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1. INTRODUCTION

Property Economics has been engaged by Timaru District Council (TDC) to undertake economic assessment of the business land market in the district (retail, commercial and industrial) to determine whether there is sufficient to meet the future requirements of the District over the next 20 years to assist in the development of Timaru's Proposed District Plan (PDP).

This report places particular focus on the performance and vitality of the Timaru City Centre since the turn of the century, and assess whether the centre is performing its role and function as intended and whether any policy response it required to assist the City Centre improve its economic performance, role and function in the future. This will include providing some high-level growth scenarios and identification of associated economic costs and benefits with each scenario to identify the most appropriate direction for the PDP.

The assessment determines the future business land requirements for the Timaru District over the next 20-years and cross references this against the current business zone provisions and capacity. This enables quantification of any additional business land requirements and where business activity is most appropriate to locate geospatially to maximise economic efficiency and performance in the District.

The economic research will provide valuable base input for the PDP process and policy development and provide a robust economic foundation for policy development in the strategic directions and business related chapters in the PDP.

1.1. KEY RESEARCH OBJECTIVES

The primary research objectives of this report are as follows:

- Delineate and map the geospatial extent of the Timaru District, Timaru Urban Area and Timaru City Centre. These areas provide important base markets for the economic analysis.
- Quantify the current population and household base of the Timaru District and Timaru Urban Area and forecast the growth of these markets to 2038.
- Assess the current employment composition of the Timaru District and Timaru City Centre and identify any recent trends and changes in their economic structure.
- Outline potential adverse economic effects associated with dispersal of commercial activity in the context of the Timaru District.
- Quantify the level of retail expenditure generated by the Timaru market on an annualised basis and project out to 2038.
- Determine the amount of sustainable retail floorspace that can be supported by Timaru District out to 2038 in terms of Gross Floor Area (GFA).
- Based on the GFA requirements of the core economic market, establish the quantum of land required to service the future retail and commercial service requirements of the Timaru District.
- Undertake a retail audit of the Timaru City Centre measuring the nominal number of retail stores, the net trade area of retail activity within the centre and the composition and 'health' of current city centre retail supply.
- Forecast employment growth across the commercial (office) and industrial sectors to determine the likely future level of employment in the District by sector.
- Estimate the quantum of land required to service the future industrial and commercial (office) requirements of the Timaru District.
- Assess the current provision of commercial visitor accommodation in the Timaru District and City Centre.
- Assess visitor accommodation demand current and future for the district at a high level.
- Assess industrial and commercial consent data in Timaru by activity type over the last 20 years to show distribution and quantify consent activity by value, volume and floorspace (sqm).
- Assess the current zoned (and vacant) provision of land (ha) for commercial and industrial activity in the district and assess capacity by location and land area (ha).

- Cross reference projected industrial demand and supply to determine any land demand differentials and identify any subsequent supply implications out to 2038.
- Outline three employment / business activity growth scenarios for commercial activity illustrating potential central city activity including a business as usual and consolidation approach.
- Identify at a high level the economic benefits associated with the respective scenarios.
- Identify any appropriate policy direction considered important for TDC to incorporate into their PDP from an economic perspective to best position the District's commercial activity so economic benefits can be achieved.
- Determine any commercial restrictions appropriate to adopt in the PDP for key commercial centres.
- Identify any commercial restrictions appropriate to adopt for lower order Commercial 2 and 3 zone centres.

2. EXECUTIVE SUMMARY

Timaru District's business land provision at face value is sufficient to accommodate the District's future growth requirements, but there are some trends emerging in the location of business activity that are generating significant economics costs to the community that require policy responses in the Proposed District Plan. These policy responses are to redirect business growth into zones / areas that would improve the economic efficiency, performance and competitiveness of the District as a business location and improve the economic wellbeing and social amenity of District residents.

Timaru District has a current population base of around 48,000 people and approximately 20,600 households. Growth over the 20-year period to 2038 is projected to be just under 11% giving an estimated 2038 District population base of around 53,000. Just over half the population (52%) reside in the Timaru Urban Area but this area has a forecast lower growth rate of around 7% meaning the rural base of the District is forecast accommodate more nominal growth than the District's main urban area. Overall, 90% of the District's projected 2038 population base already exists in the District.

On a GDP per capita basis, Timaru has experienced the highest territorial authority real GDP per capita growth in the Canterbury Region since 2000, indicating an increasingly productive economy particularly in the Manufacturing and Agricultural sectors (key primary sectors of the District economy).

Timaru District has observed net growth of 6,500 employees since the turn of the century, to 23,900 employees currently. The industrial grouped sector has the largest employment base, accounting for 41% of the District's employment.

The Timaru City Centre has a current employment base of just over 4,650 employees, with around 60% employed in retail and commercial office-based service activities. Although the Timaru City Centre is the primary commercial hub for the District, it has only accounted for 12% of District wide commercial and retail sector employment growth between 2000 and 2018, indicating Timaru City Centre is declining in terms of relevance as a central commercial and retail destination in the District.

The Timaru District is estimated to currently generate circa \$500m of retail expenditure per annum, with forecast growth to \$680m annually by 2038. Converting this to sustainable GFA indicates there is enough retail demand to sustain around 105,000sqm currently within the District, and 144,000sqm by 2038. The District has a current retail supply of 108,000 sqm of retail GFA in physically built stores plus a further 11,500sqm GFA in actioned retail consents.

It is not until beyond the life of the PDP (2028) that additional retail supply is required to support market growth and increased demand. Over the long term, by 2038 a retail GFA shortfall of just over 24,000 sqm is forecast if no additional retail GFA is developed within the District over the period. As such, retail supply is more a longer term, rather than a short-medium term issue. The focus in the PDP therefore should be around improving store quality, performance, shopping experience and environment rather than increasing quantity.

In respect of net business land demand to 2038, an additional 91ha of industrial zone land is required to accommodate projected industrial sector growth, 3ha for commercial office activity growth and 12.3ha for retail and commercial services activities. In terms of zoned industrial sufficiency, currently the District has in the order of 148ha of vacant, usable and available zoned land meaning all forecast industrial demand over the next 20 years can be sufficiently accommodated within the existing industrial zone provisions.

In terms of the commercial zoned land provision, 16ha is currently vacant indicating a sufficient zoned provision. However, the dispersal of commercial activity over the last 18 years is generating economic costs and inefficiencies for the District which requires a policy response in the PDP to rectify. A more stringent policy framework for commercial activity location is required to refocus commercial (re)development back into the City Centre to improve the centre's ability to fulfil its role and function successfully.

This dispersal of commercial activity has the potential to generate significant adverse economic impacts on the Timaru District economy, a decline of the existing City Centre, reduced productivity, decreased utilisation of community infrastructure, increased marginal cost of infrastructure development, transport inefficiencies and a reduction in district competitiveness.

Quantifying the issue, under a business as usual scenario where the Timaru City Centre continues to decline in relevance as a business destination in the District, a resulting loss of \$1.19m pa of GDP is estimated (continued over the PDP's life). Alternatively, a consolidation of commercial activity into the City Centre to proportional levels observed in 2000 would result in an estimated economic benefit of \$9.72m pa (continued over the PDP's life).

These scenarios represent two quite different growth pathways / economic potentials for Timaru District. A business as usual (continued dispersal) approach is estimated to lead to ongoing economic losses of GDP and inefficiencies, or a change to consolidation approach which has the potential to generate ongoing economic benefits to the District.

In terms of the business land requirements in the key rural townships of the District, Temuka and Pleasant Point are considered to have sufficient provision to accommodate growth (particularly given their close proximity to Timaru), however in Geraldine Property Economics consider on balance enabling the potential for an incremental increase in the industrial land provision may illicit growth in that market without any significant economic costs on the basis infrastructure capacity exists and any localised adverse effects can be appropriately mitigated.

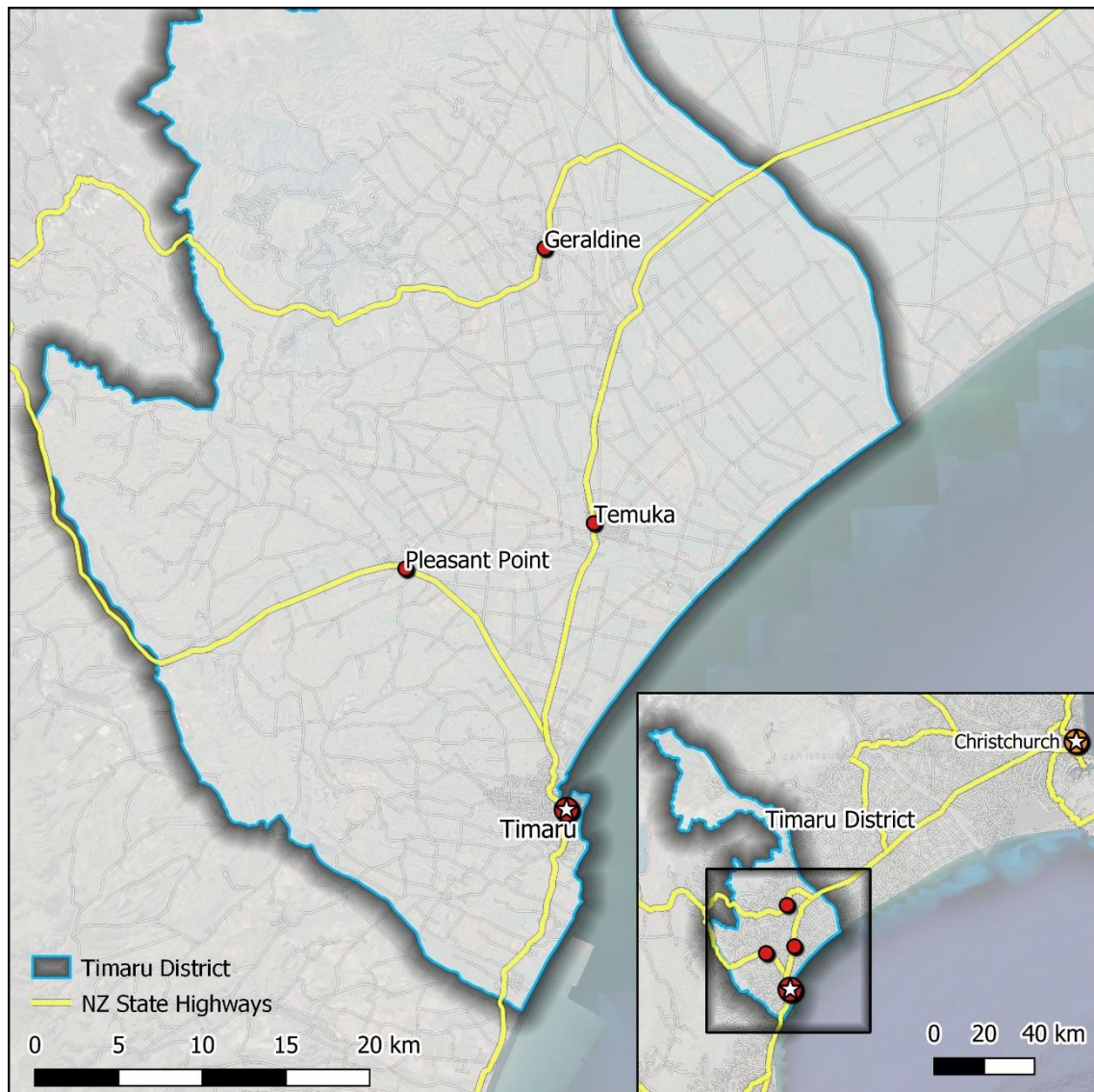
This provides some flexibility in the Geraldine industrial market to ensure economic growth opportunities are not lost due to lack of appropriate, well located industrial land supply. This flexibility is considered appropriate in Geraldine given its more remote location from the TUA, niche position in the market and its unique tourism related opportunities afforded the township.

3. TIMARU DISTRICT ECONOMIC ENVIRONMENT

The following economic analysis is given in the context of three key focus areas - the Timaru District, Timaru Urban Area (TUA) and Timaru City Centre. Figures 1, 2 and 3 illustrate the geospatial extent of each area utilised for the purpose of the economic analysis in this assessment.

Figure 1 illustrates the geographic extent of the Timaru District Territorial Authority including the main commercial centres and townships within the district. These include Timaru, Temuka, Geraldine and Pleasant Point. Timaru District is relevant for this analysis as it represents the area the PDP has planning jurisdiction over.

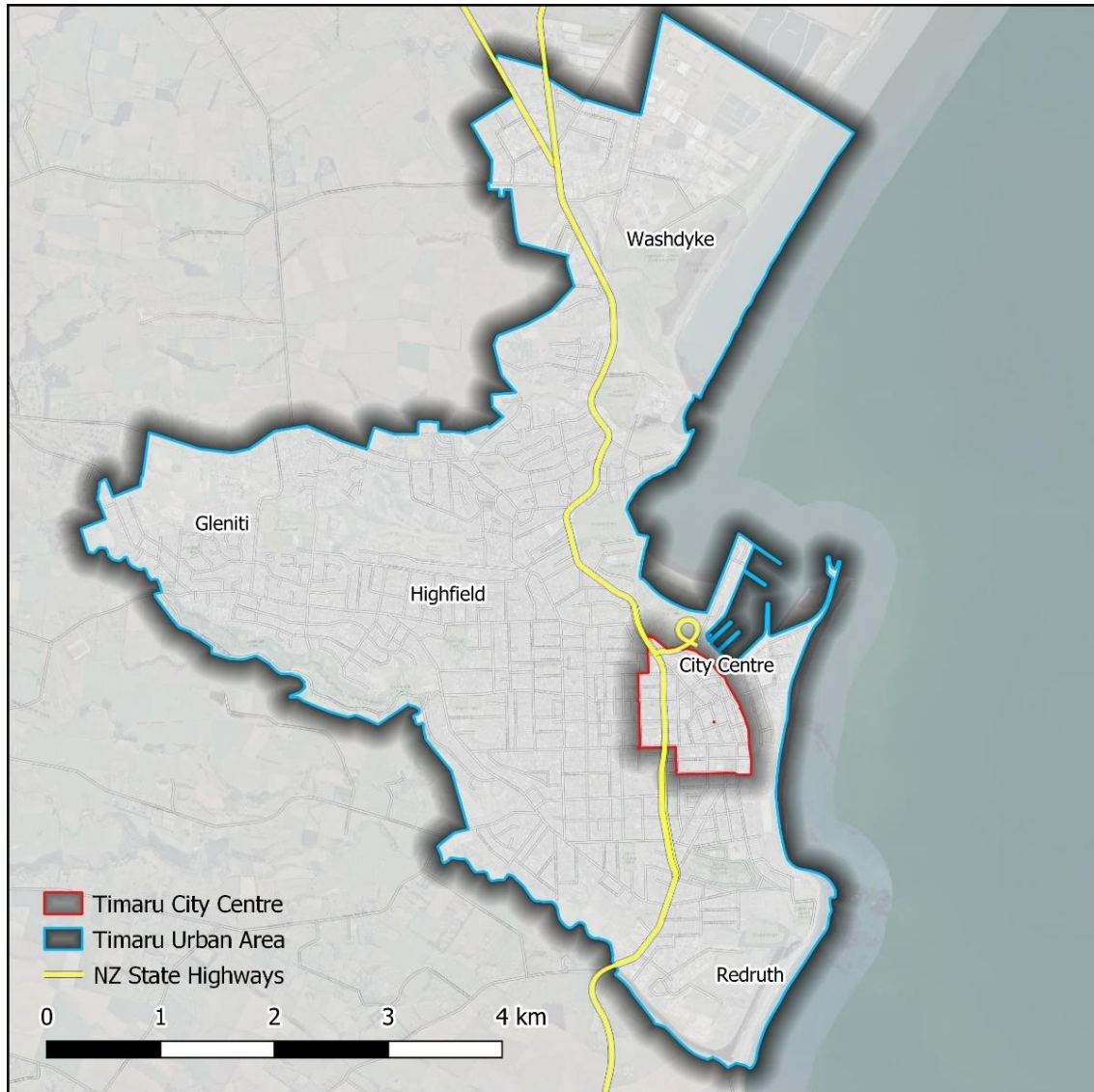
FIGURE 1: TIMARU DISTRICT



Source: Property Economics

Figure 2 shows the extent of the Timaru Urban Area. As a guide, the northern rural-urban boundary is demarcated at the Phar Lap Racecourse. The southern boundary follows Saltwater Creek and the northern boundary of Centennial Park.

FIGURE 2: TIMARU URBAN AREA

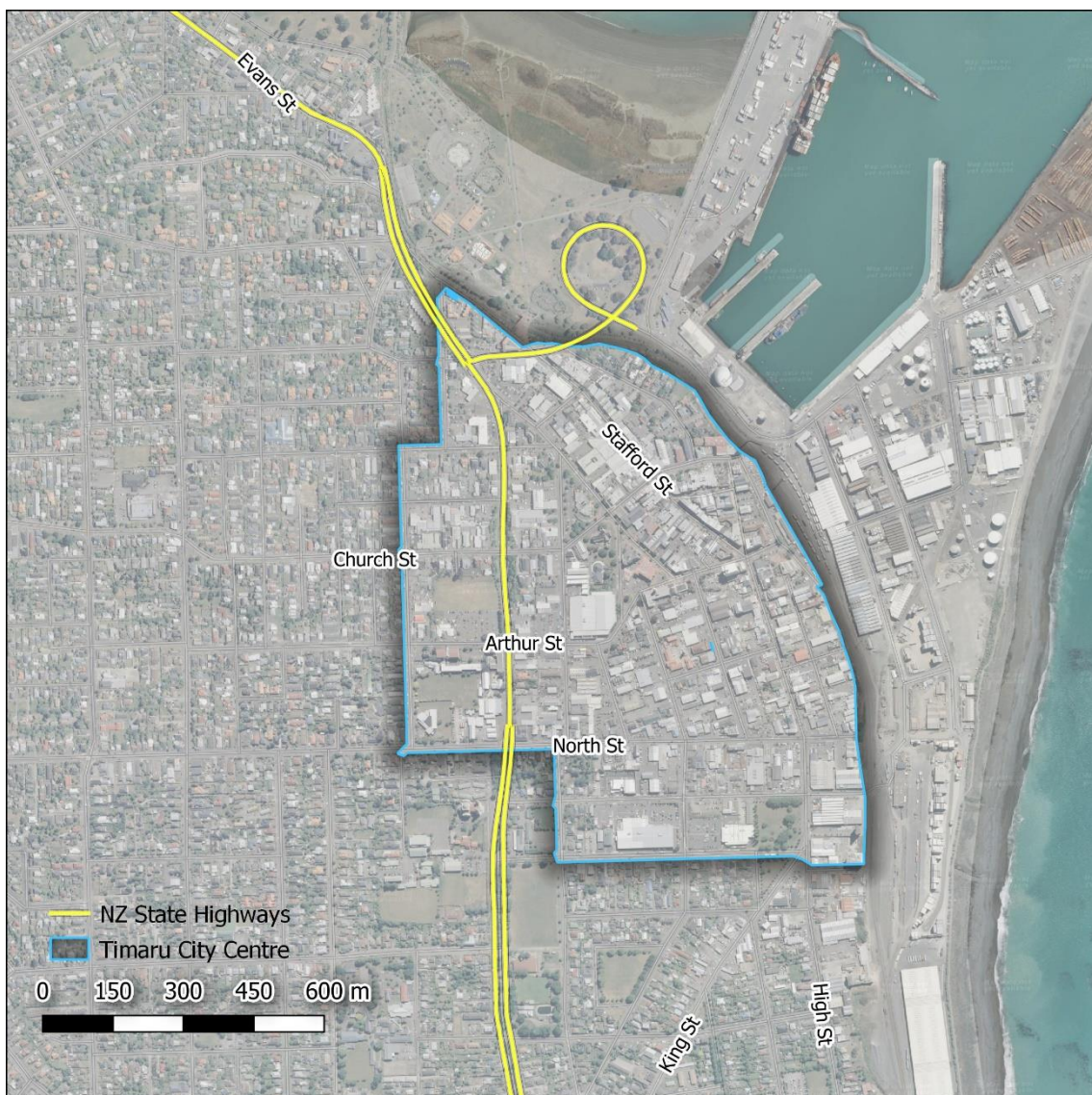


Source: Property Economics

Figure 3 shows the extent of the Timaru City Centre for the purpose of this study. The area encompasses the central commercial zone of Timaru and is primarily comprised of Commercial 1A, 1B and 1C zones and some Industrial L zone.

Formal definitions of these zones from the Operative Timaru District Plan are included later in this report. District Plan Maps relevant to the analysis have been included in Appendix 1.

FIGURE 3: TIMARU CITY CENTRE AREA



Source: Property Economics

4. POPULATION AND HOUSEHOLD PROJECTIONS

Figure 4 displays the population and household growth projections for the Timaru District as identified in Figure 1. The growth projections have been drawn from the latest Statistics New Zealand (SNZ) Medium and High population projection series. They include projected growth over the next 20 years and the actual growth from 2001-2013 as recorded by SNZ. As the time of undertaking the analysis for this study the 2018 NZ Census population results had not yet been finalised and released.

The presented population projection series includes the SNZ Medium and High projection series and a mid-point scenario of these two series to understand implications of a growth profile that tracks midway between the two.

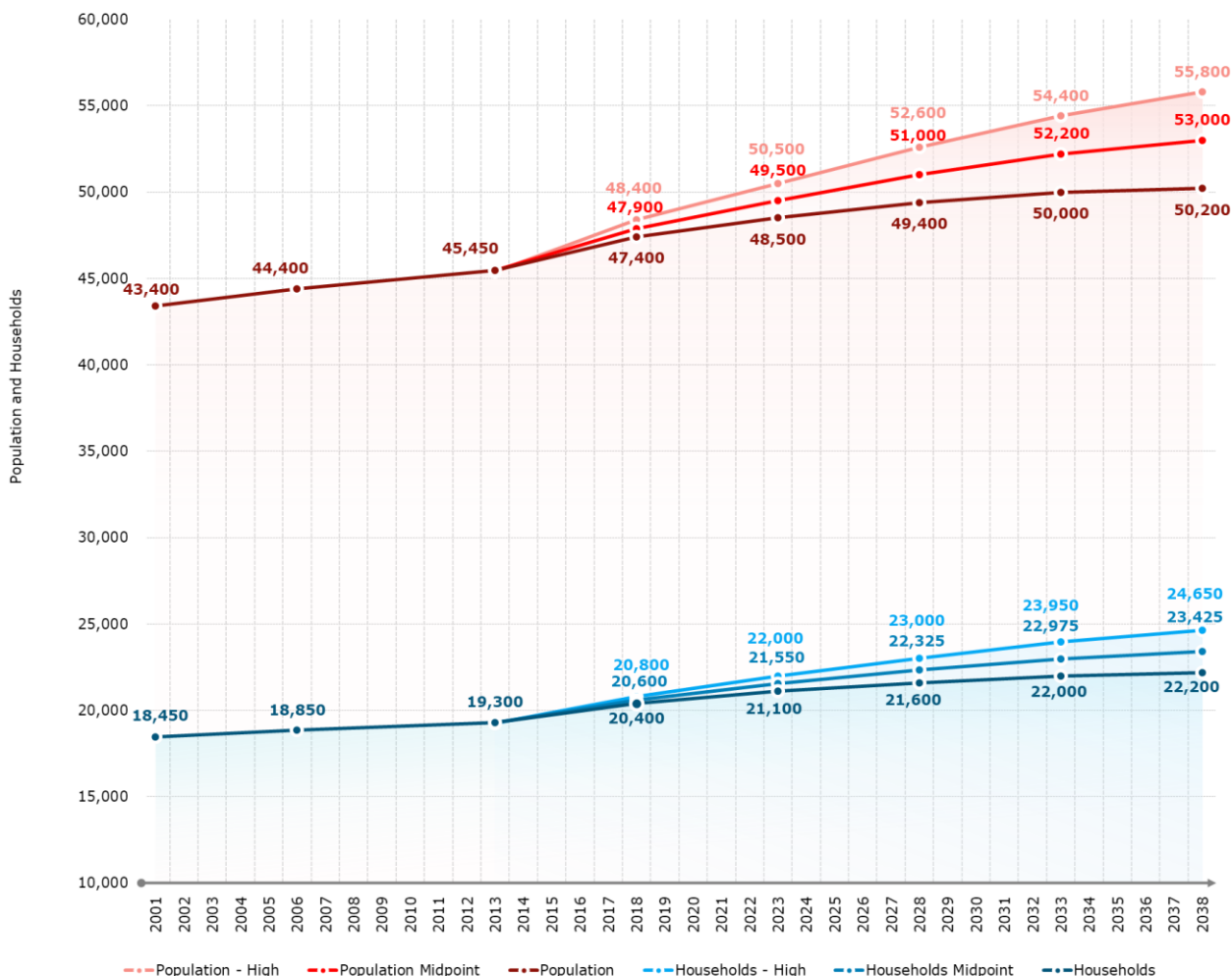
Adopting a more subdued growth profile for the District means TDC could under provide for future land requirements if higher than anticipated growth in demand and business land requirements was to materialise. As such Property Economics consider it prudent for TDC to plan for a slightly higher growth profile than the Medium scenario.

Historically, the Timaru District has not observed significant levels of population growth nominally. However, under projecting growth can result in significant economic costs associated with the under provision of commercial and industrial land in the future.

In contrast, over projecting growth can result in economic costs associated with the over provision of commercial and industrial land and can dissipate economic benefits and efficiencies due to a more dispersed urban form. As a result, Property Economics consider it appropriate to take the midpoint of the Medium and High growth projection series for the purpose of this assessment and PDP policy development. We refer to this projection series as the Mid-Point Scenario.

Figure 4 displays the three population and household growth profiles for the Timaru District.

FIGURE 4: TIMARU DISTRICT POPULATION AND HOUSEHOLD GROWTH



Source: Property Economics, Statistics NZ

Under the Mid-point Scenario, the population base of the Timaru District for 2018 (the base population year for this analysis) is estimated at 47,900 people. Net population growth over the 20-year forecast period to 2038 is projected to equate to around 5,100 people at an average growth rate of around 255 people per annum. This equates to a 2038 population base 11% higher than the current district population, or conversely, 90% of the District's 2038 projected population base is already residing in the District.

The net household count is forecast to reach circa 23,400 by 2038, an increase of 2,800 households over the next 20-years, equivalent to an average of 140 dwellings net annually over the assessed period.

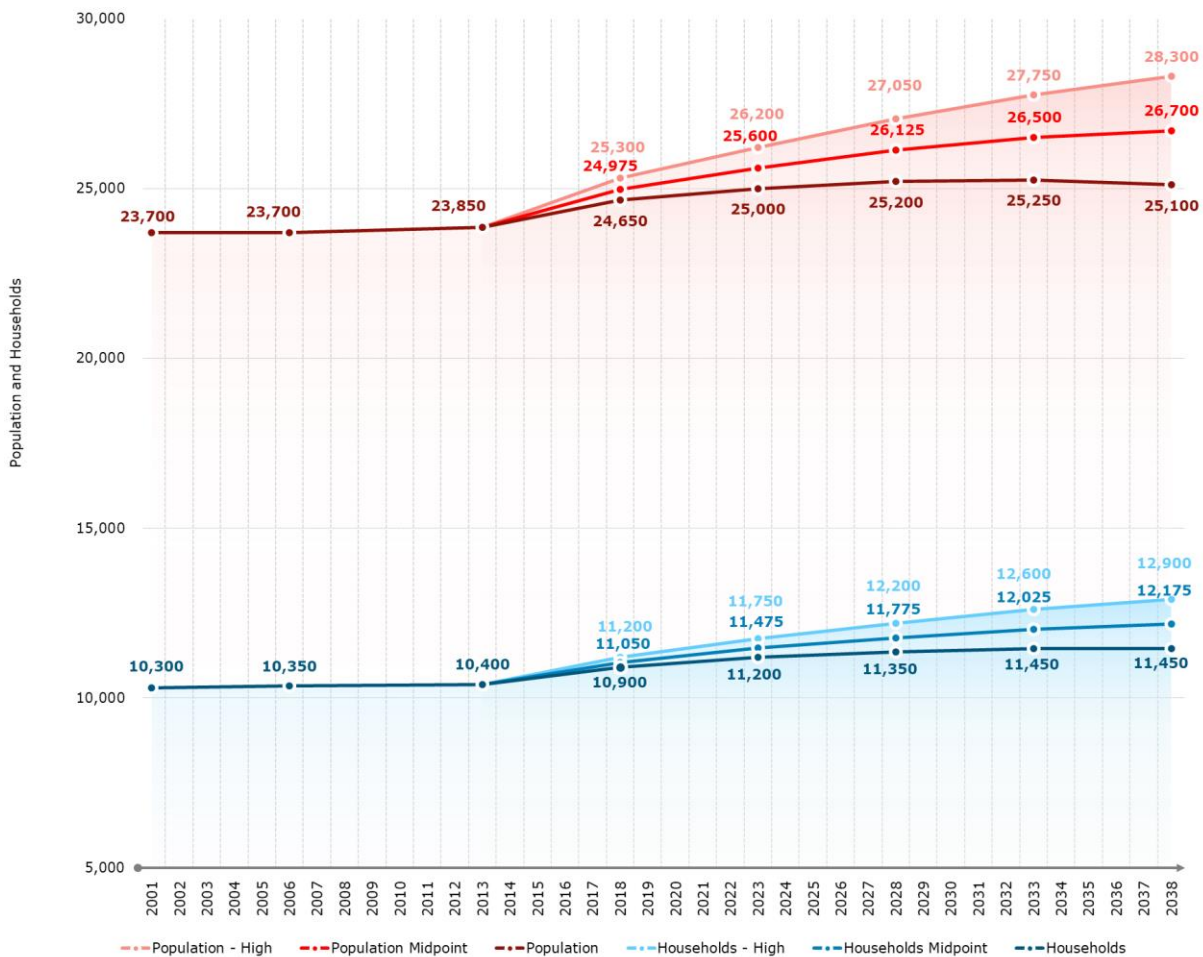
The net number of households is projected to increase at a faster rate (14%) than net population growth due to a projected fall in the person per dwelling ratio over the forecast period. This

trend is not isolated to the Timaru District but projected to occur across the country due to an ageing population, smaller families and a higher proportion of ‘split’ or single households.

Since 2001 Timaru District has observed a comparatively benign but positive growth profile. Between 2001 and 2013, the District’s population base experienced growth of 2,050 people at an average of just over 171 people per annum. This provides important comparative context to future growth levels and projections observed in the TUA.

Figure 5 displays the three growth profiles for the Timaru Urban Area.

FIGURE 5: TIMARU URBAN AREA POPULATION AND HOUSEHOLD GROWTH



Source: Property Economics, Statistics NZ

Under the Mid-point Scenario, the current population base of the TUA is estimated to be circa 25,000 people. The TUA currently accounts for around 52% of the District’s current population base.

In terms of historic population counts, growth in the TUA stagnated between 2001 and 2013, showing a net increase of only 150 people over this period. However, under the Mid-point Scenario an upturn in growth has been projected between 2013 and 2018 as the economic recovery from the GFC¹ emerges.

Net population is forecast to increase by 1,100 people over this 5-year period, a 5% increase in total population count. This is a meaningful population increase in contrast to the 0.6% increase observed between 2001 and 2013. The TUA is forecast to continue to experience higher levels of growth over the next 20-year forecast period to 2038.

Net population growth over the forecast period is projected to increase the population base of the TUA by 1,700 people to 26,700 by 2038, at an average growth rate of approximately 85 people per annum. The household count is forecast to increase to just under 12,200 by 2038, a net increase of just under 1,150 over the next 20 years at an annual average of around 58 new dwellings net.

These growth projections equate to net population increasing by just under 7% over the 20 year forecast period, while the net number of households is projected to increase at a faster rate at just under 10%.

Historically, the TUA has accounted for just over 50% of the Timaru District's population. However, this representation has been decreasing and is forecast to continue to do so in the future. In 2001 the TUA represented around 55% of Timaru District population. This has fallen to an estimate of 52% in 2018 and is forecast to fall further to around 50% by 2038 under the Mid-point Scenario. This is largely being fuelled by the emergence of rural residential / rural lifestyle living options.

Interestingly, despite being estimated to account for around 50% of the District's population by 2038, the TUA is projected to account for only 33% of projected population growth between 2018 and 2038. This indicates that the majority of growth in the District is forecast to occur outside of the Timaru main urban area. This type of growth can come with material economic costs to a District and needs to be carefully monitored moving forward.

¹ *Global Financial Crisis 2008*

5. EXISTING ECONOMIC ENVIRONMENT

This section of the report provides an overview of the existing Timaru District economic environment. It evaluates the trends, size, distribution and composition of the various employment sectors that comprise the Timaru District economy. Analysis of Timaru District GDP² trends by sector is also undertaken to provide comparative context of Timaru's performance to other districts in the Canterbury region.

Specific focus in this analysis is given to Timaru City Centre, with particular emphasis on its intended role and function as a primary commercial and retail centre in the district. The subsequent analysis will assist in forecasting Timaru's future business land requirements over a period to 2038 and to guide any appropriate policy responses in PDP process.

5.1. EMPLOYMENT COMPOSITION AND TRENDS

The temporal employment composition and historical employment trends between 2000 and 2018 for the Timaru District and TUA provide useful guidance to the performance of the economy since the turn of the century. This analysis will assist in identifying the economic structure of these areas and is valuable in identifying changes and shifts in each area's economic base. This data is also a valuable input into the economic growth forecasts across the District's commercial and industrial sectors which are discussed later in the report.

Property Economics utilise the most up-to-date version of SNZ's Business Frame data on Employment Counts (ECs), with businesses assigned an industry sector according to their ANZSIC³ 2006 categories. For the purposes of this report classifications have been grouped into Industrial, Commercial Office⁴, Other and Retail sectors that reflect the typical composition of employment across business zones.

'Other' employees refer to those working in businesses or organisations that would not typically be located on business zoned land. These include hospitals, schools, fire stations, community facilities, parks and recreation and government agencies.

A breakdown of each industry sector and the ratios utilised in establishing their respective employment bases has been included in Appendix 2.

² Gross Domestic Product.

³ Australia and New Zealand Standard Industry Classification.

⁴ Commercial office has been separated out so as to not confuse with the District Plan definition of Commercial which includes retail, commercial service and offices.

TIMARU DISTRICT

Tables 1 and 2 provides a summary of employment counts in the Timaru District by grouped sector and ANZSIC category. A full annual breakdown of Tables 1 and 2 has been provided in Appendix 3.

TABLE 1: TIMARU DISTRICT EMPLOYMENT BY ANZSIC CATEGORY (2000-2018)

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
A Agriculture, Forestry and Fishing	1,476	1,638	1,643	1,746	1,946	2,131	2,313	837	57%
B Mining	9	15	15	36	27	60	51	42	467%
C Manufacturing	4,341	4,920	4,322	4,300	3,840	4,623	4,952	611	14%
D Electricity, Gas, Water and Waste Services	94	97	121	152	206	192	214	120	128%
E Construction	754	992	1,301	1,564	1,503	1,982	1,910	1,156	153%
F Wholesale Trade	602	668	759	833	844	867	967	365	61%
G Retail Trade	2,028	2,218	2,504	2,473	2,451	2,615	2,468	440	22%
H Accommodation and Food Services	958	1,319	1,145	1,172	1,197	1,221	1,324	366	38%
I Transport, Postal and Warehousing	767	913	1,148	1,285	1,590	1,291	1,601	834	109%
J Information Media and Telecommunications	363	377	429	382	224	252	185	-178	-49%
K Financial and Insurance Services	253	293	325	404	327	257	296	43	17%
L Rental, Hiring and Real Estate Services	131	184	207	223	248	282	200	69	53%
M Professional, Scientific and Technical Services	524	597	589	664	688	773	804	280	53%
N Administrative and Support Services	660	763	697	598	661	634	798	138	21%
O Public Administration and Safety	621	582	656	682	713	651	673	52	8%
P Education and Training	1,367	1,317	1,275	1,413	1,426	1,475	1,478	111	8%
Q Health Care and Social Assistance	1,807	1,988	2,402	2,651	2,783	2,816	2,844	1,037	57%
R Arts and Recreation Services	232	202	181	184	202	320	238	6	3%
S Other Services	468	515	544	548	528	605	588	120	26%
Total	17,455	19,598	20,263	21,310	21,404	23,047	23,904	6,449	37%

Source: Property Economics, Statistics NZ

In the year 2000, District employment totalled around 17,500 employees. This has grown to 23,900 by 2018, giving a net employment increase across the District of circa 6,500 employees (+37%) over the last 18 years.

Employment growth was experienced across all ANZSIC categories apart from one - Information, Media and Telecommunications which exhibited a 49% proportional decline (a net 178 less employees), albeit off a relatively small employee base.

The highest growth sectors in terms of employment on a proportional basis were Mining, Construction and Manufacturing (albeit Mining was off a very low base). In terms of nominal employment (arguably the more important measure), the highest growth sectors were Construction, Health Care and Social Assistance and Agriculture, Forestry and Fishing.

Interesting to note is the comparatively high growth performance of the primary sectors of Timaru's economy (apart from Manufacturing) relative to the service sectors. This indicates the core productive base of the Timaru economy has performed well over the last 18 years, while the service sectors (which are intrinsically linked to population growth) have been experiencing more subdued growth over the period.

This highlights the growing importance and relevance of the District's core productive base within the Timaru economy with these sectors (Categories A-F in Table 1) being critically important to the District's economic health.

Table 2 consolidates the sectors into four key grouped property markets to highlight district performance across different activity types.

TABLE 2: TIMARU DISTRICT EMPLOYMENT BY GROUPED SECTOR (2000-2018)

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
Commercial	3,007	3,361	3,485	3,606	3,537	3,614	3,709	703	23%
Industrial	6,641	7,687	7,732	8,206	8,036	9,040	9,731	3,090	47%
Other	4,965	5,211	5,568	6,029	6,362	6,740	6,871	1,906	38%
Retail	2,842	3,339	3,477	3,469	3,468	3,653	3,593	751	26%
Total	17,455	19,598	20,263	21,310	21,404	23,047	23,904	6,449	37%

Source: Property Economics, Statistics NZ

The industrial sector activity performed strongest over the assessed 2000-2018 period, fuelled by the Construction sector which accounted for 37% of this activity type's growth by itself (+1,156 employees).

The activity types with more subdued growth profiles were commercial and retail activity, which experienced growth of 23% and 26% respectively. These activity types had net employment growth that was less than a third of that experienced in the industrial sector, and combined only accounted for 22% of the District's net employment growth over the last 18 years.

TIMARU CITY CENTRE

Table 3 shows employment count data by ANZSIC sector for the Timaru City Centre between 2000 and 2018. Table 4 following groups these sectors into core property market sectors. A full annual breakdown of Tables 3 and 4 has been provided in Appendix 3.

TABLE 3: TIMARU CITY CENTRE EMPLOYMENT BY ANZSIC CATEGORY (2000-2018)

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
A Agriculture, Forestry and Fishing	12	3	12	3	3	60	109	97	808%
C Manufacturing	330	260	207	160	111	123	125	-205	-62%
D Electricity, Gas, Water and Waste Services	20	18	20	21	21	35	20	0	0%
E Construction	115	130	151	143	205	275	245	130	113%
F Wholesale Trade	106	86	100	94	124	115	119	13	12%
G Retail Trade	875	915	1,010	955	995	970	925	50	6%
H Accommodation and Food Services	250	450	275	265	256	315	320	70	28%
I Transport, Postal and Warehousing	58	71	76	126	91	83	33	-25	-43%
J Information Media and Telecommunications	345	350	420	370	200	240	170	-175	-51%
K Financial and Insurance Services	181	199	236	309	178	152	155	-26	-14%
L Rental, Hiring and Real Estate Services	65	67	91	68	66	64	64	-1	-2%
M Professional, Scientific and Technical Services	250	355	330	360	340	370	430	180	72%
N Administrative and Support Services	361	412	314	345	335	345	365	4	1%
O Public Administration and Safety	490	425	465	495	595	525	565	75	15%
P Education and Training	235	245	275	300	300	210	163	-72	-31%
Q Health Care and Social Assistance	345	365	590	580	625	700	615	270	78%
R Arts and Recreation Services	86	76	55	55	85	90	41	-45	-52%
S Other Services	190	205	210	200	190	200	190	0	0%
Total	4,314	4,632	4,837	4,849	4,720	4,872	4,654	340	8%

Source: Property Economics, Statistics NZ

TABLE 4: TIMARU CITY CENTRE EMPLOYMENT BY GROUPED SECTOR (2000-2018)

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
Commercial	1,554	1,746	1,798	1,869	1,588	1,631	1,618	64	4%
Industrial	616	553	541	530	538	613	539	-77	-13%
Other	1,056	1,036	1,255	1,270	1,382	1,391	1,300	244	23%
Retail	1,088	1,298	1,244	1,180	1,213	1,238	1,197	110	10%
Total	4,314	4,632	4,837	4,849	4,720	4,872	4,654	340	8%

Source: Property Economics, Statistics NZ

The employment performance of the Timaru City Centre over the last 18 years paints a very different picture to that of the District, with net employment growth of only +8% (vs 37% for the District). This is a sign of a City Centre that is struggling to attract growth and relevance in the market.

Since the year 2000 net employment growth has only equated to 340 employees, despite the District's net employment growth equating to circa 6,500 employees over the same period. This highlights a City Centre that is relatively static in terms of productivity and economic output and is losing its position in the District economy.

Commercial activity is the largest employment sector within the Timaru City Centre, accounting for 35% of total employment activity in 2018. However, the City Centre's growth in the commercial sector (+64 employees) accounts for only 9% of this sector's District growth. This represents a significant economic issue for the District given the City Centre is the District's primary commercial centre, significant lost economic opportunities and undermines the role and function of the City Centre. This is considered a crucial issue for TDC to address in their PDP.

Similar issues emerge for the retail sector. Retail employment in the City Centre grew by only a net +110 employees which represents only +15% of total net District employment growth within the sector. As such, the City Centre as a retail destination is losing traction in the market with changes in the City Centre offering indicating retailer churn rather than retail growth.

Retail activity (along with commercial activity) is critical to the performance, amenity, vitality, growth of environment, role and function, quality of shopping experience and economic productivity and output of the City Centre. Therefore, this is another sector that requires some appropriate policy responses in the PDP to address ongoing (economically adverse) trends.

5.2. TIMARU DISTRICT VS REGIONAL GDP TRENDS

This section distils at a high level the economic trends and performance of the Timaru District and compares its performance to other Territorial Authorities in the Canterbury Region over the 2000-2016 period. This helps to contextualise how Timaru is performing relative to competing economies over the period.

Table 5 displays the real GDP figures (adjusted for 2016 prices) for each of the territorial authorities within the Canterbury Region. This is the latest data available that can be broken down by sector.

TABLE 5: REAL GDP OF TERRITORIAL AUTHORITIES IN THE CANTERBURY REGION

	2000	2004	2008	2012	2016	Net Growth (2000-2016)	Percentage Growth (2000- 2016)
Timaru District	1,139	1,412	1,509	1,685	1,937	798	70.0%
Ashburton District	944	1,085	1,175	1,388	1,626	681	72.2%
Christchurch City	11,647	13,685	16,028	16,125	19,042	7,395	63.5%
Mackenzie District	137	140	145	169	196	59	42.9%
Selwyn District	706	905	970	1,179	1,541	835	118.2%
Waimakariri District	538	674	750	966	1,190	652	121.4%
Waimate District	148	182	182	230	245	97	65.8%
Waitaki District	628	705	710	950	1,007	379	60.3%
Canterbury Region	15,899	18,854	21,565	22,724	26,821	10,922	68.7%
New Zealand	138,104	160,183	179,981	184,134	206,710	68,606	49.7%

Source: Property Economics, MBIE

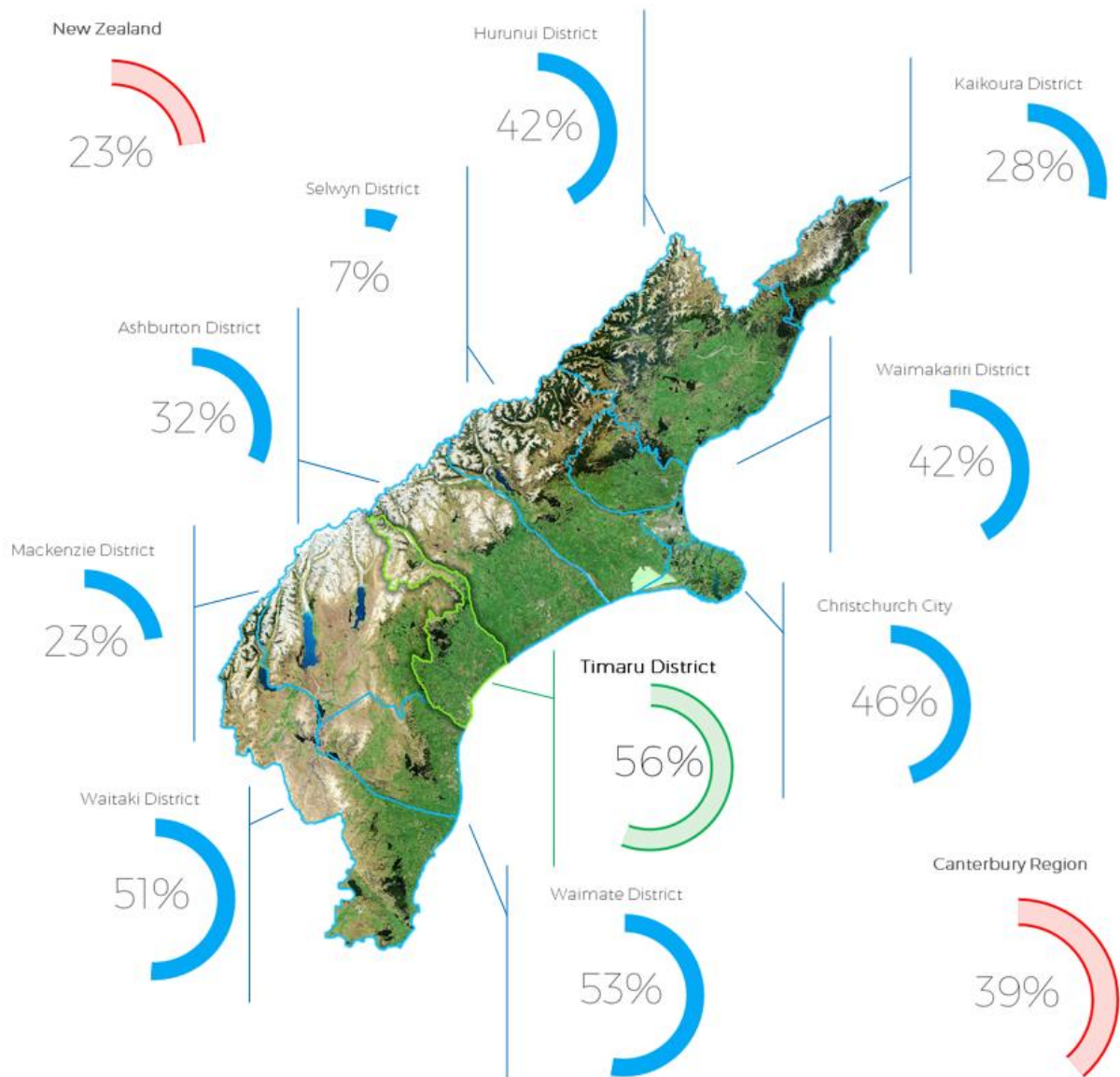
The Timaru District observed real annual GDP growth of 70% (\$798m) from the 2000 base year to 2016, accounting for just over 7% of the Canterbury Region's growth over the period. This is the same as the District's proportion of regional GDP, which has remained constant over the period. Timaru District had the second largest economic output in the Region in 2016 with a real GDP of \$1.94b (rounded).

As expected, Christchurch City had the highest economic output in the region with an annual GDP of just over \$19b in 2016. This represents around 70% of the region's Real GDP and highlights Christchurch City being the primary economic engine in the region.

The Canterbury Region as a whole performed strongly between 2012 and 2016, a likely result of the rebuild following the 2010/11 Christchurch earthquakes. This is reflected by the strong growth in Christchurch City over this time frame. Just under 40% of Christchurch City's real GDP growth between 2000 and 2016 occurred over this four-year period. However, this trend was not isolated to Christchurch City, with other Districts in the region such as Timaru and Selwyn also experiencing a higher level of GDP growth over this time frame as a result of economic multiplier effects.

Figure 6 shows the real GDP growth on a per capita basis of Districts within the Canterbury Region between 2000 and 2016, also providing regional and national per capita Real GDP growth for comparative context.

FIGURE 6: PER CAPITA REAL GDP GROWTH IN CANTERBURY DISTRICTS (2000-2016)



Source: Property Economics, MBIE

On a GDP per capita basis, the Timaru District economy has experienced a higher level of proportional growth than other Districts within the Canterbury Region and New Zealand as a whole. This indicates that Timaru has become comparatively more productive over the 2000-2016 period, largely fuelled by primary sector growth and productivity gains as identified earlier.

Against this economic measure Timaru has done well over the period and has more than doubled its growth in employment output relative to NZ as a whole and experienced the largest proportional per capita Real GDP growth in the region.

Table 6 breaks down Real GDP in the Timaru District between 2000 and 2016 by ANZSIC sector. In terms of economic output and growth, industrial based sectors performed strongly. This reinforces observations made in employment count data, which identify industrial activity as the primary driver of economic growth in the District.

TABLE 6: TIMARU DISTRICT REAL GDP BY SECTOR

	2000	2004	2008	2012	2016	Net Growth (2000-2016)	Percentage Growth (2000- 2016)
Manufacturing	242.7	335.0	327.8	297.4	378.8	136.0	56%
Agriculture	124.0	138.2	117.5	170.8	176.8	52.8	43%
Construction	62.8	90.3	121.9	126.3	168.7	105.9	168%
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	71.8	84.7	87.2	112.3	150.7	78.9	110%
Owner-Occupied Property Operation	78.1	95.7	105.8	123.2	144.4	66.4	85%
Health Care and Social Assistance	78.9	101.0	114.0	129.3	134.2	55.3	70%
Transport, Postal and Warehousing	53.3	75.7	99.9	133.2	132.7	79.4	149%
Retail Trade	58.5	69.4	90.4	105.0	122.0	63.4	108%
Rental, Hiring and Real Estate Services	69.2	85.7	69.6	96.8	110.2	41.0	59%
Wholesale Trade	48.7	50.4	60.3	73.9	80.5	31.7	65%
Information Media, Telecommunications and Other Services	47.0	60.5	70.0	63.1	78.5	31.5	67%
Professional, Scientific and Technical Services	35.8	38.5	48.6	55.7	67.7	31.8	89%
Education and Training	76.8	76.4	65.3	64.4	62.5	-14.3	-19%
Financial and Insurance Services	30.9	45.9	56.6	51.2	51.5	20.6	67%
Public Administration and Safety	34.3	32.7	43.1	49.7	48.1	13.8	40%
Administrative and Support Services	21.7	27.3	25.9	23.9	20.6	-1.1	-5%
Accommodation	4.5	5.1	4.9	8.5	9.1	4.6	102%

Source: Property Economics, MBIE

The sector contributing the most economic output towards the district's real GDP was Manufacturing at \$379m in 2016. This was the highest ranked sector in 2000 and it remains so in 2016. Real GDP growth in this sector has equated to 56% (\$136m p.a.) between 2000 and 2016.

The sector with the largest upward shift in economic output proportionally was Construction which grew by 168% (+106m p.a.). In the year 2000, this sector was ranked 8th in terms of economic output across the sectors, whereas in 2016, Construction was ranked as the 3rd largest sector in the District in respect of economic output at \$169m.

Agriculture also remains a key sector in respect of economic output for the District (ranked 2nd) with \$177m (rounded) real GDP in 2016, despite its relatively low growth profile over the 2000-2016 period. This is more a historic reflection of the District's strong rural economic base.

6. RETAIL EXPENDITURE AND SUSTAINABLE GFA

This section sets out the projected retail expenditure and sustainable GFA⁵ forecasts for the Timaru District. The level of retail expenditure generated by the district is estimated in 2018 NZ dollars on an annualised basis using the 2006 ANZSIC categorisation system.

It is important to note that the geographic boundaries of the District utilised in this assessment can be considered arbitrary in terms of the retail market, and should be considered as an indicative catchment only (i.e. they are politically derived rather than market derived boundaries). Residents within this catchment (the Timaru territorial authority) will also shop in centres outside of the District due to the layering of centre catchments, i.e. centres have different roles and functions in the market depending on their size, offer, retail composition, type and position in the commercial hierarchy of the market.

However, it can be expected that the Timaru District will be where Timaru centres derive the majority of their customers and sales due to the relatively isolated and rural nature of the district.

6.1. RETAIL EXPENDITURE AND SUSTAINABLE GFA

To assess retail demand, Property Economics uses a sustainable footprint approach and forecasts the level of retail sector expenditure that is generated by the identified market⁶. These results provide a benchmark for the level of sales productivity (\$/sqm) that allows retail stores to trade profitably and provide a good quality retail environment. Forecasting the level of retail expenditure represents what the Timaru District, and the retail stores within the District, could potentially achieve from its core economic market.

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 Expenditure Growth Model. A more detailed breakdown of this model and its inputs is provided in Appendix 4.

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

- Accommodation (hotels, motels, backpackers, etc.)
- Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)

⁵ Gross Floor Area

⁶ Retail sector expenditure is calculated on an annualised basis in dollars applying the 2006 ANZSIC categories

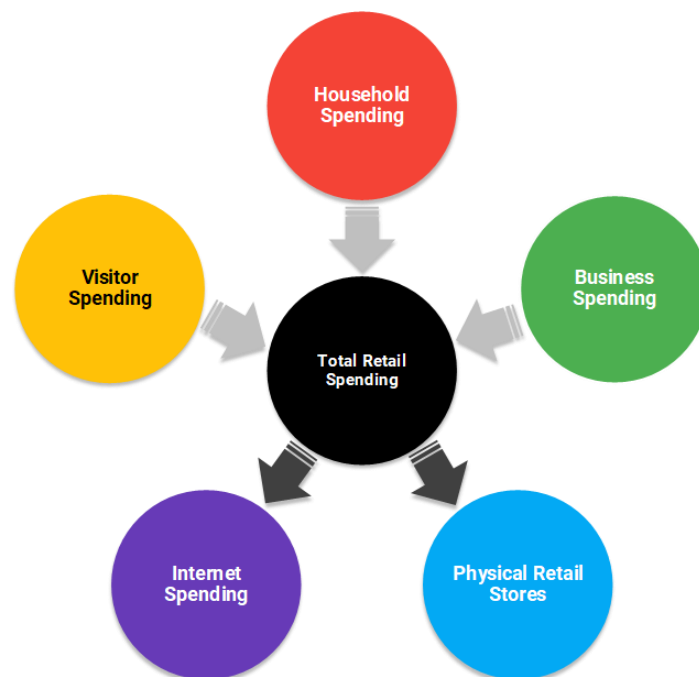
- Hardware, home improvement, building and garden supplies retailing (e.g. Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

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

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

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

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



Growth in real retail spend has also been incorporated at a rate of 1% per annum over the forecast period. The 1% rate is an estimate based on the level of debt retail spending, interest rates and changes in disposable income levels, and is the average inflation adjusted increase in spend per household over the assessed period.

It is important to note that the retail expenditure generated in the identified market does not necessarily equate to the sales of any retail stores within the market. Residents can freely travel in and out of the area, and they will typically choose the centres with their preferred range of stores, products, brands, proximity, accessibility and price points.

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

6.2. RETAIL EXPENDITURE

Table 7 below shows the projected generated retail spend for the Timaru District based on the forecast Mid-point Scenario.

TABLE 7: TIMARU NET ANNUALISED RETAIL EXPENDITURE BY SECTOR

Timaru District Net Annualised Retail Expenditure by Sector (\$m)	2018	2023	2028	2033	2038	Net Growth (2018 - 2043)	Percentage Growth (2018 - 2043)
Food retailing	\$204	\$222	\$240	\$259	\$279	\$75	37%
Clothing, footwear and personal accessories retailing	\$35	\$38	\$41	\$45	\$48	\$13	38%
Furniture, floor coverings, houseware and textile goods retailing	\$19	\$21	\$23	\$24	\$26	\$6	33%
Electrical and electronic goods retailing	\$26	\$28	\$30	\$32	\$34	\$9	33%
Pharmaceutical and personal care goods retailing	\$20	\$21	\$23	\$25	\$27	\$7	36%
Department stores	\$41	\$44	\$48	\$52	\$56	\$15	36%
Recreational goods retailing	\$22	\$24	\$26	\$28	\$30	\$8	38%
Other goods retailing	\$34	\$37	\$40	\$44	\$48	\$14	42%
Food and beverage services	\$94	\$103	\$112	\$123	\$133	\$39	42%
Total	\$494	\$538	\$582	\$632	\$680	\$187	38%

Source: Property Economics, Statistics NZ

The Timaru District currently generates an estimated \$494m per annum of retail expenditure, with projected growth in the market over the assessed 20-year period increasing this to nearly \$680m per annum by 2038 in 2018 dollars. This represents an increase of \$187m (38%) annually above the 2018 base year by 2038.

The largest sector, by some margin is Food Retailing which is dominated by Supermarket trade. This sector represented over 41% of total retail expenditure generated within the District in 2018. Supermarket trade accounts for approximately 75% of food retailing sector expenditure and is typically the largest retail sector in terms of expenditure. By 2038, spending within the Food Retailing sector is estimated to grow to around \$279m annually.

Additionally, Food and Beverage Service sector (i.e. cafes, bars and restaurants) also contributes a significant proportion of Timaru District retail expenditure, totalling \$94m p.a. at present, growing to \$133m p.a. by 2038.

Combined, storetypes categorised in these two retail sectors are forecast to account for over 60% of Timaru District retail expenditure by 2038 (\$412m out of \$680m).

6.3. SUSTAINABLE RETAIL FLOORSPACE

Table 8 provides sustainable GFA forecasts for the annual retail expenditure generated by the Timaru District.

TABLE 8: TIMARU SUSTAINABLE RETAIL GFA BY SECTOR

Timaru District Gross Sustainable Retail GFA (sqm)	2018	2023	2028	2033	2038	Net Growth (2018 - 2043)	Percentage Growth (2018 - 2043)
Food retailing	28,400	30,890	33,400	36,170	38,870	10,470	37%
Clothing, footwear and personal accessories retailing	7,490	8,160	8,850	9,610	10,360	2,870	38%
Furniture, floor coverings, houseware and textile goods retailing	7,690	8,320	8,940	9,610	10,230	2,540	33%
Electrical and electronic goods retailing	8,220	8,900	9,560	10,270	10,940	2,720	33%
Pharmaceutical and personal care goods retailing	3,100	3,370	3,630	3,930	4,210	1,110	36%
Department stores	16,710	18,150	19,590	21,180	22,710	6,000	36%
Recreational goods retailing	6,570	7,160	7,750	8,420	9,060	2,490	38%
Other goods retailing	9,790	10,720	11,680	12,770	13,860	4,070	42%
Food and beverage services	16,750	18,350	20,010	21,890	23,790	7,040	42%
Total	104,720	114,010	123,430	133,850	144,050	39,330	38%

Source: Property Economics, Stats NZ

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.

There is also a need to translate net retail trading floorspace into GFA. Net retail trading area excludes floor area in a retail store used for storage, warehousing, staff facilities, office space, toilets etc. These activities typically occupy around 25-30% of a retail store's GFA. It is important to identify this 'back office' floorspace as it does not generate any retail spend and represents the area from which the general public is typically excluded.

The Timaru District currently generates enough retail expenditure on an annualised basis to sustain an estimated 104,700 sqm of retail GFA. This is forecast to increase to around 144,000sqm GFA by 2038. These figures represent the GFA that would be sustainable if all retail expenditure generated in the district was internalised and the district observes a net neutral position in terms of net retail leakage and inflow. This provides useful base context from which to undertake retail land requirement analysis.

The majority of this growth is forecast to occur in the Food Retailing and Food and Beverage Services sectors. These sectors are forecast to be able to sustain an additional 10,500 and 7,000 sqm of retail GFA respectively by 2038. Collectively they are forecast to account for 44% of sustainable GFA growth.

The economic analysis indicates the Timaru District could sustain two more modern-day full department supermarkets by 2038 (i.e. a Countdown or New World store). Alternatively, a combination of one full department supermarket and two smaller supermarket offers / brands such as Fresh Choice, SuperValue and / or New World Metro could be sustained by projected market growth.

Additionally, the analysis shows food retailing stores and cafes, bars and restaurants are key store types to facilitate and target for the Timaru District to build its retail base. In the context of this analysis, this is particularly relevant in terms of the City Centre, which is likely to require an extended and more diverse retail offering if it is to achieve its intended role and function.

Given the City Centre's poor performance in attracting retail and commercial employment growth over the last 18 years (relative to wider growth in the District) a meaningful proportion of this growth should be focused within the City Centre.

Note the sustainable GFA identified in Table 8 is for retail provision only. Other non-retail commercial services that typically form part of a City Centre are identified separately later in the report.

7. RETAIL EXPENDITURE PATTERNS

In order to assess the level of retail expenditure flows 'in' (retail inflow⁷) and 'out' (retail leakage⁸) of the Timaru District, this report utilises MarketView retail transaction data. The retail transaction data utilised in this report is based on the January 2015 - January 2016 period. This discrete period has been chosen as it is an annualised period, thereby removing any seasonal variations in retail expenditure. Whilst not the most recent calendar year, this data is still considered to provide an appropriate depiction of current shopping patterns given the limited changes in the retail market since 2016.

MarketView data is based on the spending and retail transactions of Paymark credit and debit (EFTPOS) cardholders⁹. As a guide, electronic card transactions account for approximately 60%-70% of retail spending within NZ. The MarketView data has been collected from a range of stores across the spectrum of assessed retailers in the catchment, from national chains to small independent stores.

'Origin' of retail spending refers to where retail expenditure at retail stores within the Timaru District is derived. This dataset also enables the quantification and influence of the 'inflow' of retail dollars into the district.

'Destination' of retail spending refers to where residents of Timaru are spending their retail dollars. Destination has been classified by territorial authority. This provides in-sight into the 'retention' and 'outflow' of retail dollars from Timaru. Outflow is interchangeably referred to as leakage for the duration of this report.

Given the large sample size Paymark card holders and the prolific use of EFTPOS within NZ, MarketView data is considered to provide a robust and accurate representation of the origin and destination of retail spending patterns in Timaru, and hence has been used as a basis for this assessment.

The proportions in the following sections exclude the retail categories of accommodation (hotels, motels, backpackers, etc.) and vehicle and marine sales and services (car yards, boat shops, caravan sales, Repco, Super Cheap Auto, tyre stores, panel beating, mechanical repairs). Also excluded are the trade sectors as identified earlier in the report.

⁷ Retail inflow refers to retail expenditure generated outside a defined geographic area (in this instance the Timaru District territorial authority) but spent inside that defined area.

⁸ Retail leakage is the converse of retail inflow, and refers to retail expenditure generated in a particular geographic area (Timaru District in this instance) but spent outside that defined area.

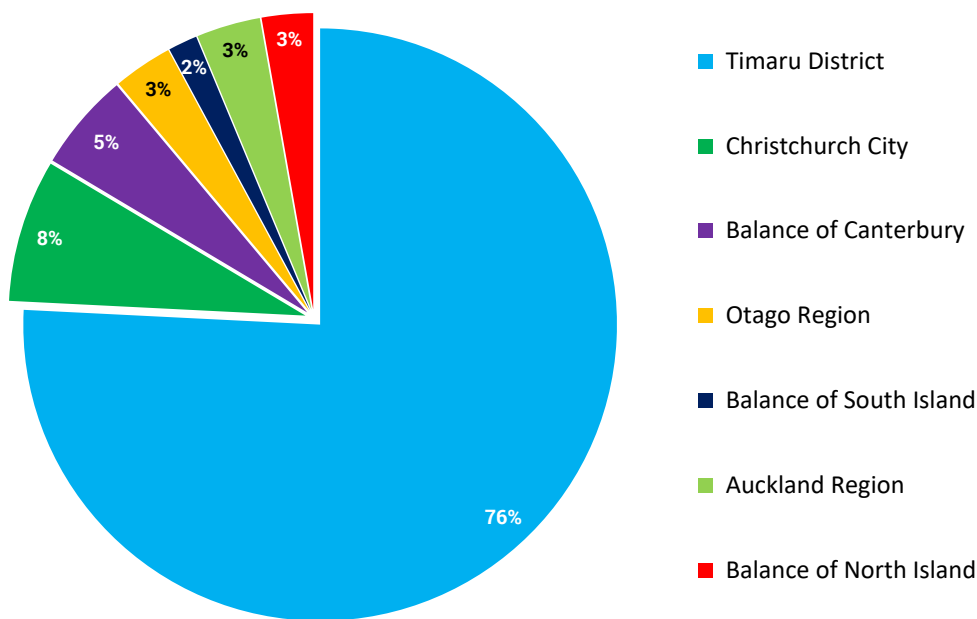
⁹ MarketView data excludes business and corporate cards. The transaction values include GST, but exclude cash out with purchases. MarketView does not pick up hire purchase, direct debit/credit payments or cash-based spending.

7.1. DESTINATION OF TIMARU DISTRICT RETAIL SPENDING

Some retail leakage out of a district can be classified as 'normal' shopping behaviour due to general spending while visiting other districts and the 'free flow' of the market. A high level of retail leakage indicates that the retail requirements of the resident population are not being adequately met by the localised market to the level or quality sought. As a result, residents travel outside of the market to satisfy their retail shopping requirements.

Figure 7 illustrates the proportion of retail expenditure generated by Timaru residents according to where it was spent by territorial authority and region.

FIGURE 7: TIMARU DESTINATION OF RETAIL SPENDING



Source: Property Economics, MarketView

Just over three quarters (76%) of all retail expenditure generated by Timaru District residents is internalised, i.e. spent within the district.

Outside of the Timaru District, Christchurch City unsurprisingly captures the largest proportion of Timaru District resident's retail expenditure. Of all retail expenditure made by Timaru District residents, around 8% flows to Christchurch City. Being a large city, Christchurch has a much more extensive and diverse retail offering than the Timaru District. 'Shopping Trips' to this retail offering are the likely cause of the leakage from the District to Christchurch City.

Further, while not shown in Figure 7, a significant proportion of retail expenditure spent on higher order comparison goods is leaking from the catchment to Christchurch City. This includes around 20% of retail expenditure on Clothing, Footwear, Personal Accessories and Furniture Retailing by Timaru residents.

This indicates that residents are not satisfied by the existing localised offer and currently travel to Christchurch to take advantage of the broader offer and range available. There are clear underlying issues with the provision of general merchandising retailers in Timaru District, particularly in Fashion and Furniture retailing.

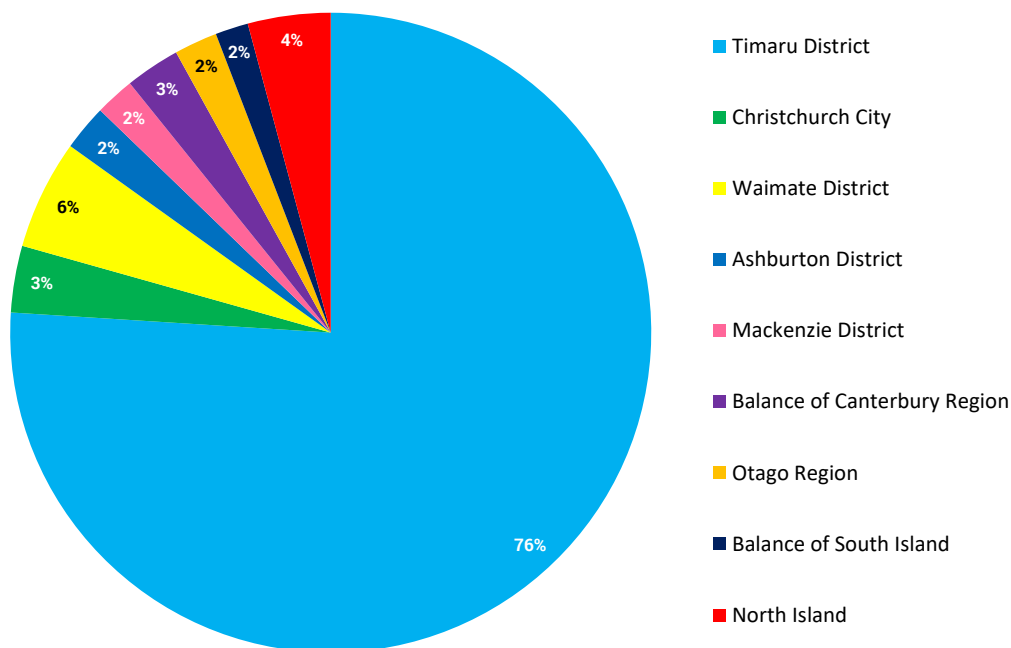
While this is to be expected given the wide range and breadth of selection available (which typically leads to more competitive pricing among retailers) in relatively close proximity (Christchurch), it also underlines retail sectors that could be improved upon within the local market to increase retention and overall sales.

The current level of leakage from the catchment of 24% also signals market potential and opportunity within the localised market to improve retail provision and spend retention, in terms of both quantum and quality. In real terms the amount of retail spend that left the district (leakage) in the assessed calendar year equates to around \$119m.

7.2. ORIGIN OF TIMARU DISTRICT RETAIL SPENDING

Figure 8 illustrates the proportion of retail expenditure spent within the Timaru District according to where its consumers reside by local territorial authority and region.

FIGURE 8: ORIGIN OF RETAIL SPENDING IN TIMARU



Source: Property Economics, MarketView

Figure 8 illustrates a noteworthy proportion of retail sales within the Timaru District originating from consumers who reside outside of the district. Nearly a quarter of total retail expenditure is derived from outside of the District.

Around 6% of retail spending within Timaru originates from Waimate District residents. This inflow is particularly prominent within the Department Store and Recreational Goods Retailing sectors. This indicates that residents of Waimate are travelling to Timaru for bulky and specialised retailing goods that are not adequately provisioned within the Waimate District.

The Waimate District is a predominantly rural district to the south of Timaru. As a result of its rural nature and population base, the District is unable to sustain significant retail networks. Therefore, residents have to travel to adjacent districts (or further afield) to meet their retail requirements. This inflow represents Timaru's largest on a proportional basis.

The MarketView data also shows that 65% of retail expenditure from external markets comes from within the wider Canterbury region. This indicates that Timaru attracts a small local visitor market with its current retail provision. This inflow is spread relatively evenly across all identified retail sectors.

The majority of this proportion is likely to reflect a small number of residents living outside of the Timaru District that make regular shopping trips to Timaru. Only 8% of retail expenditure within Timaru originates from outside of the Canterbury Region.

7.3. DISTRICT NET RETAIL FLOWS / LEAKAGE

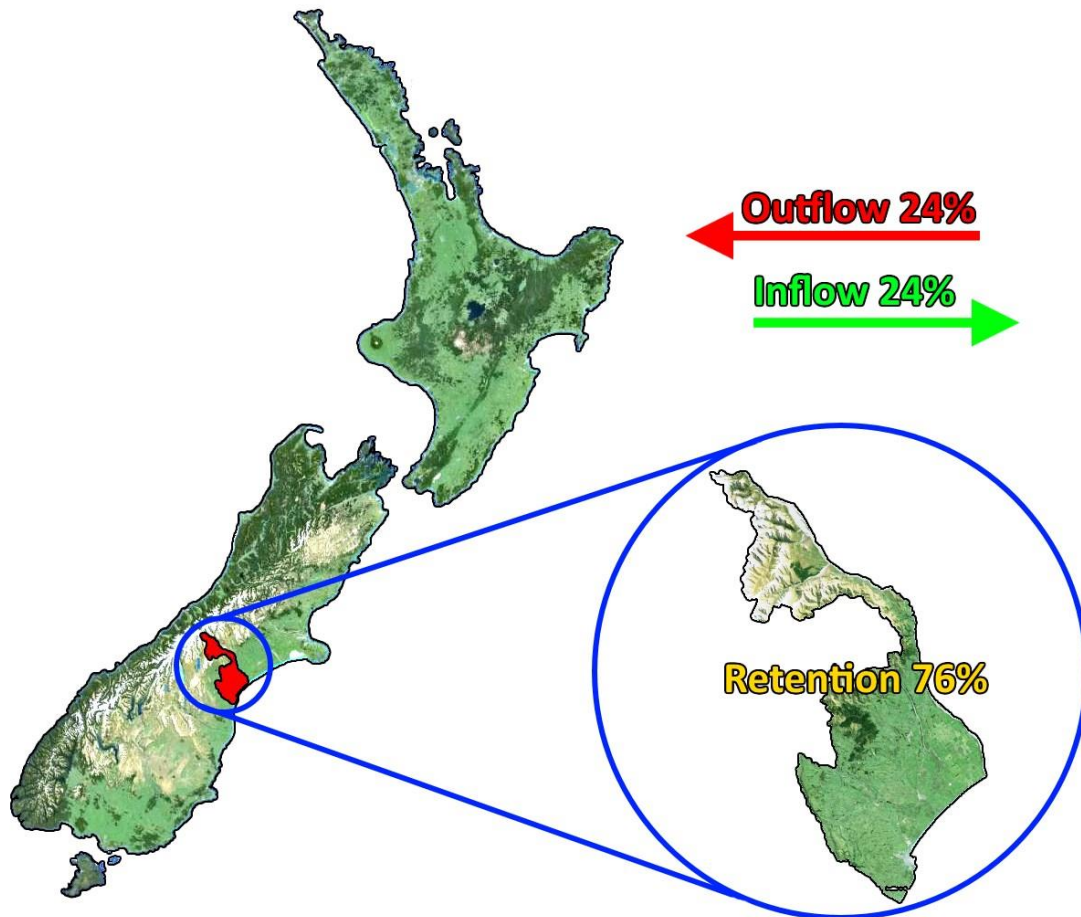
This section of the report assesses the origin of retail expenditure against the leakage to determine the Net Flow Position of retail expenditure by sector. This is helpful in assessing potential opportunity or 'gaps' in the current district retail offering and builds on the analysis in the previous two subsections.

This section of the report compares inflows and outflows as a proportion of total retail expenditure generated from within the Timaru District. In terms of outflows, percentages represent the proportion of spending by Timaru residents outside of the Timaru District. Inflows represent the spending by visitors within the Timaru District, as a proportion of the retail expenditure the district generates / spends. Retention refers to the proportion of total retail expenditure by Timaru District residents spent within the Timaru District.

Figures 9-11 show these proportions with inflows shown in green, outflows shown in red and total district retention shown in yellow. The net retail flow of the district is found by subtracting the inflow by the outflow, as shown in Figure 9, i.e. the total Net Retail Flow of the district is 0% (or 24% - 24%), indicating that the Timaru District currently has a net balance of retail spending relative to total retail expenditure generated by its residents.

Adding retention to inflows illustrates the total market capture of the Timaru District retail market. The Timaru District captures 100% of spending relative to the level of retail expenditure generated locally. In other words, and coincidentally, the retail spend leaving the district equates to the level of spend entering the district on a proportional annualised basis. This 'offsetting' refers to inflows and outflows effectively cancelling each other out, meaning Timaru District has a net neutral retail expenditure flow position.

FIGURE 9: TIMARU RETAIL FLOWS



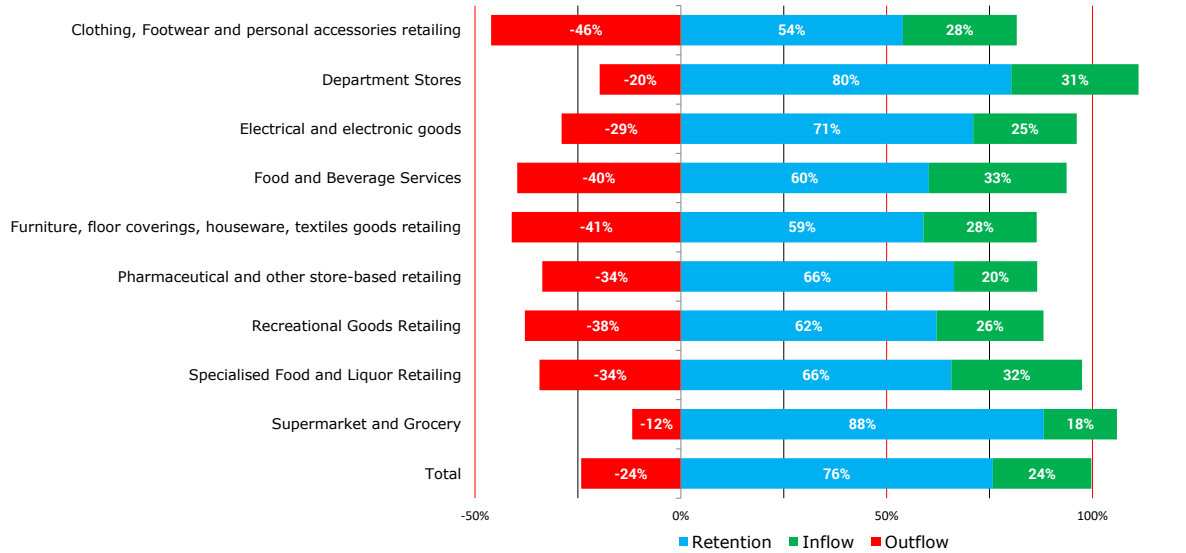
Source: Property Economics, MarketView

Figure 10 illustrates the inflows and outflows experienced by the identified catchment by retail sector. A full list of the ANZSIC retail sectors identified has been attached in Appendix 4.

As previously mentioned, on average 24% of total retail expenditure generated in Timaru on an annualised basis is spent outside of the district. However, it is worth noting that in three retail sectors leakage is over 40%, and across six retail sectors over a third of retail expenditure generated within Timaru is leaving the district.

These are all relatively high leakage levels of leakage given the average overall leakage of 24% and retention rate of 76%. This is largely due to retention being bolstered by the Supermarket and Department Store retailing sectors. These sectors form a significant proportion of total retail spending made by Timaru residents and therefore have a higher weighting in the overall retention proportion.

FIGURE 10: TIMARU DISTRICT ORIGIN AND DESTINATION OF RETAIL SPENDING BY SECTOR



Source: Property Economics, MarketView

Other sectors in terms of proportional spend experience a greater degree of leakage, led by Clothing, Footwear and Personal Accessories Retailing which observes retail expenditure leakage of around 46%. This further highlights the nature of the gap in the Timaru District retail offering.

The retail expenditure inflow coming into Timaru is a reflection of layered catchments across the wider region, and offsets some of this leakage. Smaller townships and rural residents are utilising Timaru as it offers a superior retail provision in relatively close proximity.

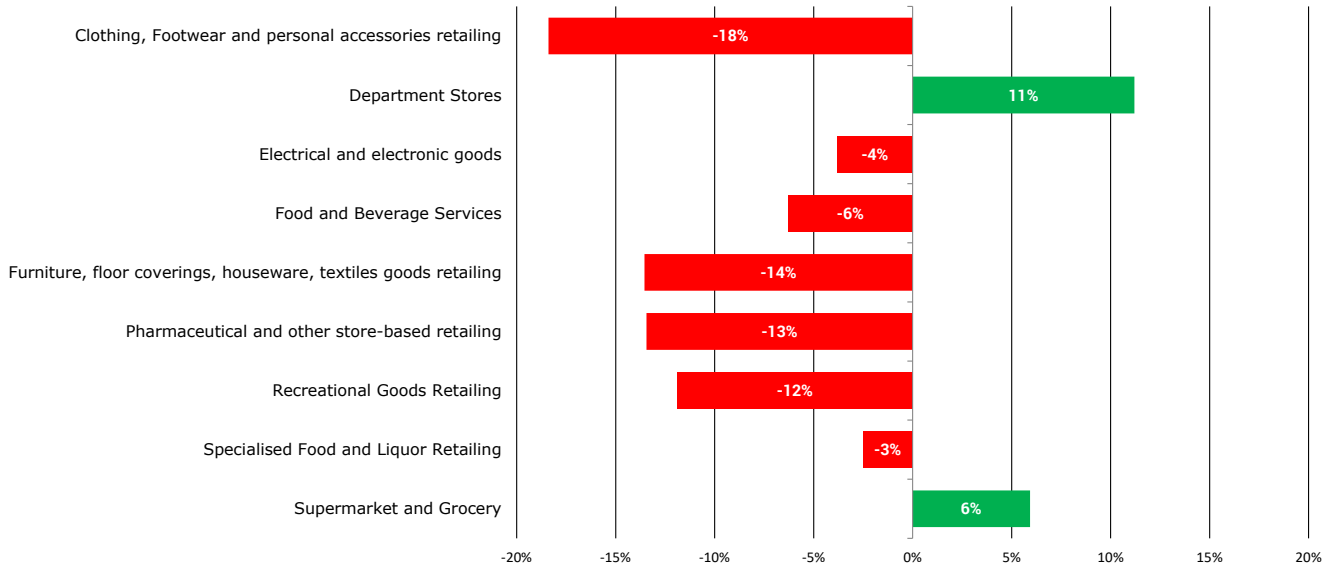
Figure 11 quantifies the net position of the inflows and outflows of retail expenditure within the Timaru District. This is the loss or gain in retail expenditure by sector as a proportion of the total level of retail spending generated by local residents.

As previously noted, the majority of retail sectors are experiencing a significant level of retail leakage. In most sectors, these outflows are not offset by inflows of retail expenditure from external markets. The net loss of these sectors ranges between 3% and 18%.

In contrast, Supermarkets and Department Stores have net positive positions. Store types in these categories are often anchor stores, therefore this is not surprising. Anchor stores have a more significant customer attraction on a more frequent basis compared to stores in other sectors. They also represent a larger proportion of the market in terms of retail expenditure.

Given the disproportional nature of Supermarket and Department Store retailing relative to the other retail sectors, this causes an overall net position of 100% and total net flows of 0% within the Timaru market.

FIGURE 11: TIMARU NET RETAIL SPENDING FLOWS BY SECTOR



Source: Property Economics, MarketView

The Supermarket and Department Store sectors observing net positive positions is a reflection of a lack of this provision within neighbouring districts. Conversely, sectors observing net outflows is a reflection of a lack of provision in these sectors and that Timaru residents are travelling to centres further afield in the likes of Christchurch to meet their retail requirements.

This 'loss' represents a significant opportunity for the district to recapture lost retail spending by providing better retail stores, better quality environment, amenity and shopping experience and higher levels of vitality and vibrancy desired by residents within the Timaru market.

8. CURRENT DISTRICT RETAIL SUPPLY

Property Economics have undertaken a retail audit of the Timaru District to quantify the current centre provision in the District. The retail audit results are displayed in terms of nominal stores and GFA. The net retail floor area figures captured in the audit were translated to GFA for reasons identified earlier in the report.

This data reflects the retail activity of Timaru centres audited and excludes non-retail activity such as commercial services, community activities, recreational activities etc., which add to a centre's role, function and attraction. Non-centre standalone activity is also excluded.

The summarised results of the Timaru District are displayed in Table 9.

TABLE 9: TIMARU DISTRICT IN-CENTRE RETAIL AUDIT APRIL 2019

Retail Sector	Store Count	Store %	GFA (sqm)	GFA %
Supermarket	6	2%	15,570	14%
Food Retailing	28	9%	4,040	4%
Clothing and Footwear	51	16%	8,800	8%
Furniture, Floor Coverings, Houseware and Textile Goods	15	5%	9,690	9%
Pharmaceutical and personal care goods	6	2%	1,330	1%
Electrical and Electronic Goods	2	1%	1,930	2%
Department Stores	4	1%	20,170	19%
Recreational Goods	14	4%	5,840	5%
Other Goods Retailing	68	21%	14,400	13%
Food and Beverage Services	95	29%	19,290	18%
Vacant	40	12%	7,330	7%
Total	329		108,390	

Source: Property Economics

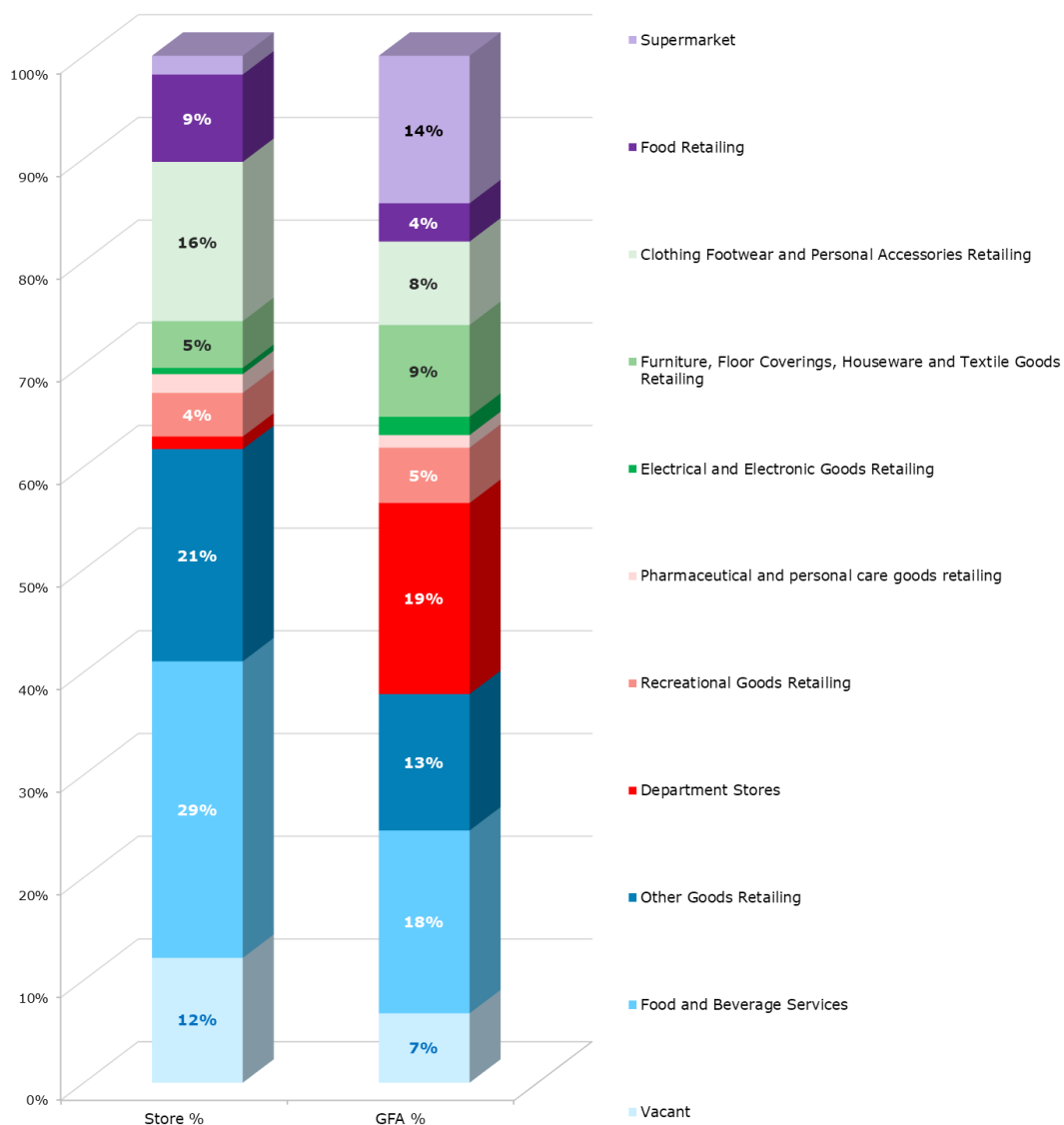
The Timaru District has around 330 in-centre retail stores encompassing an estimated 108,400 sqm of retail GFA (rounded). Around 40 stores are currently vacant, covering an estimated 7,330 sqm GFA and representing 12% of total in-centre retail stores nominally and 7% of GFA.

A vacancy rate of this magnitude is not uncommon in New Zealand retail markets. However, it is higher than desirable on a store count basis from a market and centre functionality perspective.

This nominal store vacancy percentage within the District has been sustained over an extended period, showing little change from Property Economics' previous retail audit of Timaru, completed in January 2015.

Figure 12 illustrates the Timaru District retail composition by store count and GFA distributed by retail sector, reflecting the data in Table 9.

FIGURE 12: TIMARU DISTRICT RETAIL COMPOSITION - APRIL 2019



Source: Property Economics

The retail sector representing the largest proportion of the market in terms of store count is Food and Beverage Services with 95 stores, 29% of the total District retail supply by store number. As a category, Food and Beverage Services encompasses cafes, restaurants, takeaways, pubs and bars.

Other Goods Retailing represents the second largest retail sector in terms of store count with 68 stores representing just under 21% of the total market. This proportion is of some concern as 'Other Stores' often represent smaller, lower quality, second hand and unbranded store types that do not perform or generate the same level of retail productivity as stores in other sectors. Examples of stores categorised under Other Goods Retailing includes:

- 2nd Hand Shops
- Gift and Souvenir Shops
- Stationary Shops
- Pet Shops
- Mobile and Internet Service provider Shop
- Post Offices

These store types can affect the long-term vitality, quality, overall sales performance and 'health' of the centre. The trading productivity per sqm among Other Goods Retailing storetypes is generally lower than other stores, requiring lower rental rates for sustainability while lowering overall attractiveness and amenity of a centre. As a result, rental rates for other locations in centre can fall, leading to the establishment of additional stores that fall under the 'Other stores' category.

Table 10 categorises nominal retail store number and GFA across three store size categories, 0-499sqm, 500-999sqm and greater than 1000sqm GFA. This assists in differentiating between speciality and LFR store types and provides a more comprehensive picture of the store composition of Timaru.

TABLE 10: TIMARU CENTRES RETAIL STORE SIZE BREAKDOWN

Retail Sector	Store Count				GFA			
	0-499	500-999	1000+	Total	0-499	500-999	1000+	Total
Supermarket	0	0	6	6	0	0	15,570	15,570
Food Retailing	28	0	0	28	4,040	0	0	4,040
Clothing and Footwear	50	0	1	51	7,600	0	1,210	8,810
Furniture, Floor Coverings, Houseware and Textile Goods	10	2	3	15	1,720	1,110	6,850	9,680
Pharmaceutical and personal care goods	6	0	0	6	1,330	0	0	1,330
Electrical and Electronic Goods	0	1	1	2	0	500	1,430	1,930
Department Stores	0	0	4	4	0	0	20,170	20,170
Recreational Goods	10	2	2	14	1,710	1,670	2,450	5,830
Other Goods Retailing	62	5	1	68	9,700	3,650	1,050	14,400
Food and Beverage Services	89	6	0	95	14,430	4,860	0	19,290
Vacant	39	1	0	40	6,690	630	0	7,320
Total	294	17	18	329	47,220	12,420	48,730	108,390
Total %	89%	5%	5%		44%	11%	45%	

Source: Property Economics

This analysis indicates a substantial proportion of the provision in Timaru District's retail market is encompassed by specialty retailers. At present, 89% of the retail stores in the district are smaller specialty / boutique stores with GFA below 500sqm. However, these stores only account for around 44% of total District retail supply, indicated by the relatively low GFA proportion in the 0-499 sqm GFA bracket.

This shows that smaller specialty and convenience type stores represent the core of the centres analysed and are crucial for the District moving forward and the on-going health of its retail centres. Interestingly, retail stores of greater than 500 sqm GFA represent only 11% of stores nominally, but 57% of the District's retail footprint, indicating their critical role in the District's ongoing performance and function and satisfying district retail requirements.

Table 11 dissects the retail audit on a centre / destination basis. Outside of Timaru, Temuka and Geraldine are the largest rural towns in terms of retail store count and GFA.

TABLE 11: TIMARU DISTRICT RETAIL AUDIT BREAKDOWN BY CENTRE

	Store Count	Store %	GFA (sqm)	GFA %	Vacancy Rate	Vacant GFA
Timaru City						
Timaru City Centre	144	44%	40,890	38%	13%	8%
Heaton Street	7	2%	14,500	13%	0%	0%
Northtown Mall	23	7%	9,400	9%	17%	3%
Balance of Timaru City	22	7%	12,130	11%	0%	0%
Subtotal - Timaru City	196	60%	76,930	71%	12%	4%
Balance of the District						
Geraldine	56	17%	12,350	11%	7%	5%
Washdyke	21	6%	7,810	7%	24%	21%
Temuka	46	14%	9,690	9%	15%	17%
Pleasant Point	10	3%	1,600	1%	10%	3%
Subtotal - Balance of District	133	40%	31,460	29%	13%	12%
Total	329		108,390		12%	7%

Source: Property Economics

Timaru City Centre is the clearly dominant commercial centre in the District with 144 retail stores, or 44% of all District centre retail store supply.

Geraldine accommodates 56 retail stores with a total retail floorspace of around 12,400 sqm GFA. Temuka is of a similar scale with around 9,700 sqm of retail GFA spread across 46 stores. It is notable that within these rural areas the average store size is significantly smaller when compared to more central locations like the Timaru City Centre.

Average store sizes in Temuka and Geraldine are 210 and 220 sqm respectively, while Timaru City Centre observes an average floor size of 285 sqm. However, this is not unexpected given the presence of large format stores in the City Centre.

As the largest commercial node in the District, the City Centre has a higher concentration of higher order, nationally branded retailers and LFR provision, as well as other commercial activity.

Table 10 and Figure 12 illustrate the relatively large proportion of retail GFA accounted for by department stores (around 23%) in the Timaru Central City. They also illustrate the presence of other large format stores retailing recreational goods, electronic and goods and clothing and footwear.

This provides an indication of the retail hierarchy in the District, with the City Centre the preeminent commercial hub for the district and the surrounding network of centres supporting and operating complementary to the City Centre.

8.1. TIMARU CITY CENTRE

The Timaru City Centre is the primary retail destination in the District, accommodating 44% of in-centre retail stores nominally and 38% of retail GFA proportionally.

Table 12 breaks down the current composition of the Timaru City Centre retail supply into the ANZSIC GFA categories, as well as store count and total GFA by sector. City Fringe areas have been excluded from the analysis given they are not part of the City Centre's offering.

TABLE 12: TIMARU CITY CENTRE RETAIL SUPPLY COMPOSITION

Retail Sector	Store Count				GFA			
	0-499	500-999	1000+	Total	0-499	500-999	1000+	Total
Supermarket	0	0	0	0	0	0	0	0
Food Retailing	1	0	0	1	60	0	0	60
Clothing and Footwear	35	0	1	36	5,620	0	1,210	6,830
Furniture, Floor Coverings, Houseware and Textile Goods	3	2	0	5	580	1,110	0	1,690
Electrical and Electronic Goods	0	1	1	2	0	500	1,430	1,930
Pharmaceutical and personal care goods	1	0	0	1	250	0	0	250
Recreational Goods	6	2	2	10	960	1,670	2,450	5,080
Department Stores	0	0	2	2	0	0	9,250	9,250
Other Goods Retailing	30	4	0	34	3,940	2,790	0	6,730
Food and Beverage Services	33	1	0	34	5,250	680	0	5,930
Vacant	18	1	0	19	2,490	630	0	3,120
Total	127	11	6	144	19,150	7,380	14,340	40,890
Total %	88%	8%	4%		47%	18%	35%	

Source: Property Economics

Unlike the wider District, Clothing, Footwear and Personal Accessories retail stores are the prevalent store type in the Timaru City Centre with a total of 36 stores occupying just over 6,800sqm GFA.

In terms of nominal store type, Clothing Footwear and Personal Accessories retailing stores account for 25% of stores, while they account for around 17% of retail GFA. These store types are crucial to the City Centre's performance, health, vibrancy, role and function.

However, like the wider District, Other Goods Retailing and Food and Beverage Services are still prevalent sectors in the Timaru Central City.

Each sector accounts for around 24% of retail stores in the area and similar proportions of the retail GFA at 17% and 15% respectively. This is proportionally lower than the wider District proportions reflecting shifts in locational demand for retail rather than any underlying market sustainability issues.

Together Food and Beverage Services and Clothing, Footwear and Personal Accessories Retailing account to around 50% of City Centre retail offer. This is not unusual given the key focus of these two sectors in City Centre locations and the broad commercial appeal these sectors have in the community. A high proportion of food and beverage services and fashion stores is desirable for City Centres to assist them in playing their higher level hierarchical role and function in the market more successfully. However, the quality and scope of the offer in these categories is more important than the proportion alone.

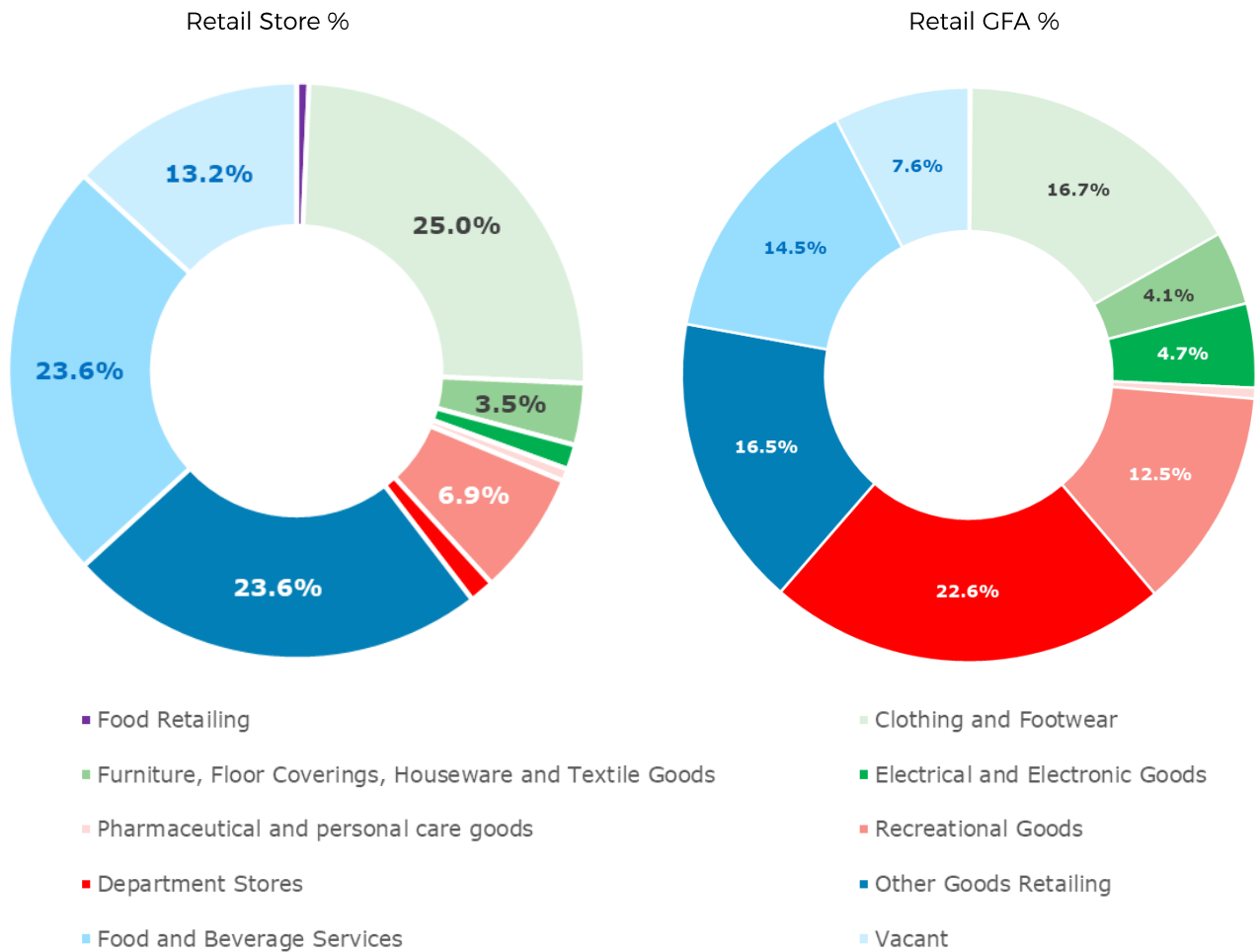
There are no supermarkets within the City Centre provision at present, and in fact a lack of food retail stores in general, with only one small specialist food retailer accounted for. Modern supermarkets (often with a GFA footprint between 3,500 and 6,000 sqm) typically require large land holdings (around 1.5ha). These are difficult to find and / or group together in City Centre locations, albeit often required to enable a large modern supermarket to be feasibly established economically within a city centre environment. However, the balance of Timaru City provides ample access to supermarket and food retailing provision ensuring the community is not disabled in terms of access to sufficient food retail provision.

As previously mentioned, the Timaru City Centre also has a relatively high proportion of 'Other Goods' retailers. This should be carefully monitored, as a rising proportion in this category will often coincide with declining centre quality and quality of retail offering.

A change of note from the January 2015 Timaru Retail Analysis is the decline of Electronic Goods Retailers. There are now fewer retail stores in the category, particularly in the specialty store GFA range. This indicates a decline in specialist retailing in this category, suggesting this type of retail activity has been consolidated into larger department type stores, or some stores in the sector have moved to non-centre locations.

Figure 13 visualises the proportional composition of retail provision within the Timaru City Centre, highlighting the area's differences between store count representation and GFA. Interesting to note is the significant proportion of retail supply accounted for by Department Stores regardless of them being few in number and the observed 13% retail store vacancy rate.

FIGURE 13: TIMARU CITY CENTRE RETAIL COMPOSITION (STORE COUNT AND GFA)



Source: Property Economics

A clear 'gap' in the City Centre's offering is in Food Retailing, which as identified earlier is the largest retail sector by annual spend. This suggests the City Centre is missing out on this entire proportion of the market and the associated benefits these store types can bring to a centre.

8.2. UNACTIONED RETAIL CONSENTS

To account for the full current provision of retail GFA in Timaru there is need to consider retail consents issued that are yet to be developed. This retail GFA also forms part of the 'existing environment' from a RMA perspective.

Table 13 identifies key retail consents issued that have yet to be developed. This data has been supplied by TDC.

TABLE 13: UNACTIONAED RETAIL CONSENTS

Name	Location	Floor Area (sqm GFA)	New / Extension
Countdown Supermarket	233 Evans Street, Timaru	3,800	New Building
Harvey Norman	226 Evans Street, Timaru	6,550	New Building & Building Extension
Timaru Property Investments	201 Evans Street, Timaru	1,140	New Building
Total		11,490	

Source: Timaru District Council

Retail provision consented but yet to be developed equates to around 11,500 sqm GFA, all of which is proposed to be within TUA, but outside the Central City. This increases the total current retail provision in terms of the 'existing environment' to around 120,000 sqm GFA¹⁰. This figure represents the appropriate base from which the District's future retail requirements should be considered.

¹⁰ 108,390sqm current supply + 11,490sqm of unactioned retail consents

9. RETAIL SUPPLY DEMAND DIFFERENTIAL

This section of the report compares the total District retail provision against forecast sustainable retail demand as determined in Section 7. This is to better understand the retail provision differential both currently and over the forecast 20-year period.

Table 14 illustrates differences in forecast sustainable retail GFA and existing retail supply, providing an overview of the supply vs. demand dynamics of the Timaru market.

It is important to note that retail supply does not typically match sustainable retail GFA given the constant movement in the market. This analysis gives an overview of the market demand / supply differential at a point in time and therefore figures in Table 14 should not be regarded as strict guidelines but more a general steer towards what is appropriate direction for the PDP.

The key component of the table is the 'Differential' which in effect provides a 'net position' on the demand / supply analysis.

TABLE 14: EXISTING SUPPLY VS. CURRENT AND SUSTAINABLE RETAIL DEMAND

	2018	2023	2028	2033	2038
Sustainable Demand	104,700	114,000	123,400	133,900	144,100
Existing Provision	108,300	108,300	108,300	108,300	108,300
Current Differential	3,600	-5,700	-15,100	-25,600	-35,800
Unactioned Consents	11,500	11,500	11,500	11,500	11,500
Projected Differential	15,100	5,800	-3,600	-14,100	-24,300

Source: Property Economics

Within the Timaru District, there is a current estimated net differential where existing on the ground retail supply exceeds sustainable demand by around 3,600 sqm GFA. Such a minor difference (3%) between current supply and demand indicates a market in broad sustainable demand / supply equilibrium.

Adding in unactioned consents increases the differential to 15,100 sqm, indicating there is sufficient retail supply and consented supply to meet Timaru's retail requirements over the next 10 years. This suggests the issues with current District retail supply is with quality rather than quantity.

Table 14 shows how the supply sufficiency is projected to fall over the next 20 years as demand increases. It is not until beyond the life of the PDP (2028) that additional retail supply is required to support market growth and increase demand.

Over the long term, by 2038 a retail GFA shortfall of just over 24,000 sqm is forecast if no additional retail GFA is developed within the District over the period. As such, retail supply is more a longer term, rather than a short-medium term issue.

10. COMMERCIAL ACCOMMODATION OVERVIEW

This section provides an assessment of the Timaru District visitor accommodation market with specific focus on visitor accommodation in the Timaru City Centre. This is to assess whether the City Centre is 'missing out' on this market given its importance to the wider role and function of the City centre and its contribution to performance, vitality, vibrancy and amenity.

Property Economics also assess District wide guest night demand, occupancy rates and annual economic injection into the Timaru District economy at a high level, with comparison made to other destinations in the New Zealand market. This will provide an indication of market demand for visitor accommodation in the District as well as current District performance and market opportunities.

For clarity, in this section Timaru District refers to the geographic location covered by the respective Regional Tourist Organisation (RTO). A map illustrating the geospatial extent of the Timaru RTO has been included in Appendix 5. The Timaru RTO represents an area comparable in its geographic boundaries to the Timaru District.

10.1. COMMERCIAL ACCOMMODATION MARKET SUPPLY

Table 15 breaks down the total number of accommodation establishments in the Timaru RTO by type. In total there are 42 accommodation establishments across the Timaru market, with motels accounting for the largest proportion (64%).

Accommodation supply in the Timaru District showed little change over recent years. This continues the relatively stagnant growth trend in supply which has been observed since the turn of the century. Figure 14 following illustrates the temporal trend of accommodation supply in the Timaru District since 2001.

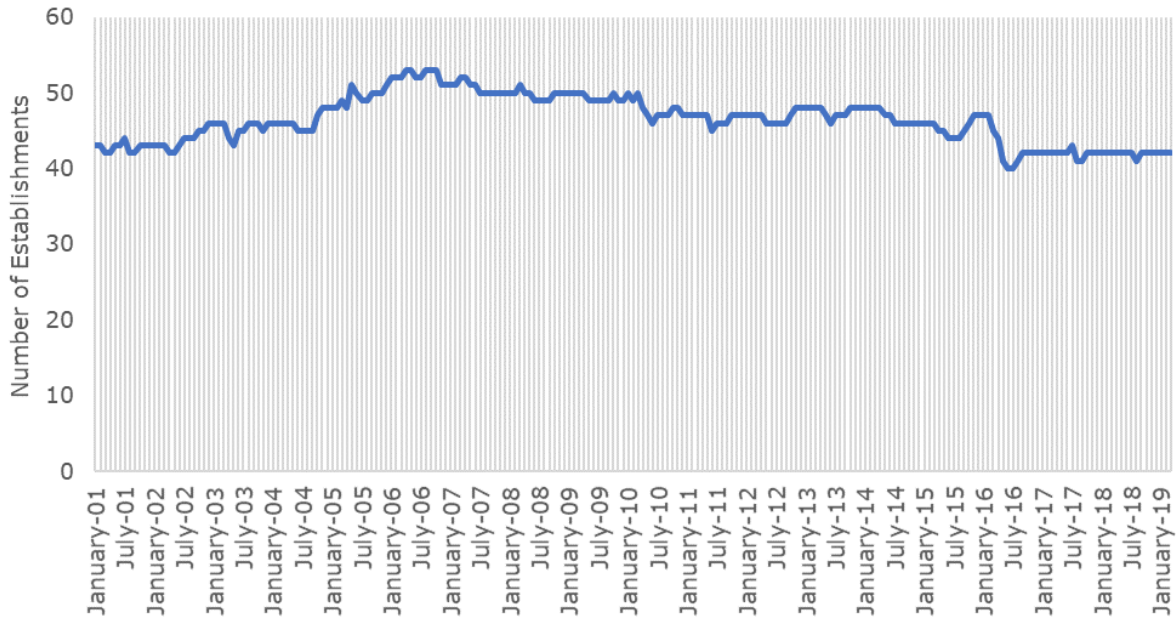
TABLE 15: TIMARU RTO ACCOMMODATION ESTABLISHMENTS BY TYPE¹¹

	2018		2001		Nominal Change	Proportional Change
	Establishments	Proportion	Establishments	Proportion		
Backpackers	3	6%	1	3%	2	138%
Holiday parks	7	17%	6	14%	1	15%
Hotels	6	14%	12	28%	-6	-50%
Motels	26	63%	24	55%	3	12%
Total	42		43		-1	-2%

Source: SNZ Accommodation Survey

¹¹ Hotel category includes hotels and boutique lodges.

FIGURE 14: TIMARU RTO ACCOMMODATION SUPPLY



Source: SNZ Accommodation Survey

Currently, there are two commercial hotels in the District. One of these is located in the Timaru City Centre, while the other is located in Geraldine. Both are relatively small, boutique hotels situated in historic or heritage buildings.

Timaru reached a high of 52 accommodation establishments in circa 2006. Over the subsequent 13 years this number has trended downwards to the current 42 establishments, a net 24% less than in 2006. This gives an indication of the softening tourism performance in Timaru over the 2006-2019 period. This is at the same time and NZ and Canterbury tourism markets grew significantly meaning Timaru is not a tourist destination of choice and represents a market opportunity for the District.

The lack of modern commercial hotels in the RTO signals a potential gap in the market in terms of visitor accommodation, particularly in the Timaru City Centre. If filled, in conjunction with an improved tourism offering, this gap could allow Timaru to capture a greater proportion of the South Island tourism market. This is particularly relevant given the position of the Timaru District on an arterial route between Christchurch and Queenstown (a high-volume tourist route for international and domestic tourists).

By way of comparative context, Table 16 provides the number of accommodation establishments in the neighbouring Canterbury, Wanaka and Queenstown RTOs, as well as New Zealand as a whole and net movement since 2006. While there has been some consolidation in accommodation establishments (and Canterbury earthquakes having a significant effect on regional numbers), the data shows Timaru has fallen greater than other localised markets.

TABLE 16: COMPARATIVE MARKETS - ACCOMODATION ESTABLISHMENTS BY TYPE

	Canterbury		Wanaka		Queenstown		New Zealand	
	May 2019	Change from May 2006	May 2019	Change from May 2006	May 2019	Change from May 2006	May 2019	Change from May 2006
Backpackers	44	-10	9	1	21	1	434	-59
Holiday parks	34	-4	6	1	7	0	406	-3
Hotels	48	-25	8	0	38	8	586	-54
Motels	200	25	21	-1	57	4	1,731	-49
Total	326	-14	44	1	123	13	3,157	-165

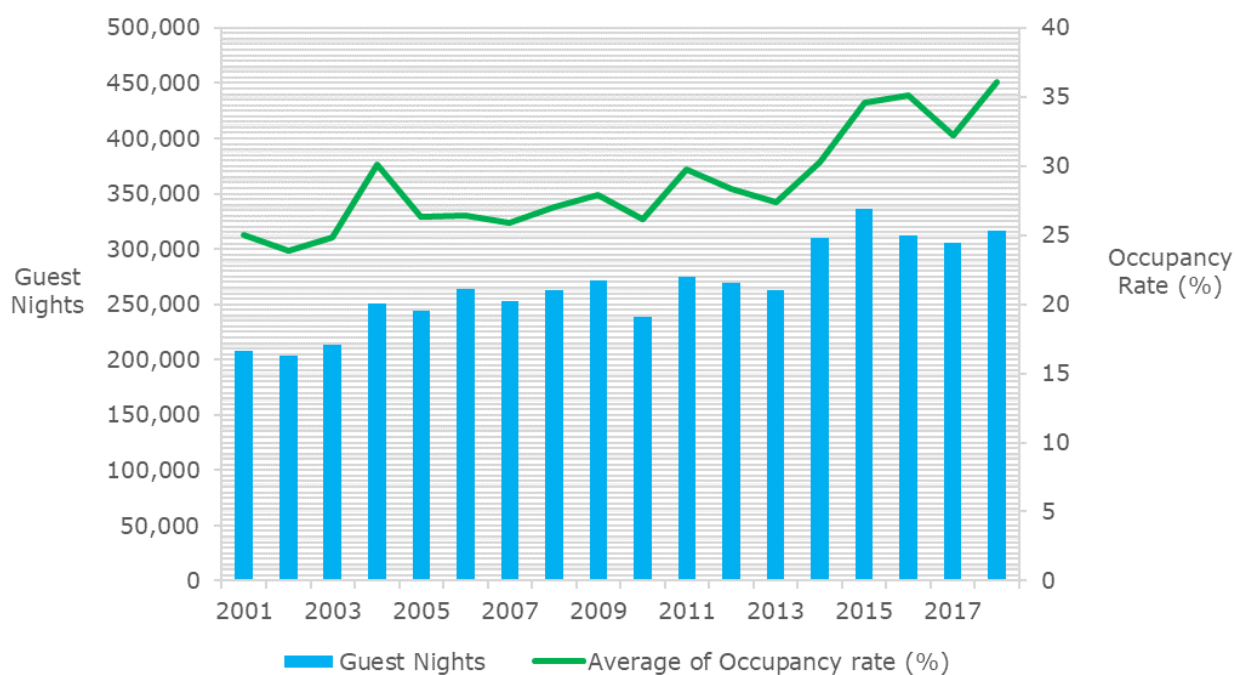
Source: SNZ Accommodation Survey

COMMERCIAL ACCOMMODATION MARKET DEMAND

Figure 15 determines total market accommodation demand on a trended basis since 2001 in the Timaru RTO market.

Timaru guest night demand has increased from just under 208,000 people annually in 2001 to nearly 320,000 annually in 2018, a 53% increase in total guest night demand since 2001.

FIGURE 15: ANNUAL GUEST NIGHT DEMAND FOR TIMARU ACCOMMODATION



Source: SNZ Accommodation Survey

Average occupancy rates have also trended upwards over the last 18 years to around 35% in 2018. This is likely due to the falling accommodation establishment numbers since 2016. An average occupancy rate of 35% is considered low in the tourism industry and would struggle to justify a new hotel complex unless there is an ability to capture the market from existing establishments. This would not be based on market growth but transferability of guest night demand between accommodation establishments.

The fall in accommodation establishment numbers in Timaru since 2006 would have also contributed to the improving average occupancy rates.

By way of comparison, average occupancy rates in Canterbury, Queenstown and Wanaka were around 47%, 48% and 70% respectively in 2018.

Comparatively, growth in guest night demand in the Timaru RTO has been significantly lower than other South Island tourism destinations. As a guide, Queenstown and Wanaka RTOs respectively grew 82% and 112% over the 2001 to 2018 period. NZ as a whole grew 51% over this time frame, similar to Timaru.

Due to the proximity of Timaru to holiday hotspot destinations such as Queenstown, Wanaka and Central Otago, the District is well positioned to try and capture a larger share of the tourism market. However, improving its tourism offer (experience and accommodation) to meet modern day tourist expectations would be an important aspect to address to achieve higher tourism cut through in a competitive market.

11. EMPLOYMENT GROWTH

This section quantifies the projected employment growth across the commercial and industrial sectors and represents the level of employment the Timaru District is likely to be required to accommodate in the future by sector, and the land implications of this growth.

11.1. COMMERCIAL AND INDUSTRIAL EMPLOYMENT FORECAST (2018-2038)

For the purpose of this analysis the employment growth (and subsequently land demand) is estimated utilising the Mid-Point Scenario as outlined earlier. This scenario is based on the ability for the Timaru District to attract specific businesses based on their locational criteria. These are, in part, based on:

- Labour Force projections (skilled / unskilled), including increased age related participation,
- Regional and local ability to accommodate growth, especially the potential relocation of business activity from the wider area,
- Timaru District's relative business land supply and prices within the localised and national market,
- Trended growth from at least the past 17 years at a Census Area Unit level
- Economic development directions,
- Locational criteria by sector,
- National / Regional and local supply of inputted goods and location of market,
- Business sector analysis,
- Changing working age,
- Changing trends in relation to employment retention and labour movement.

The trended growth scenario for employment is estimated through the aforementioned Mid-Point Scenario, estimated labour participation rates and current trends of national significance. The trended growth scenario is estimated with a weighting towards current trends, in terms of retention and sector type, labour force participation rates and population projections. As well as this, the projections in this section are based on the employment counts for the Timaru District reported by Statistics New Zealand.

Property Economics is aware that up to 30% of employees in any given area do not register the location of their job and therefore are not covered by this statistic. Additionally, sole traders often fall outside these statistics and have been considered in the following ratios. The ratios applied within this report are based on that shortfall and compensate for it in terms of relevant demand.

The following assessment takes into account the identified Statistics NZ employment counts as they relate to the land ratios developed nationally and locally by Property Economics. These ratios take into account any discrepancies identified through the preceding sections of this report.

The commercial employment projections in this forecast exclude retail based employment. Land demand estimates associated with retail activity are based on retail expenditure forecasts which are generated through the Property Economics Retail Model. The expenditure forecasts and therefore considered more appropriate to assess separately as retail spending drives retail employment rather than the converse.

Table 17 outlines the employment growth forecasts based on the past 18 years of trends for these grouped sectors, national sector changes and the Mid-Point population growth scenario for the District.

Table 17 indicates that employment in these two sectors are forecast to grow by approximately 3,510 employees net by 2038. This represents a 26% increase from the current estimated 2018 employment base of 13,440 employees. The majority of this growth is accounted for by the industrial sector, which is forecast to account for 86% of combined forecast industrial and commercial office-based employment growth over the coming two decades.

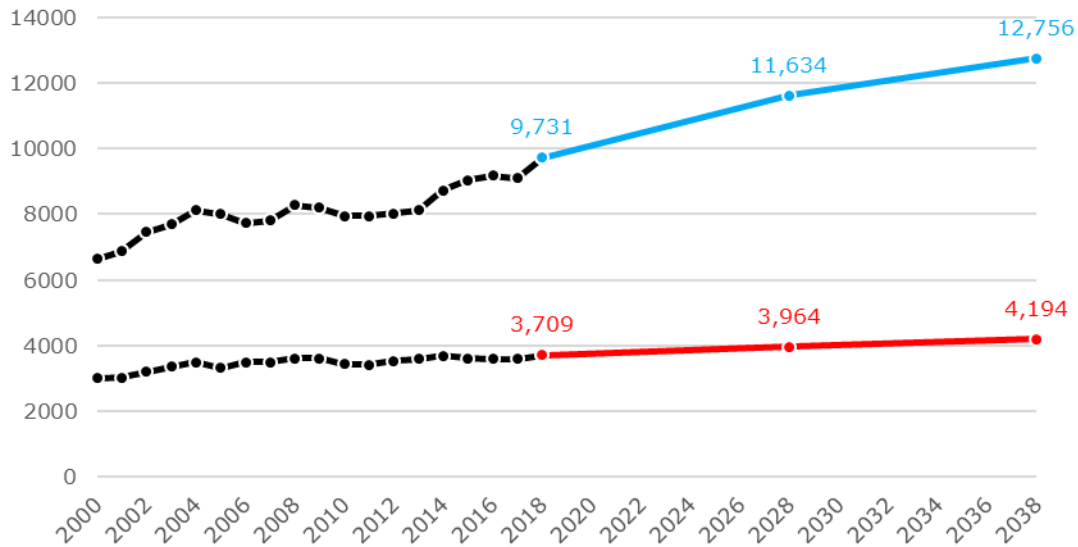
TABLE 17: INDUSTRIAL AND COMMERCIAL SECTOR EMPLOYMENT PROJECTIONS (2018-2038)

	2018	2028	2038	Net Growth	Net Growth %
Commercial	3,709	3,964	4,194	485	13%
Industrial	9,731	11,634	12,756	3,025	31%
Total	13,440	15,598	16,950	3,510	26%

Source: Property Economics

Figure 16 following provides a diagrammatic representation of this growth to illustrate the trended path (past and future) for each sector.

FIGURE 16: INDUSTRIAL AND COMMERCIAL SECTOR EMPLOYMENT FORECAST (2018-2038)



Source: Property Economics, Statistics NZ

COMMERCIAL

The commercial sector in the Timaru District is forecast to have an employment base of around 4,200 employees by 2038. This represents growth in the commercial sector of 13% over the forecast period. Between 2008 and 2018, employment in the commercial sector grew by only 100 employees at an average rate of 10 employees per year.

In contrast, over the next 20 years the commercial employment count is projected to increase by 485, an increase of 24 employees p.a. on average. Although an increase in growth from that observed historically, this is a relatively low rate of commercial employment growth nominally compared to other urban centres throughout New Zealand.

INDUSTRIAL

In contrast, the industrial sector is projected to observe relatively strong growth. Industrial employment is forecast to grow by a net 3,025 employees between 2018 and 2038, an increase of around 31% from the 2018 industrial employment base. This equates to an increase of 151 employees per annum on average.

In general, this continues the strong upward growth trend observed in industrial employment count since the turn of the century, albeit the annual projected growth is slightly more tepid than that observed between 2000 and 2018.

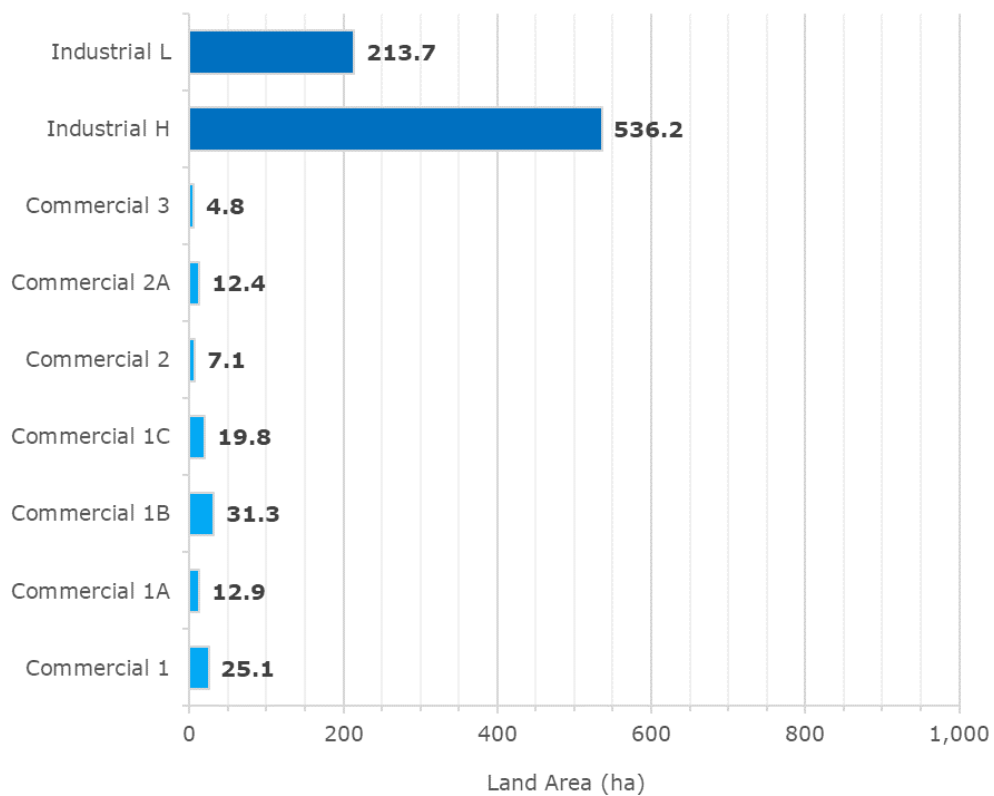
In terms of commercial and industrial employment, these growth forecasts indicate there are no significant structural changes forecast for the Timaru District economy over the coming two decades. Growth in the commercial and industrial sectors is projected to remain relatively consistent to historically observed trends, with the industrial sector forecast to remain the primary employment generator in the Timaru District.

Growth across both these sectors is driven by both growing workforce participation rates and population growth of the District, albeit population fuelled employment growth is relatively mild.

12. CURRENT BUSINESS LAND DISTRIBUTION AND CAPACITY

Figure 17 presents the total business land area across the Timaru District categorised by zone under the District Plan. This provides an indication of business land supply by business zone type.

FIGURE 17: TIMARU DISTRICT BUSINESS LAND SUPPLY BY ZONE



Source: Property Economics, Timaru District Council

In total, the District has 863ha (rounded) of industrial and commercial zoned land, split 750ha industrial and 113ha commercial.

The largest zone by some margin is Industrial H (Heavy) with 536ha, with Industrial L (Light) encompassing 214ha. Commercial 1B is the largest commercial zone of 31ha.

COMMERCIAL

Table 18 provides a consolidated table of the commercial zone land areas for the Timaru District, as supplied by TDC.

TABLE 18: TIMARU DISTRICT COMMERCIAL LAND SUPPLY BY ZONE (HA)

	Area of Commercial Zone (ha)	Area of Vacant Commercial Zone (ha)	Vacant Proportion
Commercial 1	25.1	1.3	5.0%
Commercial 1A	12.9	0.5	3.5%
Commercial 1B	31.3	1.2	3.8%
Commercial 1C	19.8	0.6	3.2%
Commercial 2	7.1	0.1	1.8%
Commercial 2A	12.4	12.2	97.8%
Commercial 3	4.8	0.4	8.3%
Commercial Total	113.4	16.2	14.3%

Source: Property Economics, Timaru District Council

The Timaru District has a total Commercial zoned provision of 113.4ha. Approximately 89ha (78%) of this commercial zone is located within the Timaru Urban Area. The Commercial 1A through to Commercial 3 zones in Table 18 represent Commercial zoned land in the TUA. Commercial 1 Zone refers to commercial land located outside the TUA in the townships of Geraldine, Temuka and Pleasant Point.

Around 16ha of Commercial zoned land in the Timaru District is currently vacant. This equates to a vacancy rate of just over 14%. However, this proportion should not be taken as a representative measure of general commercial land vacancy in the Timaru District as a whole. Just over 75% of vacant commercial provision is accounted for by Commercial 2A zone. This zone encompasses the A & P Showgrounds area which has been designated and zoned as an area for future retail development. When discounting vacancy in the Commercial 2A zone, the Commercial Zone vacancy rate falls to around 3%.

INDUSTRIAL

Table 19 provides a consolidated table of light and heavy industrial zone land areas for the Timaru District, as supplied by TDC. A breakdown of industrial zoned land geospatially has also been provided in Appendix 6.

TABLE 19: TIMARU DISTRICT INDUSTRIAL LAND SUPPLY BY ZONE (HA)

	Area of Industrial Zone (ha)	Area of Vacant Industrial Zone (ha)	Area of Vacant, Usable and Available Industrial Zone (ha)	LAOM (ha)
Industrial Light	213.7	41.2	40.4	30.9
Industrial Heavy	536.2	130.2	107.8	45.0
Total Industrial	749.9	171.4	148.2	75.9

Source: Property Economics, TDC

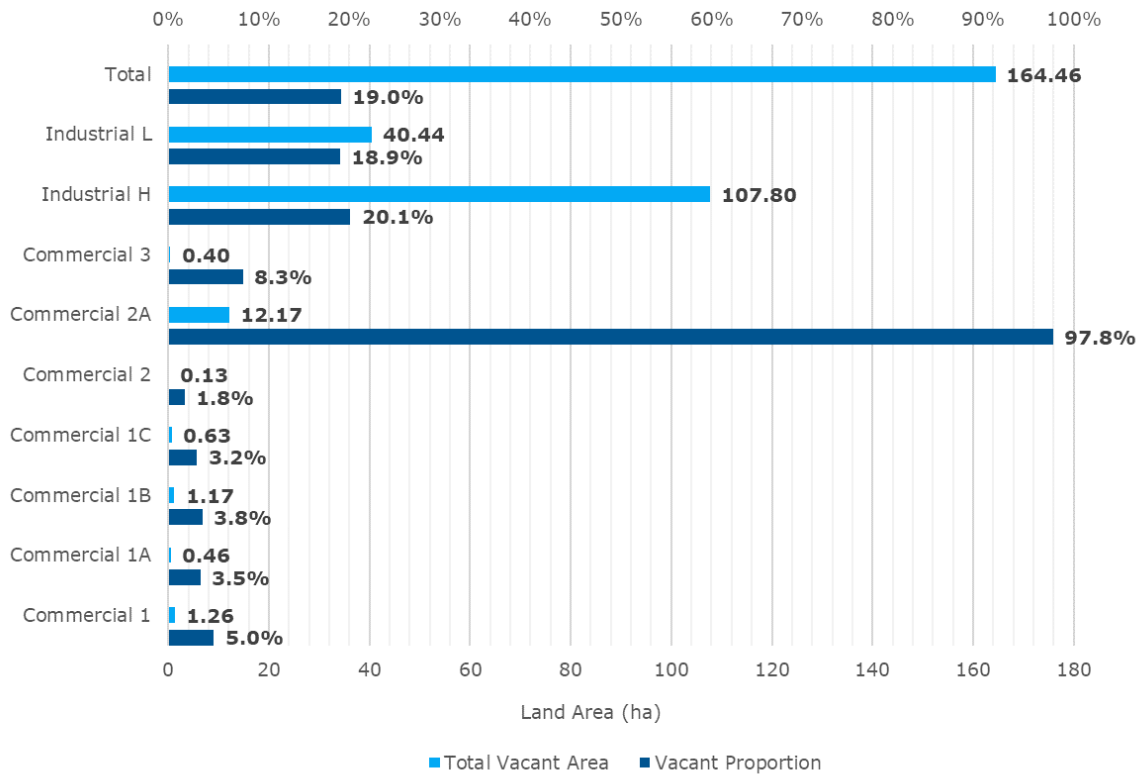
Of 750ha of industrial zoned land in the Timaru District, around 40.4ha of Light Industrial land and nearly 108ha of Heavy Industrial land is vacant, useable and available.

Of vacant, useable and available Heavy Industrial land, 62.2ha is located in Clandeboye, on the northern fringe of the TUA and 44.4ha is located in Washdyke. Cumulatively, these two areas comprise around 82% of vacant Heavy Industrial land in the District. Around half of the vacant heavy industrial provision at Washdyke is located in the Washdyke Industrial Expansion Zone.

The majority of vacant, useable and available Light Industrial Zone land is located in Temuka and Washdyke, and at Barkers Fruit Processing plant. The latter Light Industrial Zone is located on the western fringe of the Geraldine township. Collectively, 74% of vacant Light Industrial land is located at these three industrial locations; 9.2ha at Temuka, just over 10ha at Washdyke and the residual 9.5ha at Barkers Fruit processing plant.

Figure 18 presents the quantum and vacant proportion of business land across the Timaru District categorised by zone.

FIGURE 18: VACANT TIMARU DISTRICT BUSINESS LAND BY ZONE



Source: Property Economics, Timaru District Council

12.1. VACANT LAND DISTRIBUTION

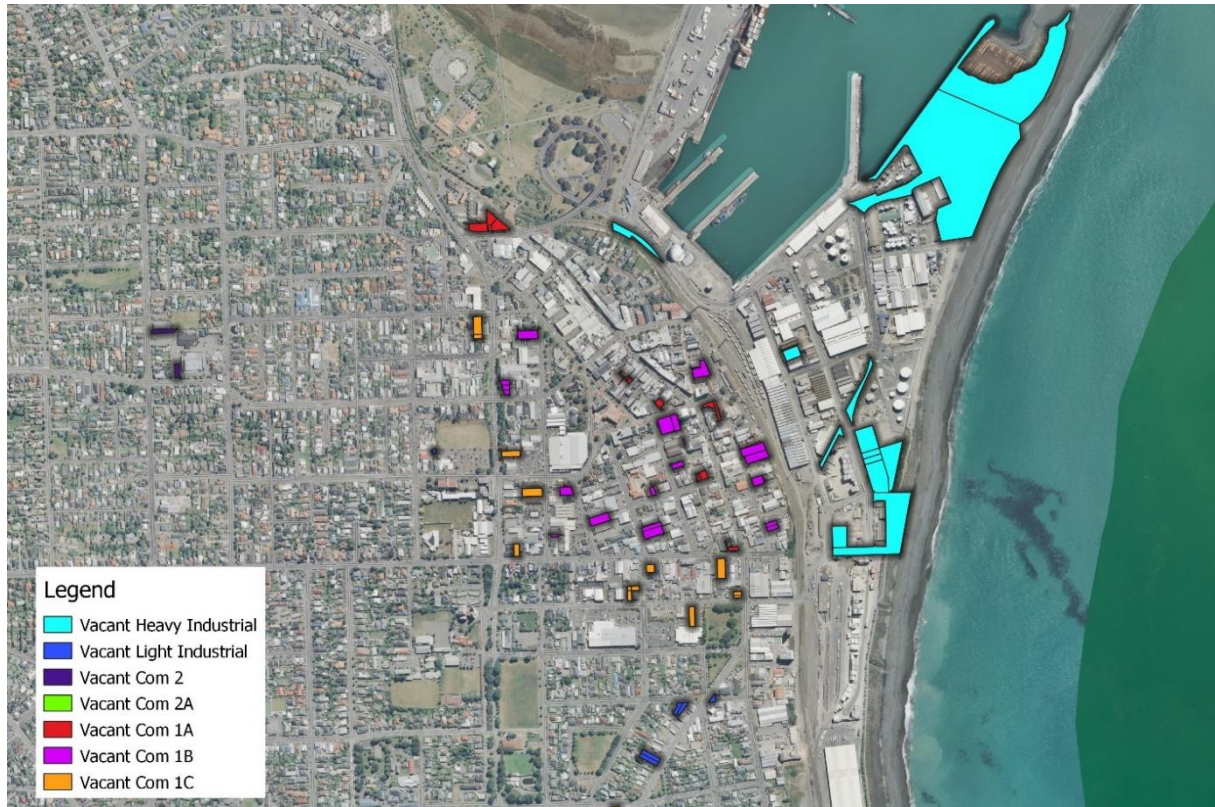
Figures 19 and 20 show the geospatial distribution of this vacant land within the TUA.

The majority of vacant Business land in the TUA is zoned Industrial and is located in the Port area as well as Washdyke and Redruth. As expected, the majority of vacant land in the City Centre is comprised of relatively small commercial sites. The distribution of the vacant commercial sites in the Central City is relatively uniform across the centre.

Figure 21 following shows the geospatial distribution of vacant business land in the District's three primary townships; Geraldine, Temuka and Pleasant Point. Of these three areas, Temuka has the greatest quantity of vacant business land. This is primarily attributable to its relatively large quantity of vacant light industrial land. Geraldine and Temuka have small vacant industrial land provisions of 1.38 and 9.2ha respectively.

However, it should be noted that there is an additional 9.5ha of vacant, usable and available Light Industrial land at Barkers Fruit Processors. This site is located in relatively close proximity to the western fringe of Geraldine.

FIGURE 19: TIMARU CENTRAL VACANT LAND PARCELS



Source: Property Economics, Timaru District Council

FIGURE 20: WASHDYKE AND REDRUTH VACANT INDUSTRIAL PARCELS



Source: Property Economics, Timaru District Council

In terms of vacant commercial provision, much lower vacancy rates are observed in the District's rural townships. Geraldine, Temuka and Pleasant Point currently have respective vacant commercial land quantities of 0.4ha, 0.63ha and 0.23ha. These quantities equate to respective vacancy rates of 4.6%, 5.2% and 6%.

FIGURE 21: GERALDINE, TEMUKA AND PLEASANT POINT VACANT BUSINESS LAND

Geraldine

Temuka

Pleasant Point



Source: Property Economics, Timaru District Council

13. BUILDING CONSENT DATA

The following section presents the number, value and floorspace (sqm) of new commercial building consents issued in the Timaru Urban Area between 2000 and 2017. Data is presented for the commercial office, industrial and retail and commercial service sectors. It categorises these consents into in-zone and out-of-zone consents in respect of business zones to provide indication of where development is establishing and if it is conforming to zones outlined in the Operative District Plan.

In zone industrial building consents refers to consents issued for new industrial buildings within existing industrial zones under the District Plan. Under the TDP, commercial zones are permitted to accommodate both retail, commercial service and commercial office activity. Therefore, in zone commercial office, retail and commercial service building consents refer to consents issued for new commercial office, retail and commercial service buildings within existing commercial zones.

The data provides an indication of where on-the-ground industrial and commercial development that has occurred between the years of 2000 and 2017, with insight into the quantum, scale and scope of new business development.

13.1. INDUSTRIAL CONSENTS

Table 20 shows the aggregated number, floorspace (sqm) and value of newly issued industrial building consents for the TUA between 2000 and 2017.

The quantum of new industrial building consents issued can provide an indication of the level of activity in Timaru's industrial market.

The Timaru industrial market observed a period of high activity between 2002 and 2008. A total of 157 new consents were issued within this period, an average of 21 new consents per year. This amounted to just under 60% of all industrial consents issued between 2000 and 2017. This was a strong period of growth for the economy in general so is a reflection of wider growth trends around the country for this period.

Between 2008 and 2017 a total of 92 consents were issued, averaging around 10 new consents per year. This represented a material fall in industrial consent activity in the order of 50% from the preceding period. The 2008-2017 timeframe represents the initial post-GFC market correction followed by the emergence of the economy's recovery in more recent years.

TABLE 20: NEW INDUSTRIAL BUILDING CONSENTS ISSUED

Year	Number of Buildings			Consented Floorspace (sqm)			Value of Consents (\$'000's)		
	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total
2000	6	1	7	8,376	142	8,518	\$2,503,000	\$81,984	\$2,584,984
2001	9	-	9	6,341	-	6,341	\$2,597,330	\$0	\$2,597,330
2002	13	2	15	19,415	750	20,165	\$9,123,860	\$250,625	\$9,374,485
2003	14	-	14	11,209	-	11,209	\$2,778,500	\$0	\$2,778,500
2004	30	2	32	20,710	113	20,823	\$6,817,338	\$44,102	\$6,861,440
2005	20	-	20	5,275	-	5,275	\$2,056,504	\$0	\$2,056,504
2006	29	3	32	16,306	2,296	18,602	\$8,037,300	\$395,000	\$8,432,300
2007	17	1	18	8,043	955	8,998	\$5,781,953	\$600,000	\$6,381,953
2008	26	-	26	42,034	-	42,034	\$11,000,000	\$0	\$11,000,000
2009	10	-	10	3,777	-	3,777	\$2,717,000	\$0	\$2,717,000
2010	10	4	14	5,600	6,494	12,094	\$1,655,523	\$4,990,000	\$6,645,523
2011	10	1	11	10,162	570	10,732	\$6,934,500	\$480,000	\$7,414,500
2012	12	-	12	11,336	-	11,336	\$6,710,000	\$0	\$6,710,000
2013	14	1	15	28,549	48	28,597	\$13,460,000	\$19,500	\$13,479,500
2014	10	-	10	4,770	-	4,770	\$2,645,000	\$0	\$2,645,000
2015	16	2	18	51,482	427	51,909	\$28,611,774	\$443,000	\$29,054,774
2016	4	-	4	12,270	-	12,270	\$9,835,000	\$0	\$9,835,000
2017	6	1	7	1,963	345	2,308	\$4,840,750	\$612,000	\$5,452,750
Average	14.2	1.0	15.2	14,868	674	15,542	7,116,963	439,790	7,556,752
Total	256	18	274	267,618	12,140	279,758	128,105,332	7,916,211	136,021,543

Source: Property Economics, Statistics NZ

The overwhelming majority of industrial development over the past 17 years has been in-zone. A total of 274 industrial building consents were issued over the observed period, of which only 6% were out of zone. In terms of floorspace, only 4% of all consented industrial floorspace was out of zone and this represented only 6% of consent value.

Overall, the development of industrial activity out of zone does not appear to be an issue for the District.

13.2. RETAIL AND COMMERCIAL SERVICE CONSENTS

Table 21 shows the aggregated number, floorspace (sqm) and value of newly issued retail and commercial service consents for the TUA between 2000 and 2017.

There has been no significant trend in terms of number of consents issued and the floorspace of these consents over the observed period. Floorspace and number of consents have remained relatively consistent to their averages between 2000 and 2017.

Exceptions to this observation was the two-year period of 2009 and 2010, which accounted for around 50% of retail and commercial service floorspace consented between 2000 and 2017.

TABLE 21: NEWLY ISSUED RETAIL AND COMMERCIAL SERVICE CONSENTS

Year	Number of Buildings			Consented Floorspace (sqm)			Value of Consents		
	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total
2000	1	3	4	87	1,963	2,050	\$78,000	\$829,680	\$907,680
2001	1	1	2	225	73	298	\$92,000	\$75,000	\$167,000
2002	4	5	9	276	1,357	1,633	\$99,030	\$498,000	\$597,030
2003	2	5	7	891	2,000	2,891	\$597,225	\$1,190,000	\$1,787,225
2004	1	3	4	12	2,062	2,074	\$8,000	\$1,165,000	\$1,173,000
2005	2	1	3	540	54	594	\$440,000	\$18,000	\$458,000
2006	2	1	3	861	18	879	\$530,000	\$15,000	\$545,000
2007	3	2	5	1,028	174	1,202	\$1,695,000	\$233,000	\$1,928,000
2008	1	3	4	1,271	655	1,926	\$635,500	\$1,479,000	\$2,114,500
2009	5	-	5	10,177	-	10,177	\$13,012,600	\$0	\$13,012,600
2010	6	3	9	11,375	583	11,958	\$9,252,500	\$645,000	\$9,897,500
2011	2	1	3	656	428	1,084	\$870,000	\$370,000	\$1,240,000
2012	-	3	3	-	362	362	\$0	\$500,000	\$500,000
2013	2	-	2	793	-	793	\$3,400,000	\$0	\$3,400,000
2014	2	3	5	572	1,684	2,256	\$937,000	\$1,951,600	\$2,888,600
2015	2	-	2	2,329	-	2,329	\$3,240,000	\$0	\$3,240,000
2016	1	-	1	419	-	419	\$450,000	\$0	\$450,000
2017	-	1	1	-	1,040	1,040	\$0	\$1,700,000	\$1,700,000
Average	2.1	1.9	4.0	1,751	692	2,443	1,963,159	592,738	2,555,896
Total	37	35	72	31,512	12,453	43,965	35,336,855	10,669,280	46,006,135

Source: Property Economics, Statistics NZ

A particular standout in Table 21 is the proportion of consents issued out of zone. Around 48% of the 72 new retail and commercial service consents issued over the observed period were issued outside of existing commercial zones. When omitting the years 2009 and 2010 from the sample, 54% of cumulative floorspace consented was outside of existing commercial zones.

This corroborates the commercial employment data outlined earlier in the report. Out-of-zone commercial development is an issue the PDP should address if TDC wants to improve the economic performance and efficiency of its commercial zone network.

13.3. COMMERCIAL OFFICE CONSENTS

Table 22 shows the aggregated number, floorspace (sqm) and value of newly issued commercial office consents for the TUA between 2000 and 2017.

Commercial office consents have behaved in a similar manner to retail and commercial service consents in the sense that there has been no significant temporal trend in terms of the number of consents issued or consented floorspace.

TABLE 22: NEWLY ISSUED COMMERCIAL OFFICE CONSENTS

Year	Number of Buildings			Consented Floorspace (sqm)			Value of Consents (\$'000's)		
	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total
2000	1	1	2	36	179	215	\$25,000	\$120,000	\$145,000
2001	-	1	1	-	205	205	\$0	\$215,570	\$215,570
2002	1	2	3	78	10	88	\$114,500	\$16,000	\$130,500
2003	-	2	2	-	217	217	\$0	\$166,000	\$166,000
2004	2	2	4	7	107	114	\$45,000	\$57,843	\$102,843
2005	3	2	5	297	279	576	\$289,000	\$329,000	\$618,000
2006	2	4	6	75	1,001	1,076	\$101,000	\$1,335,000	\$1,436,000
2007	2	1	3	419	62	481	\$768,750	\$50,000	\$818,750
2008	2	2	4	3,215	158	3,373	\$10,480,000	\$170,975	\$10,650,975
2009	-	1	1	-	123	123	\$0	\$150,000	\$150,000
2010	-	1	1	-	256	256	\$0	\$90,000	\$90,000
2011	-	4	4	-	1,282	1,282	\$0	\$1,526,000	\$1,526,000
2012	2	-	2	122	-	122	\$164,000	\$0	\$164,000
2013	-	2	2	-	298	298	\$0	\$574,677	\$574,677
2014	1	2	3	-	349	349	\$350,000	\$290,565	\$640,565
2015	4	2	6	1,951	208	2,159	\$3,310,000	\$472,000	\$3,782,000
2016	2	-	2	260	-	260	\$837,834	\$0	\$837,834
2017	1	4	5	155	3,530	3,685	\$260,000	\$9,508,600	\$9,768,600
Average	1.3	1.8	3.1	368	459	827	930,282	837,346	1,767,629
Total	23	33	56	6,615	8,264	14,879	16,745,084	15,072,230	31,817,314

Source: Property Economics, Statistics New Zealand

A substantial proportion of new commercial office floorspace was consented in the three years of 2008, 2015 and 2017. Collectively, these years accounted for 62% of newly consented commercial office floorspace and 76% of value over the observed period. The high quantum of consented floorspace in these years was the result of three sizable office developments in the CBD in 2008 and 2015, and an out of zone office development in Washdyke in 2017.

As with new retail consents, a significant proportion of new commercial office consents issued have been outside of existing commercial zones. Of the 56 new commercial office consents issued over the observed period nearly 60% were issued out of zone.

With the number of commercial office consents issued out of zone remaining relatively steady at around an average of 2 consents per year over the observed period, this means an average of nearly 2 out of 3 commercial office consents are issued out of zone each year, and this has been occurring consistently since the turn of the century.

As with new retail activity, this indicates a large proportion of commercial office activity being developed in the district is out of zone. From an economic perspective, it is optimal to consolidate commercial office activity to existing commercial zones such as the Timaru City Centre to ensure the commercial zone functions can be fulfilled as intended in the District Plan.

Currently, the Timaru District Plan enables an easy pathway for office development within existing industrial zones. This is likely to account for the significant proportion of newly consented commercial office activity being located outside of existing commercial zones. Property Economics consider the on-going out of zone commercial office development in Timaru is likely to lead to significant economic disbenefits and opportunity costs unless appropriately addressed in the PDP with policy.

The continuous out of zone commercial office development undermines the entire commercial zone network and will lead to ongoing economic effects detrimental to the Timaru City Centre in particular, and weaken the District's competitive position in the Region as a commercial location.

14. FUTURE BUSINESS LAND REQUIREMENTS

Future business land requirements are based on translating the employment growth forecasts (by category based on the 2nd level of ANZSIC categories) and retail demand projections quantified earlier into land requirements based on dynamic employment to land ratios. Business land demand includes land demand associated with industrial, commercial (office and services) and retail activities.

14.1. DEMAND ASSUMPTIONS

The key component in translating these figures are the employment to floorspace / land ratios. Property Economics have developed these ratios based on national trends, both in terms of the current average ratio by employment sector and the dynamic trends that have occurred in terms of changes to these ratios through time. These ratios have been assessed against the Timaru District activities specifically to arrive at an average floorspace and land requirement by sector.

14.2. ESTIMATED INDUSTRIAL LAND DEMAND

Demand for industrial land originates from a number of changes in the Timaru District. These include:

- Changes in economic composition
- Growth in industrial sectors
- Changes in land requirements by product and employee
- Changes in industry practice
- Price of industrial land (Quantity demanded)
- Competing uses.

A key aspect of the influence of declining and growing industrial sectors is their ability of the latter to utilise either underutilised or vacant premises. This is when an industrial sector declines in activity the ability for growing sectors to utilise potentially vacant premises. This flexibility 'factor' plays a significant role in the level of net additional industrial land required.

Over time it is expected that this flexibility becomes 'perfect' with either new industrial activity utilising the space or viable commercial and other activities occupying and redeveloping the space (e.g. reuse of brownfield land). However, this flexibility only tends to perfect over the long term (new business having to potentially demolish or redevelop old premises). With a large supply of industrially zoned vacant greenfield or brownfield options, this is less likely to occur in the short run.

14.3. INDUSTRIAL LAND REQUIREMENT

Table 23 presents the net additional industrial floorspace and land requirements to 2038. Property Economics estimate a net additional industrial land requirement of approximately 91ha for the Timaru District by 2038.

TABLE 23: INDUSTRIAL FLOORSPACE AND LAND REQUIREMENTS (HA)

	2018	2028	2038	Net Additional (2018-2038)
Net Additional Industrial Floorspace Requirement (sqm)	0	144,300	228,400	228,400
Net Additional Industrial Land Requirement (ha)	0	58	91	91

Source: Property Economics

Based on projected industrial employment growth quantified earlier in this report (net industrial EC growth of 3,100), the District can sustain an additional 228,000 sqm of industrial floorspace. Based on applying a floorspace to land ratio of 40%, as derived by Property Economics from a detailed assessment of other industrial markets around the country, this growth equates to the District sustaining an additional 91ha by 2038.

14.4. COMMERCIAL OFFICE ACTIVITY AND LAND DEMAND

The distribution of commercial office activity is predicated on both the amenity within commercial zones (along with profile) and the appropriate supply and pricing of commercial land and premises.

Unlike industrial space however there is a much greater uniformity to the properties occupied by commercial office activities and so the level of flexibility within the industry both between businesses and the ability for premises to be 'divided' is significantly greater than that within industrial activities.

A key variance between floorspace requirement and land requirement is the number of storeys associated with a given area. For the purposes of this report, estimates on building footprint to building floor area¹² have been used, on average. Additionally, this activity can locate above ground floor retail or commercial services. As such a component of commercial office land demand has been accounted for with regard to the demand for other 'commercial' activities.

As such, this analysis accounts for the fact that commercial office space has the potential to be multi-storey and locate above other commercial offerings such as ground floor retail or commercial service provisions and utilises an average building height metric to quantify this.

¹² Sourced from a combination of the rating and valuation databases

Therefore, in assessing the total demand for commercial space it is important not to double count this demand as the commercial office component has the potential to add vertical floorspace to the existing footprint rather than adding additional commercial land demand.

Given this, it is anticipated that at least 25% of additional commercial office space will occur at levels above either commercial service demand or retail space. While this does not decrease the level of commercial floorspace required it does remove part of the potential for additional land demand.

14.5. COMMERCIAL OFFICE LAND REQUIREMENT

Table 24 illustrates the net additional demand for commercial office floorspace under the consideration of the aforementioned factors and the net office sector employment growth of 700 employees by 2038, as quantified earlier in the report.

Floorspace growth in the commercial office sector translates into an additional total land requirement of around 3ha by 2038. That is the net additional land required to support projected commercial office growth in the District over a 20-year period. This projection is built upon a total net floorspace requirement of approximately 11,300 sqm, and an average building height of 1.6 storeys for commercial office activity.

TABLE 24: COMMERCIAL OFFICE FLOORSPACE AND LAND REQUIREMENT FORECASTS (HA)

	2018	2028	2038	Net Additional (2018-2038)
Net Additional Commercial Floorspace Requirement (sqm)	0	6,000	11,300	11,300
Net Additional Commercial Land Requirement (ha)	0	2	3	3

Source: Property Economics

Overall, this small commercial office requirement can be accommodated within the existing commercial zone network given the redevelopment potential and vacant capacity (land and existing buildings) within the City Centre in particular. This suggests the PDP should not be zoning more commercial land to accommodate future office sector growth until its existing zone provision is more efficiently developed from an economic perspective and performing its role and function better.

14.6. RETAIL AND COMMERCIAL SERVICE ACTIVITY AND LAND DEMAND

Retail expenditure projections produced by the Property Economics Retail Growth Model have been utilised in formulating an estimate of retail and commercial service land demand for the Timaru District.

Table 25 presents the level of sustainable retail GFA (sqm) that can be supported by the Timaru District from 2018 to 2038 on an annualised basis, given the levels of retail expenditure forecast and the net neutral retail position, outlined earlier.

TABLE 25: RETAIL AND COMMERCIAL SERVICE FLOORSERVICE AND LAND REQUIREMENT

	2018	2023	2028	2033	2038	Net Additional (2018-2038)
Sustainable Retail GFA Requirement (sqm)	104,700	114,000	123,400	133,900	144,100	39,400
Non-Retail Commercial Services (sqm)	52,400	57,000	61,700	66,900	72,000	19,600
Total Retail/Commercial Service Requirement (sqm)	157,100	171,000	185,100	200,800	216,100	59,000
Retail/Commercial Service Land Requirement (ha)	32.7	35.6	38.6	41.8	45.0	12.3

Source: Property Economics

Table 25 shows that current retail expenditure in the Timaru District can sustain around 105,000 sqm of retail GFA, which is expected to rise to just over 144,000 sqm by 2038.

These figures also incorporate the influence of the net neutral spending patterns on the total future market opportunity / potential within the District. It is important to consider the non-retail commercial functions of commercial centres in any assessment of future centre potential as most centres are comprised of more than simply retail stores. They typically contain a variety of localised commercial and professional services such as those outlined in Appendix 7. These activities generally comprise of around half a district's retail GFA.

Given this application, the current total sustainable floorspace considering both retail and commercial service activities is approximately 157,000sqm within the District and is expected to increase to 216,000sqm by 2038. This equates to a net addition of 59,000 sqm of retail and commercial service floorspace.

When translating GFA requirement to land area, as with commercial offices the proportion of 'at-grade' floorspace should be considered i.e. the proportion of retail and commercial service GFA that can be accommodated at ground level tenancies. This is due to some commercial services having location transferability to be above ground level. Given the above, Property Economics consider it appropriate to apply the following to retail and commercial service floorspace with regard to at grade and above grade space requirements to provide efficient development and utilisation of the commercial land resource.

- 50% of commercial service floorspace is at-grade, 50% above grade.
- 100% of retail floorspace is at-grade.

It is assumed that 50% of commercial service land can be accommodated within ground level tenancies, while the other half can be accommodated by above ground level tenancies (i.e. 2-3 storey buildings), and 100% of retail GFA will reside in at-grade tenancies. Multilevel commercial premises also provide more efficient land development. In effect the at-grade provision of commercial zone land and centres would be in the order of two thirds retail and one third commercial service activity.

A land to GFA ratio of 40:60 has been applied, meaning retail and commercial service GFA is assumed to occupy 40% of commercial land requirement.

Given the above, the 'at grade' retail and commercial service land requirement the Timaru District can currently sustain is estimated at 33ha. This increases by 12.3ha to a commercial land requirement of 45ha by 2038 based on projected market growth. This assumes all the commercial land provision is developable and is efficiently developed.

15. LAND DEMAND VS CAPACITY DIFFERENTIALS

The following section cross references industrial and commercial land demand with existing zone supply to determine likely future land capacity differentials and to identify any subsequent supply implications. In this case, existing supply is considered to be vacant, usable and available business zone land, which was quantified earlier.

15.1. INDUSTRIAL ACTIVITY

Table 26 outlines the net additional future industrial land requirements and compares these to the current vacant, usable and available industrial zone land provision in the District. Subsequently, a projected net industrial land differential is determined.

TABLE 26: TIMARU DISTRICT INDUSTRIAL LAND DEMAND DIFFERENTIAL TO 2038 (HA)

	2028	2038
Industrial Land Requirement (ha)	58	91
<i>Vacant, Usable and Available Industrial Capacity (ha)</i>	148	148
Estimated Residual Industrial Land (ha)	90	57

Source: Property Economics

Timaru District is projected to require a net cumulative additional 91ha of industrial land to accommodate forecast industrial growth over the next 20 years. Currently, just over 148ha of industrial zone land provision in the District is vacant, usable and available. Given projected future demand and existing provision there is currently a net positive industrial land demand differential of 57ha. That is, current industrial capacity is sufficient to accommodate future industrial land demand to 2038, with a residual of 57ha of zoned capacity.

Over the shorter 10-year period (closer to the life of the PDP) there is a 90ha industrial zone buffer. This indicates there is no requirement in the PDP to rezone additional industrial land at a District level.

15.2. COMMERCIAL ACTIVITY

Table 27 combines the land requirements for commercial office given in Table 24 with the land requirements for retail and commercial services given in Table 25. This gives an estimated total commercial land requirement for Timaru District of 15.3ha to 2038.

TABLE 27: TIMARU DISTRICT COMMERCIAL LAND DEMAND DIFFERENTIAL TO 2038 (HA)

	2028	2038
Retail Land Requirement (ha)	5.9	12.3
Commercial Office Land Requirement (ha)	2	3
Commercial Land Requirement (ha)	7.9	15.3
<i>Current Vacant Commercial Capacity (ha)</i>	<i>16.2</i>	<i>16.2</i>
Estimated Residual Commercial Land (ha)	8.3	0.9

Source: Property Economics

Tables 27 summarises the commercial office, retail and commercial service land requirements for the Timaru District, projecting a net additional requirement in the order of 15.3ha to 2038. This additional commercial land requirement is comprised of 3ha of land to accommodate commercial offices and 12.3ha of land to accommodate additional retail and commercial service activity.

At present there is approximately 113ha of Commercial Zone land in the Timaru District that can accommodate commercial office, retail and commercial service activities. Of this 113ha, approximately 16.2ha is currently vacant.

Over the shorter 10-year period, commercial zone demand equates to 7.9ha. Against current zone capacity of 16.2, there is sufficient vacant commercial land in the District Plan to accommodate projected demand. Over the longer 20-year period, the commercial demand supply differential narrows to 0.9ha (basically a demand supply equilibrium position). This indicates sufficient zoned capacity for commercial activities already exists in the District Plan to accommodate demand over the life of the PDP.

Additionally, it should be noted that under the Timaru District Plan commercial offices are a permitted activity in Light Industrial zones. This enablement sends a signal to the market that commercial offices in industrial zone is a desired location for such activity. As a result of the value differential between industrial and commercial land, the likely outcome is a proliferation of office space being developed in the Light Industrial zone. This can lead to significant economic costs for the community and potentially displace industrial activity from their intended zone. Therefore, there is likely to be a lower uptake of commercial zone land for commercial office development, lower commercial zone land values and increase the industrial zone land value to the detriment of industrial activities.

The analysis indicates that current commercial capacity is sufficient to accommodate future demand over the life of the PDP. Regardless of this, the PDP should not be zoning more commercial land to accommodate future office sector growth until its existing zone provision is more efficiently developed from an economic perspective and performing its role and function better.

15.3. TOWNSHIP BUSINESS LAND SNAPSHOT

This section summarises the projected growth and land demand supply differentials for the smaller townships within the District to provide guidance on rezoning potential at a more specific rural township level.

TEMUKA

Table 28 provides a business land snapshot of the Temuka township.

TABLE 28: TEMUKA BUSINESS LAND SNAPSHOT

TEMUKA	
Population Growth (2018-2038)	350
Commercial Land Supply (Ha)	13.5
Vacant Commercial Land (Ha)	0.6
Industrial Land Supply (Ha)	54.0
Vacant Industrial Land (Ha)	9.2

Source: Property Economics, TDC

Temuka has a limited nominal population growth projected for the next 20 years, which would curb the demand profile and potential for business land in the township. With both commercial and industrial zone land vacancy, and significant redevelopment potential of the existing zone land resource within Temuka, there appears no requirement for additional business land in the township over the next 20 years with current zoning sufficient to accommodate local growth.

PLEASANT POINT

Table 29 following provides a business land snapshot of the Pleasant Point township.

Pleasant Point has less population projected over the next 20 years than Temuka at only around 240 people nominally. This low level of population growth is not considered of a level that would stimulate a noteworthy upswing in local business land demand that requires additional business zone land, particularly with some small parcels of vacant commercial and industrial zone land in the township. This appears sufficient to accommodate projected localised business growth in Pleasant Point over the foreseeable future.

TABLE 29: PLEASANT POINT BUSINESS LAND SNAPSHOT

PLEASANT POINT	
Population Growth (2018-2038)	240
Commercial Land Supply (Ha)	3.8
Vacant Commercial Land (Ha)	0.2
Industrial Land Supply (Ha)	3.9
Vacant Industrial Land (Ha)	1.4

Source: Property Economics, TDC

GERALDINE

Table 30 provides a business land snapshot of Geraldine situated a 30-minute drive north-west of the TUA.

TABLE 30: GERALDINE BUSINESS LAND SNAPSHOT

GERALDINE	
Population Growth (2018-2038)	310
Commercial Land Supply (Ha)	7.7
Vacant Commercial Land (Ha)	0.4
Industrial Land Supply (Ha)	11.9
Vacant Industrial Land (Ha)	1.4

Source: Property Economics, TDC

Geraldine holds a somewhat unique / niche position in the District, relative to the other rural based townships of Temuka and Pleasant Point, as it is situated on a major transport and tourist through route between Christchurch and Queenstown / Wanaka / Central Otago. This expands its commercial market and potential beyond just its localised catchment. As such while local market population growth maybe nominally subdued at 310 people, consideration in relation to business land potential needs to factor in increasing tourism flows and the potential this generates.

With New Zealand's tourism market projected to increase at a steady rate over the foreseeable future (albeit likely to experience minor growth fluctuations on an annualised basis), Geraldine needs to have the flexibility to provide business opportunities to enable the township to 'tap into' the tourist market. The Barkers accommodation and tourist facilities is a good recent example of that, i.e. that Barkers development whilst having some local support is likely to target tourists to support its sustainability.

Property Economics' recent visit to Geraldine showed there was potential within the existing commercial zone to increase development density, i.e. increased levels of commercial activity can be realised out of the zoned land area. This supports the consolidation approach and concentrate commercial activity into a more confined / walkable precinct. In conjunction with a small level of vacant commercial zone land, the requirement for additional commercial land over the life of the PDP is not considered warranted at this point.

In respect of industrial zone land there is a small vacant provision of only 1.4ha – the lowest of the District's rural townships despite Geraldine's higher business land demand profile. Property Economics consider any incremental increase in the industrial zone provision over the life of the PDP is not likely to undermine the industrial provision within the TUA as it is likely to be specific to Geraldine demand. On balance enabling the potential for an incremental increase in the industrial land provision of Geraldine may illicit growth in that market without any significant economic costs on the basis infrastructure capacity exists and any localised adverse effects can be appropriately mitigated.

This provides some flexibility in the Geraldine industrial market to ensure economic growth opportunities are not lost due to lack of appropriate, well located industrial land supply. This also enables any potentially displaced industrial activities from the Commercial 1 Zone in the future as a result of commercial (likely tourism related) growth to be accommodated in the local industrial zone. This flexibility is considered appropriate in Geraldine given its more remote location from the TUA, niche position in the market and its unique tourism related opportunities afforded the township.

16. ECONOMIC ASSESSMENT OF DISTRIBUTIONAL SCENARIOS

The following section provides a quantified assessment of the potential economic benefits, in relation to economic activity, resulting from improved retention of business activity in the Timaru City Centre. Property Economics has approached this assessment by illustrating future Central City business activity under three scenarios. The subsequent impacts of these scenarios are then assessed against Timaru District economic growth.

This assessment utilises the analysis of the City Centre and District employment base from Section 5 of this report and the subsequent employment growth projections. The City Centre employment base as a proportion of District employment is utilised to represent business activity within the City Centre relative to the wider District.

City Centre employment represented a 25% proportion of total District employment in 2000 which has since fallen to 19% in 2018. This reflects District employment exhibiting proportionally higher growth than City Centre employment and hence a historic trend where a greater proportion of business activity is locating outside of the Central City area.

Property Economics utilise three scenarios to assess future potential City Centre business activity to 2038. The scope of these three scenarios is briefly outlined below:

- **Scenario 1:** The Central City employment base continues to fall in its proportion of District wide employment, continuing its downward trend of the past 18 years.
- **Scenario 2:** The Central City employment base remains stable at its current proportion of District employment (19%).
- **Scenario 3:** The Central City employment base reverts in its proportion of District employment to what was realised in 2000 (25%) and remains stable at this proportion.

The latter two scenarios illustrate improved growth of business activity in the City Centre. Under these two Scenarios, the Central City is forecast to capture a greater proportion of District wide employment growth than under current trends. This assumes a policy direction and response in the PDP that would support such growth.

Under each scenario the potential shift in District GDP, as a result of agglomeration benefits, is outlined. Under Scenario 1, this reflects the opportunity cost, or loss generated by business activity continuing to locate outside of the City Centre.

In the case of Scenario 2 and 3, this represents the additional annual economic growth that could potentially be obtained if City Centre business activity retention is improved.

The outlined GDP differential represents the cumulative shift in District GDP to 2038 resulting from improved retention of business activity in the City Centre in each scenario.

Table 28 illustrates the projected Central City employment base in 2038, projected employment growth between 2018 and 2038 under each scenario and the additional economic growth the District could potentially realise over the life of the PDP when improving the Central City's level of business activity retention.

TABLE 31: TIMARU CENTRAL CITY ECONOMIC ACTIVITY AND GROWTH GENERATION (SCENARIOS 1 – 3)

	Scenario 1	Scenario 2	Scenario 3
Expected EC's	4,471	5,675	6,154
Change in Central City EC's 2038	-183	1,021	1,500
Shift in GDP (\$m p.a.)	-\$1.19	\$6.62	\$9.72
GDP Differential (\$m p.a.)		\$7.81	\$10.91

Source: Property Economics

SCENARIO 1

Under Scenario 1, Central City employment is projected to fall to an employment base of around 4,470 employees by 2038. This equates to a net decrease of 183 employees over the forecast period.

This is estimated to result in a net loss to the Timaru District economy of \$1.19m per annum from the current level of productivity. That is, the Timaru District is likely to lose \$1.19m of potential economic output per year as a result of business activity locating outside of the City Centre.

As this is a business as usual scenario that effectively represents the opportunity cost of business activity locating outside of the Central City in line with current trends and current District Plan policy settings. Essentially this scenario represents the economic costs of 'business as usual' in the PDP to address commercial activity dispersal from the City Centre.

SCENARIO 2 and 3

Scenarios 2 and 3 illustrate potential additional economic benefit / growth that could be achieved when retention of business activity in the Timaru Central City, on a proportional basis, is maintained and increased respectively. Increased retention of business activity is represented by the Central City employment base increasing in its proportion of District-wide employment, to those achieved in 2000.

Under Scenario 2, the Timaru Central City maintains its current level of business activity relative to the wider District. Under this Scenario, the District is estimated to observe a net annual gain of \$6.6m of GDP per year. That is, District wide economic output is projected to increase by

\$6.6m per annum. This equates to a GDP differential relative to Scenario 1 (business as usual) of \$7.8, per annum.

Under Scenario 3, the Timaru City Centre increases its current level of business activity relative to the wider District. Under this Scenario, the District is estimated to observe a net annual gain of \$9.7m of GDP per year, which equates to a GDP differential over Scenario 1 of \$10.9m annually. This represents the annual GDP benefit of the approach in Scenario 3 over the current business as usual approach.

Under both Scenarios 2 & 3, improved retention of business activity would generate a material increase in the economic growth of the Timaru District, improve the Timaru economy's productivity, efficiency and make the City Centre a more competitive business location, and thus better position the City Centre (and District) to attract business and economic activity in the future.

17. POTENTIAL ADVERSE ECONOMIC EFFECTS OF DISPERSED COMMERCIAL ACTIVITY

There are several adverse economic effects associated with the dispersal of commercial business activity outside of the zoned centre network that should be given due consideration when developing appropriate policy in the PDP.

The dispersal of commercial activity refers to the development of commercial provision, or the rezoning of land to enable commercial activity to establish outside of existing commercial centres and zones.

In part, commercial activity is often restricted to certain zones due to factors associated with the dispersal of commercial activity. Such factors have certain economic costs that not only have an effect on the individual making the decision, but the wider community as a whole. These factors can be defined as social costs and result in individuals not directly related to an action incurring costs related to that action.

Proportionally, the social costs of an individual's private decision have the potential to outweigh the private benefit obtained from the decision. Whereas an individual participant in a market considers the private benefit of their decision, they do not always consider the social costs.

The failure of the market to identify social costs may conceal the true value of centres and if unchecked is likely to result in an inefficient use of resources. Therefore, exogenous intervention in markets is often required to maximise social wellbeing and efficiency.

This section outlines some of the potential general adverse economic effects that may arise as a result of dispersed commercial activity. This includes identifying direct economic costs and potential dis-benefits.

These potential disbenefits are approached in a way where the economic benefit of consolidated commercial activity is identified. Adverse economic effects arise from this potential benefit not being obtained, or obtained to a lesser degree, due to dispersed commercial activity.

This outline is given in the context of the Timaru District. This section of the report does not quantify the identified economic costs. The quantification of such (where possible) is addressed later in the report.

The costs and dis-benefits discussed in the following section include:

- Decline of centre amenity,
- Reduced agglomeration and productivity gains,
- Decreased utilisation of community infrastructure and increased marginal costs,
- Transport inefficiencies,
- Reduction in competitiveness.

DECLINE IN THE AMENITY OF EXISTING CENTRES

An adverse economic impact associated with dispersed commercial activity is a decline in existing centre amenity.

The amenity of a centre is directly related to its vitality and vibrancy, which in turn has a strong correlation with the level and potential level of people within a centre. Alternative new commercial provision outside of existing centres is likely to cause a reduction in the competitiveness of existing centres, hence reducing the patronage in existing centres.

A loss of patronage to a centre is not only likely to result in decreased infrastructure efficiencies and a fall in in-centre activities, but is very likely to reduce the value residents place on the vibrancy and sense of community achieved there. In terms of the Timaru City Centre, this is likely to reduce the marketability and competitive nature of the remaining commercial provision.

These losses of vibrancy and sense of community can potentially result in significant losses in social value. This loss in social value is likely to occur as a result of two primary factors. The first, through diminished vibrancy and sense of place / community lost from the city centre.

The second, shifting the balance for other businesses which are likely to reassess their locational choices away from the City Centre due to lower centre amenity. This includes existing businesses in the City Centre and businesses which would have otherwise located in the City Centre. This is a direct economic cost associated with dispersed commercial activity.

This loss in value is not restricted to what is lost at present as a result of dispersed commercial activity, but what the community could achieve if commercial activity were to be consolidated.

AGGLOMERATION AND PRODUCTIVITY GAINS

A second adverse economic impact associated with dispersed commercial activity is the loss of potential agglomeration and productivity gains. Agglomeration effectively refers to a collective group of activity generating a 'critical mass' and in turn developing attributes which result in increased productivity.

The basis for agglomeration benefits is that increased densities and consolidation leads to synergies, improved flow, economies of scale and efficient utilisation of resources.

An economy has the potential to observe agglomeration and productivity gains if consolidating commercial activity into centres. Centres provide a base for a collection of activity sufficient to facilitate the development of a critical mass. Allowing commercial activity to disperse may result in this critical mass not being achieved and the potential loss of this benefit.

There are varying levels of these benefits given the overall size and role of a centre within an economy. Usually, the more significant a centre's standing is in a local economy, the more it can benefit from agglomeration. Being the pre-eminent commercial centre in the Timaru District, the Timaru City Centre represents an opportunity for agglomeration benefits to be obtained to a degree that will create a more productive economy. This is likely to improve community wellbeing and result in greater levels of competitiveness for the district as a whole.

The agglomeration of commercial activity has two primary effects:

- First, increased profile created by a critical mass of activity. Increased profile improves the location from the perspective of local suppliers. There are obvious 'flow-on' benefits to suppliers of locating within a vibrant and active centre along with the potential for some economies of scale.
- Second, centralised business activity creates both amenity and diversity within the local area. This results from a more extensive and diverse range of businesses activities locating in a centralised location. The agglomeration of commerce into centres provides an environment that will facilitate the agglomeration of other commercial activities that will assist in achieving the identified productivity gains.

The ability of commercial and retail activities to provide this environment, and thereby improve community wellbeing, is generally not considered in individual business decisions. Therefore, the potential to obtain agglomeration benefits may be lost if allowing for the dispersal of commercial activity.

ADVERSE EFFECTS ON COMMUNITY INFRASTRUCTURE

The provision of community facilities and infrastructure is a social investment. The justification for this investment is the social value that these services and facilities provide to the community. If this value is considered to be significant enough, community infrastructure is publicly funded and supplied. The reason they are publicly supplied is because given their social value, the free market would not supply enough of them given a patron's individual value (price).

Community facilities are provided as they generate a social benefit for the community. To undermine their use diminishes the social benefit they might provide.

Examples of community infrastructure include the library, police station, community centres, public meeting centres and parks etc. These are generally provided in centres with high activity so as to coincide with retail and other uses. The scale of these facilities also coincides with the scale of activity located within the centre. Timaru City Centre is a primary example of this, with the District's main library, police station and other social assets located within the City Centre area.

In this case, the dis-benefit associated with dispersed commercial activity arises from the potential decreased use of social assets in existing centres. Decreased use of existing centres is often synonymous with decreased use of existing public assets, due to the location of these assets within centres.

In general, the greater the level of activity and accessibility in a centre, the greater the utilisation of such public assets. A greater commercial profile in the Timaru City Centre for example, would be more likely to increase patronage to the City Centre. This in turn would facilitate increased use of existing community infrastructure. Conversely, dispersed commercial activity is likely to result in decreased patronage of the Timaru City Centre. This decreased patronage is likely to result in decreased usage of community infrastructure.

There are two primary adverse effects dispersed commercial activity might have on community infrastructure:

- First, an increased marginal cost per patron, thereby reducing the efficiency and social benefits generated by the provision.
- Second, the infrastructure is likely to have to be duplicated elsewhere resulting in inefficient use of community resources. Such can be observed in the Timaru District between the Timaru and Temuka Libraries.

The co-location of community facilities and commercial activity also has the potential to increase accessibility and efficiencies in terms of travel. We follow to introduce economic disbenefits associated with travel efficiencies related to the dispersal of commercial activity.

TRANSPORTATION EFFICIENCIES

Transport efficiencies often arise as a result of the agglomeration of activities. These efficiencies are fundamental when considering the economic costs and benefits associated with the dispersal of economic activity. Benefits are inherently linked to the level of accessibility of activities and assets. This applies to both commercial activity and community facilities.

Efficient transportation networks provide obvious benefits to the community that are not considered in these private decisions. These benefits include:

- Reduced public costs for roading and transport infrastructure (reducing the need for duplication)
- Reduced pollution
- Increased certainty around public and private sector infrastructure investment
- Reduced marginal cost (reducing the 'per trip' cost)
- Increased propensity to use public transport

For obvious reasons, these potential benefits are subverted under a situation where commercial activity is dispersed.

However, there are benefits associated with dispersed commercial activity which offset these dis-benefits. In terms of transport efficiencies, such a benefit is reduced traffic congestion. Consolidated commercial activity has the potential to generate traffic congestion, thereby reducing the benefits attributable to these locations while increasing economic costs in terms of reduced convenience and increased travel times.

This effectively 'crowds out' the benefits associated with consolidated commercial activity. However, in terms of transportation efficiency, given the infrastructure and traffic conditions that currently exist in Timaru, it is unlikely that this crowding out effect will be significant enough to offset the economic benefits associated with consolidated commercial activity.

APPENDIX 2: BUSINESS CLASSIFICATIONS

Property Economics utilises the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) as guidance, whereby businesses are assigned an industry according to their predominant economic activity.

A proportion of employees coded within industrial categories work within other more commercial (office) arms of a business in other locations, i.e. employees in the sales branch of electrical companies are coded in the electricity, gas, water and waste services. Despite being in the industrial industry, these employees are technically not industrial employees, and as such are not included in the proportions utilised for classifying industrial activities.

For planning purposes commercial and industrial employees are those working on zoned business land corresponding their respective sector. Often this is not the case, activities such as hospitals, schools, police services and etc. are classified under commercial services focused sectors but are typically not zoned as such. For this reason, Property Economics has divided these classifications into industrial, commercial, retail and other sectors. These sectors correspond broadly to the zoning of industrial, commercial, retail and special land zonings by the local authorities.

Industrial activities in general refer to land extensive activities, including part of the primary sector, largely raw material extraction industries such as mining and farming; the secondary sector, involving refining, construction, and manufacturing; and part of the tertiary sector, which involves distribution of manufactured goods. The employees work for the following sectors are considered an industrial sector employee:

- 10% of Agriculture, Forestry and Fishing
- 10% of Mining
- Transport, Postal and Warehousing
- Manufacturing
- 30% Electricity, Gas, Water and Waste Services
- Construction
- Wholesale Trade

Commercial office activities generally refer to land intensive activities. It includes a large proportion of the tertiary sector of an economy, which deals with services; and the quaternary sector, focusing on technological research, design and development. The employees work for the following sectors are considered a commercial sector employee:

- 15% of Accommodation and Food Services
- Information Media and Telecommunications
- Financial and Insurance Services
- Rental, Hiring and Real Estate Services

- Professional, Scientific and Technical Services
- Administrative and Support Services
- 35% Public Administration and Safety
- 15% Education and Training
- 25% Health Care and Social Assistance
- 25% Arts and Recreation Services

Retail Activities generally refer to enterprises mainly engaged in the purchase and on-selling of goods, without significant transformation, to the general public. Retail units generally operate from premises located and designed to attract a high volume of walk-in customers, have an extensive display of goods, and/or use mass media advertising designed to attract customers.

Cafes, Bars and Restaurants have also been included as part of Retail Activities and includes businesses mainly engaged in providing food and beverage serving services for consumption on the premises. Customers generally order and are served while seated (i.e. waiter/waitress service) and pay after eating. The employees work for the following sectors are considered a commercial sector employee:

- 85% of Accommodation and Food Services
- Retail Trade

Other Activities constitutes the balance of total employment within an area, and is not defined by any particular business sector. It encompasses community activities such as Museum Operations, Universities, Hospitals, Schools, Sports grounds and other activities not typically located on commercial or industrial land.

APPENDIX 3: ANNUALISED EMPLOYMENT BREAKDOWN

TIMARU DISTRICT

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
Commercial	3,007	3,029	3,196	3,361	3,487	3,326	3,485	3,500	3,601	3,606	3,431	3,420	3,537	3,584	3,681	3,614	3,590	3,597	3,709	703	23%
Industrial	6,641	6,885	7,452	7,687	8,122	8,017	7,732	7,805	8,285	8,206	7,949	7,941	8,036	8,124	8,726	9,040	9,183	9,111	9,731	3,090	47%
Other	4,965	4,802	5,069	5,211	5,467	5,237	5,568	5,656	5,834	6,029	6,278	6,278	6,362	6,501	6,653	6,740	6,460	6,861	6,871	1,906	38%
Retail	2,842	3,090	3,205	3,339	3,274	3,432	3,477	3,475	3,399	3,469	3,367	3,357	3,468	3,446	3,577	3,653	3,606	3,541	3,593	751	26%
Total	17,455	17,805	18,922	19,598	20,350	20,012	20,263	20,437	21,119	21,310	21,025	20,996	21,404	21,656	22,637	23,047	22,839	23,110	23,904	6,449	37%
A Agriculture, Forestry and Fishing	1,476	1,393	1,499	1,638	1,551	1,589	1,643	1,635	1,687	1,746	1,864	1,864	1,946	2,001	2,053	2,131	1,789	2,329	2,313	837	57%
B Mining	9	15	21	15	21	18	15	24	27	36	30	33	27	24	27	60	33	36	51	42	467%
C Manufacturing	4,341	4,451	4,858	4,920	5,017	4,689	4,322	4,181	4,469	4,300	4,198	4,155	3,840	4,236	4,544	4,623	4,917	4,481	4,952	611	14%
D Electricity, Gas, Water and Waste Services	94	99	97	97	106	109	121	144	142	152	198	183	206	185	202	192	242	237	214	120	128%
E Construction	754	827	974	992	1,115	1,250	1,301	1,502	1,576	1,564	1,422	1,411	1,503	1,569	1,793	1,982	1,882	1,913	1,910	1,156	153%
F Wholesale Trade	602	592	576	668	739	831	759	765	816	833	835	805	844	893	901	867	852	925	967	365	61%
G Retail Trade	2,028	2,182	2,214	2,218	2,287	2,451	2,504	2,512	2,471	2,473	2,394	2,368	2,451	2,491	2,545	2,615	2,555	2,454	2,468	440	22%
H Accommodation and Food Services	958	1,068	1,166	1,319	1,161	1,154	1,145	1,133	1,092	1,172	1,145	1,164	1,197	1,124	1,214	1,221	1,236	1,279	1,324	366	38%
I Transport, Postal and Warehousing	767	844	863	913	1,062	1,054	1,148	1,148	1,210	1,285	1,245	1,325	1,590	1,168	1,219	1,291	1,277	1,484	1,601	834	109%
J Information Media and Telecommunications	363	351	370	377	415	424	429	471	421	382	305	241	224	236	255	252	258	245	185	-178	-49%
K Financial and Insurance Services	253	243	274	293	269	273	325	350	360	404	352	331	327	279	260	257	276	228	296	43	17%
L Rental, Hiring and Real Estate Services	131	144	129	184	180	220	207	214	242	223	229	213	248	249	285	282	251	266	200	69	53%
M Professional, Scientific and Technical Services	524	531	565	597	571	567	589	607	660	664	650	623	688	716	761	773	780	761	804	280	53%
N Administrative and Support Services	660	687	737	763	823	662	697	627	643	598	526	648	661	699	686	634	597	685	798	138	21%
O Public Administration and Safety	621	561	578	582	610	645	656	581	680	682	650	660	713	697	671	651	653	695	673	52	8%
P Education and Training	1,367	1,238	1,356	1,317	1,357	1,081	1,275	1,304	1,390	1,413	1,451	1,558	1,426	1,436	1,459	1,475	1,455	1,405	1,478	111	8%
Q Health Care and Social Assistance	1,807	1,935	1,958	1,988	2,345	2,307	2,402	2,417	2,475	2,651	2,824	2,730	2,783	2,849	2,888	2,816	2,912	2,824	2,844	1,037	57%
R Arts and Recreation Services	232	187	203	202	206	167	181	233	182	184	183	168	202	261	306	320	272	242	238	6	3%
S Other Services	468	457	484	515	515	521	544	589	576	548	524	516	528	543	568	605	602	621	588	120	26%
Total	17,455	17,805	18,922	19,598	20,350	20,012	20,263	20,437	21,119	21,310	21,025	20,996	21,404	21,656	22,637	23,047	22,839	23,110	23,904	6,449	37%

TIMARU CITY CENTRE

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
Commercial	1,554	1,527	1,630	1,746	1,802	1,648	1,798	1,921	1,882	1,869	1,674	1,645	1,588	1,594	1,589	1,631	1,558	1,582	1,618	64	4%
Industrial	616	605	588	553	532	606	541	554	525	530	501	478	538	527	567	613	572	511	539	-77	-13%
Other	1,056	997	1,040	1,036	1,195	1,132	1,255	1,283	1,220	1,270	1,357	1,391	1,382	1,403	1,424	1,391	1,396	1,369	1,300	244	23%
Retail	1,088	1,184	1,160	1,298	1,203	1,255	1,244	1,260	1,243	1,180	1,173	1,164	1,213	1,194	1,277	1,238	1,216	1,168	1,197	110	10%
Total	4,314	4,418	4,632	4,732	4,641	4,837	5,018	4,870	4,849	4,704	4,677	4,720	4,718	4,857	4,872	4,743	4,630	4,654	340	8%	
A Agriculture, Forestry and Fishing	12	9	3	3	3	9	12	15	12	3	3	3	3	6	31	60	69	96	109	97	808%
C Manufacturing	330	295	295	260	225	230	207	175	171	160	132	120	111	106	111	123	88	115	125	-205	-62%
D Electricity, Gas, Water and Waste Services	20	15	18	18	15	18	20	21	24	21	21	29	21	21	40	35	45	21	20	0	0%
E Construction	115	135	130	130	120	166	151	201	166	143	132	175	205	200	225	275	260	250	245	130	113%
F Wholesale Trade	106	101	86	86	96	128	100	94	119	94	94	102	124	142	142	115	109	112	119	13	12%
G Retail Trade	875	925	875	915	965	1,000	1,010	1,030	1,005	955	960	960	995	995	1,010	970	950	915	925	50	6%
H Accommodation and Food Services	250	305	335	450	280	300	275	270	280	265	250	240	256	234	314	315	313	298	320	70	28%
I Transport, Postal and Warehousing	58	69	71	71	86	76	76	76	61	126	136	72	91	72	74	83	95	18	33	-25	-43%
J Information Media and Telecommunications	345	345	355	350	385	365	420	450	400	370	290	220	200	215	240	240	240	230	170	-175	-51%
K Financial and Insurance Services	181	168	185	199	186	196	236	259	269	309	259	236	178	178	158	152	152	112	155	-26	-14%
L Rental, Hiring and Real Estate Services	65	72	57	67	66	79	91	91	95	68	68	63	66	69	64	64	67	67	64	-1	-2%
M Professional, Scientific and Technical Services	250	260	325	355	310	310	330	340	350	360	350	340	340	340	360	370	380	420	430	180	72%
N Administrative and Support Services	361	341	362	412	462	324	314	372	372	345	262	335	335	315	288	345	262	306	365	4	1%
O Public Administration and Safety	490	440	425	425	430	445	465	460	485	495	485	530	595	590	555	525	535	580	565	75	15%
P Education and Training	235	198	231	245	227	270	275	245	290	300	315	390	300	260	245	210	190	180	163	-72	-31%
Q Health Care and Social Assistance	345	370	370	365	590	490	590	580	505	580	720	640	625	695	700	700	695	635	615	270	78%
R Arts and Recreation Services	86	76	80	76	76	40	55	104	56	55	42	42	85	90	105	90	83	55	41	-45	-52%
S Other Services	190	190	215	205	210	195	210	235	210	200	185	180	190	190	195	200	210	220	190	0	0%
Total	4,314	4,418	4,632	4,732	4,641	4,837	5,018	4,870	4,849	4,704	4,677	4,720	4,718	4,857	4,872	4,743	4,630	4,654	340	8%	

APPENDIX 4: PROPERTY ECONOMICS RETAIL MODEL

This overview outlines the methodology that has been used to estimate retail spend generated at Census Area Unit (CAU) level for the identified catchment out to 2038.

MB 2013 Boundaries

All analysis has been based on Meshblock 2013 boundaries, the most recent available.

Permanent Private Households (PPH) 2013

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

Permanent Private Household Forecasts 2006-2038

These are based on Statistics NZ Census Area Unit (CAU) Medium Series Population Growth Projections and have been adjusted to account for residential building consent activity occurring between 2006 and 2015, with this extrapolated to the year of concern. This accounts for recent building activity, particularly important for the 5-10 year forecasts, and effectively updates Statistics NZ projections to reflect recent trends.

2013-2038 PPH Average Household Retail Spend

This has been determined by analysing the national relationship between PPH average household income (by income bracket) as determined by the 2013 Census, and the average PPH expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ.

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

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

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

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

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

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

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

Internet Retail Spend Growth

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

As some of internet spend is being made to on-the-ground stores, a proportion of internet expenditure is being represented in the Statistics NZ Retail Trade Survey (RTS) while a large majority remain unrecorded. At the same time this expenditure is being recorded under the Household Economic Survey (HES) as a part of household retail spending, making the two datasets incompatible. For this reason, Property Economics has assumed a flat 5% adjustment percentage on HES retail expenditure, representing internet retailing that was never recorded within the RTS.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a decrease in on-the-ground spend and floor space demand. In order to account for this, a non-linear percentage decrease of 2.5% in 2016 growing to 9% by 2038 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 are able to access.

Retail Spend Economic Variables

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

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

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

Wealth/Equity/Debt: This in the early-mid 2000s had a dramatic impact on the level of retail spending nationally. The increase in property prices has increased home owners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumable spending. This debt spending is a

growth facet of New Zealand retail. In 1960 households saved 14.6% of their income, while households currently spend 14% more than their household income.

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

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

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

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

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

Current and Future Conditions

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

Over the last 5 years this has now reversed with the worldwide GFC recession taken grip. As such, the economic environment has undergone rapid transformation. The national market is

currently experiencing low interest rates (although expected to increase over this coming year) and a highly inflated \$NZ (increasing importing however disproportionately). Now emerging is a rebound in the property market and an increase in general business confidence as the economy starts to recover from the post-GFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 20-year period. This rate is highly volatile however and is likely to be in the order of 0.5% to 1% over the next 5 – 10 years rising to 1% - 2% over the more medium term as the economy stabilises and experiences cyclical growth. This would mean that it would be prudent in the shorter term to be conservative with regard to the level of sustainable retail floor space within given centres.

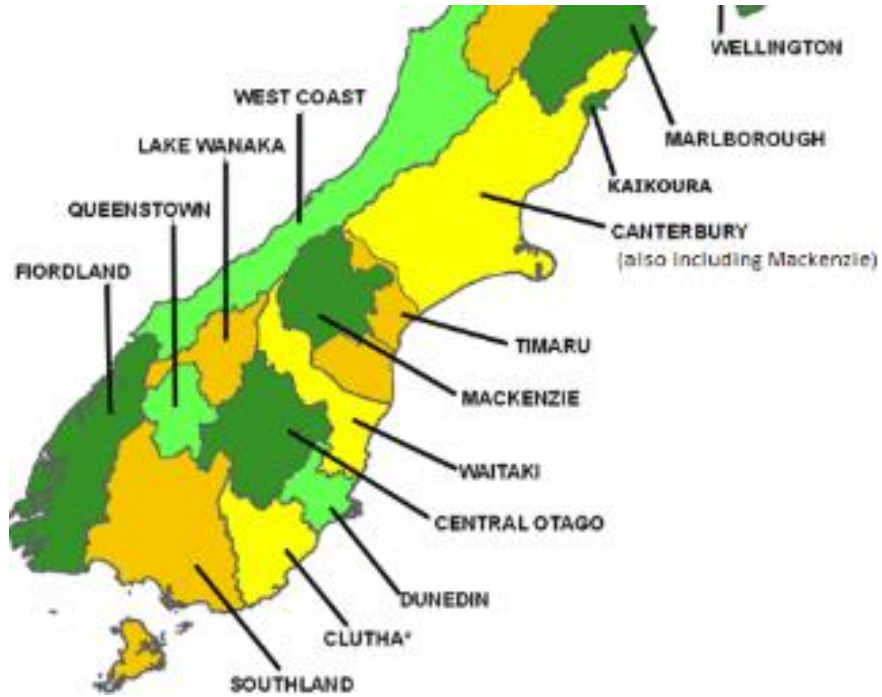
Business Spend 2013

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

Business Spend Forecast 2013-2038

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

APPENDIX 5: MAP OF REGIONAL TOURISM ORGANISATIONS IN THE SOUTH ISLAND



APPENDIX 6: TIMARU BUSINESS ZONED LAND CAPACITY LOCATIONAL BREAKDOWN

TOTAL AND VACANT COMMERCIAL CAPACITY

Zoned Capacity	Timaru					Balance of Timaru	Geraldine			Balance of District	Total Area
	Timaru City Centre	Port	Washdyke	Redruth	Temuka		Pleasant Point	Temuka	Geraldine		
Commercial 1	0	0	0	0	13.5	0	7.7	3.8	0	25.1	
Commercial 1A	12.9	0	0	0	0	0	0	0	0	12.9	
Commercial 1B	31.3	0	0	0	0	0	0	0	0	31.3	
Commercial 1C	19.8	0	0	0	0	0	0	0	0	19.8	
Commercial 2	0	0	0	0	0	7.1	0	0	0	7.1	
Commercial 2A	0	0	0	0	0	12.4	0	0	0	12.4	
Commercial 3	0	0	1.7	0	0	3.1	0	0	0	4.8	
Commercial Total	64.0	0	2	0	13.5	22.7	7.7	3.8	0	113.4	
Vacant Capacity	Timaru					Balance of Timaru	Geraldine			Balance of District	Total Area
	Timaru City Centre	Port	Washdyke	Redruth	Temuka		Pleasant Point	Temuka	Geraldine		
Commercial 1	0	0	0	0	0.6	0	0.4	0.2	0	1.26	
Commercial 1A	0.46	0	0	0	0	0	0	0	0	0.46	
Commercial 1B	1.17	0	0	0	0	0	0	0	0	1.17	
Commercial 1C	0.63	0	0	0	0	0	0	0	0	0.63	
Commercial 2	0	0	0	0	0	0.13	0	0	0	0.13	
Commercial 2A	0	0	0	0	0	12.17	0	0	0	12.17	
Commercial 3	0	0	0.37	0	0	0.03	0	0	0	0.40	
Commercial Total	2.3	0	0	0	0.6	12.3	0.4	0.2	0	16.2	

TOTAL AND VACANT INDUSTRIAL CAPACITY

Settlement	Zoned	Vacant	Userable	Available	LAOM
Pareora (H)	32	14.16	0.57	0.57	0
Pleasant Point (L)	3.93	1.4	1.4	1.4	1.4
Winchester (L)	5.17	2.9	2.9	2.9	2.9
Barkers (L)	12.94	9.5	9.5	9.5	0
Clandeboye (H)	102.85	65.1	62.2	62.2	0
Temuka (L)	54	9.2	9.2	9.2	9.2
Geraldine (L)	11.86	1.38	1.38	1.38	1.38
Redruth					
L	18.26	2.08	2.08	2.04	2.01
H	70.89	0.63	0.63	0.63	0.63
Fairview (L)	5.26	1.6	0.85	0.85	0.85
Port					
L	21.88	1.79	1.79	1.79	1.79
H	72.92	0	0	0	0
Smithfield (H)	38.58	1.44	0	0	0
Timaru CBD (L)	2.5	0	0	0	0
Showgrounds (L)	10.5	0.23	0.23	0.23	0.23
Washdyke					
L	61.69	5.4	5.4	5.4	5.4
H	188.47	22.15	22.15	22.15	22.15
Washdyke Deferred					
L	5.75	5.75	5.75	5.75	5.75
H	30.48	26.7	26.7	22.25	22.25
Total	749.93	171.41	152.73	148.24	75.94

APPENDIX 7: COMMERCIAL SERVICE STORE TYPE CLASSIFICATIONS

Note this is not intended to represent an exhaustive list of commercial store types

EXAMPLES OF CONVENIENCE COMMERCIAL / PROFESSIONAL SERVICES AND OFFICE ACTIVITIES

- Camera / Photography Shop
- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors
- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Child care facilities
- Gym
- Lawyers