BEFORE THE QUEENSTOWN LAKES DISTRICT COUNCIL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Submissions and further submissions lodged by **Gordon Family Trust** to the Proposed Queenstown Lakes District Plan.

STATEMENT OF EVIDENCE OF JOHN DANIELL POLKINGHORNE

ADDRESSING Chapter 15 – Local Shopping Centre Zone

For Gordon Family Trust

Submitter Refs 249,507,622,

Further Submitter Ref 1193

Introduction, and Summary of my Evidence

1. My full name is John Daniell Polkinghorne. I am an associate director of RCG Limited, with responsibility for the company's research and analytics work.
2. I have been employed by RCG Limited since February 2008, initially working as a research analyst and economist.
3. I hold a Master of Commerce degree from the University of Auckland, majoring in economics.
4. I have been involved in a range of projects in the Queenstown Lakes District.
5. These include consulting work for Kawarau Falls and Queenstown Airport, and assisting Mr John Long, one of RCG's directors, with the preparation of his evidence for various hearings.
6. In 2009, I authored an RCG report titled "Wanaka Market Analysis – 2009 Update", prepared in support of PC16 (Three Parks Zone). Mr Long gave evidence on behalf of Willowridge Developments.
7. In 2011, I carried out a retail modelling exercise for Queenstown in support of PC19 (Frankton Flats B). Mr Long gave evidence on behalf of the applicant.
8. In 2014 and 2015, Mr Long gave evidence for PC45 (Northlake) on behalf of MW Meehan. I prepared the research appendices to his evidence.
9. I am familiar with the retail offerings in Queenstown and Wanaka.
10. I have been asked by counsel for Gordon Family Trust to comment on the potential for retail at the site on Cardrona Valley, and the influence of the proposed zoning and planning rules.
11. In preparing my evidence, I have considered the earlier work by Mr Long and myself described above, as well as reading the following documents:

    - Chapters 3, 13 and 15 of the PDP;
    - Willowridge Developments submission on the PDP (date unknown);
    - The s42A report for Chapter 15, dated 2 November 2016, along with its attachments;
    - A 15 November 2013 report by McDermott Miller Strategies, titled "Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy";
    - A 31 January 2014 peer review of the above report, by McDermott Consultants;
    - A March 2014 report by McDermott Consultants, titled "Peter Gordon Development Retail Assessment, Cardrona Valley Rd, Wanaka";
    - Mr Timothy James Heath's Statement of Evidence on behalf of the Queenstown Lakes District Council, dated 2 November 2016;

12. My evidence works through the following stages:

    - A review of population and household growth in Wanaka;
    - A review of tourism growth in Wanaka;
    - Modelling retail demand in Wanaka, based on the household and tourism data above;
    - Comments on retail 'supply' in Queenstown in Wanaka, including the proposed site;
    - Comments on previous retail demand studies;
    - Comments on evidence and planning material relevant to this hearing.

13. I have prepared my evidence in compliance with the Code of Conduct for expert witnesses set out in the Environment Court's 2014 practice note.

14. I confirm that my evidence is within my area of expertise and that I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

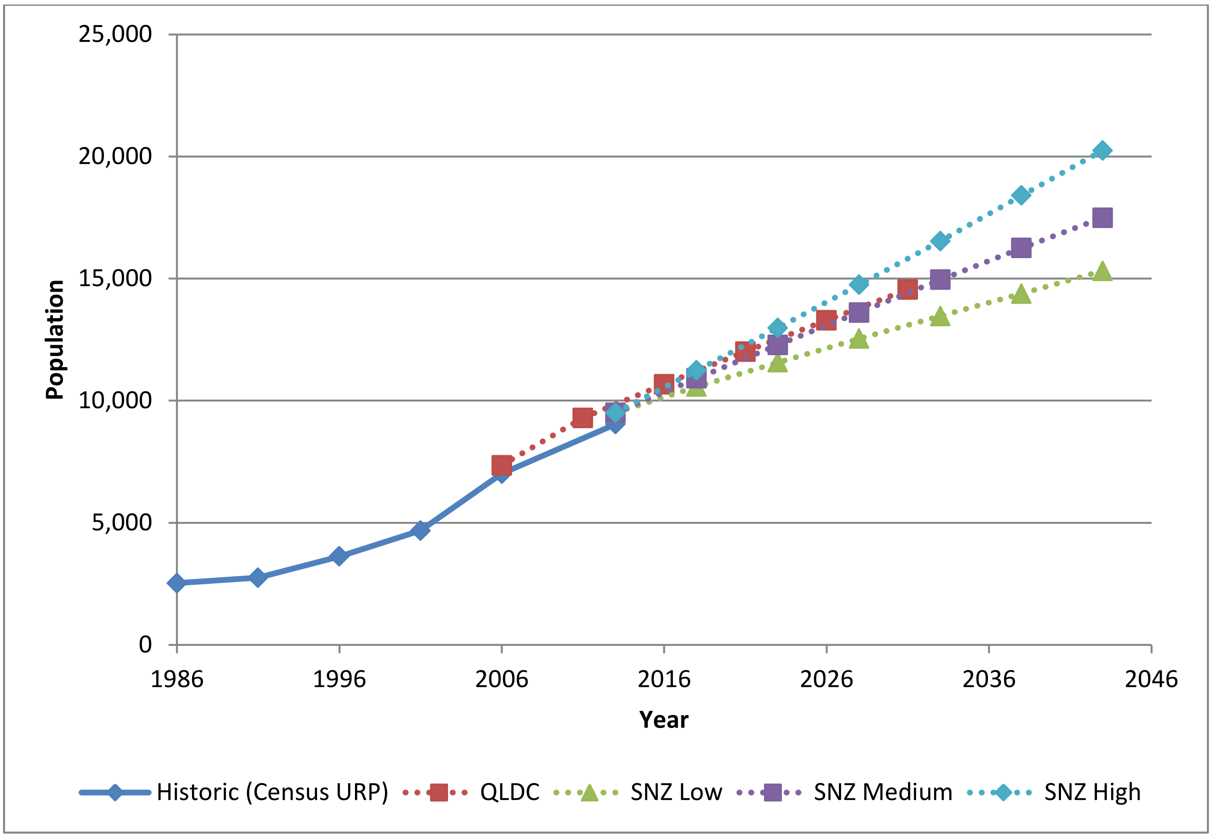
Population and Household Growth in Wanaka

15. Wanaka has grown strongly over the last 30 years, and this growth is expected to continue.

16. I note that, throughout my evidence, when I say Wanaka I mean this to include the wider catchment, including the Hawea and Matukituki area units. This definition is illustrated in the appendix to my evidence.

17. The graph below shows historic population figures for Wanaka (the 'usually resident population' for the 1986-2013 censuses), along with four sets of projections.

Historic and Projected Population for Wanaka



18. The "QLDC" projections were prepared in 2011, so they predate the latest census in 2013. The Low, Medium and High projections from Statistics New Zealand (SNZ) were all released in 2015.

19. Based on the SNZ medium projection, Wanaka's population is expected to grow from 9,500 in 2013 to 17,490 in 2043. The low and high projections also show a significant level of growth.

20. The RCG Retail Sales Model is based on household numbers, rather than population.

21. Since average household sizes tend to decrease over time (i.e. fewer people per household), the rate of household growth is generally faster than population growth.

22. The 2011 QLDC projections include household projections for the Wanaka area; however, SNZ household projections are only available at the territorial authority level.

23. I have prepared household projections for the Wanaka area which are ‘consistent’ with the available SNZ data.

24. My projections use SNZ’s household projections for the Queenstown-Lakes District, and then apportion households to either the Wanaka or Queenstown area based on their respective populations, in the SNZ population projections.

25. For example:

- SNZ’s medium household projection assumes 18,800 households in the Queenstown-Lakes District in 2038;
- SNZ’s medium population projection assume that the Queenstown-Lakes District has a population of 47,300 in 2038, with 16,250 or 34.4% living in the Wanaka area;
- My ‘SNZ-consistent’ household projection assumes that 34.4% of the district households will be in Wanaka, i.e. 6,459 households.

26. This approach should be slightly on the conservative side, as according to the 2013 census Wanaka had a slightly larger share of the district’s households than its population (33.4% vs 32.0%).

27. These household projections are summarised below:

Household Projections for Wanaka

Projection/ Year	2013	2018	2023	2028	2033	2038
"SNZ-Consistent" Projections						
Low	3,678	4,041	4,430	4,820	5,219	5,584
Medium	3,678	4,228	4,741	5,317	5,912	6,459
High	3,678	4,360	5,061	5,816	6,605	7,394
Projection/ Year	**2006**	**2011**	**2016**	**2021**	**2026**	**2031**
QLDC	3,069	3,894	4,489	5,071	5,631	6,188

Source: QLDC, RCG using SNZ data

28. The medium projection above implies that Wanaka adds 107 new households a year over 2013-2018, and similar annual growth over the entire projection period. Under the high projection, the figure is 132 households a year, eventually reaching 153 households a year in 2033-2038.

29. Wanaka has continued to grow rapidly since 2013. 189 new dwellings were consented in 2013, 249 in 2014, and 303 in 2015. The figure is likely to exceed 350 in 2016.

30. Based on 2013 census data, perhaps a third of Wanaka dwellings are used as holiday homes. Even applying a similar rate here, it is evident that Wanaka is growing more quickly than the high projection suggests.

31. This may well be cyclical, and Wanaka is unlikely to maintain this level of growth. Even so, household numbers are likely to have grown by around 13.4% since 2013, whereas my preferred modelling assumption (the 'medium' projection) would only suggest 5.9% growth.

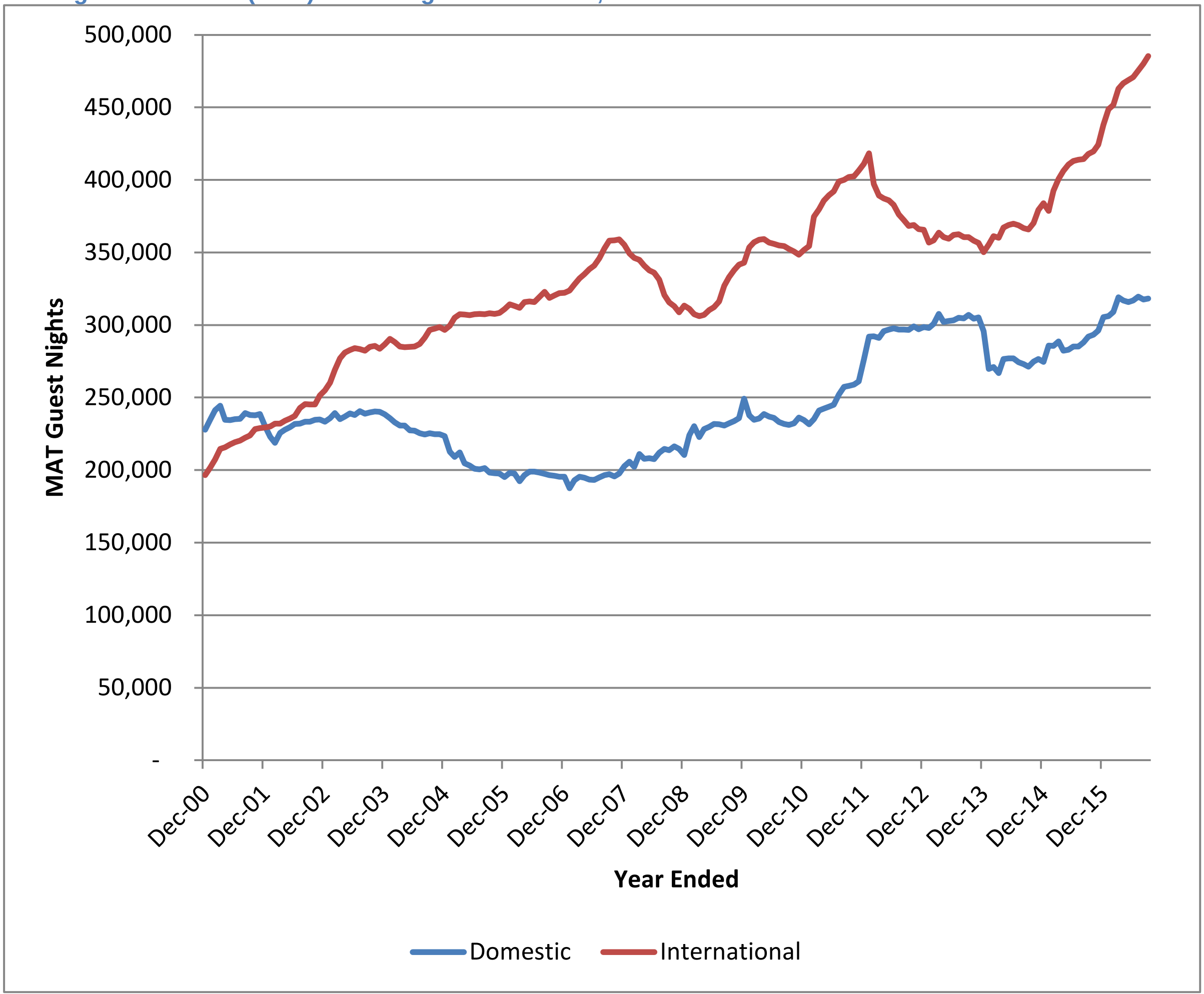
32. As such, the modelling is already likely to be conservative in 2016.

Tourism Growth in Wanaka

Historical Data – Commercial Accommodation Monitor

33. One reliable source of tourism information is the Commercial Accommodation Monitor, which records the number of "guest nights" stayed by guests in commercial accommodation facilities. This data source shows strong growth in recent years, especially for international guests:

Moving Annual Total (MAT) Guest Nights in Wanaka, for Domestic and International Guests



Source: Commercial Accommodation Monitor

Historical Data – Regional Tourism Estimates

34. Regional Tourism Estimates use EFTPOS data to estimate tourism spending at the Wanaka level, for both domestic and international visitors and across a range of spending categories.

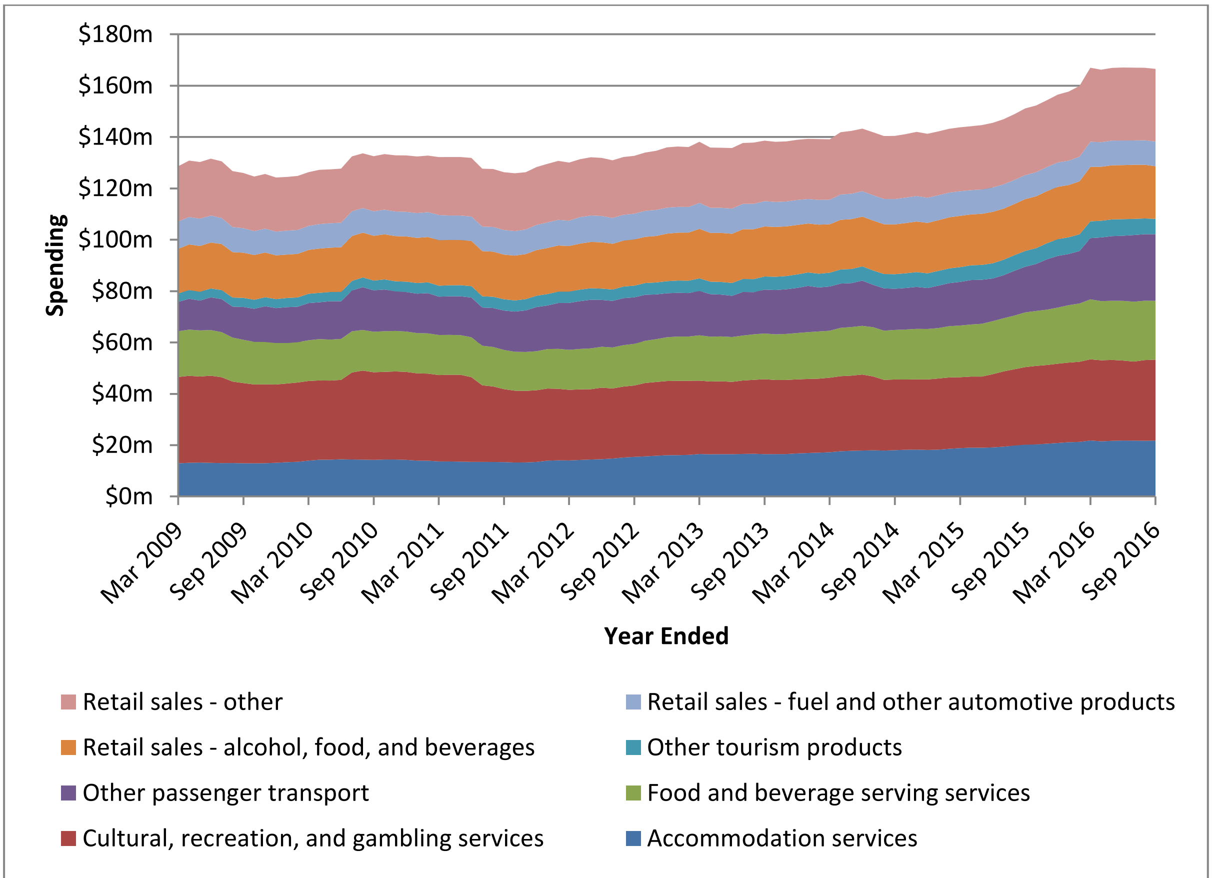
35. These estimates exclude GST.[1]

36. The RCG Retail Sales Model uses the Regional Tourism Estimates data for three of the spending categories – "food and beverage serving services", "retail sales - alcohol, food, and beverages", and "retail sales – other", as inputs for the model's 2016 base year.

37. The first two of these categories match up with two of the store types in the Retail Sales Model, whereas "retail sales – other" is apportioned across several other store types.

38. The Regional Tourism Estimates for Wanaka are shown in the two graphs below:

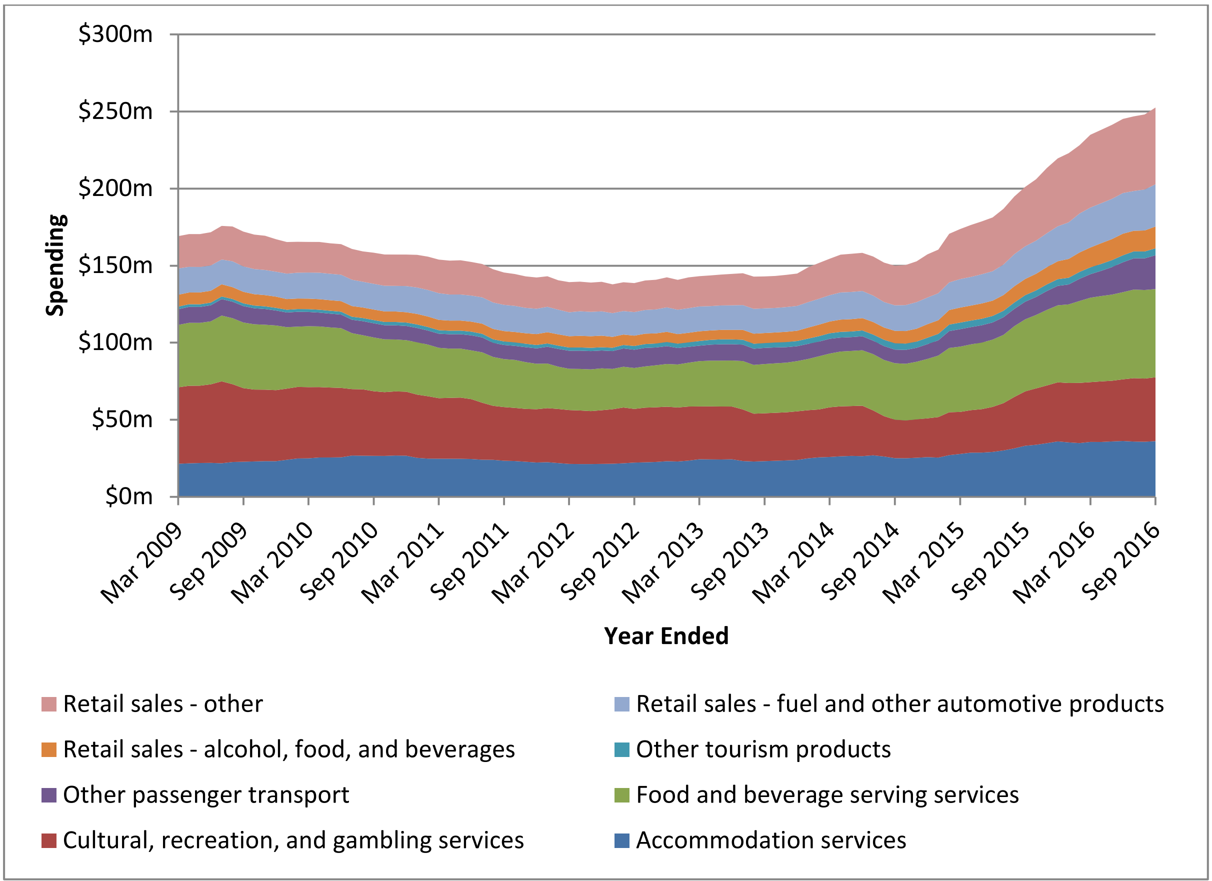
Domestic Visitor Spending in Wanaka



Source: MBIE

[1] http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/monthly-regional-tourism-estimates/previous-regional-tourism-series/regional-tourism-estimates/documents-image-library/20130829%20Regional%20Tourism%20Estimates-method-%20concets-%20results_v2.pdf

International Visitor Spending in Wanaka



Source: MBIE

39. As with the guest nights data presented earlier, the Regional Tourism Estimates show strong growth in recent years. Domestic tourism has had steady but unspectacular spending growth, whereas international spending declined over 2009-2012 but has risen dramatically in the last two years.

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

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

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

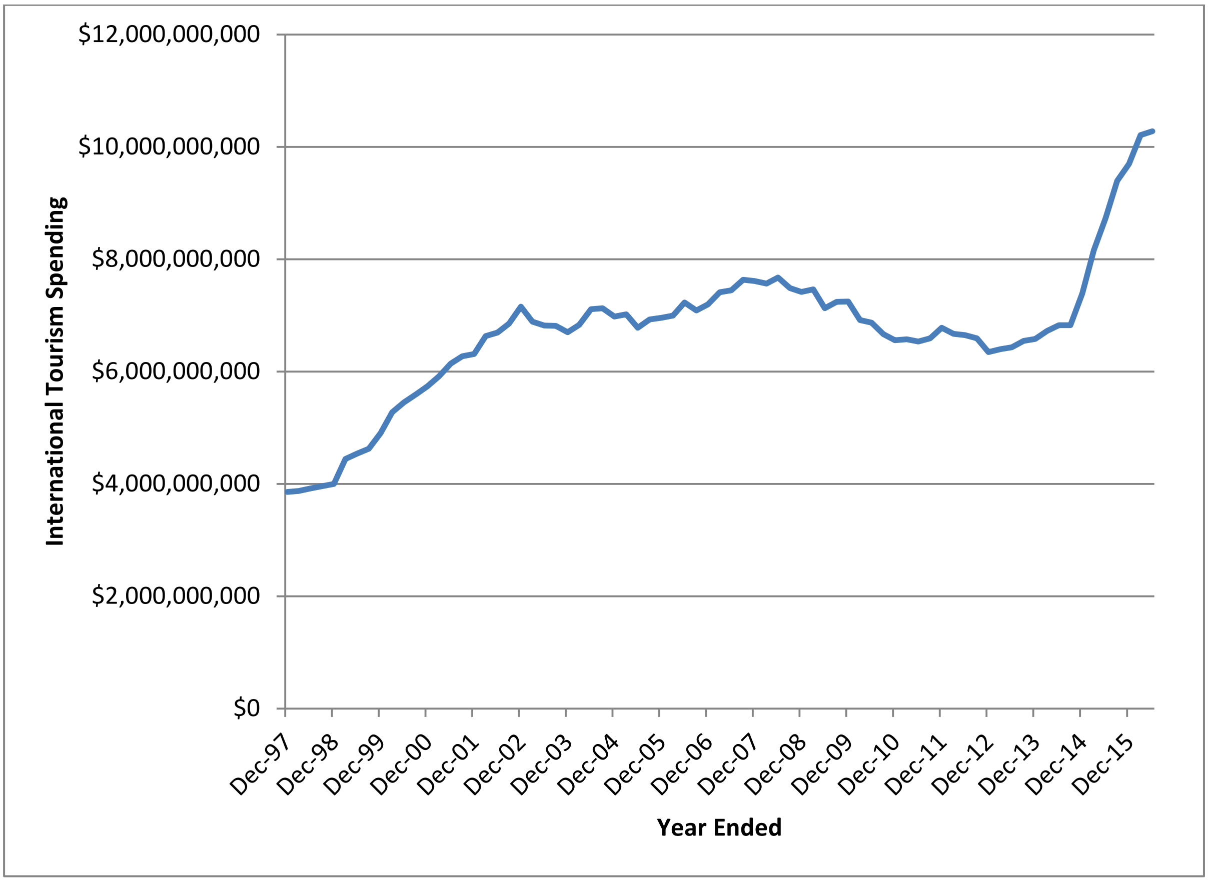
Historical Data – International Visitor Survey (New Zealand Level)

43. Another source of data on tourism expenditure is the International Visitor Survey. This has data going back to 1997, but is only available at the New Zealand level, with no Wanaka-level information available.

44. However, I consider that it still provides valuable context on tourism spending.

45. This expenditure data is shown in the graph below, and again it is presented in nominal rather than real terms.

International Tourism Spending (New Zealand Level)



46. Spending grew rapidly in the late 1990s and early 2000s, was roughly flat for a decade – it would have fallen in real terms – and has been growing at an unprecedented rate (often 20% or higher) in the last two years.

Forecasting Tourism Spending

47. Forecasting tourism spending growth is extremely difficult. The industry is prone to upturns and downturns, and spending is particularly affected by the strength of the dollar.

48. In the past, the Ministry of Tourism produced forecasts at the Wanaka level, but now forecasts are only made at the New Zealand level.

49. The latest MBIE forecasts assume that international tourism spending will grow by 11.3% in the year to March 2017, and at an annual rate of 5.8%-7.1% in the following five years,[2] which is as far out as the forecasts go.

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

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

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

53. For international tourism spending, I look at (real) growth of 1% to 4% per annum. Even the high end of this range is lower than MBIE's forecasts for the next six years. However, my modelling covers a multi-decade period and it would be highly speculative to apply high rates over such a long time.

54. My 'preferred' growth rate for international tourism spending, used in my summary modelling tables, is 3%.

55. For domestic tourism spending I look at (real) growth of 1% to 3% per annum. As noted earlier, the domestic market tends to be steadier.

56. The logic used in my 2009 research for Three Parks remains quite relevant: if household numbers around New Zealand are increasing by around 1% annually, and 'real spending growth' per household rises by 1% annually, then 2% is a reasonable guess of how domestic tourism spending could grow.

57. My 'preferred' growth rate for domestic tourism spending is 3%.

[2] http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/international-tourism-forecasts/2016-2022-forecasts

The RCG Retail Sales Model

58. RCG has developed a proprietary Retail Sales Model, which I use to estimate the “retail spending power” for a given area, and then translate it into demand for retail floor space.

59. Similar models are frequently used by expert witnesses in council and Environment Court hearings. Mr Heath has used a similar model in other hearings, and the main differences relate to the assumptions made – for example, the level of household growth, how sales are allocated to particular catchments, or the level of sales per square metre.

60. To my knowledge, this kind of modelling has not been carried out for Wanaka since the Three Parks hearings some years ago – although note my later comments on the 2013 McDermott Miller Strategies report.

61. RCG’s research work on Three Parks was completed in late 2009.

62. Recent changes – such as the dramatic increase in tourism spending in the last couple of years – underscores the need for a modelling update.

63. For this evidence, I have used the RCG Retail Sales Model to analyse the potential demand for retail space in Wanaka. I have set out the assumptions contained in the model in the attached appendix to this evidence.

64. I have separated out the modelling results for visitors vs households and businesses, since the growth drivers are quite different, and also because they may shop in different areas.

65. I have also separated out the results for specialty retail and LFR.

Model Overview

66. “Retail spending power” is an estimate of how much money the households and businesses based in a catchment, and visitors to that catchment, are likely to spend on retail. If referring to a year in the future, I would call this a “projection” rather than an estimate.

67. Retail spending power is based on actual retail sales data at the national level (from the Retail Trade Survey), and allocated to catchments based on households and household incomes, employee numbers, and tourism spending.

68. At the national level, RCG’s model covers the entire “core” retail sector as defined by Statistics New Zealand (SNZ), with the exception of the “non-store and commission-based retailing” and “accommodation” store types.

69. This equates to $51.4 billion in nationwide retail sales in 2013, the “base” year of the model. Of this figure, around 53% is allocated to households, 32% to businesses and 15% to tourism.

70. Beginning with the base year, 2013, we make projections of retail spending power in the future, based on our assumptions on household and business growth, income growth, and tourism spending growth.

71. All dollar values in the modelling are “real”, i.e. they are adjusted for inflation and presented in 2013 dollars. They exclude GST.

72. Retail spending power leads to “floor space demand” – that is, because people want to spend money in retail stores, there is a demand for retail floor space.

73. The model calculates this by dividing the retail spending power figures by typical retailer performance factors, i.e. a benchmark “sales per square metre of leasable area” ratio for each store type.

74. Retailers can be divided into LFR, or large format retail (large shops like supermarkets, Rebel Sport, furniture stores, etc), and “other” retail, i.e. smaller shops. The split between LFR and other retail is another important assumption of the model.

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

Model Assumptions on LFR/ Other Retail Sales Split, and Sales per Square Metre

Store Type	LFR/ Other Retail Sales Split		Sales per Square Metre	
	LFR	Other	LFR	Other
Food Retailing	$12,000	$7,000	80%	20%
Department stores	$3,200	n/a	100%	0%
Furniture, floor coverings, houseware and textiles	$2,500	$5,500	75%	25%
Hardware, building and garden supplies	$2,200	$3,500	75%	25%
Recreational goods	$3,000	$5,500	40%	60%
Clothing, footwear and personal accessories	$2,400	$5,500	15%	85%
Electrical and electronic goods	$7,000	$8,000	70%	30%
Pharmaceutical and other stores	n/a	$5,500	0%	100%
Food and beverage services	n/a	$8,000	0%	100%

Source: RCG

76. For example, the model assumes that 80% of Food Retailing sales are made in LFR stores (i.e. supermarkets), and that these stores typically trade at $12,000/m^2. It defines all Food & Beverage Services space as small format, and assumes that these stores trade at $8,000/m^2.

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

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

Income Adjustments

79. The Retail Sales Model assumes that catchments with median household incomes above the national median spend more on retail, and vice versa. It uses a linear adjustment, so

households in a catchment with incomes 20% higher than the national median are assumed to spend 20% more than average.

80. The Wanaka median household income is almost identical to the national median ($63,596 vs $63,800) so in this case the adjustment is very small.

81. However, this may understate the affluence and spending power of Wanaka households.

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

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

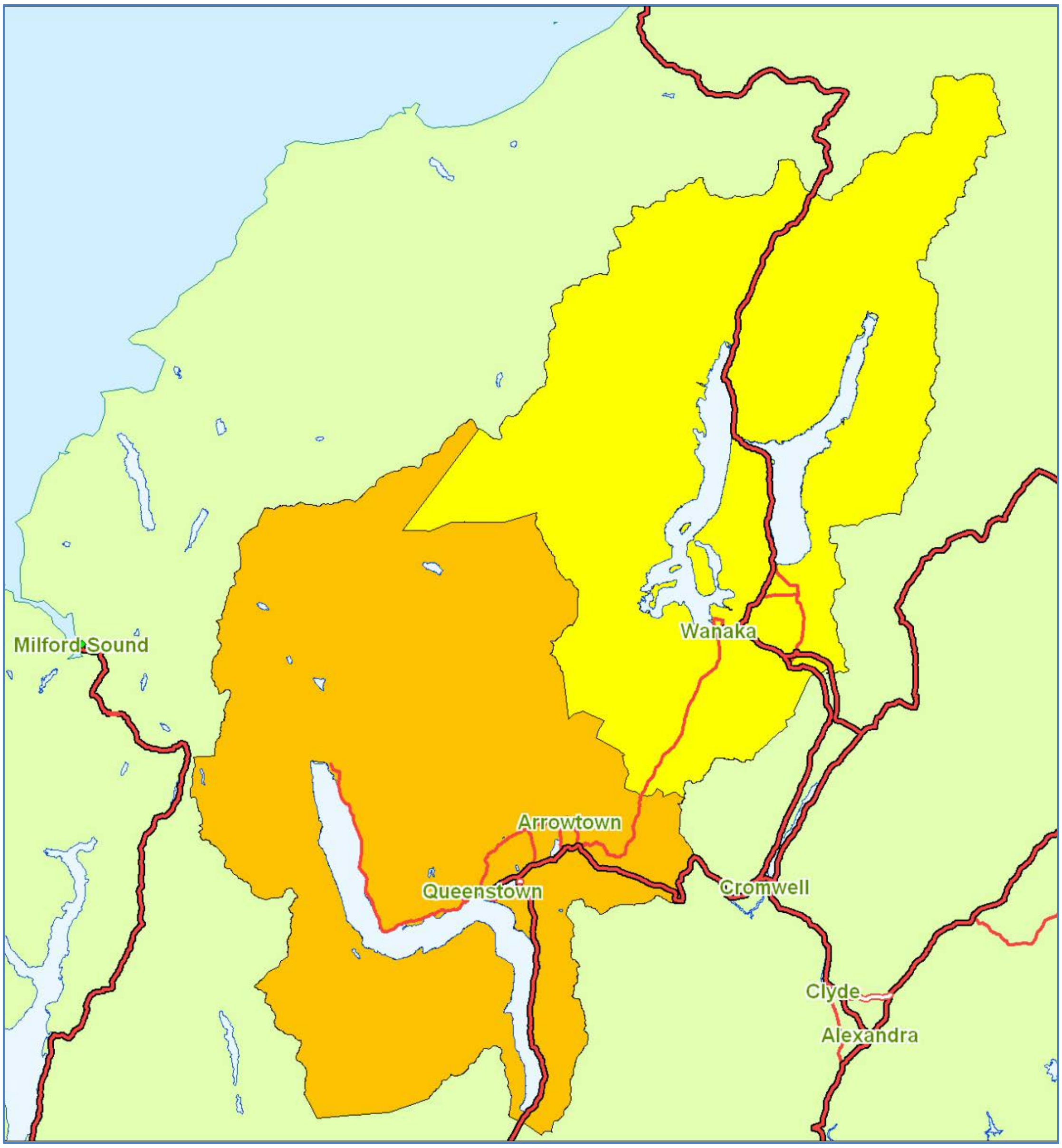
84. This data is based on a ‘sample’ of households and covers one particular year, so I do not see it as being definitive, but again it tends to illustrate that my modelling may be conservative in estimating the spending power of Wanaka households.

Other Modelling Notes

85. My modelling is based on the commonly accepted Wanaka catchment, comprising the Wanaka, Hawea and Matukituki area units.

86. The map below shows the Wanaka catchment in yellow (along with the catchment often defined for Queenstown in orange, taking in the remainder of the Queenstown-Lakes District).

The Wanaka and Queenstown Catchments



Source: RCG

87. I have grouped households and businesses together, and used the same growth rate for each. For example, for the "low" household growth scenario, I assume the same growth rate applies to businesses.

Modelling Results

88. This section highlights the results from my modelling work using the RCG Retail Sales Model.

Tourism Spending in Wanaka

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

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

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

2016 Floor Space Demand in Wanaka from Tourists (m^2)

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

Source: RCG

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

92. The retail floor space demand from visitors will grow over time. As noted earlier, forecasting tourism growth patterns is difficult. I adopt a sensitivity range of 1% to 4% real annual growth

for international visitors (all of which are lower than current MBIE forecast growth rates at the New Zealand level), and 1% to 3% for domestic visitors.

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

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

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

Source: RCG

94. This table illustrates that, using the 'preferred' growth assumptions, visitors to the Wanaka RTO will create demand for 40,390 m^2 of retail floor space as at 2028.

95. Sensitivities around the growth assumptions show some of the other potential outcomes, from 33,105 m^2 to 45,371 m^2 in 2028.

96. This compares with the 'current' 2016 demand of 29,379 m2. Of course, even this figure is much higher than it would have been two or three years ago, given the large spending increases in that time.

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

Household and Business Spending in Wanaka

98. I wish to emphasise two points before presenting my modelling results for households and businesses in Wanaka.

99. The first is that the results are based on the different sets of projections described earlier, with a base year of 2013. As noted in paragraph 31 of my evidence, these projections understate the level of growth since then, and are likely to be conservative at least for the next few years. I view the 'medium' projection, which I list as my 'preferred' projection, as being conservative throughout the modelling timeframe.

100. The second point is that the results assume that retail spending per household grows by 1% per annum. Again, this understates the level of growth since 2013, which has been running at more than 3.5% annually since then. There is a cyclical component to this, but I expect the results to be conservative in 2016. I also view the 1% annual growth assumption as conservative throughout the modelling timeframe.

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

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

Projection			
Low	Medium	High	QLDC
26,995	**29,775**	32,569	31,629

Source: RCG

102. This table illustrates that, using the ‘preferred’ medium projection, households and businesses based in Wanaka will create demand for 29,775 m^2 of retail floor space as at 2028.

103. Different projections show some of the other potential outcomes, from 26,995 m^2 to 31,629 m^2 in 2028.

104. This compares with the ‘current’ 2016 demand of 19,921 m^2 based on the medium projection, although as noted earlier this is likely to be conservative. Demand was 17,743 m^2 in the model’s base year of 2013.

105. Again, growth is of course expected to continue beyond 2028.

106. The table below shows the modelled floor space demand from households and businesses based in Wanaka over the 2013-2038 period. It uses my ‘preferred’ assumptions, i.e. the medium household projections, which I consider to be conservative:

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

Store Type	2013	2018	2023	2028	2033	2038
Large Format Retail (LFR)						
Food Retailing	2,268	2,740	3,229	3,806	4,447	5,106
Department stores	2,220	2,682	3,160	3,725	4,353	4,998
Furniture, floor coverings, houseware and textiles	1,312	1,586	1,868	2,202	2,574	2,955
Hardware, building and garden supplies	3,963	4,788	5,642	6,650	7,772	8,924
Recreational goods	382	462	544	642	750	861
Clothing, footwear and personal accessories	403	487	574	677	791	908
Electrical and electronic goods	575	694	818	964	1,127	1,294
Pharmaceutical and other stores	0	0	0	0	0	0
Food and beverage services	0	0	0	0	0	0
Total	11,123	13,438	15,835	18,665	21,813	25,046
Other Retail (Specialty)						
Food Retailing	1,134	1,370	1,614	1,903	2,224	2,553
Department stores	0	0	0	0	0	0
Furniture, floor coverings, houseware and textiles	199	240	283	334	390	448
Hardware, building and garden supplies	830	1,003	1,182	1,393	1,628	1,870
Recreational goods	313	378	445	525	614	704
Clothing, footwear and personal accessories	997	1,204	1,419	1,673	1,955	2,245
Electrical and electronic goods	215	260	307	362	423	485
Pharmaceutical and other stores	1,647	1,990	2,345	2,764	3,230	3,709
Food and beverage services	1,285	1,552	1,829	2,156	2,520	2,893
Total	6,620	7,998	9,425	11,110	12,983	14,907
Total, All Retail						
Food Retailing	3,402	4,110	4,843	5,708	6,671	7,660
Department stores	2,220	2,682	3,160	3,725	4,353	4,998
Furniture, floor coverings, houseware and textiles	1,511	1,826	2,151	2,536	2,964	3,403
Hardware, building and garden supplies	4,793	5,791	6,824	8,044	9,400	10,793
Recreational goods	695	840	990	1,167	1,363	1,565
Clothing, footwear and personal accessories	1,400	1,692	1,993	2,350	2,746	3,153
Electrical and electronic goods	790	955	1,125	1,326	1,549	1,779
Pharmaceutical and other stores	1,647	1,990	2,345	2,764	3,230	3,709
Food and beverage services	1,285	1,552	1,829	2,156	2,520	2,893
Total	17,743	21,437	25,260	29,775	34,796	39,953

Source: RCG

107. This table illustrates that households and businesses in Wanaka created demand for 17,743 m² of retail floor space as at 2013. This will grow over time, to 29,775 m² by 2028 and 39,953 m² by 2038.

Combined Demand from Households, Businesses and Visitors (Preferred Assumptions)

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

2013-2038 Floor Space Demand from Households, Businesses and Visitors (Preferred Assumptions, m^2)

Store Type	2013	2018	2023	2028	2033	2038
Large Format Retail (LFR)						
Food Retailing	3,715	4,789	5,536	6,407	7,381	8,416
Department stores	6,417	11,441	13,218	15,278	17,628	20,257
Furniture, floor coverings, houseware and textiles	1,312	1,586	1,868	2,202	2,574	2,955
Hardware, building and garden supplies	3,963	4,788	5,642	6,650	7,772	8,924
Recreational goods	1,430	1,967	2,227	2,524	2,857	3,220
Clothing, footwear and personal accessories	766	1,228	1,424	1,652	1,910	2,193
Electrical and electronic goods	575	694	818	964	1,127	1,294
Pharmaceutical and other stores	0	0	0	0	0	0
Food and beverage services	0	0	0	0	0	0
Total	18,177	26,493	30,733	35,677	41,247	47,259
Other Retail (Specialty)						
Food Retailing	1,857	2,394	2,768	3,203	3,690	4,208
Department stores	0	0	0	0	0	0
Furniture, floor coverings, houseware and textiles	199	240	283	334	390	448
Hardware, building and garden supplies	830	1,003	1,182	1,393	1,628	1,870
Recreational goods	1,170	1,609	1,822	2,065	2,337	2,635
Clothing, footwear and personal accessories	1,893	3,037	3,521	4,084	4,723	5,422
Electrical and electronic goods	215	260	307	362	423	485
Pharmaceutical and other stores	3,500	5,818	6,738	7,807	9,021	10,362
Food and beverage services	7,202	11,555	13,266	15,240	17,494	20,039
Total	16,867	25,917	29,887	34,488	39,707	45,469
Total, All Retail						
Food Retailing	5,572	7,183	8,305	9,610	11,071	12,625
Department stores	6,417	11,441	13,218	15,278	17,628	20,257
Furniture, floor coverings, houseware and textiles	1,511	1,826	2,151	2,536	2,964	3,403
Hardware, building and garden supplies	4,793	5,791	6,824	8,044	9,400	10,793
Recreational goods	2,599	3,576	4,049	4,589	5,194	5,855
Clothing, footwear and personal accessories	2,659	4,265	4,945	5,736	6,632	7,615
Electrical and electronic goods	790	955	1,125	1,326	1,549	1,779
Pharmaceutical and other stores	3,500	5,818	6,738	7,807	9,021	10,362
Food and beverage services	7,202	11,555	13,266	15,240	17,494	20,039
Total	35,044	52,410	60,621	70,165	80,954	92,728

Source: RCG

109. These results show very significant growth over the next 20+ years, and for various reasons I have elaborated on above, my 'preferred' assumptions are likely to be conservative.

110. As such, Wanaka will be able to sustain quite substantial increases in its retail offering, even assuming that some demand will continue to be satisfied in Queenstown.

Retail Facilities in Wanaka and Queenstown

Retail in Wanaka

111. Wanaka has a compact and vibrant town centre, which is currently home to most of the retailers in the area. This includes New World, Four Square and the Mediterranean Market.
112. A 2007 RCG report estimated that there was 15,707m^2 of "retail" space in the town centre.
113. A small number of larger shops are located in Anderson Heights. RCG's 2007 report estimated that there was 2,459 m^2 of trading space, and noted that some of these shops could be expected to relocate to Three Parks.
114. There are two local shops at Albert Town, which front the main highway and are exposed to passing traffic. Mr Long's evidence for PC45 estimates these shops at 1,000 m^2.
115. Three Parks has been identified as a major growth node for retail in the future, especially for LFR. It can include 10,000 m2 of retail as a permitted activity (subject to provisions which restrict the number of tenancies and their sizes), and will have plenty of potential to expand beyond that.
116. PC45 (Northlake) enables 1,000 m^2 of retail space, with shops of up to 200 m^2. The positioning of the proposed centre within Northlake means it is unlikely to attract much custom from outside the PC45 area.

The Subject Site

117. The Cardrona Valley Road site is located at the southern gateway to Wanaka, on the main road to Cardrona and Queenstown.
118. I understand that traffic counts for this road were 4,949 vehicles per day in April 2014, and this figure is likely to have grown since then (and keep growing) as a result of higher visitor numbers and a larger population.
119. Until recently, the property on the southwest corner of West Meadows Drive and Cardrona Valley Road was home to the Basecamp Wanaka climbing centre, Lone Star restaurant and bar, and Ruby's Cinema.
120. The Lone Star has now closed, and according to the Otago Daily Times the property owner plans to redevelop the building, although the other two businesses remain unaffected.[3]
121. Nearby residential activities include the West Meadows subdivision (with its main entrance directly opposite the Cardrona Valley Road site), Aspiring Lifestyle Retirement Village and the new Aspiring Enliven Care Centre. The PDP zonings allows for further residential activities in the immediate area.
122. Several accommodation providers are also in the immediate area, including Mercure Oakridge Resort Lake Wanaka and West Meadows Motel.
123. In my view, the site's position on a main road and proximity to existing commercial activities make it well suited to retail uses.

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[3] https://www.odt.co.nz/regions/wanaka/wanaka-lone-star-close

Queenstown

124. Although Queenstown is further away from Wanaka than Cromwell and Arrowtown, these smaller towns offer few major shops that are not already in Wanaka. As such, Queenstown has a much more significant retail influence.

125. The downtown area of Queenstown is a little over an hour's drive from Wanaka, and Frankton is closer at around an hour's drive.

126. Queenstown has a large and growing retail offering. This includes the more tourist-oriented downtown area (and Fresh Choice and Raeward Fresh along Gorge Rd), as well as the locally-oriented Frankton area.

127. In Frankton, Remarkables Park is an existing centre of scale, with some 23,000 sqm of retail space.[4]

128. Queenstown Airport is also in Frankton. It has a number of retailers, including a duty free offering – although of course its retail offering is aimed at people as they arrive in or leave the town.

129. Pak'nSave and Mitre 10 Mega are relatively recent arrivals to Frankton, and are substantial stores at 5,765 sqm and 8,006 sqm respectively.[5]

130. There are also plans for some trade-oriented retail in front of Mitre 10 Mega, in the Shotover Park development.

131. Stage one of the Five Mile centre opened earlier this year, with retailers including Countdown, Briscoes, Rebel Sport, Warehouse Stationery and a variety of small to medium stores.

132. Stage two of Five Mile is under construction and due to open in 2017, with The Warehouse, Noel Leeming and Look Sharp. When this stage is opened, the centre will be close to complete, with more than 20,000 sqm of retail space.

133. Across the road, Queenstown Central Ltd has resource consent for an similarly large centre with some 20,000 sqm of retail, including a covered mall. Stage one, including Kmart, could open in late 2017, although it may be some years before the centre is completed.

134. Overall, Frankton is developing into a retail hub of regional scale, and it will be an influence on Wanaka shoppers – especially for LFR and comparison retail.

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[4] NZ Shopping Centre Directory, 2015 edition

[5] http://supermarketnews.co.nz/queenstowns-massive-store-to-open-this-week/
http://www.odt.co.nz/your-town/queenstown/188243/proposal-triple-mitre-10-store-footprint

Comments on the Willowridge Developments submission

135. The Willowridge Developments submission on the PDP covers many parts of the plan. My comments here are limited to their points on section 15.4 of the PDP.

136. The submission states:

> *The rules in the Local Shopping Centre Zone are permissive of commercial and retail activities and seem to provide for a range of activities from small scale shopping to supermarkets. This has the potential to undermine the town centres and other commercial centres, particularly where the land zoned neighbourhood shopping centre of a significant size, such as the neighbourhood shopping centre on Cardrona Valley Road.*

137. The relief sought is:

> *Include rules in 15.4 to restrict retail activities to those providing a local service (dairies, off-license, bakery) with a gross floor area of no more than 400m2, or rules to a like effect.*

138. I agree that a permissive planning regime can, in theory, "undermine town centres and other commercial centres". Modelling work, such as that presented in my evidence, can help to assess this risk.

139. I agree in part with the proposed relief. As outlined below, I support some restrictions on tenancy sizes, and indeed some restrictions on the allowed activity types.

Comments on Other Economic Studies

The 2014 McDermott Consultants report

140. The McDermott Consultants report of March 2014 refers to a 2012 McDermott Miller Strategies report. I assume this is actually a typo, and they actually refer to the 2013 report by that company.

141. The earlier McDermott Miller Strategies report suggests that there is sufficient retail land supply in Wanaka, but that potentially there could be "a shortage of vacant land in the town centre by 2019" under higher tourism growth assumptions.

142. In my view, growth in the last few years has most likely meant that the actual outcome has been quite close to those assumptions.

143. McDermott Consultants argue that given the earlier study's "recommended support of the town centre as a district centre with a very strong focus on tourism, there may be a case for ensuring that visitor-related uses are encouraged within the centre and that some privision is made for retailing meeting local needs to locate (or relocate) in or close to the town's residential growth areas".

144. Based on the earlier study, McDermott Consultants do not suggest that Wanaka needs more commercial land generally. Even so, they argue that commercial uses on the Cardrona Valley Rd site are appropriate given "its role in the wider [Peter Gordon Development] and the growing Wanaka community; its location relative both to the source of demand and alternative sites for development; and site suitability".

145. I agree with the rationale as to commercial uses being appropriate on this site.

146. McDermott Consultants envisage the Wanaka town centre as "the core retail entertainment, and hospitality precinct for the development of the tourism sector in Wanaka", with large format retailing (LFR) concentrated in Three Parks, and the subject site "oriented towards local residential demand".

147. In my opinion, that this indeed is a useful way to think about the Wanaka retail supply, although I note that Three Parks may also develop specialty retail over time.

148. I agree with McDermott Consultants that the Cardrona Valley Rd site "can be expected to benefit from any decentralisation of non-visitor retail and service activity from the town centre". This would be a rational response to a strategic approach focusing on visitor activity in the town centre".

149. The report notes that "the [Peter Gordon Development] centre will primarily serve a neighbourhood catchment… [and] not compete with the town centre". It suggests that "the size of stores should be limited, so that it will complement large format retailing at Three Parks".

150. I agree with these points.

The 2013 McDermott Miller Strategies report

151. I also want to comment briefly on the 2013 McDermott Miller Strategies report, which McDermott Consultants appear to be referring to in their 2014 report.

152. The 2013 McDermott Miller Strategies report makes forecasts of commercial land demand, but uses a very different methodology which makes it difficult to compare directly with my own modelling. As an 'intermediate' step to forecasting commercial land demand, however, they do look at retail spending and retail floor space demand.

153. Figures 4.11 and 4.13 of that report show retail spending in Wanaka, and floor space demand, over the 2012-2031 period.

154. The spending numbers appear to show spending of $20 million in 2012, which is an order of magnitude less than my modelling results, and significantly less than even the amount of tourism retail spending in Wanaka. I expect there is some mistake here.

155. Figure 4.13 of that report shows cumulative demand growth of 20,000 m^2 over 2012-2031 based on medium household growth. This is significantly less than my 'preferred' results.

156. The tourism growth of the last few years also means that, if any scenario from that report is to be considered, it should be one of the higher growth ones rather than the "status quo".

157. Overall, I do not place much weight on this study. It appears to have made some errors, and regardless of these, adopts a very conservative growth view as its base case. This has already been arguably superseded.

Comments on Mr Heath's November 2016 Evidence

Summary

158. Mr Heath's evidence relates to chapters 15 and 17 of the PDP. His comments on chapter 17 (Airport Zone) are not relevant to my evidence.

159. He also makes some additional comments on the proposed LSCZ at 1 Hansen Rd in Frankton, which are not relevant to my evidence. For that site, he suggests maximum tenancy sizes for both retail and office, and a reduction in the size of the zone.

160. None of Mr Heath's evidence relates specifically to the Cardrona Valley Rd site.

161. However, Mr Heath presumably gave consideration to this site along with those others proposed to have the LSCZ zoning, especially given that it is specifically mentioned in the Willowridge Developments submission.

162. Mr Heath suggests that a maximum retail tenancy size of 300 sqm GFA be applied across the LSCZ, and that "non-convenience retail store types should be excluded" from the zone.

Retail Tenancy Caps

163. I agree with Mr Heath (and McDermott Consultants) that a retail tenancy cap is desirable for the Cardrona Valley Rd site, with the following provisos.

164. Firstly, I suggest that the cap should be set at 400 m^2 GFA rather than the 300 m^2 suggested by Mr Heath.

165. Secondly, I recommend that the Cardrona Valley Rd site be allowed two tenancies with larger caps, of say 1,500 m^2 and 750 m^2 respectively. I elaborate on this later.

166. In most cases, Mr Heath may be correct in saying that "convenience stores (supermarkets excluded) fall well below 400sqm GFA" (paragraph 3.14). However, his suggestion leaves some retailers caught between two definitions.

167. The Operative District Plan and PDP define Large Format Retail in the Three Parks zone as "any single retail tenancy which occupies more than 400m^2 of GFA".

168. Specialty Retail is defined as those tenancies below 400 m^2. In its initial stages, Three Parks is limited in the number of specialty tenancies it can have.

169. As such, retailers who might prefer to occupy premises in the 300-400 m^2 range could have very limited options. These are larger than average tenancies, somewhat difficult to accommodate in the Wanaka town centre, but also restricted in Three Parks.

170. As such, it is appropriate to use 400 m^2 GFA as the cap rather than 300, in my view. This is more consistent with existing provisions in the operative plan and PDP.

171. Indeed, this is the threshold requested by Willowridge Developments.

172. Mr Heath further notes in paragraph 3.16 that "the general 'tipping point' between stores being identified as a smaller specialty store and LFR store in district plans around the country is 500sqm GFA for major metropolitan centres, and around 450sqm for smaller provincial markets".

Store Type Restrictions

173. In paragraph 3.20, Mr Heath “support[s] the exclusion of some non-convenience store types from the LSCZ”, including:

- Fashion stores
- Electronic and electrical goods stores
- Appliance stores
- Furniture and floor covering stores

174. He also implies that he considers department stores as inappropriate for the LSCZ, although they “are self-regulating in that these store types are typically well above the recommended 300sqm GFA maximum threshold”.

175. I broadly agree that the various store types listed above “are non-convenience store types that would rely on attracting consumers from well beyond any local market to generate sales”.

176. However, I note that given Wanaka’s large tourist market, there may be potential for some fashion stores in the LSCZ and this would not necessarily “conflict with the LSCZ purpose, objectives and policies”.

177. Tourists are big spenders on clothing, footwear and personal accessories – according to the 2013 Tourism Satellite Account, they spent $480 million on these items in the year to March 2013.

178. I expect that tourism spending on these items has risen since then, as has general tourism spending. Unfortunately, I have been unable to verify this with the 2016 Tourism Satellite Account, as the SNZ website has been offline since 14th November. Regardless of the exact numbers, the overall point remains that tourists make a strong contribution to fashion spending in towns like Wanaka.

179. As such, while fashion stores might not be appropriate for ‘local shopping centres’ in less tourist-oriented towns, they may well be in Wanaka, especially for the Cardrona Valley Road site which is on the route to a major skifield, and has several accommodation providers in the surrounding area.

180. I support the exclusion of electronic and electrical goods stores, appliance stores, furniture and floor covering stores, and department stores from the LSCZ, but do not support the exclusion of fashion stores.

181. Lastly, I note that this rule should not be interpreted too harshly. For example, a shop which primarily sells cellphones, Simcards, accessories and so on would most likely be viewed as an appliance store, but there may be justification for allowing such a store in the LSCZ. Similarly, an independent homewares store, which may sell a range of home products including furniture, could also be acceptable.

182. These factors are worth considering, given the likely constraints on the Wanaka town centre’s ability to expand.

Supermarkets and Other Large Tenancies

183. As noted earlier, Mr Heath recommends a 300 m2 retail tenancy cap across all LSCZ areas, so my comments below must be taken as supposition to some extent.

184. Mr Heath only mentions supermarkets once in his evidence, in paragraph 3.14. Here, he implies that supermarkets are in the 'convenience' retail category (as defined in paragraph 3.12), as opposed to 'comparison' retail (as defined in paragraph 3.19). I agree that supermarkets have a convenience retail role, although they also form an important part of higher order centres.

185. Mr Heath does not specifically consider whether supermarkets are desirable in the LSCZ, although they would of course tend to run into his proposed cap on tenancy sizes.

186. Based on his evidence as written, and barring any clarification to the contrary, I assume that Mr Heath does not support supermarkets in the LSCZ.

187. In my view, it is appropriate to provide for a small supermarket of up to 1,500 m^2 at the Cardrona Valley Rd site.

188. I also support one other tenancy being able to exceed the cap, of up to 750 m^2.

Offices

189. Mr Heath's evidence only suggests a tenancy size cap for offices at 1 Hansen Rd. However, the council's s42A report extrapolates this to all LSCZ properties.

190. The PDP definition for retail is "the direct sale or hire… and/or the display or offering for sale or hire to the public on any site of goods, merchandise or equipment".

191. This definition is limited to physical items, and as such does not include service businesses such as banks, real estate agents, travel agents, hairdressers etc. In Wanaka, there are also a range of other service businesses in retail-type premises catering to the tourist market.

192. Many of the service businesses above would presumably come under the office definition instead: "places where trade, other than that involving the immediately exchange for goods or the display or production of goods, is transacted".

193. Although not technically retail, these businesses typically occupy retail space, and often fulfil a 'convenience' function. I see no reason why they should be treated differently than retailers in this case.

194. These kinds of businesses, especially banks and real estate agents, can often occupy more than 200 m^2. The 200 m^2 cap is arbitrary and could impede such businesses from establishing.

195. I do not agree with the s42A report that a 200 m^2 cap on office tenancies should be applied throughout the LSCZ. Even Mr Heath's discussion on the cap as it applies to 1 Hansen Rd is relatively brief, and does not appear to consider these kinds of issues.

196. If there is to be a cap on office tenancies throughout the LSCZ, I suggest that it be set at 400 m^2, in line with the cap for retail. However, for the Cardrona Valley Rd site with which my evidence is concerned, I do not believe any cap is required.

Conclusions

Modelling

197. As outlined in my evidence above, I have carried out a modelling exercise to analyse retail demand in the Wanaka catchment over the next 20+ years.

198. There is uncertainty around the various modelling assumptions, and as such I have carried out sensitivity testing. Under all likely scenarios, however, retail demand is likely to grow substantially.

199. For households and businesses, the model does not make any assumptions about where retail demand will be met.

200. Queenstown will continue to fulfil some of the demand (and demand growth) from Wanaka households and businesses. It is a larger town, with a more developed retail offering. Wanaka shoppers will even travel to the larger cities for shopping occasionally, when they want goods not available in the local district.

201. In broad terms, I expect that “leakage” will be lower for convenience shopping than for comparison shopping, and also that the percentage of spend leaking to Queenstown and other destinations will decrease over time as Wanaka’s retail offering develops.

202. For tourism, the model is based on the (estimated) amounts currently spent by visitors in the Wanaka Regional Tourism Organisation. Leakage is not a consideration. Visitors already spend $191 million a year on retail in the Wanaka area, and my modelling simply shows how this could grow over time.

Suitability of the Site for Retail

203. The Cardrona Valley Road site is located at the southern gateway to Wanaka, on the main road to Cardrona and Queenstown. This is a major route within the region, with high visibility for both visitors and locals.

204. I understand that traffic counts for this road were 4,949 vehicles per day in April 2014, and this figure is likely to have grown since then (and keep growing) as a result of higher visitor numbers and a larger population.

205. The site is surrounded by a cluster of existing commercial activities, including the medical centre and Basecamp Wanaka/ Lone Star/ Ruby's Cinema. Oddly, this is not recognised in the PDP planning maps as notified, with these properties all being zoned Large Lot Residential. I assume there are historical reasons for this.

206. Nearby residential activities include the West Meadows subdivision (with its main entrance directly opposite the Cardrona Valley Road site), Aspiring Lifestyle Retirement Village and the new Aspiring Enliven Care Centre. The PDP zonings allows for further residential activities in the immediate area.

207. Several accommodation providers are also in the immediate area, including Mercure Oakridge Resort Lake Wanaka and West Meadows Motel.

208. In my view, the site's position on a main road and proximity to existing commercial activities make it well suited to retail uses.

Tenancy Caps and Activity Restrictions

209. I support the idea of a small supermarket on the Cardrona Valley Road site. It would provide a food shopping option for the local population.

210. I consider that this is consistent with the centres-based approach espoused in the PDP, and that it would not undermine the Wanaka town centre's role as the preeminent centre in the area.

211. Wanaka is currently undersupplied with supermarket space and, although Three Parks is likely to include a large supermarket within the next few years, there will be potential for a (small) third supermarket in the town.

Overall Conclusions

212. I support the rezoning of the Cardrona Valley Road site to LSCZ.

213. As noted by Mr Heath and others, the PDP as notified allows quite wide leeway over what can be developed in the LSCZ. I support some additional restrictions on the zone, but note that the Cardrona Valley Road site does have some unique features which justify a 'middle ground' approach, in between the PDP as notified and the position adopted in the s42A report.

214. Overall, I support the following measures and changes to the PDP as notified:

- Tenancy caps on retail, of a maximum of 400 sqm GFA, with the following exceptions;
- Two tenancies in the Cardrona Valley Road site being allowed to exceed these caps, to 1,500 sqm and 750 sqm respectively;
- Restrictions on the kinds of retail activity which can locate in the LSCZ, with the following stores not permitted: electronic and electrical goods stores, appliance stores, furniture and floor covering stores, and department stores;
- No tenancy caps on office, or if there is to be one it should also be set at 400 sqm GFA.

215. I anticipate that a tenancy of up to 1,500 sqm at Cardrona Valley Road could be a small supermarket, whereas a 750 sqm tenancy could be suitable for various mid-format stores (although LFR as defined in the PDP), which are not in the store types excluded above. This could include a recreational goods retailer, for example.

216. In my opinion, these changes will continue to promote the Wanaka town centre as the preeminent centre in the area, and Three Parks as the primary destination for LFR, while providing for locally-oriented growth within the catchment.