

# PROPERTY **E**CONOMICS



**AKAROA BP MEATS SITE**

**LAND USE OPTIONS**

**ECONOMIC ASSESSMENT**

Project No: 52355

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Client: Christchurch City Council



## SCHEDULE

Code	Date	Information / Comments	Project Leader
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## 1. INTRODUCTION

Property Economics has been instructed by Christchurch City Council (CCC) to undertake an economic assessment of a range of land use options regarding the potential development of the BP Meats Site at 67 Rue Lavaud, Akaroa.

The purpose of this assessment is to identify land uses that have economic potential for development, ensure that the site is well-positioned to meet the future needs of both the local community and visitors and represents a robust input into Council's strategic decision-making process for the site's future.

Specifically, this report delivers reliable data and ground truthed information to assess the current 'state' of the Akaroa Centre, considering factors such as built form, shopping environment, quality and breadth of offer, tenancies, and existing vacancy. It also provides insights into how the development of the BP Meats Site could efficiently integrate into the established commercial environment within the Akaroa Centre.

Furthermore, the report assesses the implications of anticipated growth in residential demand, estimates future accommodation needs for visitors and seasonal workers, and identifies requirements for future retail, commercial, and community services within the Akaroa local market.

The output of this economic assessment will provide a greater level of understanding of an appropriate and efficient mix of activities at the BP Meats site, offering valuable insights for strategic planning and the formulation of a viable long-term land use plan for the site.

## 1.1. KEY RESEARCH OBJECTIVES

- Undertake on-site visits to assess the Akaroa Centre, considering its size, types of stores, quality, existing gaps, capacity, and vacancy level.
- Evaluate the BP Meats Site in the broader context of the business zone provision, assessing its integration potential with other commercial activities within the Akaroa Centre / main street.
- Delineate the geospatial extent of the Akaroa Local Market / Study Area for the purpose of this economic assessment.
- Undertake demographic profiling of the local Akaroa market in terms of key economic and social characteristics to gain a detailed understanding of market composition.
- Assess residential demand using projected population and household growth data from Stats NZ, including unoccupied dwelling demand in the Akaroa local market.
- Quantify residential demand by typology over the next 15 years (2023 – 2038) based on Stats NZ population projections and Akaroa existing household structure.
- Assess the potential of social / community housing development at the BP Meats Site and provide insights into its implications on Akaroa housing affordability.
- Provide insights into seasonal worker accommodation demand in Akaroa and its implications on the development potential of the BP Meats Site.
- Evaluate and geospatially identify visitor accommodation supply in Akaroa, and its potential as a land use option for the BP Meats Site.
- Quantify the total generated retail spend and sustainable retail floorspace (GFA) within the Akaroa local market over the next 15 years (2023 – 2038) and assess the suitability of the BP Meats Site for potential retail / commercial purposes.
- Geospatially identify existing community services and facilities in Akaroa and provide commentary on the suitability of enabling community services development at the BP Meats Site.
- Provide analysis and perspectives on the potential for alternative uses within the BP Meats Site, as proposed by the CCC and the local community.

## 1.2. INFORMATION AND DATA SOURCES

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

- Accommodation Providers – Google Maps, Airbnb, Holiday Houses NZ
- Building Outlines – LINZ<sup>1</sup>
- Catchment Maps – Google Maps, LINZ, Stats NZ
- Centre & Site Visits – Property Economics
- Christchurch District Plan – CCC
- Community Facilities – Google Maps
- Commercial Guest Night Spent Data - MBIE
- NZ 2018 Census – Stats NZ
- Population and Household Estimates & Projections – Stats NZ
- Retail Growth Model – Property Economics
- Statistics Area 1 & 2 – Stats NZ
- Work Travel Patterns – Stats NZ
- 2017 Commercial Centre Factsheet – CCC

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<sup>1</sup> Land Information New Zealand

## 2. EXECUTIVE SUMMARY

The BP Meats Site presents a strategic positioned opportunity for the Akaroa Centre and the broader township to both grow its economy and enhance the centre by developing land uses that accommodate future demand whilst providing improved amenity of the site offering a valuable asset to the centre environment and the local community.

It is crucial to recognise that while some of the most beneficial and sustainable activities might not be the most financially viable options initially, they hold potential over the medium to long term as the market evolves. Therefore, its considered appropriate that the development of the BP Meats Site should adopt a longer-term focus, as short-term development opportunities could pose investment risks to CCC.

In addition, Property Economics considers a singular land use may not maximise the benefits available from the site's development. Recognising the multifaceted nature of the community (and visitor) needs, as well as economic considerations, a balanced and strategic approach involves introducing a mix of activities tailored to the priorities and objectives of the CCC.

The BP Meats Site is of a strategic scale and location that means development of the site has the potential to generate significant positive impacts on the Akaroa Centre, i.e. the ability to contribute to a unique environment that creates a point of difference in the market and catalyses other private and public investment in other areas of the centre.

The BP Meats Site also provides the opportunity to establish an environment that implements best practise standards, accommodates a diversification of land uses and applies more sustainable built forms. This includes developing spaces that are flexible over time and can be utilised for multiple purposes to generate a more economically efficient use of developed spaces and built form. This assists in future proofing any development of the site.

Any development of the site should have people as its focus and how people are attracted / utilise / move through the site (whether residents, workers, shoppers or visitors), rather than a purely built form focus. This makes the treatment of the site's ground level crucial as this level is the conduit for all site users and where greatest '*impact*' on the community and centre can be achieved.

From an economic perspective, allocating the frontage of the site for retail activities (on the ground floor) and commercial services (on a first floor level, such as office space and professional services) holds real merit. This approach would leverage the high visibility of the frontage, maximising economic returns and contributing to the vitality of the Akaroa main street. This development outcome would align with the setting and urban form design guidelines for Akaroa outlined in District Plan Appendix 15.15.7, which states that "*the maintenance of public and retail activities at street level is important to sustaining the town's vitality*" (15.15.7.e.ii).



Simultaneously, considering the broader community interests and the tourism-dependent economy of Akaroa, allocating the rear of the site for visitor accommodations or residential purposes can be utilised to foster community wellbeing and / or support the local tourism sector, contributing to Akaroa's economic growth and sustainability. Ground level landscaping and public spaces would be a valuable asset to any commercial accommodation facility by providing a unique but higher quality setting. This '*setting*' would provide the opportunity to create a higher quality commercial accommodation proposition and public realm space for the community.

The existing range and distribution of community services, such as information centres, museums, town halls, libraries, open spaces, and reserves, show no significant gaps. Considering the small resident population size and the relatively unhurried growth rate of Akaroa nominally (in real terms), in Property Economics' view, there is currently no obvious pressing need for further provision of community services at the BP Meats Site relative to other land use opportunities and the benefits they could bring to Akaroa.

To enhance accessibility and address practical requirements, incorporating some car parking spaces at the back of the site, with access to and from the existing entry point on Rue Balguerie and a pedestrian link to the main street, could represent a prudent measure. This not only caters to the growing needs of visitors and residents but also ensures additional parking availability during peak periods, mitigating congestion issues. However, this should not be the predominant land use of the site, considering that demand for parking in Akaroa surges primarily during peak tourist season and weekends.

Another option is an opportunity to facilitate the relocation and expansion of the existing Four-Square store, currently located on the main street across from the BP Meats Site. This would be beneficial as the current scale of the Four-Square store is small and has limited potential to accommodate the growing needs of the community and tourists. The current Four-Square does not meet modern day shopper expectations and lowers the quality of the built form and shopping environment on the main street. While it is acknowledged the existing Four Square could redevelop and extend into the existing carpark, this would reduce carparks available for shoppers lowering convenience and accessibility.

Opting for this alternative would not only '*free up*' the existing Four Square building and carpark on the main street for additional retail and commercial services but also better meet the growing retail demands of residents and visitors. It would also provide the opportunity for a continual commercial frontage rather than a low quality store and carpark at present.

Although the maximum building height in the BP Meats Site and the wider Commercial Banks Peninsula Zone in Akaroa is set at 8m under the District Plan, equivalent to a realistic maximum of two storeys, there are economic merits to accommodating higher density at the rear of the site to unlock greater growth potential, improve development feasibilities and provide greater flexibility for potential land uses.

As per the Proposed Plan Change 14 (**PC14**), heights of up to 12m are proposed to be “*Permitted*” for both Neighbourhood Centres and Small Local Centres within the wider Christchurch City. Property Economics understands that PC14 does not apply to Akaroa and that the site is located within an Akaroa Heritage Area. Consequently, there are potential complexities associated with permitting a height limit exceeding 8m within the BP Meats Site.

However, in Akaroa, examples like the Criterion Motel, which features three storeys, and multiple buildings of two-storeys with pitched roofs giving a 3-level structure, demonstrate that slightly taller structures can co-exist without compromising the overall amenity and streetscape of the centre and the wider township.

From an economic standpoint, increasing height at the rear of the BP Meats Site, potentially up to 12m, would result in a more efficient use of the scarce commercial land in Akaroa, improve the viability of potential development outcomes and therefore flexibility of development options, and improve infrastructure and land use efficiency. This approach would also enable the CCC to capitalise on this strategically positioned land resource, potentially increasing development (e.g., visitor accommodation or residential capacity), which has a tributary effect of increasing the value of the site for Council.

Overall, a comprehensive and balanced approach that considers the economic, social, and cultural aspects of Akaroa is necessary when deciding on the appropriate land use. A mix of compatible uses, careful planning, and community engagement will contribute to the sustainable development of the CCC-owned land, ensuring that it enhances the overall economic and social wellbeing of both residents and visitors while preserving the unique charm of Akaroa.

As one of the few under-utilised sites in the centre, the development of the BP Meats Site holds the potential to positively contribute to Akaroa Centre's future. This requires a sustained focus on the long term and ongoing investment from both private and public sectors across various developments, of which the site stands out as having the potential for the most significant positive impact on the overall growth of the Akaroa Centre, the broader township and economy.

### 3. BP MEATS SITE OVERVIEW

The BP Meats Site, a parcel of land owned by CCC situated within the Akaroa Centre, falls within the Commercial Banks Peninsula Zone (CBPZ) under the Christchurch District Plan.

Presently, the BP Meats Site accommodates Akaroa Butchery and Deli, a storage container for the adjacent Akaroa Museum, and serves some community purposes, including the Akaroa Community Arts Council and L'Op Shop. The bulk of the site is undeveloped.

The figure below illustrates the BP Meats Site's location and size in the context of the neighbouring retail and commercial surroundings.

Encompassing approximately 3,700sqm of land, this site is surrounded by community features (such as the Akaroa Museum, Information Centre, Peninsula War Memorial and Anglican Church to the south) and a variety of retail establishments including a Four Square situated opposite on the western side of Rue Lavaud).

This strategic positioning underscores the site's opportunity to accommodate a diverse range of land uses that align with the envisaged role and function of the CBPZ. In essence, the size and location of the BP Meats Site make it a crucial and influential site within Akaroa.

**FIGURE 1: BP MEATS SITE AND THE SURROUNDING COMMERCIAL ENVIRONMENT**



Source: CCC, Google Maps, LINZ

Under the District Plan 15.2.2.5 Policy, the CBPZ is designed to “*recognise and protect the specific character and role of the commercial centres in Bank Peninsula, including Akaroa, which provide a range of activities and services meeting the needs of their respective communities as well as visitors to the townships and the wider area of Banks Peninsula*”.

Given the relatively small scale of the Akaroa market, which inherently infers a heightened susceptibility to wider macroeconomic fluctuations in the market, any development or utilisation of this BP Meats Site must be carefully considered to not only cater to the needs of the local communities but also positively contribute to all the drivers of Akaroa's economy. This approach should focus on optimising land use efficiency and future market needs to ensure any development generates longer-term economic benefits rather than a short term ‘sugar hit’.

Therefore, this economic analysis focuses on assessing the development potential of the BP Meats Site within the context of growth in the Akaroa local market, drivers of the Akaroa's economy, and market and locational practicalities of development options.

Property Economics notes that according to the District Plan 15.6.2.1, the maximum height permitted for any building within the CBPZ in Akaroa is 8m. Whilst this provision serves as a baseline for the subsequent economic analysis, there are some buildings with pitched rooflines that would appear to breach the 8m height limit.

From a development perspective the 8m height limit would appear appropriate from a main street frontage perspective to enhance the character and the scale / feel of the primary pedestrian strip, but because the BP Meats Site has such a deep length, development opportunities and feasibilities would be enhanced if the opportunity for a slightly higher built form was enabled at the back of the site. This would also enable a more efficient use of the land and improve the sites land value.



#### 4. AKAROA CENTRE OVERVIEW

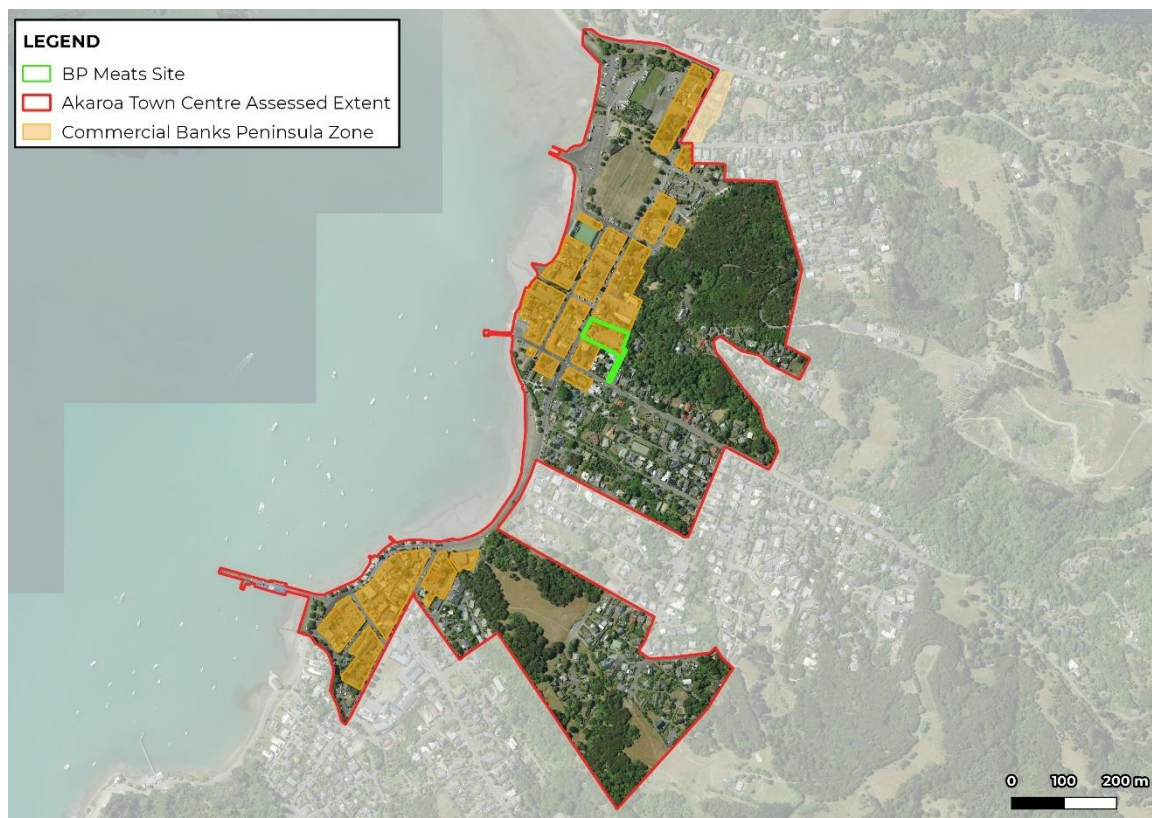
This section presents an overview of the Akaroa Centre, drawing from a combination of on-site investigation by Property Economics and desktop analysis. This analysis assists in comprehending the broader role and function of the Akaroa Centre and assessing how the development of the BP Meats Site could better integrate into the existing commercial environment and 'add value' to the centre as a whole.

The CBPZ encompasses two distinct commercial areas within the township. For analytical purposes, the Akaroa Centre's Meshblock 2023 extent, outlined in Red in the figure below, serves as the basis for the following centre analysis.

While the small area between the northern and southern meshblocks of the Akaroa Centre is excluded, the employment base is very limited at around 15 employees and its inclusion would therefore not significantly impact the overall centre metrics or findings of the economic analysis.

Furthermore, while the assessed centre extent is extensive, non-employment activities within this area are not reflected in the employment figures and therefore will not impact the metrics and outcomes of the centre analysis.

**FIGURE 2: ASSESSED MESHBLOCK EXTENT OF AKAROA CENTRE**



Source: CCC, Google Maps, Stats NZ, LINZ


















## CENTRE EMPLOYMENT TRENDS AND COMPOSITIONS

As of June 2023, the Stats NZ Business Demography data reveal that the employment base of the Akaroa Centre stands at 251 employees, marking a decrease from the peak of 343 employees in 2017. This decline is attributed to the impact of the COVID-19 pandemic and international travel and border restrictions in place for an extended period of time during the pandemic.

Although the current employment levels in the Akaroa Centre have not yet returned to pre-pandemic levels, there has been noticeable recovery in its main employment sectors over the past two years. This resurgence is attributed to the reopening of national borders and increased demand for domestic tourism, with Akaroa, being as a sought-after visitor destination, benefiting. As New Zealand's tourism sector continues to rebound post-pandemic, it can be anticipated that the role and function of the Akaroa Centre and the ability to accommodate visitors will need to further improve to meet the growing demands of both local communities and visitors.

**TABLE 1: AKAROA CENTRE EMPLOYMENT STRUCTURE AND TRENDS 2000-2023**

ANZSIC	2000	2005	2010	2015	2020	2023	2005-23 Growth	
							#	%
 C - Manufacturing	12	12	15	6	6	3	-9	-75%
 D - Electricity, Gas, Water and Waste Services	3	3	0	0	0	0	-3	-100%
 E - Construction	3	3	3	3	0	6	3	100%
 G - Retail Trade	27	69	72	75	68	66	-3	-4%
 H - Accommodation and Food Services	126	163	183	171	166	128	-35	-21%
 I - Transport, Postal and Warehousing	0	6	12	12	12	12	6	100%
 K - Financial and Insurance Services	3	3	3	6	9	0	-3	-100%
 L - Rental, Hiring and Real Estate Services	3	6	3	3	3	3	-3	-50%
 M - Professional, Scientific and Technical Services	0	6	0	0	0	0	-6	-100%
 N - Administrative and Support Services	3	0	12	0	9	3	3	n.a
 O - Public Administration and Safety	9	9	6	9	3	6	-3	-33%
 P - Education and Training	9	3	0	0	0	0	-3	-100%
 Q - Health Care and Social Assistance	12	9	12	12	3	3	-6	-67%
 R - Arts and Recreation Services	3	6	3	6	6	9	3	50%
 S - Other Services	9	6	6	6	9	12	6	100%
<b>Total All Industries</b>	<b>222</b>	<b>304</b>	<b>330</b>	<b>309</b>	<b>294</b>	<b>251</b>	<b>-53</b>	<b>-17%</b>

Source: Property Economics, Stats NZ. Note that "n.a." refers to growth from zero.

According to Stats NZ, at present, the dominant contributors to employment within the Akaroa Centre are the Accommodation and Food Services and Retail Trade sectors, cumulatively accounting for around 77% of the total employment base (equivalent to 194 employees). Basically, many of the retailers in Akaroa are there to service visitors, without which many retailers would unlikely be able to remain sustainable. With such a small permanent resident

local market, visitors / weekend lodgers / bach owners are the life-blood sustaining much of the activity in the Akaroa Centre.

The significant presence of hospitality-related businesses reflects Akaroa's popularity as a tourist destination, driven by its scenic beauty and cultural attractions. This reliance on the tourism sector also highlights the need for sustainable strategies to support and diversify this crucial economic contributor.

The prevalence of the Retail Trade sector in the employment base indicates a thriving and vibrant centre with consistent demand for goods and services. This suggests that the Akaroa Centre functions not only as a tourist focal point but also as a vital commercial centre for local residents, with commercial activity having a proportionally higher reliance on the local communities during the off-peak winter months.

It is important to note that both the Accommodation and Food Services and Retail Trade sectors have experienced no significant growth since the early 2000s and have even seen a noticeable decline compared to their peaks in 2010–2015. This trend highlights the potential constraints of the Akaroa Centre in meeting the growing demands of the community and visitors.

In contrast to the declining employment trends in the centre, Stats NZ's population estimates show that Akaroa Township's resident population grew a 24% between 2005 and 2023. During the peak cruise ship season Akaroa can swell by around 4,000 people, particularly on peak period weekends. This surge creates additional demand for convenience retail and commercial services (and holiday season employment) in the centre.

In summary, the current employment composition of the Akaroa Centre reflects its status as a multi-faceted commercial centre sustained predominantly by tourism, but also with a function of catering to the local community's fundamental requirements. While this highlights the town's appeal to visitors and residents alike, it also highlights the importance of exploring opportunities for further growth to ensure a robust and sustainable economic future for Akaroa, subject to any infrastructure constraints being mitigated.

#### CENTRE VITALITY AND VIBRANCY

A crucial indicator of a commercial centre's current '*health*' and performance is its vacancy rate, and as observed during Property Economics' centre visit in January 2024 the Akaroa Centre had only two vacant ground level tenancies. This low vacancy indicates a healthy and vibrant centre, which is good considering current market conditions, and a centre with strong levels of demand.

However, there are some noticeable gaps in the current offerings, as many existing stores have a limited tenancy footprint there is a focus on "convenience and boutique store" offerings. The breadth of retail is relatively narrow, with a higher proportion of food and beverage

establishments and boutique retailers targeting visitors. This trend is understandable, given the centre's location and its primary markets.

In terms of local market requirements, the Four Square store on the western side of Rue Lavaud is likely to most frequented store by local residents, particularly for 'top up' grocery shopping. The Four Square encompasses an estimated 350sqm GFA and is the sole food grocer in Akaroa Township. However, this store is small and offers only a limited range of products within a tired and unsuitable building. Clearly this store is not fit-for-purpose when considering future growth in the market and a larger, better-quality store and offering is required in the future to better meet the community's needs.

The store at present makes no meaningful contribution to the character of the centre and arguably lowers the amenity and shopping experience of the main street, particularly with the small carpark on the main street breaking the flow of activity and reducing future development opportunities on the main street. The low-quality building and associated carpark cumulatively create an eyesore albeit a fundamental component to community wellbeing.

However, Property Economics questions the appropriateness of using high value / prime main street land for this land use, particularly the carpark. With a store not fit-for-purpose to meet future requirements, an opportunity exists for a new location for this store type and carparking that better meets the future market's requirements, and 'frees up' two main street sites for redevelopment opportunities that adds capacity to the centre overall.

Overall, Akaroa stands out as a unique and niche centre within Christchurch's network, playing a vital role in the local economy. It is one of New Zealand's visitor hot spots providing a unique visitor experience, with very high visitor numbers (relative to the local resident base) during the summer season peak.

However, the geographical constraints, with a petite coastal area, small commercial footprint and limited parking opportunities, pose challenges for further expansion without undermining the townships unique character. A significant portion of the surrounding catchment is water or steep topography limiting the outward expansion potential of the centre. As such a more efficient use of the existing scarce commercial zone land resource represents the most appropriate opportunity at this juncture.

The BP Meats site is a largely undeveloped site that adds little value to the main street and Akaroa experience at present. In essence, it's a site ripe for redevelopment to improve the centre's positioning, add commercial GFA and enable the centre to better meet future needs of the market.

Having assessed the role, function, and vitality of the Akaroa Centre, Property Economics considers that additional investment, such as an expansion, refurbishment, or relocation of the existing Four Square and efficient development of the BP Meats Site, would enhance the centre's offerings and improve the quality of experience in the centre.

## CASE STUDY: REFIBISHMENT OF FOUR SQUARE MATAKANA

By way of example of a recent proposal for a Four Square upgrade in a small visitor focused town to show what the opportunity could realise is the proposed expansion and upgrade of the Four Square store in Matakana Village, north of Auckland.

To provide context, the Four Square store in Matakana has remained the same size (340sqm) for decades despite the surging growth in the surrounding market and weekend visitors. The proposed expansion and upgrade are a response to the growing needs of the local communities and the continuous influx of domestic tourists, weekenders, and day-trippers in Matakana so the store could better service the market in a more fit-for-purpose store that services the market's requirements.

The expansion of the Four Square store in Matakana Village allows for modernisation and overall improvement in amenities that better meets modern day shopper expectations in terms of offer an environment providing an improved internal shopping experience and upgrade to the exterior façade of the building.

This enhancement aims to elevate the quality and experience not only for shoppers at Four Square but for the entire Matakana Village. It can be anticipated that this refurbishment will more efficiently accommodate the growth in demand and improve the amenity the centre affords the community in a vernacular appropriate for Matakana.

Appendix 1 provides a visual representation of both the current state and the concept for the refurbishment of the Four Square Matakana, offering insights into the envisioned improvements.

There is a similar opportunity for Four Square Akaroa – a fundamental and frequently used store in the Akaroa community. A similar upgrade / expansion would have a significant positive impact on the Akaroa Centre as a whole.

Property Economics acknowledges the potential opportunity for the Four Square Akaroa store to redevelop on its existing site and expand into the carpark on the adjacent vacant lot. However, whilst improving the Four Square store, it would lower available parking and accessibility to the store.

In Property Economics' view, the BP Meats site, with its larger land area, greater site depth, potential for parking and better access, would support a larger footprint, higher amenity, and a higher-quality store, subject to any additional infrastructure requirements. This would facilitate a significantly improved food and grocery offering for Akaroa's growing market

## CENTRE PARKING SPACE AVAILABILITY

Property Economics considers there exists another development challenge in the Akaroa Centre, specifically the scarcity of parking spaces and congested traffic, especially during peak tourist seasons. According to our on-site assessment, there are no dedicated commercial parking lots within the Akaroa Centre. As such, visitors are required to park on street parking

along main thoroughfares like Rue Lavaud and Beach Road or utilise the limited spaces near the wharf area.

In a coastal town heavily reliant on tourism, such as Akaroa, the provision of parking spaces is an important consideration in being able to accommodate visitors safely and efficiently. It necessitates thoughtful planning to strike a balance between meeting visitor needs and preserving the town's natural charm. The more successful a town is in attracting visitors, the more parking is typically required, so treatment and delivery of parking within the town's context is critically important so as to ensure parking does not dominate and undermine the very reason visitors like visiting Akaroa.

From an economic viewpoint, strategically locating accessible parking is vital to providing convenient access to key attractions and commercial areas. Property Economics consider, if possible, incorporating additional parking opportunities within a portion of the BP Meats Site would assist in alleviating traffic congestion in and around the centre. The aim would be to improve the walkable amenity on the main street and to elevate the environment to have a stronger people focus rather than vehicles.

The BP Meats Site by itself cannot solve Akaroa's parking issues, but simply has the potential to contribute to improving the town's parking offer. Better parking options can better accommodate visitors and enhance the visitor experience, this can attract more visitors and improve economic performance of the centre and the Akaroa economy as a whole. From an economic perspective having a parking problem is a positive as it means Akaroa is popular, successful and attracting visitors that add a significant economic injection into the Akaroa economy. In this regard, vehicles are a good problem to try and manage rather than the converse of few visitors and the fall in the economic metrics of Akaroa that would entail.

Improved parking infrastructure could potentially ease the need for constant circling and lower congestion on nearby roads, resulting in enhanced traffic flow and positive environmental effects within the township, as well as an enhanced visitor experience.

However, it is crucial to note that demand for parking in Akaroa peaks only during tourist seasons, with shorter periods of intense demand within these seasons. These dynamics suggest a permanent parking area may not represent the most efficient use of land and that a solution that has more flexibility in the use of any parking space would benefit Akaroa more, particularly given the usable land resource is scarce.

It is also worth noting that Rue Lavaud has a high-level walkability with everything in close proximity. Its flat, a comfortable circa 5-minute walk end-to-end and the connections to the wharf precinct strong. As such, parking does not need to be within the core of the main street to be easily accessible and fringe locations still provide easy access to the key commercial areas. Local residents would have a more convenience parking focus, whereas visitors tend to have more time and place higher value on the experience and charm of Akaroa. So the parking requirements of both these markets are quite different and solutions should be considered from these different perspectives.



Consequently, dedicating all or a significant portion of the BP Meats Site solely to address peak parking demands would not be an efficient use of the land and would not assist in enhancing the overall amenity and business activity of the centre.

Therefore, from Property Economics' perspective, while additional parking spaces are demanded within the centre, they should not dominate the development of the BP Meats Site. It is critical, from an economic standpoint, to preserve the site's frontage for retail / commercial services to fully leverage its prominent profile and strategic location.

## 5. AKAROA LOCAL MARKET

Akaroa is known for its scenic beauty and charm. The tourism sector is a significant economic driver for Akaroa, drawing visitors to engage in activities such as boat tours, wildlife encounters, and exploring the historic town.

As shown earlier, the economic activities in Akaroa are centred around hospitality and services, with numerous businesses catering to tourists, including hotels, restaurants, cafes, and souvenir / arts & culture shops. These establishments provide essential services to both domestic and international visitors, contributing to the town's economic vitality.

Akaroa's economy revolves around tourism and related services but has a very narrow economic base (refer Table 1). Akaroa makes an important contribution to Christchurch's tourism sector and is a popular weekend destination for Christchurch residents.

However, there is also a growing local market that has more permanent needs that should be satisfied locally to improve market efficiency. For conducting the subsequent economic analysis, the figure following provides an overview of the Akaroa Local Market that development of the BP Meats Site could also primarily service. This geographic delineation is informed by considerations such as the road network, drive time catchment, natural geographical limitations, existing population and business distribution, and Stats NZ Statistical Area 1 (SA1) boundaries.

Specifically, a 20-minute driving radius is used to define the core catchment area of the Akaroa Local Market. There are some small coastal settlements like Wainui and Le Bons Bay that fall outside this 20-minute driving catchment but given their limited populations (120 people in Wainui and 150 in Le Bons Bay as of June 2023), excluding these small rural settlements does not materially impact the economic metrics provided in this analysis.

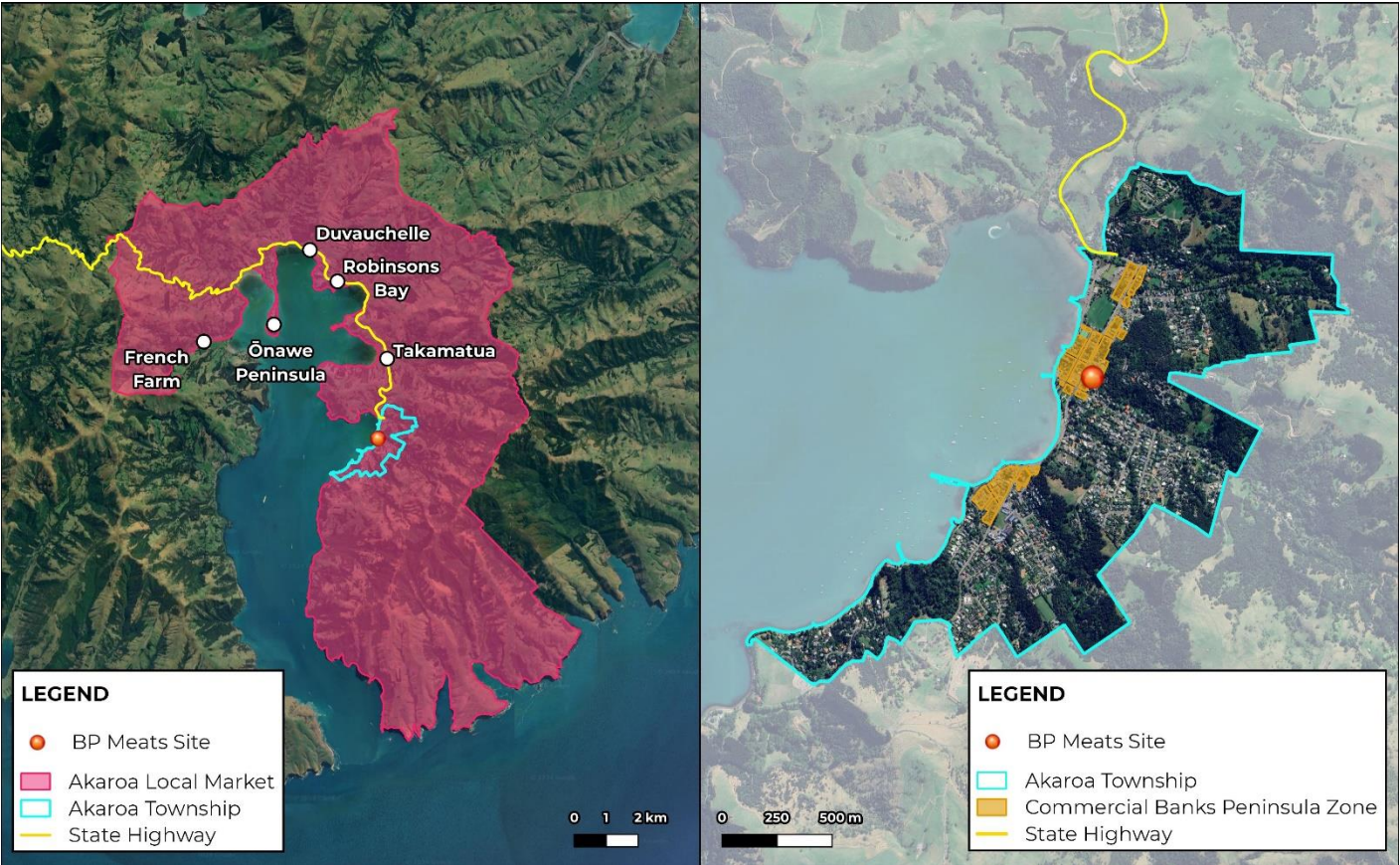
The Akaroa Local Market catchment is somewhat isolated from both the broader Banks Peninsula area and Christchurch, estimated to be around one and a half hours' drive to Christchurch Central City. This characteristic contributes to limited accessibility for business activity but greater appeal as a unique tourist destination.

The Akaroa Local Market, encompassing areas like Akaroa, Robinsons Bay, and Duvauchelle, is regarded as its own economic environment, characterised by a degree of insularity.

Businesses, apart from tourist businesses within the catchment, typically cater to the needs of residents within the catchment itself, albeit many businesses appear to play a dual role of servicing both markets.

Given the predominantly rural and coastal nature of the surrounding environment, any minor adjustments to the catchment boundaries are unlikely to significantly impact the population and household base, thereby maintaining the catchment and market size.

**FIGURE 3: BP MEATS SITE IN THE CONTEXT OF AKAROA LOCAL MARKET AND TOWNSHIP**



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

## 6. DEMOGRAPHIC PROFILING

This section identifies some of the key economic and social demographic characteristics of the Akaroa Local Market and compares it with the wider Christchurch City and the national averages for comparative context. A full breakdown of the demographic profiling has been provided in Appendix 2.

- The current population within the catchment stands at approximately 1,370 residents, distributed across approximately 670 households, resulting in an average household size of around 2.04 persons. Notably, this ratio is considerably lower than the averages observed in Christchurch (2.51) and across the nation (2.64). The local market encompassing Akaroa, Robinsons Bay, and Duvauchelle constitutes a mere 0.35% of Christchurch City's overall population. This is a very small market in retail economic terms.
- The catchment exhibits a substantial concentration of residents aged 60 years and above, accounting for 44% of the population. This proportion is more than double to the averages observed in Christchurch City (20%) and nationally (21%). Consequently, the local market has a distinctive age structure, featuring a higher proportion of elderly / retired residents and a smaller share of children. The prevalence of an older demographic often indicates an increased demand for healthcare services, social support, and infrastructure tailored to the needs of senior citizens.
- Within the catchment, the annual average household income is notably lower, standing at around \$61,000. This figure is \$13,000 lower than the Christchurch average (\$74,000) and \$15,000 below the national average (\$76,000). A lower household income typically corresponds to reduced levels of annualised retail expenditure generated per household and diminished discretionary spending power, however with such a high proportion of retired people in the local market this age cohort often have greater access to capital with high levels of equity and wealth.
- The local market has a larger percentage of individuals identifying as European (82%), higher than both Christchurch's 70% and the national average of 65%. As a result, there is notably limited representation from other ethnicities within the catchment. This narrow breadth of ethnic diversity is likely influenced by Akaroa's unique history, settlement dynamics and cultural influences, particularly its early French heritage.
- The Accommodation and Food Services sector is the largest employment sector in the local market, constituting approximately 27% of the total employment base. In contrast, both the wider Christchurch City and the national average have a significantly lower proportion at 7%. This substantial difference underscores the catchment's significant reliance on employment generated by tourism-related activities. Given the local economy's heavy reliance on tourism this concentration is not unexpected.

However, it introduces potential vulnerabilities to the local economy, making the local market more susceptible to market fluctuations and wider macroeconomic influences, particularly in the tourism sectors or shifts in travel patterns.

- The local market demonstrates a significantly lower dwelling occupancy rate at 39%, in stark contrast to the higher occupancy rates observed in Christchurch (91%) and nationally (89%). This difference suggests a higher incidence of seasonal or second-home ownership within the local market, closely linked to its status as a holiday '*hot spot*' and popular weekend destination. Consequently, a substantial portion of the housing stock remains unoccupied for extended periods of time contributing to a more transient population within the township.
- The prevalence of standalone houses within the catchment, constituting 88% of the existing housing stock, indicates a distinctive housing pattern characterised by a large number of holiday homes in the area. This ratio markedly exceeds not only the broader Christchurch City, where standalone houses make up 81%, but also the national average of 84%.
- Additionally, the local market emerges as a relatively more affordable place to reside compared to the national average. Currently, 93% of residents in the catchment pay less than \$400 per week for rent, relative to 69% within the broader Christchurch and 63% at the national level. This rental level reflects the local market's economic structure, featuring a higher proportion of lower wage and seasonal workers in tourism related activities compared to larger urban environments.

While this affordability may enhance accessibility for some residents, it also underscores the economic challenges associated with the catchment's reliance on tourism, where incomes are likely to be influenced and remain comparatively low due to the reliance on tourism related employment for years to come, or diversification of the local economy occurs.

- In summary, the local market is characterised by an older demographic, a predominant European ethnic composition (proportionally), significantly lower annual income level (albeit higher level of wealth is likely), high proportion of lower paid tourism sector employment, a higher level of transient population and high proportion of vacant dwellings for large parts of the year. These features are closely associated with the tourism industry, evident in the local market's reliance on accommodation and food services sectors.



## 7. POPULATION AND HOUSEHOLD GROWTH

This section assesses the recent, present, and anticipated growth of the local market based on the most recent (June 2023) population estimates provided by Stats NZ under their latest Medium and High growth scenarios for the period spanning 2013 to 2038.

The current population growth trajectory in the local market is tracking below the Stats NZ Medium growth scenario, primarily influenced by an aging demographic. The estimated total population of the catchment in 2023 is approximately 1,370 people, reflecting a modest +3% growth from the 2013 population base. This growth rate is comparatively lower than that observed in the broader Christchurch City (+11%) and the national average (+18%) during the same period.

**TABLE 2: CATCHMENT POPULATION AND HOUSEHOLD FORECASTS**

	Stats NZ Projection	2013	2018	2023	2028	2033	2038	2023 - 2038 Growth	
								#	%
<b>Population</b>	High	1,330	1,390	1,370	1,560	1,630	1,690	+320	+23%
	Medium	1,330	1,390	1,370	1,490	1,520	1,540	+170	+12%
<b>Households</b>	High	590	660	670	730	760	790	+120	+18%
	Medium	590	660	670	710	720	740	+70	+10%

Source: Stats NZ

Under the Stats NZ High growth scenario, the catchment is anticipated to experience a population growth of approximately +23% between 2023 and 2038, representing a net increase of around 320 people and resulting in a population base just below 1,700 people by 2038.

Simultaneously, the projection forecasts the number of households in the catchment growing to 790 by 2038 under the High growth scenario. Accommodating this growth on a one household per dwelling basis would necessitate around 120 new dwellings in the catchment.

In contrast to the High growth scenario, the Medium growth projection is deemed more a reflection of current local market growth trends, aligning with the Greater Christchurch Housing Capacity Assessment 2023.

The Medium growth projection adopts a more conservative growth trajectory, predicting a future population base of around 1,540 people by 2038, equating to +12% growth. This corresponds to a net growth of +170 people over the next 15 years. Under the same growth projection, households are expected to grow by an additional +70, indicating a demand for 70 new dwellings on a one household per dwelling basis.

It is crucial to note that these household demand figures exclude unoccupied dwellings identified as empty or used for holiday / weekend homes. According to the 2018 Census data, the dwelling occupancy ratio within the catchment was only 39%. Applying this ratio suggests

that, including unoccupied dwellings, the catchment would require a total of approximately 180 new dwellings between 2023 and 2038 under the Medium growth scenario.

Factoring in the appropriate NPS-UD buffers<sup>2</sup> would increase the net additional dwelling requirement in Akaroa from 180 dwellings to approximately 210 dwellings over the next 15 years (by 2038). Incorporating such buffers enhances market efficiency, maintains relative competitiveness, and provides greater choices in terms of location, price, and typology.

### RESIDENTIAL DEMAND BY TYPOLOGY

While this report utilises a spread of population and household projections as identified above, information is more limited on the composition of household growth by dwelling type. This sub-section assesses the proportional composition of household structure types required over the forecast period to paint a clearer picture of estimated demand by dwelling type, i.e., how the projected changing household structure is likely to influence changes in dwelling type demand.

For analytical purposes, the assumption is made that demographic changes identified by Stats NZ will manifest similarly in Akaroa and broader Christchurch, with these composition trends remaining consistent with the projected growth scenario assessed.

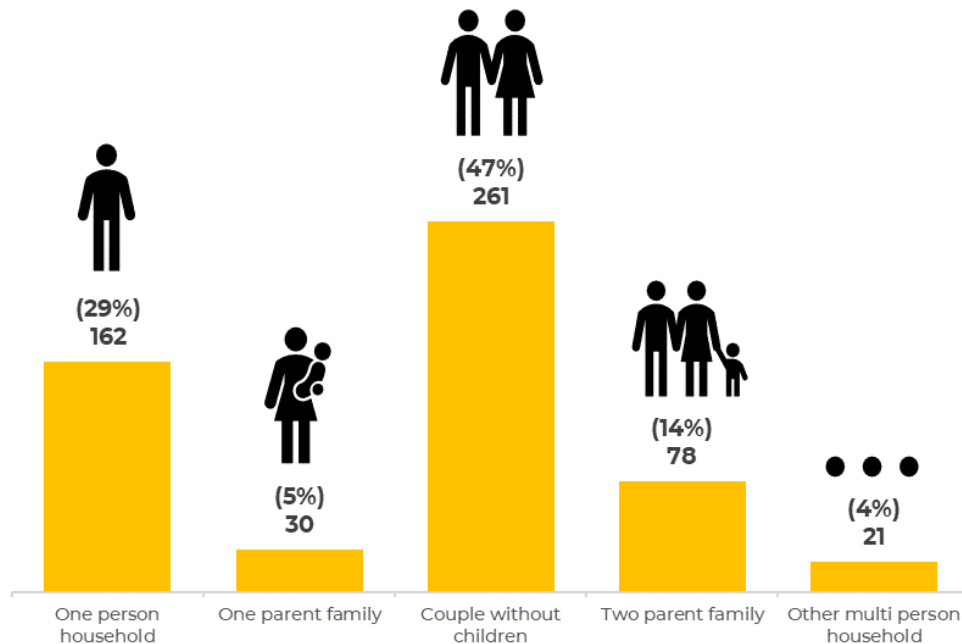
The following figure illustrates the estimated propensity across each household structure type for residing in various dwelling types (i.e., standalone, terraced, and others) in which they currently reside.

It reveals that smaller households, such as One-Person households, exhibit a higher propensity for living in smaller, higher-density dwellings like terraced houses and apartments (29%). Conversely, larger households, such as Couples without Children and Two-Parent Families, demonstrate a higher propensity for living in lower-density standalone dwellings (61%, cumulatively).

Clearly the more isolated location of Akaroa, limited schooling options, limited access to children's activities, services and sports and limited employment opportunities would impact demand by families in the local market, hence the high proportion of retired residents.

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<sup>2</sup> The competitive margins for Tier 1 and Tier 2 councils are to provide 20% additional residential capacity over the projected demand for short- and medium-term timeframes and 15% additional capacity over the anticipated demand for long term timeframes.

**FIGURE 4: CATCHMENT EXISTING HOUSEHOLD TYPE (2018 CENSUS)**

Source: Stats NZ

House prices and rising construction costs, along with subdued wage growth on a comparative basis, has had a marked effect on what people can afford to purchase and the level of household debt serviceability. This is forcing some sectors of the market to rethink their property expectations around housing typology choices from typology preferences to what they can actually afford / service.

Smaller typologies typically have small land holdings and dwelling footprint which in turn means new dwellings can be delivered to the market at a lower price point. This is fuelled by typically costs being amortised over a greater number of dwellings in a higher density development, and economic benefits being generated during the construction phase and in land use efficiencies.

The following table shows the estimated demand for new dwellings by typology within the catchment over the 2023 - 2038 period based on Stats NZ Medium growth projections. The breakdown of dwelling typology is derived using Stats NZ Census data about occupied private dwellings, household structure and family type.

This forecast assumes that the proportion of Standalone dwellings within the market would decrease gradually in the long term while the proportion of Terraced dwellings in the market would grow correspondingly, better accommodating the demand of the local community and providing increased choice for the market.

The forecast also allows household composition to change over time as estimated by Stats NZ. This provides an approximation of future demand across each dwelling type based on the changes in Akaroa household demographic over the foreseeable future.



As shown earlier, the catchment is estimated to require approximately 210 new dwellings (including unoccupied dwellings and NPS-UD margins) by 2038 to accommodate the projected population growth within the area under the Stats NZ Medium growth projections.

Specifically, Standalone dwellings are forecast to remain the predominant typology within the catchment with an estimated additional capacity of approximately 172 dwellings by 2038, accounting for around 82% of the total demand.

Demand for Terraced dwellings accounts for an estimated 16% of the total dwelling demand by 2038. This is equivalent to demand for additional 34 Terraced dwellings by 2038. In essence, the catchment is projected to continue to be a Standalone dwelling market.

It should be noted that these dwelling type projections are based on all typologies being able to be delivered through the requisite supply of land. In Akaroa's case, there are likely to be land supply constraints with limited opportunities due to topography. This has not been assessed as part of this study, but typically results in a shift towards delivery of a higher proportion of higher density typologies to maximise available land and efficiencies.

**TABLE 3: AKAROA CUMULATIVE ADDITIONAL RESIDENTIAL DEMAND BY TYPOLOGY**

Dwelling Typology	2028	2033	2038
 Standalone	106	128	172
 Terraced	12	20	34
● ● ● Other Typologies	2	3	4
<b>Total Net Additional Dwelling Demand</b>	<b>120</b>	<b>150</b>	<b>210</b>

Source: Property Economics. Note: 'Other Typologies' refer to other private dwellings such as dwellings in a motor camp, mobile dwellings not in a motor camp, improvised dwellings or shelter, roofless or rough sleeper, etc.

Based on the above forecasts, it can be expected that if the dwelling product in the right locations can be provided to the market (assuming an acceptable price point and quality), then the opportunity for Terraced homes and other higher density dwellings to yield a larger proportion of future dwellings is possible in the longer term.

This is considered a more likely outcome as people grow to accept more diversified dwelling development over time, developers get better at building these products, and affordability becomes an increasingly influential consideration in home purchasing decisions. This is particularly the case in a location with predominant proportion of Single and Couple households, along with the increasing house prices, serviceability and building costs across the country.

This is also a more likely outcome with Akaroa being a holiday home market where investors can purchase small investment properties and holiday home 'lock 'n leave' demand would be higher than in other markets.

For context, according to the latest median house price data from Opes Partners<sup>3</sup>, it is recorded that over the 24-month period spanning June 2021 to December 2023, Akaroa experienced the most rapid growth in house prices among all 85 suburbs in Christchurch City, with an annual increase of +4.58%. This reflects the escalating value attributed to Akaroa as an attractive residential and investment location, reflecting its appealing lifestyle, landscapes, recreational opportunities, history, and heritage, as well as relative closeness to Christchurch Central City.

This suggests the sales rate in Akaroa is a reflection of a lack of new supply being delivered to the market rather than demand, i.e., demand is likely higher than sales indicate. Given new supply appears impacted by limited land opportunities (or else the market would be delivering more homes to satiate demand) maintaining affordability in Akaroa is likely to be a multifaceted challenge in the future.

Like in many popular visitor destinations (i.e., Queenstown) housing demand outstrips supply resulting in house prices increases and reducing affordability. Akaroa appears on a similar path albeit at a reduced scale to the Queenstown comparative. This leads to a market not fuelled by local household income levels but by wealth.

#### PRIVATE HOUSING VS PUBLIC / COMMUNITY HOUSING

One avenue for promoting affordability is exploring housing solutions, such as the development of social and community housing. By incorporating these options into the overall property landscape, Akaroa has the potential to create a more inclusive housing market, providing opportunities for a broader spectrum of residents, including those with varying income levels.

There are also potential economic benefits to developing private housing on the BP Meats Site, particularly in addressing the housing needs of the elderly. Private developers, guided by market forces, could effectively utilise the space to create housing options tailored to a range of needs, including retirement apartments, assisted living facilities, or independent living units designed for the elderly. Private housing models often offer diverse amenities and services, allowing for a tailored approach to individual preferences and needs.

However, a potential issue might be affordability, as private developments could cater to a higher-income bracket, potentially excluding some elderly residents from accessing these options. This concern is amplified in Akaroa, where the recent surge in house prices is not driven by localised demand, suggesting that enabling private housing development at the BP

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<sup>3</sup> Sourced from <https://www.opespartners.co.nz/property-markets/canterbury>



Meats Site may not directly benefit the local communities or contribute to housing affordability of Akaroa.

Alternatively, opting for social housing for the elderly on the vacant site would emphasise affordability and community-centric solutions. Council-managed social housing can be designed specifically to address the needs of lower-income elderly residents, fostering a sense of community and potentially including support services to create a supportive and inclusive environment. Social housing models often prioritise long-term stability for residents, ensuring that housing remains affordable over time. However, the challenge lies in securing funding and resources for such projects.

Property Economics understands, there are only two social housing complexes in Akaroa, namely, Rue Viard Cottages at 8 Rue Viard with three single-storey units and Bruce Terrace Cottages at 20 Bruce Terrace with the capacity for five single-storey units. Consequently, there appears to be limited opportunities in the supply of social / community housing in the Akaroa market.

In light of the above factors, Property Economics considers that if the priority is to create an inclusive and supportive community environment for local communities, especially seniors with diverse income levels, a social housing approach could be given more weight. Ultimately, the decision between private and social housing within the BP Meats Site depends on Akaroa's unique demographic characteristics, economic conditions, and community values.

Furthermore, the supply of affordable housing options is also important to providing housing opportunities and choice for lower income households to improve their quality of life and economic and social wellbeing. The provision of affordable housing options on the BP Meats Site would represent an additional benefit to the Akaroa community but may not generate as much economic benefit as alternative options given the scarce zone resource and other development opportunities available that would bring benefits for the entire community.

A key consideration is the use of high value and scarce commercial zone land for residential use, particularly at ground level, when there is a much more extensive residential zone opportunities surrounding the centre to accommodate such development. It would be incongruous long term to utilise scarce commercial zone land for non-commercial land uses when additional commercial activity is required to accommodate future tourism growth. The BP Meats Site is positioned in a highly strategic commercial location for the main street and any development needs to consider through a long term lens.

#### SEASONAL WORKER ACCOMMODATION

Seasonal workers provide essential labour during peak periods in Akaroa industries such as agriculture, tourism, and retail. Their work is vital in supporting businesses during times of high demand, ensuring that these businesses can operate efficiently and profitably. Seasonal workers bring energy and dynamism to the local economy, often filling labour shortages that cannot be met by the permanent population. Their presence also increases demand for

housing, transportation, and other services, providing an economic boost during their employment period.

To promote diversity and further support the economy, it is beneficial to foster an environment with planning settings that supports seasonal worker accommodation opportunities given their important contribution to Akaroa's economic success. Prioritising support for seasonal workers would enhance economic certainty, diversity, bring in new skills, cultural perspectives, and temporary population increases that invigorate local communities.

However, this should not come at the expense of other more economically beneficial opportunities on the scarce BP Meats Site commercial zone land resource, particularly when there are likely to be other locational opportunities available. Residential accommodation has more locational substitutability than commercial activities. There are also infrastructure constraint considerations that would need to be evaluated. A balanced approach that evaluates the contributions of all land use opportunities need to be considered.

## 8. VISITOR ACCOMMODATION DEVELOPMENT POTENTIAL

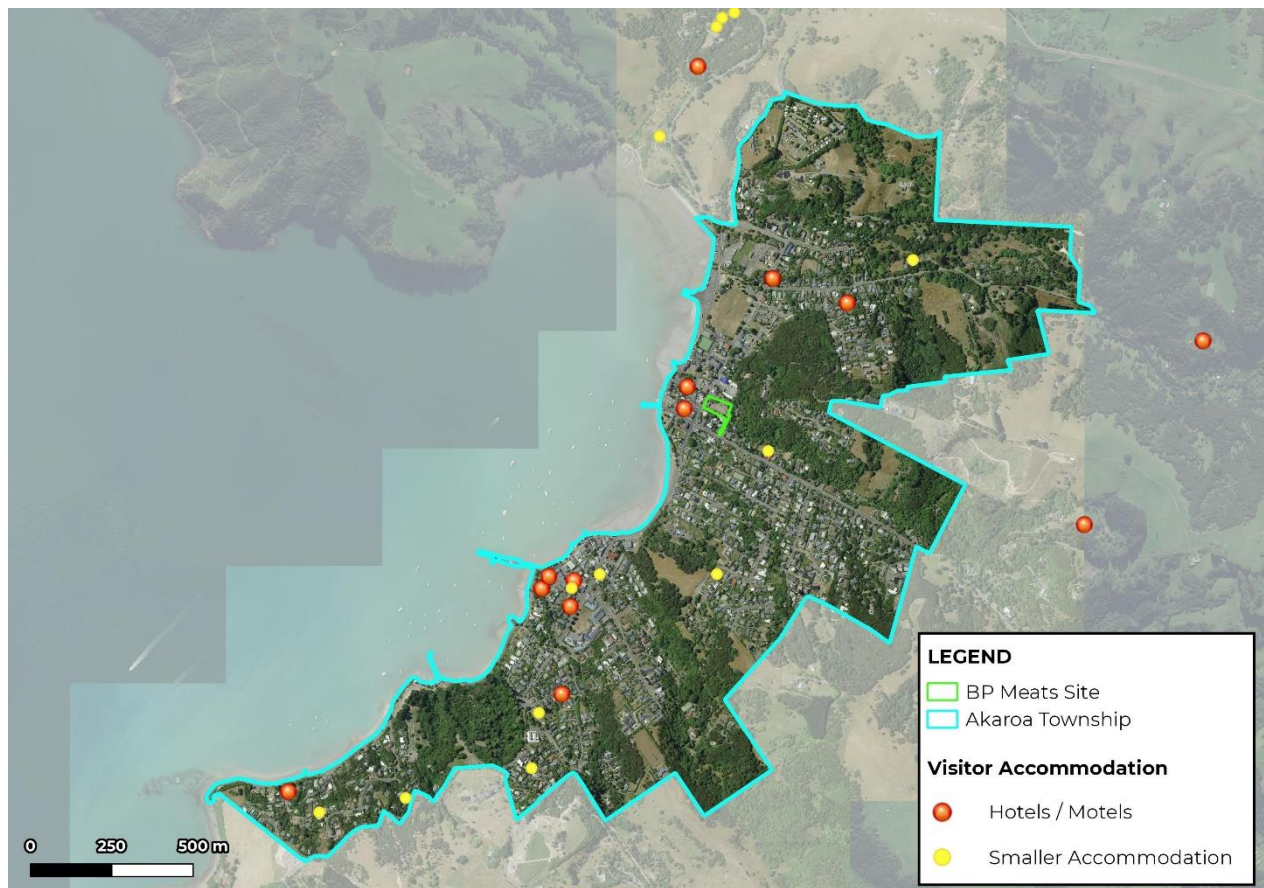
To assess the development potential of the BP Meats Site for visitor accommodation, the map below identifies the existing locations of visitor accommodation providers within the Akaroa township.

In total, there are approximately 20 visitor accommodation facilities within the Akaroa township, with hotels and motels constituting about half of them. The remaining half comprises relatively smaller-sized accommodation complexes such as lodges, cottages, holiday parks, backpackers, and farm stays.

Close to the BP Meats Site, two existing visitor accommodation facilities are present: Akaroa Criterion Motel and Akaroa Waterfront Motels. Akaroa Criterion Motel, a 4-star three-storey establishment situated immediately west of the Four Square store, offers 12 studio apartments with views of the Harbour. On the waterfront, Akaroa Waterfront Motels is a 4-star beach motel providing 24 self-contained units.

Most of the other larger existing visitor accommodation facilities are clustered near the intersection of Beach Road and Church Street, in close proximity to the Main Wharf.

**FIGURE 5: LOCATIONS OF VISITOR ACCOMMODATION IN AKAROA**



Source: Google Maps, LINZ, Property Economics

In addition to the primary visitor accommodation locations identified above, there are over 110 establishments offering Airbnb beds and 60 listed holiday homes within the Akaroa township. This information is based on a search on [Airbnb.co.nz](https://www.airbnb.co.nz) and [holidayhouses.co.nz](https://www.holidayhouses.co.nz) on 1 March 2024.

These Airbnb and holiday home listings are excluded from this analysis due to their fundamentally different operational model compared to traditional hotels and motels. While hotels and motels offer consistent services and amenities, these Airbnb and holiday home listings vary widely in quality, amenities, standards, and availability.

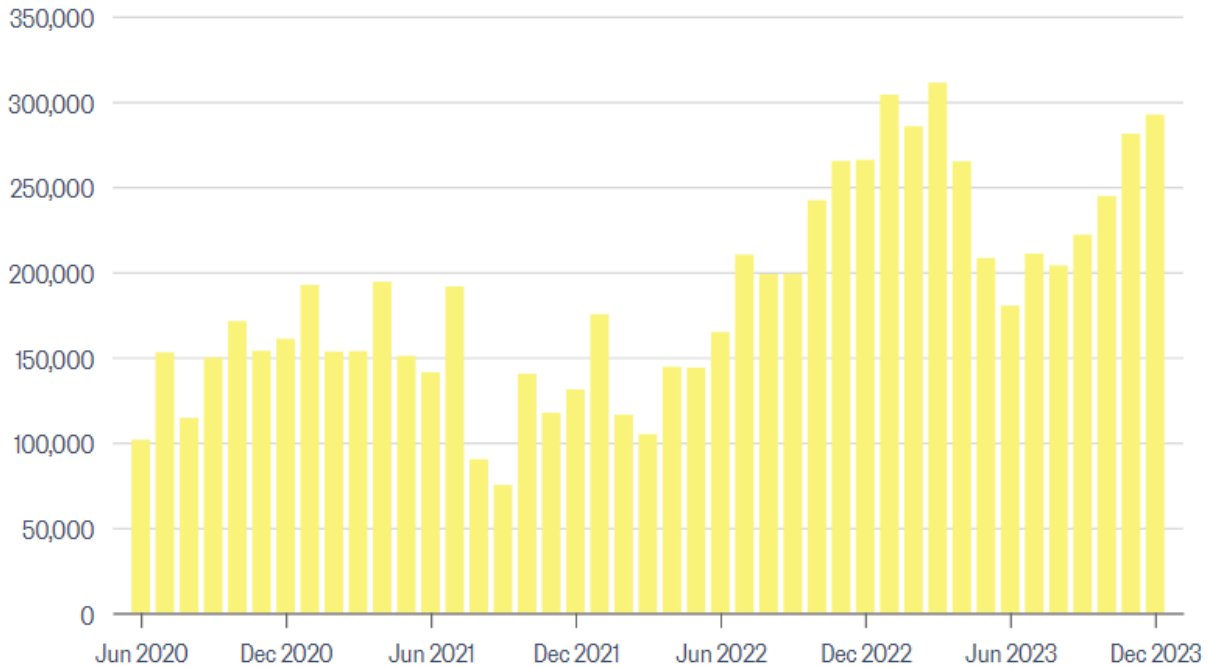
In addition, Airbnb and holiday homes often attract a different demographic than traditional hotels and motels, catering to travellers seeking unique, local, and typically longer stay experiences often at a lower price point, as opposed to the business travellers and tourists targeted by hotels. This difference in target market implies that the demand for Airbnb and holiday homes accommodation may not directly correspond with the demand for traditional hotel and motel rooms, albeit in tight visitor accommodation markets there is likely to be some cross-over.

Overall, in light of the diverse range of visitor accommodation options already present in Akaroa, indicative of a thriving and well-established tourism sector within the town, the development of the BP Meats Site presents an opportunity to broaden and enhance the array of accommodation options available to visitors.

To provide a broader perspective on the commercial accommodation demand within the district, data sourced from MBIE indicates that Christchurch City boasts the highest occupancy rate among all accommodation types, standing at around 84.2% as of February 2024, compared to the national average of around 69.2% for the same period.

Importantly, despite the total number of establishments offering short-term accommodation remaining relatively stable (between 190 and 197 establishments) during these periods, there has been a noticeable improvement in demand for commercial accommodation within the district over the past year. This is evident from the fact that Christchurch City's occupancy rate stood at around 77.5% in February 2023.

The following figure shows the actual number of guest nights spent in commercial accommodation in Christchurch City from June 2020 to December 2023. With this upward trend observed in Christchurch City, there likely exists potential for the development of new accommodation services at the BP Meats Site to meet the growing demand for guest nights in Akaroa.

**FIGURE 6: NUMBER OF GUEST NIGHTS SPENT IN CHRISTCHURCH COMMERCIAL ACCOMMODATION**

Source: MBIE

Furthermore, from an economic viewpoint, the locational characteristics of the BP Meats Site are positioned to play a pivotal role in attracting guests and contributing to the overall success of Akaroa's tourism industry and Rue Lavaud main street. The BP Meats Site boasts many key attributes:

Firstly, proximity and views to the coastline / waterbody is crucial. Coastal towns attract visitors for their scenic beauty and access to beaches and the harbour, making accommodation complexes near the shoreline desirable for amenity and easy access to recreational activities. The BP Meats Site, located within a 130m walk to the coastline and potential views of the harbour, possesses the potential to be used for visitor accommodation, adding to the existing accommodation facilities to the west.

Secondly, a successful visitor accommodation should be strategically positioned within the central or prominent areas of the town. Close proximity to popular attractions, restaurants, entertainment venues and other amenities ensures convenience for guests and enriches their Akaroa experience, allowing them to explore the town comfortably and enjoy various opportunities available.

The location also provides increased access and opportunity for more seamless integration and higher levels of visitor expenditure to be captured within the main street, particularly restaurant, cafes, and bars in the evening economy.

Considering the location characteristics of the BP Meats Site and the sustained tourism and accommodation demand in Akaroa, there is increasing demand for quality accommodation facilities in Akaroa. During Property Economics centre visit it was noticed that many visitor accommodation complexes were getting dated and had a tired appearance.

With ever increasing consumer expectations from tourists, many of these facilities are unlikely to meet modern day expectations for room quality, services and amenities. A quality boutique accommodation complex would assist in satisfying the rising demand from visitors seeking accommodation in the area and would contribute positively to the economic growth of the wider Akaroa economy.

Tourists are the lifeblood of the Akaroa economy and the Akaroa town centre, so providing a larger number and wider choice of accommodation options would assist growing the economy to the economic benefit of the market as a whole. It would also provide increased employment opportunities for the local market on the back half of the BP Meats Site and suit vertical development which would represent a more efficient use of the site and land resource.



## 9. SEASONAL WORKER ACCOMMODATION OPPORTUNITY

Tourism-dependent seasonal employment in Akaroa exhibits distinct characteristics marked by its cyclical nature / temporary commitments. These jobs, often concentrated in hospitality, recreation, and tourism related services, align with Akaroa's peak tourism (summer) season (i.e., October – April).

As such, quantifying the accommodation demand associated with this seasonal workforce is challenging due to fluctuation in local tourism activities and local property ownership trends. The varied nature of employment contracts, with some seasonal workers receiving accommodation as part of their employment package, complicates efforts to estimate seasonal worker accommodation demand accurately.

Additionally, a proportion of these workers in Akaroa may own properties locally (i.e., baches, holiday homes, etc.), leading to a reduced need for external accommodation. Mudding the waters further is children of holiday homeowners who work over the summer holidays between school and University years but stay in their parents' holiday home. This unique aspect of Akaroa means there is not a direct relationship between seasonal workers and seasonal worker accommodation demand.

The figure on next page, relying on 2018 Census data, illustrates that Akaroa & Akaroa Harbour (the Yellow Area)<sup>4</sup> only sees 11% of its workforce commuting from other locations. In essence, a substantial 89% of employment comprises local residents.

This commuting pattern aligns with expectations, considering Akaroa & Akaroa Harbour's relatively small and isolated market with limited employment opportunities to attract workers from more distant areas.

According to the 2018 Census data, all 11% of work arrivals (approximately 66 people, as of 2018) originate from the wider Banks Peninsula (Eastern Bays-Banks Peninsula and Banks Peninsula South). Both locations are conveniently located within a short drive to Akaroa & Akaroa Harbour.

The absence of significant employment influx from further field Greater Christchurch locations, and the periodic nature of accommodation requirements for seasonal workers makes provision seasonal worker accommodation on the BP Meats Site questionable from a land use and development efficiency perspective.

Moreover, the majority of Akaroa employment structure relies predominantly on local residents, suggesting the use of the BP Meats Site for seasonal worker accommodation may not represent the most effective use of the site given its highly strategic location, i.e., such a development is unlikely to represent the most financially feasible option.

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<sup>4</sup> Note that these two SA2 areas have been selected as the closest match to the identified catchment area, which is based on SA1 areas. However, travel-to-work data is not available at the SA1 level.

If this land use was pursued, Property Economics would suggest any such development should be sufficiently flexible to be able to accommodate seasonal workers when required and then have the ability to accommodate tourists during other periods, albeit visitor accommodation demand and seasonal workers demand would be highest at the same time – peak summer period.

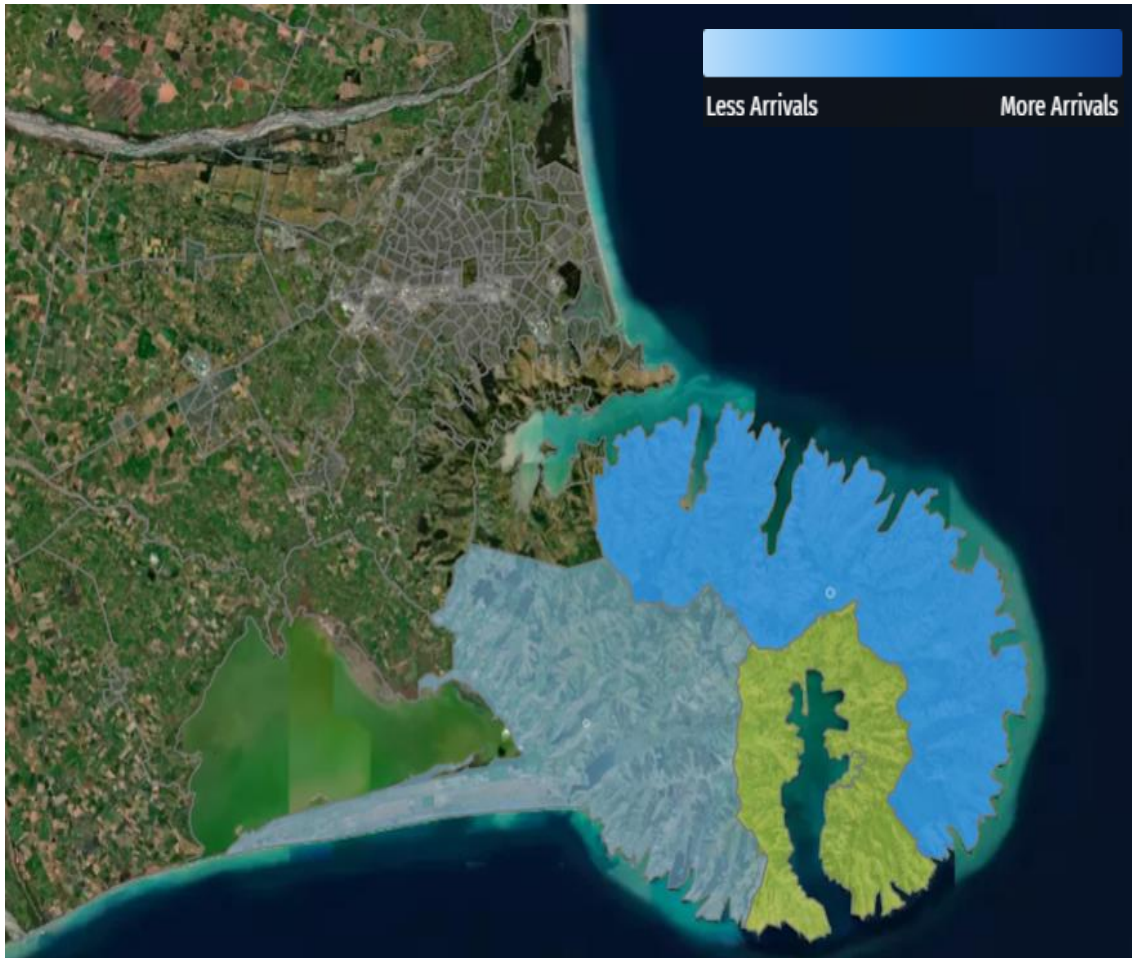
Additionally, scarce main street land on Rue Lavaud being utilised for lower return seasonal worker accommodation (relative to commercial visitor accommodation opportunity) would not represent the most economically beneficial outcome for the site. There would need to be non-economic outcomes driving the development of this option to be considered as there would be a significant opportunity costs with such an outcome.

This is particularly the case given there is plenty of residential zone land around the centre that could accommodate such a land use, i.e. the BP Meats Site is not the only site seasonal worker accommodation could be developed.

Based on information provided by CCC, Property Economics understands that a section of the Pompallier Rest Home has been purchased with a proposal to convert it into worker accommodation. Additionally, some businesses, like Bully Hayes, have purchased houses to lodge seasonal workers. This indicates there appears to be a lot more practical opportunities for accommodating seasonal workers that consuming the scarce commercial zone land resource.

In addition, from an economic perspective, the heightened demand for the workforce during peak visitor seasons is also anticipated to be met partially through increased productivity, such as servicing a higher customer count per employee.

**FIGURE 7: AKAROA & AKAROA HARBOUR EMPLOYMENT ARRIVALS (2018)**



Source: Stats NZ. Note that the Yellow Area highlighted is the study area, i.e., the employment destination.

## 10. RETAIL MARKET GROWTH

This section sets out the projected retail expenditure and sustainable GFA forecasts for the identified catchment (i.e., the Akaroa Local Market). These forecasts have been based on the Stats NZ **Medium** growth population and household projections, business spend and retail shopping patterns, and prepared using Property Economics' Retail Model.

A more detailed breakdown of the retail model and its inputs is set out in Appendix 3.

### 10.1. RETAIL EXPENDITURE MODEL

The following flow chart provides a graphic representing the Property Economics Retail Model to assist CCC in better understanding the methodology and key inputs utilised.



### GROWTH IN REAL RETAIL EXPENDITURE

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

## LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the identified market does not necessarily equate to the sales within that particular area. 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 offering will attract customers from beyond its core market, whereas a low-quality offering is likely to experience retail expenditure leakage out of its core market.

For that reason, it is appropriate for modern retail markets to be assessed on the basis of “layered catchments”. This is where consumers spread their retail spending across a wider spectrum of centres, with the majority of their “higher order” spend going to “higher order” centres (predominantly large scale regional or main metropolitan shopping destinations). Meanwhile, convenience spend tends to remain more localised, triggering a layering of centre catchments across the city. In other words, a consumer could be in the primary catchment of numerous centres, not just one.

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

## EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2023 NZ dollars and exclude the following retail activities, as categorised under the ANZSIC categorisation system:

- Accommodation (hotels, motels, backpackers, etc.)
- Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)
- Hardware, home improvement, building and garden supplies retailing (e.g., Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

The above activities classified as retail by ANZSIC have been excluded because they are not considered to be core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality. Modern retail centres do not rely on these types of stores to be viable or retain their role and function in the market as such stores have the potential to generate only consequential trade competition effects rather than flow-on retail distribution effects. Therefore, the retail centre network’s economic wellbeing and social amenity cannot be unduly compromised.

The latter two bullet points contain activity types that generally have difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that for most of these activity types it would be unviable to establish new stores in centres given their modern store footprint requirements and untenable to remain located within them for an extended period of time (beyond an initial lease term) in successful centres due to property economic considerations such as rent, operating expenses, land value and site sizes.

Trade orientated activities such as kitchen showrooms, plumbing stores, electrical stores, tile warehouses and paint stores are also excluded from the model for similar reasons. As such, demand for these store types is additional to the retail demand assessed in this analysis.

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

#### SUSTAINABLE GFA

This analysis uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floor space proportionate to an area's retainable retail expenditure that is likely to result in an appropriate quality and offer in the retail environment. This does not necessarily represent the 'break even' point, but a level of sales productivity (\$/sqm) that allows retail stores to trade profitably and provide a good quality retail environment, and thus economic wellbeing and amenity.

It is necessary to separate the Gross Floor Area into:

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

A store's net retail floor area only includes the area which displays the goods and services sold and represents the area to which the general public has access. By contrast, the Gross Floor Area typically represents the total area leased by a retailer. Back Office Floorspace in a retail store is the area used for storage, warehousing, staff facilities, admin functions or toilets and other 'back office' uses.

These activities typically occupy around 25-30% of a store's GFA. It is important to separate out such back office floorspace from sustainable floorspace because back office floorspace does not generate any retail spend. For the purposes of this analysis a 30% ratio has been applied and included in the figures outlined in the following analysis.

Furthermore, retail stores in general can be split into Specialty and Large Format Retail (**LFR**). Specialty retailing generally consists of smaller, boutique more specialised stores typically operating within, and offering products from, a specific retail sector. These are typically stores for items such as clothing, footwear, pharmaceuticals, and food and beverages, with the vast majority of store sizes for this type of retailing under 500sqm GFA.



LFR activity is typically identified as stores with a larger store footprint, generally over 500sqm GFA, and includes store types such as supermarkets, furniture, appliances, hardware and department stores. It is important to note that these store type examples are not mutually exclusive and can include a range of products across a number of retail sectors.

LFR stores, while large in floorspace terms comparatively, typically represent only a small proportion of physical stores nominally. These LFR store types, with the exception of supermarkets, generally trade at lower productivities on a per sqm basis relative to smaller Specialty stores but are able to remain profitable by selling more in terms of volume, having superior 'purchasing power' (i.e., LFR stores can typically purchase goods at lower wholesale costs on a per unit basis due to the larger volumes bought, particularly for national retail chains), and typically lower per square metre rental rates.

#### THE AKAROA RETAIL ACTIVITY CONTEXT

In Akaroa, there are no existing LFR stores within the centre and the cost of travel to access a comprehensive range of retail activities is significant due to the relatively isolated location of the township. This reflects the different role and function of the Akaroa Centre by providing for local everyday retail and service needs, whilst sustaining a range of hospitality, visitor attractions and shopping for overnight and day visitors.

Akaroa's small population base means the town simply does not have the economic base to sustain LFR stores. This has led to a retail landscape dominated by small, independent businesses that cater more specifically to the local population and visitors' needs and preferences.

The lack of LFR stores also indicate a focus on preserving the town's unique character and appeal. Akaroa emphasises tourism and the preservation of natural beauty and historic characteristics, which can be compromised by the presence of large, generic retail outlets. This focus on maintaining a distinctive charm can attract tourists seeking a more authentic and picturesque experience, further supporting small businesses that provide locally sourced goods and services.









These factors have been incorporated into the following analysis to estimate the retail spend generated by visitors and Akaroa residents, ensuring a more reliable and accurate reflection of the local retail market and economic potential of Akaroa.

#### 10.2. CATCHMENT GENERATED RETAIL SPEND AND SUSTAINABLE GFA

The following table forecasts and disaggregates the total annual retail expenditure by ANZSIC retail sector category over the 2023 – 2038 period generated by the local market. All figures are in 2023-dollar terms.

The catchment is currently (2023) estimated to generate approximately \$21m in annual retail expenditure. This is broadly representative of the 'pool' of retail spend that the catchment area's residents and businesses would generate annually.

**TABLE 4: CATCHMENT ANNUALISED RETAIL SPEND (\$M) FORECAST (BEFORE INTERNALISATION)**

ANZSIC Sector	2023	2028	2033	2038	2023-2038 Growth	
					\$m	%
 Food retailing	\$7.1	\$8.0	\$8.6	\$9.1	+\$2.0	+28%
 Clothing, footwear and personal accessories retailing	\$1.9	\$2.0	\$2.1	\$2.2	+\$0.3	+16%
 Furniture, floor coverings, houseware and textile goods retailing	\$0.5	\$0.6	\$0.6	\$0.6	+\$0.1	+20%
 Electrical and electronic goods retailing	\$0.7	\$0.8	\$0.8	\$0.8	+\$0.1	+14%
 Pharmaceutical and other store-based retailing	\$3.3	\$3.7	\$3.9	\$4.1	+\$0.8	+24%
 Department stores	\$1.7	\$1.8	\$1.9	\$2.0	+\$0.3	+18%
 Recreational goods retailing	\$1.1	\$1.2	\$1.2	\$1.3	+\$0.2	+18%
 Food and beverage services	\$4.5	\$5.1	\$5.5	\$5.8	+\$1.3	+29%
<b>Total Retail Spend (\$m)</b>	<b>\$21</b>	<b>\$23</b>	<b>\$25</b>	<b>\$26</b>	<b>+\$5.1</b>	<b>+25%</b>

Source: Property Economics

Under the Stats NZ Medium growth scenario, this total annual retail expenditure is expected to grow by approximately \$5.1m annually (or 25%) to around \$26 per annum by 2038.

The largest sector is Food Retailing<sup>5</sup>, which includes supermarket shopping. This sector accounts for about a third of all retail expenditure generated within the catchment area and currently totals around \$7.1m in annual expenditure generated. It is estimated that Food Retailing would grow by \$2m (or 28%) to approximately \$9.1m annually by 2038.

Food and Beverage Services<sup>6</sup> is the second-largest sector with a current estimated annualised expenditure at \$4.5m (or 22% of total retail expenditure). It is anticipated that Food and Beverage Services would grow by \$1.3m (or 29%) to around \$5.8m annually by 2038.

The balance of the retail sectors is comparatively smaller (in nominal figures) and involve a lot of goods consumers are prepared to travel greater distances to purchase. This is particularly the case for the Department & LFR store types.

<sup>5</sup> Includes supermarkets, fruit & vege stores, bakeries, butchers, dairies, fish shops, cake shops, etc.

<sup>6</sup> Includes cafes, bars, restaurants and takeaway food services.

The table on the next page presents the level of sustainable retail GFA (sqm) within each retail sector that can be supported by the generated total retail spend within the catchment area and does not consider any retail spend outflow or leakage.

The total sustainable GFA based on the catchment's total generated retail spend equates to 4,200sqm (rounded) in 2023 and is expected to grow further to around 5,100sqm by 2038. This equates to an additional growth in sustainable GFA of around 900sqm between 2023 and 2038 across all assessed retail sectors.









In other words, relying solely on market growth projections, the catchment area could support an additional 900sqm of retail GFA over the next 15 years, without factoring in elements like retail spend leakage and tourism expenditure.

As such, neither the estimated sustainable GFA of 4,200sqm in 2023 and 5,100sqm in 2038 represent the total retail GFA currently being supplied by the Akaroa local market, but rather the amount of GFA that can be sustained by the catchment's generated retail spend irrespective of where retail supply is located, or if this total generated retail expenditure was internalised within the area.

Note that the estimated \$21m represents the annualised retail expenditure currently (2023) generated by catchment residents, and not all of this expenditure remains in the catchment. Residents frequently visit other higher-order retail centres in Christchurch weekly for a broader range and higher quality of offerings and amenities. This pattern of leakage is expected to persist in the future.

As such, the above estimates contextualise the forecast retail demand implications of the growth scenarios for the total retail market but does not reflect the GFA Council should consider accommodating as part of their strategic planning process for business land demand and Akaroa Centre development. This is due to significant market inflow from visitors, which increases the sustainable GFA provision appropriate to accommodate in Akaroa.

**TABLE 5: CATCHMENT SUSTAINABLE RETAIL GFA (SQM) FORECAST (BEFORE INTERNALISATION)**

ANZSIC Sector	2023	2028	2033	2038	2023-2038 Growth	
					sqm	%
 Food retailing	900	1,000	1,100	1,200	+300	+33%
 Clothing, footwear and personal accessories retailing	400	400	400	400	+0	+0%
 Furniture, floor coverings, houseware and textile goods retailing	200	200	200	200	+0	+0%
 Electrical and electronic goods retailing	200	200	200	200	+0	+0%
 Pharmaceutical and other store-based retailing	800	900	1,000	1,000	+200	+25%
 Department stores	600	600	700	700	+100	+17%
 Recreational goods retailing	300	300	300	400	+100	+33%
 Food and beverage services	800	900	1,000	1,000	+200	+25%
<b>Total Retail Sustainable CFA (sqm)</b>	<b>4,200</b>	<b>4,500</b>	<b>4,900</b>	<b>5,100</b>	<b>+900</b>	<b>+21%</b>

Source: Property Economics

Given retail spend leakage, it is considered appropriate to internalise approximately 20% - 30% of the generated retail expenditure. This internalisation ratio, when applied at 24%, reduces the total generated retail expenditure to approximately \$5m per annum, representing the amount of annualised retail spend that currently remains within the Akaroa catchment.

With the total generated retail expenditure projected to grow to around \$26m per annum by 2038, the internalised retail expenditure is expected to increase to just above \$6m per annum within the catchment by 2038.

### 10.3. VISITOR EXPENDITURE AND SUSTAINABLE GFA

In addition to the resident-generated retail expenditure, Akaroa, being a popular tourist destination, attracts significant spending by visitors, including residents from the rest of the country and cruise ships.

Based on a news article on stuff.co.nz<sup>7</sup>, from October 2021 to October 2022, \$22m was spent in Akaroa by residents of Greater Christchurch, marking a +14% (inflation-adjusted) increase compared to pre-COVID. This estimated spend includes spending by Akaroa local residents.

Excluding the estimated internalised retail spend of around \$5m, the spend made by the rest of Greater Christchurch residents in Akaroa is estimated at about **\$17m** per annum in 2023.

<sup>7</sup> <https://www.stuff.co.nz/travel/news/130651349/akaroa-cannot-compete-with-marketing-budget-of-weekend-trip-rival-hanmer-springs>

Meanwhile, information from the same article reported about **\$7.3m** spent in Akaroa by other New Zealand visitors (i.e., the rest of NZ, excluding Greater Christchurch).

In terms of cruise ships, Stats NZ's National Port Cruise Expenditure data<sup>8</sup> shows that cruise ship passengers spent around \$45.4m via the Akaroa Port during the 2019-2020 season.

Taking into account the reported 90 cruise ships by Environment Canterbury<sup>9</sup> for the 2019-2020 season, it can be estimated that the average expenditure per ship via the Akaroa Port was approximately \$500,000. With an estimated 19 cruise ships in Akaroa during the 2022-2023 season due to Lyttleton's newly built cruise wharf, the projected spend by cruise ships via the Akaroa Port would amount to around **\$9.5m**.

According to Stats NZ, cruise travellers at the Akaroa port (as well as several other ports nationwide) have the potential to disembark and spend both locally and within the broader region. Additionally, spending before and after the cruise, as well as on overland tours, is also included in the estimates of cruise ship expenditure. Hence, the estimated \$45.4 million cruise expenditure does not solely represent spending in Akaroa while ships are berthed or via the Akaroa Port, but also includes expenditure elsewhere within the wider Canterbury Region.

Furthermore, cruise ship expenditure encompasses both vessel-related costs (such as port fees, fuel purchases, and supplies) and visitor-related expenses (including shore excursions and spending by passengers and crew ashore). However, Stats NZ does not provide specific breakdowns for both local spending in Akaroa and visitor-only spending, commenting that "*a breakdown is not possible due to businesses providing confidential Port level data*".

Acknowledging the constraints of the Stats NZ cruise expenditure data at the port level, Property Economics uses national figures, which offer a breakdown for vessel and visitor spending, to estimate the internalized cruise ship expenditure within the Akaroa local market at a broad level.

According to Stats NZ (see Appendix 4), vessel spending constituted around 28% of the total cruise ship expenditure during the 2019–2020 season, excluding GST. This portion of the expenditure is typically retained within the local market where the port is situated, namely Akaroa. Conversely, visitor spending comprised the remaining 72%. Assuming that approximately half of this cruise ship visitor spending remains internalised within the local market while the other half is dispersed to the wider region through day trips, it can be estimated that roughly 64% of the total cruise ship expenditure is retained within the local market.

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<sup>8</sup> Sourced from <https://www.stats.govt.nz/information-releases/cruise-ship-traveller-and-expenditure-statistics-year-ended-june-2020/>

<sup>9</sup> <https://www.ecan.govt.nz/get-involved/news-and-events/2022/getting-ready-for-the-return-of-cruise-ships-to-akaroa/>

By applying the 64% internalisation rate to the estimated annual Akaroa cruise ship expenditure of \$9.5m, the internalised cruise ship expenditure within the Akaroa local market can be estimated to be in the order of \$6 million per year.

Given the above figures, Property Economics estimates the total spend by visitors and cruise ships that the Akaroa Centre currently capture would be in the order of **\$30m** annually as of 2023. This estimated \$30m considers the retail spending from the rest of the Greater Christchurch region, amounting to \$17m per annum, along with the retail spending from the rest of New Zealand, totalling \$7.3m per annum. Additionally, it takes into account the internalised cruise ship expenditure in Akaroa, estimated to be around \$6m per annum.

Including the current (2023) internalised local market retail spend of around \$5m per annum, the total spend in Akaroa is estimated to be around **\$35m** per annum. Assuming an average sustainable productivity for Akaroa Centre of around \$7,000/sqm, the estimated \$35m can be translated into a sustainable net retail floorspace of around 5,000sqm and a total sustainable retail GFA of **7,150sqm**.

Again, it is important to note that this 7,150sqm GFA represents the current (2023) sustainable retail GFA within the catchment area. This calculation takes into account the necessary adjustments for leakage to other centres, as well as the spending generated by residents in both the rest of the Greater Christchurch area and the rest of New Zealand. Additionally, it incorporates the appropriate internalization of cruise ship expenditure via the Akaroa Port.

This 7,150sqm GFA excludes areas designated for urban parks, civic spaces, roads, reserves, playgrounds, as well as community, education, and public transport facilities. These additional spaces would enhance overall retail / commercial development, providing agglomeration benefits and amenity values for residents. Any land allocated for these activities is additional to the land identified for GFA / land area.

Research over many years by Property Economics around the country indicates that commercial services generally account for around half of convenience centre activity, so an additional **1,000sqm** GFA for local commercial services is considered appropriate for the local market scale.

Both retail and non-retail commercial services tenancies, for the most part, are interchangeable, in respect of both being able to occupy the same retail tenancy footprint. As such, non-retail commercial services often co-locate with retail stores in convenience centres. Consequently, the total current (2023) sustainable retail and commercial services GFA within the Akaroa Centre is estimated to be around 8,150sqm.

Unlike land area, this GFA measurement is a more practical measure of the required or sustainable provision within the Akaroa Centre, considering that the current commercial zoning/land within the centre encompasses non-retail and non-commercial uses, such as cottages. Therefore, the analysis in the following sub-section will compare this estimated demand of 8,150sqm with the existing retail space (estimated supply) within the Akaroa Centre



to provide insights into the potential net additional retail provision, if any, required within the centre to accommodate the demand of both residents and visitors.

#### 10.4. IMPLICATIONS ON THE DEVELOPMENT OF THE BP MEATS SITE

According to CCC's 2017 Commercial Centre Factsheet (hereafter, the **Factsheet**), the Akaroa Centre had approximately **7,630sqm** of retail floorspace in 2016. Property Economics' ground truthing indicates no substantial change or expansion in the town, suggesting that the 7,630sqm is still a reliable indication of the current level of retail floorspace within the Akaroa Centre.

Taking this 7,630sqm as a reference point for the centre's retail supply, the Akaroa local market with a currently (2023) sustainable retail and commercial services GFA of around 8,150sqm, presently is an approximate equilibrium between retail demand and supply. This calculation does not account for future demand driven by tourism and residential growth, indicating that the Akaroa Centre has the potential to provide more retail offerings to better cater to both local and visitor demand.

Property Economics also notes that the Factsheet recorded vacant floorspace of around **460sqm** in the Akaroa Centre, well below the wider Christchurch City's vacancy average of around 800sqm within convenience centres. Property Economics 2024 ground truthing found two vacant tenancies, which would represent a similar level to previously assessed. This level of vacant is low and indicates a 'healthy' centre in terms of economic performance and retailer demand.

Clearly, retail demand in Akaroa is fuelled by resident population and tourist spending with the local market only accounting for around 15% of the market on an annual basis. This makes forecasting future spending and GFA requirements challenging as its highly dependent on macroeconomic factors impacting tourism to Christchurch. Local market growth out to 2038 is low (i.e., additional **200sqm**, which is calculated as 24% of the 900sqm growth, based on estimates in Table 5) and dependent on the delivery of new housing supply over the period.

Tourism is on the rise both internationally and nationally which suggests Akaroa could experience continued growth in visitor numbers and spending patterns, particularly if Akaroa manages to attract a higher proportion of ships tourists to Akaroa after now having the ability to berth in Lyttleton. Therefore, small local market growth and likely sustained tourism growth opportunities means the provision of some additional retail GFA would likely be required, and sustainable, in the future.

To offer a high-level projection for the growth in Akaroa's future visitor and cruise ship expenditure, it is helpful to understand the historic average tourism expenditure growth of the Canterbury Region. According to MBIE's research<sup>10</sup>, tourism expenditure or visitor spending in Canterbury increased by an average of 3% over a five-year period preceding April 2020. This 3%

<sup>10</sup> <https://www.mbie.govt.nz/dmsdocument/11444-regional-factsheet-canterbury-pdf>

reflects the typical growth of tourism expenditure in Canterbury and provides a useful benchmark for understanding market growth in the absence of earthquakes and the Covid-19 pandemic.

Assuming that visitor spending in Akaroa over the next 15 years will follow this historic growth profile of 3% per annum on average, it can be calculated that Akaroa's visitor spending has the potential to increase from the estimated current (2023) internalised visitor spending of \$30m to around \$47m per annum by 2038. This suggests an additional growth of \$17m per annum within the Akaroa local market, assuming that the existing internalization rate remains consistent over the next 15 years.

Applying the average productivity of \$7,000 per sqm, this additional \$17m can be translated into a net GFA requirement of approximately 3,500sqm. Accounting for the anticipated growth of Akaroa's resident-based retail sustainable GFA by an additional 200sqm by 2038, and an additional 500sqm GFA for commercial services, the Akaroa market or the Akaroa Centre would therefore sustain a total of an additional 4,200sqm of convenience retail and commercial services GFA by 2038.

Part of this 4,200sqm GFA requirement can be accommodated within the identified vacant retail floor space of around 460sqm within the centre. Therefore, the estimated net additional retail and commercial services GFA would be in the order of 3,700sqm by 2038. Some of this increased demand, given commercial zoned and land constraints, is likely to be accommodated by increased productivities of the existing retail GFA. This would reduce the requirement for 'additional' GFA.

Taking a longer-term perspective, additional retail and commercial services GFA would provide the opportunity to grow the local economy and local employment base, enhance the centre's existing offerings and improve the main street experience for visitors to the benefit of all parties with a vested interest in Akaroa.

Given the above analysis, Property Economics considers that accommodating additional retail / commercial services activity at the BP Meats Site on the main road frontage is appropriate and sustainable within the Akaroa local market, both currently and over the long term.

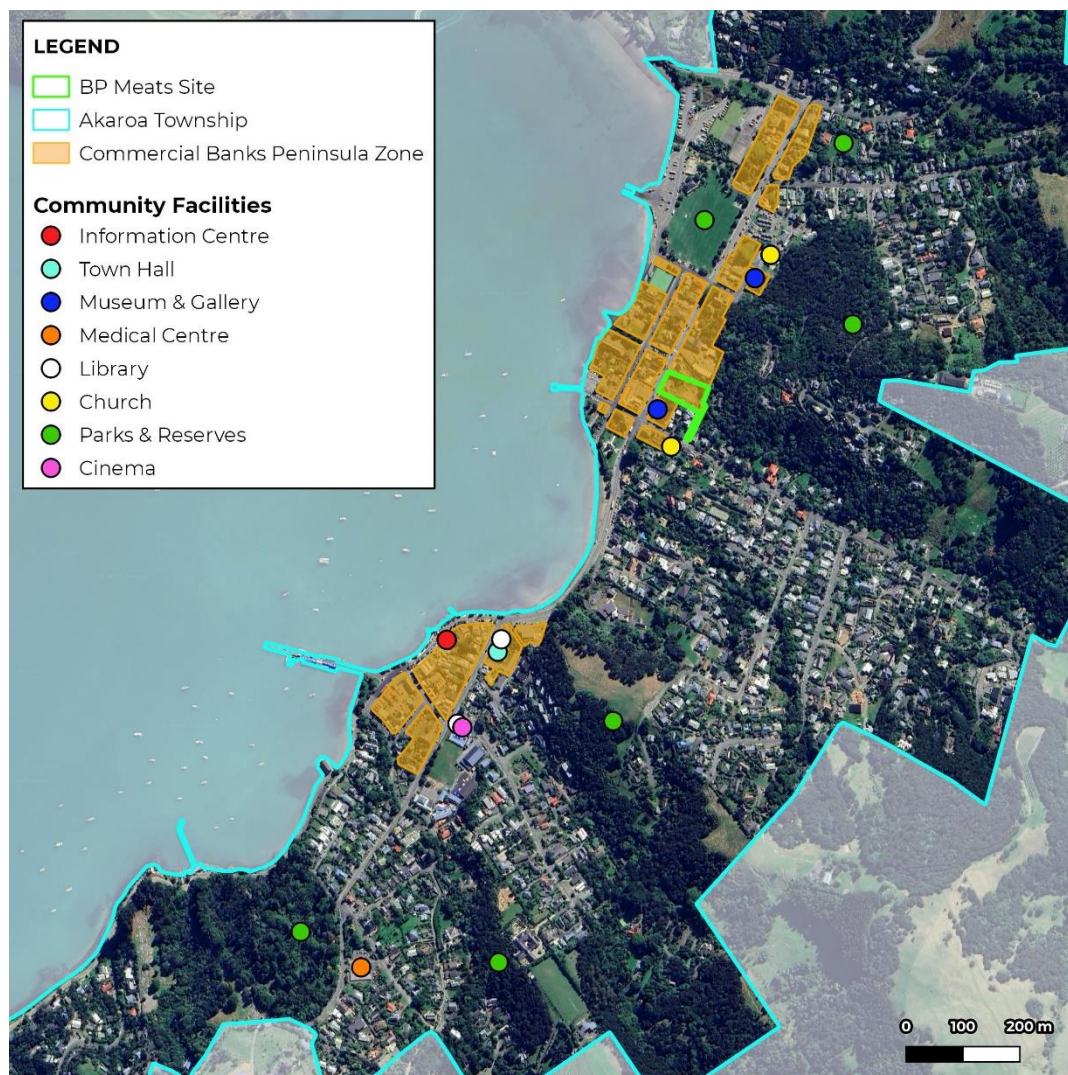
## 11. COMMUNITY FACILITY DEVELOPMENT POTENTIAL

This section offers a high-level overview of the existing community services and facilities in the Akaroa Township, assessing the potential development of the BP Meats Site for community services use and outlining the likely economic implications.

The following figure geospatially delineates the distribution of existing community facilities in Akaroa. It identifies a variety of community amenities already present within the township, with a predominant concentration in and around centre, which encompasses the BP Meats Site.

In close proximity to the BP Meats Site, one museum, one information centre, and one church are situated just to the south of the site. To the north of the site, there are two galleries, one church, and three parks and reserves, catering to the needs of both local residents and visitors.

**FIGURE 8: AKAROA EXISTING COMMUNITY FACILITIES**



Source: CCC, Google Maps, LINZ

Among the existing community services, the information centres and museums / art galleries are the most frequented facilities by visitors and tourists. Currently, Akaroa has one iSite Visitor Information Centre, which is housed in a two-storey building at 61 Beach Road, near the Main Wharf. Spanning around 830sqm, this land includes a few parking lots at the rear, with some of the eastern extent being vacant and offering potential space for expanded services.

Property Economics' ground truthing found that both information centres are strategically located within the CBPZ, ensuring easy accessibility for visitors. Particularly, the ADP information centre, positioned alongside bus stops, is highly accessible and visible to visitors.

From an economic perspective, considering Akaroa's tourism-dependent economy, while enabling the development of an additional community facility within the BP Meat Site might have the potential to make a positive contribution to the local community and visitor experience. Akaroa is considered already well served for a community of its size. Some upgrades or expansions of existing facilities is likely better and more economically efficient than consuming prime main street commercial land for a new community facility.

Care would also need to be taken to not duplicate existing community resources at the expense of more economically efficient and beneficial outcomes for the main street.

Parks and reserves are well-distributed throughout the township and are considered well positioned and of good quality to meet local and visitor demands.

Given the limited size of Akaroa's resident population and its expected slow growth profile, in combination with the existing proliferation of community services in the township, Property Economics considers that there is no meaningful requirement or demand to consume valuable main street commercial zone land for additional provision of community facilities.

Given that the other public spaces are grassed and there is no current hard surfaced civic space within the township, there may be an urban square or hard surfaced civic space within a development of the BP Meats site that would add community amenity, but this would need to complement and support any development on the site, rather than drive the outcome.

Additionally, Property Economics understands that the museum is presently utilising a portion of the BP Meats site for storage. Consequently, there may be a potential requirement to allocate some of the BP Meats Site for museum purposes. .

## 12. OTHER POTENTIAL LAND USES

This section considers a range of potential land uses raised by CCC and the local community and provides commentary on their appropriateness and efficiency at a high level from an economic perspective.

### OPEN SPACE

Property Economics notes that the Christchurch City Council's Public Open Space Strategy 2010–2040 identifies a substantial amount of high-quality open space (approximately 47ha) within the boundaries of the Akaroa Township. This abundance is visually represented in Figure 8 of the previous section, which geospatially identifies the locations of existing parks and reserves in Akaroa. These active open spaces are purposefully designed for physical activities and recreational pursuits, catering to the needs of both local communities and visitors.

In addition to these active open space areas, there are extensive passive open space areas surrounding the Akaroa Township, providing tranquil settings for more relaxed and contemplative activities. These areas offer spaces for relaxation, stress reduction, and fostering a connection with nature.

Consequently, Property Economics considers that there is no need to designate the BP Meats Site for open space, as Akaroa already boasts a well-established and varied network of open spaces catering to a diverse range of recreational preferences.

### PARKING

Section 3 of this report has included a high-level overview of the parking space availability concern within the Akaroa Centre, drawing on Property Economics' ground truthing.

Based on information provided by CCC, Property Economics understands that the BP Meats Site could yield a limited number of parking spaces, potentially encountering access challenges. This limitation stems from the absence of vehicle access along the Rue Lavaud frontage.

According to the 2010 Traffic and Access Report for the site, the establishment of a new vehicle access on the Rue Lavaud frontage would be imperative for intensive development. However, introducing such access may incur costs and diminish the appeal of this area as a pedestrian-friendly zone.

From an economic perspective, facilitating the creation of a new vehicle access on the main frontage could negatively impact the main street pedestrian environment, create pedestrian / vehicle conflict, and undermine the main street retail frontage and amenity. This includes the situation when there was a single lane off Rue Lavaud to facilitate one direction only flow through the site.

While a new access on Rue Lavaud has the potential to enhance accessibility, Property Economics consider the Rue Lavaud main street should deliver a stronger people focused environment and pedestrian experience in the future. The better this outcome, the better economic performance of the main street and Akaroa Centre overall.

Considering that the current access to the site is available from Rue Balguerie, which holds the potential to mitigate adverse impacts on the existing commercial environment and surrounding land uses, Property Economics considers an opportunity to allocate additional parking spaces at the rear of the site. This can be achieved while retaining the existing access to and from Rue Balguerie, complemented by the inclusion of suitable retail and commercial uses on the frontage.

## MARKET SQUARE

The Christchurch Foundation proposed a market square on the BP Meats Site operating from 9:30am to 1pm each Saturday from October-April.

From an economic perspective, developing the BP Meats Site into a market square offering local produce could provide an economic boost and unique local experience for visitors. The proposed market square has the potential to become a platform for local vendors and farmers to showcase and sell their products, stimulating economic activity within the community.

A market square offering local produce also has the potential to become a unique tourist attraction, drawing visitors interested in experiencing the local flavours and cultural offerings. However, the distance to Akaroa may limit its draw from further afield meaning the markets would not likely generate significant new activity or spending, rather redistribute economic activity that Akaroa would likely already be getting.

An Akaroa Farmers Market currently operates every Saturday from October to April, located at the St. Patrick's church grounds. This indicates that additional farmers market activity at the BP Meats Site would likely duplicate existing offerings in the Akaroa Centre and would not significantly enhance the range of amenities and services on the main street.

There are also some likely adverse impacts associated with this proposed Market Square development. For instance, operating only during specific months (October to April) may create a seasonal dependence. During the off-season, the market square may remain inactive for large periods, limiting the site's year-round economic contributions and community engagement.

In addition, the popularity of the market square may lead to increased traffic and parking demands during its operating hours. As such, adequate planning for traffic flow and parking spaces would need to be considered to avoid congestion and inconvenience to main street businesses and shoppers.



Addressing issues such as limited operating hours and seasonal dependence will be crucial for ensuring the sustained success and inclusivity of the market square. Additionally, collaborative efforts with local businesses and proactive traffic management can contribute to the overall positive outcomes of this proposal.

In Property Economics' experience, any market square type concept requires flexible space that can be utilised by other land uses when the markets are not in operation, otherwise the economic merits of consuming high value main street land for such a land use would be questionable.

#### MUSEUM EXPANSION & SHACKLETON'S REPLICA BOAT

The BP Meats Site adjoins the museum to the south, Akaroa Museum therefore raises a development potential to utilise a proportion of the site for museum use / expansion for the purpose of facilitating stronger connection between the Takapūneke reserve and the museum. There is also a potential museum link, e.g., school visits to accommodate increased visitation to Takapūneke and an opportunity to host Shackleton's replica Boat at the BP Meats Site given the site adjoins the museum if this remains a community aspiration.

Property Economics considers that expanding the museum to encompass the BP Meats Site has the potential to enhance the cultural and historical connection between the Takapūneke reserve and the museum. This creates a cohesive cultural precinct that enriches the community's and visitor understanding of local heritage. Meanwhile, a well-integrated museum expansion and the potential facilitation of Shackleton's replica boat would offer an enhanced visitor experience by fostering a more comprehensive understanding of the town's history, culture, and natural environment.

However, it is important to note that using a proportion of the BP Meats Site for museum expansion and Shackleton's replica boat might result in an economic opportunity cost given the increased requirement for additional retail / commercial space in the future. The BP Meats Site is the optimal location for additional retail GFA in Akaroa and use of the street frontage for other land uses would forego the opportunity and long terms benefits available. This would need to be weighed against the cultural and community benefits, keeping in mind an already robust provision of cultural facilities in Akaroa for a small township.

Overall, the proposal to utilise a proportion of the BP Meats Site for museum expansion and Shackleton's replica boat has its merits in enhancing cultural connections and visitor experiences. However, careful consideration of the economic opportunity cost and potential limitations on commercial activity is essential. Striking a balance that respects heritage preservation while maximising the economic value of the site requires thoughtful planning and long-term thinking.

## YEW COTTAGE RELOCATION

Situated at the intersection of Rue Jolie and Rue Brittan, Yew Cottage is in need of repairs due to the flood risk associated with its current location. Repairing it on-site would require elevating the structure by a few metres, resulting in an appearance that deviates from its current form. As such, the Parks Unit suggests relocating the cottage to the BP Meats Site as an alternative solution.

From an economic community standpoint, relocating the cottage to a safer and vacant parcel like the BP Meats Site could potentially be a long term solution, as it avoids the complexities and expenditures associated with on-site elevation and would provide a safe location for decades to come.

However, the economic consequences of the proposed relocation should also consider the impact on the Akaroa Centre's overall lost commercial opportunity. As mentioned before, use of scarce main street commercial land, with a requirement for some additional retail GFA in the future, could displace retail / commercial activity from the zone and location anticipated for such activity.

There is no doubt Yew Cottage, being a part of the town's architectural heritage, would contribute to the main street's character but consideration should be given to 'at what expense'. Balancing additional commercial needs longer term and the economic benefits this would bring Akaroa against the economic value derived from adding to the main street's historical charm is difficult.

Again, Property Economics would question whether the BP Meats Site is the only site available for a relocation of the cottage, or the most appropriate site to relocate the cottage. The strategic importance of the BP Meats Site's location and zone would indicate commercial activities would represent an appropriate development, particularly on the front main street portion of the site, while other land use opportunities can be considered for the back half of the site. Economically, this is likely best suited by visitor accommodation to complement the retail / commercial activities on the main street and catalyse growth and investment in Akaroa's town centre.

Note that the above considerations are purely an economic view, and a heritage assessment may be required to identify the costs and benefits associated with relocating the cottage to the BP Meats Site.

## APPENDIX 1. MATAKANA FOUR SQUARE REFURBISHMENT

### Current Four Square Matakana Store Front



Source: Google Earth.

### Proposed Four Square Matakana Store Front (Concept)



Source: RCG architecture.

## APPENDIX 2. DEMOGRAPHIC PROFILE

		Akaroa Local Market	Christchurch City	New Zealand Total
GENERAL	Population	1,370	396,190	5,222,750
	Households	670	157,940	1,978,270
	Person Per Household Ratio	2.04	2.51	2.64
	Intercensal Population Growth (Total   % p.a.)	56   0.8%	27,150   1.5%	462,280   2.0%
AGE PROFILE	0 - 9 Years	6%	12%	13%
	10 - 19 Years	6%	12%	13%
	20 - 29 Years	9%	16%	14%
	30 - 39 Years	10%	14%	13%
	40 - 49 Years	10%	13%	13%
	50 - 59 Years	15%	13%	13%
	60 - 69 Years	23%	10%	10%
	70 - 79 Years	16%	6%	7%
	80 Years and Over	5%	4%	4%
	<b>Median Age</b>	<b>57.5</b>	<b>37.1</b>	<b>37.4</b>
HOUSEHOLD INCOME	\$20,000 or less	10%	9%	9%
	\$20,001-\$30,000	12%	10%	10%
	\$30,001-\$50,000	18%	15%	15%
	\$50,001-\$70,000	18%	14%	13%
	\$70,001-\$100,000	19%	16%	16%
	\$100,001-\$150,000	12%	20%	19%
	\$150,001 or more	11%	16%	18%
	<b>Median Income</b>	<b>\$61,000</b>	<b>\$74,000</b>	<b>\$76,000</b>
ETHNICITY	Asian	7%	13%	13%
	European	82%	70%	62%
	Maori	7%	9%	15%
	Middle Eastern Latin American African	0%	1%	1%
	New Zealander	1%	1%	1%
	Other Ethnicity	1%	1%	1%
	Pacific Peoples	1%	3%	7%
QUALIFICATION ATTAINMENT	No qualification	16%	17%	18%
	Overseas secondary school qualification	5%	6%	6%
	Level 1 certificate	13%	11%	11%
	Level 2 certificate	12%	10%	10%
	Level 3 certificate	6%	12%	11%
	Level 4 certificate	9%	8%	9%
	Level 5 diploma	6%	5%	5%
	Level 6 diploma	9%	5%	5%
	Bachelor degree and Level 7 qualification	14%	15%	15%
	Post graduate and honours degrees	6%	6%	6%
	Masters degree	3%	4%	4%
	Doctorate degree	1%	1%	1%
LOCATION 5 YEARS AGO	Elsewhere in New Zealand	45%	45%	45%
	No fixed abode five years ago	0%	0%	0%
	Not born five years ago	4%	6%	7%
	Overseas	9%	10%	8%
	Same as usual residence	43%	39%	40%

		Akaroa Local Market	Christchurch City	New Zealand Total
EMPLOYEE NT	Employed Full time	45%	50%	50%
	Employed Part time	19%	15%	15%
	Not in the Labour Force	36%	31%	31%
	Unemployed	1%	4%	4%
EMPLOYMENT CLASSIFICATION	Clerical and Administrative Workers	7%	11%	11%
	Community and Personal Service Workers	13%	10%	10%
	Labourers	15%	10%	11%
	Machinery Operators and Drivers	3%	6%	6%
	Managers	26%	15%	18%
	Professionals	14%	24%	23%
	Sales Workers	6%	10%	9%
	Technicians and Trades Workers	16%	14%	12%
PERSONAL INCOME SOURCES	Wages, Salary, Commissions, Bonuses etc paid by my employer	48%	64%	61%
	Interest, Dividends, Rent, Other Investments	29%	18%	17%
	Jobseeker Support	2%	5%	6%
	New Zealand Superannuation or Veteran s Pension	32%	17%	17%
	Other government benefits, Payments or Pension	1%	4%	4%
	Other Sources of Income	1%	2%	2%
	Other Superannuation, Pensions or Annuities	5%	3%	2%
	Regular payments from ACC or a Private Work Accident Insurer	2%	2%	2%
	Self Employment or Business I own and work in	28%	12%	15%
	Sole Parent Support	1%	1%	2%
	Student Allowance	0%	3%	2%
	Supported Living Payment	1%	2%	2%
	No source of income during that time	3%	6%	6%
INDUSTRY OF EMPLOYMENT	Accommodation and Food Services	27%	7%	7%
	Administrative and Support Services	6%	5%	5%
	Agriculture Forestry and Fishing	9%	1%	6%
	Arts and Recreation Services	4%	2%	2%
	Construction	9%	12%	9%
	Education and Training	5%	8%	8%
	Electricity Gas Water and Waste Services	1%	1%	1%
	Financial and Insurance Services	1%	2%	3%
	Health Care and Social Assistance	6%	11%	10%
	Information Media and Telecommunications	1%	1%	2%
	Manufacturing	3%	10%	10%
	Mining	0%	0%	0%
	Other Services	2%	4%	4%
	Professional Scientific and Technical Services	3%	11%	10%
	Public Administration and Safety	3%	4%	5%
	Rental Hiring and Real Estate Services	2%	2%	2%
	Retail Trade	10%	10%	9%
	Transport Postal and Warehousing	5%	4%	4%
	Wholesale Trade	2%	5%	5%

		Akaroa Local Market	Christchurch City	New Zealand Total
WEEKLY RENT PAID	Under \$100	0%	8%	7%
	\$100 - 149	14%	10%	9%
	\$150 - 199	7%	4%	6%
	\$200 - 299	29%	14%	18%
	\$300 - 399	43%	34%	22%
	\$400 - 499	7%	23%	17%
	\$500 - 599	0%	5%	10%
	\$600 and over	0%	3%	10%
DWELLING	Dwelling held in a family trust	26%	12%	13%
	Dwelling not owned and not held in a family trust	24%	36%	35%
	Dwelling owned or partly owned	50%	52%	51%
DWELLING TYPE	Joined dwelling	11%	19%	15%
	Other private dwelling	2%	0%	1%
	Private dwelling not further defined	0%	0%	0%
	Separate house	88%	81%	84%
DWELLING OCCUPANCY	Dwelling Under Construction	1%	1%	1%
	Empty Dwelling	25%	4%	5%
	Occupied Dwelling	39%	91%	89%
	Residents Away	36%	4%	5%
NUMBER OF BEDROOMS	One bedroom	5%	6%	6%
	Two bedrooms	17%	24%	19%
	Three bedrooms	44%	43%	44%
	Four bedrooms	26%	22%	24%
	Five or more bedrooms	7%	5%	7%
STUDYING	Full time study	9%	21%	21%
	Not studying	89%	77%	76%
	Part time study	1%	3%	3%
HOUSEHOLD SIZE	One usual resident	29%	25%	23%
	Two usual residents	50%	33%	33%
	Three usual residents	11%	17%	16%
	Four usual residents	5%	15%	16%
	Five usual residents	4%	6%	7%
	Six usual residents	0%	2%	3%
	Seven usual residents	1%	1%	1%
	Eight or more usual residents	0%	1%	1%
	Number of usual residents unidentifiable	9%	3%	4%

## APPENDIX 3. RETAIL GROWTH MODEL

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

### Statistical Area 1 2018 Boundaries

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

### Household Estimates

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

### Population Growth

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

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

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

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

### International Tourist Spend

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



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

### Total Tourist Spend Forecast

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

### Average Household Retail Spend

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

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

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

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

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

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

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

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

### Internet Retail Spend Growth

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

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

### Retail Spend Determinants

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

### Retail Spend Economic Variables

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

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

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

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

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

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

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

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

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

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

### Current and Future Conditions

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

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

Finally, more recently the COVID-19 global pandemic resulted in a national lockdown with retailers forced to close under alert Level 3 and 4. To stimulate the economy during the COVID lockdowns the NZ Government made billions of dollars available to businesses and workers alike. Auckland had a second prolonged lockdown which extended the economic implications of COVID further. Interest rates were also lowered to ease financial pressures and provide easier access to capital. This stimulated the domestic economy in the immediate post-pandemic period primarily through increased retail spending but in particular significant increase in demand for houses. Much of this consumer demand was debt funded which had the effect of pushing inflation well beyond Reserve Bank targets. This increased interest rates at a rapid rate leading to tighter lending and consumer debt serviceability becoming very tight.

At present the NZ economy is currently navigating the 'hangover' from the COVID-19 spending 'sugar hit' and is in recession. Current indications are the economy will be low and slow for the next few years and it works its way out of recession, inflation is pulled back into the Reserve Bank's target range of 1%-3% and interest rates slowly fall. At present consumer demand is low with household discretionary spending tight leading to declines retail sales and house prices.

From an economic perspective, COVID-19 implications still represent significant uncertainty and thereby making the already difficult job of anticipating the future, that much harder. There are several unpredictable factors that will decide the fate of worldwide economy and it is difficult to accurately predict what long term impacts the implications of the global pandemic will have on international economies.

### Impacts of Changing Retail Spend

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

### Business Spend

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

### Business Spend Forecast

Business spend has been forecasted at the same rate of growth estimated to be achieved by household retail sales in the absence of reliable information on business retail spend trends. It

is noted that while working age population may be decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.

## APPENDIX 4. CRUISE SHIP EXPENDITURE IN NEW ZEALAND

Component	June year						Change from 2015 to 2016	Change from 2016 to 2017	Change from 2017 to 2018	Change from 2018 to 2019	Change from 2019 to 2020
	2015 R	2016 R	2017 R	2018 R	2019 R	2020					
	\$(000)										
Vessel <sup>(2)</sup>	63,638	86,625	116,580	104,462	141,820	138,664	36.1	34.6	-10.4	35.8	-2.2
Visitor <sup>(3)</sup>	201,232	240,102	247,499	296,833	369,478	356,413	19.3	3.1	19.9	24.5	-3.5
GST	30,069	34,994	35,997	43,251	53,890	51,978	16.4	2.9	20.2	24.6	-3.5
Total	294,939	361,721	400,076	444,546	565,189	547,055	22.6	10.6	11.1	27.1	-3.2

1. Individual figures may not sum to stated totals due to rounding.

2. Comprises shipping agents (ship visit logistics), bunkering (providing marine fuels), and providoring (providing produce and other supplies).

3. Incorporates shore excursions (predominantly pre-booked), including overland tours, and spending ashore by passengers and crew.

**Symbol:**

R revised

Source: Stats NZ