SMALL CITY BENEFITS

BIG CITY AMBITION

PALMERSTON NORTH HOUSING AND BUSINESS DEVELOPMENT CAPACITY ASSESSMENT REPORT

May 2019

PALMERSTON NORTH CITY COUNCIL

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1. Introduction

1.1. This report has been prepared to meet the Council's requirements under the National Policy Statement on Urban Development Capacity 2016 (NPS). It requires that local authorities with urban area resident populations of over 30,000 people shall, on at least a three-yearly basis, carry out a housing and business development capacity assessment that:

a. Estimates the demand for dwellings, including the demand for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-term; and

b. Estimates the demand for the different types and locations of business land and floor area for businesses, and the supply of development capacity to meet that demand, in the short, medium and long-term; and

c. Assesses interactions between housing and business activities, and their impacts on each other.

1.2. Palmerston North is classified as a medium-growth urban area by the NPS because its resident population is projected to grow by 9.5% between 2013 to 2023 according to the most recent Statistics New Zealand medium urban area population projections.

1.3. While the focus of the NPS is on the Palmerston North urban area population, for the sake of simplicity, the analysis used for this report is based on the total Palmerston North City Council area. Statistics New Zealand estimated in 2018 that the estimated resident population for Palmerston North was 88,700 people while the estimated Palmerston North urban area population was 86,600 people.

1.4. The NPS states that local authorities shall ensure that at any one time there is sufficient housing and business land development capacity. Sufficiency is based on the following requirements:

Short-term	Development capacity must be feasible, zoned and serviced with development infrastructure.
Medium-term	Development capacity must be feasible, zoned and either: • serviced with development infrastructure, or • the funding for the development infrastructure required to service that development capacity must be identified in a Long-term Plan required under the Local Government Act 2002.
Long-term	Development capacity must be feasible, identified in relevant plans and strategies, and the development infrastructure required to service it must be identified in the relevant Infrastructure Strategy required under the Local Government Act 2002.

1.5. The NPS also requires local authorities to monitor and report on a range of indicators on a quarterly basis including:

a. Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;

b. The number of resource consents and building consents granted for urban development relative to the growth in population; and

c. Indicators of housing affordability.

1.6. The December 2018 quarter report required under the NPS has been incorporated into this capacity assessment report rather than being reported separately.

1.7. The NPS also requires local authorities to factor in the proportion of feasible development capacity that may not be developed, in addition to the requirement to ensure sufficient, feasible development capacity as outlined in NPS policy PA1, local authorities shall also provide an additional margin of feasible development capacity over and above projected demand of at least:

- 20% in the short and medium term, and
- 15% in the long term.

2. Executive summary

2.1. Palmerston North has experienced high population growth over much of the time since its founding in 1866, with population growth rates for the city exceeding the growth rate for New Zealand. However, from the early 1980s the city's population growth has been below the overall growth rate for New Zealand. There was a brief period between 1996 and 2001 where no population growth was recorded. Recent growth projections suggest that much stronger population growth is expected in the next ten years.

2.2. Economic growth (gross domestic product (GDP)) estimates produced by Infometrics suggest economic growth in the city accelerated during 2018 and is now stronger than the overall growth rate for New Zealand.

2.3. This rapid change in economic performance and population growth in Palmerston North has created challenges for the Council in assessing short-term and medium-term demand for housing in the city. Sense Partners was commissioned by the Council in August 2017 to produce alternative population and household projections for the council's 2018-28 Long-term Plan. These alternative growth projections were sought because of concerns that the Statistics New Zealand migration projections were not consistent with current growth trends in the city. The median population growth projections produced for the Council by Sense Partners were close to the high growth scenario projections produced by Statistics New Zealand, and represent a significant increase in growth from what has been experienced in recent years.

2.4. Despite this improvement in the rate of projected growth for the city, the September 2017 population projections from Sense Partners suggest the city will still grow more slowly than the overall rate of growth for New Zealand, since its projections for total population growth are also higher than the Statistics New Zealand median population projections.

2.5. The Sense Partners projections do not take account of the significant increase in central government investment that is occurring in Palmerston North and the surrounding region, which is expected to continue for at least the next 15 years. These major construction projects are expected to bring a sizable increase in the construction workforce in the region, with a resulting increase in retail spending and purchases from the services sector.

2.6. Since the Sense Partners projections were completed, major construction projects which have been announced are:

a. The Manawatū Gorge replacement road, which is budgeted to cost between $450 - $500 million, with construction occurring over four years from late this year.

b. KiwiRail new freight hub development, with an estimated construction cost of approximately $200 million.

c. The P-8A Poseidon Maritime Patrol Aircraft – construction of hangers, runway improvements and other infrastructure – to be completed by 2023 – estimated to be $150 - $200 million. It is expected 270 Air Force personnel will be transferred from Whenuapai to Ohakea when the planes are delivered.

d. The construction of 33 wind turbines in Turitea by Mercury Energy, to the value of $256 million. Mercury has also signalled its intent to construct a further 27 turbines at Turitea and 53 in the Puketoi Range in Tararua District, with a value of $750 million, but hasn't given any commitment to the timing for construction.

2.7. There are still further major projects under investigation and funding applications for these being prepared for the Provincial Growth Fund, so we do not yet have a full picture of the total amount of capital investment and flow-on increase in employment once these projects are completed. That creates challenges for the council when assessing the total amount of short-term and medium-term development capacity that is needed for housing and business land in the city.

Housing Development Capacity

2.8. There are signs that population growth and housing demand are already higher than projected by Sense Partners. The projections suggest annual population growth in Palmerston North will slow from 1,040 people between 2013 and 2018 to 1,000 people between 2018 and 2023. Statistics NZ estimated that the city's population increased by 1,400 people between June 2017 and June 2018. Since GDP growth in the city has strengthened since June 2018, it appears likely that annual population growth will be above the annual growth of 1,000 people a year projected by Sense Partners.

2.9. There has been a significant increase in housing construction in the city, with consents for the construction of new houses rising from 161 consents in the year to December 2014 to 477 consents in the year to December 2018. However, there continues to be strong growth in house prices despite this increase in housing supply, contributing to an ongoing decline in housing affordability. The latest three-yearly property revaluations by Quotable Value in September 2018 confirm that the increase in the cost of land has been the primary contributor to the decline in affordability. Population measures, such as the number of city residents receiving Ministry of Social Development (MSD) benefits or New Zealand Superannuation, suggest strong population growth occurred in the second half of 2018.

2.10. The delay in release of Census 2018 housing stock data means we do not have an up-to-date inventory of the different types of housing stock in the city or data on the changes since the 2013 Census. Statistics New Zealand building consents data does show some change in the type of new housing being built in the city, with an increase in the *townhouses, flats, units and other dwellings category*. This category includes minor dwellings and multi-unit housing development. Despite these changes, the clear majority of new housing is represented by single-detached dwellings.

2.11. Assessing building supply and demand by housing type is difficult, because the data on what is being produced is very limited and housing preference is difficult to assess. The collection and management of Council produced building and resource consent data is also poor. In 2018 Council launched a new online building consent management system called Alpha. It is an effective tool for managing building consents, but it has some deficiencies from a wider corporate data collection and management perspective. Alpha does not integrate with other Council systems. It is also focused exclusively on satisfying Building Act consenting requirements, even though Council has wider legislative obligations to collect and report on housing and business growth through the NPS. Alpha's narrow focus on Building Act compliance does not allow for comprehensive monitoring, analysis and reporting of housing and business development. For example, there is no requirement in Alpha to identify how many bedrooms are proposed in a building consent. Sometimes this information is voluntarily included in an optional text field along with other descriptive text, but to effectively identify the number of bedrooms in a consent requires manual inspection of building plans. This is not practical when hundreds of building consents are lodged annually. The simple addition of a bedroom field in Alpha would allow for more efficient analysis of building consents. Another example is the fact that Council cannot immediately identify whether a building consent is contributing to growth or is simply replacing an existing building. Determining whether a building consent is contributing to growth is a time-consuming process which requires individually inspecting building plans and examining aerial photography. This becomes a less accurate process as aerial photographs are only taken periodically. Requiring applicants to identify whether a building consent is a replacement or new building would provide a much more accurate reflection of growth in the City and eliminate the need for staff to spend significant time determining if a consent is growth related. These and other changes to Alpha are required to ensure Council meets its wider legislative (non-Building Act) requirements and improve Council's corporate information management.

2.12. A review of building consents issued by the council over the past 12 months does show an increase in the construction of smaller houses, but the supply of new houses is still mostly 3 – 5-bedroom houses. Measuring housing demand by housing type is even more difficult, but data that is now being published on the social housing register offers some useful insights on the level of demand for smaller housing units. December 2018 quarter social housing register data shows 136 applicants seeking one-bedroom housing and 120 applicants seeking two-bedroom housing, with the two categories accounting for 83% of applicants on the register. Internal data collection problems should be addressed changing Council consent processes to require applicants to supply all the relevant data that the NPSUDC requires Council to monitor, assess and report on. Internal information system improvements are also necessary to ensure housing and business data can be efficiently and accurately collected, monitored and assessed.

2.13. Housing affordability in the city compares favourably with most New Zealand high and medium growth urban areas but the city still rated as seriously unaffordable in the annual Demographia International Housing Affordability Survey. Significant growth in median section prices has been a major contributor to the long-term decline in affordability in Palmerston North. The median land value for houses in the city has risen from 35% of the total capital value of residential properties in September 1994 to 60% by September 2018. In 1994, the average value of the land for a dwelling in the city was $45,600, but by 2018 the average was $249,798. Between 1994 and 2018, the average value of land increased by $204,200 and the average value of improvements increased by $86,396, resulting in a $290,596 in the average capital value of houses in the city. The land value increase, therefore, accounted for 70% of the increase in the average value of houses in the city. Between the 2015 and 2018 property revaluations, average land values increased by 67%, while the value of improvements increased by just 7%, resulting in a 36% increase in average capital values for residential properties.

2.14. While average capital values for residential properties in Palmerston North increased by 225% between September 1994 and September 2018, the increase in average weekly rents in Palmerston North was 100%, increasing from $157.50 in the year to September 1994 to $314.50 in the year to September 2018. The increase in the consumer price index over this time period was 62.9%.

2.15. The Council in the past has been slow with getting infrastructure in place to service housing and business growth, but now has better processes in place to coordinate its planning for growth and the timing of infrastructure investment required to allow development to occur. It has also made progress on releasing new land for housing development in different parts of the city, including:

a. Whakarongo residential growth area

b. Napier Road residential area extension

c. Hokowhitu Lagoon Residential Area

d. Kikiwhenua residential area

e. Ashhurst rezoning

f. Flygers Line

2.16. The Council has also increasingly been active in facilitating redevelopment of sites within the city for housing development, such as:

a. Development of the BUPA retirement village in the Napier Road industrial zone

b. Redevelopment of the former Hokowhitu teachers' college site for housing

c. Redevelopment of the Higgins Roxburgh Crescent depot for housing

2.17. The City Development Strategy, which was developed as part of the Council's 2018-28 10-Year Plan also identifies the need to develop a structure plan for Aokautere and to rezone additional land to take advantage of substantial housing capacity opportunities in this location. Conservative estimates indicate further rezoning could supply capacity for an additional 1,200 new dwellings in Aokautere.

2.18. The recent review of the Residential Zone of the District Plan enabled more opportunities to increase housing density in the city:

a. Multi-unit housing development

b. Minor dwellings

c. Minimum lot size reduced to 350m²

2.19. The price efficiency indicators published in the Ministry of Business, Innovation and Employment (MBIE)/Ministry for the Environment (MfE) Urban Development Capacity Dashboard provide some useful insights on residential housing capacity and affordability in Palmerston North.

a. Palmerston North has a relatively high level of concentration of ownership of vacant residential and business land among three owners. This information is helpful for guiding future rezoning options for the council, since these three owners also hold significant rural zones land next to residential and commercial/industrial growth areas in some parts of the city. Some rezoning options could increase the level of land concentration (where those large landholders already own neighbouring rural land), while many of the rezoning proposals currently being developed have the potential to reduce concentration (where those larger landholders do not currently own property).

b. Rural-urban land value differential calculations show there is a difference in average land values at the rural-urban boundary. However, the scale of the differential is smaller than for other local authorities where housing is less affordable. The Council is actively addressing the differential through the rezoning actions noted above.

c. The price-cost ratio for housing in the city is still lower than the peak in the ratio in 2005, but the ratio has deteriorated since 2015, and is expected to deteriorate further in 2019. The ratio for the city also compares favourably with most high and medium growth councils.

2.20. The housing needs assessment has identified that demand for housing can be accommodated in the short-term. However, in the medium and long-terms there will be a deficit of greenfield land supply to meet projected demand. Long-term greenfield locations may need to be brought online sooner and additional land will need to be identified for long-term housing growth. Alternatively, a greater proportion of the city's future growth could be targeted at infill development or urban redevelopment. A Future Development Strategy (optional for medium-growth Council's under the NPS) will provide an opportunity to comprehensively identify future housing growth options.

Business and Industrial Development Capacity

2.21. The City Development Strategy sets out the Council's strategic framework for the land use planning and funding of infrastructure to support growth in the city. The Council's Industrial Growth Strategy and Commercial Land Use Strategy inform the market's investment decisions regarding where growth and supporting infrastructure will occur.

2.22. ***Industrial Land and Development*** – the Industrial Growth Strategy sends a clear message to the market regarding priorities and future location for growth to support small to medium size industrial development and large floor-plate activity.

2.23. The Industrial Growth Strategy prioritises industrial growth:

- In the short to medium term: North East Industrial Zone (86ha) and the recently rezoned Extension Area (126ha) for large floor-plate transport, warehousing and logistics activities.
- In the long-term: Longburn is considered a suitable location for wet industry.
- Continued provision for small to medium size industrial activities in the city's core urban Industrial Zone.
- Provision for dairy related industrial activity in the Braeburn Industrial Area (33ha), Longburn.

2.24. The context for land supply for small to medium scale industrial development in the City's urban Industrial Zone is as follows:

a. As of June 2018, there are low levels of vacancy in the Industrial Zone's existing building stock (3.7%). Vacancy is even lower for A and B grade buildings (2% and 3.6% respectively);

b. As of June 2018, leasing trends for A and B grade buildings show demand to be strong and supply scarce;

c. Property revaluation assessments in Palmerston North show strong growth in Industrial Zone land values (37%) between September 2015 and 2018;

d. Excluding the Industrial Zone land in the three villages, available vacant but serviced Industrial Zone land totals approximately 12ha. Much of the Industrial Zone's vacant land is unavailable due to business buying land with a long-term focus for expansion or because land owned is by Council for public facilities;

e. The only greenfield (un-serviced) Industrial Zone land in the city is the 15ha Midhurst Street Industrial Area (MIA). The construction of a new road connecting the MIA to Kelvin Grove Road commenced late 2018/2019. Given the extent of the new road investment by the landowner, it is likely subdivision and development of the area is imminent.

f. An assessment of land concentration shows two land owners with a combined 57% share of the vacant commercial/industrial land. When looking at industrial land for small to medium scale development the importance of this is amplified;[1]

g. KiwiRail's plans to relocate to the North East Industrial Zone (NEIZ) Extension Area[2] means its Industrial Zone Tremaine Avenue freight yards, approximately 26ha of land, are likely to become available for small to medium scale industrial activity. Considering the nature and location of capital investment on the site, approximately 8-hectres of the site is likely to continue in its industrial use. The remaining 18ha of the site is likely to be available for industrial development in the next five to ten years;

h. The 9.6-hectres of vacant but serviced land in the Airport Zone's Environs Precinct is available for industrial development but commercial service activities are being targeted for this land rather than core industrial activities.

i. The value of non-residential consents issued in the year ended December 2018 was $139 million, an increase of 128% from 2017. While the Toyota warehouse extension (10,000m^2 gross floor area (GFA)) accounted for the largest contribution to the growth in consents for factories, there was also an increase of small to medium size consents for a range of industrial and storage buildings.

j. The largest contributor to employment growth between 2000 and 2018 was in the Industrial Zone, particularly in the Tremaine Ave to Mihaere Drive area. This area contains a high concentration of small to medium scale industrial activities.

2.25. In summary, for small to medium scale industrial development the City has over the short term (0-3 years) 12ha of vacant but serviced industrial land available and 15ha (MIA) of unserviced greenfield land available for industrial development. Over the medium term (3-10 years) another 18-hecates (KiwiRail) of vacant serviced land is likely to be available to the market. However, the land ownership concentration of this 45ha is relatively high. The low level of vacancy in existing building stock indicates demand for industrial development is strong, supply is scarce and land value has grown. For these reasons the need for industrial land for small to medium sized activities is required more urgently (in the short to medium term) than for land for large floor-plate activities (medium to long-term).

2.26. The context for land supply for large floor-plate industrial development in the City's North East Industrial Zone (NEIZ) and Extension Area is as follows:

a. KiwiRail has signalled its intention to develop 60ha of land in the Extension Area, subject to an assessment of alternatives;

b. Post the KiwiRail announcement, approximately 30ha of land in the Extension Area is under contract;

c. An 8.3ha block of Extension Area land opposite Foodstuffs on Roberts Line is in the process of being subdivided and developed;

d. The 2018/28 Palmerston North City Council Long-term Plan 2018-28 contains $12.5m of infrastructure programmes to support development of the Extension Area including the construction of a water bore 2018/19;

e. Major development and construction projects announced for Palmerston North and the Manawatū region amount to $2.5 - $3.0 billion of construction activity over the

[1] See Figure 42: Significant Land Owners of Vacant Commercial and Residential Land in Palmerston North.
[2] Subject to an assessment of alternatives.

period to 2030. These include the freight ring-road being planned by NZTA and the proposed replacement road for the Manawatu Gorge. It should be noted the Sense Partners projections did not take account of the significant increase in central government investment in the aforementioned construction projects.

f. The emerging commercial value being attached to the inter-modal road, air and rail freight hub developing in the NEIZ and Extension Area;

g. The rate of development in the 126-hecatre NEIZ Extension Area may accelerate in part due to the land owner in the NEIZ leasing land rather than subdividing. Feedback from local industrial operators seeking to expand their operations is that they prefer to buy land and build fit-for-purpose premises rather than lease either land and or buildings;

h. Approximately 51.7ha of NEIZ land is either developed or purchased with the intention to develop and is not available to the market. This means that approximately 34.3ha of land is currently available on a lease basis to the market.

i. The strongest rate of employment growth between 2000 and 2018 was in the NEIZ area (an increase from 160 jobs to 1,550 mainly in the wholesale trade and road transport sectors); and

j. As of June 2018, there were no vacancies in the NEIZ and leasing trends show demand to be strong and supply scarce.

2.27. In summary, the City has 212-hecates of land zoned for large floor-plate industrial development. Of this 212ha:

- In the NEIZ 51.7haof land is developed or has been purchased with the intention to develop and is not available to the market; and
- In the Extension Area, 60ha is anticipated to be developed by KiwiRail, 8.3ha is currently being subdivided and developed, and approximately 30ha is under contract.

2.28. Approximately 150ha of land of the 212ha of land zoned for large floor-plate development has been developed or has been secured with the intention to develop in the short to medium-term (up to 10 years). The ongoing concern is that the emerging land ownership concentration will remain relatively high[3].

2.29. The value of major development and infrastructure projects in the Region over the period to 2030 is projected at $2.5 to $3.0 billion. This is providing the market with confidence to invest in an area that is emerging as a major inter-modal road, air and rail freight hub located in the central North Island.

2.30. June 2018 data shows a low level of vacancy in existing building stock, demand for industrial large-scale development is strong, supply is scarce and land value has grown. Given the factors discussed above, it is likely that capacity issues for large floor-plate industrial land is likely to arise in the next 10-15 years (medium to long-term) rather than beyond the 20-year horizon (long-term) projected in the Capacity Assessment.

2.31. ***Business Zone Land and Development*** – the Commercial Land Use Strategy (the Strategy) is given effect to through the hierarchy of Business Zones in the District Plan. The Strategy seeks to maintain retail and office activity in the core of the city and discourage dispersal of these activities to the industrial fringes of the city. For this reason, non-ancillary retail and

[3] See Figure 42: Significant Land Owners of Vacant Commercial and Residential Land in Palmerston North.

office development is a non-complying activity in the Industrial and North East Industrial Zones.

2.32. Approximately 24,109m^2 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 market 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 11,425m^2 is included then approximately 35,534m^2 of retail gross floor area has been established in these Business Zones over this period.

2.33. 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.

2.34. The Property Economics Capacity Assessment projections for Business Zone land (Retail, Office and Commercial Service) indicates a shortage of land over the next 30-years. Using the Sense Partners growth projections there is a net additional need of 47ha of Business Zone land by 2048. The Assessment considers there is sufficient Business Zone land for the next 3-years period (short-term), a shortage of 9ha in the 3-10-year period (medium-term) and 47ha in the 10-30-year period.

2.35. To put this growth projection in context, there is currently 150ha of Business Zone land in the city. The Capacity Assessment projections require a 31% increase in Business Zone land to ensure sufficient capacity to accommodate growth over the next 30-years using the Sense Partners projections.

2.36. The Capacity Assessment raised concerns about the veracity of the Sense Partners growth projection and the subsequent land requirement. For both the industrial and business land requirement the Assessment notes the Council can take a more conservative position at this point and monitor growth every 3-years to ensure sufficient capacity is provided.

Inner business zone (IBZ)

2.37. The IBZ is facing a number of challenges relating to vacancy levels for office space, softer retail growth, building seismic issues and a lack of investment in new building stock. The demand for new fit-for-purpose office space in the outer business zone (OBZ) is hollowing out office activity in the IBZ and the growth in the retail market sits in the large format sector. For these reasons there does not appear to be a need for additional land to meet the needs of pedestrian-orientated comparative retail or office activity in the IBZ in the short to medium term (0-10-years) and potentially over the long-term (10 to 30 years).

2.38. *District Plan and Other Policy* – a further targeted review of Business Zone District Plan land use provisions may be required to further refine and manage the approach to retail and office activity. Further work may also be required to the Council's rating policy for Business Zone land and policy regarding the purpose of Council's lease car parking in the Business Zones.

Outer business zone (OBZ)

2.39. There has been significant investment in large-format retailing (LFR) and office development in the OBZ over the period 2008 to 2018 and there appears to be ongoing supply of land that meets the functional and locational need of these activities. However, the Zone could be characterised as having an inefficient development typology, suboptimal development yield, and significant ongoing development capacity that includes 3.5ha of land rezoned in 2011 that is yet to transition to commercial use.

2.40. Considering the issues facing the IBZ, and the capacity that remains for development in the OBZ, it is hard to see there being a need for 9-hecatares of additional Business Zone land in the next 3-10-year period (medium-term).

2.41. The targeted review of the District Plan will need to consider whether the policy and development settings of the OBZ remain appropriate in the context of maintaining the on-going hierarchy of Business Zones.

Fringe business zone (FBZ)

2.42. The 13,829m^2 of development in the Fringe Business Zone (FBZ) since 2008 has occurred in the northern part of the FBZ. The rate of development in the FBZ was suppressed by the start of the Global Financial Crisis which started at the end of 2007/early 2008. Development in the Zone has picked up since 2011, however across the Zone development uptake has been subdued.

2.43. It is 10-years since the FBZ became operative in the District Plan and the Zone is now due to be reviewed. An assessment of the FBZ planning provisions will be required to ensure it is fit for purpose and its role continues to sit comfortably within the overall hierarchy of business zones in the District Plan. The assessment will need to consider whether the mix of activities provided for in the Zone remains appropriate or whether a wider range of activities are provided for to ensure the natural and physical resources of the Zone are efficiently utilised.

2.44. There may be an opportunity to consider promoting increased mixed-use to occur in the FBZ, including residential use. There are a number of locations in both the northern and western areas of the FBZ that could offer opportunities for residential use in close proximity to the central city and recreational activities such as the Esplanade and the river pathway.

2.45. The assessment will also need to consider whether a tightening of regulatory control on large format retailing and associated activities is required in the OBZ, or whether the status-quo remains appropriate.

Local business zone (LBZ)

2.46. Vacancy levels in the Zone are generally low and limited to discrete pockets throughout local business areas. Additional land was rezoned as part of the Zone's review in 2013 and local business areas are provided for as greenfield areas develop. On balance the supply of LBZ is considered appropriate at least in the short to medium term (0-10 years) but will continue to be monitored through tri-annual NPS reporting.

3. Recommendations

Housing

3.1. That Council commence the development of a Future Development Strategy to:

a. identify additional opportunities for housing to meet projected growth demands.

b. identify detailed infill and redevelopment capacity opportunities within the existing urban area and alternative policy mechanisms to drive intensification.

c. identify specific opportunities to utilise Council property for housing.

3.2. That the Council reviews the rationale sitting behind the ratings differential being applied to the first five hectares of residentially zoned land and the remaining balance. The review should consider how the Ratings Policy can best support the release of residential zone for development.

3.3. That Council promote the outcomes of the recent residential zone review, which provides a more enabling framework for the development of multi-unit housing and minor dwellings.

3.4. That the Council subdivision at Whakarongo be developed as soon as possible to catalyse the development of the wider suburb.

3.5. That the collection, management and reporting of Council's resource consent and building consent data is improved to enable more effective monitoring and analysis of housing activity and land supply and take-up.

Industrial zone land (summary)

3.6. That for both the large and small development markets that within the next 2 years the Council further develop its Industrial Land Use Strategy as a sub-part of a Future Development Strategy. The Council will need to initiate a land use study to investigate options for the provision of additional land for large and small scale industrial activity for the medium to long term. This work should provide the strategic basis for the RMA and LGA processes required to rezone land and ensure funding of infrastructure is in place within the following timeframes:

- Large Floor Plate Industrial (NEIZ and Extension Area) - the required quantum of land rezoned within the next 10 to 15 years (medium to long-term).
- Small to Medium Scale Industrial Development (Industrial Zone) – the required quantum of land rezoned within the next 5 to 10 years (short to medium-term).

Business zone land (summary)

3.7. That there is no need for additional Inner, Outer, Fringe or Local Business Zone land in the short to medium term (0-10-year). The long-term (10-30 year) need continues to be monitored through tri-annual NPS reporting.

3.8. That the Council undertake a targeted review of the District Plan that investigates the options to further refine the approach to managing retail and office activities across the Inner, Outer and Fringe Business Zones.

3.9. That the Council review the Fringe Business Zone so that it is fit for purpose and its role continues to sit comfortably within the overall hierarchy of Business Zones in the District Plan. The review will need to consider whether the mix of activities provided for in the Zone remains appropriate or whether a wider range of activities is provided for in the Zone.

3.10. That the Council reviews the rationale sitting behind the ratings differential being applied to Inner and Outer Business Zone property by its Ratings Policy. The review should consider how the Policy can best support the social and commercial outcomes being sought for the Inner and Outer Business Zones.

3.11. That the Council review the purpose of its Leased Parking Policy so that it considers how best the Policy can best support the social and commercial outcomes being sought for the Inner Business Zone.

3.12. That the collection, management and reporting of Council's resource consent and building consent data is improved to enable more effective monitoring and analysis of commercial building activity and land supply and take-up.

City Development Strategy and Housing and Future Development Plan

3.13. That the existing directions and actions in the City Development Strategy and Housing and Future Development Plan are prioritised (see Appendix VI and VII).

4. Abbreviations

Abbreviations used in this report are:

BIA	Braeburn industrial area
CBD	Central business district
FBZ	Fringe Business Zone
FHBs	First home buyers
GDP	Gross domestic product
GFA	gross floor area
HAM	Housing Affordability Measure
IBZ	Inner Business Zone
JILR	Joint Industrial Land-use Review
LFR	Large-format retailing
LTP	Palmerston North City Council Long-term Plan 2018-28
MBIE	Ministry of Business, Innovation and Employment
MDC	Manawatū District Council
MfE	Ministry for the Environment
MIA	Midhurst Street Industrial Area
MSD	Ministry of Social Development
NEIZ	North East Industrial Zone
NPS	National Policy Statement on Urban Development Capacity 2016
NWSHA	North-West Square Heritage Area
NZTA	New Zealand Transport Agency
OBZ	Outer Business Zone
PC1	Plan Change 1
PNCC	Palmerston North City Council
RMA	Resource Management Act
RRIE	Railway Road Industrial Enclave

5. Economic overview

5.1. This part of the report analyses some of the key factors which contributed to this period of weaker population and economic growth and recent changes in the outlook for population growth in the city. The analysis suggests the city will experience much stronger population growth over the next ten years than it experienced over the past ten years.

5.2. Economic growth is continuing to strengthen in Palmerston North, supported by strong growth in construction activity during 2018. There was a further strong increase in the value of building consents issued by Council in December, lifting annual building consent values to $299 million in the year to December 2018.

5.3. Stronger growth in house prices in the city during the last six months of 2018 points to further demand for the construction of new housing during 2019. The latest electronic card retail data shows growth in the city continuing to increase above the overall rate for New Zealand.

5.4. The number of people in the city receiving MSD benefits in December was up on December 2017 but the rate of growth has slowed while national data shows stronger growth in job seeker benefits, particularly in Auckland and Canterbury. The rise in benefits in the city appears to be linked to weak growth in benefit numbers in other parts of the Manawatū-Whanganui region, and decline in rental housing stock in parts of the region. Strong growth in the number of New Zealand superannuation recipients in the city in the last half of 2018 also suggests strong population growth in the city is occurring.

Key statistics for Palmerston North

Population estimate as a 30 June 2018	88,700
Number of employees as at February 2018	49,900
Annual earnings (salaries, wages and self-employment) - year ended March 2017	$2,740 million
Electronic card retail spending – year ended December 2018	$1,158 million
Tourism expenditure – year ended December 2018	$427 million
GDP (2010 prices) – year ended December 2017	$4,021 million
City land area	39,500 ha

Annual trends

a. Palmerston North’s economy grew by 3.3 % in the year to December 2018 (Infometrics provisional estimate).

b. Population growth strengthened in the year to June 2018, increasing by 1,400 people between June 2017 and June 2018, an increase of 1.6% (Statistics New Zealand provisional estimates).

c. Employee counts in Palmerston North increased by 3.3% (1,600 jobs) between 2017 and 2018.

d. Electronic card retail spending in Palmerston North reached $1,158 million in the year ended December 2018, an increase of 4.4%, ahead of the national increase of 3.9%.

e. The Palmerston North inner CBD area attracted one-third of retail spending in the City in the 12 months ended January 2019 ($384 million) while the outer CBD area attracted a further 15% ($171 million).

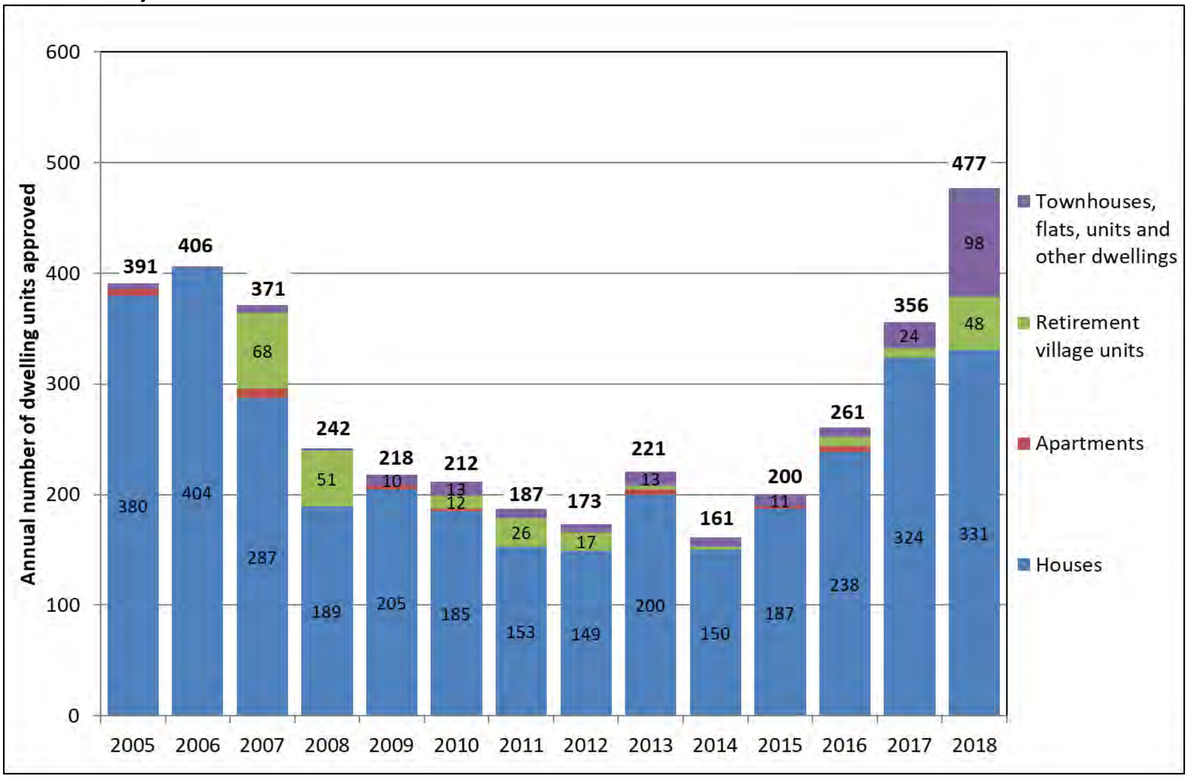
Palmerston North's housing market

New residential building consents

5.5. Consents for 108 new residential dwellings were issued in the December 2018 quarter, an increase of 59% from the December 2017 quarter.

5.6. In the year ended December 2018, 477 new residential dwellings, valued at $145 million, were approved for construction in Palmerston North. This was the highest number of new dwelling consents approved in the city since the current building consents time series began in 1990 but is below average consent volumes during the 1970s for the Palmerston North urban area. The number of new dwellings approved in the year to December 2018 increased by 40% (121 additional dwellings) from the previous year while the value of consents increased by 34%.

Figure 1: New residential dwelling units consented by building type (years ended December)[4]



Source: Statistics New Zealand

5.7. An increased share of the new dwellings consented during 2017 were for relocatable homes but during 2018 the number consented was stable. Measuring how much these houses added to housing stock in the city is challenging because there is a delay between the approval of the consent and the completion of the construction of the houses approved. Many of these houses are being constructed in the city for relocation to sites across the lower North Island, but we have only partial data on the destination of the houses consented during 2017 and 2018.

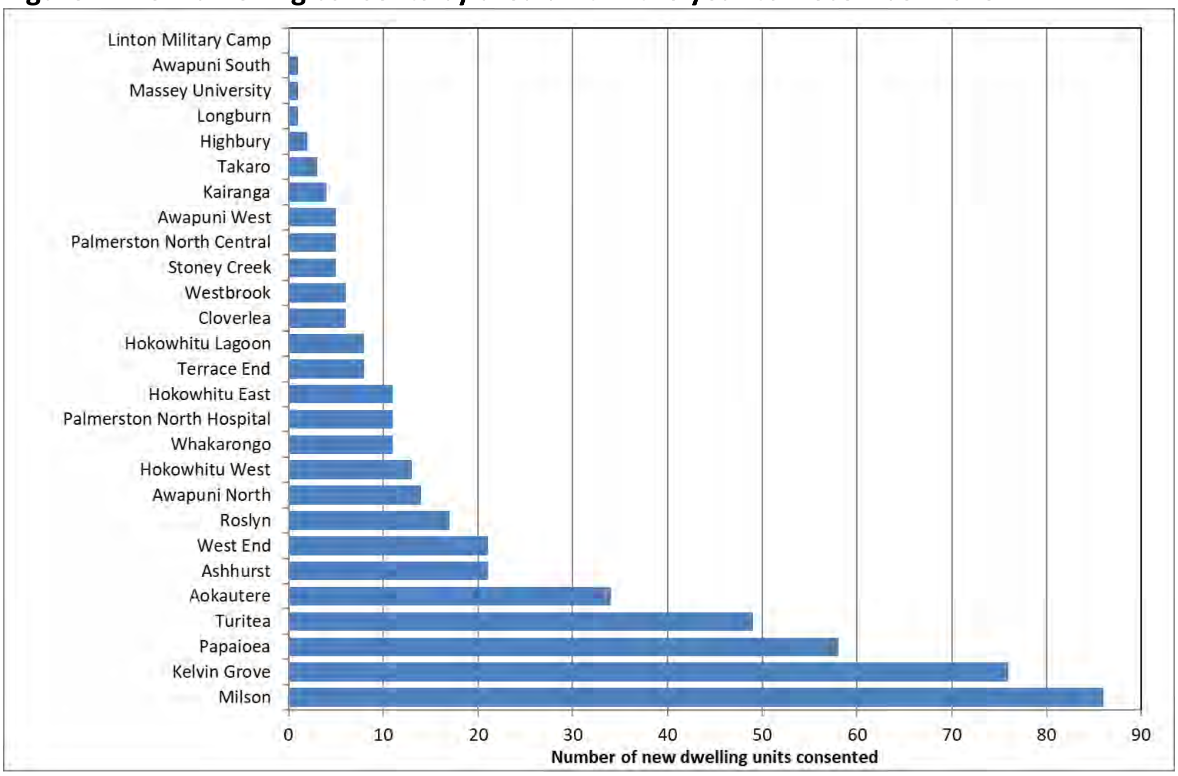
[4] The statistics for new dwelling consents approved differ from the statistics published by Statistics New Zealand, due to an error by it in the classification of 13 new dwelling consents, 11 of which were classified as residential addition and alteration consents and two as non-residential consents.

5.8. Data supplied by the companies for the past two years shows that around one fifth of houses completed by the companies were relocated to a site within Palmerston North while the remaining houses were relocated across 13 territorial authorities in the lower North Island. Council is monitoring the production and destination of relocatable homes to assess the annual net change in housing stock in the city.

5.9. Area unit data for new dwelling consents shows Milson as the largest area unit during 2018, but a large share of these consent was for relocatable houses. Kelvin Grove recorded the second highest total in 2018, with the new BUPA retirement village development on Napier Road and further development of Freedom Drive, the main contributors to growth in the area unit.

5.10. There was significant growth in the number of houses consented in Papaioea during 2018 due to the consent for the construction of 50 new housing units in the Council's Papaioea flats complex, replacing 32 existing dwellings. Over the last two years there has been a significant increase in the number of dwellings approved in the Awapuni, West End, Highbury, Takaro, Westbrook and Cloverlea area units on the western side of the city. Infill housing has generally occurred at higher levels on the eastern side of the city, particularly in Hokowhitu and Roslyn, but increasing land values on the western side of the city are now encouraging higher levels of infill development. Over the 16 years from 2003 to 2018 annual new dwelling consents on the western side of the city have averaged 35 a year but during 2017, 59 new dwellings were approved, and a further 66 in 2018. Housing New Zealand investment in new housing will provide a significant increase in consents and housing density on that side of the city.

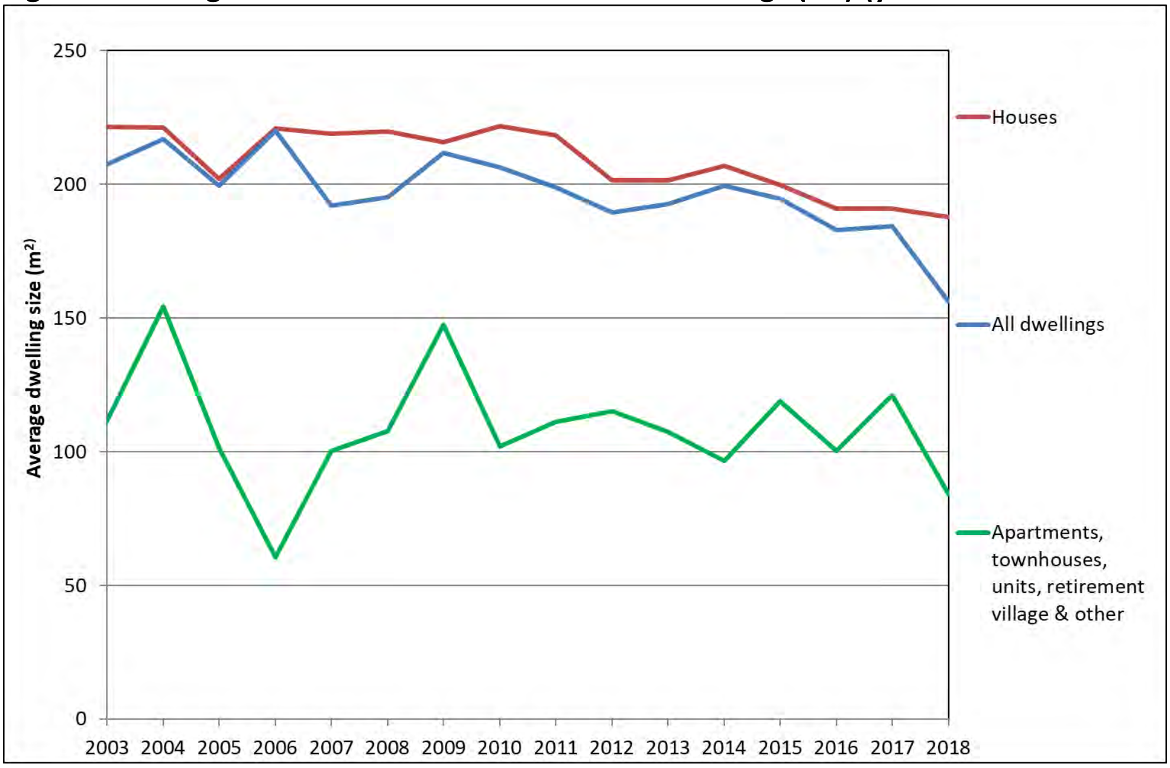
Figure 2: New dwelling consents by area unit in the year to December 2018



Source: Statistics New Zealand

5.11. The average floor area of new dwellings consented in Palmerston North has been declining since 2010, when the average was 222m^2, to 157m^2 in the year to December 2018. The average size of stand-alone houses consents in 2018 was 188 m^2 in 2018, the same as in 2017. The overall decline in the average floor area of all new dwellings in 2018 will have been influenced by the retirement village units and apartments approved for the BUPA retirement village and the 50 new housing units in the Council's Papaioea flats complex.

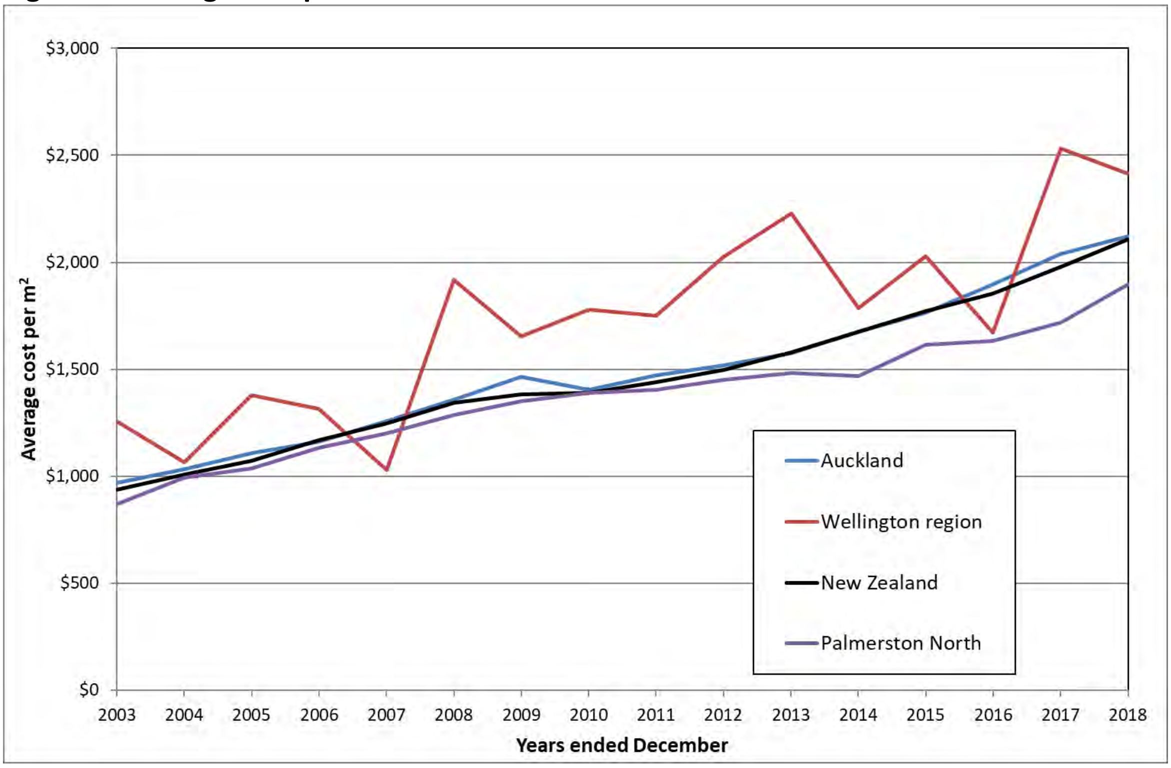
Figure 3: Average floor area of consents for new dwellings (m²) (years ended December)



Source: Statistics New Zealand

5.12. The average estimated cost of construction for houses consented in Palmerston North in the year ended December 2018 was $1,895 per m^2, an increase of 10.2% from 2017 (excludes, apartments, town houses and retirement village units). The average for New Zealand was $2,177 per m^2, an increase of 6.4% from 2017.

Figure 4: Average cost per m² for construction of new houses



Source: Statistics New Zealand

Non-residential building consents

5.13. The value of non-residential consents issued in the year ended December 2018 was $139 million, an increase of 128% from 2017. Major consents approved during 2018 were:

a. Joint Food Science Facility at Massey University (Food HQ),

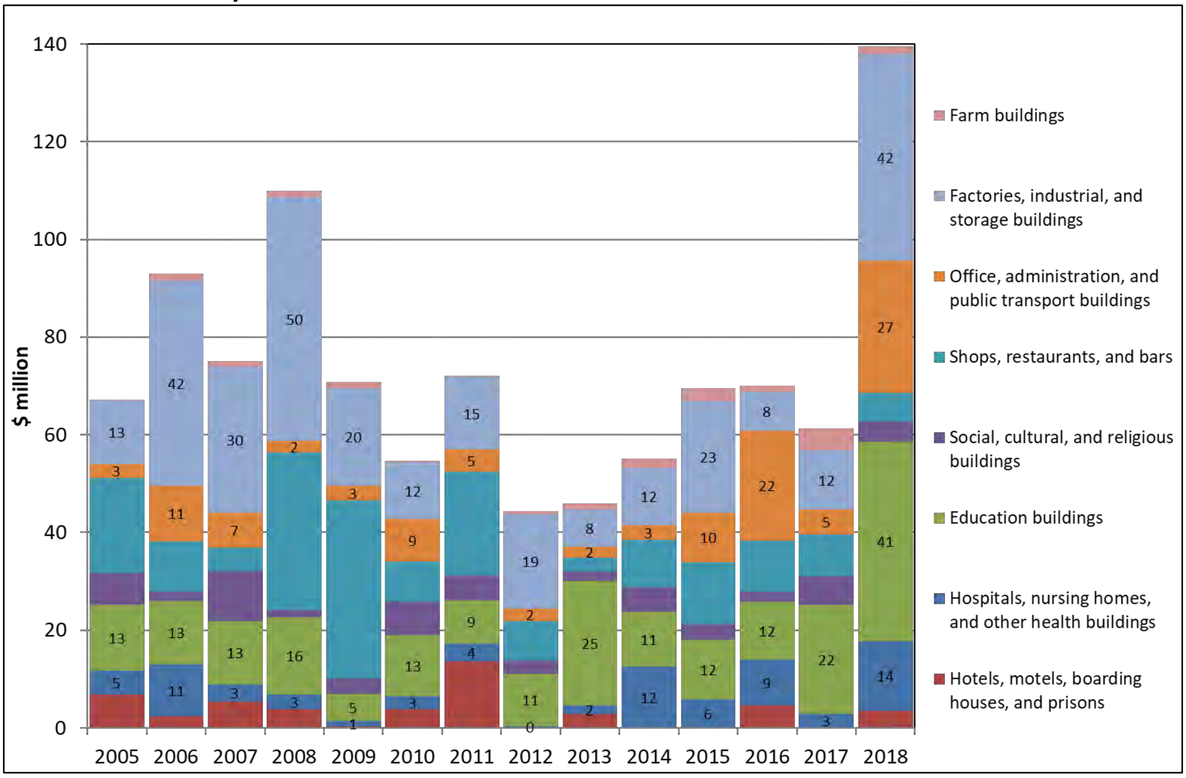
b. BUPA aged care facility comprising care home and independent living apartments,

c. Toyota warehouse expansion and structure strengthening of existing buildings,

d. Commercial building (IRD, retail and hospitality),

e. Seismic strengthening and refurbishment at Massey University

Figure 5: Non-residential building consents issued by value in Palmerston North (years ended December)

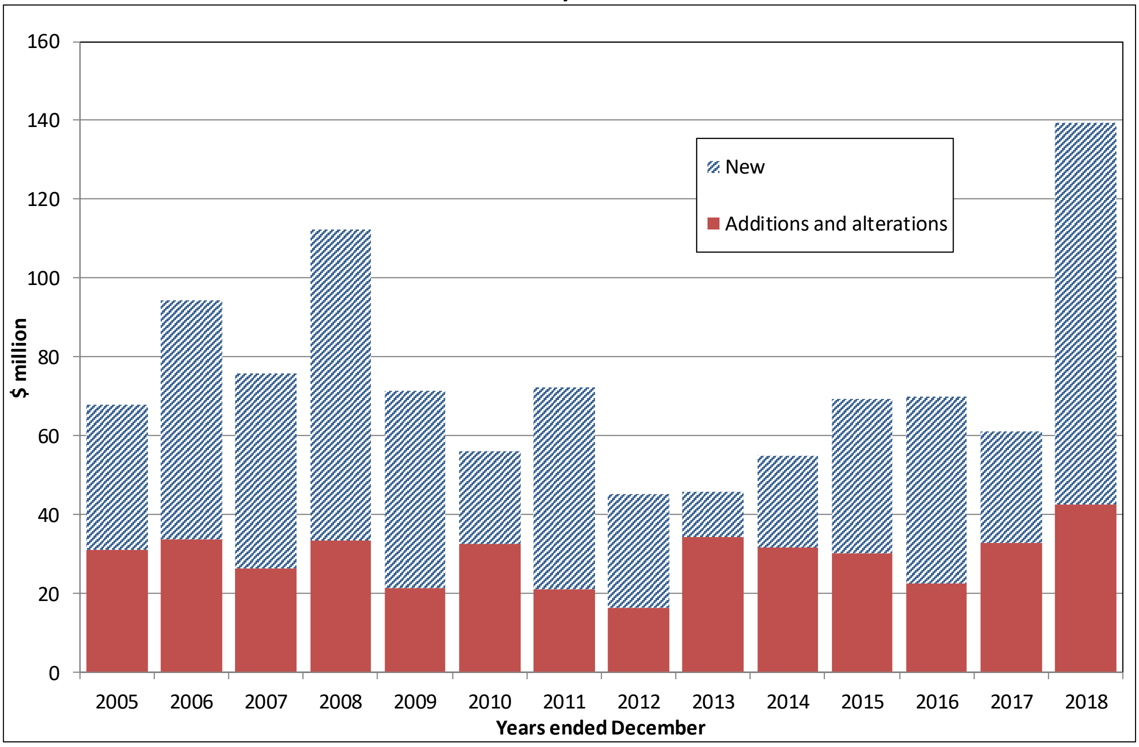


Source: Statistics NZ

5.14. While the Toyota consents accounted for the largest contribution to the growth in consents for factories, industrial and storage buildings, there was also an increase of smaller consents for a range of industrial and storage buildings.

5.15. The annual value of consents for the construction of new non-residential buildings averaged $45 million between 2005 and 2018 while the annual value of consents for additions and alterations to non-residential buildings averaged $29 million. Earthquake strengthening requirements have been an important contributor to the increase in the value of consents for additions and alterations to non-residential buildings, but it is difficult to measure the impact on consent values.

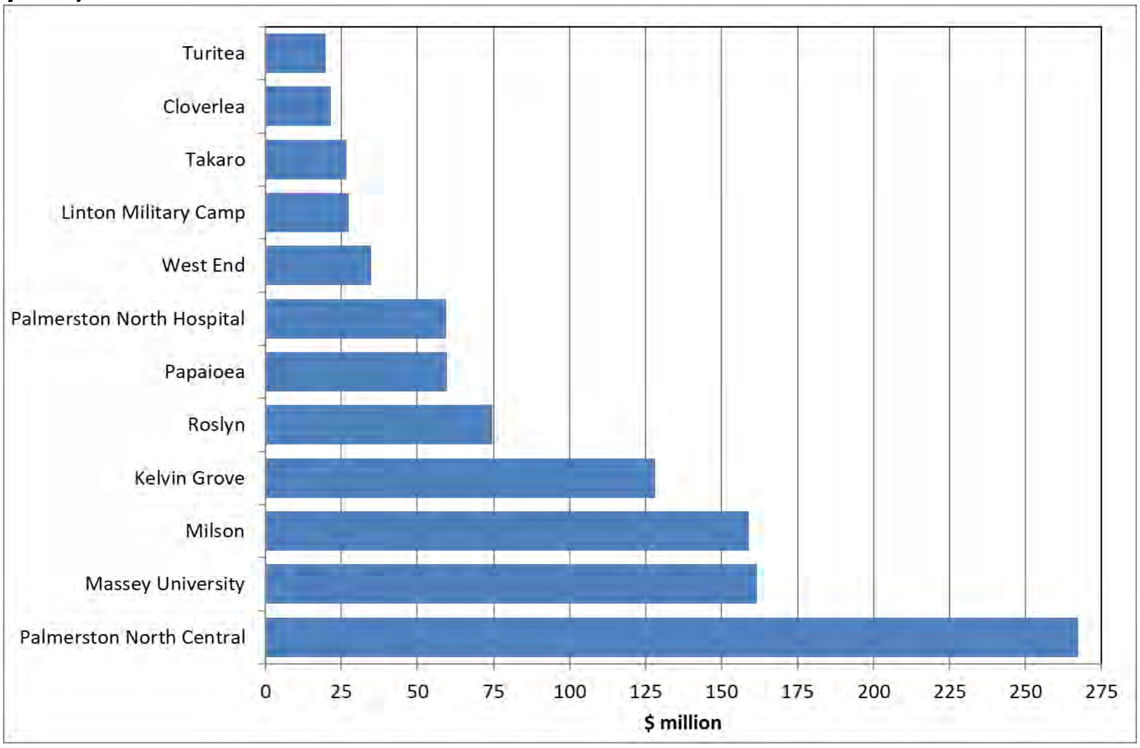
Figure 6: Annual value of non-residential building consents in Palmerston North (new construction vs additions and alternations)



Source: Statistics NZ

5.16. Palmerston North Central area unit accounted for 23% of non-residential building consents (by value) in Palmerston North over the period between 2003 and 2018. Massey University and the Milson area units accounted for 14% each of building consents. The Milson area unit, which includes the North-East Industrial area and Airport, while the Massey University area unit also includes the research institutes adjacent to the university.

Figure 7: Distribution of non-residential consents by area unit (2003 – 2018 December years)



Source: Statistics NZ

Outlook for major construction projects in Palmerston North and the wider region

5.17. Major development and construction projects announced for Palmerston North and the Manawatū region amount to close to $2.5 - $3.0 billion of construction activity over the period to 2030. Some projects are still waiting for final approval, the largest being the MidCentral DHB investment plan. Some projects under development do not have final values, such as the infrastructure required for the new P-8A Poseidon aircraft at Ohakea, the regional freight ring road and the new KiwiRail freight hub.

5.18. Total proposed capital expenditure by Palmerston North City Council over the 2018 – 2028 period is $687 million, of which the wastewater treatment plant is the largest investment. Manawatū District's proposed capital budget is $190 million.

Table 1: Major construction projects (2018 – 2030)

Development	$ million	Timing
Manawatū Gorge	450 - 500	start late 2019
Linton and Ohakea regeneration plan	397	2018 - 2030
Mercury Energy - Turitea	256	start August 2019
Massey University capital plan	184	2016 - 2025
Powerco growth and security projects	150	2017 - 2024
Hokowhitu campus redevelopment	90 - 135	start 2019
P-8A Poseidon aircraft - infrastructure	cost to be confirmed, finish by 2023	
NZTA regional roading investment	200	2018 - 2024
BUPA retirement village	40	started 2017
KiwiRail regional freight hub	cost and timing to be confirmed	
FoodHQ	39	start 2018, finish mid 2019
MidCentral DHB investment plan	282	timing uncertain
PNCC urban growth capital projects	48	2018 - 2028
PNCC city centre streetscape upgrade	29	2018 - 2028
Arena Master Plan	25	2018 - 2028
Te Manawa upgrade	58	2023 - 2028
Palmerston North wastewater plant	110	2024 - 2027

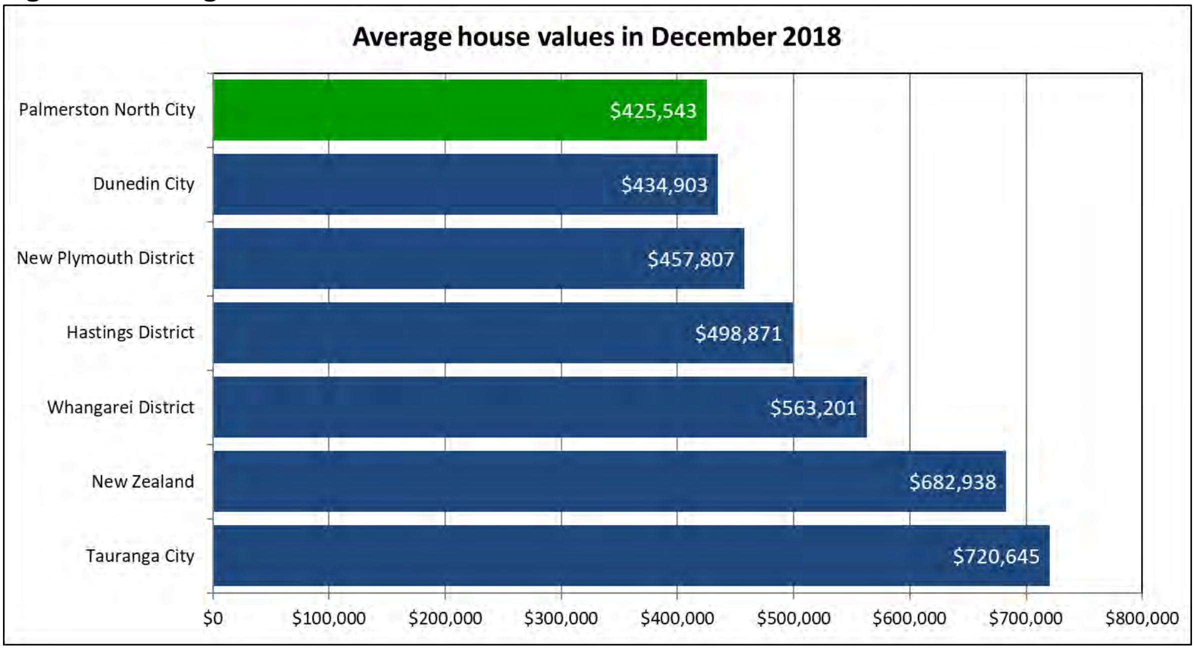
Source: Palmerston North City Council

Average house values and annual sales

5.19. Average house values in Palmerston North increased by 13.4% in the year ended December 2018, an increase of $50,326 from December 2017. Employment data for Palmerston North shows average annual salaries and wages in the city for the year ended December 2017 were $55,940.

5.20. The average value of $425,543 in Palmerston North in December 2017 was lower than for comparable sized urban areas.

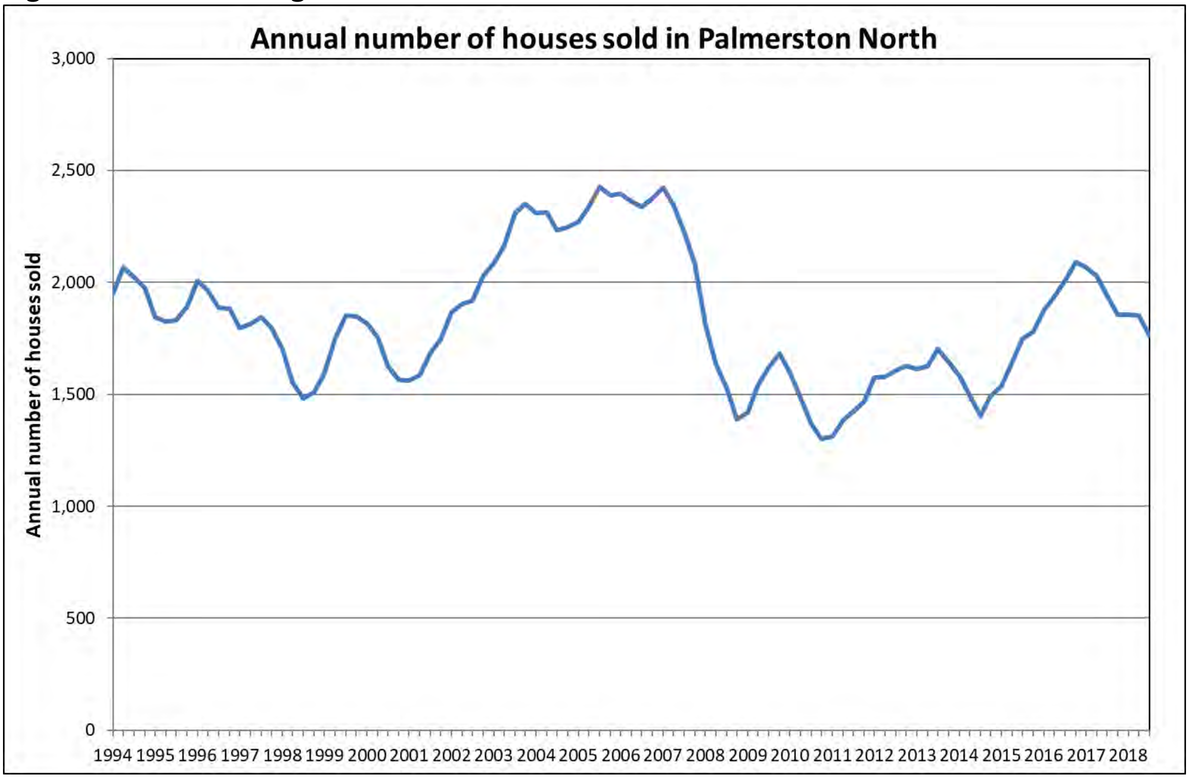
Figure 8: Average house values in December 2018



Source: QV

5.21. House sales in Palmerston North declined by 9% in the year to September 2018. The introduction of tighter borrowing limits by the Reserve Bank has been the main contributor to the decline in house sales since September 2017.

Figure 9: Annual change in house sales

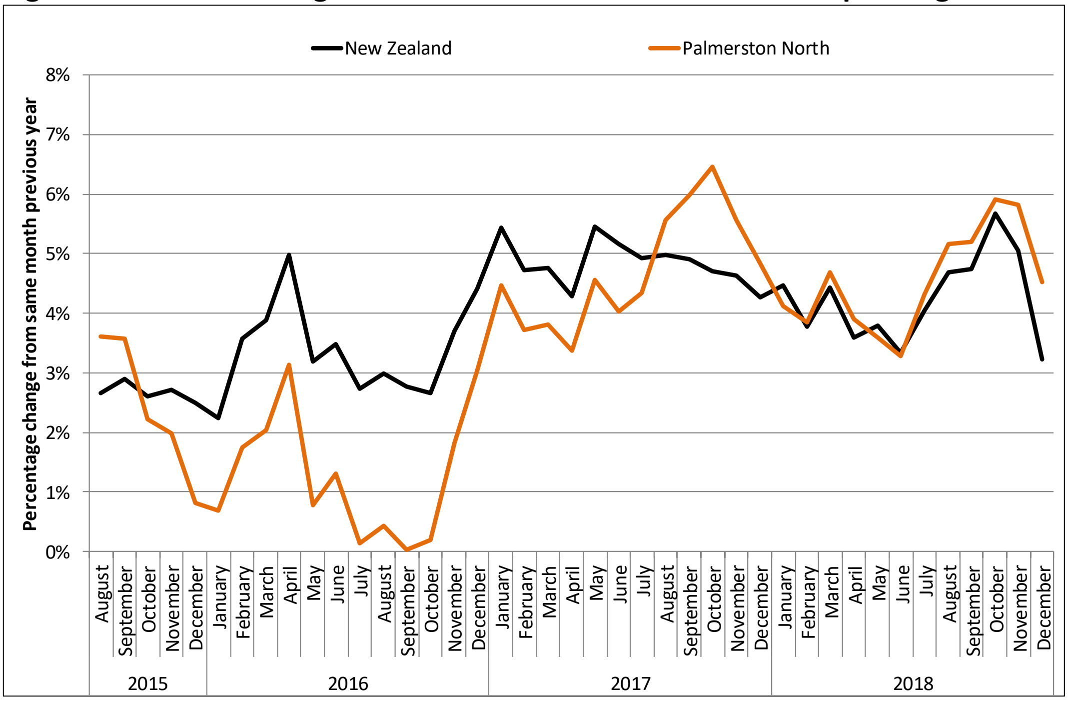


Source: MBIE and QV/Core Logic

Retail trends

5.22. Total electronic card retail spending increased by 4.4% in Palmerston North in the year ended December 2018, while national retail growth was 3.9%. The rate of growth for the city has been ahead of the growth rate for New Zealand for most of the period since August 2017, supported by strong growth in spending by residents at local merchants.

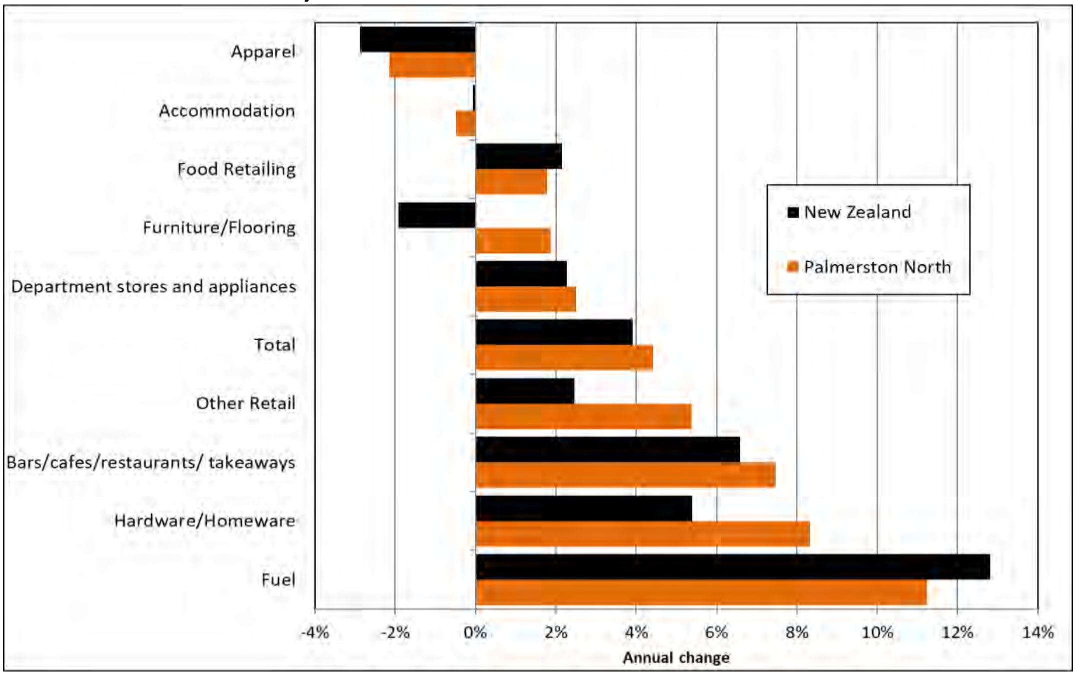
Figure 10: Annual change in the value of electronic card retail spending



Source: Marketview

5.23. Food retailing (supermarkets, liquor stores and other specialised food retailers) accounted for 30% of total electronic card spending in the year to December 2018.

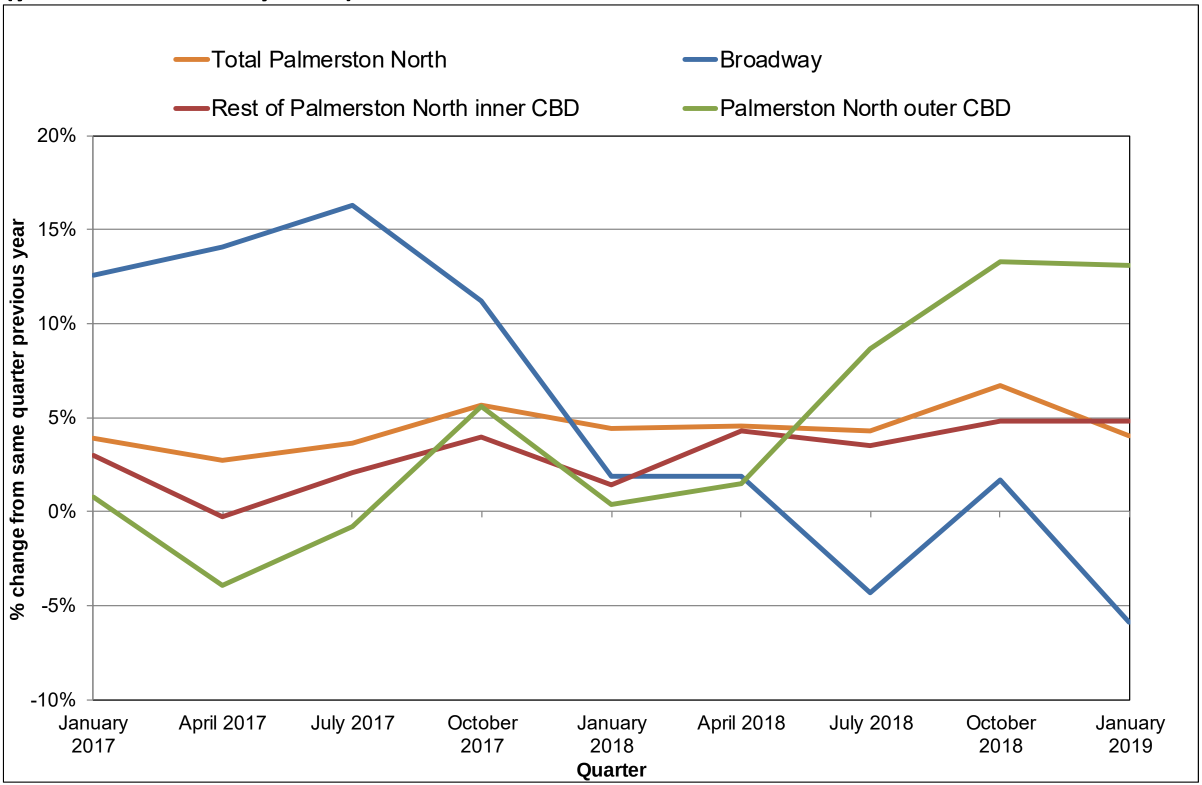
Figure 11: Change in Palmerston North electronic card retail spending by sector (year ended December 2018)



Source: Marketview

5.24. Electronic card spending data for the 12-months ended January 2019 shows that the annual rate of retail growth is now stronger in the CBD (5.7%) than for the city (5.6%). The strongest rate of growth was in the outer CBD zone, where spending increased by 9.5%, while growth in the inner CBD zone was 4.1%. New stores which contributed to the increase in the outer CBD zone during 2018 were Torpedo7 and Hunting and Fishing. The main contributor to the weakness in Broadway was the closure of the Whitcoulls store in May 2018.

Figure 12: Change in Palmerston North electronic card retail spending by retail precinct (year ended January 2019)



Source: Marketview

Employment trends

5.25. The total employee count in Palmerston North in February 2018 was 49,900[5], an increase of 3.3% from February 2017, an increase of 1,600 jobs over the 12-month period (the growth rate for New Zealand was 3.2%. The education and training sector recorded the largest increase in jobs between 2017 and 2018, but some of the increase in jobs was due to the reclassification of jobs from childcare (health care and social assistance sector) to early childhood education. Other large increases were recorded in construction and public administration and safety (includes Defence).

5.26. The biggest contributor to job growth between 2000 and 2018 was the public administration and safety sector, with an additional 2,550 jobs between 2000 and 2018. The largest contribution came from the expansion of the Linton Army Base. The health care and social services sector contributed 2,100 jobs between 2000 and 2018.

[5] The employee count for Palmerston North should be more than 50,000, but Ezibuy staff are currently missing from the employee count. Revised employee counts will not be published until October 2019

Table 2: Change in employee counts between February 2000 and February 2018

Industry sectors	Palmerston North			New Zealand		
	Employee count	2000 - 2018 change		Employee count	2000 - 2018 change	
ANZSIC06	2018	Number	%	2018	Number	%
Agriculture, Forestry and Fishing	640	130	25%	121,200	19,300	19%
Mining	25	16	178%	5,300	1,750	49%
Manufacturing	3,250	-400	-11%	233,700	-2,500	-1%
Electricity, Gas, Water and Waste Services	200	-60	-23%	16,500	7,500	83%
Construction	3,700	1,600	76%	170,500	94,600	125%
Wholesale Trade	3,250	1,150	55%	114,600	24,100	27%
Retail Trade	4,850	650	15%	216,300	49,200	29%
Accommodation and Food Services	2,950	450	18%	168,800	64,000	61%
Transport, Postal and Warehousing	2,100	800	62%	94,000	10,900	13%
Information Media and Telecommunications	530	-450	-46%	35,800	-10,200	-22%
Financial and Insurance Services	700	-50	-7%	55,300	13,700	33%
Rental, Hiring and Real Estate Services	730	210	40%	34,600	14,300	70%
Professional, Scientific and Technical Services	2,700	350	15%	186,400	84,200	82%
Administrative and Support Services	2,500	550	28%	120,100	42,200	54%
Public Administration and Safety	5,800	2,550	78%	123,700	48,200	64%
Education and Training	6,100	1,100	22%	188,600	55,100	41%
Health Care and Social Assistance	7,200	2,100	41%	236,200	83,700	55%
Arts and Recreation Services	870	160	23%	42,700	15,800	59%
Other Services	1,850	450	32%	73,700	22,500	44%
Total	**49,900**	**11,200**	**29%**	**2,237,900**	**638,400**	**40%**

Source: Statistics NZ

5.27. Palmerston North Central area unit is the largest area unit for employment, with 14,900 employees counted in February 2018, accounting for 30% of total employment in Palmerston North. The largest contributor to employment growth between 2000 and 2018 was the Tremaine area unit, where employee numbers increased by 3,700 over this period, an increase of 66%. The strongest rate of increase between 2000 and 2018 was in the Palmerston North Airport area unit, which includes the industrial zone to the north-east of the city. The number of jobs in the area unit increased from 160 in 2000 to 1,390 in 2018, with the largest contribution coming from increased road transport employee numbers[6].

[6] The area unit analysis used for employment is based on the 2018 statistical area unit boundaries. These differ significantly from the area unit boundaries used in Figure 6

Table 3: Employee counts and 2000 – 2018 employment change for Palmerston North area units

Employee count as at February 2018	2018	2000 - 2018 change	
	Number	Number	%
Palmerston North City	**49,900**	**11,200**	**29%**
Palmerston North Central	14,900	2,900	24%
Tremaine	9,300	3,700	66%
Turitea	4,350	450	12%
Palmerston North Hospital	3,550	650	22%
Linton Camp	3,050	1,150	61%
Palmerston North Airport	1,550	1,390	869%
Takaro North	1,200	240	25%
Newbury	960	140	17%
Roslyn	960	370	63%
Papaioea North	910	-340	-27%
West End	710	340	92%
Papaioea South	680	110	19%
Esplanade	600	-40	-6%
Hokowhitu East	600	-70	-10%
Ruahine	510	260	104%
Awapuni South	460	140	44%
Whakarongo	430	210	95%
Highbury East	420	80	24%
Poutoa	410	240	141%
Terrace End	360	50	16%
Ashhurst	340	130	62%
Kelvin Grove North	320	255	392%
Maraetarata	300	50	20%
Royal Oak	300	190	173%
Milson South	290	-460	-61%
Milverton	280	-140	-33%
Pihauatua	280	-340	-55%
Hokowhitu Central	270	160	145%
Takaro South	260	-70	-21%
Ruamahanga	250	80	47%
Milson North	230	-350	-60%
Westbrook	160	-20	-11%
Awapuni North	150	-90	-38%
Kelvin Grove West	120	-30	-20%
Park West	120	-60	-33%
Pioneer West	110	15	16%
Cloverlea	80	-20	-20%
Aokautere Rural	75	20	36%
Aokautere	55	-10	-15%
Hokowhitu South	55	-20	-27%

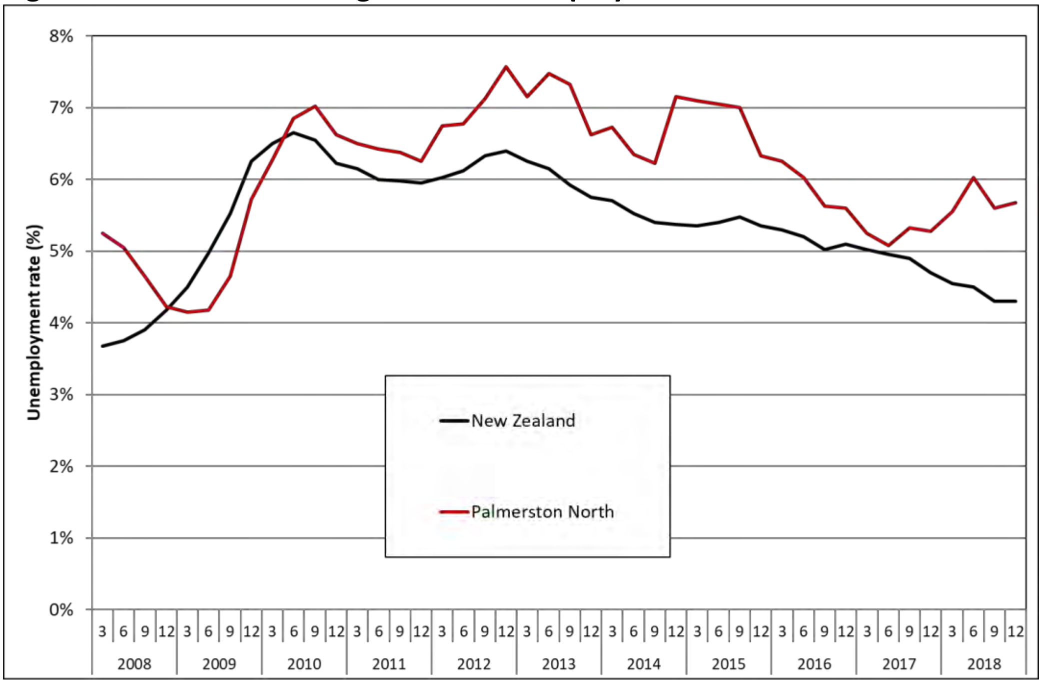
Source: Statistics NZ

Unemployment

5.28. The average rate of unemployment in Palmerston North in the year to December 2018 was 6.0%, up from 5.6 % in 2017.

5.29. Palmerston North’s unemployment rate is higher than the average for New Zealand due to its young population. The median age for the city’s population was estimated to be 33.6 years in June 2018 while the median for New Zealand was 36.9 years.

Figure 13: Estimated average annual unemployment rate



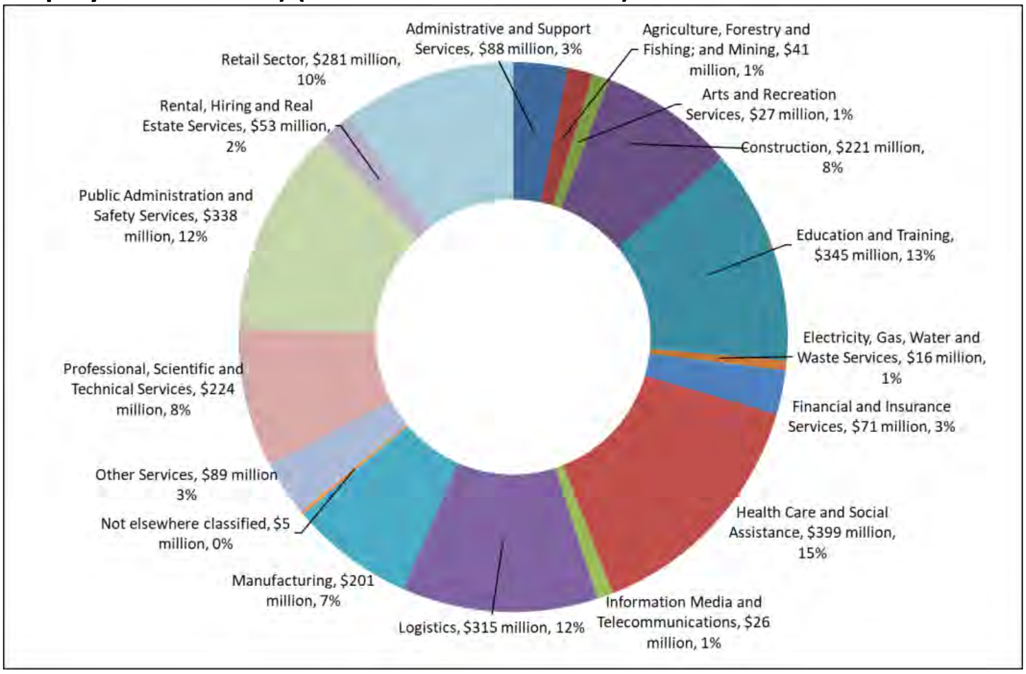
Source: Statistics NZ/ Infometrics

Earnings

5.30. Annual earnings (salaries, wages and self-employment income) paid in the city in the year ended March 2017 were $2,740 million, increasing by 4.0% from the previous year, while earnings for New Zealand increased by 5.3%.

5.31. Health care and social assistance is the largest sector for earnings from salaries, wages and self-employment, contributing 14 % of total earnings in the city. Other major sectors in the city are; education and training, public administration and safety (include Defence), and logistics.

Figure 14: Distribution of earnings in Palmerston North (salaries, wages and self-employment income) (Year ended March 2017)



Source: Statistics NZ

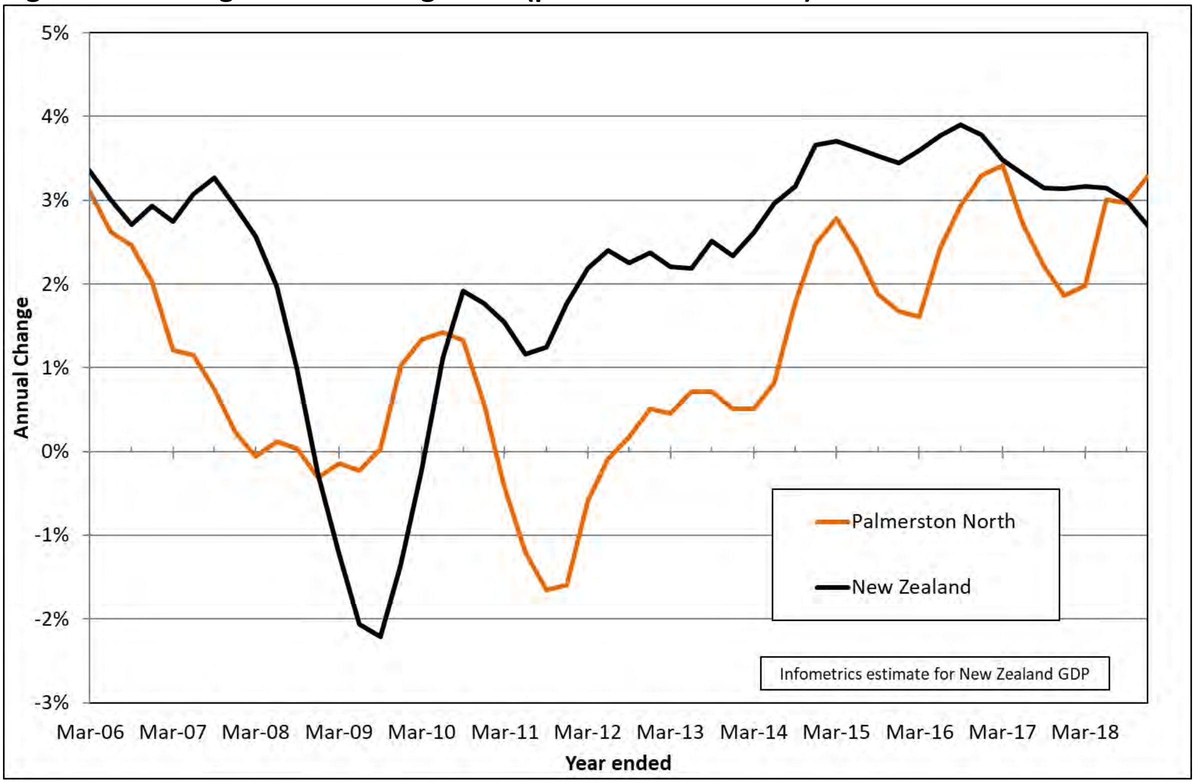
Gross domestic product (GDP)

5.32. The latest Infometrics GDP estimates suggest Palmerston North GDP increased by 3.3% in the 12 months ended December 2017. National GDP growth was estimated to be 2.7%.

5.33. The Infometrics estimates for 2017 are provisional and will be revised once employment data is published later this year. GDP growth in the city has lagged the national growth rate since 2010. National growth was boosted from late 2010 by the investment in the Canterbury post-earthquake rebuild and significant investment in the Roads of National Importance and construction of housing in Auckland.

5.34. GDP growth in Palmerston North is expected to accelerate further in 2019 due to strong growth in construction activity.

Figure 15: Average annual GDP growth (production measure)



Source: Infometrics

Tourism

5.35. Total visitor earnings in the city in the year ended December 2018 were $427 million, ranking it 12th overall among the 67 local authorities. Tourism spending in the city increased by 3.9% in the 12 months ended December, slightly weaker than the national growth rate of 4.2%. Domestic visitor spending was $363 million, increasing by 3.3% from the previous year, while international visitor spending was $64 million, an increase of 7% from the previous year. Between 2009 and 2018, total visitor spending in the city increased by $127 million, an increase of 40%. Domestic visitor spending in the city increased by 39% while international visitor spending increased by 47%.

Table 4: Ranking of tourism spending by territorial authority (year to November 2018)

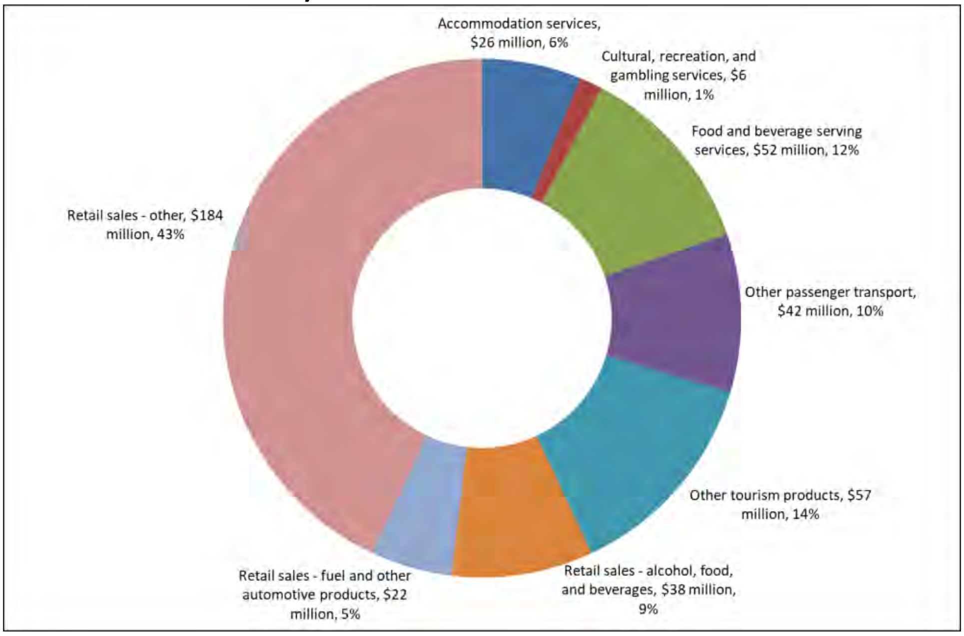
Rank	Total visitor spending	
1	Auckland	8,291
2	Queenstown-Lakes District	2,899
3	Christchurch City	2,600
4	Wellington City	1,834
5	Hamilton City	912
6	Rotorua District	815
7	Tauranga City	801
8	Dunedin City	776
9	Taupo District	653
10	Far North District	512
11	Whangarei District	483
12	**Palmerston North City**	**427**
13	Marlborough District	400
14	Thames-Coromandel District	379
15	Nelson City	369
16	Napier City	340
17	Southland District	338
18	New Plymouth District	333
19	Westland District	325
20	Tasman District	294
21	Mackenzie District	294
22	Invercargill City	251
23	Hastings District	249
24	Lower Hutt City	238
25	Timaru District	224

Source: Ministry of Business, Innovation and Employment (MBIE)

5.36. The ‘retail sales – other’ category is the biggest sector for tourism expenditure in Palmerston North. It includes apparel, appliances, department stores, furniture and flooring, hardware and homeware and other general retail stores. Total spending by visitors in the ‘retail sales – other’ category was $184 million in the year to December 2018, an average of $503,000 per day.

5.37. The Manawatū-Whanganui region is the largest source of visitor spending in the city, following by visitors from the Wellington and Auckland regions. Australia is the largest source of international visitor spending but there has been strong growth in spending from China and Europe.

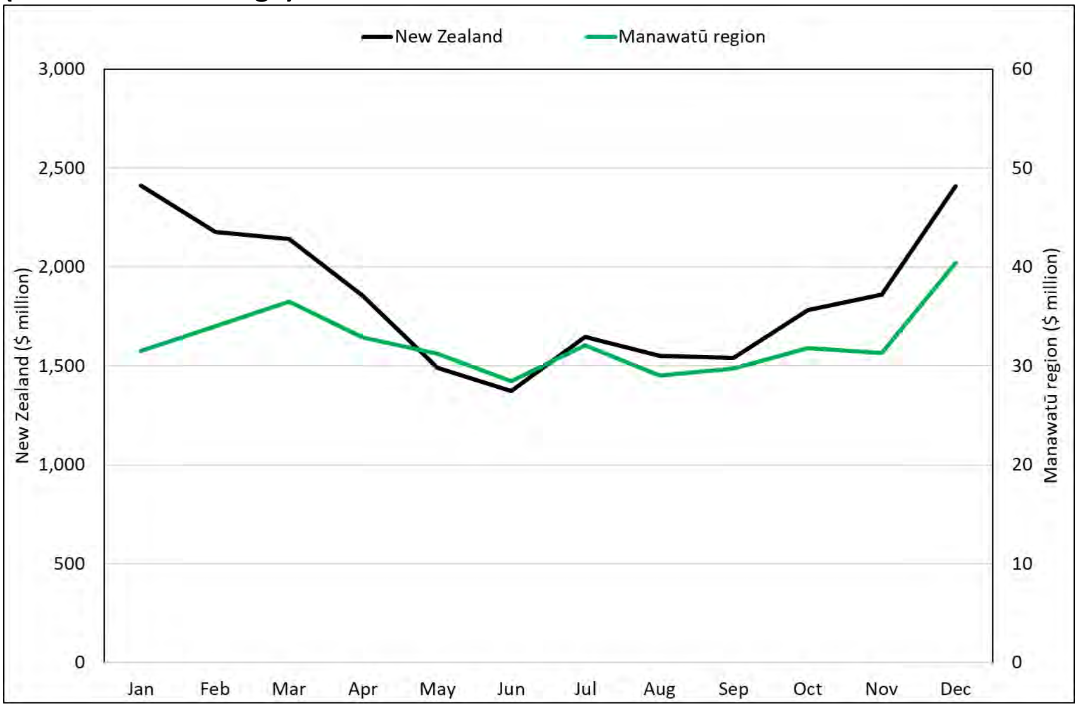
Figure 16: Tourism expenditure in Palmerston North and share of spending in the city (year ended December 2018)



Source: MBIE/Statistics New Zealand

5.38. Average monthly tourism spending is relatively stable in the Manawatū region[7], with a December peak of $39.7 million and a seasonal low of $28.5 million in June (based on 2009 – 2018 spending). New Zealand monthly spending ranges from a high of $2,337 million in December to a seasonal low of $1,372 million in June.

Figure 17: Average monthly tourism expenditure in Palmerston North and New Zealand (2009 – 2018 average)



Source: MBIE/Statistics New Zealand

[7] Monthly expenditure data for Palmerston North is not published by MBIE but Palmerston North accounts for 90% of tourism spending in the Manawatū region

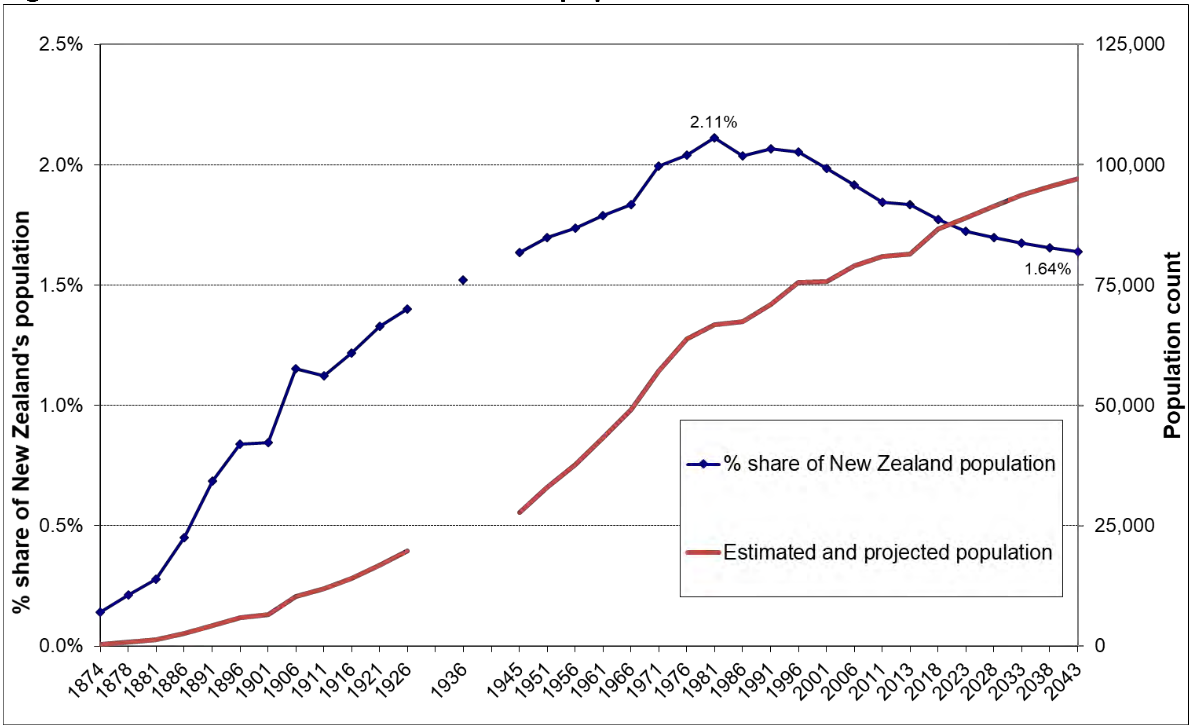
6. Housing demand and development capacity

Assessing demand for housing

Assessing future population growth

6.1. Projections for future growth in the number of households draw heavily on past development patterns and population trends, as well as anticipated changes in those trends. Historic Statistics New Zealand urban area population data shows Palmerston North's population grew rapidly from its founding in 1866, growing faster than the national rate of growth until the early 1980s. Since then its population has continued to grow, but more slowly than the rate of growth for New Zealand. The latest population projections suggest the city will continue to grow more slowly than the rate of growth for New Zealand, but the rate of growth will be higher than the city has experienced since the early 1990s. Recent changes in population and economic growth across the wider Manawatū-Whanganui region, however, mean there is potential that growth in the city will be stronger than the medium population and household projections.

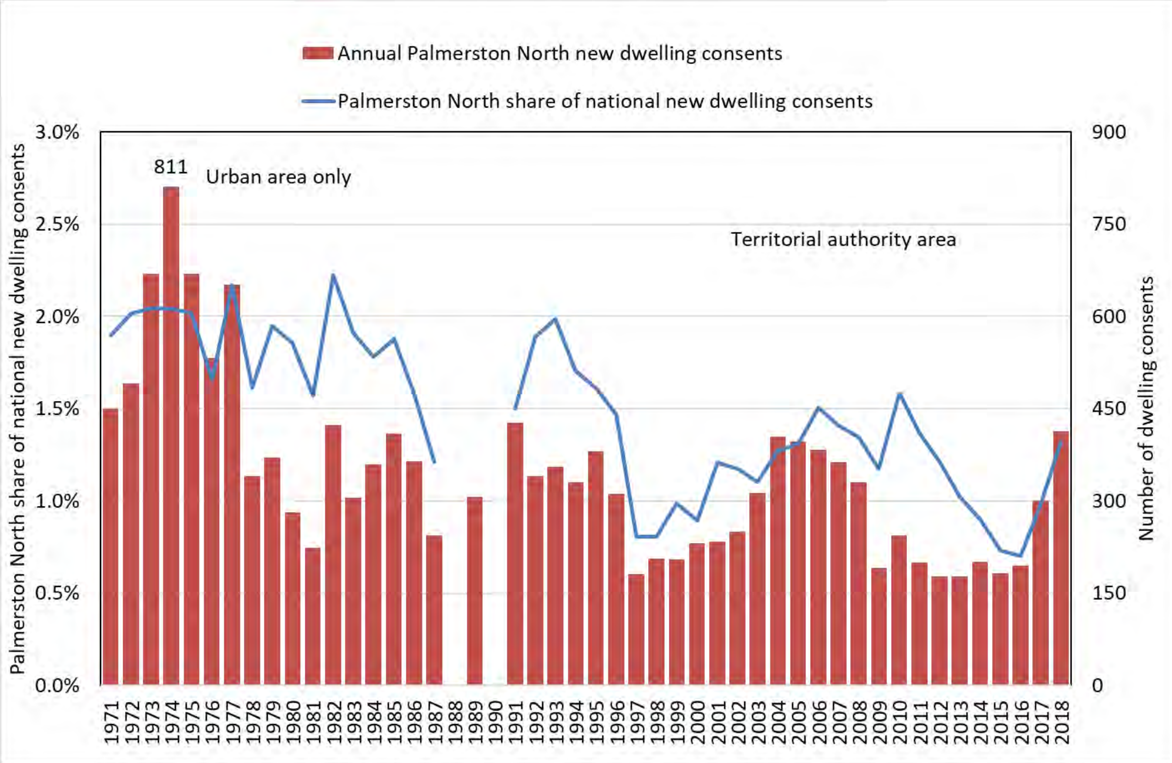
Figure 18: Palmerston North's urban area population



Source: Statistics New Zealand

6.2. Statistics New Zealand building consents data for the 1970s and 1980s is based on the Palmerston North urban area. This is largely comparable with the current building consents series, which began in 1990. There is a small difference between the current Statistics New Zealand urban area population estimate for Palmerston North of 86,600 and the Palmerston North territorial authority estimate of 88,700. The historic building consents data in figure 18 below shows a much higher level of new residential construction in Palmerston North during the 1970s and a slowing during the 1980s. Residential consents peaked in the city in 1974, when 811 consents were approved. National consents peaked at 39,734 in that year.

Figure 19: Palmerston North share of New Zealand new dwelling consents



Source: Statistics New Zealand

6.3. The following analysis provides a brief overview of the factors which contributed to weaker population growth in Palmerston North since 1981 and the factors which are now beginning to contribute to much stronger housing demand and population growth in the city. Figure 16 shows urban area population estimates and projections because this provides the only consistent time series for Palmerston North. Major changes to the boundary of the Palmerston North territorial authority occurred in 1989 while a boundary extension into Manawatū District occurred in 2012.

6.4. Projections for population and household change are regularly published by Statistics New Zealand and have been widely used by local authorities for planning for long-term population and household change. The projections are neither predictions nor forecasts. They represent the statistical outcomes of various combinations of selected assumptions about future changes in various dynamics of population change. These assumptions are formulated from the latest demographic trends and patterns, as well as international experiences. There is uncertainty around the projections, which is reflected in alternative projections presented. Statistics New Zealand provides low, medium and high projections at a territorial authority level. The Sense Partners projections used for this housing assessment are based on the medium, or 50th percentile, projections. It also presents 5th, 25th, 75th and 95th percentile projections in its analysis.

6.5. Sense Partners was commissioned to produce alternative population and household projections for council because of concerns that the Statistics New Zealand migration projections were not consistent with current growth trends in the city. There is further commentary on the differences between both sets of projections later in this report. Table 5 compares the Sense Partners and Statistics New Zealand population projections to 2043, showing a difference of 11,140 people in the projected population in 2043.

Table 5: Long-term medium population projections for Palmerston North

	Sense Partners (September 2017)			**Statistics New Zealand (December 2016)**		
		Average annual change			Average annual change	
Period ended	Population count	number of people	rate of change (%)	Population count	number of people	rate of change (%)
2001	77,100			77,100		
2006	80,800	740	0.9%	80,800	740	0.9%
2013	83,500	386	0.5%	83,500	386	0.5%
2018p	88,730	1,046	1.2%	88,200	940	1.1%
2023p	93,650	984	1.1%	91,400	640	0.7%
2028p	98,118	894	0.9%	94,200	560	0.6%
2033p	102,444	865	0.9%	96,700	500	0.5%
2038p	106,823	876	0.8%	98,800	420	0.4%
2043p	111,840	1,003	0.9%	100,700	380	0.4%

Source: Sense Partners and Statistics New Zealand

6.6. Both sets of projections do not take into account non-demographic factors such as war, economic crisis or changes in government policy, either here or in New Zealand, that may invalidate the projections. Population trends and patterns are monitored regularly and, when it is necessary, the projections are revised to incorporate new demographic evidence. A similar approach is taken with the Council's 10-year plan, which is updated every three years.

6.7. The difference between the Sense Partners projections and Statistics New Zealand projections is due to differences in views about international migration and the long-term impact this will have on population growth. The population projections prepared by Statistics New Zealand are based on a long-term average for net migration (internal and overseas), and assume that current high levels of net migration will return to the historical average of the past 30 years. The Sense Partners assessment of future population growth and housing demand uses a modelling approach for long-term trends in inward and outward migration. The modelled undertaken by Sense Partners shows a longer-term trend for increasing net overseas migration over time. As a result, this analysis presents a stronger outlook for population and household growth than the Statistics New Zealand projections.

6.8. The Sense Partners analysis shows there is a general long-term upward trend in inward migration into New Zealand. This reflects the attractiveness of New Zealand as a destination, increasing numbers of people internationally who are capable of migrating and other influences in significant countries of origin for New Zealand, for example, political change in South Africa. This means annual inward migration has increased relative to the size of the New Zealand population. Table 6 shows a high net migration gain in Palmerston North between 2013 and 2018 but Statistics New Zealand is projecting this to decline to 400 people a year between 2018 and 2023. It is projecting no gain from migration after 2023. In contrast, Sense Partners is projecting net migration to gradually increase.

Table 6: Comparison of components of actual and projected population change (medium growth scenarios

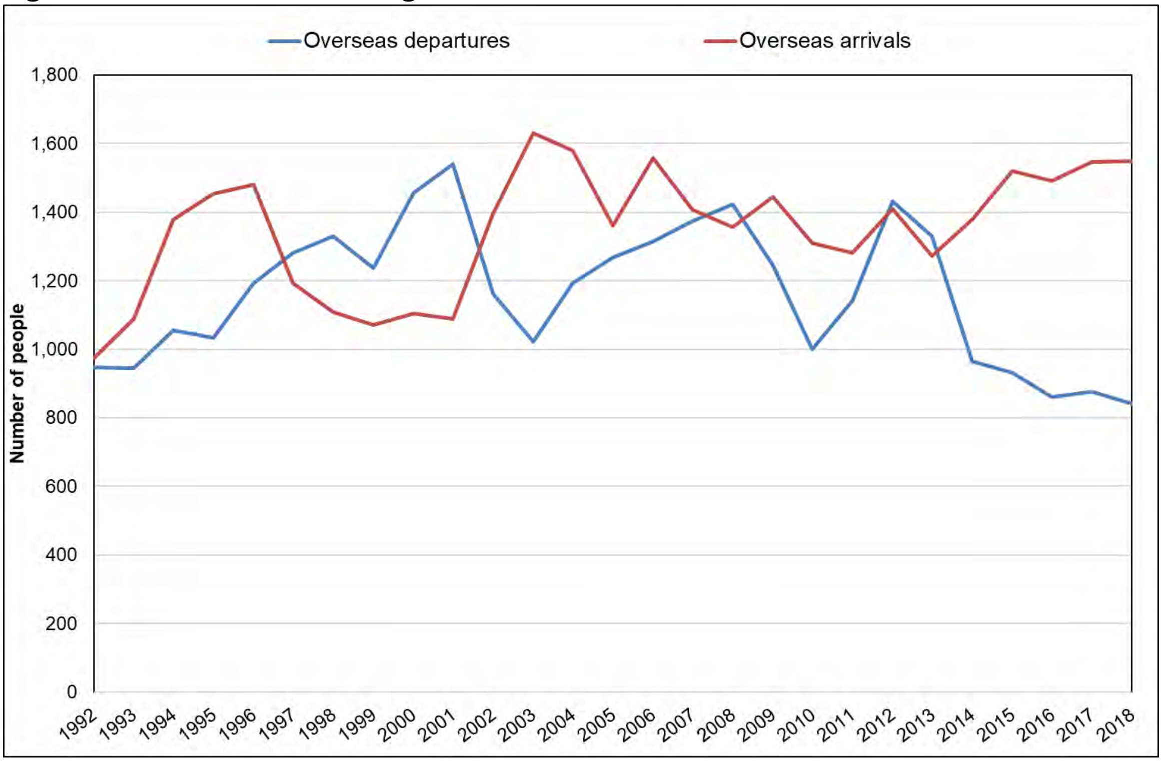
	Year	Births	Deaths	Natural increase	Net migration	Median age
Statistics New Zealand	2001	5,500	2,500	3,100	-3,100	31
	2006	5,300	2,700	2,700	1,000	32
	2013	5,900	2,700	3,100	-600	33
	2018	5,600	2,900	2,700	2,000	33
	2023	5,900	3,000	2,800	400	34
	2028	5,900	3,200	2,800	0	35
	2033	5,900	3,400	2,500	0	36
	2038	5,800	3,700	2,200	0	36
	2043	5,900	4,000	1,900	0	37
Sense Partners	2001	5,500	2,500	3,100	-3,100	31
	2006	5,300	2,700	2,700	1,000	32
	2013	5,900	2,700	3,100	-600	33
	2018	5,500	3,000	2,500	2,700	33
	2023	5,200	3,500	1,700	3,300	34
	2028	5,300	3,800	1,500	2,900	36
	2033	5,400	4,300	1,100	3,200	37
	2038	5,500	4,900	600	3,800	38
	2043	5,900	5,500	400	4,600	38

Source: Statistics New Zealand and Sense Partners

6.9. Outward overseas migration from the city has been subdued over the past 15 years, with long-term departures declining significantly relative to the size of the population. This decline has been more obvious in Palmerston North compared with the trend for New Zealand, with annual long-term overseas departures from the city falling below levels recorded in the early 1990s while the current total for New Zealand is higher than early 1990s levels.

6.10. Figure 20 below shows annual overseas arrivals in Palmerston North increasing from 973 people in the year to June 1992 to an annual increase of 1,550 people by June 2018. Overseas departures declined from 948 people in the year ended June 1992 to 841 people by June 2018. There was an increase in overseas departures to Australia following the opening up of the Australian labour market in the early 1990's to New Zealand residents under the Closer Economic Relationship agreement with Australia. Annual departures to Australia from Palmerston North increased from 294 people a year in 1992 to a peak of 828 people in the year to June 2008, but have since fallen to 338 people in the year to June 2018. Improving economic growth in Palmerston North since 2000 and changes in Australian policy towards New Zealanders since the early 2000's are both factors contributing to the decline in the number of people moving to Australia.

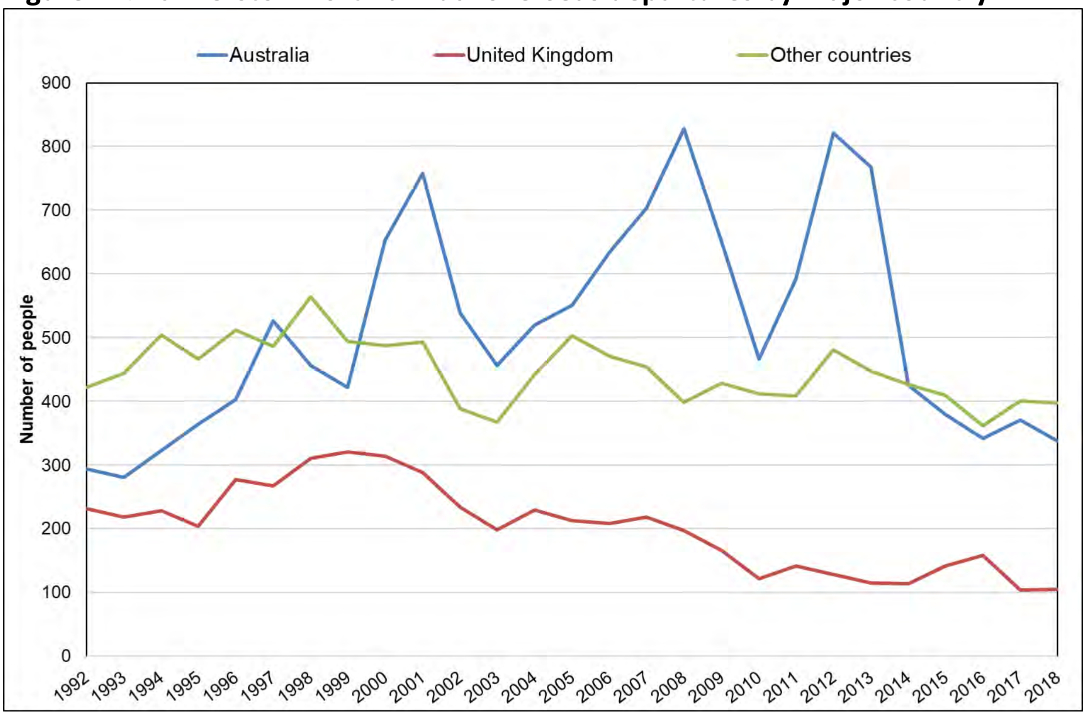
Figure 20: Annual overseas migration from Palmerston North



Source: Statistics New Zealand

6.11. Overseas departures from the city to the United Kingdom also increased during the 1990s rising from 232 in the year to June 1992 to a peak of 321 people in the year to June 1999. Changes in relative rates of economic growth and unemployment rates between Palmerston North and the United Kingdom, and changes in United Kingdom migration policy, have contributed to departures to the United Kingdom declining to 105 people in the year to June 2018 (see Figure 21).

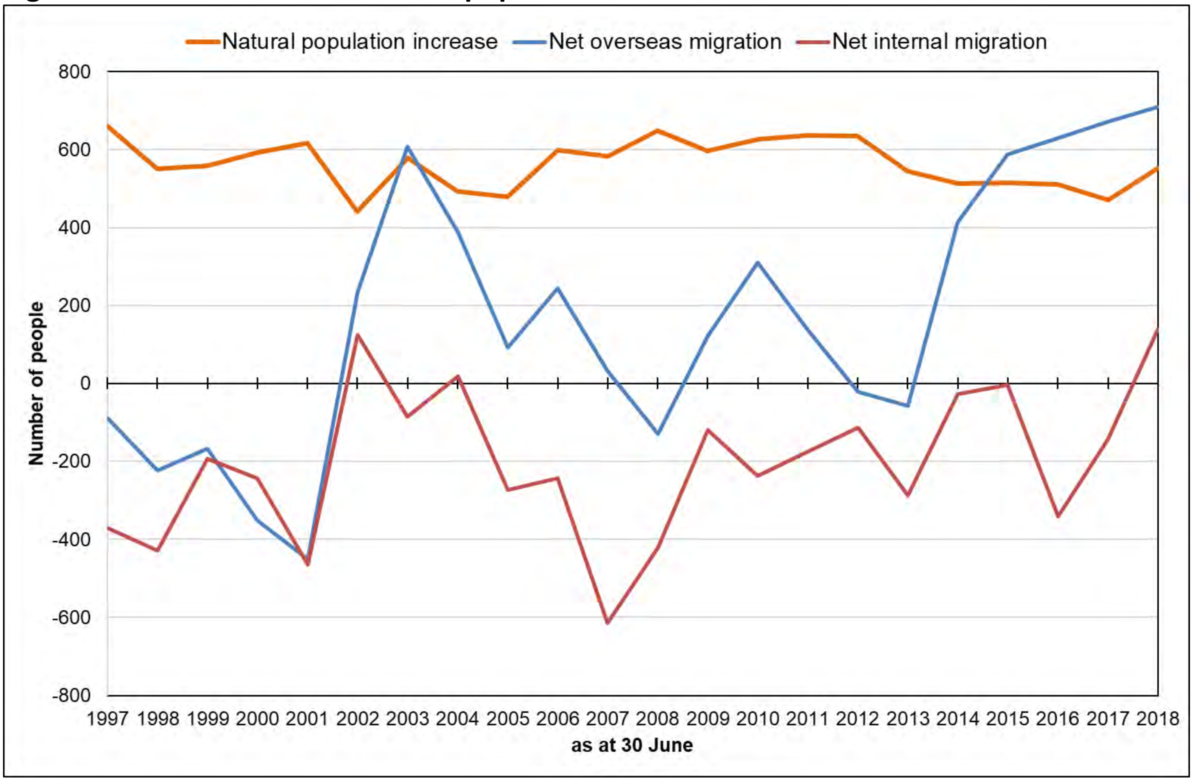
Figure 21: Palmerston North annual overseas departures by major country



Source: Statistics New Zealand

6.12. The net migration estimate used for the population and household projections also show long-term changes in internal migration between Palmerston North and the rest of New Zealand. Estimates, based on Statistics New Zealand annual population estimates, natural population increase (the difference between recorded births and deaths), and net overseas migration, suggest Palmerston North has experienced a net internal migration loss in most years between 1992 and 2018 (Figure 22).

Figure 22: Contributions to annual population increase in Palmerston North



Source: Statistics New Zealand

6.13. The contribution of natural population growth has been gradually declining in Palmerston North due to a decline in fertility rates (the number of births per woman), which is consistent with the trend for New Zealand. In addition, an increase in the median age of the population has contributed to an increase in the number of deaths, reducing the difference between the number of births and deaths. As noted earlier, the trend for net overseas migration has been growing strongly in Palmerston North while the trend in internal migration has risen more slowly. The estimated net internal migration gain in the year to June 2018 is the highest in the series which began in 1996.

6.14. The Sense Partners projections suggest stronger population growth will occur across all age groups, with higher net migration levels contributing to a higher population base in each age growth. The biggest differences in the growth projections is in the 65 years and over population, resulting in a slightly higher median age in the Sense Partners projections than for the Statistics New Zealand projections (see Table 7). However, the Sense Partners projections for 2043 are 15% higher for the 0 – 14 years age group and 14% for the 40 – 64 years age group.

Table 7: Projected population change by age (medium growth scenarios)

	Year	Age: 0 -14	Age: 15 -39	Age: 40 -64	Age: 65 and over	All ages
Statistics New Zealand	2001	16,200	32,200	20,400	8,400	77,100
	2006	16,300	32,500	22,800	9,200	80,800
	2013	16,700	31,600	24,300	10,900	83,500
	2018	17,100	34,300	24,200	12,600	88,200
	2023	17,300	35,700	23,800	14,600	91,400
	2028	17,200	36,800	23,200	17,000	94,200
	2033	17,300	36,900	23,900	18,600	96,700
	2038	17,300	36,600	25,100	19,900	98,800
	2043	17,300	36,900	26,300	20,200	100,700
Sense Partners	2001	16,200	32,200	20,400	8,400	77,100
	2006	16,300	32,500	22,800	9,200	80,800
	2013	16,700	31,600	24,300	10,900	83,500
	2018	17,522	33,312	25,080	12,816	88,730
	2023	18,540	34,231	25,443	15,436	93,650
	2028	18,545	35,492	25,683	18,398	98,118
	2033	18,804	35,908	26,938	20,794	102,444
	2038	19,383	36,432	28,263	22,745	106,823
	2043	19,891	38,082	29,969	23,898	111,840

Source: Statistics New Zealand and Sense Partners

6.15. There have been a range of factors which have influenced the movement of people into and out of Palmerston North, and which will influence future population movement:

a. Tertiary education - the movement of people into the city for tertiary education and then movement out from the city at the completion of their study, primarily to the larger cities in New Zealand. Changes to student loan interest payment rules for graduates who move overseas seem to have played a role in the decline in overseas departures since the rule change took effect. The flow of students into the city has been influenced by a long-term decline in school leaver numbers from the wider catchment for Massey University and UCOL (due to a decline in the number of births until 2002) and an increasing share of school leavers from the wider region choosing to study in other regions. The Tertiary Education Commission has cut student places at both institutions due to the reduction in school leaver numbers and reduced the funding available for courses below degree level. Total student head counts at Massey University, Universal College of Learning, Te Wānanga o Aotearoa and Institute of the Pacific United (IPU) declined from 12,077 in 2012 to 8,829 in 2018. Strong economic growth in the region also appears to be a factor in a higher share of school leavers going directly into employment rather than into tertiary education in recent years.

   International student numbers declined from 2,286 in 2012 to 1,717 in 2018. Both Massey University and UCOL forecast little growth in student numbers over the next two years. Students coming to study for one year or more are counted as permanent and long-term migrants but short-term students are counted at visitors. These short-term students include English language students and students at professional development programmes run at Massey University. Many of the short-term student stay in hosted accommodation, so do not result in any additional housing demand.

b. Labour market catchment increase. Between 2000 and 2018 the number of jobs in the city increased by 11,200 while the population is estimated to have increased by 11,300.

In contrast, New Zealand experienced employment growth of 638,400 and population growth of 1,027,600. If the city had experienced the same ratio between employment and population growth as New Zealand, it's population would have increased by 18,000, resulting in a population of 95,000 by 2018.

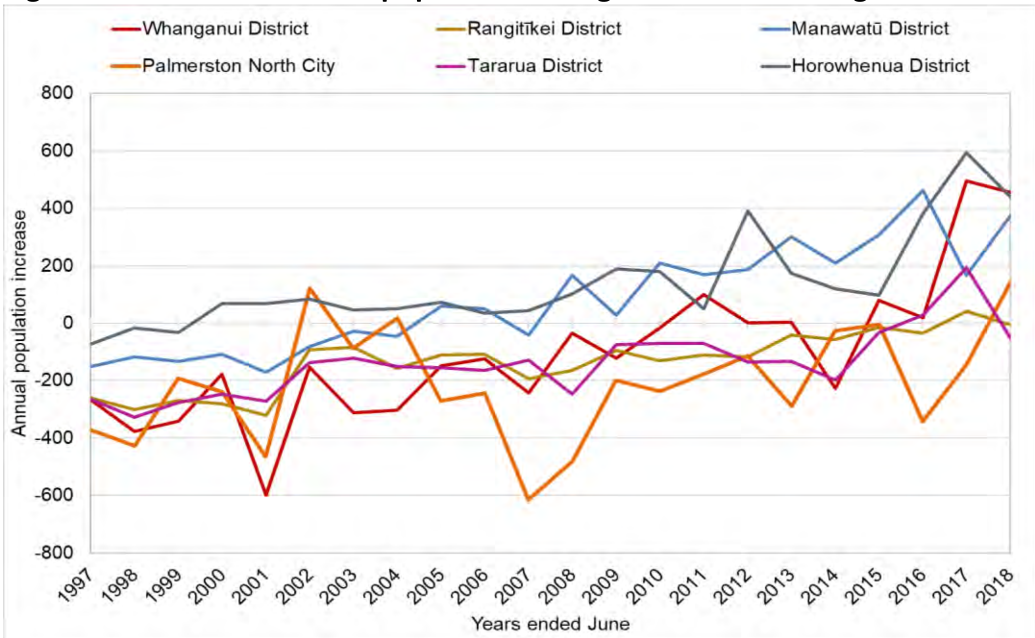
The increase in the size of the labour market catchment for Palmerston North is shown in Census data, which confirms an increasing share of the City's workforce are living in other local authorities' areas within commuting distance from the city. Census 2013 data (Table 8) shows that 20% of the city's workforce came from other local authorities, although there was also some movement of labour in the opposite direction. A result of the expansion in the labour market catchment area has been weak population growth in Palmerston North compared with the trend for New Zealand.

Table 8: Usual residence of people who work in Palmerston North (Census 2013)

Place of Residence	Number	% share of city workforce
Palmerston North City	31,425	79.1%
Manawatu District	4,719	11.9%
Horowhenua District	1,260	3.2%
Tararua District	507	1.3%
Rangitikei District	492	1.2%
Wanganui District	315	0.8%
Kapiti Coast District	147	0.4%
Wellington City	84	0.2%
Total selected territorial authorities	**7,524**	**18.9%**
Other territorial authorities	771	1.9%
Total Palmerston North workforce	**39,720**	**100.0%**

Source: Statistics New Zealand

Figure 23: Estimated annual population change from internal migration



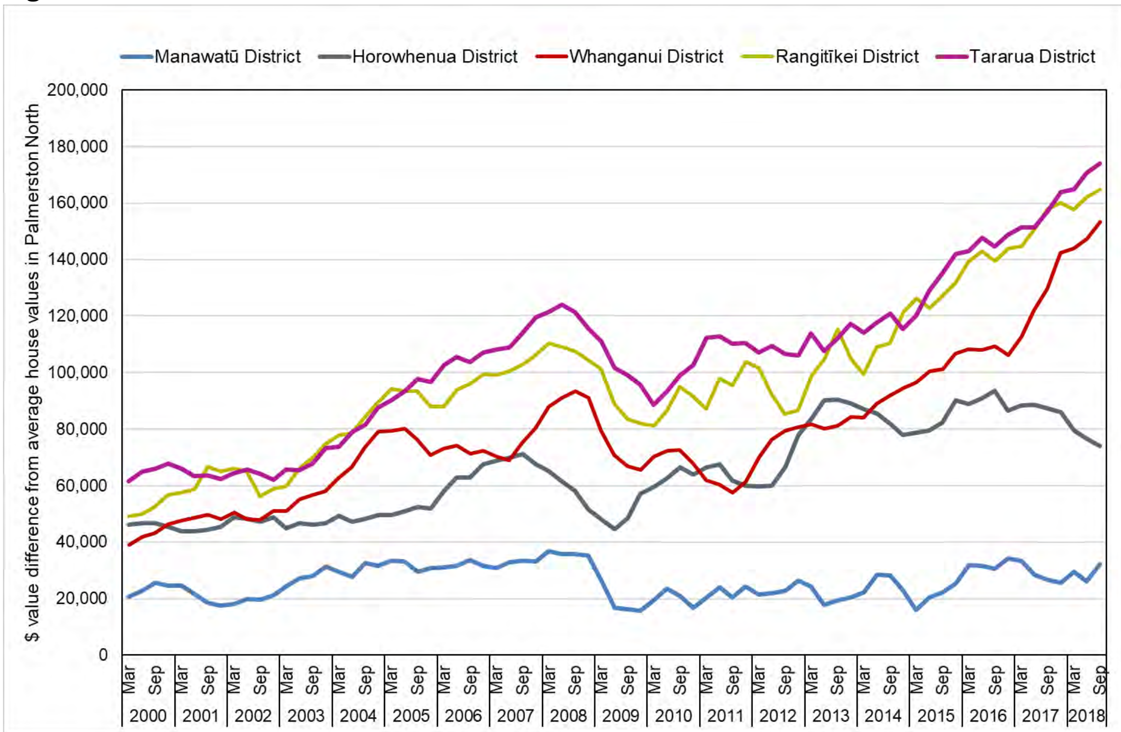
Source: Statistics New Zealand

In the labour market catchment area for Palmerston North, the largest annual gains from internal migration have been in Manawatū and Horowhenua Districts, the local authorities which account for the largest share of the city's workforce.

The highest rates of growth in commuter numbers have been at the edge of the labour market catchment for the city but the biggest contributions to the increase in the number of commuters have still come from Manawatū and Horowhenua Districts. Census 2018 data is not yet available to compare with commuting patterns in 2013 but Figure 23 shows annual net internal migration gains for territorial authorities within easy commuting distance from Palmerston North.

c. <u>A widening in the gap between house values in Palmerston North and local authorities close to Palmerston North</u>. March 2000 quarter data for average house values shows that house prices in the region around Palmerston North were between $20,000 and $80,000 below the average for Palmerston North. The gap has been relatively stable between Palmerston North and Manawatū District but has widened with other councils since 2000, increasing to more than $160,000 in some districts (see Figure 24).

Figure 24: Difference in house values from Palmerston North



Source: MBIE

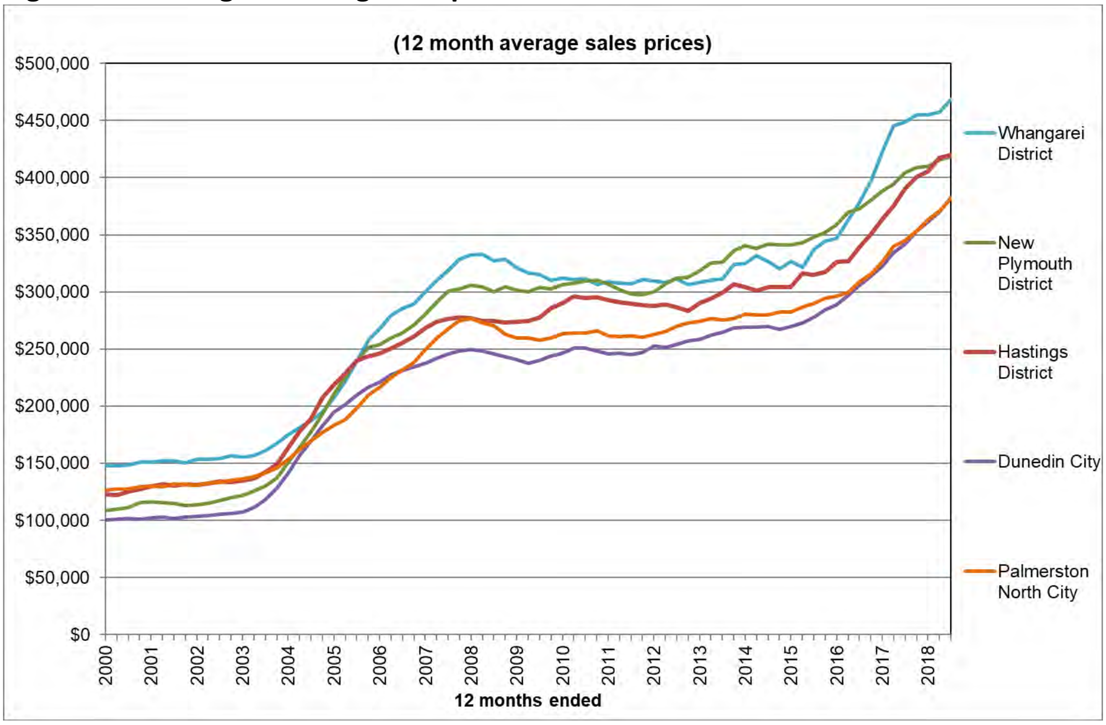
Recently, however, the difference in average house values between Palmerston North and Horowhenua has narrowed from $94,000 in September 2016 to $73,900 in September 2018, while the difference between the city and Manawatū District has increased slightly from $30,400 in September 2016 to $32,000 in September 2018. Both Manawatū and Horowhenua Districts have experienced strong population growth between 2016 and 2018, which has put increasing pressure of house values and rents.

The presence of lower cost housing within easy commuting distance appears to have played a role in supressing growth in house values in the city as well as the demand for housing. In 2000, average house sales prices in the city were higher than for Hastings, New Plymouth and Dunedin, but by September 2018 average house sales prices in New Plymouth and Hastings were around $37,000 more than in Palmerston North.

The only urban area with a population of 50,000 or more that has lower average house sales prices than Palmerston North is Invercargill. In 2000, Palmerston North house sales prices were in the middle of other similar-sized councils but by September 2018

Palmerston North house sales prices were the lowest across the five councils graphed in Figure 25 below.

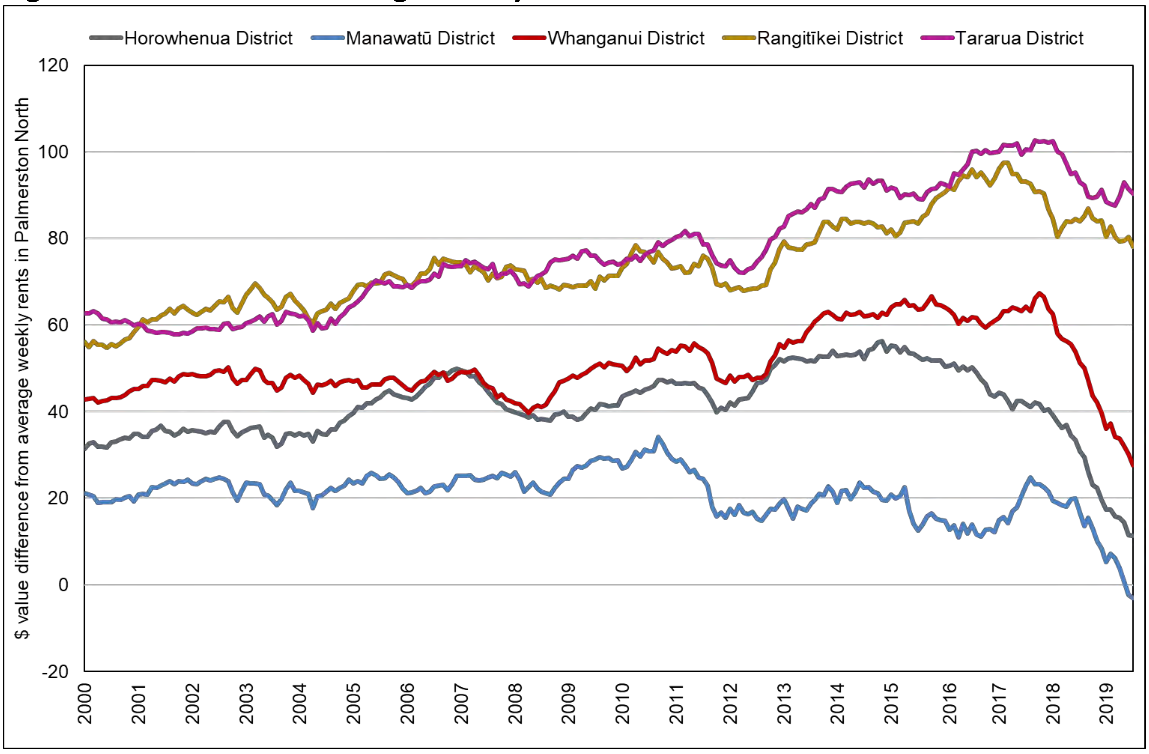
Figure 25: Average dwelling sales prices



Source: MBIE

Data for average rents in territorial authorities in the region also shows a long-term divergence in average rents between the city and districts around the city, but a narrowing in this difference as population growth has strengthened in the wider region and rental housing stock has declined in some parts of the region (see Figure 26).

Figure 26: Difference in average weekly rents from Palmerston North

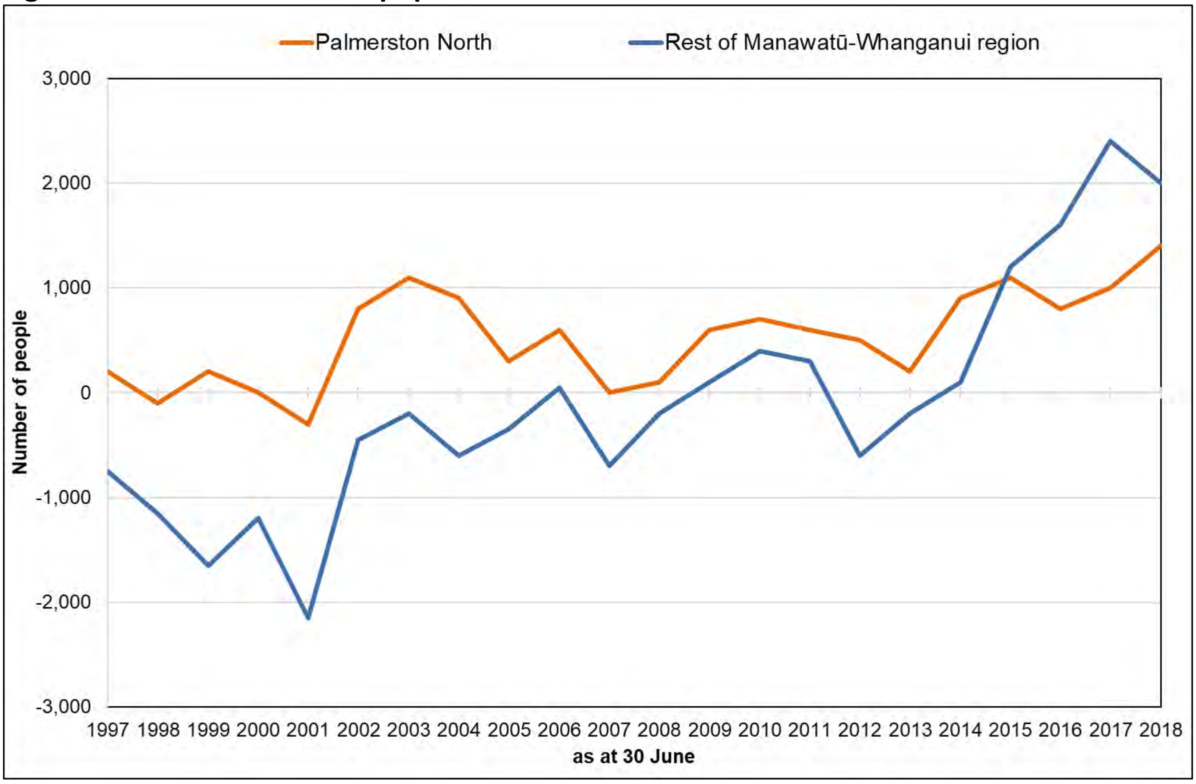


Source: MBIE rental bond database

d. Refugee resettlement has become an increasing contributor to population growth, rising from 60 people a year in 2006 to 170 people in the year to June 2018. The Government has made a commitment to increase the annual national refugee quota from 2020, but has not yet indicated what the changes in allocations will be at a regional level. Additional quota is available for family unification and, more recently, the Government has introduced a small quota for community groups to sponsor additional refugee families.

6.16. Stronger economic growth in the Manawatū-Whanganui region is likely to be the main contributor to stronger population growth which has been occurring in the region, but the divergence in housing affordability between the region and the main urban centres, particularly Auckland and Wellington, does also appear to be a factor in the increased level of net internal migration (see Figure 23 above). The rest of the Manawatū-Whanganui region (excluding Palmerston North) region experienced population decline over most of the period between 1997 and 2014, but it has experienced consistent population growth since 2014.

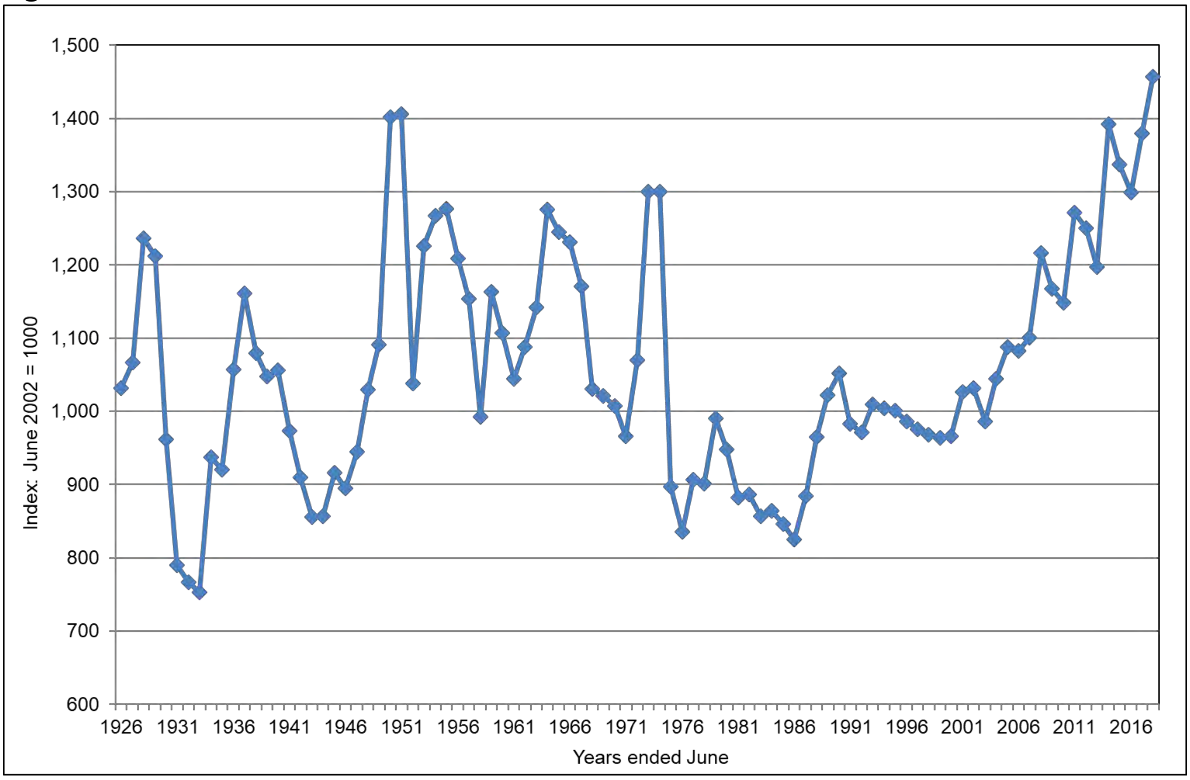
Figure 27: Estimated annual population increase



Source: Statistics New Zealand

6.17. An important contributor to the improving economic growth in the region has been a significant improvement in New Zealand's terms of trade with the rest of the world. The terms of trade index measures the amount of imports that can be funded by a fixed amount of New Zealand's exports. The terms of trade in late 2017 passed record levels last seen in the 1950s, explaining some of the growth occurring in incomes in the region. The low point in the terms of trade was 825 in the year to June 1986 (based on an index of 1000 in the year to June 2002) while the peak in the index in the year to June 2018 was 1457. The June 2018 peak was higher than the previous record of 1402 in the year to June 1950.

Figure 28: New Zealand's annual terms of trade index



Source: Statistics New Zealand

6.18. There is a greater regional impact from the high terms of trade in the regions which produce high amounts of agricultural, horticultural and forestry products. Incomes increased faster since 2001 in the regions where these primary products are produced, while incomes were weak during the period of decline in the terms of trade between 1950 and 1986. Median salaries and wages in the Manawatū-Whanganui region increased by 75% between March 2000 and March 2017 while national median incomes increased by 71.7%. The rate of increase was weaker in Auckland, where median incomes increased by 63.8%.

6.19. The wider Manawatū-Whanganui region was also impacted by a substantial decline in manufacturing employment from the mid-1980's. The sector experienced a 25% decline in national employee numbers between 1986 and 1991, with the biggest contributor to the decline coming from a reduction in meat processing jobs. The sector continued to experience further losses in employment in sectors affected by the removal of import protection and periods where the New Zealand dollar was well above the long-term average. There were greater declines in manufacturing employee numbers during the Asian Financial Crisis in 1999 and Global Financial Crisis in 2009. Conversely, manufacturing employment in Palmerston North and the wider Manawatū-Whanganui region has been growing since 2012, with the number of jobs increasing by 10% between 2012 and 2018 in Palmerston North and by 13% across the wider region, accounting for 16% of the growth in jobs in the region.

6.20. The urban area of Palmerston North had an estimated 80,280 people in June 2018, accounting for slightly over 90% of the total population of Palmerston North. Population growth was slow in the main urban area between 1996 and 2012, when some of the current rural areas of the city were part of Manawatū District Council. Census data shows strong growth in population in the Kairanga and Stoney Creek area units between 2001 and 2006. These two area units were part of Manawatū District prior to the 2012 boundary change between the district and city. This growth will have mostly come from rural lifestyle housing development during this period. Since 2012, the rate of growth in the main urban area has strengthened, and is now higher than the overall annual average growth rate for the city.

Table 9: Estimated population change by geographic area (December 2017 boundaries)

Geographic area	Annual population estimate			Average annual % growth	
	1996	2012	2018	1996 - 2012	2012 - 2018
Main urban area	70,760	75,300	80,280	0.4%	1.1%
Minor urban area (Ashhurst)	2,530	2,710	2,990	0.4%	1.7%
Rural settlements (Bunnythorpe and Longburn)	830	1,090	1,080	1.7%	-0.2%
Rural (excluding rural settlements)	2,960	4,230	4,370	2.3%	0.5%
Palmerston North - total	**77,070**	**83,320**	**88,700**	**0.5%**	**1.0%**
Urban area share of Palmerston North population	91.8%	90.4%	90.5%		

Source: Statistics New Zealand

6.21. The 2013 Census identified 2,514 people living in 'non-private' dwellings, which includes student hostels, residential care facilities for older people and people with disabilities, defence housing and the prison (see Table 10).

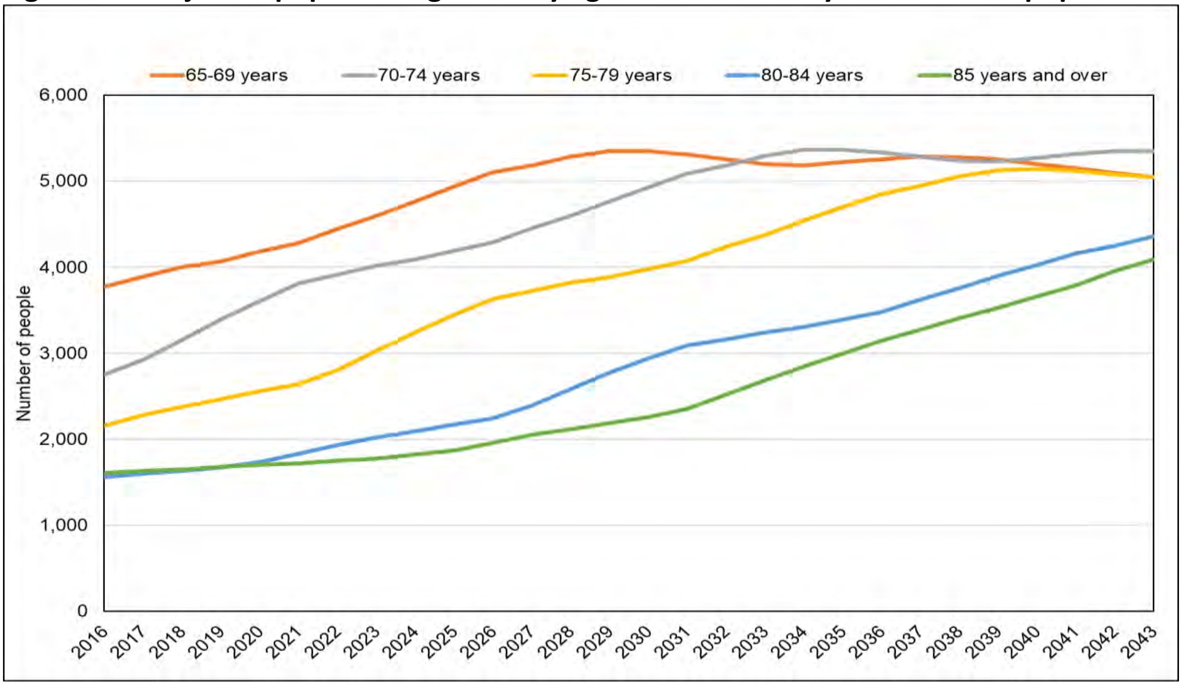
Table 10: Number of Palmerston North residents in occupied non-private dwellings (March 2013)

Educational institution	1,200
Residential care for older people	690
Defence establishment	276
Residential and community care facilities	195
Prison or penal institution	147
Welfare institution	6
Total	2,514

Source: Census

6.22. The residential care sector is expected to continue to experience strong growth projected increase in the population aged 65 years and older. The strongest growth is expected to occur in the 80 years and older population, which is expected to result in strong growth in residential care for older people (see Figure 29).

Figure 29: Projected population growth by age band in the 65 years and over population



Source: Sense Partners

6.23. Palmerston North has also experienced growth in other residential and community care facilities for people with disabilities. Employment in the city increased by 124% between 2000 and 2018. There are difficulties with estimating likely future demand due to a lack of data on the number of people with disabilities in the city. One indicator used by council is the number of people registered for the Ministry of Social Development (MSD) Supported Living Payment benefit. The Supported Living Payment is for people who have, or who are caring for someone with a health condition, injury or disability that severely limits their ability to work on a long-term basis. The benefit is only available to people aged between 18 and 64 years (see Table 11).

Table 11: MSD supported living payment – Palmerston North share of New Zealand benefits (September 2018)

		Number	%
Benefit Sub Group	Supported Living - Health Condition or Disability	2,201	2.6%
	Supported Living - Caring	162	1.9%
Incapacity Group	Psychological or psychiatric conditions	848	2.8%
	Intellectual disability	238	2.5%
	Musculo-skeletal system disorders	214	2.6%
	Nervous system disorders	169	2.6%
	Cardio-vascular disorders	100	2.0%
	Accidents	100	3.0%
	Cancer and congenital conditions	192	2.8%
	Other disorders and conditions	340	2.4%
	Total	2,363	2.6%

Source: MSD

Assessing housing supply and future housing demand

6.24. The Census 2013 identified 31,806 dwellings in Palmerston North, of which 29,892 were occupied, 1,917 were unoccupied and 99 were under construction. The number of dwellings increased by 1,221 between 2006 and 2013, an average annual increase of 174 dwellings a year. In 2013 empty dwellings accounted for 6.4% of total dwelling stock, which was below the national share of 11.8%. This is likely to be due to minimal holiday housing stock in the city (see Table 12).

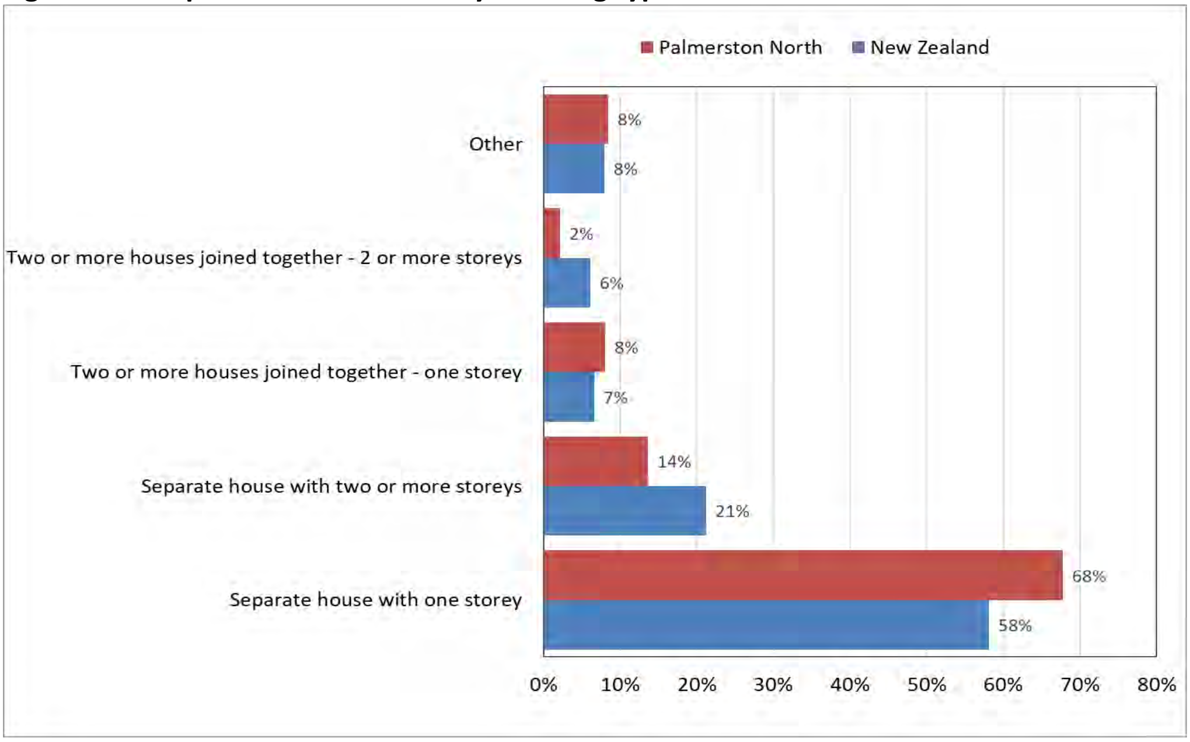
Table 12: Occupied dwellings, unoccupied dwellings and dwellings under construction in Palmerston North

Number of dwellings	2001	2006	2013	2001 - 2013 change
Occupied private dwelling	26,940	28,479	29,700	10.2%
Occupied non-private dwelling	156	120	189	21.2%
Total occupied dwellings	27,096	28,599	29,892	10.3%
Unoccupied dwelling - residents away	603	687	624	3.5%
Unoccupied dwelling - empty dwelling	999	1,020	1,287	28.8%
Total unoccupied dwellings	1,599	1,707	1,917	19.9%
Dwellings under construction	123	195	99	-19.5%
Total occupied and unoccupied private dwellings	**28,695**	**30,303**	**31,806**	**10.8%**

Source: Census

6.25. Housing supply in Palmerston North largely comprises separate, single storey houses, with over two-thirds of city residents living in this housing type in 2013 compared with 58% for New Zealand. Houses with two storeys accommodated 16% of city residents while 27% of New Zealand residents lived in houses with 2 or more storeys (see Figure 30).

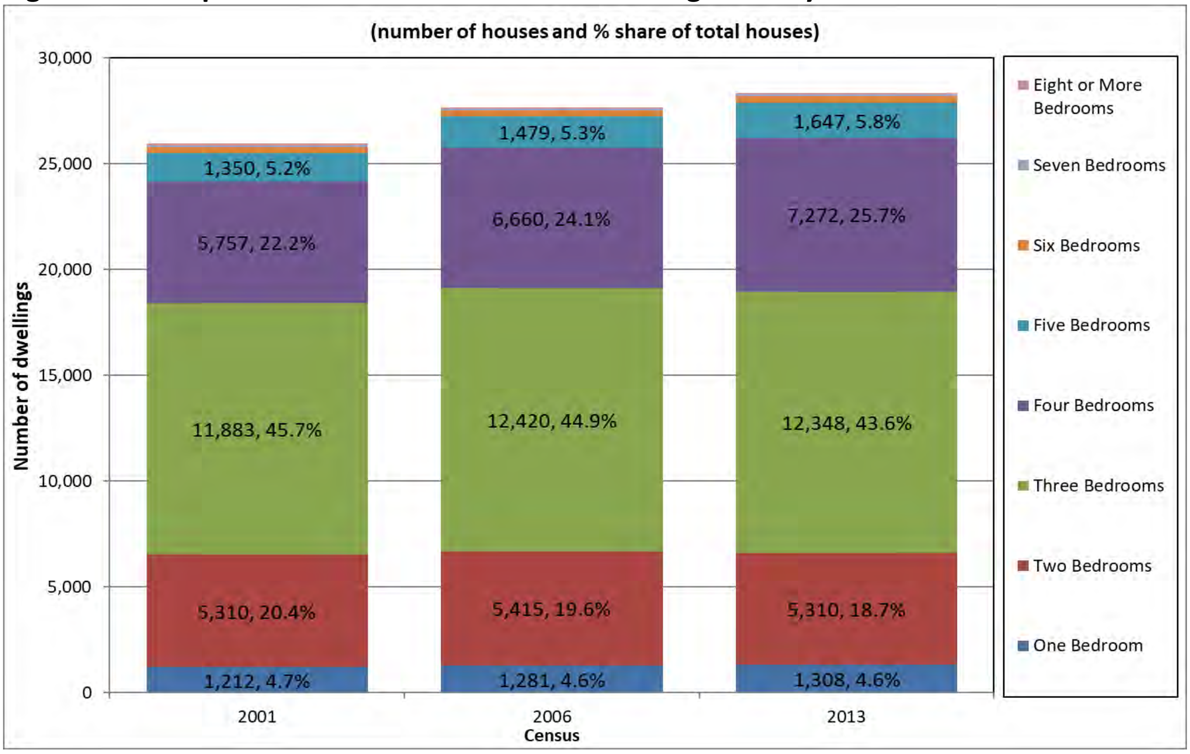
Figure 30: Proportion of residents by dwelling type



Source: Census

6.26. Three-bedroom houses accounted for 44% of houses in Palmerston North in 2013, while four-bedroom houses accounted for a 26% share. Over the period from 2001 to 2013, the proportion of one, two and three-bedroom houses declined, while the proportion of four and five-bedroom houses increased. The increase in the number of bedrooms has occurred during a period when the number of occupants per household declined from an average of 2.6 people in 2006 to 2.5 people in 2013 (see Figure 31).

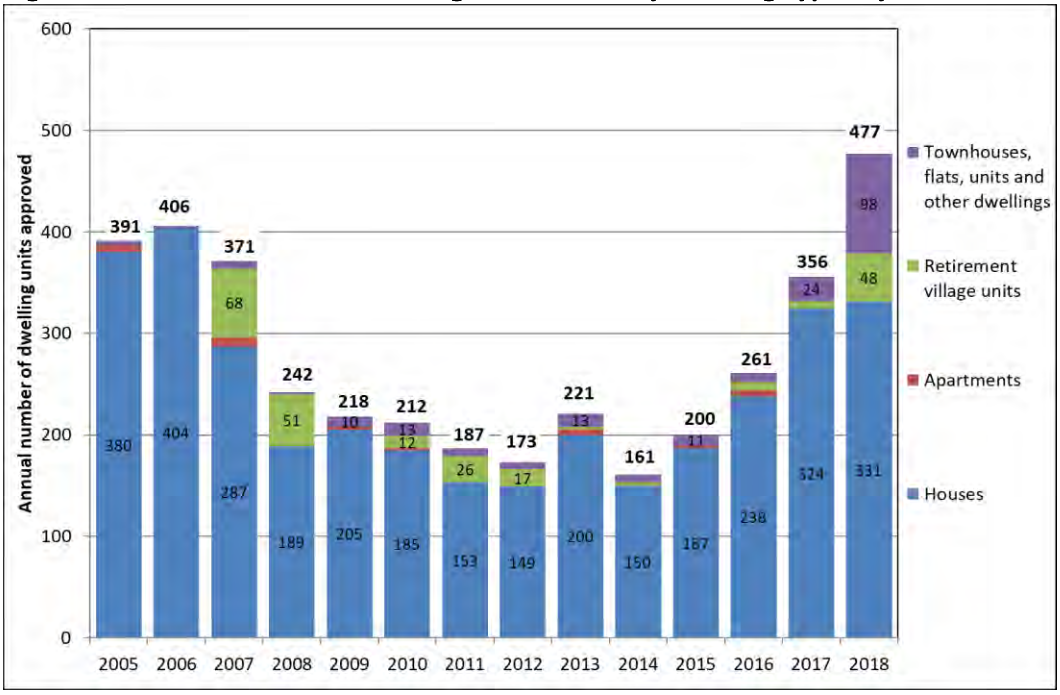
Figure 31: Composition of Palmerston North housing stock by number of bedrooms



Source: Census

6.27. Housing supply in the city has increased significantly over the past five years, increasing from a low of 161 building consents issued in the year to December 2014 to 477 consents issued in the year to December 2018 (see figure 32).

Figure 32: New residential buildings consented by building type – years ended December

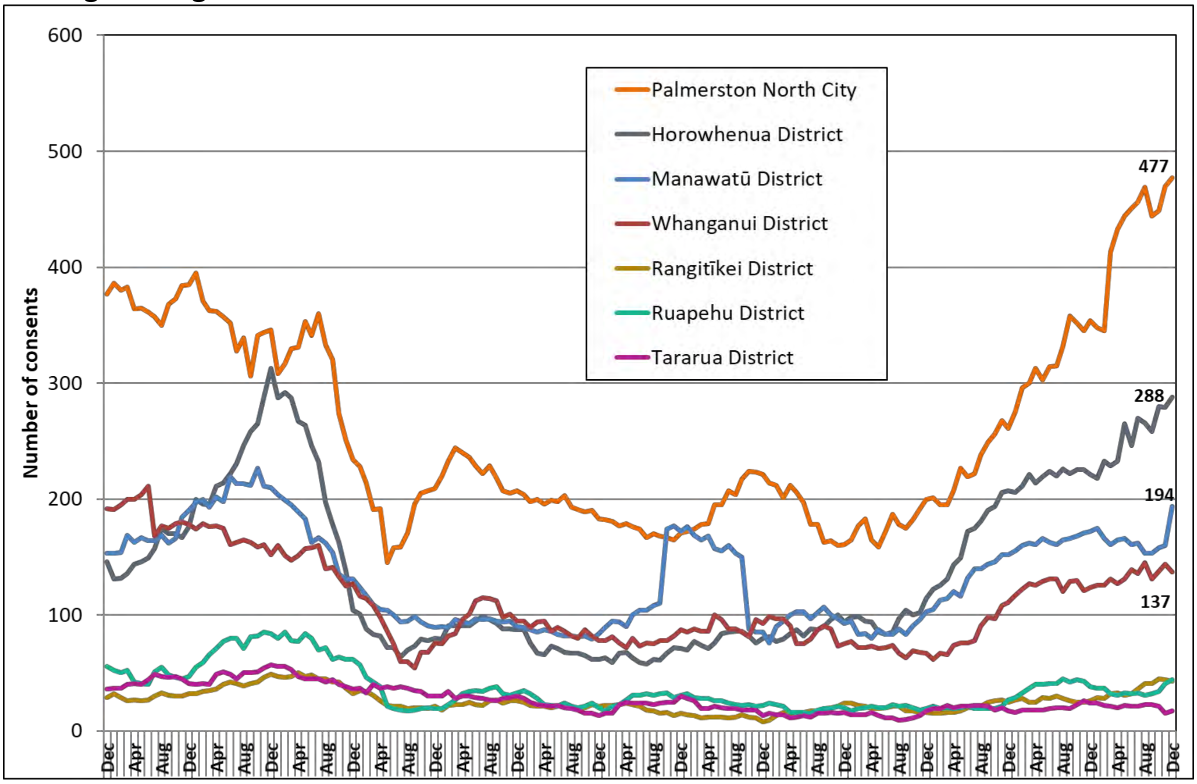


Source: Statistics New Zealand

6.28. Statistics New Zealand building consents data shows a change in the mix of housing type being consented in the city, with strong growth over the past two years in consents the category for townhouses, flats, units and other minor dwellings. Sleepouts are not counted in the dwelling statistics because they are not self-contained. The 98 townhouses, flats, units and other dwellings consented in the year to December 2018 were boosted by the consent of 50 houses for the Papaioea council housing development. If the Council houses were excluded, the total still doubled during the last 12 months.

6.29. Over this five-year period there has been significant change the proportion of new housing being created in the city compared with other councils in the region. The commentary earlier in this document reports on the key factors which appear to be influencing the increase in housing demand in Palmerston North. These changes are not reflected in the Sense Partners or Statistics New Zealand projections discussed below, which assume existing patterns of housing development and regional migration region remain stable (see figure 33).

Figure 33: Annual building consents for new residential buildings in the Manawatū-Whanganui region



Source: Statistics New Zealand

6.30. Council monitoring of housing by type of development shows growth in the proportion of additional housing supplied by infill housing, while the greenfield share has declined. Table 17 does not include rural or rural-residential development which occurred in Manawatū District prior to the 2012 transfer of the Longburn, Kairanga and Stoney Creek (which included Bunnythorpe) area units into Palmerston North (see Table 13 and Figure 34).

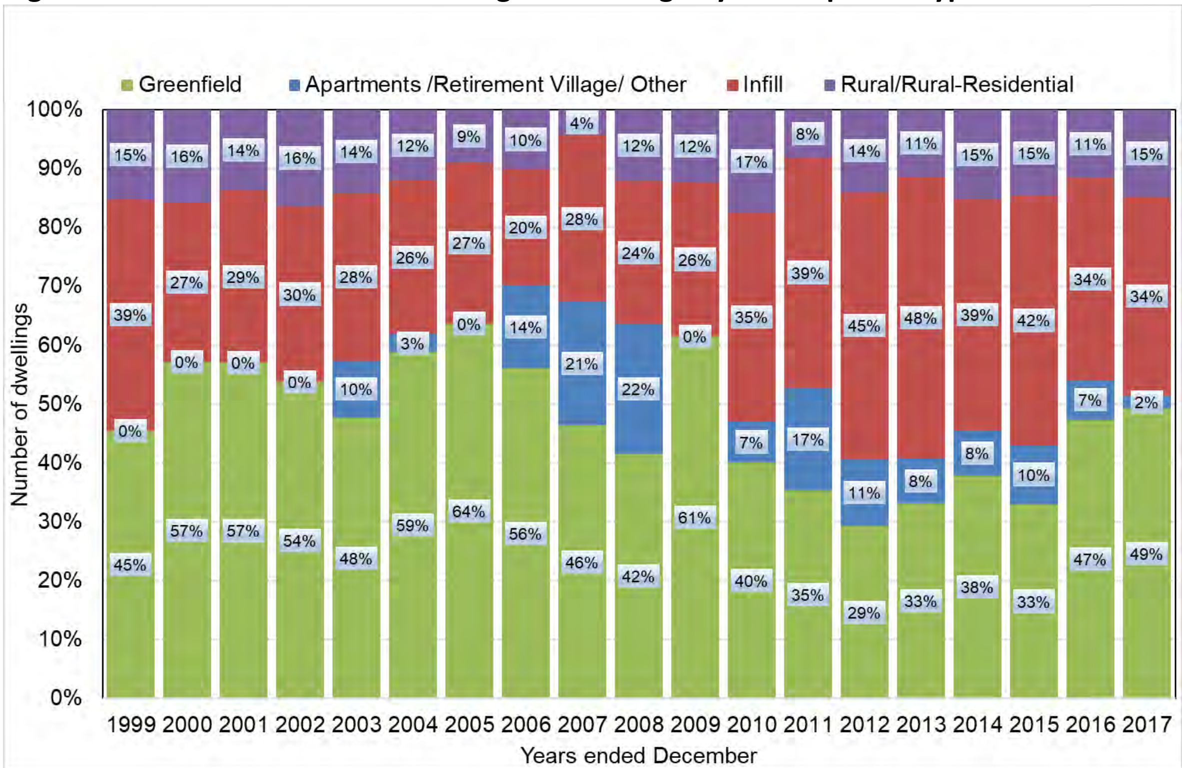
Table 13: Building consents issued for new houses by development type

Year Ended December	Total building consents issued	Estimated net dwelling change	Housing development type (number and % share)							
			Greenfield		Apartments /retirement village/other		Infill		Rural/rural-residential	
	number	number	number	%	number	%	number	%	number	%
1999	263	244	111	45%	0	0%	96	39%	37	15%
2000	227	215	123	57%	0	0%	58	27%	34	16%
2001	249	242	138	57%	0	0%	71	29%	33	14%
2002	305	281	151	54%	0	0%	84	30%	46	16%
2003	361	352	168	48%	34	10%	100	28%	50	14%
2004	412	409	241	59%	12	3%	107	26%	49	12%
2005	377	347	221	64%	0	0%	95	27%	31	9%
2006	445	426	239	56%	60	14%	84	20%	43	10%
2007	346	325	151	46%	68	21%	92	28%	14	4%
2008	234	231	96	42%	51	22%	56	24%	28	12%
2009	209	187	115	61%	0	0%	49	26%	23	12%
2010	207	172	69	40%	12	7%	61	35%	30	17%
2011	183	161	57	35%	28	17%	63	39%	13	8%
2012	171	150	44	29%	17	11%	68	45%	21	14%
2013	221	211	70	33%	16	8%	101	48%	24	11%
2014	161	145	55	38%	11	8%	57	39%	22	15%
2015	200	130	43	33%	13	10%	55	42%	19	15%
2016	261	209	99	47%	14	7%	72	34%	24	11%
2017	356	270	133	49%	6	2%	91	34%	40	15%
Average 1999-2017	**273**	**248**	**122**	**49%**	**18**	**7%**	**77**	**31%**	**31**	**12%**

Note: the difference between total consents authorised and net dwelling stock change includes the replacement of existing dwellings and movement of new relocatable houses to other areas
Dwellings approved prior to July 2012 in the boundary change area with Manawatū District are not included in the dwelling counts

Source: Palmerston North City Council

Figure 34: Estimated share of dwelling stock change by development type



Source: Palmerston North City Council

6.31. Census data for dwellings by area unit shows that Kelvin Grove contributed 40% of the increase in city housing stock between 2001 and 2013, with the number of dwellings increasing from 1,149 in 2001 to 2,268 in 2013. City Council, Housing New Zealand and other government department and SOE housing declined by 300 housing units between 2001 and 2013, accounting for a loss of just over 1% of housing stock in the city. It is important to note that the Massey University area unit is wider than the university campus, so includes housing not associated with the university (see Table 14).

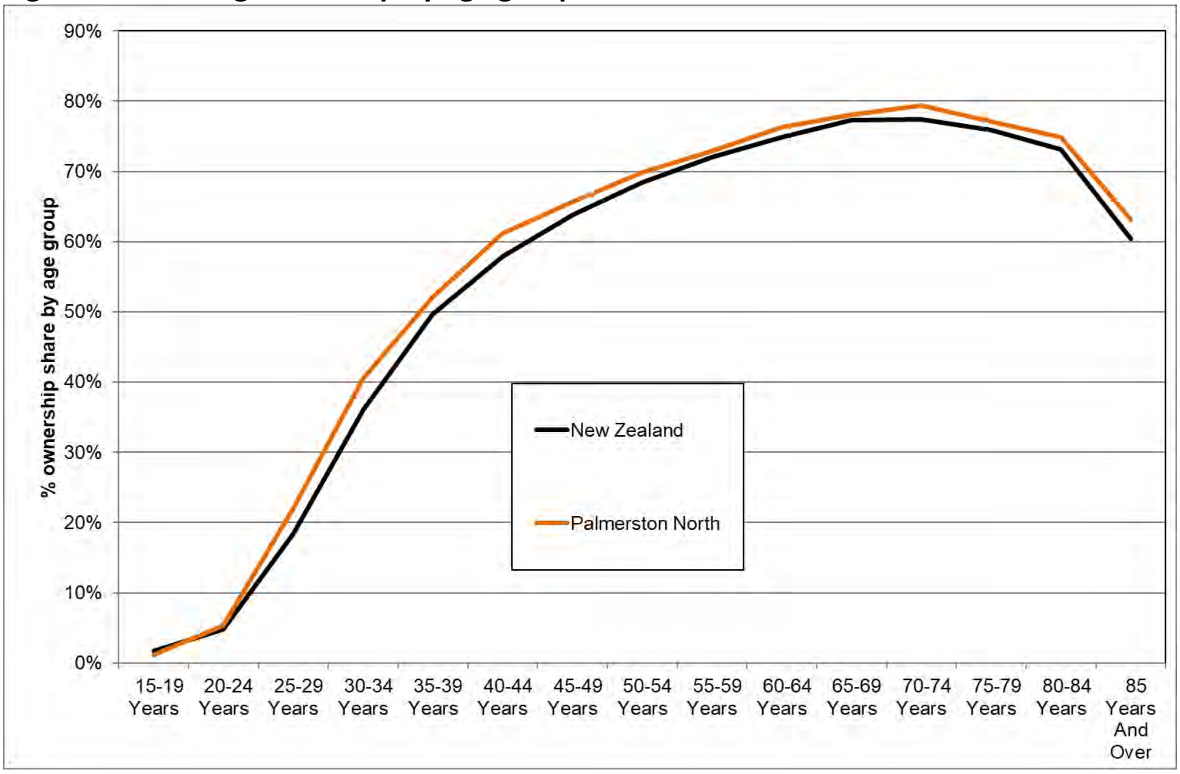
Table 14: Occupied dwellings by area

Area unit name	Total dwellings occupied			2001 - 2013 change				
	2001	2006	2013	Number	%	City Council	Housing NZ	Other government
Palmerston North City	27,096	28,599	29,892	2,796	10%	-24	-189	-87
Ashhurst	924	966	1,059	135	15%	0	3	-3
Stoney Creek	216	252	306	90	42%	0	0	0
Whakarongo	252	282	342	90	36%	0	0	0
Kairanga	270	288	315	45	17%	0	0	0
Longburn	177	189	207	30	17%	0	0	0
Massey University	93	60	84	-9	-10%	0	0	0
Linton Military Camp	354	354	276	-78	-22%	0	0	-87
Turitea	435	543	639	204	47%	0	0	0
Milson	1,851	1,935	2,076	225	12%	0	0	3
Kelvin Grove	1,149	1,641	2,268	1,119	97%	0	9	3
Takaro	2,016	2,007	2,022	6	0%	0	-21	6
Cloverlea	756	753	750	-6	-1%	0	3	0
Palmerston North Hospital	1,008	999	1,020	12	1%	-3	0	0
Papaeoia	1,227	1,275	1,248	21	2%	-6	-3	0
Roslyn	2,037	2,091	2,184	147	7%	0	-27	-3
Terrace End	1,128	1,158	1,164	36	3%	-3	0	-3
Highbury	1,134	1,152	1,131	-3	0%	0	-39	3
Westbrook	1,563	1,599	1,578	15	1%	0	-36	0
Palmerston North Central	1,107	1,125	1,098	-9	-1%	0	6	0
Awapuni North	1,248	1,260	1,242	-6	0%	-3	-36	-3
Awapuni West	495	519	534	39	8%	0	0	0
Awapuni South	1,179	1,209	1,203	24	2%	0	0	0
West End	1,803	1,914	1,920	117	6%	0	-27	0
Hokowhitu West	1,548	1,557	1,578	30	2%	3	-3	0
Hokowhitu Lagoon	609	606	612	3	0%	0	0	3
Hokowhitu East	1,815	1,818	1,875	60	3%	0	-18	0
Aokautere	696	1,041	1,155	459	66%	0	0	-3

Source: Census

6.32. Housing tenure data shows a lower rate of housing ownership in Palmerston North compared with the average for New Zealand, but this is strongly influenced by the lower median age of the city’s population compared with the median for New Zealand. The presence of several major tertiary institutions in the city and New Zealand’s largest defence base are important contributors to the lower median age in the city (see Figure 35).

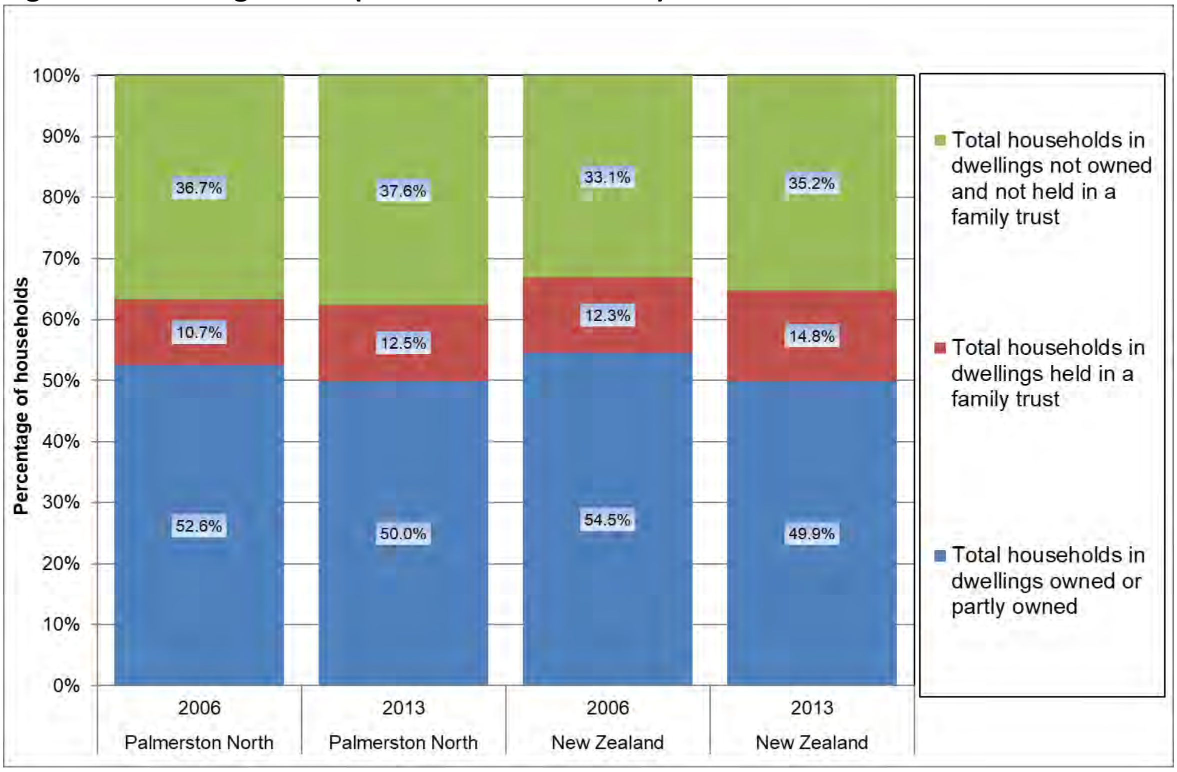
Figure 35: Housing ownership by age group



Source: Census

6.33. Home ownership levels have declined in the city, but the rate of decline has been slower than for New Zealand overall. The main contributor to this is likely to be a decline in the tertiary student population in the city, although housing affordability in the city may also be a factor (see Figure 36).

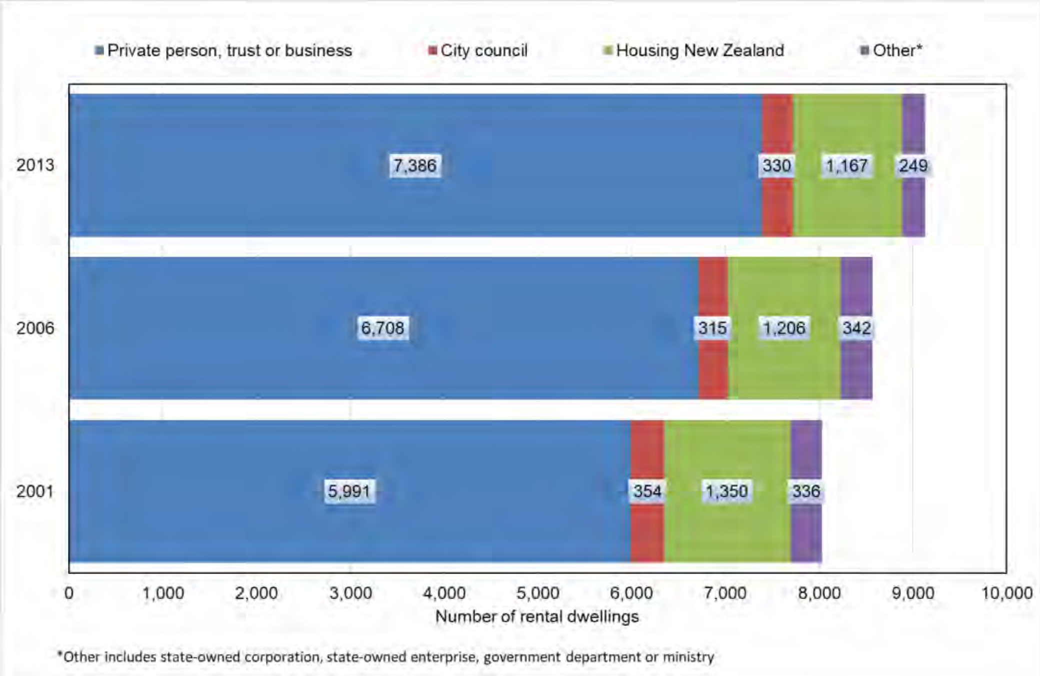
Figure 36: Housing tenure (2006 and 2013 Census)



Source: Census

6.34. The rental housing market is dominated by the private sector, which accounted for ownership of 81% of rental dwellings in 2013 (see Figure 37).

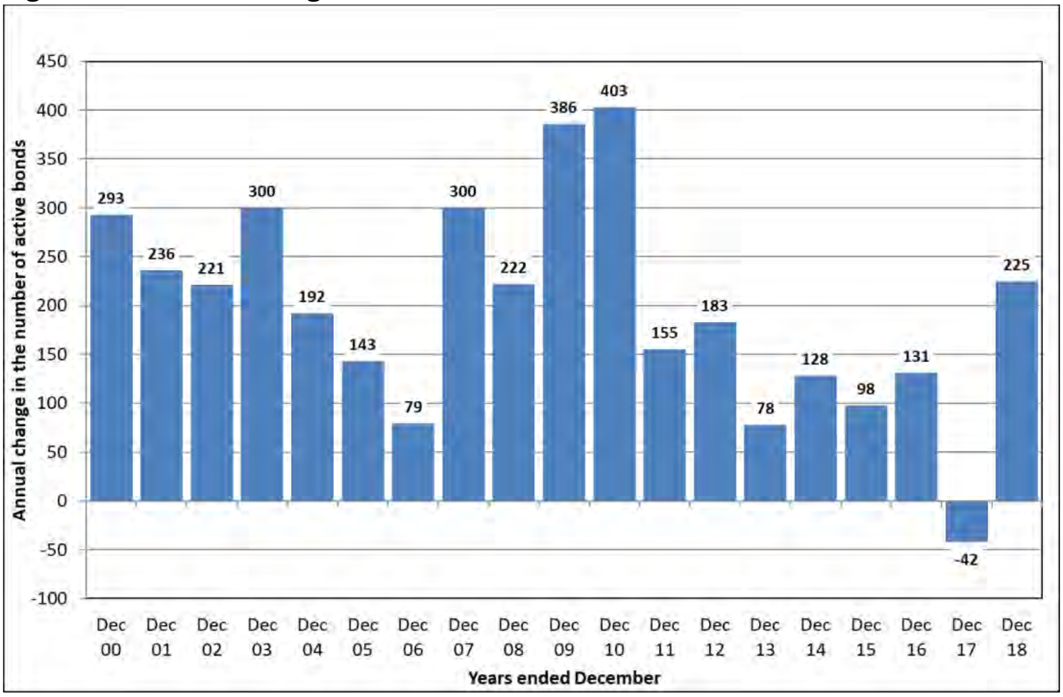
Figure 37: Ownership of rental dwellings in Palmerston North



Source: Census

6.35. There have been changes in rental housing supply in the region, with the MBIE rental bond database suggesting a net increase in private sector rentals of 183 properties in Palmerston North between September 2016 and September 2018 while there was an increase of 93 properties across the remainder of the Manawatū-Whanganui region. Three councils in the region experienced a decline in rental housing stock, which is likely to be a factor in the strong growth in average rents across some councils in the Manawatū-Whanganui region and increasing pressure on the housing market in Palmerston North (see Figure 38).

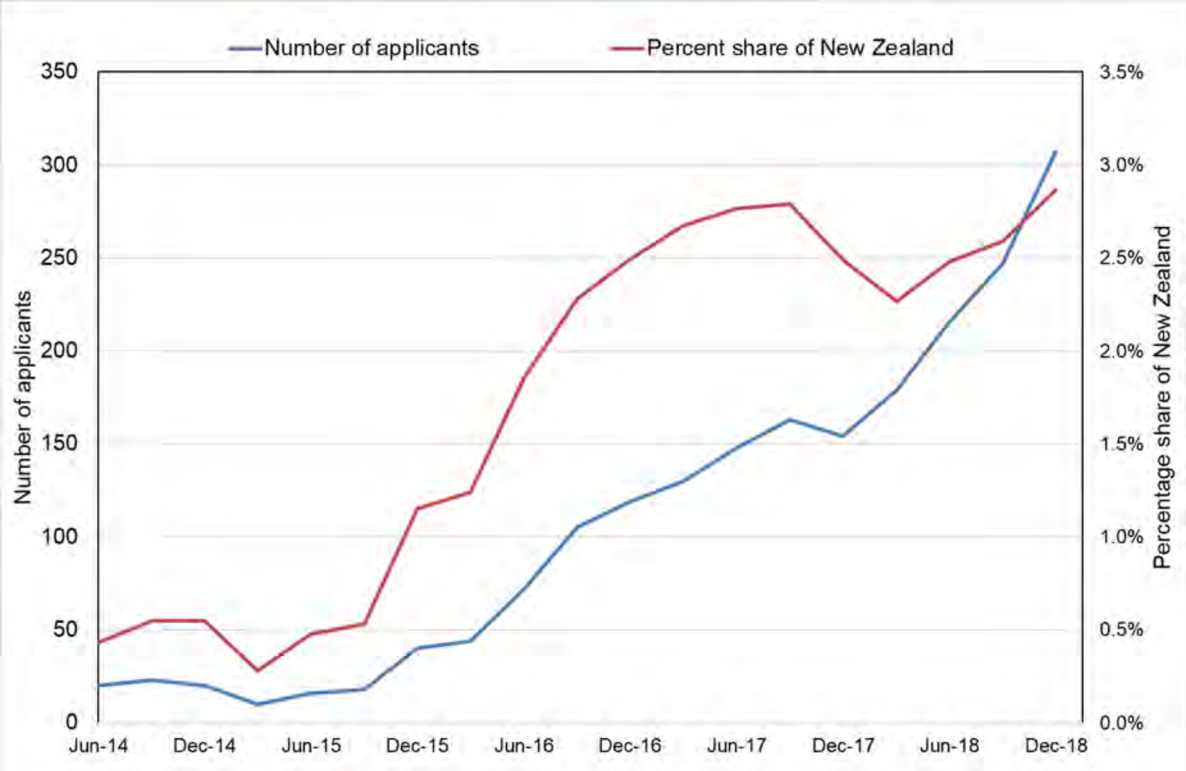
Figure 38: Annual change in the number of active residential bonds in Palmerston North



Source: MBIE rental bond database

6.36. Housing demand is difficult to measure due to the lack of any data for the number of people looking to buy a house or to rent. One indicator which is a subset of social housing demand, is the Housing New Zealand social housing register, which shows the number of applicants waiting for Housing New Zealand housing. The latest data shows strong growth in the number of applicants on the social housing register in Palmerston North, increasing from 20 applicants in June 2014 to 307 in December 2018 (see Figure 39). Palmerston North now has a 2.9% share of the number of applicants on the social housing waiting list, which is significantly higher than the city's 1.8% share of the New Zealand population.

Figure 39: Housing New Zealand social housing register



Source: MSD

6.37. Most of the growth in demand for housing in the city from applicants on the social housing register is for one- and two-bedroom houses, but very little one- and two-bedroom housing stock is being built in the city, apart in retirement villages. Data for the national social housing waiting list shows that the city has:

a. a 2.8% share of applicants seeking one-bedroom housing,

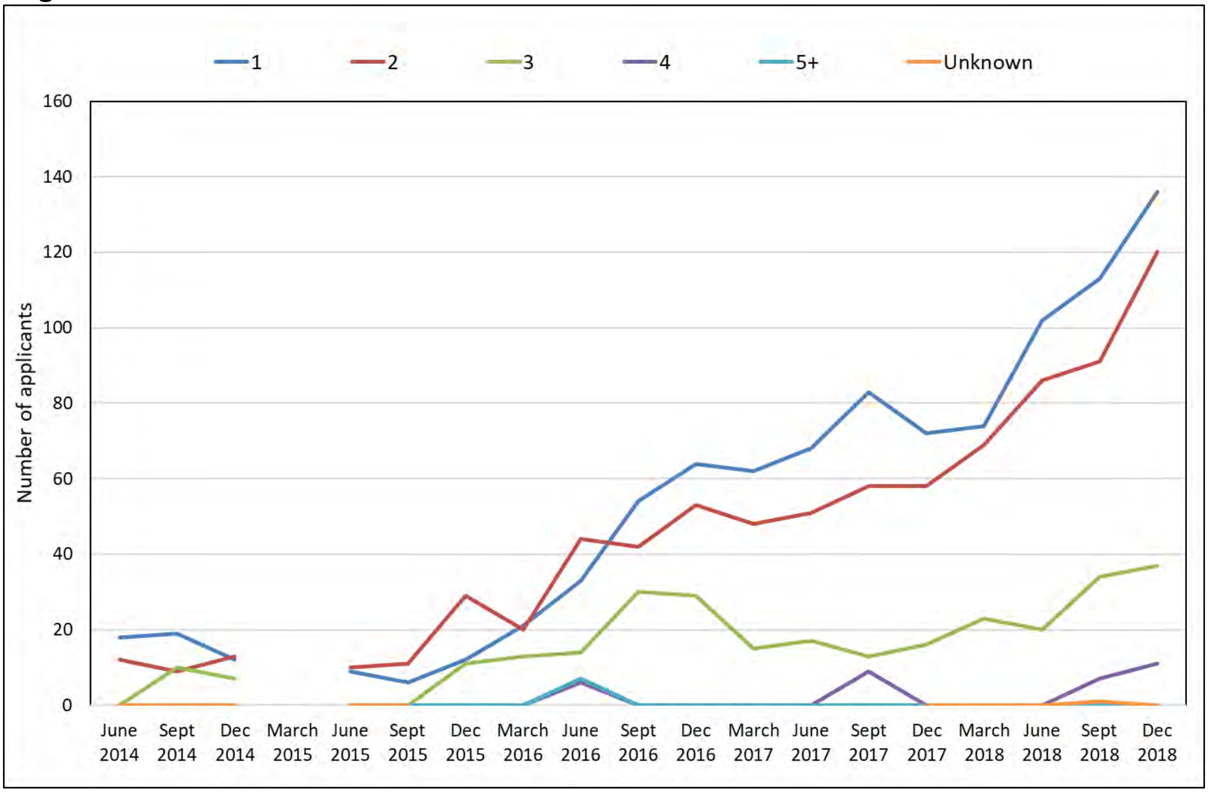
b. a 3.2% share of applicants seeking two-bedroom housing,

c. a 2.5% share of applicants seeking three-bedroom housing, and

d. a 2.0% share of applicants seeking four-bedroom housing

6.38. The priority, therefore, is for the construction of smaller houses in the city. The construction of additional houses at Papaioea is assisting with meeting this increase in demand for smaller housing, but only addresses the demand to a small extent for demand for 136 one-bedroom houses and 120 two-bedroom houses.

Figure 40: Breakdown of number of bedrooms sought by applicants on the Social Housing Register



Source: MSD

6.39. Estimates for a shortfall in housing supply in Palmerston North were presented in a Cabinet paper on KiwiBuild. The estimates in Table 15 were calculated by comparing the number of new dwellings consented since 2006 with population growth (adjusted for average household size), giving a total national shortfall of 71,766. The estimates for Palmerston North are understated because the building consents data was not adjusted for the increasing number of relocatable buildings consented in the city, that were moved to other territorial authorities when they were completed.

6.40. The table included a breakdown of where the 100,000 KiwiBuild dwellings would be delivered, if they were to be delivered in proportion to the regional distribution of the accumulated housing shortfall.

6.41. The Cabinet paper suggested KiwiBuild should focus heavily on the six urban areas which have experienced the greatest shortfall in dwelling construction, with smaller allocations provided in the other centres.

Table 15: Possible regional distribution of KiwiBuild programme

Area	New housing shortfall* 2006-2017	Possible number of KiwiBuild dwellings	Lower quartile dwelling sale price
Auckland	44,738 (62%)	61,339	650,000
Wellington	9,312 (13%)	12,975	425,000
Hamilton	5,908 (8%)	8,232	435,000
Napier-Hastings	1,777 (2%)	2,476	335,000
Queenstown-Lakes	1,600 (2%)	2,229	690,000
Tauranga	1,473 (2%)	2,053	515,000
Whangarei	1,412 (2%)	1,967	375,000
Nelson-Tasman	1,180 (2%)	1,644	413,000
Palmerston North	1,083 (2%)	1,509	307,000
Rotorua	1,012 (1%)	1,411	308,500
New Plymouth	936 (1%)	1,305	336,500
Gisborne	725 (1%)	1,010	221,000
Dunedin	611 (1%)	851	300,000
Christchurch	0 (0%)	1,000	367,000
Total	71,766 (100%)	100,000	

* Based on estimated increase in households (using Statistics New Zealand population estimates) and lagged building consent applications

Source: KiwiBuild Cabinet paper, 2018

Household growth projections

6.42. Household growth projections are used to assess the amount of new housing that needs to be built in the city. Table 16 compares the household growth projections prepared by Statistics New Zealand and the alternative projections commissioned by the Council from Sense Partners.

Table 16: Long-term medium household projections for Palmerston North

	Sense Partners (September 2017)			**Statistics New Zealand (December 2016)**		
		Average annual change			Average annual change	
Period ended	Households	number of households	rate of change (%)	Households	number of households	rate of change (%)
2001	28,000			28,000		
2006	28,900	180	0.6%	28,900	180	0.6%
2013	31,500	371	1.2%	31,500	520	1.2%
2018p	33,000	300	0.9%	33,500	400	1.2%
2023p	35,300	460	1.4%	35,100	320	0.9%
2028p	37,600	460	1.3%	36,600	300	0.8%
2033p	40,000	480	1.2%	37,900	260	0.7%
2038p	42,100	420	1.0%	39,000	220	0.6%
2043p	44,300	440	1.0%			

Source: Statistics New Zealand and Sense Partners

6.43. The rate of household growth in the city has been higher than the rate of population growth because the average number of occupants per household has been declining. The main contributors to smaller households have been smaller families, and more couple only and single person households. Declining fertility rates (a decline in the number of births per woman) and more single parent families are both contributors to the decline in average family size. Projections for changes in family and household type are useful for understanding potential changes in housing demand.

6.44. The Sense Partners projections in table 17 suggest there will be growth in multi-family households, increasing by 20% between 2018 and 2043. This will be faster than the projected 14% increase in two-parent households but slower than the 25% increase in single parent family households. Growth in other household types is projected to be stronger, particularly in one-person households. Statistics New Zealand projects a 30% increase between 2018 and 2038 in one parent households while Sense Partners projects an increase of 50% and an increase of 29% in couple only households.

Table 17: Sense Partners medium growth projections for families and households by type

Year at 30 June	Family and household type							Average household size
	One parent	Two parent	Multi-family	Couple only	Multi-person	Alone	All households	
2018p	3,332	7,504	1,019	11,041	1,706	8,374	32,976	2.6
2023p	3,461	7,576	1,045	12,090	1,695	9,399	35,266	2.6
2028p	3,622	7,651	1,077	12,978	1,780	10,513	37,621	2.6
2033p	3,823	7,879	1,125	13,728	1,866	11,605	40,026	2.5
2038p	3,991	8,217	1,174	14,294	1,905	12,533	42,114	2.5
2043p	4,164	8,573	1,224	14,942	1,998	13,360	44,261	2.5

Source: Sense Partners

Table 18: Statistics New Zealand medium growth projections for families and households by type

Year at 30 June	Family type				Household type				Average household size
	Couple-without-children	Two-parent	One-parent	Total families	Family	Other multi-person	One-person	Total households	
2013	9,000	8,500	4,600	22,100	21,400	2,000	8,000	31,500	2.6
2018p	10,000	8,700	4,800	23,500	22,600	2,200	8,700	33,500	2.5
2023p	10,700	8,900	4,900	24,600	23,600	2,200	9,400	35,100	2.5
2028p	11,200	9,200	5,000	25,400	24,300	2,200	10,000	36,600	2.5
2033p	11,600	9,400	5,200	26,200	25,000	2,200	10,700	37,900	2.5
2038p	12,000	9,600	5,300	26,900	25,500	2,200	11,300	39,000	2.4

Source: Statistics New Zealand

6.45. Statistics New Zealand and Sense Partners also produced low-growth and high-growth alternative household projections. The high growth projections from Sense Partners suggest nearly a doubling in housing stock over 25 years, with the number of households increasing by an average of 1,130 a year. The median Sense Partners projection suggest annual growth of 452 households a year. To achieve this rate of growth, there will need to be a greater number of building consents issued for new housing, because of the rate of replacement of existing housing stock. Many infill housing developments result in the demolition of the existing house on the section or the relocation of the house to another area. The council has only recently started to monitor the replacement of existing housing stock, which averaged 31 dwellings a year in 2016 and 2017. This number is approximate due to the challenges with identifying the movement of existing houses that are relocated to another section within Palmerston North or to another territorial local authority. The number of replacement houses is higher in 2018 due of the demolition of 32 Council flats at Papaioea.

6.46. There can be differences in trend between the growth in the number of households and housing supply change in areas with significant holiday housing supply. Palmerston North is a significant tourism destination, with MBIE estimates showing annual tourism expenditure of $427 million in the year ended December 2018, ranking it 12th overall for territorial authority tourism spending. A high share of visitor nights in the city (at least 80% of total visitor nights) are provided through stays with friends and families, which uses spare rooms in occupied homes. In some territorial authorities, holiday homes account for a noticeable share of housing stock, but the prevalence of holiday houses appears to be low in Palmerston North. Visitor spending in the city is spread more evenly throughout the year compared with the average for New Zealand, reducing the need for a short-term peak in the supply of holiday accommodation.

Medium and long-term growth targets for housing

6.47. The responsive planning targets of the NPS (policies PC1 to PC4) require councils to provide an additional margin of feasible development capacity over projected housing demand of at least:

a. 20% in the short and medium term, and

b. 15% in the long term.

Table 19 is based on the Sense Partners household projections and the additional margin for feasible capacity that is required in the NPS.

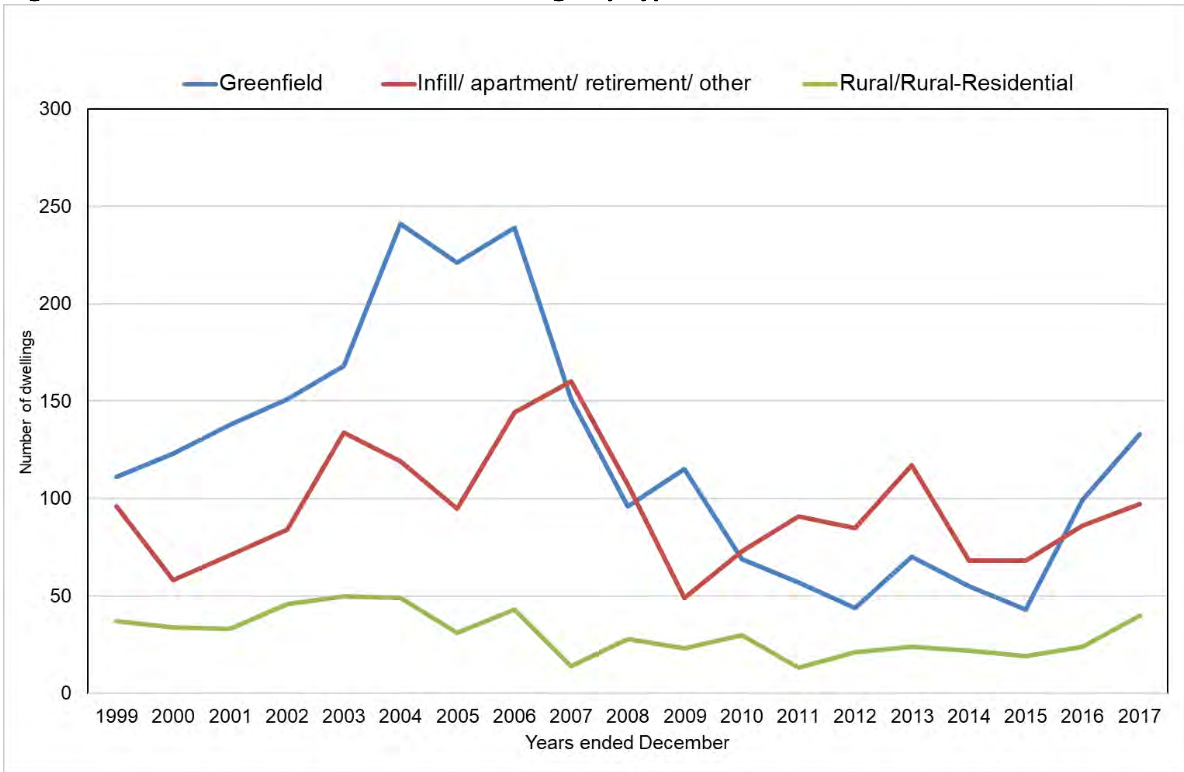
Table 19: Medium and long-term target for housing supply

	Medium term July 2018 - June 2028 *Medium-term target includes an additional margin of 20%*	**Long term** July 2028 - June 2048 *Medium-term target includes an additional margin of 15%*	**30-year total** July 2018 - June 2048
Total household growth	**Minimum growth target**		
	5,520	**10,005**	**15,525**
	Projected actual demand		
	4,600	**8,700**	**13,300**
Projected residential preference - based on minimum growth target			
Greenfield	2,760	5,003	7,763
Infill[1]	2,098	3,802	5,900
Rural/ rural-residential	662	1,201	1,863
[1] Infill share includes retirement villages and apartments			
Housing preference is based on an estimate of 50% greenfield, 38% infill and 12% rural/rural-residential			

Source: Sense Partners and Palmerston North City Council

6.48. The housing preferences shown in table 19 are based on the 1999 to 2017 building consents preference data in table 13 but are indicative rather than a target for Council. The Sense Partners projections suggest significantly higher growth in net dwelling numbers than the 19-year average between 1999 and 2017. The past residential preference data for the city shows that stronger growth in additional housing supply is more likely to be met by an increase in the construction of housing in greenfield areas while infill housing activity is more stable through the economic cycle.

Figure 41: Annual net increase in dwellings by type



Source: Palmerston North City Council

6.49. However, recent changes to the District Plan rules applying to the residential zone, which encourage greater medium density housing and ease the rules applying to minor dwellings, may encourage higher levels of infill housing. In addition, strong growth in the population aged 80 years and older will also result in strong growth in demand for retirement village housing and an increase in the share of the population living in residential care services. Housing for people in residential care services is not counted in the residential dwellings data because it is classified as occupied non-private dwellings.

6.50. The Council has also made changes to the rules applying to the development of rural and rural-residential housing, which may also reduce their share of the increase in net housing stock in the city.

Price efficiency indicators

Land ownership concentration

6.51. How land is distributed between different land owners can affect the availability of land for development and may have an impact on the cost of land if developers delay the release of land to the market. However, there have been issues with calculating a robust measure of land concentration in Palmerston North, particularly linking land owning companies and the individuals who are the shareholders of those companies or control the development of that land. A further caveat is that land zoned for residential development may not be able to be developed until key infrastructure is made available, such as roads, water, waste water and storm water services. The land ownership concentration indicator provides information about the competitiveness of the undeveloped residential land market but not the intensification of housing on sites that have already been developed.

6.52. Land concentration data published by the MBIE on the Urban Development Capacity dashboard suggests Palmerston North has a low land concentration index score (304), but the map provided with the assessment shows that vacant residential land in Feilding was included in the calculation of the index (a block on Ranfurly Road, Feilding is ranked seventh on the list of major land owners).

6.53. An assessment of land concentration using the Council's rates database shows two land owners holding a 47% share of available vacant residential land and two with a 57% share of vacant commercial/industrial land. The Council's vacant residential land assessment does not include the 54ha Whakarongo residential growth area. While this area is zoned residential, it is not available for development due to a lack of infrastructure. The completion of capital works to provide infrastructure to the Whakarongo residential growth area will provide a significant increase in capacity to the existing 123ha of vacant residential land.

6.54. Zoning more rural land for development adjacent to existing residential and commercial/industrial growth area may not result in a reduction in land ownership concentration. There are several areas in the city where rural land adjacent to these growth areas is owned by the land owners listed in Table 20. Therefore, adding this land to the existing land supply may increase concentration levels (see Figure 42 below).

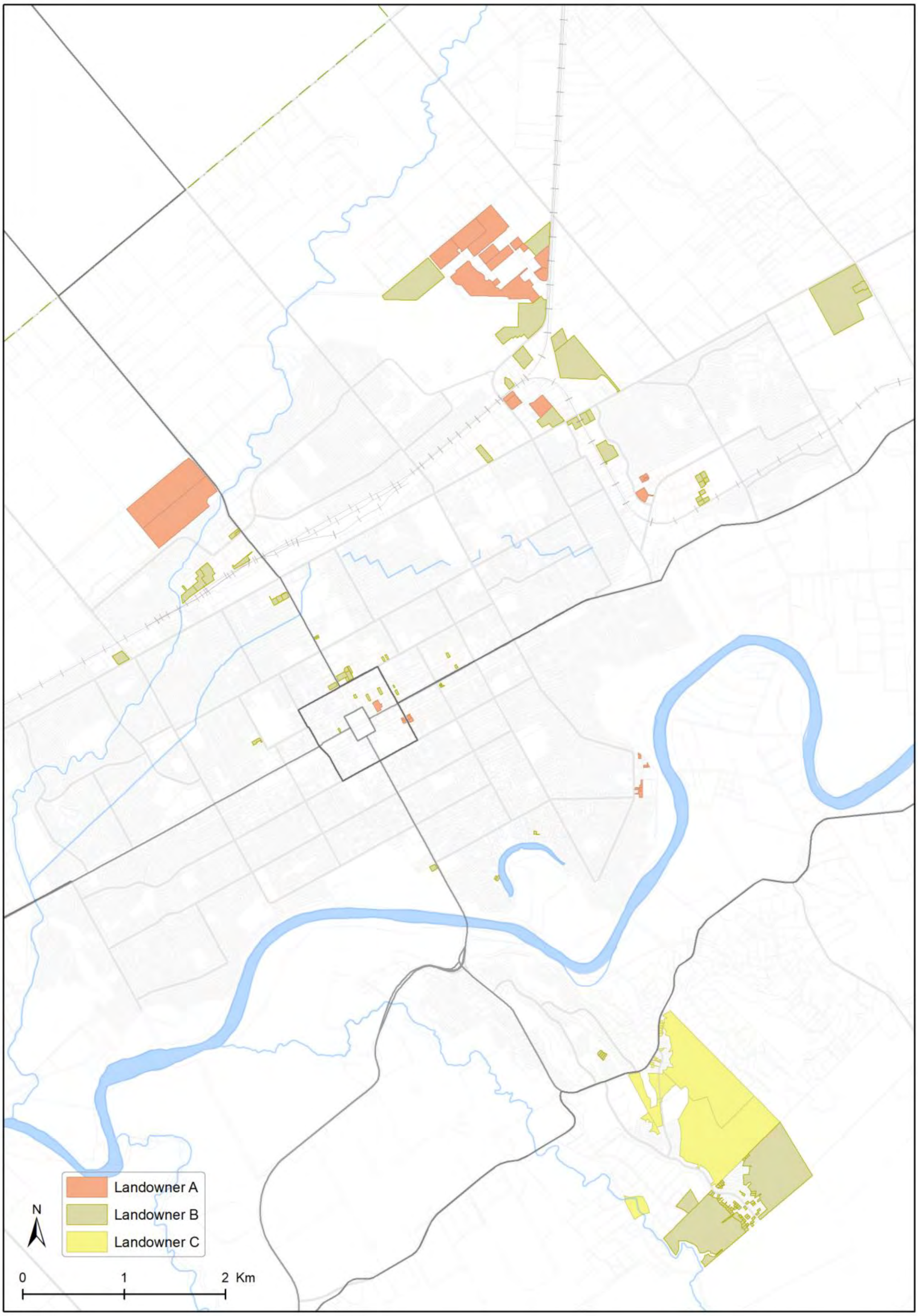
Table 20: Ownership of vacant commercial and residential land in Palmerston North as at November 2018 (ha.)

Land owners	Commercial/ Industrial (non-residential)	Residential	Rural	Vacant commercial/ Industrial (Non-Residential)	Vacant Residential	Total vacant land[1]	Total land
Brian Green	24	1	67	21	38	59	114
BF Higgins/D Higgins	51	0	434	44	9	53	496
Keith Marriott	0	0	0	0	16	16	16
Les Fugle & Co	0	0	91	0	15	15	106
EE Fair	4	0	0	5	9	14	18
Wallace Development	1	0	0	0	13	13	14
J R Farquhar	0	0	73	0	3	3	76
PN Maori Res Trust	6	2	0	0	1	1	10
Subtotal	**87**	**3**	**665**	**70**	**102**	**172**	**916**
Other owners	5,375	2,007	25,036	45	21	66	32,496
Total	5,462	2,011	25,701	115	123	239	33,412

[1] The vacant residential land total does not include the Whakarongo residential growth area of 54ha

Table 20 is based on the Council's rating database, but adjustments were made to the ownership of two significant blocks of land, where the record of ownership did not recognise the individuals who are actively involved in the development of that land.

Figure 42: Significant owners of vacant commercial and residential land in Palmerston North



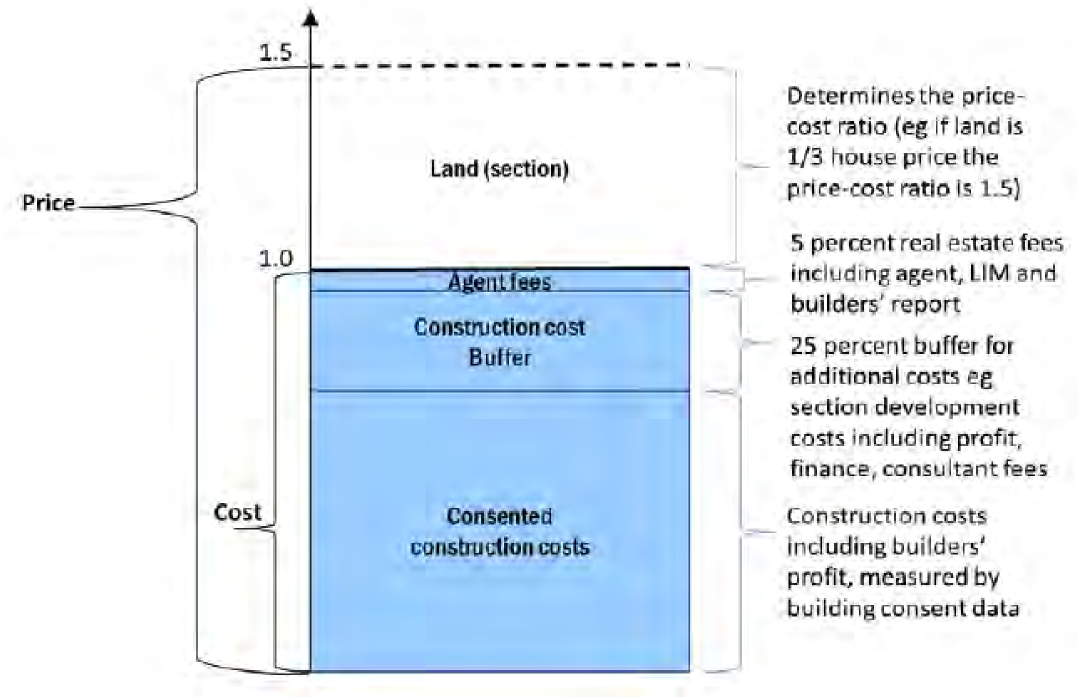
Source: Palmerston North City Council

Price-cost ratio

6.55. The MBIE/MfE price-cost ratio developed for the housing assessment measures the gap between house prices and construction costs in each urban area. It was developed as an indicator of the extent to which house prices are driven by the costs of construction or the cost of land (the estimate for the cost of land is based only on infrastructure-serviced sections). The analysis suggests that if the cost of land is a significant and/or increasing share of house prices, this could indicate an increased shortage of sections and development opportunities relative to demand.

6.56. The ratio was developed by comparing the price of each house sold with the relevant building consent values, plus a 25 per cent "construction cost buffer", and 5 per cent for real estate fees and other costs of buying a home. The amount left over is the imputed cost of land (the section). The results for each house are aggregated for urban areas. The price-cost ratio is 1.5 when the current cost of land (a serviced section) comprises one third of the house price. Figure 40 illustrates the components of the price-cost ratio.

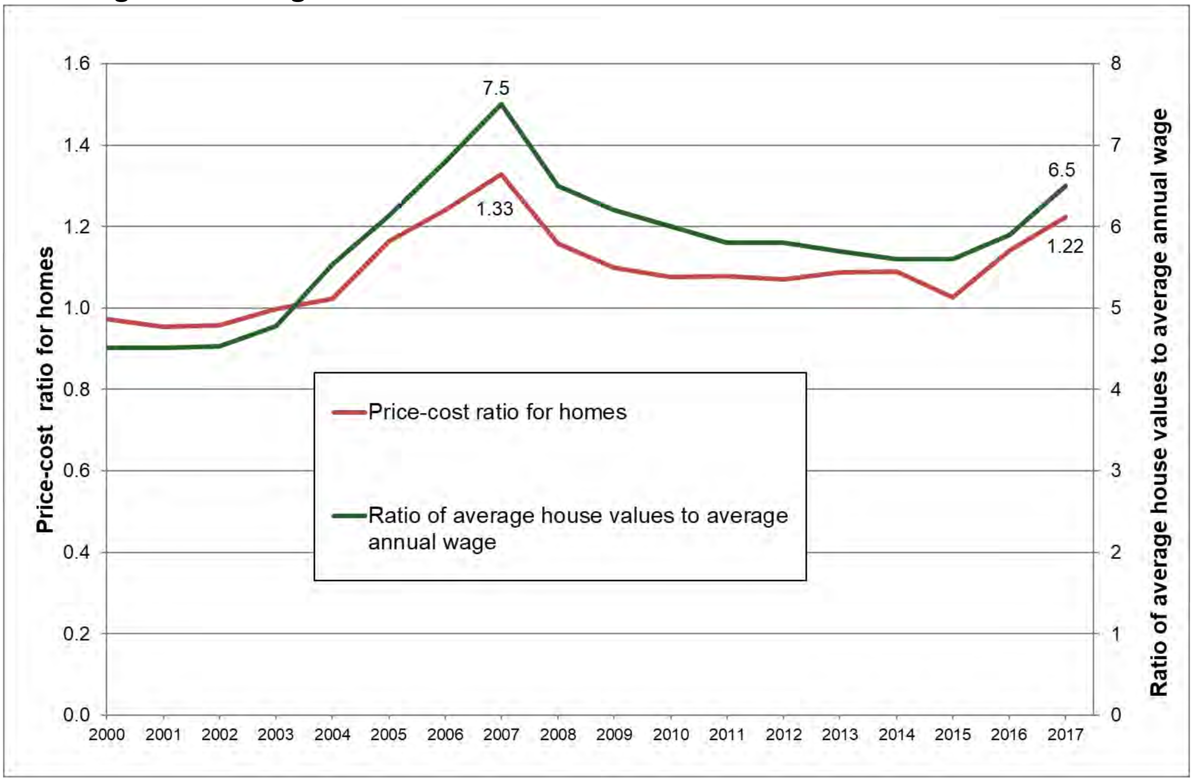
Figure 43



Source: MBIE/MfE

6.57. Guidance provided by MFE/MBIE notes that cost-price ratios between 1 and 1.5 suggest the supply of land and development opportunities are relatively responsive to demand. The price-cost ratio shows a high correlation to change in housing affordability (based on average annual wages) in Palmerston North (see Figure 41). The cost-price ratio for Palmerston North improved (the ratio declined) after peaking in 2007 but has increased since 2015.

Figure 44: Price-cost ratio for homes in Palmerston North and ratio of average house values to average annual wage



Source: MBIE/Infometrics

6.58. The September 2018 valuation data shows very strong growth in the value of residential land in Palmerston North relative to the total residential capital value. Between September 2015 and September 2018, average residential land values increased from $149,944 to $249,798, an increase of $99,854 (67% increase). Total average capital values increased by $100,261 between 2015 and 2018 to $419,520, an increase of 36%. Between 1994 the cost of land for a residential section has increased from 35.4% of the total capital value to 59.5% in 2018.

Table 21: Valuations for developed residential sections in Palmerston North

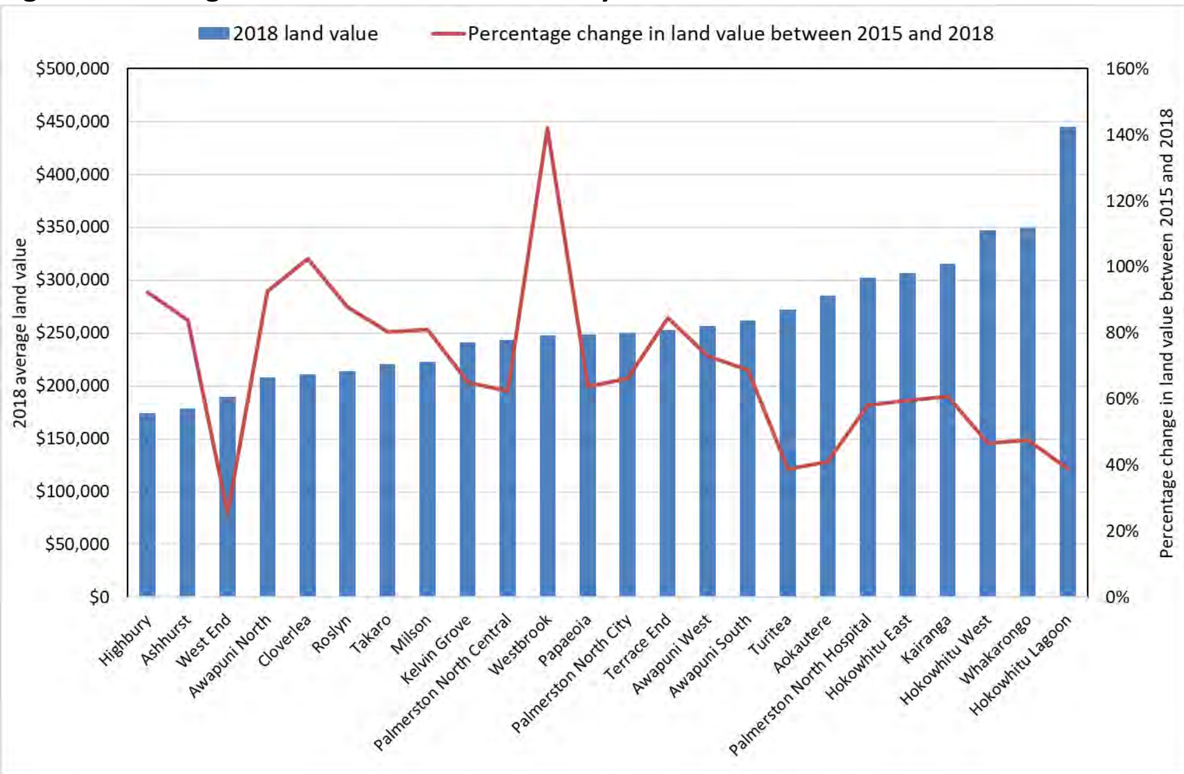
	Average land value	Value of Improvements	Average capital value	Ratio of land value to capital value
1994	$45,599	$83,326	$128,925	35.4%
1997	$46,376	$87,861	$134,237	34.5%
2000	$46,992	$93,967	$140,959	33.3%
2003	$60,006	$113,912	$173,919	34.5%
2006	$137,396	$141,185	$278,581	49.3%
2009	$137,751	$150,388	$288,139	47.8%
2012	$138,692	$155,846	$294,538	47.1%
2015	$149,944	$159,315	$309,259	48.5%
2018	$249,798	$169,722	$419,520	59.5%
2015-2018	$99,854	$10,407	$110,261	
change	67%	7%	36%	

Source: Palmerston North City Council

6.59. The price-cost ratios have not yet been updated to include the September 2018 valuation data, but will show a further increase in the ratio for Palmerston North.

6.60. The latest valuations generally show a strong rate of increase in residential land values between 2015 and 2018 in suburbs where land values were below the average for the city, although there are a few exceptions, with weak growth in land values in West End and very high growth in Westbrook.

Figure 45: Change in residential land values by area unit



Source: MBIE

Rural-urban land value differential (residential)

6.61. The rural-urban land value differentials have been calculated for urban areas that compare the values of residential land either side of the boundary between urban and non-urban zones, after removing the impact of differences in amenities, geographic characteristics and infrastructure. If the value of land jumps where the zoning changes, this suggests that various land-use regulations are constraining urban development capacity. The differential estimates how much urban residential land values are being elevated because of these regulatory constraints. The rural-urban land value differential (residential) attempts to measure the impact on the value of urban sections at the edge of the city. These differentials can be due to a range of factors, including:

a. insufficient zoning of land for housing development,

b. lack of infrastructure which enables zoned land to be developed,

c. concentrated land ownership,

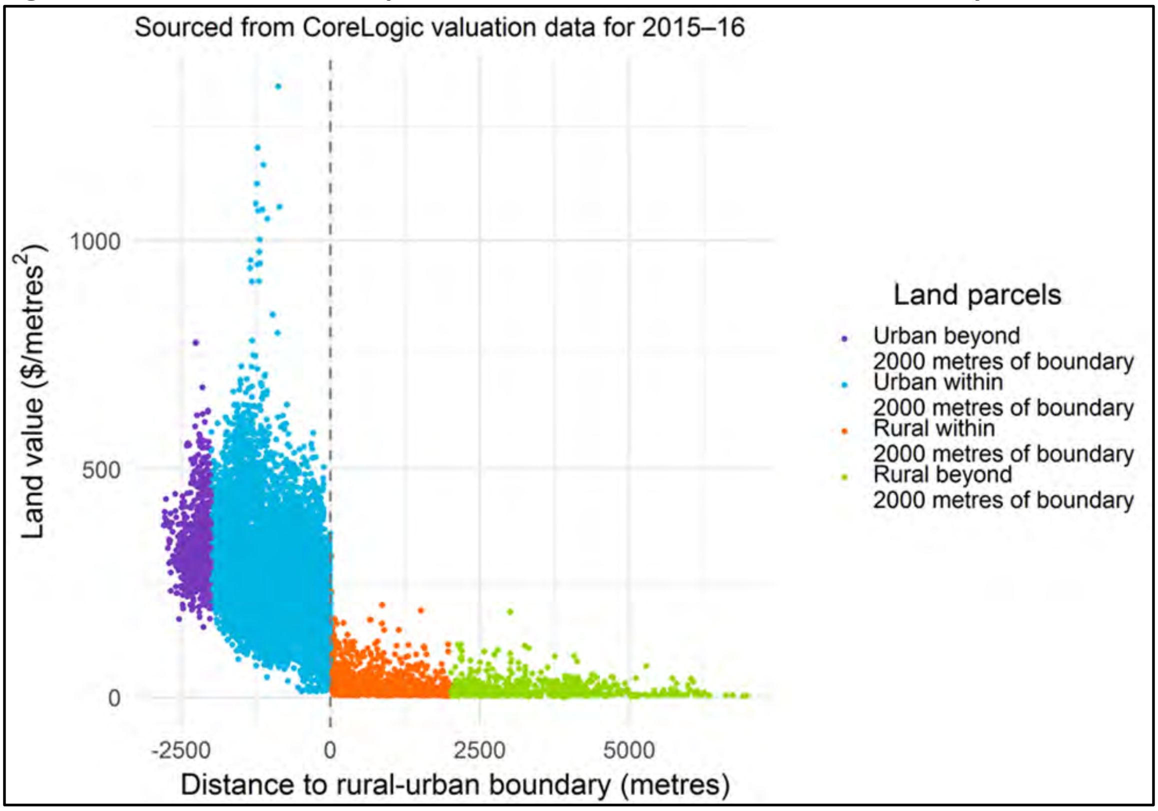
d. the cost of adding additional infrastructure at the margins of the urban area; and

e. land covenants imposed by property developers.

6.62. A Building Better Homes, Towns and Cities research bulletin *Covenants and Risks to the Supply of Land for Modest Homes and Affordable Housing* provides territorial authority data on the proportion of titles with a land covenant. The study identified 14% of titles with a land covenant in Palmerston North in 2017, which was slightly below the 16% average for New Zealand. There was a wide variation across similar sized council, with a 35% share identified in Tauranga and a 6% share in Dunedin. The analysis noted steady growth in the use of land covenants in Auckland. While its overall share was 19%, the study observed a 55% share for titles issued in 2017. The report did not include similar time series data for Palmerston North.

6.63. The rural-urban land value differential estimate suggests a difference of $73 per m^2 for similar residential land parcels in Palmerston North 2 kilometres either side of the boundary between urban and non-urban zones, resulting in a difference of $43,903 in the cost of land for a 600m^2 section. The estimated differential appears to be consistent with the difference in the land value of sections in Palmerston North and Manawatū District. The estimated land value of sections in Palmerston North in September 2015 was $150,233, while the estimated land value in Manawatū District was $120,348 in September 2016.

Figure 46: Palmerston North parcel land values near rural-urban boundary



Source: MBIE

6.64. The rural-urban ratio is based on the modelled ratio and per square metre dollar difference between the values of all similar residential land parcels 2 kilometres either side of the boundary between urban and non-urban zones after major explainable other factors that affect different land values have been removed. The valuation data used for the estimates in Table 17 was based on the most recent valuation data available at the time the estimates were prepared. The land valuation differentials for Palmerston North have not yet been updated to reflect the results of the latest 2018 valuations.

6.65. The differential of $73/m^2 in Palmerston North is much lower than for urban areas where housing is less affordable, but four areas surveyed by MBIE had smaller differentials (Blenheim, Rotorua, Dunedin and Gisborne). Dunedin is the only urban area with a larger population than Palmerston North that has a smaller rural-urban land value differential (table 22 below)

Table 22: Rural-urban land value differentials (residential) for major urban areas

Urban area	Rural-urban differential (ratio)	Difference ($/m^2)	Difference ($/600m section)[1]	Estimated urban area population (June 2018)
Auckland	3.15	$345	$206,722	1,570,100
Queenstown	3.12	$337	$202,485	15,900
Hamilton	2.42	$227	$136,213	241,200
Wellington	2.30	$201	$120,371	418,500
Christchurch	2.23	$150	$90,136	404,600
Nelson	2.10	$153	$91,671	67,600
Tauranga	2.02	$232	$139,135	141,600
Whangarei	2.00	$80	$48,064	58,700
Napier	1.66	$102	$61,372	63,900
New Plymouth	1.61	$92	$55,080	58,300
Palmerston North	**1.57**	**$73**	**$43,902**	**86,600**
Blenheim	1.46	$61	$36,303	31,600
Rotorua	1.33	$46	$27,441	59,500
Dunedin	1.29	$38	$22,505	122,000
Gisborne	1.22	$24	$14,352	37,200

[1] The example of an 600m section is provided as a typical size section at the edge of many cities

Source: MBIE

Housing affordability and affordable housing

6.66. There are a range of options used to measure housing affordability and affordable housing, each with different merits and limitations, including limits to the data that is available at a territorial authority level.

6.67. Measures of housing affordability include:

a. the cost of housing relative to prevailing incomes (household or personal income),

b. outgoings (on housing) to income ratios, and

c. residual income measures

6.68. Affordable housing is defined by Kay Saville-Smith (Director, Centre for Research, Evaluation and Social Assessment) as housing meeting the needs of diverse households with low or moderate incomes at a price allowing other essential living costs and an acceptable standard of living to be met. A typical threshold used to assess this is 25-30% of gross income for rental housing and 30-50% of gross income for mortgaged owner occupiers.

6.69. Measures produced for the cost of housing to prevailing incomes include:

a. Demographia - median house price divided by gross annual median household income (available at regional council level only)

b. Infometrics - comparing the average weekly earnings for an employee with the average dwelling price or average rent (available for territorial authorities)

6.70. Some of the residual income and outgoings on housing to income ratios include:

a. Interest.co.nz – first home buyer (25-29 years), young family (30-34 years) and older family (35-39 years). Based on the proportion of take-home pay that is needed to make the mortgage payment for a typical household. Mortgage payments are considered affordable when they take up no more than 40% of take-home pay (available for cities and regions)

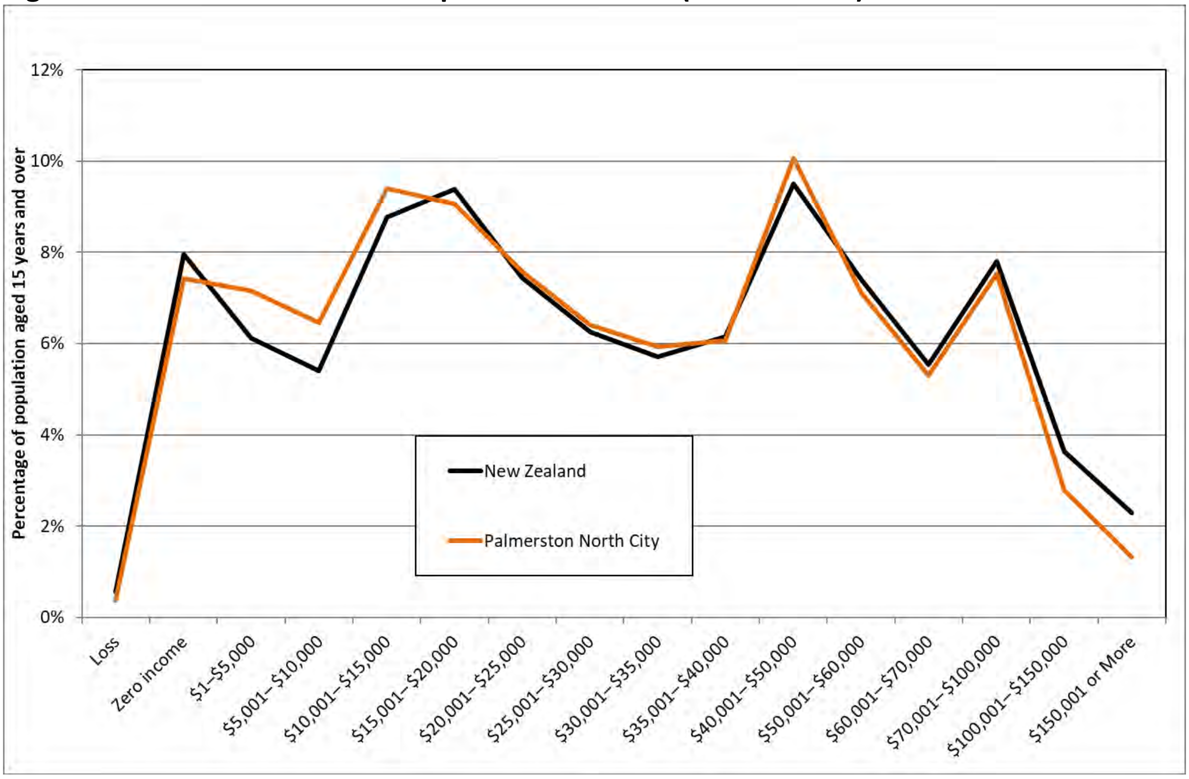
b. Massey University - comparing the average weekly earnings for an individual with the median dwelling price and the mortgage interest rate (available at regional council level only)

c. MBIE - the percentage of households that rent that can feasibly afford to own a home or can afford to live in their current accommodation (available for territorial authorities)

6.71. Median household incomes in Palmerston North are lower than the average for New Zealand, with Census 2013 recording a median income in Palmerston North of $58,500 compared with a median of $63,800 for New Zealand (the Palmerston North median was 92% of the median for New Zealand). Annualised median incomes of full quarter jobs in Palmerston North in the year ended March 2013 were $43,640 while the New Zealand median was $45,570 (the Palmerston North median was 96% of the median for New Zealand).

6.72. One factor contributing to the lower median household incomes in Palmerston North is the number of tertiary students in Palmerston North. Student enrolment data provided by the four main tertiary institutions (Massey University, Universal College of Learning (UCOL), Te Wānanga o Aotearoa and Institute of the Pacific United (IPU)) shows a student head count of 11,525 as at 31 March 2013 and 8,194 equivalent full-time students, slightly less than 14% of the city's estimated resident population in 2013.

Figure 47: Distribution of annual personal incomes (2013 Census)



Source: Census 2013

6.73. Census 2013 personal income data recorded 3,195 residents who received income from a student allowance. Student loan payments to cover living costs are not recorded as income, so many students will have recorded incomes in the Census that were well below their living expenses. Despite this, Census 2013 shows that median incomes for people aged 15 – 24 years in Palmerston North were higher than the median for New Zealand. Since median incomes in this age group are lower than the median for all age groups in the city, their higher share of the city population contributed to lowering the overall city median compared with New Zealand.

6.74. A more detailed breakdown of annual income data from Census 2013 shows a higher share of the Palmerston North population (compared with the New Zealand average) with annual personal incomes between $1 - $15,000 while the city had a lower share of people with annual incomes over $100,000.

6.75. Census 2013 data in table 23 shows a variation in the distribution of household income by housing type. The median income for house owners in Palmerston North was close to the median income for New Zealand while the median for Palmerston North renting households was $40,600 (84% of the median for New Zealand), much lower than the median household income of $48,600 for New Zealand.

Table 23: Median household income and housing tenure (Census 2013)

	Dwelling owned or partly owned	Dwelling held in a family trust	Dwelling rented	Total households
New Zealand				
Number of households	658,650	195,651	431,958	1,286,259
Distribution by type	51%	15%	34%	100%
Median income	$72,200	$84,900	$48,600	$64,600
Palmerston North				
Number of households	12,696	3,195	8,889	24,774
Distribution by type	51%	13%	36%	100%
Median income	$71,600	$76,800	$40,600	$59,200
Palmerston North share of national median income	99.2%	90.5%	83.5%	91.6%

Source: Census 2013

6.76. Statistics New Zealand publishes household income data by fixed-income bands rather than by decile, so it is difficult to align the distribution of household incomes with the distribution of house values in the city. While the data could be purchased by decile, there is little value in using 2013 Census data. A further challenge is the three-yearly cycle for updating house values in the City and the five-yearly cycle for the Census. We now have September 2018 valuation data for houses in Palmerston North but Census 2018 household income data will not be available until later in 2019 or in 2020. Table 24 shows the distribution of incomes in Palmerston North in 2013.

Table 24: Total household income by band (Census 2013)

	Number of households		Distribution of household income	
Income band	Palmerston North City	New Zealand	Palmerston North City	New Zealand
Loss	69	4,971	0.3%	0.4%
Zero income	117	8,337	0.5%	0.6%
$1-$5,000	255	13,221	1.0%	1.0%
$5,001-$10,000	354	17,562	1.4%	1.3%
$10,001-$15,000	930	38,547	3.7%	2.9%
$15,001-$20,000	1,299	63,561	5.1%	4.8%
$20,001-$25,000	1,542	72,228	6.1%	5.5%
$25,001-$30,000	1,467	71,934	5.8%	5.5%
$30,001-$35,000	1,461	74,664	5.8%	5.7%
$35,001-$40,000	1,188	54,042	4.7%	4.1%
$40,001-$50,000	2,211	104,163	8.7%	7.9%
$50,001-$60,000	2,094	99,846	8.3%	7.6%
$60,001-$70,000	1,932	92,721	7.6%	7.0%
$70,001-$100,000	4,695	236,934	18.5%	18.0%
$100,001-$150,000	3,627	205,635	14.3%	15.6%
$150,001 or More	2,079	157,626	8.2%	12.0%
Total households	25,320	1,315,992	100.0%	100.0%

Source: Census 2013

6.77. Table 25 below shows the distribution of house values in Palmerston North in 2015 and 2018. This is based only on single dwellings that are on a single rating unit, since it is assumed that multiple units on a single rating unit are not available for sale individually to the market. The analysis also excludes dwellings that are included in mixed use buildings in non-residential zones and also rural and rural-lifestyle buildings.

Table 25: Distribution of house values by decile in Palmerston North

Decile	September 2015	September 2018
1	$180,000 and below	$265,000 and below
2	$180,000 - $200,000	$265,000 - $295,000
3	$200,000 - $225,000	$295,000 - $325,000
4	$225,000 - $240,000	$325,000 - $350,000
5	$240,000 - $265,000	$350,000 - $375,000
6	$265,000 - $290,000	$375,000 - $410,000
7	$290,000 - $330,000	$410,000 - $450,000
8	$330,000 - $370,000	$450,000 - $510,000
9	$370,000 - $465,000	$510,000 - $600,000
10	$465,000 and over	$600,000 and over
Lower quartile	$211,000	$310,000
Median	$265,000	$375,000

Note: multi-unit dwellings combined on a single rating unit were excluded from the analysis. The analysis also excludes dwellings included in a rating unit with other activities, for example a residential unit above a shop.
Source: Palmerston North City Council

6.78. The latest city valuations show a 41.5% increase in the median house value between 2015 and 2018, an increase of $110,00. The lower quartile house value increased from $211,000 in 2015 to $310,000 in 2018, an increase of 46.9% ($99,000 increase). Housing affordability measures which use the lower quartile house value show a greater decline in affordability for first home buyers than if the median house value is used, because the rate of change was higher for the lower quartile house value.

6.79. The Interest.co.nz affordability measure in Table 26 shows that housing is more affordable in Palmerston North than the average for New Zealand, with median weekly take home pay for Palmerston North first home buyers slightly higher than the New Zealand median, while young family and older family median incomes were only slightly below the New Zealand median. The Interest.co.nz measure assumes the young family and older family have already purchased homes but are looking to upgrade to larger houses.

Table 26: Interest.co.nz home loan affordability estimates

Palmerston North	Weekly take home pay	House value	Mortgage	Weekly mortgage payment	Mortgage payment as a % of take home pay
First home buyers 25-29	$1,634	$351,500	$281,200	$327.48	20.0%
Young family 30-34	$1,360	$412,500	$244,965	$285.28	21.0%
Older family 35-39	$1,800	$412,500	$214,719	$250.06	13.9%
New Zealand					
First home buyers 25-29	$1,606	$390,000	$315,791	$367.77	22.9%
Young family 30-34	$1,372	$562,000	$391,058	$455.42	33.2%
Older family 35-39	$1,853	$562,000	$339,922	$395.87	21.4%
Assumptions					
First home buyers - couple, both working full-time, house value based on lower quartile price					
Young family - couple, one working full-time and one working half-time, receive Working for Families allowance					
Older family - couple, both working full-time					
All individuals earn the median rate of pay for their age group					
Young family and older family house value - based on median price					

Source: Interest.co.nz

6.80. The October assessment by Interest.co.nz shows that the lower quarter house price in Palmerston North was 85% of the New Zealand lower quartile house price. The relativity for lower quartile house prices is much closer than for median house prices. In October 2018, the median house price in Palmerston North was 69% of the New Zealand median house price. The interest.co.nz analysis assumes that first home buyers purchase a lower quartile house, where the housing affordability advantage in Palmerston North (compared with the national average) is much smaller than households purchasing a median value house.

6.81. Interest.co.nz housing affordability data for other similar sized local authorities (table 27) shows that housing affordability for first home buyers in Palmerston North is better than for the other councils, and that the other councils have also experienced a decline in affordability over the past two years.

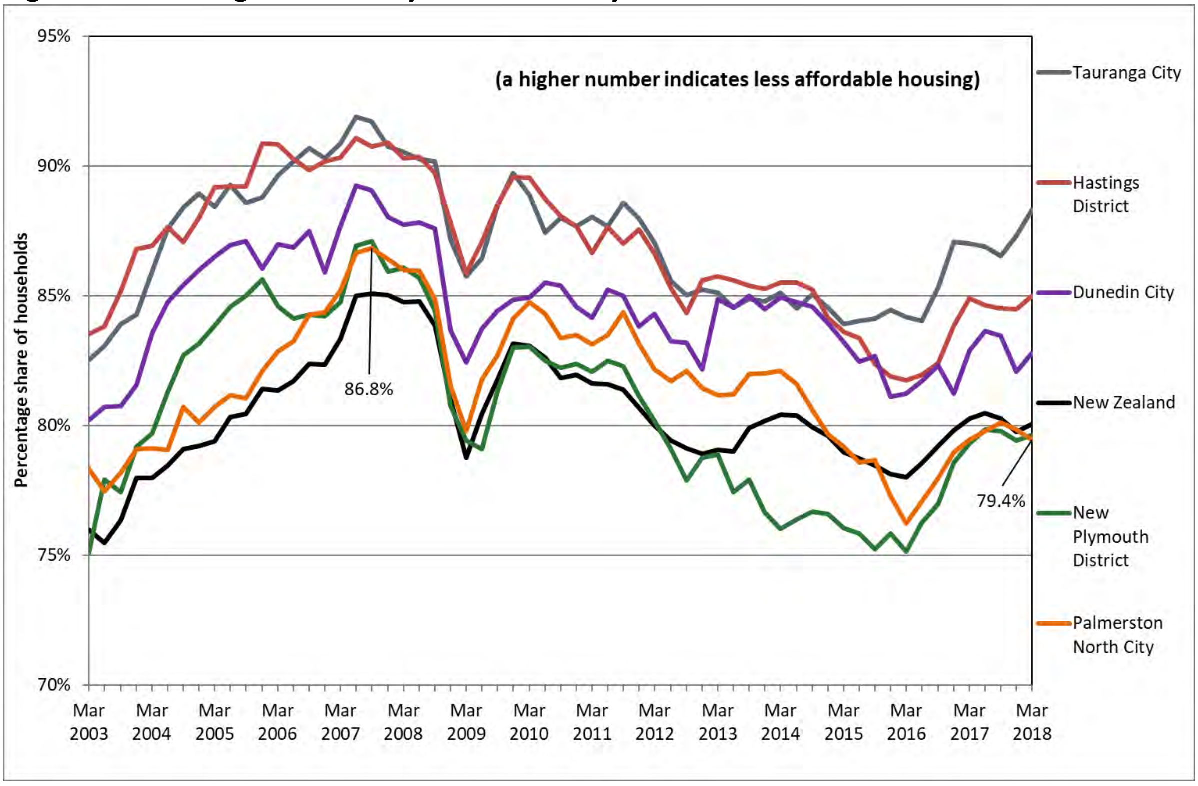
Table 27: Mortgage payment as a percentage of the take-home pay for first home buyers

	October 2016	October 2017	October 2018
Tauranga	31.6%	31.7%	35.8%
Hamilton	26.7%	29.5%	27.7%
Wellington	25.3%	25.6%	27.6%
Dunedin	17.2%	21.3%	23.6%
Whangarei	19.0%	21.7%	23.4%
New Zealand	20.0%	22.3%	22.9%
New Plymouth	18.9%	20.9%	21.5%
Hastings	14.9%	22.4%	20.5%
Palmerston North	**16.5%**	**18.4%**	**20.0%**

Source: Interest.co.nz

6.82. The housing affordability measure (HAM) developed by MBIE is a measure of whether a household that is currently renting can feasibly afford to own a home. The 'buy' indicator calculates how much money the first home buying population have left over after paying for their housing costs – if they were to transition from renting to home ownership by purchasing a modest home in the area in which they currently live. The households are then classified as being either above or below the 2013 National Affordability Benchmark based on this 'residual income'. A growing proportion of households below the benchmark indicates that housing is becoming less affordable, while a shrinking number indicates that it is becoming more affordable. The indicator suggests affordability improved between 2007 and early 2016 but has deteriorated since March 2016.

Figure 48: Housing affordability measure – buy measure



Source: MBIE

6.83. The residual incomes are adjusted ('equivalised') using a formula that makes a household's residual income equivalent to what a one-person household would need to earn to have a comparable standard of living. Any household with an equivalised weekly residual income (i.e. the money they have left over after paying for housing costs each week) of less than $662 is below the 2013 National Affordability Benchmark. Because this threshold is based on affordability for current homeowners and renters, and homeowners typically have higher incomes relative to housing costs than renters, the proportion of renting households and potential first home buyers below the 2013 National Affordability Benchmark is generally more than 50%. The household data is based on income data sourced from tax records collected by the Inland Revenue Department. Due to the delay in filing of tax returns by the self-employed, the latest income data is for the year to March 2017.

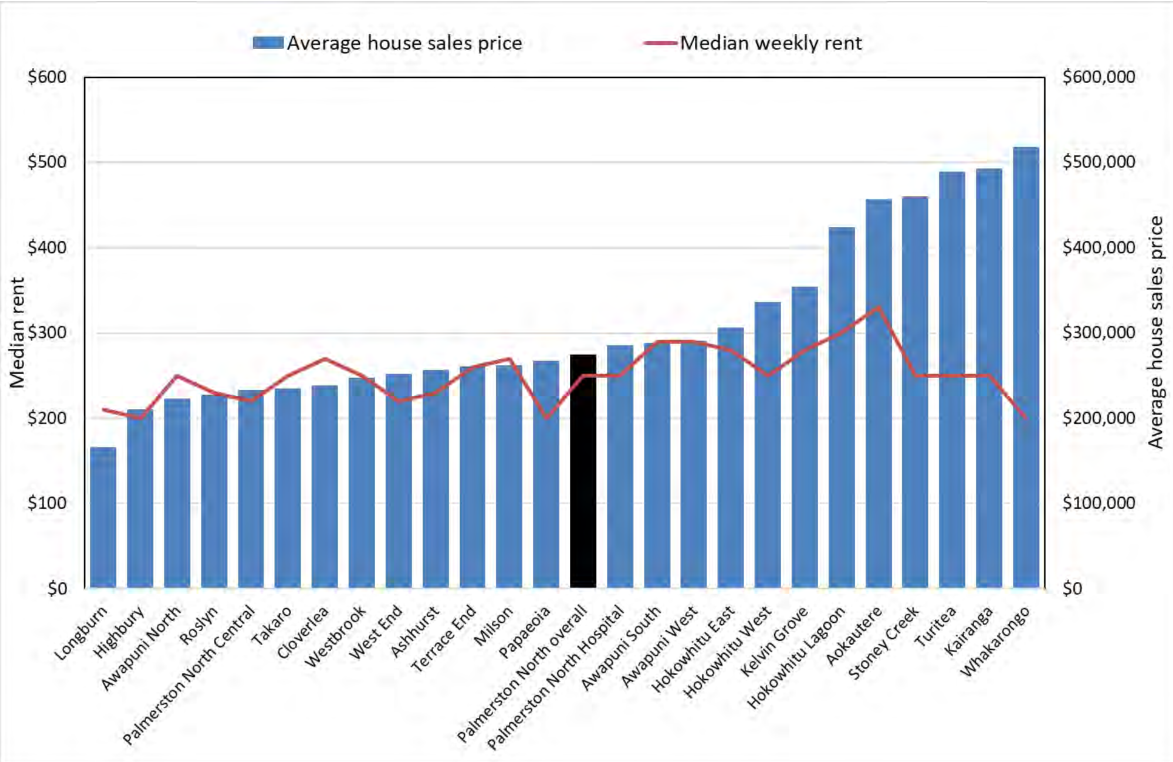
6.84. Common measures used to assess housing affordability for renters are:

a. Infometrics/Interest.co.nz outgoings to income ratio - this is measured as a rent to income ratio. The ratio is calculated as the average rent divided by the average income.

b. MBIE residual income measure (Housing Affordability Measure HAM – rent) - a person's income less their rental payments.

6.85. The distribution of median rents across area units in Palmerston North is relatively small compared with the variation in house prices across the city (figure 28). Median rents in 2013 ranged from a low of $200 per week in Highbury, Papaioea and Whakarongo to a high of $330 a week in Aokautere. Average house sales prices in the year to March 2013 ranged from a low of $166,000 in Longburn in the 12 months to March 2013 and a high of $517,774 in Whakarongo. A challenge with comparing the two set of data is that the rental data covers only a subset of the total housing stock, while all the housing stock is measured in the house sales prices data.

Figure 49: Distribution of median rents and average house sales price in Palmerston North (March 2013)



Source: MBIE and Census 2013

6.86. The ratio of median annual rent to median household income ranges from a low of 15% in the Turitea area unit to a high of 32% in the Palmerston North Central area, which had the lowest median household income in the 2013 Census (Table 28).

Table 28: Weekly median rent and household income by area unit (Census 2013)

Area Unit Description	Median household income	Median Weekly Rent Paid	Percentage of households renting	Ratio of median annual rent to median household income
Palmerston North Central	$36,300	$220	72%	32%
Highbury	$41,300	$200	49%	25%
Papaioea	$42,300	$200	56%	25%
Roslyn	$46,200	$230	50%	26%
Awapuni North	$46,500	$250	46%	28%
West End	$46,700	$250	55%	28%
Westbrook	$49,500	$220	33%	23%
Takaro	$50,100	$250	45%	26%
Cloverlea	$54,800	$270	32%	26%
Terrace End	$54,800	$260	39%	25%
Palmerston North overall	**$58,500**	**$250**	**38%**	**22%**
Milson	$58,800	$270	28%	24%
Palmerston North Hospital	$59,000	$250	44%	22%
Ashhurst	$60,500	$230	23%	20%
Longburn	$64,000	$210	39%	17%
Linton Military Camp	$67,800	$210	92%	16%
Hokowhitu West	$67,900	$250	40%	19%
Hokowhitu East	$68,100	$280	32%	21%
Massey University	$68,300	$250	42%	19%
Awapuni South	$68,900	$290	24%	22%
Awapuni West	$70,200	$290	20%	21%
Kelvin Grove	$74,900	$280	23%	19%
Kairanga	$77,100	$250	20%	17%
Stoney Creek	$82,500	$250	20%	16%
Whakarongo	$84,200	$200	19%	12%
Hokowhitu Lagoon	$87,900	$300	24%	18%
Turitea	$88,800	$250	19%	15%
Aokautere	$99,700	$330	13%	17%

Source: Census 2013

6.87. It is unclear why there is this small range in rents across the city, because it implies a higher gross rate of return for property investors in low income parts of the city and the lowest gross return in the areas with the highest priced housing. This is likely to result in strong competition between property investors and first home buyers, since they are both likely to be focussed on the lower quartile housing stock in the city.

6.88. Census data for 2013 also shows the distribution of average weekly rent and annual household income in the city (table 29).

Table 29: Weekly rent paid by households in Palmerston North

Household income band	Under $200	$200 - $249	$250 - $299	$300 - $349	$350 and over	Total households[1]
$20,000 or less	966	273	252	99	78	1,668
$20,001 - $30,000	540	246	237	99	69	1,191
$30,001 - $50,000	534	465	528	219	120	1,866
$50,001 - $70,000	219	336	450	219	129	1,350
$70,001 - $100,000	117	243	378	234	171	1,146
$100,001 or more	57	90	165	183	312	807
Total renting households[1]	2,436	1,653	2,013	1,056	876	8,028
Median household income	$24,400	$42,500	$49,600	$59,400	$77,600	$41,800

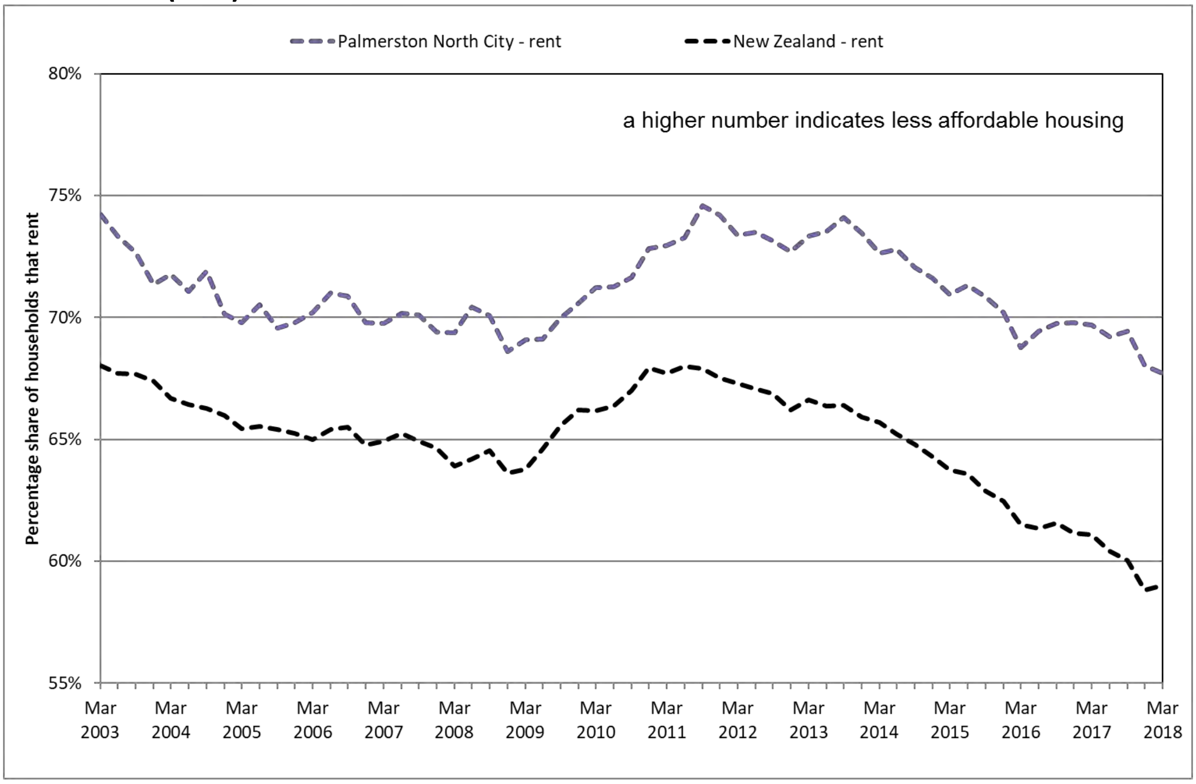
[1] Totals exclude households that did not provide average weekly rent or income details

Source: Census 2013

6.89. The latest Interest.co.nz estimates for rental affordability are that it takes 22.5% of household take home pay to pay the median rent on a 3-bedroom house in Palmerston North while the average for New Zealand was 26.8% in October 2018. The rent share for Palmerston North households was of 22.3% in October 2017 and 24.2% for New Zealand households.

6.90. The MBIE residual income measure shows rents are less affordable in Palmerston North than the average for New Zealand, but affordability has improved for Palmerston North renting households since the September 2013 quarter. There was a slight decline in affordability in the city from late 2016.

Figure 50: Percentage of households that fall below the 2013 national affordability benchmark (rent)



Source: MBIE

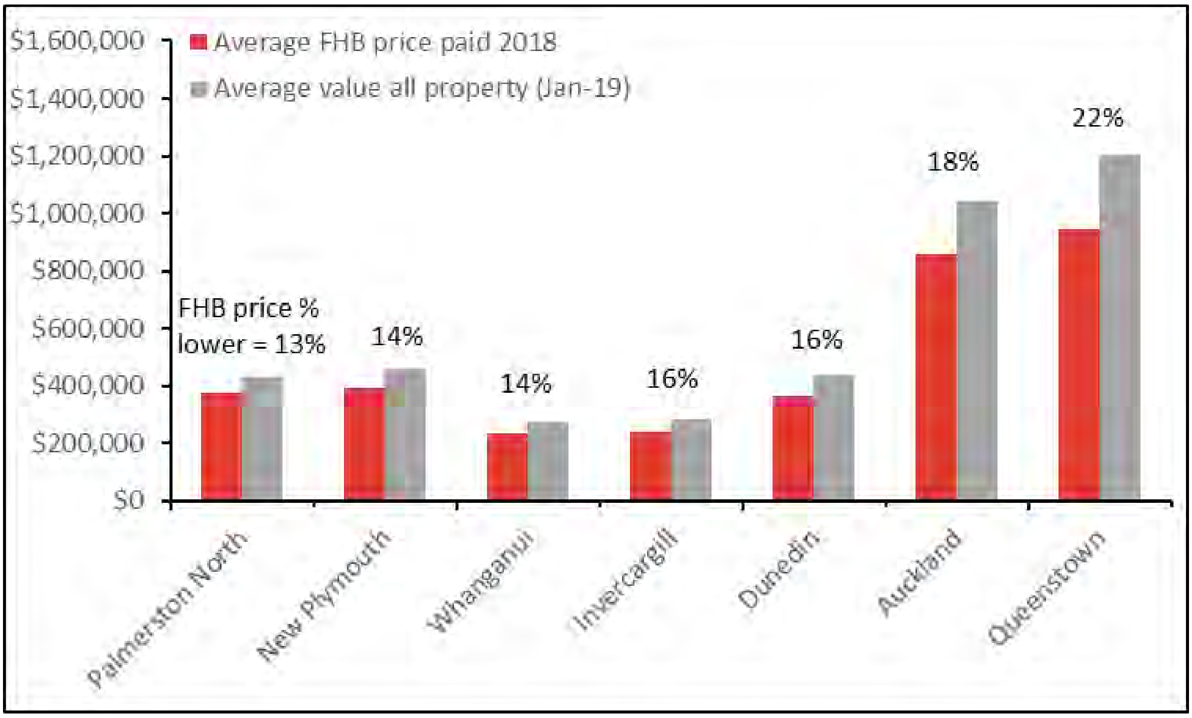
CoreLogic Market Update 20 February 2019: What prices have first home buyers been paying?

First home buyers (FHBs*) have generally been paying the highest prices relative to each area's average property value in less expensive markets, like Palmerston North and New Plymouth. Buying budgets can stretch a bit further in locations where property is generally cheaper, potentially helping FHBs to enter the property ladder at a higher rung - so this all makes sense. It's also not surprising that FHBs tend to account for a higher share of purchases in NZ's cheaper areas. By contrast, FHBs are struggling to compete in more expensive areas, like Queenstown.

CoreLogic Property Economist Kelvin Davidson writes:

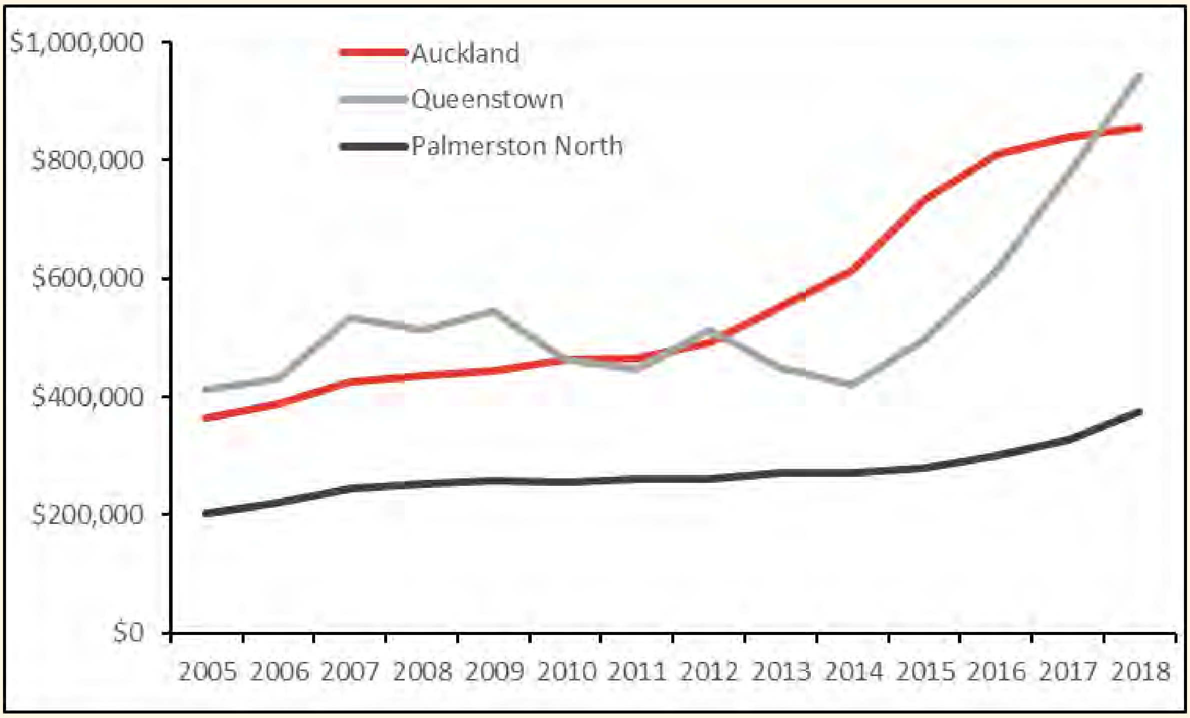
Our Buyer Classification series shows that, despite high prices and reduced affordability across many parts of the country, FHBs still have an appetite to get into the property market and are finding ways to do just that. Their share of purchases in 2018 was about 23% (levels like this were last seen way back in 2007), with their ability to buy assisted by tapping their KiwiSaver funds for the deposit and/or a willingness to compromise on the location/property type - particularly in the priciest markets.

But what about the prices they're actually paying to get into the market? In locations where property is generally the most expensive, FHBs have chosen (or been forced) to target the lower end of spectrum.



Average price paid by FHBs in 2018 and current average value for all properties (Source: CoreLogic)

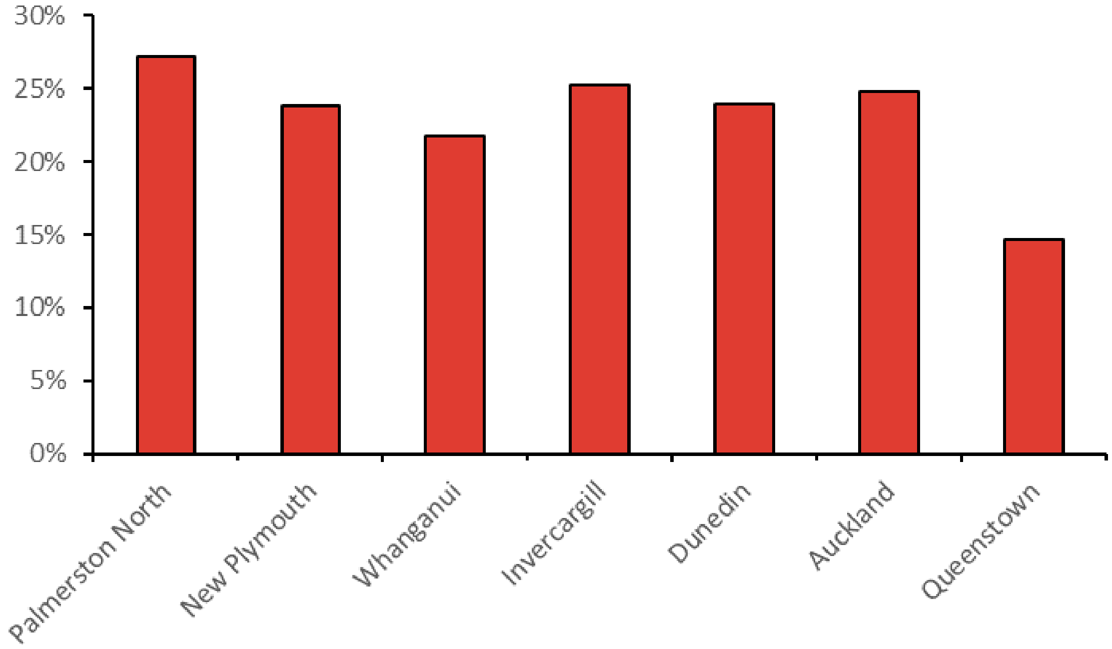
The first chart above shows the average prices paid by FHBs in selected parts of NZ in 2018 versus the current average value for all properties in each area. The gap between the two numbers (or the 'discount') is shown above the bars. As you can see, the prices that FHBs have paid relative to the average value are lower in NZ's most expensive markets of Auckland (18%) and Queenstown (22%), than they are in Palmerston North (13%) where property is cheaper.



What's quite staggering is the increase in prices that FHBs have been paying in Queenstown over recent years. From a trough of about $420,000 in 2014, that figure has now risen to more than $943,000: an increase of nearly 125%. The average price paid in Queenstown by a FHB in 2018 was almost $87,000 more than in Auckland (see the second chart).

Average FHB price paid (Source: CoreLogic)

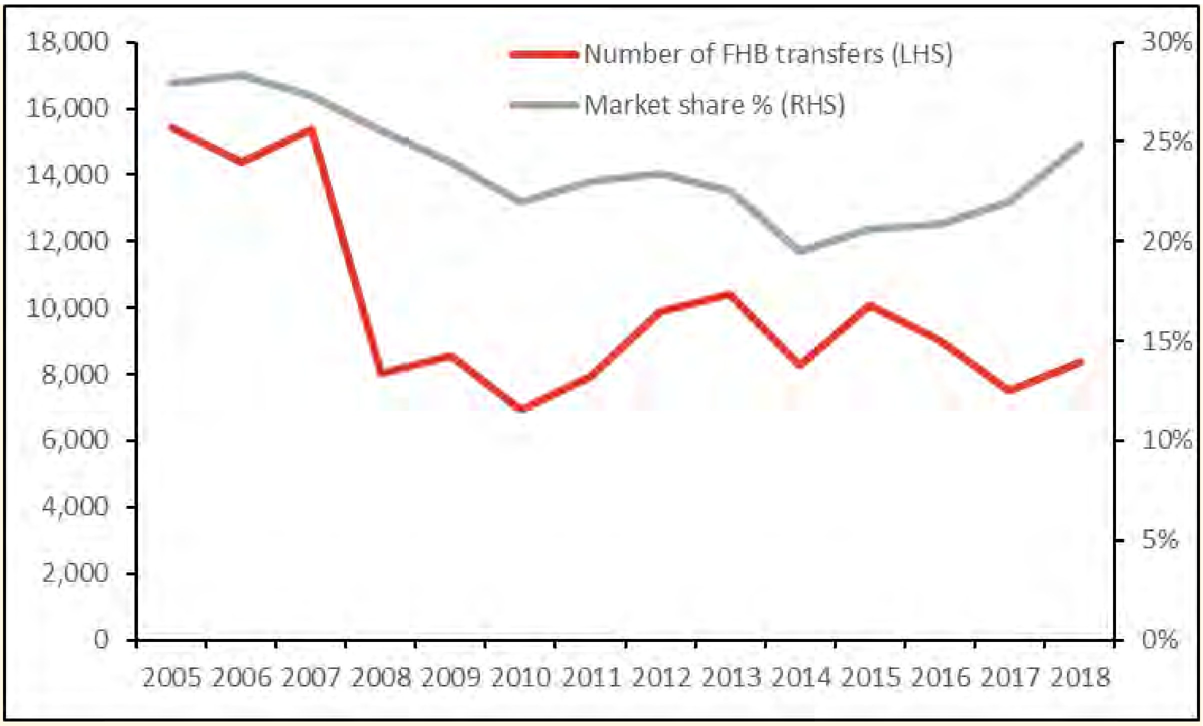
Given the high prices that they face, it's not surprising that many FHBs struggle in the Queenstown market, where they account for just 15% of purchases in 2018 (see the third chart). It's also no surprise that FHBs play a bigger role in cheaper markets such as Palmerston North and Invercargill - and as noted above they may well find it easier to access the better tiers of property in these markets too.



FHB % market share in 2018 (Source: CoreLogic)

Of course, when looking at FHBs' market share against the prices they're paying, Auckland stands out – it's expensive, but FHBs still account for a reasonable share of activity. On face value, that seems weird but this apparent anomaly is explained by two key factors.

First, FHB's market share in Auckland only rose in 2018 because they found a way to "hang on" better than other buyer groups – i.e. their number of purchases has basically flat-lined in a softening market, so their % share has naturally risen (see the fourth chart).



Auckland FHB activity (Source: CoreLogic)

Second, there are obviously two sides to affordability: house prices and wages. With Auckland's job market more heavily weighted towards higher paying sectors (e.g. banking and legal services) than, say, the tourism/hospitality-heavy Queenstown job market, FHBs in our biggest city are evidently finding it easier to compete with other buyer groups than they do in Queenstown (where accumulated wealth of other buyers is also likely to be playing a role).

* We define FHBs as not having owned residential property in NZ before and making a purchase with a mortgage. Theoretically, then, this definition could include say a foreign buyer purchasing with a mortgage. But given the tightening of standards around approving a mortgage to people without an NZ-based income, this is unlikely to be a significant factor.

Assessing capacity for housing

Strategic housing growth framework

6.91. PNCC's historical strategic direction for residential growth has generally focussed on greenfield growth. It has encouraged development at the urban edge of the City, which has seen a relatively evenly proportioned expansion of the City to the east and west. A lesser proportion of housing growth has occurred within the existing urban area through infill subdivision. Infill has generally occurred in higher socio-economic suburbs such as Hokowhitu and Papaioea, where higher land values have made subdivision a more worthwhile prospect.

6.92. Palmerston North's recent housing growth experience has been shaped by Council's 2010 Residential Growth Strategy. The strategy identified Anders Road and the Racecourse (collectively known now as "City West") and Kelvin Grove as the city's preferred growth options. City West (now named Kakatangiata) was identified as the short- medium term growth area and Kelvin Grove (now named Whakarongo) the long-term option.

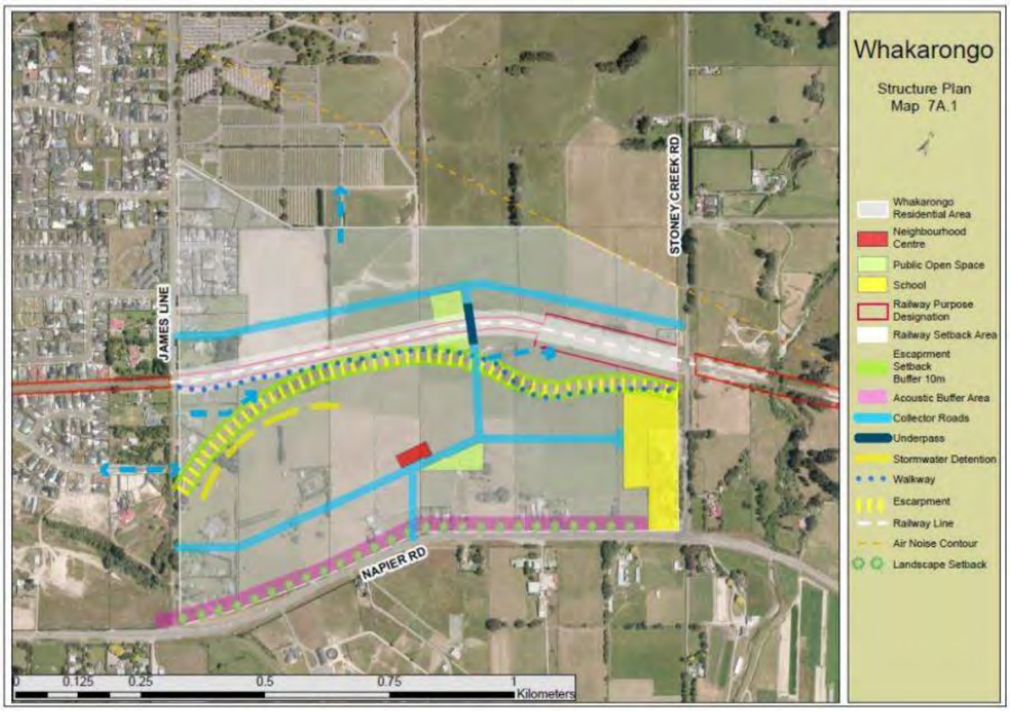
Figure 51: Council's preferred growth areas in the residential growth strategy 2010

Source: Palmerston North City Council

6.93. Shortly after the Residential Growth Strategy was adopted the 2010 Christchurch earthquake struck. This earthquake and the following 2011 earthquake raised awareness about liquefaction risk. Because liquefaction risk had not informed the 2010 Residential Growth Strategy the Council directed liquefaction assessments to re-evaluate the suitability of the city's future growth options. The results showed that large parts of City West had high susceptibility to liquefaction. As a result, in 2012, the Residential Growth Strategy was updated to reprioritise Whakarongo as the preferred short to medium-term growth option and City West as the long-term location for housing.

6.94. In May 2013, Council initiated a plan change to give effect to the 2012 Residential Growth Strategy. As a result, the Whakarongo Residential Growth Area was created through a District Plan rezoning process.

Figure 52: Map of Whakarongo growth area



Source: Palmerston North City Council

6.95. In August 2013, Private Plan Change B was notified. This was a privately-led District Plan change seeking to rezone Pioneer-City West (which is a subset of the wider City-West growth area that Council identified in the 2010 Residential Growth Strategy). Following the rezoning of the Kikiwhenua Residential Area, the Council will engage with the Pioneer City West interests and other landowners in this area to determine the staging of the remainder of the Kakatangiata (City West) area before advancing the necessary District Plan changes to enable development.

Figure 53: Map of private plan change B: Pioneer City West

Source: Palmerston North City Council

6.96. The public submission process concluded in November 2013. The plan change has never progressed to a hearing and is effectively on hold.

Legacy residential areas

6.97. Much of Palmerston North's current residentially zoned landbank was rezoned over a decade ago. Most greenfield development has occurred in Kelvin Grove and Aokautere. In recent years, infill developments have become more common, particularly in Hokowhitu, the central city and hospital areas. Excluding the Whakarongo Residential Area, the Kelvin Grove Growth Area has almost been entirely developed. The balance of developable areas in Kelvin Grove adjoin Napier Road.

6.98. Much of the serviceable land in Aokautere has also been developed. The recent construction of a water reservoir in Aokautere has enabled further development capacity.

Strategic direction

6.99. Council adopted a new strategic direction as part of its 2018 Long Term Plan, including its priorities for residential growth. The City Development Strategy directs:

a. the need to identify opportunities and reduce barriers to central city living and converting brownfield sites to housing within the existing urban area. For example, transitioning Roxburgh Crescent from industrial to residential,

b. The development of Council-owned land at Whakarongo,

c. Rezone City West earlier than previously anticipated. The most suitable land for initial release in City West has been identified as the area bound by the Mangaone Stream, Te Wanaka Road and Pioneer highway,

d. The need to develop a structure plan for Aokautere and to rezone additional land to take advantage of substantial housing capacity opportunities in this location. Conservative estimates indicate further rezoning could supply capacity for an additional 1,200 new dwellings in Aokautere,

e. The need to develop a Future Development Strategy under the National Policy Statement for Urban Development Capacity.

6.100. Council also developed a Housing and Future Development Plan. This identifies the need to:

a. initiate development at Whakarongo.

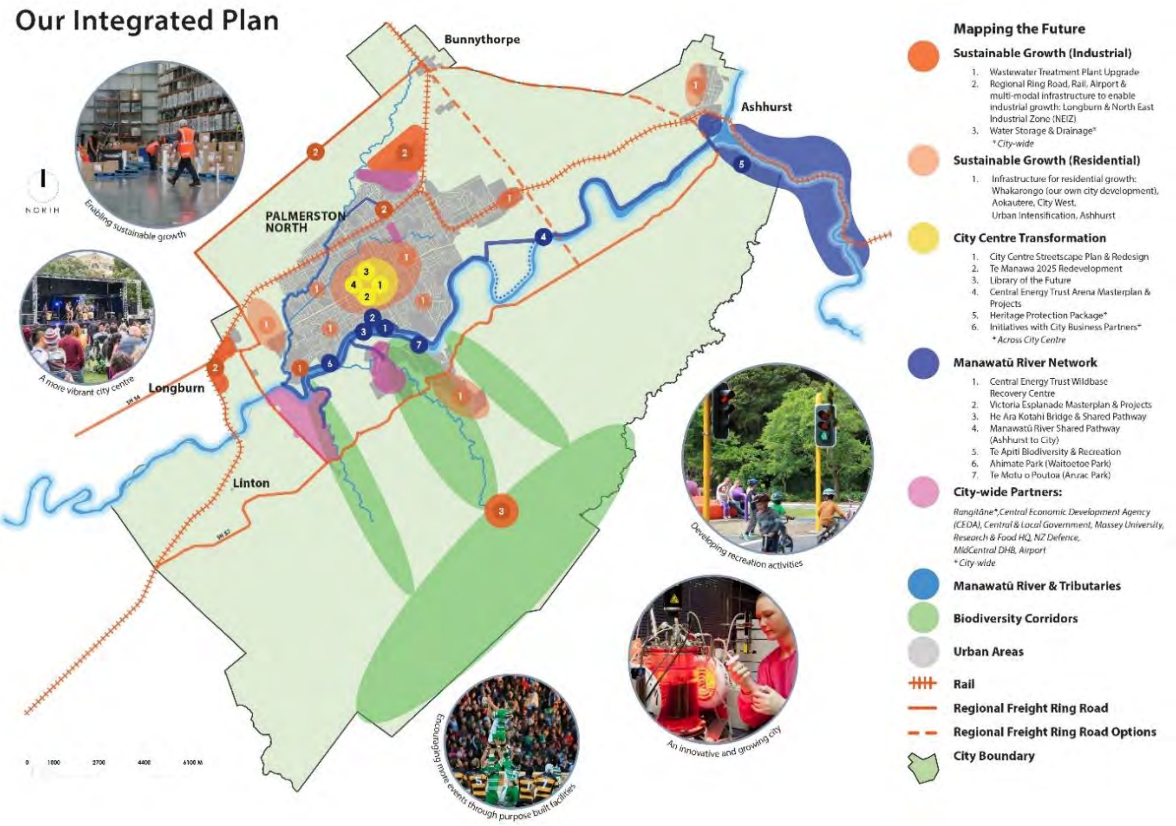
b. undertake zoning adjustments to provide additional housing choice in locations such as Napier Road, Flygers Line and Ashhurst.

c. ensure there is a continual supply of land for at least 1,900 greenfield residential sections.

d. Rezone City West sooner than anticipated.

6.101. The Council's 2018-28 Long Term Plan also contains an integrated spatial plan for the City, which clearly demonstrates Council's preferred growth options. Council's district planning functions will be prioritised to enable additional development capacity in these locations.

Figure 54: Spatial plan from the 2018-28 10-Year Plan



Source: Palmerston North City Council

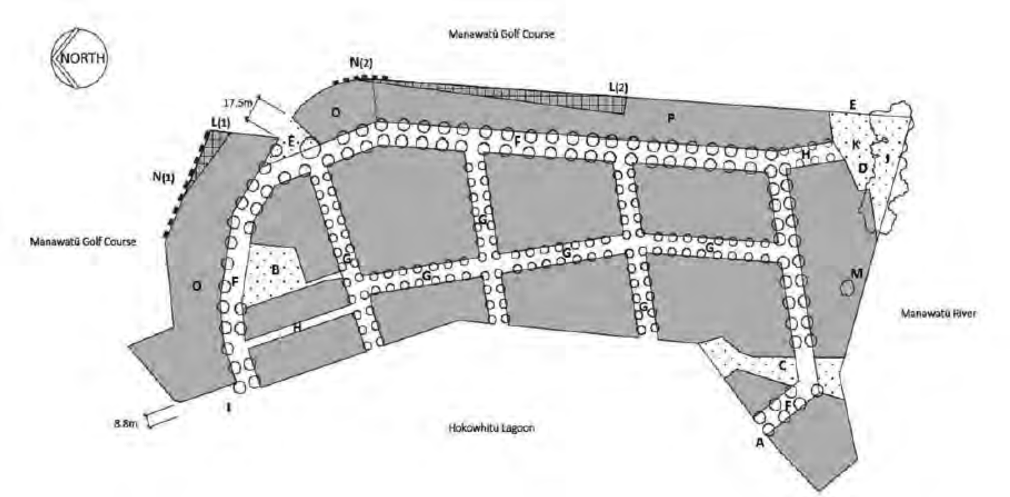
Current growth planning

6.102. Council is in the process of giving effect to the new strategic direction through District Plan changes.

Plan change 23: Hokowhitu Lagoon residential area

6.103. In November 2018, a consent was lodged with Council to subdivide the former Hokowhitu Campus into new housing. This development will be staged. Once completed, approximately 130 new dwellings will be created. Development will comprise a mix of stand-alone houses, apartments and multi-unit dwellings.

Figure 55: Hokowhitu Lagoon residential area structure plan

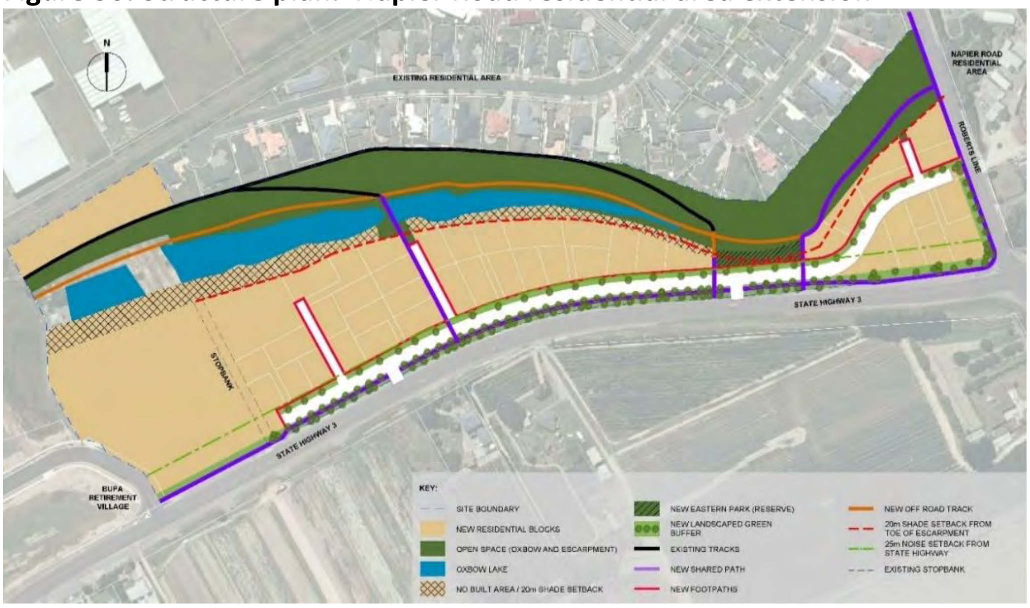


Source: Palmerston North City Council

Plan change B: Napier Road

6.104. Planning is well underway to rezone rural land along Napier Road, between the Napier Road drain and Roberts Line. This rezoning is anticipated to release an additional 50 dwellings. This plan change will be notified in mid-2019.

Figure 56: Structure plan: Napier Road residential area extension

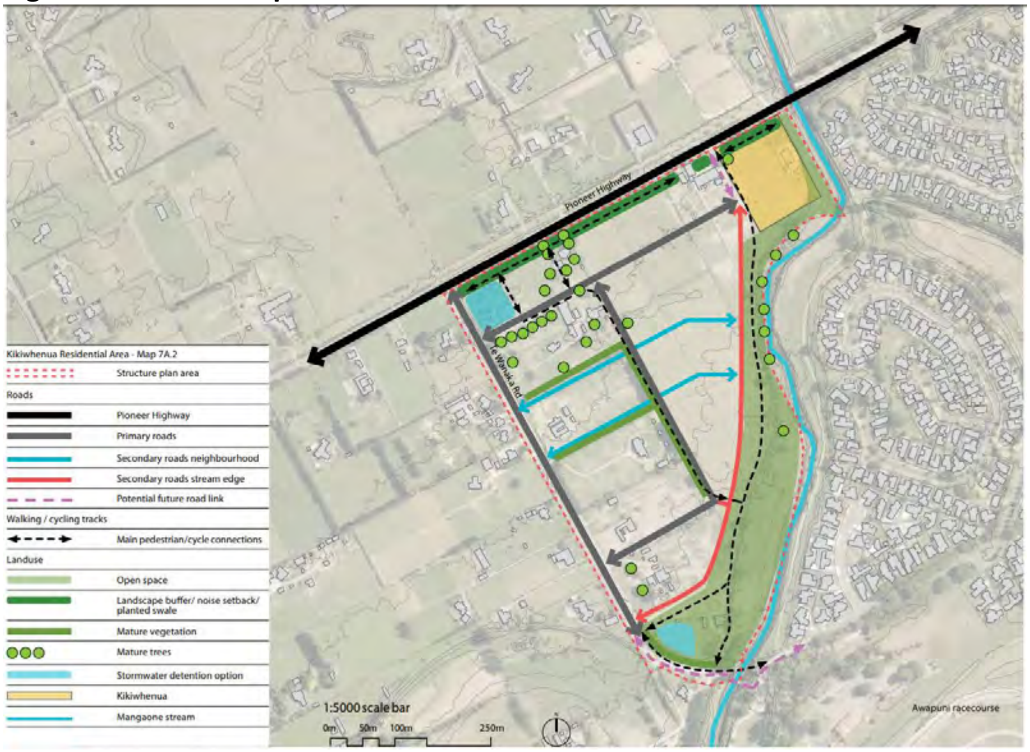


Source: Palmerston North City Council

Plan change C: Kikiwhenua

6.105. In November 2018, Plan Change C: Kikiwhenua was notified. This gives effect to the direction to rezone City West sooner than previously anticipated. Plan Change C: Kikiwhenua seeks to rezone the Racecourse area of Kakatangiata (City West). This rezoning is intended to provide an additional 220 sections to the market.

Figure 57: Structure plan: Kikiwhenua residential area



Source: Palmerston North City Council

Plan change E: Roxburgh Crescent

6.106. Early planning is underway to rezone Roxborough Crescent from its current industrial use to residential. This plan change is likely to be notified in late-2019. The rezoning is likely to enable 65-100 new dwellings.

Figure 58: Proposed Roxburgh Crescent residential area

Source: Palmerston North City Council

Plan change: Ashhurst growth

6.107. Council intends to promote a plan change in 2019 to rezone land in the north and west of Ashhurst. This includes revisiting the previously declined rezoning of the Winchester Block (Plan Change 20B).

Figure 59: Proposed Ashhurst rezoning locations

Source: Palmerston North City Council

Plan change: Aokautere growth

6.108. Work is underway to plan a logical conclusion to growth in Aokautere via a new structure plan and the rezoning of further land for residential development. This area has the potential to supply over 1000 additional dwellings in the medium to long-term.

Private plan changes

6.109. Private Plan Change B (Pioneer City West) is the only private plan change that is formally in progress.

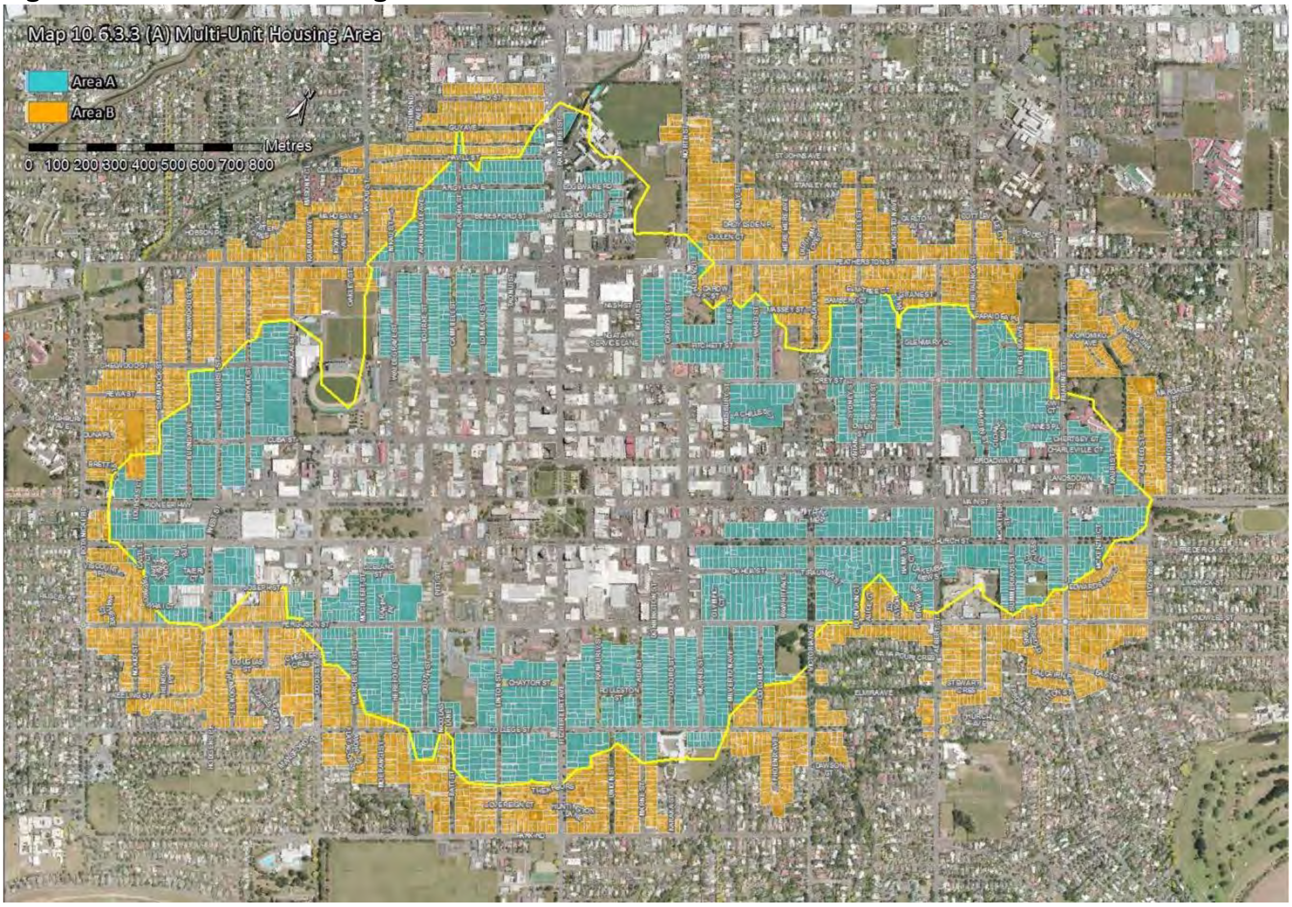
6.110. A second private plan change, focused on land located at Flygers Line, is in development. This is anticipated in the Council's Housing and Future Development Plan. Council expects lodgement of the private plan change in mid-2019.

Recent changes to the residential zone of the district plan

Multi-unit housing development

6.111. The recent review of the Residential Zone section of the District Plan identified specific locations where multi-unit development is encouraged. Multi-unit housing includes terraced houses, apartments, and flats where 3 or more units are being constructed. Identified multi-unit areas are located within 800m of the City Centre and 400m of neighbourhood centres.

Figure 60: Multi-unit housing areas A - B



6.112. The City Centre multi-unit housing area is broken up into two zones. Zone A must have a unit size greater than 45m², but has no minimum site area requirements. Zone B must have a unit size greater than 60m² and have a minimum notional site area of 150m² per unit.

Figure 61: Multi-unit housing areas C - D

6.113. The Neighbourhood Centre multi-unit housing area is also broken down into two zones. Zone C must have a unit size greater than 45m², but no minimum site area requirements apply. Zone D must have a unit size greater than 60m² and have a minimum notional site area of 150m² per unit.

Figure 62: Multi-unit housing example

6.114. A Restricted-discretionary resource consent is required to develop multi-unit housing in the specifically identified areas. A full Discretionary Activity resource consent can be applied for to develop multi-unit housing outside of the specifically identified areas.

Minor dwellings

6.115. The Residential Zone review also saw "Dependent dwelling units" replaced by "Minor Dwellings". This reclassification removed the need for the occupier to be a family member and for the dwelling to be removed or integrated into the main dwelling unit six months after it is vacated. Minor dwellings do not need a resource consent, so long as they meet the residential zone permitted activity design standards. Minor dwellings can be up to 80m².

6.116. Providing for minor dwellings in the residential zone provides an opportunity to increase housing supply without the need to subdivide. Because of the size restriction of 80m² the development of minor dwellings has the potential to significantly increase the supply of 1, 2 and 3-bedroom dwellings that otherwise are not being provided for in typical housing developments.

Housing capacity assessment

Housing demand

6.117. Based on the last 20 years of growth, it has been estimated that 50% of future dwellings will be accommodated in greenfield locations, 38% will be infill and 12% will be rural/rural-residential. Applying the projected population projections to this demand profile suggests that the following dwellings will need to be provided over the next 30 years:

Table 30: Development typology (household numbers)

		Greenfield	Infill	Rural/Rural-Residential	Total
Period	Short	814	618	195	1,627
	Medium	2,760	2,098	662	5,520
	Long	5,003	3,802	1,200	10,005

6.118. The predominant housing typology has historically been a single detached dwelling on a single title. In more recent times, section sizes have reduced but the single detached dwelling typology has remained the primary development choice.

6.119. Council recently made changes to the District Plan to enable subdivision down to 350m² and encouraged multi-unit development in areas close to the City Centre and neighbourhood centres. While it is too soon to determine whether the market will take up the more permissive approach to multi-unit development, the opportunity to subdivide down to 350m² has been readily taken up. Resource consent applications for subdivisions less than 350m² have also increased in response to the relaxation of minimum lot size rules. The District Plan places greater scrutiny on subdivisions smaller than 350m² to ensure appropriate urban design outcomes can be achieved and amenity values of neighbouring properties are protected.

6.120. The depth of the housing development industry in Palmerston North is relatively shallow. There are three distinct tiers. The first tier is comprised of 3 or 4 developers that have large land holdings and sufficient capital to finance the development of dozens of dwellings at once. This first tier also has sufficient capital to hold onto land and release it when market conditions are most favourable. This first tier of developers generally focuses on greenfield developments, which are typically larger lots and larger houses.

6.121. The second tier have landholdings intended for immediate development purposes and sufficient capital to purchase additional property for redevelopment and infill subdivision.

6.122. The third tier is more speculative in nature. The third tier have limited landholdings and only have sufficient capital to develop three or four houses per year.

6.123. All development tiers typically deliver single-detached three or more-bedroom dwellings to the market. Housing choice is therefore limited within Palmerston North. Housing typology is not expected to drastically change in the short-term, given the existing development market.

Housing supply

6.124. Geographical Information System (GIS) analysis has been undertaken to identify short, medium and long-term housing supply capacity. The following table summarises what land is available and what the estimated yield is:

Table 31: Development typology

		Greenfield		Infill		Rural/Rural-Residential	
		area(ha)	yield	area(ha)	yield	area(ha)	yield
Period	Short	133	1,250	31,233	37,225	26,220	3,455
	Medium	304	2,000				
	Long	294	2,570				

6.125. The following maps identify Council's greenfield development areas:

Figure 63: Future development areas

Figure 64: Aokautere

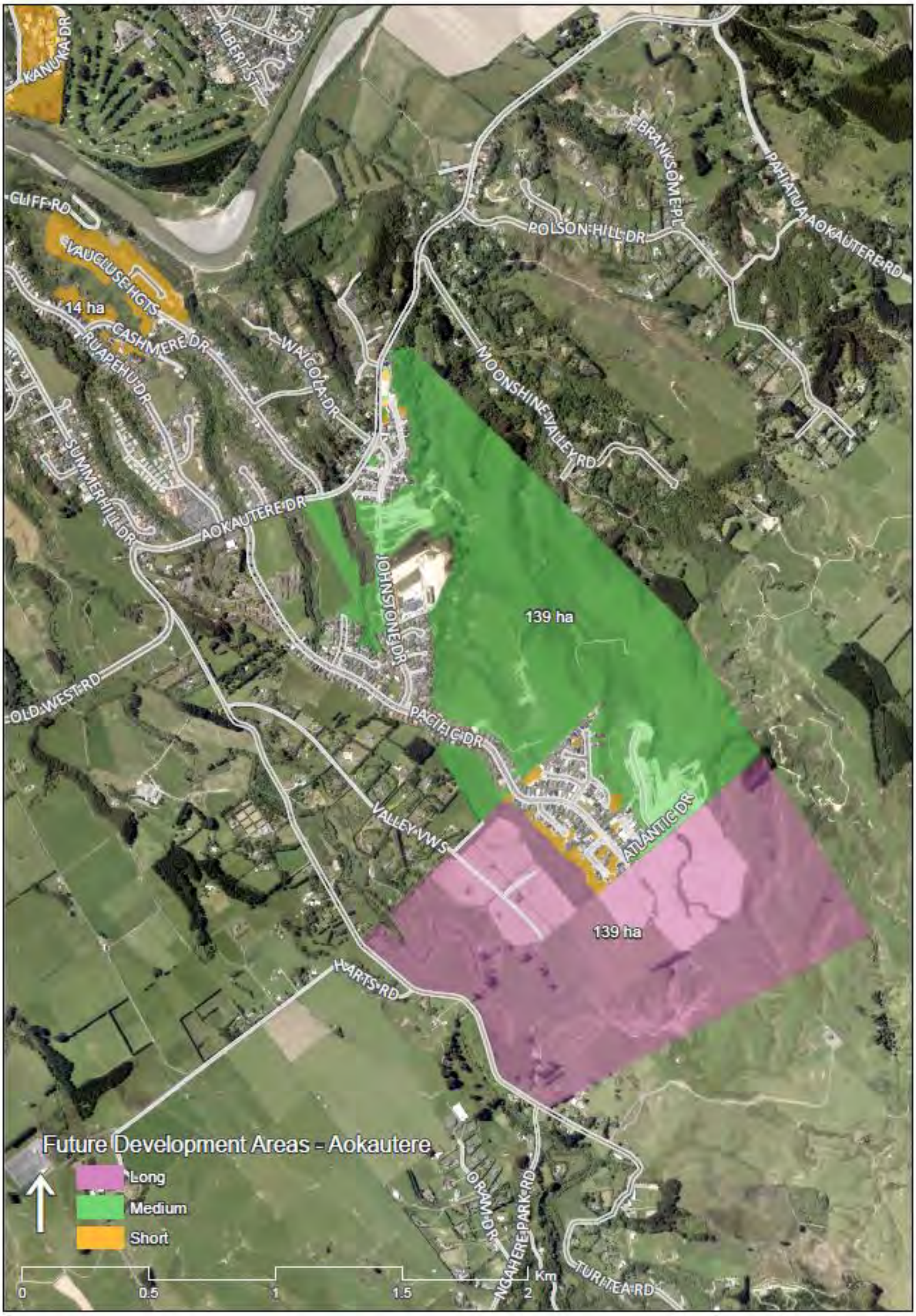


Figure 65: Ashhurst

Figure 66: City West / Kakatangiata

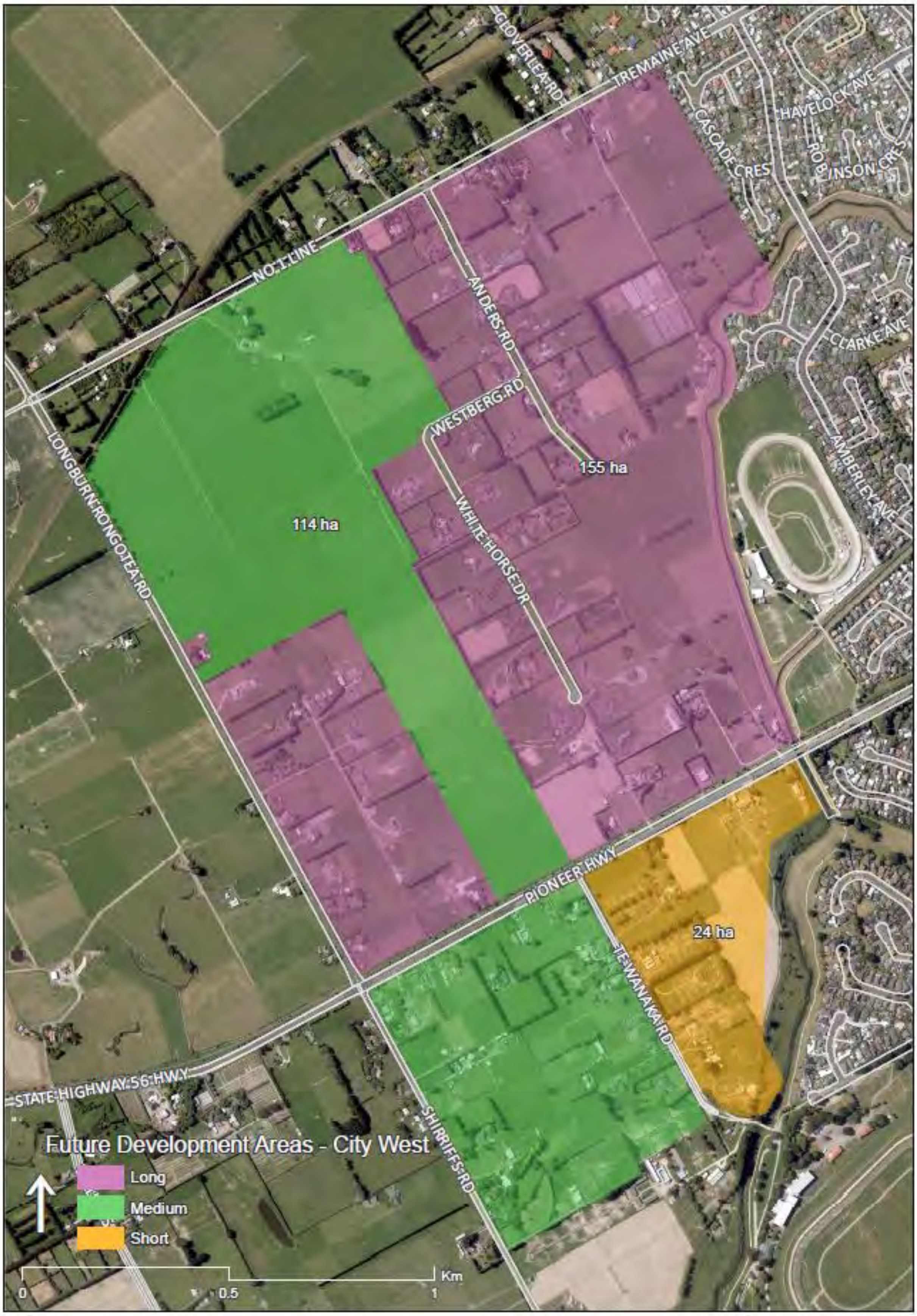


Figure 67: Hokowhitu

Figure 68: Milson

Figure 69: Napier Road

Figure 70: Roxburgh Crescent

Figure 71: Whakarongo

6.126. For greenfield growth there is a demand for 814 dwellings in the short-term and supply capacity is estimated at 1250 dwellings. In the medium-term there is demand for 2,760 dwellings but there is only supply available for 2000. In the long-term there is demand for 5,003 dwellings, but there is only supply available for 2,570. Either additional land will need to be rezoned and serviced to meet projected demands in the medium and long-terms and/or the proportion of growth attributed towards greenfield locations will need to be reduced from the current target of 50% of future growth. This should be explored in the Future Development Strategy.

6.127. As illustrated in the greenfield growth maps, short-term housing supply for greenfield development is only available in limited locations. Whakarongo provides the largest opportunity, with an estimated capacity of 500+ dwellings. The next largest areas are at Hokowhitu Lagoon and Napier Road, which have an estimated capacity for an additional 250-300 dwellings. The proposed Kikiwhenua Residential Area provides supply for an estimated 220 dwellings. Ashhurst and Aokautere have capacity for less than 100 additional dwellings. Hokowhitu and Vaucluse Heights in Aokautere are higher land-value locations. Whakarongo and Napier Road are medium-value locations and Ashhurst has lower land values.

6.128. Medium-term housing supply for greenfield development is available across the city, but is predominantly located in Aokautere, Ashhurst and Kakatangiata (City-West). Ashhurst is a lower value location and Aokautere and Kakatangiata are anticipated to be medium value locations.

6.129. Long-term housing supply for greenfield development is planned for Aokautere and Kakatangiata. These locations are not expected to be able to satisfy the long-term growth needs of the City. The Future Development Strategy will need to investigate additional growth locations and/or recommend intensification as a method to reduce reliance on greenfield growth to cater for future housing supply.

6.130. For infill growth there is a demand for 618 dwellings in the short-term, 2,098 in the medium-term and 3,802 in the long-term. Total existing supply capacity is estimated as being 37,225 dwellings under the operative District Plan's 350m2 minimum lot size requirements. While it is unlikely that infill development will occur to the extent that is theoretically possible, there is sufficient capacity to meet projected demand for this development typology in the short, medium and long terms.

6.131. Within the existing urban area, Council property could be investigated for potential reuse. This could include under-utilised parks, sites with aging buildings or intensification of existing social housing locations, such as the Papaioea Place pensioner housing redevelopment. Opportunities to utilise Council land for housing should be explored as part of the Future Development Strategy.

6.132. For rural/rural-residential growth there is a demand for 195 in the short-term, 662 in the medium-term and 1,200 in the long-term. Total existing supply capacity is 3,455. Supply exceeds project demand by 40%.

6.133. In terms of rural-residential housing choice, locations for additional growth are limited. The Council recently reviewed its rural zone chapter of the District Plan. A deliberate decision was made to reduce the extent of rural subdivision to protect the productive capability of the rural zone for rural production. This eventuated in the rural-residential overlay (where lifestyle blocks could develop) being reduced from approximately 40% of the rural zone to 20%. The ability to subdivide the remaining rural zone was also restricted by applying a 20ha minimum lot size requirement. These changes were intended to have a long-term benefit for rural productive purposes, but have also had the effect of reducing the ability of the rural environment to be developed for lifestyle blocks.

6.134. Limited locational choice for rural-residential development may result in prospective lifestyle block owners choosing to purchase rural land in neighbouring territorial authorities, which all have a larger rural land-base. This may be why Manawatu District has experienced significant rural-residential development growth in recent years. A potential boundary change that enables Tokomaru and Opiki to become part of Palmerston North City's jurisdiction could provide a significant supply of rural and rural-residential land for future development.

Feasible development capacity

6.135. A third-party was approached to collect information from major developers in the city regarding land development costs. Developers declined to engage in the process, citing commercial sensitivity. In the absence of developer involvement, the default inputs in the MBEI development feasibility tool and Council-related inputs, such as fees and charges, land valuation data and lot areas, have been used to estimate feasible development capacity.

6.136. Assumptions made in the feasibility assessment:

a. Greenfield growth is developed at a density of 13 dwellings per ha.

b. In Palmerston North the minimum lot size is 350m² and the average land value per lot is $220,000. Lots of 350m² are expected to cater towards infill development rather than greenfield growth.

c. In Ashhurst the minimum lot size is 500m² and the average land value per lot is $145,000.

d. Greenfield growth is expected to have an average lot size of 600m² and be valued at $320,000.

e. Typical greenfield housing density is expected to be between 13 and 15 dwellings per ha.

f. Medium-density multi-unit housing in a Palmerston North context is anticipated to be up to 30 dwellings per ha.

6.137. The feasibility assessment for greenfield locations indicates that all but one identified growth location (Roxburgh Crescent) provide feasible development capacity in the short, medium or long terms. Infrastructure has been assessed to be available or planned for in all greenfield growth locations (see Appendix III – Development Contributions Works Programme (Forward Works)). Infrastructure capacity for water and wastewater is also available to support growth within the existing urban environment. Stormwater management is a more technical issue that increasingly requires specific on-site assessment to determine whether mitigation is required for intensification. Within the existing urban core there are no stormwater asset growth programmes. City-wide stormwater modelling will inform the development of a Future Development Strategy. It is anticipated that modelling will identify that some parts of the City may be constrained by a lack of capacity in existing stormwater infrastructure. This may necessitate upgrades to infrastructure or alternative management techniques like adopting the use of public and/or private rain gardens or water collection tanks to manage peak flows and ensure stormwater is adequately treated before being discharged to urban streams and rivers.

6.138. Development constraints in identified growth locations are relatively limited and where they exist can be mitigated e.g. foundation design to mitigate liquefaction risk. Aokautere is the exception, where gully systems and slope stability will need to be carefully considered when a plan change to rezone this area is developed during 2019.

6.139. Water and wastewater infrastructure within the existing urban environment have sufficient capacity to cater for intensification. Stormwater management will need to be considered on a case-by-case basis and is increasingly being sought to be managed on-site to minimise impact on reticulated systems. This typically means reducing impervious surfaces and holding water onsite during high rainfall events through water tanks and/or rain gardens. These mitigation options are low-cost solutions that can generally be accommodated through appropriately considered design.

6.140. The average Development Contributions charge in the City for residential development is $7,230, which is low from a national perspective. This is favourable from a feasible development capacity perspective.

Other matters

6.141. In the short-term, the Council development at Whakarongo will be a catalyst for unlocking significant short-term development capacity. Council's subdivision at Whakarongo will enable the entire upper terrace of the new Whakarongo Residential Area to develop. This will release land for over 200 dwellings. Recent infrastructure upgrades at James Line will also allow private landowners on the bottom terrace of the Whakarongo Residential Area to initiate development. This will enable over 300 sections to be developed along the bottom terrace. The significance of development in the Whakarongo Residential Area cannot be understated. In total, it provides up to a third of the city's total short-term growth requirements. The Whakarongo Residential Area was rezoned for development in 2014. Lack of available infrastructure has stymied Whakarongo from being able to be developed. This has likely impacted on housing affordability across the city, as the supply of a significant area of readily available land for development has been constrained.

6.142. Roxburgh Crescent has been identified as a medium-term housing location. This has been driven by the landowner and Council have committed to working in a collaborative manner to promote a rezoning proposal. The MBIE feasible development tool has identified that the site is potentially not feasible for residential redevelopment. This appears to be on the basis that the capital value of the land is high relative to the small land area. The major industrial activity on the site is intended to be relocated elsewhere. This will leave a vacant site and will therefore likely affect how the underlying property is valued. Feasible development capacity for this site will be explored as part of a plan change assessment. More detailed investigations are expected to reveal that the redevelopment of Roxburgh Crescent is economically feasible.

6.143. Changes to the District Plan have enabled smaller lot subdivision and the construction of an $80m^2$ minor dwelling on lots with existing dwellings, without the need to subdivide. This change potentially has significant implications for housing supply. It provides landowners with a more straightforward development opportunity for 1, 2 and 3-bedroom dwellings that the traditional development sector is failing to deliver. Better promotion of the opportunities that the new District Plan provides could encourage the construction of more minor dwellings.

6.144. The ratings policy provides relief to landowners that own property greater than 5ha. Only the first 5ha is charged at full residential rates. This policy approach is beneficial for landowners in low-growth periods, where applying a full rating approach to all residentially zoned land may be overly punitive. However, when we are in a high growth scenario, applying full residential rating to land that is zoned and serviceable may encourage land to be released faster. The Future Development Strategy should explore whether changes to the rating policy could encourage faster release of land. This could inform potential changes to the ratings policy.

Housing recommendations

6.145. That Council give effect to its Housing and Future Development Plan by commencing the development of a Future Development Strategy to:

a. identify additional opportunities for housing to meet projected growth demands.

b. identify detailed infill and redevelopment capacity opportunities within the existing urban area.

c. identify opportunities to utilise Council property for housing.

6.146. That the Council reviews the rationale siting behind the ratings differential being applied to the first five hectares and the remaining balance of residential zoned property. The review should consider how the Ratings Policy can best encourage the development of residentially zoned land.

6.147. That Council continue to work with landowners to encourage the redevelopment of land within the existing urban environment to placeless reliance on greenfield locations to meet projected housing demand.

6.148. That Council promote the outcomes of the recent residential zone review, which provides a more enabling framework for the development of multi-unit housing and minor dwellings.

6.149. That the Council subdivision at Whakarongo be developed as soon as possible to catalyse the development of the wider suburb.

6.150. That the collection, management and reporting of Council's resource consent and building consent data is improved to enable more effective monitoring and analysis of housing activity and land supply and take-up.

6.151. That the existing directions and actions in the City Development Strategy and Housing and Future Development Plan are prioritised (see Appendix VI and VII).


COFFEE ROASTERY & SUPPLY Est. 2005
Lombard St

7. Business development capacity assessment

Strategic planning for commercial and industrial land use

7.1. Part one of this assessment is a high-level analysis of the nature of growth that has occurred in Palmerston North's commercial and industrial areas and its relationship with the Council's strategic planning for urban growth and infrastructure over the last 10 years. Part two of the business assessment will assess the future business land (commercial and industrial) requirements of Palmerston North over the next 30-years and the implications of NPS PC1 to provide an additional margin of feasible development capacity. The forward-looking part two assessment is informed by:

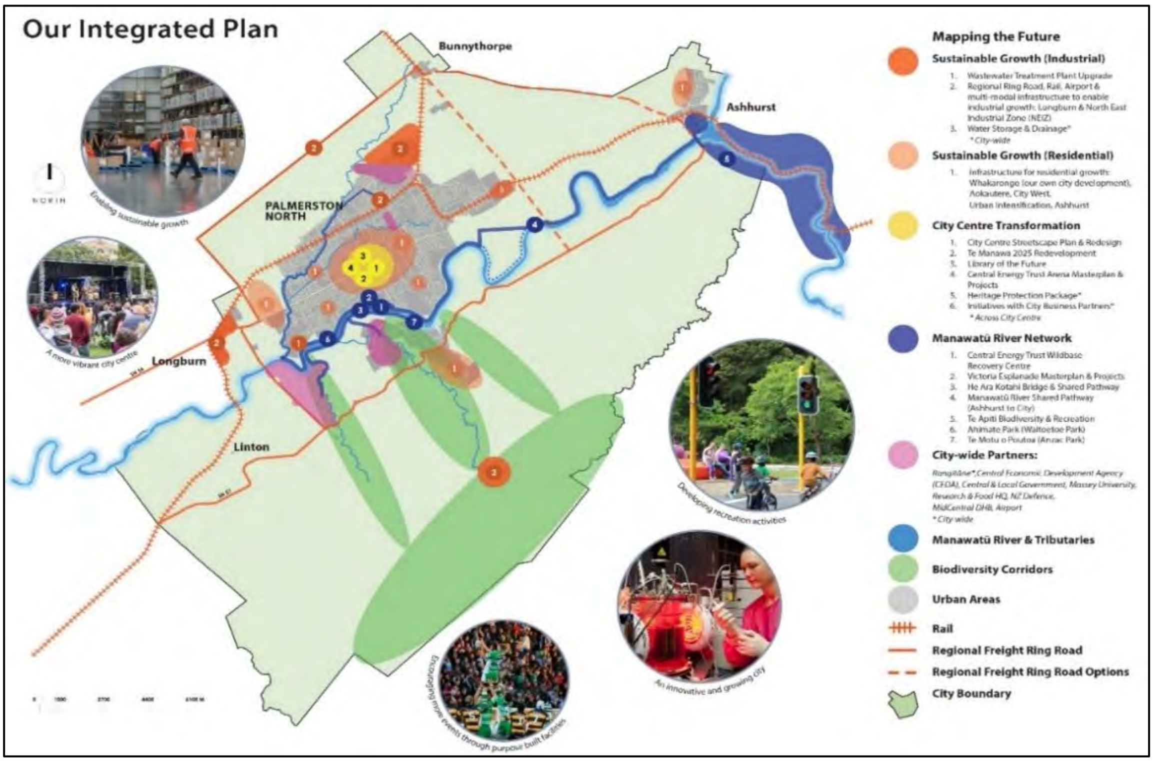
- At the macro level by Property Economics Business Land Capacity Assessment (attached as Appendix I to this report): and
- The macro level assessment is supplemented by a finer grained micro assessment based on local and institutional knowledge at the local market and zone-specific level.

7.2. The Council's planning and funding of infrastructure to support growth is guided by the City Development Strategy. The Council's planning framework seeks to promote growth and urban development by providing certainty for public and private investment. Having a ready supply of land and infrastructure to support the city's growth will harness development opportunities and increase Palmerston North's competitiveness. The Government has provided strong direction in this area with the National Policy Statement for Urban Development Capacity (2016).

PNCC's urban growth strategies

7.3. The Council's 2018-28 LTP also contains an integrated spatial plan for the City, which clearly demonstrates Council's preferred land use management approach for commercial and industrial development and for supporting infrastructure such as the proposed Regional Freight Ring-Road.

Figure 72: Spatial plan from 2018-28 10-Year Plan



7.4. The following industrial and commercial land-use strategies are given effect to in the District Plan and are supported by development contributions ($109m) and capital programmes in the Council's 2018/28 10-Year Plan/Long Term Plan (LTP) and Asset Management Plans:

- Industrial Growth Strategy
- Commercial Land Use Strategy

Industrial growth strategy

7.5. The Strategy prioritises industrial growth:

- In the short to medium term: North East Industrial Zone (86ha) and the recently rezoned Extension Area (126ha) for large floor-plate transport, warehousing and logistics activities.
- In the long-term: Longburn is considered a suitable location for wet industry.
- Continue to provide for small to medium size industrial activities in the city's core urban Industrial Zone.
- Provision for dairy related industrial activity in the Braeburn Industrial Area (33ha), Longburn.

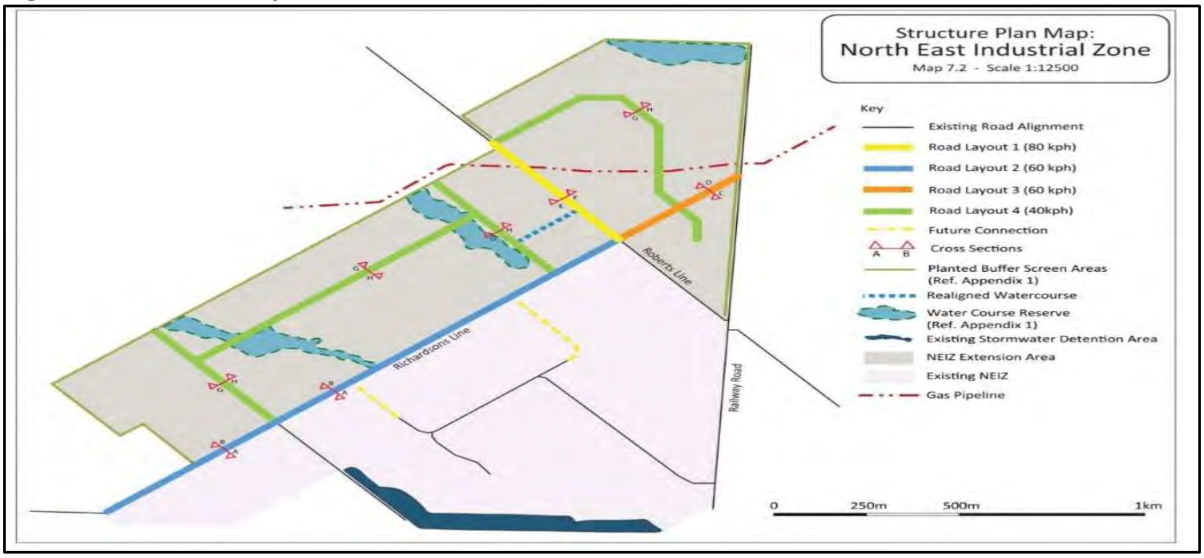
North east industrial zone (NEIZ) and extension area

7.6. The findings of the Stage 1 Industrial Land Use Study, completed by MWH in 2001 for PNCC, indicated:

- A shortage of large lots within the Industrial Zone of the City; and
- Projected actual and relative growth in the City's business services sector, which includes the transport and storage sector.

7.7. In response to the findings of the 2001 Stage 1 Industrial Land Use Study the 86ha NEIZ was rezoned in 2004. The NEIZ is separated from the city's residential areas and operates on a 24/7 basis with minimal restriction. The Zone is highly accessible to the planned regional freight ring-road and neighbours the Palmerston North Airport. Employment counts (2000-2018) and resource consent data (2005-2018) show significant growth has occurred in the NEIZ since it was established in 2004.

Figure 73: Structure plan: north east industrial zone and extension area



7.8. The Joint Industrial Land-Use Review (2006-07) (JILR), commissioned by PNCC and MDC, noted that the 'transport and storage' component of industry had shown significant growth in the period 2001 to 2006. This growth was both in terms of the number of business and the number of people employed in these industries. The JILR noted:

- There was a lack of choice of industrial land in terms of location, size and tenure. Particularly for larger (4ha+) blocks of land;
- Vacant, industrially zoned land is frequently not available. At that time land in the NEIZ was available for lease but not for purchase as fee simple land;
- Too much industrial land was held by too few people; and
- In terms of demand, three distinct sectors were identified including large 'footplate' warehousing and distribution.

7.9. The JILR formed the basis of the Council's Industrial Growth Strategy and informed the 2012 boundary adjustment with the Manawatu District Council (MDC). The purpose of the boundary adjustment was to:

- Bring those parts of the strategic road network that would form the proposed Regional Freight Ring Road into the city boundary; and
- Bring land identified for large floor-plate industrial development in the Manawatu District into the city boundary. This land was subsequently rezoning in 2016 as part of the 126ha NEIZ Extension Area.

7.10. As of July 2018, approximately 51.7ha of NEIZ land is either developed or purchased with the intention to develop and is not available to the market. This means that approximately 34.3ha of land is currently available to the market. Since 2004 the annual uptake of land in the NEIZ has been approximately 3.7ha. It is anticipated that the annual uptake of land in the NEIZ will exceed 3.7ha in the next 3-5 years for the following reasons:

- National and local GDP growth is forecast to exceed 2.7%. Note that GDP estimates produced by Infometrics indicate economic growth for the city accelerated during 2018 and is now stronger than the overall growth rate for the country.
- The new owner of the NEIZ is a local development company that better understands the local development context and is better positioned to match land and development opportunities than the previous out of town operator. However, at present the land owner is looking to lease land rather than subdivide and make it available to the market.
- Additional land in the NEIZ Extension Area will provide additional land supply to the market. This is likely to drive increased competition and may place downward pressure on price. Development interests are currently approaching land owners in the Extension Area looking to position themselves for development in the future.
- The 8.3ha block of NEIZ Extension Area land opposite Foodstuff's on Roberts Line is in the process of being subdivided and developed.
- The announcement in November 2018 that KiwiRail:
    a. Are progressing work to relocate operations from their Tremaine Avenue location as part of plans to develop a regional freight hub in the NEIZ Extension Area[8]; and

[8] Subject to an assessment of alternatives

b. Received a $40 million commitment from the Government's Provincial Growth Fund to assist with the planning process for the project and for land purchase (60ha).

Figure 74 below contains the District Plan Structure Plan for the existing NEIZ and the Extension Area. In the existing NEIZ Council owned water, wastewater, roading and stormwater infrastructure is in place.

Figure 74: Aerial photo north east industrial zone and extension area

NEIZ extension area

7.11. The 2016 rezoning of the 126ha NEIZ Extension Area was originally planned to meet the growth of large floor plate industrial activity over the next 20 to 30 years. Forecasting the market's timing of sizeable investment decisions for large floorplate transport and logistics activity is problematic, particularly when the nature of investment is lumpy and Council is seeking to forecast investment profile over a 20 to 30-year time-frame.

7.12. Another complicating factor in forecasting the uptake of land is the size of land parcels to be developed in the Extension Area ranges in size from 2 to 60ha. A development opportunity the size of Toyota, Ezibuy, Foodstuffs or KiwiRail could take up a large portion of the industrial land bank in one development.

7.13. As discussed in the Council's Development Strategy, the Council has undertaken a collaborative planning exercise to direct future investment in rail in the Extension Area. Integrating rail to form a multi-modal freight and distribution hub is a major strategic goal for the city.

KiwiRail opportunity

7.14. Palmerston North is KiwiRail's key staging point for domestic, imported and exported freight in the lower North Island. In November 2018 KiwiRail announced they were progressing work to relocate operations from their Tremaine Avenue location as part of plans to develop a regional freight hub in the NEIZ Extension Area, subject to an assessment of alternatives. The purpose of this relocation is to better handle freight flows throughout the lower North Island. The company received a $40 million commitment from the government's Provincial Growth Fund to assist it with the planning process for the project and for land purchase.

7.15. KiwiRail have indicated that the yet-to-be determined site(s) would:

- Require approximately 60ha of land;
- Would be leased to freight forwarders;
- Need to be long enough to cater for freight trains of up to a kilometre in length; and
- Have sufficient space to support maintenance of infrastructure and materials storage.

7.16. Once potential sites have been identified KiwiRail will undertake a process to designate the land for rail use under the Resource Management Act 1991 (RMA). Purchasing and planning work is envisaged to take up to three years. Construction is likely to take an additional two years.

7.17. KiwiRail notes the proposed inter-modal air, rail and road hub connects well with the Palmerston North Airport, the freight ring-road being planned by NZTA and the proposed replacement road for the Manawatu Gorge.

7.18. Given the level of market interest and the scale of investment opportunities looking to locate in the Extension Area, the Council may have underestimated the quantity of land required over the medium to long term. Early indications are that the 126ha of land in the Extension Area may only be sufficient to meet demand over the next 10 to 15 years and that the processes to rezone additional land may need to be initiated in the next 5 to 8 years.

7.19. One of the drivers for early market interest in securing land in the Extension Area is the announcement of rail access into the area. Rail seems to be a catalyst that is drawing investment interest because of the opportunity for the Extension Area to become a central North Island multi-modal transport and distribution hub that includes convenient access to road, rail and air. Market indications at the end of 2018 are that a number of large sites in the Extension Area are now under contract or have been purchased by development interests.

Infrastructure

7.20. The existing NEIZ is fully serviced in respect of water, wastewater, stormwater and roading. A new water bore located in the Extension Area will be operational in the second-half of 2019 and will service the Extension Area and offer further resilience to water supply for the existing NEIZ. The 2018/28 LTP and associated Development Contributions Policy contains $12.5m of infrastructure programmes to support development of the Extension Area. Appendix 3 of this report shows the location and value of growth infrastructure programs for roading, water and wastewater to be funded by the Council's Development Contribution Policy.

7.21. Given the level and scale of market interest in the Extension Area the Council may need to roll-out infrastructure to support development earlier than anticipated. This may involve the Council bringing forward the delivery of growth programmes identified in the LTP in combination with the use of developer agreements to enable large size development earlier than anticipated.

Braeburn industrial area (BIA)

7.22. The BIA is a 33ha extension to Fonterra's existing Longburn Dairy Manufacturing Site (LDMS) that was rezoned in 2016. The primary purpose of the BIA is to provide for dairy related industrial activities to support the ongoing operational and growth needs of Fonterra at Longburn.

Figure 75: Braeburn industrial area, Longburn

7.23. Critically, the development of the BIA will be influenced by the following infrastructure factors:

- The network infrastructure programmes in the Council's 2018/28 LTP are intended to support industrial growth in the NEIZ Extension Area.
- The BIA will be serviced by on-site infrastructure paid for by the land owner with no obligation on Council to commit funding for network infrastructure in the short to

medium term. This approach will not preclude Fonterra discussing the possibility of connecting to the Council's integrated network (water and wastewater) as options are considered for the long-term servicing options for the Kakatangiata Residential Growth Area (formerly known as City West) and the Longburn Township.

- The potential for a large and relatively autonomous industrial precinct owned by one landowner is more suitably serviced by private on-site infrastructure than other forms of urban development.
- Mitigating the risk of privately serviced land being available to the wider industrial land market by making subdivision of land in the BIA a non-complying activity.

7.24. The infrastructure approach taken with the BIA is important given the cost constraints associated with providing infrastructure to support growth. PNCC needs to manage and target infrastructure spend for the NEIZ Extension Area. Given the Council is seeking to provide the market with clear direction regarding where to invest, actively managing and targeting infrastructure spend for the NEIZ Extension Area is critical.

7.25. The LGA provides an extensive legal framework that requires territorial authorities to ensure ongoing maintenance and management of network infrastructure. Given the level of accountability a territorial authority has (which is not limited to infrastructure owned by a Council) territorial authorities have a special interest in the nature of infrastructure that may be established to facilitate urban development. The approach taken to infrastructure provision in the BIA recognises:

- The statutory risk to Council in terms of statutory obligations associated with the cost of ensuring ongoing use and renewal of infrastructure; and
- The threat this obligation may pose to funding infrastructure to support growth in the NEIZ and Extension Area.

7.26. General Urban Industrial Zone: Including Longburn, Ashhurst and Bunnythorpe

Figure 76: City and village industrial zones

7.27. The city has approximately 480ha of Industrial Zone land in the main urban area which is largely established along the western to eastern spine of the Main Trunk Railway Line. The Industrial Zone primarily provides for small to medium size industrial activities. Recent data shows a historically low level of vacant industrial buildings.

7.28. In 2008 the Midhurst Street Industrial Area (MIA) was established to meet demand for small to medium scale industrial activities. The 15.4ha MIA site is the only greenfield piece of industrial land available for small to medium scale development in the city's main urban area. The construction of the new road connecting the MIA to the Kelvin Grove Road commenced late 2018 / early 2019. Given the extent of the new road investment by the landowner, it is likely subdivision and development of the area in imminent.

7.29. Other vacant / available Industrial Zone land that is currently serviced (water, wastewater, and roading) in the city's urban area totals approximately 12ha of land.

Figure 77: Midhurst Street industrial area structure plan

7.30. *Railway Road Industrial Enclave* (RRIE) was zoned to Industrial Zone for small to medium scale industrial activity as of the review of the Zone in 2013. Subdivision (Cutting Way) and development of the 7ha RRIE was initiated in 2018 with ongoing development occurring in 2019.

Figure 78: Railway Road industrial enclave

7.31. *Longburn, Ashhurst and Bunnythorpe* – the city's three villages contain 79ha of Industrial Zone land. The villages service a very different market to the city's Industrial Zone land. The Longburn area, excluding land in Fonterra ownership, contains approximately 39ha of Industrial Zone land. 33ha of this land is in the Works Road area, 7.8ha of which is vacant. Industrial development in the Works Road area is constrained by private water and wastewater services that do not meet the Council's engineering standards for land development.

7.32. In 2016 a request was made by the owner of a 5ha block of Rural Zone land adjoining the Works Road area to be zoned Industrial as part of Proposed Plan Change 15. The request was turned down by commissioners in part because of infrastructure capacity issues in the Works Road area. The Council's 2018 10-Year Plan contains capital programmes to support industrial growth in the North East Industrial Zone Extension Area. However, no capital programmes are in place to provide additional infrastructure capacity to support industrial expansion in Longburn.

7.33. Excluding the industrial zoned rail corridor, Ashhurst contains approximately 13.5ha of Industrial Zone land in the Mulgrave and Custom Street area. Water and roading capacity issues have restricted development of this area since Ashhurst became part of the city (from the former Oroua County Council) in 1989. However, growth water (programme 1386) and roading (programme 1394) programmes have been included in the 2018 LTP and Development Contributions Policy to address the infrastructure growth demands currently facing this area.

7.34. Bunnythorpe contains approximately 1.7ha of Industrial Zone land. Industrial land use in the township is relatively settled with little growth forecast over the next 30 years.

Commercial land use strategy

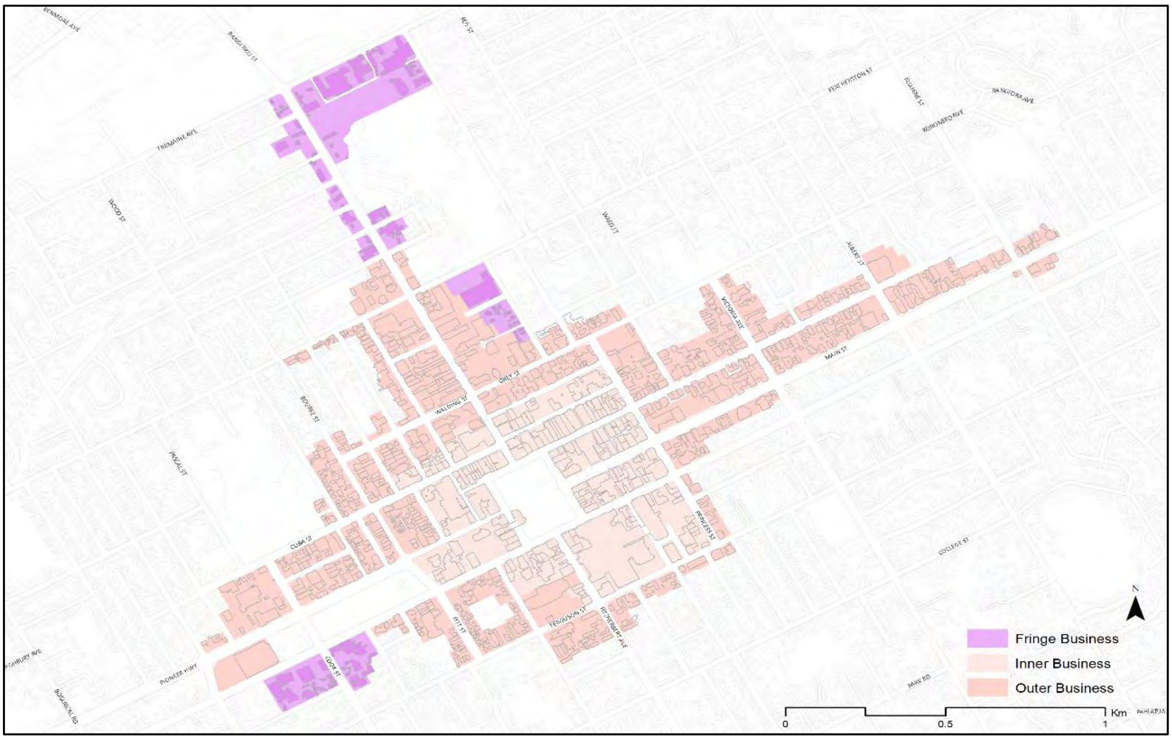
7.35. The compact shape of the City's urban development has discouraged the growth of significant suburban retail and service nodes on the periphery of the City, outside of the local convenience-based services and retail located throughout the City's suburban areas. Retailing and associated commercial activities have, therefore, focused around the historical city centre and gradually expanded from the core to form a naturally evolving hierarchy of business areas radiating from the centre of the City.

7.36. Business activity is concentrated within a hierarchy of four distinct Business Zones of the City. The hierarchy of Business Zone include:

- The Inner Business Zone (IBZ)
- The Outer Business Zone (OBZ)
- The Fringe Business Zone (FBZ)
- The Local Business Zone (LBZ)

7.37. The Commercial Land Use Strategy (the Strategy) is given effect to through the hierarchy of Business Zones in the District Plan. The Strategy seeks to maintain retail and office activity in the core of city and discourage dispersal of these activities to the industrial fringes of the city. For this reason, non-ancillary retail and office development is a non-complying activity in the Industrial and North East Industrial Zones.

Figure 79: Inner, outer and fringe business zones



Inner business zone

7.38. The highest-level business area in the hierarchy is the IBZ, commonly referred to as the city-centre or CBD. Palmerston North's city centre lies at the hub of the City, with its core centrally focused on The Square. It is characterised by a compact and contained urban form, and represents the prime retail, office, entertainment, cultural and pedestrian related retail focus of the City. The pedestrian-focused area is characterised by a concentration of diverse business activities that are complemented by important amenity features, such as The

Square. The city-centre represents the commercial heart of the City. Importantly, the development provisions of the IBZ enable the greatest density of development and activities to occur in the centre of the city. This is critical from an urban form, city identity and commercial viability perspective.

7.39. *Broadway and Square East* – Notably, the IBZ is anchored by the Plaza shopping centre which completed a 11,425m^2 expansion in 2008 and now totals approximately 26,806m^2 of retail and parking in the City-Centre.

7.40. In the period between 2007 and 2008 Farmers' department store and the BNZ bank left Broadway for the Plaza. The loss of these two anchor tenants in combination with the on-set of the global financial crises resulted in a high level of vacant retail tenancies in Broadway and Square East from 2008 to 2014. Post 2008 the remaining anchor tenants in Broadway include the Regent Theatre and the Downtown cinema, retail, food and parking complex. Over time vacant retail tenancies in Broadway and Square East have been occupied by food and beverage activities which have co-located and fed off the two remaining anchor tenants, being the Regent Theatre and Downtown.

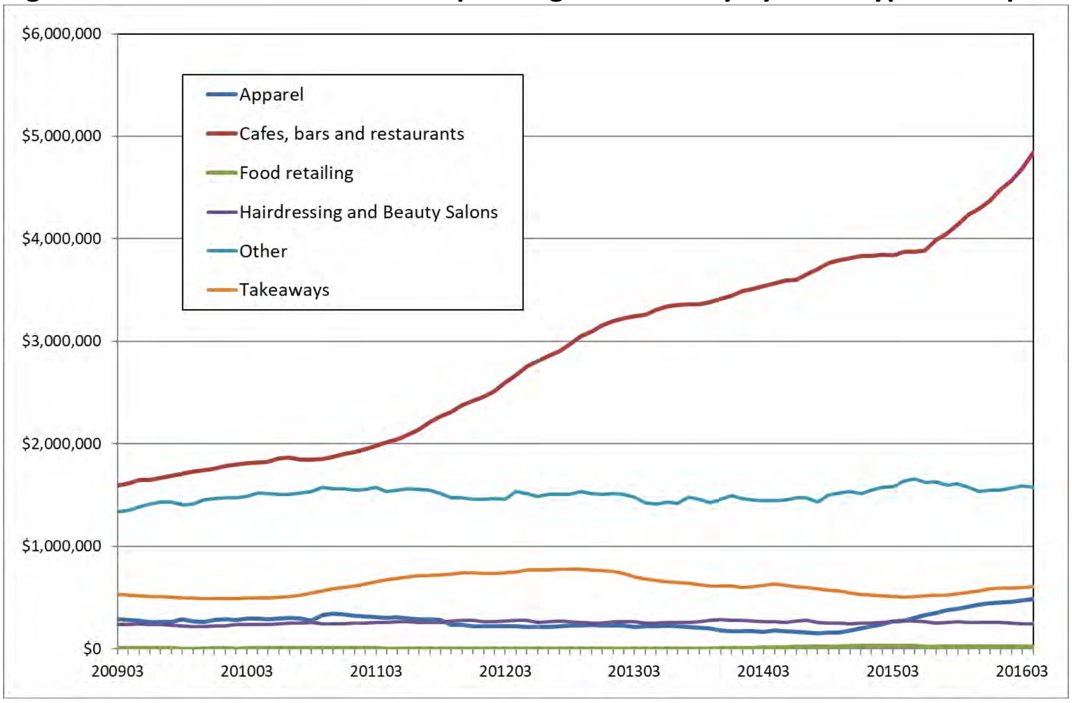
7.41. Electronic card spend data for retail in Broadway over the period 2009 to 2016 shows:

- A reduction in the apparel (-3.4%), takeaways (-26%), hairdressing and beauty salon (-8.3%) sectors; and
- An increase in food retailing (54.5%) and café, bar and restaurants (121%).

7.42. Post 2014, vacancy levels in Broadway have fallen and the night time economy has grown. Retail spend data for Broadway for the period 2009 to 2016 shows the following trend in terms of the day-time and night-time economy:

- 8.00am – 5.30pm: a -11.7% decline in retail spend; and
- 5.30pm – 12.00am: a 93.6% increase in spend led by cafes, bars, restaurants and food retailing. Although coming off a very low baseline, apparel showed a 73.3% increase in spend over this time-period with retail stores like Cotton On extending trading hours.

Figure 80: Annual electronic card spending in Broadway by store-type – 5.30pm – 12.00am



Source: Marketview

7.43. *Square West and North-West Square Heritage Area* (NWSHA) – In the period 2008 to 2018, retail, commercial service, and food and beverage tenancies in the George Street, Coleman Mall and Square West areas have been relatively well supported. Large anchor tenants in the area such as Harvey Normans, Briscoes, Rebel Sport, the Library and the Palmerston North City Council have provided a sustainable supply of pedestrian traffic supporting smaller scale tenancies in the area. New development in this area included:

- A new ground floor retail (660m^2) and first floor office (500m^2) building was built in 2007/08 in the Square West area (37-40 The Square);
- In the North-West Square Heritage Area (NWSHA) redevelopment and strengthening of the Beattie and Proctor Building (Blacksheep at 227 Cuba Street); and
- In the NWSHA the redevelopment of 217-223 Cuba Street into Focal Point Cinema (2018/19).

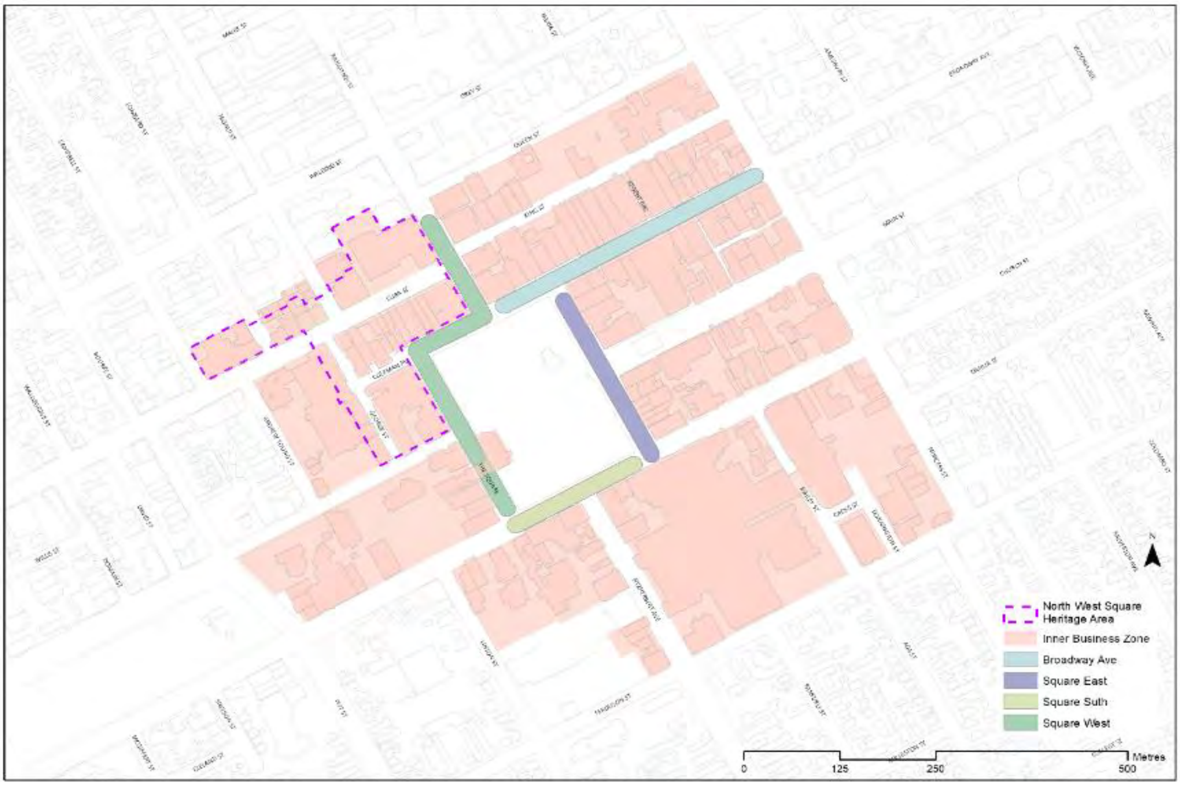
7.44. Discussion with building owners in the NWSHA indicates the 2018 completion of the streetscape upgrades on Cuba Street (see the photo on page 80) have assisted with increased interest in leased space and redevelopment opportunities in the area. Tenancy levels in the western part of this area have started to be better supported over the period 2017-2019.

7.45. *Square South* – on the southern side of The Square the Plaza, the former FMG building, the TSB Tower, the Evening Standard and Square Edge have provided an anchoring role for a mix of small-scale retail, food and beverage activities located at ground floor level. Ground floor retail vacancies in this area of the IBZ have been relatively low in the period from 2008 to 2018 compared to Square East and Broadway. However, the recent exit from of FMG from the Square has increased upper floor office space vacancy.

7.46. The presence of the Plaza, the City's largest shopping centre, in the IBZ is critical for the ongoing commercial success of the city centre and the goals of the Commercial Land Use Strategy. Apart from the Plaza redevelopment, the new retail and office building in Square West, and Carl Juniors on Princess Street, there has not been a high level of investment in new building stock in the IBZ in the period 2007/08 to 2018.

7.47. It should be noted that significant levels of investment have been made to improve the earthquake resilience of buildings in the city-centre, particularly heritage and street character buildings. As noted in paragraph 4.14, earthquake strengthening requirements have been an important contributor to the increase in the value of building consents for additions and alterations to non-residential buildings between 2008 and 2018, particularly in the IBZ. It is noted that the Inner and Outer Business Zones accounted for 23% of non-residential building consents (by value) over the period 2003 to 2018.

Figure 81: Broadway and Square East, Square West and NWSHA, Square South



Outer business zone

7.48. The Outer Business Zone (OBZ) is located around the periphery of the city centre and extends out along arterial roads that function as main entrances to the City. The OBZ is largest Business Zone by land area and is located on generally larger lots when compared to the finer grained subdivision pattern of the city centre. The built environment is characterised by low-rise and larger floor area development with on-site parking, and convenient access to arterial roads. Activities are generally vehicle-orientated in nature and consist of a diverse range of retail, office, commercial service and light industrial activities.

7.49. The OBZ functions as a less intensive, less integrated and more directly vehicle-orientated extension of the IBZ. The OBZ supports the IBZ by:

- Providing for a scale and form of activities that are not able to be accommodated in the IBZ in an area contiguous and in close proximity to the city centre; and
- Providing for a broad range of commercial service activities that serve the needs of retail and office activities within the IBZ.

7.50. The diverse range of activities in the OBZ can be seen in table 30 below which provides a list of major developments undertaken in the zone between 2008 and 2018:

Table 32: List of Major Developments in the Outer Business Zone 2008-2018

Location	Activity	Gross Floor Area	Construction Date
27 Grey St	Restaurant / Bar	645m^2	2008
117 Princess St	Fast Food / Drive Thru	488m^2	2009
203 Broadway Ave	Banking	631m^2	2010/11
243 Broadway Ave	Office	831m^2	2011
248 Ruahine St	Retail / Office / Food	855m^2	2011
250 Featherston St	Retail	2200m^2	2011
4 Victoria Ave	Early Childhood Centre	331m^2	2011
15 Princess St	Education	2398m^2	2012
84 Bourke St	Office / Commercial Service	300m^2	2013
314 Broadway Ave	Banking	1015m^2	2013
768 Main St	Service Station	230m^2	2014
240 Broadway	Office / Real Estate	788m^2	2016
12 Cook St	Depot / Warehouse	1731m^2	2016
227 Broadway	Office	700m^2	2016/17
148 Rangitikei St	Retail / Auto Parts	3568m^2	2017
60 Bourke St	Trade Supplier	3320m^2	2017/18
227 Broadway Ave	Office	700m^2	2018
292 Church St	5 Storey Office and Cafe	6496m^2	2018
309A Ferguson St	Power Substation	360m^2	2018
109 Fitzherbert	Hotel	1656m^2	2018/19

Fringe business zone

7.51. The third level business area within the hierarchy is the Fringe Business Zone (FBZ). The purpose of the FBZ is to provide for Large Format Retail (LFR) in a location in close proximity to the Inner and Outer Business Zones and in a way that does not undermine the commercial viability of the city-centre. A key feature of the IBZ, OBZ and FBZ is the strong spatial connectivity between the three business zones with the city centre located at its core – collectively they form part of a cohesive and easily accessed centrally located business area.

7.52. The FBZ is located on the northern (Rangitikei Street) and south-western (Church Street) periphery of the OBZ. Like the OBZ, the FBZ extends along arterial and main road entrances to the City and is characterised by larger lots. Since 2008, the northern area of the FBZ has slowly transitioned from traditional commercial service, light industrial and vehicle sales and service activities to vehicle-orientated, space extensive retail and fast food activities. The south-western area of the Zone has a greater mix of commercial service, light industrial, places of worship and recreation activities. However, this area has not transitioned to the large format activities provided for by the FBZ.

7.53. The FBZ became operative in the District Plan in 2008. Development in the northern part of the Zone has included:

Table 33: List of developments in the northern FBZ

Location	Activity	Gross Floor Area	Construction Date
576 Tremaine Av	LFR Retail	$4245m^2$	2007
258 Featherston St	Building Suppliers / Retail	$8184m^2$	2011
313 Rangitikei St	Fast Food / Drive Thru	$263m^2$	2012
395 Rangitikei St	Fast Food / Drive Thru	$306m^2$	2013
314 Rangitikei St	Food Retail	$831m^2$	2018/19

7.54. The $13,829m^2$ of development in the FBZ since 2008 has occurred in the northern part of the FBZ. The rate of development in the FBZ was suppressed by the start of the Global Financial Crises which started at the end of 2007 / early 2008. Development in the Zone has picked up since 2011, however across the Zone development uptake has been subdued.

Figure 82: Spatial relations of FBZ with inner and outer business zones

Local business zone

7.55. The fourth level of business activity within the hierarchy is the City's local business areas. 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. 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.

7.56. Overall, the City's business areas provide complementary environments of a pedestrian-orientated city centre, fringed by larger, more directly vehicle-orientated, business areas, and supported by peripheral suburban centres. The Commercial Land Use Strategy identifies the IBZ 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.

District plan enablement of development

7.57. The Palmerston North City District Plan (the Plan) takes an enabling approach to the range of activities provided for in the City's Business and Industrial Zones. For the most part, any activity is provided for in the City's business and industrial areas unless otherwise stated. For example:

- In the IBZ any activity is provided for except for industrial activities, crematoria and residential development at ground floor level. Apart from these activities any other activity is provided for in the Zone.
- Similarly, in the Industrial Zone any activity is provided for except for non-ancillary office, retail or residential activity.

7.58. In this regard, the District Plan has very little restriction on the range of activities that can occur in the City's Business and Industrial Zones. The District Plan gives effect to the Commercial Land Use Strategy by enabling a wide range of activities while only controlling activities where broader city-wide resource management considerations merit targeted control.

Centres-based approach to retail since 2012

7.59. In terms of large development, the retail and commercial trade activities listed below have all located in the city's Inner, Outer and Fringe Business Zones in the period 2011 to 2018. Many of these activities have moved from peripheral Industrial Zone locations closer to the commercial core of the city.

- Smith's City (2239m^2)
- Briscoes and Rebel Sports (4411m^2)
- Mega Mitre 10 and associated retail (Featherston Street) (8184m^2)
- Mega Mitre 10 – Trade Supplier (Bourke Street) (3320m^2)
- Hunting and Fishing (1556m^2)
- Repco, Farmers Home Centre and Steven's (3568m^2)
- Big Fresh (831m^2)

7.60. Approximately 24,109m^2 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 market 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 11,425m^2 is included then approximately 35,534m^2 of retail gross floor area has been established in these Business Zones over this period.

7.61. The centres-based Commercial Land Use Strategy was given effect in the District Plan through Plan Changes 1, 5, 9, 11, and 20 of the Sectional District Plan Review 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.

Business development capacity assessment and recommendations

7.62. As a medium growth urban area, the NPS requires the Council to carry out a business development capacity assessment tri-annually. The Council commissioned Property Economics to undertake an economic assessment on Business Land Capacity to determine the future business land requirements of the City over the next 30-years. The Property Economics Business Land Capacity Assessment (the Capacity Assessment) is attached as Appendix I to this report.

7.63. The Capacity Assessment utilised forecast data generated by Sense Partners (Sense Partners 50th percentile projections) on behalf of the Council for the 2018 10-Year Plan. The forecast data used to inform the Capacity Assessment aligns with the data used to inform Council's long-term planning, financing and infrastructure decisions for the 10-Year Plan.

7.64. The macro focused Capacity Assessment forecasts the land requirement, including the NPS requirement to include an additional margin of feasible development capacity, over the short-term (0-3 years), medium-term (3-10 years) and long-term (10-30 years) for:

- Non-Industrial Business Zoned land which includes: Retail, Commercial Service and Commercial Office sectors; and
- The Industrial Zone land sector.

7.65. In making recommendations on land requirements and associated regulatory change the macro level assessment has been supplemented by a finer grained micro assessment based on local and institutional knowledge at the local market and zone-specific level.

Assessing demand for business space

7.66. The Capacity Assessment raised concerns with the extent of growth forecast by the Sense Partners assessment. However, GDP estimates produced by Infometrics indicates economic growth accelerated during 2018 and is now stronger than the overall growth rate for the country. There are signs the city is also experiencing stronger population growth, which may exceed the national growth rate in the year to June 2019.[9]

7.67. The City's economy has grown as a faster rate than that of the wider Region, with a 35% increase in real GDP between 2000-2016. This indicates the City's economy has become increasingly dominant within the Region over the 17-year period. The City's employment base of approximately 48,200 people experienced a net growth of approximately 9,600 employees over the last 18-years. Relative to population growth of 11,000 people this employment growth indicates a significant increase of people in the workforce.

7.68. In the period 2006-2017 retail employment counts declined by approximately 8%. The number of full-time equivalent (FTEs) workers have decreased despite approximately 34,703m^2 of retail floor space locating in the Business Zones in period 2012-2018. The growth of large format retailing, self-service kiosks and internet retailing have all combined to reduce the number of FTEs required in retail sector. Of note, the IBZ lost more retail employment than the whole of the city in the period 2012-2018. The loss of retail employment from the IBZ has been relatively evenly distributed across the Outer, Fringe and Local Business Zones.

[9] See paragraph 2.3, Executive Summary.

7.69. Over the period 2003-2017, employment numbers in the Health Care, Social Assistance, Public Administration and Safety sectors recorded the largest increase. These sectors are distributed over the Industrial and Business Zones of the City.

7.70. For industrial related activity the Wholesale Trade and Construction sectors recorded the largest increase in employment numbers in the period 2003-17. The largest employment increases for these sectors primarily occurred in the Industrial Zone and NEIZ.

7.71. Forecast employment numbers for the City under the Sense Partners projections indicates total employment growth of approximately 21,000 by 2048. Commercial employment is forecast to grow by 36% out to 2048 with the industrial sector forecast to grow at a faster rate (43%) over the 30-year period.[10]

7.72. Quotable Value property revaluation assessments for Palmerston North show strong growth in commercial and Industrial Zone land values between September 2015 and 2018, following six years of decline.

Table 34: Revaluation summary by sector

	2009 - 2012 change		2012 - 2015 change		2015 - 2018 change	
Sector	Land value	Capital value	Land value	Capital value	Land value	Capital value
Farming	-11.6%	-9.9%	0.8%	0.8%	12.9%	13.1%
Crop and specialist	-6.4%	-5.0%	0.2%	0.5%	29.1%	22.9%
Forestry	-19.7%	-17.9%	-0.3%	-0.2%	13.1%	13.0%
Lifestyle	-1.7%	-4.7%	1.4%	0.5%	40.8%	24.5%
Residential	0.6%	0.3%	8.5%	3.6%	67.9%	36.3%
Commercial	-2.9%	-1.0%	-4.1%	-2.1%	29.0%	17.7%
Industrial	0.5%	-0.1%	-5.8%	-0.2%	37.3%	24.8%
Other	-2.0%	1.0%	2.1%	1.4%	58.9%	24.4%
Utilities			23.3%	46.0%	10.6%	-5.3%
Total	-1.0%	0.1%	4.7%	3.7%	56.0%	28.7%

Source: QV

7.73. An assessment of land concentration using the Council's rates database shows two land owners holding 57% share of vacant commercial/industrial land in the city. Development interest in the NEIZ Extension Area indicates this may be exacerbated. Feedback from the market indicates the concentration of development capacity may be constraining development options for businesses seeking to grow operations and develop and own premises.

Industrial zone land

7.74. *Vacant Premises and Capacity*: The Capacity Assessment notes that a key aspect of the influence of declining and growing industrial sectors is the ability for growing sectors to utilise either underutilised or vacant premises. When an industrial sector declines in activity, the ability for growing sectors to utilise vacant premises is critical to the functioning of industrial development markets. This flexibility factor plays a critical role in the level of industrial land required.

7.75. In the Palmerston North market this dynamic can be seen in large sites which have been purchased and re-tenanted within a relatively short period. Examples of this dynamic over the last 10-years include sites such as:

- The former Mega-Mitre 10 on John F Kennedy Drive: 7,000m^2

[10] **See Appendix I:** Property Economic Capacity Assessment, pages 11, 12, 13, 20 and 21.

- The former Foodstuffs Depot on Tremaine Avenue: 10,000m²
- The former Foodstuffs Depot on Kaimanawa Street: 18,000m²

7.76. More recently the ability of growing sectors to utilise under underutilised or vacant premises in the City's Industrial Zone has become more restricted. The Commercial Property Market Survey undertaken by Blackmores[11] notes:

- Strong occupancy in industrial locations, particularly for modern versatile property;
- Low funding costs are influencing active up-take of property by owner occupiers;
- Strong growth in the NEIZ and the Mihaere Drive industrial areas; and
- While there is vacant Industrial Zoned land in the city the volume is compromised, particularly in the Longburn area.

7.77. Vacancy data for existing buildings show a 3.7% vacancy level in the Industrial and Airport Zones and 0% vacancy levels in the North East Industrial Zone. Overall vacancy rates across the City's Industrial Zones (0 to 3.7%) are significantly lower than vacancy levels across the City's Business Zones (7 to 11.9%). The Commercial Property Market Survey.

7.78. The vacancy level for grade A and B properties in the Industrial and Airport Zones is 2% and 3.5% while vacancy rates for grade C properties (Poor pre-1960s construction) were at an elevated level of 6.6%. However, vacancy levels for grade C properties in the Industrial Zones (6.6%) are significantly lower than for Business Zone properties (12.6% to 32.2%).

Table 35: Industrial zone vacancy data

Industrial Vacancy Survey (Airport, Industrial and North East Industrial business zones) (June 2018)				
		% shares of floor area by zone		
Zone	Vacancy rate	Vacant	Part-occupied	Full
Airport	0.0%	0%	0%	100%
Industrial Business	3.7%	3%	4%	92%
North East Industrial	0.0%	0%	0%	100%
Total Industrial	**3.3%**	**2%**	**2%**	**97%**

Source: Blackmores

7.79. At the macro level the Capacity Assessment forecasts that capacity issues for industrial land will become an issue in the longer-term, 20-year time horizon. However, a closer assessment of the industrial land supply and development market at the micro level indicates.

Large floor plate industrial: NEIZ

7.80. The context for land supply for large floor-plate industrial development in the City's NEIZ and Extension Area is as follows:

a. National and local GDP growth is forecast to exceed 2.7% and current data indicates the City's population and household growth is exceeding Sense Partners 2017 projections;

b. KiwiRail has signalled its intention to develop 60-hectres of land in the Extension Area;

c. Post the KiwiRail announcement approximately 50ha of land in the Extension Area is under contract;

[11] See Appendix 2: Palmerston North Commercial Property Market Survey.

d. An 8.3ha block of Extension Area land opposite Foodstuffs on Roberts Line is in the process of being subdivided and developed;

e. The 2018/28 LTP contains $12.5m of infrastructure programmes to support development of the Extension Area including the construction of a water bore 2018/19;

f. Major development and construction projects announced for Palmerston North and the Manawatū region amount to $2.5 - $3.0 billion of construction activity over the period to 2030. These include the freight ring-road being planned by NZTA and the proposed replacement road for the Manawatu Gorge. It should be noted the Sense Partners projections did not take account of the significant increase in central government investment in these construction projects.

g. The emerging commercial value being attached to the inter-modal road, air and rail freight hub developing in the NEIZ and Extension Area;

h. The rate of development in the 126-hecatre NEIZ Extension Area may accelerate in part due to the land owner in the NEIZ leasing land rather than subdividing. Feedback from local industrial operators seeking to expand their operations is that they prefer to buy land and build a fit-for-purpose premises rather than lease either land and or buildings;

i. Approximately 51.7ha of NEIZ land is either developed or purchased with the intention to develop and is not available to the market. This means that approximately 34.3ha of land is currently available on a lease basis to the market.

j. The strongest rate of employment growth between 2000 and 2018 was in the NEIZ area (an increase from 190 jobs to 1390 mainly in the road transport sector); and

k. As of June 2018, there were no vacancies in the NEIZ is and leasing trends showed demand to be strong and supply scarce.

7.81. In summary, the City has 212ha of land zoned for large floor-plate industrial development. Of this 212ha:

- In the NEIZ 51.7ha of land is developed or has been purchased with the intention to develop and is not available to the market; and
- In the Extension Area 60ha will be developed by KiwiRail, 8.3ha is currently being subdivided and developed, and approximately 30ha is under contract.

7.82. Approximately 170ha of land of the 212ha of land zoned for large floor-plate development has been developed or has been secured with the intention to develop in the short to medium-term (0 to 10 years). The ongoing concern is that the emerging land ownership concentration will remain relatively high[12].

7.83. The value of major development and infrastructure projects in the Region over the period to 2030 is projected at $2.5 to $3.0 billion. This is providing the market with confidence to invest in an area that is emerging as a major inter-modal road, air and rail freight hub located in the central North Island.

7.84. June 2018 data shows a low level of vacancy in existing building stock, demand for industrial large-scale development is strong, supply is scarce and land value has grown. Given the factors discussed above, it is likely that capacity issues for large floor-plate industrial land is likely to arise in the next 10-15 years (medium to long-term) rather than beyond the 20-year horizon (long-term) projected in the Capacity Assessment.

[12] See Figure 42: Significant Land Owners of Vacant Commercial and Residential Land in Palmerston North.

Small to medium scale industrial development: industrial zone

7.85. The context for land supply for small to medium scale industrial development in the City's urban Industrial Zone is as follows:

a. National and local GDP growth is forecast to exceed 2.7% and current data indicates the City's population and household growth is aligning with Sense Partners 2017 projections;

b. As of June 2018, there are low levels of vacancy in the Industrial Zone's existing building stock (3.7%). Vacancy is even lower for A and B grade buildings (2% and 3.6% respectively);

c. As of June 2018, leasing trends for A and B grade buildings show demand to be strong and supply scarce;

d. Property revaluation assessments in 2018 for Palmerston North show strong growth in Industrial Zone land values (37%) between September 2015 and 2018;

e. Excluding the Industrial Zone land in the three villages, available vacant but serviced Industrial Zone land totals approximately 12ha. Much of the Industrial Zone's vacant land is unavailable due to business buying land with a long-term focus for expansion or because land is owned by Council for public facilities; and

f. The only greenfield (un-serviced) Industrial Zone land is the 15ha MIA;

g. An assessment of land concentration shows two land owners with a combined 57% share of the vacant commercial/industrial land. When looking at industrial land for small to medium scale development the importance of this is amplified;

h. KiwiRail's plans to relocate to the North East Industrial Zone (NEIZ) Extension Area means its Industrial Zone Tremaine Avenue freight yards, approximately 26ha of land, are likely to become available for small to medium scale industrial activity. Considering the nature and location of capital investment on the site, approximately 8-hectres of the site is likely to continue in its industrial use. The remaining 18ha of the site is likely to be available for industrial development in the next five to ten years;

i. The 9.6ha of vacant but serviced land in the Airport Zone's Environs Precinct is available for industrial development but commercial service activities are being targeted for this land rather than core industrial activities.

j. The value of non-residential consents issued in the year ended December 2018 was $139 million, an increase of 128% from 2017. While the Toyota warehouse extension (10,000m^2 GFA) accounted for the largest contribution to the growth in consents for factories, there was also an increase of small to medium size consents for a range of industrial and storage buildings.

k. The largest contributor to employment growth between 2000 and 2018 was in the Industrial Zone, particularly in the Tremaine Ave to Mihaere Drive area. This area contains a high concentration of small to medium scale industrial activities.

7.86. In summary, for small to medium scale industrial development the City has over the short term (0-3 years) 12ha of vacant but serviced industrial land available and 15ha (MIA) of unserviced greenfield land available for industrial development. Over the medium term (3-10 years) another 18ha (KiwiRail) of vacant serviced land is likely to be available to the market. However, the land ownership concentration of this 45ha is relatively high. The low level of vacancy in existing building stock indicates demand for industrial development is strong, supply is scarce and land value has grown. For these reasons the need for industrial land for small to medium sized activities is required more urgently (in the short to medium term) than for land for large floor-plate activities (medium to long-term).

Industrial land recommendations

7.87. The Capacity Assessment projections do not consider there to be a land supply issue over the short to medium term (0 to 10 years) with sufficient land capacity currently in place. Capacity issues for industrial activity are unlikely to arise until beyond the 20-year horizon (long-term). The Assessment considers this issue represents a longer-term capacity issue with industrial land demand outweighing current zoned vacant supply by 92ha.

7.88. The findings of the Capacity Assessment aggregate the whole of the City's industrial land market. The Assessment does not differentiate between the small to medium scale development provided for within the Industrial Zone and the large floor-plate development provided for in the NEIZ and Extension Area.

7.89. The recommendations below differentiate the two land markets and balance the findings of the macro focused Capacity Assessment with supplementary information that provides a finer grained micro assessment based on local and institutional knowledge at the local market and area-specific level.

7.90. It is recommended that for both the large and small development markets that within the next 2 years the Council further develop its Industrial Land Use Strategy as a sub-part of a Future Development Strategy. The Council will need to initiate a land use study to investigate options for the provision of additional land for large- and small-scale industrial activity for the medium to long term. This work should provide the strategic basis for the RMA and LGA processes required to rezone land and ensure funding of infrastructure is in place within the following timeframes:

- *Large Floor Plate Industrial (NEIZ and Extension Area)* the required quantum of land rezoned within the next 10 to 15 years (medium to long-term).
- *Small to Medium Scale Industrial Development (Industrial Zone*) – the required quantum of land rezoned within the next 5 to 10 years (short to medium-term).

Business zone land: retail, office and commercial service activities

7.91. *Retail and Commercial Service Development* – Inner, Outer, Fringe and Local Business Zone consented retail and commercial service development in the period 2000 to 2017 numbered 132 with an associated gross floor area of 150,000m^2. Only 10 developments (8%) where out of Zone, representing only 2% of the total value of development over the 18-year period. This shows most of high value retail and commercial service developments were being developed in the city's business zones over this period.

7.92. IBZ vacancies, relative to the other Business Zones, are high at 11.9% with part-occupied floor area vacancies sitting at 16%. Many of these vacancies relate to retail and upper floor office space within buildings with seismic strength issues. In total there is approximately 44,323m^2 of vacant GFA in the IBZ.

7.93. OBZ vacancy levels sit at a relatively low 5.8% and are reflective of the strong growth of large format retail, office and commercial service activity in the Zone over the last decade.

7.94. FBZ vacancy levels are at a relatively low of 6.4% but part-occupied vacancies sit at a high 27%. However, much of this floorspace relates to buildings, or parts of buildings, established under the former Industrial Zoning of the area and may reflect transitioning nature of the

Zone. There were no vacancies for buildings established post-2008 under the new FBZ planning provisions.

Table 36: Business Zone vacancy data

Commercial Vacancy Survey (Inner, Outer, Fringe and Local business zones) (June 2018)				
		% shares of floor area by zone		
Zone	Vacancy rate	Vacant	Part-occupied	Full
Fringe Business	6.4%	0%	27%	73%
Inner Business	11.9%	6%	16%	79%
Outer Business	5.8%	5%	4%	91%
Local Business*	4.7%	0%	5%	100%
Total Commercial	**9.1%**	**4%**	**5%**	**91%**
*Terrace End only				

Source: Blackmores

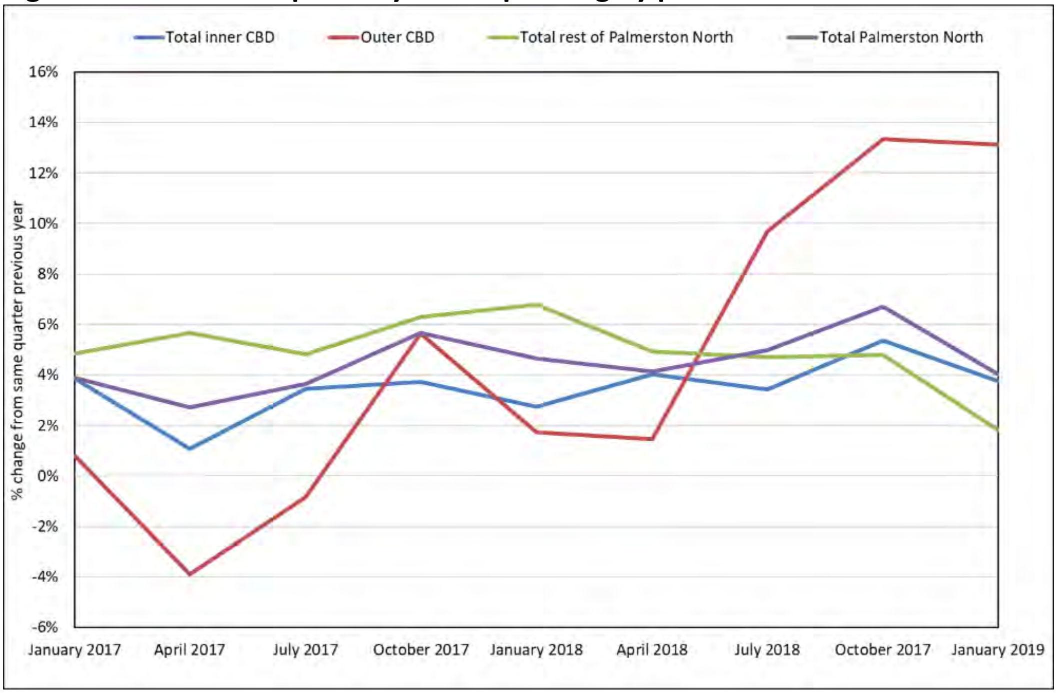
Retail activity

General retail trends

7.95. The Retail Health Check Report (2019) notes that 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 areas and decline or weak growth in others. A high level of investment in the construction of new retail floor space has created significant additional competition for existing retailers in the City and impacted property owners through increased vacancy rates. 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.

7.96. Total electronic card retail spending increased by 4.4% in Palmerston North in the year ended December 2018, while national retail growth was 3.9%. The rate of growth for the city has been ahead of the growth rate for New Zealand for most of the period since August 2017, supported by strong growth in spending by residents at local merchants.

Figure 83: Growth in quarterly retail spending by precinct



Source: Marketview

7.97. Updated quarterly retail spend data shown in Figure 71 below shows sustained growth in the OBZ, and a moderate growth profile in the Inner and Local Business Zone. The main contributor to retail spending weakness in the IBZ is the closure of Whitcoulls on Broadway in May 2018.

Retail employment

7.98. In the period 2006-2017 retail employment counts across the city declined by approximately 8% and hospitality by 3%. However, the IBZ lost more retail employment than for the whole of the City. The loss of retail employment from the IBZ has been distributed across the Outer, Fringe and Local Business Zones.

Retail earnings

7.99. The Retail Heath Check also notes that most indicators for the retail sector in the Region suggest it performed strongly in 2018 compared to national indicators and that it is an important sector for the region's economy. The city has experienced strong growth in retail earnings (salaries, wages and self-employment income), which increased by 112% between 2000 and 2017. However, this was weaker than the national retail earnings growth of 139%.

Retail supply across the city

7.100. The Capacity Assessment notes the City has approximately 240,000m^2 of retail activity operating across 730 stores. Of this total, 107,000m^2 or 45% of the overall floorspace and 52% of retail stores are in the IBZ. The OBZ contains 41% of retail floorspace within the City across only 24% of retail stores. This another indicator that larger retail formats are establishing in the OBZ. [13]

7.101. The food and beverage and other food retailing sectors comprise 34% of the total number of retail stores within the City and generally fall in the small store category (0-499m^2). Post the Global Financial Crises (GFC) many of the vacant retail tenancies in the IBZ were replaced with food and beverage activities in locations such as Broadway and Square East. Since 2009, more food and beverage activities have also established in the OBZ and FBZ including:

- McDonald's Drive-Thru: 117 Princess Street (2009);
- Wendy's: 313 Rangitikei Street (2012)
- Burger King: 395 Rangitikei Street (2013)
- Subway: 334 Rangitikei Street (2013)
- Subway: 43 Princess Street (2014)
- Pita Pit: 755 Main Street (2014)

Destination and origin of retail spend

7.102. The Capacity Assessment assessed the destination and origin of retail spending flows in and out of the city. The assessment noted that over the four-year period 2012 to 2018 retail spending within the city decreased with leakage increasing by 6% and inflows falling from 50% to 46%. Retention levels are considered high with almost three quarters of retail spend made by city residents being spent within the city in addition to the 46% retail inflow into the city from out-of-town shoppers.

[13] See Appendix # Property Economic Capacity Assessment, page 62.

7.103. Retailers in the wider Manawatu-Whanganui Region, particularly the Manawatu District, have benefited most from the increases in retail leakage from the city. Some of the factors leading to this leakage include:

a. Retail investment in the wider region in recent years includes:

    i. New Briscoes and Farmers stores and others in Whanganui, which encouraged locals to shop there rather than coming to Palmerston North;
    ii. The new retail development in Bulls (4 Square, BP and ancillary shops), which also resulted in strong growth in spending in Rangitikei District;
    iii. New World supermarket in Feilding.

b. It is hard to tell how much the initial problems with the introduction of Frog Parking encouraged some locals to shop elsewhere, particularly in Feilding and discouraged visitors to the city. Growth in retail spending in the city was poor in the period 2009 to 2017. The city has experienced very strong growth in resident spending at local retailers over the last 6 months and an increase in spending from the rest of the Manawatu-Whanganui Region.

c. Events and new visitor attractions, which have encouraged stronger growth in visitor spending in the areas around Palmerston North combined with factors that have contributed to weakness in visitor spending in Palmerston North (such as; a decline in extramural student numbers at Massey University and decline in block course days for extramural students, due to more online delivery; and the end of Freedom Air services in 2008). Guest nights in commercial accommodation in Palmerston North declined between 2006 and 2013 but have grown since 2013. This recent trend is assisting with the increased inflow of retail spend into the city from out-of-town shoppers.

7.104. Location and Composition of Retail Spend in City 2012 to 2018 – The Capacity Assessment noted a small but material shift in the composition of retail spending across the city. The Inner and Outer Business Zones collectively captured 5% less of the total retail spend, however retail spend across the whole city grew over the period 2012 to 2018.

7.105. Over this period supermarket and grocery stores comprised on average 40% of total retail spend within the city. More detailed analysis shows the retail spend in the supermarket and grocery sector increased in the Local Business Zone, shifting from the Inner and Outer Business Zones. The opening of the Kelvin Grove Countdown supermarket and associated retail shops in 2012 is an example of this trend. This trend has considerable impact on the total distribution of retail spend across the city given the scale of the supermarket and grocery sector spend as proportion of the total retail spend.

7.106. There has been a significant movement of large format retail spend in the Inner and Outer Business Zones in the following sectors:

- Electrical and electronic goods' retailing have increased their market share in the Outer Business Zone from 63% to 76% in the period 2012 to 2018; and
- Furniture, floorcoverings, housewares and the textiles sectors have increased from 37% to 44% over the same period.

7.107. Examples of this trend over this period included developments on Rangitikei Street such as Farmers Home Centre, Stevens, Bed Bath and Beyond and Harvey Normans and Smiths City on Main and Princess Streets.

7.108. The IBZ increased its market share in the clothing, footwear and soft good sectors from 83% to 86% and in the electrical and electronic sector from 15% to 20% over this period.

7.109. More recent electronic card spending data for the 12-months ended January 2019 shows the annual rate of retail growth is now stronger in the Inner and Outer Business Zones (5.7%) than for the City (5.6%). The strongest rate of growth has been in the OBZ (9.5%), while growth in the IBZ was 4.1%.

7.110. Importantly, the Capacity Assessment notes that the District Plan is working well with:

- Higher order comparison retailing locating in the IBZ increasing;
- The Outer Business Zone increasing its capture of bulk goods retailing; and
- The Local Business Zone servicing the day-to-day retailing needs in suburban area with the continued growth in the supermarket and grocery sectors.

Retail vacancy levels inner, outer and local business zones

7.111. The retail audit undertaken as part Capacity Assessment showed a sizable proportion of vacant retail stores. In total vacant stores made up approximately 30,400m^2 of retail gross floor area (GFA). This represented 13% of total retail GFA and 14% of the total number of stores within the city. At one level this suggests the city is struggling to some degree with over a tenth of total retail GFA and number of stores not being able to be sustained.[14]

7.112. The Capacity Assessment also noted a concerning number of 'Other Goods Retailing' stores located within the city. These are often Second Hand or 'Dollar Stores' with low sales productivity rates. Many of these types of retail stores seem to be locating in the lower grade C building stock. A surplus of these stores can indicate declining performance in the overall retail environment.

7.113. However, the Retail Heath Check noted a high level of investment in the construction of new retail floor space over the last decade has created significant additional competition for existing retailers and impacted property owners through increased vacancy rates, particularly in the IBZ.

7.114. The overall vacancy levels (gross floor area) for ground floor retail premises in the IBZ was recorded at 10.3% in June 2018. Vacancy levels for the different grade of buildings were:

- Grade A: 0.0%
- Grade B: 5.4%
- Grade C: 30.4%

7.115. The Capacity Assessment noted that for poor quality grade C buildings (Pre-1960s construction) vacancy trends are forecast to go up due to weak demand in the market with a surplus of supply. Vacancy levels for grade C retail premises total 16,186m^2 of gross floor area in the IBZ. In many cases the building stock is at the end of its life-cycle and has associated seismic issues.

7.116. The overall vacancy levels (gross floor area) for ground floor retail premises in the Outer and Local Business Zone was recorded at 6% in June 2018. Vacancy levels for the different grade of buildings were:

- Grade A: 1.0%

[14] See Appendix I Property Economics Capacity Assessment, page 63.

- Grade B: 5.3%
- Grade C: 11.3%

7.117. Vacancy data for retail space aligns with updated quarterly retail spend data shown in Figure 66 which shows sustained growth in the OBZ, and a moderate growth profile in the IBZ. Demand for grade A buildings (Post-2000 construction) in the OBZ is strong and supply scarce is scarce. This is particularly the case for large floor-plate buildings meeting the space extensive large format retail market.

Large format retail: the relationship between the OBZ and FBZ

7.118. As of June 2018, the overall vacancy levels in the FBZ for ground and upper floors sat at 6.4%. Vacancy levels for the different grade of buildings were:

- Grade A: 11.9%
- Grade B: 3.7%
- Grade C: 8.7%

7.119. Leasing trends in the FBZ record flat demand and sufficient supply of grade A and B buildings, and weak demand and surplus supply for grade C buildings.

7.120. The northern (Rangitikei Street) area of the FBZ has slowly been transitioning to vehicle-orientated, space-extensive retail and fast food activities since 2008. However, a significant number of commercial services, trade supplies and car sales activities established under the previous Industrial Zone planning regime remain in this part of the FBZ. For this reason, much of the data recorded for grade A, B and C buildings relate to buildings and activities established pre-2008.

7.121. The aggregated vacancy and leasing trends for all activities in the northern area is very different from the trend for activities established in the Zone post-2008. The vacancy level for the 13,829m^2 of development established in this part of the FBZ post-2008 is at 0%. Foodstuffs positioned themselves to develop a supermarket and supporting retail tenancies in the area by purchasing a 2.5ha site in this area in 2005. A consent for development was granted for the site pre-2008, but an Environment Court appeal challenging the FBZ rezoning and the subsequent on-set of the Global Financial Crises in 2007/08 meant the consent lapsed and was not given effect to.

7.122. The south-western area of the Zone (Church Street) has not transitioned to the large format activities provided for by the FBZ. The commercial service, light industrial, places of worship and recreation activities established under the former Industrial Zone planning regime remain.

7.123. As noted in paragraph 6.71, there has been a significant movement in retail spend in the large format retail sector (particularly in the electronic/electrical goods, furniture and housewares sector) to the OBZ in the period 2012 to 2018. Examples of this trend to the OBZ include Farmers Home Centre, Stevens, Bed Bath and Beyond and Harvey Normans in Rangitikei Street, and Smiths City on Main and Princess Streets. It is noted that all these businesses now have a presence in both the Inner and Outer Business Zones. Over this period the OBZ has become more commercially attractive to the destination specific, vehicle-orientated large format retail sector for the following reasons:

7.124. The permissive nature of the OBZ planning provisions (there is very little restriction on the range of activities provided for in the Zone and the Zone restricts small scale retailing under 300m^2 of merchandising area to protect small scale retail in the IBZ);

- The proximity of the OBZ to an easily accessible arterial road network;
- The proximity and contiguous spatial relationship the OBZ shares with the IBZ;
- The large lot subdivision pattern of the OBZ; and
- The number of sites where the economic life of the physical capital (buildings) on sites is coming to an end.

During the period 2008 to 2018, the issues listed above have combined to attract an increasing number of large format retailing opportunities to the OBZ rather than the FBZ.

7.125. The Retail Audit, a count of stores and GFA of retail stores, undertaken as part of the Capacity Assessment noted the heavier focus on LFR within the OBZ where 41% of the City's total retail floorspace sits across only 24% of total number of retail stores.[15]

7.126. There remain several blocks of land in the OBZ that have similar attributes as those discussed above. The following areas in the OBZ are examples of sites that share these attributes:

- Area 1: Rangitikei, Maire, Taonui and Walding Street (1.8ha)
- Area 2: Campbell, Walding and Street ($6000m^2$)
- Area 3: 152-166 Rangitikei Street ($3253m^2$)
- Area 4: Main Street (West) ($3035m^2$)
- Area 5: Main Street (West) ($4285m^2$)
- Area 6: Corner Pitt and Ferguson Street ($5327m^2$)
- Area 7: Corner Princess and Main Street ($2567m^2$)
- Area 8: 553 Main Street ($2858m^2$)
- Area 9: 667 Main Street and 268-270 Broadway ($3508m^2$)

[15] See Appendix # Property Economic Capacity Assessment, page 62.

Figure 84: OBZ areas 1-9

7.127. The ongoing commercial opportunities for large format retailing in the OBZ mean it is likely the growth of the sector in the FBZ will continue to be subdued over the next decade.

7.128. The District Plan has little restriction on the range of activities that can occur in the City's Business Zones except for the FBZ. The FBZ is the only Business Zone that restricts the range of activities that can occur in the Zone. The FBZ provides for the following large format retail activities and other appropriate activities which do not detract from the commercial viability of the IBZ:

- Retail Activities (minimum merchandising area of 1000m^2)
- Trade Suppliers
- Prepared Food and Beverage Outlets
- Office Activities (must be ancillary to the principal activity on a site)
- Service Stations
- Yard-based Suppliers
- Automotive and Marine Suppliers
- Building Suppliers
- Farming and Agricultural Suppliers
- Garden and Patio Suppliers
- Office Product Suppliers

7.129. A review of the FBZ may need to consider the merits of widening the range of activities provided for in the Zone in a way that does not undermine the hierarchy of business zones and its integrated approach to managing retail activity.

Office and commercial activity

7.130. 82% of consented office development occurred in-zone in the period 2000 to 2017. This represented 96% of the value of consented office development over this period. The extent to which in-zone retail, commercial service and office development is occurring in the Business Zones demonstrates the Commercial Land Use Strategy's goal of maintaining business activity in the commercial core of the city is influencing market decisions. The restriction of non-ancillary office and retail activity in the Industrial Zone in 2013 has contributed to less out of zone development and a greater concentration of these activities in the Business Zones.

7.131. *Inner Business Zone* – June 2018 data shows 22,860m^2 of upper floor office space as being vacant in the IBZ. This represents an overall office vacancy level of 14%. The exit of FMG and later in 2019 the IRD from the IBZ is concerning given these are two of the larger office activities present in the Zone. Office activity is important because it provides vibrancy, foot traffic and contributes to critical mass of shopper numbers critical to supporting retail activity in the IBZ.

7.132. Of concern is the vacancy level of IBZ upper storey grade B (1960s -1990s) and grade C (pre-1960s) office space at 11.2% and 36% respectively. The leasing trend data for these grade buildings in the IBZ shows demand as flat to weak and supply as being sufficient or in surplus. The Blackmore's Survey notes significant vacancies in multi-level office buildings in the IBZ with conversion off this space to residential the next best alternative use. This conversion was evidenced in the survey but is not verified or aligned through building consent or resource consent data held by the Council.

7.133. *Outer Business Zone* – In the period 2000 to 2017 office activity has gravitated to Outer Business Zone (OBZ). Blackmore's Market Survey[16] notes that much of the new build office development since 2008 has located in the Terraced End area on Broadway Avenue and Victoria Avenue.

7.134. The largest development post-2008 was the FMG office building on Church Street (6496m^2). Vacancy and lease trend data (see Appendix 2) shows:

- The total gross floor area for grade A (post-2000 construction) upper storey office space in the OBZ and LBZ (22,955m^2) now exceeds the IBZ (16,718m^2); and
- The vacancy levels for grade A upper storey office space is trending down in the OBZ and but is flat in the IBZ.

7.135. Feedback from the development and commercial real-estate community indicate the reasons for professional office-based activities locating in the OBZ rather than the IBZ are as follows:

- Ease of access for clients when attending appointments. Much of the OBZ is located on arterial and collector roads that offer high levels of service in terms of access; [17]
- Professional office activities seeking on-site parking for staff and clients;
- Businesses wanting a modern fit for purpose premises;
- Businesses wanting new build standard in terms of seismic strength of buildings; and
- Land value in the OBZ being significantly lower than the IBZ.

[16] See Appendix 2: Palmerston North Commercial Property Market Survey.
[17] See Appendix 2: Palmerston North Commercial Property Market Survey.

7.136. There remains a significant number of sites in the OBZ:

- Of sufficient size;
- With convenient access to the road;
- With significantly lower land value than the IBZ;
- With physical capital coming to end of its economic life;

To maintain an ongoing supply of development opportunities for office activities over the short to medium term. Given the lower land value in the OBZ, the functional and locational priorities of the market and the current District Plan regulatory framework it is likely new office activity will continue to be attracted to the OBZ rather than the IBZ without a change of policy settings**.**

7.137. Commercial service activities, including light industrial, are primarily located in the Industrial Zone, and the Outer and Local Business Zones. Available space for these activities in the Industrial Zone is limited given the current vacancy levels are low at 3.7%. The diversity of building stock and vacancy levels in grade B and C buildings in the Outer and Local Business Zone provide sufficient capacity for commercial service activities in the short to medium term. However, additional land to provide for these small to medium scale activities in the Industrial Zone is required in the next 5 to 10 years (short to medium term).[18]

Efficiency of land use

7.138. The Capacity Assessment factored in the need for increased efficiency and utilisation of land and buildings when projecting Business Zone land requirements for office activity. Under current market conditions, there is an inefficient use of office space within the city's Business Zones with an average of $44m^2$ per employee. The New Zealand average is $27m^2$ per office employee. The Assessment factored in a more efficient utilisation rate of $37m^2$ based on the current high vacancy rate in the supply of lower grade buildings and forecast vacancy trends out to 2048.

7.139. Appendix 4, On-Site Open Space Use in the Inner and Outer Business Zones, shows land use in these Zones based on the amount of space used for buildings, car parking and vacant land. What the map shows is that density and utilisation of sites is very low. The map shows that almost half of the land use in these Zones is for car parking. Over the period 2011 to 2018, the SDPR reduced the on-site car parking requirement for the Business Zones by 30% and in the IBZ removed the requirement to supply onsite parking. The approach to reducing car parking requirements was partly driven by the land use pattern shown in the Appendix 4 map which displayed inefficient utilisation of the land resource by development.[19] The only area where development density (in the provincial city context) is high is building development in the IBZ that fronts the Square. Even in this area of the IBZ the average height of buildings is only 2.9 stories, 68% are two stories or lower and 78% are three stories or lower.[20]

7.140. Building typology in the OBZ is generally 1 to 2 stories and is characterised by larger floor plate buildings set within large open areas with parking and loading facilities. There are areas in the OBZ such as the north-west and western areas of the Zone where development

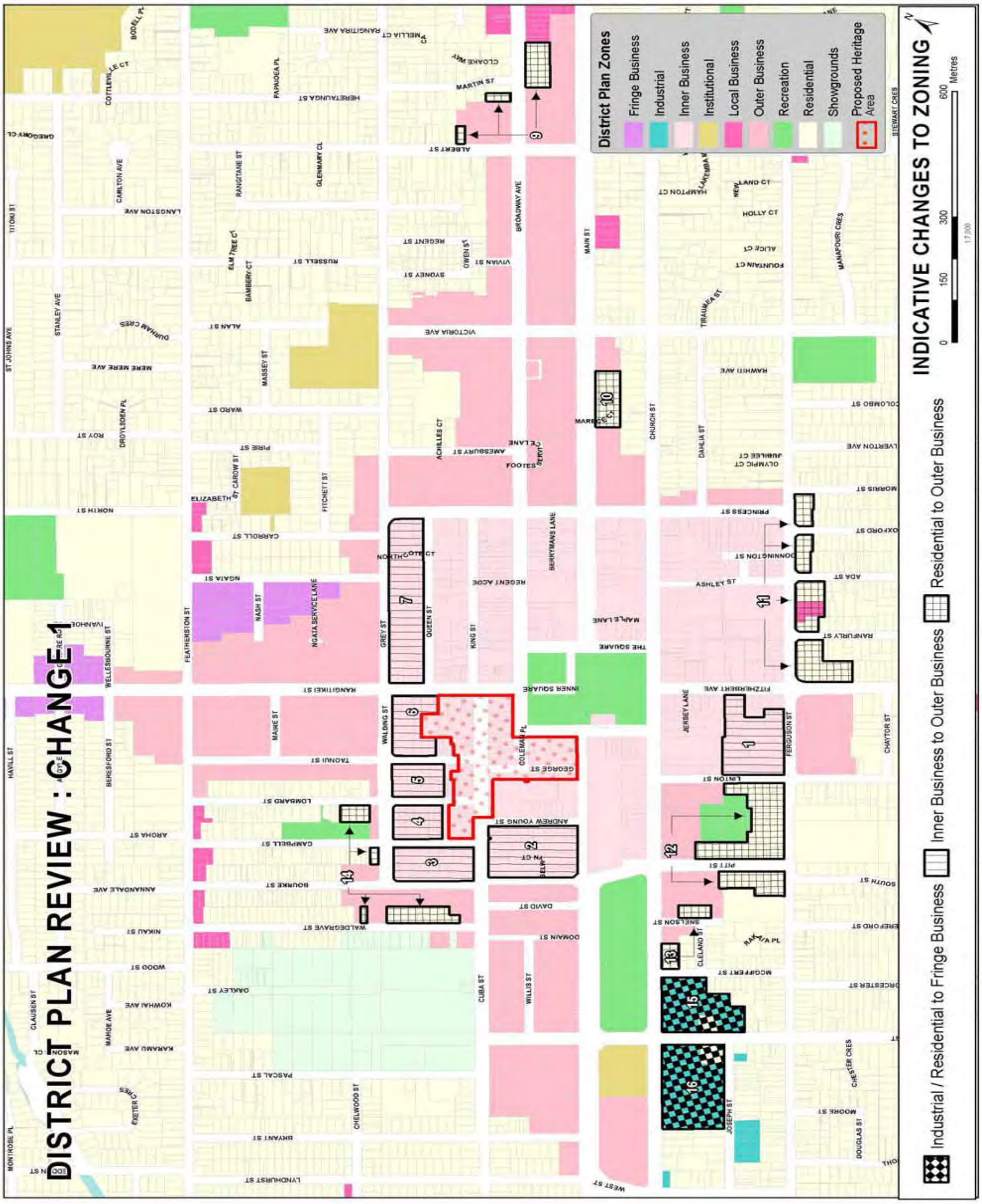
[18] See Industrial Land Recommendations, paragraphs 6.71 – 6.74.
[19] See Section 32 Report: Plan Change 1: Central Business Zone Review, paragraph 2.71.
[20] Palmerston North Urban Design Audit 2003.

typology is single storey small shed type industrial development that is readily available for changing use or because of low capital value new development.

Uptake of additional business zone land enabled by plan change 1

7.141. In 2011 Plan Change 1 (PC1) of the Sectional District Plan Review (SDPR) reviewed the Inner and Outer Business Zones. PC1 rezoned IBZ, Industrial and Residential Zone sites to OBZ and FBZ. Figure 73 shows the zoning amendments.

Figure 84: Plan Change 1 rezoning map



7.142. PC1 rezoned 7.36ha of Residential Zone land to OBZ. PC1 also rezoned 4.3ha of Industrial Zone land to FBZ (south-western Church Street area) for LFR activity.

7.143. *Rezoned Residential Zone Land to OBZ* – Of the 7.36ha of land zoned from Residential Zone to OBZ, 4.2ha (57%) was being used for residential use at the time. The remaining 3.16ha was already in commercial use.

7.144. Of the 4.2ha of land rezoned to OBZ in 2011 being utilised for residential use, approximately 3.5ha (83%) remains in residential use. Approximately 7416m^2 (17%) of this OBZ land has transitioned to commercial use.

7.145. *Rezoned Industrial Zone Land to FBZ* – None of the 4.3ha of Industrial Zone land rezoned to FBZ has been taken up in the period 2011-2018 for LFR or supporting activities.

7.146. Of the 8.5ha of OBZ and FBZ land rezoned in 2011 which was not being used for commercial use (i.e. used as residential dwellings or industrial activity), only 7416m^2 (8.7%) of the rezoned land has been developed in line with the purpose of the underlying zoning.

Summary of issues facing the inner and outer business zones

7.147. Part of the purpose of the review of the District Plan Inner and Outer Business Zones in 2011 was to:

- To reduce the size of the IBZ, the extent of Zone far exceeded the actual or potentially supportable pedestrian core and given the size of the sub-regional market it was servicing, the size of the IBZ was too large;
- Within the hierarchy of business zones, recognition that the IBZ is the commercial heart of the city and as such, the highest level of amenity, and the greatest diversity, scale and intensity of activities and development should occur in the city centre. Across the Business Zones the reviewed planning provisions provided for the greatest development envelope to occur in the IBZ.
- Promote a greater intensity and concentration of development and activities in the IBZ. An important component to achieving this development pattern was the introduction of maximum parking standards in the IBZ; and
- Extend the OBZ into those parts previously zoned IBZ and Residential Zone sites fronting the ring-road, and place the full onus of site self-sufficiency in terms of parking, servicing, landscaping and lighting on activities within the OBZ;

7.148. The review of the Inner and Outer Business Zones was seeking to stress the importance to the city of sustainable economic activity in the core, maintaining compact urban form, and the avoidance of commercial dispersion to the periphery of the urban area. At a broad level the reviewed District Plan has achieved its centres-based focus of maintaining retail and office activity in the core of the city and has discouraged these activities locating in the industrial fringes of the city.

7.149. However, the next review of the Inner and Outer Business Zones will have to address the following underlying resource management issues:

- The scale and impact the seismic strengthening issue is having on the commercial viability of buildings and activity (primarily retail and office) in the IBZ;
- The lack of reinvestment in new building stock in the IBZ and the associated inability to increase density of development and concentration of activity in the city centre;
- The ongoing market preference for new office activity to locate in the OBZ; and
- The ongoing market preference for large format retailing to locate in the OBZ rather than the FBZ.

7.150. Since the review of the Inner and Outer Business Zones in 2011 the OBZ has been thriving. Significant investment in large format retailing (LFR) and office development has occurred over the period 2008 to 2018. For both LFR and office development the OBZ contains an ongoing supply of sites that:

- Are centrally located and in close proximity to the IBZ;
- Are of sufficient size to be fully on-site self-sufficient in terms of onsite operations;
- Have a materially lower land value than the IBZ;
- Have capital at the end of its economic life;
- Have convenient access to arterial and collector roads with high levels of service; and
- Offer the opportunity to provide new builds that are fit for purpose and built to the new build seismic standard.

7.151. Activity levels in the Local Business Zone have been steady over the last 10 years and tenancy vacancy levels have been generally low except for a few discreet pockets of local business areas (for example Milson Line (new) and Aokautere). Additional land has been zoned and development consented (Pioneer Highway and Rugby Street) to serve the day to day needs of residents in new urban growth areas and within the existing urban area.

Business zone land recommendations

7.152. The Capacity Assessment projections for Business Zone land (Retail, Office and Commercial Service) indicates a shortage of land over the next 30-years. Using the Sense Partners growth projections there is a net additional need of 47ha of Business Zone land by 2048. The Assessment considers there is sufficient Business Zone land for the next 3-years period (short-term), a shortage of 9ha in the 3-10-year period (medium-term) and 47ha in the 10-30-year period.

7.153. To put this growth projection in context, there is currently 150ha of Business Zone land in the city. The Capacity Assessment projections require a 31% increase in Business Zone land to ensure sufficient capacity to accommodate growth over the next 30-years using the Sense Partners projections.

7.154. The Capacity Assessment raised concerns about the veracity of the Sense Partners growth projection and the subsequent land requirement. For both the industrial and business land requirement the Assessment notes the Council can take a more conservative position at this point and monitor growth every 3-years to ensure sufficient capacity is provided.

Inner business zone

7.155. The IBZ is facing several challenges relating to vacancy levels for office space, softer retail growth, building seismic issues and a lack of investment in new building stock. The demand for new fit-for-purpose office space in the OBZ is hollowing out office activity in the IBZ and the growth in the retail market sits in the large format sector. For these reasons there does not appear to be a need for additional land to meet the needs of pedestrian-orientated comparative retail or office activity in the IBZ in the short to medium term (0-10-years) and potentially over the long-term (10 to 30 years).

7.156. *District Plan* – a further targeted review of Business Zone District Plan land use provisions may be required to further refine and manage the approach to retail and office activity. Further work may also be required to the Council's rating policy for Business Zone land and policy regarding the purpose Council's lease car parking in the Business Zones.

7.157. *Ratings Policy* – there is a significant ratings differential applied to property in the Inner and Outer Business Zone. The rationale sitting behind the ratings differential may need to be reviewed and a clear set of assessment criteria developed to provide clarity regarding the drivers and outcomes being sought by the differential policy. The policy may need to consider issues raised in this Business Assessment and whether the policy is an appropriate mechanism to support the District Plan and wider community and commercial outcomes sought for the IBZ.

7.158. *Council's Leased Parking Policy* – The purpose of the Council's leased parking policy may need to be reviewed given the challenges being faced by the IBZ, particularly in relation to office activity. A wider strategic review of the policy should consider what the purpose of the policy is in the IBZ context. Any review of the policy should at least in part be driven by how Council's approach to leased car parking can best support the social and commercial outcomes being sought for the city centre. The policy needs to consider how it can support the resolution of issues facing the IBZ such as vacant office space, seismically challenges buildings and the lack of investment in redeveloping sites.

Outer business zone

7.159. There has been significant investment in LFR and office development in the OBZ over the period 2008 to 2018 and there appears to be ongoing supply of land that meets the functional and locational need of these activities. However, the Zone could be characterised as having an inefficient development typology, suboptimal development yield, and significant ongoing development capacity that includes 3.5ha of land rezoned on 2011 that is yet to transition to commercial use.

7.160. Considering the issues facing the IBZ and the capacity that remains for development in the OBZ it is hard to see there being a need for 9ha of additional Business Zone land in the next 3-10-year period (medium-term).

7.161. The targeted review of the District Plan will need to consider whether the policy and development settings of the OBZ remain appropriate in the context of maintaining the on-going hierarchy of Business Zones.

Fringe business zone

7.162. Given it is 10-years since the FBZ became operative in the District Plan, the Zone is due to be reviewed. An assessment of the FBZ planning provisions will be required to ensure it is fit for purpose and its role continues to sit comfortably within the overall hierarchy of business zones in the District Plan. The assessment will need to consider whether the mix of activities provided for in the Zone remains appropriate or whether a wider range of activities should be provided for to ensure the natural and physical resources of the Zone are efficiently utilised. There may be an opportunity to consider promoting increased mixed-use to occur in the FBZ including residential use. There are several locations in both the northern and western areas of the FBZ that could offer opportunities for residential use in close proximity to the central city and recreational activities such as the Esplanade and the river pathway.

7.163. The assessment will also need to consider whether a tightening of regulatory control on large format retailing and associated activities is required in the OBZ, or whether the status-quo remains appropriate.

Local business zone

7.164. As discussed in paragraph 6.145, vacancy levels in the are generally low and limited to discrete pockets of throughout local business areas. Additional land was rezoned as part of the Zone's review in 2013 and local business areas are provided as greenfield areas develop. On balance the supply of LBZ is considered appropriate at least in the short to medium term (0-10 years) but will continued to be monitored through tri-annual NPS reporting.

8. Interactions between housing and business activities

8.1. NPS Policy PB1 requires an assessment of the interactions between housing and business activities, and their impacts on each other. Apart from the IBZ, all Business and Industrial Zone land in the city shares an interface with residential land, some Zones more than others.

8.2. Land use planning through the District Plan utilises several techniques to protect residential development and activities from the adverse environmental effects of neighbouring non-residential activities and development. These techniques include objectives, policies and rules relating to building size, setbacks and height, landscape screening, lighting, outdoor storage and control of noise. These techniques seek to retain an acceptable level of amenity at the residential interface but also to enable a reasonable level off ongoing function for the non-residential neighbour.

8.3. A consequence of the 2011 Plan Change 1 amendments that reduced the extent of the IBZ was the removal of the interface between the IBZ and the Residential Zone. The removal of the interface meant that rules relating to landscaping, building setbacks and signage for sites fronting or adjoining residentially zoned land no longer applied to the IBZ. A positive outcome of removing the IBZ and Residential Zone interface was to enable a greater development envelope to apply to city centre development compared to all other non-residential zone land in the city.

8.4. The planning approach to new Industrial Zone land over the last 15-years has been to discourage urban growth in locations close to Residential Zone land. The Braeburn Industrial Area, Railway Road Industrial Enclave, the MIA, the NEIZ and Extension Area are all located a distance away from the city's main residential areas.

Industrial zone, outer and local business zones

8.5. The Industrial Zone and Outer and Local Business Zones share an extensive interface with Residential Zone land in the city. All these Zones contain objectives and policies that discuss the importance of maintaining amenity (visual and acoustic) at the residential interface. Rules generally relate to managing building height, landscaping and noise from non-residential activities at the boundary interface.

8.6. *Setback and Height Rules for Buildings Adjoining Residentially Zoned Land* – The SDPR simplified rules relating to the allowable height and setback of non-residential buildings where they shared a boundary with the Residential Zone. Non-residential development at the residential interface became subject to the much simpler, but slightly more restrictive, Residential Zone height recession plane rules. The purpose of the recession plane rule is to ensure that residential amenity (overlooking, scale relationship and solar access) is protected. The compliance with the height recession plane ensures the dimensions, set-back and spacing of commercial buildings adjoining residentially zoned sites relates positively to buildings typical of a residential neighbourhood.

8.7. *Landscaping and Screening* – The SDPR maintained long existing rules relating to landscaping strips at rear, side and front boundaries at the residential interface and requirements for outdoor storages areas to be screened. The extent of these requirements has very little impact on development yield and site function for affected sites. It is noted that the SDPR removed screening requirements for Industrial Zone sites not fronting Residential Zone land in 2013.

8.8. *Servicing and Loading Hours* – where a non-residential site is within 80-metres of a Residential Zone site the District Plan applies time restrictions on servicing and loading activities. The Plan recognises that servicing and loading activities have significant impact on residential amenity values (acoustic) where they occur within 80 metres of a residentially zoned property. This rule has worked well in the Industrial Zone over the last 20-years and was extended to other non-residential zone land as part of the SDPR.

8.9. The servicing and loading area rules restrict the delivery of goods, products, waste or material and/or the distribution of goods, products, waste or materials between the hours of 6.00am and 10.00pm. The rule takes into account the off-site impacts of a truck leaving a site and travelling on local public roads for which there are no noise rules in the Plan. A number of non-residential sites share an extensive interface with the Residential Zone and contain the types of activities that have a substantial loading and servicing component to their operation.

8.10. Over the last 20-years the Council have processed a very small number of resource consents seeking a dispensation for this rule. Several supermarkets in the Local Business Zone share an interface with the Residential Zone and are complying with this rule. Were complaints have been received by the Council regarding noise from servicing and loading activities this has occurred mainly from residential properties neighbouring Industrial Zone land.

8.11. *NEIZ Extension Area* – new servicing and loading hour rules were tailored to recognise the unique development typology of the NEIZ Extension Area and the neighbouring rural environment. Existing dwellings on Rural Zone sites near the Extension Area can be adversely affected by night-time delivery, distribution and loading activities. However, the 2ha minimum site size means activities in the Zone have the flexibility to position access and loading areas away from neighbouring dwellings. Scale context and the unique rural interface meant the Extension Area loading and servicing rules have a higher level of flexibility compared to similar rules that apply to urban Industrial and Business Zone land.

8.12. *Transitional Provisions Protecting Existing Residential Dwellings in the Extension Area*: new rules in the Extension Area categorise any industrial activity adjoining a site with an existing dwelling as a Restricted Discretionary requiring resource consent. The rule is designed to ensure a level of visual screening and acoustic protection is provided for existing dwellings within the Extension Area. This is a transitional rule and will full away once sites with dwellings are aggregated and transition to industrial use over time. A similar rule was used in the existing NEIZ. The rule fell away within 10-years of the land being rezoned.

8.13. *Reverse Sensitivity* – rules were developed through the SDPR to protect non-residential activities from the reversibility effects of being in close proximity to residential development (being a 'Noise Sensitive Activity').

8.14. There are no noise limits applying between sites in the Industrial Zone. This allows industrial activities to function without restriction and ensure core industrial activity is not crowded by noise sensitive activities such as dwellings. For this reason, noise sensitive activities in the Industrial Zone are a non-complying activity as they could create reverse sensitivity impacts on existing or future industrial activities in the Zone.

8.15. District Plan rules for residential development in the city's Industrial and Business Zones requires noise insulation to be provided. This is to ensure that residential activity does is not unduly affected by noise events which could in turn lead to issues of reverse sensitivity that threaten the viability of industrial and business activities. Reverse sensitivity associated with residential activity in commercial areas is a significant threat to the long-term function of industrial and business areas. In 2018 tenants in an IBZ apartment building constructed in the 1990s without acoustic insulation formally complained about noise from a nearby bar.

Significant time and resources were spent by the Council working with both parties to resolve the reverse sensitivity issue.

8.16. The purpose of District Plan regulation is often targeted at managing the adverse environmental effects associated with incompatible activities located in close proximity to each other. This regulation affects cost, development yield and the ongoing function of both residential and non-residential activities. The Schedule 1 process of the RMA ensures the costs and benefits of any regulation is tested and examined through the Section 32 reporting process. On balance, District Plan rules targeted at resolving these interface issues are triggering few resource consents and the small number of complaints to Council confirm that activities are operating within the rule framework. Irrespective of the regulatory control in place, activities involving 24-hour operation, excessive noise or objectionable odour tend to locate away from residential areas to ensure sustainable function over time. Compatible use such as car yards, professional offices and passive commercial service activities tend to locate in areas at the residential / non-residential interface. In providing for industrial growth over the last 15-years the Council has sought to reduce the extent of the residential interface so that industrial activities are able to function with the least amount of restriction. On balance, District Plan regulatory methods targeted at managing the adverse effects of incompatible activities at the interface have struck a comfortable balance between protecting residential amenity and enabling reasonable ongoing use of non-residential land.

9. Development infrastructure

9.1 When estimating the sufficiency of development capacity, the NPS requires (PB3(d)) an assessment of the likely availability of development infrastructure in the short, medium and long term. To successfully provide for urban growth integrated decision-making is critical. Particularly in the areas of land use planning, infrastructure provision and the financing of infrastructure.

9.2 *Industrial Land* – the financing of infrastructure to support Council's Industrial Growth Strategy is well anchored in 2018-28 LTP, Development Contributions Policy and 30 Year Infrastructure Strategy. One of the big drivers for the 2012 Boundary Adjustment with MDC was to bring land and parts of the strategic road network into the city boundary to give effect to Industrial Growth Strategy and provide for the extension to the NEIZ. The LTP, Development Contributions Policy and Infrastructure Strategy contain $12.5m of infrastructure spend to support development of the Extension Area and additional network resilience and connectivity with the existing NEIZ.

9.3 It is noted that 2018 LTP roading programmes are in place to support to NEIZ and Extension Area alignment with NZTA's plans to develop the Regional Freight Ring-Road. The timing of these roading programmes and their location recognise and leverage off investment in regionally significant planned investment such as the ring-road.

9.4 The main infrastructure constraint for the urban Industrial Zone, NEIZ and Extension Area relates to wastewater. Capacity constraints associated with western-trunk wastewater main and wastewater plant mean that wet industry is a challenge to service. However, the focus of the NEIZ and Extension Area is on dry industry such as distribution, storage and logistics activities. The Council is actively managing this issue by rolling out pressure-sewer in the Extension Area to better manage the wastewater capacity constraint.

9.5 The existing NEIZ is fully serviced however given the level and scale of market interest in the Extension Area the Council may need to roll-out infrastructure to support development earlier than anticipated. This may involve the Council bringing forward the delivery of growth programmes identified in the LTP in combination with the use of developer agreements to enable large size development earlier than anticipated.

9.6 A water bore located in the Extension Area should be operational in 2019. Water and wastewater networks have been extended into the Extension Area to the Richardsons and Roberts Line intersection and are available to service stage 1 development.

9.7 Roading programmes to upgrade the Richardsons Line and Roberts Line have been delayed so that their timing aligns with the outcomes of the NZTA's business case investigation into the regional freight ring-road and the impact of KiwiRail's proposal on the final layout of the Extension Area. However, Roberts Line provides a sufficient level of service to enable development to occur for stage 1 development in the area while resolution of these issues is progressed.

9.8 The Council has given the industrial land market clear direction where its priorities sit over the short to medium term with respect to where investment in infrastructure to support growth will occur. The Council's 2018 LTP contains capital programmes to support industrial growth in the North East Industrial Zone Extension Area.

9.9 *Industrial Zone* – the urban Industrial Zone is fully serviced with respect to three-waters and roading. In some locations on-site stormwater solutions may be required where capacity does not exist in the catchment. A high-level capacity assessment of indicates no immediate capacity constraints for water and wastewater for most industrial activities excluding wet industry. Longer term wastewater capacity constraints associated with the western trunk have been identified and programmes are in place to resolve this over the medium to long-term.

9.10 *Longburn* – for the moment no capital programmes are in place to provide additional infrastructure capacity to support industrial expansion in Longburn. Excluding Fonterra land, the majority of the 7.8ha of vacant industrial land at Longburn is located in the Works Road area. However, industrial development in the Works Road area is constrained by private water and wastewater services that do not meet the Council's engineering standards for land development. The Council is working with land owners to resolve this infrastructure constraint so that industrial land can be sustainably developed in the future.

7.165. The decision to rezone the 33ha BIA in 2016 was contingent on the site being self-sufficient with respect to services. In making this decision the Council was seeking to:

- Provide the market with clear direction by prioritising infrastructure spend in the short to medium term for the NEIZ Extension Area; and
- Actively manage Council's debt levels so that statutory borrowing limits are not exceeded over the medium to long term.

9.11 *Ashhurst* – development of the 13.5ha of Industrial Zone land at Ashhurst has been constrained because of infrastructure legacy issues the city inherited when the village became part of the city in 1989. However, water and roading programmes have been included in the 2018 LTP and Development Contributions Policy to address the infrastructure growth demands currently facing Ashhurst.

9.12 *Business Zones* – A high-level capacity assessment of indicates no immediate water or wastewater capacity constraints for Business Zone land. The Fringe Business Zone is only area that may be affected by longer-term capacity constraints associated with the western-truck wastewater main. However, the nature of activity in the Zone is dry and wastewater capacity constraints associated with the western trunk have been identified and programmes are in place to resolve this over the medium to long-term. There are no immediate road network constraints across the Business Zones and a package of programmes over the short to medium term are focused on increasing levels of service in the IBZ and capacity of the suburban ring-road (OBZ). The road network is managed as one integrated network and growth programmes in the Development Contributions Policy address the issue of the cumulative consumption of network capacity over the long-term. The tri-annual LTP cycle and associated review of the Development Contributions Policy ensures emerging network issues related to levels of service and capacity issues are regularly reviewed and responded to through the Council's programme of capital works.

Appendix I: Business land capacity assessment

PALMERSTON NORTH CITY

BUSINESS LAND

CAPACITY ASSESSMENT

Project No: 51693

Date: November 2018

Client: Palmerston North Council

SCHEDULE

LIST OF TABLES

LIST OF FIGURES

1. INTRODUCTION

Property Economics has been engaged by Palmerston North City Council (**PNCC**) to undertake an economic assessment on Business Land Capacity by determining the future business land requirements for Palmerston North City over the next 30-years factoring in the current business zone provisions, capacity and implications of the NPS-UDC PC1[1] directive to provide an additional margin of feasible development capacity.

To assist in the understanding and consumption of this assessment, the report will be split into two sections - Retail / Commercial Service and Commercial Office / Industrial markets, because different methodologies are applied to each to determine future demand (and therefore land requirements). Increased retail GFA and land demand is considered more appropriately based on the level of annualised retail expenditure the market can generate and sustain, while office and industrial activities has a wider spread catchment and is more appropriately based on employment sector growth forecasts. While the sectors will be assessed separately, it is acknowledged these sectors are intrinsically linked and 'feed off' each other in a commercial context.

As well as Statistics New Zealand (**SNZ**) population projections, forecast data utilised in this assessment have been derived from the estimates generated by Sense Partners for PNCC. Property Economics has not tested the veracity, underlying assumptions or forecast market drivers of the Sense Partners projections but been requested by Council to utilise them for the purpose of demand modelling to be consistent with the source projection data utilised by Council's other long-term planning documents.

[1] *National Policy Statement on Urban Development Capacity*

1.1. KEY RESEARCH OBJECTIVES

The core objectives of this report are to:

- Profile the existing employment composition of Palmerston North City by sector and highlight trends over the last 15 years to show shifts (positive and negative) in Palmerston North City's employment base. This is to assist in understanding the Palmerston North employment and business environment.
- Determine the current market size of the city in terms of population and households and forecast market growth based on the SNZ projections.
- Determine the level of retail expenditure by sector generated in the city as a whole over the next 30 years.
- Determine the subsequent level of sustainable retail and commercial service floorspace and land requirement that can be supported by the Palmerston North market.
- Determine the quantum and location of the existing industrial and commercial zoned land in the city geo-spatially.
- Breakdown and analyse the existing industrial and commercial employment and business composition by activity type in the assessed areas.
- Assess industrial and commercial employment trends by sector on a temporal basis over the 2000 - 2017 period.
- Identify the geospatial distribution and quantum of industrial and commercial zoned land in the assessment areas at present.
- Quantify the level of current vacant industrial and commercially zoned land provision geospatially.
- Determine whether any new / additional industrial and / or commercial land is required long-term to service the Palmerston North City market factoring in current zoned land provision and appropriate NPS buffers.

1.2. INFORMATION SOURCES

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

- Business Demographic Data – Statistics NZ
- Census of Population and Dwellings 2013 – Statistics NZ
- District Plan Business Zone Data and GIS Datasets - PNCC
- Current Vacant Industrial and Commercial Zoned Land – PNCC
- Household Economic Survey - Statistics NZ
- Retail Trade Survey - Statistics NZ
- Building Consent Data – Statistics NZ
- NZ Shopping Centre Directory 2016 Edition – Property Council NZ
- NZ Roading Network GIS Dataset – NZTA
- Palmerston North Retail Audit – Property Economics
- Business Zone Land Parcel Data – PNCC
- Vacant Land and GFA data – Blackmores
- Sense Partners Growth Projections – Sense Partners

2. EXECUTIVE SUMMARY

Palmerston North City has a current population base of around 88,200 people and approximately 33,700 households (rounded). Under the SNZ Medium growth scenario, population is forecast to grow by 17% over the next 30 years to around 102,800 people by 2048. Under the Sense Partners 50th percentile growth scenario, population is forecast to grow by 31% over the same 30-year period to around 115,300 people. In respect of nominal net growth, the Sense Partners 50th percentile projections are 86% higher than the SNZ Medium growth projections.

Overall, Palmerston North City's economy has grown at a faster rate than that of the wider Manawatu-Whanganui Region, with a 35% increase in real GDP between 2000-2016 compared to 24% for the wider Region. This indicates that the City's economy has become increasingly relevant within the region over the 17-year period. However, the New Zealand wide market has grown at a faster rate than the Palmerston North market, with 50% growth in real GDP over the same time frame.

Palmerston North City has a current employment base (EC's) of around 48,200 people and has experienced a net growth of around 9,600 employees over the last 18 years. Relative to a population growth, in the order of 11,000 people, this employment growth indicates a significant proportional increase of people in the workforce. The largest employing sector within the City is Health Care and Social Services, with net growth of 2,300 employees over the 2000 – 2017 period, closely followed Public Administration and Safety with net growth of 2,150 employees.

Forecast employment growth in Palmerston North City shows that under SNZ Medium growth projections total employment is estimated to grow by 10,500 EC's by 2048, representing total growth of just under 22% for the period. Under the Sense Partners projections, the growth in employment is more rapid due to their projected faster increase in population, with projections indicating a growth of just over 21,000 EC's over the same timeframe, which is around double the growth of the SNZ Medium series.

Commercial employment within Palmerston North City is forecast to grow by 16% out to 2048 under the SNZ Medium projections, whereas it is forecast to increase by 36% under the Sense Partners projections for the same period. The industrial sector is forecast to grow at a faster rate, with 25% growth projected under the SNZ Medium growth series, and 43% growth under the Sense Partners projections for the same 30-year period.

Currently generating around $860m of retail expenditure per annum, the City has just over 730 stores encompassing an estimated 240,000sqm GFA. Under the SNZ Medium series retail expenditure is forecast to grow by almost $500m annually by 2048, requiring an additional 130,000sqm of retail floorspace. Under the Sense Partners projection this growth in retail expenditure is more rapid with estimated growth of just under $1b in annually generated spend by 2048, providing sufficient demand to sustain an additional 260,000qm of retail floorspace.

Translating industrial employment projections into industrial land requirements shows that under the SNZ Medium projection there is a net cumulative additional requirement of just over 103 hectares required to accommodate the forecast industrial growth over the next 30 years. Under the Sense Partners projection, Palmerston North requires a net cumulative additional requirement of 201 hectares of industrial land to accommodate projected growth, almost twice the additional industrial land required under the SNZ Medium scenario.

Comparing the net cumulative additional industrial land requirements with the 109 hectares of vacant zoned industrial land supply shows there is sufficient industrial zoned land capacity to accommodate growth under the SNZ Medium series forecast including relevant NPS UDC buffers. However, under the Sense Partners growth scenario, there is a shortage of zoned industrial land in the long term, with demand outweighing current zoned vacant supply by 92 hectares. This scenario would lead to long term implications for Palmerston North's industrial market if additional industrial land supply was not forthcoming beyond the medium term with increased land prices being a likely initial market response.

Utilising commercial office employment projections and converting them in to required floorspace indicates that there is an additional cumulative requirement of 57,800 sqm of commercial office space over the next 30 years under the SNZ Medium growth projections, and an additional requirement of 129,000 sqm under the Sense Partners projections. Accounting for vacant provision and a more efficient utilisation of existing commercial building resources, this results in a net surplus of commercial office under the SNZ Medium projection, however a shortage of almost 21,000 sqm of commercial office floorspace under the Sense Partners projection. Converting this to likely land requirements, factoring in infrastructure requirements and relevant NPS UDC buffers indicates a shortage of 3 hectares of commercially zoned land under the Sense Partners projection.

Converting the forecast retail expenditure growth in to required floorspace and likely land requirements, under the SNZ Medium growth scenario an additional 25 hectares of land for retail and commercial service activity are required by 2048, whereas under the Sense Partners growth scenario there is an additional 50 hectares is estimated to be required.

Combining the commercial office land requirements with the retail and commercial service land requirements shows that there is a shortage of relevant business zoned land over the next 30 years for both the SNZ Medium growth scenario and Sense Partners growth scenario. Utilising the current vacant provision of 6 hectares of relevant business zoned land leaves a net additional requirement of 19 hectares under the SNZ Medium growth scenario over the next 30 years, however no meaningful capacity issues over the short-medium term.

Under the Sense Partners projection, the shortage is more pronounced, with a net additional requirement of 47 hectares by 2048. Under this growth scenario there is sufficient retail and commercial zoned business land for the next 3-year period only, beyond which a land shortage and capacity issues will start to play out in the market.

In respect of District Plan policy implications under the SNZ Medium scenario a consolidation approach is considered appropriate given the sufficient capacity over the medium-term, or conversely no meaningful capacity issues emerging until the longer-term period.

Under the Sense Partners 50th percentile growth projection scenario additional non-industrial business zoned land is required over the short-medium term which could send an expansionary signal to the market and potentially exacerbate current inefficiencies and lower productivity in the market (land development, built form and infrastructure). This could potentially give rise to upfront cost implications for Council (the community) with front loading of capital investment costs near the beginning of the projection period if any additional business zoned land requires material infrastructure and capacity investment to service the demand growth. This is on the basis of a higher growth projection and demand profile which if not realised could mean Council risks being in a position requiring higher debt servicing costs on a comparative basis.

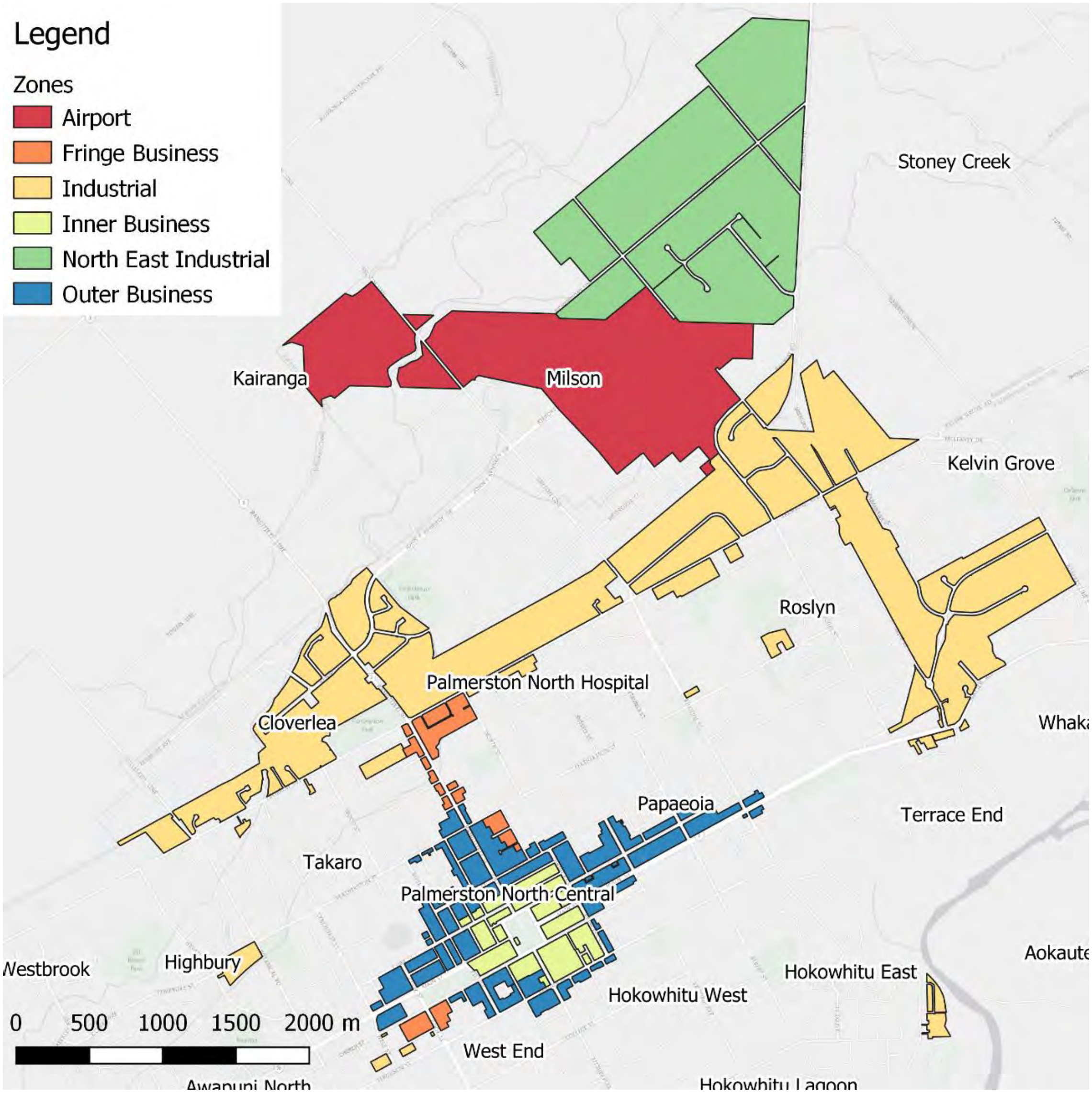
In respect of the additional industrial land requirements under the Sense Partners projections this is not considered an issue over the short-medium terms with sufficient zoned capacity already in place. Capacity issues for industrial activity are unlikely to arise until beyond a 20-year horizon and as such represent a longer-term capacity issue.

The NPS UDC monitoring requirement means Council can take a more conservative position at this point and monitor growth every 3 years to ensure sufficient business zoned capacity (industrial and commercial activities) is provided in the City based on regular updates moving forward. This reduces capital investment risk of Council and provides the opportunity to better align actual growth (and updated projections) with infrastructure investment and strategic long-term planning. Growth will be monitored and if higher than anticipated, Council can take the necessary actions to address any emerging capacity sufficiency issues at that point.

3. PALMERSTON NORTH CITY BUSINESS ZONES BY AREAS

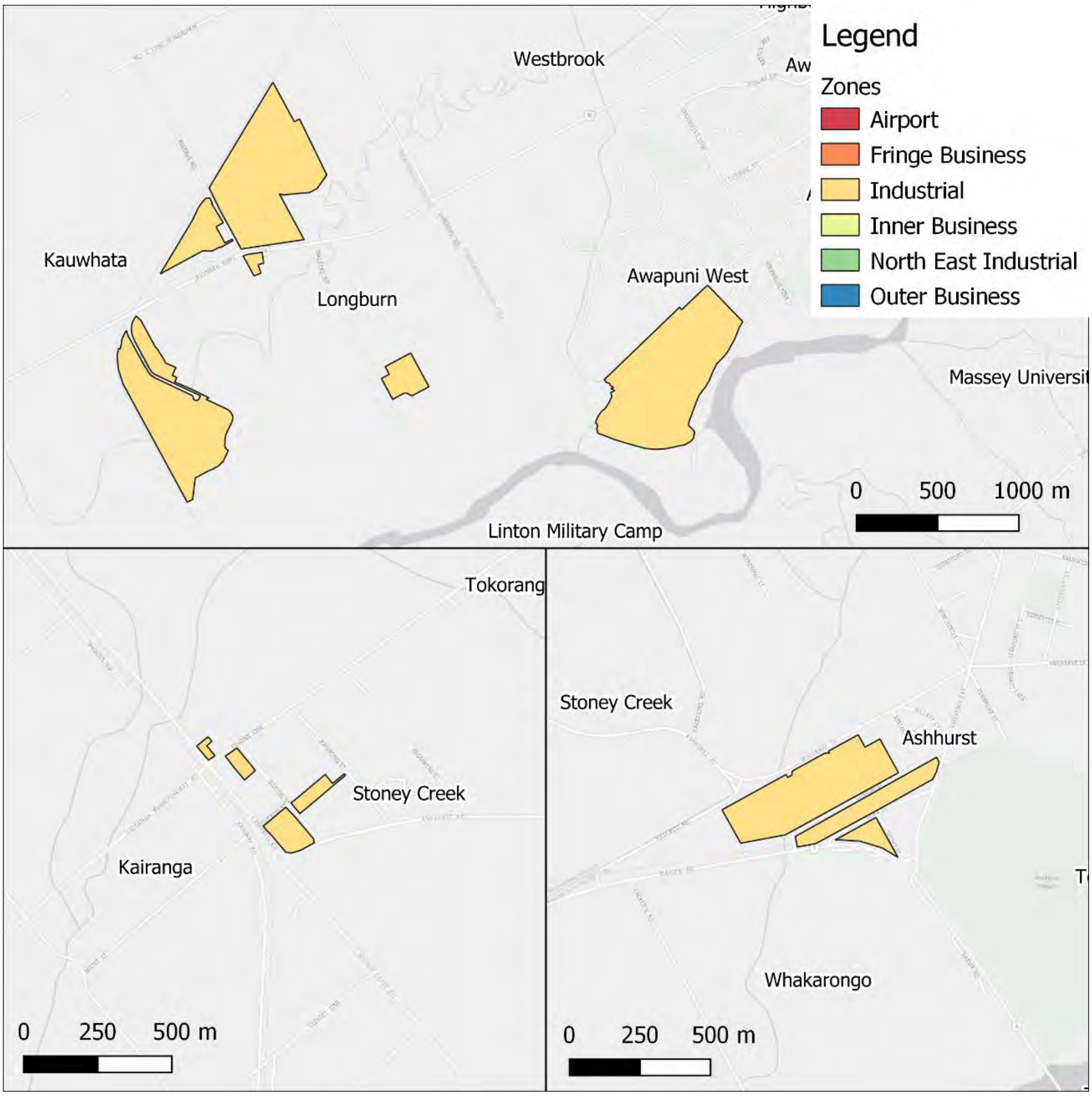
As mentioned earlier, this assessment analyses the Palmerston North City business market and this section identifies the distribution of business zones within the city. Figures 1 and 2 have been generated to better illustrate where business activity is occurring and where growth is occurring to enable planning documents to recognise and address the implications of such growth and determine how and where best to appropriately accommodate future growth.

FIGURE 1: PALMERSTON NORTH BUSINESS AREAS (CENTRAL AREA)



Source: Property Economics, CCC

FIGURE 2: PALMERSTON NORTH BUSINESS AREAS (OUTER AREAS)



Source: Property Economics, PNCC

4. EXISTING PALMERSTON NORTH BUSINESS ENVIRONMENT

This section of the report assesses Palmerston North City's commercial and industrial markets, and evaluates the trends, size, distribution and composition of the different industrial and commercial ANZSIC[2] sectors that comprise the City's industrial and commercial economy.

4.1. EMPLOYMENT COMPOSITION AND TRENDS

Analysing the temporal employment trends within Palmerston North's different market sectors over the last 18-years is valuable as it shows trends over the whole property and economic cycle with three distinct periods - an economic '*boom*' period, a market correction and period of economic recovery.

Property Economics utilise the most up-to-date version of Statistics New Zealand's Business Frame Data, Employment Counts with businesses assigned an industry sector according to their ANZSIC 2006 classification. For the purposes of this report classifications have been grouped into Industrial, Commercial Office[3], Other and Retail sectors that reflect the typical composition of employment on business zones. 'Other' employees refer to those working in businesses or organisations that would not typically be located on business zoned land. These include hospitals, schools, fire stations, community facilities, parks and recreation, etc.

The proportions utilised for the composition of employment within these industry sectors has been attached in Appendix 1.

[2] *Australia New Zealand Standard Industrial Classification*
[3] *Commercial office has been separated out so as to not confuse with the District Plan definition of Commercial which includes retail, commercial service and offices.*

Table 1 displays Palmerston North City's temporal employment trends over the 2000-2017 period by ANZSIC sector

TABLE 1: PALMERSTON NORTH TEMPORAL EMPLOYMENT TRENDS (2000-2017)

Year	2000	2002	2004	2006	2008	2010	2012	2014	2016	2017	Net Growth #	Net Growth %
A Agriculture, Forestry and Fishing	510	620	600	600	520	550	520	520	620	650	140	27%
B Mining	9	15	18	21	18	15	40	15	45	60	51	567%
C Manufacturing	3,650	3,750	3,750	3,600	3,350	3,200	2,900	2,900	3,150	3,200	-450	-12%
D Electricity, Gas, Water and Waste Services	260	180	210	270	250	250	250	160	180	180	-80	-31%
E Construction	2,100	2,200	2,650	3,450	3,800	3,400	2,800	3,000	3,150	3,350	1,250	60%
F Wholesale Trade	2,100	2,200	2,350	2,650	2,900	2,900	3,000	3,150	3,100	3,200	1,100	52%
G Retail Trade	4,200	4,550	4,900	5,100	5,600	4,950	4,950	4,900	5,000	4,650	450	11%
H Accommodation and Food Services	2,500	2,600	3,000	2,850	2,900	2,950	2,850	2,700	2,800	2,800	300	12%
I Transport, Postal and Warehousing	1,300	1,600	1,800	1,850	2,050	2,000	1,900	1,800	1,950	1,950	650	50%
J Information Media and Telecommunications	980	850	760	690	850	960	590	470	490	530	-450	-46%
K Financial and Insurance Services	750	680	690	700	750	720	680	770	760	690	-60	-8%
L Rental, Hiring and Real Estate Services	520	550	450	550	510	520	550	550	600	640	120	23%
M Professional, Scientific and Technical Services	2,350	2,450	2,800	3,250	2,550	2,750	2,500	2,600	2,600	2,700	350	15%
N Administrative and Support Services	1,950	1,950	2,550	2,500	2,600	2,550	2,900	2,700	2,550	2,550	600	31%
O Public Administration and Safety	3,250	3,600	3,900	4,350	4,350	4,800	4,400	4,600	5,300	5,400	2,150	66%
P Education and Training	5,000	4,900	5,600	5,300	5,500	5,700	5,300	5,400	5,500	5,600	600	12%
Q Health Care and Social Assistance	5,100	5,200	5,800	6,300	6,300	6,600	6,700	6,600	7,300	7,400	2,300	45%
R Arts and Recreation Services	710	740	820	760	830	840	770	780	850	840	130	18%
S Other Services	1,400	1,450	1,600	1,700	1,750	1,700	1,650	1,650	1,750	1,850	450	32%
Total	38,639	40,085	44,248	46,491	47,378	47,355	45,250	45,265	47,695	48,240	9,601	25%

Source: Statistics NZ, Property Economics

Over the last 18-years Palmerston North City has experienced a net growth of around 9,600 employees, relative to a population growth in the order of 11,000 people indicates a significant proportional increase in the people in workforce. The largest employing sector within the City is Health Care and Social Services, with net growth of 2,300 employees over the 2000 – 2017 period, closely followed Public Administration and Safety with net growth of 2,150 employees.

The performance of industrial sectors has also been positive (albeit not at the same level) with Wholesaling, Construction and Transport, Postal and Warehousing all having experienced significant growth over the same period.

4.1.1. CITY WIDE ANALYSIS

The Total EC lifted by 11% from 2003 to 2006, consistent with the economic climate, depressed in 2000/01 and buoyant in 2006/07, before the NZ recession, the GFC implications and Christchurch earthquake events succeeded each other. Even in 2013, with recovery well under way, the Total EC was down by 3% on that of 2006. Increasing buoyancy through to February 2017 saw a turnaround, with Total ECs up 7% over four years. In broad terms, the 2017 Census should reflect this trend.

The 2006-2013 EC comparisons show that the decline of 3% incorporated larger declines of 9% in the Commercial Services and Offices categories and 23% in Manufacturing and Utility Services. The only groups of categories to show an increased EC were Governmental and Social Services (up 3%) with Health and Social Services the main contributor to that modest result.

The EC changes between February 2013 and February 2017 encompassed increases in every category group other than Retail and Hospitality, with the former dropping by 9%. Primary Industry ECs more than offset their 2006-2013 decline but represent only a tiny proportion of the Total. Manufacturing and Utilities registered a 14% increase, to partly offset losses between 2006 and 2013. Government and Social Services, close to reaching 50% of the City's 2017 EC, grew by 10%, with only Education and Training failing to register a significant increase.

4.1.2. RETAIL AND HOSPITALITY

The Retail Trade ECs from 2006 to 2013 did not reflect the significant census-based Workplace decline so are considered unrealistic, to at least some extent. On the other hand, the 2013-17 ECs reflect a significant downward change, during a period when bricks and mortar retail trade has generally expanded and could be expected to have done so in the City, albeit less emphatically. To base short term forward projections of land needs on the EC changes is not considered realistic, whilst acknowledging that the short-term economic outlook from early 2018 is less robust than the Country has been experiencing in recent years.

4.1.3. COMMERCIAL SERVICES AND OFFICES

In these activities, the comparative EC results for 2006 and 2013 are materially worse (in the sense of indicating a decline) than are the Census-based results, which still trail the NZ-wide trends by a significant margin.

Central Palmerston North is the dominant location for Financial and Insurance Services, the most significant for the Realty and related Services, but less so for the larger Professional and related category. Central office space demand will be diminished if employment falls after what appears to be a relatively flat 2013-17 period, whilst only modest growth could be offset by increasing workplace efficiency trends. A small proportion of the overall employment in Commercial Services and office activity is located at ground floor level, alongside Retail and Hospitality outlets, but its potential future contribution to the sustainable management of the main commercial precincts is unlikely to be significant.

4.1.4. LIGHT INDUSTRY ACTIVITIES

Both the City's and the national 2006-2013 trends suggest that notwithstanding the modest Warehousing, Transport and Communication EC lift from 2013-2017, little more than negligible employment gains may have been made to that point. Payroll increases are unlikely to drive more Industrial land demand, especially if the City's distributional role is adversely affected by forced roading changes, discussed below.

4.1.5. MANUFACTURING UTILITIES

The two 2006-2013 trends in the City were consistent directionally, but materially more exaggerated in the EC results than in the assessed Workplace outcomes. In light of the NZ-wide labour force changes, the decline is likely to have been closer to the Census-based extrapolations. In this light, the 2013-17 EC uplift may reflect a reversal of the pre-2013 trends, but the NZ-wide employment losses suggest that at best, Local Manufacturing industries will not be a driver of significantly increased Industrial zoning demand.

4.1.6. DISTRIBUTION OF CITY ECS

City-wide, the EC grew by some 1,700, or close to 4%, over the 11 years to February 2017. This is modest compared with NZ's job growth, additionally fuelled as it has been by strong tourist spending growth and related job opportunities. In that regard, Palmerston North's economy benefits much less, proportionately.

The three Central Business Zones registered modest EC declines over the 2006-17 period, with gains made only in the North-Eastern Industrial area and in scattered non-central locations around the City. Retail ECs declined by about 8% and Hospitality ECs by about 3%, but the Inner Business Zone actually lost more Retail ECs than the City. At the disclosure level adopted, there is no way of analysing the components. For example, lower Vehicle and Fuel sales could have been a factor, as could have Food and Beverage outlet trends.

TABLE 2: EMPLOYMENT COUNTS BY LOCATION WITHIN CITY – 2003-2017 SUMMARY

Zones	Years	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces
Inner Business	2003	0	105	21	1,635	889	15	668	308
	2006	3	81	15	1,655	960	9	571	333
	2013	0	94	15	1,373	1,010	24	266	342
	2017	30	99	26	1,155	890	21	454	370
	03-17	30	-6	5	-480	1	6	-214	62
	06-17	27	18	11	-500	-70	12	-117	37
Outer Business	2003	21	304	340	1,412	744	330	244	302
	2006	3	296	380	1,353	917	416	272	268
	2013	43	141	204	1,471	738	419	312	279
	2017	77	212	231	1,536	769	383	183	241
	03-17	56	-92	-109	124	25	53	-61	-61
	06-17	74	-84	-149	183	-148	-33	-89	-27
Fringe Business	2003	0	127	78	163	18	57	3	46
	2006	0	111	80	212	15	52	0	48
	2013	0	50	46	295	54	30	9	0
	2017	0	45	64	312	97	6	3	3
	03-17	0	-82	-14	149	79	-51	0	-43
	06-17	0	-66	-16	100	82	-46	0	-45
North-East Industrial	2003	6	3	15	0	0	0	0	0
	2006	3	6	21	9	0	0	0	0
	2013	3	9	221	9	0	390	75	0
	2017	0	12	220	0	0	490	70	0
	03-17	-6	9	205	0	0	490	70	0
	06-17	-3	6	199	-9	0	490	70	0
Other Industry/Airport	2003	48	2779	1278	601	226	1454	1298	9
	2006	65	2491	1978	662	184	1873	1364	18
	2013	162	2127	1576	1,044	96	1982	1378	15
	2017	226	2410	1716	762	130	2011	1331	23
	03-17	178	-369	438	161	-96	557	33	14
	06-17	161	-81	-262	100	-54	138	-33	15
Local Business/Other	2003	535	694	603	752	870	369	307	27
	2006	549	890	961	1,145	798	268	318	40
	2013	297	586	1016	870	822	251	350	57
	2017	371	595	1060	869	889	279	436	54
	03-17	-164	-99	457	117	19	-90	129	27
	06-17	-178	-295	99	-276	91	11	118	14
Palmerston North	2003	610	4012	2335	4,563	2,747	2225	2520	692
	2006	623	3875	3435	5,036	2,874	2618	2525	707
	2013	505	3007	3078	5,062	2,720	3096	2390	693
	2017	704	3373	3317	4,634	2,775	3190	2477	691
	03-17	94	-639	982	71	28	965	-43	-1
	06-17	81	-502	118	-402	-99	572	-48	-16

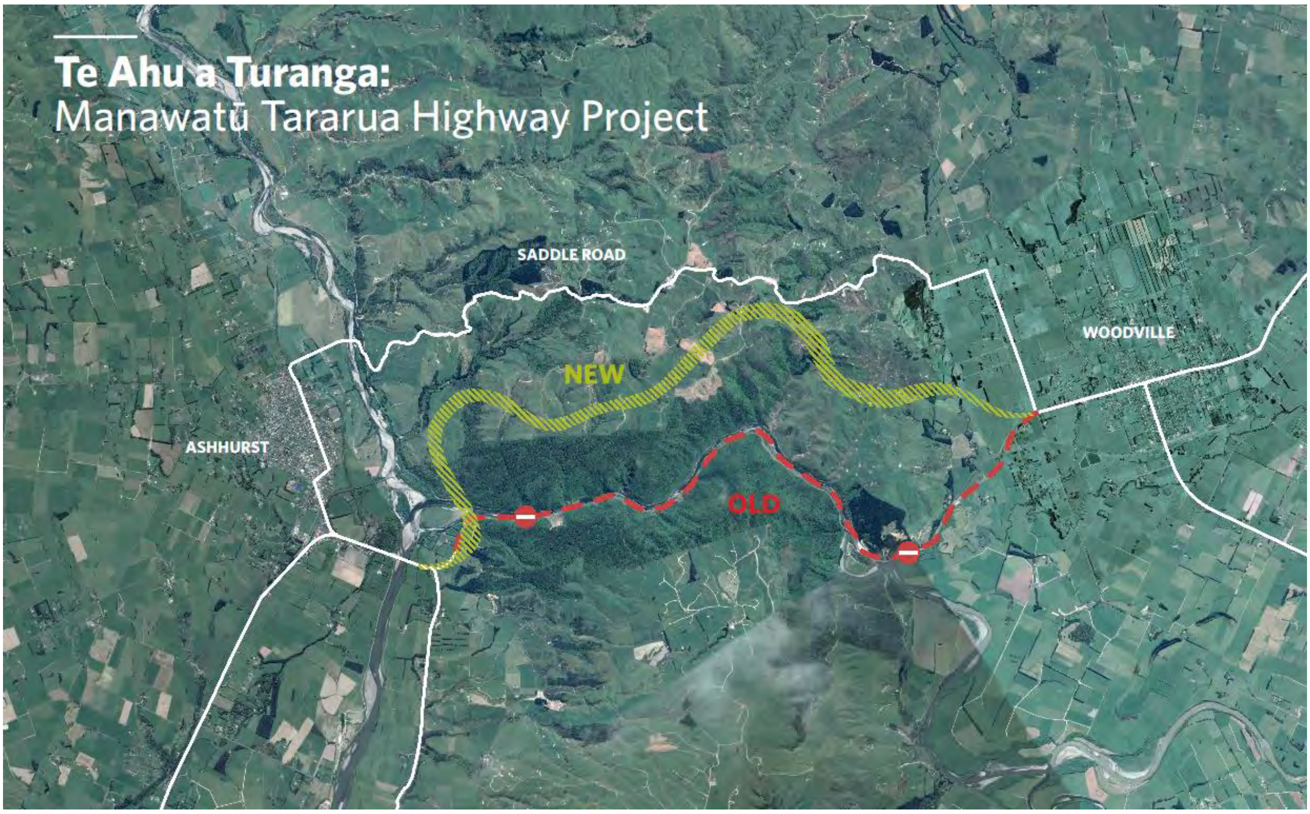
TABLE 3: EMPLOYMENT COUNTS BY LOCATION WITHIN CITY – 2003-2017 SUMMARY (PAGE 2)

Zones	Years	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Administration & Support Svces	Public Admin & Safety Svces	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL COUNT
Inner Business	2003	50	439	672	813	401	150	341	6,507
	2006	57	481	409	870	416	433	385	6,678
	2013	48	311	425	1,283	403	1,121	363	7,078
	2017	89	296	235	1,249	350	812	321	6,397
	03-17	39	-143	-437	436	-51	662	-20	-110
	06-17	32	-185	-174	379	-66	379	-64	-281
Outer Business	2003	217	653	600	505	509	2,040	624	8,845
	2006	256	751	692	439	519	2,100	531	9,193
	2013	295	722	849	598	551	998	587	8,207
	2017	321	741	1,195	731	642	1,282	618	9,162
	03-17	104	88	595	226	133	-758	-6	317
	06-17	65	-10	503	292	123	-818	87	-31
Fringe Business	2003	24	27	12	0	60	25	108	748
	2006	18	27	21	0	62	9	86	741
	2013	0	24	6	0	55	3	86	658
	2017	0	18	3	0	40	9	74	674
	03-17	-24	-9	-9	0	-20	-16	-34	-74
	06-17	-18	-9	-18	0	-22	0	-12	-67
North-East Industrial	2003	0	3	0	0	3	0	0	30
	2006	0	3	0	0	0	0	0	42
	2013	3	0	0	0	18	0	3	731
	2017	3	0	0	0	18	0	0	813
	03-17	3	-3	0	0	15	0	0	783
	06-17	3	-3	0	0	18	0	0	771
Other Industry/Airport	2003	99	190	483	197	127	211	489	9,489
	2006	121	545	846	254	267	206	766	11,649
	2013	121	233	807	286	191	231	758	11,007
	2017	127	219	673	365	220	494	846	11,553
	03-17	28	29	190	168	93	283	357	2,064
	06-17	6	-326	-173	111	-47	288	80	-96
Local Business/Other	2003	238	1,290	447	2,228	4117	2,934	691	16,102
	2006	114	1,468	545	2,767	4092	3,486	711	18,152
	2013	90	1,326	468	2,254	4162	4,302	633	17,484
	2017	99	1,444	450	3,032	4327	4,834	818	19,557
	03-17	-139	154	3	804	210	1,900	127	3,455
	06-17	-15	-24	-95	265	235	1,348	107	1,405
Palmerston North	2003	628	2,602	2,214	3,743	5217	5,360	2253	41,721
	2006	566	3,275	2,522	4,330	5356	6,234	2479	46,455
	2013	557	2,616	2,555	4,421	5380	6,655	2430	45,165
	2017	639	2,718	2,556	5,377	5597	7,431	2677	48,156
	03-17	11	116	342	1,634	380	2,071	424	6,435
	06-17	73	-557	34	1,044	241	1,197	198	1,701

5. FUTURE INFRASTRUCTURE DEVELOPMENTS

Due to heavy rains in April 2017, a portion of State Highway 3 connecting the Manawatu-Tararua District, Hawkes Bay and northern Wairarapa has been closed indefinitely due to slips where the highway passes through Manawatu Gorge. This stretch of road provides the accessway from East to West in the southern North Island area, while alternatives are available, this is the only State Highway route. Several proposed options for a new road suitable to replacing the previous connection has been under deliberation with a preferred option recently finalised.

FIGURE 3: SH3 MANAWATU GORGE REPLACEMENT ROUTS



Source: NZTA

As one of the major routes into a Palmerston North, there are significant economic impacts in the closure of this route, with Ernest & Young estimating a cost of $7m per annum on GDP, increased fright costs of $9m pa and forgone agglomeration efficiencies costing $5m pa. *"A 1-year delay to restoration of the Gorge in nominal terms costs the economy $21m in addition to* *transport benefits forgone*"[4]. Based on the current proposed replacement route the estimated time of completion is set for 2024.

In addition to the replacement SH2 route, a Regional Freight Ring Road to be developed in parallel to the SH3 Manawatu Gorge. This route runs along Ashurst and Kairanga Bunnythorpe Rd encircling Palmerston North and providing a direct route from SH3 to Palmerston North Airport and Northern Industrial areas without requiring freight traffic to enter the city centre. This has potential benefits owing to having a dedicated roading network designed for heavy vehicle use and allowing direct access to industrial nodes without creating surplus traffic within the city centre.

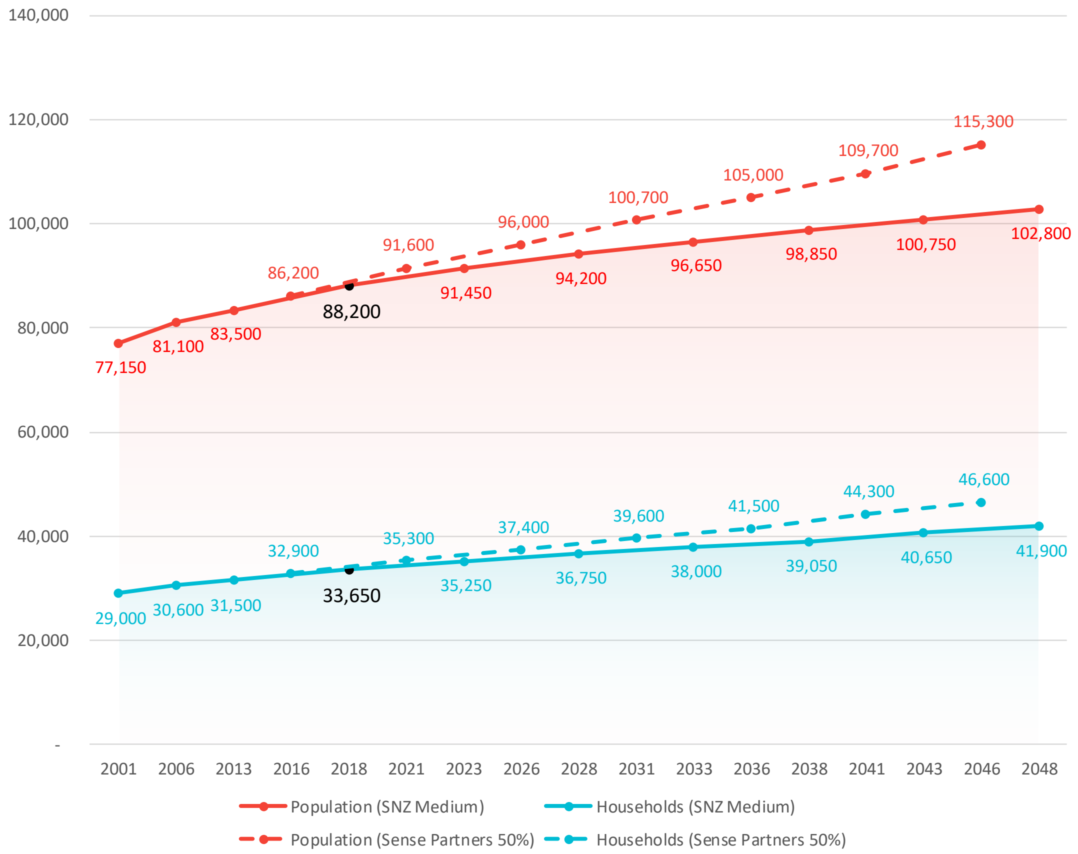
The current proposed route plan for the Regional Freight Ring Road has been attached in Appendix 2.

[4] *Manawatu Gorge Options – Ernest & Young 2018*

6. POPULATION GROWTH

Figure 4 displays the population and household growth projections within Palmerston North City. These projections are derived from the Property Economics Growth Model with the base inputs being the most recent Statistics New Zealand medium series projections and residential building consent data 2000-2017. As an alternative growth scenario, Sense Partners have given population projections for Palmerston North, with the 50th percentile growth scenario given below.

FIGURE 4: PALMERSTON NORTH POPULATION PROJECTIONS – SNZ MEDIUM AND SENSE PARTNERS 50%



Source: Statistics NZ, Property Economics

Palmerston North City currently has a population base of around 88,200 people and 33,650 households (rounded) according to the SNZ medium series. This is forecast to grow to nearly 103,000 people and nearly 42,000 households over the projection horizon to 2048. This equates to an average growth rate of just under 490 residents annually over the assessed period. Importantly the current population base represents approximately 86% of the projected 2048 market, meaning the 'bulk' of the 2048 market in the Palmerston North is already established in the area.

Under the Sense Partners 50th percentile growth scenario, the population is forecast to grow to just over 115,000 people and nearly 47,000 households by 2046. This equates to an average growth rate of just under 970 residents annually over the assessed period. Under the Sense Partners growth scenario, the Palmerston North population in 2016 represents approximately 75% of the projected 2046 market.

To provide deeper insight into the changing demographics of Palmerston North, Table 4 breaks down the Palmerston North medium series population projections into the corresponding age brackets, assessing the relative change in youth (0-14 years), the working aged population (15-64 years) and the older population (65+ years). Table 5 then gives the same breakdown for the Sense Partners projections. Age bracket proportions for the Sense Partners projection are based on the proportions for SNZ High projections and are estimates only.

TABLE 4: SNZ MEDIUM POPULATION PROJECTIONS BY AGE BRACKET

		2013	2018	2023	2028	2033	2038	2043	2048	Net # Growth (2013-2048)	Net % Growth (2013-2048)
Population	0 - 14 Years	16,700	17,100	17,300	17,200	17,300	17,300	17,300	17,400	700	4%
	15 - 64 Years	55,900	58,500	59,500	60,000	60,800	61,700	63,200	63,700	7,800	14%
	65+ Years	10,900	12,600	14,600	17,000	18,600	19,900	20,200	22,700	11,800	108%
	Total	83,500	88,200	91,400	94,200	96,700	98,800	100,700	103,700	20,200	24%
% Share	0 - 14 Years	20%	19%	19%	18%	18%	18%	17%	17%	-3%	-
	15 - 64 Years	67%	66%	65%	64%	63%	62%	63%	61%	-6%	-
	65+ Years	13%	14%	16%	18%	19%	20%	20%	22%	9%	-

Source: Statistics NZ, Property Economics

TABLE 5: SENSE PARTNERS 50% POPULATION PROJECTIONS BY AGE BRACKET

		2013	2016	2021	2026	2031	2036	2041	2046	Net # Growth (2013-2048)	Net % Growth (2013-2048)
Population	0 - 14 Years	16,700	16,900	17,800	18,400	19,100	19,700	20,200	21,200	4,500	27%
	15 - 64 Years	55,900	57,100	59,300	60,400	62,500	64,700	68,000	69,800	13,900	25%
	65+ Years	10,900	12,400	14,500	17,100	19,000	20,600	21,600	24,400	13,500	124%
	Total	83,500	86,200	91,699	96,000	100,700	105,000	109,700	115,300	31,800	38%
% Share	0 - 14 Years	20%	20%	19%	19%	19%	19%	18%	18%	-2%	-
	15 - 64 Years	67%	66%	65%	63%	62%	62%	62%	61%	-6%	-
	65+ Years	13%	14%	16%	18%	19%	20%	20%	21%	8%	-

Source: Statistics NZ, Property Economics

A potential challenge that NZ (and the rest of the world) will face in the future is the growing proportion of the population aged 65+ year as the 'Baby Boomers' begin reaching retirement age. As shown in Tables 4 and 5, this situation is no different for Palmerston North, inducing 'Population Ageing' with the 65+ year age bracket expected to grow at rates significantly higher than the working aged population. Over the period of 2013-2048 under the SNZ Medium series, it is projected that the 65+ population will grow by 108%, compared to 14% for the working age population (15-64) and only 4% for youth (0-14). Under the Sense Partners 50th percentile projections from 2013-2046, the 65+ population will grow by 124%, compared to 25% for the working age population (15-64) and 27% for youth (0-14).

The second portion of Tables 4 and 5 illustrates the change in the total share of the population as per these age brackets. Most notably, under the SNZ Medium series, the population share of the working aged population is expected to drop by 6% from 2013-2048, from 67% to 61%, and the share of the youth population is expected to drop by 3%, from 20% to 17%. Whereas the share of the over 65-year-old age bracket is expected to grow from 13% to 22% by 2048 (+9%). The proportional changes under the Sense Partners projections from 2013-2046 are similar to the SNZ medium series, with the population share of the working aged population expected to drop by 6% as well, with youth falling 2% and 65+ growing 8%.

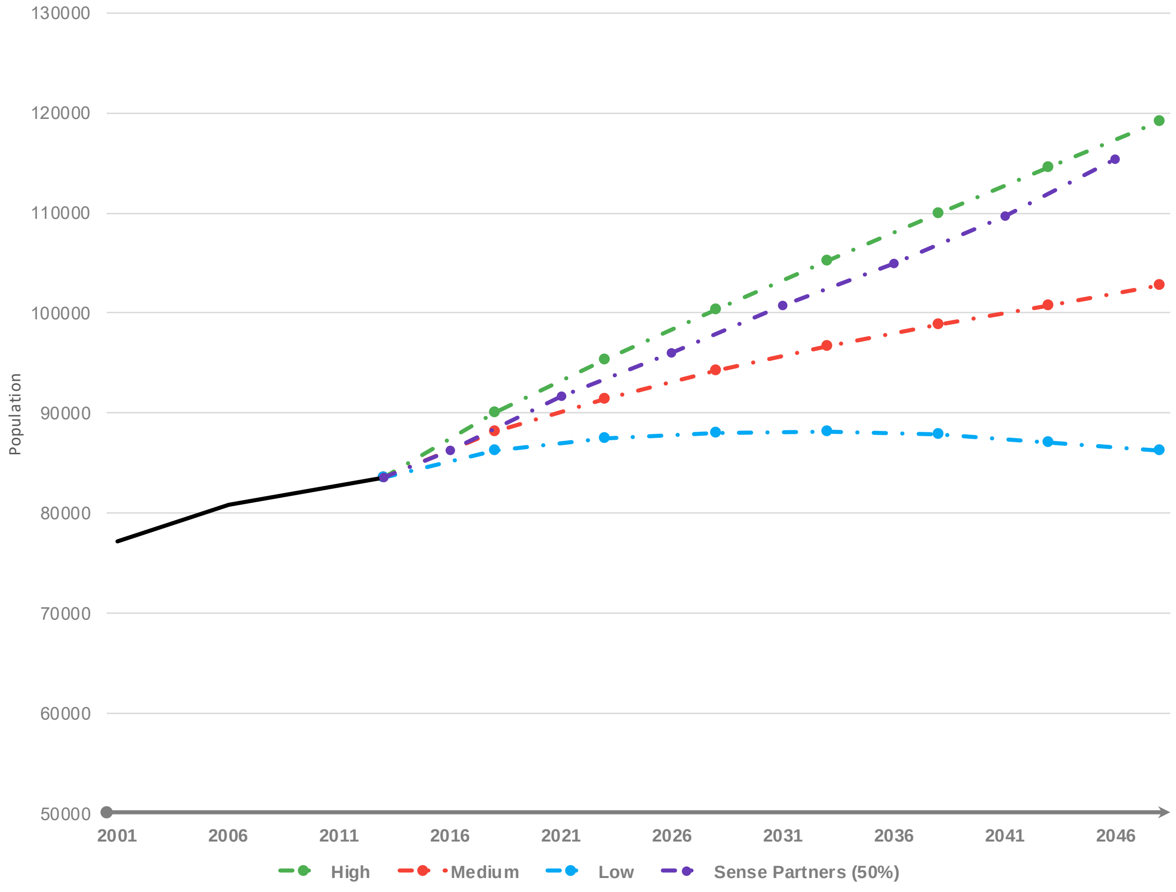
For the purpose of this analysis Property Economics will consider, as requested by PNCC, requirements under the SNZ Medium growth scenario as well as the Sense Partners 50th percentile growth forecast shown in Figure 4, which focuses on the more optimistic growth scenario predominantly to determine capacity if growth occurred at a faster rate than envisaged.

It is important to note the context of the Sense Partners 50th percentile growth rate. For the purpose of the report Property Economics will be using these growth values, however have no background as to how the projections have been derived. For context, the population growth under the Sense Partners projection over the next 30 years is comparable to the SNZ High projection series.

Also, the Manawatu-Whanganui Region as a whole is forecast to grow by approximately 7,000 people over the next 30 years under SNZ Medium projections, however Palmerston North City to grow by approximately 14,000 people over the same time frame under the same projection. This indicates the Palmerston North City is forecast to be an attractor of migration from within the region primarily. If the population of Palmerston North is to grow by almost 30,000 people over the next 30 years as forecast under the Sense Partners growth scenario there must be a game changing driver of this. Property Economics is unaware of what this driver may be. Therefore, any planning based on these projections should understand the underlying drivers of growth in order to 'sense check' the validity of the population growth.

Figure 5 displays past population trends and growth projections within Palmerston North for Statistics NZ high, medium and low projections from 2018-2048, and Sense Partners 50th percentile growth projections from 2016-2046.

FIGURE 5: PALMERSTON NORTH POPULATION PROJECTIONS BY GROWTH SCENARIO



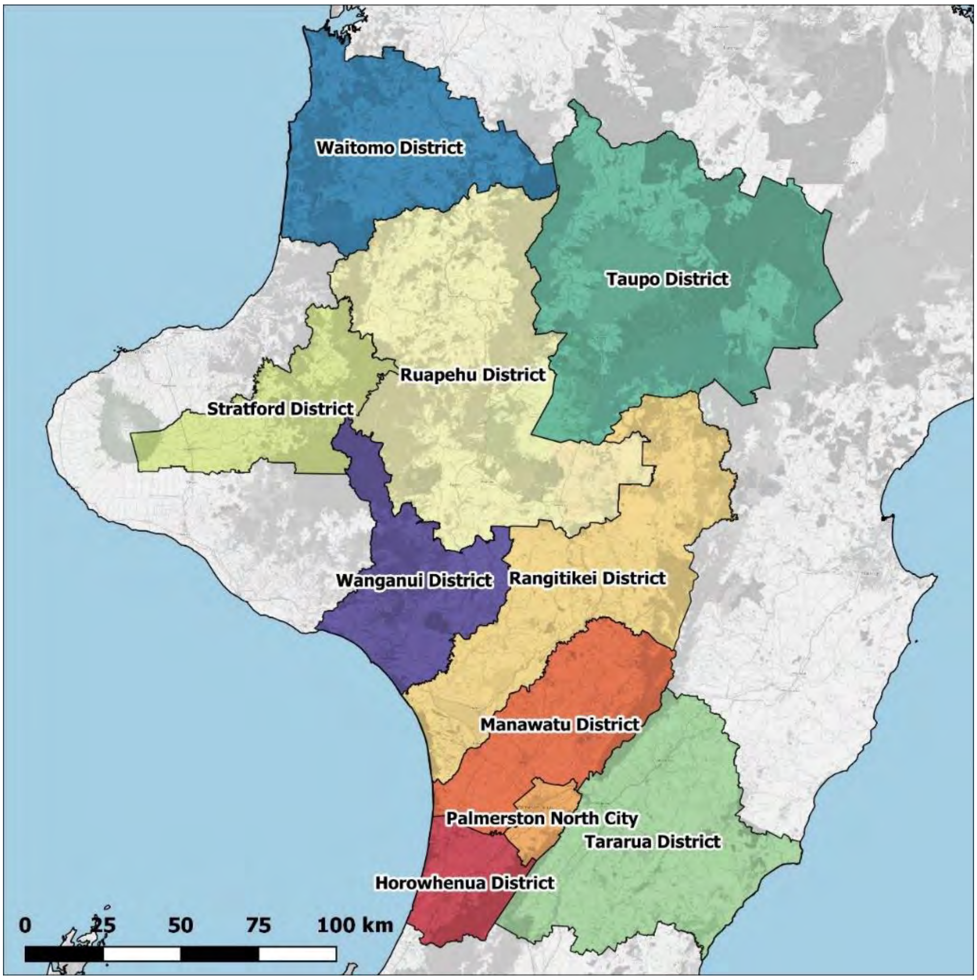
Source: Statistics NZ, Property Economics

As mentioned above, Palmerston North's population is currently close to 88,200 people, as forecast under the SNZ Medium growth scenario. Under this SNZ Medium projection, the population is predicted to increase by 14.2% to 102,800 by 2048. Under the SNZ High growth scenario over the forecast period, population increases by 35.0% to 114,500. Under Sense Partners 50th percentile growth scenario population increases by 33.7% to 115,300 between 2016-2046.

7. PALMERSTON NORTH VS REGIONAL GDP TRENDS

This section distils at a high level the economic trends and performance of Palmerston North and compares it against the performance of other districts in the Manawatu-Whanganui Region over the 2000-2016. This helps contextualise how Palmerston North is performing relative to competing economies.

FIGURE 6: MANAWATU–WHANGANUI REGION TERRITORIAL AUTHORITIES



Source: Property Economics, Open Street Map

Table 6 displays the real GDP figures (adjusted for 2018 prices) for each of the territorial authorities within the Manawatu-Whanganui Region.

Overall, the Manawatu-Whanganui Region has experienced 24% increase in real GDP between the 2000 and 2016 years with total increased output of $1.62b. Palmerston North City, in particular, experienced a total output increase of $1.04b (35% growth), the largest growth of any District within the wider Region, contributing to 65% of the total Manawatu-Whanganui growth.

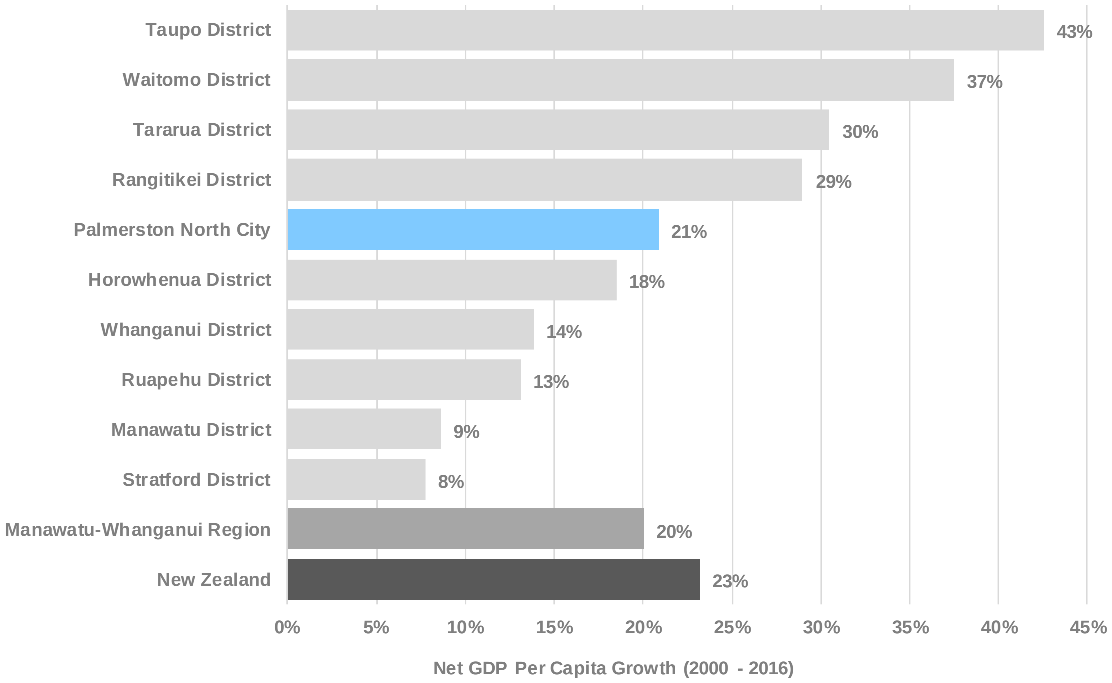
TABLE 6: MANAWATU-WHANGANUI REGION GDP BY TERRITORIAL AUTHORITY ($M)

Real GDP ($m)	2000	2002	2004	2006	2008	2010	2012	2014	2016	Net Growth #	Net Growth %
Palmerston North City	$3,005	$3,131	$3,404	$3,695	$3,766	$3,763	$3,881	$3,929	$4,050	$1,044	35%
Horowhenua District	$624	$664	$704	$813	$697	$683	$679	$702	$769	$144	23%
Manawatu District	$627	$651	$661	$734	$707	$748	$674	$696	$769	$141	23%
Rangitikei District	$405	$408	$416	$463	$459	$453	$427	$429	$489	$84	21%
Ruapehu District	$485	$528	$552	$523	$500	$499	$427	$406	$441	-$44	-9%
Stratford District	$259	$291	$266	$265	$335	$287	$294	$307	$280	$21	8%
Tararua District	$460	$478	$521	$588	$498	$467	$517	$529	$565	$105	23%
Taupo District	$1,078	$1,187	$1,273	$1,356	$1,416	$1,421	$1,518	$1,552	$1,712	$633	59%
Waitomo District	$413	$437	$419	$467	$453	$438	$444	$468	$559	$146	35%
Whanganui District	$1,194	$1,218	$1,288	$1,385	$1,374	$1,349	$1,319	$1,276	$1,320	$126	11%
Manawatu-Whanganui Region	$6,835	$7,121	$7,580	$8,236	$8,039	$8,009	$7,973	$8,022	$8,454	$1,619	24%
New Zealand	$148,600	$158,187	$172,222	$184,316	$193,538	$190,823	$198,081	$207,612	$222,678	$74,078	50%

Source: Property Economics, MBIE

Figure 7 provides the real GDP per capita growth rates of each territorial authorities within the Manawatu-Whanganui Region between the 2000 and 2016 years and adjusted for 2018 prices. Palmerston North experienced a net growth of 21% over the period, which is only slightly above average for the wider Manawatu-Whanganui Region (20%), and slightly below the NZ growth rate (23%).

FIGURE 7: MANAWATU-WHANGANUI REAL GDP PER CAPITA GROWTH 2000-2016



Source: Property Economics, MBIE

7.1. PALMERSTON NORTH CITY REAL GDP BY SECTOR 2000-2017

Table 7 breaks down Palmerston North's real GDP (adjusted to 2018 prices) figures between 2000-2016 by sector. Note that Table 7 excludes the real GDP derived from GST on Production, Import Duties and Other Taxes, which potentially adds another 8% (on average) to the Palmerston North City total real GDP.

TABLE 7: PALMERSTON NORTH CITY REAL GDP BY SECTOR (200-2016)

Real GDP ($m)	2000	2002	2004	2006	2008	2010	2012	2014	2016	Net Growth #	Net Growth %
Public Administration and Safety	$216	$241	$269	$305	$354	$425	$377	$401	$442	$226	105%
Health Care and Social Assistance	$248	$268	$293	$331	$360	$373	$369	$391	$394	$146	59%
Rental, Hiring and Real Estate Services	$197	$267	$284	$296	$266	$270	$337	$344	$337	$140	71%
Education and Training	$459	$406	$427	$401	$373	$384	$360	$338	$335	-$124	-27%
Wholesale Trade	$170	$200	$184	$221	$255	$226	$296	$310	$301	$132	78%
Owner-Occupied Property Operation	$203	$204	$205	$230	$247	$261	$279	$284	$292	$89	44%
Manufacturing	$253	$240	$271	$305	$256	$234	$266	$267	$282	$29	11%
Professional, Scientific and Technical Services	$231	$233	$272	$300	$286	$273	$263	$276	$272	$41	18%
Retail Trade	$149	$164	$186	$212	$263	$238	$255	$264	$267	$118	79%
Construction	$198	$209	$228	$257	$307	$278	$273	$244	$249	$51	26%
Information Media, Telecommunications and Other Services	$166	$165	$182	$187	$179	$192	$189	$198	$212	$46	28%
Transport, Postal and Warehousing	$101	$129	$150	$146	$197	$174	$168	$166	$185	$85	84%
Financial and Insurance Services	$106	$115	$117	$126	$136	$144	$140	$151	$150	$44	42%
Administrative and Support Services	$53	$63	$87	$91	$107	$87	$94	$95	$103	$49	93%
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	$136	$111	$134	$159	$83	$100	$85	$83	$90	-$46	-34%
Agriculture	$58	$50	$47	$54	$28	$32	$54	$47	$66	$7	13%
Food and beverage services	$43	$47	$51	$54	$53	$56	$61	$59	$60	$17	38%
Accommodation	$18	$19	$19	$19	$15	$15	$15	$12	$12	-$6	-32%
Total	$3,005	$3,131	$3,404	$3,695	$3,766	$3,763	$3,881	$3,929	$4,050	$1,044	35%

Source: Property Economics, MBIE

The Public Administration and Safety sector has experienced the most significant growth over the 16-year period, climbing up from being the 5th highest production sector in 2000 to the 1st in 2016. Public Administration and Safety has also had the highest total growth ($226m or 105%) in real GDP and contributing 22% towards the total growth of Palmerston North's economy.

Table 8 compares the growth of the various sectors within Palmerston North City against that of the wider Manawatu-Whanganui Region, as well as New Zealand. The cells highlighted in blue indicate which respective economy had higher growth within the 2000-2016 period.

TABLE 8: PALMERSTON NORTH CITY VS MANAWATU-WHANGANUI REGION VS NEW ZEALAND REAL GDP SECTOR GROWTH RATES (2000-2016)

Sector Growth (2000 - 2016)	Palmerston North City	Manawatu-Whanganui Region	New Zealand
Public Administration and Safety	105%	62%	81%
Administrative and Support Services	93%	53%	49%
Transport, Postal and Warehousing	84%	42%	59%
Retail Trade	79%	55%	88%
Wholesale Trade	78%	69%	35%
Rental, Hiring and Real Estate Services	71%	37%	70%
Health Care and Social Assistance	59%	33%	67%
Owner-Occupied Property Operation	44%	32%	66%
Financial and Insurance Services	42%	32%	76%
Food and beverage services	38%	33%	65%
Information Media, Telecommunications and Other Services	28%	15%	73%
Construction	26%	21%	78%
Professional, Scientific and Technical Services	18%	19%	68%
Agriculture	13%	6%	16%
Manufacturing	11%	24%	10%
Education and Training	-27%	-26%	14%
Accommodation	-32%	-19%	33%
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	-34%	15%	29%
Total	35%	24%	50%

Source: Property Economics, MBIE

Overall, Palmerston North City's economy has grown at a faster rate than that of the wider Manawatu-Whanganui Region, indicating that the City has become more relevant within the region over the 17-year period. However, the New Zealand wide market has grown at a faster rate than the Palmerston North market

8. FUTURE INDUSTRIAL AND BUSINESS GROWTH

8.1. EMPLOYMENT AND BUSINESS SECTOR EMPLOYMENT FORECAST (2016-2048)

For the purpose of this analysis the employment growth (and subsequently land demand) is estimated under two different scenarios – SNZ Medium and Sense Partners 50th percentile projections. These scenarios will be based on the ability for Palmerston North to attract specific businesses based on their locational criteria. These will, in part, be based on:

- Labour Force projections (skilled / unskilled), including increased age-related participation
- Regional and local ability to accommodate growth, especially the potential relocation of business activity from the wider area.
- Palmerston North's relative business land supply and prices within the localised and national market
- Trended growth from at least the past 17 years at a Census Area Unit level
- Economic development directions
- Locational criteria by sector
- National / Regional and local supply of inputted goods and location of market
- Business sector analysis
- Changing working age
- Changing trends in relation to employment retention and labour movement

The resulting high-level output is set out in Section 8.1, providing four scenarios at a City level that will identify the total employment projections for a 3, 10 and 30-year (2021, 2028 and 2048) period within Palmerston North for each of the ANZSIC categories excluding Retail. Retail is assessed separately in this report through the Property Economics Retail Model.

The trended growth scenarios for employment are estimated through SNZ Medium and Sense Partners 50th percentile population trends, estimated labour participation rates and a current trend of national significance. The trended growth scenarios are estimated with a weighting towards current trends, in terms of retention and sector type, labour force participation rates and population. employment projections

The projections in this section are based on the employment count for the Palmerston North reported by Statistics New Zealand. Property Economics is aware that up to 30% of employees in any given area do not register the location of their job and therefore are not covered by this statistic. Additionally, sole traders often fall outside these statistics and have been considered in the following ratios. The ratios applied within this report are based on that shortfall and compensate for it in terms of relevant demand. The introduction of this report (prepared by Marketplace Ltd) outlines the adjusted employment trends. With reference to this the following assessment takes into account the identified Statistics NZ ECs as they relate to the land ratios developed nationally and locally by PEL. These ratios take into account the discrepancies identified through the preceding sections of this report.

Table 9 outlines the employment growth forecasts for the City based on the past 17 years trends and national sector changes, along with SNZ Medium population growth for both the City and Region. This table indicates that total employment will grow by 10,500 EC's by 2048. This represents total growth of just under 22% over the 2017 – 2048 period.

TABLE 9: TRENDED SNZ MEDIUM PALMERSTON NORTH EMPLOYMENT PROJECTIONS TO 2048 BY SECTOR

ANZSIC06	2000	2006	2008	2015	2016	2017	2021	2028	2048
A Agriculture, Forestry and Fishing	510	600	520	590	620	650	660	695	775
B Mining	9	21	18	30	45	60	62	68	60
C Manufacturing	3,650	3,600	3,350	3,150	3,150	3,200	3,120	3,360	3,800
D Electricity, Gas, Water and Waste Services	260	270	250	160	180	180	175	170	145
E Construction	2,100	3,450	3,800	3,200	3,150	3,350	3,120	3,400	3,850
F Wholesale Trade	2,100	2,650	2,900	3,000	3,100	3,200	3,350	3,740	4,380
G Retail Trade	4,200	5,100	5,600	4,950	5,000	4,650	4,800	4,890	5,200
H Accommodation and Food Services	2,500	2,850	2,900	2,800	2,800	2,800	2,880	2,800	2,960
I Transport, Postal and Warehousing	1,300	1,850	2,050	2,000	1,950	1,950	2,200	2,390	2,690
J Information Media and Telecommunications	980	690	850	430	490	530	470	420	350
K Financial and Insurance Services	750	700	750	790	760	690	650	650	615
L Rental, Hiring and Real Estate Services	520	550	510	600	600	640	600	675	725
M Professional, Scientific and Technical Services	2,350	3,250	2,550	2,650	2,600	2,700	2,850	3,120	2,920
N Administrative and Support Services	1,950	2,500	2,600	2,500	2,550	2,550	2,600	2,690	2,950
O Public Administration and Safety	3,250	4,350	4,350	5,200	5,300	5,400	5,850	6,530	7,250
P Education and Training	5,000	5,300	5,500	5,500	5,500	5,600	5,720	5,965	6,435
Q Health Care and Social Assistance	5,100	6,300	6,300	7,000	7,300	7,400	7,950	8,655	10,230
R Arts and Recreation Services	710	760	830	840	850	840	800	830	950
S Other Services	1,400	1,700	1,750	1,700	1,750	1,850	1,970	2,085	2,475
Total Industry	38,639	46,491	47,378	47,090	47,695	48,240	49,827	53,133	58,760

Grouped Industries	2000	2006	2008	2015	2016	2017	2021	2028	2048
Industrial	9,280	11,693	12,229	11,460	11,471	11,825	11,915	13,017	14,847
Retail	6,325	7,523	8,065	7,330	7,380	7,030	7,248	7,270	7,716
Commercial	10,265	12,200	11,825	11,995	12,138	12,320	12,695	13,527	14,302
Other	12,769	15,075	15,259	16,305	16,707	17,065	17,969	19,319	21,895
Total	38,639	46,491	47,378	47,090	47,695	48,240	49,827	53,133	58,760

Source: Property Economics, Statistics NZ

Table 10, following, outlines the projected employment base for Palmerston North under Sense Partners 50th Percentile trended scenario which attracts an increasing proportion of activity from the wider region.

This projection illustrates significant change in the local economy driven by a population growth rate at nearly twice that of the medium series projection. This results in an additional 10,500 EC's above the SNZ Medium series within the 30 year, long-term, timeframe.

TABLE 10: TRENDED SENSE PARTNERS 50% PALMERSTON NORTH EMPLOYMENT PROJECTIONS TO 2048 BY SECTOR

ANZSIC06	2000	2006	2008	2015	2016	2017	2021	2028	2048
A Agriculture, Forestry and Fishing	510	600	520	590	620	650	615	664	812
B Mining	9	21	18	30	45	60	58	59	60
C Manufacturing	3,650	3,600	3,350	3,150	3,150	3,200	3,237	3,496	4,276
D Electricity, Gas, Water and Waste Services	260	270	250	160	180	180	159	162	171
E Construction	2,100	3,450	3,800	3,200	3,150	3,350	3,508	3,790	4,635
F Wholesale Trade	2,100	2,650	2,900	3,000	3,100	3,200	3,716	4,015	4,910
G Retail Trade	4,200	5,100	5,600	4,950	5,000	4,650	4,712	5,091	6,226
H Accommodation and Food Services	2,500	2,850	2,900	2,800	2,800	2,800	2,639	2,851	3,487
I Transport, Postal and Warehousing	1,300	1,850	2,050	2,000	1,950	1,950	2,247	2,428	2,969
J Information Media and Telecommunications	980	690	850	430	490	530	456	460	470
K Financial and Insurance Services	750	700	750	790	760	690	648	667	724
L Rental, Hiring and Real Estate Services	520	550	510	600	600	640	571	617	755
M Professional, Scientific and Technical Services	2,350	3,250	2,550	2,650	2,600	2,700	2,604	2,813	3,440
N Administrative and Support Services	1,950	2,500	2,600	2,500	2,550	2,550	2,479	2,678	3,275
O Public Administration and Safety	3,250	4,350	4,350	5,200	5,300	5,400	6,371	6,916	8,550
P Education and Training	5,000	5,300	5,500	5,500	5,500	5,600	5,919	6,394	7,820
Q Health Care and Social Assistance	5,100	6,300	6,300	7,000	7,300	7,400	8,948	9,799	12,351
R Arts and Recreation Services	710	760	830	840	850	840	908	981	1,200
S Other Services	1,400	1,700	1,750	1,700	1,750	1,850	2,358	2,548	3,116
Total Industries	38,639	46,491	47,378	47,090	47,695	48,240	52,154	56,427	69,247

Grouped Industries	2000	2006	2008	2015	2016	2017	2021	2028	2048
Industrial	9,280	11,693	12,229	11,460	11,471	11,825	12,823	13,850	16,929
Retail	6,325	7,523	8,065	7,330	7,380	7,030	6,956	7,514	9,190
Commercial	10,265	12,200	11,825	11,995	12,138	12,320	12,735	13,737	16,740
Other	12,769	15,075	15,259	16,305	16,707	17,065	19,640	21,327	26,388
Total	38,639	46,491	47,378	47,090	47,695	48,240	52,154	56,427	69,247

Source: Property Economics

Commercial

The Commercial sector is forecast to have an employment base of around 14,300 by 2048 under the SNZ Medium series, and a base of around 16,700 under the Sense Partners projections by 2048. This represents a 16% and 36% growth respectively above the existing commercial employment base of around 12,300 employees. Historically, the commercial sector has remained relatively constant in terms of its overall proportion of business activity over the last 16 years.

This is not unexpected as the commercial industry within Palmerston North has moved consistently with local growth based on population rather than Regional significance. As the population continues to increase as does age there is an increasing need for commercial businesses and professional services to service the population such as lawyers, accountants, and medical practitioners (in particular).

Industrial

The industrial sector is forecast to have an employment base of around 14,800 by 2048 under the SNZ Medium series, and a base of around 16,900 under the Sense Partners projections by 2048. This represents a 25% and 43% growth respectively above the existing industrial employment base of around 11,800 employees. The trend across industrial industries within Palmerston North was mirrored throughout the country over this period with most areas experiencing stagnant employment movements following the GFC, with only low levels of growth still persisting.

9. BUSINESS LAND ESTIMATES

This section translates the employment forecasts (by category based on 2nd level ANZSIC categories) into land requirements based on dynamic employment to land ratios in line with the NPS UDC guidelines.

9.1. DEMAND ASSUMPTIONS

The key component in translating these figures are the employment to floorspace/land ratios. Property Economics have developed these ratios based on national trends, both in terms of the current average ratio by employment sector and the dynamic trends that have occurred in terms of changes to these ratios through time. These ratios have been assessed against the Palmerston north activities specifically to arrive at an average floorspace and land requirement by sector. A key component of these ratios is the potential for large externally driven warehousing and logistic activities that have been accommodated within the city over the past decade.

Industrial Activity

Demand for industrial land originates from a number of changes in the Palmerston North economy. These include:

- Changes in economic composition
- Growth in industrial sectors
- Decline in industrial sectors
- Changes in land requirements by product and employee
- Changes in industry practice
- Price of industrial land (Quantity demanded)
- Competing uses.

In terms of the last issues this report assumes that the historical trends seen in competing uses continue at the rate seen over the past 10 years.

A key aspect of the influence of declining and growing industrial sectors is their ability of the latter to utilise either underutilised or vacant premises. This is when an industrial sector declines in activity the ability for growing sectors to utilise potentially vacant premises. This flexibility 'factor' plays a significant role in the level of additional industrial land required.

Over time it is expected that this flexibility becomes 'perfect' with either new industrial activity utilising the space or viable commercial/other activities occupying and redeveloping the space (e.g. reuse of brownfield land). However, this flexibility only tends to perfect over the long term (new business having to potentially demolish or redevelop old premises. With a large supply of industrially zoned vacant greenfield or brownfield options, this is less likely to occur in the short run).

A further consideration in the industrial land requirements is the NPS UDC PC1 requirements allowing for a 'buffer' between demand and supply so that the market has choice and can operate efficiently. PC2 of the NPS identifies that there may be reasons to increase this buffer, including monitoring the rate of take-up of development capacity. While Palmerston North has experienced 'uneven' growth patterns historically Property Economics believe that the sensitivities expressed under the 'high' growth scenario are sufficient in considering 'unexpected' growth patterns. Therefore the 20% short to medium term and 15% long term buffers outlined in the NPS have been adopted.

Historical uptake rates are illustrated through building consents for retail and commercial services, as well as commercial office and industrial buildings.

Tables 11-13 outline the retail and commercial service, as well as commercial office and industrial building consent trends over the last 18-year period (2000-2017 inclusive) by number, value and floor area consented. This is split by in zone and out of zone for each sector.

Tables 11-13 specifically show the number, floor area, and value of new building consents in the retail and commercial service sectors over the last 18 years. During this period, there has been 132 consents granted in these sectors, totalling just over 150,000m2 and with a value just over $150m. Only 10 of these consents (8%) have been out of zone, however representing only 2% of the total value, showing that the majority of high value retail and commercial service developments are still being developed in zone. Interesting to note is the significant number of developments in the early 2000's, with 46% of the number of consents being between the years 2000-2005. These were of fairly low size and value however, with a number of large developments being consented in 2008-2009, making up 51% of the total building consent area granted over the entire 18-year period within just two years, also representing 39% of the value of all consents.

TABLE 11: PALMERSTON NORTH RETAIL AND COMMERCIAL SERVICE BUILDING CONSENTS 2000 – 2017 (NUMBER AND SQM)

Year	Number of Buildings			Consented Floorspace (sqm)			Value of Consents ($000's)		
	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total
2000	16	3	19	3,200	2,544	5,744	$2,483	$1,045	$3,528
2001	13	1	14	5,009	70	5,079	$2,753	$26	$2,779
2002	3	1	4	572	29	601	$479	$13	$492
2003	7	-	7	6,515	-	6,515	$6,568	$0	$6,568
2004	5	-	5	10,236	-	10,236	$6,160	$0	$6,160
2005	12	1	13	20,900	624	21,524	$12,904	$600	$13,504
2006	4	-	4	3,046	-	3,046	$1,930	$0	$1,930
2007	2	-	2	476	-	476	$870	$0	$870
2008	7	-	7	60,649	-	60,649	$21,692	$0	$21,692
2009	8	-	8	17,099	-	17,099	$25,664	$0	$25,664
2010	8	1	9	1,421	126	1,547	$1,275	$55	$1,330
2011	7	-	7	9,455	-	9,455	$16,976	$0	$16,976
2012	7	-	7	2,651	-	2,651	$4,670	$0	$4,670
2013	1	-	1	317	-	317	$330	$0	$330
2014	2	1	3	1,064	13	1,077	$3,750	$23	$3,773
2015	9	1	10	816	54	870	$1,744	$130	$1,874
2016	7	1	8	4,601	20	4,621	$6,640	$16	$6,656
2017	4	-	4	635	-	635	$1,742	$0	$1,742
Average	7	1	7	8,259	193	8,452	$6,590	$106	$6,696
Total	122	10	132	148,662	3,480	152,142	$118,629	$1,908	$120,537

Source: Statistics NZ, Property Economics

TABLE 12: PALMERSTON NORTH COMMERCIAL OFFICE BUILDING CONSENTS 2000 – 2017 (NUMBER AND SQM)

Year	Number of Buildings			Consented Floorspace (sqm)			Value of Consents ($000's)		
	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total
2000	5	1	6	1,233	24	1,257	$840	$17	$857
2001	5	2	7	1,793	115	1,908	$1,721	$68	$1,789
2002	4	-	4	1,787	-	1,787	$870	$0	$870
2003	7	3	10	1,103	619	1,722	$1,287	$500	$1,787
2004	6	6	12	1,954	1,526	3,480	$6,600	$772	$7,372
2005	1	-	1	945	-	945	$1,280	$0	$1,280
2006	7	-	7	1,093	-	1,093	$1,351	$0	$1,351
2007	5	1	6	2,724	280	3,004	$2,830	$190	$3,020
2008	4	1	5	409	250	659	$454	$300	$754
2009	2	1	3	200	54	254	$222	$42	$264
2010	6	1	7	3,043	73	3,116	$4,918	$82	$5,000
2011	1	-	1	152	-	152	$200	$0	$200
2012	2	-	2	52	-	52	$110	$0	$110
2013	2	-	2	440	-	440	$524	$0	$524
2014	2	-	2	493	-	493	$1,045	$0	$1,045
2015	4	-	4	1,731	-	1,731	$3,180	$0	$3,180
2016	8	-	8	5,800	-	5,800	$18,272	$0	$18,272
2017	1	-	1	685	-	685	$1,400	$0	$1,400
Average	4	1	5	1,424	163	1,588	$2,617	$109	$2,726
Total	72	16	88	25,637	2,941	28,578	$47,103	$1,970	$49,074

Source: Statistics NZ, Property Economics

Commercial office consents appear to follow no particular temporal trend, and have fluctuated naturally over time, with the majority (82%) being built in zone, making up 96% of the value of consented commercial office developments.

TABLE 13: PALMERSTON NORTH INDUSTRIAL BUILDING CONSENTS 2000 – 2017 (NUMBER AND SQM)

Year	Number of Buildings			Consented Floorspace (sqm)			Value of Consents ($000's)		
	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total	In Zone	Out of Zone	Total
2000	18	6	24	6,991	3,384	10,375	$3,788	$1,580	$5,368
2001	23	5	28	11,434	1,329	12,763	$3,844	$749	$4,592
2002	16	11	27	18,032	15,454	33,486	$6,511	$8,896	$15,407
2003	13	3	16	18,268	374	18,642	$5,108	$89	$5,197
2004	20	5	25	17,899	562	18,461	$11,824	$231	$12,055
2005	18	5	23	11,405	862	12,267	$7,050	$359	$7,409
2006	25	12	37	34,645	8,347	42,992	$22,984	$14,212	$37,196
2007	22	5	27	21,528	2,500	24,028	$15,770	$6,022	$21,793
2008	21	4	25	53,660	461	54,121	$43,199	$287	$43,486
2009	9	5	14	3,976	2,699	6,675	$12,686	$5,214	$17,900
2010	8	4	12	11,698	357	12,055	$9,170	$155	$9,325
2011	10	3	13	17,669	1,169	18,838	$10,985	$759	$11,745
2012	8	4	12	12,379	1,385	13,764	$15,414	$653	$16,067
2013	1	3	4	1,543	994	2,537	$2,500	$3,097	$5,597
2014	6	1	7	10,186	171	10,357	$7,305	$70	$7,375
2015	7	3	10	17,031	900	17,931	$15,136	$705	$15,841
2016	4	4	8	5,071	688	5,759	$5,985	$386	$6,371
2017	5	4	9	5,297	93	5,390	$6,961	$120	$7,081
Average	13	5	18	15,484	2,318	17,802	$11,457	$2,421	$13,878
Total	234	87	321	278,712	41,729	320,441	$206,219	$43,584	$249,803

Source: Statistics NZ, Property Economics

The number of industrial consents granted show that there was significantly more developed in the 2000's as opposed to post 2010. 75% of all industrial developments over the 18-year time period were consented between 2000-2009, with a significant proportion of large-scale developments being between 2006-2009. Industrial developments have a higher proportion out of zone than retail and commercial, with 27% of all developments being developed out of zone, representing 17% of the value of all industrial developments.

Table 14 translates the forecast growth in industrial employment in to land requirements. This is done for both SNZ Medium and Sense Partners 50th percentile projections, as well as PNCC's growth projection for context, under 3, 10- and 30-year growth periods.

TABLE 14: TOTAL INDUSTRIAL LAND REQUIREMENTS (2018 – 2048)

SNZ Medium	3-Year Growth	10-Year Growth	30-Year Growth
Employment Growth	375	1,207	1,982
Base Land Requirements (Ha)	2.0	27.4	69.2
Infrastructure Requirements (Ha)	0.6	8.2	20.8
NPS Requirement	0.5	7.1	13.5
Total	3.1	42.8	103.5

PNCC	3-Year Growth	10-Year Growth	30-Year Growth
Employment Growth	375	1,207	1,982
Base Land Requirements (Ha)	18.1	21.4	91.3
Infrastructure Requirements (Ha)	5.4	6.4	27.4
NPS Requirement	4.7	5.6	17.8
Total	28.2	33.4	136.5

Sense Partners 50%	3-Year Growth	10-Year Growth	30-Year Growth
Employment Growth	375	1,207	1,982
Base Land Requirements (Ha)	23.5	30.6	134.2
Infrastructure Requirements (Ha)	7.0	9.2	40.3
NPS Requirement	6.1	8.0	26.2
Total	36.6	47.8	200.7

Source: Statistics NZ, Property Economics

Three factors have the potential to influence land demand beyond simple population and nominal employment changes. As alluded to above there are expected to be compositional changes within the industrial sector that will change the land requirements, both in terms of quantum and in terms of locational attributes. Additionally, land requirements per employee have, and are expected to, change over time, with commensurate changes in flexibility.

The resulting industrial land requirements for the Palmerston North City is between 3 and 36 hectares in the short term, extending to over 200 hectares by 2048 under the Sense Partners projection (including both an infrastructure requirement and the relevant NPS buffers).

Commercial Office Activity

The distribution of commercial office activity is predicated on both the amenity within commercial zones (along with profile) and the appropriate supply and pricing of commercial land and premises.

Unlike industrial space however there is a much greater uniformity to the properties occupied by commercial office activities and so the level of flexibility within the industry both between businesses and the ability for premises to be 'divided' is significantly greater than that within industrial activities.

A key variance between floorspace requirement and land requirement is the number of storeys associated with a given area. For the purposes of this report estimates on building footprint to building floor area[5] has been used, on average. Additionally, this activity can locate above ground floor retail or commercial services, as such a component of commercial office land demand has been accounted for with regard to the demand for other 'commercial' activities.

Table 15 illustrates the total demand for commercial office floorspace and associated land area at a gross, or 'at grade' level. This shows growth in the commercial office sectors of between 2,000 and 4,400 ECs over the long term 30-year period. This translates to a total land requirement of between 21 and 48 hectares of 'at grade' land including infrastructure and the NPS 15% buffer.

[5] *Sourced from a combination of the rating and valuation databases*

TABLE 15: TOTAL COMMERCIAL OFFICE LAND REQUIREMENTS AT GRADE (2018 – 2048)

SNZ Medium	3-Year Growth	10-Year Growth	30-Year Growth
Employment Growth	375	1,207	1,982
Floorspace Requirements (sqm)	11,800	36,600	57,800
Base Land Requirements (Ha)	2.8	1.3	15.0
Infrastructure Requirements (ha)	0.7	0.3	3.6
NPS Requirements(ha)	0.7	0.3	2.8
Total	4.2	1.9	21.4

PNCC	3-Year Growth	10-Year Growth	30-Year Growth
Employment Growth	402	1,398	3,673
Floorspace Requirements (sqm)	12,700	42,500	107,200
Base Land Requirements (Ha)	3.0	10.6	27.8
Infrastructure Requirements (ha)	0.7	2.5	6.7
NPS Requirements(ha)	0.8	2.6	5.2
Total	4.5	15.7	39.6

Sense Partners 50%	3-Year Growth	10-Year Growth	30-Year Growth
Employment Growth	415	1,417	4,420
Floorspace Requirements (sqm)	13,100	43,000	129,000
Base Land Requirements (Ha)	3.1	10.7	33.4
Infrastructure Requirements (ha)	0.8	2.6	8.0
NPS Requirements(ha)	0.8	2.7	6.2
Total	4.7	15.9	47.7

Source: Property Economics

Table 16 illustrates this quantum of floorspace demand at various average buildings heights. The first section of Table 16 shows the land required at the current average of 1.9 storeys, showing between 11 and 26 hectares required by 2048. However, typically, as an economy grows the pressure on land values increase resulting from increased productivities. This generally results in more efficient land utilisation which is reflected in increased average land coverage and greater height builds. This is the result of requiring greater levels of production from land areas typically (for commercial) in the form of greater levels of floorspace. The next section of Table 16 gives a projection of land requirements based on this more consolidated development, with higher average building heights, resulting in between 10 and 23 hectares required by 2048.

TABLE 16: TOTAL COMMERCIAL OFFICE LAND REQUIREMENTS AVERAGE STOREYS (2018 – 2048)

NPS REQUIREMENT	Average Height	3-Year Growth	10-Year Growth	30-Year Growth
SNZ Medium	1.9	2.3	1.0	11.4
Sense Partners 50%	1.9	2.5	8.5	25.5
PNCC	1.9	2.4	8.4	21.2

NPS REQUIREMENT	Average Height	3-Year Growth	10-Year Growth	30-Year Growth
SNZ Medium	2.0	2.1	1.0	10.7
Sense Partners 50%	2.1	2.2	7.6	22.7
PNCC	2.0	2.3	7.9	19.8

Source: Property Economics

A further consideration, with regard to commercial office space, is the fact that often development of this space will occur above either ground floor retail or commercial services. In assessing, therefore, the total demand for commercial space it is important not to double count this demand as the commercial office component has the potential to add vertical floorspace to the existing footprint rather than adding additional commercial land demand.

Given the provisions under the operative plan it is anticipated that at least 25% of additional commercial office space will occur at levels above either commercial service demand or retail space. While this does not decrease the level of commercial floorspace required it does remove part of the potential for additional and demand. As such it is estimated that commercial office land demand to 2048 for Palmerston North City is expected to be between 8 and 17ha, notwithstanding existing vacant floorspace within the city that is either appropriate to meet some of this demand or can be redeveloped to meet it.

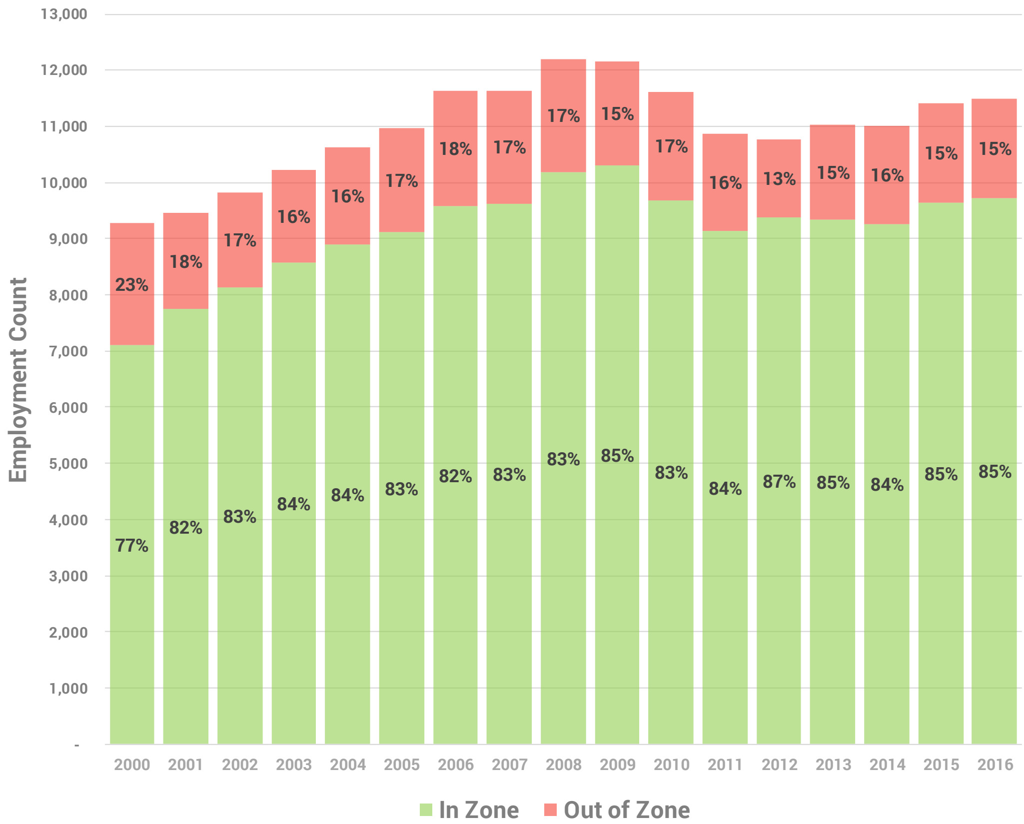
Out of Zone Activity

As identified above both the level of out of centre business activity and the level of commercial activity within industrial zones has been significant over the past 16 years.

Figures 8 and 9 show the in zone versus out of zone employment proportions for industrial and retail/commercial activity. In terms of industrial activity Figure 8 illustrates the fact that currently 15% of all industrial employment operates out of zone. This proportion has slightly decreased over the last 15 years (18% in 2001 to 15% in 2006), following a sharp drop (23% to 18%) between 2000-2001. Overall it is anticipated that approximately 1 in 7 industrial employees will locate in businesses that are not on industrially zoned land of some description.

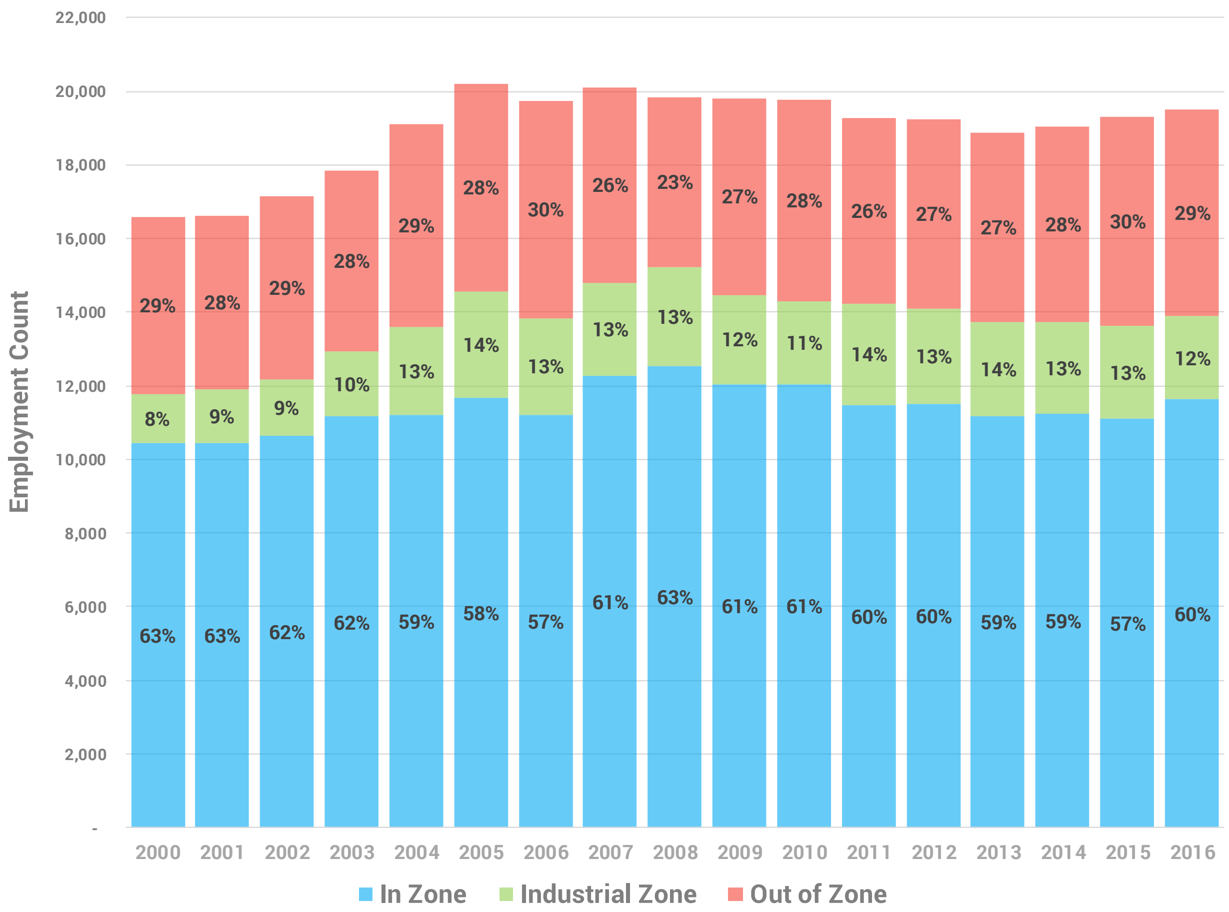
Figure 9 shows the distribution of commercial and retail activity both in and out of zone, as well as within industrial zoned land. This shows that the proportion of retail / commercial employees working out of zone has remained between 23-30%, fluctuating slightly over time. The proportion working in industrial zoned land has also been fairly consistent since 2004, fluctuating between 11-14%, after rising from 8% in 2000 to 13% in 2004.

FIGURE 8: INDUSTRIAL EMPLOYMENT ZONE LOCATION



Source: Property Economics

FIGURE 9: RETAIL AND COMMERCIAL EMPLOYMENT ZONE LOCATION



Source: Property Economics

10. RETAIL SPENDING PATTERNS

To better understand the retail spending patterns within Palmerston North City, Property Economics has assessed the retail transaction data sourced from MarketView - a service provided by the Bank of New Zealand (BNZ). BNZ MarketView data is based on the spending and retail transactions of BNZ credit and debit (EFTPOS) cardholders[6]. The MarketView data has been collected from a range of stores across the spectrum of assessed retailers in the core economic market, from national chains to small independent stores.

As a guide, BNZ currently holds approximately 20% market share of the electronic card market in NZ, while electronic card transactions accounts for approximately 60% of retail spending within NZ. The retail transactional data sources are based on the most recently available years of 2012, 2014 and 2018 year ending April. These discreet periods have been chosen as annualised periods they remove any seasonal variations, allows analysis of the most up to date data available, and is considered the best proxy for quantifying the spending patterns trends of the Palmerston North market.

Given the large sample size of BNZ card holders and prolific use of EFTPOS within NZ, MarketView data is considered to provide a robust and accurate depiction of the destination and origin of retail spending flows in and out of the assessed areas, and hence has been used as a basis for this assessment.

It is also important to note that some retail sectors have been aggregated in order to protect confidentiality of merchants present in the dataset. This is in the sectors which have a low nominal store count in the area.

MarketView data for the purpose of this report has been assessed in two ways, firstly the help quantify the net position of retail expenditure within Palmerston North is regards to the movement of retail spending both into and out of the City. Secondly, origin of spending retail transaction data has been sourced for both Inner and Outer business zones of Palmerston North allow for the analysis of how these two business zones have been operating over the last 5-years.

[6] Market View data excludes business and corporate cards. The transaction values include GST but exclude cash out with purchases. BNZ Market View does not pick up hire purchase, direct debit/credit payments or cash-based spending.

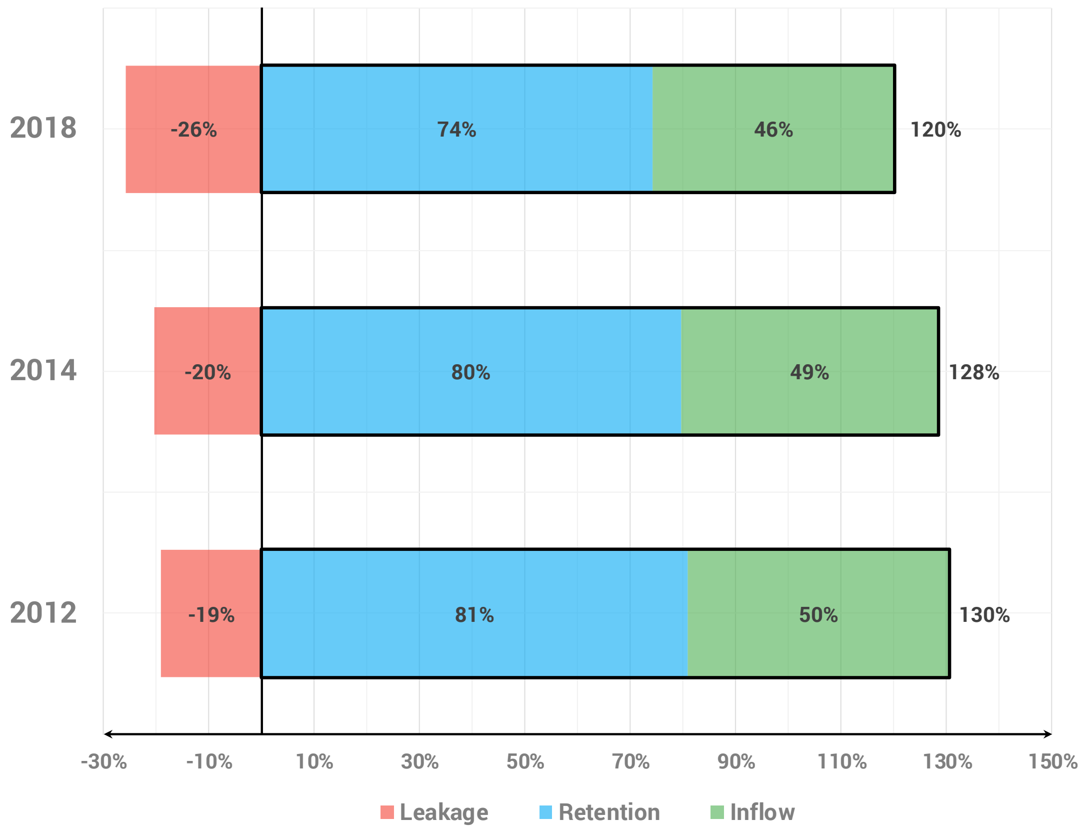
Some of the terminology relevant to this section has been defined below:

- **Outflow / Leakage:** Spending by catchment residents that is made at merchants that are not located within the identified catchment. i.e. spending generated by the usually resident population base that is spent outside the city.
- **Retention:** Retention refers to spending made by catchment residents at merchants that are located within the identified catchment. i.e. spending generated by the usually resident population base that is spent within the Palmerston North.
- **Inflow:** Retail expenditure that is spent at merchants located within the identified catchment by residents who live outside of the identified Palmerston North. This includes spending that originates from international tourists visiting the Palmerston North.
- **Net Flow:** This refers to the net proportional level of spending that flows into and out of the identified catchment. Using total retail spending by Palmerston North residents (both within and outside of the city) as a base figure to allow for comparisons between inflows and outflows. i.e. a net inflow of 20% would mean that the level retail dollars being spent within Palmerston North City from outside areas is equal to 20% of the total retail spending by Palmerston North residents (both within and outside of the city).
- **Net Position:** While Net Flow provides a useful metric to measure the amount of retail dollars entering or leaving Palmerston North relative to what's spent by residents, it omits spending that is retained by the Palmerston North. i.e. residents spending within the city. The Net Position takes this into account and is the sum of Retention and Inflow (or Generated Spend – Leakage + Inflows), equating to the proportion of retail expenditure being captured by Palmerston North from both residents and non-residents of the area relative to generated spend.

For the purposes of analysis, at a high-level Internet retailing has been excluded from the MarketView datasets in order to gauge a more accurate one-the-ground movement of retail dollars within the market. As Internet retailing is excluded from the Property Economics Retail Expenditure Model later analysis in this report can be matched with analysis in this report to form an estimate of net on-the-ground retail expenditure in an area.

As Outflow / Leakage and Retention are intrinsically linked, being both related to spending patterns made by residents, the sum of Leakage and Retention across the sectors will always equate to 100% and represents the total level of retail spending by Palmerston North residents across all of New Zealand. Inflow is defined as the level of retail spending captured by Palmerston North orginating from outside of the city relative to the nominal level of retail spending made by Palmerston North residents across New Zealand. As Leakage are retail dollars that have are not captured in the Palmerston North retailers they do not contribute to the Net Position of the catchment, which is equated by Retention + Inflow. Figure 10 shows the Palmerston North net position at 2012, 2014 and 2018.

FIGURE 10: PALMERSTON NORTH NET RETAIL POSITION (2012, 2014 AND 2018)

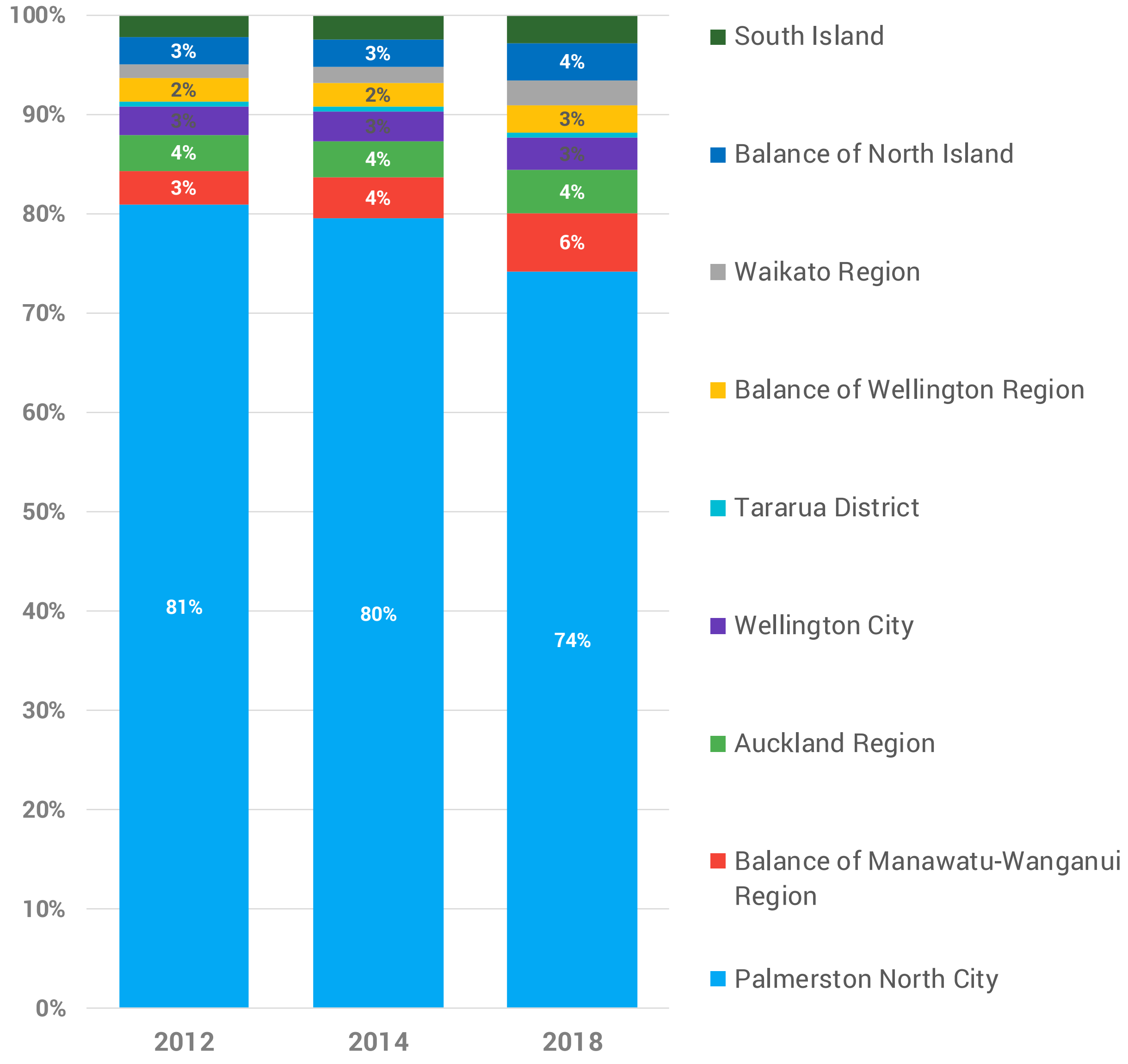


Source: Property Economics, MarketView

At a territorial authority level the first point to note is that over the last 4-years retail spending patterns within Palmerston North has notably decreased with both leakage increasing 6% and inflows fall from 50% in 2012 to 46% currently. Currently retention levels are still considered high with nearly three quarters of retail spending made by Palmerston North residents being spent within the city in addition to 46% retail inflow into the city from visitor shoppers.

Assessing this trend in more detail, Figure 11 illustrates the destination of retail spending by Palmerston North residents (Retention and Outflow) over the three assess periods. This provide a breakdown of the composition of spending, highlighting how Palmerston North resident spending patterns have changed geographically over time

FIGURE 11: PALMERSTON NORTH DESTINATION OF SPENDING (2012, 2014 AND 2018)



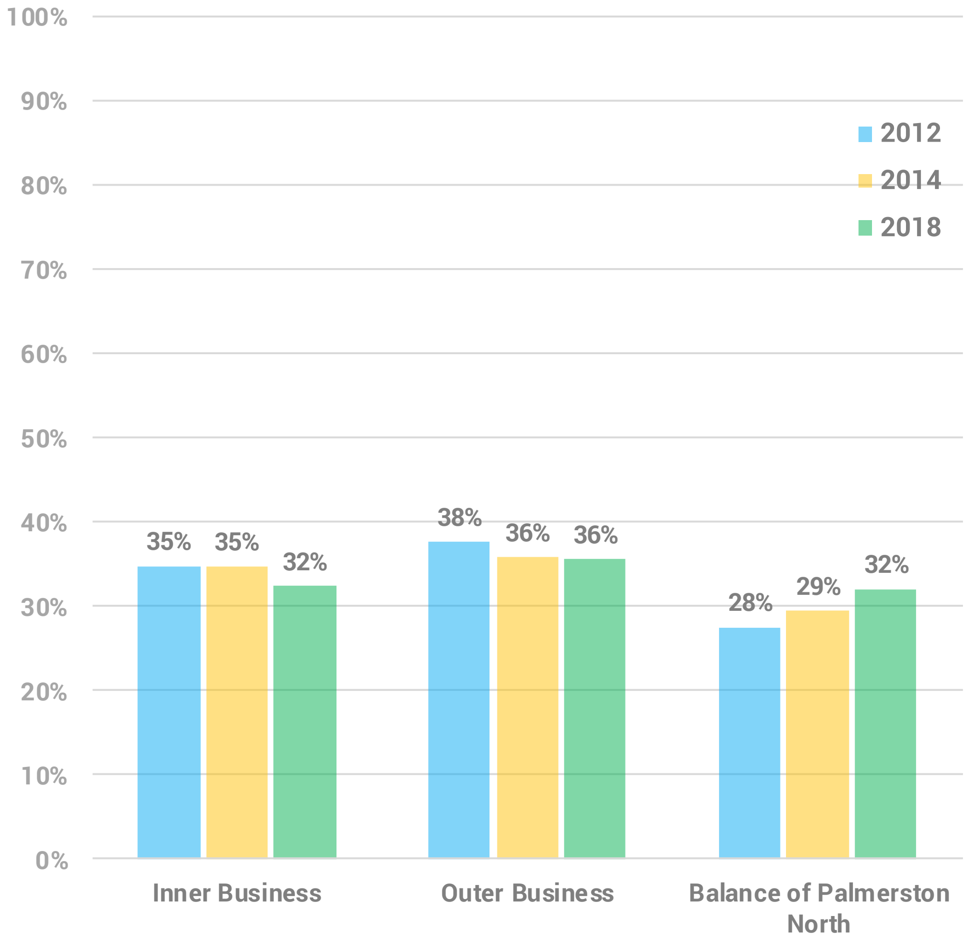
Source: Property Economics, MarketView

Figure 11 shows that there is no single geographic area that has captured the bulk of spending being lost by Palmerston North retailers, but rather the increases in retail leakage is dispersed across the identifed geographic areas. Retailers in the Manawatu-Wanganui Region particularly within the Manawatu District (not shown in Figure 11) have benefited the most of these retail trends. A deeper analysis into this trend by retail sectors indicated there this issue is not isolated to a single sector but systemic issue affect all retail sectors within Palmerston North City.

10.1. INNER AND OUTER CBD BUSINESS ZONES

Focusing on Palmerston North's Inner and Outer Business Zones, Figure 12 shows the proportional compositional of retail spending captured by Palmerston North across its inner and outer business zones and the balance of Palmerston North City over the three assessment periods.

FIGURE 12: PALMERSTON NORTH BUSINESS ZONE ORIGIN OF SPENDING COMPOSITION



Source: Property Economics, MarketView

Figure 12 shows a small, but material shift in the spending composition across Palmerston North, sales within the Inner and Outer Business Zones having collectively capturing 5% less of total retail spend made within the city. It should be noted that retail spending as a whole has been growing over the 2012 – 2018 period, however Figure 12 indicates that this growth has not been equal with a significantly large level of retail growth occurring outside of the central business zones within Palmerston North.

Table 18 elaborates on the trends identified within Figure 12 splitting the identified business zones and the Balance of Palmerston North Origin of Retailing proportions by retail sector. This allow for the identification of which sectors have contributed to the shifts in retail relevance across the identified areas.

TABLE 17: BUSINESS ZONE ORIGIN OF SPENDING COMPOSITION BY SECTOR

Inner Business	2012	2014	2018
Supermarket and grocery stores	12%	12%	6%
Specialised food	14%	15%	15%
Clothing, footwear and softgoods	83%	86%	86%
Furniture, floor coverings, houseware, textiles	21%	18%	14%
Electrical and electronic goods	15%	16%	20%
Department/Recreational stores	63%	62%	65%
Pharmaceutical and other store-based retailing	38%	37%	33%
Food/Liquor	36%	37%	37%
Total	35%	35%	32%

Outer Business	2012	2014	2018
Supermarket and grocery stores	62%	57%	56%
Specialised food	26%	28%	28%
Clothing, footwear and softgoods	4%	4%	5%
Furniture, floor coverings, houseware, textiles	37%	41%	44%
Electrical and electronic goods	63%	69%	76%
Department/Recreational stores	7%	7%	7%
Pharmaceutical and other store-based retailing	37%	37%	41%
Food/Liquor	30%	29%	29%
Total	38%	36%	36%

Balance of Palmerston North	2012	2014	2018
Supermarket and grocery stores	26%	31%	38%
Specialised food	60%	58%	58%
Clothing, footwear and softgoods	13%	10%	9%
Furniture, floor coverings, houseware, textiles	43%	41%	42%
Electrical and electronic goods	22%	15%	3%
Department/Recreational stores	30%	31%	28%
Pharmaceutical and other store-based retailing	25%	27%	26%
Food/Liquor	33%	34%	34%
Total	28%	29%	32%

Source: Property Economics, MarketView

It should be noted that the proportions shown in Figure 12 are sector specific and do not illustrate the relative weight of each sector as a proportion of the total retail market, to put this into perspective Supermarkets and grocery stores comprise on average 40% of total retail spending within Palmerston North over the 2012, 2014 and 2018 periods. Taking this into account the Balance of Palmerston North has experienced a significant increase in Supermarket and grocery store spending, shifting from both the Inner and Outer Business Zones, as 40% of the retail market this has considerable impact on the total retail spending distributions.

Assessing these areas from a sector basis, there has been significant movements of retail spending into the central business zones, particularly in LFR sectors such as Electrical and electronic goods retailing where the Outer Business has increase its market share in Electrical and electronic goods from 63% in 2012 to 76% in 2018, and the Furniture, floor coverings, houseware, textiles sector which increased from 37% - 44% over the same period. Similarly, the Inner Business Zone has increased its market share in sectors such as in Clothing, footwear, and soft goods, (83% - 86%) and Electrical and electronic goods (15% – 20%).

These trends indicate that the Palmerston North district plan is working, with higher order comparison retailing being located within the Inner Business increasing in market share, while Outer Business increases its capture of bulking good retailing customers and the Balance of Palmerston North servicing the day-to-day retailing requirements such as Supermarket and grocery shopping needs.

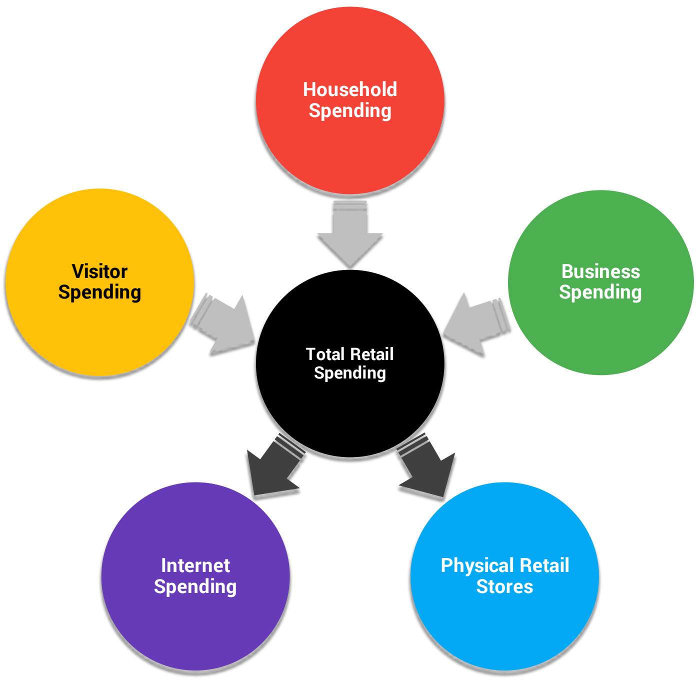
11. RETAIL EXPENDITURE AND SUSTAINABLE GFA

This section sets out the projected retail expenditure generated and sustainable Gross Floor Area (GFA) forecasts on an annualised basis for Palmerston North City. The forecasts have been based on the aforementioned population and household growth projections and have been prepared using Property Economics' Retail Expenditure Model.

RETAIL EXPENDITURE MODEL

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

The following flow chart provides a graphical representation of the Property Economics Retail Expenditure Model to assist PNCC 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 or "quadrant" 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 2018 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, Bunnings, PlaceMakers, ITM, 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 great 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 (but partly retail) activities such as kitchen showrooms, plumbing stores, electrical stores and paint stores are also excluded from the model for similar reasons. This is not to imply that these activity types are not situated in centres, as in many instances some of these store types remain operating in centres as a historical overhang. 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 may 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 well-being 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 (Back Office Floorspace).

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.

ANNUALISED RETAIL EXPENDITURE AND SUSTAINABLE GFA

Tables 18 and 19 provide breakdowns for both the SNZ Medium growth and Sense Partners 50th percentile growth projections in terms of forecast retail spend. The tables show the level of net additional retail spend above the 2018 base year, as well as the levels of sustainable retail GFA that can be supported by the generated spend within the catchment on an annualised basis. Non-retail commercial service GFA requirements are derived from these projections, and then the total GFA requirement is translated in to the likely land requirement for retail and commercial service activities.

Domestic visitor spending at a net 20% inflow figure has been adopted for the total Palmerston North retail market. This has been derived from MarketView shopping transaction pattern data and trends assessed in the previous section. This data provided a factual picture of patterns of shopping across Palmerston North and the level of retail spending inflow into the city.

For the purposes of this analysis, the current level of net retail inflow into the Palmerston North is projected to be maintained at a net positive 20% of generated spend over the forecast period.

Under the SNZ Medium series projection, Palmerston North is currently estimated to generate around $860m annually (including inflows) in retail expenditure. By 2048, retail expenditure generated by the city is forecast to increase by $45m in 3 years, $75m in 5 years, $150m in 10 years and nearly $0.5b in 30 years relative to the current level of net retail demand under this medium series projection.

The current level of annual retail expenditure under the SNZ Medium series is estimated to sustain around 152,000sqm of retail GFA, increasing by around 86,700sqm to nearly 240.000m sqm by 2048. This translates to a net additional requirement of almost 25 hectares of retail and commercial service land over the next 30 years.

Retail growth under the Sense Partners 50th percentile projection is higher than the SNZ Medium series, with retail demand forecast to grow by almost $1b over the next 30 years, compared to $0.5b for the medium series. This translates to almost 260,000sqm of additional retail and commercial service GFA requirement over the forecast period, requiring just under 50 hectares of land.

TABLE 18: PALMERSTON NORTH NET ADDITIONAL RETAIL AND COMMERCIAL SERVICE LAND REQUIREMENTS (SNZ MEDIUM)

Palmerston North (SNZ Medium)	3 Years	5 Years	10 Years	30 Years
Net Retail Demand ($m)	$45	$75	$152	$496
Retail GFA (sqm)	7,900	13,100	26,700	86,700
Non-Retail Commercial Service (sqm)	3,950	6,550	13,350	43,350
Total Retail / Commercial Service Requirement (sqm)	11,850	19,650	40,050	130,050
Likely Land Requirement (ha)	2.0	3.3	6.7	21.7
Likely Land Requirement (ha) + NPS Buffer	2.4	3.9	8.0	24.9

Source: Property Economics

TABLE 19: PALMERSTON NORTH NET ADDITIONAL RETAIL AND COMMERCIAL SERVICE LAND REQUIREMENTS (SENSE PARTNERS 50%)

Palmerston North (Sense Partners 50%)	3 Years	5 Years	10 Years	30 Years
Net Retail Demand ($m)	$82	$136	$283	$981
Retail GFA (sqm)	14,400	24,000	50,100	173,000
Non-Retail Commercial Service (sqm)	7,200	12,000	25,050	86,500
Total Retail / Commercial Service Requirement (sqm)	21,600	36,000	75,150	259,500
Likely Land Requirement (ha)	3.6	6.0	12.5	43.3
Likely Land Requirement (ha) + NPS Buffer	4.3	7.2	15.0	49.7

Source: Property Economics

This section also assesses the influence of the spending patterns on the total future market opportunity / potential within Palmerston North City. It is important to 'factor in' the non-retail commercial functions of centres in any assessment of future potential as most centres are more than simply retail centres. They typically contain a variety of localised commercial services as outlined in Appendix 3. These activities generally comprise around 50% of successful centre but at a wider city level account for approximately a third of floorspace. For this reason, a 2:1 ratio for retail floorspace to commercial service has been adopted in this analysis.

This gives Palmerston North a current total retail and commercial service sustainable floorspace level of around 228,000m sqm, increasing to 358,000m sqm by 2048 under the SNZ Medium series.

When translating this GFA requirement into land area, the 'at-grade' land requirements assumes that additional retail land requirement will be developed 'at-grade' and assumes that 50% of commercial services land requirement can be accommodated within ground level tenancies, while the other half of commercial service growth will be accommodated within 1st level space. Additional to this is the NPS buffer of 20% up to 10-years and 15% for the 30-year land requirement.

Overall, the Palmerston North City net additional land requirement for retail and commercial service activities, including the NPS UDC margins as per the PC1 buffer directive is estimated at around 25 hectares by 2048.

Under the Sense Partners 50th percentile growth projection, retail and commercial service sustainable floorspace requirements increase from around 228,000 sqm currently to 487,500 sqm by 2048. This translates to a total land requirement including NPS UDC margins of almost 50 hectares.

11.1. EXISTING RETAIL SUPPLY

In November 2017, Property Economics undertook a retail audit of the retail centres within Palmerston North City in order to assess the current level of retail provision. The results are displayed in Table 20 in terms of nominal stores and GFA of all retail centres within the City by sector.

It is worth noting that the following surveys represent a 'snapshot' in time and retail stores are constantly opening, closing and relocating due to a variety of individual store and owner circumstances. In this regard the retail market is fluid and undergoing constant change.

Similar to the retail expenditure analysis undertaken in earlier in this section, Hardware, home improvement, building and gardening supply stores have also been excluded from the retail audit as they are not considered to be core retail activity, nor fundamental to retail centre activities.

TABLE 20: PALMERSTON NORTH RETAIL AUDIT

ZONES	GFA			
	0 - 500sqm	500 - 999sqm	1,000+ sqm	Total
Inner Business	53,670	12,100	42,060	107,830
Outer Business	24,740	12,850	60,620	98,210
Fringe Business	610	790	4,360	5,760
Local Business	20,910	2,740	4,410	28,060
Total	99,930	28,480	111,450	239,860

ZONES	Store Count			
	0 - 500sqm	500 - 999sqm	1,000+ sqm	Total
Inner Business	350	19	13	382
Outer Business	131	20	21	172
Fringe Business	5	1	1	7
Local Business	164	4	2	170
Total	650	44	37	731

Source: Property Economics

Within Palmerston North there is currently around 240,000sqm of retail activity operating across just over 730 stores, with the Inner Business Zone comprising over 107,000sqm or 45% of retail floorspace and 52% of retail stores within the City. The heavier focus on LFR within Outer Business Zone it comprises 41% of retail floorspace within the City across only 24% of retail stores.

Table 21 splits retail stores and their GFA into three size brackets for each sector (0-499sqm, 500-999sqm and 1000 sqm plus). This assists in a more in-depth analysis of the structure of the current retail supply within the catchment by allowing a differentiation between Speciality and LFR store types.

TABLE 21: PALMERSTON NORTH RETAIL AUDIT BY SECTOR AND SIZE

RETAIL SECTORS	GFA				STORE COUNT			
	0-499sqm	500 - 999sqm	1000+ sqm	Total	0-499sqm	500 - 999sqm	1000+ sqm	Total
Supermarket			29,050	29,050			8	8
Food retailing	11,130	1,070		12,200	63	2		65
Clothing, footwear and personal accessories retailing	11,560	1,760	4,870	18,190	88	3	3	94
Furniture, floor coverings, houseware and textile goods retailing	4,090	5,600	24,870	34,560	17	8	7	32
Electrical and electronic goods retailing	1,770	530	2,890	5,190	5	1	2	8
Pharmaceutical and personal care goods retailing	4,350			4,350	25			25
Department stores			30,300	30,300			5	5
Recreational goods retailing	2,980	2,780	1,580	7,340	12	4	1	17
Other goods retailing	17,090	3,910	9,250	30,250	113	6	5	124
Food and beverage services	32,470	5,570		38,040	240	9		249
Vacant	14,490	7,260	8,640	30,390	87	11	6	104
Total	99,930	28,480	111,450	239,860	650	44	37	731

Source: Property Economics

The Food and Beverage and Other Food Retailing sectors comprise of just over a third (34%) of the total number of stores within Palmerston North. Additionally, these stores usually do not occupy relatively large amounts of GFA and mostly fall within the 0-499sqm per store category.

Clothing, Footwear and Personal Accessories Retailing is an important indicator for a centre's 'health' as a high order comparison good sector, a well-functioning centre will typically have a competitive number of Fashion stores that compete against higher order centres elsewhere. At 8% of the total retail GFA and 11% of the city's retail store composition, this is considered a slightly under an optimal provision but suggests that this sector is adequately represented within Palmerston North's retail environment. Again, the issue is not the level of provision, but ensuring the quality of the provision, environment and brands are satisfying market requirements.

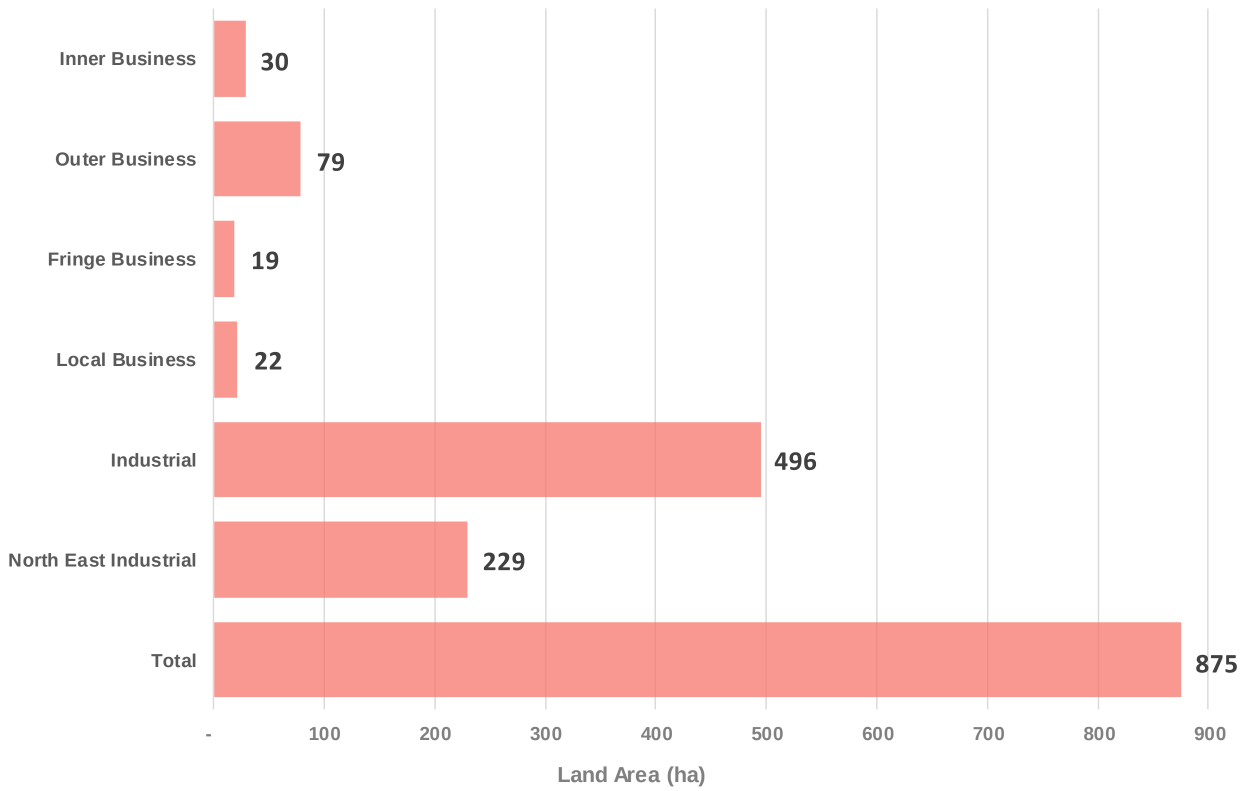
There is a sizeable proportion of currently vacant retail stores identified by the retail audit. In total, vacant stores make up approximately 30,400sqm of retail GFA, representing 13% of total retail GFA and 14% of the total number of stores within Palmerston North. This suggests that the city is struggling to some degree with over a tenth of the total retail GFA and number of stores are not able to be sustained. Additional to this are the stores that are currently trading but operating at low sales productivity levels which affects the quality of the offer and experience.

Another concern is the number of 'Other goods retailing' stores located within the city. These stores are often Second Hand or 'Dollar Stores' with low sales productivity rates. A surplus of these stores can indicate declining performance in the overall retail environment leading to a cycle of lower quality stores occupying retail spaces and subsequently lowering the overall amenity levels and sales within a centre. This continues with higher value stores leaving the centre and lower quality or 'Other goods retailing' stores on a comparative basis occupying these new vacancies.

12. EXISTING ZONED LAND CAPACITY

This section of the report assesses the current quantum of zoned business land across Palmerston North as according to the District Plan. Figure 13 gives the land area of business land supply by zone within Palmerston North.

FIGURE 13: PALMERSTON NORTH BUSINESS LAND SUPPLY BY ZONE



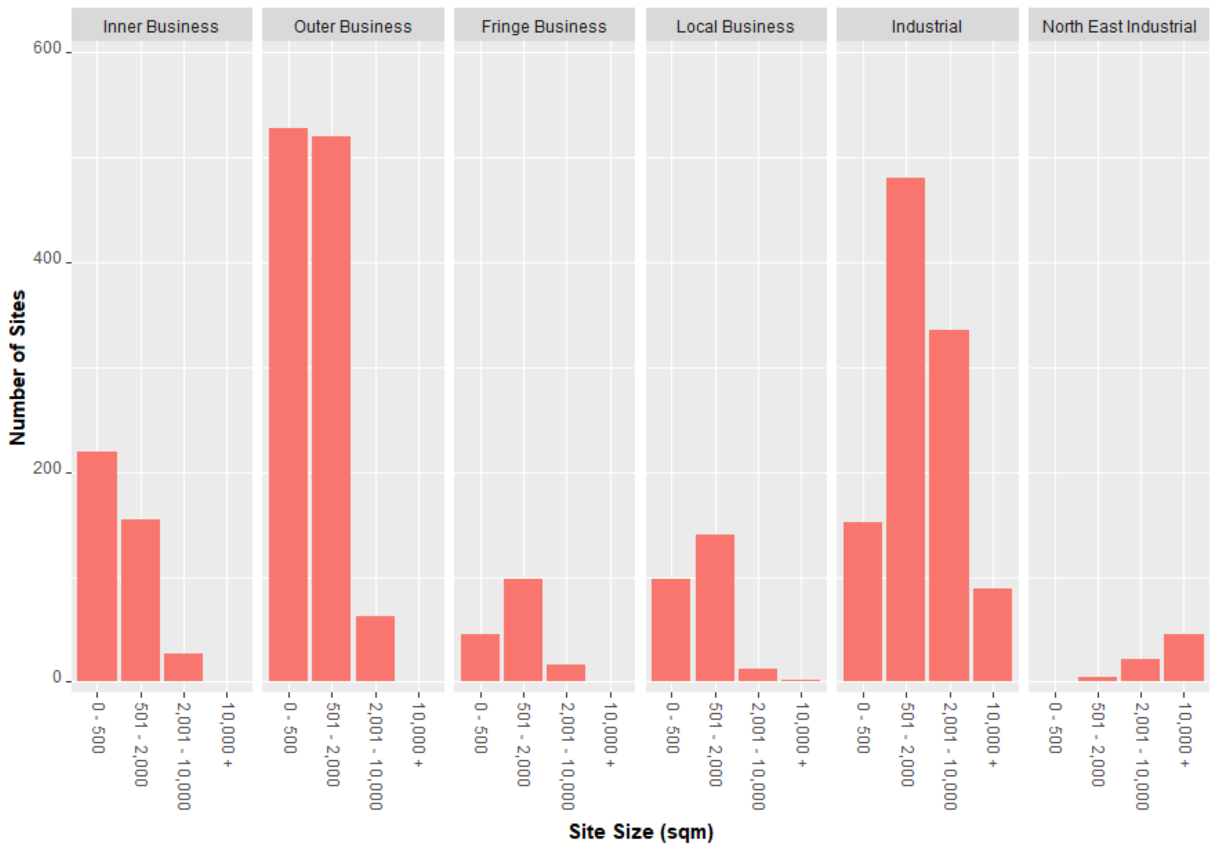
Source: Property Economics, PNCC

At the time of writing this report Palmerston North City has around 1,114ha of business zoned land.

Based on primary parcel database provided to Property Economics by PNCC, Figure 14 provides high level overview of the counts of sites located on business zoned land, delineated by zone and size group.

It is important to note as sites are being grouped by size in Figure 14, a small quantum of large sites may cover a large land area than many small sites.

FIGURE 14: BUSINESS ZONE SITE COUNTS GROUPED BY SIZE AND SECTOR



Source: Property Economics, PNCC

The majority of small sites within Palmerston North are located within the Outer Business zone within close proximity to Palmerston North City centre. In terms of industrial provision there are currently over 1,310 industrial zoned sites located within Palmerston North City.

12.1. VACANT LAND DISTRIBUTION

Palmerston North City Council have provided Property Economics with vacant land information at the parcel level. Table 22 shows the vacant land supply within Palmerston North, broken up by zone.

TABLE 22: PALMERSTON NORTH VACANT LAND SUPPLY BY ZONE

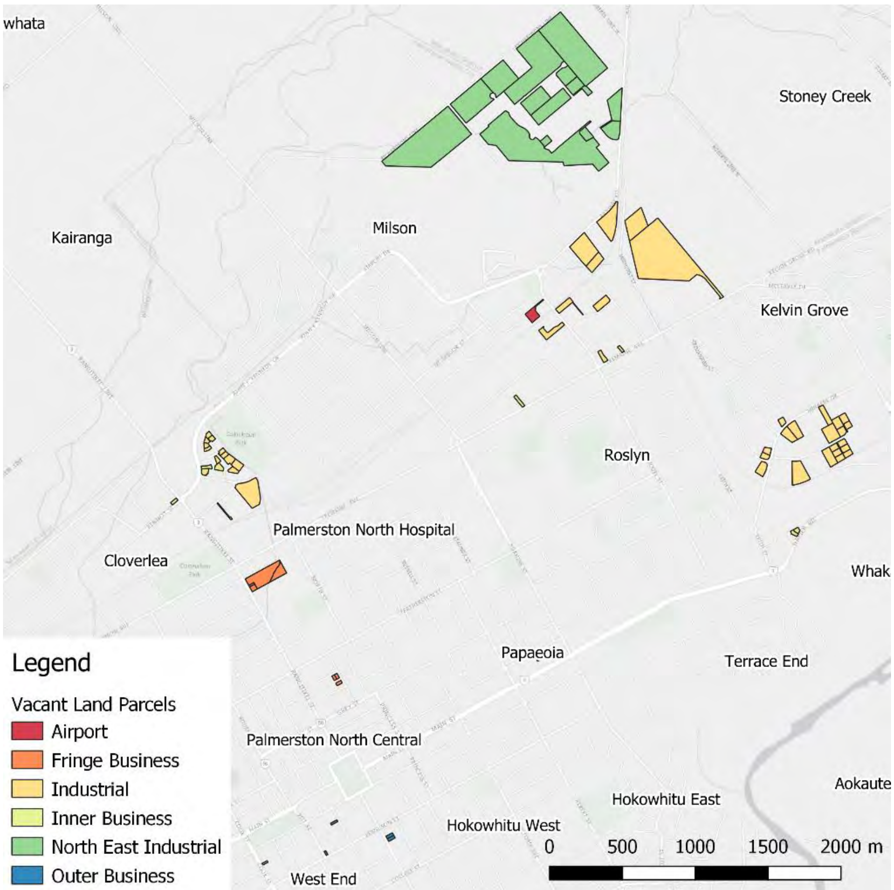
Zone	Vacant Land Area (ha)
Airport	0.6
Fringe Business	5.5
Industrial	44.9
North East Industrial	63.9
Outer Business	0.4
Grand Total	115.3

Source: Property Economics, PNCC

The majority of the vacant land in Palmerston North is located within the North East Industrial and Industrial Zones, with no vacant land within the Inner Business Zone.

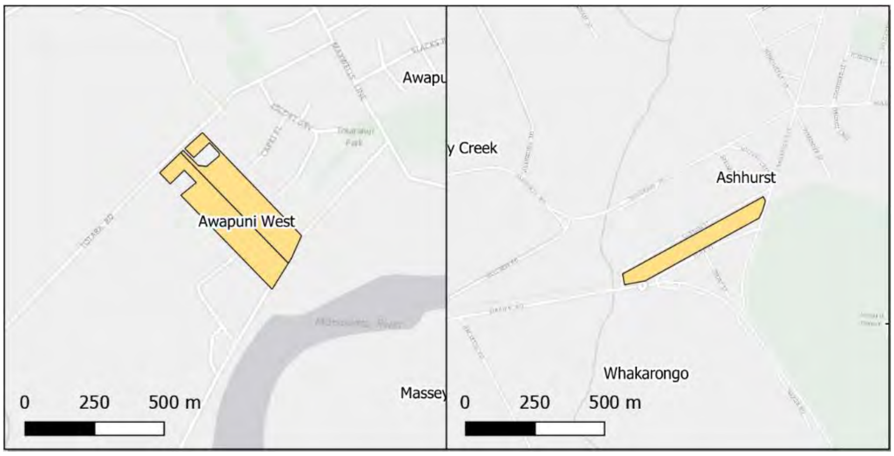
Figures 15 and 16 show the geospatial distribution of this vacant land.

FIGURE 15: PALMERSTON NORTH VACANT LAND PARCELS (CENTRAL AREA)



Source: Property Economics, PNCC

FIGURE 16: PALMERSTON NORTH VACANT LAND PARCELS (OUTER AREAS)



Source: Property Economics, PNCC

12.2. VACANT BUILDING SUPPLY

In September 2018, Blackmores completed a commercial property market survey. As part of this survey, vacant building supply levels were recorded by zone. Within each zone, the quality of build for each commercial property was recorded, and vacancy levels broken down based on this quality. The quality levels are:

- New and modern builds (i.e. post year 2000 builds) are classified as A grade.
- 1960's to 1990's builds are classified as B grade.
- Pre-1960's and earthquake prone status properties are automatically classified as a C grade.

Tables 23-27 outline the vacancy levels identified by Blackmores, broken down by zone, and building quality. Vacancy levels are shown as a ratio of assessed vacant floor area to District Valuation Roll floor areas i.e. percentage.

TABLE 23: INNER BUSINESS ZONE COMMERCIAL BUILDING VACANCY

INNER BUSINESS	Ground Floor			Upper Floor		
Property Quality	GFA (sqm)	Vacancy %	Vacancy Trend	GFA (sqm)	Vacancy %	Vacancy Trend
Grade A	56,032	0.0%	Flat	16,718	2.6%	Flat
Grade B	100,051	5.4%	Flat	122,220	11.2%	Flat
Grade C	53,245	30.4%	Up	24,199	36.1%	Up
Total	209,328	10.3%	-	163,137	14.0%	-

Source: Blackmores

TABLE 24: LOCAL & OUTER BUSINESS ZONES COMMERCIAL BUILDING VACANCY

LOCAL & OUTER BUSINESS	Ground Floor			Upper Floor		
Property Quality	GFA (sqm)	Vacancy %	Vacancy Trend	GFA (sqm)	Vacancy %	Vacancy Trend
Grade A	73,848	1.0%	Down	22,955	0.0%	Down
Grade B	168,842	5.3%	Flat	44,871	13.5%	Flat
Grade C	93,404	11.3%	Up	17,670	19.0%	Up
Total	336,094	6.0%	-	85,496	11.0%	-

Source: Blackmores

TABLE 25: FRINGE BUSINESS ZONE COMMERCIAL BUILDING VACANCY

FRINGE BUSINESS	Ground & Upper Floors		
Property Quality	GFA (sqm)	Vacancy %	Vacancy Trend
Grade A	10,788	11.9%	Flat
Grade B	36,046	3.7%	Flat
Grade C	17,226	8.7%	Up
Total	64,060	6.4%	-

Source: Blackmores

TABLE 26: INDUSTRIAL & AIRPORT ZONES COMMERCIAL BUILDING VACANCY

INDUSTRIAL & AIRPORT	Ground & Upper Floors		
Property Quality	GFA (sqm)	Vacancy %	Vacancy Trend
Grade A	219,510	2.0%	Down
Grade B	641,577	3.5%	Down
Grade C	180,845	6.6%	Flat
Total	1,041,932	3.7%	-

Source: Blackmores

TABLE 27: NE INDUSTRIAL ZONE COMMERCIAL BUILDING VACANCY

NE INDUSTRIAL	Ground & Upper Floors		
Property Quality	GFA (sqm)	Vacancy %	Vacancy Trend
Grade A	101,699	0.0%	Down
Grade B	n/a	n/a	n/a
Grade C	n/a	n/a	n/a
Total	101,699	0.0%	-

Source: Blackmores

In total, Palmerston North has almost 860,000sqm of commercial building GFA located within the inner, local & outer and fringe business zones, with 78,000sqm vacant representing 9.1% of the total commercial floorspace being vacant.

Within the inner and local & outer business zones, vacancy is especially high amongst poorer quality buildings, with Grade C buildings having 30.4% ground floor vacancy in the inner business zone and 36.1% vacancy for upper floor. Vacancy trends within these commercial zones for poor quality product are only forecast to increase as well, due to weak demand in the market in conjunction with a surplus supply of product.

Grade A commercial product within the inner and local & outer business zones experiences little vacancy, with only 0.7% of all floorspace (ground and upper floors) being vacant. This is due to strong demand within the market and a scarcity of supply.

Industrial zone vacancy is lower on average than the commercial business zones, with 3.7% vacancy in the industrial & airport zones, and 0% vacancy in the north-east industrial zone.

13. DEMAND VS CAPACITY DIFFERENTIAL

13.1. INDUSTRIAL ACTIVITY

Table 28 outlines the net additional industrial land requirements based on the SNZ Medium and Sense Partners 50th percentile growth scenarios, compared to the current vacant industrial land provision.

It is important to note the geospatial distribution of the required land by sector, as each sector does not require the same proximity to the city centre. Industrial land requirements are located in the Industrial and NE Industrial business zones (where current industrial land is zoned) which are on the urban fringes of Palmerston North City.

Commercial office, retail and commercial services require closer proximity to centres and the market in which they service, such as the city centre or suburban centres. These activities are more efficiently and appropriately provided among the urban environment of a market.

Under the SNZ Medium growth scenario there is a net cumulative additional requirement of 104 hectares of industrial land to accommodate the forecast industrial growth over the next 30 years. Under the Sense Partners projection, Palmerston North requires a net cumulative additional requirement of 201 hectares of industrial land, almost double the additional industrial land required under the SNZ Medium scenario.

TABLE 28: NET CUMULATIVE ADDITIONAL INDUSTRIAL LAND REQUIREMENTS (HECTARES) (2018-2048)

Growth Projection	Sector	3-Year Growth	10-Year Growth	30-Year Growth
SNZ Medium	Likely Land Requirement + NPS Buffer(ha)	3	43	104
	Vacant Provision	109	109	109
	Differential	106	66	5
Sense Partners 50%	Likely Land Requirement + NPS Buffer(ha)	37	48	201
	Vacant Provision	109	109	109
	Differential	72	61	-92

Source: Property Economics

Comparing the net cumulative additional industrial land requirements with the vacant zoned industrial land supply shows there is sufficient industrial zoned land to accommodate growth under the SNZ Medium series forecast, as there is a 5-hectare net surplus in industrial land over the next 30 years, including relevant NPS UDC buffers.

However, under the Sense Partners growth scenario, there is a shortage of zoned industrial land, with estimated demand outweighing current zoned vacant supply by 92 hectares. Under the Sense Partners growth scenario there is sufficient vacant industrial land to sustain projected growth over approximately the next 20 years including relevant NPS UDC buffers, however soon after this point capacity issues would kick in.

The economic projection analysis indicates that there is sufficient industrial provision under the SNZ Medium growth scenario for the 30-year NPS UDC long term period, while under the Sense Partner projections existing industrial zoned supply is sufficient for around the next 20 years. Long term there is insufficient industrial zoned capacity under the Sense Partners projections.

As such, Palmerston North has sufficient capacity to satisfy its zoned industrial land obligations under the NPS UDC for the next 20 years. Palmerston North also has sufficient industrial zoned capacity for the long term under the SNZ medium series but falls short utilising the Sense Partners growth projections. This does not raise any short-medium term industrial zoned issues from a capacity perspective but may generate changes in industrial land prices over the medium-long term as industrial 'players' take a position in the market. Long-term industrial zoned provision will be required to be addressed under the higher Sense Partner growth scenario.

13.2. COMMERCIAL OFFICE ACTIVITY

Table 29 gives the net additional building floorspace (GFA) requirements for commercial office and compares this with vacant provision within relevant business zoned land, as well as efficient utilisation rates to give the forecast demand vs supply differential. This floorspace GFA differential is then converted in to the appropriate land requirement including relevant NPS UDC buffers.

The table gives a vacant provision of 35,300 sqm[7] of commercial office within Palmerston North. Combining the vacancy rates across the inner, outer, fringe and local business zones in Tables 23-27 give a vacant floorspace supply of 78,200 sqm. However, in order for a market to operate efficiently there must be a minimum supply of vacant floorspace. As such, the 35,300 represents the vacant GFA supply which can absorb potential growth, while still remaining above 5% vacancy.

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Also factored in to the table is more efficient utilisation of current commercial office supply. Under current market conditions, there is an inefficient use of commercial office space within Palmerston North at present, with an average of 44 sqm of floorspace per commercial EC, above the average ~27 sqm for New Zealand. The 73,000 sqm in Table 30 represents a more efficient utilisation of commercial office floorspace, reducing to 37 sqm per commercial EC. This is considered appropriate by Property Economics based on the high vacancy in lower grade commercial supply and forecast vacancy trends shown in Tables 23-27.

TABLE 29: NET CUMULATIVE ADDITIONAL COMMERCIAL OFFICE REQUIREMENTS (2018-2048)

Growth Projection	Sector	3-Year Growth	10-Year Growth	30-Year Growth
SNZ Medium	Floorspace Requirement (sqm)	11,800	36,600	57,800
	Vacant Provision (sqm)	35,300	35,300	35,300
	Efficient Utilisation (sqm)	73,000	73,000	73,000
	Differential (sqm)	96,500	71,700	50,500
	Likely Land Requirement + NPS Buffer(ha)	-	-	-
Sense Partners 50%	Floorspace Requirement (sqm)	13,100	43,000	129,000
	Vacant Provision (sqm)	35,300	35,300	35,300
	Efficient Utilisation (sqm)	73,000	73,000	73,000
	Differential (sqm)	95,200	65,300	- 20,700
	Likely Land Requirement + NPS Buffer(ha)	-	-	3

Source: Property Economics

Combining the forecast growth requirements with the vacant supply and efficient utilisation indicates there is sufficient commercial floorspace under current market conditions for the next 30 years based on the SNZ medium growth scenario.

However, under Sense Partners growth scenario, there is shortage of over 20,000 sqm of commercial floorspace. Converting this to likely land requirements, factoring in infrastructure requirements and relevant NPS UDC buffers equates to a shortage of approximately 3 hectares of commercially zoned land. This floorspace to land conversion is based on an average commercial building height of 2.1 storeys under the Sense Partners growth scenario, as shown in Table 16.

13.3. RETAIL AND COMMERCIAL SERVICE ACTIVITY

Table 30 gives the net additional cumulative floorspace requirements for retail and commercial service, based on both SNZ Medium and Sense Partners growth scenarios. This is a summary of the information given in Tables 18 and 19.

TABLE 30: NET CUMULATIVE ADDITIONAL RETAIL AND COMMERCIAL SERVICE REQUIREMENTS (2018-2048)

Growth Projection	Sector	3-Year Growth	10-Year Growth	30-Year Growth
SNZ Medium	Floorspace Requirement (sqm)	11,900	40,100	130,100
	Likely Land Requirement (ha)	2	7	22
	Likely Land Requirement + NPS Buffer(ha)	2	8	25
Sense Partners 50%	Floorspace Requirement (sqm)	21,600	75,200	259,500
	Likely Land Requirement (ha)	4	13	43
	Likely Land Requirement + NPS Buffer(ha)	4	15	50

Source: Property Economics

Under the SNZ Medium growth scenario an additional 25 hectares of land for retail and commercial service activity are required by 2048. Under the Sense Partners growth scenario there is an additional 50 hectares required.

13.4. TOTAL COMMERCIAL ACTIVITY

Table 31 combines the land requirements for commercial office given in Table 29 with the land requirements for retail and commercial service given in Table 30. This gives the estimated total land requirements for relevant business zoned land for the short, medium and long-term. Combining the land requirements with the vacant land supply for inner, fringe, outer and local business zoned land from Table 31 gives the net land differential for both growth scenarios.

TABLE 31: RETAIL AND COMMERCIAL LAND REQUIREMENT DIFFERENTIAL (2018-2048)

Growth Projection	Sector	3-Year Growth	10-Year Growth	30-Year Growth
SNZ Medium	Commercial Office Land Requirement (ha)	0	0	0
	Retail and Commercial Service Land Requirement (ha)	2	8	25
	Vacant Provision (ha)	6	6	6
	Total Land Differential (ha)	4	-2	-19
Sense Partners 50%	Commercial Office Land Requirement (ha)	0	0	3
	Retail and Commercial Service Land Requirement (ha)	4	15	50
	Vacant Provision (ha)	6	6	6
	Total Land Differential (ha)	2	-9	-47

Source: Property Economics

Combining the commercial office land requirements from Table 29 with the retail and commercial service land requirements from Table 30 shows that there is a shortage of relevant business zoned land over the next 30 years for both the SNZ Medium growth scenario and Sense Partners growth scenario.

Under the SNZ Medium growth scenario there is sufficient commercial office land over the next 30 years, however a required 25 hectares of retail and commercial service land. Combining this with the 5.9 hectares of current vacant provision leaves a net additional requirement of 19 hectares over the next 30 years. Given the growth rate under this scenario, the current vacant land supply is sufficient for the next ~6 years.

The shortage of retail and commercial zoned business land is more pronounced under the Sense Partners growth scenario, with a requirement of 3 hectares of commercial office land over the next 30 years as well as 50 hectares of retail and commercial service land. Combining this with the 6 hectares of current vacant provision gives a net additional land requirement for commercial activity of approximately 47 hectares by 2048 across Palmerston North. Under this growth scenario there is sufficient retail and commercial zoned business land for only the next 3 years (short term), beyond which a shortage is likely to play out.

To put this growth in context, there is currently 150 hectares of retail and commercial zoned business land in Palmerston North City. SNZ Medium series projections therefore require a 13% increase in non-industrial business zoned land to ensure sufficient capacity to accommodate projected 30-year growth, while Sense Partners projections require a 31% increase to ensure sufficient capacity to accommodate projected growth under this growth series.

In terms of business zoned land provision, the Sense Partners projection would in effect result in implications for commercial land prices (increasing) are likely to start being experienced over the short term if no additional non-industrial business zoned land is provided.

APPENDIX 1: 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 work within other more commercial (office) arms of a business in other locations, i.e. 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, and as such are not included in the proportions utilised for classifying industrial activities.

For planning purposes commercial and industrial employees are those working on zoned business land corresponding their respective sector. Often this is not the case, 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 broadly to the zoning of industrial, commercial, retail and special land zonings by the local authorities.

Industrial activities in general refer to land extensive activities, including 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
- Transport, Postal and Warehousing
- Manufacturing
- 30% Electricity, Gas, Water and Waste Services
- Construction
- Wholesale Trade

Commercial office activities generally refer to land intensive activities. It includes 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 work for the following sectors are considered a commercial sector employee:

- 15% of Accommodation and Food Services
- Information Media and Telecommunications
- Financial and Insurance Services
- Rental, Hiring and Real Estate Services

- Professional, Scientific and Technical Services
- Administrative and Support Services
- 35% Public Administration and Safety
- 15% Education and Training
- 25% Health Care and Social Assistance
- 25% Arts and Recreation Services

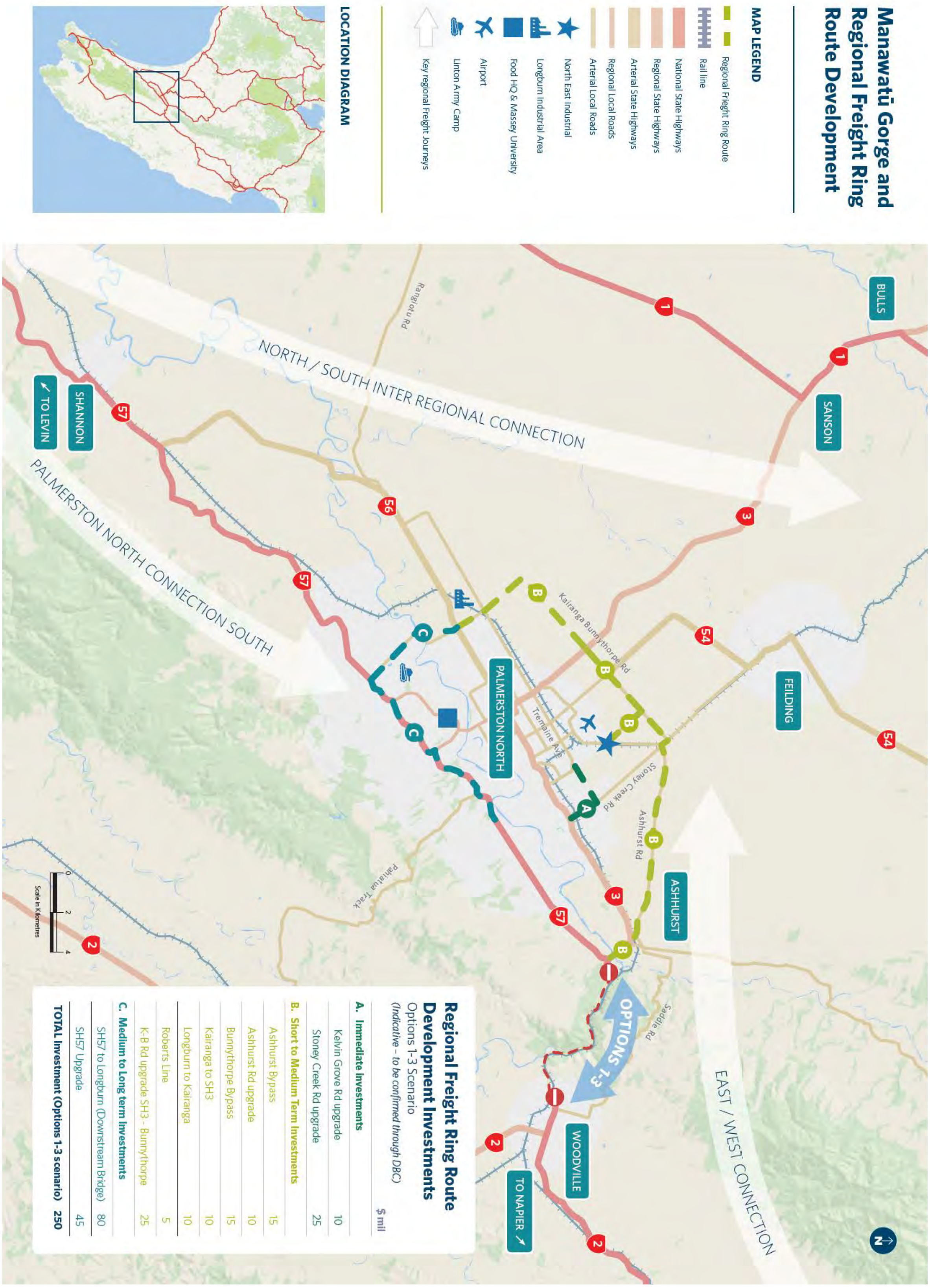
Retail Activities generally refer to enterprises mainly engaged in the purchase and on-selling of goods, without significant transformation, to the general public. Retail units generally operate from premises located and designed to attract a high volume of walk-in customers, have an extensive display of goods, and/or use mass media advertising designed to attract customers.

Cafes, Bars and Restaurants have also been included as part of Retail Activities and includes businesses mainly engaged in providing food and beverage serving services for consumption on the premises. Customers generally order and are served while seated (i.e. waiter/waitress service) and pay after eating. The employees work for the following sectors are considered a commercial sector employee:

- 85% of Accommodation and Food Services
- Retail Trade

Other Activities constitutes the balance of total employment within an area and is not defined by any particular business sector. It encompasses community activities such as Museum Operations, Universities, Hospitals, Schools, Sports grounds and other activities not typically located on commercial or industrial land.

APPENDIX 2: MANAWATU GORGE RING ROAD



APPENDIX 3 PROPERTY ECONOMICS RETAIL MODEL

This overview outlines the methodology that has been used to estimate retail spend generated at Census Area Unit (CAU) level for the identified catchment out to 2033.

CAU 2013 Boundaries

All analysis has been based on Census Area Unit 2013 boundaries, the most recent available.

Permanent Private Households (PPH) 2013

These are the total Occupied Households as determined by the Census 2013. PPHs are the primary basis of retail spend generation and account for approximately 71% of all retail sales. PPHs have regard for (exclude) the proportion of dwellings that are vacant at any one time in a locality, which can vary significantly, and in this respect account for the movement of some domestic tourists.

Permanent Private Occupied Household Forecasts 2006-2048

These are based on Rationale Area Unit (CAU) Medium Series Population Growth Projections, with this extrapolated to the year of interest.

International Tourist Spend

The total international tourism retail spend has been derived from the Ministry of Business, Innovation and Employment (MBIE) estimates nationally and cross referenced through Statistics NZ. This has been distributed regionally on a 'spend per employee' basis, using regional spend estimates prepared by the MEDTSG. Domestic and business-based tourism spend is incorporated in the employee and PPH estimates. 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 conservatively forecast in the model at 3% per annum for assessed period.

2016-2048 PPH Average Household Retail Spend

This has been determined by analysing the national relationship between PPH average household income (by income bracket) as determined by the 2013 Census, and the average PPH expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ.

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 Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other 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 network 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.

As some of internet spend is being made to on-the-ground stores, a proportion of internet expenditure is being represented in the Statistics NZ Retail Trade Survey (RTS) while a large majority remains unrecorded. At the same time this expenditure is being recorded under the Household Economic Survey (HES) as a part of household retail spending, making the two datasets incompatible. For this reason, Property Economics has assumed a flat 5% adjustment percentage on HES retail expenditure, representing internet retailing that was never recorded within the RTS.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a decrease in on-the-ground spend and floor space demand. In order to account for this, a non-linear percentage decrease of 5% in 2016 growing to 15% by 2048 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 are able to access.

Retail Spend Economic Variables

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

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

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

Wealth/Equity/Debt: Since the early-mid 2000s changes in these factors have had a dramatic impact on the level of retail spending nationally. The increase in property prices has increased home owners' unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumable 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 but 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 these 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 home owners, 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 recent spending trends, with decreased employment and greater job security producing an environment where households were more willing to accept debt.

Over the last 8 years this has now reversed with the worldwide GFC recession causing a significant adjustment in consumer behaviour. As such, the economic environment has undergone rapid transformation. The national market is currently experiencing low interest rates (although expected to increase over this coming year) and a highly inflated $NZ (increasing importing however disproportionately).

Now emerging is a rebound in the property market and an increase in general business confidence as the economy starts to recover from the post-GFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years' (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 20-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 with regard to 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 PPH retail spend and Tourist retail spend 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 26% 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 2013-2048

Business spend has been forecasted at the same rate of growth estimated to be achieved by PPH retail sales in the absence reliable information on business retail spend trends. It is noted that while working age population is decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.

APPENDIX 4: COMMERCIAL SERVICE STORE TYPE CLASSIFICATIONS

Note this is not intended to represent an exhaustive list of appropriate store types

EXAMPLES OF CONVENIENCE RETAIL STORE TYPES

- Supermarket / Superette / Dairy / Mini-mart
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery
- Fruit & Vege Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways (Fish & Chips, Pizza, Chinese, Thai, Turkish, Indian, etc.)
- Cafés & Restaurants
- Video store
- Stationery Shop / Newsagent
- Pub / Bar
- Florist
- Gift Shops
- Pharmacy

EXAMPLES OF CONVENIENCE COMMERCIAL / PROFESSIONAL SERVICES AND OFFICE ACTIVITIES

- Camera / Photography Shop
- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors
- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Child care facilities
- Gym
- Lawyers

APPENDIX 5: MARK TANSLEY EMPLOYMENT ANALAYSIS 2013

1.0 Introduction

1.1 This analysis has been prepared to provide an employment context for the Report, using data from two Statistics New Zealand ("SNZ") sources. One is Census-based so only available at irregular intervals. The other source is from Business Demographics, produced annually. This Appendix is devoted to the former; the latter is outlined in Appendix Two.

1.2 The Census database was published online by in March 2014, in the context of a wide information release on demographics, for all parts of the Country. The catalyst for the exercise was the March 2013 Census of Population and Dwellings ("2013 Census") undertaken two years later than in its normal five yearly cycle, due to the social and economic disruption caused by the Canterbury earthquakes of September 2010 and February 2011.

1.3 All NZ data in this release was produced at regional breakdown level, down to meshblock level (the smallest geo-statistical unit by which census information is recorded). This enables the frame for any evaluation of the census data to be set at a high level, based on regional or territorial boundaries, which can then be subdivided into smaller parcels depending on the geographical focus of the study. The full extent of the material is contained within a package referred to as the "Census 2013 Meshblock Dataset".

1.4 In addition to publishing the 2013 Census results in this Dataset, SNZ has provided equivalent information gathered in the 2006 census undertaking, retrospectively reformatted to match the geographic boundaries applying in 2013. This approach readily enables inter-census comparisons, such as those provided in the Employment Tables which follow, providing comparative data for 2013 and 2006, on place of residence and place (ie main place) of work for the employed usually resident population count aged 15 years and over. There are 17 stipulated industry categories, plus a default category for workers unable to be allocated to one of the 17. The 17 have been reduced to 12 (by combining some) for this exercise.

2.0 Contextual Demographics

2.1 To provide a simple context for the detailed employment tables, Tables 1-3 commencing overleaf summarise regional demographics [cross-reference if appropriate].

Table 1 For practical purposes, the 2013 regional resident count was unchanged from that of 2006. However, that of Ruapehu District declined significantly, whereas the City's count was 3% higher and its main neighbouring district, Manawatu, increased by 5%.

Table 2 The regional counts from Table 1 are repeated in the final column (j) of Table 2, to enable employment changes to be seen proportionately. Columns (h) and (i) reflect a salient age-group change, because employment tables pick up only respondents aged 15 and over. That proportion increased by more than 1% in the seven year inter-censal span. However, columns (a)-(c) show that persons employed declined by 4% of the total resident population, a decrease of 8% from 2006-2013. This mainly reflected an increase in those identifying themselves as not in the labour force, to some extent augmented by the increased unemployed count.

Of some interest is that the proportion of census responses which failed to adequately identify their labour force status [column (f)] nearly doubled as a percentage of the resident total, to 2013. This is in direct contrast to subsequent employment tables by industry, where the proportion of informal responses about the nature and location of jobs declined (ie improved) significantly in 2013, presumably through more rigorous return checking by sub-enumerators. The disparity can not reasonably, therefore, be attributable to diminished execution of census enumeration standards. It may have some implications for column (d) and (e) results.

Table 3 Column (f) is one of the examples referred to at the foot of the previous paragraph, with a very substantial decline (from 2.5% to 1.0%) in the number and proportion of informal 2013 census responses, to the question concerning employment status. Column (g) repeats Table 2's column (c), showing a 4% decline in the number of residents in work.

Columns (a)-(c) account for 2.5% of the 4%, mainly in the paid employee category. The improvement in column (f)'s 2013 result is likely to mean that the proportionate 2013 declines for columns (a)-(c) would have been greater, if the percentage of "missing" specific status counts [column (f)] had remained unchanged or similar. The 4% decline is the most relevant outcome.

2.2 The Tables which follow concentrate on employment by industry, which is the format most easily used to guide resource management strategies. However, they are informed and contextualised by the overview data in Tables 1-3. Their particular benefit is that they enable an ongoing net comparative analysis of commuting into and/or within the Region and the City and therefore an employment guide as to the recent trend, albeit only to 2013. None-the-less, with a new census due in only a few months' time, an updating of these data may well be available before this report has fully assisted in informing an ongoing resource management strategy for the City.

TABLE 1 : RESIDENT POPULATION CHANGES 2006-2013 CENSUS COUNTS

TLA	2006	2013	13/06
Ruapehu	13,572	11,344	87%
Whanganui	42,636	42,150	99%
Ruapehu-Whanganui	*56,208*	*53,994*	*96%*
Rangitikei	14,712	14,019	95%
Manawatu	26,070	27,456	105%
Palmerston North	77,724	80,082	103%
Horowhenua	29,865	30,099	101%
Tararua	17,634	16,854	96%
Region	222,213	222,504	100.1%
Region excl Ruapehu-Wanganui	166,005	168,510	101.5%
Region excl Ruapehu	208,641	210,660	101.0%

TABLE 2 : REGIONAL WORK & LABOUR FORCE STATUS COMPARISON

	(a) Full Time	(b) Part-Time	(c) Sub-Total	(d) Unem-ployed	(e) Not in L Force	(f) Total Stated	(g) Unidenti-fiable	(h) Total 15 & Over	(i) 14 & Under	(j) Total Res Pop
2006	82,467	26,751	109,218	6,003	54,675	169,899	4,101	174,000	48,213	222,213
% Res Pop	37.1%	12.0%	49.2%	2.7%	24.6%	76.5%	1.8%	78.3%	21.7%	
2013	75,933	24,588	100,521	8,520	60,384	169,425	7,698	177,123	45,381	222,504
% Res Pop	34.1%	11.1%	45.2%	3.8%	27.1%	76.1%	3.5%	79.6%	20.4%	
Change	-6,534	-2,163	-8,697	2,517	5,709	-474	3,597	3,123		
%	-7.9%	-8.1%	-8.0%	41.9%	10.4%	-0.3%	87.7%	1.8%		

TABLE 3 : REGIONAL EMPLOYMENT STATUS COMPARISON

	(a) Paid Employee	(b) Employer	(c) Self-Empl No Staff	(d) Unpaid Family Worker	(e) Total Stated	(f) Not Else Included	(g) Total Employed	(j) Total Res Pop
2006	82,197	7,890	10,842	2,775	103,704	5,514	109,218	222,213
% Res Pop	37.0%	3.6%	4.9%	1.2%	46.7%	2.5%	49.2%	
2013	78,600	6,594	10,461	2,589	98,244	2,274	100,521	222,504
% Res Pop	35.3%	3.0%	4.7%	1.2%	44.2%	1.0%	45.2%	
Change	-3,597	-1,296	-381	-186	-5,460	-3,240	-8,697	
%	-4.4%	-16.4%	-3.5%	-6.7%	-5.3%	-58.7%	-8.0%	

The Approach

3.1 There are two sets of Statistics NZ tables for each census year; one fully accounting for the employed labour force by place of residence and main industry, the other recording the main industry and place of work of that employment. The Census of Population and Dwellings is not concerned with whether a respondent has more than one job, rather with whether or not he or she is employed. A difficulty in the way of clear comparative analysis of this kind arises from the Census' enquiry concerning place of work, termed "workplace" for statistical purposes. At regional or major sub-regional level, there is an inference that – absent a large employment focus close to a regional or large sub-regional boundary – work flows across that boundary, in both directions, should roughly cancel out. In other words, the number of workplaces within that region or sub-region should approximate the number of workers (bearing in mind that for census purposes, each employed person can only nominate one main workplace location).

3.2 Unlike place of residence, to which and from which census forms are delivered and collected respectively (so the home location should always be identified correctly) there is no such certainty about place of work, which may be identified specifically, generally, or not at all (or not in a geographically traceable manner). Some employed people travel widely, with no fixed workplace, whilst others again may operate City or District-wide, but not in a specific location. Therefore, there is an increasing differential between identified workplaces and the number of workers, as one descends from regional and territorial local authority ("tla") level, to area units and meshblocks.

3.3 A further difficulty arises because of a tendency for succeeding censi to fail to allocate both workers and workplaces consistently (with consequent wide variations in the proportions defaulting to the 18th category, Not Elsewhere Included). Also, the overall proportion of undisclosed workplaces varies from census to census. This is exemplified in the following Tables.

3.4 Overall, the adopted regional approach herein has been to effectively account for all unstated workplaces. This does not purport to result in an absolutely accurate assessment of the fixed-workplace count, but it is considered to enable useful comparisons of changes in actual and relative job levels. The outcomes are clarified in detail in topics 4.0 and 5.0, but differ slightly from regional equivalents, because the region incorporates very minor parts of other tlas.

3.5 The approach is summarised as follows:

1. A regional Study Area combining all territorial local authorities fully within the Manawatu-Whanganui Region was adopted. As per paragraph 3.1, it is considered that net inflows or outflow of jobs / commuting across the outer borders of this area would more or less cancel out. Hence the resident labour force of the combined tlas is considered likely to be very closely indicative of the number of primary workplaces within the same area, in each industrial category (or group of categories). The combined labour force is shown on line 7c of both Table 4 (for 2006) and Table 5 (for 2013), based on the values in lines 1c to 6c in each case.

TABLE 4 : RATIONALISATION OF REGIONAL WORKPLACE DATA - 2006

	TLA	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE	Job Self-Sufficiency
1a	Ruapehu-Whanganui Workplaces	2,196	2,580	1,482	2,367	1,278	609	723	348	453	840	396	1,659	1,986	2,340	1,272	20,541	405	20,946	
1b	*Adjusted*	*2,639*	*2,873*	*2,132*	*2,546*	*1,403*	*700*	*940*	*373*	*498*	*937*	*514*	*1,820*	*2,114*	*2,562*	*1,399*	*23,450*	*2,035*	*25,485*	100%
1c	Ruapehu-Whanganui Lab Force	2,673	2,922	2,067	2,601	1,458	723	939	387	516	966	570	1,671	2,100	2,526	1,401	23,514	2,085	25,599	
2a	Rangitikei Dist Workplaces	1,443	771	273	504	321	123	138	57	102	168	42	120	522	267	210	5,067	114	5,181	
2b	*Adjusted*	*1,734*	*859*	*393*	*542*	*352*	*141*	*179*	*61*	*112*	*187*	*55*	*132*	*556*	*292*	*231*	*5,826*	*573*	*6,399*	87%
2c	Rangitikei Dist abour Force	1,773	852	474	618	345	198	270	96	135	237	90	459	537	465	285	6,834	534	7,368	
3a	Manawatu Dist Workplaces	2,037	1,218	486	777	339	264	231	96	243	348	147	702	591	438	354	8,271	210	8,478	
3b	*Adjusted*	*2,448*	*1,356*	*699*	*836*	*372*	*303*	*300*	*103*	*267*	*388*	*191*	*770*	*629*	*480*	*389*	*9,531*	*1,055*	*10,586*	77%
3c	Manawatu Dist Labour Force	2,382	1,551	972	1,323	495	606	525	225	354	606	306	717	951	1,158	660	12,831	966	13,794	
4a	Palmerston Nth City Workplaces	1,047	3,402	2,265	4,827	2,196	2,160	1,764	996	999	2,706	1,197	3,327	4,257	4,524	2,679	38,355	552	38,904	
4b	*Adjusted*	*1,258*	*3,788*	*3,259*	*5,193*	*2,411*	*2,482*	*2,293*	*1,068*	*1,099*	*3,018*	*1,555*	*3,651*	*4,532*	*4,954*	*2,947*	*43,508*	*2,774*	*46,282*	115%
4c	Palmerston N City Labour Force	1,332	3,480	2,685	4,464	2,184	1,983	1,752	873	945	2,556	1,233	3,342	4,161	3,927	2,502	37,422	2,979	40,401	
5a	Horowhenua Dist Workplaces	1,344	1,635	525	1,152	489	252	258	150	219	297	153	255	747	1,071	534	9,081	237	9,321	
5b	*Adjusted*	*1,615*	*1,821*	*755*	*1,239*	*537*	*290*	*335*	*161*	*241*	*331*	*199*	*280*	*795*	*1,173*	*587*	*10,359*	*1,191*	*11,550*	89%
5c	Horowhenua Dist Labour Force	1,569	1,845	963	1,359	585	387	495	186	276	471	291	417	867	1,308	699	11,715	1,245	12,957	
6a	Tararua Dist Workplaces	2,307	1,149	273	747	243	150	168	102	195	222	81	162	459	387	303	6,939	162	7,104	
6b	*Adjusted*	*2,773*	*1,279*	*393*	*804*	*267*	*172*	*218*	*109*	*215*	*248*	*105*	*178*	*489*	*424*	*333*	*8,007*	*814*	*8,821*	98%
6c	Tararua Dist Labour Force	2,739	1,326	471	795	276	192	285	108	207	273	129	225	498	501	339	8,364	633	8,994	
7a	TLAs Workplaces	10,374	10,755	5,304	10,374	4,866	3,558	3,282	1,749	2,211	4,581	2,016	6,225	8,562	9,027	5,352	88,254	1,680	89,934	
7b	*Adjustment Factor*	*1.2019*	*1.1135*	*1.4389*	*1.0758*	*1.0980*	*1.1492*	*1.2998*	*1.0720*	*1.1004*	*1.1153*	*1.2991*	*1.0973*	*1.0645*	*1.0950*	*1.0998*	100,681	*5.0250*	109,123	*100%*
7c	TLAs Labour Force	12,468	11,976	7,632	11,160	5,343	4,089	4,266	1,875	2,433	5,109	2,619	6,831	9,114	9,885	5,886	100,680	8,442	109,113	

Source: Lines a and c Statistics NZ; Lines b Marketplace NZ and Property Economics.

Note:
Above industry groupings, other than where separately reported by Statistics NZ, comprise as follows:

Primary Industry : Agriculture, Forestry, Fishing and Mining and Quarrying.
Manufacturing & Infrastructural Services : Manufacturing, Electricity, Gas, Water and Waste Services.
Hospitality : Accommodation and Food & Beverage Services.
Admin & Support Services : Employment, Travel, Credit, Cleaning, Gardening and other Commercial Services.
Public Administration & Safety : Government Administration and Representation, Justice, Defence, Police and other Regulatory Services.

As all published census values are randomly rounded to numbers divisible by 3 and adjustment factor outcomes are rounded up or down, values do not necessarily sum exactly.

TABLE 5 : RATIONALISATION OF REGIONAL WORKPLACE DATA - 2013

	TLA	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin, Safety & Support Svces	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE	Job Self-Sufficiency
1a	Ruapehu-Whanganui Workplaces	2,118	2,601	1,308	2,199	1,251	516	729	345	384	909	2,109	1,971	2,748	1,263	20,442	279	20,715	
1b	*Adjusted*	*2,322*	*2,828*	*1,686*	*2,247*	*1,301*	*563*	*875*	*353*	*390*	*958*	*2,280*	*2,018*	*2,914*	*1,327*	*22,062*	*984*	*23,046*	100%
1c	Ruapehu-Whanganui Lab Force	2,427	2,895	1,638	2,220	1,305	564	867	348	399	966	2,112	2,022	2,799	1,311	21,879	1,122	23,001	
2a	Rangitikei Dist Workplaces	1,545	867	279	507	318	111	129	54	99	165	201	555	285	264	5,379	78	5,454	
2b	*Adjusted*	*1,694*	*943*	*360*	*518*	*331*	*121*	*155*	*55*	*101*	*174*	*217*	*568*	*302*	*277*	*5,816*	*275*	*6,091*	89%
2c	Rangitikei Dist abour Force	1,677	822	387	573	360	159	252	81	108	207	546	558	513	303	6,549	267	6,819	
3a	Manawatu Dist Workplaces	2,130	1,122	444	738	390	369	279	99	210	378	1,074	633	615	369	8,850	156	9,006	
3b	*Adjusted*	*2,336*	*1,220*	*572*	*754*	*405*	*403*	*335*	*101*	*213*	*398*	*1,161*	*648*	*652*	*388*	*9,586*	*550*	*10,136*	74%
3c	Manawatu Dist Labour Force	2,268	1,497	942	1,179	495	762	603	201	297	594	1,251	1,065	1,398	678	13,221	441	13,665	
4a	Palmerston Nth City Workplaces	828	3,003	2,184	4,566	2,205	2,424	1,884	993	807	2,691	4,998	4,839	5,535	2,439	39,399	321	39,720	
4b	*Adjusted*	*908*	*3,265*	*2,816*	*4,665*	*2,293*	*2,645*	*2,262*	*1,017*	*820*	*2,837*	*5,404*	*4,955*	*5,870*	*2,562*	*42,319*	*1,133*	*43,432*	116%
4c	Palmerston N City Labour Force	1,002	2,892	2,286	4,065	2,133	2,073	1,635	849	708	2,430	4,776	4,476	4,683	2,175	36,177	1,152	37,332	
5a	Horowhenua Dist Workplaces	1,353	1,338	528	1,116	465	234	228	156	237	306	486	792	1,191	528	8,964	171	9,132	
5b	*Adjusted*	*1,484*	*1,455*	*681*	*1,140*	*483*	*255*	*274*	*160*	*241*	*323*	*526*	*811*	*1,263*	*557*	*9,653*	*603*	*10,256*	87%
5c	Horowhenua Dist Labour Force	1,425	1,491	846	1,281	525	363	477	210	258	474	801	879	1,485	648	11,157	603	11,763	
6a	Tararua Dist Workplaces	2,250	813	297	672	282	138	150	105	159	204	204	498	477	291	6,537	108	6,645	
6b	*Adjusted*	*2,467*	*884*	*383*	*687*	*293*	*151*	*180*	*108*	*162*	*215*	*221*	*510*	*506*	*306*	*7,073*	*381*	*7,454*	95%
6c	Tararua Dist Labour Force	2,412	996	399	693	288	216	246	105	156	234	324	510	630	300	7,515	342	7,857	
7a	TLAs Workplaces	10,224	9,744	5,040	9,798	4,911	3,792	3,399	1,752	1,896	4,653	9,072	9,288	10,851	5,154	89,571	1,113	90,672	
7b	*Adjustment Factor*	*1.0965*	*1.0871*	*1.2893*	*1.0217*	*1.0397*	*1.0910*	*1.2004*	*1.0240*	*1.0158*	*1.0542*	*1.0813*	*1.0239*	*1.0605*	*1.0506*	96,509	*3.5283*	100,415	*100%*
7c	TLAs Labour Force	11,211	10,593	6,498	10,011	5,106	4,137	4,080	1,794	1,926	4,905	9,810	9,510	11,508	5,415	96,498	3,927	100,437	

Source: Lines a and c Statistics NZ; Lines b Marketplace NZ and Property Economics.

Note:
Above industry groupings, other than where separately reported by Statistics NZ, comprise as follows:

Primary Industry : Agriculture, Forestry, Fishing and Mining and Quarrying.
Manufacturing & Infrastructural Services : Manufacturing, Electricity, Gas, Water and Waste Services.
Hospitality : Accommodation and Food & Beverage Services.
Admin & Support Services : Employment, Travel, Credit, Cleaning, Gardening and other Commercial Services.
Public Administration & Safety : Government Administration and Representation, Justice, Defence, Police and other Regulatory Services.

As all published census values are randomly rounded to numbers divisible by 3 and adjustment factor outcomes are rounded up or down, values do not necessarily sum exactly.

2. The identified number of workplaces in each tla has been recorded, by industry, in lines 1a to 6a, and tallied in line 7a. As discussed in sub-paragraph 3.5,1, it is considered reasonable and pragmatic to assume that for every actively engaged worker in the regional Labour Force, there is a job location. These would mainly be fixed locations, but some jobs involve an area that defies a fixed locational definition, other than at tla or regional level. Some workers have more than one workplace (within one job or multiple jobs) but for census purposes and this analysis, the main or only job location is relevant.

3. Notwithstanding 2 however, there was a substantial shortfall of workplaces in line 7a, relative to workers in line 7c (18% in 2006; 10% in 2013). Reasons for these results were canvassed in paragraphs 3.2 and 3.3. None-the-less, the highest possible workplace disclosure for the Region's tlas is at the tla level, so any attempt to reconcile the workplace and labour force counts is desirably based on tla-wide results, as outlined in Tables 4 and 5.

4. The difference between the line 7a and line 7c counts is attributed to inadequate workplace location in the census responses, and in part to the respondents' inability or unwillingness to identify a particular workplace as being relevant. The extent of that inability/unwillingness varies significantly from industry to industry, creating, at face value, a plausible range of workplace shortfalls.

5. The discrepancies between line 7a and line 7c values are expressed as a factor of 7a in line 7b. They differ significantly from industry (or industry grouping) to industry. It is not appropriate to ignore such variations, as different localities or industries have widely differing disclosed workplace proportions. On the other hand, from the viewpoint of rationalising that data, it is considered reasonable to vertically apply the regional adjustment factor for each activity group to each of the six constituent parts, on the basis that the propensity or necessity of census respondents to not identify a fixed workplace location is likely to be more or less common to the industry concerned, rather than to the tla concerned.

6. The values on lines 1b-6b adjust 1a-6a pro-rata, in the process equating regional workplace locations with the engaged labour force count. Quite obviously, because of the discrepancies, comparisons of lines 1a to 7a Census data between 2006 and 2013 are meaningless. However, the adjusted counts in lines 1b to 6b would appropriately be regarded as "effective" counts, including those with undisclosed workplace addresses and those without fixed workplaces, but likely to be found on a "snapshot" basis, in the tlas concerned. This is the only practical basis on which comparison of such consecutive census counts can be rationalised.

4.0 The City's Results

4.1 Table 6 overleaf compares the lines 4b and 4c of Tables 4 and 5, to highlight changes in the City's employment over the seven-year period. The first three columns relate to the labour force by residential location. The second three are the more relevant, as they can be related to the current and potential demand for business zoning changes.

TABLE 6 : CITY-WIDE EMPLOYMENT CHANGES 2006-2013

Industry	Labour Force			Adjusted Workplaces		
	2006	2013	Change	2006	2013	Change
Primary	1,332	1,002	-330	1,258	908	-350
Manufacturing & Utilities	3,480	2,892	-588	3,788	3,265	-523
Construction	2,685	2,286	-399	3,259	2,816	-443
Retail Trade	4,464	4,065	-399	5,193	4,665	-528
Hospitality	2,184	2,133	-51	2,411	2,293	-118
Wholesale Trade	1,983	2,073	+90	2,482	2,645	-163
Warehousing, Tspt & Communication	1,752	1,635	-117	2,293	2,262	-31
Financial & Insurance Services	873	849	-24	1,068	1,017	-51
Realty, Rental & Hire Services	945	708	-237	1,099	820	-279
Prof, Tech & Scientific Services	2,556	2,430	-126	3,018	2,837	-181
Admin & Support Services	1,233	1,140	-93	1,555	1,426	-129
Public Admin & Safety	3,342	3,636	+294	3,651	3,972	+321
Education & Training Services	4,161	4,476	+315	4,532	4,955	+423
Health & Social Services	3,927	4,683	+756	4,954	5,870	+916
Recreation, Arts & Other Services	2,502	2,175	-327	2,947	2,562	-385
TOTAL PEOPLE STATED	37,422	36,177	-1,245	43,508	42,313	-1,195
Not Elsewhere Included	2,979	1,152	-1,827	2,774	1,133	-1,641
TOTAL PEOPLE	40,401	37,332	-3,069	46,282	43,446	-2,836

4.2 Only three industry groups registered an increase in City-based workplace locations. The line-by-line industry comparisons are influenced by the very significant reduction shown at the foot of Table 6, in workplaces "Not Elsewhere Included". The much greater ability of the 2013 census systems to identify the combined circumstances of workplace location by area unit location has effectively increased the 2013 Industry workplace column counts (Total People Stated) by about 1,550. Had the 2013 "Not Elsewhere Included" counts been proportionately equivalent to the 2006 result, the decline in all but three industries would have been greater, and the apparent gain in those three would have been less than is indicated at face value, in Table 6.

4.3 Having regard to that unavoidable understatement of widespread workplace declines and also the overstated workplace gains, there is an indication that from 2006 to 2013, all else being equal, demand for land or developed space on that land fell in all areas but three service groups; those strongly representative of governmental and social services. Whilst one could speculate on the resource management implications of such change at zone-related level, it is considered preferable to take the Table 6 workplace exercise a step further, by breaking down the City-wide data geographically.

4.4 This is done by effectively repeating the Table 4 and 5 exercises at sub-City breakdown level, then summarising those outcomes in Table 9, which is equivalent to the Table 6 City-wide summary, for the main City employment areas. The breakdown used for Tables 7-9 is summarised below:

Sub-set Name	Area Units Included
Central Core	Palmerston North Central
	Papaeoia
PN Hospital	Palmerston North Hospital
Milson-Roslyn	Milson
	Roslyn
Cloverlea-Takaro	Cloverlea
	Takaro
North-Eastern	Stoney Creek
	Ashurst
	Whakarongo
	Kelvin Grove
Western	Kairanga
	Longburn
	Westbrook
	Highbury
Awapuni-West End	Awapuni West
	Awapuni North
	Awapuni South
	West End
Hokowhitu-Terrace End	Hokowhitu West
	Hokowhitu East
	Hokowhitu Lagoon

	Terrace End
South Eastern	Linton Military Camp
	Massey University
	Aokutere
Turitea	Turitea

The above sub-sets occupy lines in Tables 7 and 8 prefixed 1-10. The disclosed area unit workplace counts for each are shown in lines 1a to 10a, summed in line 11a to show the area unit total for the City. However, the adjusted City-wide workplace totals were determined in lines 4b and 5b of Tables 4 and 5, so those outcomes have been repeated, referenced *[1], at the foot of Tables 7 and 8. This has resulted in the workplace adjustment factors of lines 11b which have provided the sub-set values calculated at lines 1b-10b in each Table. The adjustment factors are higher for Tables 7 and 8, because at area unit level (as distinct from tla level) fewer workplaces were disclosed or able to be included in the respective census counts.

TABLE 7 : RATIONALISATION OF PALMERSTON NORTH WORKPLACE DATA - 2006

	Area Unit Groupings	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE	Job Self-Sufficiency
1a	Central Core au Workplaces	36	366	246	2,301	966	351	474	699	456	939	504	1,206	360	1,089	933	10,929	69	10,998	
1b	*Adjusted*	*49*	*425*	*416*	*2,675*	*1,154*	*418*	*687*	*785*	*542*	*1,126*	*773*	*1,376*	*411*	*1,267*	*1,096*	*13,200*	*462*	*13,662*	455%
1c	Central Core Labour Force	81	192	180	465	288	117	117	45	93	180	111	171	240	243	171	2,700	303	3,000	
2a	PN Hospital au Workplaces	3	186	219	252	111	147	66	48	18	120	117	27	228	1,845	159	3,549	15	3,564	
2b	*Adjusted*	*4*	*216*	*371*	*293*	*133*	*175*	*96*	*54*	*21*	*144*	*179*	*31*	*260*	*2,147*	*187*	*4,311*	*101*	*4,412*	309%
2c	PN Hospital Labour Force	33	120	105	171	54	60	48	27	27	99	39	96	150	237	87	1,347	81	1,428	
3a	Milson-Roslyn au Workplaces	30	939	390	522	270	588	357	102	102	90	96	46	357	177	225	4,314	60	4,374	
3b	*Adjusted*	*41*	*1,091*	*660*	*607*	*322*	*701*	*518*	*115*	*121*	*108*	*147*	*75*	*407*	*206*	*264*	*5,383*	*402*	*5,785*	107%
3c	Milson-Roslyn Labour Force	120	564	414	636	279	342	291	111	117	243	195	312	399	678	360	5,064	354	5,418	
4a	Cloverlea-Takaro au Workplaces	60	417	282	264	57	336	399	6	117	66	60	39	135	168	183	2,580	18	2,601	
4b	*Adjusted*	*82*	*484*	*477*	*307*	*68*	*401*	*579*	*7*	*139*	*79*	*92*	*44*	*154*	*196*	*215*	*3,324*	*121*	*3,445*	92%
4c	Cloverlea-Takaro Labour Force	63	372	282	453	216	204	216	93	81	198	138	255	306	357	255	3,498	240	3,735	
5a	North-Eastern au Workplaces	216	462	219	90	42	405	99	9	30	93	30	18	153	153	111	2,121	48	2,169	
5b	*Adjusted*	*297*	*537*	*371*	*105*	*50*	*483*	*144*	*10*	*36*	*112*	*46*	*21*	*175*	*178*	*130*	*2,695*	*322*	*3,017*	62%
5c	North-Eastern Labour Force	255	549	405	498	186	270	255	108	90	237	135	351	393	504	288	4,515	327	4,839	
6a	Western au Workplaces	93	444	63	57	51	99	60	3	15	45	24	21	222	111	72	1,386	39	1,431	
6b	*Adjusted*	*128*	*516*	*107*	*66*	*61*	*118*	*87*	*3*	*18*	*54*	*37*	*24*	*253*	*129*	*85*	*1,686*	*261*	*1,947*	47%
6c	Western Labour Force	186	471	327	459	198	246	225	66	72	186	138	246	342	351	273	3,813	318	4,131	
7a	Awapuni-West End au Workplaces	39	117	84	216	234	27	33	27	51	84	39	63	420	189	234	1,851	51	1,902	
7b	*Adjusted*	*54*	*136*	*142*	*251*	*279*	*32*	*48*	*30*	*61*	*101*	*60*	*72*	*479*	*220*	*275*	*2,240*	*342*	*2,582*	40%
7c	Awapuni-West End Lab Force	171	522	402	699	390	294	261	165	156	456	213	453	807	519	441	5,943	564	6,510	

TABLE 7 - 2006 : Page 2

	Area Unit Groupings	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE	Job Self-Sufficiency
8a	Hokowhitu-Tce End au Workplaces	30	87	258	153	123	66	36	24	60	147	30	126	537	276	258	2,238	48	2,283	
8b	*Adjusted*	*41*	*101*	*437*	*178*	*147*	*79*	*52*	*27*	*71*	*176*	*46*	*144*	*613*	*321*	*303*	*2,736*	*322*	3,062	42%
8c	Hokowhitu-Tce End Lab Force	192	480	393	825	432	342	246	189	234	642	201	405	1,035	762	444	6,828	453	7,281	
9a	South Eastern au Workplaces	177	57	57	111	63	18	15	6	42	816	45	1,482	1,431	120	201	4,644	27	4,668	
9b	*Adjusted*	*243*	*66*	*196*	*129*	*75*	*21*	*22*	*7*	*50*	*978*	*69*	*1,690*	*1,633*	*140*	*236*	*5,455*	*181*	5,636	183%
9c	South Eastern Labour Force	105	126	105	201	114	78	51	54	54	231	42	966	351	213	123	2,817	267	3,084	
10a	Turitea au Workplaces	231	186	108	501	102	45	42	27	33	117	69	153	129	129	132	2,004	39	2,046	
10b	*Adjusted*	*318*	*216*	*183*	*582*	*122*	*54*	*61*	*30*	*39*	*140*	*106*	*175*	*147*	*150*	*155*	*2,478*	*261*	2,739	284%
10c	Turitea Labour Force	129	72	63	51	30	30	27	12	30	87	15	78	132	63	69	897	69	966	
11a	All City au Workplaces	915	3,261	1,926	4,467	2,019	2,082	1,581	951	924	2,517	1,014	3,201	3,972	4,257	2,508	35,616	414	36,036	
11b	*Adjustment Factor*	*1.3749*	*1.1616*	*1.6921*	*1.1625*	*1.1942*	*1.1921*	*1.4503*	*1.1230*	*1.1894*	*1.1990*	*1.5335*	*1.1406*	*1.1410*	*1.1637*	*1.1750*	43,508	*6.7005*	46,282	
	Palmerston Nth City Workplaces*¹	1,258	3,788	3,259	5,193	2,411	2,482	2,293	1,068	1,099	3,018	1,555	3,651	4,532	4,954	2,947	43,508	2,774	46,282	115%
	Palmerston Nth City Lab Force*²	1,332	3,480	2,685	4,464	2,184	1,983	1,752	873	945	2,556	1,233	3,342	4,161	3,927	2,502	37,422	2,979	40,401	

Source: Lines a and c Statistics NZ; Lines b Marketplace NZ and Property Economics.

*¹ Ex Table 4, line 4b.
*² Ex Table 4, line 4c.

Note:
Above industry groupings, other than where separately reported by Statistics NZ, comprise as follows:
Primary Industry : Agriculture, Forestry, Fishing and Mining and Quarrying.
Manufacturing & Infrastructural Services : Manufacturing, Electricity, Gas, Water and Waste Services.
Hospitality : Accommodation and Food & Beverage Services.
Admin & Support Services : Employment, Travel, Credit, Cleaning, Gardening and other Commercial Services.
Public Administration & Safety : Government Administration and Representation, Justice, Defence, Police and other Regulatory Services.

TABLE 8 : RATIONALISATION OF PALMERSTON NORTH WORKPLACE DATA - 2013

	Area Unit Groupings	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE	Job Self-Sufficiency
1a	Central Core au Workplaces	27	294	180	2,205	1,146	375	375	777	417	1,029	393	1,758	642	1,470	915	12,012	42	12,051	
1b	*Adjusted*	*32*	*327*	*242*	*2,317*	*1,246*	*421*	*474*	*806*	*433*	*1,115*	*520*	*1,844*	*666*	*1,600*	*995*	*13,038*	*176*	*13,214*	537%
1c	Central Core Labour Force	48	141	114	375	249	135	87	54	45	129	99	192	216	333	126	2,355	111	2,463	
2a	PN Hospital au Workplaces	6	156	150	147	90	111	87	36	12	54	108	12	252	2,220	165	3,603	6	3,609	
2b	*Adjusted*	*7*	*173*	*202*	*154*	*98*	*125*	*110*	*37*	*12*	*58*	*143*	*13*	*261*	*2,416*	*180*	*3,989*	*25*	*4,014*	319%
2c	PN Hospital Labour Force	24	102	66	132	66	72	42	21	18	72	36	105	159	252	60	1,224	30	1,257	
3a	Milson-Roslyn au Workplaces	21	792	618	648	144	867	309	51	72	189	135	54	513	402	240	5,064	36	5,097	
3b	*Adjusted*	*25*	*880*	*832*	*681*	*157*	*974*	*390*	*53*	*75*	*205*	*179*	*57*	*532*	*437*	*261*	*5,738*	*151*	*5,889*	120%
3c	Milson-Roslyn Labour Force	66	459	366	570	258	321	261	93	75	204	171	393	405	792	306	4,749	165	4,914	
4a	Cloverlea-Takaro au Workplaces	12	303	249	513	78	264	618	9	87	60	96	96	126	153	165	2,829	15	2,844	
4b	*Adjusted*	*14*	*337*	*335*	*539*	*85*	*296*	*781*	*9*	*90*	*65*	*127*	*101*	*131*	*166*	*180*	*3,256*	*63*	*3,319*	99%
4c	Cloverlea-Takaro Labour Force	63	303	186	381	228	207	195	69	45	177	120	321	345	420	210	3,258	108	3,369	
5a	North-Eastern au Workplaces	231	486	327	201	48	537	201	12	36	99	42	39	237	174	156	2,829	42	2,868	
5b	*Adjusted*	*274*	*540*	*440*	*211*	*52*	*603*	*254*	*12*	*37*	*107*	*56*	*41*	*246*	*189*	*170*	*3,232*	*176*	*3,408*	59%
5c	North-Eastern Labour Force	231	552	501	597	219	426	261	141	99	300	135	513	573	753	348	5,661	153	5,805	
6a	Western au Workplaces	114	522	81	42	42	90	75	18	21	48	15	30	237	153	75	1,578	33	1,611	
6b	*Adjusted*	*135*	*580*	*109*	*44*	*46*	*101*	*95*	*19*	*22*	*52*	*20*	*31*	*246*	*166*	*82*	*1,748*	*138*	*1,886*	53%
6c	Western Labour Force	138	387	243	384	183	222	228	63	66	165	120	255	348	396	216	3,405	153	3,555	
7a	Awapuni-West End au Workplaces	27	78	108	294	219	30	54	24	30	78	57	81	471	255	291	2,109	30	2,136	
7b	*Adjusted*	*32*	*87*	*145*	*309*	*238*	*34*	*68*	*25*	*31*	*84*	*75*	*85*	*489*	*277*	*317*	*2,296*	*126*	2,422	42%
7c	Awapuni-West End Lab Force	120	375	333	654	378	249	267	156	108	441	234	492	804	630	387	5,634	198	5,826	

TABLE 8 - 2013 : Page 2

	Area Unit Groupings	Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE	Job Self-Sufficiency
8a	Hokowhitu-Tce End au Workplaces	21	81	231	117	156	42	45	21	72	162	39	30	381	354	186	1,926	45	1,971	
8b	*Adjusted*	*25*	*90*	*311*	*123*	*170*	*47*	*57*	*22*	*75*	*175*	*52*	*31*	*395*	*385*	*202*	*2,160*	*189*	2,349	35%
8c	Hokowhitu-Tce End Lab Force	105	393	360	732	411	309	195	186	174	630	171	543	1,080	807	372	6,474	156	6,624	
9a	South Eastern au Workplaces	168	84	99	132	144	21	9	21	27	831	171	1,611	1,872	171	132	5,514	9	5,520	
9b	*Adjusted*	*199*	*93*	*133*	*139*	*157*	*24*	*11*	*22*	*28*	*900*	*226*	*1,690*	*1,942*	*186*	*144*	*5,894*	*38*	*5,932*	238%
9c	South Eastern Labour Force	81	111	66	171	108	81	51	57	60	213	33	717	372	210	96	2,436	63	2,496	
10a	Turitea au Workplaces	138	141	48	141	42	18	18	12	15	69	21	75	45	42	30	852	12	864	
10b	*Adjusted*	*164*	*157*	*65*	*148*	*46*	*20*	*23*	*12*	*16*	*75*	*28*	*79*	*47*	*46*	*33*	*959*	*50*	1,009	99%
10c	Turitea Labour Force	135	60	54	78	30	36	30	15	27	108	15	99	165	96	48	993	30	1,020	
11a	All City au Workplaces	765	2,937	2,091	4,440	2,109	2,355	1,791	981	789	2,619	1,077	3,786	4,776	5,394	2,355	38,316	270	38,571	
11b	*Adjustment Factor*	*1.1869*	*1.1117*	*1.3467*	*1.0507*	*1.0872*	*1.1231*	*1.2630*	*1.0367*	*1.0393*	*1.0832*	*1.3240*	*1.0491*	*1.0375*	*1.0882*	*1.0879*	42,310	*4.1963*	43,442	
	Palmerston Nth City Workplaces*[1]	908	3,265	2,816	4,665	2,293	2,645	2,262	1,017	820	2,837	1,426	3,972	4,955	5,870	2,562	42,313	1,133	43,446	116%
	Palmerston Nth City Lab Force*[2]	1,002	2,892	2,286	4,065	2,133	2,073	1,635	849	708	2,430	1,140	3,636	4,476	4,683	2,175	36,177	1,152	37,332	

Source: Lines a and c Statistics NZ; Lines b Marketplace NZ and Property Economics.

*[1] Ex Table 5, line 4b.
*[2] Ex Table 5, line 4c.

Note:
Above industry groupings, other than where separately reported by Statistics NZ, comprise as follows:
Primary Industry : Agriculture, Forestry, Fishing and Mining and Quarrying.
Manufacturing & Infrastructural Services : Manufacturing, Electricity, Gas, Water and Waste Services.
Hospitality : Accommodation and Food & Beverage Services.
Admin & Support Services : Employment, Travel, Credit, Cleaning, Gardening and other Commercial Services.

As all published census values are randomly rounded to numbers divisible by 3 and adjustment factor outcomes are rounded up or down, values do not necessarily sum ex

City Sub-set Results

5.1 Table 9 compares the assessed workplace counts in each City Sub-set from 2006 to 2013. The paragraph 4.2 comments apply equally to the following analyses:

Central Core

There was a small workplace decline in 2013, equivalent to about 3%. Gains were registered in most services; in Admin, Safety & Support more so than in the entire City. Hospitality workplaces increased against the City-wide trend, but Retailing, Realty & related and Recreational & Arts all lost ground, as did workplaces tending to have an industrial connotation.

Palmerston North Hospital

Whilst Health and Social Service workplaces gained, the trend was for fewer 2013 workplaces, more or less across the board. The western part of the area unit includes OBZ and FBZ properties and the collective declines suggest that through to 2013, the business areas became less intensively utilised.

Milson-Roslyn

This sector contains the Airport and material other Business Zones and showed an increased workplace count to 2013, against the City-wide trend. Most commercially orientated activity workplaces contributed to the net increase, but with offsetting reductions in hospitality and several industrial categories.

Cloverlea-Takaro

This area exhibited a slight overall decline in 2013 workplaces, with gains in mainly Retailing, Warehousing and related and Admin, Safety & Support Services offsetting losses in most other categories.

North-Eastern

The North-Eastern sector reflected the strongest workplace gains, up 13%, almost across the board. Gains in industrially-orientated activities were consistently registered, in contrast to the generalities of such in virtually all other sectors. This suggests that there have been activity relocations or replacements in favour of this sector, at the expense of others.

Western

This area registered a minor workplace decline, but with modest increases in some industrial-styled activities and some commercially-orientated services.

Awapuni-West End

This sector, one of those with a significant reduction in the "Not Elsewhere Included" workplaces, appears to have achieved some improvement in commercially-orientated workplaces, more than offset by the declines, which represented a net 6% loss of workplaces.

Hokowhitu-Terrace End

There was a major workplace decline in this area, no doubt largely due to the significant curtailment of employment activities around the Hokowhitu Lagoon. This would appear to be an ongoing prospect, given the likelihood of high quality new residential activity in that locality.

South-Eastern

The urban area units east of the Manawatu River include two major specialised activities which generated a net workplace gain to 2013, probably augmented by the workplace losses around the Horowhitu Lagoon. In the circumstances, the increased counts were relatively modest.

Turitea

The City's rural area unit seems to have very substantially lost workplaces from 2006 to 2013. However, there is some doubt, in particular, about the "loss" of 1,700 workplaces when considering the two counts. How Turitea could have ever had 580-odd retail workplaces in 2006 is a mystery as are other counts which declined by 60-75%, despite the elimination of most of the 2006 "Not Elsewhere Included" counts. This is seen as a somewhat unreliable guide, but is not of great consequence as Turitea is not an urban area unit.

5.2 Key indicative changes between 2006 and 2013 are considered to include the following, bearing in mind the influence of the improved 2013 classification revealed in the penultimate Table 9 column.

Central Core

An assessed effective employment decline of about 3% was exacerbated by a 13% reduction in Retail jobs, 31% in the industrially-orientated Warehousing etc category and 42% in Construction jobs, the latter notoriously variable, depending on development activity over one month. Governmental and related social services largely offset the declines.

North-Eastern Sector

Although accounting for only a small job share (6-7% in 2006, ±8% in 2013) this area's returns indicated a net job gain of around 13%.

Turitea (Non-urban)

The discrepancy between the two apparent results accounts for some 60% of the indicated City-wide job losses. The 2006 values appear to be greatly overstated, especially in activities such as Retail, as there is very little commercial development in the Sector. The question is whether such over-statement would have included non-City jobs (thereby exacerbating the apparent City-wide decline) or represented faulty allocation of other City jobs, thereby overstating the negative trends in other Palmerston North City sectors.

TABLE 9 : PALMERSTON NORTH SUB-SET EMPLOYMENT CHANGES 2006-2013

Sub-Sets of City		Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE
Central Core	06	49	425	416	2,675	1,154	418	687	785	542	1,126	773	1,376	411	1,267	1,096	13,156	462	13,618
	13	32	327	242	2,317	1,246	421	474	806	433	1,115	520	1,844	666	1,600	995	13,064	176	13,240
	Change	-17	-98	-174	-358	+92	+3	-213	+21	-109	-11	-253	+468	+255	+333	-101	-92	-286	-378
PN Hospital	06	4	216	371	293	133	175	96	54	21	144	179	31	260	2,147	187	4,278	101	4,379
	13	7	173	202	154	98	125	110	37	12	58	143	13	261	2,416	180	3,966	25	3,991
	Change	+3	-43	-169	-139	-35	-50	+14	-17	-9	-86	-36	-18	+1	+269	-7	-312	-76	-388
Milson-Roslyn	06	41	1,091	660	607	322	701	518	115	121	108	147	75	407	206	264	5,360	402	5,762
	13	25	880	832	681	157	974	390	53	75	205	179	57	532	437	261	5,712	151	5,863
	Change	-16	-211	+172	+74	-165	+273	-128	-62	-46	+97	+32	-18	+125	+231	-3	+352	-251	+101
Cloverlea-Takaro	06	82	484	477	307	68	401	579	7	139	79	92	44	154	196	215	3,310	121	3,431
	13	14	337	335	539	85	296	781	9	90	65	127	101	131	166	180	3,241	63	3,304
	Change	-68	-147	-142	+232	+17	-105	+202	+2	-49	-14	+35	+57	-23	-30	-35	-69	-58	-127
North-Eastern	06	297	537	371	105	50	483	144	10	36	112	46	21	175	178	130	2,687	322	3,009
	13	274	540	440	211	52	603	254	12	37	107	56	41	246	189	170	3,225	176	3,401
	Change	-23	+3	+69	+106	+2	+120	+110	+2	+1	-5	+10	+20	+71	+11	+40	+538	-146	+392
Western	06	128	516	107	66	61	118	87	3	18	54	37	24	253	129	85	1,680	261	1,941
	13	135	580	109	44	46	101	95	19	22	52	20	31	246	166	82	1,747	138	1,885
	Change	+7	+64	+2	-22	-15	-17	+8	+16	+4	-2	-17	+7	-7	+37	-3	+67	-123	-56
Awapuni-West End	06	54	136	142	251	279	32	48	30	61	101	60	72	479	220	275	2,234	342	2,576
	13	32	87	145	309	238	34	68	25	31	84	75	85	489	277	317	2,289	126	2,415
	Change	-22	-49	+3	+58	-41	+2	+20	-5	-30	-17	+15	+13	+10	+57	+42	-55	-216	-161

TABLE 9 : Page 2

Sub-Sets of City		Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Admin & Support Svces	Public Admin & Safety	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL PEOPLE STATED	Not Elsewhere Included	TOTAL PEOPLE
Hokowhitu-Terrace End	06	41	101	437	178	147	79	52	27	71	176	46	144	613	321	303	2,738	322	3,060
	13	25	90	311	123	170	47	57	22	75	175	52	31	395	385	202	2,154	189	2,343
	Change	-16	-11	-126	-55	+23	-32	+5	-5	+4	-1	+6	-113	-218	+64	-101	-584	-133	-717
South-Eastern	06	243	66	196	129	75	21	22	7	50	978	69	1,690	1,633	140	236	5,575	181	5,756
	13	199	93	133	139	157	24	11	22	28	900	226	1,690	1,942	186	144	5,958	38	5,996
	Change	-44	+27	-63	+10	+82	+3	-11	+15	-22	-78	+157	0	+309	+46	-92	+383	-143	+240
Turitea	06	318	216	183	582	122	54	61	30	39	140	106	175	147	150	155	2,470	261	2,731
	13	164	157	65	148	46	20	23	12	16	75	28	79	47	46	33	959	50	1,009
	Change	-154	-59	-118	-434	-76	-34	-38	-18	-23	-65	-78	-96	-100	-104	-122	-1.511	-211	-1,722
Palmerston North City	06	1,258	3,788	3,259	5,193	2,411	2,482	2,293	1,068	1,099	3,018	1,555	3,651	4,532	4,954	2,947	43,508	2,774	*46282
	13	908	3,265	2,816	4,665	2,293	2,645	2,262	1,017	820	2,837	1,426	3,972	4,955	5,870	2,562	42,313	1,133	*43442
	Change	-350	-523	-443	-528	-118	+163	-31	-51	-279	-181	-129	+321	+423	+916	-385	-1,195	-1,641	*-2,840

*Note: These values do not represent the exact sum of the two preceding numbers. This is because the "Total People Stated" values, based on the geographic breakdowns of Tables 7 and 8, do not exactly match the City-wide equivalents in Tables 4 and 5. The differences are irrelevant in the context of the analysis.

APPENDIX 6: MARK TANSLEY BUSINESS FRAME EMPLOYMENT COUNTS 2003-2017 AND RELATED EVALUATION

1.0 About Business Demography Statistics

1.1 Business Demography statistics provide an annual snapshot (at February) of the structure and characteristics of New Zealand businesses. The series covers what are termed "economically significant enterprises" that are engaged in producing goods and services in New Zealand. The following quotations are taken from material explaining the approach and which normally accompany such information releases by Statistics New Zealand:

> "*Businesses covered*
>
> *Business demography statistics coverage is limited to economically significant enterprises that are engaged in producing goods and services in New Zealand. An enterprise must meet at least one of the following criteria:*
>
> - *annual expenses or sales subject to GST of more than $30,000*
> - *12-month rolling mean employee count of greater than three*
> - *part of a group of enterprises*
> - *registered for GST and involved in agriculture or forestry*
> - *over $40,000 of income recorded in the IR10 annual tax return (this includes some units in residential property leasing and rental).*"
>
> "*Employees or employee count (EC): refers to paid employees. It is a head count of salary and wage earners sources from taxation data. EC data is available on a monthly basis. The EC used for deriving business demography statistics is for the February month.*"
>
> " • *EC statistics include all employees who are paid during the month, irrespective of the number of hours or days they work. If an individual has multiple jobs during a month, with different employers, we count all jobs.*
>
> - *EC statistics at the geographic-unit level for multi-geographic-unit enterprises (many business locations) are calculated by a process that includes some estimation. We proportion enterprise-unit EC data to the constituent geographic units by using survey data and administrative records on employee locations.*
> - *Generally the EC for a geographic unit is all paid employees working at that business location. However, for industries with employees who do not work at a fixed location, we count employees at the geographic unit that represents the base, administrative, or head office of their employer (eg building and construction, transport, contract labour, health care and assistance, gardening, agriculture contracting, cleaning).*
> - *Data users need to be cautious and understand the factors influencing EC statistics when interpreting changes over time.*"

"*We source the employee Count (EC) data we publish in the business demography statistics and Linked Employer-Employee Database (LEED) from the employer monthly schedule (EMS) tax form. Conceptual differences between the business demography EC size measures and the public LEED employment statistics include:*

- *business demography includes employees of all ages (LEED statistics exclude employees under 15 years)*
- *business demography counts people employed at any time during the February month (LEED statistics only count those employed on the 15th of the reference month)*
- *business demography uses the EMS data before all returns are finalised. When we publish the business demography statistics, we consider the EMS data robust enough to accurately indicate business size.*

Business demography does not provide official statistics on employment levels. The EC data in business demography is primarily used to support business size statistics."

(underlining added)

"*Significant increase in enterprises in 2004 – particularly in ANZSIC06 divisions K (financial and insurances services) and L (rental, hiring, and real estate services). This was largely a consequence of our improved use of administrative data to maintain the BF. Most enterprises added were non-employing businesses.*"

(underlining added)

1.2 The foregoing comments (not just those that are underlined) illustrate the fundamental differences between Employment Counts ("ECs") and Census-based employment data, which is gathered directly from all over-15 persons, including all workers, in relation to the March year of Census. In particular, workers who appear on two or more February payrolls are each treated as 2 or more ECs. Proprietors and self-employed who do not appear on February IRD employment returns are not included. All February employees are accounted for at least once, with no exclusions (in contrast to the Census counts) because if necessary, place of employment is equated to the geographical provenance of the relevant payroll.

2.0 Employment Counts

2.1 Property Economics has provided complete Business Frame employment counts for the City for the February months of years 2000 to 2017. Counts shown in the first four sets of columns in Table 10, overleaf, repeat the ECs, for years 2003, 2006 and 2013 and for February 2017, the most recently available. 2006 and 2013 were Census years. Other than for 2003, the ECs have been extrapolated to show their proportionate change. The last two sets of Table 10's columns are taken directly from Tables 4 and 5 of Appendix One.

2.2 Property Economics has also provided a breakdown of ECs for the same eighteen years, as between different areas of the City. This and the related evaluation follow discussion of Table 10.

3.0 City-wide Analysis

3.1 The Total EC lifted by 11% from 2003 to 2006, consistent with the economic climate, depressed in 2000/01 and buoyant in 2006/07, before the NZ recession, the GFC implications and Christchurch earthquake events succeeded each other. Even in 2013, with recovery well under way, the Total EC was down by 3% on that of 2006. Increasing buoyancy through to February 2017 saw a turnaround, with Total ECs up 7% over four years. In broad terms, the 2017 Census should reflect this trend.

3.2 The extent of the overall change from 2003 to 2006 is exacerbated by the last quoted passage in paragraph 1.1, and so in the wider context of that quotation, should not be regarded as reliable, in either the numerical changes or the percentage indicators of change.

3.3 The 2006-2013 EC comparisons show that the decline of 3% incorporated larger declines of 9% in the Commercial Services and Offices categories and 23% in Manufacturing and Utility Services. The only groups of categories to show an increased EC were Governmental and Social Services (up 3%) with Health and Social Services the main contributor to that modest result.

3.4 The EC changes between February 2013 and February 2017 encompassed increases in every category group other than Retail and Hospitality, with the former dropping by 9%. Primary Industry ECs more than offset their 2006-2013 decline, but represent only a tiny proportion of the Total. Manufacturing and Utilities registered a 14% increase, to partly offset losses between 2006 and 2013. Govt and Social Services, close to reaching 50% of the City's 2017 EC, grew by 10%, with only Education and Training failing to register a significant increase.

3.5 The assessed Census Workplace counts from Appendix One enable the two data sources to be compared. Differences in comparable numbers (as between ECs and Workplaces) are the consequence of substantially different approaches (as summarised in paragraph 1.2 by reference to paragraph 1.1). Another reason for count discrepancies is that the "Not Elsewhere Included" Census-based Workplace counts all belong on an identified line and differed proportionately from 2006 to 2013. Were it possible to re-allocate such returns, the 2006 counts by industry would be inflated more than those in 2013. (See also paragraph 5.2 of Appendix One.)

3.6 Acknowledging the above, the comparison shows that the trends in the two sets of data were generally similar. From 2006 to 2013, the City's EC declined by 3%, whereas the assessed Workplace counts declined by 6%.

3.7 The final column of Table 10 shows the proportionate changes NZ-wide, in the Census Workplace counts for 2006 and 2013. This is not of course an urban equivalent, but it does provide another contextual reference. In making comparisons, it is important to recognise that the NZ-wide workplace count increased by 1% between 2006 and 2013, whereas the City's dropped by 6%. In that light:

(a) The Retail and Hospitality changes were not as dire as they may have appeared to be at first glance. Retail evolution, mainly toward larger format stores, has exchanged payroll costs for higher inventories and better display of goods, as well as growing hands-free online transactions.

(b) The decline in the City's Commercial Services and Offices workplaces is significantly greater than can be explained by overall job growth differences. All else being equal, it would indicate higher commercial office vacancies in 2013, especially as floorspace efficiencies were being implemented over that period.

(c) Generally speaking, the City's growth in Governmental and Social Services workplaces is reasonably matched with the NZ-wide equivalent results. Health and Social Services gains were close to the national average, probably relating to some extent to increasingly higher age group differentials in the City and surrounds. Recreation, Arts and Other Services' significant decline may have been in part reciprocal, in part demographically related.

(d) The Light Industry comparisons are informative. The City's decline in Construction Workplaces reflects that in 2013, the accelerating national economy had lifted such opportunities in higher growth areas, including Christchurch where post-earthquake redevelopment was assuming a tangible form. Wholesaling employment grew, against the downward national trend, whilst the Warehousing and other logistics nominal job losses were just under the equivalent NZ-wide decline. These results are consistent with the burgeoning Palmerston North distributional role, anchored by the relocation of Foodstuffs' lower North Island base from Upper Hutt to the City.

(e) The decline in Manufacturing and Utility Services Workplaces was only modestly greater than was the national decline, and not significant given the overall NZ experience. It may have been positively influenced by the City's growing logistics base (Wholesaling, Warehousing and Transportation activities).

3.8 Having regard to the above evaluation of comparable EC and Workplace trends and of the country-wide context within which they sit, the interpretation of the 2013-17 EC changes in Table 10 is as follows.

TABLE 10 : COMPARISON OF PALMERSTON NORTH EMPLOYMENT COUNTS AND ASSESSMENTS

	Business Frame Counts (ECs)											Census-Based Workplace Assessments					
	2003		2006			2013			2017			2006		2013			NZ-Wide
	Count	Prop'n	Count	Prop'n	% Incr	Count	Prop'n	% Incr	Count	Prop'n	% Incr	Count	Prop'n	Count	Prop'n	% Incr	% Incr
Retail Trade	4,550	10.9%	5,100	11.0%	12%	5,100	11.3%	0%	4,650	9.6%	-9%	5,193	11.2%	4,665	10.7%	-10%	-4%
Hospitality	2,750	6.6%	2,850	6.1%	4%	2,700	6.0%	-5%	2,800	5.8%	4%	2,411	5.2%	2,293	5.3%	-5%	1%
RETAIL & HOSPITALITY	7,300	17.5%	7,950	17.1%	9%	7,800	17.3%	-2%	7,450	15.4%	-4%	7,604	16.4%	6,958	16.0%	-8%	-2%
Financial & Ins Services	700	1.7%	700	1.5%	0%	690	1.5%	-1%	690	1.4%	0%	1,068	2.3%	1,017	2.3%	-5%	7%
Realty, Rent & Hire Services	620	1.5%	620	1.2%	0%	560	1.2%	-10%	640	1.3%	14%	1,099	2.4%	820	1.9%	-25%	-9%
Professional, Technical & Scientific	2,600	6.2%	3,250	7.0%	25%	2,600	5.8%	-20%	2,700	5.6%	4%	3,018	6.5%	2,837	6.5%	-6%	9%
COMMERCIAL SERVICES & OFFICES	3,920	9.4%	4,500	9.7%	15%	3,850	8.5%	-16%	4,030	8.4%	5%	5,185	11.2%	4,674	10.8%	-10%	5%
Admin, Safety & Support	5,950	14.3%	6,850	14.7%	15%	7,000	15.5%	2%	7,950	16.5%	14%	5,188	11.2%	5,404	12.4%	4%	11%
Education & Training	5,200	12.5%	5,300	11.4%	2%	5,400	12.0%	1%	5,600	11.6%	4%	4,532	9.8%	4,955	11.4%	9%	13%
Health & Social Services	5,400	12.9%	6,300	13.6%	17%	6,600	14.6%	5%	7,400	15.3%	12%	4,954	10.7%	5,870	13.5%	18%	20%
Recreation, Arts & Other	2,240	5.4%	2,460	5.3%	10%	2,450	5.4%	0%	2,690	5.6%	10%	2,947	6.4%	2,562	5.9%	-13%	3%
GOVT & SOCIAL SERVICES	18,790	45.0%	20,910	45.0%	11%	21,450	47.6%	3%	23,640	49.0%	10%	17,621	38.1%	18,791	43.3%	7%	12%
Warehousing, Transport & Communication	2,550	6.1%	2,540	5.5%	0%	2,380	5.3%	-6%	2,480	5.1%	4%	2,293	5.0%	2,262	5.2%	-1%	-2%
Wholesale Trade	2,200	5.3%	2,650	5.7%	20%	3,100	6.9%	17%	3,200	6.6%	3%	2,482	5.4%	2,645	6.1%	7%	-2%
Construction	2,350	5.6%	3,450	7.4%	47%	3,050	6.8%	-12%	3,350	6.9%	10%	3,259	7.0%	2,816	6.5%	-14%	2%
LIGHT INDUSTRY ACTIVITIES	7,100	17.0%	8,640	18.6%	22%	8,530	18.9%	-1%	9,030	18.7%	6%	8,034	17.4%	7,723	17.8%	-4%	0%
MANUFACTURING & UTILITIES	3,990	9.6%	3,870	8.3%	-3%	2,970	6.6%	-23%	3,380	7.0%	14%	3,788	8.2%	3,265	7.5%	-14%	-11%
																	5
PRIMARY INDUSTRIES	598	1.4%	621	1.3%	4%	490	1.1%	-21%	710	1.5%	45%	1,258	2.7%	908	2.1%	-28%	-3%
																	-3%
TOTAL PEOPLE STATED	41,698	100.0%	46,491	100.0%	11%	45,090	100.0%	-3%	48,240	100.0%	7%	43,490	94.0%	42,319	97.4%	-3%	2%
Not Elsewhere Included	N/A	-	N/A	N/A	-	N/A	N/A	-	N/A	N/A	-	2,774	6.0%	1,133	2.6%	-59%	-28%
TOTAL PEOPLE	41,698	100.0%	46,491	46,491	11%	45,090	100.0%	-3%	48,240	100.0%	7%	46,264	100.0%	43,432	100.0%	-6%	1%

4.0 Retail & Hospitality

4.1 The Retail Trade ECs from 2006 to 2013 did not reflect the significant census-based Workplace decline so are considered unrealistic, to at least some extent. On the other hand, the 2013-17 ECs reflect a significant downward change, during a period when bricks and mortar retail trade has generally expanded and could be expected to have done so in the City, albeit less emphatically. To base short term forward projections of land needs on the EC changes is not considered realistic, whilst acknowledging that the short term economic outlook from early 2018 is less robust than the Country has been experiencing in recent years.

4.2 The Hospitality EC trends from 2006 to 2013 are consistent with Census-based results and their uplift to 2017 is equally plausible. Thus, any ongoing weakness in retail demand is likely to be offset, more or less, by a need for more physical space for restaurants, cafés, bars and takeaway / lunchbar operations, going forward from 2017.

4.3 Overall, it is considered that the current review of the District Plan is unlikely to have to provide for significantly more bricks and mortar Retail and Hospitality activity, although needing to ensure that relocation and expansion opportunities are not unduly constrained by the relevant zoning provisions.

4.4 A factor related to the above prognosis is that as online (and other stay-at-home) shopping opportunities grow, chainstores will increasingly be tempted to meet such demand ex-warehouse, rather than ex-retail outlet. This would divert some trade from retail outlets in commercial areas to centralised wholesaling outlets, with reciprocal implications for the efficient and effective use of zoning provisions.

5.0 Commercial Services & Offices

5.1 In these activities, the comparative EC results for 2006 and 2013 are materially worse (in the sense of indicating a decline) than are the Census-based results, which still trail the NZ-wide trends by a significant margin.

5.2 Central Palmerston North is the dominant location for Financial and Insurance Services, the most significant for the Realty and related Services, but less so for the larger Professional and related category. Central office space demand will be diminished if employment falls after what appears to be a relatively flat 2013-17 period, whilst only modest growth could be offset by increasing workplace efficiency trends. A small proportion of the overall employment in Commercial Services and office activity is located at ground floor level, alongside Retail and Hospitality outlets, but its potential future contribution to the sustainable management of the main commercial precincts is unlikely to be significant.

6.0 Governmental & Social Services

6.1 This dominant employment group grew from 2006-2013 albeit the EC gain was less than that of the Workplace Assessment. Within the wider group, the former changes were very modest. Results in Recreation, Arts and Other Services were negligible for ECs, but the Workplace assessment indicates a City-wide decline of 13%, compared with a small gain nationwide. That is difficult to explain or reconcile.

6.2 Other than to the extent of about 45% in 2013 for Public Administration and Safety workplaces, none of these business categories is highly CBD-orientated, least of all Education and Training Services. None-the-less, the Central Area should be a beneficiary of the established trend, so long as it continues.

6.3 The EC trend between 2013 and 2017 was for much more rapid growth than in the preceding seven years and given the economic growth that prevailed, as well as the change of Government, that is likely to continue in the short term. However, if current (early 2018) economic expectations – declining confidence – are confirmed in the near future, employment growth beyond 2018 could follow that same reducing track.

7.0 Light Industry Activities

7.1 Both the City's and the national 2006-2013 trends suggest that notwithstanding the modest Warehousing, Transport and Communication EC lift from 2013-2017, little more than negligible employment gains may have been made to that point. Payroll increases are unlikely to drive more Industrial land demand, especially if the City's distributional role is adversely affected by forced roading changes, discussed below.

7.2 The Wholesale Trade's Census-based 2006-2013 Workplace gains were far exceeded by those of the ECs, the most positive result on Table 10. Whilst the EC increases may overstate the real change, ongoing expansion of employment in this category appears logical, given the City's logistical advantages. However, a possible contrary factor is the closure of the Manawatu Gorge and an associated delay in providing an adequate alternative route, further to the south. Areas formerly efficiently serviced from Palmerston North, such as Dannevirke and Woodville, may already be receiving more inbound goods from Hawkes Bay or the Wairarapa. The ultimate creation of an alternative highway may more than reverse such trends, especially if it improves the former connection to Hawkes Bay.

7.3 The Construction industry is not necessarily in step with trends, especially when measurement of the latter represent snapshots at the start and end of a period, but based on differing economic circumstances and in one month of each year. Construction activity rises and falls in a more "lumpy" manner, as projects are initiated or concluded, especially in smaller, regional markets lacking any particular growth stimulus. Also, Construction's Industrial land needs are much less proportionate to its employment levels than the others. This is because most of its labour force at any given time are based at construction sites or subdivisions, not at the relevant depot. For this reason a recovery in the Construction EC, as portended in the 2013-17 comparisons, would not necessarily translate directly to demand for more, or much more, Industrial land.

7.4 Overall, Light Industry activities can be expected to entail very modestly increased employment over time and only modestly enhanced demand for more Industrially zoned land, for the reasons outlined above.

8.0 Manufacturing Utilities

8.1 The two 2006-2013 trends in the City were consistent directionally, but materially more exaggerated in the EC results than in the assessed Workplace outcomes. In light of the NZ-wide labour force changes, the decline is likely to have been closer to the Census-based extrapolations. In this light, the 2013-17 EC uplift may reflect a reversal of the pre-2013 trends, but the NZ-wide employment losses suggest that at best, Local Manufacturing industries will not be a driver of significantly increased Industrial zoning demand.

8.2 This secondary Industry's future is predicated by technological advances, to some extent at the expense of numbers employed. The Massey University food-hub initiatives could well increase the City's influence on the Country's food processing and manufacturing industries, as well as its related academic participation. The extent to which this may need to be provided for by way of increased Industrial zoning needs to have regard to this prospect, as their direct employment gains, if realised, may be in non-Industrial areas.

9.0 Primary Activities

9.1 Appendix Two need not consider this essentially non-urban activity.

10.0 Distribution of City ECs

10.1 Table 11 utilises area unit-based ECs to distribute employment geographically. This data has been prepared by Property Economics Ltd from 2000-2017 City-wide ECs, which at total level, vary slightly from the Palmerston North City totals of Table 10. They need to be viewed in the wider context of the above passages and having regard to Table 9 of Appendix One.

10.2 Data from February months 2003, 2006, 2013 and 2017 have been isolated for comparable analysis with earlier tabulations. Each zoned or otherwise geographically defined sub-set shows EC changes from both 2003-17 and 2006-17. The reasons are:

(a) 2003 represented the adoption of the City's former Retail Strategy, so that is the utilised initial snapshot in time.

(b) However, 2003-2006 was a time of very rapid economic expansion from a low point at the start of the century. Job growth over that period, especially from 2003, was exception and to shortly come to an end.

(c) The retail Strategy contributed little practical value during this period, as while it was assisting in day-to-day planning matters as they arose, commercial development which emerged over the three years to 31 March 2006 had largely been pre-processed, whilst the strategic initiatives were not yet operative.

(d) In a pragmatic sense therefore, 2006 to 2017 is the more appropriate guideline. In countryside economic terms, it started on a high and ended on a high, which provides a more informed comparison than does 2003-2017. The analysis therefore considers the former.

10.3 City-wide, the EC grew by some 1,700, or close to 4%, over the 11 years to February 2017. This is modest compared with NZ's job growth, additionally fuelled as it has been by strong tourist spending growth and related job opportunities. In that regard, Palmerston North's economy benefits much less, proportionately.

10.4 The three Central Business Zones registered modest EC declines over the 2006-17 period, with gains made only in the North-Eastern Industrial area and in scattered non-central locations around the City. Retail ECs declined by about 8% and Hospitality ECs by about 3%, but the Inner Business Zone actually lost more Retail ECs than the City. At the disclosure level adopted, there is no way of analysing the components. For example, lower Vehicle and Fuel sales could have been a factor, as could have Food and Beverage outlet trends.

10.5 For the above kinds of reason, Table 11 is not further analysed herein, but remains a reference for a range of EC trends, City-wide.

TABLE 11 : EMPLOYMENT COUNTS BY LOCATION WITHIN CITY - 2003-2017 SUMMARY

Zones - February Years		Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Administration & Support Svces	Public Admin & Safety Svces	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL COUNT
Inner Business	2003	0	105	21	1,635	889	15	668	308	50	439	672	813	401	150	341	6,507
	2006	3	81	15	1,655	960	9	571	333	57	481	409	870	416	433	385	6,678
	2013	0	94	15	1,373	1,010	24	266	342	48	311	425	1,283	403	1,121	363	7,078
	2017	30	99	26	1,155	890	21	454	370	89	296	235	1,249	350	812	321	6,397
	03-17	*30*	*-6*	*5*	*-480*	*1*	*6*	*-214*	*62*	*39*	*-143*	*-437*	*436*	*-51*	*662*	*-20*	*-110*
	06-17	*27*	*18*	*11*	*-500*	*-70*	*12*	*-117*	*37*	*32*	*-185*	*-174*	*379*	*-66*	*379*	*-64*	*-281*
Outer Business	2003	21	304	340	1,412	744	330	244	302	217	653	600	505	509	2,040	624	8,845
	2006	3	296	380	1,353	917	416	272	268	256	751	692	439	519	2,100	531	9,193
	2013	43	141	204	1,471	738	419	312	279	295	722	849	598	551	998	587	8,207
	2017	77	212	231	1,536	769	383	183	241	321	741	1,195	731	642	1,282	618	9,162
	03-17	*56*	*-92*	*-109*	*124*	*25*	*53*	*-61*	*-61*	*104*	*88*	*595*	*226*	*133*	*-758*	*-6*	*317*
	06-17	*74*	*-84*	*-149*	*183*	*-148*	*-33*	*-89*	*-27*	*65*	*-10*	*503*	*292*	*123*	*-818*	*87*	*-31*
Fringe Business	2003	0	127	78	163	18	57	3	46	24	27	12	0	60	25	108	748
	2006	0	111	80	212	15	52	0	48	18	27	21	0	62	9	86	741
	2013	0	50	46	295	54	30	9	0	0	24	6	0	55	3	86	658
	2017	0	45	64	312	97	6	3	3	0	18	3	0	40	9	74	674
	03-17	*0*	*-82*	*-14*	*149*	*79*	*-51*	*0*	*-43*	*-24*	*-9*	*-9*	*0*	*-20*	*-16*	*-34*	*-74*
	06-17	*0*	*-66*	*-16*	*100*	*82*	*-46*	*0*	*-45*	*-18*	*-9*	*-18*	*0*	*-22*	*0*	*-12*	*-67*
North-East Industrial	2003	6	3	15	0	0	0	0	0	0	3	0	0	3	0	0	30
	2006	3	6	21	9	0	0	0	0	0	3	0	0	0	0	0	42
	2013	3	9	221	9	0	390	75	0	3	0	0	0	18	0	3	731
	2017	0	12	220	0	0	490	70	0	3	0	0	0	18	0	0	813
	03-17	*-6*	*9*	*205*	*0*	*0*	*490*	*70*	*0*	*3*	*-3*	*0*	*0*	*15*	*0*	*0*	*783*

TABLE 11 : Page 2

Zones - February Years		Primary Industry	Manufacturing & Utilities	Construction	Retail Trade	Hospitality	Wholesale Trade	Warehousing, Tspt & Communication	Financial & Insurance Svces	Realty, Rental & Hiring Svces	Profess, Tech & Scientific Svces	Administration & Support Svces	Public Admin & Safety Svces	Education & Training Svces	Health & Social Svces	Recreational, Arts & Other Svces	TOTAL COUNT
Other Industry/Airport	2003	48	2,779	1,278	601	226	1,454	1,298	9	99	190	483	197	127	211	489	9,489
	2006	65	2,491	1,978	662	184	1,873	1,364	18	121	545	846	254	267	206	766	11,649
	2013	162	2,127	1,576	1,044	96	1,982	1,378	15	121	233	807	286	191	231	758	11,007
	2017	226	2,410	1,716	762	130	2,011	1,331	23	127	219	673	365	220	494	846	11,553
	03-17	*178*	*-369*	*438*	*161*	*-96*	*557*	*33*	*14*	*28*	*29*	*190*	*168*	*93*	*283*	*357*	*2,064*
	06-17	*161*	*-81*	*-262*	*100*	*-54*	*138*	*-33*	*15*	*6*	*-326*	*-173*	*111*	*-47*	*288*	*80*	*-96*
Local Business/Other	2003	535	694	603	752	870	369	307	27	238	1,290	447	2,228	4,117	2,934	691	16,102
	2006	549	890	961	1,145	798	268	318	40	114	1,468	545	2,767	4,092	3,486	711	18,152
	2013	297	586	1,016	870	822	251	350	57	90	1,326	468	2,254	4,162	4,302	633	17,484
	2017	371	595	1,060	869	889	279	436	54	99	1,444	450	3,032	4,327	4,834	818	19,557
	03-17	*-164*	*-99*	*457*	*117*	*19*	*-90*	*129*	*27*	*-139*	*154*	*3*	*804*	*210*	*1,900*	*127*	*3,455*
	06-17	*-178*	*-295*	*99*	*-276*	*91*	*11*	*118*	*14*	*-15*	*-24*	*-95*	*265*	*235*	*1,348*	*107*	*1,405*
Palmerston North	2003	610	4,012	2,335	4,563	2,747	2,225	2,520	692	628	2,602	2,214	3,743	5,217	5,360	2,253	41,721
	2006	623	3,875	3,435	5,036	2,874	2,618	2,525	707	566	3,275	2,522	4,330	5,356	6,234	2,479	46,455
	2013	505	3,007	3,078	5,062	2,720	3,096	2,390	693	557	2,616	2,555	4,421	5,380	6,655	2,430	45,165
	2017	704	3,373	3,317	4,634	2,775	3,190	2,477	691	639	2,718	2,556	5,377	5,597	7,431	2,677	48,156
	03-17	*94*	*-639*	*982*	*71*	*28*	*965*	*-43*	*-1*	*11*	*116*	*342*	*1,634*	*380*	*2,071*	*424*	*6,435*
	06-17	*81*	*-502*	*118*	*-402*	*-99*	*572*	*-48*	*-16*	*73*	*-557*	*34*	*1,044*	*241*	*1,197*	*198*	*1,701*

Appendix II: Palmerston North commercial property market survey (Blackmores)

Memo

To: Jono Ferguson-Pye, Senior Planner, Palmerston North City Council

From: Garry Dowse & Bruce Lavender

Date: 14 September 2018

Subject: Palmerston North Commercial Property Market Survey

We have now completed the Palmerston North City Council (PNCC) commissioned Palmerston North Commercial Property Market Survey for NPS. Critical findings are recorded in the attached spreadsheet (effective date is 30 June 2018).

Our methodology to determine occupancy and vacancy levels etc. proceeded on the following basis.

NATURE & SOURCE OF INFORMATION

Property data and market information has been sourced from but is not limited to Blackmores in-house database, PNCC, the Real Estate Institute of New Zealand, Property Guru: CoreLogic New Zealand, Headway Systems Limited, and local Property Professionals.

EXTENT OF INVESTIGATION

- Survey incorporated a viewing of all property identified in the Palmerston North City District Valuation Roll (supplied by PNCC 4 August 2017) with zoning:
  - Inner Business
  - Outer Business*
  - Local Business (Terrace End only)*
  - Fringe Business
  - Industrial**
  - Airport**
  - North East Industrial & Extension Land

  *Outer and Local Business zones findings are combined.

  **Industrial and Airport zones findings are combined

- Initial property viewings were undertaken with an external inspection from roadsides and pedestrian ways.
- Where possible internal inspections were undertaken.

METHODOLOGY & ITEMISATION

- Vacancy levels are assessed by reference to known floor area measure, scaled from records held, and lease advertising information.
- Vacancy levels are shown as a ratio of assessed vacant floor area to District Valuation Roll floor areas i.e. percentage.
- Where property was being advertised for lease or sublease but was still occupied it was treated as occupied.
- Within each zone, quality comment reflects the effective age and condition of the property:
    - New and modern builds (i.e. post year 2000 builds) are classified as A grade.
    - 1960’s to 1990’s builds are classified as B grade.
    - Pre-1960’s and earthquake prone status properties are automatically classified as a C grade.
    - Adjustments are made to finalise grading by reference to physical viewing i.e. refurbished, modernised may be B grade rather than C grade.
- Vacant land and dedicated carparking properties in all zones are balance non-graded properties.

MARKET SECTOR OBSERVATIONS

- There is strong occupancy in industrial locations, particularly for modern versatile property. Owner occupiers are active in take up of property, influenced by low funding costs.
- North East and East Terrace Industrial Estates are continuing strong growth sectors. There is extensive vacant land in the North East Industrial and Extension Land area. However, availability is complicated by a mix of serviced and unserviced land holdings.
- There is other vacant industrial zoned land within the City boundaries. However, a volume is compromised e.g. there is capacity at Longburn but a large area is held by Fonterra for long-term

future development and is not available to the market, nearby Works Road has infrastructural constraints.

- Mid-Broadway and Terrace End commercial (Outer/Local Business) are strong growth sectors.
- Central Business District evidences significant vacancies in multi-level office buildings with conversion to residential occupancy best alternative usage.
- In recent years there is a noticeable drift of office usage to the Outer Business zone, whereby it is clearly recognised low rise modern buildings with ready access and carparking are preferred.
- C grade upper level premises are transitioning from commercial into residential usage.
- Conventional strip or ribbon development retailing market is transitioning into restaurant/food and pop-up outlets. Said strip or ribbon development retailing has continued to suffer since the arrival of on-line retailing, large format retailing, and shopping centre competition.
- Land and construction activities are characterised by strong demand and short supply. Same is influencing upward pressure on prices. For data sources etc. we refer the reader back to Nature & Source of Information heading, page 1 of this memo.
- Scheduled data is available to provide a range of GIS mapping at PNCC's discretion. By way of examples:
    - Property categories in all zones;
    - Occupancies and vacancies per categories A, B, C in all zones;
    - Vacant land and dedicated carparking properties in all zones (as balance non-graded properties).

We trust the foregoing comments and attached spreadsheet meet your current needs. We recommend a meeting for debriefing and future reporting.

Regional Market Snapshot: PNCC

Land Values

Please note average rates psm at either end of range without being extreme or one offs.

Industrial $psm	Industrial		NE Indust & Extn Area	
Size (Ha)	Low	High	Low	High
< 0.3	$ 200	$ 400	$ 100	$ 200
< 1.0	$ 100	$ 200	$ 50	$ 100
< 5.0	$ 40	$ 80	$ 20	$ 40

Commercial $psm	Inner Business		Outer Business		Fringe Business	
Size (Ha)	Low	High	Low	High	Low	High
< 0.2	$ 600	$ 1,000	$ 500	$ 800	$ 300	$ 600
< 0.5	$ 400	$ 800	$ 300	$ 600	$ 200	$ 500

Guidance

Looking for intuitive guide to prevailing value levels

Ignore extremes and forced transactions

Intuitive feel for Construction Levels

Capitalisation Rate

Simple Cap Rate based on 6 yr or more remaining term certain

Commercial	A Grade Tenant		B Grade Tenant		C Grade Tenant		Assume six years minimum certain term	
Property	Low	High	Low	High	Low	High	Grade	Tenants
Commercial	6.00%	7.00%	7.00%	9.00%	9.00%	12.00%	A	Blue Chip
Industrial	6.00%	7.00%	7.00%	9.00%	9.00%	12.00%	B	Good and/or Substantive
Specialist	6.00%	7.00%	7.00%	9.00%	9.00%	12.00%	C	Average Locals

Construction Costs

Broad indicative rate psm inclusive of fees etc

Commercial $psm	Construction Cost	
Property	Low	High
Office	$ 2,500	$ 3,500
Retail	$ 1,500	$ 2,500
Warehouse	$ 1,000	$ 1,500

Construction		Options
Activity	High	High, Moderate, Low
Capacity	Moderate	High, Moderate, Low
Costs	Rising	Rising, Static, Falling

Leasing Trends

Please note average rents, on total occupancy cost basis, at either end of range without extremes

Rents (TOC)	Inner Business $psm		Car Parks $pa		OPEX $psm		Inner Business		Gross Floor Area	Vacancy		Gross Floor Area	Vacancy		Building	
Property Quality	Low	High	Low	High	Low	High	Demand	Supply	Ground Floor	Percent	Trend	Upper Floors	Percent	Trend	Grade	Quality
Grade A	$ 300	$ 800	$ 1,300	$ 1,560	$ 20	$ 40	Flat	Sufficient	56,032	0.0%	Flat	16,718	2.6%	Flat	A	Good - Post 2000
Grade B	$ 150	$ 400	$ 1,300	$ 1,560	$ 20	$ 40	Flat	Sufficient	100,051	5.4%	Flat	122,220	11.2%	Flat	B	Average - 1960's-1990's
Grade C	$ 100	$ 200	$ 1,300	$ 1,560	$ 20	$ 40	Weak	Surplus	53,245	30.4%	Up	24,199	36.1%	Up	C	Poor - Pre 1960

Leasing Trends

Please note average rents, on total occupancy cost basis, at either end of range without extremes

Rents (TOC)	Local & Outer Business $psm		Car Parks $pa		OPEX $psm		Local & Outer Business		Gross Floor Area	Vacancy		Gross Floor Area	Vacancy		Building	
Property Quality	Low	High	Low	High	Low	High	Demand	Supply	Ground Floor	Percent	Trend	Upper Floors	Percent	Trend	Grade	Quality
Grade A	$ 200	$ 300	$ 1,040	$ 1,300	$ 20	$ 40	Strong	Scarce	73,848	1.0%	Down	22,955	0.0%	Down	A	Good - Post 2000
Grade B	$ 150	$ 250	$ 1,040	$ 1,300	$ 20	$ 40	Flat	Sufficient	168,842	5.3%	Flat	44,871	13.5%	Flat	B	Average - 1960's-1990's
Grade C	$ 100	$ 150	$ 1,040	$ 1,300	$ 20	$ 40	Weak	Surplus	93,404	11.3%	Up	17,670	19.0%	Up	C	Poor - Pre 1960

Leasing Trends

Please note average rents, on total occupancy cost basis, at either end of range without extremes

Rents (TOC)	Fringe Business $psm		Car Parks $pa		Yard $psm		OPEX $psm		Fringe Business		Gross Floor Area	Vacancy		Building	
Property Quality	Low	High	Low	High	Low	High	Low	High	Demand	Supply	Ground & Upper Floors	Percent	Trend	Grade	Quality
Grade A	$ 180	$ 250	$ 780	$ 1,300	$ 40	$ 50	$ 20	$ 40	Flat	Sufficient	10,788	11.9%	Flat	A	Good - Post 2000
Grade B	$ 130	$ 180	$ 780	$ 1,300	$ 30	$ 40	$ 20	$ 40	Flat	Sufficient	36,046	3.7%	Flat	B	Average - 1960's-1990's
Grade C	$ 80	$ 120	$ 780	$ 1,300	$ 20	$ 30	$ 20	$ 40	Weak	Surplus	17,226	8.7%	Up	C	Poor - Pre 1960

Leasing Trends

Please note average rents, on total occupancy cost basis, at either end of range without extremes

Rents (TOC)	Industrial & Airport $psm		Car Parks $pa		Yard $psm		OPEX $psm		Industrial & Airport		Gross Floor Area	Vacancy		Building	
Property Quality	Low	High	Low	High	Low	High	Low	High	Demand	Supply	Ground & Upper Floors	Percent	Trend	Grade	Quality
Grade A	$ 85	$ 120	$ 390	$ 780	$ 20	$ 30	$ 10	$ 20	Strong	Scarce	219,510	2.0%	Down	A	Good - Post 2000
Grade B	$ 65	$ 85	$ 390	$ 780	$ 10	$ 20	$ 10	$ 20	Strong	Scarce	641,577	3.5%	Down	B	Average - 1960's-1990's
Grade C	$ 50	$ 65	$ 390	$ 780	$ 5	$ 10	$ 10	$ 20	Flat	Sufficient	180,845	6.6%	Flat	C	Poor - Pre 1960

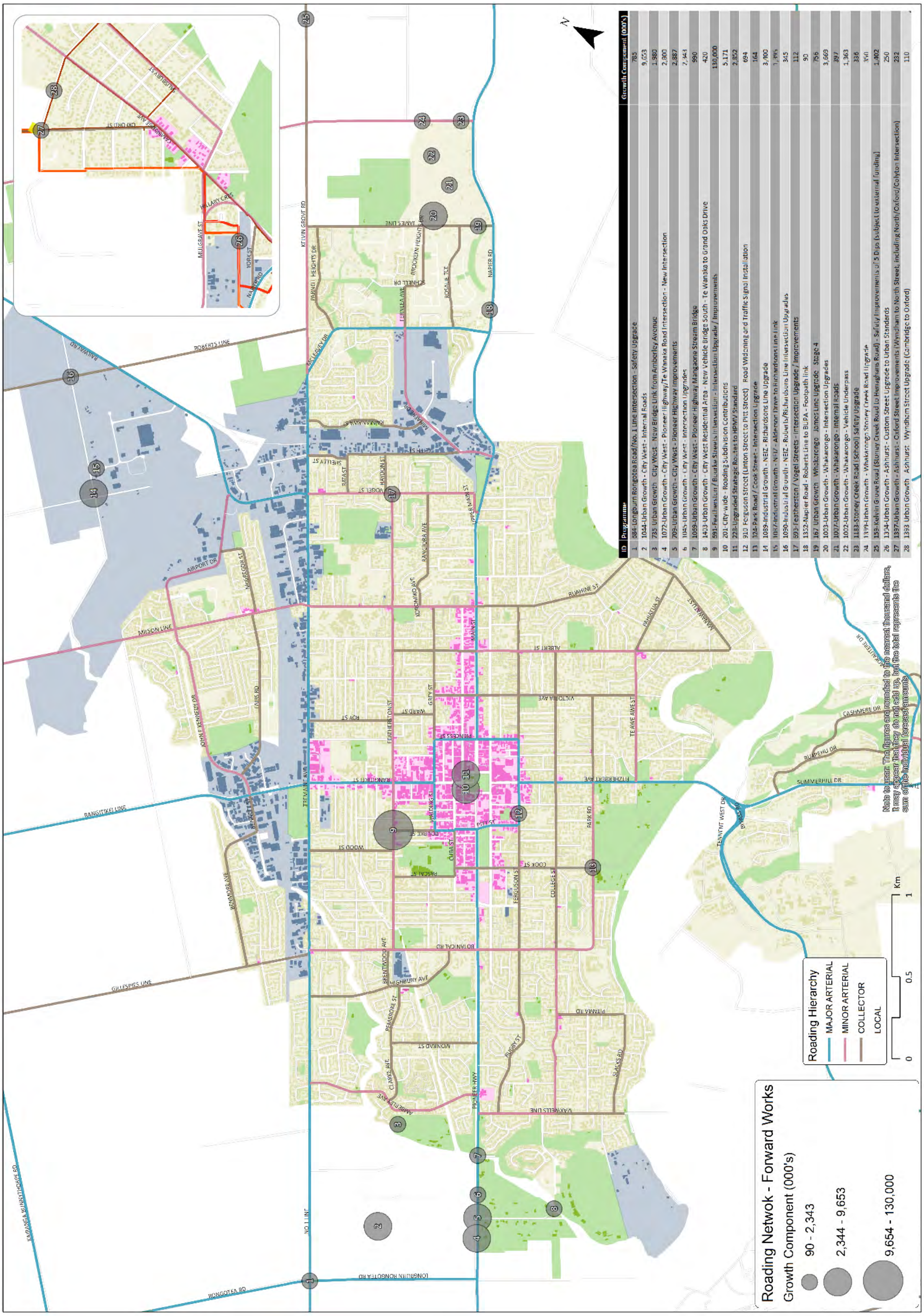
Leasing Trends

Please note average rents, on total occupancy cost basis, at either end of range without extremes

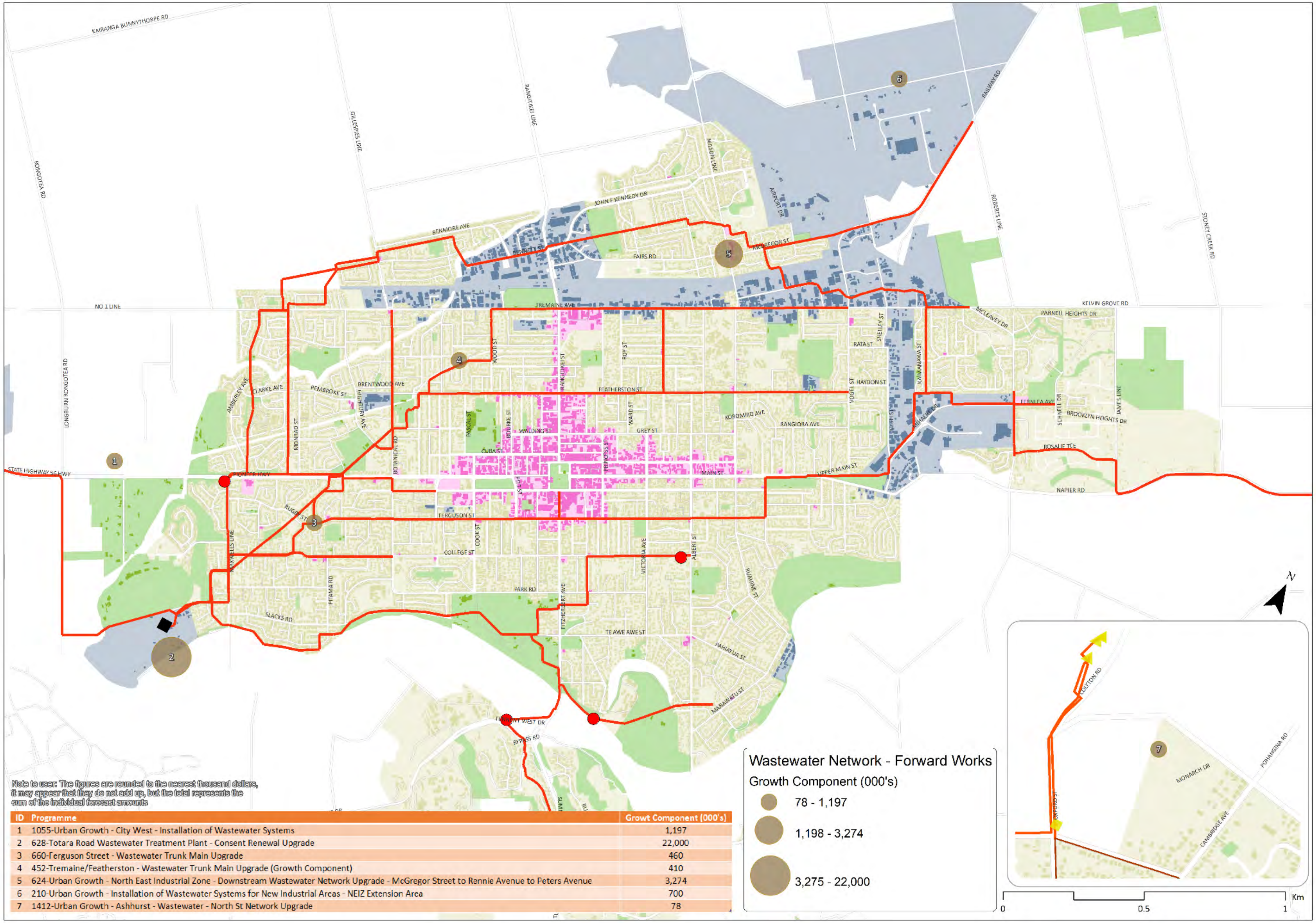
Rents (TOC)	NE Indust & Extn $psm		Car Parks $pa		Yard $psm		OPEX $psm		NE Industrial & Extn		Gross Floor Area	Vacancy		Building	
Property Quality	Low	High	Low	High	Low	High	Low	High	Demand	Supply	Ground & Upper Floors	Percent	Trend	Grade	Quality
Grade A	$ 85	$ 120	$ 390	$ 520	$ 23	$ 30	$ 10	$ 20	Strong	Scarce	101,699	0.0%	Down	A	Good - Post 2000
Grade B	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	B	Average - 1960's-1990's
Grade C	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	C	Poor - Pre 1960

Demand	**Supply**	**Trend**
Strong	Scarce	Down
Flat	Sufficient	Flat
Weak	Surplus	Up

Appendix III: Development contribution growth programmes (forwards works)

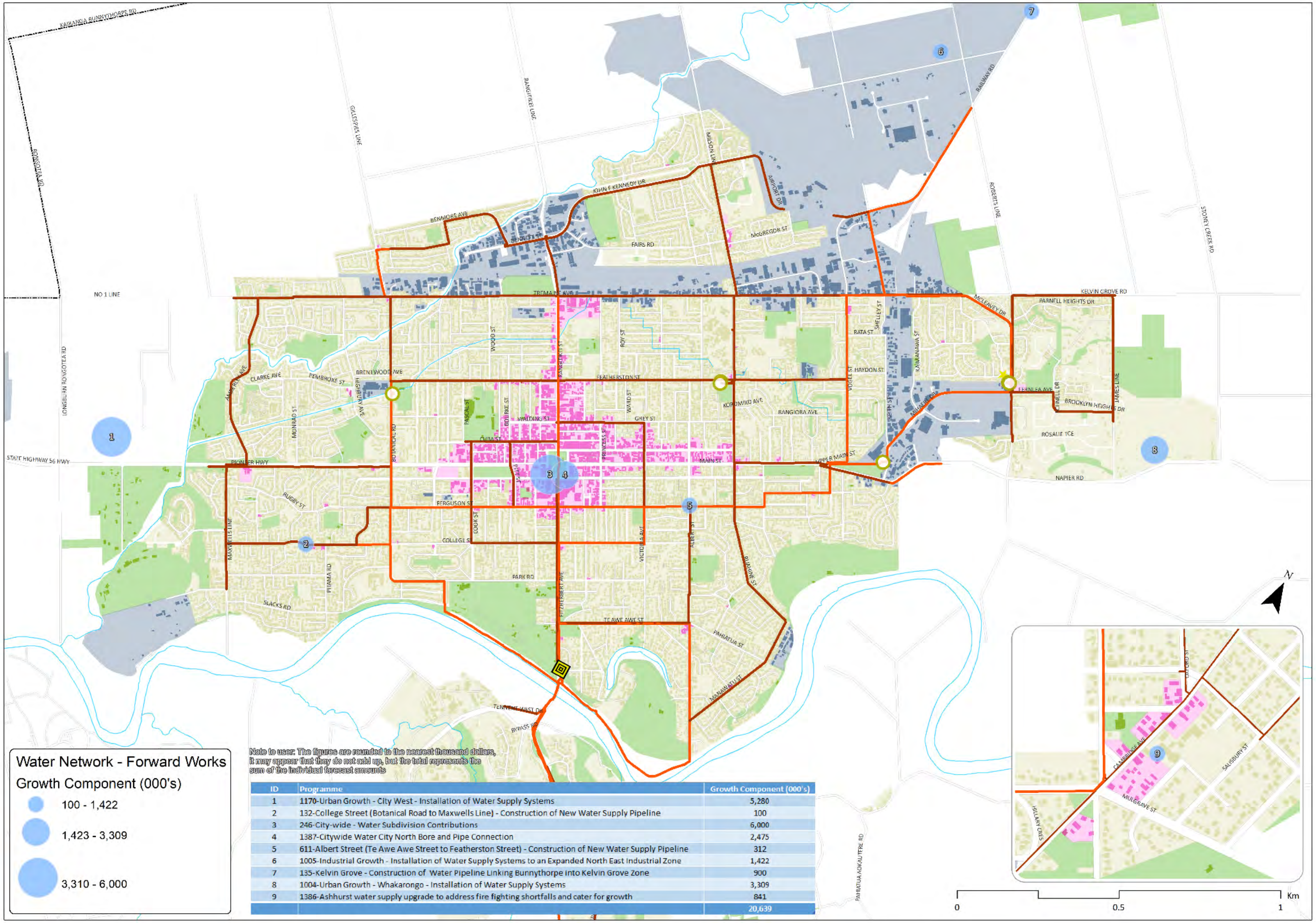


ID	Programme	Growth Component (000's)
1	584-Longburn Rongotea Road/No. 1 Line Intersection - Safety Upgrade	785
2	1044-Urban Growth - City West - Internal Roads	9,653
3	735 Urban Growth - City West - New Bridge Link from Amberley Avenue	1,980
4	1072-Urban Growth - City West - Pioneer Highway/Te Wanaka Road Intersection - New Intersection	2,800
5	709-Urban Growth - City West - Pioneer Highway Improvements	2,887
6	1045-Urban Growth - City West - Intersection Upgrades	2,343
7	1059-Urban Growth - City West - Pioneer Highway Mangaone Stream Bridge	990
8	1403-Urban Growth - City West Residential Area - New Vehicle Bridge South - Te Wanaka to Grand Oaks Drive	420
9	591-Featherston / Bourke Streets Intersection - Intersection Upgrade / Improvements	130,000
10	201-City-wide - Roading Subdivision Contributions	5,171
11	223-Upgraded Strategic Routes to HPMV Standard	2,852
12	910 Ferguson Street (Linton Street to Pitt Street) Road Widening and Traffic Signal Installation	694
13	324-Park Road / Cook Street - Intersection Upgrade	164
14	1089-Industrial Growth - NEIZ - Richardsons Line Upgrade	3,400
15	1087-Industrial Growth - NEIZ - Alderson Drive to Richardsons Line Link	1,395
16	1090-Industrial Growth - NEIZ - Roberts/Richardsons Line Intersection Upgrades	345
17	593-Featherston / Vogel Streets - Intersection Upgrade / Improvements	112
18	1352-Napier Road - Roberts Line to BUPA - Footpath link	90
19	167 Urban Growth Whakarongo James Line Upgrade Stage 4	756
20	1003-Urban Growth - Whakarongo - Intersection Upgrades	3,669
21	1007-Urban Growth - Whakarongo - Internal Roads	397
22	1002-Urban Growth - Whakarongo - Vehicle Underpass	1,363
23	1183-Stoney Creek Road (School) Safety Upgrade	336
24	1399-Urban Growth - Whakarongo Stoney Creek Road Upgrade	350
25	159-Kelvin Grove Road (Stoney Creek Road to Heneghans Road) - Safety Improvements of 5 Dips (subject to external funding)	1,402
26	1394-Urban Growth - Ashhurst - Custom Street Upgrade to Urban Standards	250
27	1397-Urban Growth - Ashhurst - Oxford Street Improvements (Wyndham to North Street, including North/Oxford/Colyton Intersection)	232
28	1393 Urban Growth Ashhurst Wyndham Street Upgrade (Cambridge to Oxford)	110



Note to user: The figures are rounded to the nearest thousand dollars, it may appear that they do not add up, but the total represents the sum of the individual forecast amounts

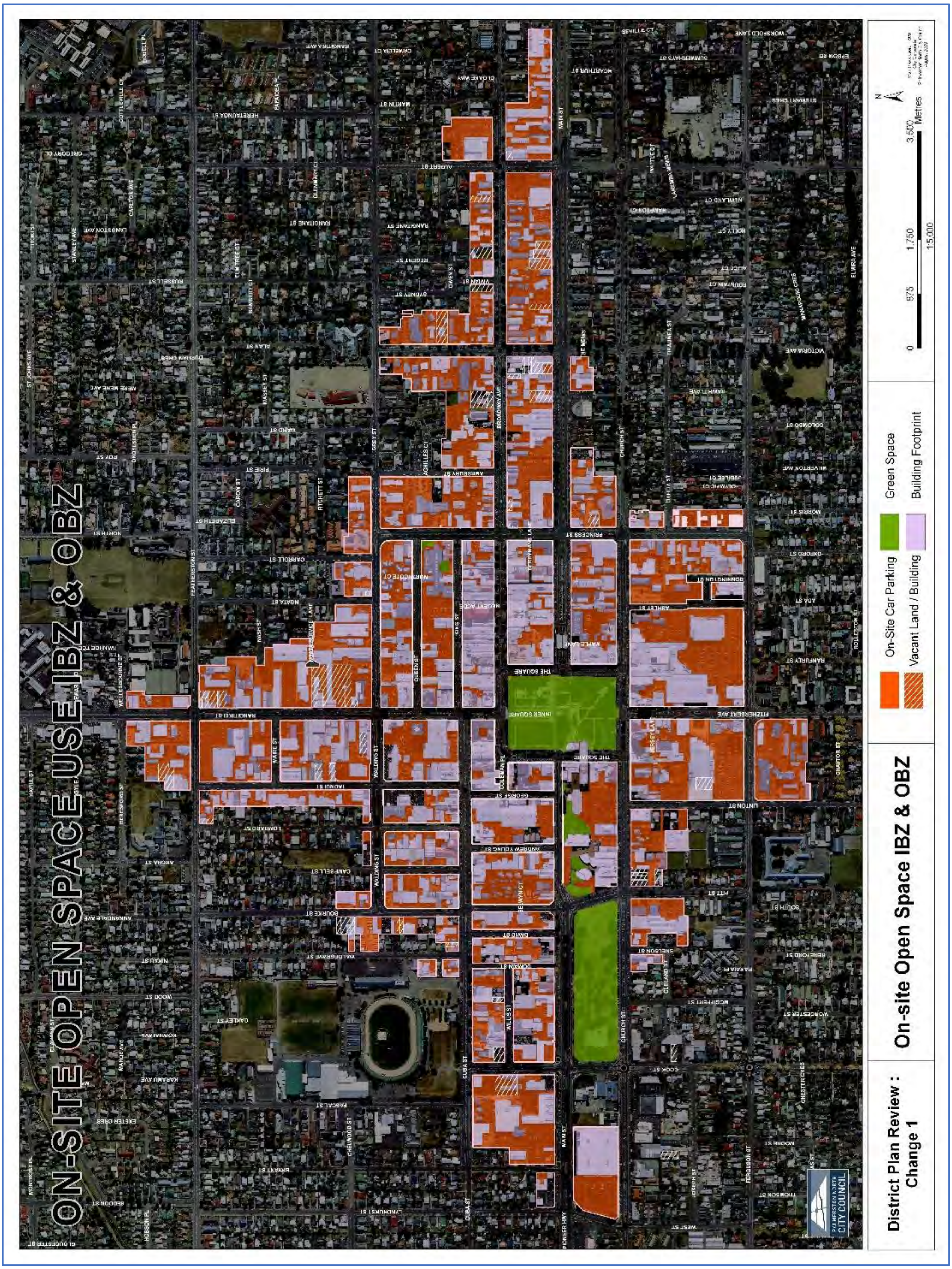
ID	Programme	Growt Component (000's)
1	1055-Urban Growth - City West - Installation of Wastewater Systems	1,197
2	628-Totara Road Wastewater Treatment Plant - Consent Renewal Upgrade	22,000
3	660-Ferguson Street - Wastewater Trunk Main Upgrade	460
4	452-Tremaine/Featherston - Wastewater Trunk Main Upgrade (Growth Component)	410
5	624-Urban Growth - North East Industrial Zone - Downstream Wastewater Network Upgrade - McGregor Street to Rennie Avenue to Peters Avenue	3,274
6	210-Urban Growth - Installation of Wastewater Systems for New Industrial Areas - NEIZ Extension Area	700
7	1412-Urban Growth - Ashhurst - Wastewater - North St Network Upgrade	78



Note to user: The figures are rounded to the nearest thousand dollars, it may appear that they do not add up, but the total represents the sum of the individual forecast amounts

ID	Programme	Growth Component (000's)
1	1170-Urban Growth - City West - Installation of Water Supply Systems	5,280
2	132-College Street (Botanical Road to Maxwells Line) - Construction of New Water Supply Pipeline	100
3	246-City-wide - Water Subdivision Contributions	6,000
4	1387-Citywide Water City North Bore and Pipe Connection	2,475
5	611-Albert Street (Te Awe Awe Street to Featherston Street) - Construction of New Water Supply Pipeline	312
6	1005-Industrial Growth - Installation of Water Supply Systems to an Expanded North East Industrial Zone	1,422
7	135-Kelvin Grove - Construction of Water Pipeline Linking Bunnythorpe into Kelvin Grove Zone	900
8	1004-Urban Growth - Whakarongo - Installation of Water Supply Systems	3,309
9	1386-Ashhurst water supply upgrade to address fire fighting shortfalls and cater for growth	841
		20,639

Appendix IV: On-site open space use in the Inner Business Zone and Outer Business Zone



Appendix V: Retail health check 2019

Manawatū region

Retail health check 2019

The Retail Health Check report for the Manawatū region has been developed by the Palmerston North City Council to provide a better understanding of the Manawatū region retail sector and the contribution the sector makes to the demographic and economic growth of the region. This report provides an update on changes in the retail sector since the initial Palmerston North health check report in 2013.

This profile was compiled by Ben Mitchell. During the process of producing this report Ben was in his final year at Massey University Palmerston North studying towards a Bachelor of Business Studies majoring in Economics. Creating this report for the Palmerston North City Council was part of a Massey University internship paper, counting credits towards his degree while getting provided valuable work experience.

The data in the profile is drawn from a range of different sources, including Statistics New Zealand, Ministry of Business, Innovation and Employment (MBIE), Marketview, Palmerston North City Council, Manawatū Branch of the Property Institute of New Zealand, Reserve Bank and Blackmores.

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Contents

Executive Summary

The retail sector in the Manawatū region (Palmerston North and Manawatū district) is performing strongly compared to national indicators. Retail spending at Manawatū region retailers increased by 4.7% over the 12 months ended July 2019, which was well ahead of the national growth rate of 3.4%.

The sector is a significant contributor to regional GDP, with Infometrics estimates for the retail sector suggesting it contributed $389 million to Manawatū region GDP in the year to March 2018, accounting for a 9.9% share of total GDP in the region. Palmerston North contributed 86% 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 10.3% of Palmerston North GDP in the year to March 2018 and 5.6% of Manawatū district GDP. Statistics New Zealand GDP estimates for the year to March 2018 suggest the retail sector contributed $17,479 million to national GDP, a 7.2% share of total GDP.

The sector is also a significant contributor to regional employment, with a workforce of 8,900 employees in February 2018, 15.1% of total jobs in the region. Total earnings (salaries, wages and self-employment income) in the sector were $327 million in the year ended March 2017, 9.9% of total earnings in the region.

The city has experienced strong growth in retail earnings (salaries, wages and self-employment income), which increased by 112% between 2000 and 2017. However, this was weaker than the national retail earnings growth of 139%. The growth in the region has been supported by Palmerston North's role as a significant regional retail centre and the success of non-store retail companies in the city, such as Ezibuy.

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 Marketview data shows a significant share of electronic card retail turnover in the city is made with non-resident cards, accounting for 28% of total spending at Manawatū region retailers.

Marketview retail spending estimates also shows a high level of loyalty by Manawatū region residents, with 77% of their annual retail spending going to local retailers (excluding online spending), a much higher share than the 66% loyalty score for New Zealand. Online spending data also shows that Manawatū residents spend a lower percentage of their retail spending through online retailers.

Manawatū district has experienced strong growth in retail spending over the past 18 months, but an important contributor to this growth has been an increase in fuel spending. The district is experiencing strong population growth, which is also supporting strong growth in the retail sector.

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 areas and periods of decline or weak growth in others. A high level of investment in the construction of new retail floor space has created significant additional competition for existing retailers in the City, and impacted property owners through increased vacancy rates. 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 central business district (CBD) 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 2013 Census shows that the 15 – 24 age group accounted for 36% of employment in the retail sector in the Manawatū region, while this group accounted for 17% 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.

The continual development of new administrative sources of data, such as income data sourced from tax records and visitor spending data sourced from electronic card transactions, provide significant improvements in the range of data available for the City. Data has become available to measure the amount of vacant retail space and the use of car parking within the Palmerston North CBD, but further improvements in pedestrian data would be helpful.

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 for the sector. 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 factor working together. Key indicators that can be used to measure retail health are:

- Good foot traffic/pedestrian counts
- Sales and profit
- Parking
- Variety of retail businesses
- Property vacancies
- Rents
- Footpaths and accessibility
- Safe atmosphere
- Shop appearance
- Street Life
- Friendly service
- Number of visitors and visitor spending
- Public transport system and roads
- 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. Of these factors the ones in this report that hold the heaviest weighting on current retail health are sales and profit, foot traffic, shop appearance and good friendly service.

Figure 1: Retail Health Check Framework

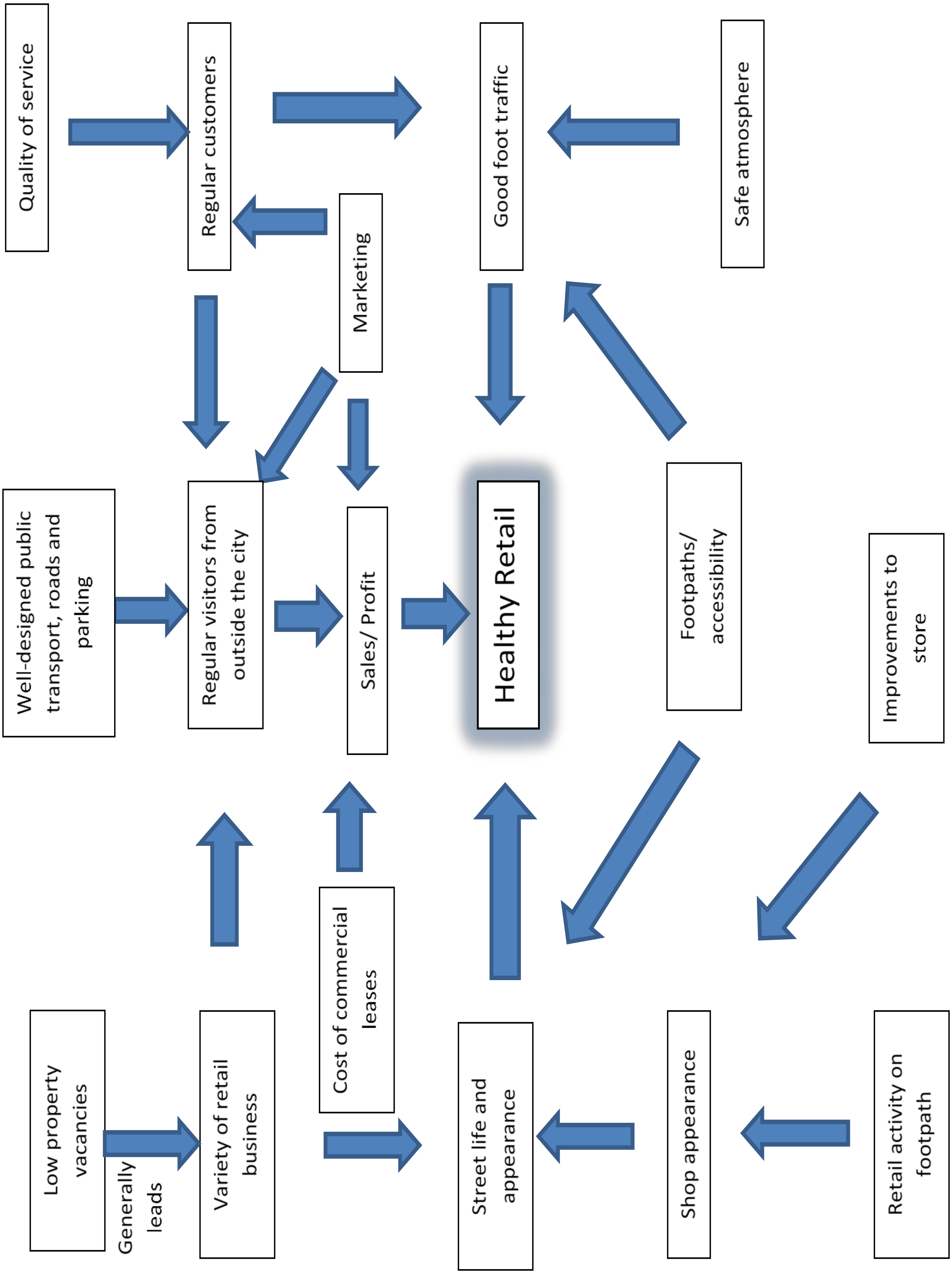


Figure 1: Proposed Retail Health Check Framework

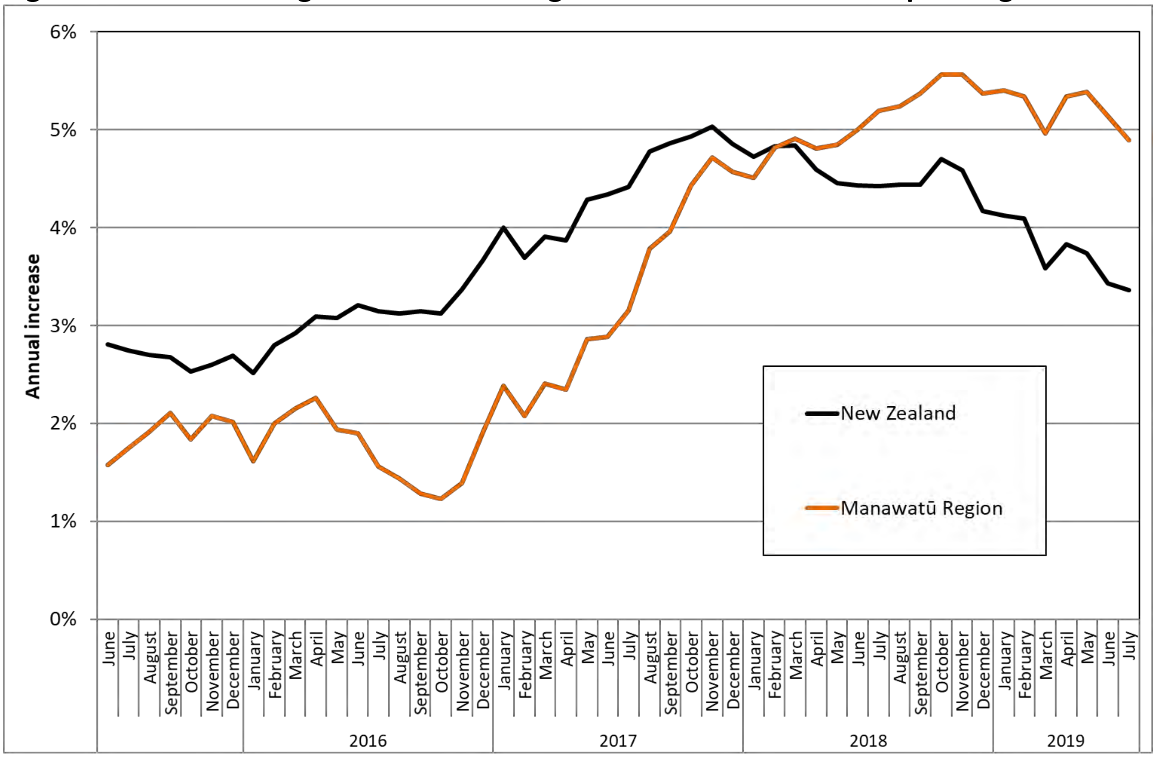
Background

The Manawatū region had an estimated population of 119,600 people in June 2018, with 88,700 people living in Palmerston North and 30,900 in Manawatū district. There were 58,900 people employed in the region in February 2018, with 8,900 employees in the retail sector in the region. Palmerston North had a 74% share of the region's population but an 88% share of retail jobs in the region and an 85% 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 $1,390 million in the year to July 2019. The rate of growth in retailing in the region increased during 2018, but weakened slightly during the period to July 2019. However, the rate of retail spending growth in the region has increased over the past 18 months, with spending at retailers in the region increasing by 4.7% in the year ended July 2019 compared with growth of 3.4% for New Zealand. The overall growth rate for New Zealand declined from 4.7% in the year to December 2017 to 3.4% by July 2019. Declining fuel prices have been a contributor to the decline in the rate of growth in spending. Growth in spending in Manawatū district was 7.7% in the year to July 2019 and 4.4% in Palmerston North. A 16.5% increase in fuel spending in the district has been a significant contributor to the stronger rate of growth in the district.

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



Source: Marketview

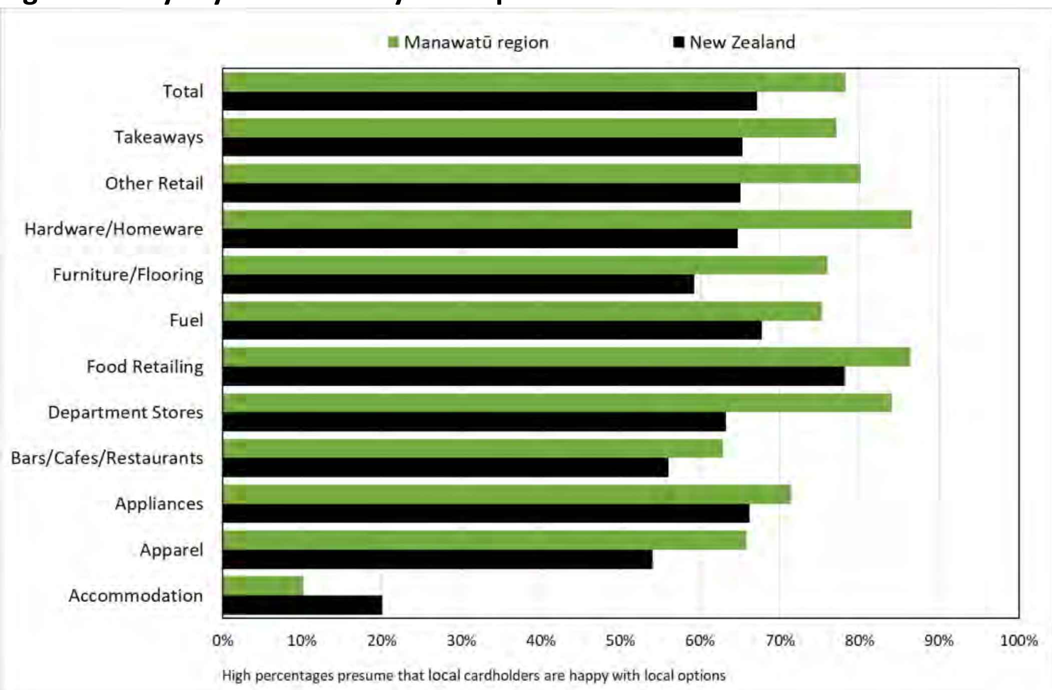
Manawatū region retailers enjoy strong loyalty from residents (the proportion of local cardholder's spending that goes to local merchants), who spent 77% of their total retail spending (in-store only[1]) at Manawatū region retailers in the year to July 2019. Nationally, this is a high loyalty rate, as the average loyalty score for New Zealand is 66.2%. This support illustrates the importance of keeping a healthy retail sector in the region. Resident spending at Manawatū region retailers was $1,004 million in the 12 months ended July 2019, increasing by 6.8% from the previous year. Manawatū region resident spending outside of the region (excluding online spending) in the year to July 2019 was $300 million, a decline of 1.9% from the previous year.

Table 1: Manawatū region retail inflow and outflow

	Years ended		Annual change	
	July 18	July 19	$ million	%
Locals spending locally	940.0	1,004.4	64.4	6.8%
Locals spending in other regions	305.8	300.0	-5.8	-1.9%
Locals spending online	85.9	112.9	27.0	31.4%
Total spending by locals	**1,331.7**	**1,417.2**	**86**	**6.4%**
Visitor spending in region	382.1	385.4	3.3	0.9%
Net flow	76.3	85.4	9.1	11.9%
Total spending in region	**1,322.1**	**1,389.7**	**67.6**	**5.1%**
In-store spending loyalty by local residents	75.5%	77.0%		
Visitor share of total local merchant revenue	28.9%	27.7%		

Source: Marketview

Figure 3: Loyalty scores in July 2019 quarter



Source: Marketview

[1] Online retail spending is excluded from the loyalty score because Marketview is not able to provide data on the inflows of online spending for Palmerston North retailers.

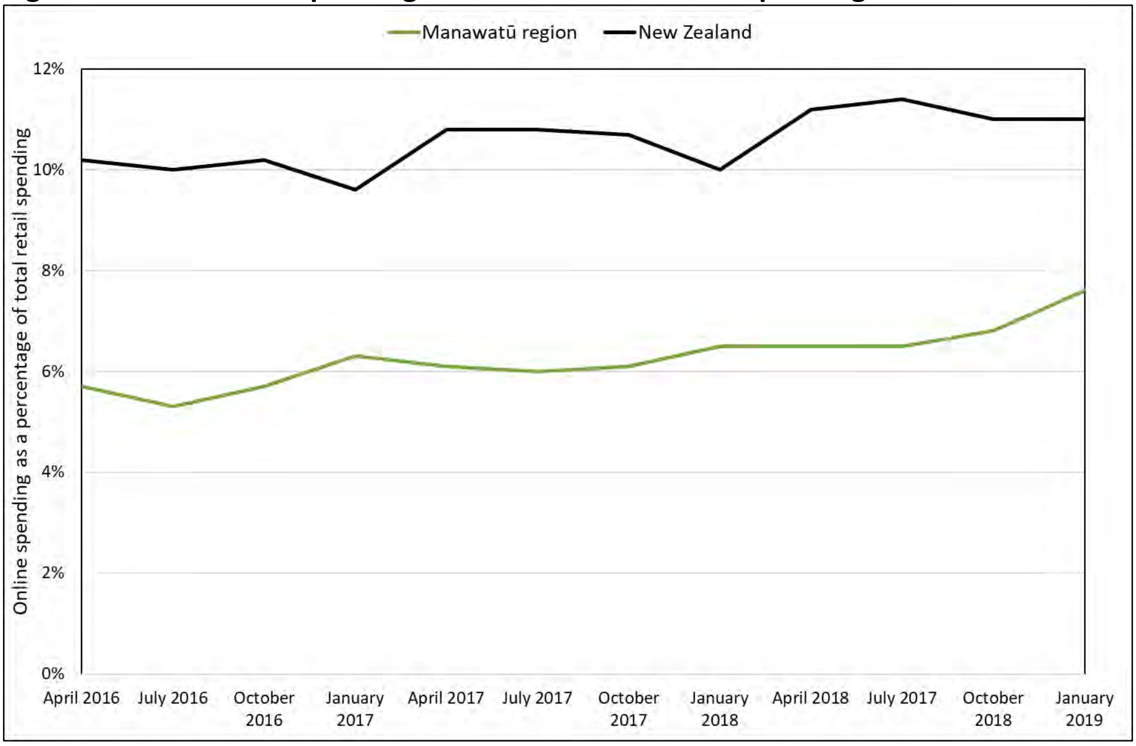
Food retailing has a high loyalty score, since most people shop at a supermarket close to their home. The accommodation sector has the lowest score, since most accommodation sector spending is related to travel away from home. Local accommodation spending by residents include meals and drinks purchased at local accommodation providers.

Manawatū region retail sectors with high loyalty scores relative to the average for New Zealand are:

i. Hardware/homeware
ii. Department stores
iii. Furniture/flooring
iv. Other retail
v. Appliances
vi. Apparel

Another useful indicator of local resident satisfaction with the offering from local retailers is the proportion of online spending. Marketview data shows a significantly lower share for online spending by Manawatū region residents compared with the overall average for New Zealand.

Figure 4: Online retail spending as a share of total retail spending



Source: Marketview

During 2017 and the first part of 2018 there was a net outflow of retail spending from the region, with the rate of growth in spending by Manawatū region residents outside of the region above the rate of growth in visitor spending in the Manawatū region. Changes in fuel price discounting within the wider Manawatū-Whanganui region played a part in that outflow, with highly discounted fuel prices in Bulls attracting increased fuel purchases by Manawatū region residents. Palmerston North experienced very weak growth in food retailing spending from April 2016 through to the last quarter of 2018, with food retail developments in Bulls and Feilding having an impact on spending in the city

Visitors to the Manawatū region

The Manawatū region attracted $360 million in retail spending by visitors in the year to July 2019, accounting for 26% of total retail turnover at retailers. The highest share of visitor retail spending came from residents in the lower North Island, who accounted for 65% of domestic visitor retail spending in the city (Manawatū-Whanganui, Wellington, Hawkes Bay and Taranaki regions.

Table 2: Annual domestic visitor retail spending in the Manawatū region by region of origin

Year ended July 2019	**$ million**	**% share**
Lower North Island		
Manawatu-Whanganui	100	32%
Wellington	63	20%
Hawke's Bay	22	7%
Taranaki	20	6%
Total lower North Island	**204**	**65%**
Auckland	34	11%
Waikato	22	7%
Bay of Plenty	14	4%
Canterbury	11	3%
Gisborne	5	2%
Otago	4	1%
Northland	4	1%
Marlborough	2	1%
Tasman	2	1%
Southland	1	0%
Nelson	1	0%
West Coast	1	0%
Rest of New Zealand	**101**	**32%**
Region undefined	**9**	**3%**
Total	**314**	**100%**

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

International visitor spending was $48 million in the year to July 2019, with Australia accounting for 31% of total international visitor spending and Asia a 27% share.

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

Year ended July 2019	$ million	% share
Australia	**14.7**	**31%**
Asia		
China	6.0	13%
Japan	1.6	3%
Korea, Republic of	0.8	2%
Rest of Asia	4.3	9%
Total Asia	**12.8**	**27%**
Europe		
UK	4.3	9%
Germany	1.5	3%
Rest of Europe	3.4	7%
Total Europe	**9.2**	**19%**
America		
USA	5.1	11%
Canada	1.1	2%
Rest of Americas	0.5	1%
Total America	**6.7**	**14%**
Rest of Oceania	2.4	5%
Africa and Middle East	1.8	4%
Total	47.7	100%

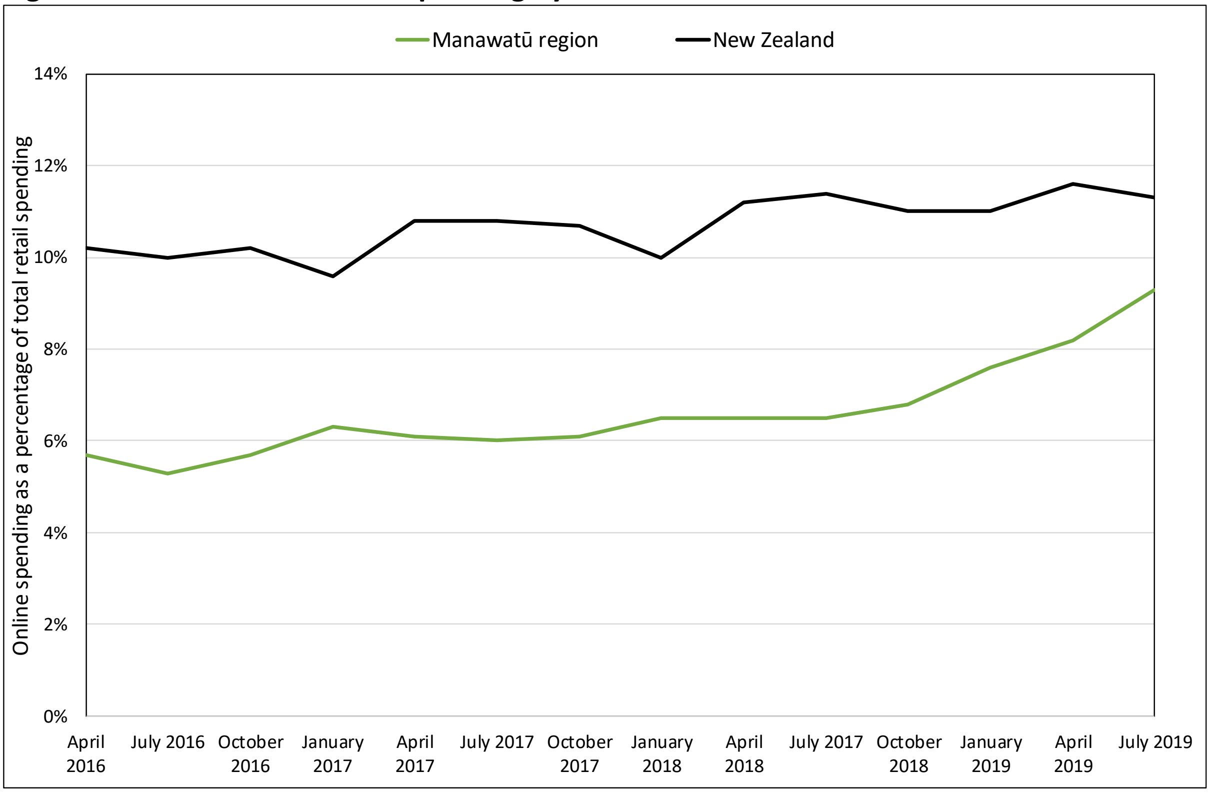
Source: MBIE regional tourism estimates (excludes cultural, recreation, and gambling services, passenger transport, and other tourism products)

Online Shopping

Online shopping is on the increase, with 93% of New Zealand homes having some form of internet connection in June 2017, and more retail business expanding and enabling their customers to purchase their goods over the internet. The rate of growth in New Zealand electronic card retail purchases online was 1.9% in the three months ended July 2019, compared with the same period last year. Manawatū region resident online spending increased by 36.5%. While an increasing proportion of Manawatū resident spending is being made online, the 9.3% share of total resident's electronic card spending made over the internet in the year ended January 2019 is still low compared with the 11.3% average for New Zealanders.

There has been a significant increase in the share of Manawatū region resident online spending which goes to New Zealand-based retailers, increasing from 49.4% in the July 2016 quarter to 65.4% in the July 2019 quarter. Some of this growth in online spending will have been for goods that are selected and packed at a local store, for example, online grocery purchases.

Figure 5: Online share of total spending by residents



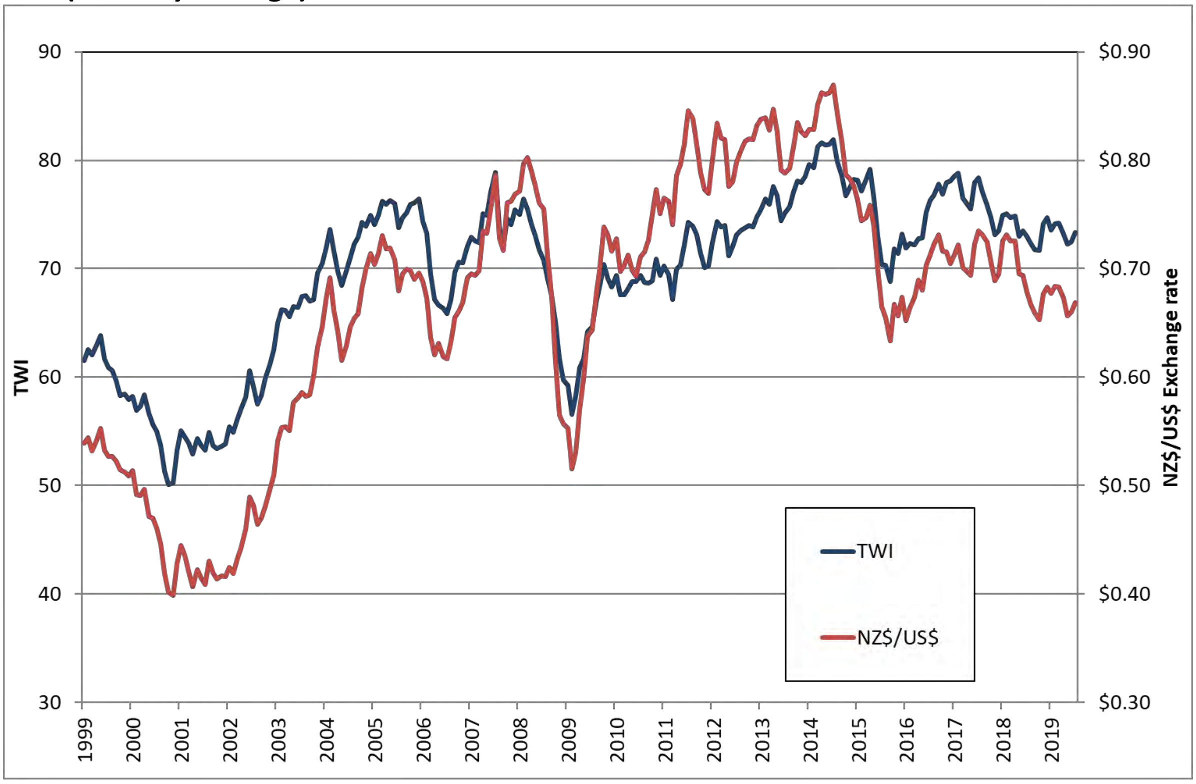
Source: Marketview

Online spending in the region increased by $27 million in the year to July 2019 while total electronic card spending by Manawatū region residents increased by $86 million. In-store retail spending in the region is still increasing therefore, despite the strong growth in online spending.

Local retailers with an online presence are competing with worldwide businesses and, therefore, face a high level of competition since overseas businesses can currently sell goods to New Zealand consumers on a GST free basis if they are valued below $400. It still benefits retail business to have an online presence, as it means that they have an extra way of maintaining contact with regular customers and reaching out to new customers. Whether it is through a website, e-mail or Facebook page, the business can let consumers know about new stock, sales or even a change in the store location.

The long-term trend for the New Zealand dollar has been an appreciation against most other currencies, reducing the price of imports. Since 2014 the New Zealand dollar has dropped in value, but remains well above the long-term average for both the trade weighted index (TWI) and the United States dollar ($US). The current exchange rate of NZ$1 was US$0.67 for the month of July 2019.

Figure 6: Reserve Bank trade weighted exchange rate index (TWI) and NZ$/US$ exchange rate (monthly average)



Source: Reserve Bank of New Zealand

Manawatū region retail employment and earnings

Palmerston North has experienced weak growth in retail earnings (salaries, wages and self-employment income) relative to the overall growth rate for New Zealand, and a small decline in employee numbers between 2008 and 2018, following strong growth between 2000 and 2008. Retail earnings in the city increased by 116% between 2000 and 2017, Manawatū district earnings increased by 90%, while earnings for New Zealand increased by 139%. There are problems with the latest data for Palmerston North, due to the loss of Ezibuy from the employee count and earnings data, overstating the extent of the weakness in the data.

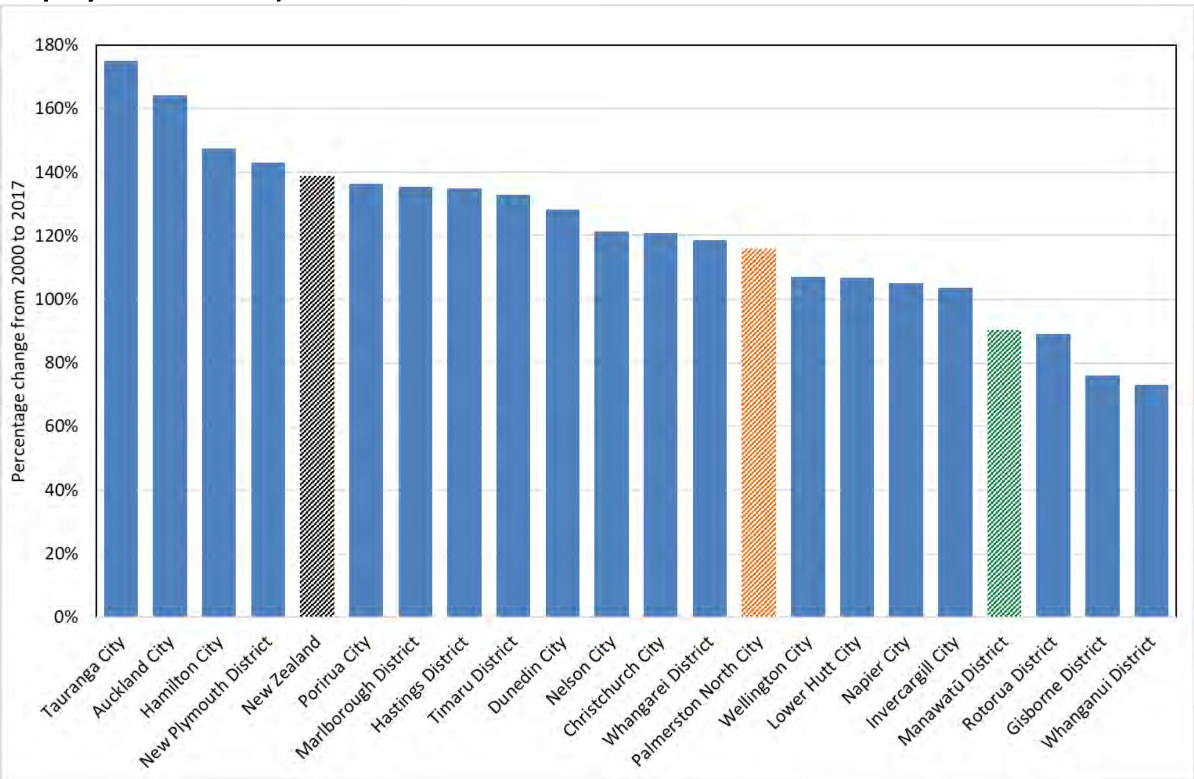
Two key sectors which have contributed to the weakness in employment:

- Supermarkets – increased use of self-checkout technology and other productivity improvements contributed to a decline in supermarket jobs in the city, despite the opening of new supermarkets at Summerhill and Kelvin Grove

- Clothing retailing - there was an increase in the number of clothing stores during the expansion to the Plaza, but there has since been a decline in store numbers and jobs. Store numbers peaked at 90 in 2013 but had declined to 60 by 2018

Increased retail investment in other parts of the Manawatū-Whanganui region has also contributed to the weakness in employment and weak growth in retail spending in Palmerston North in 2016 and the first half of 2017.

Figure 7: Percentage change in retail sector annual earnings (salaries, wages and self-employment income) between 2000 and 2017



Source: Statistics New Zealand

Manawatū district retail earnings increased by 90% between 2000 and 2017, but the Statistics New Zealand earnings data has not been adjusted for the boundary change between Palmerston North and Manawatū district, which occurred in 2012. 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 2013 Census, the retail sector in Palmerston North had a high share of part--time employees, with 39% of employees working part-time compared with 24% for the overall City economy. The part-time share for the New Zealand retail sector was 36%. 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 2013 Census also shows that the 15 – 24 age group accounted for 36% of employment in the retail sector in the Manawatū region, while this group accounted for 17% 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.

Retail GDP

Infometrics estimates for the retail sector suggest it contributed $389 million to Manawatū region GDP in the year to March 2018, accounting for a 9.9% share of total GDP in the region.

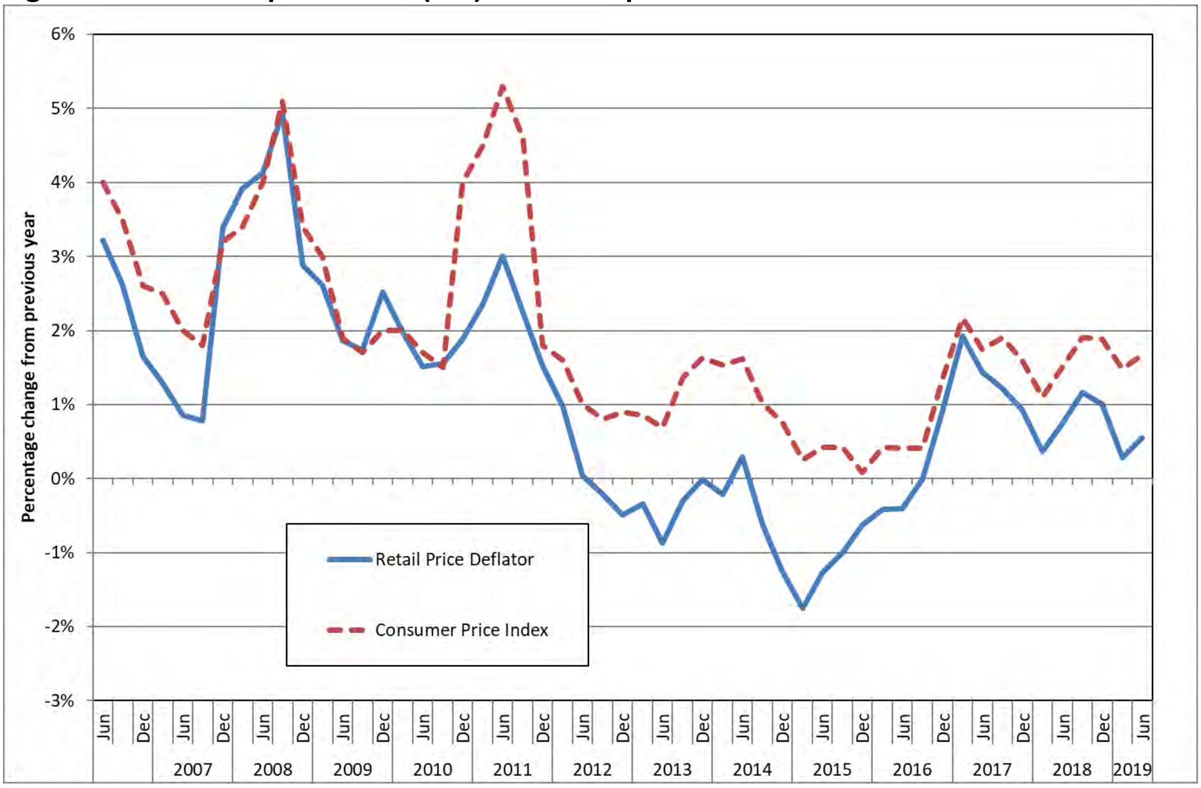
Palmerston North contributed 86% of retail GDP in the region, due to its role as a significant regional retail centre for the lower North Island.

The retail sector contributed 10.3% of Palmerston North GDP in the year to March 2018 and 5.6% of Manawatū district GDP. Statistics New Zealand GDP estimates for the year to March 2018 suggest the retail sector contributed $17,479 million to national GDP, a 7.2% 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. The weakness in retail price inflation[2] has occurred despite the inclusion of fuel sales in the retail trade data. Overall retail price growth was 2.6% between September 2010 and June 2019, while retail fuel prices rose by 27.8% over this period

Figure 8: Consumer price index (CPI) and retail price deflator



Source: Statistics New Zealand

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. The electronic

[2] Retail price inflation is measured using a retail price deflator. The deflator is used to calculate change in the volume of retail goods sold.

card retail data used in this report is not inflation adjusted, so the rate of growth in the volume of retail spending over this period was stronger than the nominal data suggests.

This deflation in retail prices has been the greatest in the electrical and electronic sector, where prices declined by 52% between September 2010 and July 2019. Other sectors also recorded declines over this period, with seven of the fifteen sectors recording declines in prices between September 2010 and July 2019. Apart from fuel, the strongest rises in prices were in tourism-related sectors, with a 24.7% increase in accommodation sector prices (includes drinks, meals and other services) and a 19.6% increase in food and beverage services. Supermarket and grocery stores prices rose by 12.5%.

Economic outlook for the Manawatū region retail sector

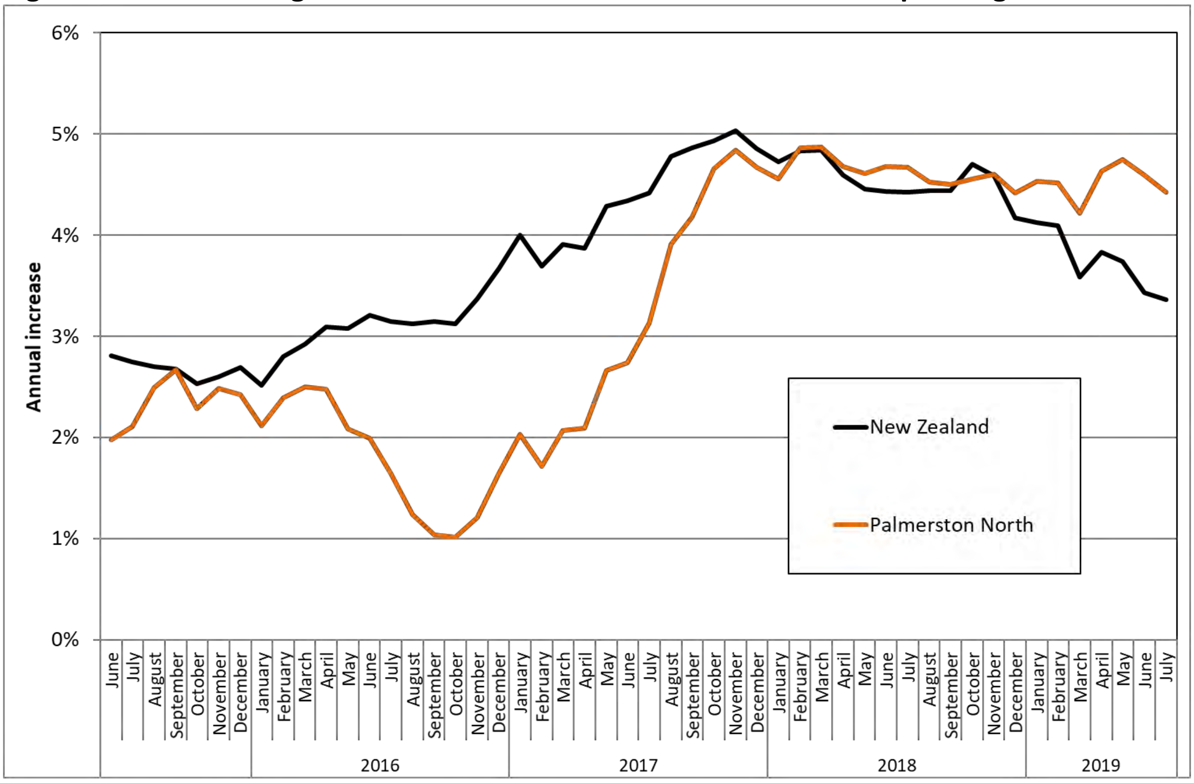
The Manawatū region is currently experiencing strong economic growth, which is contributing to much stronger population growth than the region has been experiencing for the past 40 years. The outlook for the retail sector over the next 10 – 15 years appears to be very strong, due to a range of factors, which are positive for economic growth in the region. A key contributor to this optimism is 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:

- Manawatū-Whanganui region Defence Force capital investment at Ohakea and Linton
- MidCentral DHB investment plan
- Massey University investment plan
- Manawatū Gorge road replacement
- 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 $1,184 million in the year ended July 2019, increasing by 4.4% from the previous year. This was ahead of the 3.4% increase across New Zealand. The growth rate in the city has mostly been ahead of the national growth rate since February 2018.

Figure 9: Annual change in Palmerston North electronic card retail spending



Source: Marketview

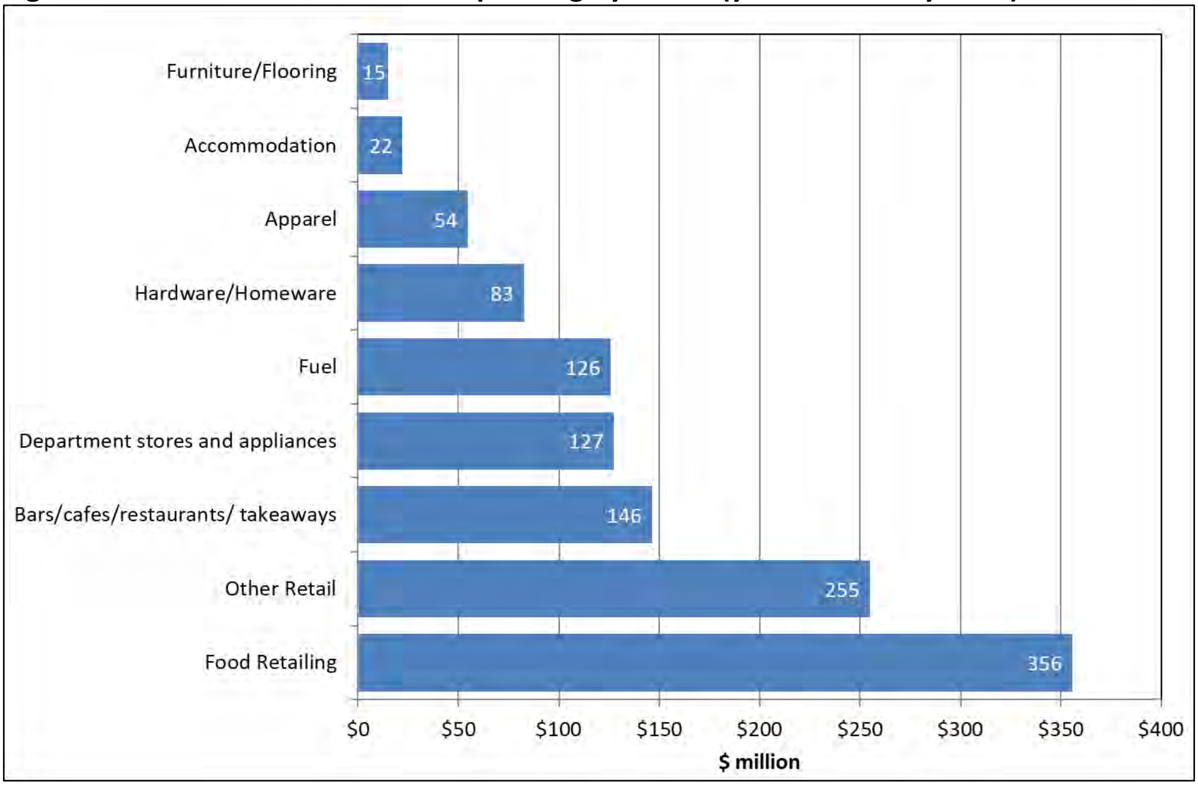
The city experienced weak growth in retail spending from mid-2015 to early-2018, which appears to have been mainly due the completion of a new retail development in Bulls. Significant fuel discounting by the new BP fuel station in Bulls resulted in a decline in the value of fuel spending in Palmerston North. There was also a small decline in food retailing spending in the city following the opening of a new Four-Square store in Bulls, as part of the new development.

Fuel spending in the city increased by 7.7% in the year to July 2019, a slightly weaker rate of increase than the 7.9% increase in the value of fuel spending in New Zealand. Sectors in the city that performed well compared with the growth rare for New Zealand include:

Hardware/homeware	8.9% (5.2% increase for New Zealand)
Takeaways	8.2% (7.1% increase for New Zealand)
Bars/cafes/restaurants	6.4% (5.5% increase for New Zealand)
Furniture/flooring	6.3% (1.2% increase for New Zealand)
Food retailing	3.8% (2.6% increase for New Zealand)

Sectors recording declines in spending were accommodation and apparel, which also experienced a decline in total New Zealand spending.

Figure 10: Palmerston North retail spending by sector (year ended July 2019)



Source: Marketview

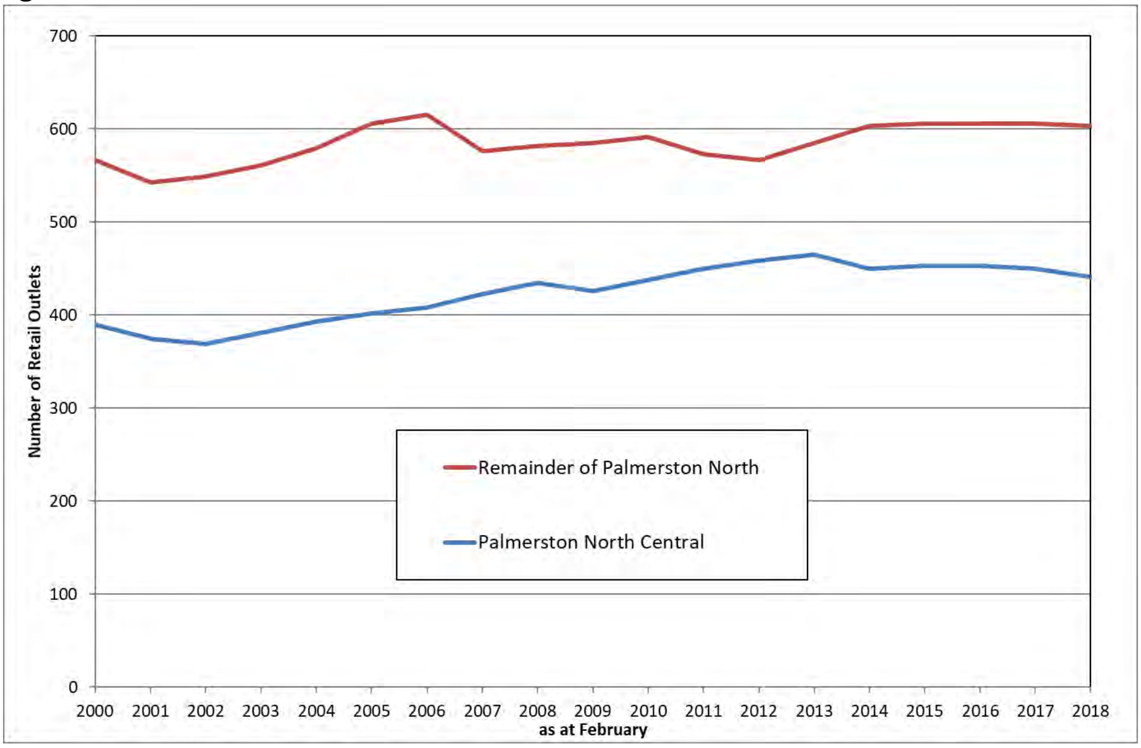
Retail Businesses

The number of retail stores in the Palmerston North Central area unit peaked in February 2013, when 309 retail business locations were recorded. In 2018, 279 stores were recorded. The number of stores in the remainder of the city has been stable between 2014 and 2018, with 603 stores recorded in 2018.

The number of retail businesses in the Palmerston North Central area unit declined by three between 2000 and 2018 while the number of retail employees increased by 200 over this period. Palmerston North Central is mostly comprised of the CBD inner and outer business zones, but includes a small area outside of the CBD.

The number of clothing, footwear and personal accessories retail stores in the Central area unit decreased by 18 between 2008 and 2018, while the number of employees decreased by 130. There was a significant increase in the number of clothing stores as result of the expansion of the Plaza, but a gradual loss of stores over the period since the expansion was completed. The strongest growth in store numbers in the Central area unit is in cafes, restaurants and takeaway food services, with 54 more businesses in 2018 than in 2000 and 410 more employees. Declines in employment were recorded in supermarkets (100 fewer employees), motor vehicle retailing (100 fewer employees) and recreation good retailing (80 fewer employees).

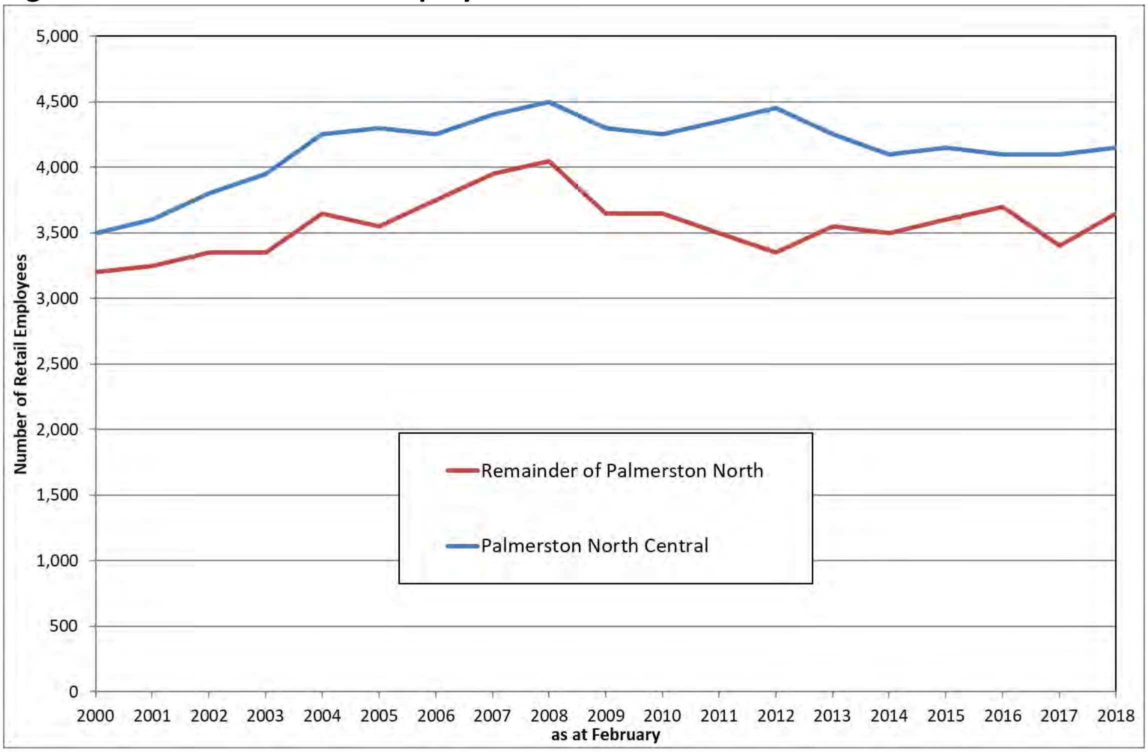
Figure 11: Number of retail stores in Palmerston North



Source: Statistics New Zealand

Palmerston North Central accounts for a higher share of retail employment in the city, with 4,150 employees in February 2018, and an average of 9.4 employees per store. There were 3,650 retail employees in the remainder of the city, with an average of 6.1 employees per store.

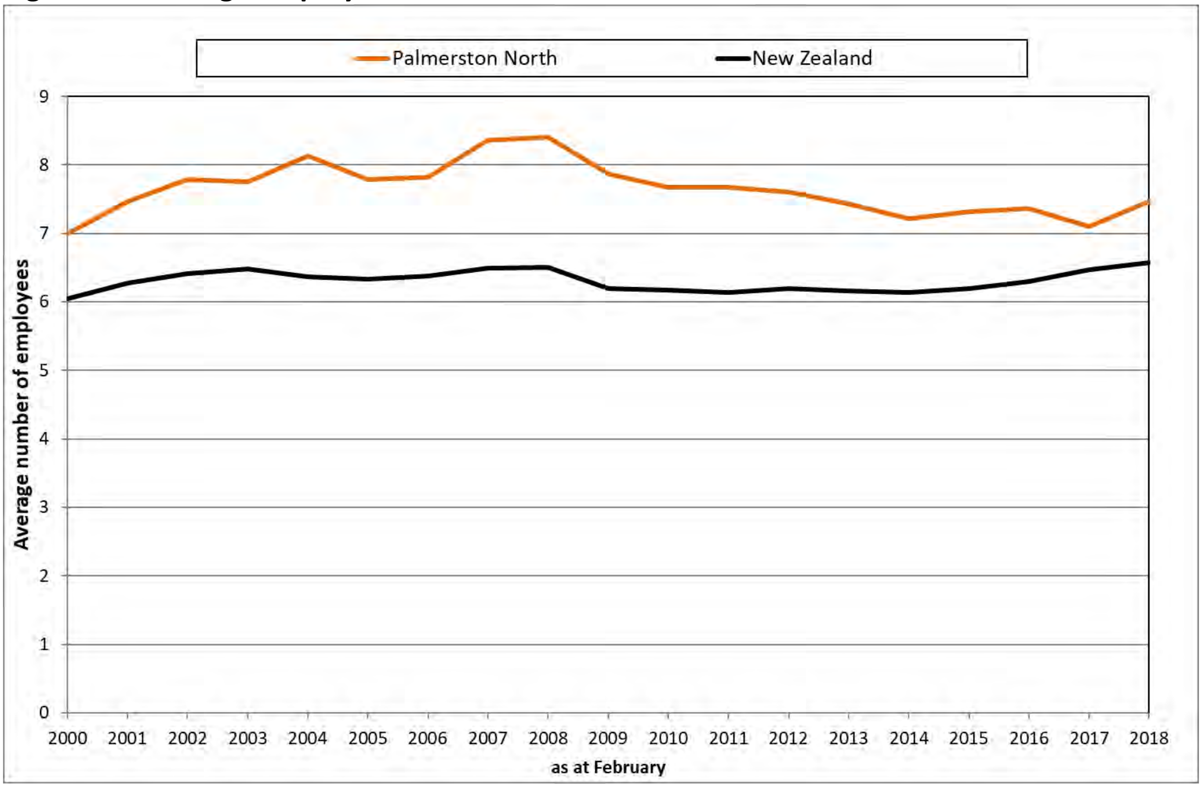
Figure 12: Number of retail employees in Palmerston North



Source: Statistics New Zealand

Employment data shows that Palmerston North retail businesses tend to be larger than average for New Zealand, with an average of 7.5 employees in 2018 compared with an average of 6.6 employees in New Zealand. The average size of New Zealand retail businesses has been relatively constant over the last 17 years, but the average for Palmerston North has declined since peaking in 2008.

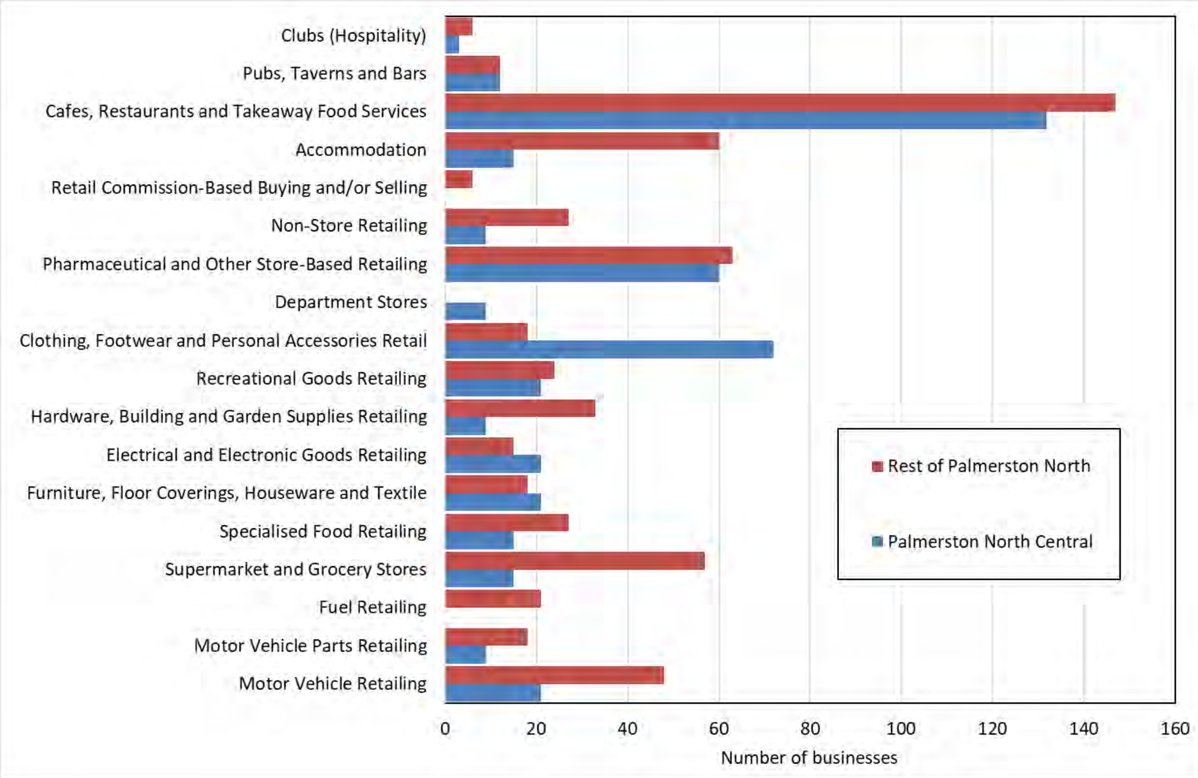
Figure 13: Average employee numbers for retail businesses



Source: Palmerston North City Council

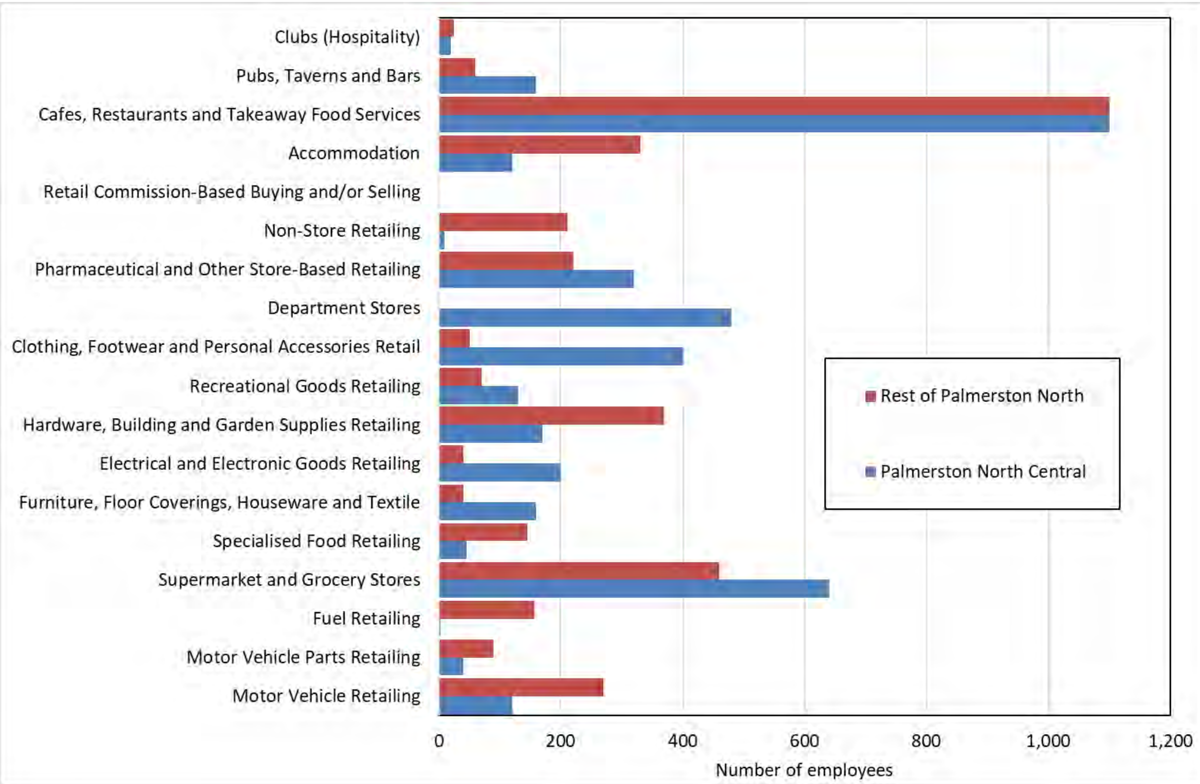
The number of retail employees in the city outside of the Palmerston North Central area unit increased strongly between 2000 and 2008, but declined by 9.9% between 2008 and 2018. Movement of stores, such as Mitre 10, Smiths City and Repco, into the Palmerston North Central area unit has contributed to this decline. The number of retail stores outside of the Palmerston North Central area unit has continued to increase, with growth in the number of takeaway stores and cafes the main contributor to the growth.

Figure 14: Location of Palmerston North retail businesses by sector



Source: Statistics New Zealand

Figure 15: Location of Palmerston North retail employment by sector



Source: Statistics New Zealand

Between the previous report in 2013 and this report, there has been significant growth in employment in the cafes, restaurants and takeaways sector outside of Palmerston North

Central. This reflects investment in new takeaway stores on main arterial routes into and out of the city, particularly on Rangitikei Street.

Tourism

Palmerston North is a significant visitor destination, ranked 12th among the 67 local authorities in New Zealand in the 12 months ended July 2019. 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. It is also an important factor which keeps residents' spending in the region.

Previous electronic card data purchased in 2010 for electronic card spending in Palmerston North showed that the sectors listed on page 7 also attract high levels of visitor spending, reinforcing the strength of the retail offering in the city.

Table 4: Annual visitor spending in Palmerston North by sector and share of New Zealand visitor spending (year ended July 2019)

Sector	$ million	% share of New Zealand tourism spending
Accommodation services	27	0.9%
Cultural, recreation, and gambling services	6	0.5%
Food and beverage serving services	53	1.1%
Other passenger transport	45	1.1%
Other tourism products	60	1.7%
Retail sales - alcohol, food, and beverages	37	1.5%
Retail sales - fuel and other automotive products	21	1.0%
Retail sales - other	183	2.3%
Total	433	1.5%

Source: MBIE

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 CBD 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 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, and Hunting and Fishing to Grey Street by the new Farmers Home store.

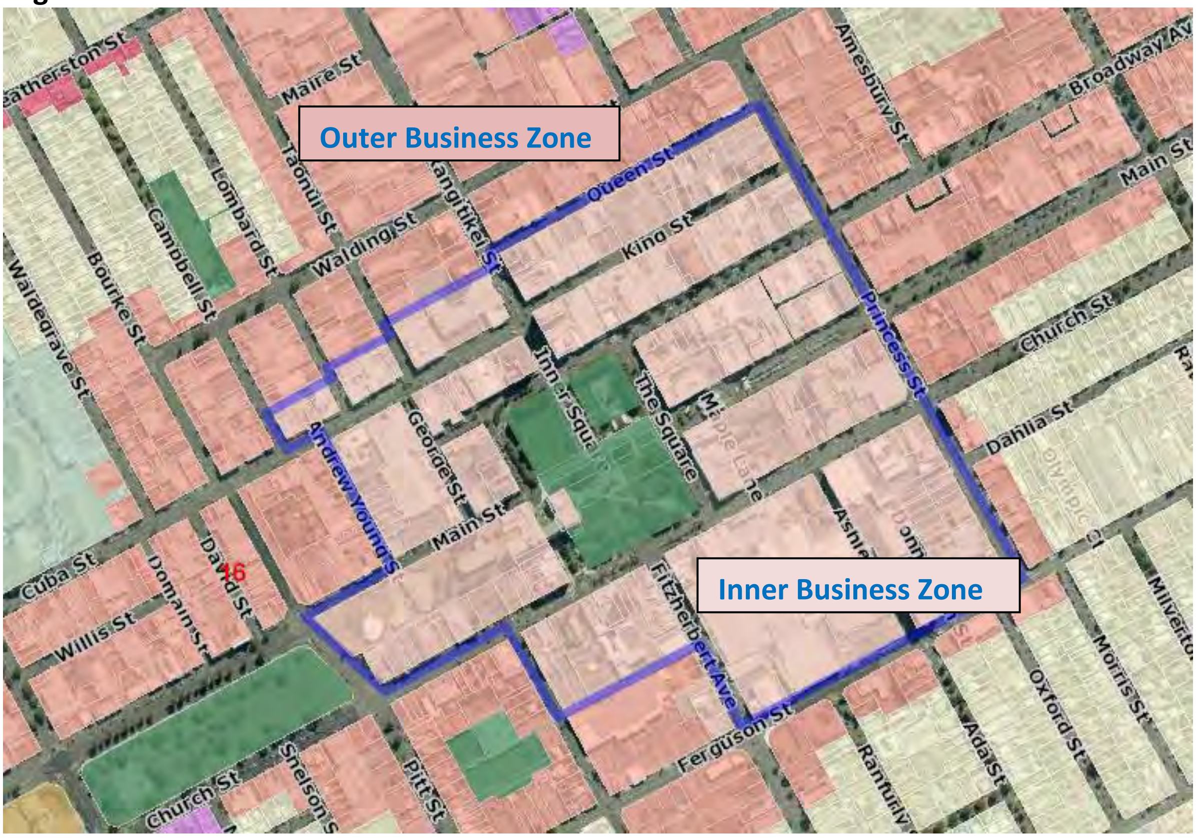
The improvements made to the footpaths and road on George Street and eastern end of Cuba Street, along with the arrival of the Briscoes store, saw increases in business activity on that side of the central business district (CBD). Developments made to the Downtown Mall included improvements to the food court and Cotton On moving to a larger site on Broadway from within the mall. These changes, along with the place-making improvements, have increased traffic flow to the area.

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 CBDs, 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 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.

Figure 16: Palmerston North CBD



Inner Business Zone (IBZ)

The Palmerston North Inner Business Zone is illustrated in Figure 16. 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 Cinemas, The Regent and Pak'n Save.

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 established 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.

The Inner Business Zone is facing a number of challenges relating to vacancy levels for office space, building seismic issues and a lack of investment in new building stock. The demand for new fit-for-purpose office space in the outer business zone (see Figure 16) is hollowing out office activity in the IBZ and the growth in the retail market sits in the large format sector. For these reasons there does not appear to be a need for additional land to meet the needs of pedestrian-orientated comparative retail or office activity in the IBZ in the short to medium term (0-10 years) and potentially over the long-term (10 to 30 years).

The recently completed Palmerston North Housing and Business Capacity Assessment report (May 2019) suggests a further targeted review of Business Zone District Plan land use provisions may be required to further refine and manage the approach to retail and office activity. Further work may also be required to the Council's rating policy for Business Zone land and policy regarding the purpose of Council's lease car parking in the Business Zones.

Outer Business Zone (OBZ)

There has been a significant movement of large format retail spend in the Inner and Outer Business Zones in the following sectors:

- Electrical and electronic goods' retailing have increased their market share in the Outer Business Zone from 63% to 76% in the period 2012 to 2018

- Furniture, floorcoverings, housewares and the textiles sectors have increased from 37% to 44% over the same period

Examples of this trend over this period included developments on Rangitikei Street such as Farmers Home Centre, Stevens, Bed Bath and Beyond and Harvey Normans and Smiths City on Main and Princess Streets.

There appears to be ongoing supply of land that meets the functional and locational need of these activities. However, the Zone has suboptimal development yield, and significant ongoing development capacity that includes 3.5ha of land rezoned in 2011 that is yet to transition to commercial use.

The targeted review of the District Plan will need to consider whether the policy and development settings of the OBZ remain appropriate in the context of maintaining the on-going hierarchy of Business Zones.

Fringe Business Zone (FBZ)

The 13,829m2 of development in the Fringe Business Zone since 2008 has occurred in the northern part of the FBZ. The rate of development in the FBZ was suppressed by the start of the Global Financial Crisis, which started at the end of 2007/early 2008. Development in the Zone has picked up since 2011, however across the Zone development uptake has been subdued.

It is 10-years since the FBZ became operative in the District Plan and the Zone is now due to be reviewed. An assessment of the FBZ planning provisions will be required to ensure it is fit for purpose and its role continues to sit comfortably within the overall hierarchy of business zones in the District Plan. The assessment will need to consider whether the mix of activities provided for in the Zone remains appropriate or whether a wider range of activities should be provided for to ensure the natural and physical resources of the Zone are efficiently utilised.

There may be an opportunity to consider promoting increased mixed-use to occur in the FBZ, including residential use. There are several locations in both the northern and western areas of the FBZ that could offer opportunities for residential use in close proximity to the central city and recreational activities such as the Esplanade and the river pathway.

The assessment will also need to consider whether a tightening of regulatory control on large format retailing and associated activities is required in the OBZ, or whether the status-quo remains appropriate.

Local Business Zones (LBZ)

The fourth level of business activity within the hierarchy is the City’s local business areas. 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. 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.

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, recent 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 CBD
- Mitre 10 Mega moving closer to CBD from John F Kennedy Drive to Featherston Street in 2011
- Rebel Sport and Briscoes moved closer to the CBD from Main Street to Cuba and Rangitikei Street in September 2010
- Farmers moving from Broadway Avenue to the Plaza in 2010
- The Warehouse moved away from CBD from Cuba Street to between Main Street and Church Street in 2005

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 the closest free parking to the CBD.

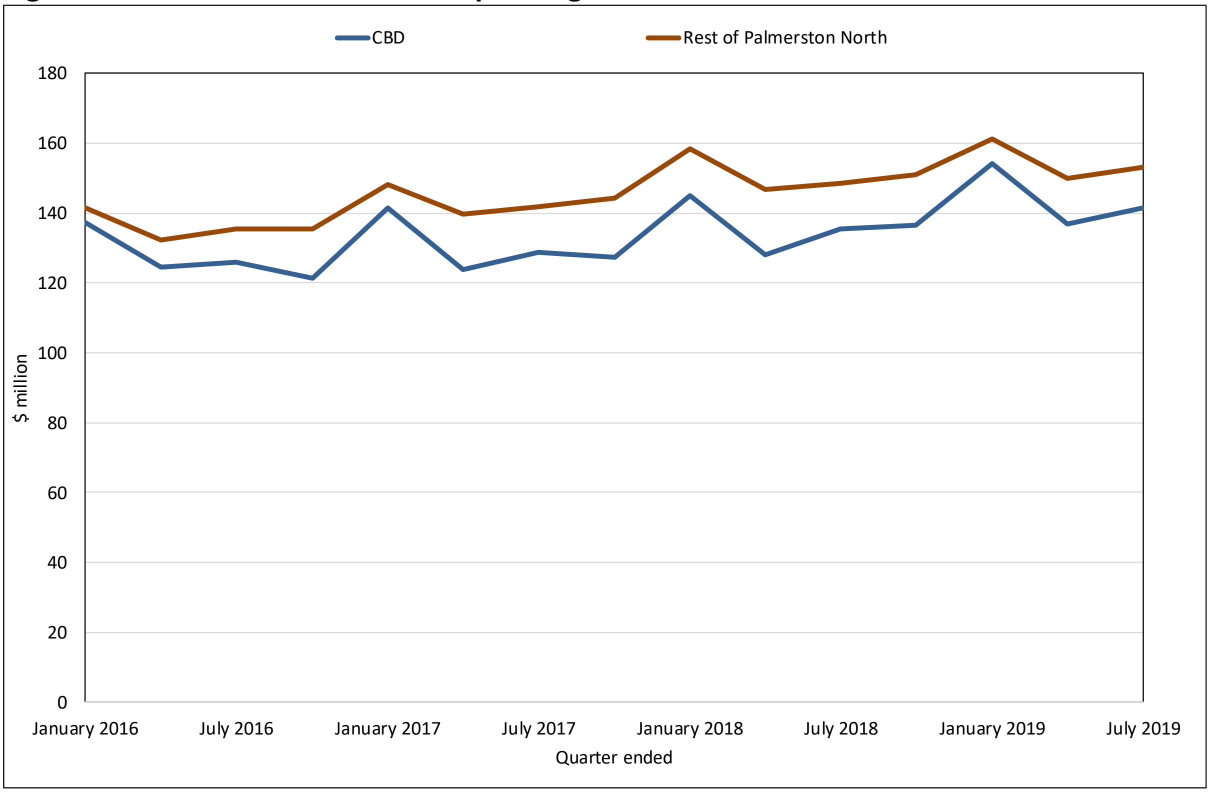
Downtown Mall and Rangitikei Street have also benefited from the recent changes. The completion of the revamped food court and new health hub in Downtown have brought pedestrian and traffic flow back to the area.

The changes in location for some anchor stores have continued to keep retail healthy in Palmerston North. 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 CBD. 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). In 2013, Property Economics reported that vacancy rates were 16% in the Hamilton CBD.

Palmerston North main shopping areas

Palmerston North retail data by precinct shows that around 48% of retail spending in Palmerston North occurs within the CBD and 52% is in the remainder of the city. Supermarkets and fuel outlets account for a significant share of the retail spending that occurs outside of the CBD. The rate of growth in spending in the CBD was weak during 2017, but since July 2019 has been stronger than the overall growth rate for the city.

Figure 17: CBD and non-CBD retail spending in Palmerston North



Source: Marketview

The Plaza

The Plaza remains the primary shopping mall in the CBD, 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 completed in March 2010 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. Following the redevelopment, the Mall 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 are all free. 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.

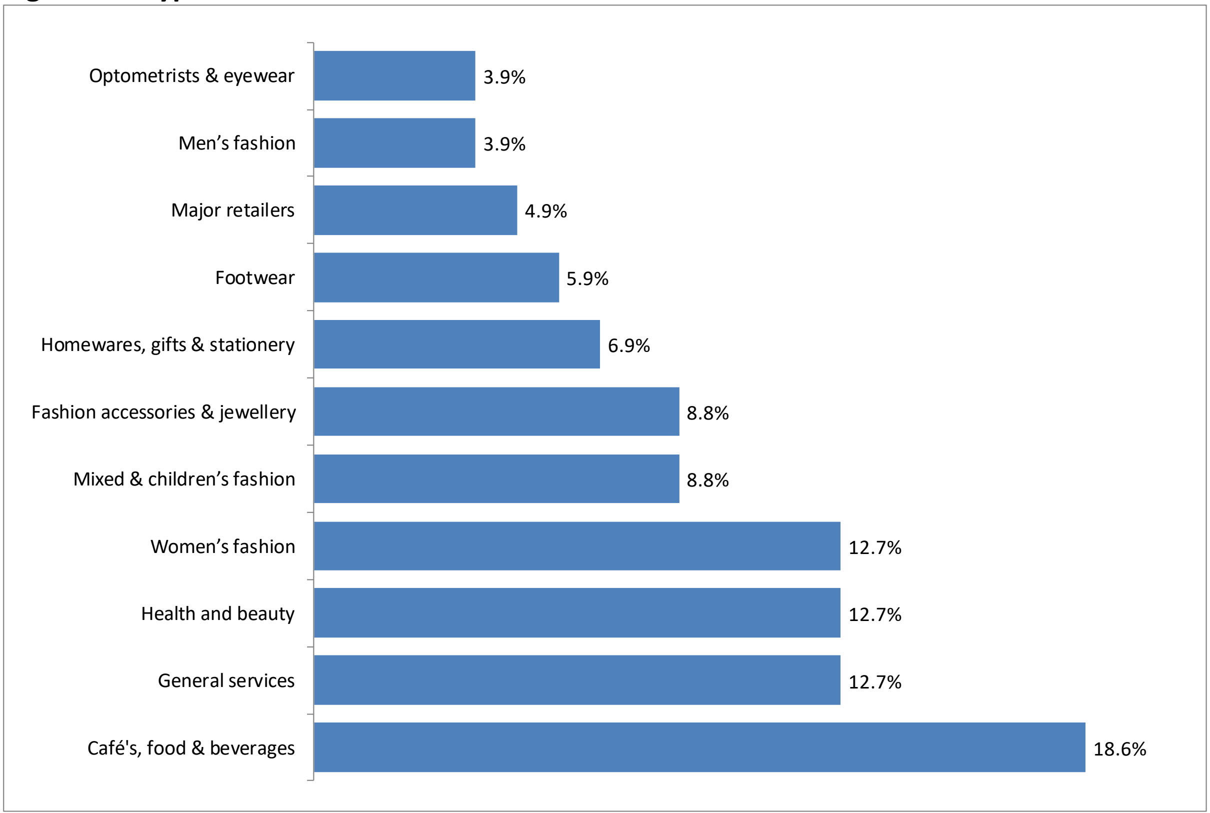
Two bird's eye views of the Plaza before and after the redevelopment are shown in Figures 18 and 19.

Figure 18: Plaza 2007 (before redevelopment)

Figure 19: Plaza 2012 (after redevelopment)

The Plaza's wide variety of shops makes it very successful. Figure 20 below illustrates the wide range of stores in the Plaza which attract different people, benefiting all retailers in the Plaza through high pedestrian counts past their stores.

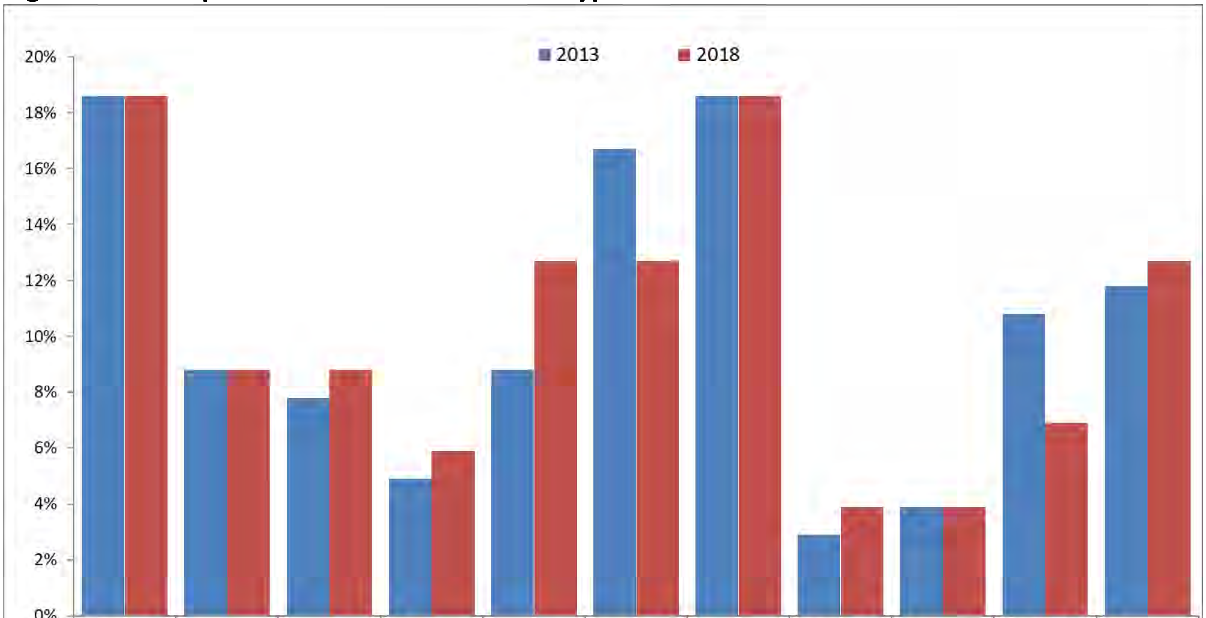
Figure 20: Types of retail stores in The Plaza



Source: Palmerston North City Council

Figure 21 shows the comparison between 2013 and 2018 in terms of the change in retail storetypes in the Plaza.

Figure 21: Comparison of Plaza retail storetypes in 2013 and 2018



	Major retailers	Fashion accessories	Children's fashion	Footwear	Health & beauty	Women's fashion	Food & beverages	Men's fashion	Optometrist & eyeware	Homeware, gifts & stationery	General services
2013	18.6%	8.8%	7.8%	4.9%	8.8%	16.7%	18.6%	2.9%	3.9%	10.8%	11.8%
2018	18.6%	8.8%	8.8%	5.9%	12.7%	12.7%	18.6%	3.9%	3.9%	6.9%	12.7%

Source: Palmerston North City Council

George Street

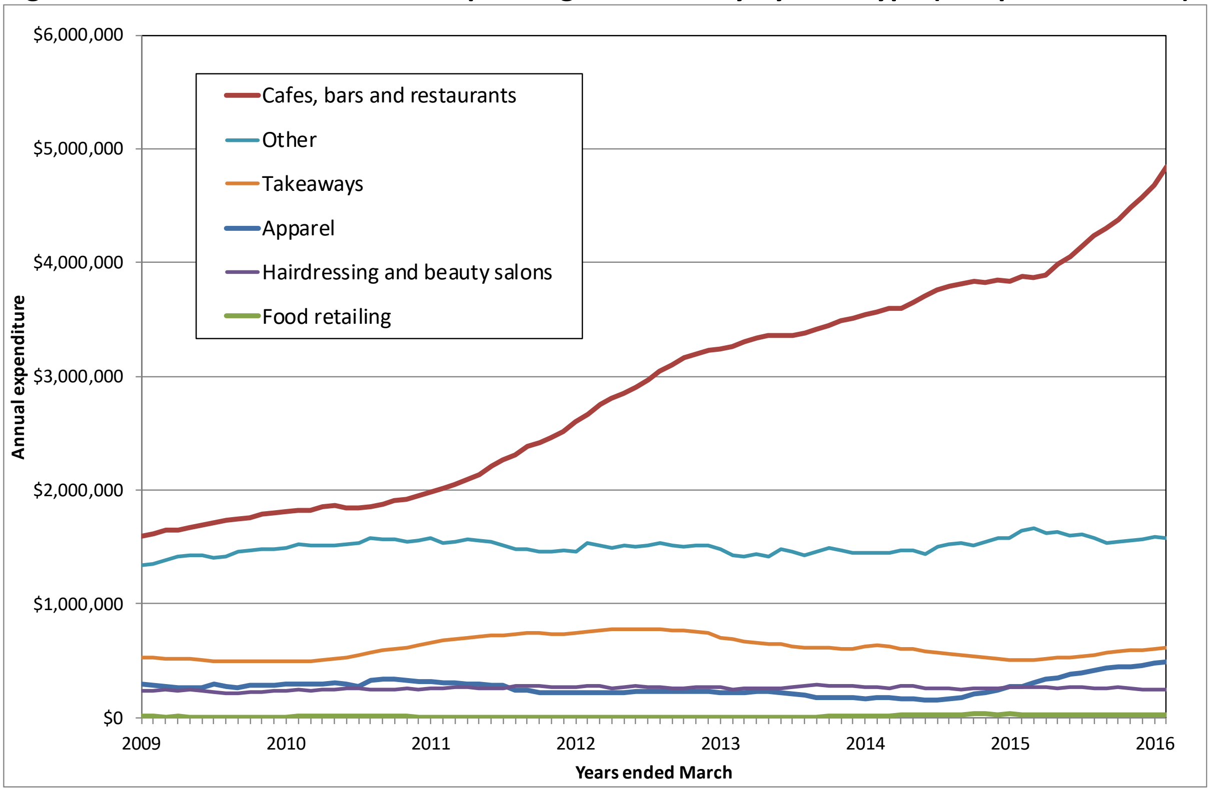
George is still a prime retail street, benefitting from the foot traffic between the anchor stores (Harvey Norman, Rebel Sports and Briscoes) and the Central Library. The movement of Rebel Sport and Briscoes from Main Street East to Cuba Street has helped to support activity in George Street.

One thing that continues to differentiate George Street businesses from the rest of the businesses in the CBD is the use of the footpath and road in front of their stores. Of the 41 businesses located down the street, at least 24 have footpath signs, chairs and tables parklets to liven up the atmosphere of the street and encourage shopping. Recently Downtown has taken the same approach as George Street. Small developments over time continue to make George Street an important retail hotspot in Palmerston North.

Broadway Avenue

Broadway Avenue had the biggest decline in activity out of the entire shopping area in the Inner Business Zone. This was mainly caused by Farmers moving to the Plaza from Broadway. 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.

Figure 22: Annual electronic card spending in Broadway by storetype (5.30pm - 12.00am)

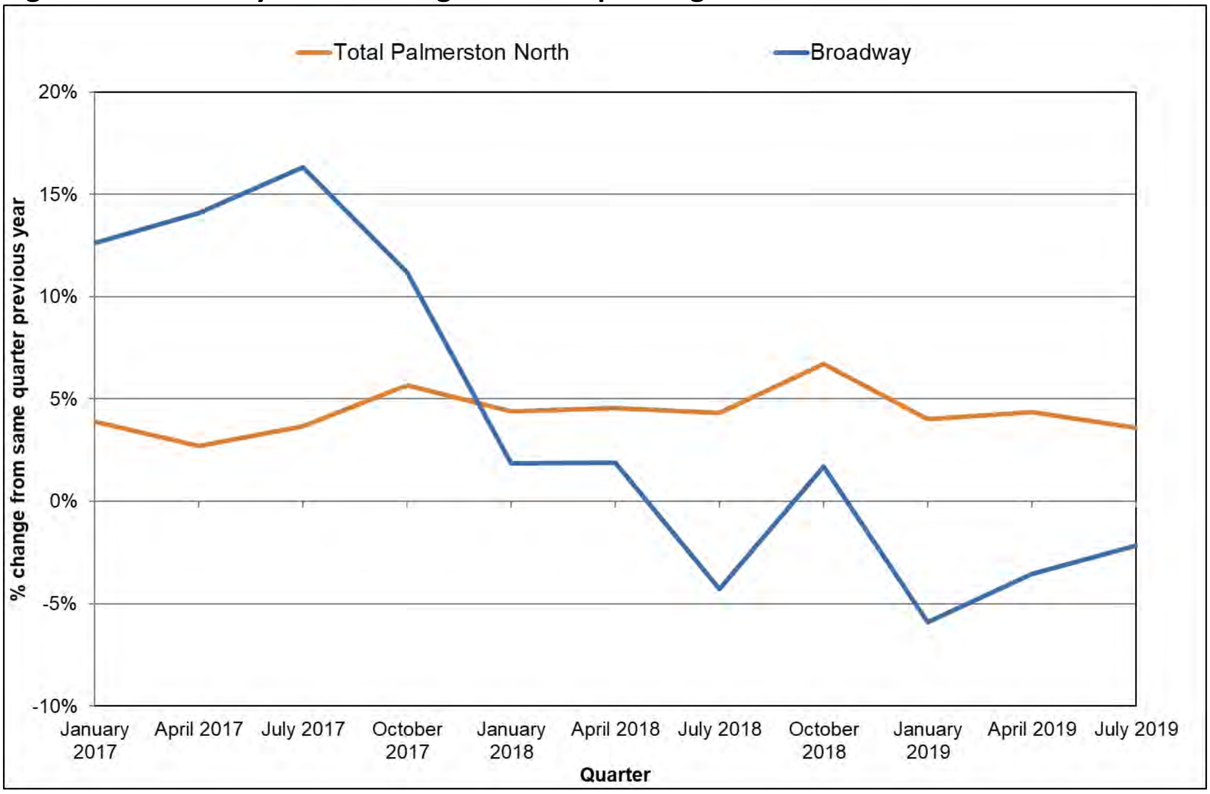


Source: Marketview

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 redevelopment has 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 have 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.

Originally there were concerns about the decline of Broadway Avenue, which had been variously attributed to council actions or inaction and to lack of efforts by landlords. However, the recent redevelopments have benefited the area greatly. Strong growth was recorded in retail spending in Broadway during 2017, but a decline in spending occurred following the Whitcoulls closure in Broadway in May 2018.

Figure 23: Quarterly rate of change in retail spending



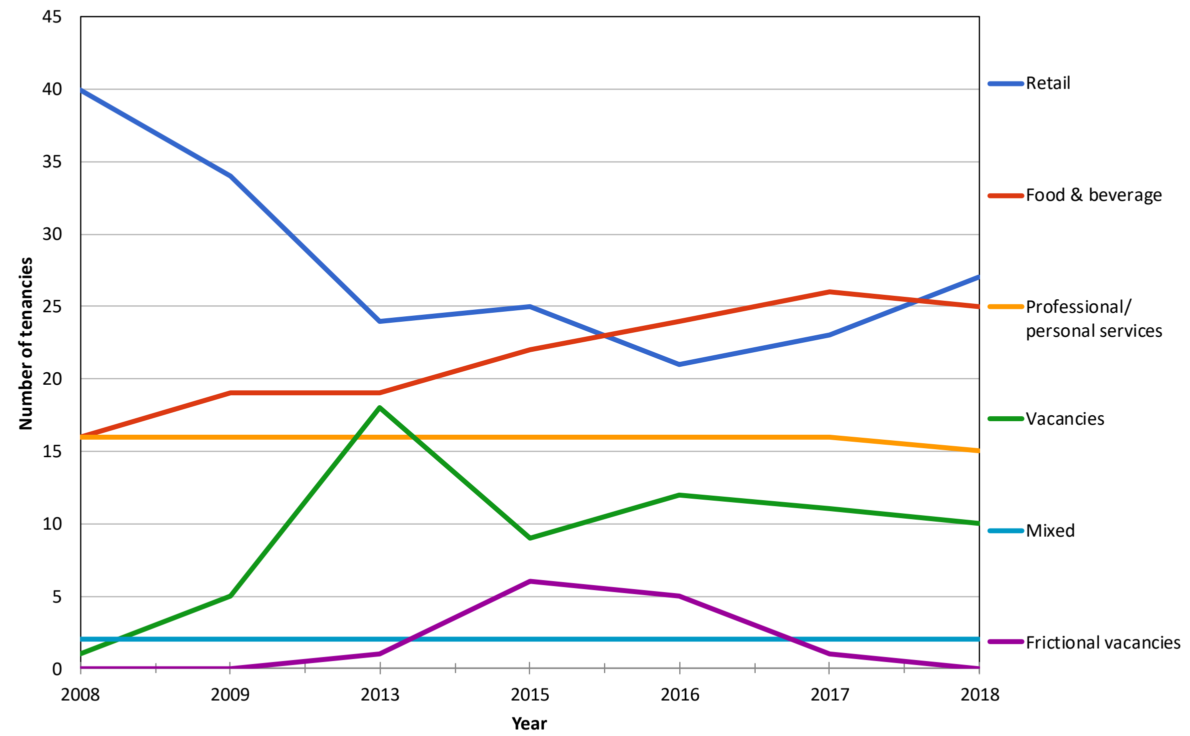
Source: Marketview

Currently on Broadway Avenue, between the Square and Princess Street, the mixture of stores is:

- 35% Retail
- 32% Food and Beverage
- 19% Professional services
- 13% Vacancies
- 1% Mixed

Figures 24 – 26 show the trends in tenancies in the three CBD sections of Broadway Avenue. The frictional vacancy category in the graphs refers to tenancies that are vacant but have been leased or are undergoing renovation or strengthening work.

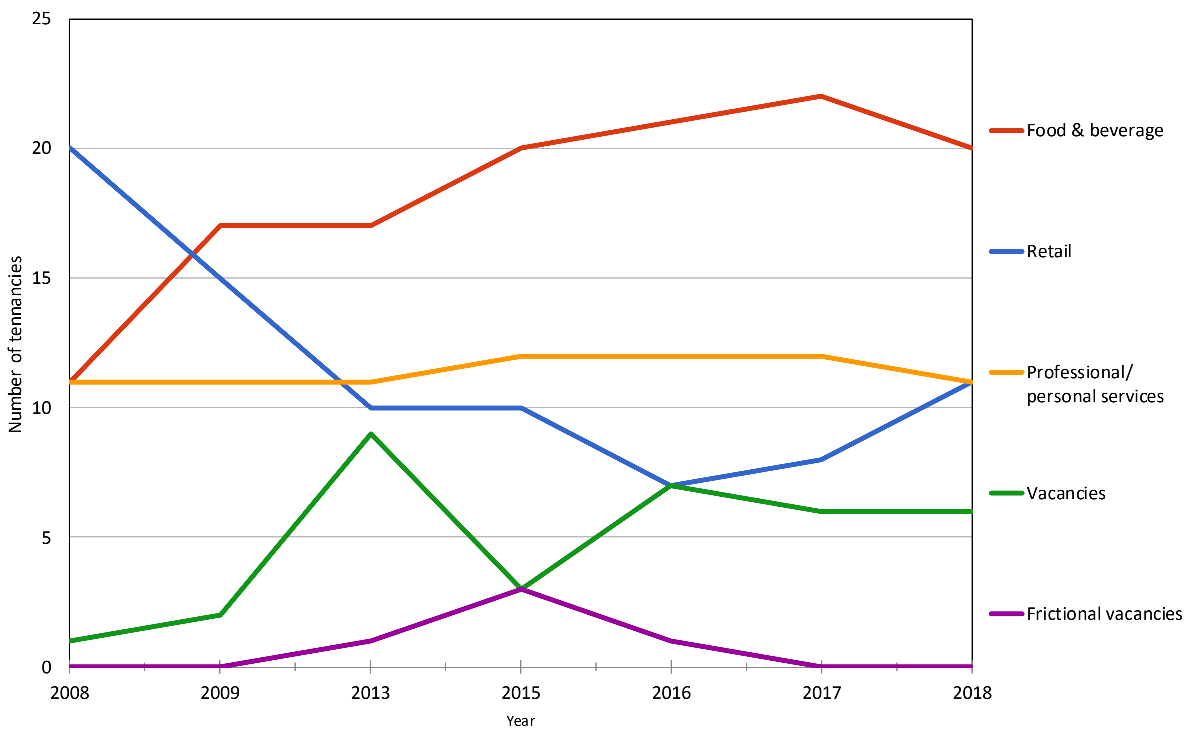
Figure 24: Trends in tenancy numbers in Broadway (The Square – Princess Street) 2008 - 2018



Frictional vacancies - tenancies that are vacant but have been leased or are undergoing renovation or strengthening work

Source: Palmerston North City Council

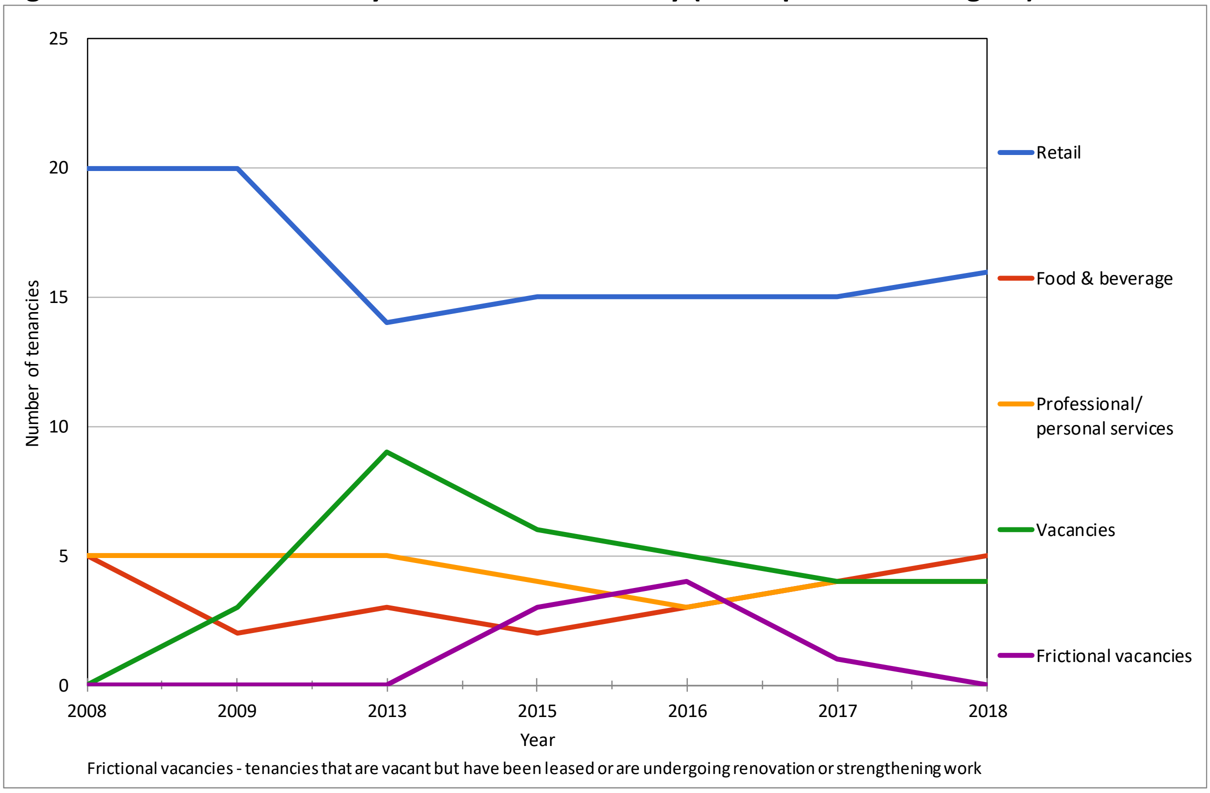
Figure 25: Trends in tenancy numbers in Broadway (The Regent – Princess Street) 2008 – 2018



Frictional vacancies - tenancies that are vacant but have been leased or are undergoing renovation or strengthening work

Source: Palmerston North City Council

Figure 26: Trends in tenancy numbers in Broadway (The Square – the Regent) 2008 - 2018



Source: Palmerston North City Council

Footpaths and accessibility

Footpaths are the routes that pedestrians take to get from A to B. If a CBD footpath is designed poorly then it can discourage pedestrians from going to a specific area of the CBD and, therefore, affect retailers in that area. Changes affecting pedestrian flows in the CBD 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 has been removed and the footpath and grass area widened
- 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 CBD to improve accessibility

Pedestrian counts

Pedestrian count data show the routes that shoppers take while walking through the CBD 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.

Pedestrians are defined as adults over the age of 15 (excluding Police, construction and delivery workers) who are considered to be likely genuine shoppers. Figure 27 shows the locations where pedestrian counts were taken in 2018.

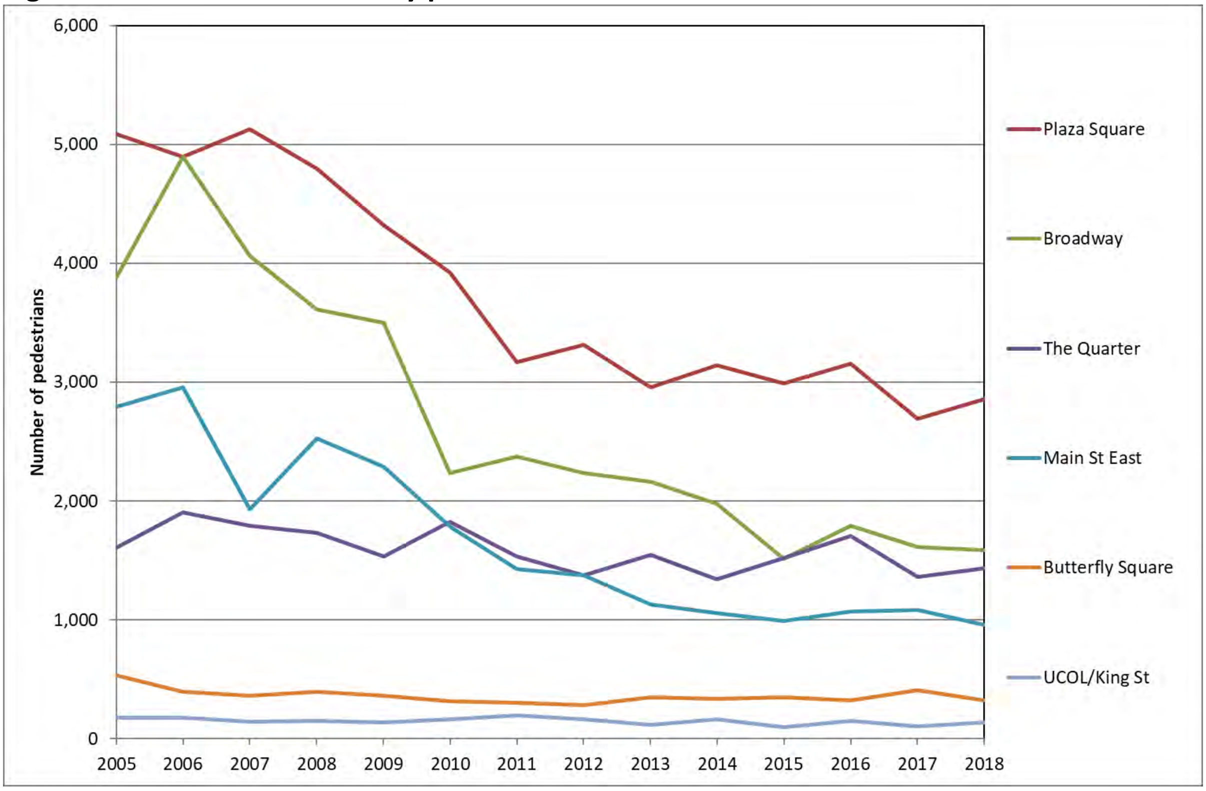
Figure 27: Sites where pedestrian counts take place

Source: Property Institute Palmerston North

The Manawatū Branch of the Property Institute of New Zealand (PINZ) conducts the annual inner-city pedestrian survey for Palmerston North in November. This pedestrian survey has been undertaken by the branch since 1985. In 2018 the pedestrian counts were conducted for a period of half an hour at the following times:

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

Figure 28: Pedestrian counts by place



Source: Property Institute Palmerston North

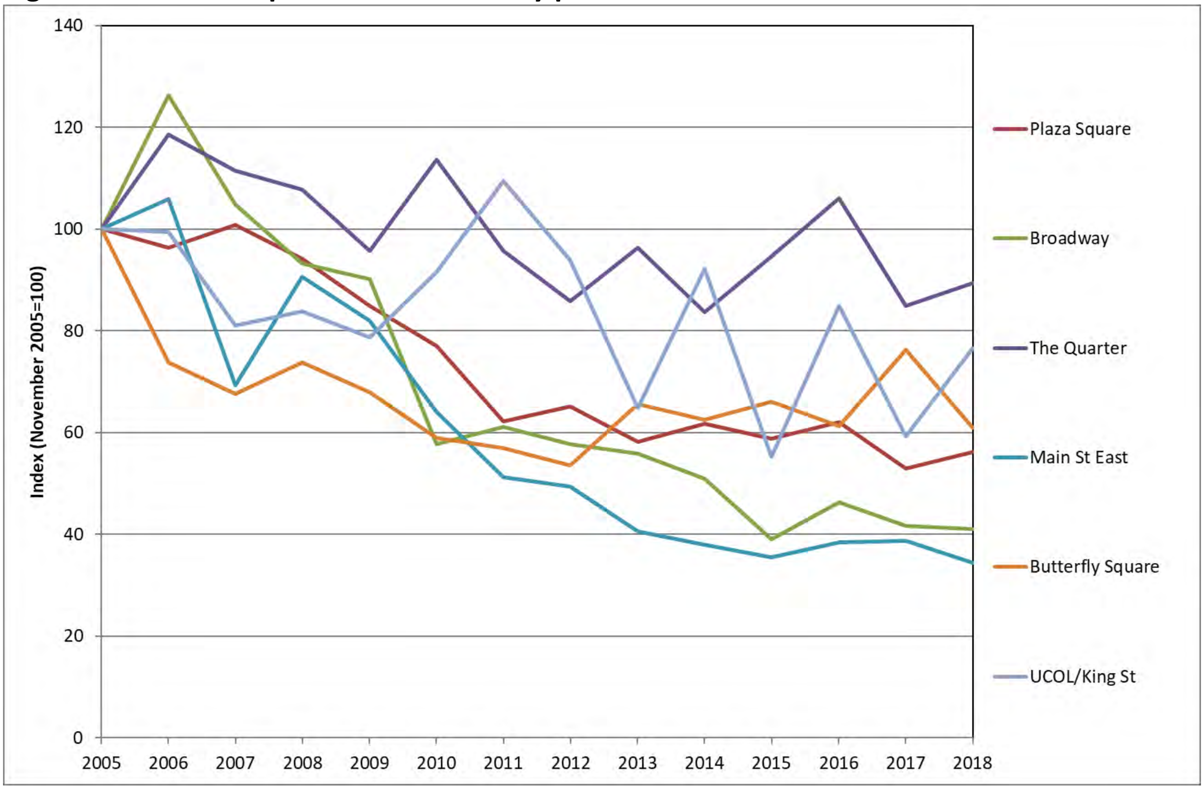
In Figure 28, Butterfly Square refers to the pond side of The Square and The Quarter is Coleman Place, Rangitikei, Cuba and George Streets.

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 major negative impact on all retail in the CBD. 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 shop A to shop B instead of walking there.

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 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 29) is used to show changes in the volume of counts in each area within the CBD.

Figure 29: 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, meaning there is still no authoritative dataset yet of all buildings in Palmerston North.

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 Blackmores June 2018 Palmerston North Regional Market Snapshot for the commercial and industrial sector showed a wide variation in inner and outer business zone rents and vacancy levels, due to differences in the quality of buildings. In the inner business zone leasing trends data showed a range of \$100 to \$800 per m^2 (total occupancy cost basis).

Table 5: Inner business zone leasing trends and demand/supply (June 2018)

Property quality	Rents - $ per m^2		Building grade		Demand	Supply	Gross floor area (m2)
	Low	**High**	**Grade**	**Quality**			
Grade A	$300	$800	A	Good - post-2000	Flat	Sufficient	72,750
Grade B	$150	$400	B	Average - 1960s - 1990s	Flat	Sufficient	222,271
Grade C	$100	$200	C	Poor - pre-1960	Weak	Surplus	77,444
Total							372,465

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

Source: Blackmores

The highest rents were in Grade A buildings, where the vacancy rate was 0.6%, while the lowest rents were in Grade C buildings, where the vacancy rate was 32.2%. The overall vacancy rate for the inner business zone was 11.9%, with a total of 44,508 m^2 vacant space in June 2018 (see Tables 5 and 6).

Table 6: Inner business zone vacancy levels (June 2018)

	Ground floor			Upper floors			Total	
Property quality	Gross floor area (m^2)	Vacancy %	Vacancy Trend	Gross floor area (m^2)	Vacancy %	Vacancy Trend	Gross floor area (m^2)	Vacancy (%)
Grade A	56,032	0.0%	Flat	16,718	2.6%	Flat	72,750	0.6%
Grade B	100,051	5.4%	Flat	122,220	11.2%	Flat	222,271	8.6%
Grade C	53,245	30.4%	Up	24,199	36.1%	Up	77,444	32.2%
Total	209,328	10.3%		163,137	14.0%		372,465	11.9%

Source: Blackmores

As shown in Table 7 and 8, rents were much lower in the local and outer business zones than the inner business zone, with a range of $100 to $300 per m^2. Overall vacancy rates in the local and outer business zones were lower than for the inner business zone, averaging 7.0%. The vacancy rate in Grade A buildings was 0.7% while the vacancy rate in Grade C buildings was 12.6%. There was total vacant space of 29,620 in the local and outer business zones.

Table 7: Local and outer business zone leasing trends and demand/supply (June 2018)

Property quality	Rents - $ per m^2		Building grade		Demand	Supply	Gross floor area (m2)
	Low	**High**	**Grade**	**Quality**			
Grade A	$200	$300	A	Good - post-2000	Strong	Scarce	96,803
Grade B	$150	$250	B	Average - 1960s - 1990s	Flat	Sufficient	213,713
Grade C	$100	$150	C	Poor - pre-1960	Weak	Surplus	111,074
Total							421,590

Source: Blackmores

Table 8: Local and outer business zone vacancy levels (June 2018)

	Ground floor			Upper floors			Total	
Property quality	Gross floor area (m^2)	Vacancy %	Vacancy Trend	Gross floor area (m^2)	Vacancy %	Vacancy Trend	Gross floor area (m^2)	Vacancy (%)
Grade A	73,848	1.0%	Down	22,955	0.0%	Down	96,803	0.7%
Grade B	168,842	5.3%	Flat	44,871	13.5%	Flat	213,713	7.0%
Grade C	93,404	11.3%	Up	17,670	19.0%	Up	111,074	12.6%
Total	336,094	6.0%		85,496	11.0%		421,590	7.0%

Source: Blackmores

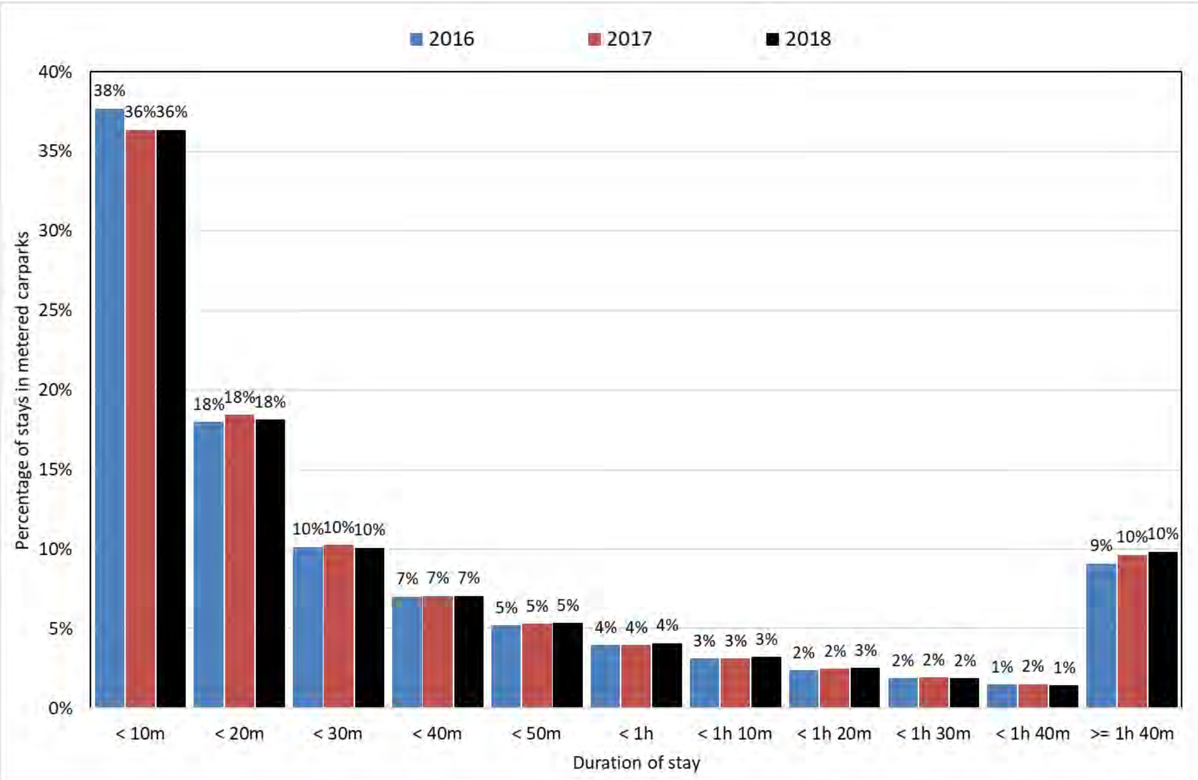
Capital values

The latest three-yearly revaluations by Quotable Value (QV) show strong growth in land values and capital values in the QV central commercial zone. Land values for commercial properties increased by 26.0% between September 2015 and September 2018, while total capital values increased by 12.2%. The previous revaluation in 2015 showed declines of 13.8% in commercial land values and a decline of 6.8% in capital values in the central commercial zone.

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'. If there is too little parking, it will discourage consumers from visiting and shopping in the CBD.

Figure 30: Duration of stay in metered car parks in Palmerston North in December (2016 – 2018)



Source: Frog Parking

Duration of stay in the metered car parks in the CBD has remained relatively similar between 2016 and 2018. There has been a small increase in the percentage of vehicles staying for longer than an hour, increasing from 18.0% in 2016 to 18.9% in 2018. The percentage of vehicles staying for less than 30 minutes has declined from 65.8% in 2016 to 64.6% in 2018, with the decline coming mostly in the number of vehicles parking for less than 10 minutes.

Table 9: Parking occupancy by day of week in November

Day of week	2014	2015	2016	2017	2018	2014 - 2018 average
Monday	30.1%	31.9%	33.6%	34.1%	37.0%	33.3%
Tuesday	36.8%	35.5%	37.2%	40.6%	42.6%	38.5%
Wednesday	36.4%	37.1%	42.1%	41.5%	43.7%	40.2%
Thursday	40.9%	41.1%	44.3%	48.5%	48.7%	44.7%
Friday	40.9%	41.6%	46.7%	47.1%	51.2%	45.5%
Saturday	55.3%	62.6%	57.7%	55.2%	55.6%	57.3%
Sunday	not recorded					
Total	40.1%	41.6%	43.6%	44.5%	45.9%	43.1%

Source: Ezicom/Parkmanager

Occupancy data shows a 15% increase in occupancy rates in the metered car parks in the city between 2014 and 2018, with the biggest increases occurring on Mondays and Fridays, with little change in occupancy on Saturdays (Table 8 and Figure 31). The number of parking transactions declined by 5% between 2014 and 2018, but the total revenue from those transactions rose by 22%, reflecting the longer stays in car parks shown in Figure 30.

Figure 31: Parking occupancy by day of week in November

Source: Ezicom/Parkmanager

Data for parking occupancy by street (Table 10) shows a wide variation is occupancy rates across metered areas, ranging from 95% in Cross Street to 6% in the Campbell Street car park. The high occupancy rates in Cross Street and Queen Street are likely to be due to workers taking advantage of the removal of time limits and very low hourly parking rates. However, there are a few areas with low hourly rates and low occupancy, particularly the Selwyn/Pitt Street car park and Campbell Street carpark.

Table 10: Parking occupancy by street in November 2018

Location	Number of parking spaces	Hourly rate	Occupancy rate
Cross Street	12	$0.50	95%
Queen St	52	$0.50	84%
Coleman Place	16	$1.50	70%
Donnington Street	27	$0.50	70%
Ashley Street	7	$1.00	66%
George St	37	$1.50	64%
Church St	140	$1.00 or $1.50	59%
Linton car park	51	$1.00	59%
Globe car park	42	$0.50	58%
Church St car park	10	$1.00	55%
Broadway Ave	158	$1.50	54%
The Square	283	$1.50	49%
Princess St	11	$1.50	49%
Civic Centre car park	56	$1.00	49%
Main St East	149	$1.00	47%
King St car park	47	$1.00	47%
Cuba St	44	$1.50	46%
King St	100	$1.50	43%
Central Square car park	47	$1.00	40%
Main St West	61	$1.50	32%
Fitzherbert Ave	82	$1.50	30%
Selwyn/Pitt car park	25	$0.20	25%
Walding St	29	$1.00	20%
Rangitikei St	75	$1.50	19%
Linton St	41	$1.00	12%
Cambell St car park	38	$0.50	6%
Total CBD	1,640		46%

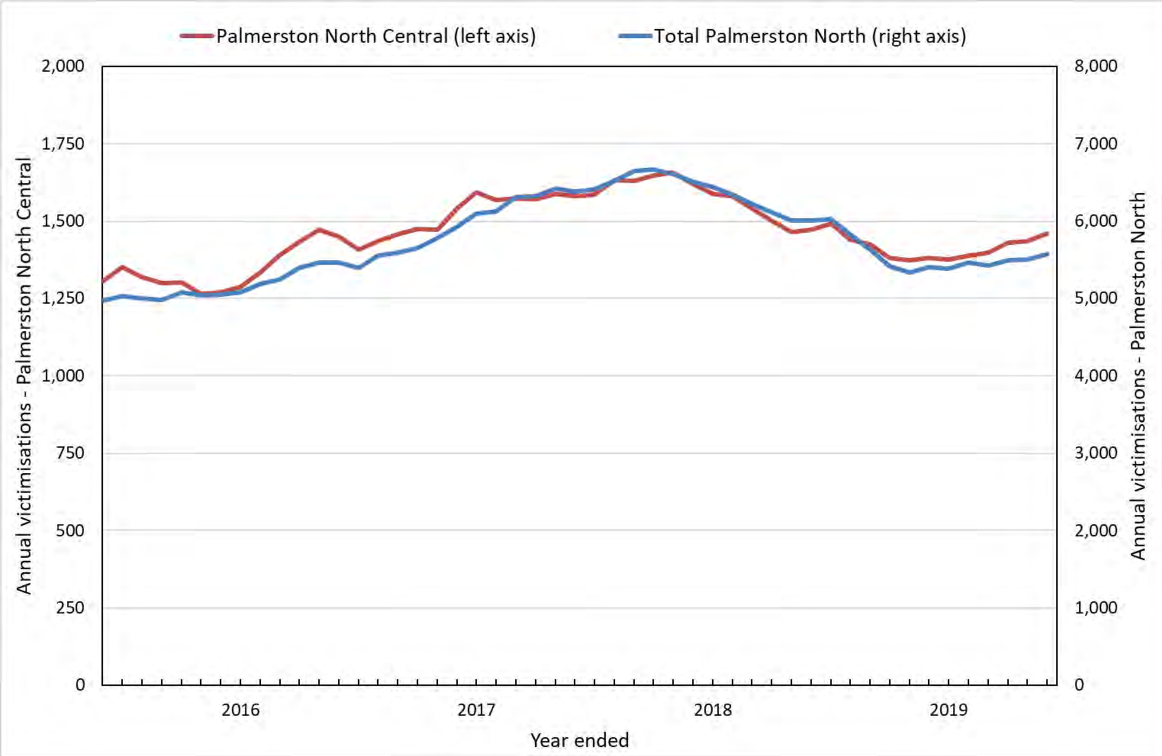
Source: Ezicom/Parkmanager

Safe atmosphere

If consumers feel safe both during the day and at night time in the CBD they will be more likely to return to the CBD to shop. They are also more likely to walk from Shop A to Shop B as 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 CBD.

Police recorded crimes data shows an increase in recorded crime levels in the Palmerston North Central area unit and in Palmerston North between June 2015 and mid-late 2017. The peak in Palmerston North Central was 1,658 in the year ended November 2017.

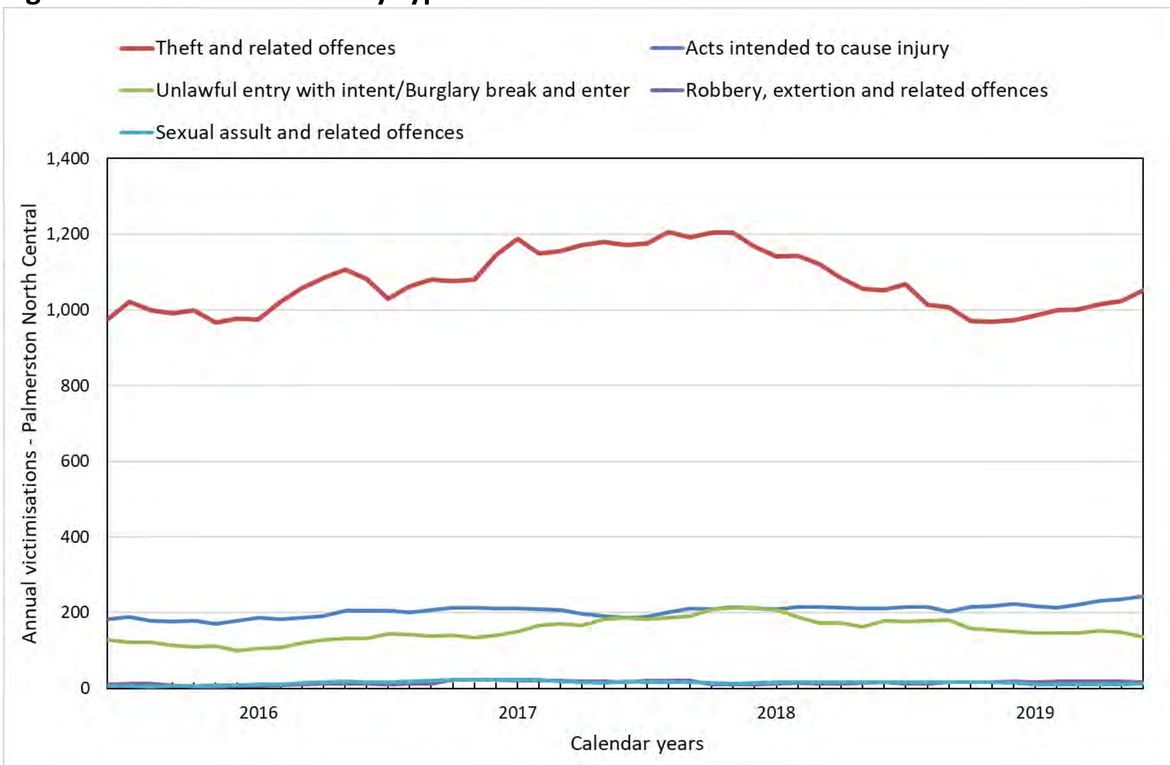
Figure 32: Recorded annual crime in Palmerston North



Source: New Zealand Police

The majority of victimisations recorded in Palmerston North Central are for theft and related offences. These increased during 2016 and 2017, declined during 2018, but began to rise again during 2019. There has been a slow increase in acts intended to cause injury.

Figure 33: Recorded crime by type in Palmerston North Central area unit



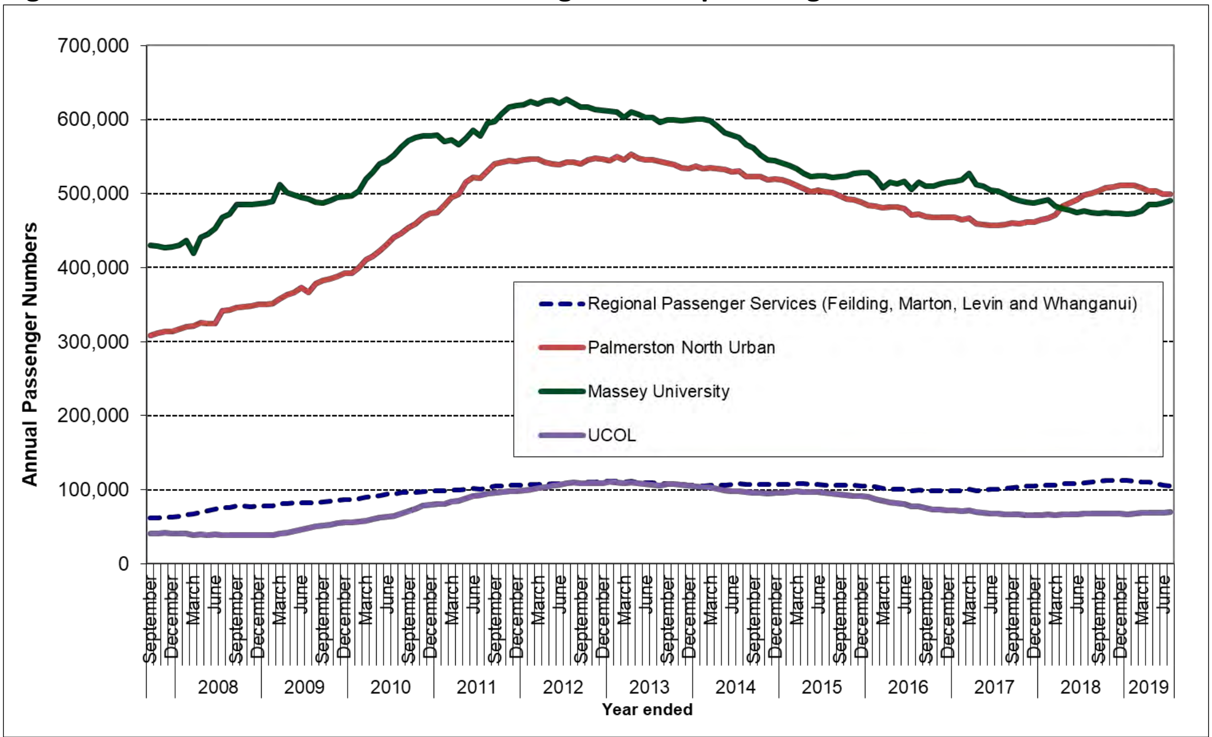
Source: New Zealand Police

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 CBD, whether for work or leisure, and therefore a good transport system can be related strongly to good retail in the CBD.

Palmerston North has a reliable public bus transport service and 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 in and from Massey along Fitzherbert Avenue.

Figure 34: Palmerston North urban and regional bus patronage



Source: Horizons Regional Council

Figure 34 shows annual Palmerston North urban and regional bus patronage. Massey and UCOL patronage declined due to a decline in student numbers up to 2019 and the resulting reductions in staff levels in response to lower student numbers. Massey numbers have been increasing since the beginning of 2019. The 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 CBD.

Recent building development in the CBD

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 50% of the value of commercial building consents issued in Palmerston North between 2003 and 2018.

Table 11: Value of building consents for commercial buildings (new buildings and additions and alterations) (total for 2003 - 2018 December years)

Area unit	Value of consents ($)	% share
Palmerston North Central	171,323,302	50%
Papaioea	46,814,120	14%
Milson	26,633,292	8%
Takaro	15,878,400	5%
Roslyn	14,445,371	4%
Kelvin Grove	13,346,307	4%
West End	11,095,000	3%
Palmerston North Hospital	10,691,769	3%
Cloverlea	8,663,585	3%
All other area units	23,653,761	7%
Total Palmerston North	342,544,907	100%
Includes supermarkets; restaurants, bars, and cafes; other shops and retail buildings; office and administration buildings; public transport buildings)		

Source: Statistics New Zealand

The Square

One strength that Palmerston North has is the large park in the middle of its CBD. Not many cities in New Zealand and around the world have this area 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 CBD. Over the years we have seen different ways the area has been used. The Ice skating rink during the winter and a wide range of events held in the Square help maintain vitality in the City Centre.

Urban Design Plan

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.

The Creative City Index

The Creative Cities Index assesses the creative pulse of places by exploring their urban dynamics, processes and projects. It differs from most indexes by looking at the city as an integrated whole from an insider and outsider perspective through a series of ten broad cross-cutting domains.

In 2013 Palmerston North invited international urban expert and author of the Creative Cities index Charles Landry to undertake a two-week residency to undertake an initial index of the city. An online survey was carried out while Charles undertook intensive interviews, site visits and presentations. The survey was repeated in 2019, using an online questionnaire only between February 8th and April 26th 2019.

Overall Palmerston North score for Palmerston North in 2019 was 55.9%, a slight increase from the score of 55.4% in 2013, although there were differences in the demographics of the people completing the survey in 2013 and 2019.

The index scores cities across 10 domains, comparing Palmerston North against 14 other cities globally. Differences in the demographics of the people who completed the Palmerston North survey in 2013 and 2019 means the changes reported may not be a true reflection of the change over time.

Table 12: Comparison of key domain results - Palmerston North 2013 & 2019 Creative Cities Index

Domain Changes above CCI average:	CCI Average 2013	PN Average 2013	CCI Average 2019	PN Average 2019	MOVE
1.Political & Public Framework	45.7%	**53.9%**	48.9%	**59.6%**	+5.7
2.Openness, Tolerance & Accessibility	57.8%	**60.8%**	60.4%	**63.7%**	+2.9
3.Strategic Leadership, Agility & Vision	47.1%	**53.0%**	51.1%	**53.2%**	+0.2
4.Professionalism & Effectiveness	57.3%	**58.4%**	60.1%	**62.0%**	+3.6
Domain Changes below CCI average:	**CCI Average 2013**	**PN Average 2013**	**CCI Average 2019**	**PN Average 2019**	**MOVE**
5. Distinctiveness, Diversity, Vitality	59.0%	**50.3%**	60.9%	**52.7%**	+2.4
6. Entrepreneurship & Innovation	47.2%	**44.5%**	49.8%	**41.3%**	-3.1
7. Talent & Learning	52.9%	**50.3%**	55.0%	**50.5%**	+0.2
8. The Place & Placemaking	56.0%	**46.7%**	57.0%	**54.4%**	+7.6
Domain Changes from above to below CCI average:	**CCI Average 2013**	**PN Average 2013**	**CCI Average 2019**	**PN Average 2019**	**MOVE**
9. Communication, connectivity & networking	58.4%	**66.5%**	59.0%	**57.6%**	-8.9
10. Liveability & Wellbeing	66.4%	**69.6%**	68.9%	**63.8%**	-5.8

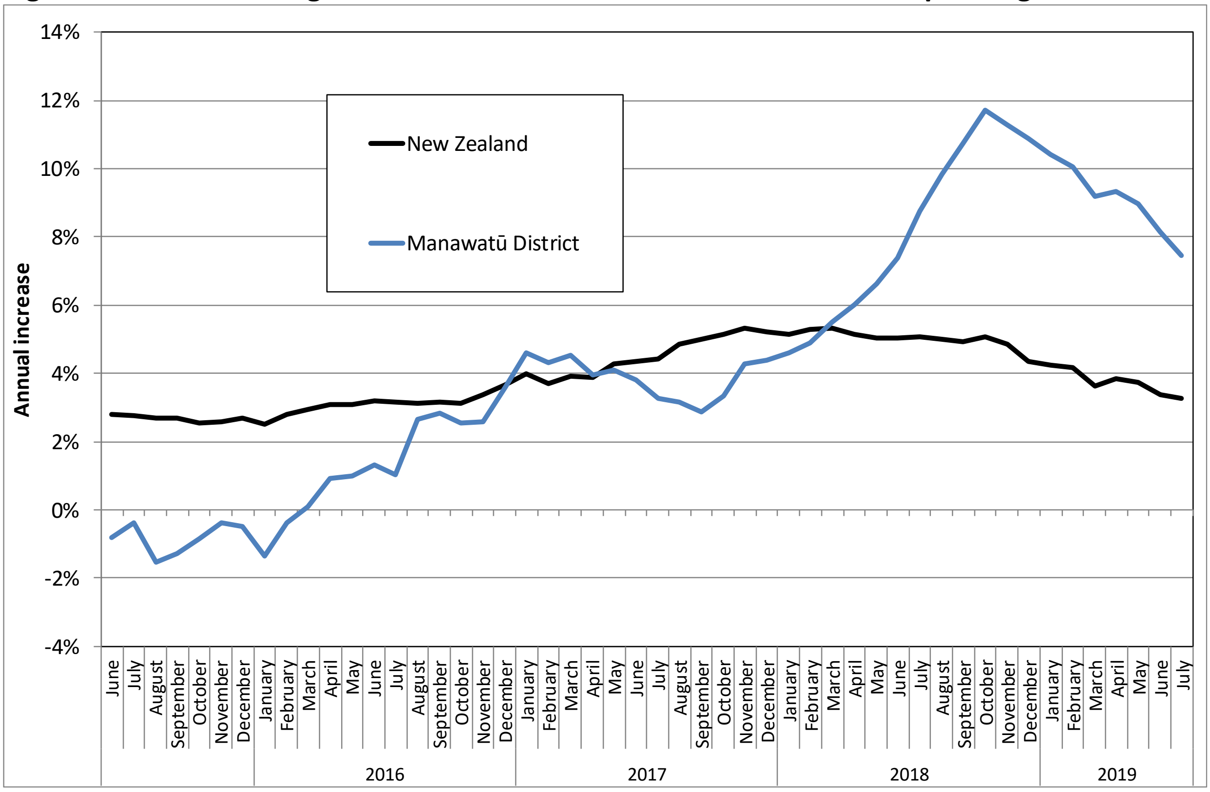
Source: Palmerston North City Council

Manawatū district retail trends

Total electronic card retail spending in Manawatū district was $206 million in the year ended July 2019, increasing by 7.7% from the previous year. This was well ahead of the 3.4% increase across New Zealand. The quarterly growth rate in the district peaked at 16.3% in the three months ended October 2018. This peak in growth was influenced by the short-term closure of the Caltex in Feilding for refurbishment in 2017. This explains the brief decline in spending in 2017.

Changes in the level of price discounting across fuel outlets in the wider Manawatū-Whanganui also appear to explain the strong growth in fuel spending in the district. Fuel spending in the district increased by 38% in the year to December 2018, a significantly stronger increase than the 13% increase in total fuel spending in New Zealand. By July 2019, the annual growth rate had slowed to 16.5% but was still well ahead of the national growth rate of 7.9%.

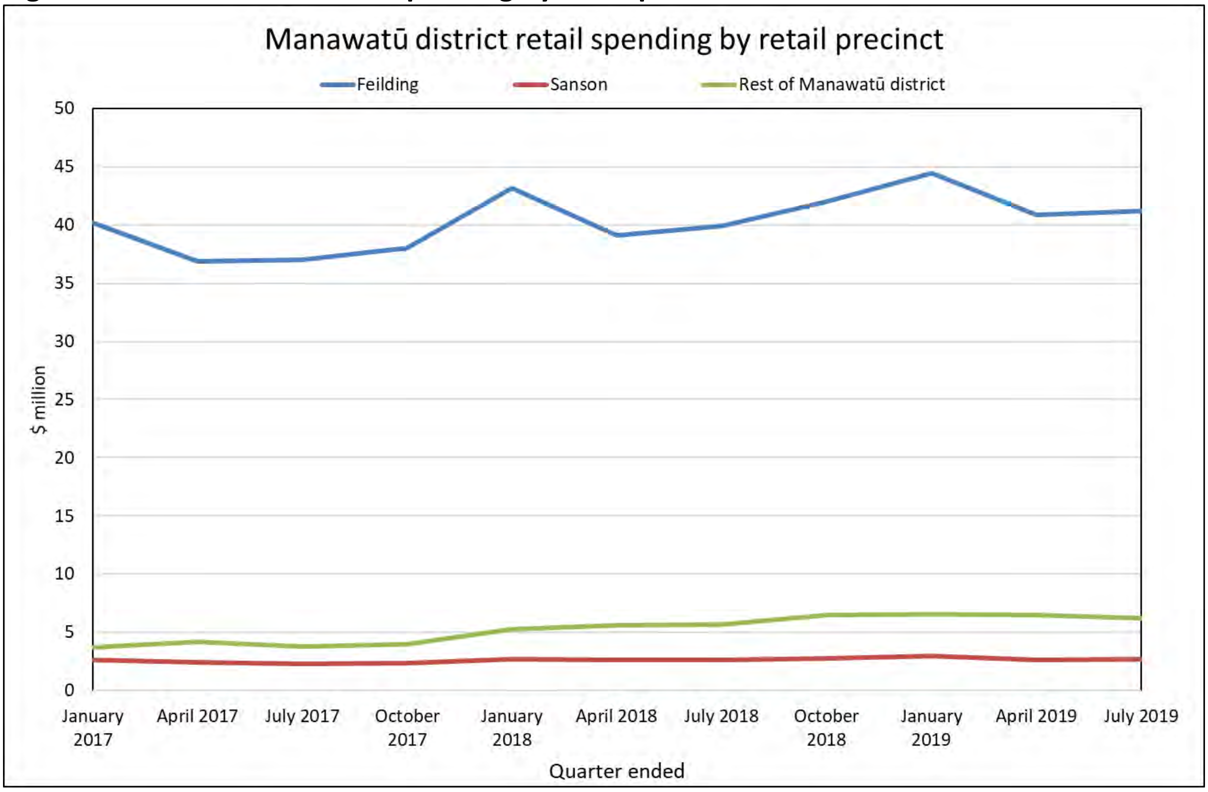
Figure 35: Annual change in Manawatū district electronic card retail spending



Source: Marketview

Retail spending and employment in Manawatū district is highly concentrated in Feilding, despite the role of Sanson, which services the traffic from State Highways 1 and 3 driving through the district.

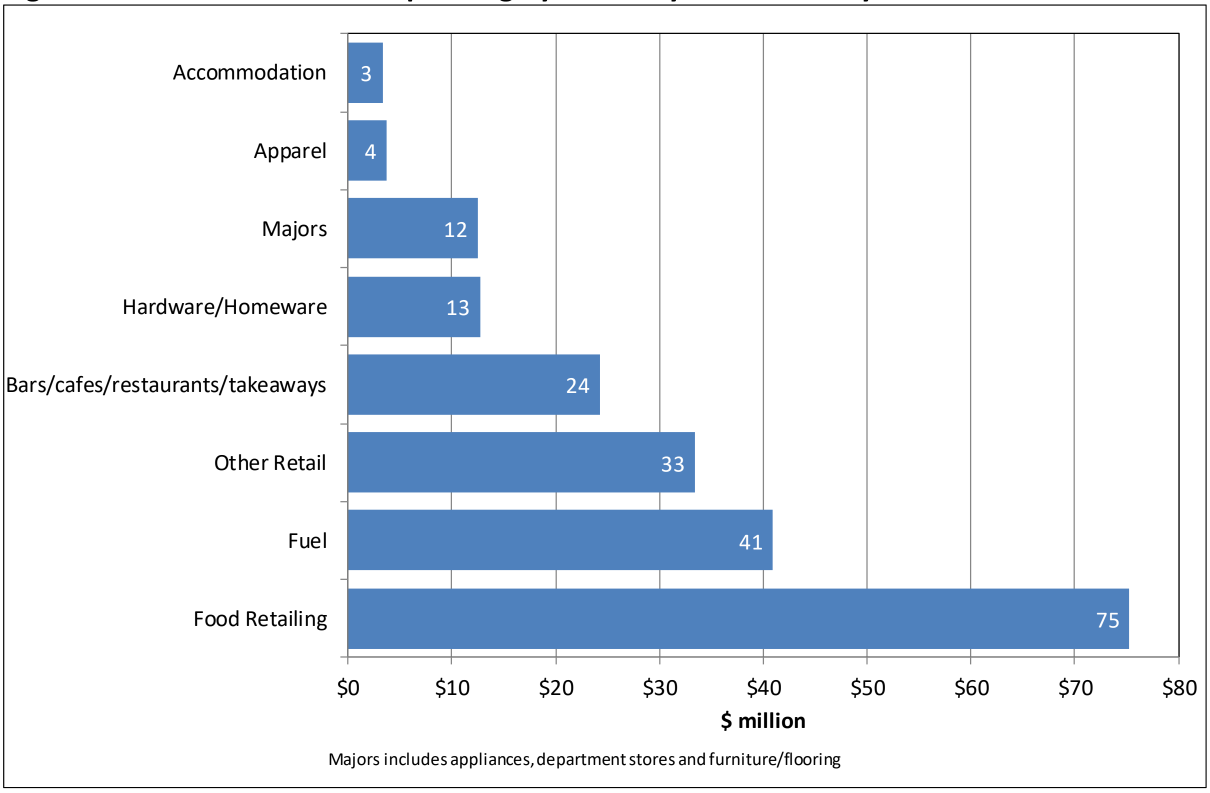
Figure 36: Manawatū district spending by retail precinct



Source: Marketview

Spending outside of Feilding and Sanson has grown strongly since late 2017, with the growth likely to be due to growth in fuel spending.

Figure 37: Manawatū district spending by sector - year ended July 2019



Source: Marketview

Food retailing and fuel accounted for 56% of total retail spending in the district in the year to July 2019, significantly higher than the 44% share for New Zealand. While that is in part due to the spending by visitors driving through the region, it also reflects Manawatū district spending in Palmerston North at apparel, hardware/homeware, department and appliance stores.

Other sectors in the district that recorded strong growth compared with the growth rate for New Zealand included:

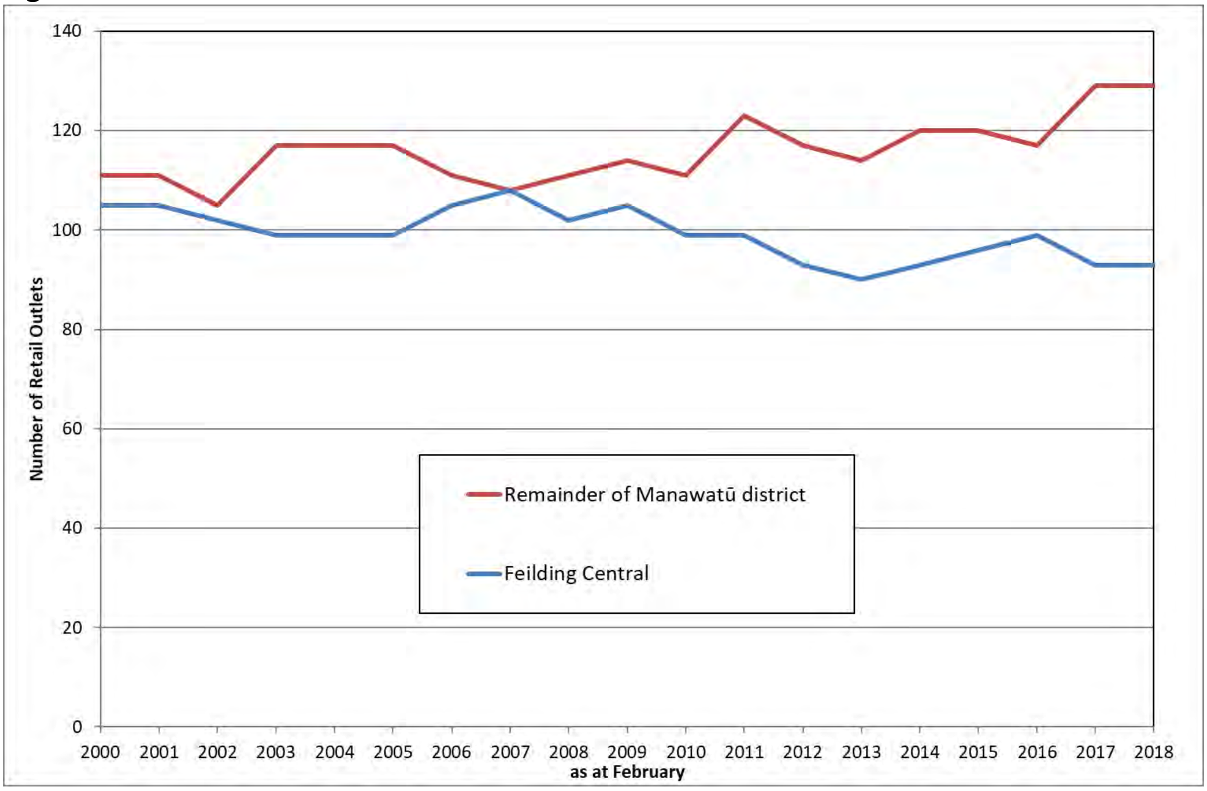
Accommodation	3.6% (2.1% decline for New Zealand)
Apparel	3.8% (2.6% decline for New Zealand)
Bars/cafes/restaurants	8.7% (6.0% increase for New Zealand)
Majors[1]	2.7% (0.6% increase for New Zealand)
Other retail	9.9% (3.1% increase for New Zealand)

[1]Majors includes appliances, department stores and furniture/flooring

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 129 in 2018.

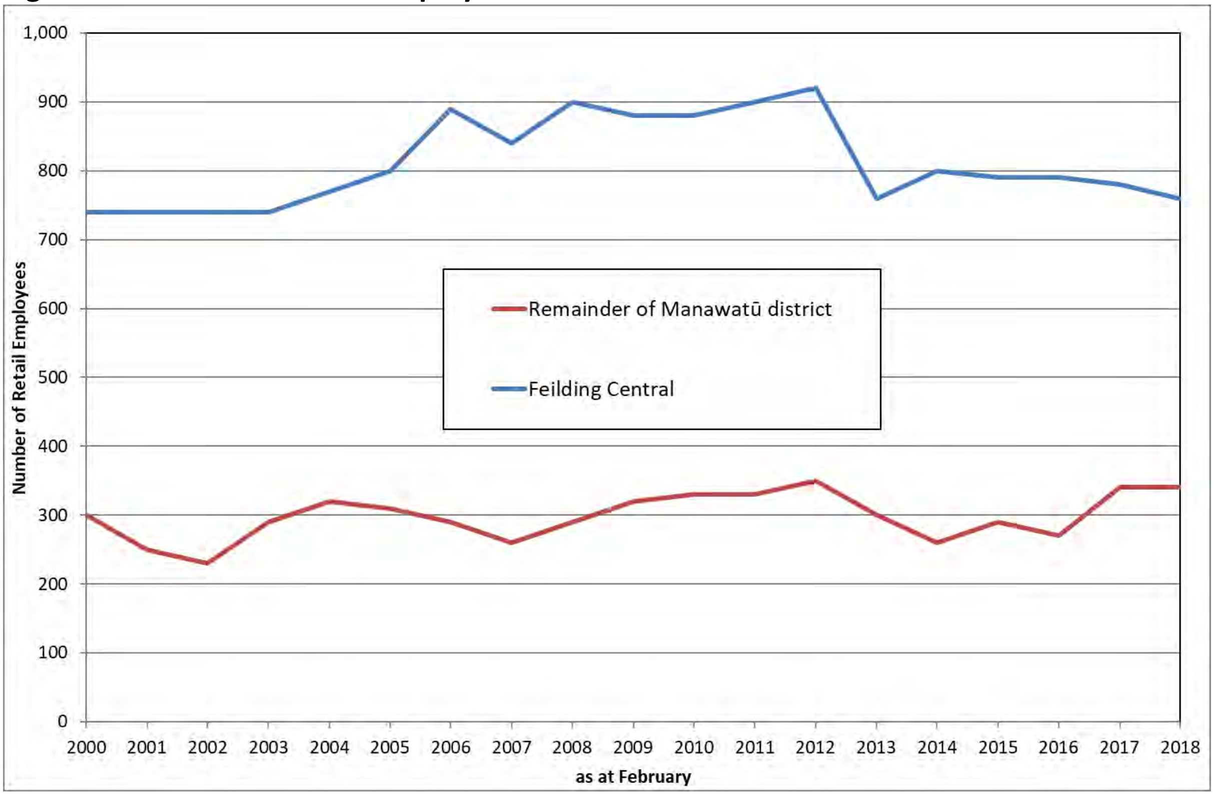
Figure 38: Number of retail stores in Manawatū district



Source: Statistics New Zealand

Employment data shows a much greater share of retail employment in the district is in Feilding Central, which had 760 employees in February 2018, with an average of 8.4 employees per store. There were 340 retail employees in the remainder of the district, with an average of just 1.6 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 170 in 2018.

Figure 39: Number of retail employees in Manawatū district

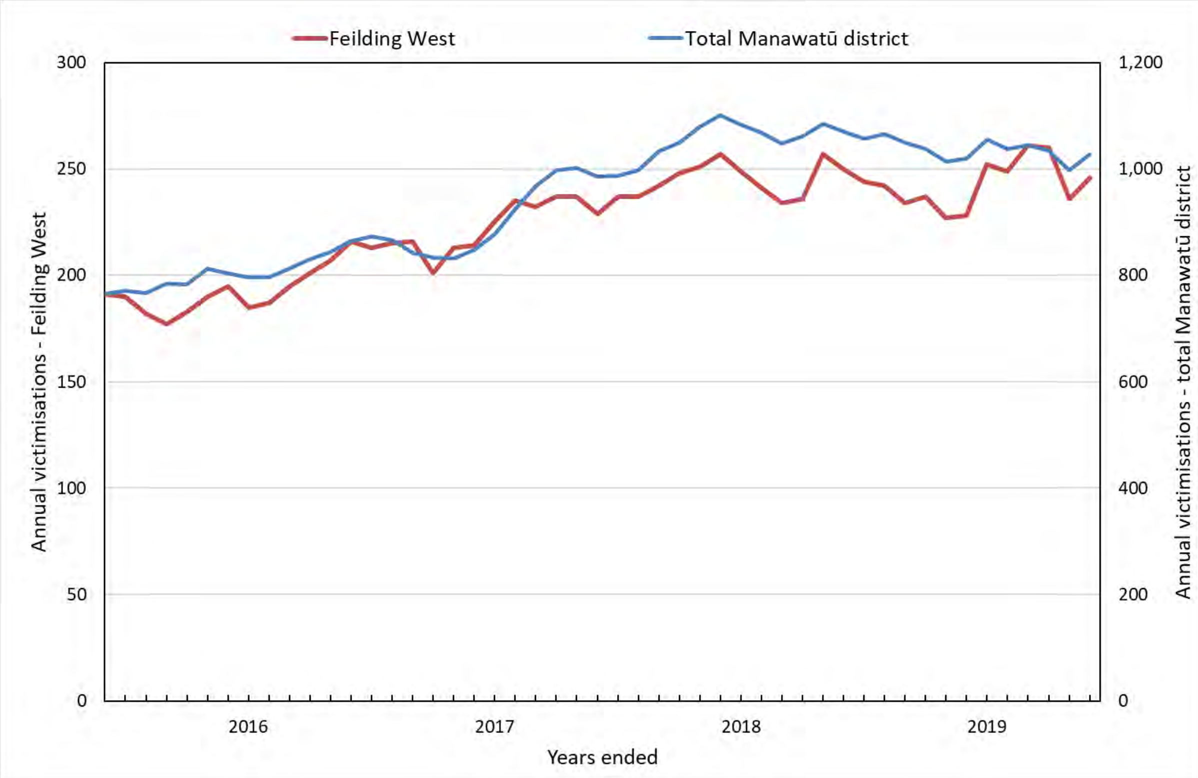


Source: Statistics New Zealand

Police

Police-recorded crimes data shows an increase in recorded victimisation levels in the Feilding West area unit and in Manawatū district between June 2015 and late 2017. There has been a gradual decline in the number of victimisations in Manawatū 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.

Figure 40: Occurrence of recorded victimisations in Manawatū district



Source: New Zealand Police

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 stronger growth in incomes, faster population growth and increased visitor spending from the rest of the Manawatū-Whanganui region. Feilding has been experiencing stronger growth in spending than the Palmerston North CBD. The rate of population growth in Manawatū district has been stronger than the growth rate for the city between 2013 and 2018, so is an important contributor to this growth. However, the city's growth rate has accelerated over the past two 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, which contributed to a decline in Broadway retail activity. The trend for retail spending in Broadway has been mixed between 2013 and 2019. One of the positive impacts on the street has come from the relocation of Cotton On from a store within the Downtown Mall to a larger shop on Broadway. This move initiated a period of strong growth retail spending in the street. Spending declined again in the street in 2018, following the closure of the Whitcoulls store, but Broadway is likely to record growth in the second half of 2019.

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

Both Palmerston North CBD 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.

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

Appendix VI: City Development Strategy

City Development Strategy

Palmerston North

SMALL CITY BENEFITS, BIG CITY AMBITION

2018

Te Kaunihera o Papaioea
Palmerston North City Council

Vision

PALMERSTON NORTH 2028

Palmerston North is the heart of the Manawatū region within central New Zealand.

We are a small city with a lot to offer, and we're ambitious about where we're going.

Palmerston North 2028 has been informed by our communities and is a statement of the future we want for our city. This document identifies the vision and strategic goals for Palmerston North from now to 2028.

4

Palmerston North

SMALL CITY BENEFITS, BIG CITY AMBITION

Palmerston North celebrates its small city advantages – great quality of life, strong community and easy, affordable access to services. We are a city that embraces our people and the Rangitāne o Manawatū iwi heritage and diversity, offering vibrancy and big city excitement without the hassle and cost. We are arty, with a creative spirit, and a healthy and active city with excellent options for sports and recreation.

We take seriously our responsibility to manage and renew for the future the city infrastructure our community relies on for its health and wellbeing.

As the economic and cultural centre of our region, we are ambitious, innovative and agile, and quickly adapt to change in order to create prosperity. We are connected and use the talents of our whole community to work as one team. We are a future-focused city that enhances its environment and ensures growth is sustainable.

To fulfil the vision of *small city benefits, big city ambition* the Council has adopted five goals.

Alongside the Economic Development Strategy, this strategy has been developed to achieve **Goal 1: An innovative and growing city.**

We are ambitious, innovative and agile

5

Goal 1:
An innovative and growing city

7

Our aspiration

A city that is clever about the way it uses its natural advantages to encourage and support innovation, entrepreneurship and new industries, and positions itself to take advantage of change to fuel sustainable growth, prosperity and wellbeing.

Our goals

We will drive entrepreneurship and innovation by providing the support, infrastructure, opportunities and conditions to enable traditional sectors to diversify and expand, and new industries and new economies to grow to create the employment opportunities that sustain and expand our city's future. Palmerston North will stand out by transforming its economy to a low carbon economy, using an action plan to achieve this.

Our approach

The nature of work is changing rapidly and many jobs that exist today will be replaced by different types of work in the future. New jobs are anticipated in research, development and creative industries, and we must position ourselves for this.

We have a lot of clever people in Palmerston North and we can build on this – innovation breeds innovation. As our traditional industries evolve and new industries emerge, we must create an innovation ecosystem that extends our strengths of research, education and development, supports our entrepreneurs and innovators, and attracts new industries.

To do this we must foster entrepreneurs and enterprises small and large, helping them to compete in local, national and global markets by ensuring the infrastructure and programmes are in place to support their success. We also must develop new ways to gather and share information to grow our city's knowledge sector.

Target: 12,000 more jobs in Palmerston North by 2028

1. Introduction

Palmerston North is expanding and the Council wants to accelerate the city's growth and prosperity. It needs to adopt sustainable development practices and align the city's growth with Council's other goals for a creative and exciting city, a connected and safe community, and an eco-city. There needs to be a clear planning framework to promote growth and urban development by providing certainty for public and private investment.

Having a ready supply of land with infrastructure to support the city's growth will ensure Council can harness new development opportunities and increase Palmerston North's competitiveness. Council will provide infrastructure in a timely way while managing the financial risks of duplicating or providing too much infrastructure in multiple locations. In developing a planning framework for growth, the city must build on its historical strengths, including its compactness, strong city centre, transport network, supply of productive land and accessible freight and logistics hubs. Integrating land use planning and infrastructure can be a powerful economic development tool. The Government has provided strong direction about this, particularly for housing, in its National Policy Statement for Urban Development Capacity (2016).

The planning framework needs to provide investors with certainty and choice, while also directing new development to the most appropriate location. It also needs to ensure development is consistent with Council's broader objectives, especially for the city centre and urban design. Successful and high-quality development will contribute towards Council's strategic priorities.

The Council will work more closely with the development community, to build its confidence to invest in new ways and achieve development that contributes towards the city's vision and goals. In the past, Council has focused on setting the planning framework, providing the infrastructure and enabling the private sector to invest. Despite considerable new house building activity, the types of housing being provided will not meet changing demographics and needs. Council needs to be much more responsive in how it provides land for housing and supports a greater choice of housing choice. Collaborating with Rangitāne o Manawatū on its strategic property interests post-settlement is also a priority.

2. Priorities

PRIORITY 1: CREATE AND ENABLE OPPORTUNITIES FOR EMPLOYMENT AND GROWTH

Housing

Council's main role is to make sure land and infrastructure are available to accommodate growth and provide market choice while responding to changing demographics. The private sector provides new housing in Palmerston North. Council will work closely with developers to co-create new housing opportunities, such as the proposed Hokowhitu Residential Area at Centennial Drive.

The District Plan has been changed to provide more housing choices. Over the past 20 years, the main forms of housing development have been greenfield, infill subdivision and lifestyle blocks. Greenfield housing typically occurs at the edge of the city on large sections, with recent development at Kelvin Grove and Aokautere. Infill housing creates new smaller sections among existing housing, with recent development in Hokowhitu and the central city and hospital areas. Lifestyle blocks provide a housing choice in rural areas, with recent development on the foothills of the Tararua Ranges and elevated land north-east of the city.

Other housing choices now allowed under the District Plan include multi-unit developments and minor dwellings. Multi-unit developments are encouraged close to the city and suburban centres, where there is ready pedestrian access to services and facilities. Minor dwellings are aimed at meeting the demand for small, good quality and affordable rental accommodation.

The planning framework enables apartments in or near the city centre, including as part of a mixed-use development. Council will actively identify opportunities and reduce barriers to city centre living and brownfield development, including transitioning Roxburgh Crescent from industrial to residential.

Council will provide support for multi-unit developments, minor dwellings and city centre living, to reduce risks and uncertainty over design and consents. Co-creation is critical to encouraging these housing types, which are unfamiliar to the Palmerston North development community.

The demand for infill housing is expected to continue and enter areas west of the city. Lifestyle blocks are directed away from productive land and require their own infrastructure. Council wants land for new greenfield housing at Whakarongo brought to the market quickly. It will work closely with landowners and promote Council-owned land at Whakarongo to help meet housing demand.

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To release pressure and meet updated growth projections, land at City West identified for medium to long-term greenfield housing will need to be released earlier than previously anticipated. The most suitable land for early release is the area bound by the Mangaone Stream, Te Wanaka Road and Pioneer Highway (the Racecourse land), which will need to be rezoned. The interests of private developers at the outer edge of City West could affect the cost-effective and efficient provision of network infrastructure. Council needs to work with the major landowner in this area to better understand the infrastructure options and timing of the rezoning.

Substantial greenfield housing capacity remains at Aokautere, but plans for developing the remaining residential land are unclear. Council will develop a structure plan with the major landowners to guide future development. The end of Pacific Drive needs to be connected with existing roads in the Turitea Valley. As well as the Hokowhitu Residential Area, Council will work with landowners at Napier Road and Flygers Line, where small greenfield additions can be made without the need for substantial new infrastructure. A revised plan is needed to develop affordable and first homes at Ashhurst, taking into account detailed flood investigations of land north-west of the city.

Council will pursue the opportunity to use more public land for housing, particularly the vacant Housing NZ block. Council also has a significant property portfolio that can be used to contribute to city growth and development, while also providing revenue. This could include repurposing underutilised land or identifying land where uses can be relocated to enable sustainable housing development and intensification.

Council will prepare a more detailed, citywide future housing development plan that meets Government policy directions. For Council to take a more proactive approach to addressing housing affordability, there needs to be an improvement in the monitoring of housing demand and capacity.

Office and retailing

The formal planning framework for future growth in office and retailing is well settled. The District Plan expects new standalone office or retail activities to be established in one of the four central business zones, where significant capacity is available. New office and retailing should leverage off planned public investment in the city centre.

Council will look at ways to help fill vacancies in larger office blocks in the city centre, including long-term leases for public parking or purpose-built parking buildings to support new tenancies. Office activities are expanding in business areas on the city centre fringes, where intimate purpose-built offices with onsite parking are meeting market preferences. The city also needs a shared business hub to encourage the business community to connect, collaborate and explore opportunities in a shared working environment. The city's central economic development agency CEDA, Government agencies, Chamber of Commerce and other key sector organisations including education, science and innovation need to be part of this business hub.

Vacant land at Rangitikei Street is zoned for large-format retailing. Further work is needed to work out if the land should be made available for other uses, such as housing or mixed-use development.

Industrial

The formal planning framework for future industrial development is well settled. Industrial land has been made available to the north-east of the city and at Longburn. The north-east is earmarked for large-format freight, distribution and logistics activities, while Longburn is best suited to wet or processing industries. Both locations are well placed for the new regional ring road. Industrial capacity also exists within the historical industrial spine adjacent to the rail corridor at Tremaine Avenue and at the airport. Working across boundaries with the Manawatū District is also important, particularly for new agribusiness industries, which are well suited to the Kawa-Kawa Road industrial area in Feilding.

Council will undertake a collaborative planning exercise to direct future investment in rail at the north-east and Longburn. Integrating rail to form a significant intermodal freight and distribution hub is a major strategic issue. Rail access at Longburn is limited to sidings only and rail is unavailable at the north-east. Traffic flows compromise the industrial land adjacent to the rail corridor at Tremaine Avenue.

Council needs to work with infrastructure owners at Longburn to make future development possible. Much of the existing infrastructure is privately owned, not up to modern standards or does not allow for future growth. Specific planning has been done to support the future growth of Fonterra's industrial activities at Longburn.

Rural

The formal planning framework for rural subdivision and development is well settled. The District Plan discourages lifestyle blocks and further fragmentation of productive farmland. This land is a scarce resource and represents a significant economic opportunity for future generations, as identified in the Accelerate 25 regional growth study. It is also a valuable resource for sustainable local food production. Substantial capacity for lifestyle blocks is provided on the foothills of the Tararua ranges, to ensure they remain a legitimate housing choice for the city.

Council needs to implement the rural subdivision provisions of the new District Plan carefully. Council will discourage the provision of urban services, particularly reticulated services, in rural areas because it is an inefficient form of infrastructure investment. It also blurs the lines between rural and urban development and leads to confusion about future development opportunities. Many landowners see the provision of urban services as legitimising intensification, while others believe it undermines the rural amenity they sought out.

Strategic partnerships

Massey University and its supporting research institutes at Turitea are an integral part of the city and significant growth is projected as part of the development of the FoodHQ super-campus. As a partner in FoodHQ, Council should lead the development of a formal master plan, adopted by all partners, to remove uncertainty about the delivery of individual parts. Council's particular deliverables are for traffic calming at Tennent Drive to help form a new 'front door' to the super-campus and better connect the campus with the city via the Manawatū River.

Increasing the number of students living in or near the city centre will help build a stronger student-city culture. Council has helped UCOL with a city campus development plan and needs to continue to collaborate on implementing the plan to ensure UCOL benefits from its prime city centre location. Key sectors such as education, science, innovation and research must also have a presence in the centrally located business hub.

Significant further investment is planned at Linton army camp, including a new national logistics centre. Linton forms part of a strong defence presence in the city and Manawatū. Opportunities exist to support Linton by improving connections along the river corridor and the proposed regional ring road. These opportunities include a southern downstream road bridge, which will allow defence convoys travelling north to training bases at Waiouru to directly connect with the ring road rather than needing to travel through the city.

Council's role is to facilitate and support new investment in health facilities. The city is an important regional health centre. New health facilities under development will include further investment at Palmerston North Hospital and the further amalgamation of local health facilities into new joint facilities such as Kauri Health Care, particularly in the city's western suburbs. Council may have an opportunity to help Mid-Central Health with a master planning exercise at Palmerston North Hospital.

Schools play a critical role in local communities, and Council must have a strong working relationship with the Ministry of Education to ensure schools can respond to projected growth and changing demographics. This will also allow Council and the Ministry of Education to explore opportunities for shared services and facilities.

Urban design

Council has made good progress in applying urban design principles to city development. The District Plan has been reviewed and urban design principles incorporated into the residential and business zones. A variety of design-led planning documents, such as the City Centre Streetscape Plan and Manawatū River Framework, are available to inform public investment and encourage private development.

Council needs to do more internal work to ensure there is a multi-disciplinary approach to improving the quality, planning, and delivery of major Council change projects. It will work more closely with the development community to improve their understanding of the principles and value of good urban design. This should include collaboration on major private developments, urban design training opportunities for the private sector and a pre-application process for strategic developments.

Heritage management

The city centre needs to be seen as an attractive place to invest to provide an incentive to strengthen and retain important heritage buildings. The risks and costs of strengthening the privately owned earthquake-prone heritage buildings concentrated in the city centre is a major heritage issue. Because Palmerston North is in the high-risk earthquake zone, it has the tightest timeframes for earthquake-prone buildings to be strengthened or demolished. Unlike other buildings, heritage buildings cannot be demolished if a landowner considers the cost of strengthening is not economically viable.

Council will support brownfield development opportunities and carefully consider support packages to encourage the retention and strengthening of heritage buildings. Done well, earthquake strengthening work offers a unique opportunity to modernise and repurpose heritage buildings and help revitalise the city centre. However, Council is aware that the strengthening requirements may be financially difficult for some landowners. Many of these buildings are located in secondary retail areas but could provide a unique form of city-centre apartment living.

Council has made good progress with identifying and protecting the city centre's built heritage, including the new North West Square Heritage Area. It needs to prioritise further collaboration on heritage projects like the Hoffman Kiln. Council also needs to undertake more work to understand and retain the city's unique residential character areas and the city's many notable trees.

PRIORITY 2: PROVIDE INFRASTRUCTURE TO ENABLE GROWTH AND A TRANSPORT SYSTEM THAT LINKS PEOPLE AND OPPORTUNITIES

Infrastructure

Palmerston North has good basic infrastructure, typical of a much larger city and able to support the city's future development. The roading network's grid structure provides a high level of connectivity and is a useful platform for building a modern, intermodal transport system. The city is often referred to as 'the 15-minute city', with travel possible from one side of the city to the other in less than 15 minutes. There is a ready supply of water and a single, strong integrated water network. Council is working towards a new wastewater treatment plant and also has a largely integrated wastewater network. Wastewater connections to the villages are extending the integrated wastewater network. The urban area is well served by the lower Manawatū flood protection scheme, which provides a high level of flood protection from the Manawatū River. The stormwater network generally copes with major rainstorm events. The city also has a ready supply of high-quality parks, reserves, recreational and cultural facilities.

Council needs to provide smart infrastructure to support growth in a timely way to achieve the goal of an innovative and growing city. In some cases, a just-in-time approach may not be enough to realise economic opportunities. Council must front-foot new infrastructure to support growth and be in a position to say 'yes', rather than 'maybe', to new investment opportunities. However, this approach needs to be balanced with the costs and risks of servicing growth on multiple fronts. This includes carefully assessing the merits of staging infrastructure from the outer extent of the City West residential growth area first in order to satisfy private development interests.

Strategic transport and parking

The strategic roading infrastructure needed to support the growth and development of Palmerston North is well researched and understood. Numerous strategic reports have stressed the need for a regional ring road that connects regional traffic with projected growth to the city's north-east and west, while also removing traffic from increasingly congested urban corridors. Good progress has been made, with the Government supporting investment in the first stages of the regional ring road via the joint Accessing Central NZ project. This momentum needs to be maintained over the next three to six years.

The north-east industrial zone and Longburn are well located to leverage off the presence of rail within the city, but a plan is needed to make sure rail forms a key part of future freight, distribution, and logistics activities in these locations.

The airport is an asset of regional significance and well located to support further growth in air freight and distribution activities, with the ability to operate around the clock. Planning is well advanced to support the growth of the airport and its operational requirements.

Planned investment in the city centre's streetscapes will help reinforce its identity, while also supporting the inner-city ring road's role in reducing the traffic that travels through the centre. Council needs to rethink central city parking to better support the aims for the city centre. While a lack of parking is often cited as holding back investment and development, an over-supply of parking discourages the use of public transport, walking and cycling, and undermines the desired identity of the city centre. Park and short-walk arrangements have helped achieve a strong sense of place in some places by reducing the need for on-street parking. Long-term leases of on-street parking should also be investigated to help fill city centre vacancies.

3. Strategic themes

Council has identified four themes that will be strongly reflected in all of the plans developed to deliver on the strategies:

SMART CITY PRACTICES

- Provide infrastructure in a timely manner. Infrastructure should enable rather than hinder new growth opportunities.
- City development dashboard: A single source of information to monitor key city development indicators, such as business and housing development capacity.

SUSTAINABLE PRACTICES

- Promote intensification of housing within the existing urban environment: For example, infill, minor dwellings, multi-unit, city centre apartments, brownfield development, and use of council or government land that leverages existing infrastructure and gets more people living in, or near, the city centre.
- Centres-based office and retailing: Supports increased vibrancy and further public investment in the city centre.
- Intermodal freight, distribution and logistics: Use Palmerston North’s central location and access to road, rail and air transport to build a significant future-proofed freight and distribution hub.
- Retention of high-class soils: Retain this scarce resource to promote regional growth and international, national and local food production.
- Urban design principles: Build a growing city with a high-quality urban environment that locals are proud of and visitors are impressed by.
- Retention and promotion of heritage: Respect and use the city’s Māori and European heritage to enhance city experiences.

IWI PARTNERSHIPS

- Collaborate with Rangitāne o Manawatū on post-settlement property development opportunities: Provide tailored support and guidance to Rangitāne o Manawatū as they enter a new post-settlement development phase.
- Consultation on major city developments.
- Mana Whakahono a Rohe to provide a mechanism for Council and iwi to come to an agreement on ways Rangitāne o Manawatū may participate in RMA decision-making.

STRATEGIC PARTNERSHIPS

- Support development aspirations of strategic partners: Deliver projects that support organisations that are critical to the future growth and development of the city.

4. Plans

Plans to deliver on the City Development Strategy:

- A work programme for changes to the **District Plan** will deliver on the vision, goals and strategic priorities.
- The **Housing and Future Development Plan** will ensure there is sufficient, feasible development capacity to meet projected demand, as required by the NPS-Urban Development Capacity. The plan will identify the broad location, timing and sequencing of future development and be supported by the infrastructure plan.
- The **Strategic Partners Development Plan** will guide actions that demonstrate how Council will support development undertaken by strategic partners, including Massey University, FoodHQ, UCOL, Defence, Mid-Central Health and the airport.
- The **Urban Design Plan** will set out a series of initiatives that build on recent progress on urban design, and increase the understanding and application of urban design principles by Council and the private sector.
- The **Heritage Management Plan** will raise the profile of heritage and incentivise the strengthening of earthquake-prone heritage buildings in the city centre.
- The **Growth Infrastructure Plan** will signal the critical infrastructure matters needing to be addressed in asset management plans and identify where further investigation and collaboration is needed for major infrastructure issues.
- The **Strategic Transport Plan** will set out the strategic infrastructure matters needing to be addressed in asset management plans and the infrastructure strategy to support growth and prosperity, and identify where further investigation and collaboration with regional and central Government is needed for major strategic transport issues.

5. Success measures

Each of the three-year plans will have specific measures for each action specified. This strategy will also be monitored, so Council can see what progress is being made towards the goal of an innovative and growing city. Council will monitor a set of measures to gauge the strategy outcomes:

Number of jobs

Median salaries and wages

Total earnings (salaries, wages and self-employment income)

Growth rate for median salaries and wages

People registered for MSD job seekers benefit

Labour force participation

Employment in key sectors

Change in percentage of school leavers with NCEA Level 2 or higher

GDP

Ratio of rent to median household income in Palmerston North

Ratio of house price to median household income in Palmerston North

Number and type of new houses

Location of new rural subdivisions

Housing density

Business and housing land supply

Number of international students

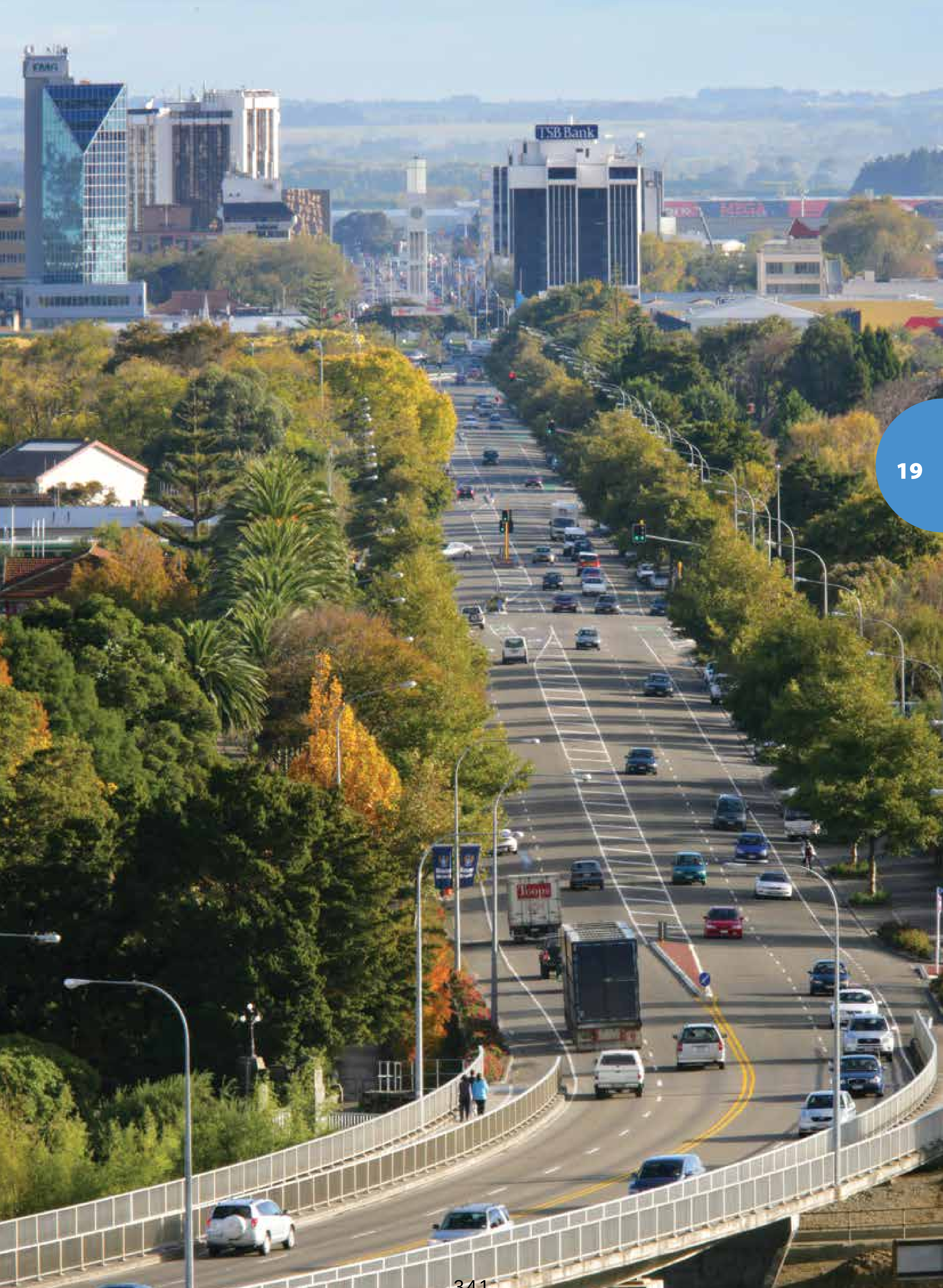
Number of heritage buildings retained and strengthened

Building occupancy in the city centre

Annual rail freight volume for Manawatū-Wanganui region

Domestic and international visitor spending

Digital maturity of businesses



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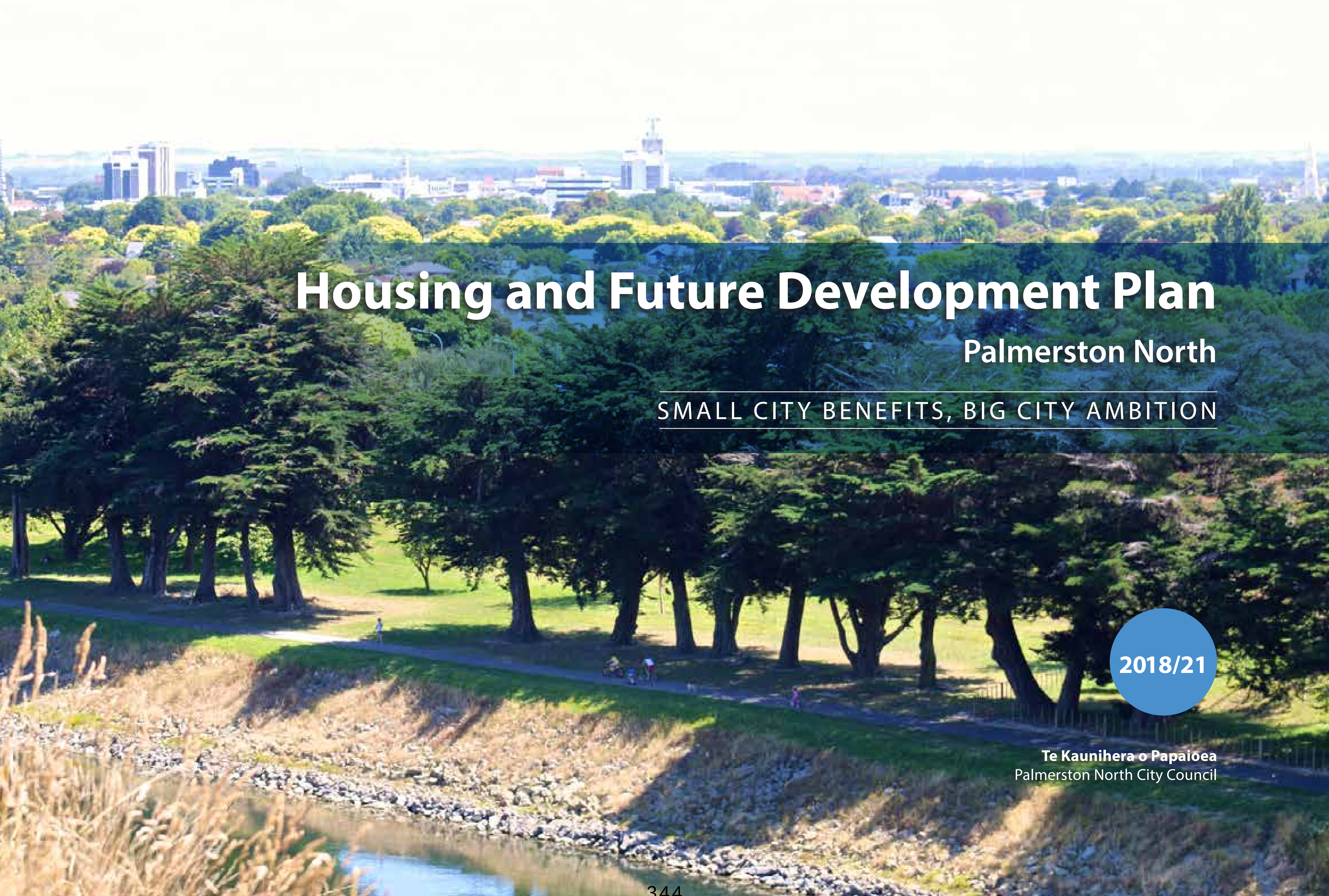
ADOPTED JUNE 2018

Appendix VII: Housing and Future Development Plan



Housing and Future Development Plan

Palmerston North

SMALL CITY BENEFITS, BIG CITY AMBITION

2018/21

Te Kaunihera o Papaioea
Palmerston North City Council

To fulfil the vision of small city benefits, big city ambition the Council has adopted five goals.
The City Development Strategy was developed to achieve **Goal 1: An innovative and growing city,** and this plan shows how the Council will contribute to achieving this goal. The Plan will be implemented in accordance with the National Policy Statement – Urban Development Capacity.

Palmerston North is expanding and the Council wants to accelerate the city's growth and prosperity. It needs to adopt sustainable development practices and align the city's growth with Council's other goals for a creative and exciting city, a connected and safe community, and an eco-city. There needs to be a clear planning framework to promote growth and urban development by providing certainty for public and private investment.

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4

The purpose of the Housing and Future Development Plan is *to create and enable opportunities for employment and growth* (Priority 1, City Development Strategy).

Where we are now:

- Greenfield housing development is occurring predominately at Kelvin Grove and Aokautere.
- Whakarongo is zoned for greenfield housing development.
- City West is identified for greenfield housing development in the medium to long term.
- Council has started working with landowners at Aokautere, Napier Road, Flygers Line and Te Wanaka Road to initiate planning processes to enable further land for housing to come to market.
- The District Plan enables infill housing, multi-unit housing development, minor dwellings and apartments.
- There is little innovation in the types of new houses being built to meet changing demographics and needs.
- There is strong demand for housing and new residential sections.
- There are limited development options at Ashhurst.
- There is a small number of major developers.
- Housing is more affordable than in most other cities, but is becoming less affordable.
- There is capacity for approximately 1,900 greenfield residential sections.
- There is significant capacity for new lifestyle blocks, which are directed away from high class soils.
- New office and retailing activities are directed to the city centre or one of the established business zones.
- Large format retailing is directed to land to the north of the city centre and Rangitikei Line, but large land holdings remain vacant.
- The north-east is zoned for large format freight, distribution and logistics activities and has recently been extended.
- Longburn is best suited to wet or processing industries, but contains private infrastructure.
- Land has been rezoned for dairy related industrial activity at Longburn.
- There is significant capacity for new commercial and industrial development.
- Engaging with Te Tihi Whanau Ora Alliance Network on the Pathways to Housing project.
- Council engages with Rangitāne o Manawatū early and substantively as regards future sites or zones of development that are being considered for the city and encourages developers to engage directly with iwi interests.

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Where we want to be:

- Housing development continues at Aokautere, but is guided by a structure plan.
- Housing development is initiated at Whakarongo.
- Housing development at City West begins with the rezoning of the Racecourse land.
- Residential land supply exceeds demand by 20%. This means there is a constant supply of at least 1,800 greenfield residential sections.
- Zoning adjustments provide additional housing choice, e.g. Napier Road and Flygers Line.
- Developers deliver new forms of housing, in particular brownfield developments.
- Increased mixed-use development incorporating new forms of housing.
- Developers are connected with opportunities for major housing projects to support new investment, e.g. Singapore defence training.
- Council and Government land is used for affordable housing.
- Council is proactive in promoting affordable housing.
- New housing development opportunities are confirmed at Ashhurst.
- There is a greater number of property developers, at all levels of the market.
- The strategic property interests of Rangitāne o Manawatū are supported and grow.
- Housing remains more affordable than most cities.
- Improving the quality of rental stock and supply.
- The best use of vacant large format retailing land has been determined.
- The capacity for commercial and industrial development is monitored.
- The development community understands the city planning framework.

How we're going to get there

Day to day / ongoing actions to achieve the purpose

- Efficiently process planning and building consents.
- Rezone land and review of District Plan provisions to ensure land supply continues to exceed demand by 20%, including a structure plan at Aokautere.
- Review and update the District Plan in a proactive manner.
- Monitor supply and demand of urban development.

New ongoing actions to achieve the purpose

- Collaborate with the development community to deliver new housing developments and new forms of housing.
- Implement the NPS on Urban Development Capacity, including Housing and Business Needs Assessments, monitoring affordability indicators and a new detailed Future Development Strategy.
- Identify Council and Government land to be used for affordable housing.
- Develop an Illustrative District Plan User Guide.
- Host regular strategy-led developer forums.

Specific programmes to achieve the purpose (with timeframe)

- Progress a Council-led housing development at Whakarongo (2018/19 onwards).

Actions contributing to Council's strategic themes

a) Smart city practices

- Timely provision of infrastructure.
- City development dashboard.

b) Sustainable practices

- Urban intensification and brownfield redevelopment.
- Centres based office and retail.
- Intermodal freight distribution and logistics.
- Retention of high class soils.
- Applying the principles of good urban design.

c) Iwi partnerships

- Work with iwi on property development opportunities to assist them to achieve the potential of their Treaty settlements.
- Engage with Rangitāne o Manawatū on major city development.
- Engage with Rangitāne o Manawatū on the Mana Whakahono a Rohe imperatives under the Resource Management Act (agreed process for engagement on planning matters).

d) Strategic partnerships

- Development community, Rangitāne o Manawatū, Te Tihi Whānau Ora Alliance, and social and community housing providers.

Measures of success

- More property developers
- Increase in home ownership rates

Related policies

- District Plan
- National Policy Statement on Urban Development Capacity
- Reserve and walkway naming policy
- Street naming and numbering policy
- Development contributions policy
- Local Area Traffic Management policy
- Stormwater Drainage Bylaw
- Water Supply Bylaw
- Wastewater Bylaw
- Speed Limits Bylaw

Long-term Plan levels of service

Council rezones land and reviews the District Plan provisions to ensure land supply continues to exceed demand.

Council processes planning and building consents to support growth.

Ratio of lower quartile home price to median household income (This measures whether a household that is renting can feasibly afford to buy a home. It is part of the MBIE set of indicators and will allow comparisons with other Councils. It is a new measure so there is no target set yet.)

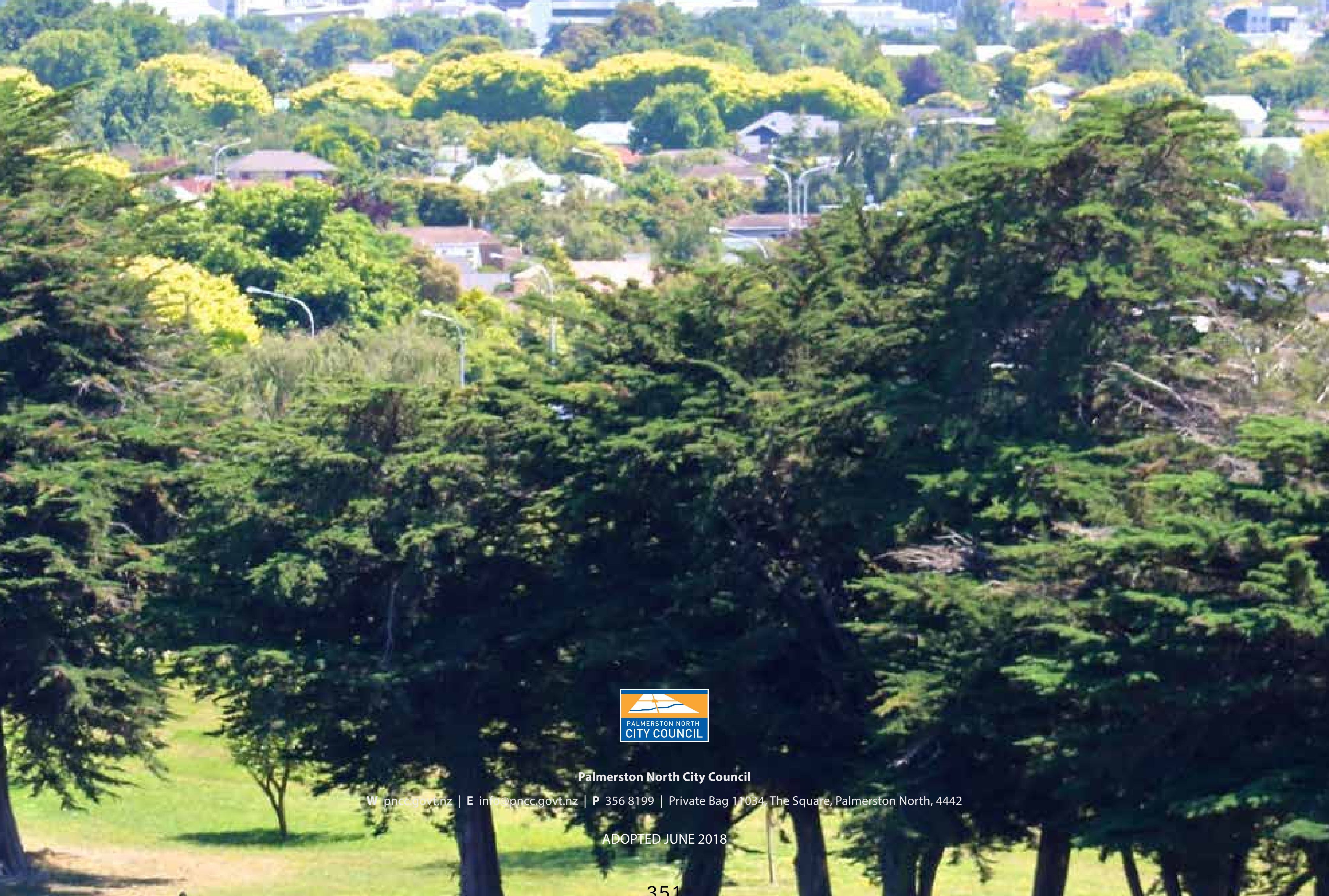
Long-term Plan KPIs

There is a continual supply of land for at least 1,900 greenfield residential sections.

At least 95% of resource consent applications are processed within statutory timeframes.

At least 95% of building consent applications are processed within statutory timeframes.

Council keeps its status as an accredited building consent authority.



PALMERSTON NORTH
CITY COUNCIL

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