

PROPERTY **E**CONOMICS



TIRAU RETAIL IMPACT ECONOMIC MEMORANDUM

Client: Tahua Partners Limited

Project No: 52360

Date: December 2023

18 December 2023

ECONOMIC MEMORANDUM

To: **Samantha Redward**

Principal Planner

SLR Consulting New Zealand Limited

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RE: **ECONOMIC OVERVIEW OF PROPOSED TIRAU BURGER KING AND STARBUCKS**

INTRODUCTION

Property Economics has been engaged by SLR Consulting New Zealand Limited on behalf of Tahua Partners Limited to undertake a high-level economic overview of a proposal for two new drive-through restaurants in Tirau - a Burger King and a Starbucks. Some visuals for the development can be seen in Appendix 1. The site is located at the (eastern side) entrance of Tirau along State Highway 1 just north of the iconic corrugated iron farm animal statues.

The site is located within the residential zone but adjacent to the existing Town Centre Zone. As such, the primary focus of this economic memo is the assessment of potential retail distribution effects under the RMA, specifically the impacts on the Tirau Town Centre. The memo also discusses the balance of economic costs and benefits and is designed to assist the council and potential submitters in understanding the key economic considerations surrounding the proposal.

SUBJECT SITE AND POTENTIAL IMPACT ON SURROUNDING ENVIRONMENT

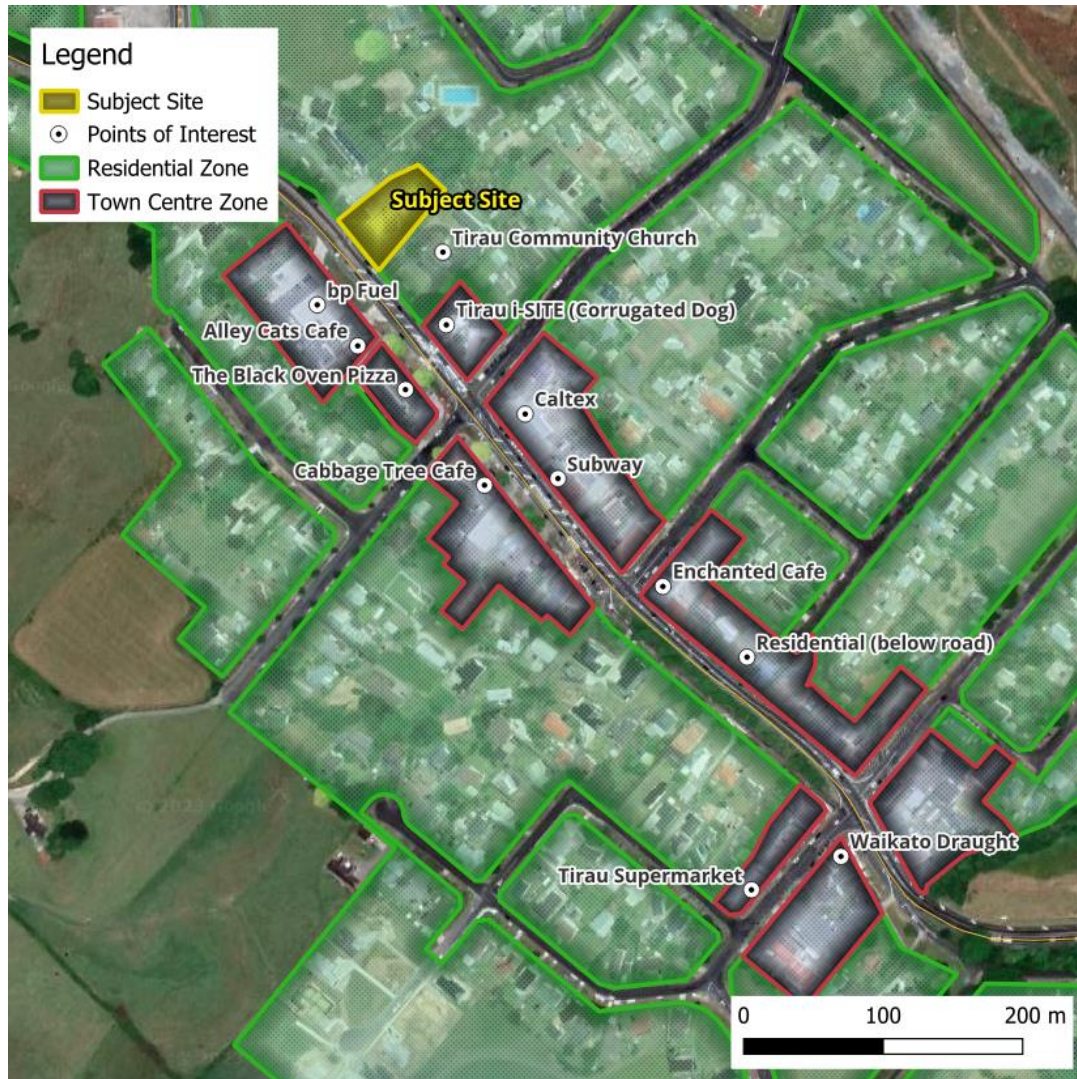
The subject site at 69a Main Road, is located just 100m up the road from the iconic corrugated iron statues and separated by the Tirau Community Church. The location of the Subject Site and the Tirau Town Centre is shown on Figure 1 following.

The Tirau Town Centre is scaled to service, and heavily reliant on, the passing traffic along State Highway 1 which is the main through route for travellers going south from Hamilton or Auckland. Now that the Waikato Expressway bypasses Huntly, Hamilton and Cambridge, Tirau represents the largest commercial '*pit stop*' for refuelling and food and beverage refreshments along this route for travellers heading south towards Rotorua and Taupō.

This reliance on passing traffic is reflected in the types of activities located in this section of the Town Centre. Specifically, most of the activities at the northern end of the Town Centre Zone are hospitality businesses like cafes, lunch bars, restaurants, and petrol stations. In contrast, many business activities at the southern end (intersection of Rose St, Hillcrest St and Main Rd) are stores that tend to service the local population including the Waikato Draught Pub and Tirau Supermarket (medium grocery store).

Additionally, at the southern end of the Town Centre on State Highway 1 are some stores taking advantage of the high volume of passing traffic including Sheepskin & Gifts Souvenirs, Bendon Outlet and Trelise Cooper Designer Outlet store. This adds another positive dimension to the Town Centre.

FIGURE 1: SUBJECT SITE AND SURROUNDING COMMERCIAL ENVIRONMENT



Source: South Waikato District Council, Google Maps, Property Economics

MARKET GROWTH

Demand for commercial activities in the Tirau Town Centre is a function of both growth in the local market and growth in the passing traffic.

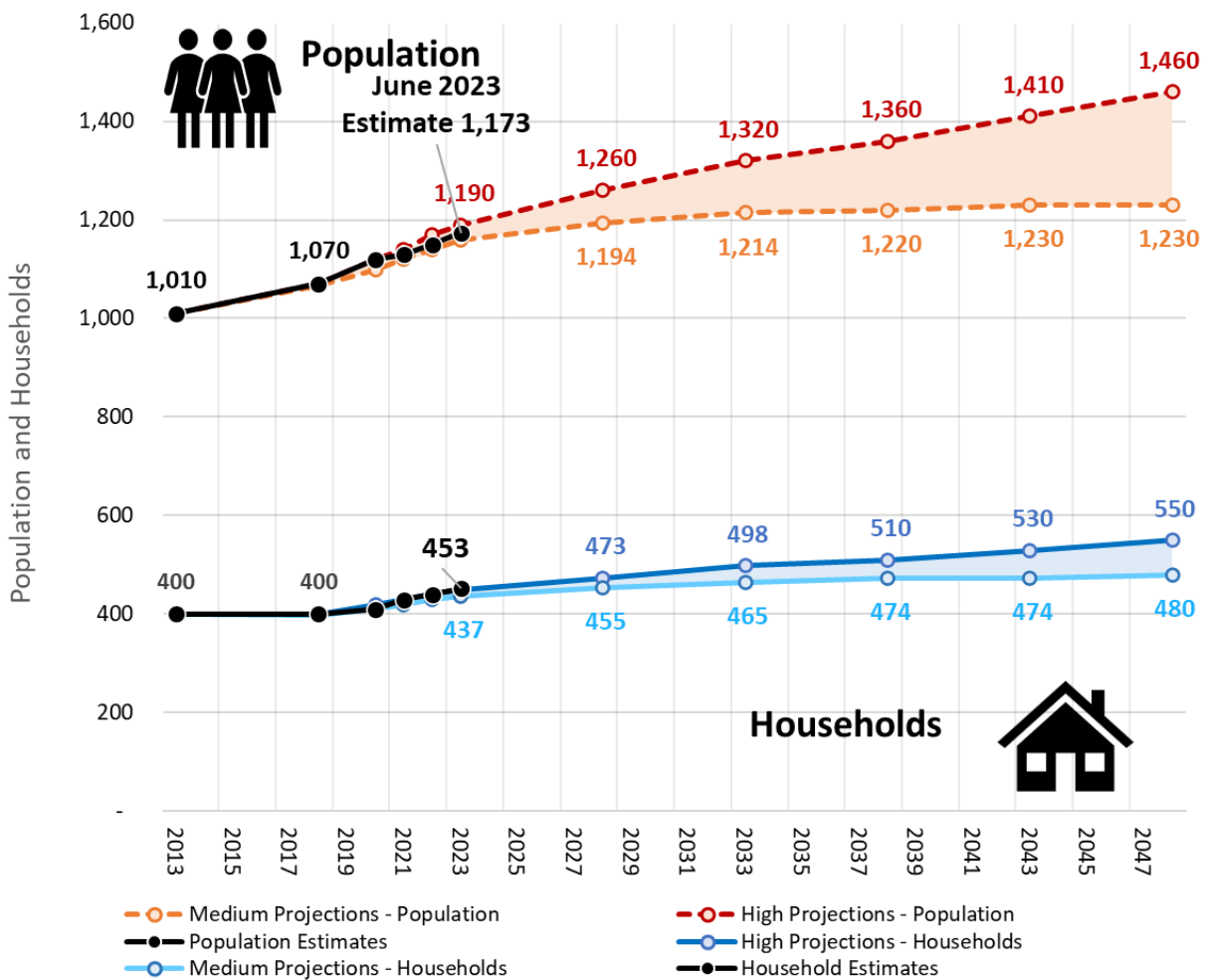
Figure 2 displays the population and household growth projections for the local Tirau supermarket catchment. These projections are derived from the latest available Statistics NZ population growth projections for both the Medium and High growth series.

Figure 2 shows that the estimated population in June 2023 was 1,173 which is in-between the Medium and High growth. Under the medium growth projection, StatsNZ anticipates limited

growth for Tirau over the period to 2048, despite recent growth of 1.5% per annum over the past decade.

Under the High growth scenario, Tirau is anticipated to grow to 1,460 residents over the same period, a growth of around 25% and equivalent to 0.88% (i.e. this 'High' growth rate represents a lower growth rate than what Tirau has experienced over the last decade). Overall, the variances in the projections are on the margins with the local population growth projected for Tirau nominally to be low and slow in retail market terms. This confirms the scale of commercial activity in the Tirau Town Centre is driven by the opportunities provided by the State Highway 1 traffic and not the local market.

FIGURE 2: POPULATION AND HOUSEHOLD GROWTH PROJECTIONS FOR TIRAU



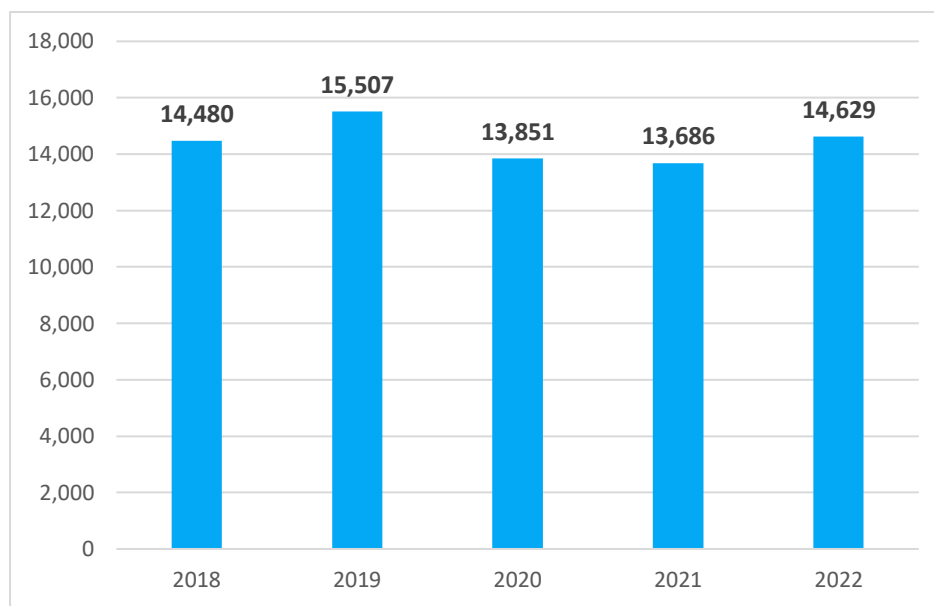
Source: Property Economics, StatsNZ

COVID-19 has had a substantial impact on tourism in New Zealand and across the world. Some areas like Rotorua, which is heavily reliant on international tourism experienced significant losses to their tourism industry. However, while international travel was restricted in NZ as a result of closed

international borders this encouraged New Zealanders to explore their own country and some areas like Taupo experienced increases in tourism from domestic travellers¹.

Figure 3 shows how the annual average daily traffic recorded just outside of Tirau (near the train bridge) has changed over the past 5 years between 2018-2022. This shows that there was a 7% increase in traffic volumes between 2018 and 2019 to 15,500 cars before this experienced a drop in 2020. However, the 2022 average of 14,629 suggests that traffic volumes have already rebounded, and Property Economics would expect this upwards trend to continue in the future.

FIGURE 3: ANNUAL AVERAGE DAILY TRAFFIC TIRAU



Source: Waka Kotahi [State highway traffic monitoring – annual average daily traffic \(nzta.govt.nz\)](https://nzta.govt.nz/state-highway-traffic-monitoring-annual-average-daily-traffic)

At a national level, according to the Tourism Satellite Account, Total Tourism expenditure for New Zealand increased by an average of 5.5% per annum between 2015-2020. MBIE's pre-covid tourism forecasts anticipated that total international visitor spend would increase by 4.3% per annum between 2019-2025. A continued growth of over 4% per annum would equate to tourism growth of around 50% over the next decade. This increase in traffic flows represents a considerable growth in the market spend potential from which Tirau Town Centre can draw from and grow.

SOUTH WAIKATO DISTRICT OPERATIVE PLAN

The operative plan outlines the anticipated environmental results of the Tirau Town Centre. Included in the list of anticipated results are:

- A bustling and vibrant place with no empty shops, and high pedestrian counts

¹ [DGLT SOL 2021.pdf \(taupodc.govt.nz\)](https://www.taupodc.govt.nz/dgltsol2021.pdf)

- Re-development of commercial properties is achieved in a manner that is sympathetic in scale and design with the existing town centre, and that enhances the amenities of the village as a place to live and visit.

These anticipated environmental results relate to Objective 4.2.4 of the plan which states that:

- *To enable the town centres in Putāruru, Tokoroa and Tirau to provide distinctive, attractive, safe and easily accessible environments with a concentration of commercial businesses and cultural activities providing a wide range of services and facilities for residents and passing travellers, and with minimum adverse effects on the safe and sustainable functioning of State Highway 1.*
- *To allow adequate opportunities for businesses and industries to provide a range of employment opportunities for the District's residents, in a manner consistent with the towns' existing amenity values without any unnecessary barriers to economic advancement.*
- *To provide for outward expansion of existing townships where the new areas can be efficiently serviced with network utilities and infrastructure including provision for cycling and pedestrians, and where funding provision has been made consistent with the level of projected demand for new building sites for houses and businesses.*

It is within this context that we assess the impact of the proposal.

TRADE COMPETITION AND RETAIL DISTRIBUTION EFFECTS

From an economic effects perspective, it is important first to understand the difference between trade competition effects and flow-on retail distribution effects. in the context of the RMA.

Trade competition effects (in a generalised retail sense) are the retail trade impacts of retail activity on other similar or 'like' retail activity. It basically reflects a direct cause / effect relationship as a result of a simple redistribution of retail sales among retailer operators. In essence, it represents a redistribution of retail sales as opposed to a loss to the community brought about by the relocation of those sales.

By themselves, trade competition effects must not be relied upon by a consent authority when considering a retail application under the RMA, unless they are of a level that generates significant adverse flow-on retail distribution effects on the existing centre network of the area. It is within this broader context that the relative merits of this resource consent, in terms of retail impacts, needs be considered under the RMA.

Retail distribution effects are generated as the result of consequential trade competition effects. These effects can range across the spectrum (positive and negative) depending on the level of effects generated, which is heavily dependent on the scale, type, and location of the proposed retail activity, among other attributes.

Where the patterns of performance, amenity, and commercial activity within an existing centre (or associated flow-on benefits from retail activity within that location) would not change significantly

within a locality, then the retail distribution effects are not considered to be significant in an RMA context.

Put another way, retail distribution effects would occur where a new business (or cluster of businesses) affects an existing centre to such a degree that it would erode a centre's viability, causing a decline in its function and amenity, and disabling the people and communities who rely upon those existing (declining) centres for their social and economic wellbeing.

ECONOMIC IMPACTS

Being located directly opposite and adjacent to the existing Town Centre Zoning extent, the proposal in effect represents an expansion of the existing town centre environment. Although the restaurants will compete with the existing hospitality businesses, the proposal will facilitate and broaden the offer that is not currently available in Tirau (i.e. fast-food / quick stop drive-thru outlets).

Consequently, the development would have a high propensity to generate additional demand in Tirau by attracting passing travellers who might not have otherwise chosen to stop. This means that the proposed drive-through restaurants would grow total food and beverage capture in the Tirau Town Centre rather than simply redistribute its existing food and beverage expenditure base, i.e. the development's brands are not relying on attracting sales away from other stores in the Tirau Town Centre to be viable but generate new sales.

The proposed development would also bring international banner food and beverage brands' to Tirau. This would raise the profile of Tirau as a '*pit-stop*' destination considerably, particularly given the brands' awareness, success and popularity in the market.

This is important in so far as achieving "*A bustling and vibrant place with no empty shop, and high pedestrian counts*". An extension to the town centre would be inappropriate if it were likely to result in a poor commercial environment (i.e. low-quality shops and high vacancy). However, the additional demand captured from passing traffic, local growth and growth in the domestic tourism market (i.e. growth in the number of travellers) will be sufficient to accommodate the small increase in commercial activity that this proposal will generate.

It should also be noted that although the proposal is for fast-food drive through restaurants, this does not preclude consumers parking on the site and walking to visit the rest of the Town Centre. Indeed, those who do choose the drive-thru option are consumer who have a lower propensity to walk along the town centre strip. In contrast, the parking options provided by this development may encourage more people to stop in the Tirau Town Centre and increase pedestrian counts.

In regard to economic benefits, the proposal will facilitate an offer that is not currently available in Tirau (i.e. fast-food drive-thru outlets) and this in turn, is likely to result in an increase in spend capture from the passing traffic. This will increase economic activity in Tirau, provide more employment opportunities for the local residents and enhance the retail amenity of the Tirau village as a place to both live, work and visit.



SUMMARY

Having considered all relevant economic factors, Property Economics supports the proposed development of two drive-thru restaurants on the subject site from an economic perspective, under the context of the RMA. The proposed development will catalyse increased economic activity and local employment opportunities in Tirau, heighten the profile of Tirau as a place to stop in the market and the economic benefits would outweigh any economic costs by a significant margin. As such Property Economics support the application from an economic perspective.

If you have any queries, please give me a call.

Kind Regards



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APPENDIX 1: CONCEPT PLANS

