

30 October 2018

Green Seed Consultants Limited

c/- Michael Gao

MADE

55 Shortland Street

AUCKLAND

Dear Michael,

RE: Rotokauri North Plan Change Retail Economic Overview

Property Economics has been engaged by Michael Gao of MADE, on behalf of Green Seed Consultants Limited, to provide a high-level retail economic overview for a proposed small-scale mixed-use commercial development with the purpose of serving as a local neighbourhood convenience centre in the proposed Rotokauri North Special Housing Area in Hamilton.

This overview has a specific focus on outlining the key retail / commercial elements of the proposed neighbourhood centre and considers any wider retail impacts this development may have on the surrounding centre network (existing and planned).

Given the size, scale, composition and localised nature of the proposed neighbourhood centre, any economic effects that may occur are likely to be largely isolated to the localised area and the surrounding centres. For the purpose of this analysis the centres that will be considered are The Base and surrounding retail centres and the proposed Rotokauri Suburban Centre, a planned commercial development yet to be actioned proposed within the southern Rotokauri growth area.

Proposed Development

Based on the information provided to Property Economics, Green Seed Consultants Limited intend to develop a 133ha Special Housing Area in north Rotokauri in two stages.

The component of the development relevant to this overview is the proposed neighbourhood centre with the intent of servicing part of the day-to-day retail and commercial convenience needs of the immediate neighbourhood.

Appendix 1 & 2 show the location of the proposed neighbourhood centre in the context of the wider Rotokauri North Concept Masterplan and broader zone framework.

Neighbourhood Centre Policy Plan Context

The relevant Hamilton City Council Operative District Plan Business Zone provisions regarding Neighbourhood Centres is set out below.

Objective 6.2.3

A distribution of locally based centres that provide services and health-care services capable of meeting the day-to-day needs of their immediate neighbourhoods.

Policies

- **6.2.3a** - Activities within neighbourhood centres principally serve their immediate neighbourhood.
- **6.2.3b** - The scale and nature of activities within neighbourhood centres shall not generate significant adverse amenity effects on surrounding residential areas and transport networks.
- **6.2.3c** - Residential activities above ground floor commercial uses are encouraged as part of mixed-use development.

The purpose of Neighbourhood centres in the Operative Plan is to provide a limited range of everyday goods and services and essentially serve a walk-in population. It is essential that the range and scale of activities is compatible with neighbouring residential activity and local amenity values. Limited opportunity must exist for expansion of these centres.

The proposed Rotokauri North neighbourhood centre is specifically designed at a scale to fulfil this role for the future Rotokauri North community and it is in light of these policies that Property Economics will assess the neighbourhood centre in the proposed Rotokauri North development.

Operative District Plan Policy Context

At a broad level Hamilton City's Operative District Plan establishes new policy setting (planning) and strategic direction for the city that seeks to consolidate commercial activity into existing (and planned) centres to deliver an efficient and convenient network of centres throughout the city. In areas of planned high growth such as Rotokauri this will include the development of new centres to efficiently service the requirements of that 'new' community.

This approach seeks to safeguard economic benefits attributable to this consolidation and recognises the significant private and public-sector investment in the city's commercial network. These economic benefits include:

- Certainty of investment
- Agglomeration gains (economic and social)
- Transportation efficiencies
- Infrastructure efficiencies

- Improved community wellbeing and social amenity

This provides basis to the discussion around the proposed development and its effects on the local area and surrounding centres.

Retail Expenditure and Sustainable GFA

A forecast of retail expenditure and sustainable GFA for Rotokauri North has been based on the 'at capacity' / fully developed market for Rotokauri North of 2,000 households. For the purposes of this assessment it has been assumed this would occur by 2038. There is also potential for the proposed centre to service some convenience demand from the future industrial development anticipated in the wider Rotokauri Structure Plan west of the expressway. Convenience demand associated with these activities would primarily be spread across the Rotokauri Suburban Centre, the proposed neighbourhood centre and convenience activity enabled within the Industrial zone (mainly food & beverage likely). This is additional to the analysis in this overview.

For the purpose of this analysis, retail expenditure and floorspace analysis has focused solely on the sectors of convenience retailing. This sector represents a subset of the total retail market. Convenience retailing can be generally defined as stores used for quick stop and frequently required shopping, used primarily due to their close proximity and easy accessibility for the customer.

These stores are not exclusive to any one retail category with examples of such stores including, dairies, bakeries, fruit & vegetable stores, cafes and restaurants. At a broad level, convenience retail spend (excluding supermarkets as a supermarket is not proposed in the centre) is estimated to represent around 19% of all retail expenditure and this proportion has been adopted for the purpose of this analysis. In order to provide a more detailed understanding of convenience and commercial / professional service store types this encompasses a more comprehensive list of convenience store types is provided in Appendix 3.

At capacity Rotokauri North is projected to generate an annual level of convenience-based retail expenditure of around \$12m which is sufficient to sustain approximately 1,800sqm GFA of convenience retail activity.

However, not all convenience retail expenditure generated by Rotokauri North will be internalised or remain in Rotokauri North, particularly with other centres such as the proposed Rotokauri Suburban Centre within close proximity once developed. Other centres are likely to draw customers from the Rotokauri North area.

As a result, an estimated 50% of the estimated generated retail spend is considered appropriate to internalise locally which reduces the sustainable retail demand to around 900sqm GFA. However, retail stores only comprise around 50% of a local neighbourhood centre's tenancy composition with convenience commercial service activity demand also requiring consideration in the proposed centre's provision. Factoring in convenience commercial service demand elevates the total centre sustainable GFA requirements for convenience retail and commercial service activities in the Rotokauri North centre to 1,800sqm GFA.

In respect of land requirements for an efficiently developed centre, applying a GFA to land ratio of around 45% would be appropriate. This means around 4,000sqm of developable and usable land is required to accommodate the Rotokauri North convenience retail and commercial service activities. This excludes land required for any playgrounds, urban parks, community or recreational facilities that sometimes form part of neighbourhood centres. Land demand for these activities would be additional to the determined 4,000sqm.

Trade Competition Effects vs Distribution Effects

In terms of assessing potential retail economic effects under the RMA there is first a need to differentiate between trade competition effects and flow-on retail distribution effects. By themselves, trade competition effects are not justification for declining a retail consent application under the RMA, unless they are of a level that generates significant adverse flow-on retail distribution effects on the existing centre network of the area. It is within this broader context that the relative merits of this private plan change, in terms of retail impacts, needs be considered under the RMA.

Retail distribution effects are generated by, and are the result of, consequential trade competition effects. These effects can range across the spectrum (positive and negative) depending on the level of effects generated, which are heavily dependent on the scale, type and location of the proposed activity, among other attributes. Where the patterns of support and commercial activity within an existing centre would not change dramatically within a locality as a consequence of a proposed activity, then the retail distribution effects are not considered to be significant.

Put another way, retail distribution effects would occur where a new business (or cluster of businesses) affects an existing centre to such a degree that it would erode a centre's viability, causing a decline in its function and amenity, and disabling the people and communities who rely upon those existing (declining) centres for their social and economic wellbeing.

It is Property Economics' understanding that the planned neighbourhood centre will be a commercial development of around 2000sqm-3000sqm GFA with a primary role and function of providing convenience-based retail and commercial services to the emerging residential market surrounding the centre.

The nearest competitors to the proposed neighbourhood centre are The Base / Te Awa Centre to the east, and of particular interest, the planned larger scale Rotokauri Suburban Centre proposed to be developed in Rotokauri South. It is Property Economics' understanding that this centre is proposed to be a significantly larger commercial development to serve all Rotokauri with a retail and commercial service function akin to a town centre.

The Base / Te Awa Shopping Centre is a significant regional centre that services not only Hamilton but the wider Waikato Region. It encompasses over 84,000 sqm GFA and contains over 100 specialty stores with seven major tenancies / anchor stores.

The Rotokauri suburban centre is a planned commercial centre, proposed to be the main retail / commercial centre for this north western growth area of Hamilton and to serve both residential and industrial areas. The centre will offer a much broader range of retail and commercial services than the proposed neighbourhood centre and also is likely to contain a number of community and recreational facilities that will not be included in the proposed centre.

Given the proposed scale of the Rotokauri North neighbourhood centre, projected market growth and role and function of the surrounding centres, the market can comfortably accommodate both a suburban and neighbourhood centre in the future, much like most other communities in Hamilton. Importantly the development of the proposed Rotokauri North neighbourhood centre does not undermine the potential for the Rotokauri suburban centre to be developed or jeopardise its planned role and function.

Being a small, convenience-based centre, the proposed Rotokauri North neighbourhood centre's competitiveness is largely driven by its proximity to its local market. In this sense the proposed centre is unlikely to pose a significant threat to these other centres to the point where retail distribution effects would begin to become evident. The proposed centre would be simply too small to undermine those larger centres and there is no plausible potential that the proposed provision could undermine or jeopardise the retail and commercial provisions in The Base / Te Awa and the planned Rotokauri suburban centre to a level where their function or viability is threatened.

Taking into consideration the scale, type, location and market growth components of the proposed neighbourhood centre, and its proximity to centre competition, the development is not considered of a scale that could generate significant adverse retail distribution effects on surrounding centres. Its proposed activities are appropriate and fit with the role and function of a modern neighbourhood centre. Any effects generated by the proposed development are considered likely to be trade competition effects, and nor do the retail stores themselves have the propensity to generate significant adverse retail distribution effects on the market. Any trade diversion effects will be negligible in my opinion, trade competition based and quickly offset by projected market growth.

Summary

Rotokauri has been identified by the Hamilton City Council as an area to accommodate significant residential growth in the future. Around 1000ha of development is planned with land zoned industrial and residential, the land zoned residential totals approximately 485ha and the land zoned industrial totals approximately 270ha.

The future population of the area is expected to grow to between 16,000 and 20,000 people once developed, and it is currently planned that the future Rotokauri Suburban Centre will act as the primary commercial centre to the area, serving the general residential population of Rotokauri and the neighbouring industrial estate.

Furthermore, the Rotokauri North Special Housing Area would be best served in terms of efficiency if it had its own small neighbourhood centre that did not conflict with the main

Rotokauri suburban centre, i.e. complement rather than undermine. The development is isolated on the north side of the area and as a matter of convenience an additional small commercial development is likely to be beneficial to satisfy the demand that is likely to arise from this subdivision as it grows for a convenient 'top-up' location.

In light of previous considerations and given the scale of the proposed development, Property Economics consider a full retail impact assessment unnecessary in this instance. With current proposed market growth, strong prospective demand (based on fully developed yield), little conflict with existing developments in terms of the RMA, Property Economics supports the subject private plan change's neighbourhood centre from a retail economic perspective.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Tim Heath'.

Tim Heath
Managing Director

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the Official Information Act 1982

APPENDIX 1: ROTOKAURI NORTH SHA MASTERPLAN CONCEPT

Rotokauri North Special Housing Area

August 2018
Green Seed Consultants Ltd

ROTKAURI NORTH SHA UPDATED MASTERPLAN CONCEPT (Figure 4)

Masterplan concept summary

- Concept delivers approximately 53% developable land at this stage:
 - 6% stormwater
 - 29% roads
 - 12% open space.
- 70.5ha assumed developable - estimate only, no accounting for geotech or stormwater (-) or other efficiencies (+).
- Assumed density range of 150-600m² (350m² average).
- Yield range 1,700-2,000 units with 680-800 affordable units.

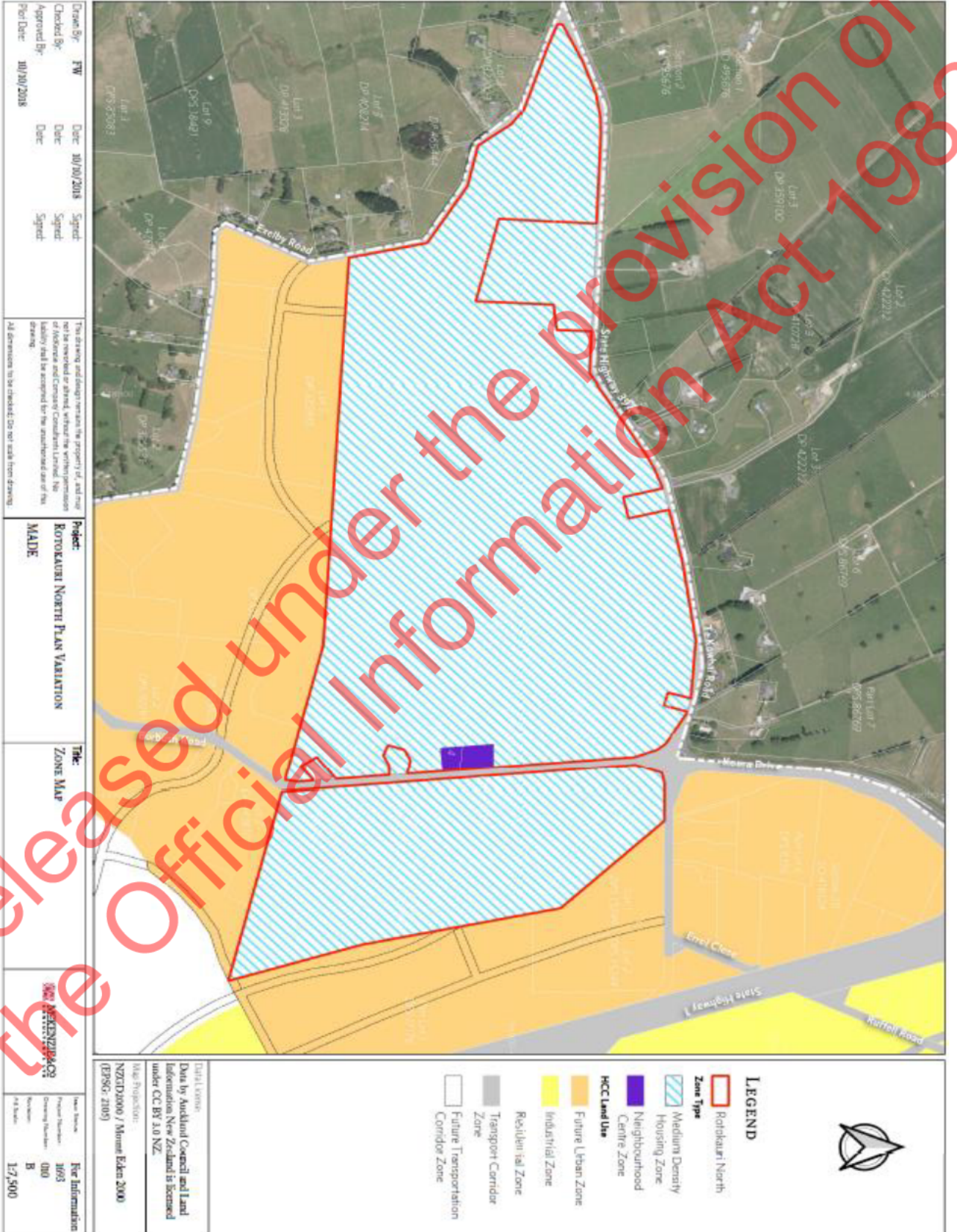
Figure 4: Rotokauri North SHA Updated Masterplan Concept
Source: DesignUrban Pty Ltd



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APPENDIX 2: ROTOKAURI NORTH SHA ZONE MAP



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APPENDIX 3: CONVENIENCE STORE TYPE EXAMPLES

Note this is not intended to represent an exhaustive list.

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