



PALMY
PAPAIOEA
PALMERSTON
NORTH
CITY

MANAWATŪ REGION
RETAIL HEALTH CHECK
NOVEMBER 2021



KRISPY KREMS \$4
NUTELLA \$3

CHOCOLATE

CARAMILK

\$6

\$6

"VEGAN DOUGHS"

CARAMEL
BRONNIE

\$7

PEANUT
BUTTER
JELLY

VEGAN
BROWNIE

\$5

VEGAN
RASPBERRY
CHOCOLATE
MUD

\$5

GF
CARAMEL
BRONNIE

\$5

Contents

| | |
|---------------------------------|----|
| Executive summary | 4 |
| Overview | 6 |
| Background | 7 |
| Palmerston North retail trends | 15 |
| Manawatū District retail trends | 32 |
| Conclusion | 37 |

Executive Summary

The purpose of these economic sector profiles for the Manawātū region is to describe the contribution of key sectors to the economic wellbeing of the region. Seven sectors are expected to contribute to a significant share of future growth in the number of jobs and incomes in the region over the next 25 years. They are healthcare, public administration (including defence), logistics, construction, tourism, professional, scientific and technical services, and manufacturing.

Retailing isn't mentioned in the sectors above but is a major component of the region's tourism sector, and is an important factor in why people visit the region. A high share of retail spending comes from residents of the region, so the sector's growth is limited by the rate of population growth and growth in incomes in the region.

The retail sector in the Manawātū region (Palmerston North and Manawātū District) is performing strongly compared to national indicators. Retail spending at Manawātū region retailers increased by 13.0% over the 12 months ended June 2021, which was well ahead of the national increase in spending of 8.7%. The high rate of growth in spending in the year to June 2021 was due to COVID-19 restrictions on retailing between March and May 2020.

Growth in online spending has been suggested as a threat to physical retail stores, but Verisk/Marketview electronic card retail data shows physical stores in the region are continuing to experience growth in spending, despite the stronger growth in online spending.

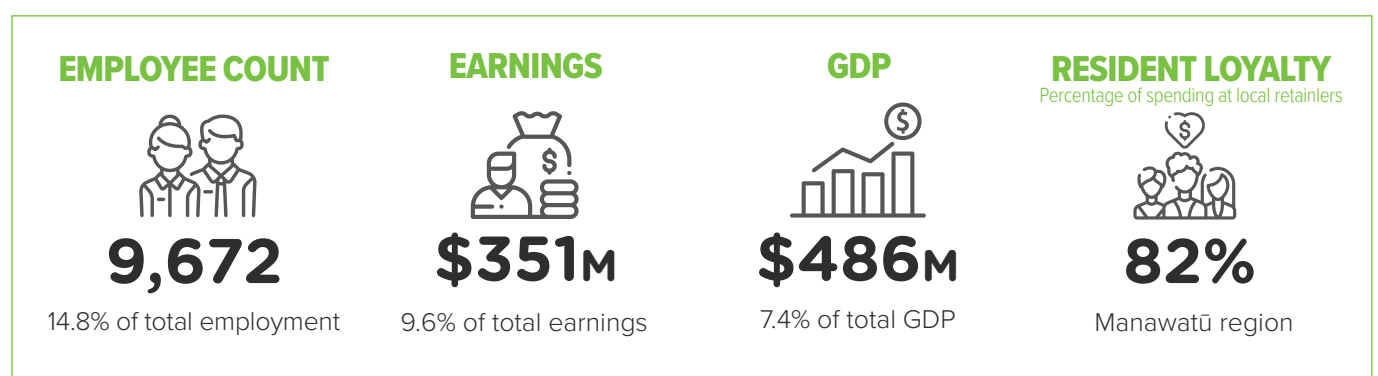
The sector is a significant contributor to regional GDP, with Infometrics estimates for the retail sector suggesting it contributed \$486 million to Manawātū region GDP in the year to March 2020, accounting for a 7.4% share of total GDP in the region. Palmerston North contributed

84% of retail GDP in the region, due to its role as a significant regional retail centre for the lower North Island.

The retail sector contributed 7.9% of Palmerston North GDP in the year to March 2020 and 5.4% of Manawātū District GDP. Statistics New Zealand GDP estimates for the year to March 2020 suggest the retail sector contributed \$18,161 million to national GDP, a 7.1% share of total GDP.

The sector is a significant contributor to regional employment, with a workforce of 9,672 people in February 2020, or 14.8% of the total workforce in the region. The workforce estimates produced by Infometrics include employees and the self-employed. Total earnings (salaries, wages and self-employment income) in the sector were \$351 million in the year ended March 2019, or 9.6% of total earnings in the region. Retail earnings in the region increased by 128% between 2000 and 2019. This regional increase was weaker than national retail earnings growth of 165%.

Infometrics long-term projections suggest the retail workforce is expected to increase to 10,138 people by 2043, an increase of 5% from 2018. That projection is much weaker than the 31% overall increase in workforce for the region, because Infometrics expects the sector will experience strong productivity growth during that period.





Visitor data shows Palmerston North is a significant domestic visitor destination, reflecting its central position in the lower North Island and its strong retail offering. The latest Verisk/Marketview data shows a significant share of electronic card retail turnover in the city is made with non-resident cards, accounting for 36% of total spending at retailers in the city.

Verisk/Marketview retail spending estimates for the year ended June 2021 show a high level of loyalty by Manawātū region residents, with 81.9% of their retail spending going to local retailers (excluding online spending).

Manawātū District is experiencing strong growth in retail spending, which increased by 14.9% in the year to June 2021. The District is also experiencing high population growth, which is supporting the increase in retail spending.

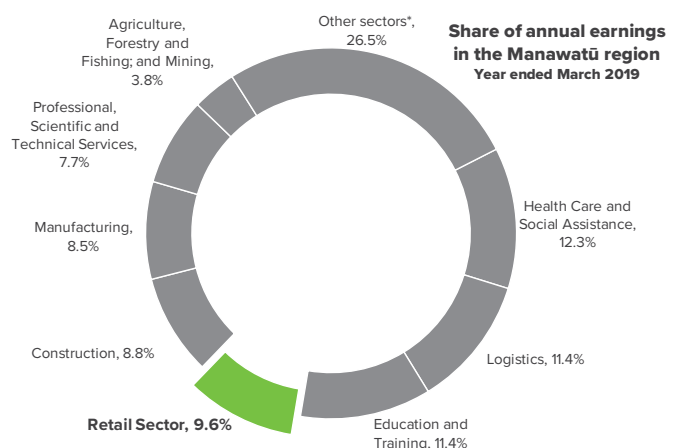
Over the last 10 to 15 years there have been major shifts in the retail sector in Palmerston North, which have resulted in growth in retail activity in some parts of the city and periods of decline or weak growth in others. A high level of investment in the construction of new retail floor space over the past 20 years has created significant additional competition for existing retailers in the city. The increase in the total number of retail stores means that individual retailers have not experienced the rates of growth reflected in the overall data for the city. The most recent retail data shows strong growth in the value of retail spending in the Inner Business Zone despite increased investment in retail activity in the Outer Business Zone.

The retail sector is a significant source of part-time employment in the region and employs a higher share of young people. Data from the 2018 Census shows that the 15 – 24 age group accounted for 33% of employment in the retail sector in the Manawātū region, while this group accounted for 16% of overall employment in the region. The sector also has an important role as the first paid job for many people, who go on to work in other sectors.

Councils have an important role to play in maintaining and supporting a healthy retail sector, particularly in the city or town centre, but retail property owners and retail businesses also play important roles in supporting the health of the sector. Palmerston North City Council centres-based planning policy has been successful in keeping the malls and large format retail developments close to the city-centre. Since 2013, there have been several large retailers move back closer to the city-centre and the further establishment of new businesses in the Outer Business Zone.

Both Palmerston North city-centre and Feilding town centre will face disruption due to the need to replace or strengthen earthquake prone buildings. This will result in the temporary loss of retail activity when buildings are demolished or closed temporarily during refurbishment and disruption for neighbouring retailers. However, this disruption will occur during a period of strong economic growth and expansion of retail activity in the region, providing increased impetus for redevelopment.

The development of new sources of data has provided significant improvements in the range of information available for the region. Further improvements in pedestrian data are being investigated along with new tools for estimating visitor numbers.



* Other sectors includes: Public administration and safety services; Electricity, gas, water and waste services; Information media and telecommunications; Financial and insurance services; Rental, hiring and real estate services; Administrative and support services; Arts and recreation services; Other services

Overview

The purpose of this report is to provide an update on the status of retail health in the Manawatū region and to update the framework for future monitoring of the retail sector, reflecting the increased availability of data. It will be used to inform councils when making future decisions involving the development of Palmerston North's Inner Business Zone and Feilding Town Centre.

What is retail health?

Healthy retailing can be shown through a thriving shop that is appealing, is full of customers and has a high level of sales and profitability. A measure of retail health aims to reflect the status of the retail sector in terms of these attributes.

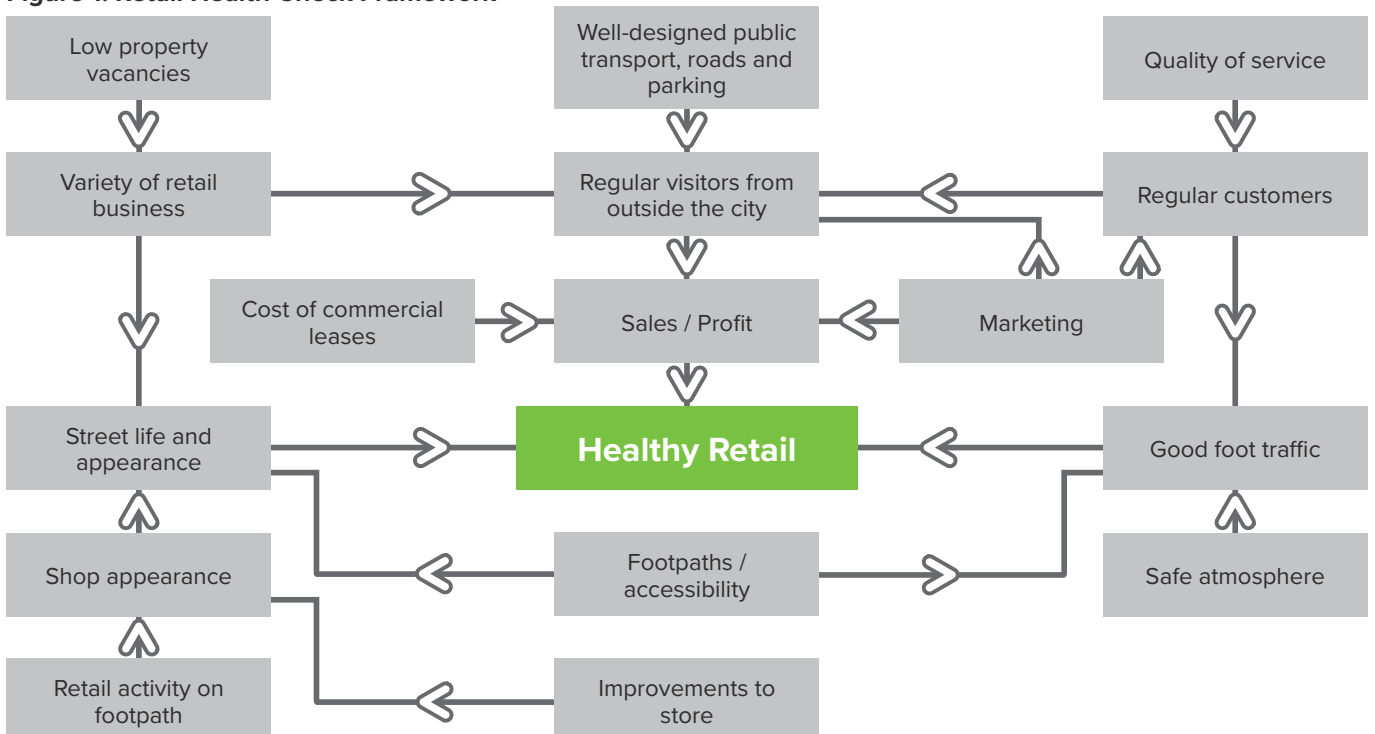
In order for a community to have a thriving and healthy retail sector there has to be a number of factors working together to create an interesting, comfortable, purposeful and safe shopping experience. Key indicators used to measure retail health are:

- Good foot traffic/pedestrian counts
- Sales and profits
- Availability and cost of parking
- Variety of retail businesses
- Vacancy rates

- Cost of rent
- Footpaths and accessibility
- Safe atmosphere
- Shop appearance
- Street life
- Friendly service
- Number of visitors and visitor spending
- Public transport system
- Digital maturity, including webpage and presence on social media
- Economic performance

Several of these factors are difficult to research and a number of assumptions can be made when gaining and producing the data. The linkages between these factors are shown in Figure 1 below.

Figure 1: Retail Health Check Framework



Background

The Manawatū region had an estimated population of 122,500 people in June 2020, with 90,400 people living in Palmerston North and 32,100 in Manawatū District.

There were 65,384 people employed in the region in February 2020 (employees and self-employed), with 9,672 people employed in the retail sector in the region. Palmerston North had a 74% share of the region's population but an 85% share of the retail workforce in the region and an 84% share of electronic card retail spending, reflecting the city's role as a significant regional retail centre.

Assessing retail health

Electronic card retail spending in the Manawatū region was \$1,582 million in the year to June 2021, an increase of 13.0% from the previous year. Retail spending in New Zealand increased by 8.7% over the same period. The rate of growth in retail spending in the region has been ahead of the national growth rate since October 2017. The gap in the growth rates for the region and New Zealand widened significantly since New Zealand moved down to COVID-19 Alert Level-2 restrictions on 14 May 2020.

Table 1: Dates when different COVID-19 Alert Levels came into force

| Date | COVID-19 Alert level | | |
|--------------|----------------------|----------|------------|
| | New Zealand | Auckland | Wellington |
| 2020 | | | |
| 21 March | 2 | | |
| 23 March | 3 | | |
| 25 March | 4 | | |
| 27 April | 3 | | |
| 13 May | 2 | | |
| 9 June | 1 | | |
| 12 August | 2 | 3 | |
| 30 August | 2 | 2.5 | |
| 21 September | 1 | 2.5 | |
| 23 September | 1 | 2 | |
| 7 October | 1 | 1 | |

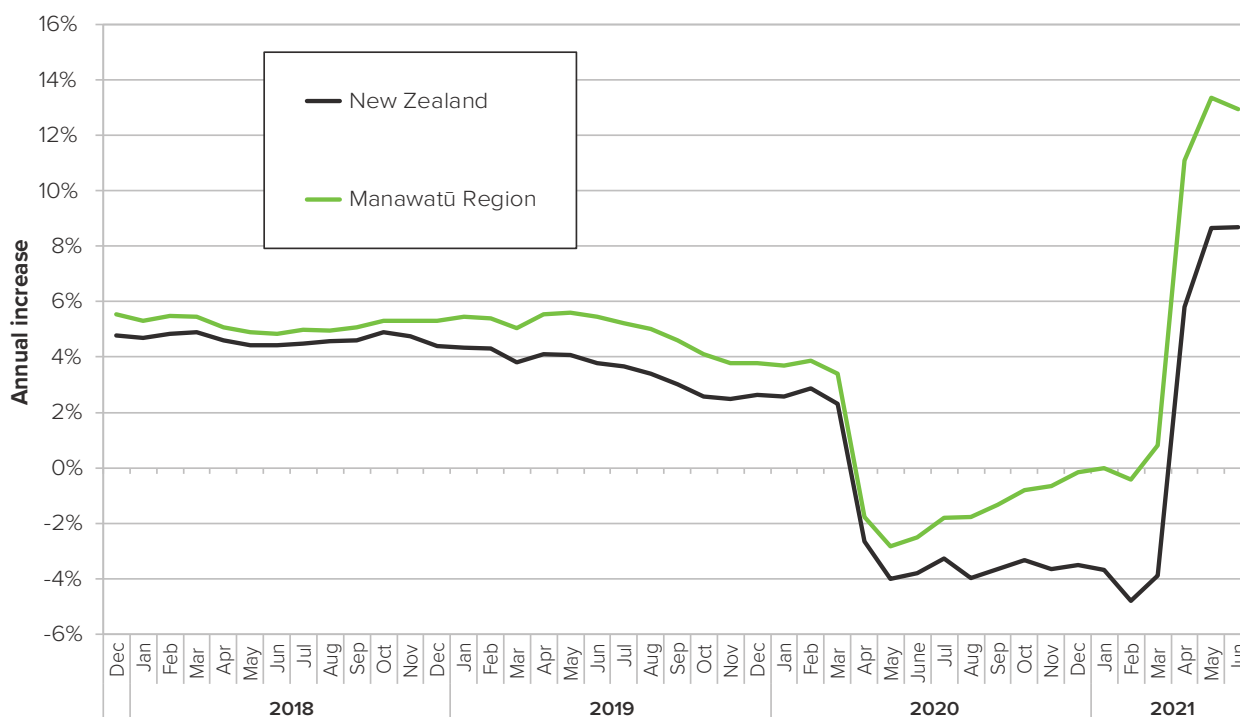
| Date | COVID-19 Alert level | | |
|-------------|----------------------|----------|------------|
| | New Zealand | Auckland | Wellington |
| 2021 | | | |
| 14 February | 2 | 3 | |
| 17 February | 1 | 2 | |
| 22 February | 1 | 1 | |
| 28 February | 2 | 3 | |
| 7 March | 1 | 2 | |
| 12 March | 1 | 1 | |
| 23 June | 1 | 1 | 2 |
| 29 June | 1 | 1 | 1 |

Source: New Zealand Government

The retail sector in the region was impacted significantly during Alert Level-4 restrictions, which were in force between 26 March and 27 April, and Alert Level-3 restrictions between 27 April and 13 May. Most shops, apart from supermarkets, dairies and fuel outlets, were required to remain closed, resulting in national electronic card retail spending declining by 55% in April 2020, compared with April 2019, and a 56% decline in the region.

Growth in spending in Manawatū District was 14.9% in the year to June 2021, while there was a 12.6% increase in Palmerston North. The rate of growth in Palmerston North was weaker than the growth rate for Manawatū District because of the impact of the COVID-19 restrictions on conference and other events activity in the city. Limits on the size of gatherings under Alert Level-2 meant indoor events were not possible in the region between 12 August and 21 September 2020 and 22 and 28 February 2021. These limits resulted in cancellation of events and conferences, which are more significant to the Palmerston North economy.

Figure 2: Annual change in Manawatū region electronic card retail spending



Source: Verisk/Marketview

Manawatū retailers enjoy strong loyalty from residents (the proportion of local cardholder’s spending that goes to local merchants), who spent 81.9% of their total retail spending (in-store only¹) at Manawatū region retailers in the year ended June 2021. This support illustrates the health of the retail sector in the region. Resident-spending at Manawatū region retailers was \$1,206 million in the year ended June 2021, increasing by 10.8% from the previous year. Manawatū region resident spending outside of the region (excluding online spending) in the year to June 2021 was \$267 million, an

increase of 23.5% from the previous year, while visitor spending in the region was \$376 million, an increase of 20.6%. The increase in visitor spending is related to the impact of COVID-19 restrictions on overseas travel and the domestic travel restrictions under Alert Levels-3 and 4 from March to May 2020. The restrictions on overseas travel have contributed to an increase in domestic tourist spending. Total New Zealand domestic tourism spending in the year ended June 2021 was \$1.7 billion higher than two years ago, while international card spending declined by \$2.4 billion.

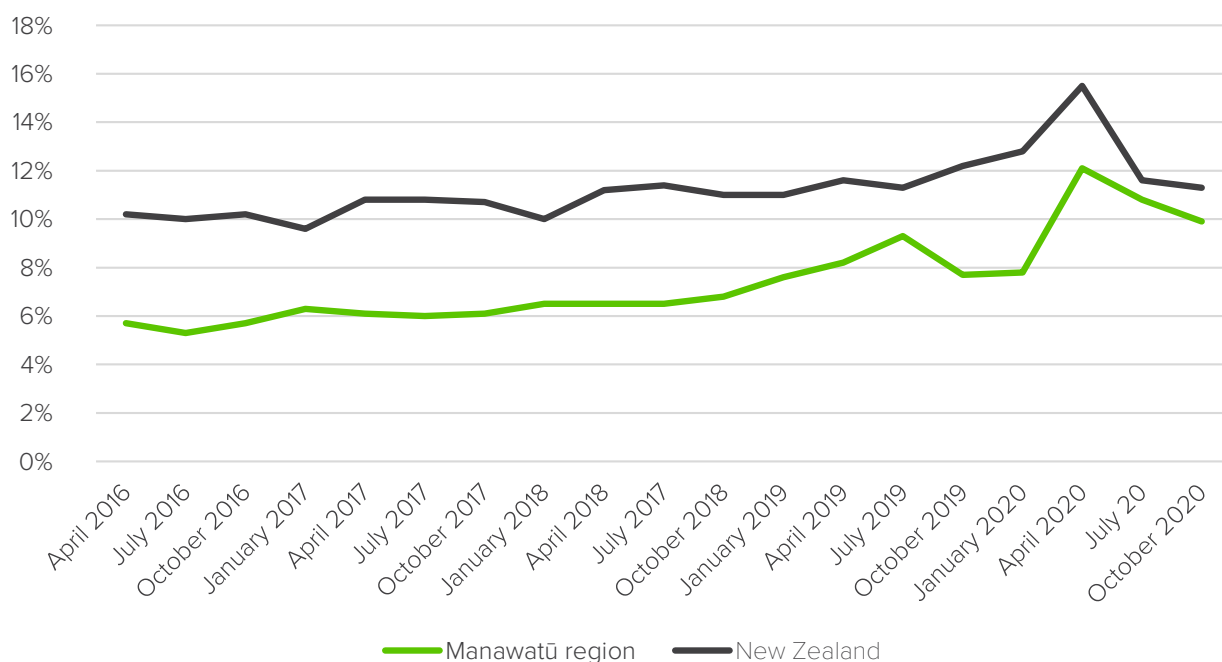
Table 2: Manawatū region retail inflow and outflow

| Years ended | June 19 | June 20 | June 21 | Annual change | |
|----------------------------------|--------------|--------------|--------------|---------------|--------------|
| | \$ m | \$ m | \$ m | \$ m | % |
| Resident spending locally | 1,100 | 1,088 | 1,206 | 118 | 10.8% |
| Resident spending outside region | 235 | 216 | 267 | 51 | 23.5% |
| Total resident spending | 1,335 | 1,304 | 1,473 | 169 | 12.9% |
| Visitor spending | 336 | 312 | 376 | 64 | 20.6% |
| Net gain in spending | 101 | 96 | 109 | 13 | 13.9% |
| Total spending in region | 1,436 | 1,400 | 1,582 | 182 | 13.0% |
| Visitor % share | 23.4% | 22.3% | 23.8% | | |
| Resident loyalty | 82.4% | 83.4% | 81.9% | | |

Source: Verisk/Marketview

¹ Online retail spending is excluded from the loyalty score because Marketview is no longer able to provide data on online spending.

Figure 3: Online retail spending as a share of total retail spending



Source: Verisk/Marketview

Origin of visitors to the Manawatū region

Ministry of Business, Innovation and Employment (MBIE) tourism data shows that the Manawatū region attracted \$268 million in electronic card retail spending by visitors in the year to June 2021, accounting for 17% of total retail turnover at retailers. The tourism electronic card transaction data provided by Verisk/Marketview excludes people who regularly travel to the region for work or education. This means the total visitor spending shown in Table 3 is lower than the spending identified in Table 2, which includes all non-resident spending in the region.

The highest share of visitor retail spending came from residents in the lower North Island, who accounted for 72% of domestic visitor retail spending in the city (Manawatū-Whanganui, Wellington, Hawke's Bay and Taranaki regions). The value of spending from Auckland declined by 4% between June 2019 and June 2021, while total domestic tourism spending increased by 13%. The loss of Jetstar flights between Auckland and Palmerston North from November 2019 is likely to be a contributing factor to the decline from Auckland.

Table 3: Annual domestic visitor retail spending in the Manawatū region by region of origin

| Year ended June 2021 | \$ million | % share |
|----------------------|------------|-------------|
| Manawatū-Whanganui | 113 | 42% |
| Wellington | 49 | 18% |
| Auckland | 26 | 10% |
| Hawke's Bay | 18 | 7% |
| Waikato | 14 | 5% |
| Taranaki | 13 | 5% |
| Bay of Plenty | 10 | 4% |
| Gisborne | 4 | 1% |
| Northland | 4 | 1% |
| North Island | 251 | 93% |
| Canterbury | 9 | 3% |
| Otago | 3 | 1% |
| Marlborough | 1 | 0% |
| Tasman | 1 | 0% |
| Nelson | 1 | 0% |
| Southland | 1 | 0% |
| West Coast | 1 | 0% |
| South Island | 16 | 6% |
| Undefined | 1 | 0% |
| Total | 268 | 100% |

Source: MBIE electronic card regional retail spending tourism estimates (excludes cultural, recreation, and gambling services, passenger transport, and other tourism products)

International electronic card spending in the region was \$12.3 million in the year to June 2021, declining by 26% from the previous year. Total international card spending for New Zealand declined by 69%. COVID-19 restrictions on the number of people allowed to travel to New Zealand since March 2020 were responsible for the decline in spending. International card spending data is based on transactions in New Zealand using overseas bank and credit cards. Holders of these cards can be visitors, or may be people living and working in New Zealand on short-term visas. The increase in the number of New Zealanders returning from overseas also has an impact on the data while they use an overseas card in New Zealand.

Manawatū region retail employment and earnings

The retail sector is a significant contributor to regional employment, with a workforce of 9,672 employees and self-employed in February 2020, accounting for 14.8% of the total workforce in the region. Total earnings (salaries, wages and self-employment income) in the sector were \$351 million in the year ended March 2019, 9.6% of total earnings in the region.

The region has experienced weak growth in retail earnings (salaries, wages and self-employment income) relative to the overall growth rate for New Zealand between 2000 and 2019. There is a similar weakness in employee numbers due to a small decline in employee numbers between 2008 and 2020, following strong growth between 2000 and 2008. Retail earnings in Palmerston North increased by 130% between 2000 and 2019, Manawatū District earnings increased by 117%, while earnings for New Zealand increased by 165%.

Sectors which have contributed to the weakness in employee numbers are:

- Supermarkets – increased use of self-checkout technology and other productivity improvements contributed to no change in supermarket jobs in the city, despite the opening of supermarkets at Summerhill and Kelvin Grove. Job numbers declined in Manawatū District following the closure of the Write Price store and opening of a new New World supermarket. Total food retailing jobs in the region increased by 9% between 2000 and 2020 compared with national growth of 35%.

- Clothing retailing - there was an increase in the number of clothing stores during the expansion to the Plaza shopping mall, but there has since been a decline in store numbers and jobs. Store numbers in the region peaked at 96 in 2013 but had declined to 78 by 2020.
- Ezibuy was impacted when Australia introduced GST on small value imported goods from 1 July 2018, resulting in a decline in staff at the Palmerston North distribution centre.
- Department store employee numbers in the region increased by 4% between 2000 and 2020, while national growth in the sector was 24%.
- Cafes and restaurant employment in the region increased by 20% between 2000 and 2020, while national employment increased by 84%. The region's low share of international tourism spend is likely to be a factor contributing to the weak growth in employment. In addition, the region has a high share of visiting friends and family among domestic and international visitors.

The weakness in retail employment compared with the national trend also reflects weak population growth in the region over the period between 2000 and 2020 compared with the growth rate for New Zealand. Over this time the region's population increased by 18,600 people (an increase of 17.9%), while New Zealand's population increased by 31.8%.

Infometrics long-term projections suggest the retail workforce is expected to increase to 10,138 people by 2043, an increase of 5% from 2018. That is much weaker than the 31% overall increase in workforce for the region, because Infometrics expects the sector will experience strong productivity growth during that period. Table 4 below does not include the self-employed.

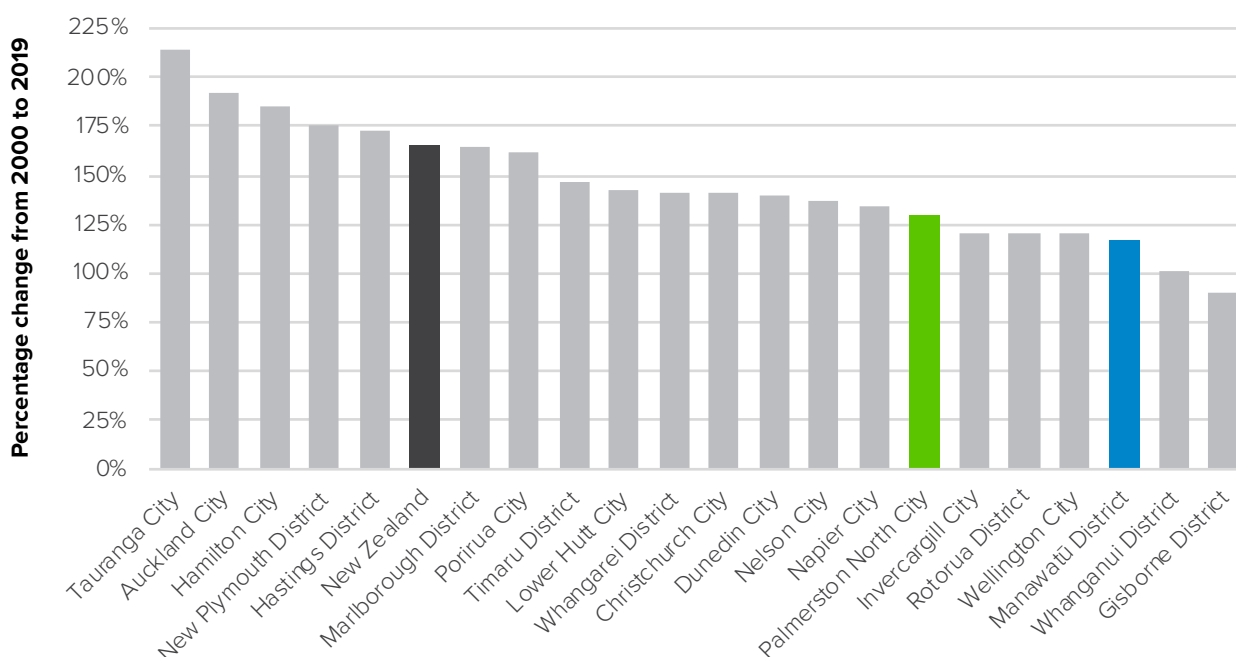
Table 4: Manawatū region and New Zealand retail employment change by sector

| Retail sector | Manawatū region | | | New Zealand | | |
|---|-----------------------|---------------------------|-------------|-----------------------|---------------------------|-------------|
| | Employee count | 2000 - 2020 change | | Employee count | 2000 - 2020 change | |
| | 2020 | Number | % | 2020 | Number | % |
| Retail trade | 5,620 | 740 | 15% | 221,500 | 54,400 | 33% |
| Motor vehicle and motor vehicle parts retailing | 605 | 125 | 26% | 19,300 | 4,100 | 27% |
| Fuel retailing | 210 | -130 | -38% | 8,900 | -3,600 | -29% |
| Food retailing | 1,580 | 130 | 9% | 73,300 | 19,000 | 35% |
| Other store-based retailing ¹ | 3,020 | 440 | 17% | 116,800 | 33,900 | 41% |
| Non-store retailing and retail commission | 210 | 167 | 388% | 3,200 | 1,000 | 45% |
| Visitor % share | 23.4% | 22.3% | | 23.8% | | |
| Accommodation and food services | 3,270 | 410 | 14% | 174,300 | 69,500 | 66% |
| Accommodation | 550 | -20 | -4% | 36,100 | 8,300 | 30% |
| Cafes and restaurants | 1,590 | 260 | 20% | 77,500 | 35,300 | 84% |
| Takeaway food services | 700 | 370 | 112% | 28,200 | 17,300 | 159% |
| Catering services | 87 | -138 | -61% | 12,500 | 4,700 | 60% |
| Pubs, taverns and bars | 300 | 65 | 28% | 15,900 | 4,000 | 34% |
| Clubs (hospitality) | 33 | -87 | -73% | 4,250 | 100 | 2% |
| Retail | 8,890 | 1,150 | 15% | 2,317,000 | 717,500 | 45% |
| Retail earnings (salaries, wages and self-employment income) | Earnings (\$m) | 2000 - 2019 change | | Earnings (\$m) | 2000 - 2019 change | |
| | 2019 | (\$m) | % | 2019 | (\$m) | % |
| Retail trade | 246 | 131 | 113% | 9,869 | 5,681 | 136% |
| Accommodation and food services | 106 | 67 | 170% | 5,620 | 3,973 | 241% |
| Retail | 351 | 197 | 128% | 15,489 | 9,655 | 165% |

Source: Statistics New Zealand



Figure 4: Percentage change in retail sector annual earnings (salaries, wages and self-employment income) between 2000 and 2019



Source: Statistics New Zealand

Manawatū District retail earnings increased by 117% between 2000 and 2019, but the Statistics New Zealand earnings data has not been adjusted for the 2021 boundary change between Palmerston North and Manawatū District. The boundary change resulted in Longburn and Bunnythorpe moving from the District into the city, but the small scale of retailing in these two settlements is unlikely to have had a significant impact on the overall growth rate for the District. All other data sets used in this report have been adjusted to take account of the boundary change.

At the time of the 2018 Census, the retail sector in the region had a high share of part-time employees, with 38% of employees working part-time compared with 23% for the overall regional economy. The part-time

share for the New Zealand retail sector was 37%. The retail trade sector is an important source of part-time and holiday employment for school students and students in tertiary education facilities in the region, reflecting the important inter-linkages which occur between sectors. Data from the 2018 Census also shows that the 15 – 24 years age group accounted for 33% of employment in the retail sector in the Manawatū region, while this group accounted for 16% of overall employment in the region. The share of 15 – 24-year olds is highest in cafes, restaurants and takeaways, where they account for 46% of employees in the sector. The retail sector also has an important role as the first paid job for many people, who go on to work in other sectors.





Retail GDP

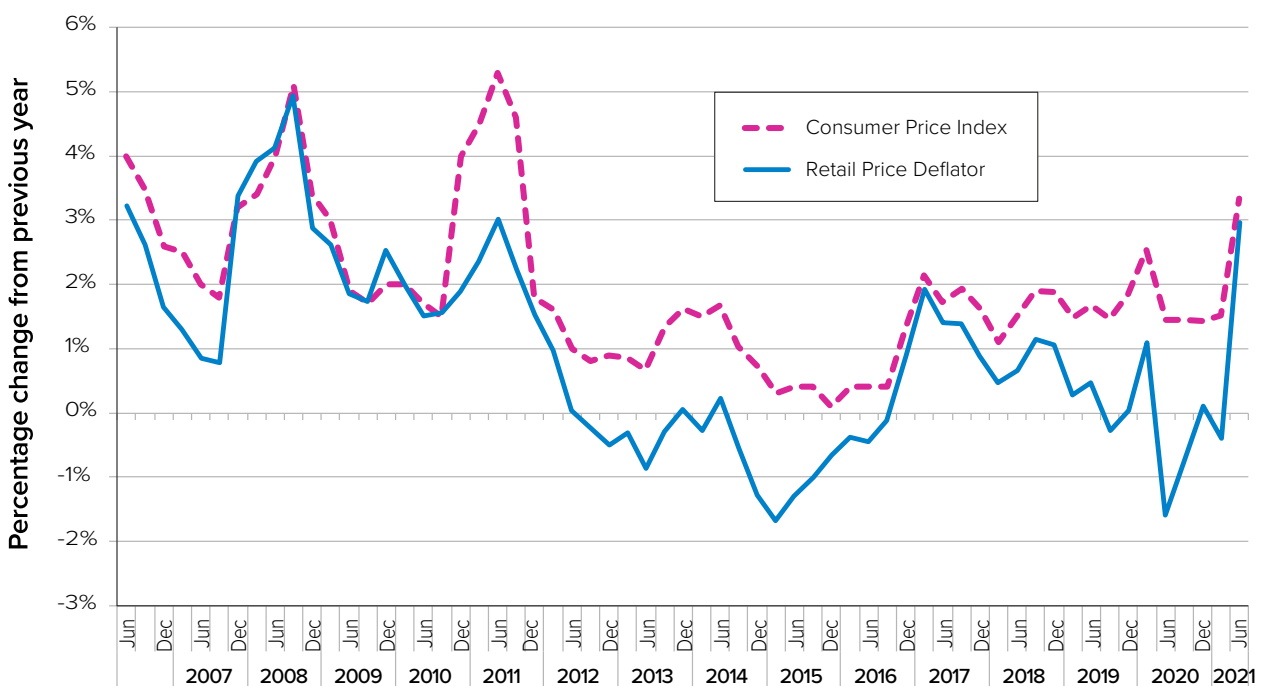
Infometrics estimates for the retail sector suggest it contributed \$486 million to Manawātū region GDP in the year to March 2020, accounting for a 7.4% share of total GDP in the region. Palmerston North contributed 84% of retail GDP in the region, due to its role as a significant regional retail centre for the lower North Island.

The retail sector contributed 7.9% of Palmerston North GDP in the year to March 2020 and 5.4% of Manawātū District GDP. Statistics New Zealand GDP estimates for the year to March 2020 suggest the retail sector contributed \$18,161 million to national GDP, a 7.1% share of total GDP.

Retail price inflation

Retail prices have been rising more slowly than for general consumer price inflation, reflecting the impact of the high New Zealand dollar on the price of imported goods, technology change, and the increase in the share of retail goods being imported from low labour cost countries. Overall retail price growth was 1.5% between June 2011 and June 2021, while the Consumer Price Index (CPI) rose by 14.7% over this period. The high New Zealand dollar and competition in the retail sector from lower cost imports resulted in declines in retail prices between June 2012 and September 2016, and during 2020.

Figure 5: Consumer price index (CPI) and retail price deflator



Source: Statistics New Zealand

Decline in retail prices has been the greatest in the electrical and electronic sector, where prices declined by 50% between June 2011 and June 2021. Other sectors also recorded declines over this period, with four of the fifteen sectors recording declines in prices between June 2011 and June 2021. The strongest rises in prices were in tourism-related sectors, with a 33% increase in accommodation sector prices (includes drinks, meals and other services) and a 25% increase in food and beverage services. Supermarket and grocery stores prices rose by 14%.

Economic outlook for the Manawatū region retail sector

The Manawatū region is experiencing strong economic growth, which is contributing to the much stronger population growth than the region has experienced over the previous 40 years. The outlook for the retail sector over the next 10 – 15 years is very strong, due to a range of factors which are positive for economic growth in the

region. Two key contributors to this optimism are strong prices for agricultural products produced in the region and a significant increase in planned or indicative central government, local government and business capital investment in the region. Work already started or planned for major projects in the region includes:

- Defence Force capital investment at Ohakea and Linton
- MidCentral DHB investment plan
- Massey University investment plan
- Te Ahu a Turanga Manawatū Tararua highway
- Palmerston North regional freight ring road
- KiwiRail freight hub in Palmerston North
- Mercury Energy construction of new wind turbines in Palmerston North and Tararua
- Local authority capital growth and renewal programmes.



Palmerston North retail trends

Total electronic card retail spending in Palmerston North was \$1,337 million in the year ended June 2021, increasing by 12.6% from the previous year.

This was ahead of the 8.7% increase across New Zealand. The growth rate in the city has mostly been ahead of the national growth rate since December 2018, with the gap in growth rates widening significantly since July 2020.

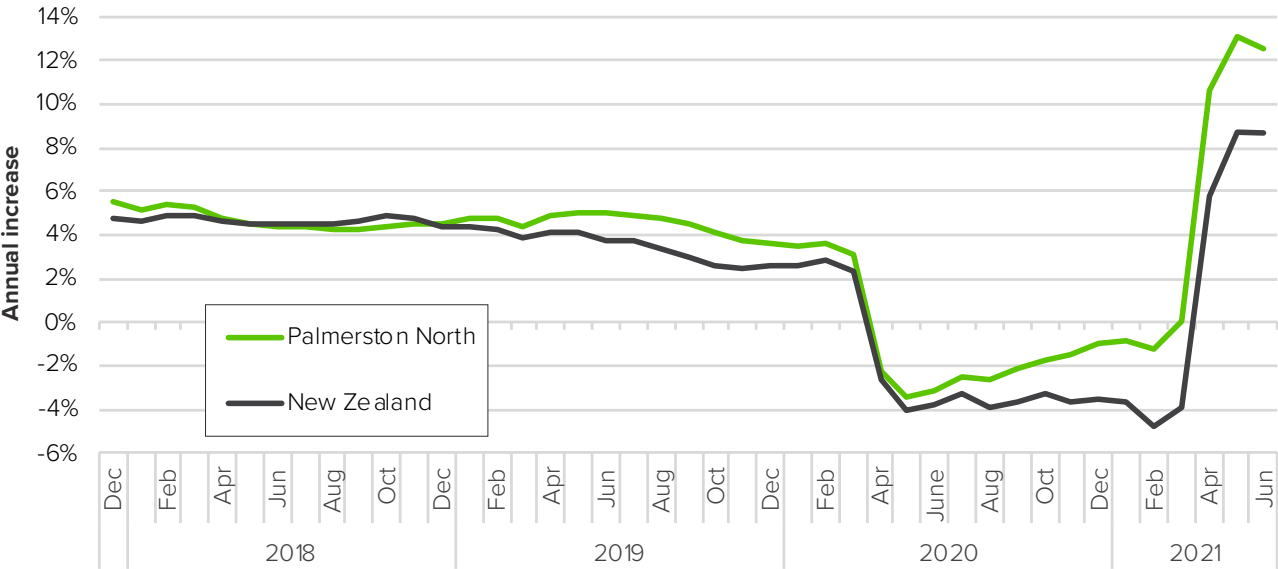
The decline in retail spending in the city under COVID-19 Level-3 and 4 restrictions from March to May 2020 resulted in a similar decline to the national trend, but growth in the city recovered much faster when New Zealand moved to Level-2 restrictions in June 2020.

Food retailing expenditure increased by 3.9% in the year to June 2021, a much smaller increase than the

overall increase in retail spending in the city of 12.6%. Supermarkets were allowed to continue to operate during COVID-19 Level-4 restrictions, while specialised food retailers were required to close, resulting in a 16.6% increase in spending at supermarkets in April 2020 from April 2019, while total retail spending in the city declined by 59%. Sectors recording large increases in the year to June 2021 were:

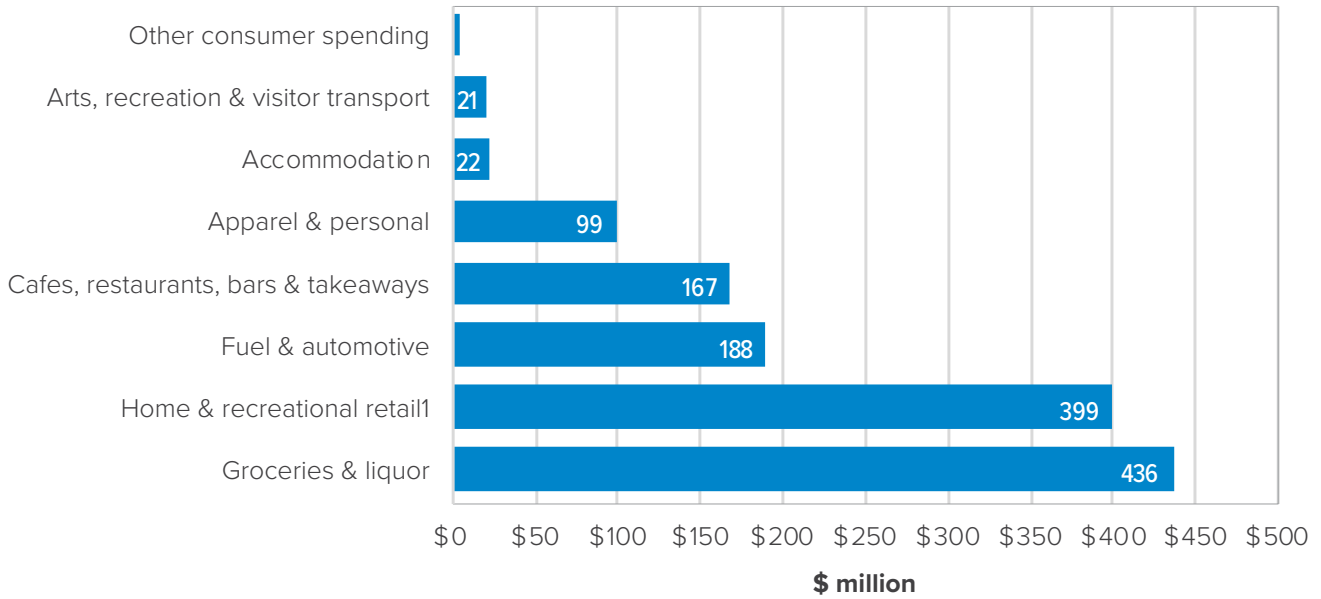
| | |
|--|----------------|
| Apparel and personal goods | 21.9% increase |
| Bars, cafes, restaurants and takeaways | 23.2% increase |
| Household and recreational goods | 19.6% increase |

Figure 6: Annual change in Palmerston North electronic card retail spending



Source: Verisk/Marketview

Figure 7: Palmerston North retail spending by sector (year ended June 2021)



1. Home and recreational retail includes appliances, department stores and furniture/flooring
 Source: Verisk/Marketview

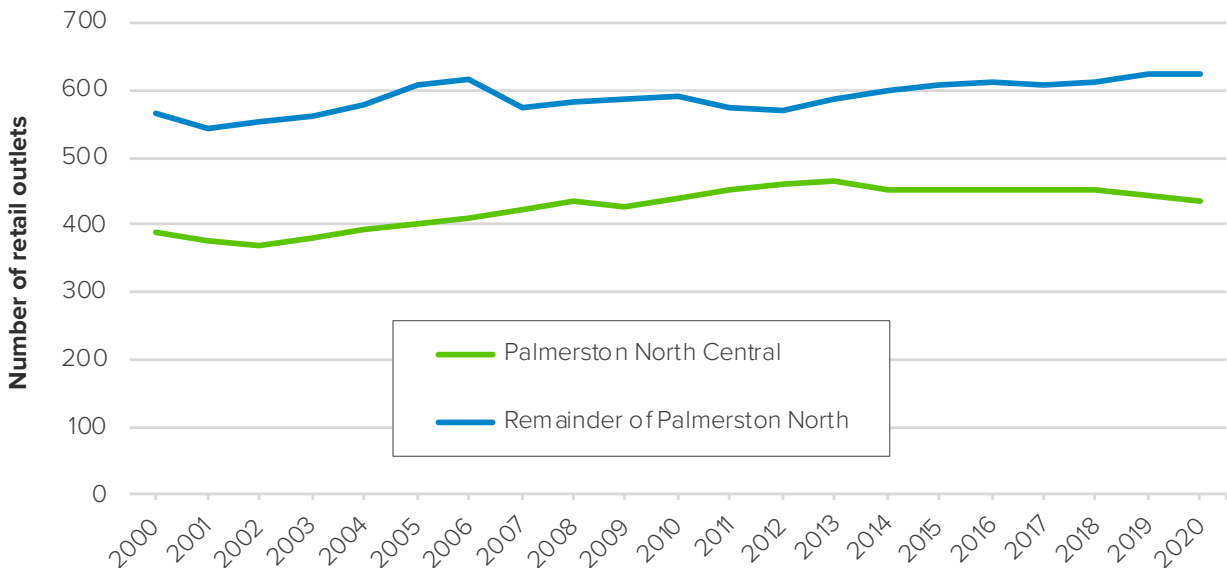
Retail businesses

The number of retail businesses in Palmerston North increased from 957 in 2000 to 1,059 in 2020, an increase of 102 businesses, or 10.6% increase. Palmerston North Central area unit increased by 45 businesses between 2000 and 2020, an increase of 11.5%, while the number of retail employees in the area unit increased by 800, or 22.9% increase over this period.

The number of retail businesses in Palmerston North Central peaked at 465 in 2013 and then has gradually

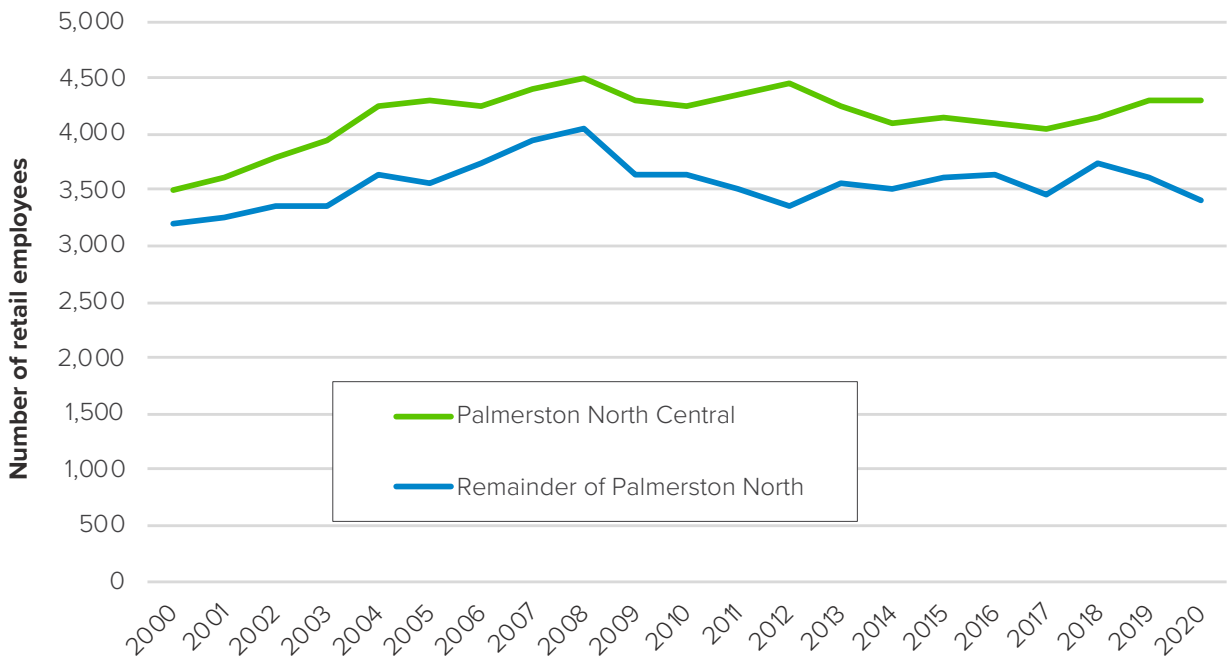
declined. There was a significant increase in the number of clothing stores as result of the expansion of the Plaza, but there has been a gradual loss of stores over the period since the expansion was completed. The strongest growth in store numbers in the Central area unit has been in cafes, restaurants and takeaway food services, with 48 more businesses in 2020 than in 2000 and 410 more employees. Declines in business numbers were recorded in motor vehicle retailing (12 fewer businesses), fuel retailing (six fewer businesses) and recreation goods retailing (nine fewer businesses).

Figure 8: Number of retail stores in Palmerston North



Source: Statistics New Zealand

Figure 9: Number of retail employees in Palmerston North



as at February

Source: Statistics New Zealand

Palmerston North retail businesses tend to be larger than average for New Zealand, with an average of 7.3 employees in 2020 compared with an average of 6.6 employees in New Zealand.

Over the last fifteen years there have been major shifts in the retail sector in Palmerston North. The Plaza finished its redevelopment in 2010, adding approximately 40 stores to the mall, along with additional 600 carparks and a larger food court. The expansion to the Plaza resulted in the transfer of Farmers from Broadway to its current site on Church Street. Farmers, K-Mart and Countdown continue to be the main anchor stores in the Plaza. The trend of businesses moving closer to the city-centre has continued. Rebel Sports, Briscoes, Repco, Smiths City, Hunting and Fishing and Mitre 10 Mega have all made the move closer to the city-centre in recent years. Rebel Sports and Briscoes relocated to the old Warehouse building near the corner of Cuba and Rangitikei Street while Mitre 10 Mega moved from John F Kennedy Drive to Featherston Street, opposite Palmerston North Boys' High School. Smiths City and Hunting and Fishing both moved from John F Kennedy Drive, with Smiths City relocating to the former Briscoes store in Main Street from Rangitikei Line, and Hunting and Fishing to Grey Street by the new Farmers Home store.

The improvements made to the footpaths and road on George Street and eastern end of Cuba Street, along

with the arrival of the Briscoes store, saw increases in business activity on the western side of the city-centre. Developments made to the Downtown Mall included improvements to the food court and Cotton On moved to a larger site on Broadway from within the mall. These changes, along with the place-making improvements, have increased retail spending in the area.

There has been growth in employment in the cafes, restaurants and takeaways sector outside of Palmerston North Central. This is partly due to investment in new takeaway stores on main arterial routes into and out of the city, particularly on Rangitikei Street.

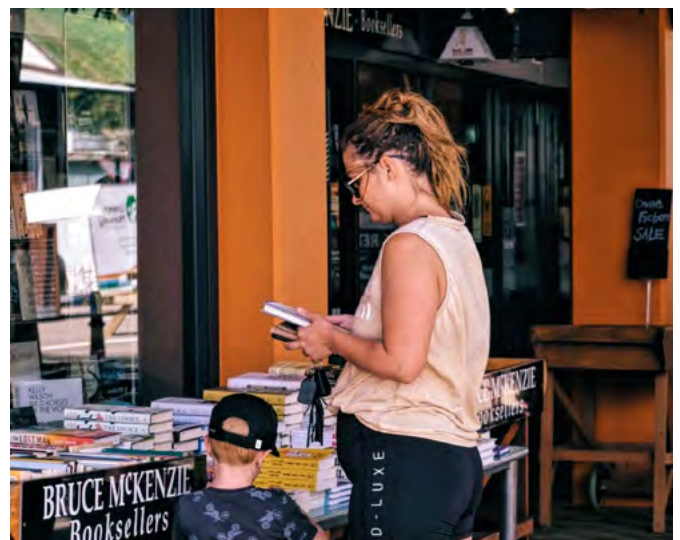
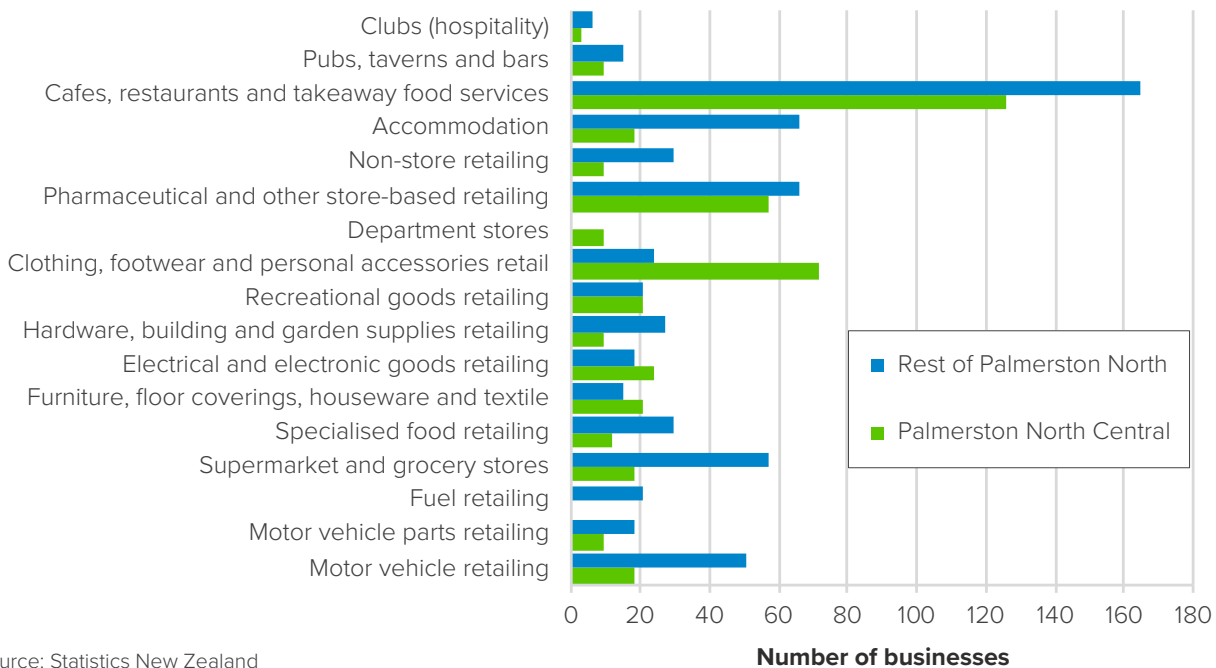


Figure 10: Location of Palmerston North retail businesses by sector



Source: Statistics New Zealand

Tourism

Palmerston North is a significant visitor destination, ranked 12th among the 67 local authorities in New Zealand in the 12 months ended June 2021. One of the factors that draws people from surrounding areas to Palmerston North is the extensive range of shops it offers that are not available in nearby urban areas and regions.

The strength of the retail offering in the city is also an important factor which keeps residents' spending in the

city, with a loyalty rate of 80% compared with the average for New Zealand of 68%. The city has a 1.8% share of New Zealand's population but attracts 2.4% of total tourism spending. The city's share of national visitor spending is 3.5% for the Retail sales – other sectors category, which includes the items listed in the footnote to Table 5 below.

Table 5: Annual visitor spending in Palmerston North by sector and share of New Zealand visitor spending (year ended June 2021)

| Sector | Palmerston North | % share of New Zealand tourism spending |
|---|------------------|---|
| Accommodation services | 16 | 1.6% |
| Cultural, recreation, and gambling services | 3 | 1.0% |
| Food and beverage serving services | 42 | 2.0% |
| Other passenger transport | 1 | 0.5% |
| Other tourism products | 26 | 3.7% |
| Retail sales - alcohol, food, and beverages | 45 | 1.9% |
| Retail sales - fuel and other automotive products | 21 | 1.6% |
| Retail sales - other sectors* | 115 | 3.5% |
| Total | 268 | 2.4% |

* includes apparel, department stores, electrical and electronic appliances, furniture, flooring, hardware, homeware, pharmacy and recreational goods stores

Source: MBIE

Table 6: Palmerston North retail inflow and outflow

| Years ended | June 19 | June 20 | June 21 | Annual change | |
|----------------------------------|--------------|--------------|--------------|---------------|--------------|
| | \$ m | \$ m | \$ m | \$ m | % |
| Resident spending locally | 808 | 794 | 875 | 80 | 10.1% |
| Resident spending outside region | 189 | 174 | 214 | 40 | 23.0% |
| Total resident spending | 997 | 969 | 1,089 | 120 | 12.4% |
| Visitor spending | 418 | 393 | 462 | 69 | 17.7% |
| Net gain in spending | 229 | 218 | 248 | 29 | 13.5% |
| Total spending in region | 1,226 | 1,187 | 1,337 | 150 | 12.6% |
| Visitor % share | 34.1% | 33.1% | 34.6% | | |
| Resident loyalty | 81.1% | 82.0% | 80.3% | | |

Source: Verisk/Marketview

Palmerston North has an unusually high visitor share of spending in the Inner Business zone. Electronic card retail data for the year to June 2021 showed that nearly 39% of retail spending in the Inner Business zone came from people who weren't residents of Palmerston North, while in the Outer Business Zone the share was 34%.

Centres-based policy planning

Palmerston North City Council uses a centres-based approach when it comes to the District Plan rules for the Inner Business Zone. This zone encourages a significant concentration of commercial buildings and retail activities in the zone. There are limited barriers to new business establishing in the Inner Business Zone (IBZ), due to an adequate level of vacant floor space, along with the absence of strong competition from competing suburban retail centres. In some other New Zealand cities, the presence of suburban shopping malls has been

destructive to retail activity in their city-centres, driving consumers to shop in the suburbs. Current Council policy in Palmerston North results in a wide range of retail activities within the Inner Business Zone, which attract residents and visitors into the heart of the city.

The city's business areas provide a pedestrian-orientated city-centre, fringed by larger, more directly vehicle-orientated business areas, supported by peripheral suburban centres. The Council's Commercial Land Use Strategy identifies the inner business zone as the highest-level business area hierarchy and seeks to ensure retail and office activity is concentrated in the Inner and Outer Business Zones and not dispersed to the industrial fringes of the city. The policy has been successful, with employment data showing growth of 27.8% in employee numbers in the Inner Business zone between 2000 and 2020, an increase of 38.5% in the Outer Business Zone and 34.9% across the city.

Table 7: Retail spending by business zone and retail sector – year ended June 2021 (\$m)

| Years ended | Business Zones in Palmerston North | | | | |
|--------------------------------------|------------------------------------|---------------------|-------------|--------------------------|--------------|
| | Inner Business Zone | Outer Business Zone | Terrace End | Rest of Palmerston North | Total |
| Accommodation | 2 | 3 | 1 | 14 | 20 |
| Apparel & personal | 78 | 4 | 5 | 11 | 98 |
| Arts, recreation & visitor transport | 5 | 5 | 2 | 9 | 21 |
| Cafes, restaurants, bars & takeaways | 74 | 36 | 9 | 47 | 166 |
| Fuel & automotive | 4 | 28 | 0 | 156 | 188 |
| Groceries & liquor | 127 | 92 | 92 | 123 | 434 |
| Home & recreational retail | 129 | 154 | 9 | 103 | 396 |
| Other consumer | 0 | 0 | 0 | 3 | 4 |
| Total* | 419 | 322 | 119 | 466 | 1,326 |

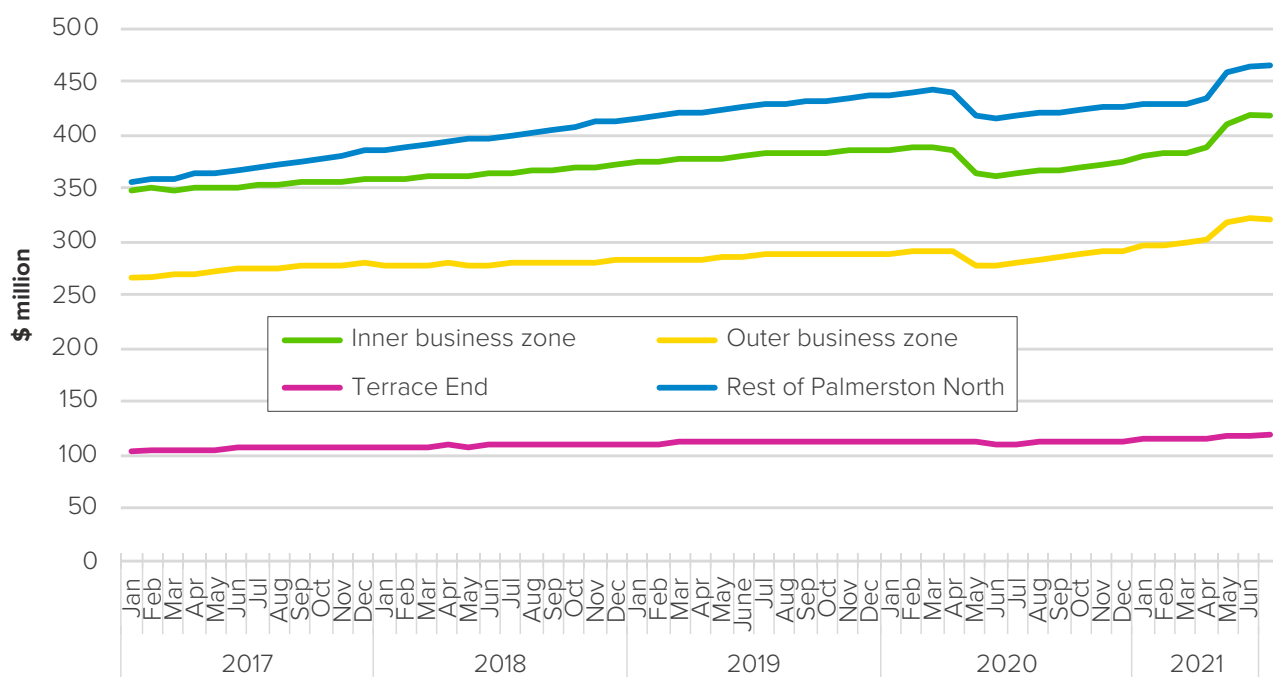
* Includes some non-retail tourism items

Source: Verisk/Marketview

Expenditure data by retail precinct shows that 56% of retail spending in Palmerston North occurs within the city-centre, with 32% of spending in the Inner Business zone in the year ended June 2021 and 24% occurring in the Outer Business Zone. Fuel and automotive spending occurs mostly outside of the city-centre, with just \$32 million spent in the Inner and Outer Business Zones in the year to June 2021, while spending in the Rest of Palmerston North area was \$156 million, accounting for 83% of fuel and automotive spending in the city.

In contrast, apparel and personal (such as watches and jewellery, and hairdressers and beauty services) spending is strongly concentrated in the inner business zone. Total apparel and personal spending was \$78 million in the Inner Business Zone in the year to June 2021, accounting for 80% of spending in this storetype. The Inner Business Zone also accounted for the highest share of spending at cafes, restaurants, bars and takeaways, with a 45% share of spending in the city.

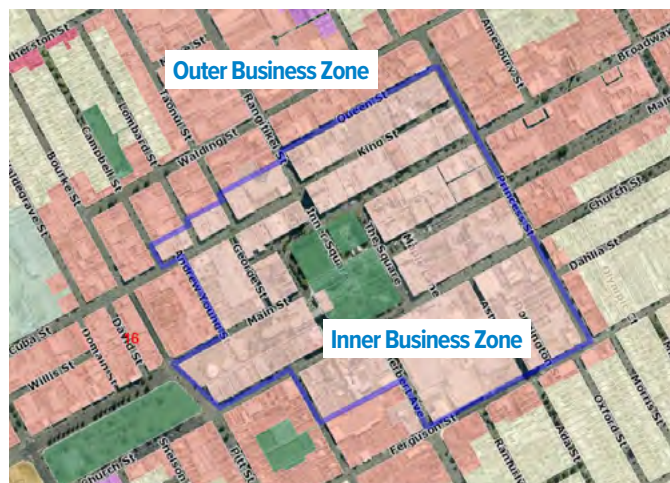
Figure 11: Annual retail spending by precinct



Source: Verisk/Marketview



Figure 12: Palmerston North city-centre



Inner Business Zone (IBZ)

The Palmerston North Inner Business Zone is illustrated in Figure 12 on the next page. The large businesses and activities that are contained in this area include the Plaza (which incorporates Farmers, Kmart and Countdown), Briscoes/Rebel Sports, Central Library, Te Manawa Museum and Art Gallery, Downtown Mall and cinemas, and The Regent.

Approximately 24,109m² of retail gross floor area, predominately large floor-plate in nature, has located in the Inner, Outer and Fringe Business Zones in the period 2011 to 2018. Importantly, the retail sector is increasingly seeing the commercial value of being centrally located in the city's Inner, Outer and Fringe Business Zones. When the 2008 Plaza expansion of 11,425m² is included, then approximately 35,534m² of retail gross floor area has been added in these business zones over this period.

The centres-based Commercial Land Use Strategy was given effect to in the District Plan through Plan Changes 1, 5, 9, 11, and 20 of the Sectional District Plan Review (SDPR) over the period 2011 to 2018. Development on the ground demonstrates the District Plan is achieving the goal of the Strategy which is to maintain retail and office activity in the core of city and discourage dispersal of these activities to the industrial fringes of the city.

Outer Business Zone (OBZ)

There has been a significant movement of large format retail stores in the Inner and Outer Business Zones. Examples of this in the Outer Business Zone included new developments on Rangitikei Street such as Farmers Home Centre, Stevens, Bed Bath and Beyond, Uncle Bills and Harvey Normans, Lews Flooring and Mitre 10 Mega

Trade Centre on Bourke St, and Smiths City on Main and Princess Streets.

Local Business Zones (LBZ)

The primary purpose of the city's local business areas is to provide for the day-to-day shopping and service needs of surrounding residential areas. The city's local business areas are local centres that include a range of small shops, professional services, and community facilities. Terrace End is the largest Local Business zone in the city, with annual retail spending of \$119 million in the year to June 2021. Local centres have established in new residential areas such as Aokautere and Kelvin Grove and have included smaller supermarkets focused on serving their surrounding suburbs. A new Countdown supermarket is currently being built to service the new residential development planned for the western side of the city in the Kikiwhenua and Kākātangiata growth areas.

Changes in the residential zone of the Council's District Plan in 2018 identified local business zones as being key areas for sustainable medium density housing development in the city. This will further support the financial viability of those shopping centres.

Anchor Stores

Anchor stores are the large retail shops that draw consumers to the area, and help surrounding retail business by increasing the amount of foot and vehicle traffic. The opening or relocation of these businesses can make and/or break parts of retailing in the city. In Palmerston North, changes in the location of major stores have been:

- Farmers opening up another store in Rangitikei Street in 2017
- Cotton On moving into a larger site Broadway from within the Downtown Mall
- Smiths City, Hunting and Fishing and Repco moving closer to the city-centre
- Mitre 10 Mega moving closer to city-centre from John F Kennedy Drive to Featherston Street
- Rebel Sport and Briscoes moved closer to the city-centre from Main Street to Cuba and Rangitikei Street
- Farmers moving from Broadway Avenue to the Plaza
- The Warehouse moved away from city-centre from Cuba Street to between Main Street and Church Street

Many businesses around Cuba and George Street welcomed the opening of Rebel Sport and Briscoes, as the building they now occupy had been empty for five years after The Warehouse moved out. Since then the area has thrived, with increased foot traffic between Rebel Sports and Briscoes and Harvey Norman, as these stores offer free parking close to the city-centre.

Downtown Mall and Rangitikei Street have also benefited from the recent changes. The completion of the revamped food court and new Health Hub in Downtown have brought pedestrian and traffic flow back to the area.

In some other cities the development of malls and multiple anchor stores in the suburbs have resulted in the decline in retail business in the city-centre. This is because they draw the consumers out into the suburbs where these anchor stores are located, but there are few small retail businesses located there. For example, in Hamilton, two big shopping malls have been built in the suburbs (Westfield and The Base).

The Plaza

The Plaza remains the primary shopping mall in the city-centre, containing three banks (BNZ, Westpac and ASB, which are the only banks in Palmerston North open seven days a week), Kmart, Countdown and Farmers. The redevelopment was completed in March 2010 and added 40 stores, many of which were new to Palmerston North. It also led to the development of a larger food court and 600 new car parks were added in a new multi-level car parking building.

The Plaza uses principles of a great traditional shopping street to create a great shopping experience, such as walkable, high quality appearance (building and footpath) and active street life, with places where shoppers can meet up with other people in a sheltered environment.

Two bird's eye views of the Plaza before and after the redevelopment are shown in Figures 13 and 14 beside.

Following the redevelopment, the Plaza changed the cost of parking, from two hours free parking to a free first hour, with a maximum daily fee of \$10. These charges remain today, despite the controversy it caused at the time. Other malls like Auckland's Sylvia Park and St Luke's, The Base and Chartwell centres in Hamilton, and Bayfair at Mt Maunganui do not charge for parking. It has been possible for the Plaza to successfully apply parking charges because the streets around the Plaza are also subject to parking charges, unlike the suburban malls in these other centres.

Figure 13: Plaza 2007 (before redevelopment)



Figure 14: Plaza 2012 (after redevelopment)



George Street

George Street is still a prime retail street, benefitting from the foot traffic between the anchor stores (Harvey Norman, Rebel Sports and Briscoes) and the Central Library. The movement of Rebel Sport and Briscoes from Main Street East to Cuba Street has helped to support activity in George Street. Urban design factors that differentiate George Street businesses from other city Centre retail areas is the human scale, variation of shops, quality of the street and buildings. Visual interest in the street includes the appearance of shop fronts, footpaths, vegetation and active street life.

One thing that continues to differentiate George Street businesses from the rest of the businesses in the city-centre is the higher rate of use of the footpath and road in front of their stores. Many businesses located down the street have footpath signs, chairs and tables on the footpath, and parklets to liven up the atmosphere of the street and encourage shopping. George Street has over 50% of businesses using the street to create an attractive shopping environment and create a sense of destination, compared with other streets such as Broadway Avenue (10%), Main Street East (12%), and Square North (23%)².

² Street engagement of Palmerston North central city businesses (by street) (winter 2019) – PNCC City Dashboards

Broadway Avenue

Broadway Avenue had the biggest decline in activity in the Inner Business Zone, mainly caused by Farmers moving to the Plaza from Broadway and the closure of Whitcoulls. The two main attractions on the street are still The Regent and Downtown Mall. Because of these two anchor activities, the focus of Broadway Avenue has increasingly been on night activity, resulting from more restaurants and cafes opening.

Because some of these restaurants are closed during the day or open later in the day, the street is quieter during the day. However recent redevelopments have had a positive impact on the street. More footpath signs, chairs and tables, and parklets have been put in to liven up the atmosphere and improve the appearance. Cotton On moving onto Broadway from within the Downtown Mall, and the updating of the food court brought much needed traffic flow back to the area. Friday remains the busiest week night, with people making use of the late-night shopping, movies and bars/restaurants.

Footpaths and accessibility

Footpaths are the routes that pedestrians take to get from one location to another in the city. If a central city footpath is designed poorly then it can discourage pedestrians from going to a specific area of the central city and, therefore, affect retailers in that area. Changes affecting pedestrian flows in the central city have been:

- The loss of access to Broadway Avenue from King Street through Farmers, which has contributed to loss of foot traffic and business in Broadway and King Street.
- At the corner of George and Cuba Street the roundabout was removed, and the footpath and grass area widened, making it easier for pedestrians to cross the road.
- The redeveloped Plaza has four entrances and, therefore, an increase in its accessibility for the public.
- Redevelopment of the Downtown Mall, making it more appealing and increasing pedestrian flow.
- Redevelopment of paths and roads around the central city to improve accessibility.
- Lighting, public art, and frontage improvements in laneways to improve flow between precincts

The Council's Streets for People programme stages 1 and 2 involved widening pathways, reducing on street parking and improving the streetscape amenity for pedestrians between The Plaza entry (The Square) to

Main St East. Along with increased dwell time by street users this streetscape improvement has already resulted in an 8.5% increase in pedestrian counts between February 2020 and February 2021.

Pedestrian counts

The Manawatū Branch of the Property Institute of New Zealand (PINZ) conducts the annual inner-city pedestrian survey for Palmerston North in November each year. This pedestrian survey has been undertaken by the branch since 1985. Figure 15 shows the sites where pedestrian counts were conducted in 2020. The times counts were taken were:

- Wednesday 7th November
 - 10.30-11am in the morning
 - 2.15-2.45 in the afternoon
- Saturday 10th November
 - 11.30-12.00pm

Figure 15: Sites where pedestrian counts take place

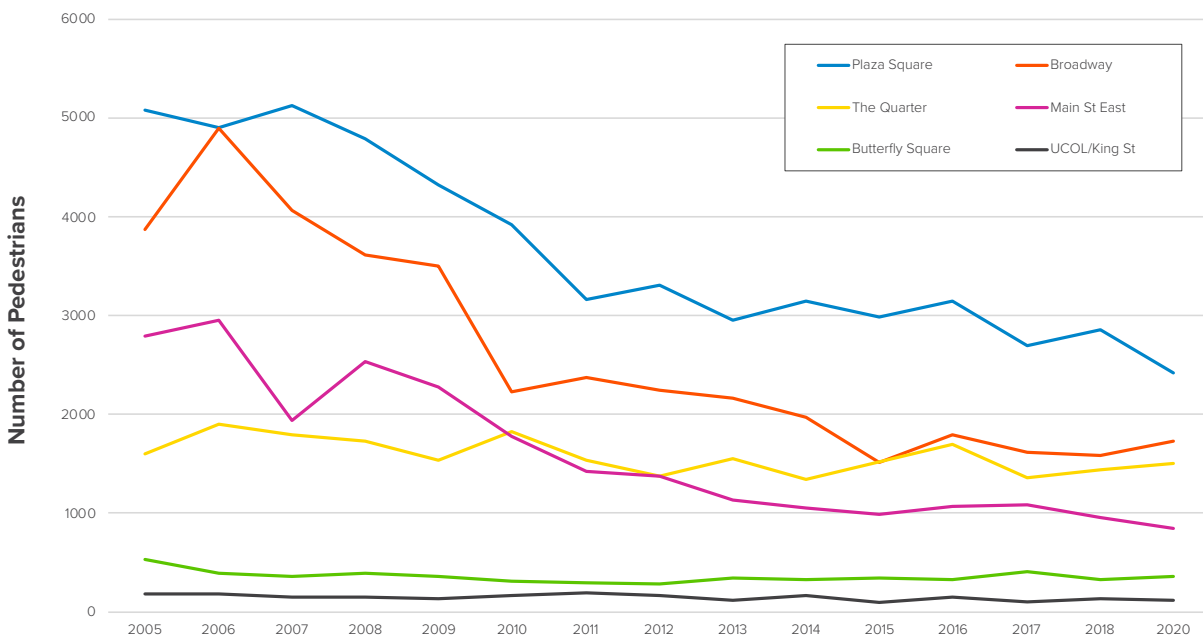


The Property Institute statistics for pedestrians only include adults over the age of 15 who are considered to be likely genuine shoppers. Police, construction, and delivery workers are excluded. Figure 15 above shows the locations where pedestrian counts were taken in 2018.

Pedestrian count data is useful for showing the routes that shoppers take while walking through the city-centre and the popular areas for pedestrians. These are used by retailers and landlords to determine whether there is good foot traffic going past their business and are one factor in determining the amount of rent that is charged for premises.



Figure 16: Pedestrian counts by place³



Source: Property Institute Palmerston North

Butterfly Square (Figures 16 and 17) refers to the pond side of The Square and The Quarter is Coleman Place, Rangitikei, Cuba and George Streets.

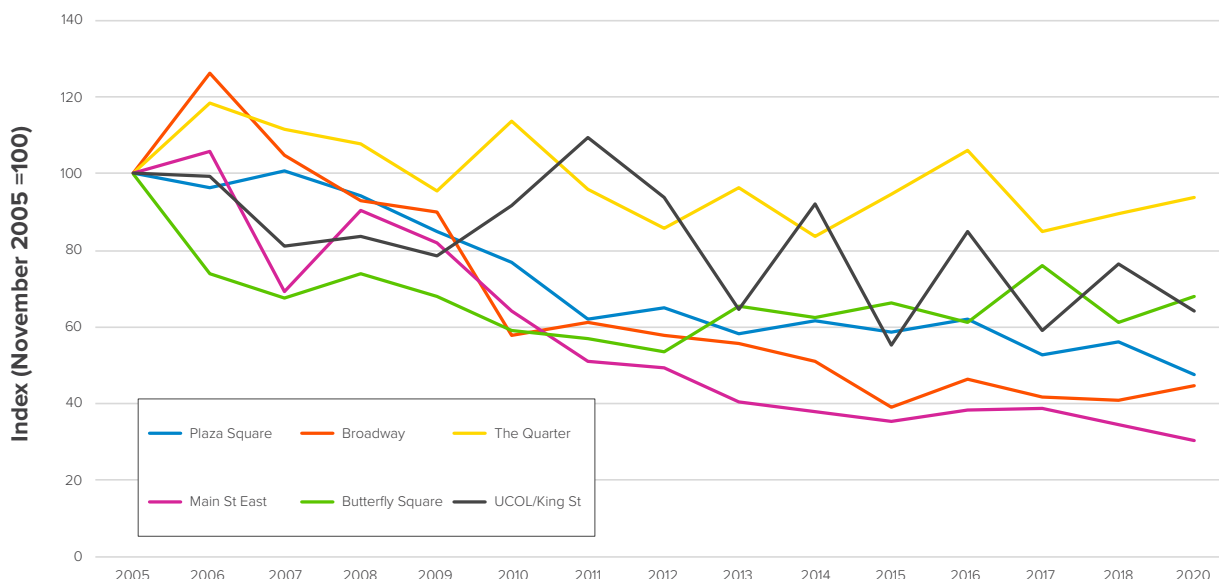
Between 2005 and 2013 all areas saw a decrease in pedestrian counts. The 43% decline in the overall pedestrian count across all sites had a negative impact on all retail in the city-centre. The significant increase in car parks within the Plaza complex, and the increase in the number of stores in the Plaza, were the main factors in the decline in the pedestrian count at the entrance to the Plaza from the Square. Another reason for the decline in other areas was the greater availability of street parking spaces, making it more convenient for customers to drive from one part of the city-centre to another part instead of walking there.

³ No count was done in 2019

Since 2013, pedestrian counts have generally decreased in all areas, but the rate of decline has slowed. Broadway had a significant drop between 2013 and 2015 and then again in 2017. This could be due to the redevelopment occurring during this time, as well as the closure of parts of Downtown Mall for construction. The weather on the day of the counts has an influence on the annual change in count numbers, and events held in the city, particularly on Saturdays, also influences the outcome.

Since the volume of pedestrian counts at each location differs, an indexed graph (Figure 17) is used to show changes in the volume of counts in each area within the city-centre, so the rate of change across different areas is easier to compare.

Figure 17: Index for pedestrian counts by place



Source: Property Institute Palmerston North

Earthquake Risk and Earthquake-Prone Buildings Policy

The Canterbury and Kaikoura earthquakes of 2011 and 2016 provided a stark reminder that New Zealand is seismically active, and the impact of a significant earthquake event in an urban environment can be huge. Palmerston North is in a moderate-high risk seismic zone. It lies between the collection zone between the Indo-Australian and Pacific tectonic plates. In July 2017 the Building (Earthquake-prone Buildings) Amendment Act 2016 took effect.

The Palmerston North City Council is implementing a multi-year project to assess which buildings are likely to be earthquake-prone. Buildings must be individually identified and assessed, so the council is still in the process of completing the assessment for all building in the city. The timeframe for the Council to complete the register of earthquake prone buildings is 1 July 2022.

Rents and vacancy rates

Rents and capital values for retail sites indicate what shop owners are willing to pay to operate their business and can be a good indicator of retail health. Low rents and capital values may indicate that there is not much interest in opening retail outlets or that there is a high vacancy rate. However, it may also mean higher profits for retailers if the fixed cost of rent is lower.

The Telfer Young/Blackmores December 2020 Palmerston North Commercial Property Market survey showed a 1% increase in total gross floor area across

the commercial and industrial zones surveyed since the previous survey in June 2018. Vacancy rates across all zones reduced from 5.8% in June 2018 to 3.1% in December 2020. The largest decline was in the Inner Business zone, where vacancy rates declined from 11.9% in 2018 to 5.4% in 2020. Vacancy rates continue to remain low in Grade A buildings, but are much higher in Grade C.

The survey does not separately identify retail vacancies because most sites have a range of potential uses.



Table 8: Commercial property market survey - vacancy rates by zone in 2018 and 2020

| Business zone | 2018 | | | 2020 | | |
|-----------------------|--------------|--------------|-------------|--------------|-------------|-------------|
| | Ground floor | Upper floor | Total | Ground floor | Upper floor | Total |
| Airport | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Fringe Business | 6.6% | 3.7% | 6.4% | 5.6% | 0.0% | 5.4% |
| Industrial | 3.6% | 5.9% | 3.7% | 2.0% | 0.7% | 1.9% |
| Inner Business | 10.3% | 14.0% | 11.9% | 3.8% | 7.9% | 5.4% |
| Terrace End | 0.0% | 25.7% | 4.7% | 0.0% | 0.0% | 0.0% |
| North East Industrial | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Outer Business | 6.1% | 10.8% | 7.0% | 3.5% | 8.2% | 4.4% |
| Total | 4.8% | 11.5% | 5.8% | 2.5% | 6.5% | 3.1% |

Source: Telfer Young/Blackmores

Inner Business Zone leasing trends data showed a range of rentals from \$100 to \$800 per m² (total occupancy cost basis). The highest rents were in Grade A buildings, where there were no vacancies, while the lowest rents were in Grade C buildings, where the vacancy rate was 15.4% (see Tables 9 and 10).

Table 9: Inner business zone leasing trends and demand/supply (December 2020)

| Property quality | Rents - \$ per m ² | | Building grade | | Demand | Supply | Gross floor area (m ²) |
|------------------|-------------------------------|-------|----------------|-------------------------|--------|------------|------------------------------------|
| | Low | High | Grade | Quality | | | |
| Grade A | \$300 | \$800 | A | Good - post-2000 | Flat | Sufficient | 91,816 |
| Grade B | \$150 | \$400 | B | Average - 1960s - 1990s | Flat | Sufficient | 204,203 |
| Grade C | \$100 | \$200 | C | Poor - pre-1960 | Weak | Surplus | 80,843 |
| Total | | | | | | | 376,862 |

Average rents (total occupancy cost basis) at either end of range, without extremes

Source: Telfer Young/Blackmores

The amount of vacant floor area in the inner business zone declined from 44,508 m² in June 2018 to 20,327 m² in December 2020. Construction of new buildings and seismic strengthening and upgrades to existing buildings increased the total floor area of grade A buildings from 72,750 m² in June 2018 to 91,816 m² in December 2020. There were no vacancies for Grade A buildings in December 2020.

Table 10: Inner business zone vacancy levels (June 2018)

| Property quality | Ground floor | | | Upper floors | | | Total | |
|------------------|------------------------------------|--------------|-------|------------------------------------|--------------|-------|------------------------------------|-------------|
| | Gross floor area (m ²) | Vacancy | | Gross floor area (m ²) | Vacancy | | Gross floor area (m ²) | Vacancy (%) |
| | | % | Trend | | % | Trend | | |
| Grade A | 78,251 | 0.0% | Flat | 13,565 | 0.0% | Down | 91,816 | 0.0% |
| Grade B | 98,418 | 1.5% | Down | 105,785 | 6.1% | Down | 204,203 | 3.9% |
| Grade C | 52,966 | 13.8% | Down | 27,877 | 18.5% | Down | 80,843 | 15.4% |
| Total | 229,635 | 10.3% | | 147,227 | 14.0% | | 376,862 | 5.4% |

Source: Blackmores

As shown in Tables 11 and 12, rents are much lower in Terrace End and the Outer Business Zone than the inner business zone, where there was a range of \$100 to \$350 per m² in 2020. Overall vacancy rates in Terrace End and the Outer Business Zone were lower than for the inner business zone, averaging 4.0% in the Outer Business Zone, while there were no vacancies in Terrace End.

Table 11: Terrace End and Outer Business Zone leasing trends and demand/supply (December 2020)

| Property quality | Rents - \$ per m2 | | Building grade | | Demand | Supply | Gross floor area (m2) |
|------------------|-------------------|-------|----------------|-------------------------|--------|------------|-----------------------|
| | Low | High | Grade | Quality | | | |
| Grade A | \$250 | \$350 | A | Good - post-2000 | Flat | Sufficient | 121,583 |
| Grade B | \$150 | \$250 | B | Average - 1960s - 1990s | Flat | Sufficient | 213,024 |
| Grade C | \$100 | \$150 | C | Poor - pre-1960 | Weak | Surplus | 95,311 |
| Total | | | | | | | 429,918 |

Source: Blackmores

The vacancy rate in Grade A buildings was 0.8% while the vacancy rate in Grade C buildings was 5.5%. Total vacant space in Terrace End and the Outer Business Zone was 18,732 m² in December 2020, compared with 29,620 m² in June 2020.

Table 12: Terrace End and Outer Business Zone vacancy levels (December 2020)

| Property quality | Ground floor | | | Upper floors | | | Total | |
|------------------|-----------------------|-------------|-------|-----------------------|--------------|-------|-----------------------|-------------|
| | Gross floor area (m2) | Vacancy | | Gross floor area (m2) | Vacancy | | Gross floor area (m2) | Vacancy (%) |
| | | % | Trend | | % | Trend | | |
| Grade A | 93,579 | 1.1% | Flat | 28,004 | 0.0% | Flat | 121,583 | 0.8% |
| Grade B | 168,704 | 4.1% | Flat | 44,320 | 12.0% | Flat | 213,024 | 5.7% |
| Grade C | 80,245 | 4.7% | Down | 15,066 | 11.4% | Down | 95,311 | 5.8% |
| Total | 342,528 | 6.0% | | 87,390 | 11.0% | | 429,918 | 4.3% |

Source: Blackmores

Recent building development in the city-centre

Building consents data shows where construction activity has occurred in the city, so is useful for monitoring where investment is occurring. Building consents issued by the Council include the construction of new retail stores, store-fit-out prior to occupancy, refurbishment between tenancies, and strengthening of earthquake prone buildings. The Palmerston North Central area unit accounted for 63% of the value of commercial building consents issued in Palmerston North between 2003 and 2020.

The consents data does not identify whether the consents are for seismic strengthening or for other building work. Between 2003 to 2020 the total value of commercial building consents issued in the Palmerston North Central area unit was \$244 million, with \$134 million approved for the construction of new buildings and \$111 million approved for additions and alterations, including seismic strengthening.

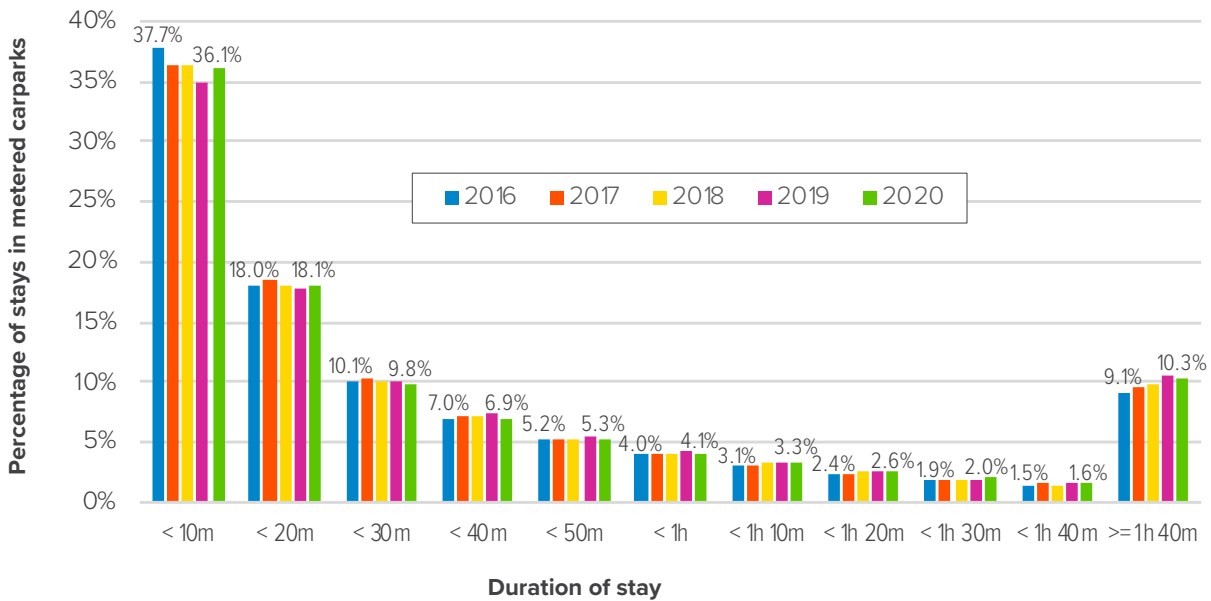
Table 13: Value of building consents for commercial⁴ buildings (new buildings and additions and alterations) (total for 2003 - 2020 December years)

| Area unit | \$ m | % share |
|-------------------------------|--------------|-------------|
| Palmerston North Central | 244.5 | 63% |
| Tremaine | 57.8 | 15% |
| Palmerston North Airport | 22.8 | 6% |
| Kelvin Grove North | 7.6 | 2% |
| Papaioea South | 7.0 | 2% |
| Papaioea North | 6.5 | 2% |
| Takaro North | 6.1 | 2% |
| Newbury | 3.7 | 1% |
| Milverton | 3.5 | 1% |
| All other area units | 27.4 | 7% |
| Total Palmerston North | 386.8 | 100% |

Source: Statistics New Zealand

³ The commercial buildings category covers: supermarkets; restaurants, bars and cafes; other shops and retail buildings; office and administration buildings; and public transport buildings

Figure 18: Duration of stay in metered car parks in Palmerston North in December (2016 – 2020)



Source: Frog Parking

Parking

Parking has a significant effect on the health of the retail sector. Too much free parking or too many available parks decreases the amount of foot traffic as most consumers will drive from shop A to shop B instead of walking, decreasing the number of ‘impulse purchases’. Too much parking also decreases the environmental qualities that encourages walkability – purpose, safety, interest, comfort and inspirational (the same qualities that shopping malls use to increase walkability). If there is too little parking, it will discourage consumers from visiting and shopping in the city-centre.

Duration of stay in the metered car parks in the city-centre has remained relatively stable between 2016 and 2020. There has been a small increase in the percentage of vehicles staying for longer than an hour, increasing from 18.0% in 2016 to 19.7% in 2020. The percentage of vehicles staying for less than 30 minutes has declined from 65.8% in 2016 to 64.0% in 2020, with the decline coming mostly in the number of vehicles parking for less than 10 minutes.

Safe atmosphere

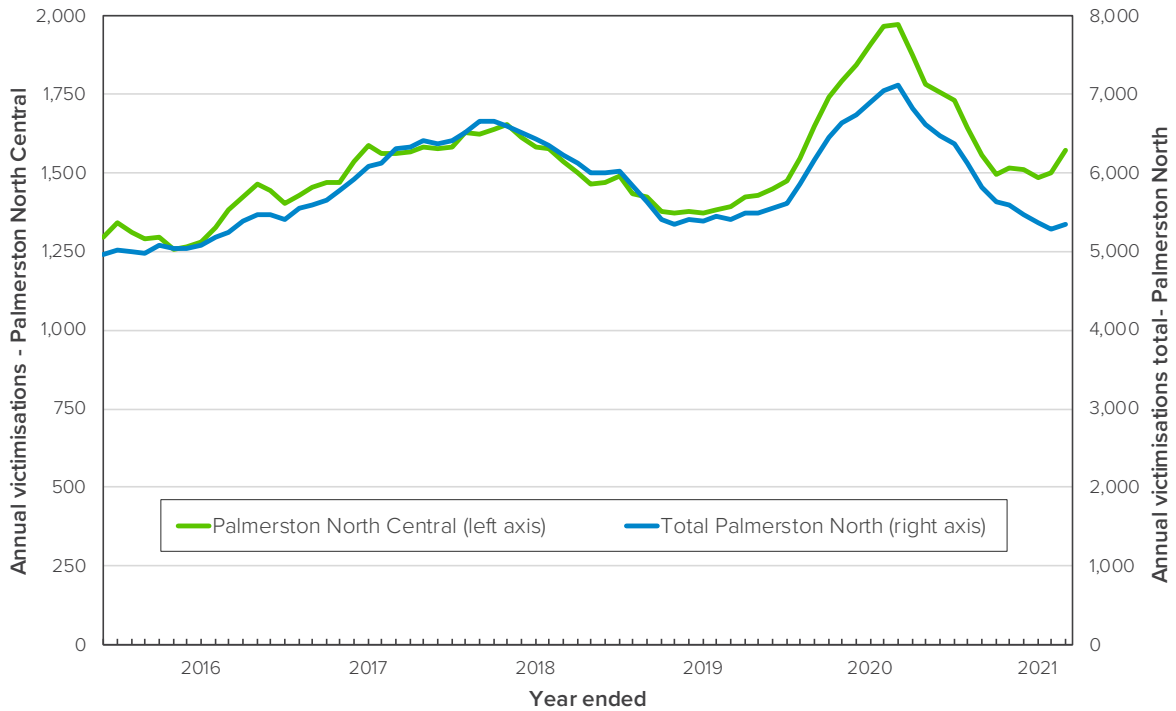
If consumers feel safe both during the day and at night-time in the central city they will be more likely to return to the city-centre to shop. They are also more likely to walk from one part of the city-centre to another if they are not frightened or concerned about being harassed. If a shop is constantly being broken into or vandalised, it is an extra cost for businesses and affects the appearance of the city-centre.

Police recorded crimes data shows an increase in the trend for recorded crime levels in the Palmerston North Central area unit and in Palmerston North, but there have been fluctuations in total numbers recorded (Figure 19). The long-term increase has been higher in Palmerston North Central than for the city as a whole. In the year ended March 2021 Palmerston North Central accounted for 29% of crimes recorded in the city. The data does not identify how many of the crimes recorded were from residents or visitors to the city.

The peak in Palmerston North Central was 1,972 crimes in the year ended March 2020 (Figure 20). The decline from March 2020 is partly influenced by the impact of COVID-19 Level-2 to Level-4 restrictions from March to June and in August and September.

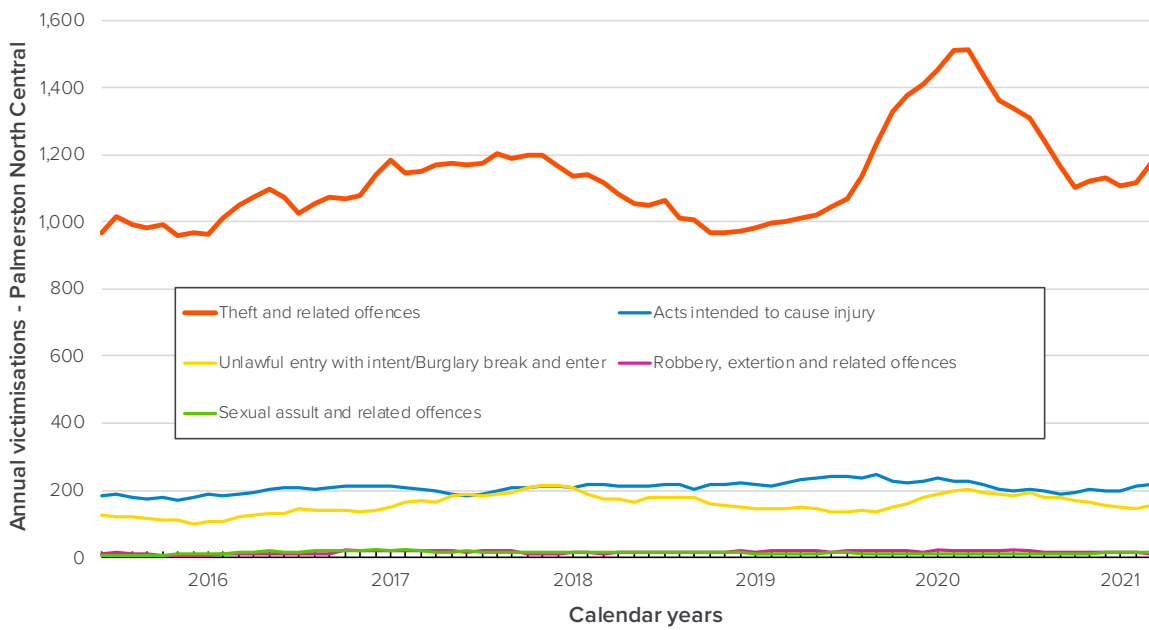
The majority of victimisations recorded in Palmerston North Central are for theft and related offences. These increased during 2019 and early 2020 but declined from March to September 2020 due to COVID-19 restriction.

Figure 19: Recorded annual crime in Palmerston North



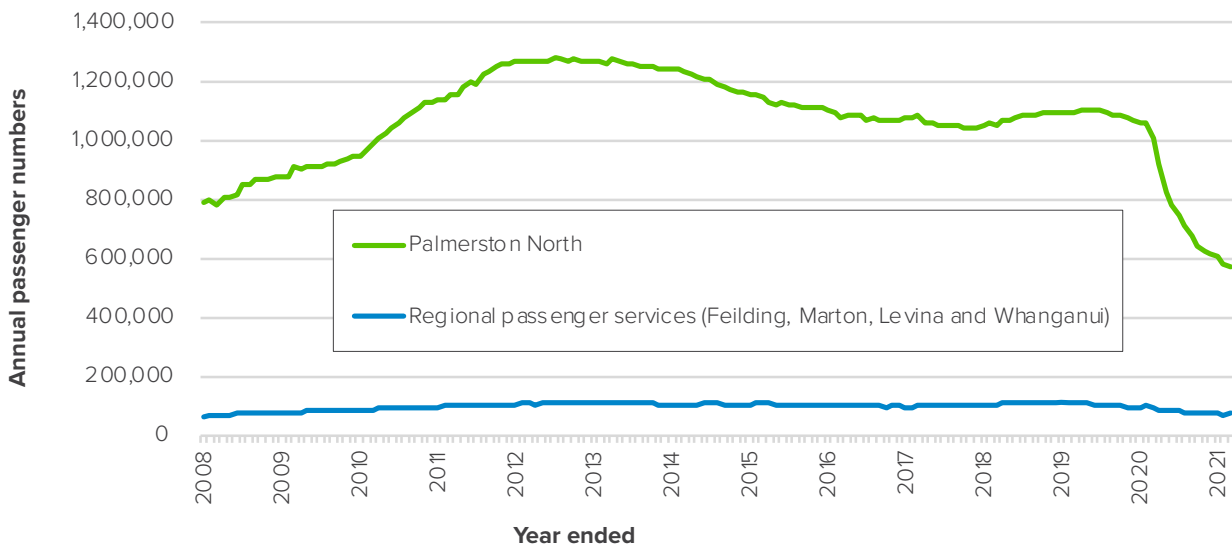
Source: New Zealand Police

Figure 20: Recorded crime by type in Palmerston North Central area unit



Source: New Zealand Police

Figure 21: Palmerston North urban and regional bus patronage



Source: Horizons Regional Council

Transport

Transport and transport systems are significant when measuring the liveliness of a city. The availability of public transport, roads and footpaths enable people to travel effectively and influence how much traveling they do. Most people in Palmerston North live in the suburbs which means they have to travel into the city-centre, whether for work or leisure, and therefore a good transport system can be related strongly to good retail in the city-centre. Lack of transport choice and lack of city centre living are closely linked to the quality of the built environment that encourages walkability and pedestrian safety.

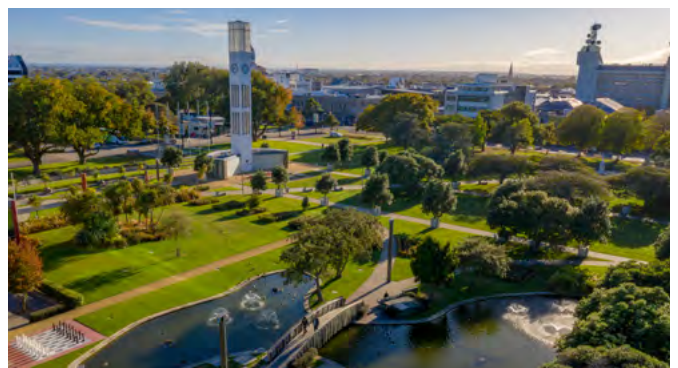
Palmerston North has a public bus transport service, with free buses for Massey, IPU, ETC and UCOL students and staff. This free bus service encourages students living on the Massey campus to come into town and shop. It also reduces the daily amount of traffic going to and from Massey along Fitzherbert Avenue.

Figure 21 shows annual Palmerston North urban and regional bus patronage. Patronage declined significantly in 2020 due COVID-19 Level-3 and 4 restrictions from March to May. Bus services continued during that time, but passenger numbers were not collected. There was also an impact from the border closure due to limits on international student and former refugee arrivals. Growth in urban services during 2017 and 2018 was influenced by higher fuel prices and the introduction of new trial services. All services terminate at the city bus terminal in Main Street, and so bring a significant number of people to that part of the city-centre.

The Square

One strength that Palmerston North has is the large park in the middle of its city-centre. Not many cities in New Zealand and around the world have an area of this size in the centre of their city. On a sunny day this can create an excellent vibe to keep current and potential shoppers in the city. This area, if used properly, can draw people from the suburbs into the city-centre. Over the years we have seen different ways the area has been used. A wide range of events held in the Square help maintain vitality in the city centre. More concerted efforts towards increasing the diversity of day-to-day activities will increase its use between events, using upcoming programmes such as City Centre Play.

There are opportunities for building owners and developers to rethink the range of uses of existing and new buildings to increase the amount of people and the time they spend in the city centre, such as mixed use, with commercial activity occurring on the ground floor and residential living on other floors.



Urban design

Urban design is the process of changing the physical features of a city by creating connections between places and buildings. This encourages people to visit and enjoy an area and stimulates activity in retail. For urban design to be effective it must enhance the natural environment and use resources efficiently.

Urban design is a collaborative way of working between individuals, communities, professions and organisations to ensure ongoing sustainable delivery of high quality and well-functioning places and spaces for people to live in and use. It considers appearance and built form along with the environmental, economic, social and cultural consequences of design and focuses on both the process of decision making as well as the outcomes of design. Good urban design outcomes create new opportunities for Palmerston North to prosper and grow.

Sections of the District Plan give effect to positive urban design outcomes, such as enhanced architectural interest, ground floor visibility and activation particularly within the Business Zones. city centre living is enabled with apartments and mixed used buildings providing future residential options for the city-centre. Medium density housing areas are also identified to surround the city-centre and key local business zones.

The Council, through projects like Streets for People, Cuba St link and Central Energy Trust Arena upgrade is investing in public space to enhance the human experience. The goal is a range of transport choices for accessing and moving around the city centre as well as encouraging private investment by building and business owners to enhance retail experiences and housing choice.

City Shaping Plan

The City Shaping Plan contributes to the Palmerston North City Council's goal of a Creative and exciting city. The Plan has three key focus areas:

1. Citymaking
2. City Centre
3. Placemaking

Citymaking is the process of maximising impact on city projects through collaboration and innovation. Council has created a policy and process for enabling Business Improvement Districts to form as key Citymaking partners with distinct agency and expertise in retail and business.

Palmy BID has formed through this process to become a representative of city-centre businesses.

The city-centre chapter has a variety of programmes to support public space activation, rebalancing movement and place, developing precinct development plans, and increasing our data capabilities related to retail health. Council recently initiated the following pilots through Waka Kotahi's Innovating Streets for People Programme:

- Pedestrianising George Street. The street was closed on a series of Sundays to test if pedestrianised events netted any economic benefit. On balance, average sales growth was up 21.2% on road closure days on George Street compared to non-road closure days.
- Improving the human conditions around Square Edge: Introducing landscaping, public art, and seating with Square Edge to increase dwell-time in the space, a greater sense of arrival to Square Edge and better wayfinding.
- Creating a separated cycleway on Main Street west: A parking protected cycle lane now connects the Longburn Shared Pathway, Awapuni, Highbury, and Takaro to a safer connection to the city-centre by bike.

Placemaking is the process of relinquishing public spaces to the community to co-create. These involve programmes that increase businesses' ability to create a destination in their street, for example:

- Match-funding public art investment
- A parklet programme to convert carparks into people spaces
- Low barriers to entry for outdoor dining
- Urban design advice to support retailers when considering investments in their frontage and street space.

These programmes are supported by streetscape renewals and upgrades that increase the amount of public space available for businesses to activate and utilise.

Manawatū District retail trends

Total electronic card retail spending in Manawatū District was \$246 million in the year ended June 2021, increasing by 14.9% from the previous year.

Figure 22 shows this was well ahead of the 8.7% increase across New Zealand. The District experienced a smaller decline in retail spending during the COVID-19 Level-3 and 4 restrictions from March to May 2020, because supermarkets and fuel outlets account for a higher share of spending in the District. In the year ended June 2021 grocery and liquor, and fuel and automotive outlets accounted for 61.5% of annual retail spending, while the share for New Zealand was 49.6%.

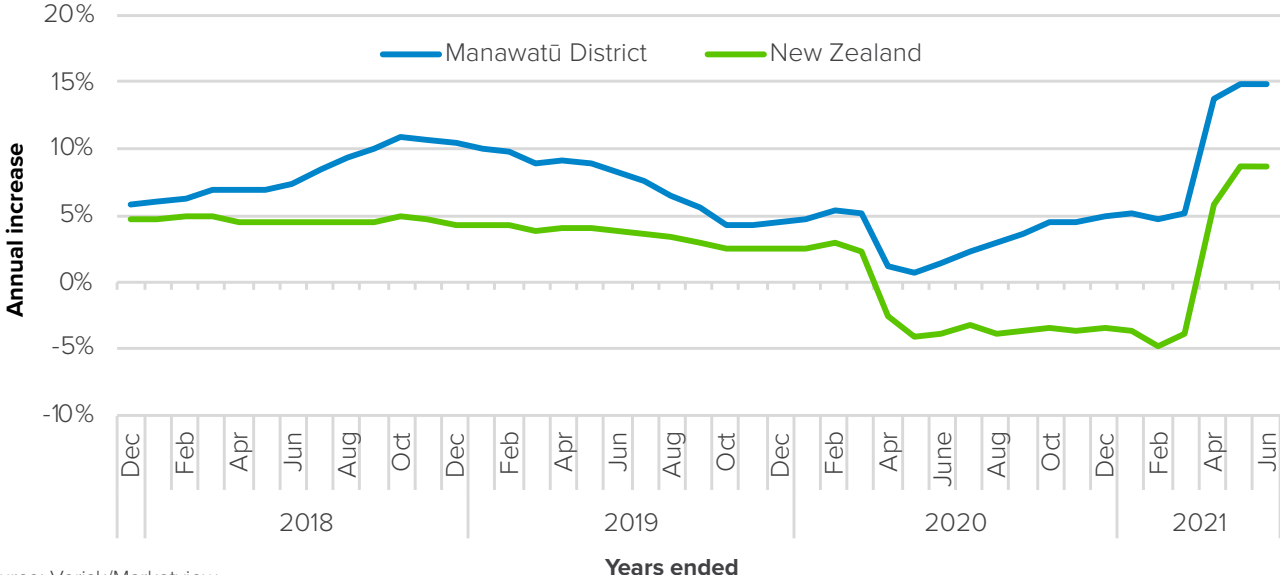
Retail inflow and outflow data shows a high rate of increase in visitor spending in the District in the year to June 2021, with the 26.4% increase stronger than the increase in Manawatū District resident spending outside of the District. However, there was an increase in the net outflow of spending from the District, which totalled \$139 million in the year ended June 2021.

Visitors accounted for 28.3% of spending at Manawatū District retailers in the year to June 2021, while residents in the District spent 45.8% of their retail spending at local retailers.

The rate of population growth in the District has been higher than the rate of growth in the Palmerston North since 2009, so the rate of growth in retail spending in the District has also been consistently higher than in the city. Strong growth in commodity prices is also contributing to the higher rate of growth in spending by residents.

Retail spending and employment in Manawatū District is highly concentrated in Feilding, which accounted for 82% of retail spending in the District in the year to June 2021 (Table 15). The share of spending in Feilding has been declining due to strong growth in spending in the remainder of the District. Sanson and the other small towns on the tourist routes appear to be contributing to this growth. Annual fuel spending in the rest of the District increased by 116% between December 2016 and June 2021. Strong growth in spending was also recorded for cafes, restaurants and takeaways, with an increase of 102%.

Figure 22: Annual change in Manawatū District electronic card retail spending



Source: Verisk/Marketview

Table 14: Manawatū District retail inflow and outflow

| Years ended | June 19 | June 20 | June 21 | Annual change | |
|------------------------------------|------------|------------|------------|---------------|--------------|
| | \$ m | \$ m | \$ m | \$ m | % |
| Resident spending locally | 154 | 158 | 176 | 18 | 11.3% |
| Resident spending outside district | 184 | 178 | 208 | 30 | 17.2% |
| Total resident spending | 338 | 335 | 384 | 48 | 14.4% |
| Visitor spending | 56 | 55 | 69 | 14 | 26.4% |
| Net gain in spending | -128 | -123 | -139 | -16 | 13.0% |
| Total spending in region | 210 | 213 | 245 | 32 | 15.2% |
| Visitor % share | 26.6% | 25.8% | 28.3% | | |
| Resident loyalty | 45.5% | 47.1% | 45.8% | | |

Source: Verisk/Marketview

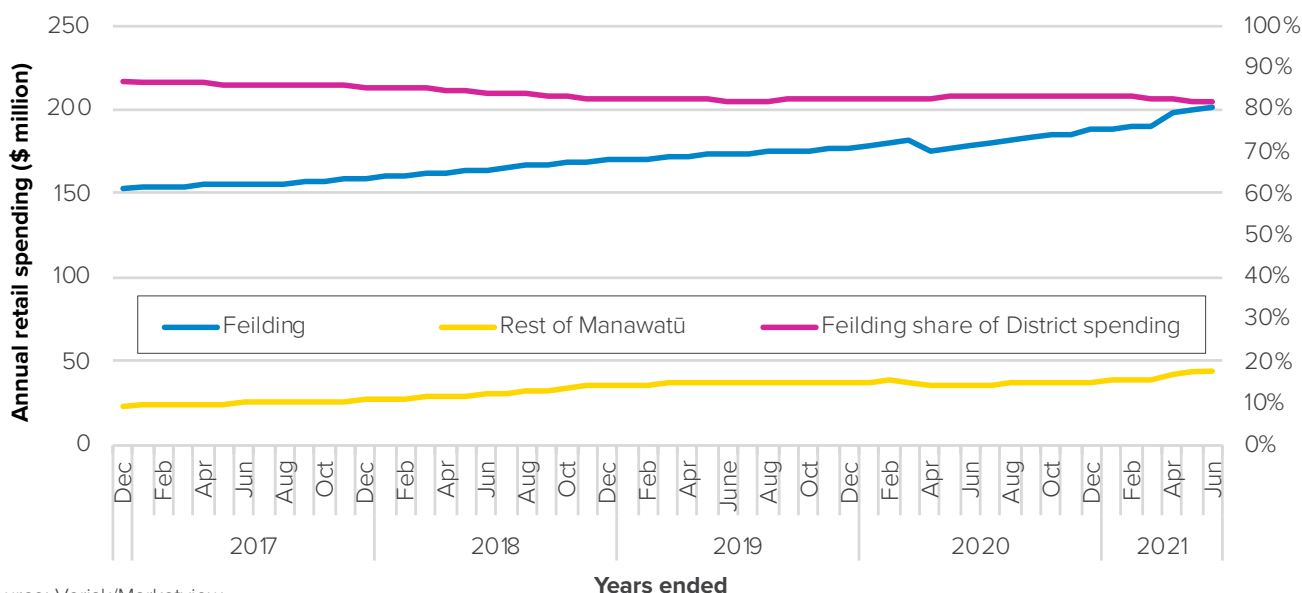
Table 15: Retail spending by business zone and retail sector – year ended June 2021 (\$m)

| Business Zones in Manawatū district | | | |
|--------------------------------------|------------|---------------------------|------------|
| Retail sector | Feilding | Rest of Manawatū District | Total |
| Accommodation | 1 | 3 | 4 |
| Apparel & personal | 7 | 0 | 7 |
| Arts, recreation & visitor transport | 3 | 0 | 3 |
| Cafes, restaurants, bars & takeaways | 25 | 7 | 32 |
| Fuel & automotive | 29 | 24 | 53 |
| Groceries & liquor | 92 | 7 | 99 |
| Home & recreational retail | 43 | 3 | 47 |
| Other consumer | 1 | 0 | 1 |
| Total* | 202 | 44 | 246 |

* Includes some non-retail tourism items

Source: Verisk/Marketview

Figure 23: Manawatū District spending by retail precinct



Source: Verisk/Marketview

Groceries and liquor and fuel accounted for 62% of total retail spending in the District in the year to June 2020, significantly higher than the 50% share for New Zealand. This high share reflects Manawatū District resident spending in Palmerston North at apparel, hardware, homeware, furniture, flooring, department and appliance stores.

Sectors in the District that recorded strong growth in spending in the year ended June 2021 compared with the growth rate for New Zealand were:

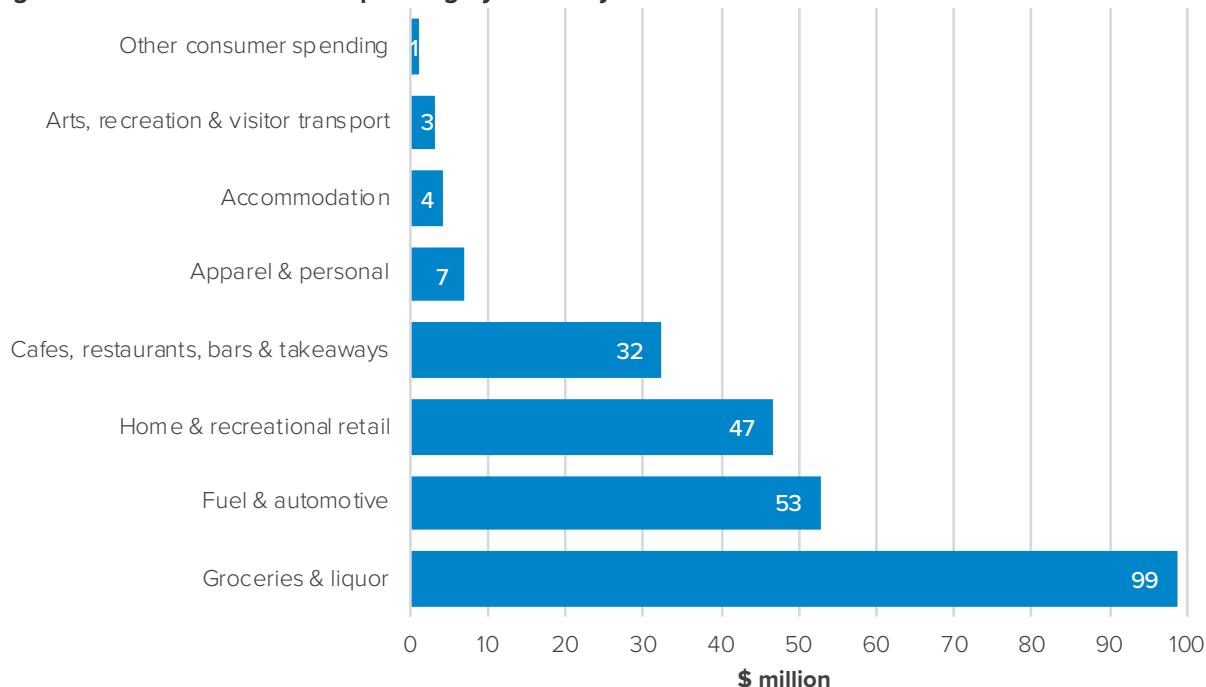
| | |
|--|--|
| Cafes, restaurants, bars and takeaways | 38.8% increase (18.9% increase for New Zealand) |
| Accommodation | 32.4% increase (7.6% decline for New Zealand) |
| Fuel and automotive | 15.8% increase (7.6% increase for New Zealand) |
| Groceries and liquor | 8.3% increase (3.3% increase for New Zealand) |

Retail businesses

The number of retail stores in the Feilding Central area unit peaked in February 2007, with 108 retail business locations recorded. The number of businesses declined to 90 in 2013 and has been largely stable since then. The number of stores in the remainder of the District has increased from 108 in 2013 to 138 in 2020. Kimbolton has been the largest contributor to the growth in the number of stores in the remainder of the District (Figure 25).

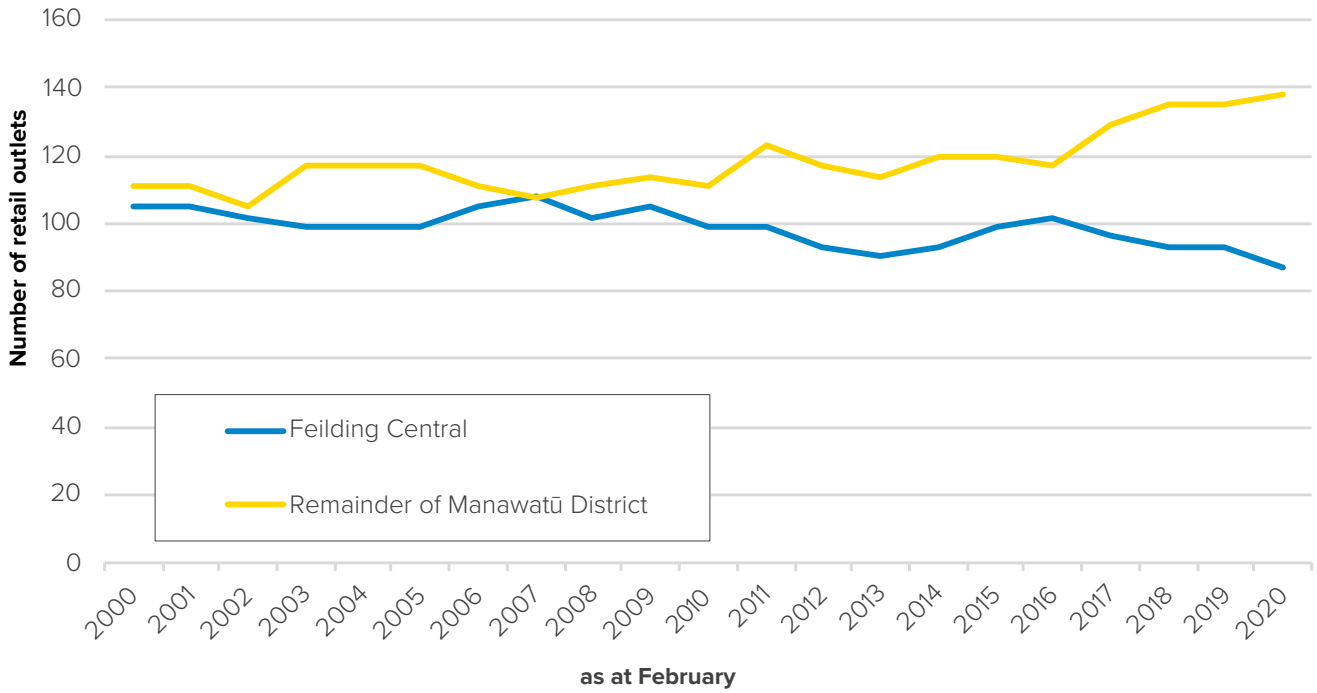
Employment data in Figure 26 shows a much greater share of retail employment in the District is in Feilding Central, which had 800 employees in February 2020, with an average of 8.4 employees per store. There were 340 retail employees in the remainder of the District, with an average of 2.8 employees per store. The main contributor to the decline in employment in Feilding Central was a decline in supermarket employees from 320 in 2012 to 210 in 2020. There were also declines in motor vehicles and recreational good retailing, but growth in hardware, building and garden supplies.

Figure 24: Manawatū District spending by sector - year ended June 2021



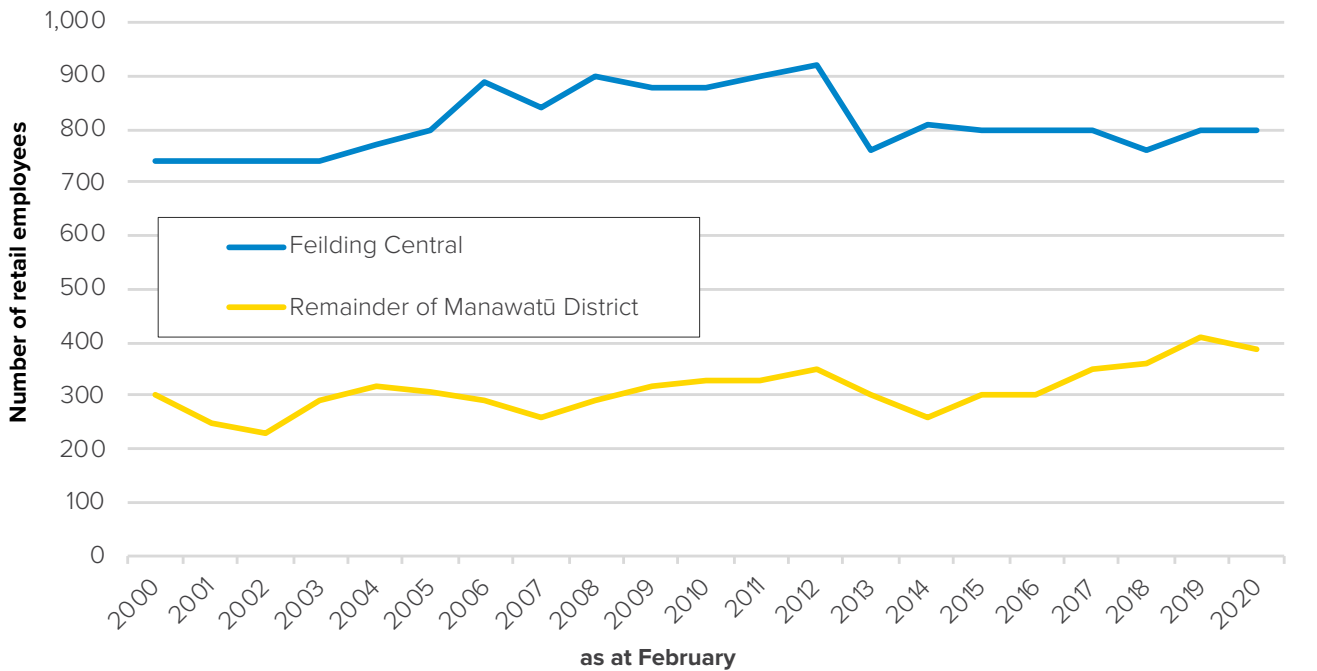
Home and recreational retail includes appliances, department stores and furniture/flooring
Source: Verisk/Marketview

Figure 25: Number of retail stores in Manawatū District



Source: Statistics New Zealand

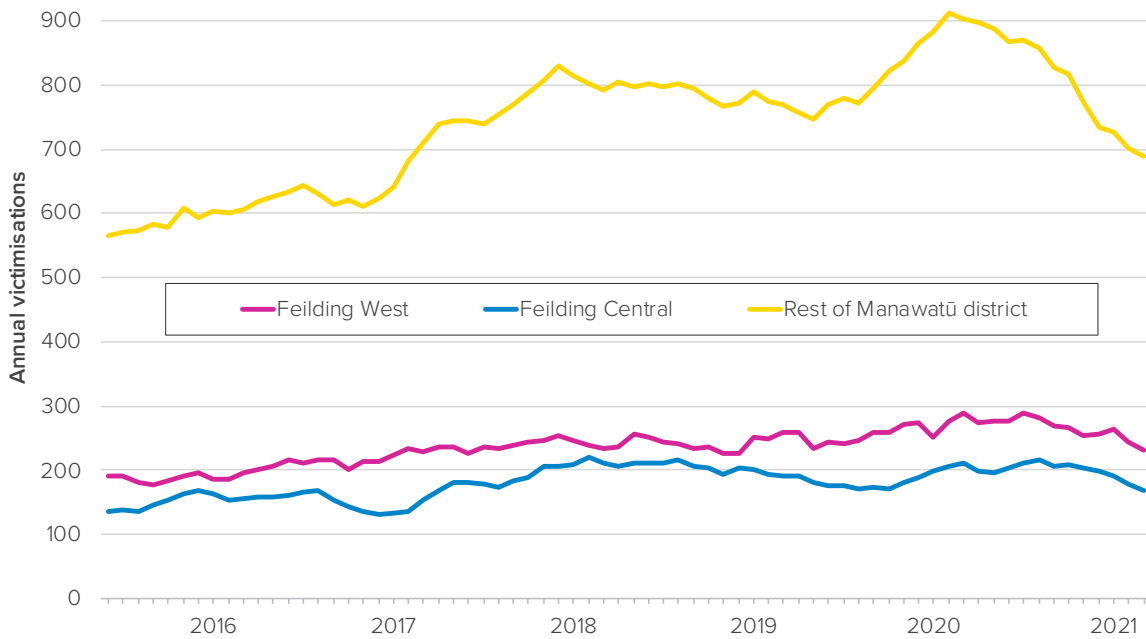
Figure 26: Number of retail employees in Manawatū District



Source: Statistics New Zealand



Figure 27: Occurrence of recorded victimisations in Manawātū District



Source: New Zealand Police

Police

Police-recorded crimes data shows an increase in recorded victimisation levels in the Feilding West area unit and in Manawātū District between June 2015 and late 2017. There has been a gradual decline in the number of victimisations in Manawātū District since December 2017 but the number of victimisations in Feilding West has remained stable. The peak in victimisations in Feilding West was 261 in the year ended March 2019.

Conclusion

The Manawatū region has experienced strong growth in retail sales over the period since the first Retail Health Check report was produced in 2013. Growth in spending has been supported by strong growth in incomes for residents, faster population growth and increased visitor spending, particularly from the rest of the Manawatū-Whanganui region.

Feilding has experienced stronger growth in spending than the Palmerston North city-centre. The rate of population growth in Manawatū District has been stronger than the growth rate for the city between 2013 and 2020, so is an important contributor to this growth. However, the city's growth rate has accelerated over the past four years, and this is being reflected in the strong retail growth now being recorded.

A focus of the 2013 report was on the health of retailing in Broadway Avenue, due to the impact of the 2010 expansion of the Plaza and the transfer of several retailers from Broadway to the Plaza. However strong growth in retailing in the region means vacancy rates are now low in the city centre, which is supporting redevelopment of low quality buildings in the city and in Feilding.

Palmerston North City Council centres-based planning policy has been successful in keeping the mall and large format retail developments close to the city-centre. Since 2013, there have been several large retailers move back closer to the city-centre and further establishment of new businesses in the Outer Business Zone.

Both Palmerston North city-centre and Feilding town centre will face disruption due to the need to replace or strengthen earthquake prone buildings. This will result in temporary loss of retail activity when buildings are demolished or closed temporarily during refurbishment and disruption for neighbouring retailers. However, this will be occurring during a period of strong economic growth and expansion of retail activity in the region, providing increased impetus for redevelopment. Low commercial vacancies rates in Palmerston North will further support redevelopment of earthquake prone buildings in the city-centre.

Growth in online spending has been seen as a threat to physical retail stores, but Verisk/Marketview electronic card retail data shows physical stores are continuing to experience growth in spending.



Spicy
Salsa
\$4.75

Smoothies
\$7.50

Hot Chicken
& Pineapple
Tostitos
\$7.50

Chicken
& Cheese Tostitos
\$7.50

Egg Club
Sandwich
\$4.50

Chicken & Brie
Club Sandwich
\$4.50

Breakfast
Burrito
\$10

Spicy
Chicken
& Avocado
\$7.50

Spicy
Chicken
Tostitos
\$6.50

Chicken
Burger
\$10

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50

Spicy
Chicken
\$7.50



