PROPERTY ECONOMICS

HURUNUI SOUTH WARD

SPATIAL PLAN

ECONOMIC ASSESSMENT

Project No: 52259

Date: March 2023

Client: Hurunui District Council

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SCHEDULE

Code	Date	Information / Comments	Project Leader
52259.4	March 2023	Report	Tim Heath / Phil Osborne

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1. INTRODUCTION

Property Economics has been engaged by Hurunui District Council (HDC) to undertake an economic assessment of South Ward's current and future residential and business markets, and subsequent land requirements to provide a greater level of understanding of the implications of the area's projected growth over the period to 2053 from a strategic planning and long-term Spatial Plan perspective.

The economic analysis in this report is designed to provide an integrated approach to the South Ward Spatial Plan and provide an understanding of how each of the property sectors individually influences and interrelates to each other in a cumulative context, i.e., the level of residential growth has implications for the growth profile of retail demand, labour force participation rates, industrial and commercial growth, and the growth in the Hurunui economy. This provides a more complete picture of the planning implications for South Ward's long term growth prospects.

Also assessed are the economic implications of the National Policy Statement for High Productive Land (NPS-HPL) on rezoning additional land for urban development across the South Ward area and the associated economic costs and benefits.

There is a large amount of information, statistics, and data in this economic report to digest, and to assist the report is split into five main sections:

- Residential Market Analysis
- Industrial Sector Analysis
- Commercial Sector Analysis
- Retail Sector Analysis
- Highly Productive Land Analysis

The following section illustrates the steps undertaken in the economic analysis adopted for the purpose of this assessment.

1.1. KEY RESEARCH OBJECTIVES

- Delineate the residential and business markets in the South Ward in the context of the surrounding competitive environment. This includes geo-spatially mapping the key settlements in the South Ward.
- Undertake demographic profiling of the South Ward market in terms of key economic and social characteristics based on NZ Census data.
- Evaluate and quantify population growth (demand) projections to 2053 within the South Ward catchment using Stats NZ's latest Medium and High population and household growth projections.
- Quantify and geospatially map the intercensal population growth (2013 – 2018) across the wider Hurunui District to identify the major drivers / locations of the district's recent population growth.
- Provide a high-level perspective on the residential zoned provision within the South Ward settlements and vacant zone capacity to identify if any additional zoned capacity is required over the short (3 years), medium (10 years), long term (30 years).
- Assess household and total dwelling growth (demand) by typology and size based on the projected household composition required to accommodate future growth in the South Ward market.
- Undertake a breakdown of the employment trends and market movements of the commercial and industrial sectors over the last 22 years in the South Ward area and the wider Hurunui District based on the latest Business Demography Statistics.
- Forecast commercial and industrial employment potential within the South Ward area and determine the respective land requirements for commercial (excluding retail) and industrial uses over the next 30 years.
- Determine the industrial and commercial land capacity sufficiency within the South Ward area over the short-, medium-, and long-term based on the existing zoned industrial and commercial land provisions and the projected land requirements.
- Undertake retail growth modelling to determine the level of retail activity and floorspace requirement for retail activities in South Ward over the assessed period to 2053.
- Identify current resident workers and their travel to work patterns to identify the extent of worker travel and the opportunity to improve travel efficiency by providing additional employment opportunities within South Ward.
- Geospatially map the productive soil class status of the South Ward settlements and provide a high-level economic cost benefit assessment of urban zoning in the context of the NPS-HPL requirements and the projected urban land demand.

1.2. INFORMATION AND DATA SOURCES

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

- Business Classifications – ANZSIC[1]
- Business Demography Statistics – Stats NZ
- Business Land Demand Forecasts – Property Economics
- South Ward Catchment Map – Google Maps, ESRI, LINZ[2]
- NZ Census of Population and Dwellings 2013 & 2018 - Stats NZ
- Employment Projections – Property Economics
- Hurunui Operative District Plan – Hurunui District Council
- Land Use Capability Classifications - LRIS[3]
- National Policy Statement for High Productive Land 2022 – MfE[4]
- Population and Household Estimates & Projections – Stats NZ
- Residential Building Consents – Stats NZ
- National Policy Statement on Urban Development 2020 - MfE
- Residential Capacity Sufficiency – Property Economics
- Retail Growth Model – Property Economics
- South Ward Area and Centre Visit – Property Economics
- Statistics Area 1 & 2 – Stats NZ
- Employment Travel Patterns – Stats NZ
- Vacant Sites Identification – Hurunui District Council, Property Economics

[1] *Australia New Zealand Standard Industrial Classification 2006*

[2] *Land Information New Zealand*

[3] *Land Resource Information Systems*

[4] *Ministry for the Environment*

2. EXECUTIVE SUMMARY

Population and household growth are critical drivers of future urban land demand within the South Ward market. Given the recent growth profile of the area, this economic assessment utilises Stats NZ High growth projections as the major input of residential and business land requirement forecasts for the South Ward area.

RESIDENTIAL CAPACITY SUFFICIENCY

Based on Stats NZ's latest estimates, the South Ward area has a current (2022) population base of approximately 5,600 people, equating to around 2,340 households.

Under the Stats NZ High growth scenario, the total net dwelling growth for the South Ward area is estimated to grow by around 680 dwellings between 2023 and 2053 to a household base of 3,020. To accommodate this growth, South Ward would require approximately 910 additional dwellings over the next 30 years with unoccupied dwellings (e.g., for holiday homes) and NPS-UD demand buffer included.

Based on Property Economics' ground truthing and desktop assessment South Ward currently has a significant level of vacant residential capacity and development potential of approximately 790 dwellings. This capacity assumes providing all the projected growth on greenfield zoned land based on minimum lot size requirement by the District Plan within the respective residential zones.

Given this context, the forecasts indicate that there is sufficient 'zoned' capacity within the existing residential zoned provision to satisfy the future residential growth requirements of the South Ward area in the short to medium term. However, in the long term, there is a projected residential capacity shortfall of around 120 dwellings within the area.

As such, there is a requirement to rezone additional land for residential purposes beyond the currently zoned provision to accommodate future residential requirements within the South Ward area in the long term. Based on a one dwelling per 700sqm assumption, the estimated shortfall of 120 dwellings would require circa 8.4ha (net) of residentially zoned land in the wider South Ward area.

The 2018 Census data indicated that South Ward has a large proportion (i.e., 68%) of small households (i.e., One Person Household, One Parent Family, and Couple without Children, cumulatively), making the area's preferred dwelling typology slightly different to the rest of the Canterbury Region and New Zealand average (61%, and 63%, respectively). With Single and Couple households becoming a growing part of the South Ward market, demand for smaller and more affordable dwelling product is likely to rise.

If the appropriate higher-density product in the right locations can be provided to the South Ward market (assuming an acceptable price point, quantity, and development feasibility), the liveability of the South Ward settlements and the wellbeing of the local community can be

significantly improved. This would attract more people to live and work in the area, enhancing the vitality and economic profile of South Ward.

INDUSTRIAL CAPACITY SUFFICIENCY

While the South Ward area has experienced a 49% industrial employment growth over the last 22 years (i.e., 2000-2022), it has not been as strong as the rest of the district on a proportional basis. This reflects a shrinking influence of the South Ward's industrial economy against the wider district over the assessed period.

A large driver of this low growth was the sudden drop in South Ward's Manufacturing employment between 2020 and 2022 due to the COVID-19 pandemic. Despite a relatively large employment base, South Ward's Manufacturing sector has lost relevance in a district context and missed market opportunity and potential that other areas of the district have secured.

Thus, it is important when looking forward to ensuring that sufficient industrial land provision is available to facilitate future growth in these industries and enable the opportunity for the area's core productive base and economy to expand and increase in relevance.

It is forecast that South Ward requires 9.4ha additional industrial land provision by 2053 to accommodate its projected future industrial activity.

Moreover, it is not only the quantum of industrially zoned land that is the issue, but also determining whether the location of the available land meets modern-day market amenity, efficiency, and site size requirements for the projected growth sectors. This suggests Council should provide for sufficient and balanced industrial land provisions at the appropriate locations to facilitate the continuous growth of South Ward's industrial economy.

In Property Economics view, under the context of the NPS-HPL, the most appropriate future industrial land location would be a circa 10ha lower class rural block located to the further north of the existing Amberley township boundary.

A high-level economic cost-benefit analysis indicates that upzoning rural land in this location for industrial uses would generate significant economic benefits to the local community compared to other sites, including improved industrial land capacity and sufficiency, additional business location choice, increased industrial employment opportunities, and improved surety of industrial economy growth, agglomeration benefits and increased infrastructure and location efficiencies.

COMMERCIAL CAPACITY SUFFICIENCY

South Ward's commercial sector, albeit with a small employment base, has seen material growth in employment over the last 22 years. As a result, the proportion of South Ward in the district's total commercial employment base has also grown by 10% between 2000 and 2022. This represents the increasing relative importance of South Ward in providing commercial

services to support the need of the wider community and the strength of the centres within the South Ward area and their competitiveness for this activity.

The existing commercial land of the South Ward area is provided only within the Amberley Central area with a current vacant capacity of around 4.6ha. However, based on the current and expected future growth profile, the area would require only 1.7ha of efficiently developed commercial land by 2053, within the NPS-UD buffer included. On this basis, there is no requirement for additional commercial land provisions within the South Ward area over the next 30 years.

RETAIL FLOORSPACE DEMAND

South Ward currently (2023) generates approximately $81m per annum of retail expenditure.

By 2053, the market's annual retail expenditure generation is projected to be over $130m. This suggests that South Ward would sustain additional 9,300sqm GFA of retail floorspace. This can be accommodated within the existing vacant zone business land provision in Amberley.

Based on Property Economics' grounding truthing, there is room for improvement in the quality of the offer and environment to better satisfy the consumers modern day retail needs and maximise tourist / visitor expenditure (i.e., increasing retail inflow). This two-pronged approach to better service local resident and visitor retail requirements is complementary and would positively impact South Ward's retail economy.

3. SOUTH WARD CATCHMENT

3.1. SOUTH WARD SPATIAL PLANNING BACKGROUND

The Hurunui District stretches from the South Island's east coast to the Main Divide covering an area of approximately 8,600km of predominantly rural land. The major urban settlements of the district include Amberley, Cheviot and Hanmer Springs.

The HDC is currently in the early stages of scoping a spatial planning project to provide a long-term framework for managing growth in the district. This Spatial Plan will direct growth in a way that will make positive changes to the environment, housing, access to jobs and opportunities, the wellbeing of the local community. This report is to assist them deliver the Spatial Plan for the South Ward in an economically efficient manner.

Positioned immediate north of the Waimakariri District, the South Ward boundary reaches from Leithfield Beach in the south to the Waipara River in the north, with Amberley being the largest urban settlement of the area. Based on Stats NZ's latest (2022) population estimates, the South Ward area accounts for approximately 41% of the district's total population base.

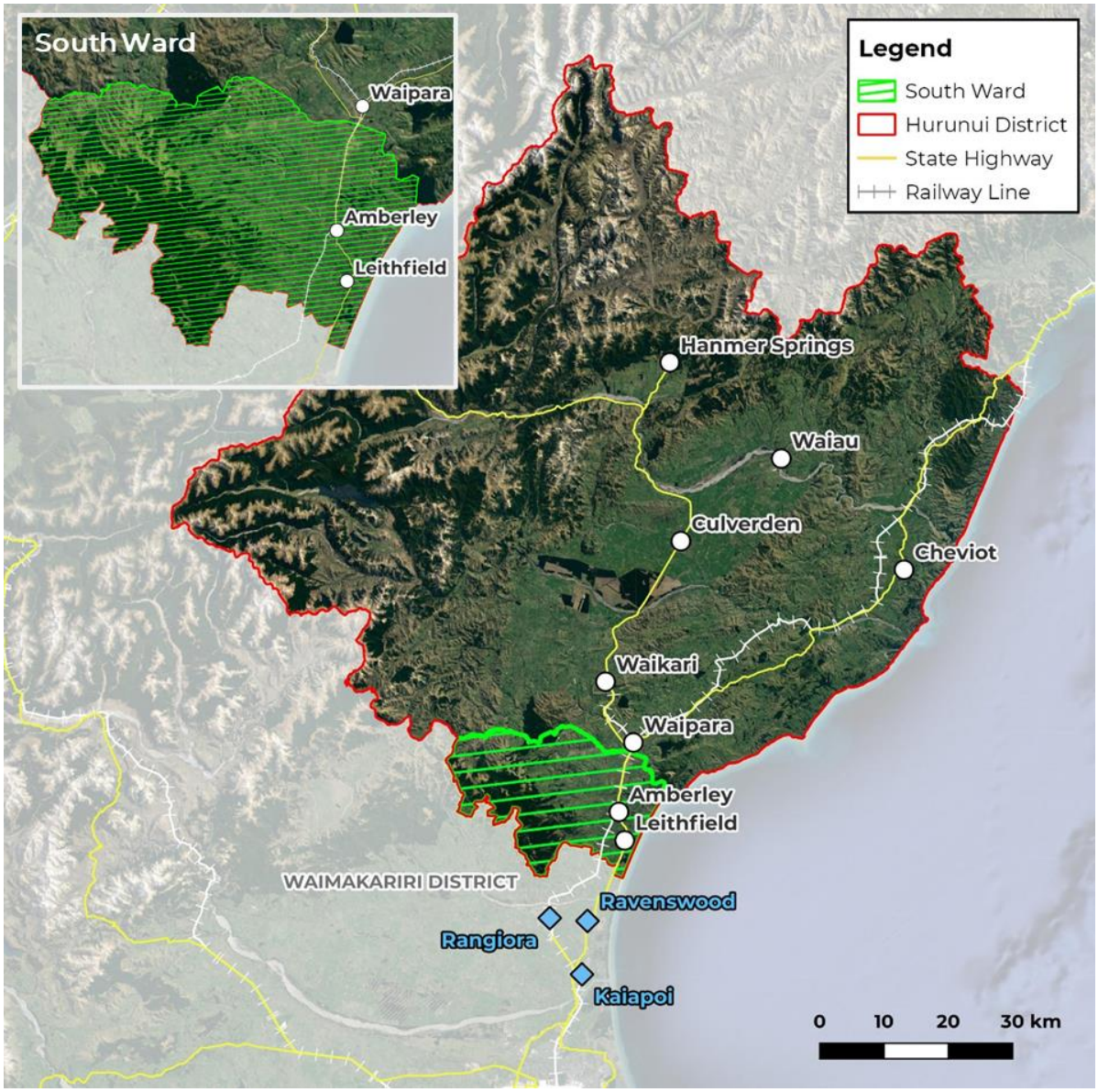
Being part of the HDC's spatial planning project, future growth of the South Ward area is intrinsically important to support and direct change that benefits the economic and social wellbeing of the Hurunui local community into the future.

3.2. SOUTH WARD CATCHMENT

The following figure illustrates the South Ward catchment (i.e., the study area) of this economic assessment in the context of the wider Hurunui District and Waimakariri District to the immediate south. The Green Striped area shown in the figure is the geospatial extent of the South Ward area.

The existing townships of the Hurunui District and the commercial centres within the neighbouring Waimakariri District are also highlighted in the figure to highlight the relative proximity of the South Ward catchment to the competing urban environments.

FIGURE 1: GEOSPATIAL EXTENT OF THE SOUTH WARD CATCHMENT



Source: Google Maps, LINZ

The following figure delineates the extent of South Ward's major urban areas and settlements.

The two primary townships within the South Ward area are Amberley and Leithfield, which are located on State Highway 1 and proximate to the northern townships of the Waimakariri District such as Rangiora.

Therefore, spatial planning of the South Ward area, particularly for Amberley and Leithfield, can be expected to enhance the economic profile of the area and better position the townships to both compete for, and accommodate, future growth in the local communities.

FIGURE 2: URBAN SETTLEMENTS WITHIN SOUTH WARD

Source: Google Maps, HDC, LINZ

4. DEMOGRAPHIC PROFILE

An economic and social demographic profile for the South Ward catchment and its major townships (i.e., Amberley and Leithfield) has been compiled in comparison to the wider Hurunui District to identify the most pertinent points of difference and similarity in the catchment. This is to determine where the identified market sits in terms of demographic characteristics on a comparative basis.

A more detailed breakdown of the demographic profiles has been attached in Appendix 1. Some of the salient findings from the demographic profiling include:

- There is a high proportion of residents aged 60+ years within South ward, an age group representing 31% of the total population compared to 27% across the wider district. As a result, the median age of South Ward residents is about 47.5 years, 3 years older than the district average. In this regard, South Ward can be considered an area with a comparatively older population age profile and community. This aging demographic (often with a well-established equity base) is increasingly seeking new, smaller, and lower maintenance dwellings in higher amenity locales that provide a good quality lifestyle and higher level of accessibility to amenities, facilities, and services.

- There are also some differences in age profile between Amberley and Leithfield. The median age of Amberley residents is five years older than residents living in Leithfield (i.e., 51.1 vs 46.3 years). This is a result of the significantly larger proportion of the 70+ years population in Amberley compared to Leithfield (i.e., 25% vs 11%).

- The median annual household income of $58,000 in Amberley and $67,000 in South Ward is significantly lower than national average of $76,000. This is likely a reflection of Amberley's and South Ward's older age structure, higher proportion of households receiving income from NZ superannuation and other pensions and low labour force participation with only 40% of people employed full time in Amberley.

- A significant 66% of Hurunui households have 1-2 residents which is higher than the national average (56%). This is not unexpected in areas with older age populations as exhibited in the South Ward, and particularly Amberley. Conversely, there are few family household structures (typically 3-5 residents) compared to the NZ average. This indicates a market where smaller dwellings would be preferred in many instances.

- The average weekly rent paid within the wider Hurunui District is substantially lower than national averages with a significant 72% of Hurunui's renters paying less than $300 a week. However, South Ward residents are paying a higher level of rent than the rest of the Hurunui District (67% vs 28% paying over $300 in rent a week). Amberley's closer proximity to larger economic markets south of the district (Waimakariri and Christchurch) would have an influence on rents in Amberley.

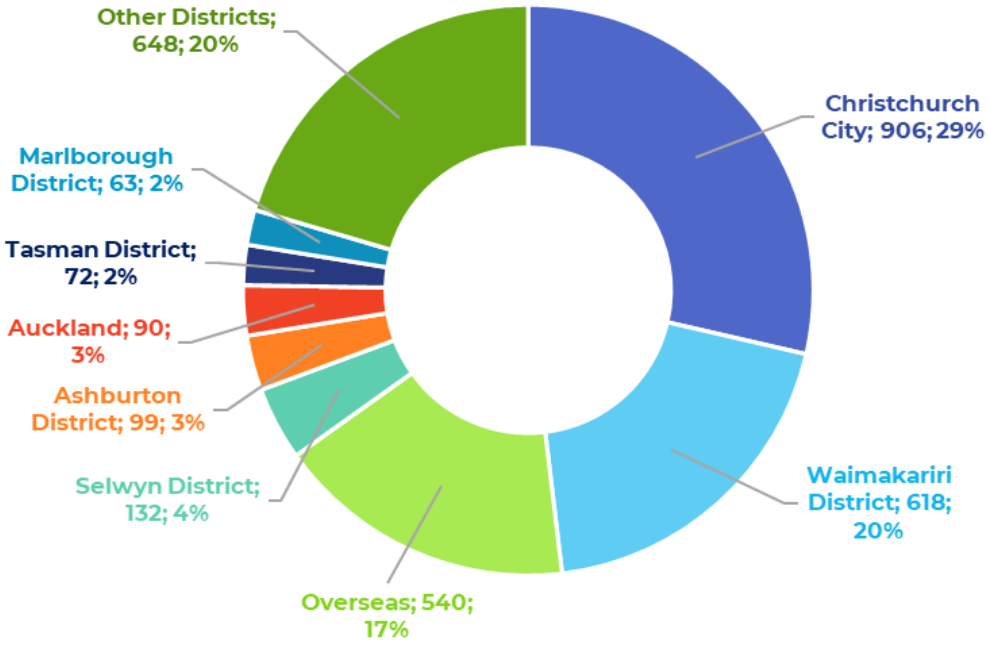
- A high 74% of houses in South Ward (particularly Leithfield with 77%) have 3-4 bedrooms indicating predominantly an older housing stock, a lack of diversity in housing typology and choice for the market. In contrast, the national average level was 67%.
- Agriculture, Forestry and Fishing was the most significant employment provider of the Hurunui District, accounting for 32% of the total employment. This is typical for rural based economies. In contrast, South Ward has a proportionally higher presence of Construction, Manufacturing and Professional, Scientific, and Technical employment.
- South Ward has 16% of professional employment, which was higher than the district average of 12%, while was lower compared to the New Zealand average of 23%. In contrast, almost a half of the employment in the South Ward area is classified as Managers, Technicians and Trade Workers and Labourers, compared to the national average of 41% and district average of 59%.
- Amberley households, given its older population base, are more likely to be earning income from investments and pensions and therefore have a more diverse range of income streams compared Leithfield and the district.
- Overall, the South Ward catchment and the wider Hurunui District market can be considered an older, slightly less qualified, and lower employment area with comparatively lower household income levels relative to the national averages. A more diverse housing typology that can grow the community and attract families to increase diversification of the area's demographics to support a wider range of business activity and services required to support the growing population base and the catchment's increasing critical mass.

5. ORIGIN OF RESIDENCE

This section identifies the origin of new residents who have relocated into Hurunui between 2013 and 2018 by origin. These metrics are to assist HDC better understand where new residents are coming from driving the recent surge in growth.

South Ward specific data is not available in the Stats NZ figures, so given Amberley has accounted for a significant proportion of district growth over this period, Property Economics has utilised district data as a proxy for where South Ward growth has been derived.

FIGURE 3: POPULATION RELOCATED TO HURUNUI BETWEEN 2013 AND 2018 BY ORIGIN

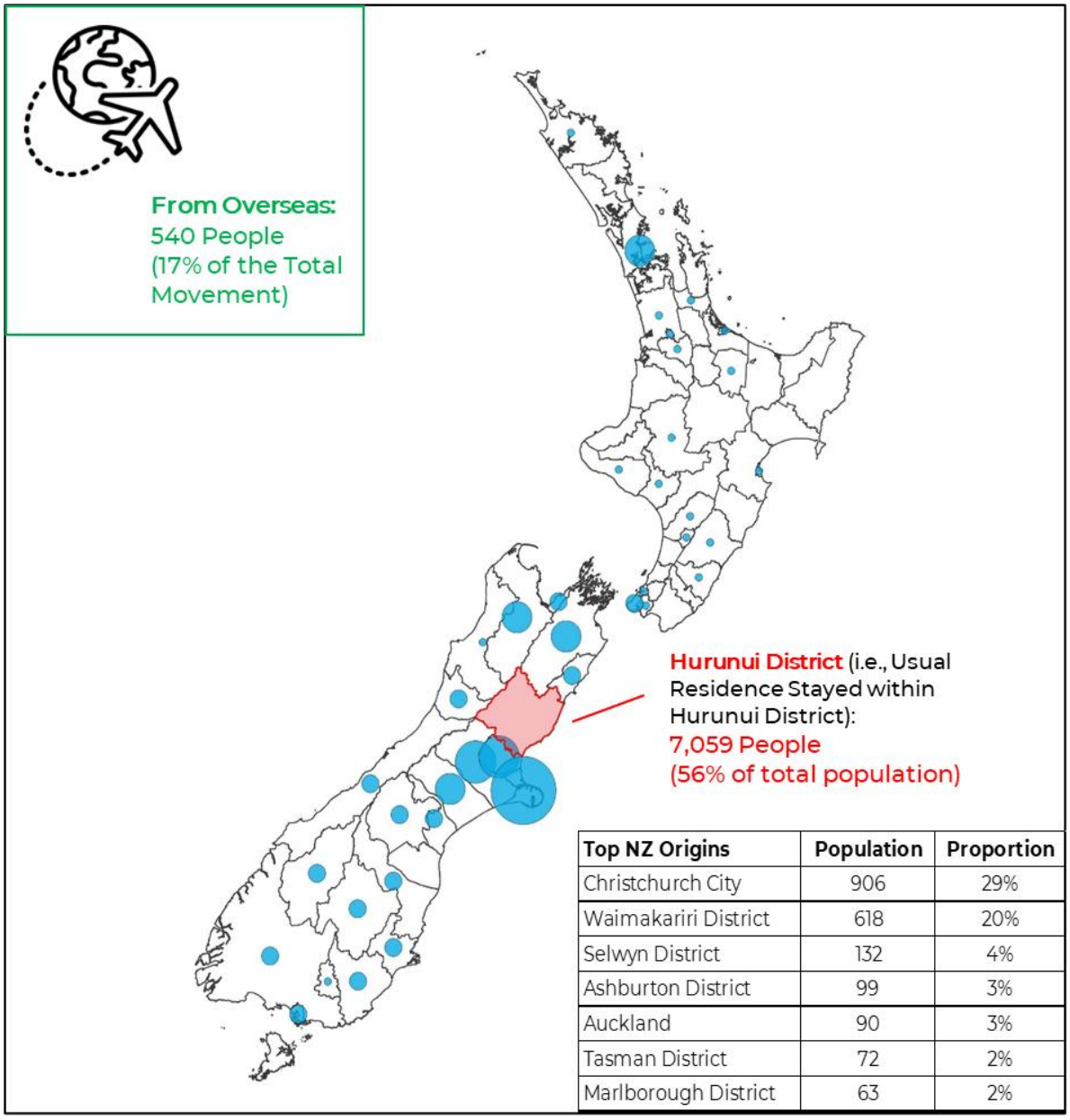


Source: Stats NZ

Based on the 2018 Census data, approximately 12,560 usually residents in the Hurunui district revealed their origin of residence five years ago (i.e., 2013). Of those who identified their 2013 origin, the most common origin was 'Elsewhere in New Zealand', accounting for approximately 42% of total responding residents. This reflects an increasing attractiveness of Hurunui as a place to live for many New Zealanders.

The following figure provides a graphic representation of where new residents moving into Hurunui between 2013 and 2018 were derived. Other territorial authorities in the South Island dominate as anticipated, while Auckland and Wellington are the primary sources from the North Island, albeit significantly smaller nominally.

FIGURE 4: ORIGINS OF NEW RESIDENTS IN HURUNUI DISTRICT 2013-2018



Top NZ Origins	Population	Proportion
Christchurch City	906	29%
Waimakariri District	618	20%
Selwyn District	132	4%
Ashburton District	99	3%
Auckland	90	3%
Tasman District	72	2%
Marlborough District	63	2%

Source: Stats NZ

The following table provides a full breakdown of new Hurunui District resident origin between 2013-2018 for completeness and on which the metrics in the preceding figures are based.

TABLE 1: ORIGINS OF NEW RESIDENTS IN HURUNUI DISTRICT 2013-2018

Origin	Residents	Proportion
Christchurch City	906	28.6%
Waimakariri District	618	19.5%
Overseas	540	17.0%
Selwyn District	132	4.2%
Ashburton District	99	3.1%
Auckland	90	2.8%
Tasman District	72	2.3%
Marlborough District	63	2.0%
Timaru District	51	1.6%
Dunedin City	45	1.4%
Clutha District	39	1.2%
Nelson City	36	1.1%
Waitaki District	33	1.0%
Southland District	33	1.0%
Kaikoura District	30	0.9%
Grey District	30	0.9%
Westland District	30	0.9%
Central Otago District	30	0.9%
Queenstown-Lakes District	27	0.9%
Wellington City	24	0.8%
Mackenzie District	24	0.8%
Invercargill City	21	0.7%
Buller District	18	0.6%
Hamilton City	15	0.5%
Palmerston North City	15	0.5%
Waikato District	12	0.4%
Waipa District	12	0.4%
Napier City	12	0.4%
Tararua District	12	0.4%
Porirua City	12	0.4%
Masterton District	12	0.4%
Far North District	9	0.3%
Tauranga City	9	0.3%
Rotorua District	9	0.3%
Whanganui District	9	0.3%
Lower Hutt City	9	0.3%
Hauraki District	6	0.2%
South Taranaki District	6	0.2%
Ruapehu District	6	0.2%
Manawatu District	6	0.2%
Gore District	6	0.2%
Total Relocated Residents	**3,168**	**100%**

Source: Stats NZ, Property Economics

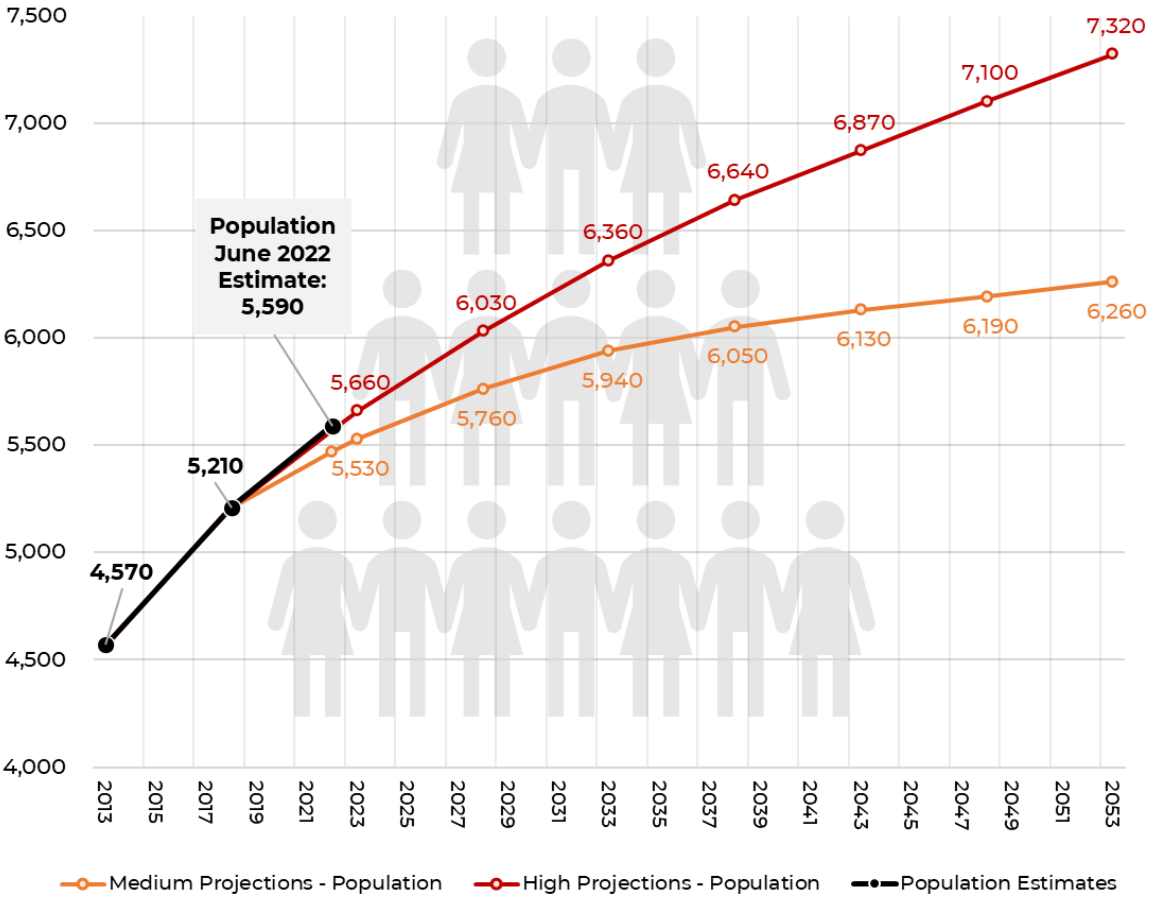
6. POPULATION AND HOUSEHOLD GROWTH

This section assesses the recent, current, and projected growth of the identified catchment (i.e., the South Ward area) based on the latest Stats NZ population estimates under their latest Medium and High growth scenarios for the period between 2013 and 2048. Property Economics has extended the forecast out to 2053 to provide a 30-year (long term) projection period based on the Stats NZ projections trends.

It is estimated that South Ward has a current (2022) total population of around 5,600 people, which represents +22% growth above the 2013 population base. As a result, the current population growth profile for South Ward is tracking slightly above the Stats NZ High growth scenario.

To provide a broader comparative context, Hurunui District has experienced 14% growth in population over the same timeframe (i.e., 2013 – 2022). This suggests that South Ward is growing faster than the rest of the district and is Hurunui's strongest growth area.

FIGURE 5: SOUTH WARD POPULATION PROJECTIONS



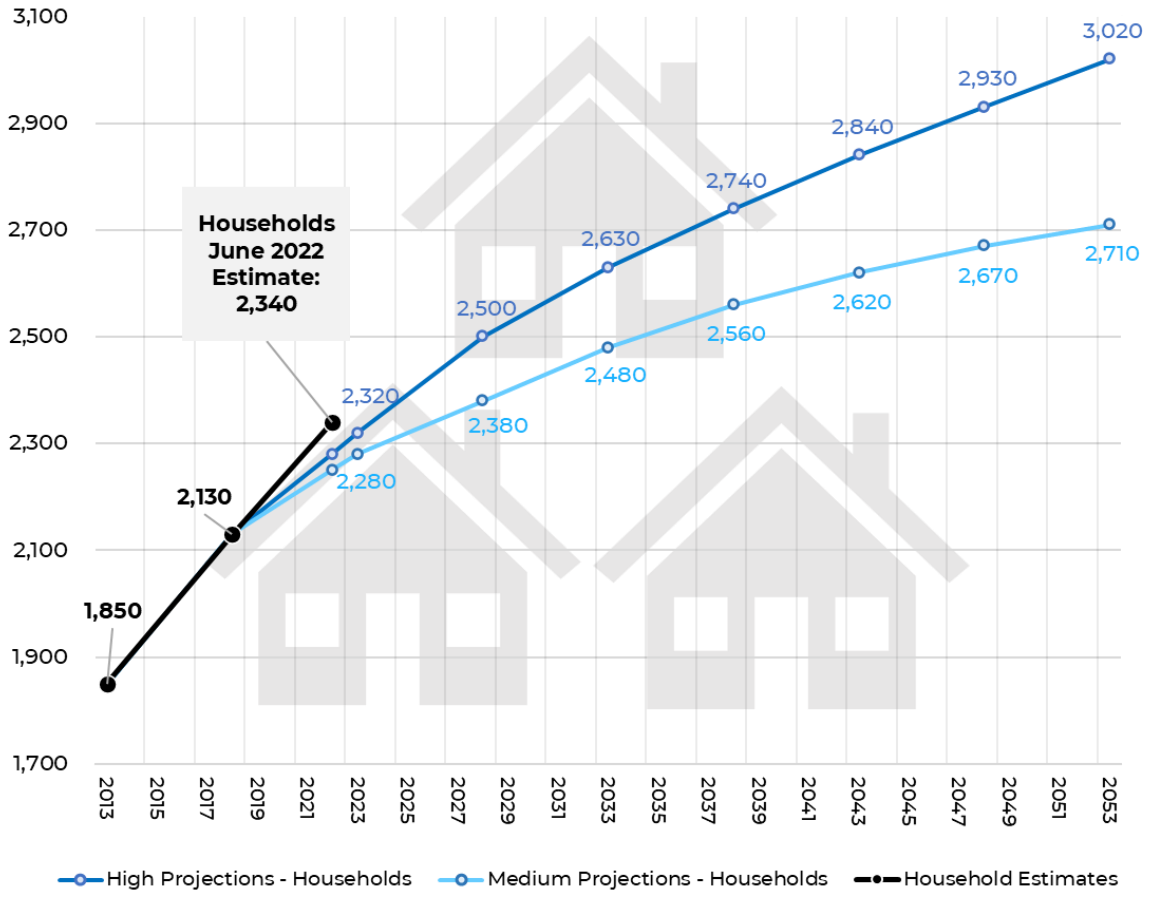
Source: Stats NZ, Property Economics

Under the Stats NZ High growth scenario, South Ward's population is forecast to grow by around +31% between 2022 and 2053. This equates to annual average growth of around 56 people net and result in a population base of just over 7,300 people by 2053.

It is projected that the number of households in South Ward would grow to 3,020 by 2053 under the High scenario. This growth would require around 700 new dwellings within the catchment to accommodate the expected growth on a one household per dwelling basis.

Note that this demand does not include unoccupied dwellings that are empty or used for holiday homes. Based on the 2018 Census data, the dwelling occupancy ratio within the catchment was around 89%. Applying this ratio suggests that South Ward would require a total of approximately 780 new dwellings between 2022 and 2053.

FIGURE 6: SOUTH WARD HOUSEHOLD PROJECTIONS



Source: Stats NZ, Property Economics

The Medium growth projection is more conservative and represents a future population base of around 6,260 people by 2053, or +12% growth in population. This equates to net growth of 22 people per annum over the assessed period.

In the long-term, it is anticipated that the High growth scenario would better represent the likely future population growth track of the South Ward area due to the increasing competitiveness of Amberley as a place to live (lifestyle and wellbeing), better / faster transport connections to Christchurch (for employment and business opportunities) and lower house prices on a comparative basis (more affordable / serviceable homes).

This would mean that the South Ward would reach a population base of around 7,320 people by 2053. This would create economic growth locally and generate additional demand for business activities and employment opportunities in the local economy, particularly within the South Ward to create an efficient and more self-sufficient urban environment.

In terms of households, the projected High growth series appear to be conservative given the households growth profile over the last nine years (i.e., 490 households or 26% growth). However, due to the continuously increasing interest rates and construction costs, which are likely to diminish housing affordability across the country, the Stats NZ High growth scenario for households is considered an appropriate reflection of the future household base of South Ward.

6.1. DISTRIBUTION OF HURUNUI POPULATION GROWTH

The following figures below geospatially map the distribution of intercensal population growth across the wider Hurunui District and the main urban settlements of the South Ward area (i.e., Amberley and Leithfield).

The estimated population growth is aggregated to the SA[5] level for map publication, with each dot on the figure located in the centre of an SA1 area.

Each Green dot represents an SA1 area with a net population growth between 2013 and 2018 and each Red dot represents a net decline of population over the same timeframe.

Note that the size of the dot indicates the magnitude of growth or decline in population. This provides an illustrative overview of where growth has occurred within the wider district between 2013 and 2018. For simplicity, the summary table attached to the figure aggregates the growth to a higher SA2 level.

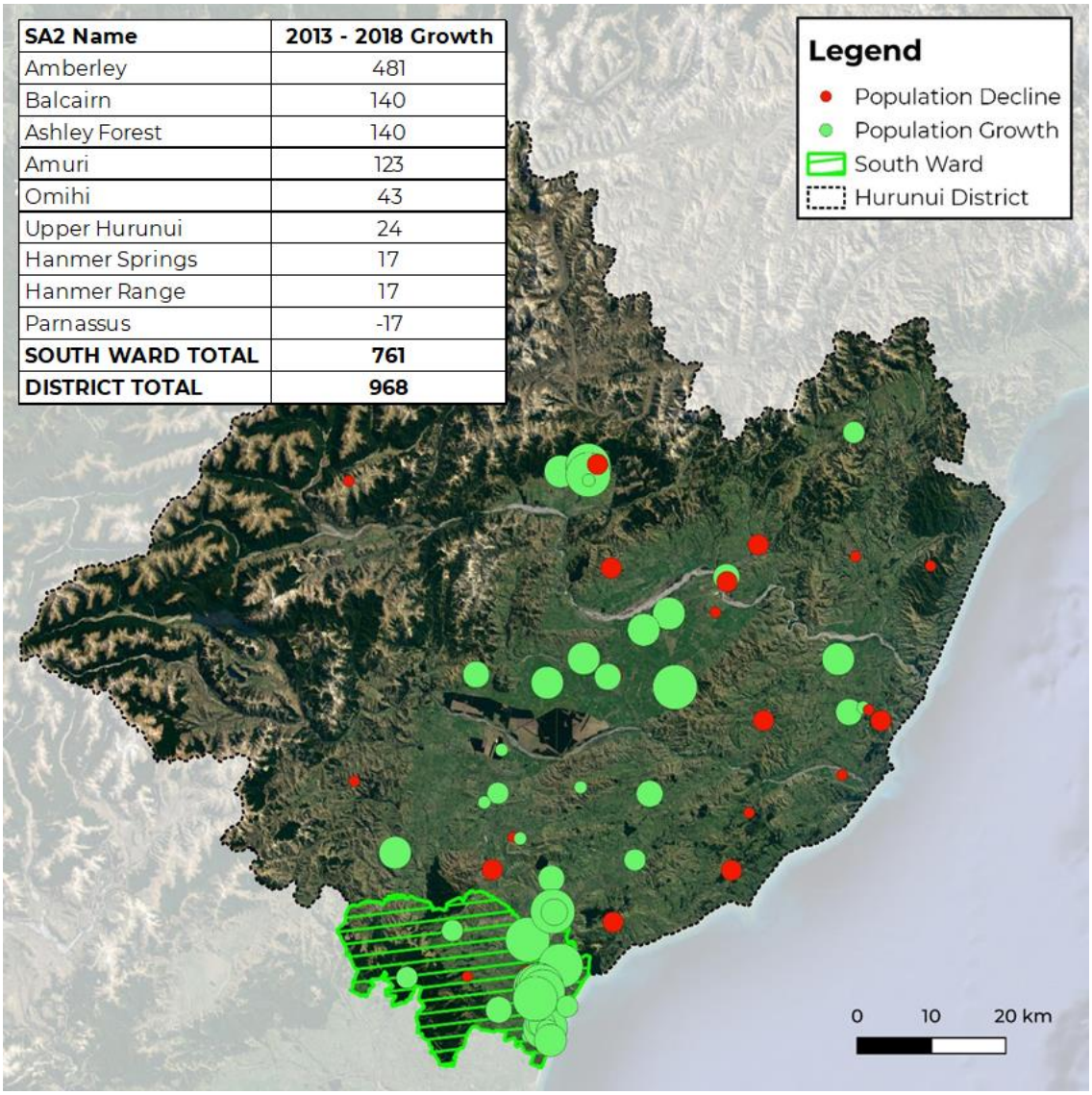
The South Ward area (i.e., Amberley, Balcairn, and Ashley Forest) has experienced the highest levels of population growth (+761 people) between 2013 and 2018, accounting for a significant proportion of the district's aggregate growth (+968 people). Specifically, Amberley was the SA2 area with the most significant intercensal population growth (+481 people) within the district.

[5] *Statistical Area 2 – this is a geospatial area Stats NZ utilise to assess key economic, social, environmental and demographic metrics of a location.*

Based on the above findings, it is evident that South Ward is the fastest growing area of the district in term of population base. This growth is projected to continue in the future, increasing demand for additional commercial, industrial and community and social services.

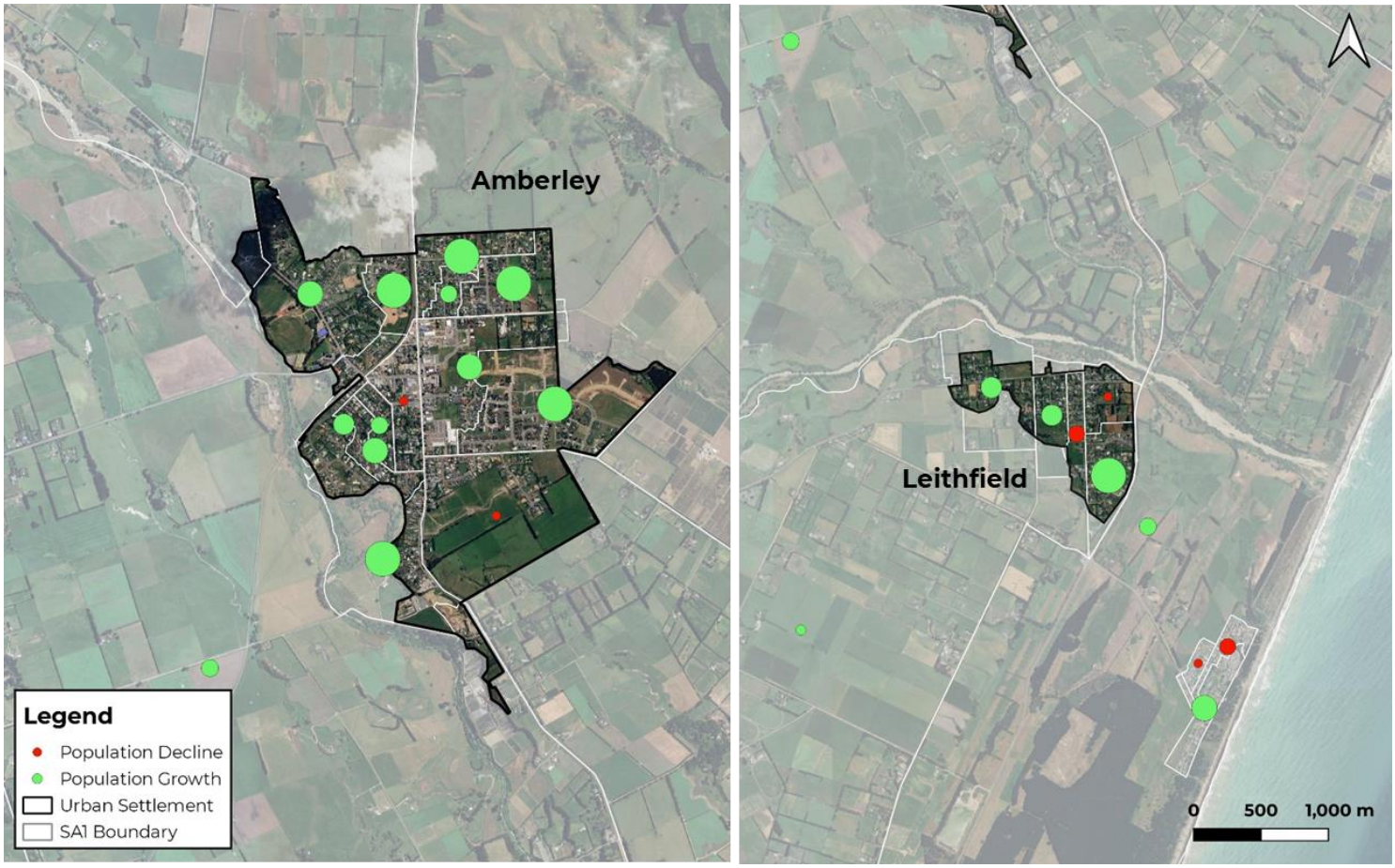
FIGURE 7: DISTRIBUTION OF HURUNUI DISTRICT POPULATION GROWTH (2013 - 2018)

SA2 Name	2013 - 2018 Growth
Amberley	481
Balcairn	140
Ashley Forest	140
Amuri	123
Omihi	43
Upper Hurunui	24
Hanmer Springs	17
Hanmer Range	17
Parnassus	-17
SOUTH WARD TOTAL	**761**
DISTRICT TOTAL	**968**



Source: Stats NZ, Google Maps, Property Economics

FIGURE 8: AMBERLEY AND LEITHFIELD POPULATION GROWTH (2013 - 2018)



Source: Stats NZ, Google Maps, Property Economics

6.2. IMPLICATIONS OF COVID-19 PANDEMIC

The COVID-19 pandemic has had a substantial impact on the New Zealand market, resulting in both short-term and long-term effects on population and economic growth, and driven considerable property market fluctuations.

Firstly, the enforced lockdowns to control the spread of COVID-19 across NZ caused a considerable reduction in economic activity and residential market growth. Auckland also had an additional four-month lockdown period with implications that filtered through the country. Hurunui and the South Ward were not immune to these effects.

Secondly, the pandemic accelerated changes in consumer behaviour, with more people adopting online shopping and home delivery services, resulting in additional challenges for traditional brick-and-mortar retailers.

Thirdly, employment patterns have also changed, with place of employment changes including reduction in working hours for many, more flexible working conditions, increase in

working from home options, rebalancing work / life commitments, hot desking, etc, which cumulatively have changed employment conditions and the created new employer employee relationship.

From 2013-2017, the NZ economy was in the midst of its post Canterbury earthquake recovery period with high growth, high immigration, and a resurgent housing market. A change of government in 2017 recast the immigration policy settings which affected the country's growth profile. Covid-19 entered the market in early 2020 resulting in the borders being closed, people forced to stay home and the NZ economy basically shut down for a period as mentioned earlier. To counter the economic realities of the situation the government provided a significant injection of cash into the economy to assist businesses and households through the period along with the Reserve Bank dropping interest rates to record low levels to stimulate economic activity and growth.

Then immediately post-Covid there was significant cash in the economy and record low interest rates, along with pent-up housing demand. This fuelled a significant increase in housing market activity with the low cost of capital driving a significant increase in house sales and realised house prices. By the end of 2021 / early 2022 the writing was on the wall for a significant correction in the housing market due the emergence of growing CPI inflation, wage growth not keeping pace house price increases and the Reserve Bank taking an aggressive approach to interest rate rises. These market conditions led to a fall in house prices to varying degrees across the country, with a 20% fall in the average house price recorded in some areas.

In reality these are all typical cyclical phenomena but they occurred in a highly condensed timeframe and not under '*normal*' market workings. As such, the housing market and population growth has not operated under '*normal*' market conditions for quite some time. This makes growth projections more difficult and looking back over a longer timeframe may provide a better indication of market growth potential than the recent 5-year period.

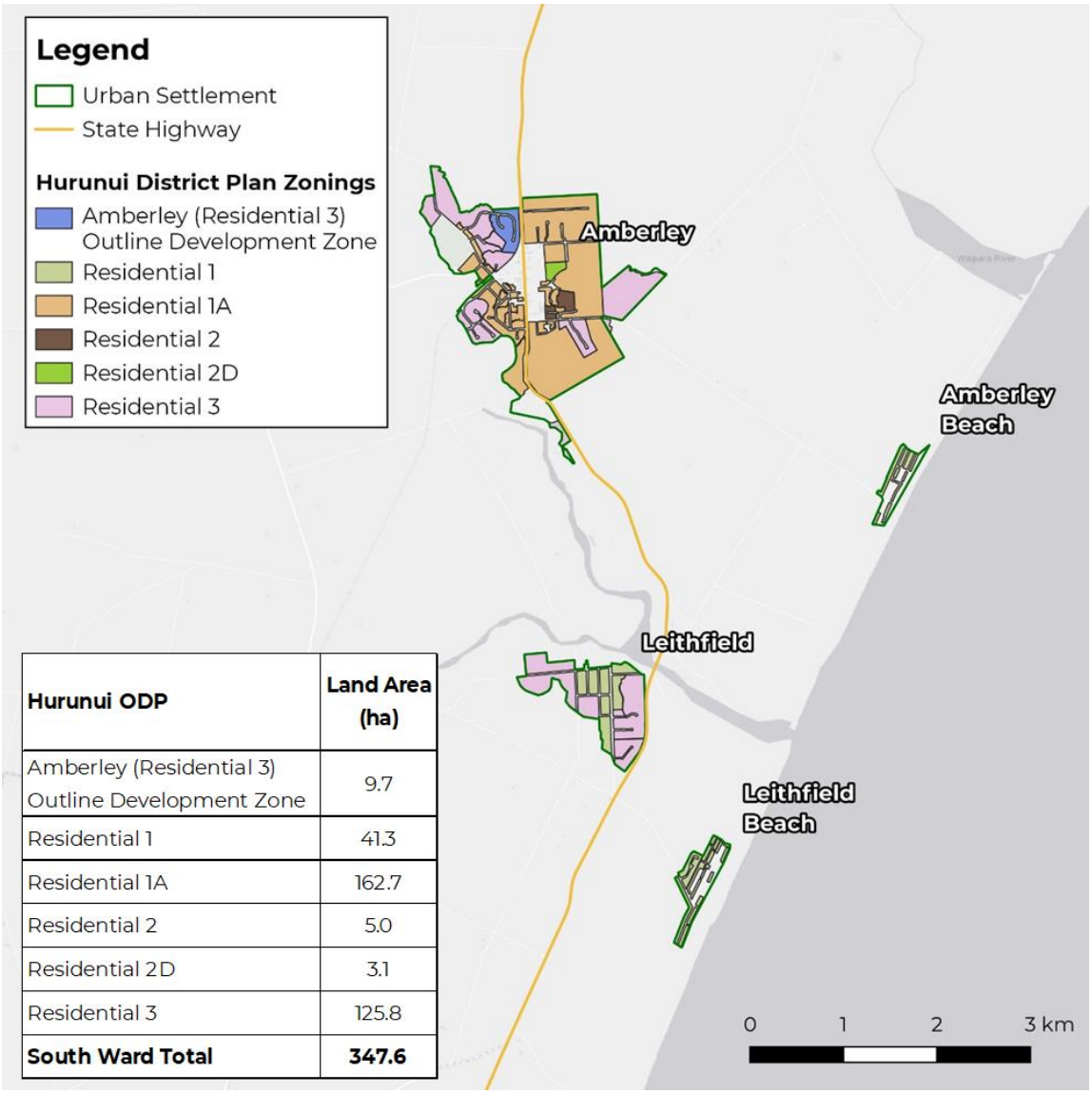
7. RESIDENTIAL CAPACITY SUFFICIENCY

This section provides a high-level overview of the residential zoned provisions within the South Ward settlements and identifies the vacant zoned capacity based on Property Economics' ground truthing visit on 7 December 2022 and desktop assessment of building footprints utilising the latest Google imagery. It also assesses and forecasts the future demand for residentially zoned capacity within the area in the short (3 years), medium (10 years) and long term (30 years) in the context of NPS-UD.

7.1. EXISTING RESIDENTIAL ZONES

The following figure geospatially maps the location and extent of the residentially zoned land within the South Ward area, under the Hurunui ODP residential zonings.

FIGURE 9: SOUTH WARD EXISTING RESIDENTIAL ZONES



Hurunui ODP	Land Area (ha)
Amberley (Residential 3) Outline Development Zone	9.7
Residential 1	41.3
Residential 1A	162.7
Residential 2	5.0
Residential 2D	3.1
Residential 3	125.8
South Ward Total	**347.6**

Source: HDC, ESRI, LINZ, Property Economics

The existing residentially zoned land within the South Ward area is concentrated in the main urban settlements (i.e., Amberley, Leithfield, Amberley Beach and Leithfield Beach), encompassing a total of approximately 350ha.

Amberley is the largest urban area / township in the South Ward. It has a residential zoned provision of about 256ha, with Residential 1A dominating this zone supply and accounting for approximately 47% of South Ward's total capacity. This is followed by Residential 3 zone which is located in pockets across the township and encompasses approximately 75ha in total.

Leithfield is a smaller urban settlement with residential zones spanning approximately 71ha, including 50.4ha of land zoned Residential 3 and 20.3ha of land zoned Residential 1.

Amberley Beach and Leithfield Beach are small seaside settlements located in the eastern boundary of the South Ward area, providing for a total residential zoned provision of approximately 21ha.

7.2. EXISTING RESIDENTIAL CAPACITY

Property Economics has broadly estimated existing dwelling capacity for the South Ward area. This assists in understanding the sufficiency of capacity for residential development moving forward and the area's current ability to accommodate future growth. This involved visiting the existing parcels of residential zoned land that are vacant, and estimating the number of dwellings able to fit on that parcel.

Note that the practical level of residential capacity in the area has been determined by taking into account information provided by Council, including the Code of Compliance (**COC**) Certificate status and development constraints of the sites.

In total, it is estimated that approximately 94 of land (out of 348ha zoned) in the South Ward area is currently vacant and available to provide for additional dwellings in the future. This indicates that around 27% of the area's residentially zoned land is undeveloped.

During the site visit, Property Economics noted an extensive land area within the Residential 1A and Residential 3 zones that is under-construction. The sites with development underway therefore are included in the 94ha capacity[6] given that they would accommodate South Ward's future residential market once delivered in the following few years.

Sites with COC application submitted but not yet approved are also included in the capacity given the uncertainties associated with their status. But they will represent homes available to accommodate future capacity.

With an assumption that 30% of the identified vacant land would be used for infrastructure on average (accounting for roads, easements, paths, landscaping, etc.), the net developable vacant residential land within the South Ward area would be decreased from 94ha to 66ha.

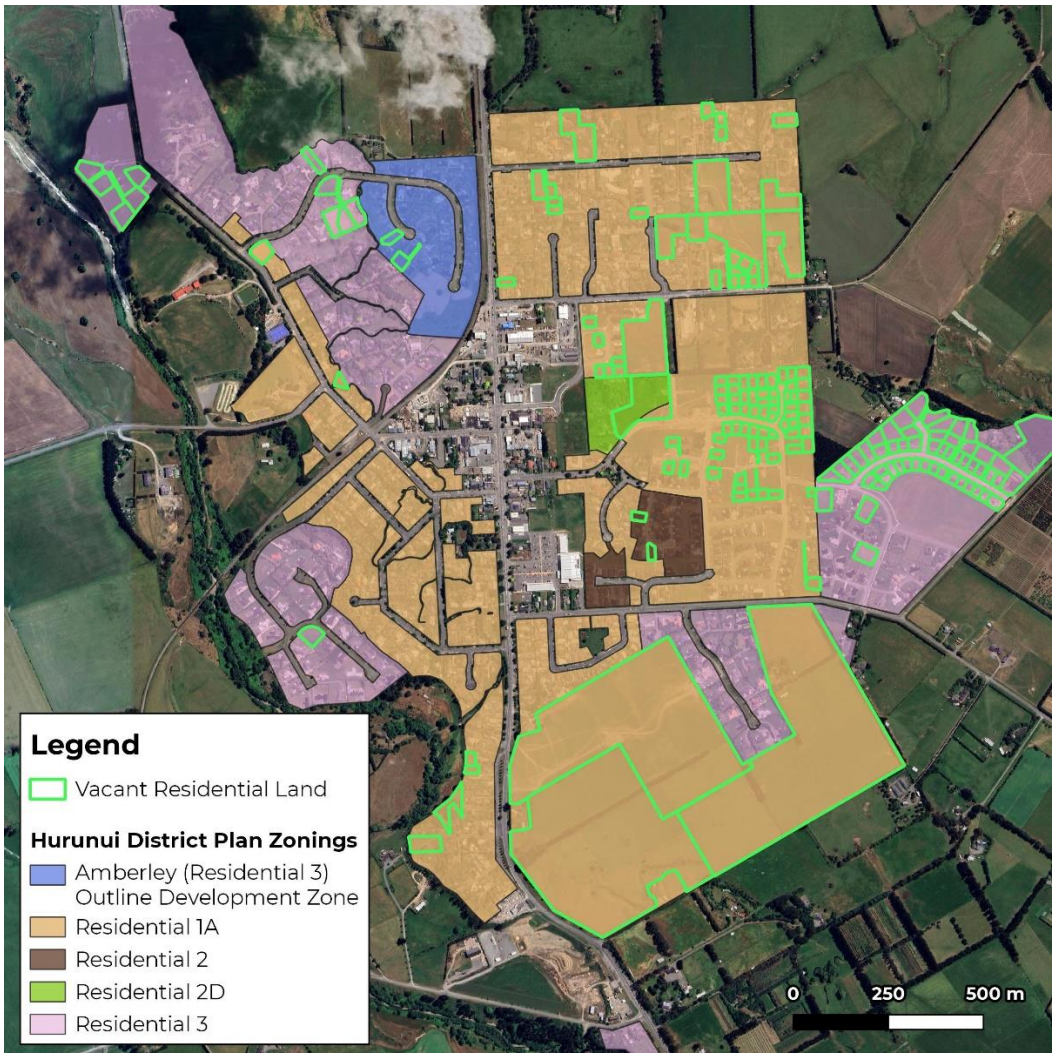
To estimate the yield of the identified vacant zoned land, it is assumed there are no constraints on the zoned land and that 1 dwelling per 700sqm of residentially zoned, vacant land within the Amberley (Residential 3) Outline Development Zone, Residential 1 Zone, and Residential 1A, 400sqm within the Residential 2 zones and the Residential 2D and 2,000sqm within the Residential 3 zones. These assumptions are based on the minimum lot size requirement within the respective zone and would represent a maximum dwelling yield scenario that may be possible under the ODP provisions.

As a result, the estimated 66ha net developable residential land would provide for an additional 790 dwellings with infill and redevelopment opportunities excluded.

[6] *Unless building work at the site was granted a COC.*

Note that factors such as engineering, environmental and market conditions that may make the development of dwellings on identified parcels more or less feasible or realisable are not factored into the estimation. As such, the assessed capacity figure could overstate the 'actual' capacity potential of the areas once of practical constraints are factored in.

FIGURE 10: AMBERLEY VACANT RESIDENTIALLY ZONED SITES



Source: HDC, Google Maps, Property Economics

FIGURE 11: LEITHFIELD VACANT RESIDENTIALLY ZONED SITES

Source: HDC, Google Maps, Property Economics

FIGURE 12: AMBERLEY BEACH AND LEITHFIELD BEACH VACANT ZONED SITES

Source: HDC, Google Maps, Property Economics

TABLE 2: SOUTH WARD ESTIMATED ZONED RESIDENTIAL CAPACITY

Zone	Zoned Land (ha)	Estimated Vacancy (ha)	Net Developable Land (ha)	Estimated Capacity (Dwellings)
Amberley (Residential 3) Outline Development Zone	10	0.3	0.2	3
Residential 1	41	2.9	2.0	29
Residential 1A	163	64.8	45.4	648
Residential 2	5	0.2	0.1	4
Residential 2D	3	1.3	0.9	23
Residential 3	126	24.1	16.9	84
South Ward Total	**348**	**94**	**66**	**790**

Source: Property Economics

7.3. RESIDENTIAL CAPACITY SUFFICIENCY

The table following shows the projected dwelling sufficiency based on the high-level assessment of existing plan-enabled capacity and Stats NZ High growth population and household projections.

The South Ward area is estimated to require an additional 125 dwellings by 2026. This is projected to increase further to 350 dwellings by 2033 and 790 dwellings by 2053.

While it is not necessary for some smaller councils to provide sufficient capacity based on incorporating NPS-UD buffers, providing such a buffer allows markets to operate more efficiently, maintain relative competitiveness and provide greater choice in location, price, and typology. The 'standard' buffers 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.

Having included these NPS-UD buffers increase the net additional dwelling requirement from 790 dwellings to approximately 910 dwellings over the next 30 years (by 2053).

TABLE 3: SOUTH WARD RESIDENTIAL CAPACITY SUFFICIENCY FORECAST

	Base Year 2023	Short-term 2026	Medium-term 2033	Long-term 2053
South Ward Population	5,660	5,880	6,360	7,320
South Ward Households	2,320	2,430	2,630	3,020
South Ward Dwellings	2,605	2,730	2,955	3,395
Net Additional Dwellings Requirement	-	125	350	790
Net Additional Dwellings Requirement + NPS-UD Buffer	**-**	**150**	**420**	**910**
Total Zoned Residential Capacity	**790**			
Dwelling Sufficiency	**-**	**+640**	**+370**	**-120**

Source: Property Economics

Comparing the estimated zoned capacity of 790 dwellings to the estimated net dwelling requirement with an NPS-UD buffer, the South Ward market is projected to have more than sufficient residential capacity over the short and medium term with circa 370 dwellings of zoned capacity remaining by 2033. However, in the long term, there is an anticipated shortfall of around 120 dwellings with the South Ward area by 2053.

Based on a one dwelling per 700sqm assumption, this estimated shortfall of 120 dwellings would require circa 8.4ha (net) of residentially zoned land in the wider South Ward area in the medium to long term. Based on a more efficient 400sqm assumption, the land requirement for the 120 dwellings would equate to around 5ha (net).

A further breakdown of the residential capacity sufficiency (refer to the table following) suggests that the Amberley township has most of the area's zoned capacity (i.e., 91% or 720 dwellings). Therefore, there is no additional requirement for residential zoned land within Amberley over the next 30 years based on current projections.

Leithfield, albeit with a smaller population base, is forecast to have a minor shortfall of 60 dwellings by 2053. This demand can be comfortably accommodated by the excess capacity within the Amberley township, given the close proximity between these two settlements.

TABLE 4: AMBERLEY AND LEITHFIELD TWONSHIP RESIDENTIAL CAPACITY SUFFICIENCY FORECAST

	Base Year 2023	Short-term 2026	Medium-term 2033	Long-term 2053
Amberley Population	2,330	2,420	2,590	2,890
Amberley Households	1,000	1,050	1,130	1,260
Amberley Dwellings	1,125	1,180	1,270	1,415
Amberley Net Additional Dwellings Requirement	-	55	145	290
Net Additional Dwellings Requirement + NPS-UD Buffer	**-**	**70**	**170**	**330**
Amberley Total Zoned Residential Capacity	**720**			
Amberley Dwelling Sufficiency	**-**	**+650**	**+550**	**+390**

	Base Year 2023	Short-term 2026	Medium-term 2033	Long-term 2053
Leithfield Population	660	700	770	910
Leithfield Households	270	290	330	380
Leithfield Dwellings	285	305	345	400
Leithfield Net Additional Dwellings Requirement	-	20	60	115
Net Additional Dwellings Requirement + NPS-UD Buffer	**-**	**20**	**70**	**130**
Leithfield Total Zoned Residential Capacity	**70**			
Leithfield Dwelling Sufficiency	**-**	**+50**	**+0**	**-60**

Source: Property Economics

Amberley current accounts for around 40% of South Ward's population base and an estimated 36% of the next 30-years of growth for the South Ward.

Property Economics considers this proportion of growth allocated to Amberley by Stats NZ is potentially lite, and considers Amberley is likely to grow in stature within the South Ward market as its critical mass grows and accommodate a higher proportion of growth. Consideration of such a scenario is deemed appropriate to contemplate for the South Ward Spatial Plan.

However, even if Amberley accounted for 50% of South Ward's growth over the next 30 years (equivalent to 455 dwellings), there is still sufficient zoned capacity to accommodate that growth scenario in Amberley at present.

Only when 80% and more of South Ward growth was accommodated in Amberley (i.e., 728 – 910 dwellings), there would be a minor to moderate shortfall in Amberley's capacity to accommodate that demand.

Leithfield has a potential long term zoned residential capacity deficit of 60 dwellings. This is a long-term consideration but some thinking about where and how Leithfield can grow in the future to accommodate this growth would be helpful in the Spatial Plan. Particularly if sea level rise and coastal inundation becomes more of an issue over this period that leads to potential relocations from the coastal settlements of Leithfield Beach and Amberley Beach.

However, providing for an appropriate housing typology to better adapt to market trends and local household structure would remain important to improve the wellbeing of the South Ward local communities.

8. DWELLING TYPOLOGY DEMAND

While this report utilises a spread of population and household projections as identified earlier, information is more limited on the composition of household growth by dwelling type. This 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.

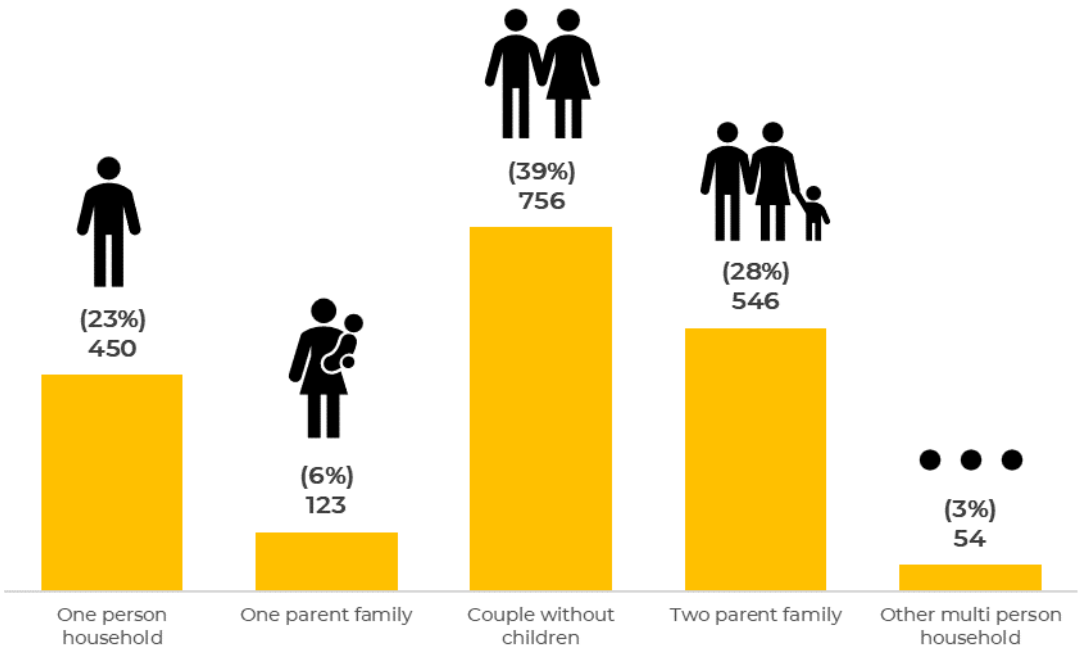
For the purposes of analysis, it is assumed that Stats NZ demographic changes will be reflected in South Ward and the wider Hurunui District and that these composition trends are consistent across all projected growth scenarios assessed.

8.1. HOUSEHOLD STRUCTURE AND DWELLING TYPE PREFERENCES

The following figure shows the estimated propensity across each household structure type for living in each respective dwelling type (i.e., standalone, terraced and apartments) that they current reside within. It indicates smaller households such as One-Person households have a higher propensity for living in smaller higher density dwellings such as terraced houses and apartments (38%), while larger households such Two Parent Families having a higher propensity for living in lower density standalone dwellings (93%).

Though, it should be noted that this is largely determined by the current provision that exists in the South Ward market today and this will continue to be the case as the supply and demand sides of the housing market influences one another in shaping residential composition.

FIGURE 13: SOUTH WARD EXISTING HOUSEHOLD TYPE (2018)



Source: Stats NZ

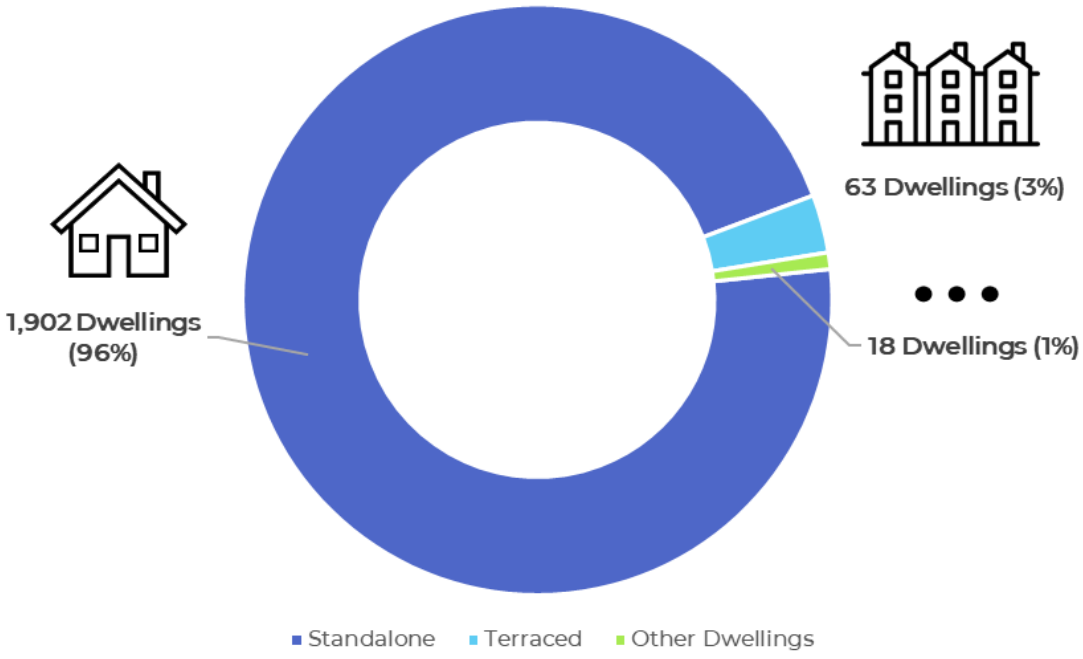
House prices and rising construction costs, along with subdued wage growth on a comparative basis, has had a marked effect on what people can afford to purchase and the level of household debt serviceability. This is forcing some sectors of the market to rethink their property expectations around housing 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 amortized 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 figure further shows that the existing dwellings within the South Ward area are predominantly Standalone, which accounted for approximately 96% of the total dwelling supply of the area. This is not unusual for well-established smaller rural townships across New Zealand.

In contrast, Terraced dwellings accounted for only 3% of the total dwellings. This significant difference indicates the simple structure of the local residential market which historically may not have had the market pressure, in respect of price, to develop smaller typologies in the South Ward area.

FIGURE 14: SOUTH WARD EXISTING OCCUPIED DWELLING TYPOLOGY (2018)



Source: Stats NZ

8.2. FUTURE RESIDENTIAL DEMAND BY TYPOLOGY

The following table shows the estimated demand for new dwellings by typology within South Ward over the 2023 - 2053 period based on Stats NZ High 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 South Ward 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 the South Ward household demographic over the foreseeable future.

As shown earlier, South Ward is estimated to require approximately 910 new dwellings (including NPS UD margins) by 2053 to accommodate the projected population growth within the area under the Stats NZ High growth projections.

Specifically, standalone dwellings are forecast to remain the predominant typology in South Ward with an estimated additional capacity of approximately 820 dwellings by 2053, accounting for around 90% of the total demand.

Demand for terraced dwellings accounts for an estimated 7% of the total dwelling demand. This is equivalent to demand for additional 64 terrace dwellings by 2053. In essence, the South Ward is projected to continue to be a stand-alone dwelling market.

TABLE 5: SOUTH WARD CUMULATIVE ADDITIONAL RESIDENTIAL DEMAND BY TYPOLOGY

Dwelling Typology	2026	2033	2053
Standalone	144	391	819
Terraced	5	21	64
Other Typologies	2	8	27
Total Net Additional Dwelling Demand	**150**	**420**	**910**

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 Hurunui with its predominant proportion of Single and Couple households, along with the increasing house prices, serviceability and building costs across the country.

To provide a context, based on the latest medium house prices data by REINZ, over the 24 months between June 2020 and June 2022, Amberley had the fastest-growing house prices within the Hurunui District at 19.3% per year. This highlights the increased value the market is placing on Amberley as a place to live and the lifestyle offered.

However, recent interest rate increases are impacting house prices and housing affordability of New Zealand residents and consequently their dwelling typology preferences, with the Hurunui District and the South Ward area being no exception. While house prices may have dropped recently, this has been more than offset by increasing interest rates, which in many markets has actually lowered house serviceability.

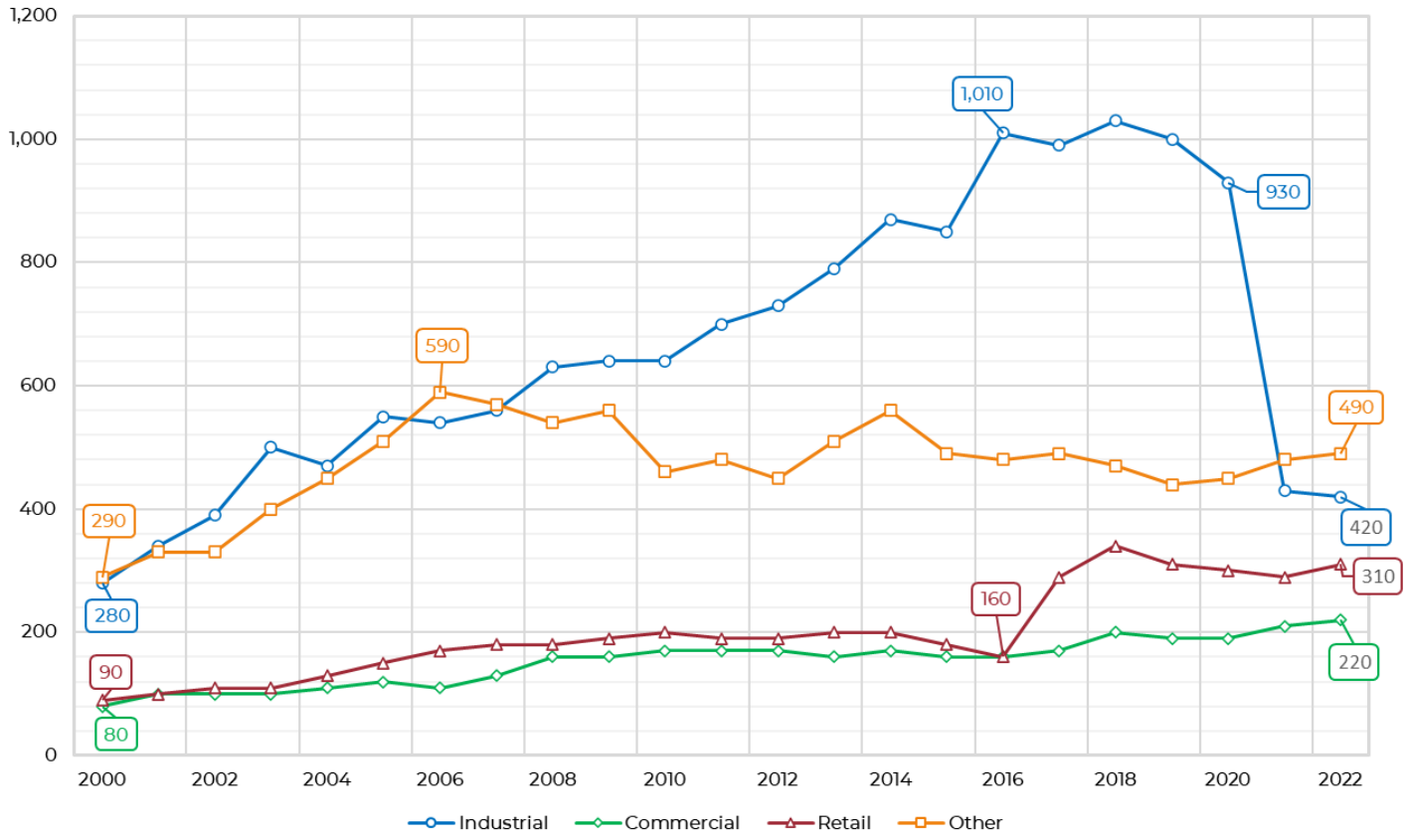
9. BUSINESS GROWTH TRENDS

This section assesses South Ward's employment trends and changes in the employment structure of the local economy over the last 22 years. This informs the current dominant sectors in the South Ward and the recent performance of those sectors. Additionally, the historic performance of commercial and industrial employment is used to inform future growth in these two sectors. This analysis is useful to contextualise office and industrial sector opportunities with the South Ward Spatial Plan development.

Property Economics utilises the most recent version of the ANZSIC system as guidance, whereby businesses are assigned an industry according to their predominant economic activity. The employment base has been aggregated into four core categories – Industrial, Retail, Commercial and Other. A breakdown of what ANZSIC activity has been included in each category has been set out in Appendix 3.

The following figure identifies the employment trends of South Ward on a temporal basis from 2000 to 2022 to highlight the changing composition of the local market by sector over the last two decades, and consequently, each sector's performance relative to the broader market in terms of employment trends.

FIGURE 15: SOUTH WARD EMPLOYMENT COUNT TRENDS BY CORE SECTOR



Source: Stats NZ, Property Economics

Total employment in the South Ward area has almost doubled during the 2000-2022 period, from 740 people employed in 2000 to around 1,440 people in 2022.

The Retail sector has experienced the highest level of growth, both nominally and proportionally, with a net increase of about 220 employees, or a 244% increase in this sector's employment base since 2000.

The Industrial sector used to account for the highest proportion of employment in South Ward prior to 2021 (by some margin) with around 930 employees or half of total employment base in 2020. However, there was a substantial decline of 500 employees in the Industrial sector between 2020 and 2022 likely due to the COVID-19 pandemic impacts. The source of this industrial employment decline remains unknown.

As a result, Other employment has become the largest employment provider in South Ward providing for 490 jobs. This equates to 34% of the current (2022) employment base.

In contrast, the Commercial sectors has a relatively smaller employment base but has experienced significant employment growth of 175% from only 80 people in 2000 to 220 people in 2022. This is a result of the growing population within the main townships of the South Ward area (i.e., Amberley and Leithfield) which fuels demand for local commercial activities to service the growing population base.

A breakdown of the industrial and commercial employment by ANZSIC sector s are provided in the following sub-sections.

9.1. INDUSTRIAL SECTORS

The following figure shows that South Ward's industrial employment base experienced robust growth for the first two decades of the period to peak at just over 1,000 employees by 2019. This represents a period of strong growth in economic activity for the local economy.

However, the COVID-19 pandemic and resultant NZ border restrictions have caused fluctuations in the local economy, with an industrial employment loss of around 506 people between 2020 and 2022. This loss was mostly in the Manufacturing sector.

A further breakdown of the employment count of the Manufacturing sector based on Stats NZ's Business Frame data indicates that the sudden drop of manufacturing employment between 2020 and 2022 was from the Meat and Meat Product Manufacturing sector.

Construction now is the largest industrial employment sector within the area, accounting for 45% of South Ward's 2022 industrial employment base. This partly reflects the increasing demand within the wider district for retail, commercial and infrastructure development in recent years. Construction has also been one of the fastest growing sectors across the country in the most recent decade fuelled by the residential housing boom.

Manufacturing is the second largest industrial sector accounting for 28% of the total industrial employment. Cumulatively, Construction and Manufacturing sectors together contribute to

approximately 73% of South Ward's industrial employment, or approximately 29% of total industrial employment in the wider Hurunui District.

The Wholesale Trade sector employed around 60 people in 2022, accounting for 14% of the area's total industrial employment.

TABLE 6: SOUTH WARD INDUSTRIAL EMPLOYMENT COUNT TRENDS

ANZSIC Sector	2000	2005	2010	2015	2020	2022	2000-22 Growth (#)	2000-22 Growth (%)
A - Agriculture, Forestry and Fishing	16	36	24	24	20	22	6	35%
B - Mining	0	0	1	1	0	0	0	n.a
C - Manufacturing	172	361	443	475	606	117	-55	-32%
D - Electricity, Gas, Water and Waste Services	8	11	12	11	9	7	-1	-11%
E - Construction	24	69	75	215	192	191	167	696%
F - Wholesale Trade	37	27	63	80	66	60	23	62%
I - Transport, Postal and Warehousing	24	37	15	36	21	12	-12	-50%
L - Rental, Hiring and Real Estate Services	1	6	7	4	13	12	11	900%
South Ward Total Industrial Employment	**282**	**547**	**640**	**845**	**927**	**421**	**+139**	**+49%**
Hurunui District Industrial Employment	**572**	**908**	**1,114**	**1,470**	**1,561**	**1,064**	**+492**	**+86%**
South Ward Proportion	**49%**	**60%**	**57%**	**57%**	**59%**	**40%**	**-10%**	**n.a**

Source: Stats NZ, Property Economics

9.2. COMMERCIAL SECTORS

The commercial employment numbers of the South Ward are quite small in an economic and comparative context. As a result, it is prudent to assess the data on a nominal employment basis rather than in percentile growth terms as smaller movements in nominal employment can lead to significant percentage change movements which can overemphasize relative change.

The following table shows that South Ward has a current (2022) commercial employment base of approximately 218 people. This accounts for around 38% of the total commercial employment of the wider district, an 10% growth over the last 22 years.

This represents the increasing relative importance of South Ward in providing for commercial services to support the needs of the growing wider community and the strength of the centres within the South Ward area and their competitiveness for activity.

The largest commercial employment sector in South Ward is the Professional, Scientific, and Technical sector, which employees 64 people in 2022. This equates to 29% of South Ward's current (2022) commercial employment base of 218 people.

The second-largest commercial sector is the Public Administration and Safety sector. Other commercial sectors are relatively small in nominal terms and therefore contribute less to the total commercial employment base of the wider district.

TABLE 7: SOUTH WARD COMMERCIAL EMPLOYMENT COUNT TRENDS

ANZSIC Sector	2000	2005	2010	2015	2020	2022	2000-22 Growth (#)	2000-22 Growth (%)
H - Accommodation and Food Services	7	13	19	16	17	19	12	180%
J - Information Media and Telecommunications	3	18	15	15	12	12	9	300%
K - Financial and Insurance Services	6	6	3	3	6	6	0	0%
L - Rental, Hiring and Real Estate Services	2	9	11	5	20	18	16	900%
M - Professional, Scientific and Technical Services	21	21	42	48	60	64	43	205%
N - Administrative and Support Services	0	6	18	9	6	12	12	n.a
O - Public Administration and Safety	17	17	24	22	31	43	26	156%
P - Education and Training	6	6	10	13	16	16	10	152%
Q - Health Care and Social Assistance	11	23	21	20	22	24	14	129%
R - Arts and Recreation Services	6	3	6	11	6	4	-2	-38%
South Ward Total Commercial Employment	**78**	**121**	**170**	**162**	**195**	**218**	**+139**	**+178%**
Hurunui District Commercial Employment	**281**	**372**	**429**	**475**	**527**	**575**	**+294**	**+105%**
South Ward Proportion	**28%**	**33%**	**40%**	**34%**	**37%**	**38%**	**10%**	**n.a**

Source: Stats NZ, Property Economics

Commercial activity / employment tends be the result of population growth and servicing the population, whereas industrial activity / employment tends to drive economic and population growth. Stimulating industrial sector growth is important for any economic development strategy for both the South Ward and Hurunui District overall.

10. INDUSTRIAL AND BUSINESS LAND CAPACITY SUFFICIENCY

10.1. EXISTING INDUSTRIAL AND BUSINESS LAND PROVISIONS

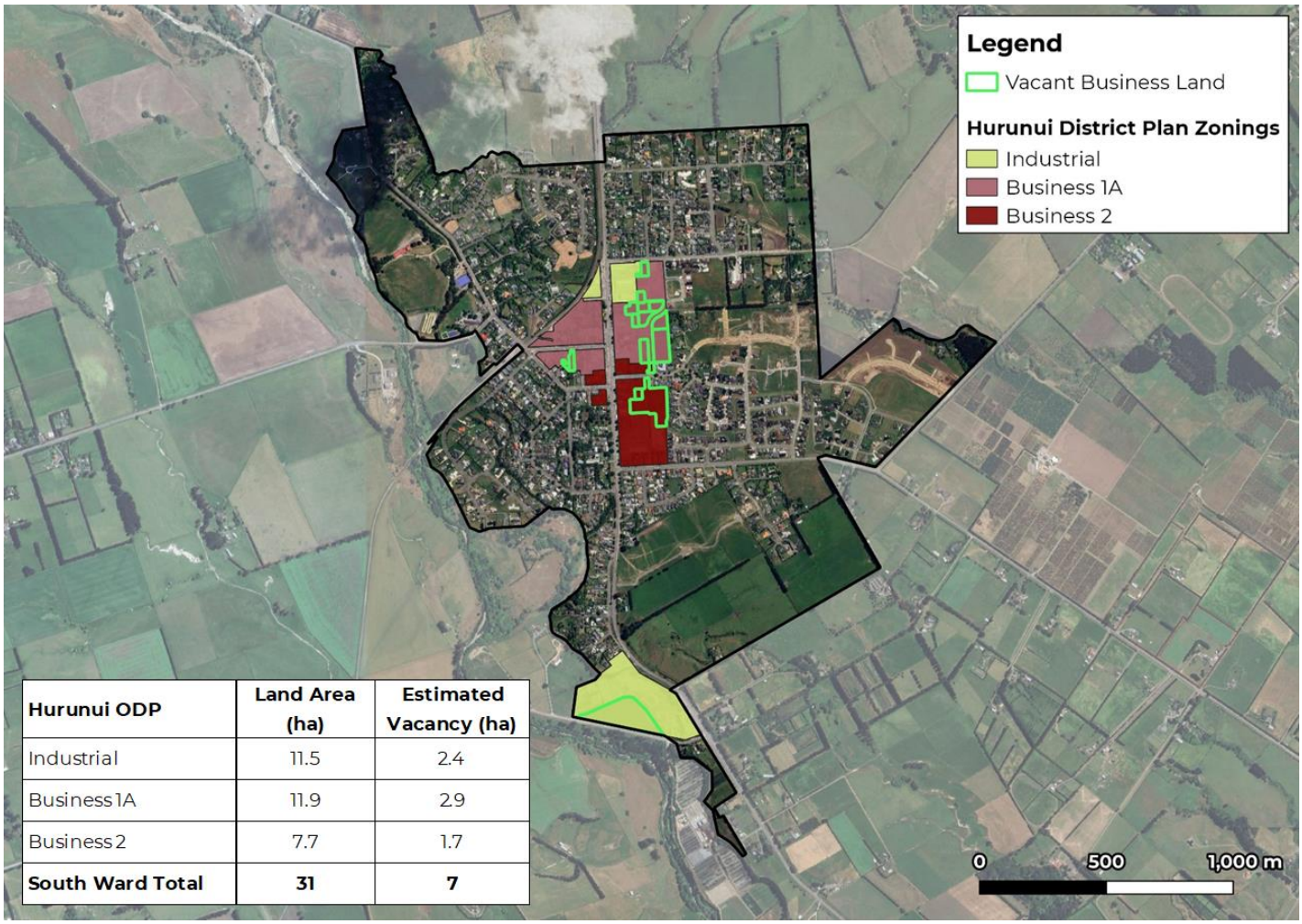
The following figure geospatially maps the distribution of industrial and business land provisions within the South Ward area. Under the Hurunui ODP zonings, industrial and business land is currently only located along the State Highway 1 (SH1) within Amberley.

It is estimated that the industrially zoned land totals approximately 11.5ha, comprised of a small tranche of land (circa 2.1ha) to the north of Amberley Central and 9.4ha of land bounded by SH1 and Grays Road on the southern boundary of the township.

The existing business zone land is concentrated on the central area of the Amberley township, cumulatively encompassing circa 29ha of land.

These existing business and industrial land provisions in Amberley form the existing business land supply of the South Ward area.

FIGURE 16: SOUTHWARD EXISTING ZONED AND VACANT INDUSTRIAL AND BUSINESS LAND



Hurunui ODP	Land Area (ha)	Estimated Vacancy (ha)
Industrial	11.5	2.4
Business 1A	11.9	2.9
Business 2	7.7	1.7
South Ward Total	**31**	**7**

Source: HDC, Google Maps, LINZ, Property Economics

Based on Property Economics ground truthing exercise on its site visit and desktop assessment, the northern industrial land in Amberley is currently occupied and therefore would be unavailable to accommodate additional industrial activities. The larger industrial land on Grays Road has an estimated vacant industrial land capacity of approximately 2.4ha.

The business land located in Amberley Central also has some vacancies, including 2.9ha of land along the Saleyard Drive and 1.7ha of land on the eastern extent of the Business 2 zone.

10.2. LAND DEMAND FORECAST METHODOLOGY

Using the earlier identified population forecasts under the Stats NZ High growth scenario, historic business demographic trends and the changing demographic profile of South Ward, Property Economics have projected industrial and commercial employment for South Ward out to 2053 factoring in changing labour force participation rates over the period.

The sector projected employment for the following areas is based on a variety of factors including:

- The ratio of net land to employee by industrial and commercial sector (these estimates are based on specific sectors and have been compiled based on empirical data such as regional rating databases).
- A locational assessment of efficient land utilisation (i.e., whether the local price is such that business land will be efficiently used).
- Historical trends by sector towards increased land and / or labour efficiencies.
- Changes in technology (increased efficiency, changes in input prices, etc.).
- Labour force projections (skilled / unskilled).
- Ability to accommodate growth, especially the potential relocation of business activity from the wider area.
- Relative business land supply and prices within the localised and wider market.
- Trend growth and changes in the South Ward's economy over the past 22 years.
- Economic development directions.
- Key business location criteria by sector / market competitiveness.
- District and local supply of inputted goods and location of market.
- Business sector analysis.
- Changing working age.

These projections do not factor in changes in land prices resulting from changes to South Ward's competitiveness and price changes in surrounding areas. These factors can influence where businesses decide to locate, however given the unpredictability of land values, for the purpose of this assessment it has been assumed that relative prices between South Ward and the rest of the district (and other districts) remain constant over the forecast period.

As mentioned earlier, the South Ward area has experienced a sudden drop of approximately 500 people in Food Manufacturing employment. This drop has not been factored into Property Economics land demand forecast given its particularity which may bias the overall growth profile of the area if considered.

10.3. INDUSTRIAL LAND REQUIREMENT FORECAST

The table below shows that under the Stats NZ High growth scenario the industrial employment within the South Ward area is forecast to increase by 380 employees between 2023 and 2053. Projected growth averages around 13 additional industrial employees per annum, to a total industrial employment base of approximately 940 employees by 2053.

TABLE 8: SOUTH WARD INDUSTRIAL LAND CAPACITY SUFFICIENCY FORECAST

Industrial Sector Forecast	Base year 2023	Short-term 2026	Medium-term 2033	Long-term 2053
Total Industrial Employment	560	620	730	940
Growth in Industrial Employment		60	110	210
Cumulative Industrial Employment Growth		**60**	**170**	**380**
Gross Industrial Land Requirement (ha)		1.6	4.6	10.3
Industrial Land Requirement + NPS-UD Buffer (ha)		**1.9**	**5.5**	**11.8**
Existing Zoned Industrial Capacity (ha)		2.4	2.4	2.4
Industrial Land Capacity Sufficiency (ha)		**+0.5**	**-3.1**	**-9.4**

Source: Property Economics

The increase of 380 people in industrial employment is projected to require a total of around 11.8ha (gross) of industrial land within the South Ward area over the next 30 years with the NPS-UD buffer[7] included. While Hurunui District is not required to provide an NPS-UD buffer (as it is

[7] *An NPS-UD buffer or a competitiveness margin is a margin of development capacity, over and above the expected demand that Tier 1 and Tier 2 local authorities are required to provide, that is required in order to support choice and competitiveness in housing and business land markets. The competitiveness margins for both housing and business land are: 20% for the short term (3 years); 20% for the medium term (3 – 10 years) and 15% for the long term (10 – 30 years).*

not a Tier 1 or Tier 2 authority) it has been included as a measure of robustness on demand for industrial land to provide sufficient choice in price and location of industrial land.

Given the estimated existing industrial land capacity of 2.4ha (as shown earlier), there is an estimated minor surplus of 0.5ha by 2026. However, there is a projected shortfall in industrial land capacity of 3.1ha and 9.4ha in the medium (by 2033) and the long term (by 2053), respectively as the industrial employment of the area continues to grow.

Based on the above forecasts, it can be expected that South Ward would require additional industrial land provisions to accommodate the industrial employment growth of the area and the industrial output demand of the local community particularly in the medium and long term.

Note that it is not only the quantum of industrial zoned land that is the issue, but also determining whether the location of the available land meets modern day market amenity, efficiency, and site size requirements for the projected growth sectors. The appropriate future industrial land location(s) will be identified and assessed in later sections under the context of the NPS-HPL provisions.

10.4. COMMERCIAL LAND REQUIREMENT FORECAST

The following table outlines the commercial (office) employment and land demand projections for South Ward from the similar process identified above. It is projected that by 2053 South Ward will have commercial employment base of approximately 350 people, which is 130 people higher than the 2023 base year.

This increase in commercial employment is projected to require a total of around 1.7ha (gross) of commercial land within the South Ward area over the next 30 years with the NPS-UD buffers included.

Given the existing zoned vacant commercial capacity of 4.6ha, there is no future demand for additional commercial land provisions across the South Ward area. However, the current commercial land provisions in Amberley may not represent the most efficient distribution of commercial capacity in the South Ward area.

Whilst commercial office demand growth can comfortably be accommodated within the existing business zones, with a particular focus on the Amberley Central area, Leithfield and the rest of the area (i.e., rural settlements - Balcairn, Sefton and Ashley) with approximately 58% of the area's total population base have no existing commercially zoned land. This uneven distribution of commercial land provisions indicates that commercial services (excluding office) demand generated by residents in these areas are primarily accommodated by Amberley.

A portion of residents living in the southern rural settlements may even travel across the district border to Rangiora[8] in the Waimakariri District for commercial output / services and employment opportunities. This directly increases the commercial employment and spend leakage of the South Ward area and the wider Hurunui District.

During the site visit, Property Economics noted that Leithfield has a few accommodation and food service activities located within the existing residential zones to service the local community. The local demand for such activities can be expected to increase as the population of Leithfield and other rural settlement grow over the next 30 years. Failing to accommodate this demand within an appropriate zone could undermine the management of commercial sector growth and distribution in these areas and slow down the overall growth of the South Ward area.

TABLE 9: SOUTH WARD COMMERCIAL LAND CAPACITY SUFFICIENCY FORECAST

Commercial Sector Forecast	Base year 2023	Short-term 2026	Medium-term 2033	Long-term 2053
Total Commercial Employment	220	230	270	350
Growth in Commercial Employment		10	40	80
Cumulative Commercial Employment Growth		**10**	**50**	**130**
Gross Commercial Land Requirement (ha)		**0.1**	**0.6**	**1.4**
Commercial Land Requirement + NPS-UD Buffer (ha)		**0.1**	**0.7**	**1.7**
Existing Zoned Commercial Capacity (ha)		4.6	4.6	4.6
Commercial Land Capacity Sufficiency (ha)		**+4.5**	**+3.9**	**+2.9**

Source: Property Economics

[8] *For reference, it is within 20 minutes (or 21km) drive from Leithfield to Central Rangiora.*

11. RETAIL GROWTH FORECAST

This section sets out the projected retail expenditure and sustainable GFA forecasts for the South Ward area. These forecasts have been based on the Stats NZ High growth population and household projections, business spend and retail shopping patterns, and prepared using Property Economics' Retail Model.

11.1. RETAIL EXPENDITURE MODEL

A more detailed breakdown of the model and its inputs is set out in Appendix 4.

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

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.

Furthermore, retail stores in general can be split into Specialty and Large Format Retailing (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.

11.2. RETAIL EXPENDITURE FORECAST

The following table forecasts and disaggregates the total annual retail expenditure by ANZSIC retail sector category over the 2023 – 2053 period generated by the South Ward population base. All figures are in 2023-dollar terms.

South Ward is currently estimated to generate approximately $81m in annual retail expenditure. This is broadly representative of the 'pool' of retail spend that the South Ward area would generate annually.

TABLE 10: SOUTH WARD ANNUALISED RETAIL SPEND FORECAST BY ANZSIC SECTOR ($M)

ANZSIC Sector	2023	2028	2033	2038	2043	2048	2053	2023-53 Growth	
								$m	%
Food retailing	$35.7	$39.5	$43.2	$46.6	$50.0	$54.5	$58.6	$22.9	64%
Clothing, footwear and personal accessories retailing	$4.0	$4.3	$4.6	$4.9	$5.1	$5.8	$6.2	$2.2	55%
Furniture, floor coverings, houseware and textile goods retailing	$2.4	$2.7	$2.9	$3.2	$3.4	$3.8	$4.1	$1.7	69%
Electrical and electronic goods retailing	$3.4	$3.8	$4.2	$4.5	$4.8	$5.4	$5.8	$2.4	69%
Pharmaceutical and other store-based retailing	$6.8	$7.5	$8.2	$8.8	$9.4	$10.3	$11.0	$4.2	61%
Department stores	$5.1	$5.5	$6.0	$6.3	$6.7	$7.6	$8.2	$3.1	60%
Recreational goods retailing	$2.3	$2.5	$2.7	$2.9	$3.1	$3.4	$3.6	$1.4	60%
Food and beverage services	$21.1	$23.5	$25.6	$27.5	$29.4	$31.4	$33.5	$12.3	58%
Total Retail Spend ($m)	$81	$89	$97	$105	$112	$122	$131	$50	62%

Source: Property Economics

Under the Stats NZ High growth scenario, this total annual retail expenditure is expected to grow by approximately $50m (or 62%) to just over $130m per annum by 2053.

The largest sector is Food Retailing, which includes supermarket shopping. This sector accounts for about 45% of all retail expenditure generated within the South Ward area and currently totals $36m in annual expenditure generated. It is projected that Food Retailing would grow by $23m (or 64%) to approximately $59m annually by 2053.

Food and Beverage Services is the second-largest sector with an estimated annualised expenditure at $21m (or 26% of total retail expenditure). It is anticipated that Food and Beverage Services would grow by $12m (or 58%) to around $34m annually by 2053.

The balance of the retail sectors are a lot smaller nominally and involve a lot of goods consumers are prepared to travel greater distances to purchase. This is particularly the case for the more competitive LFR store types.

11.3. SUSTAINABLE GFA FORECAST

The following table illustrates the level of sustainable retail GFA (sqm) within each retail sector that can be supported by the generated total retail spend within the South Ward area.

The total sustainable GFA based on South Ward's total generated retail spend equates to 15,200sqm (rounded) in 2023 and is expected to grow further to around 24,500sqm by 2053. This equates to an additional growth in sustainable GFA of around 9,300sqm between 2023 and 2053 across all assessed retail sectors.

TABLE 11: SOUTH WARD SUSTAINABLE GFA FORECAST BY ANZSIC SECTOR (SQM)

ANZSIC Sector	2023	2028	2033	2038	2043	2048	2053	2023-53 Growth	
								sqm	%
Food retailing	4,600	5,000	5,500	6,000	6,400	7,000	7,500	2,900	63%
Clothing, footwear and personal accessories retailing	800	900	900	1,000	1,000	1,200	1,300	500	63%
Furniture, floor coverings, houseware and textile goods retailing	900	900	1,000	1,100	1,200	1,300	1,400	500	56%
Electrical and electronic goods retailing	1,000	1,100	1,200	1,300	1,400	1,500	1,700	700	70%
Pharmaceutical and other store-based retailing	1,700	1,800	2,000	2,200	2,300	2,500	2,700	1,000	59%
Department stores	1,800	2,000	2,100	2,300	2,400	2,700	2,900	1,100	61%
Recreational goods retailing	600	700	800	800	900	900	1,000	400	67%
Food and beverage services	3,800	4,200	4,600	4,900	5,200	5,600	6,000	2,200	58%
Total Retail Sustainable GFA (sqm)	15,200	16,600	18,100	19,600	20,800	22,700	24,500	9,300	61%

Source: Property Economics

It is important to note that this is not the total retail GFA currently being supplied by the market, but rather the amount of GFA that can be sustained by South Ward's generated retail spend irrespective of where retail supply is located, or if this total generated retail expenditure was internalised within the area.

Despite comprising around 45% of retail expenditure, Food Retailing encompasses just 31% of 2053 sustainable GFA. This is a reflection simultaneously of higher productivity rates of supermarkets and the scale of which supermarkets are built / demanded.

In contrast, Department Stores which have relatively lower floorspace productivity rates, represents 6% of retail expenditure but around 12% of total sustainable GFA. For the Fashion and Department Store sectors, cumulatively, the generated spend in South Ward could sustain around 4,200sqm GFA, around 17% of the area's sustainable GFA by 2053.

The above estimates contextualise the forecast retail demand implications of the growth scenarios for the total retail market that Council should consider accommodating as part of their strategic planning process for business land demand and Spatial Plan development.

In addition to the forecast demand, based on Property Economics' grounding truthing, there is room for improvement in the quality of the offer, on average, to better satisfy the modern day retail needs of the local market and maximise tourist / visitor expenditure (i.e., increasing retail inflow). This two-pronged approach to better service local resident and visitor retail requirements is complementary and would magnify positive impacts on South Ward's retail economy.

12. EMPLOYMENT INTERNALISATION

This section assesses the historic (2018) employment internalisation status of South Ward to understand the sectoral employment opportunities available within the area, to internalise a higher proportion of employment, and to the benefit of the local economy.

The travel to work patterns of the South Ward employed residents are also assessed to identify the key work locations of South Ward's employment leakages. This assists in understanding the economic benefits of additional land provisions and employment opportunities within the South Ward area relative to the rest of the district.

12.1. EMPLOYMENT INTERNALISATION STATUS

The following table compares the differences in the number of employees residing within the South Ward catchment against its employment across ANZSIC sectors based on Stats NZ 2018 Census and 2018 Business Demography Statistics.

The right-most column of the table shows the employee internalisation rate by sector and can be interpreted as, for every one employee in a sector within the catchment there is this many employees in that sector that live in the catchment. A rate above 1 indicates that there is a net inflow of employees in that sector to the South Ward area while a ratio below 1 indicates a net outflow of employees in that sector.

It is important to note that it would be unrealistic to expect a one-to-one match of residents within the catchment to localised employment because of the competitive nature of the employment market, and the larger employment markets immediately south of Hurunui However, the lower the rate, the lower the level of employment internalisation for that sector in the catchment and, therefore, the greater the market opportunity and growth potential.

Based on the results in the following table, it is estimated that South Ward has an average internalisation rate of approximately 0.57 across all ANZSIC sectors, i.e., for every 100 employees who reside in the South Ward, 57 employees work within the South Ward. This suggests that around 43% of South Ward's employed residents are leaving the area and working in other locations as employees.

Industrial sectors have an average internalisation rate of around 0.67, reflecting that industrial sectors have internalised a proportionally higher level of South Ward local employment base. This is mainly attributed to the significantly higher internalisation rate of 1.49 in the Manufacturing sector, i.e., a net employment inflow in Manufacturing.

The Construction sector, albeit with a large local resident employment base of 357 people (in 2018), has an internalisation rate of only 0.19. This significant employment leakage is associated with the relatively higher level of new residential, commercial and infrastructure servicing demand in neighbouring districts (e.g., Waimakariri and Christchurch City) and a more mobile workforce in general.

The level of employment internalisation also drops significantly in most of the Commercial sectors (particularly Financial and Insurance Services (0.13), Professional, Scientific, and technical Services (0.28), and Administrative and Support Services (0.11)). This reflects that a significant proportion of residents employed in these more office-based jobs are underrepresented in the South Ward and could add significant value to the local economy if greater levels of internalisation could be achieved.

These sectors with a rate significantly lower than one signal an opportunity for the South Ward area to increase employment internalisation across these sectors. Given the South Ward's location and market size, there will always be employment leakage in commercial sectors south but increasing the level of internalisation would assist South Ward's economy.

TABLE 12: SOUTH WARD EMPLOYMENT INTERNALISATION (2018 CENSUS DATA)

ANZSIC Sector	Local Resident Employment Base	Employed within South Ward	Local Employment Base Rate
A - Agriculture, Forestry and Fishing	381	330	0.87
B - Mining	6	0	0
C - Manufacturing	291	433	1.49
D - Electricity, Gas, Water and Waste Services	42	37	0.88
E - Construction	357	69	0.19
F - Wholesale Trade	123	54	0.44
G - Retail Trade	234	91	0.39
H - Accommodation and Food Services	117	108	0.92
I - Transport, Postal and Warehousing	96	21	0.22
J - Information Media and Telecommunications	12	12	1.00
K - Financial and Insurance Services	24	3	0.13
L - Rental, Hiring and Real Estate Services	48	21	0.44
M - Professional, Scientific and Technical Services	180	51	0.28
N - Administrative and Support Services	84	9	0.11
O - Public Administration and Safety	102	43	0.42
P - Education and Training	168	111	0.66
Q - Health Care and Social Assistance	219	70	0.32
R - Arts and Recreation Services	54	24	0.44
S - Other Services	117	27	0.23
Total All Industries	**2,655**	**1,514**	**0.57**
South Ward Industrial Sectors	**938**	**630**	**0.67**
South Ward Commercial Sectors	**476**	**159**	**0.33**

Source; Stats NZ, Property Economics

12.2. TRAVEL TO WORK PATTERNS

As part of the 2018 Census, Stats NZ recorded the location the residents commute for work at the SA2 level. The following figure maps the key employment nodes for the South Ward employed residents who have identified their work location in the 2018 Census. These employment nodes represent the bulk of where employed residents within the assessed area travel for work. The larger the node, the more departures from the assessed area for working in other locations.

Based on the 2018 Census data, a total of 396 recorded residents left South Ward to 25 different locations for work with most employment nodes located within Christchurch City (156 departures cumulatively) and Waimakariri District (138 departures cumulatively).

While Omihi (within Hurunui) was the largest employment destination by some margin, this is not surprising given its close proximity to South Ward. Just over 50 departures (13% of the total work departures) travelled to the Omihi area. This was followed by Rangiora Central (42 departures) and Southbrook (39 departures) in Waimakariri District and Christchurch Airport (33 departures).

It is estimated that major townships of the Waimakariri District (e.g., Rangiora) are approximately an 18-minutes' drive (private vehicle) to Leithfield and 20-minutes' drive to Amberley. Even with a relatively remote distance, Christchurch City is about a 40-minutes' drive to Leithfield and Amberley.

Given the above context, there would be significant economic and social benefits (e.g., lowered carbon emission, improved travel efficiency, employment productivity and social wellbeing) of providing for more employment opportunities within the South Ward area to internalise some of the current leakage.

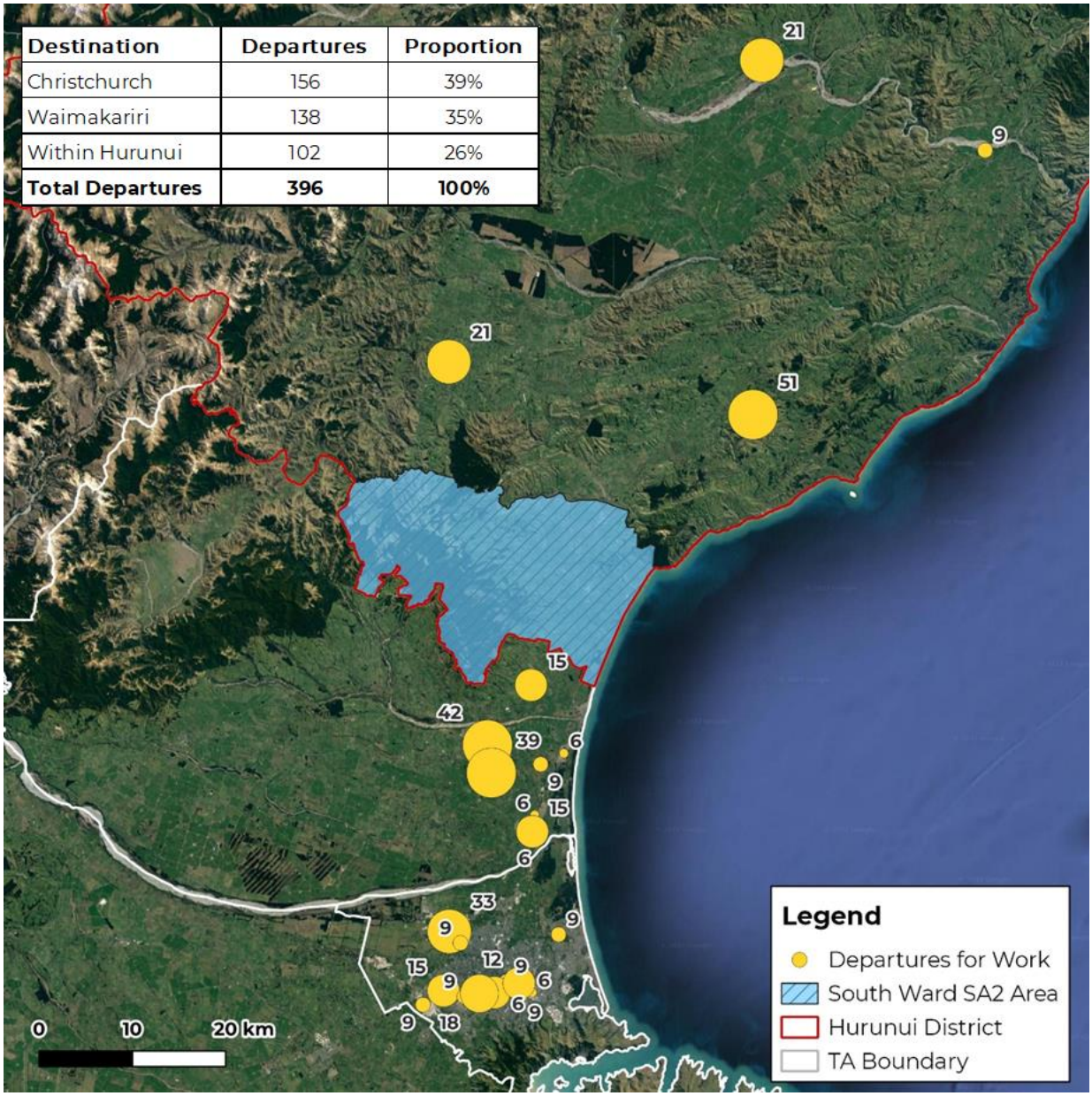
Property Economics also summarises the primary means of travel to work for employed residents living in the South Ward area. This data is also from the 2018 Census.

The total number of employees, by the method of travel, is shown at the top of each bar.

Of the 1,440 employees that reside within the South Ward area, 59% of employees drive to work in a private (or company) vehicle. This is followed by 33% of employees working at home and 4% of employees walking or running to the workplace.

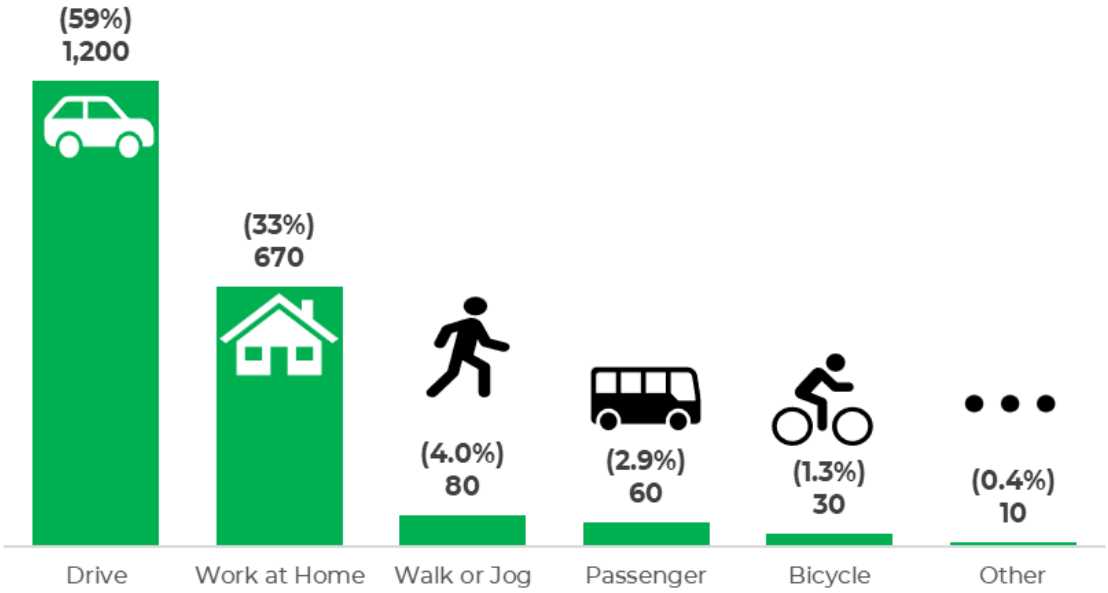
Relatively fewer employees are passengers in a car, van, truck or company bus or ride bicycles to work. On this basis, private vehicles would continue to be the most frequently used means of travel to major employment hubs of the district. This is not unusual with public transport option considerably truncated in rural settlements relative to larger more urbanised environments.

FIGURE 17: SOUTH WARD DEPARTURES FOR WORK PATTERNS (2018 CENSUS DATA)



Source: Stats NZ, Property Economics

FIGURE 18: SOUTH WARD RESIDENTS' MEANS OF TRAVEL TO WORK (2018 CENSUS DATA)



Source: Stats NZ, Property Economics

13. PRODUCTIVE LAND USE

13.1. NPS-HPL CONTEXT

An NPS-HPL[9] has come into effect on 17 October 2022. This policy aims to provide direction to improve the way highly productive land is managed under the RMA through clear and consistent guidance to councils on how to zone highly productive land and manage the subdivision, use and development of this non-renewable resource.

As defined by NPS-HPL, "highly productive land" is in a general rural zone or rural production zone that is predominantly Land Use Capability Class (LUC) 1, 2 or 3 and forms a large and geographically cohesive area.

Given this definition, any land that is currently zoned Rural and therefore is subject to Clause 3.6 "Restricting Urban Rezoning of Highly Productive Land" under the NPS-HPL.

This clause states that territorial authorities that are not Tier 1 or 2 (e.g., the Hurunui District) may allow urban rezoning of highly productive land only if:

(a) *The urban zoning is required to provide sufficient development capacity to meet expected demand for housing or business land in the district; and*

(b) *There are no other reasonably practicable and feasible options for providing the required development capacity; and*

(c) *The environmental, social, cultural and economic benefits of rezoning outweigh the environmental, social, cultural and economic costs associated with the loss of highly productive land for land-based primary production, taking into account both tangible and intangible values.*

It is within this policy context that the economic costs of productive land loss due to future urban zonings within the South Ward area is assessed in the following analysis.

13.2. SOUTH WARD PRODUCTIVE LAND STATUS

The following figure geospatially maps the productive soil status of the land within the South Ward area. The estimated land area (ha) of the respective soil class summarised in the following table. The productive soil status of the wider Hurunui District is also presented for comparative purposes[10].

[9] *National Policy Statement for Highly Productive Land 2022.*

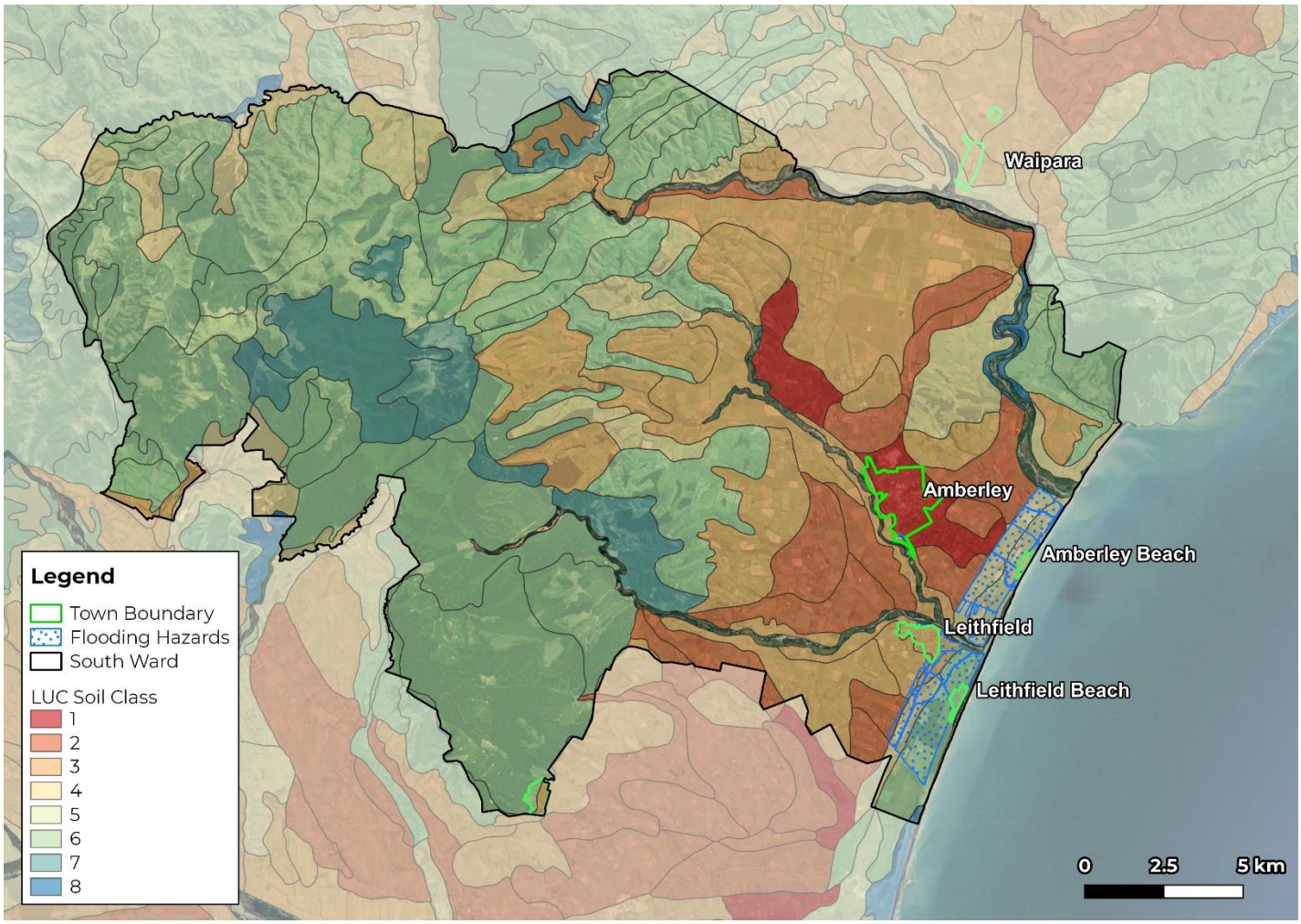
[10] *See Appendix 5 for a geospatial map of the productive soil class across the wider Hurunui District and the South Ward area.*

Based on LRIS's LUC data and Property Economics' estimates, 34% of the land in South Ward is currently registered as high-class soil (LUC 1 – 3): "Land with virtually no or slight limitations for arable use and suitable for cultivated crops, pasture or forestry".

These high-class soils are primarily located in the eastern extent of the area, encompassing the main townships of the area (i.e., Amberley and Leithfield). This essentially means that future urban zonings near the townships are likely to give rise to opportunity cost of retaining the land for rural primary production uses.

To provide a broader context, the district has approximately 129,480ha of land identified as high-class soil, which accounts for over 15% of the district's total soil. This indicates that the district has a relatively scarce level of productive land that can contribute to primary production in the future. On this basis, any new urban development around the major townships needs to be assessed in terms of economic costs and benefits to identify the most appropriate location(s).

FIGURE 19: SOUTH WARD PRODUCTIVE LAND SOIL STATUS



Source: LRIS, Google Maps, Property Economics

TABLE 13: ESTIMATED PRODUCTIVE SOIL LAND AREA BY CLASS

LUC Class	Hurunui District Land Area (ha)	South Ward Land Area (ha)
Class 1	1,460	1,290
Class 2	40,620	4,640
Class 3	87,400	11,070
Class 4	84,900	4,930
Class 5	2,460	0
Class 6	302,280	23,830
Class 7	115,060	3,560
Class 8	224,110	160
High Class Soil (1 - 3) (ha)	**129,480**	**17,000**
High Class Soil Proportion (%)	**15%**	**34%**
Low Class Soil (4 - 8) (ha)	**728,810**	**32,480**
Low Class Soil Proportion (%)	**85%**	**66%**

Source: LRIS, Property Economics

The following figure shows the productive land status of South Ward's major settlements and their surrounds.

Amberley is the largest township of the area with most of its land identified as Class 1 soil: "Flat to undulating terraces and floodplains of alluvium". Class 1 is the most productive and suitable soil for cultivated crops, pasture, or forestry.

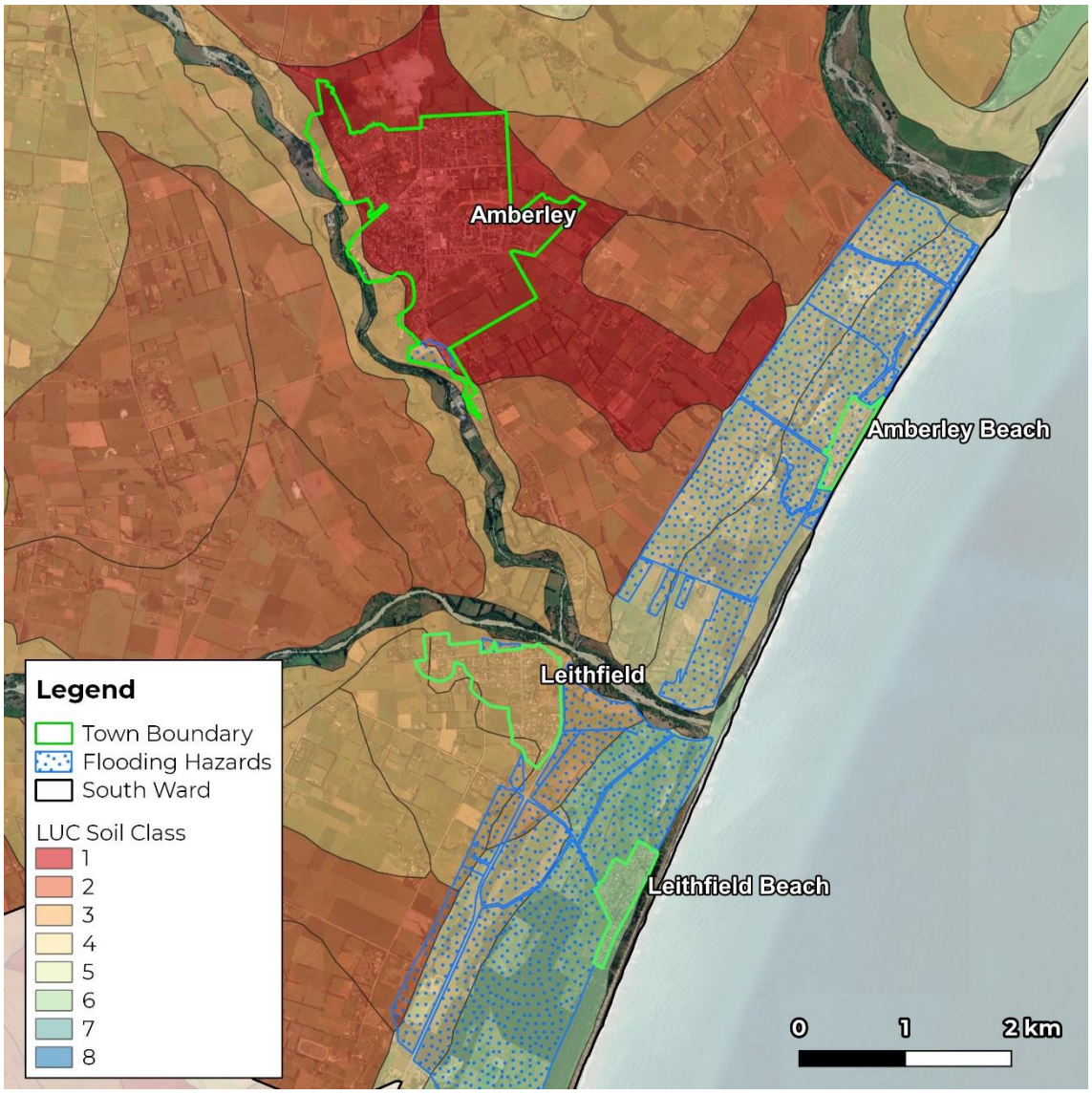
Amberley is located to the eastern side of the Kowai River. This geographical feature means that future urban zonings of Amberley are less likely to be located to the west of the township boundary. Given the strategic importance of the SH1 to the growth of the township and the requirement to minimise the economic costs associated with productive land loss, future urban zonings in the further north of the Amberley township are considered more appropriate than locations in other directions.

Leithfield is a smaller township with all of its soil identified as Class 3: "Flood plains with moderately shallow and stony recent soils in summer moisture-deficient eastern districts. Liable to occasional surface flooding and deposition".

The immediate surrounds of the Leithfield township are also Class 3 soil, which is the least productive soil class of the LUC high-class productive land. However, in contrast to Amberley, future (large-scale) urban zonings around Leithfield would be less appropriate when factors such as business co-location impetus, residents-based local market, and travel efficiencies are considered.

While being identified as lower-class soil (Class 4 and Class 6, respectively), Amberley Beach and Leithfield Beach are small settlements suffering from flooding hazards and therefore considered inappropriate locations for future urban expansion.

FIGURE 20: PRODUCTIVE SOIL STATUS IN AND AROUND MAJOR SETTLEMENTS



Source: LRIS, Google Maps, Property Economics

13.3. POTENTIAL FUTURE INDUSTRIAL LAND LOCATIONS

This section identifies the appropriate future industrial land locations within the South Ward area in the context of the estimated industrial land demand and the NPS-HPL context.

As determined earlier, the South Ward area would require additional 9.4ha of industrial land over the next 30 years to accommodate its growing industrial economy and employment requirement. While industrial land supply does not need to exactly match the forecast industrial land demand, there are some economic costs involved with 'over-supplying'

industrial land to the market, including decreased impetus of industrial intensification, rural (or other) land loss and inefficient distribution of future industrial employment. The costs would depend on the extent of any 'over supply'. Given this, Property Economics considers that a rural block with a threshold of circa 10ha in a more appropriate / attractive location for industrial activity would be required to satiate the forecast demand efficiently over the next 30 years.

INDUSTRIAL ACTIVITY LOCATIONAL CRITERIA

In terms of the appropriate industrial activity location, the most important criteria, that gives an understanding of the factors affecting business location decisions, and should be considered when assessing the merits of land looking to be rezoned for industrial activities include:

- Access to Utilities
- Good Transport Links
- Proximity to Labour Base
- Proximity to Suppliers / Clients
- Expansion Potential
- Competitive Land / Rent Pricing
- Exposure / Profile
- Protection from Reverse Sensitivity
- Low Land Gradient
- Increased Market Certainty

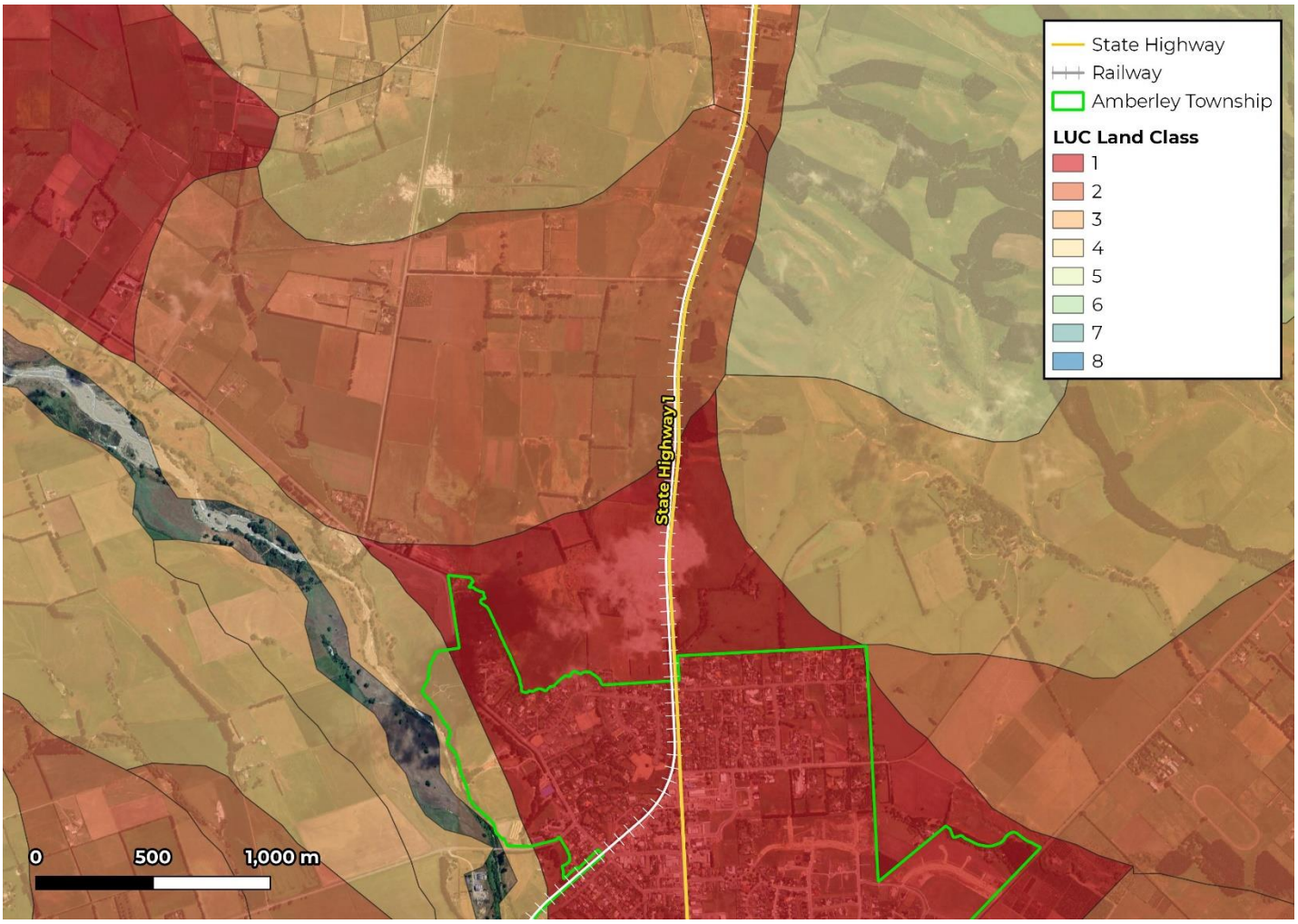
Having assessed the rural vacant blocks near the major settlements against these critical industrial location criteria, an area to the north of the Amberley township with a lower soil class classification is considered appropriate against other potential sites (e.g., the site located to the immediate west of the existing industrially zoned land on Greys Road, Amberley) for the following reasons:

- This area is proximate to the main population and employment base of Amberley township and would form part of the township's future urban form. This allows efficient access to the growing population base and resident-worker base.
- This area is situated on SH1 and railway line to the east. This provides the area with convenient access to strong transport networks to the rest of the district and the broader Canterbury region. Being adjacent to SH1 and railway line would also enhance the profile of the industrial activities within the wider district.
- This area has a generally flat landform that would accommodate both small-scale industrial activities and businesses with future expansion requirements.
- This area would provide cost-effective industrial land relative to the land within the Business zones that currently involve some light industrial activities.
- This area is a short distance to the existing Amberley urban environment and residential activities. This distance would act as a buffer to mitigate the potential reverse sensitivity effects generated by future industrial activities within the area.

- This area LUC Class 2 & 3 soil and therefore is less productive than the land to the immediate south which is Class 1 soil (i.e., the most productive land). Given this, the level of productive land loss and therefore economic cost as a result of any future industrial zoning would be lower in this area in contrast to the alternative southern site.

Given the above synopsis, the identified area, if selected, would provide for a competitive and attractive industrial land capacity option within the South Ward market.

FIGURE 21: APPROPRIATE FUTURE INDUSTRIAL LAND LOCATION



Source: Google Maps, LRIS, LINZ, Property Economics

In addition to the identified site, the land on Greys Road has some positive locational attributes to accommodate industrial activities. For instance, it is continuous with the existing industrial zoning and therefore would generate business agglomeration effects and enable more efficient mitigation of the potential reverse sensitivity effects by confining industrial activities to a single location. It is also a relatively lower-class productive soil (Class 3), which means that the productive land loss due to future industrial activities would be relatively smaller in contrast to the identified site to the north of the Amberley township.

However, given its close proximity to Kowai River, this Greys Road site is likely to have the same level of flooding hazards as with the eastern industrially zoned land. This risk would potentially increase the uncertainty of future industrial business investment and growth at the site.

Also considered is the relatively isolated location of the Greys Road site. The existence of the Kowai River means that the future expansion potential of the site would be less likely to fulfil.

Balancing all the relevant economic factors, Property Economics considers that the identified Amberley North location would be more appropriate than the Greys Road site.

There are other non-economic factors that need to be assessed as part of any rezoning consideration, but economically this area is considered to provide more economic benefits than costs.

ECONOMIC COSTS AND BENEFITS OF FUTURE INDUSTRIAL ZONING

The identified site would generate a range of economic costs and benefits in the context of the NPS-HPL. This analysis outlines some of the high-level economic costs and benefits associated with industrial land use of the identified site in contrast to the counterfactual of retaining the current rural land provision / use.

ECONOMIC BENEFITS

- Provision of Sufficient Industrial Land to Satisfy Demand for Industrial Land over the Next 30 Years: As forecast earlier, the South Ward area would require 9.4ha of industrial land to accommodate industrial employment and local industrial sector growth by 2053. The additional industrial land capacity provided by the identified site can be expected to contribute to accommodating the projected demand, ensuring the continuous growth of the local and regional industrial economy.
- More Affordable Industrial Land: The provision of additional industrial land capacity within the area may help improve industrial land affordability within the South Ward market. A significant contributor to business property values is the underlying land values impacted by growth expectations and supply. The identification of the appropriate future industrial land has the potential to temper price pressure in the local and surrounding markets and mitigate price growth.
- Acquiring Land for Infrastructure Well Ahead of Needs: As an urban environment expands, the necessary land for public streets, public infrastructure networks and public open spaces need to be secured in advance of development. As such, one of the key benefits of spatial strategies in the context of the South Ward development is to reduce the costs of urban expansion by acquiring land ahead of development and preserving key corridors that hold space for future infrastructure needs.

- Increased Certainty and Flexibility for Future Development Opportunities and Growth: Future urban land supply does not have to match the projected land demand exactly. However, in contrast to the adverse impacts caused by a shortfall of industrial land capacity (e.g., limited population and business growth and less competitive land prices), additional land supply would significantly enhance the future industrial land use flexibility and growth potential.
- Increased Choice of Business Location: Additional industrial land zonings would offer residents additional choices in their working environment in respect of location and typology. It also opens downsized, low maintenance stock for those on fixed incomes and the opportunity to on sell an existing property that is too difficult to maintain.
- Increased Industrial Employment and Economic Profile: The use of the additional industrial land zonings will generate employment opportunities in a wide range of sectors for the South Ward local economy. This represents an increase in employment retention which has flow on, "secondary" impacts that also boost the district's economic activity.

ECONOMIC COSTS

- Loss of Productive Land: The identified site is LUC class 2 soil. This indicates that the rural primary production uses (if any) which would be lost if this site is developed into industrial uses. This represents an opportunity cost lost due to upzoning the identified site or any rural blocks around the Amberley township. However, based on the previous analysis, the loss of productive land, particularly around the Amberley township, would be inevitable to provide for the urban zoning requirement.
- Associated Infrastructure Investment and Servicing to Facilitate New Development: The identified site is currently zoned rural. Land and associated infrastructure costs are the biggest cost components of future urban development costs to the Council. Infrastructure provision typically involves comparatively high up-front (fixed) costs and lower ongoing costs for maintenance and operation. Even though the costs to build or upgrade infrastructure tend to be priorities for the Council and infrastructure providers, in the long-run costs to operate, maintain, and renew infrastructure are also large, and hence should be considered.
- Potential For Reverse Sensitivity Effects to be Generated (Relative to the Current Rural Land Uses): The range of activities enabled within the future industrial zone may generate some reverse sensitivity between different land uses. However, this is likely to be offset with management of any such potential by creating master plan for the entire site and developing a set of site focused planning provisions. The short distance of the site to the township can also work act a natural buffer to help prevent the urban environment from reverse sensitivity effects.

SUMMARY

On balance, Property Economics considers the potential economic benefits of providing for additional industrial provision at the identified Amberley North site would be greater than economic costs under the NPS-HPL provisions.

APPENDIX 1. DEMOGRAPHIC PROFILING

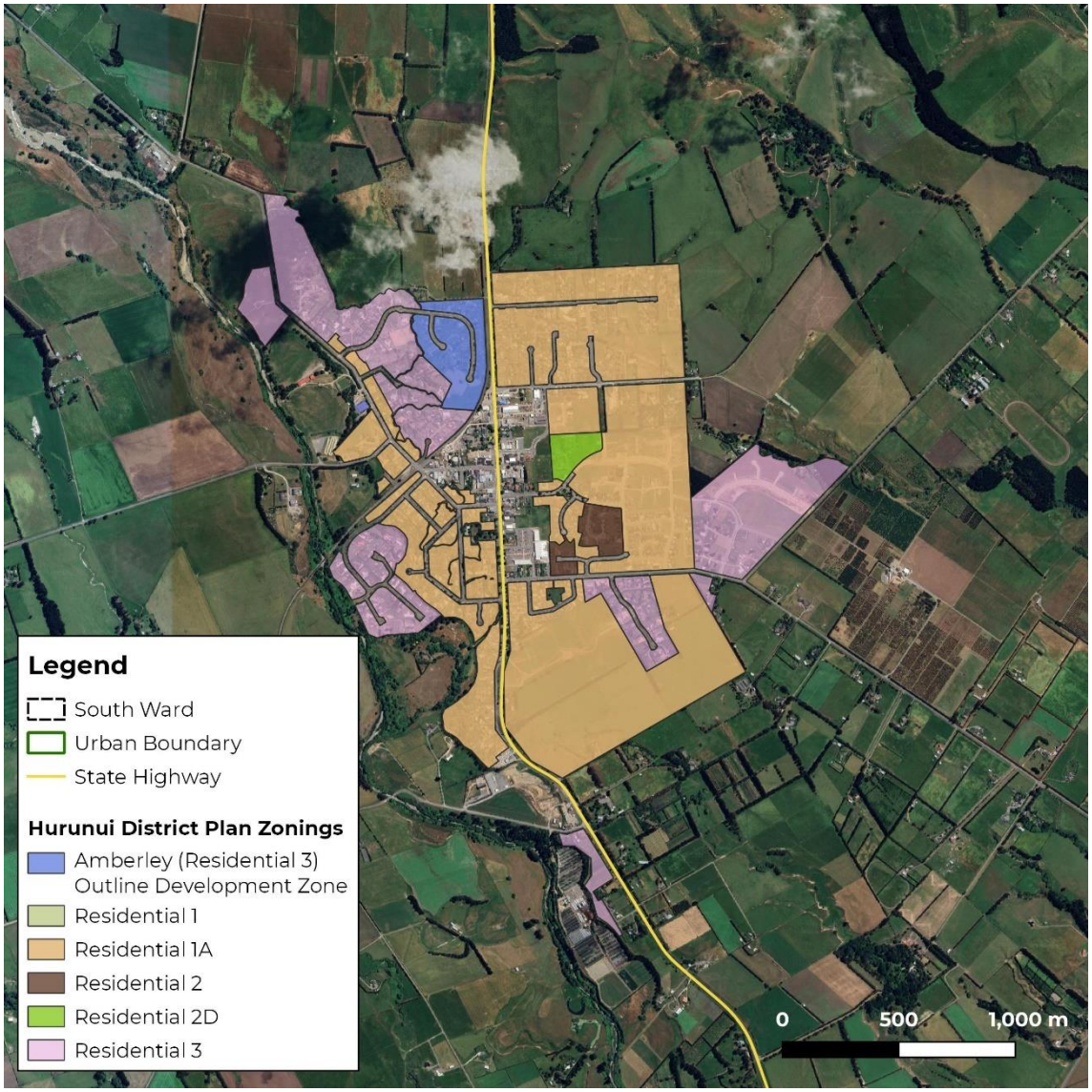
		Amberley	Leithfield	South Ward	Hurunui District	New Zealand
GENERAL	Population	2,340	630	5,590	13,700	5,124,130
	Households	1,030	260	2,340	5,750	1,927,620
	Person Per Household Ratio	2.27	2.42	2.39	2.38	2.66
	Intercensal Population Growth (Total | %)	481 | 5.3%	36 | 1.2%	638 | 2.6%	968 | 1.6%	462,280 | 2.0%
AGE PROFILE	0 - 9 Years	12%	12%	12%	13%	13%
	10 - 19 Years	10%	11%	12%	11%	13%
	20 - 29 Years	8%	7%	8%	10%	14%
	30 - 39 Years	9%	8%	9%	11%	13%
	40 - 49 Years	11%	18%	13%	13%	13%
	50 - 59 Years	12%	19%	15%	15%	13%
	60 - 69 Years	14%	14%	14%	14%	10%
	70 - 79 Years	16%	9%	12%	9%	7%
	80 Years and Over	9%	2%	5%	4%	4%
	Median Age	**51.1**	**46.3**	**47.5**	**44.3**	**37.4**
Household Income	$20,000 or less	7%	7%	7%	9%	9%
	$20,001-$30,000	15%	11%	12%	11%	10%
	$30,001-$50,000	22%	18%	19%	18%	15%
	$50,001-$70,000	16%	15%	15%	16%	13%
	$70,001-$100,000	16%	19%	18%	19%	16%
	$100,001-$150,000	17%	19%	19%	18%	19%
	$150,001 or more	7%	11%	10%	10%	18%
	Median Income	**$58,000**	**$68,000**	**$67,000**	**$66,000**	**$76,000**
ETHNICITY	Asian	3%	1%	2%	4%	13%
	European	86%	84%	87%	84%	62%
	Maori	7%	10%	7%	8%	15%
	Middle Eastern Latin American African	0%	0%	0%	1%	1%
	New Zealander	1%	1%	1%	1%	1%
	Other Ethnicity	2%	1%	2%	1%	1%
	Pacific Peoples	1%	2%	1%	1%	7%
QUALIFICATION ATTAINMENT	No qualification	27%	23%	23%	21%	18%
	Overseas secondary school qualification	5%	4%	4%	4%	6%
	Level 1 certificate	14%	16%	16%	15%	11%
	Level 2 certificate	10%	12%	11%	12%	10%
	Level 3 certificate	8%	10%	9%	9%	11%
	Level 4 certificate	11%	11%	10%	9%	9%
	Level 5 diploma	4%	8%	6%	6%	5%
	Level 6 diploma	6%	6%	6%	6%	5%
	Bachelor degree and Level 7 qualification	9%	6%	10%	11%	15%
	Post graduate and honours degrees	4%	1%	4%	4%	6%
	Masters degree	1%	1%	2%	1%	4%
	Doctorate degree	0%	0%	1%	0%	1%
LOCATION 5 YEARS AGO	Elsewhere in New Zealand	57%	51%	49%	47%	45%
	No fixed abode five years ago	0%	0%	0%	0%	0%
	Not born five years ago	6%	5%	6%	7%	7%
	Overseas	3%	1%	3%	5%	8%
	Same as usual residence	35%	43%	43%	41%	40%

		Amberley	Leithfield	South Ward	Hurunui District	New Zealand
EMPLOYMENT	Employed Full time	40%	53%	47%	52%	50%
	Employed Part time	15%	16%	17%	18%	15%
	Not in the Labour Force	44%	30%	34%	28%	31%
	Unemployed	2%	1%	2%	2%	4%
EMPLOYMENT CLASSIFICATION	Clerical and Administrative Workers	10%	11%	9%	8%	11%
	Community and Personal Service Workers	8%	9%	8%	8%	10%
	Labourers	15%	15%	14%	17%	11%
	Machinery Operators and Drivers	10%	8%	8%	7%	6%
	Managers	18%	14%	20%	30%	18%
	Professionals	17%	16%	16%	12%	23%
	Sales Workers	10%	6%	8%	6%	9%
	Technicians and Trades Workers	13%	22%	15%	12%	12%
PERSONAL INCOME SOURCES	Wages, Salary, Commissions, Bonuses etc paid by my employer	50%	61%	55%	56%	61%
	Interest, Dividends, Rent, Other Investments	23%	13%	21%	20%	17%
	Jobseeker Support	3%	3%	3%	3%	6%
	New Zealand Superannuation or Veterans Pension	37%	20%	28%	23%	17%
	Other government benefits, Payments or Pension	4%	2%	3%	3%	4%
	Other Sources of Income	2%	3%	2%	1%	2%
	Other Superannuation, Pensions or Annuities	4%	3%	3%	2%	2%
	Regular payments from ACC or a Private Work Accident Insurer	1%	3%	2%	2%	2%
	Self Employment or Business I own and work in	12%	18%	20%	26%	15%
	Sole Parent Support	1%	1%	1%	1%	2%
	Student Allowance	0%	1%	1%	1%	2%
	Supported Living Payment	1%	1%	1%	1%	2%
	No source of income during that time	4%	4%	5%	4%	6%
INDUSTRY OF EMPLOYMENT	Accommodation and Food Services	6%	4%	4%	8%	7%
	Administrative and Support Services	3%	6%	3%	3%	5%
	Agriculture Forestry and Fishing	9%	6%	14%	32%	6%
	Arts and Recreation Services	1%	1%	2%	2%	2%
	Construction	13%	14%	13%	9%	9%
	Education and Training	7%	6%	6%	6%	8%
	Electricity Gas Water and Waste Services	2%	4%	2%	1%	1%
	Financial and Insurance Services	1%	0%	1%	1%	3%
	Health Care and Social Assistance	9%	10%	8%	6%	10%
	Information Media and Telecommunications	0%	2%	0%	1%	2%
	Manufacturing	11%	17%	11%	7%	10%
	Mining	1%	0%	0%	0%	0%
	Other Services	4%	7%	4%	3%	4%
	Professional Scientific and Technical Services	8%	5%	7%	5%	10%
	Public Administration and Safety	5%	1%	4%	3%	5%
	Rental Hiring and Real Estate Services	1%	2%	2%	2%	2%
	Retail Trade	11%	8%	9%	6%	9%
	Transport Postal and Warehousing	4%	6%	4%	4%	4%
	Wholesale Trade	6%	4%	5%	3%	5%

		Amberley	Leithfield	South Ward	Hurunui District	New Zealand
WEEKLY RENT PAID	Under $100	0%	-	0%	10%	7%
	$100 - 149	16%	-	10%	17%	9%
	$150 - 199	0%	-	0%	14%	6%
	$200 - 299	12%	-	23%	31%	18%
	$300 - 399	72%	-	62%	25%	22%
	$400 - 499	0%	-	5%	1%	17%
	$500 - 599	0%	-	0%	0%	10%
	$600 and over	0%	-	0%	1%	10%
DWELLING OWNERSHIP	Dwelling held in a family trust	12%	9%	12%	13%	13%
	Dwelling not owned and not held in a family trust	22%	8%	19%	29%	35%
	Dwelling owned or partly owned	67%	83%	69%	58%	51%
DWELLING TYPE	Joined dwelling	4%	0%	3%	5%	15%
	Other private dwelling	0%	1%	1%	1%	1%
	Private dwelling not further defined	0%	0%	0%	0%	0%
	Separate house	96%	99%	96%	94%	84%
DWELLING OCCUPANCY	Dwelling Under Construction	1%	0%	1%	1%	1%
	Empty Dwelling	4%	2%	5%	15%	5%
	Occupied Dwelling	91%	95%	89%	71%	89%
	Residents Away	4%	2%	6%	12%	5%
NUMBER OF BEDROOMS	One bedroom	3%	4%	3%	4%	6%
	Two bedrooms	17%	11%	15%	14%	19%
	Three bedrooms	49%	41%	44%	45%	44%
	Four bedrooms	29%	36%	31%	29%	24%
	Five or more bedrooms	3%	9%	7%	8%	7%
STUDYING	Full time study	17%	18%	18%	18%	21%
	Not studying	81%	79%	80%	80%	76%
	Part time study	2%	3%	2%	2%	3%
Household Size	One usual resident	27%	22%	23%	24%	23%
	Two usual residents	43%	41%	43%	41%	33%
	Three usual residents	11%	14%	13%	13%	16%
	Four usual residents	11%	15%	13%	13%	16%
	Five usual residents	5%	5%	5%	6%	7%
	Six usual residents	1%	1%	1%	2%	3%
	Seven usual residents	1%	0%	1%	1%	1%
	Eight or more usual residents	1%	0%	1%	0%	1%
	Number of usual residents unidentifiable	1%	3%	2%	4%	4%

APPENDIX 2. SOUTH WARD RESIDENTIAL ZONED BY URBAN AREA

AMBERLEY EXISTING RESIDENTIAL ZONES



LEITHFIELD AND LEITHFIELD BEACH EXISTING RESIDENTIAL ZONES

AMBERLEY BEACH EXISTING RESIDENTIAL ZONES

APPENDIX 3. BUSINESS CLASSIFICATIONS

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

A proportion of employees coded within industrial categories can work within other more commercial (office) arms of a business in other locations, e.g., employees in the sales branch of electrical companies are coded in the electricity, gas, water and waste services. Despite being in the industrial industry, these employees are technically not industrial employees.

For planning purposes commercial and industrial employees are those working on zoned business land corresponding to their respective sector. Often this is not the case, whereby activities such as hospitals, schools, police services and etc. are classified under commercial services focused sectors but are typically not zoned as such.

For this reason, Property Economics has divided these classifications into industrial, commercial, retail and other sectors. These sectors correspond to the zoning of industrial, commercial, retail and special land zonings by the local authorities.

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

- 10% of Agriculture, Forestry and Fishing
- 10% of Mining
- Manufacturing
- 30% Electricity, Gas, Water and Waste Services
- Construction
- Wholesale Trade
- Transport, Postal and Warehousing
- 40% Rental, Hiring and Real Estate Services

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

- 15% of Accommodation and Food Services

- Information Media and Telecommunications
- Financial and Insurance Services
- 60% of Rental, Hiring and Real Estate Services
- Administrative and Support Services
- 35% of Public Administration and Safety
- 15% of Education and Training
- 25% of Heath care and Social Assistance
- 25% of Arts and Recreation Services

APPENDIX 4. PROPERTY ECONOMIC RETAIL 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 & 2 2018 Boundaries

All analysis has been based on Statistical Area 1 & 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 pace, 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 has 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, most recently the COVID-19 global pandemic resulted in a national lockdown with retailers forced to close under alert Level 3 and 4.

Despite this, New Zealand's economy so far has not fallen to the extent economists predicted heading into the first lockdown during the first quarter of 2020. Data available on Statistics New Zealand showed that total retail expenditure declined by only 0.2% between 2020 and

2019. This is in comparison to the average annual growth of just over 5% per annum between 2010 – 2019.

From an economic perspective, COVID-19 represents 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 this global pandemic will have on international travel, the domestic economy and retail trends as it relates to internet retailing.

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.

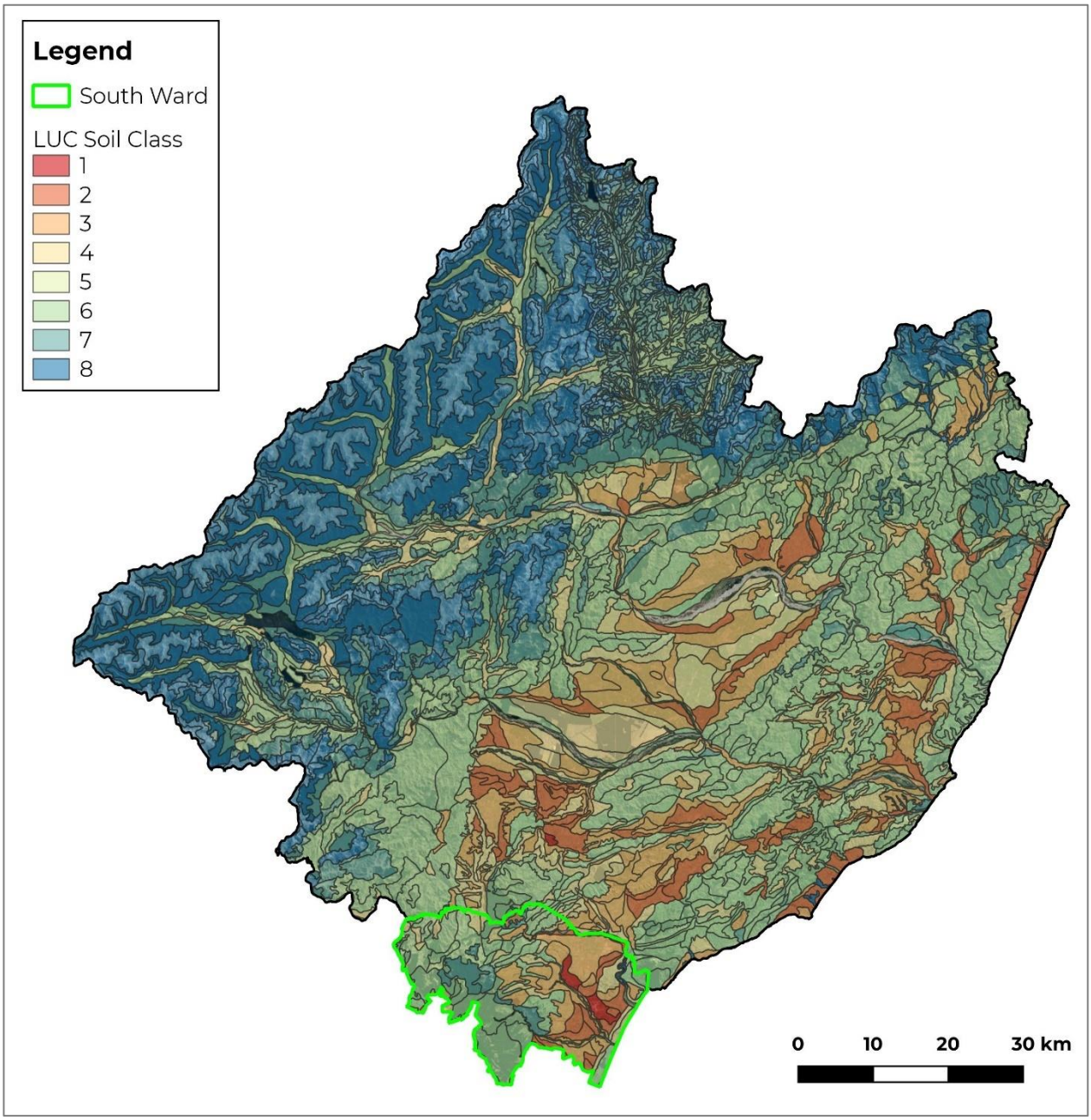
Business Spend

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 5. HURUNUI DISTRICT HIGHLY PRODUCTIVE SOILS



Source: LRIS, Google Maps, Property Economics