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## 4. RETAIL SPENDING IN HAWKES BAY

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### 4.1 OUTLINE OF RETAIL SPENDING SECTION

In the previous section we considered the supply side of the Hastings Retail market. In this section the Situation Analysis continues as we investigate the demand side of retailing in the Planning Area.

Projected future spending rests upon estimates of growth in household numbers, changes in spending per household, changes in spending “leakage” by Hawkes Bay households, together with changes in visitor numbers (from elsewhere in New Zealand and internationally) and their spending patterns during their visits to Hawkes Bay.

In our analysis we

- First estimated sales in 1997 and 2002 then;
- Estimated gross spending flows (“leakage” between Hastings and Napier);
- Considered past household growth in Hawkes Bay and Hastings over, the last 10 years
- Projected households via projections of population;
- Translated the households growth into projections of households spending on comparison goods;
- Projected total comparison goods spend via projections of tourist spending, and spending by businesses in retail stores; and finally,
- Project the increment in “floorspace supported” by the growth in spending

### 4.2 RETAIL SPEND IN 2002

Spending on comparison goods in the Hawkes Bay is derived from:

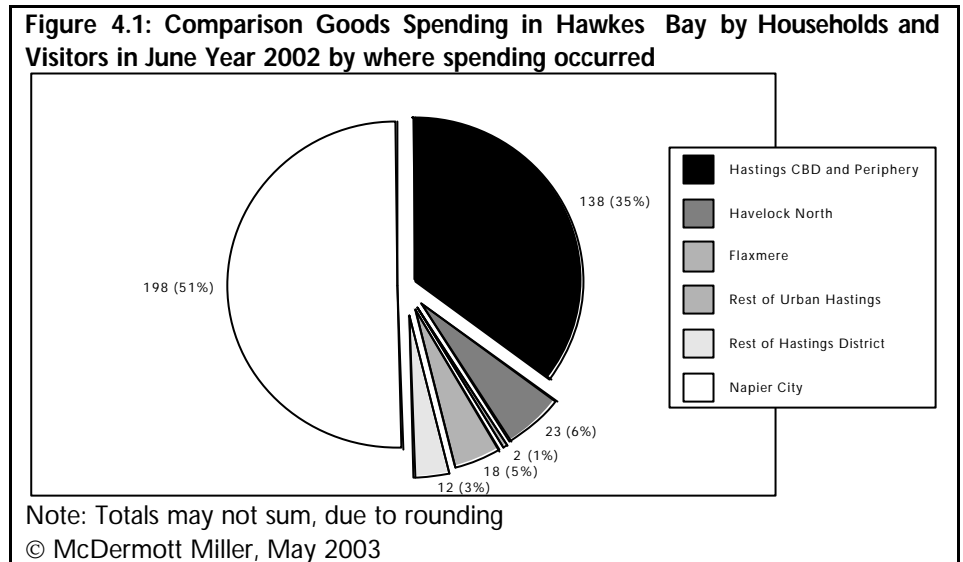
- Hawkes Bay households own spending in the region, together with
- Spending of householders from other regions in Hawkes Bay during their visits and
- Spending of international tourists during their visits to Hawkes Bay.

This combined spending on comparison goods in the June 2002 year has been estimated as follows:

- Estimated spending by households and visitors to Hawkes Bay on comparison goods in Hawkes Bay was \$392 million in June Year 2002
- Around 49% of this (\$193 million), was spent in Hastings District
- The other 51% (\$198 million) was spent in Napier City (including Taradale)
- Around 35% of the total (\$138 million) was spent in the existing Hastings CBD and periphery
- A further 11% (\$43 million) was spent in the rest of urban Hastings (including Havelock North and Flaxmere)

- This means around 46% (\$181 million) of the total spent the Hawkes Bay in June Year 2002 was spent in the urban Hastings Area, and the remaining 3% (\$12 million) of comparison goods spending was in the rest of the Hastings District (including Clive).

This spending is summarised in the following **Figure 4.1**



### 4.3

#### SPENDING LEAKAGE FROM HASTINGS

- A significant proportion of Hastings households’ retail spend flows out of the district, to be spent principally in Napier stores. Similarly, there is a flow from Napier into Hastings District.
- We estimate that the flow of comparison shopping spending from Hastings to Napier is around \$22 million, based on data on spend per household and data collected in the Household Shopper Survey.
- The leakage of comparison goods spending from Hastings to Napier is sufficient to support around 9000 m<sup>2</sup> and 122 FTE jobs.
- Evidence from the Household Shopper Survey suggests that Hastings already has competitive advantage over Napier in large format retailing. If this advantage were to be lost – for example if an upgraded and expanded The Warehouse opens in Napier and not in Hastings - leakage from Hastings would increase.
- The Household Shopper survey also suggests there is an opportunity for winning back spend going to apparel and other specialist stores in Napier. Upgrading the range and quality of such stores is a goal of the recommended Retail Strategy.

### 4.4

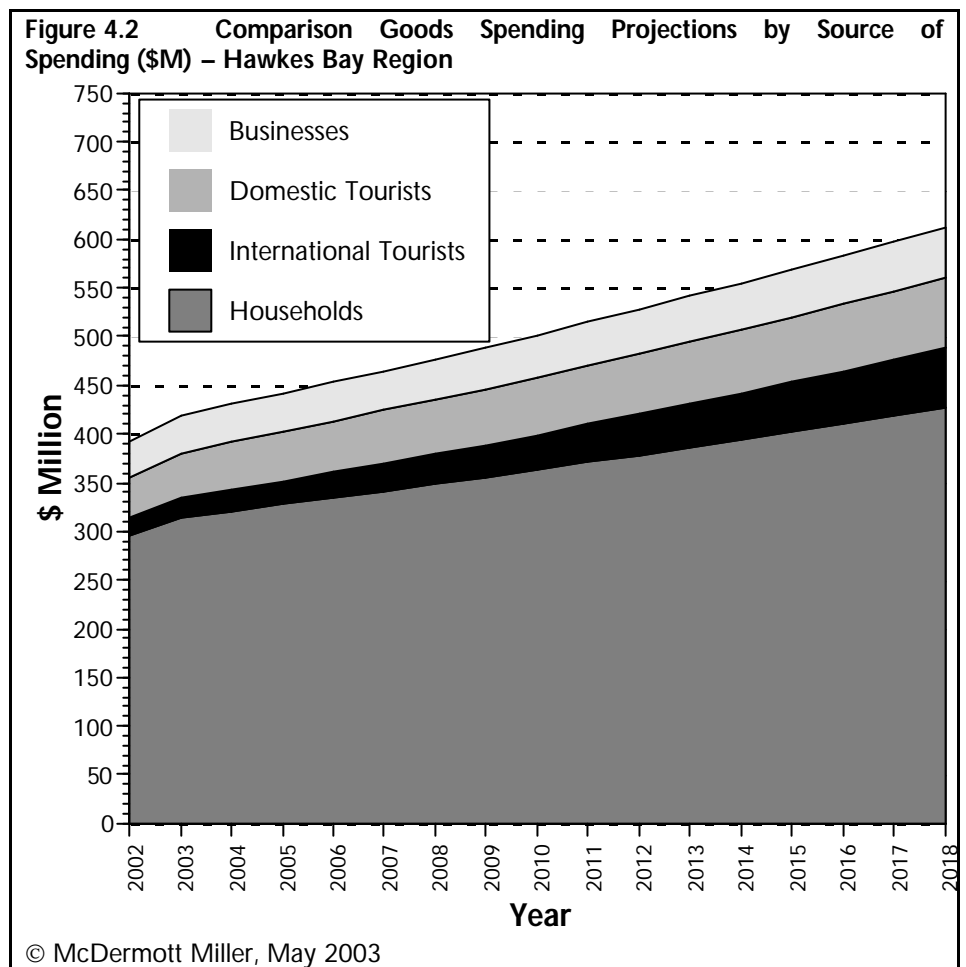
#### FUTURE SPENDING ON COMPARISON GOODS

We estimate:

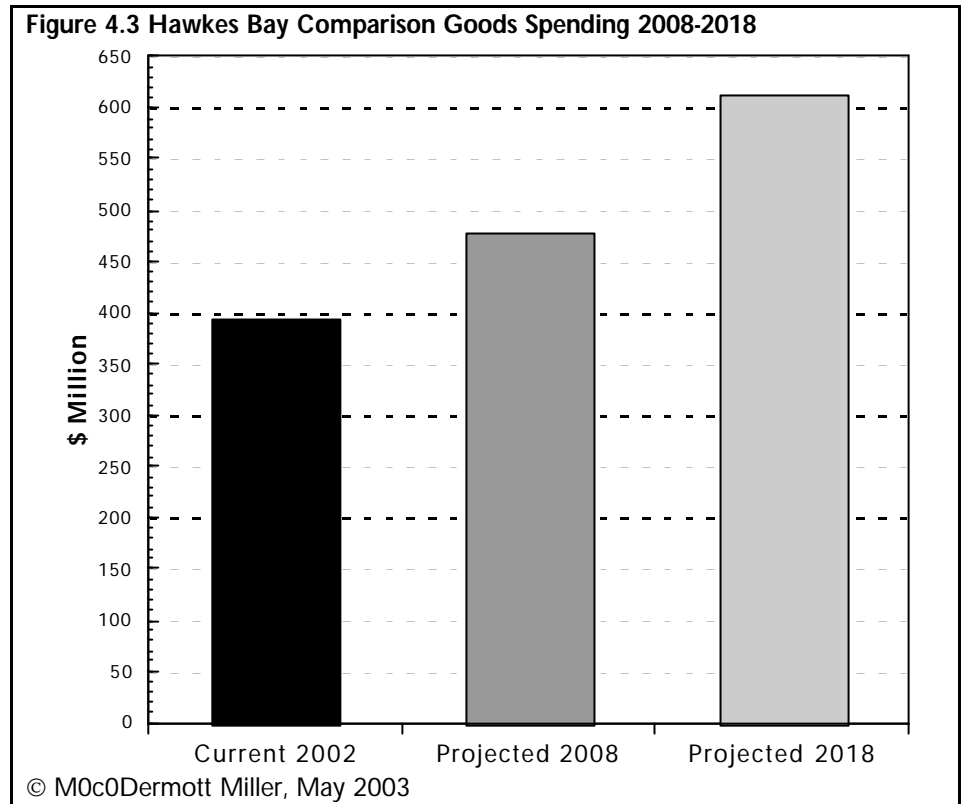
- Spending by Hawkes Bay households is projected to grow by 2.2% per annum compound

- Spending by international tourists on comparison goods retail in Hawkes Bay is projected to grow by 8% per annum compound, and spending by domestic tourists by 3%.
- The total effect of household and visitation growth and consequent spending is to increase comparison goods retail demand by around 3% per annum compound.
- This means total sales of comparison goods in Hawkes Bay will be around \$477 million by 2008, and \$612 million by 2018.

The spending projections for the Planning Region is shown in **Figure 4.2**.



These effects are summarised in the following **Figure 4.3**



## 4.5

### FLOORSPACE SUPPORTED

“Additional Floorspace supportable” is the hypothetical increment that could be added to the existing stock with that existing stock maintaining its current level of sales and all other factors remaining constant. Our estimate is summarised below.

#### Current Hastings Floorspace

- June Year 2002 spending in Urban Hastings on comparison goods of \$181 million supports around 90,000 square metres of retail floorspace.
- Recent additions to floorspace at Harvey Norman have added around 4900 square metres to current supply.
- Current work in progress for Mitre 10, Rebel Sports etc will add a further 9000-10000 square metres of floorspace over 2003/2004 period.

#### Floorspace Supported by Hawkes Bay Sales

- By 2008 retail spending in growth in Hawkes Bay would be sufficient to support around 120,000 square metres of floorspace in the Hastings urban area if no other changes are made in either Hastings or Napier, floorspace performance remains unchanged and spending reaches the levels projected.
- Recent and committed comparison retailing developments would use up most of this growth in floorspace supportable. However, retail investors do not make new investment decisions solely on the criterion of “additional floorspace supportable” because they seek to win market share from existing operators.

- By 2018 retail spending in growth in Hawkes Bay could be sufficient to support around 165,000 square metres of floorspace in the Hastings urban area if no other changes are made in either Hastings or Napier.

#### **Large Format Retail Floorspace Scenarios**

- The increments of floorspace in the location scenarios to be presented in **Section 7.3** assume 20,000 m<sup>2</sup> of large format comparison retailing by 2008 and a further 20,000 by 2018 because this reflects developer intentions, while not being seriously out of scale with market growth. Megacentres, or clusters of large format retailers, do not develop in incremental steps as the market grows, but are very lumpy.
- The location scenarios also allow for the possibility of a new megacentre making inroads into sales in existing stores.

#### **Floorspace Supportable by Hastings Spend**

- While under our projection of Hastings District spend, an increment of 20,000 m<sup>2</sup> would not be “supported” until 2012, a megacentre built prior to that date would also win spending from the Hawkes Bay region outside the Hastings District, and it would help reduce gross leakage of spend from Hastings households to Napier stores. These effects help offset competitive gains from other Hastings CBD and other retailers.

#### **Scope for additional Hastings Floorspace**

- **Figure 4.4** below, illustrates the potential floorspace that could be supported in the planning area. The upper limit is indicated by total Hawkes Bay spending growth; and, a lower limit is suggested by Hastings District spending alone. Our retail floorspace scenarios, including megacentre development of 20 to 40,000 m<sup>2</sup> over the 2003-18 period, therefore fall within the range of potential floorspace supportable by future spending growth.

