanaka RTO Accommodation for the Year Ended June 2017

Accommodation Type	Establishments	Guest nights	Occupancy (%)	Average Stay (days)
Hotels	9	206,818	61.3%	2.2
Motels	21	212,693	69.4%	2.2
Backpackers	9	155,139	70.1%	2.0
Holiday Parks	6	266,099	23.8%	2.1
Total	**45**	**840,749**	**44.0%**	**2.1**

Source: Commercial Accommodation Monitor

In contrast to Queenstown – where hotels are now nudging above 80% average occupancy, indicative of strained capacity – Wanaka has not yet felt the same degree of pressure. This could change in the future, as Queenstown becomes more and more constrained and as Wanaka's tourism offering grows.

4.3 Airbnb in the Queenstown-Lakes District

Airbnb is a "marketplace for people to list, discover, and book unique accommodation around the world",[7] with users able to book individual rooms within private dwellings, or to book entire homes for the period of their stay. Airbnb, Bookabach, and similar sites continue a long-running tradition of property owners making their properties available to short term guests. These arrangements can be known as homestays, bed & breakfasts, baches etc.

[7] https://www.airbnb.co.nz/about/about-us

Airbnb is growing rapidly in New Zealand, and is especially popular in the Queenstown-Lakes District. According to Stuff.co.nz,[8] there are 2,000 hosts in the district, earning an average of $8,600 in the year to March 2017 over 43 nights.

Economic consultancy Infometrics have also analysed the Airbnb data.[9] They noted that "some dwellings may have multiple Airbnb listings, but even so, Airbnb's claim of 2,000 listings translates to about 10% of Queenstown-Lakes' dwelling stock". They estimated that Airbnb accounted for around 180,000 guest nights, or around 4.2% of the total measured by the Commercial Accommodation Monitor.

Infometrics also noted that "Airbnb hosts have different expectations", e.g. "filling up spare rooms at peak times, or renting out their house periodically when they are out of town" – as such, they have much lower occupancy rates than commercial providers. For the Queenstown-Lakes District, they estimated Airbnb occupancy at 13.7% and commercial accommodation occupancy at 62.6%.

As such, while Airbnb is a growing influence and helping to provide more capacity for Queenstown and Wanaka visitors, it remains relatively small compared to the commercial accommodation sector.

4.4 Regional Tourism Estimates

Monthly Regional Tourism Estimates use EFTPOS data to estimate tourism spending at the RTO level, for both domestic and international visitors and across a range of spending categories. These estimates exclude GST and are in 'nominal' dollars.

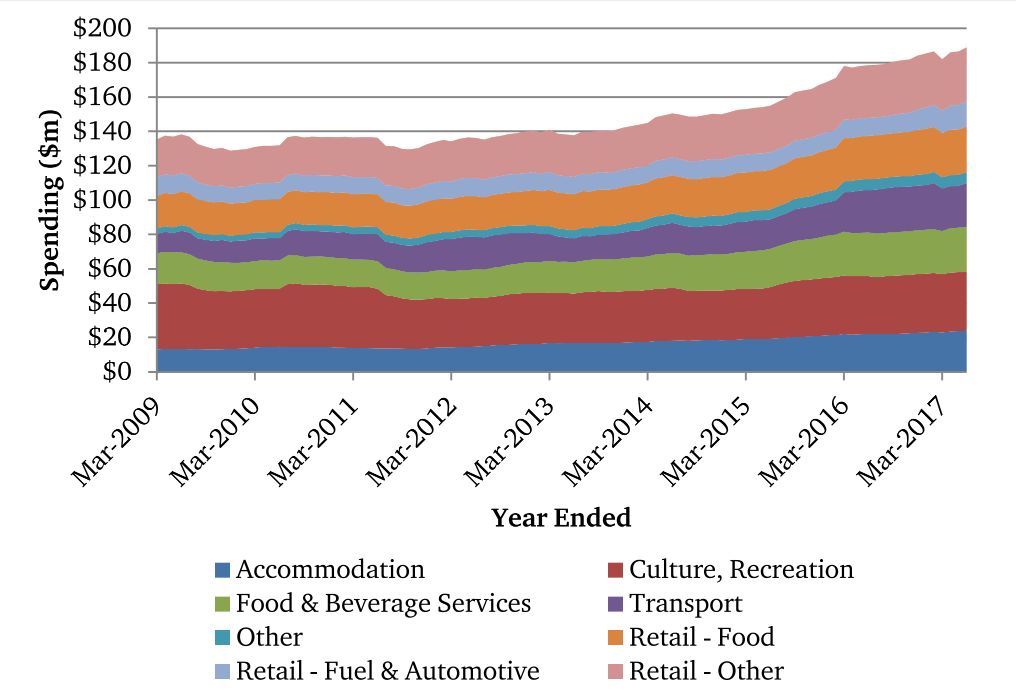
The RCG Retail Sales Model uses the Regional Tourism Estimates data for three of the spending categories – "food and beverage serving services", "retail sales - alcohol, food, and beverages", and "retail sales – other", as inputs for the model's 2016 base year. The first two of these categories match up with two of the store types in the Retail Sales Model, whereas "retail sales – other" is apportioned across several other store types.

The Regional Tourism Estimates for the Lake Wanaka RTO are shown in the two graphs below:

---

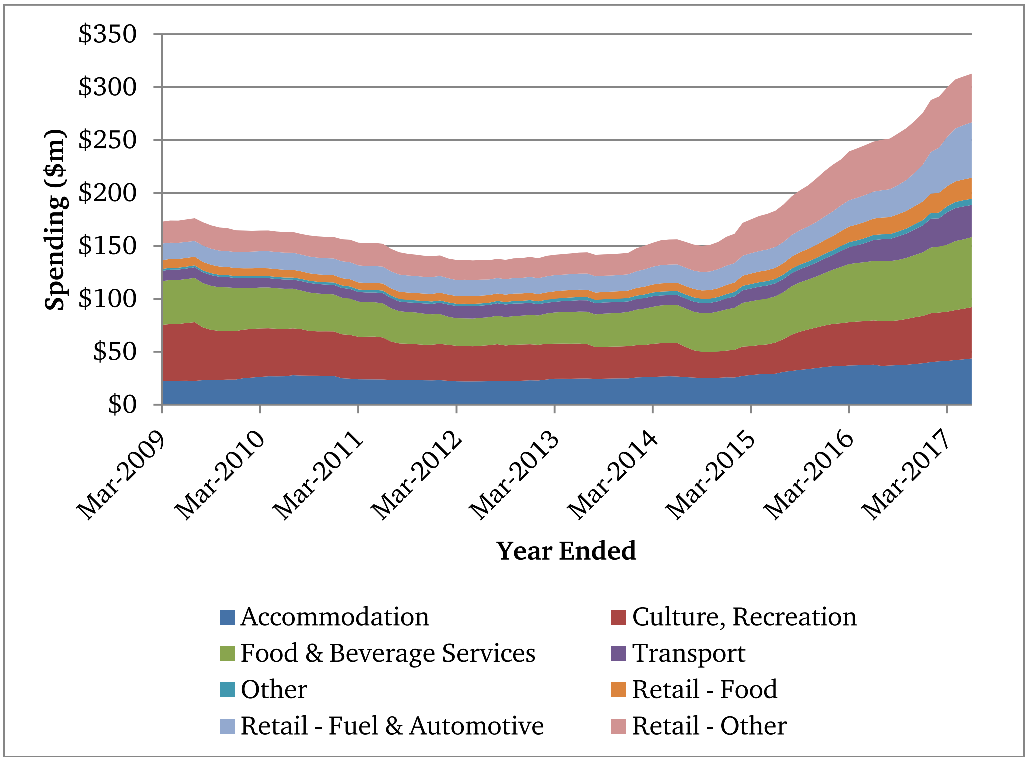
[8] http://www.stuff.co.nz/business/property/91179730/airbnb-boom-20000-properties-and-counting-in-new-zealand
[9] http://www.infometrics.co.nz/390000-airbnb-guest-nights-auckland-180000-queenstown/

Figure 4.3: Domestic Visitor Spending in the Lake Wanaka RTO



Source: MBIE, RCG

Figure 4.4: International Visitor Spending in the Lake Wanaka RTO



Source: MBIE, RCG

Figure 4.5: Visitor Spending in the Lake Wanaka RTO ($m, Year Ended June 2017)

Spending Category	Domestic	International	Total
Accommodation	$24.0	$43.6	$67.6
Culture, Recreation	$34.2	$48.5	$82.7
Food & Beverage Services	$26.3	$66.2	$92.4
Transport	$25.4	$30.4	$55.8
Other	$6.4	$5.9	$12.3
Retail - Food	$26.6	$19.8	$46.4
Retail - Fuel & Automotive	$14.8	$52.4	$67.1
Retail - Other	$31.4	$46.0	$77.4
Total	**$189.0**	**$312.7**	**$501.7**

Source: MBIE, RCG

Most tourism spending in the Lake Wanaka RTO is by international visitors, and this has now reached $313 million a year. Domestic visitors are an important but slower-growing market, with spending of $189 million a year.

International and domestic visitors both make a significant contribution to retail spending in Wanaka. The figures above, derived from EFTPOS spending data on what tourists currently spend in each part of New Zealand, suggests that tourists spend $92 million on food & beverage services in the Wanaka area, along with $46 million on retail food, $67 million on fuel and automotive products, and $77 million on other retail products.

5. Retail Facilities in Wanaka

This section summarises the existing, approved and potential retail areas in Wanaka.

5.1 The "Existing Environment" for Retail

Wanaka has a compact and vibrant town centre. For brevity, we refer to the town centre as the "Wanaka CBD" in the remainder of this report.

The Wanaka CBD is currently home to most of the retailers in the area. A 2007 RCG report estimated that there was 15,707m² of "retail" space in the CBD. There has been very little space added since then, with the exception of 93 Ardmore St (home to the Wanaka Speight's Ale House). In addition, the CBD contains a mix of non-retail uses, including offices and visitor accommodation.

Wanaka's CBD is home to the only three substantial grocery stores/ supermarkets in the town: New World, Four Square and the Mediterranean Market. New World and Four Square are both Foodstuffs brands, whereas the Mediterranean Market is owned by wholesale company Bidvest. We estimate that these three food retailers total around 2,900 m² of retail space between them – approximately 2,100 m² for New World, 260 m² for Four Square and 540 m² for Mediterranean Market.

A small number of larger shops are located in Anderson Heights, which is generally more of a light industrial/ commercial area. RCG's 2007 report estimated that there was 2,459 m² of trading space, and noted that some of these shops could be expected to relocate to Three Parks. Anderson Heights includes The Butcher's Block & Smokehouse, a butcher of approximately 350 m².

Cardrona Valley Road, the southern gateway to Wanaka, now includes various retail and commercial activities. It is already home to the Basecamp Wanaka climbing centre, Ruby's Cinema and the former Lone Star restaurant and bar. Other non-residential uses include Aspiring Lifestyle Retirement Village, Aspiring Enliven Care Centre, Mercure Oakridge Resort Lake Wanaka and West Meadows Motel. However, the former Lone Star is the only activity which would typically be included in retail demand models.

There is a retail development at Albert Town, just off the main highway. John Long's 2014 evidence for Northlake (for the PC45 hearings) estimated these shops at 1,000 m². However, the Albert Town site, which is zoned LSCZ under the PDP, covers 1.2 hectares and is therefore very underdeveloped. A future redevelopment of the site could potentially increase the area of retail space.

Three Parks has been identified as a major growth node for retail in the future, especially for LFR. It can include 10,000 m² of retail as a permitted activity (subject to provisions which restrict the number of tenancies and their sizes). Further retail can be developed subject to a "Wanaka Town Centre Health Check". So far, Three Parks is undeveloped as to retail. Given the demand shown by our modelling work, it is surprising that retail development at Three Parks has not eventuated more quickly.

As noted earlier, no retail has been developed at Northlake to date, but the operative PC45 enables 1,000 m² of retail space, with shops of up to 200 m². Resource consents for Northlake also form part of the "existing environment", although they are mainly non-retail: these include a childcare centre, health centre and restaurant.

Overall, we estimate that there is currently around 20,000 m² of retail space in Wanaka, excluding trade-oriented businesses such as PlaceMakers.[10] In addition, there is undeveloped retail capacity at Three Parks and Northlake which is already provided for under the Operative District Plan. This additional capacity is therefore part of the "existing environment" for planning and economic impact purposes.

5.2 Other Potential Retail Areas

As noted in section 0, the provisions for the Gordon Family Trust's site on Cardrona Valley Rd are yet to be confirmed. John Polkinghorne's evidence argues in favour of the 2.7 hectare size, with no cap on retail and office activities. Some parties are arguing for a reduced size of 1 hectare, with these activities capped at 3,000 m².

For the purposes of our 'economic effects assessment', we assume that the Cardrona Valley Rd site is indeed rezoned as a LSCZ of 2.7 hectares with no cap on retail and office activities.

[10] We note that these businesses are now included in the Retail Trade Survey, although they were excluded at the time of our 2007 surveys and 2009 work for Three Parks

6. The RCG Retail Sales Model

RCG's Retail Sales Model can be used to estimate the "retail spending power" for a given area, and then translate it into demand for retail floor space.

As noted earlier, John Polkinghorne of RCG carried out a modelling exercise for the Wanaka catchment in 2016. This report uses the same model, but we have updated the model inputs to reflect the more recent projections which are now available.

6.1 Model Overview

- "Retail spending power" is an estimate of how much money the households and businesses based in a catchment, and visitors to that catchment, are likely to spend on retail.
- Retail spending power is based on actual retail sales data at the national level (from the Retail Trade Survey), and allocated to catchments based on households and household incomes, employee numbers, and tourism spending.
- At the national level, RCG's model covers the entire "core" retail sector as defined by Statistics New Zealand (SNZ), with the exception of the "non-store and commission-based retailing" and "accommodation" store types.
- This equates to $51.4 billion in nationwide retail sales in 2013, the "base" year of the model. Of this figure, around 53% is allocated to households, 32% to businesses and 15% to tourism.
- Beginning with the base year, 2013, we make projections of retail spending power in the future, based on our assumptions on household and business growth, income growth, and tourism spending growth.
- All dollar values in the modelling are "real", i.e. they are adjusted for inflation and presented in 2013 dollars. They exclude GST.
- Retail spending power leads to "floor space demand" – that is, because people want to spend money in retail stores, there is a demand for retail floor space.
- The model calculates this by dividing the retail spending power figures by typical retailer performance factors, i.e. a benchmark "sales per square metre of leasable area" ratio for each store type.
- Retailers can be divided into large format retail (LFR) and "other" retail, i.e. smaller shops. LFR retailers are typically over 500 m2 in size, and include supermarkets, Rebel Sport, furniture stores, etc. The split between LFR and other retail is another important assumption of the model.

The table below shows the modelled assumptions as to the LFR/ other retail sales split, and sales per square metre, for each store type:

Figure 6.1: Assumed LFR/ Other Retail Sales Split, and Sales per Square Metre

Store Type	Assumed Sales Split		Assumed Sales per Square Metre	
	LFR	Other	LFR	Other
Food Retailing	80%	20%	$14,000	$7,000
Department stores	100%	0%	$3,200	n/a
Furniture, floor coverings, houseware and textiles	75%	25%	$2,500	$5,500
Hardware, building and garden supplies	75%	25%	$2,200	$3,500
Recreational goods	40%	60%	$3,000	$5,500
Clothing, footwear and personal accessories	15%	85%	$2,400	$5,500
Electrical and electronic goods	70%	30%	$7,000	$8,000
Pharmaceutical and other stores	0%	100%	n/a	$5,500
Food and beverage services	0%	100%	n/a	$8,000

Source: RCG

For example, the model defines all Food & Beverage Services space as small format, and assumes that these stores trade at $8,000/m².

The model assumes that 80% of Food Retailing sales are made in LFR stores (i.e. supermarkets and large grocery stores), and that these stores typically trade at $14,000/m². For the purposes of our report, we consider Four Square and the Mediterranean Market to be small format stores – they are significantly smaller than the major supermarket banners in NZ, or grocery stores such as Farro or Raeward Fresh.

The model only covers “core retail” businesses which focus on selling physical goods. It excludes service businesses and other users of retail space – such as banks, travel agents, real estate agents, or hairdressers and beauty services.

However, these users are significant, especially in Wanaka, which has an array of tourism service businesses in addition to the everyday ones. These are likely to add at least another 10% to the demand for retail floor space.

6.2 Income Adjustments

The Retail Sales Model assumes that catchments with median household incomes above the national median spend more on retail, and vice versa. It uses a linear adjustment, so households in a catchment with incomes 20% higher than the national median are assumed to spend 20% more than average.

The Wanaka median household income is almost identical to the national median ($63,596 vs $63,800) so in this case the adjustment is very small. However, this may understate the affluence and spending power of Wanaka households.

To use another measure, the NZDep2013 Index of Deprivation, produced by the University of Otago ranks areas across New Zealand from 1 (least deprived) to 10 (most deprived), based on a range of social and economic factors. Wanaka and Hawea are both scored 2 and Matukituki is scored 1, indicating low levels of deprivation.

Furthermore, EFTPOS spending data from one of the major trading banks suggests that, in the year to August 2015, the average spending for households living in Wanaka was around 13% higher than the national average.

This data is based on a 'sample' of households and covers one particular year, so we do not see it as being definitive, but again it tends to illustrate that our modelling may be conservative in estimating the spending power of Wanaka households.

6.3 Real Spending Multiplier

The Retail Sales Model assumes that retail spending per household (or per employee) grows by 1% per annum. This is conservative compared with historical rates of growth, averaging 2.2% over the last 12 years.

We view this 1% annual growth assumption, which we call a "real spending multiplier", as conservative throughout the modelling timeframe.

6.4 Retail Demand from Visitors

Regional Tourism Estimates are in 'nominal' dollars, not 'real' dollars. Since the Retail Sales Model is based on real 2013 dollars, it is necessary to remove an assumed inflation figure from the Regional Tourism Estimates for consistency.

We do this using deflators from the Retail Trade Survey, based on price differences for the year to June 2013 compared with the year to June 2016 (the year used for the Regional Tourism Estimates model input).

Based on this, we have adjusted the Regional Tourism Estimates figures down by 5.2% for "food and beverage serving services", and by 2.6% for "retail sales - alcohol, food, and beverages". No adjustment is applied for "retail sales – other" as prices in most other retail categories have been roughly flat.

6.5 Forecasting Tourism Spending

In the past, the Ministry of Tourism produced forecasts at the Wanaka level, but now forecasts are only made at the New Zealand level. The latest MBIE forecasts (updated in May 2017) assume that international tourism spending will grow by

5.9% in the year to March 2017, and at an annual rate of 5.3%-6.8% in the following five years, which is as far out as the forecasts go.

The MBIE forecasts will be on a nominal basis, so include an inflation component. We expect this is 2%, although this is not made explicit in the current forecasts.

The forecasted growth rates would have been seen as overly optimistic a few years ago – the 2013 tourism forecasts showed growth in the 2-3% range, barely more than the 2% assumed inflation. Those forecasts completely failed to predict the huge upturn in the last three years.

Over the long term, these upturns and downturns should cancel out to some extent, so that a smoother rate of growth can be assumed – but there is still uncertainty over what that rate should be, and it is appropriate to apply sensitivities.

For international tourism spending, we look at (real) growth of 1% to 4% per annum. Even the high end of this range is comparable to MBIE's forecasts for the next six years. However, our modelling covers a multi-decade period and it would be highly speculative to apply high rates over such a long time. Our 'preferred' growth rate for international tourism spending, used in our summary modelling tables, is 3%.

For domestic tourism spending we look at (real) growth of 1% to 3% per annum. As noted earlier, the domestic market tends to be steadier. The logic used in our 2009 research for Three Parks remains quite relevant: if household numbers around New Zealand are increasing by around 1% annually, and 'real spending growth' per household rises by 1% annually, then 2% is a reasonable guess of how domestic tourism spending could grow.

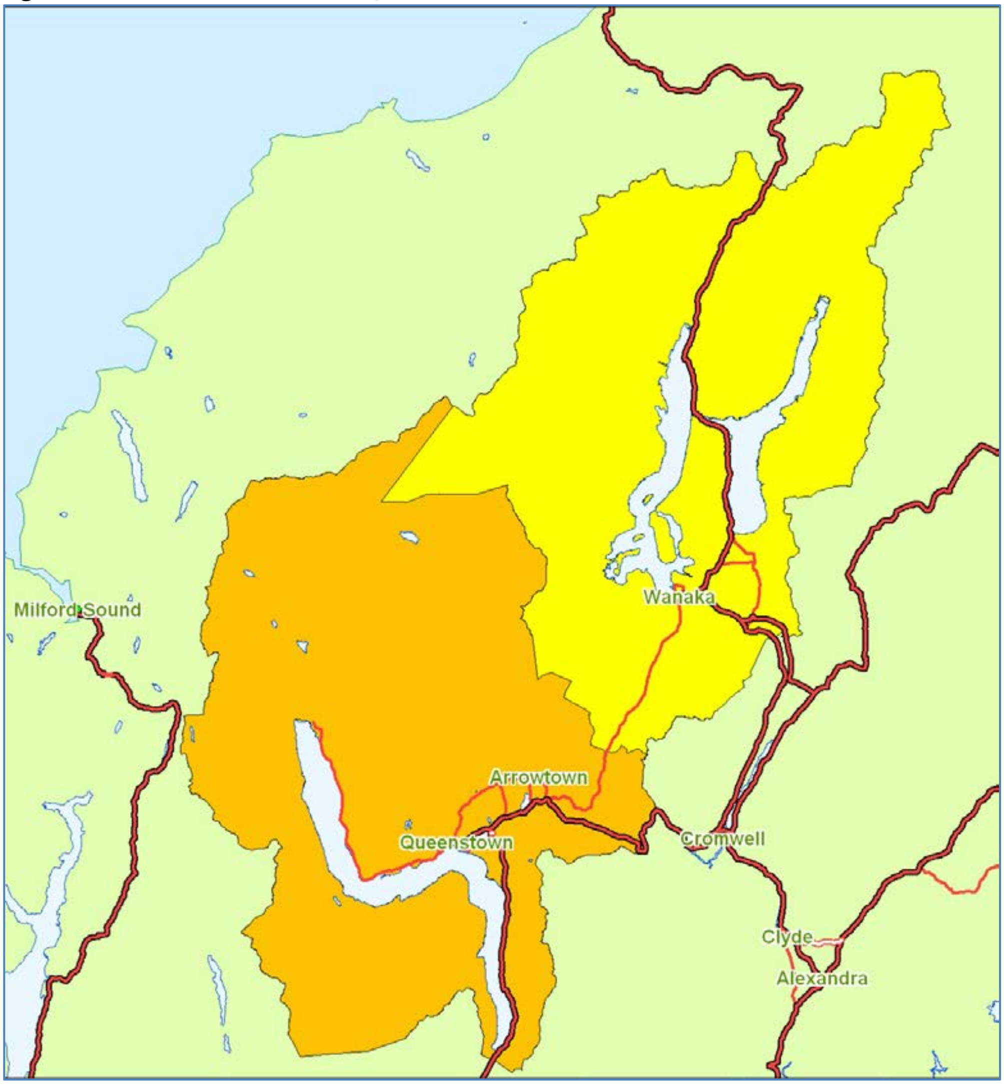
We note a typo in the text of John Polkinghorne's 2016 evidence – his 'preferred' growth rate for domestic tourism spending was 2% as shown in the tables, not 3% as mentioned in paragraph 57 of the text. We retain the 2% 'preferred' assumption for domestic tourism spending growth in this report.

Lastly, as outlined in section 3.3, Rationale Ltd's projections show average visitor numbers rising by 2.4% per annum, in a similar range to our 'preferred' projections – especially given the potential for spending to rise somewhat faster than visitor numbers.

6.6 "Wanaka" Catchment Definition

Except where otherwise noted, our modelling is based on the commonly accepted Wanaka catchment. This comprises the Wanaka, Hawea and Matukituki area units, equivalent to the Lake Wanaka RTO and the Wanaka Ward. The map below shows the Wanaka catchment in yellow (along with the catchment often defined for Queenstown in orange, taking in the remainder of the Queenstown-Lakes District).

Figure 6.2: The Wanaka and Queenstown Catchments



Source: RCG

6.7 "Northern Wanaka" Catchment Definition

We also show a more limited modelling exercise, looking at 'Northern Wanaka". This is essentially the northern parts of the town that, as noted by Carriageway Consulting, "are closer to the proposed [Northlake] grocery store than to the New World supermarket in the town centre".[11]

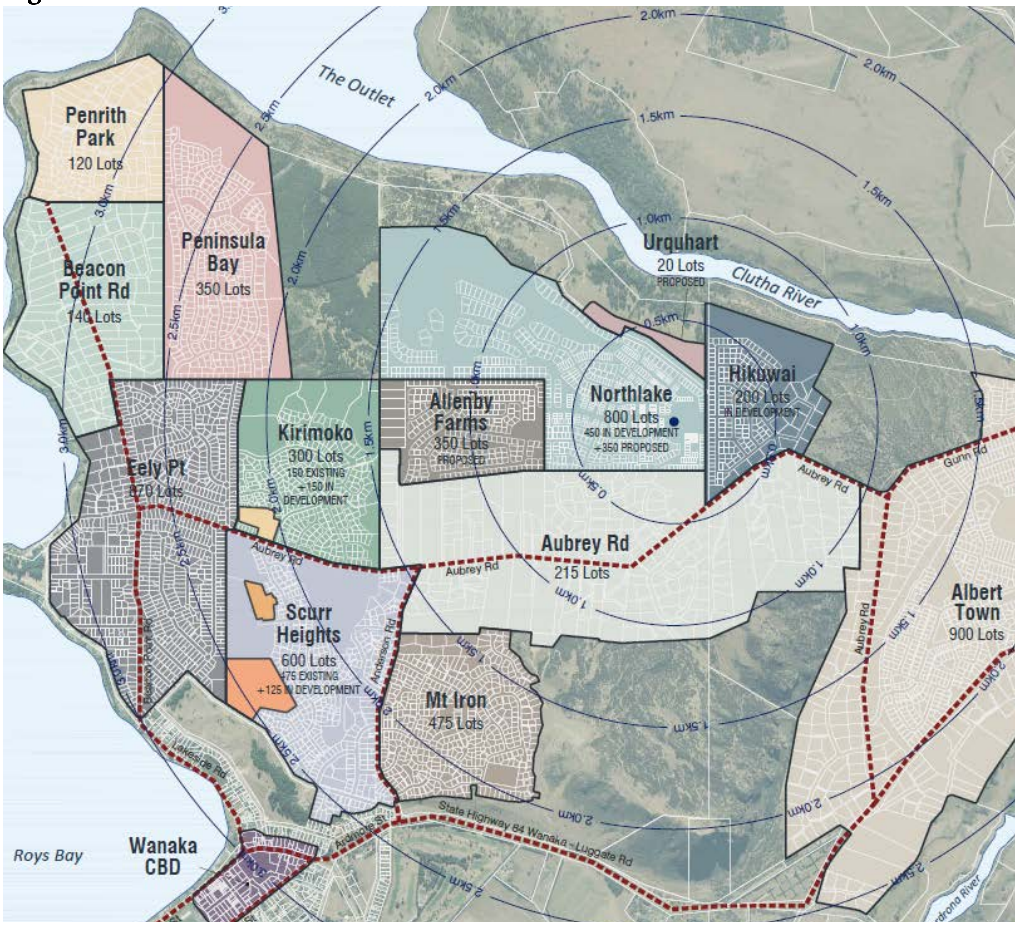
[11] Letter from Andy Carr of Carriageway Consulting to Marc Bretherton of Northlake Investments Limited, dated 11 September 2017

Carriageway Consulting estimate that there will be 3,395 lots/ homes which will have Northlake as their closest supermarket/ major grocery store:

- Peninsula Bay: 350 residences;
- 30% of Eely Point: 260 residences;
- Kirimoko: 300 residences;
- Aubrey Road: 215 residences;
- Albert Town: 900 residences;
- Hikuwai: 200 residences;
- Allenby Farms: 350 residences;
- Northlake: 800 residences; and
- Urquhart land: 20 residences.

These subdivisions, along with some other areas which are closer to the New World, are shown below:

Figure 6.3: Northern Wanaka and Other Subdivisions



Source: Paterson Pitts Group

7. Retail Demand in Wanaka

As noted in section 2.3, RCG carried out a retail modelling analysis for the Wanaka market in 2016. For this report, we have updated our analysis, using the same model but based on the more recently released population projections.

7.1 Tourism Spending in Wanaka

Our modelling results for tourism spending in Wanaka are unchanged from our 2016 work. We take a simple modelling approach: current tourism spending is split into domestic and international spending, and across a range of store types, and then projected forward at constant rates of growth.

According to *MBIE's* Regional Tourism Estimates, visitors spent the following amounts on retail in Wanaka in the year to June 2016:

- Food and beverage serving services: $23 million domestic, $57 million international;
- Retail sales – alcohol, food, and beverages: $21 million domestic, $14 million international;
- Retail sales – other: $28 million domestic, $48 million international.[12]

Our modelling converts these sales figures to 'floor space demand' for the year to June 2016. Note that the sales are 'deflated' back to 2013 prices, as noted earlier. We estimate the following floor space demand for tourists in Wanaka in 2016:

Figure 7.1: 2016 Floor Space Demand in Wanaka from Tourists (m²)

Store Type	LFR	Other Retail	Total
Food Retailing	1,954	977	2,931
Department stores	8,289	0	8,289
Furniture, floor coverings, houseware and textiles	0	0	0
Hardware, building and garden supplies	0	0	0
Recreational goods	1,439	1,178	2,617
Clothing, footwear and personal accessories	702	1,735	2,437
Electrical and electronic goods	0	0	0
Pharmaceutical and other stores	0	3,623	3,623
Food and beverage services	0	9,482	9,482
Total	**12,384**	**16,995**	**29,379**

Source: RCG

[12] Although our modelling is based on the year to June 2016, we note that spending has risen further in the year to June 2017.

This demand is entirely based on spending which already occurs in Wanaka. The model translates this spending into demand for different store types based on national-level patterns, some of which may initially seem odd in the Wanaka context – for example, Wanaka does not have a full-range department store, so in practise this demand is likely to be satisfied by other stores at present.

The retail floor space demand from visitors will grow over time. As noted earlier, forecasting tourism growth patterns is difficult. we adopt a sensitivity range of 1% to 4% real annual growth for international visitors (all of which are lower than current MBIE forecast growth rates at the New Zealand level), and 1% to 3% for domestic visitors.

The table below shows the modelled floor space demand for Wanaka, as a result of tourism retail spending in the area.

2028 Floor Space Demand in Wanaka from Tourists (m^2)

		Domestic Spending Growth Rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
International Spending Growth Rate	1.0%	33,105	33,759	34,449	35,178	35,947
	1.5%	34,472	35,126	35,816	36,545	37,314
	2.0%	35,915	36,569	37,260	37,988	38,757
	2.5%	37,439	38,092	38,783	39,511	40,280
	3.0%	39,046	39,700	**40,390**	41,119	41,887
	3.5%	40,741	41,395	42,085	42,814	43,583
	4.0%	42,529	43,183	43,873	44,602	45,371

Source: RCG

This table illustrates that, using the 'preferred' growth assumptions, visitors to the Wanaka RTO will create demand for 40,390 m^2 of retail floor space as at 2028. Sensitivities around the growth assumptions show some of the other potential outcomes, from 33,105 m^2 to 45,371 m^2 in 2028.

This compares with the 'current' 2016 demand of 29,379 m^2. Of course, even this figure is much higher than it would have been in 2012 or 2013, given the large spending increases in that time.

We have selected 2028, 12 years out from 2016, as an example to show the results of using different sensitivities. Growth would be expected to continue beyond this point.

7.2 Household and Business Spending in Wanaka

The table below shows the modelled floor space demand from households and businesses based in Wanaka in 2028:

Figure 7.2: 2028 Floor Space Demand in Wanaka from Households and Businesses (m^2)

Projection			
Low	Medium	High	QLDC
31,980	35,306	38,852	36,672

Source: RCG

This table illustrates that, using the 'preferred' QLDC projection (i.e. the "modified growth" projection from Rationale Ltd), households and businesses based in Wanaka will create demand for 36,672 m^2 of retail floor space as at 2028. Different projections show some of the other potential outcomes, from 31,980 m^2 to 38,852 m^2 in 2028. Growth is of course expected to continue beyond 2028.

Comparing the above results for 2028 to the results shown in John Polkinghorne's 2016 work, it is noteworthy that most of these projections have lifted by around 5,000 m^2. This is entirely due to the lift in expected household numbers. Indeed, a large part of the lift is due to higher growth in the 2013-2018 period, which is to say that there has already been a large lift in Wanaka's ability to support retail – due to its recent and ongoing building boom.

Demand was 18,023 m^2 in the model's base year of 2013, and based on the QLDC projection it reached 22,077 m^2 in 2016.

The table below shows the modelled floor space demand from households and businesses based in Wanaka over the 2013-2038 period. It uses our 'preferred' assumptions, i.e. the QLDC/ Rationale Ltd "modified growth" household projections:

Figure 7.3: 2013-2038 Floor Space Demand in Wanaka from Households and Businesses (m²)

Store Type	2013	2018	2023	2028	2033	2038
Large Format Retail (LFR)						
Food Retailing	2,322	3,209	3,934	4,725	5,427	6,187
Department stores	2,268	3,135	3,843	4,615	5,300	6,043
Furniture, floors, houseware, textiles	1,330	1,838	2,253	2,706	3,107	3,543
Hardware, building and garden supplies	3,990	5,514	6,760	8,119	9,324	10,631
Recreational goods	391	541	663	796	914	1,042
Clothing, footwear and accessories	409	566	694	833	957	1,091
Electrical and electronic goods	581	803	985	1,183	1,358	1,549
Pharmaceutical and other stores	0	0	0	0	0	0
Food and beverage services	0	0	0	0	0	0
Total	**11,293**	**15,605**	**19,132**	**22,978**	**26,388**	**30,086**
Other Retail (Specialty)						
Food Retailing	1,161	1,605	1,967	2,363	2,713	3,094
Department stores	0	0	0	0	0	0
Furniture, floors, houseware, textiles	201	278	341	410	471	537
Hardware, building and garden supplies	836	1,155	1,416	1,701	1,954	2,227
Recreational goods	320	442	542	651	748	853
Clothing, footwear and accessories	1,012	1,399	1,715	2,060	2,365	2,697
Electrical and electronic goods	218	301	369	444	509	581
Pharmaceutical and other stores	1,663	2,298	2,817	3,383	3,886	4,430
Food and beverage services	1,318	1,822	2,233	2,682	3,080	3,512
Total	**6,730**	**9,300**	**11,402**	**13,694**	**15,726**	**17,930**
Total, All Retail						
Food Retailing	3,483	4,814	5,902	7,088	8,140	9,281
Department stores	2,268	3,135	3,843	4,615	5,300	6,043
Furniture, floors, houseware, textiles	1,531	2,116	2,594	3,116	3,578	4,080
Hardware, building and garden supplies	4,826	6,670	8,177	9,821	11,278	12,859
Recreational goods	711	983	1,205	1,447	1,662	1,895
Clothing, footwear and accessories	1,422	1,965	2,409	2,893	3,322	3,788
Electrical and electronic goods	799	1,105	1,354	1,626	1,868	2,129
Pharmaceutical and other stores	1,663	2,298	2,817	3,383	3,886	4,430
Food and beverage services	1,318	1,822	2,233	2,682	3,080	3,512
Total	**18,023**	**24,906**	**30,534**	**36,672**	**42,114**	**48,016**

Source: RCG

This table illustrates that households and businesses in Wanaka created demand for 18,023 m² of retail floor space as at 2013. This will grow over time, to 36,672 m² by 2028 and 48,016 m² by 2038.

7.3 Total Demand from Visitors, Households and Businesses

The table below shows the total retail floor space demand from households, businesses and visitors in Wanaka, based on our various 'preferred' assumptions as outlined above.

Figure 7.4: 2013-2038 Floor Space Demand from Visitors, Households and Businesses (Preferred Assumptions, m²)

Store Type	2013	2018	2023	2028	2033	2038
Large Format Retail (LFR)						
Food Retailing	3,769	5,258	6,242	7,326	8,360	9,497
Department stores	6,466	11,894	13,901	16,168	18,575	21,302
Furniture, floors, houseware, textiles	1,330	1,838	2,253	2,706	3,107	3,543
Hardware, building and garden supplies	3,990	5,514	6,760	8,119	9,324	10,631
Recreational goods	1,438	2,046	2,346	2,679	3,021	3,402
Clothing, footwear and accessories	772	1,307	1,543	1,808	2,076	2,376
Electrical and electronic goods	581	803	985	1,183	1,358	1,549
Pharmaceutical and other stores	0	0	0	0	0	0
Food and beverage services	0	0	0	0	0	0
Total	**18,347**	**28,660**	**34,030**	**39,989**	**45,822**	**52,299**
Other Retail (Specialty)						
Food Retailing	1,885	2,629	3,121	3,663	4,180	4,749
Department stores	0	0	0	0	0	0
Furniture, floors, houseware, textiles	201	278	341	410	471	537
Hardware, building and garden supplies	836	1,155	1,416	1,701	1,954	2,227
Recreational goods	1,177	1,674	1,919	2,192	2,472	2,783
Clothing, footwear and accessories	1,909	3,231	3,817	4,471	5,133	5,874
Electrical and electronic goods	218	301	369	444	509	581
Pharmaceutical and other stores	3,516	6,126	7,210	8,426	9,677	11,083
Food and beverage services	7,235	11,824	13,671	15,766	18,055	20,658
Total	**16,976**	**27,219**	**31,864**	**37,072**	**42,450**	**48,492**
Total, All Retail						
Food Retailing	5,654	7,887	9,364	10,990	12,540	14,246
Department stores	6,466	11,894	13,901	16,168	18,575	21,302
Furniture, floors, houseware, textiles	1,531	2,116	2,594	3,116	3,578	4,080
Hardware, building and garden supplies	4,826	6,670	8,177	9,821	11,278	12,859
Recreational goods	2,615	3,719	4,265	4,870	5,493	6,185
Clothing, footwear and accessories	2,680	4,538	5,360	6,279	7,209	8,250
Electrical and electronic goods	799	1,105	1,354	1,626	1,868	2,129
Pharmaceutical and other stores	3,516	6,126	7,210	8,426	9,677	11,083
Food and beverage services	7,235	11,824	13,671	15,766	18,055	20,658
Total	**35,323**	**55,879**	**65,895**	**77,062**	**88,272**	**100,791**

Source: RCG

This table illustrates that households, businesses and tourists in Wanaka created demand for 35,323 m^2 of retail floor space as at 2013. This will grow over time, to 77,062 m^2 by 2028 (i.e. more than double the 2013 demand) and 100,791 m^2 by 2038 (almost triple the 2013 demand).

These results show very significant growth in demand over the next 20+ years. Indeed, there has been significant growth even since 2013. Furthermore, Wanaka is currently undersupplied with retail space – with perhaps 20,000 m^2 of existing shops, as outlined in section 5.

As such, Wanaka will be able to support substantial increases in its retail offering – indeed, it could accommodate substantial increases already.

7.4 Food Retailing Demand

Figure 7.4 above estimates total food retail demand at 5,654 m^2 in 2013, and projects it to be 7,887 m^2 in 2018. This will grow over time, to 10,989 m^2 by 2028 and 14,246 m^2 by 2038.

Looking at LFR food retailing in particular – i.e. supermarkets and other large grocery stores – demand was estimated at 3,769 m^2 in 2013, and is projected to be 5,258 m^2 in 2018. This will continue to grow over time, to 7,326 m^2 by 2028 and 9,497 m^2 by 2038.

As stated in section 5.1 above, Wanaka currently has around 3,250 m^2 of food retailing space from New World, Four Square, the Mediterranean Market and The Butcher's Block & Smokehouse. There are also at least two dairies/ convenience stores. Overall, Wanaka is clearly undersupplied with food retailing stores at present.

Our view is that a supermarket is likely to be developed at Three Parks within the next few years, as part of a larger 'first stage' of retail development. This would most likely be a full-size supermarket offering, of say 3,000 m^2 – 4,000 m^2. This would take Wanaka's food retailing "supply" to 6,500-7,500 m^2. Even at the upper end of this range, this would still be short of the 2018 "demand", projected to be 7,887 m^2, and the undersupply would steadily increase over time.

7.5 Retail Demand in "Northern Wanaka"

In this section, we run our RCG Retail Sales Model for the "Northern Wanaka" area described in section 6.6. Essentially, it is the 3,395 residential lots/ homes/ proposed future homes which are closer to the Northlake shops than to the New World supermarket.

Figure 7.5: Retail Demand in "Northern Wanaka

Store Type	2013	2018	2023	2028	2033	2038
Large Format Retail (LFR)						
Food Retailing	1,762	1,852	1,947	2,046	2,151	2,260
Department stores	1,571	1,651	1,736	1,824	1,917	2,015
Furniture, floor coverings, houseware and textiles	564	593	623	655	688	723
Hardware, building and garden supplies	884	929	976	1,026	1,079	1,134
Recreational goods	287	302	317	333	350	368
Clothing, footwear and personal accessories	200	210	221	232	244	257
Electrical and electronic goods	216	227	239	251	264	277
Pharmaceutical and other stores	0	0	0	0	0	0
Food and beverage services	0	0	0	0	0	0
Total	**5,485**	**5,765**	**6,059**	**6,368**	**6,692**	**7,034**
Other Retail (Specialty)						
Food Retailing	881	926	973	1,023	1,075	1,130
Department stores	0	0	0	0	0	0
Furniture, floor coverings, houseware and textiles	85	90	94	99	104	110
Hardware, building and garden supplies	185	195	205	215	226	238
Recreational goods	235	247	259	273	286	301
Clothing, footwear and personal accessories	495	520	547	575	604	635
Electrical and electronic goods	81	85	90	94	99	104
Pharmaceutical and other stores	504	529	556	585	614	646
Food and beverage services	1,080	1,135	1,192	1,253	1,317	1,384
Total	**3,546**	**3,727**	**3,917**	**4,117**	**4,327**	**4,547**
Total, All Retail						
Food Retailing	2,644	2,779	2,920	3,069	3,226	3,390
Department stores	1,571	1,651	1,736	1,824	1,917	2,015
Furniture, floor coverings, houseware and textiles	649	682	717	754	792	833
Hardware, building and garden supplies	1,069	1,124	1,181	1,241	1,305	1,371
Recreational goods	522	548	576	606	637	669
Clothing, footwear and personal accessories	695	731	768	807	849	892
Electrical and electronic goods	297	312	328	345	363	381
Pharmaceutical and other stores	504	529	556	585	614	646
Food and beverage services	1,080	1,135	1,192	1,253	1,317	1,384
Total	**9,031**	**9,491**	**9,976**	**10,484**	**11,019**	**11,581**

This analysis assumes that each of the 3,395 potential properties is home to one household, and ignores all tourism and business spending. From the model's 'base year' of 2013, we then increase the level of spending by 1% per annum in line with our "real spending multiplier" (see section 6.3).

Our analysis here is simplistic – of course, it will be some years before the 3,395 potential properties are all developed for housing. Some homes will be used as holiday homes, although of course tourists (and businesses/ employees) will also contribute to spending.

Even so, this analysis shows the spending power of a catchment of 3,395 households (with Northlake, of course, making up almost half of that). If fully developed for housing and occupied by permanent households, these Northern Wanaka areas could support 9,491 m^2 of retail space in 2018, growing to 10,484 m^2 in 2028.

This retail demand is split across various store types and formats, but there are significant contributions from food retailing (both LFR and small format) and food & beverage, store types which are often found in smaller neighbourhood/ convenience retail areas.

If fully developed in 2028, Northern Wanaka could support 2,046 m^2 of LFR food retailing space and another 1,023 m^2 of small format space, for a total of 3,069 m^2 food retail.

Our model assumes that all LFR food retailers trade at \$14,000/m^2 and all small format retailers trade at \$7,000/m^2. In reality, performance varies widely. Full-size supermarkets tend to trade more strongly as households use them for their "main" shopping rather than just "top-up" shopping. Retailers in better locations, with access to a larger customer base, will also trade more strongly than those in weaker locations. Furthermore, food retailers can still be viable if their sales are lower than the levels assumed in our model.

Given the above, food retailers in this catchment (e.g. at Northlake) may well trade at lower levels than our model assumes. As such, they may account for a smaller share of the Northern Wanaka demand (and the total Wanaka demand) than would otherwise be indicated.

Our brief analysis in this section gives us further confidence that the proposed changes to enable a larger Northlake retail offering can be supported by the local market.

8. Assessment of Economic Effects

8.1 Clarifying the Extent of the Proposed Changes

The ODP allows for 1,000 m^2 of retail GFA in Northlake, with individual tenancies of up to 200 m^2. These rules constitute part of the "existing environment" for retail in Wanaka.

"Neighbourhood" retailing in Northlake is further supported by a higher density of residential in the surrounding area, and by other non-residential uses also being encouraged in the AA-D1 area.

As noted earlier, the proposed plan change will increase the amount of retail space permitted in Northlake from 1,000 m^2 to 2,500 m^2 GFA. This includes a single large tenancy of up to 1,250 m^2 GFA.

Essentially, the area of small shops will be 1,250 m^2 rather than the current 1,000 m^2, and there will be an additional larger tenancy of up to 1,250 m^2 – not currently provided for in the zone. Our assessment of economic effects considers these proposed changes, compared with what is currently provided for. We focus on the single larger tenancy of up to 1,250 m^2, as this is the most important change.

8.2 Modelling Results: Demand and Supply

Our modelling results in section 7 show that Wanaka had "demand" for 35,323 m^2 of retail floor space in 2013. This predates the tourism boom (2014 onwards). Factoring in more recent information on tourism spending and population growth, demand is likely to reach 55,879 m^2 next year (2018).

In the period to 2028 – roughly, a 10-year planning horizon – we project demand reaching 77,062 m^2 (i.e. more than double the 2013 demand). The level of demand will continue to grow strongly thereafter.

By comparison, Wanaka currently has approximately 20,000 m^2 of existing shops, as estimated in section 5. This is a substantial undersupply and it continues to grow.

Looking just at LFR food retailing, demand will increase from 5,258 m^2 in 2018 to 7,326 m^2 by 2028. Current 'supply' consists of a single small New World. Wanaka is also undersupplied with small format food stores, with the Mediterranean Market, Four Square and The Butcher's Block the only notable retailers.

8.3 Effects on the Wanaka CBD and Three Parks

Our assessment considers whether there is potential for Northlake to have adverse effects or 'impacts' on other centres. Trade competition effects are excluded from consideration under the Resource Management Act, as competition is generally considered to be healthy and help markets to function. This is a part of providing for economic wellbeing.

Instead, our assessment focuses on the potential for "significant" amenity effects, or for other centres to be "undermined". These effects are relevant under the Resource Management Act.

The key centres to consider are the Wanaka CBD and Three Parks: they are significant centres with a mix of activities (potentially, in the case of Three Parks), and have important functions in terms of enabling community wellbeing and providing amenity.

Anderson Heights is a mixed commercial area with a retail component, but it does not have a significant centre function or provide significant amenity. The Albert Town shops are small in scale, with no significant centre function.

"Cumulative" impacts are relevant for economic assessments. That is, even if one development by itself will not have an impact, it is prudent to consider the potential impacts if several developments go ahead at once. As such, in considering the potential for economic impacts on the Wanaka town centre and Three Parks, we assume that the Gordon Family Trust's site is rezoned as a LSCZ of 2.7 hectares with no restrictions on floor space.

As noted in section 8.2, Wanaka already has an undersupply of retail space, and demand will continue to grow strongly in the future. This creates a clear rationale for providing for extra retail space.

As Wanaka becomes a busier tourism destination, we anticipate the Wanaka CBD shifting to more of a tourism focus, with other retail environments providing for local shoppers. This transition is already underway in Queenstown.

Growth in retail floor space demand will maintain the amenity of the Wanaka CBD, and allow some local-oriented retail to move to Three Parks and other suburban centres (including Northlake) without having an impact on the town centre.

If retail activities are not allowed to expand outside of the Wanaka CBD, the CBD will have to shoulder the shopping needs of both locals and tourists. However, the CBD is constrained in its area, and both of the main customer groups are expected to grow strongly. The risk here is that the amenity of the CBD is reduced (e.g. through congestion, pressure on infrastructure etc) or that Wanaka retailers are not able to make the most of the opportunity to sell to tourists – with some even potentially priced out of the leasing market.

Given the above, retail at Northlake will provide something of a 'pressure release valve' for the Wanaka CBD – allowing it to make the most of the tourism opportunity, and continue to provide an attractive and commercially vibrant offering for the town. We see this as a positive economic effect. However, we do consider the potential for negative effects on the Wanaka CBD and Three Parks below.

The Wanaka CBD

The Wanaka CBD trades very strongly. This is evidenced by the substantial tourism spending which is recorded in the Wanaka area, the very significant population growth in the area, and the relative lack of new space which has been provided in recent years, despite what our modelling shows as very high demand.

This is also reflected in retail rents for Wanaka, which are much higher than for most New Zealand towns. A recent research report by Colliers shows Wanaka CBD rents ranging from \$575-\$730/m^2 net, with "low" supply and "high" demand.[13]

The CBD performs well and offers excellent amenity. However, it is constrained in its ability to grow and respond to the very strong demand growth expected in Wanaka, even allowing for 'transitional' CBD areas. This situation was recognised a decade ago, which ultimately led to Three Parks being approved – although, as noted elsewhere, Three Parks remains largely undeveloped to date.

Notwithstanding the constraints on the Wanaka CBD, it provides a very attractive retail core, centrally located for the town and for the many visitors. It has unique amenity next to the lake, a number of non-retail uses which support the CBD and provide a point of difference, and will remain by far the top retail destination in the Wanaka catchment.

Northlake will provide a much smaller and more limited retail offer, focused on local residents' convenience needs. Even in conjunction with planned or potential developments at Three Parks, Cardrona Valley Rd and elsewhere, our view is that there is no potential for significant impacts on the Wanaka CBD's role or function.

---

13 http://www.colliers.co.nz/~/media/New%20Zealand%20Website/Files/Research/Specialty%20Reports/Queenstown%20Dunedin%20%20Wanaka%20%20Market%20Review%20And%20Outlook%202017.ashx

Three Parks

Three Parks has a number of advantages for attracting retailers:

- It has potential for 10,000 m^2 of LFR-focused retail initially, and could theoretically accommodate more subject to 'health checks' etc;
- It is the only zoned site in Wanaka able to accommodate full-size supermarkets, department stores or hardware stores;
- With these potential 'anchors', it should also be an attractive location for a shopping centre, including national brands and fashion offerings;
- It is already home to the Wanaka Recreation Centre, will be home to a primary school from 2019, and has potential for a range of other uses;
- It is centrally located, with access from SH6 and Ballantyne Rd.

Three Parks is likely to accommodate the majority of Wanaka's retail growth in the next 20-30 years. Its main competitors will be the retail centres in Frankton, Queenstown. Northlake will have a much smaller retail offering than Three Parks, along with a narrower range of other non-residential uses. It will also be mainly attractive to shoppers living in Northlake or in 'Northern Wanaka' generally, whereas Three Parks will be able to serve the entire Wanaka catchment.

Furthermore, Northlake's offering will mainly consist of small convenience-oriented shops and service providers, whereas Three Parks is planned to initially consist mainly of LFR. The main area of competition between the two centres will be in food retailing. Our clear view is that this is 'trade competition' only, with Northlake not having the potential to undermine the larger centre at Three Parks – given the significant difference in scale, and the major growth in demand.

The level of retail demand growth means that any effects on existing centres are likely to be minor and short-lived. Development could occur simultaneously in Three Parks, Cardrona Valley Rd and Northlake without any centres being impacted.

8.4 Comments on John Long's 2014 Evidence

We outline some of the relevant points from John Long's 2014 evidence below. Paragraph references are to his Statement of Evidence dated 31 October 2014 before the Environment Court:

- "Given the location of the shops in the centre of Northlake, away from the main highway and other passing traffic, the main customer catchment will be people living or staying [in Northlake]" (paragraph 2.12).
- Northlake shops would be "independent retailers… of a subsistence nature", with low rents and potentially difficulties for the landlord in "attracting tenants… and keeping them trading". The shops would be provided more as

an amenity for local residents, rather than as a commercial opportunity for the developer (paragraphs 2.18-2.20 and elsewhere).

- Given the above, and Three Parks' assumed attractiveness for national or regional chains on a commercial basis, "the possibility of Northlake preventing (or even affecting) tenant uptake at Three Parks is at least 'less than minor', and probably non-existent" (paragraph 2.12).
- John Long supported "the inclusion of a small retail cluster at Northlake for local lifestyle and amenity reasons in the expectation that this will have no significant offsite retail effects" (paragraph 10.1).

The economic environment in Wanaka has changed significantly since 2014. Wanaka (and New Zealand) has had a prolonged tourism boom beginning in 2014, as well as a housing boom which also began in 2014-2015. Retail demand in Wanaka has grown much faster than would have been anticipated, with tourism the main driver. Conversely, Three Parks has been slower to develop than might have been expected in 2014: its planning rules were made operative in January 2011 but no retail has eventuated to date.

While housing development and tourism have both accelerated significantly, there has been little accompanying infrastructure to support this growth. Supply of non-residential land and commercial space has not kept pace with demand. Wanaka now has a clear undersupply of retail space across most store types, in particular large format food retailing.

The strong demand has meant that housing uptake at Northlake has been much faster than would have been anticipated. It has also boosted demand for new commercial activities and services. As noted earlier, Northlake will soon get underway with its first stage of commercial development – including existing Wanaka businesses that plan to open a second location. This initial stage will include a health centre, childcare centre and restaurant.

The broader mix of activities now planned at Northlake will make it more of a destination than if it had simply had 1,000 m² of small shops, and allow it to draw people from a wider catchment. As such, we now anticipate Northlake retailers will not be limited to "people living or staying [in Northlake]" as in John Long's evidence above. They will be able to access a larger catchment which we have defined as Northern Wanaka.

Similarly, a small supermarket of 1,250 m², as is now being proposed, will act as an 'anchor' for retail activity and help Northlake to draw from this wider Northern Wanaka catchment. However, the shops are still away from the highway and passing traffic. This will act to limit their scale and focus, such that their main customer base will be people living or staying in fairly close proximity, i.e. in Northern Wanaka.

John Long's main conclusion – that Northlake retail will support "local lifestyle and amenity" and "have no significant offsite retail effects" – remains valid even with the larger retail offering now proposed.

9. Conclusions

Under current planning rules, Northlake can include 1,000 m² of small shops. Under the proposed rules, it will be able to include 2,500 m² of retail, comprising 1,250 m² of small shops and a larger tenancy of 1,250 m², likely to be a small supermarket or large grocery store.

Based on our economic assessment, we conclude that the proposed increase in Northlake's retail offering will promote sustainable and efficient outcomes.

Northlake households – likely to include a mix of families, 'empty nesters' and potentially retirees in a proposed retirement village – will have local amenity and convenient access, often within walking distance. The retail offering will also help to support higher housing densities in AA-D1 (and vice versa).

Residents (and visitors) in the northern parts of Wanaka will be able to satisfy some of their everyday needs locally, without needing to drive to a more distant centre such as the CBD or Three Parks. This will supplement the Wanaka CBD, and assist it in maintaining an attractive, pedestrian-focused environment while promoting visitor spending growth.

Our retail demand analysis shows that there is a significant undersupply of retail in Wanaka, especially in food retailing. There is also major demand growth forecast – and growth to date has exceeded expectations, for both population and tourism growth. Within the next few years, Wanaka could accommodate several more major food retailers, potentially including a full-size supermarket at Three Parks and a smaller store at Northlake.

Overall, we conclude that the retail and other non-residential offering at Northlake will help to better provide for the wellbeing of Wanaka residents. The probability of significant effects on the Wanaka CBD or Three Parks is negligible.