Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Changing Lanes 2

Report into the economic impact of street changes on retail activity
September 2024

CB00681

Introduction

This report is the second in a series that aims to quantify the effect of street changes on nearby businesses in the context of wider economic trends.

Major infrastructure upgrades are needed to make Wellington a better place to live, work, and play. These essential investments will enable our city to evolve and thrive. The changes covered in this report include suburban centre revitalisation, bike, bus and pedestrian improvements, providing for increased public transport capacity, and enhancing retail and green space.

Businesses owners have told us they want to better understand the effects of these changes on their businesses. Changing Lanes provides data and information on local and city-wide EFTPOS spending trends to contribute to business insights and planning.

The first Changing Lanes report looked at the short-term effect of street development in five locations on nearby retailers. It found that for the time period considered, there was no pattern of negative or positive impacts of street changes on nearby retailers.

This next report continues looking at several case studies from the original, considers trading patterns between the hospital and Courtenay Place, and introduces two new areas where the street layout is being or has been changed.

We have also included information on merchant types in each area to better understand how the mix of businesses in an area might change over time.

We acknowledge the input from many parties in preparing this report, and especially our peer reviewer from Infometrics.

Report prepared by Research and Evaluation, Wellington City Council, September 2024

How retail spend is monitored

We have used EFTPOS sales data to provide insight into the effect of street changes and infrastructure works on retailers and the wider city.

- Weekly EFTPOS spend data comes from Marketview. Marketview captures nominally 70% of merchants (any business using EFTPOS) nationally. However, its share of merchants can be variable at the corridor and local level.
- Data is collected from retailers (see Merchant categories on page 11) where select street developments have or are taking place.
- Confidentiality is achieved by including at least five retailers and averaging spend.
- Precinct trends tend to be more volatile than benchmark trends. This behaviour is to be expected given the smaller number of merchants within a precinct compared with the number in the benchmark set.
- EFTPOS spend in an area is compared to a benchmark that reflects comparable trends.
- Benchmarks are grouped to represent spend in the wider city. All merchants are included, except fuel retailers. Fuel is excluded since it is an essential item whose price is highly variable, and inclusion may distort consumer trends.

Report scope and limitations

Marketview data represents approximately 70% of the city's EFTPOS transactions.

In this report, we include all merchants who continuously use Marketview EFTPOS system in the timeframe for each precinct, excluding petrol stations.

Merchants who have entered or exited the Marketview system (ie merchant churn) in the timeframe have been excluded from the data set to avoid distorting the overall trend. This is specifically intended to remove the distortion that churn introduces.

Therefore, the spend trends in this report represent a sample of merchants who are likely to be more resilient than their peers.

Areas for future analysis

The use of EFTPOS data as the sole determinate of changing consumer behaviour has limitations.

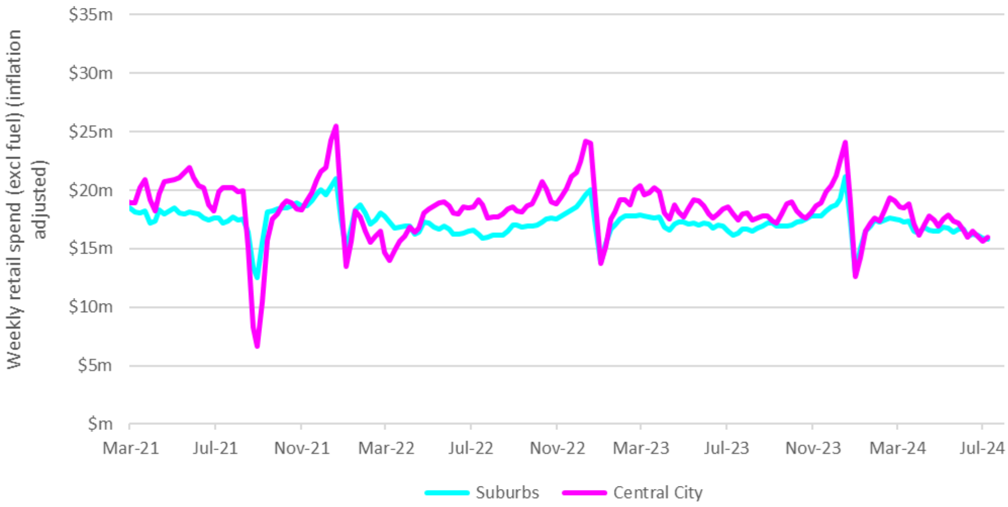
Housing intensification, economic confidence, work and lifestyle patterns are some of the factors that affect retail outcomes.

It is also true that what benefits one business may disadvantage its neighbour. In addition to road layout changes, there are opportunities to better understand other factors that affect retail outcomes, including:

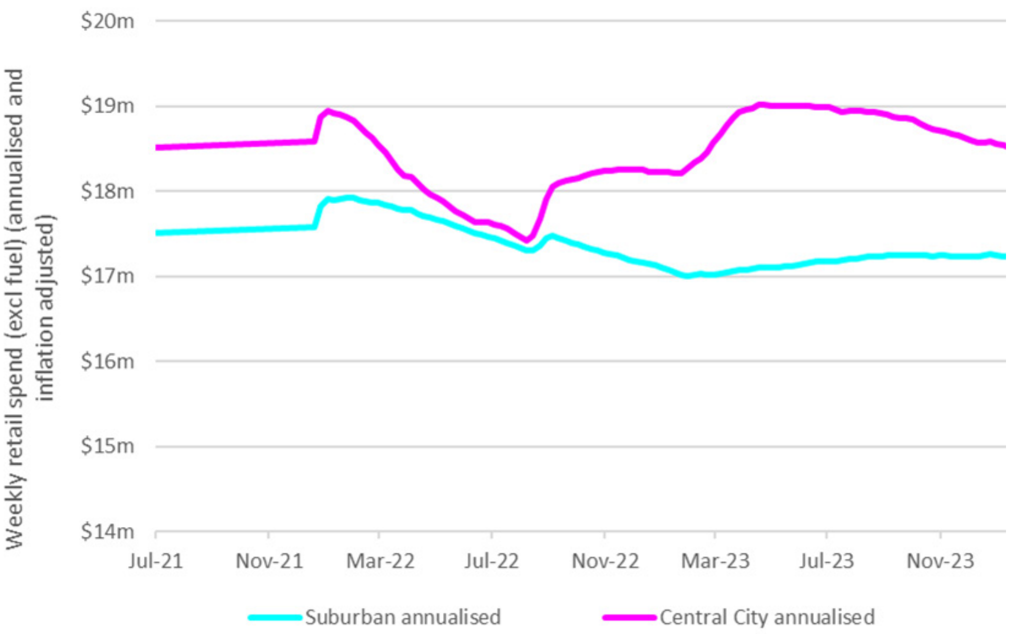
- use of sensor data to monitor before and after pedestrian numbers in areas where street upgrades have taken place.
- impacts on the retail mix and spend in areas undergoing land use changes and housing intensification.
- on-going monitoring as new networks get completed and connected into the central city.
- other factors eg retail trends and commercial vacancies.

Overview of benchmarking spend trends in the city

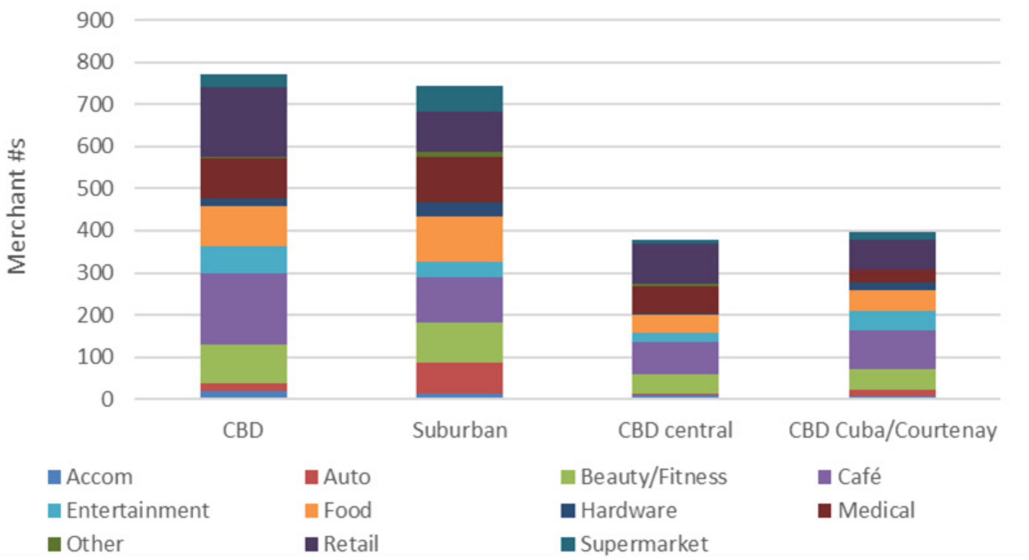
Benchmark data sets are used to identify spend trends that are influenced by seasonality, weather, festivals, events and wider economic spend. Spend data is inflation adjusted.



Long-term trends are more visible when annualised:



Types of merchants in the baseline samples



Context and benchmark observations

- Stats NZ figures show electronic card spending across the country fell 0.6% in June 2024, while the value of sales dropped 4.9 percent compared with a year ago.
- By comparison, central city spend (excluding fuel) in Wellington has fallen by approximately 5% over the last 12 months.
- Wellington city has a seasonal spend trend which peaks at Christmas and declines during January as residents leave on holiday.
- Suburban spend in Wellington in the medium-term has been stable.
- Indications are that Wellington central city spend has been impacted by higher rates of working from home than in the past, high interest rates, inflation, job insecurity and redundancies, and a national economy in a recessionary environment, and that the decline here is generally in line with the national average.
- The total number of merchants trading in Wellington has remained comparatively stable since 2021.
- Suburbs have proportionally more supermarkets and auto industry traders than the central city, which has proportionally more retail and café merchants.
- Cuba/Courtenay precinct tends to have a greater proportion of entertainment and 'after-hours' merchants, compared to the central city, which has more retail and 'weekday' merchants.

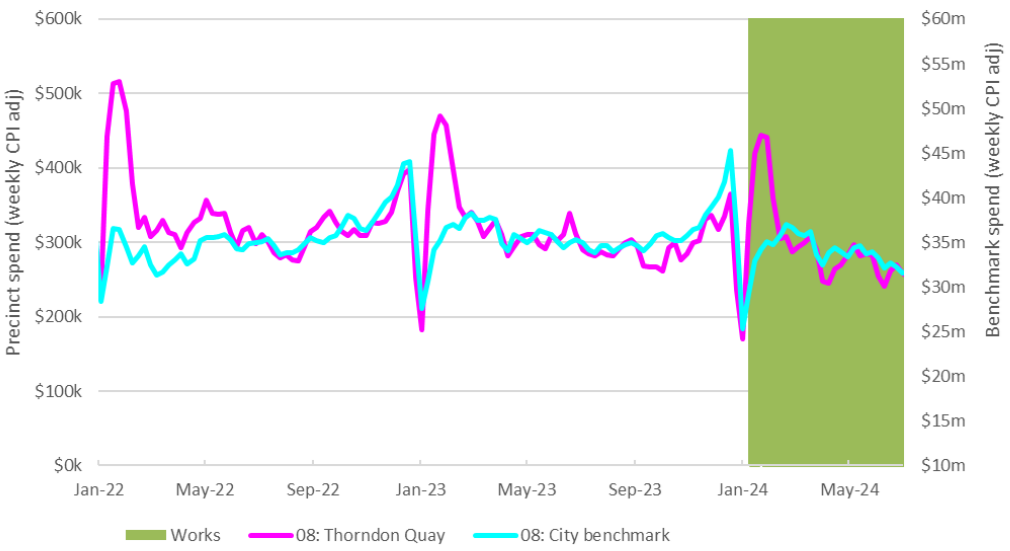
Thorndon Quay

Upgrades to Thorndon Quay are progressing with new road layout including bus lanes, widened footpaths and a bi-directional bike lane that will complete a connection to the north and the Hutt Valley via the Te Ara Tupua pathway currently under development.

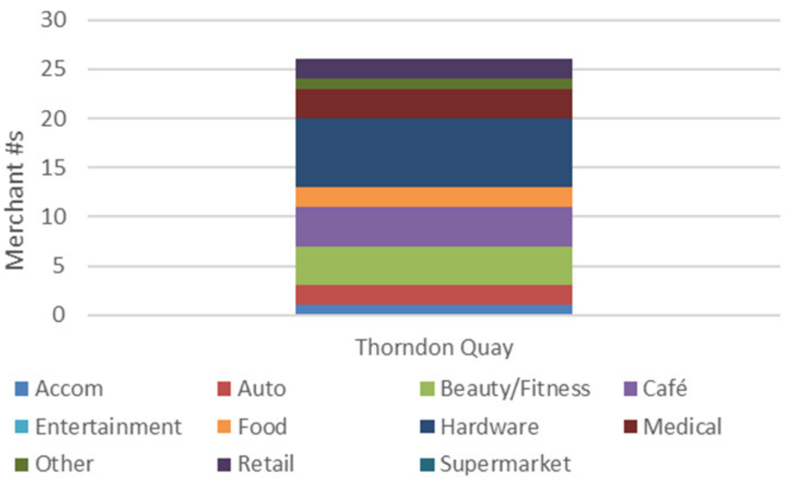
There are more than 25 retailers in the data set.

Daytime works began January 2024 and will continue along the route until June 2025.

Thorndon Quay spend compared to benchmark



Thorndon Quay spend compared to benchmark



Observations

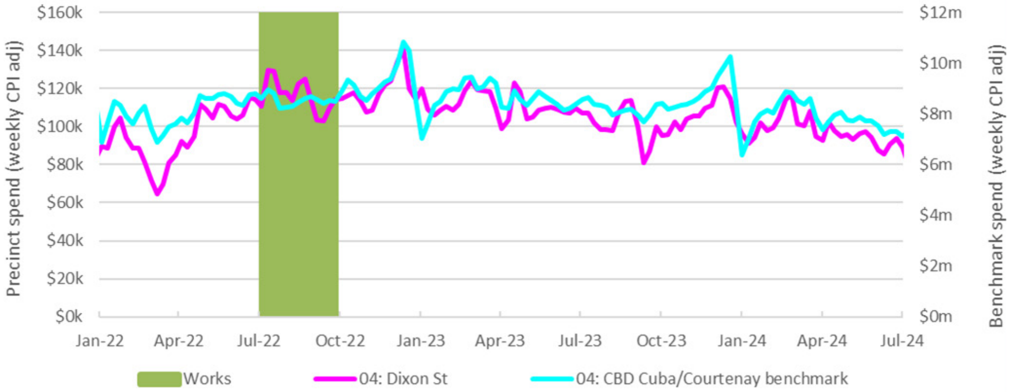
1. The peak spend in this area following Christmas is noticeable as customers return from holidays. This trend is likely to reflect the homeware and construction sector suppliers that dominate this area and pent-up demand over the Christmas/New Year break.
2. The Thorndon precinct performs above the city benchmark during the first half of 2022, which may relate to the housing and construction boom.
3. From mid-2022, the spending trend tracks the benchmark, and in the final quarter of 2023 tracks below the benchmark, which could be due to the easing of the construction boom. Following the start of work in the area, spend has largely tracked the benchmark.
4. We'll continue to monitor this area for the duration of the work.

Dixon Street

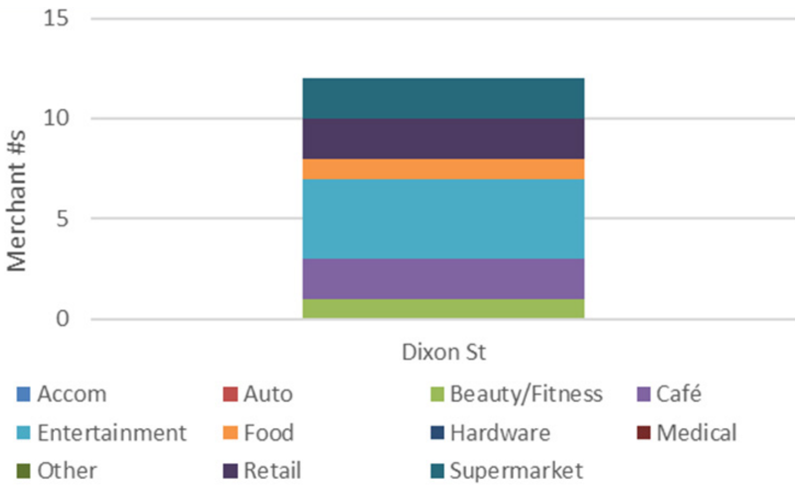
Development in this area included traffic calming, installation of footpath extensions, parklets, landscaping, removal of street parking, and removal of the public toilets in Te Aro Park. The changes were complete by November 2022.

There are 12 retailers in the data set. The largest portion of retailers in the area are in the 'entertainment' category.

Dixon Street spend compared to benchmark



Dixon Street active merchants



Observations

1. The retail trend of this area closely follows the Cuba/Courtenay trend, particularly since works were completed.
2. There is some volatility apparent in the Dixon Street data set seen from a drop against the benchmark in March/April 2022.
3. This data set provides the longest view of post construction EFTPOS trends and shows the street changes in this area have had little discernible impact on trade.
4. Future observations of this precinct could focus on the shift in types of merchants following street upgrades.

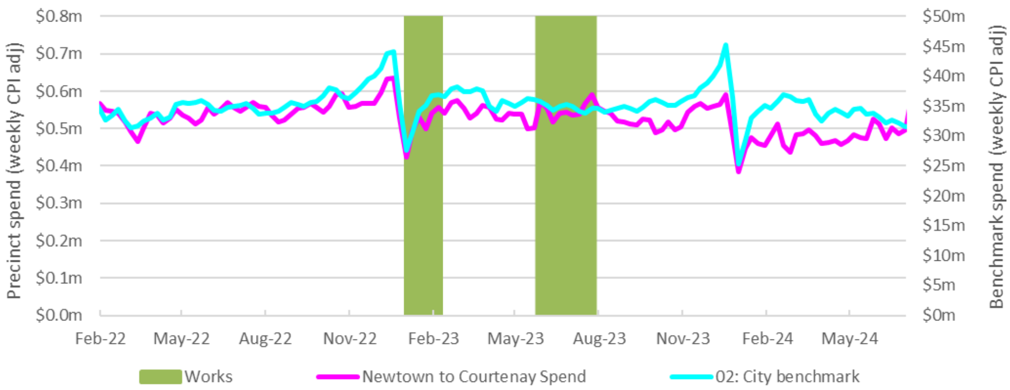
Newtown to city

The Newtown to city project delivered bike lanes and improved bus lanes from Newtown to the waterfront in two stages: Adelaide Road changes were installed in January 2023, and changes on Cambridge and Kent terraces were installed in June and July 2023.

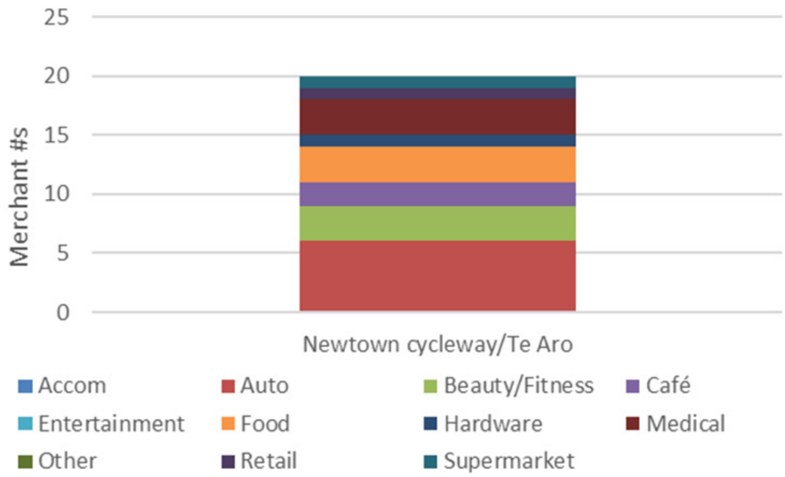
Several parklets, street art , and a new signalised pedestrian crossing were included. Several U-turn locations were removed along Kent Terrace to accommodate a two-way bike lane on Cambridge Terrace.

This project was delivered as part of the rapid roll-out of the Wellington bike network and focussed on installation methods that minimised the amount of civil works and disruption.

Newtown to Courtenay Place spend compared to benchmark



Newtown to Courtenay Place active merchants



Observations

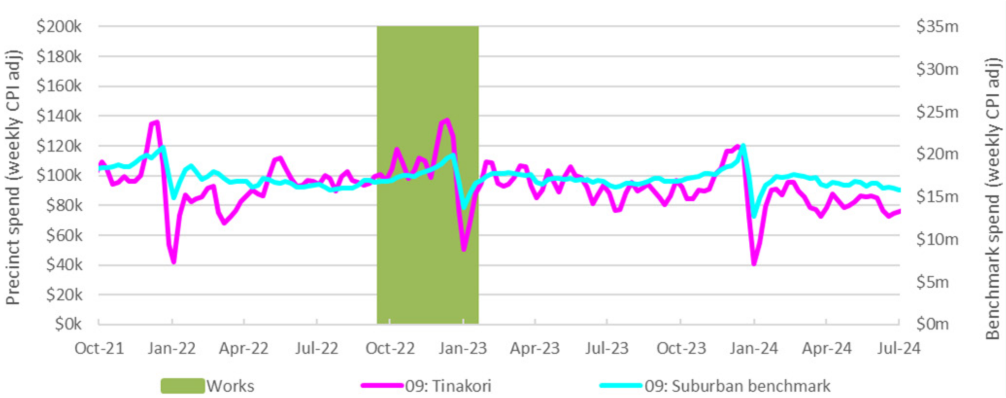
1. The natural 'heartbeat' of trade on this route generally follows the city benchmark, with a relatively subdued Christmas peak in 2023 and into 2024.
2. This area is semi-industrial shifting to a more residential land use. This is one of the areas where a shift in merchant types is possible as land use changes.
3. EFTPOS spend in this area has declined relative to the benchmark since the completion of the new street layout, but the precinct spend has recently recovered. This initial decline might have been a temporary adjustment period related to the changes in infrastructure and land use.
4. We'll continue to monitor this area to determine longer-term trends, particularly as this area is identified for growth and is already experiencing some change in land use.

Tinakori Road

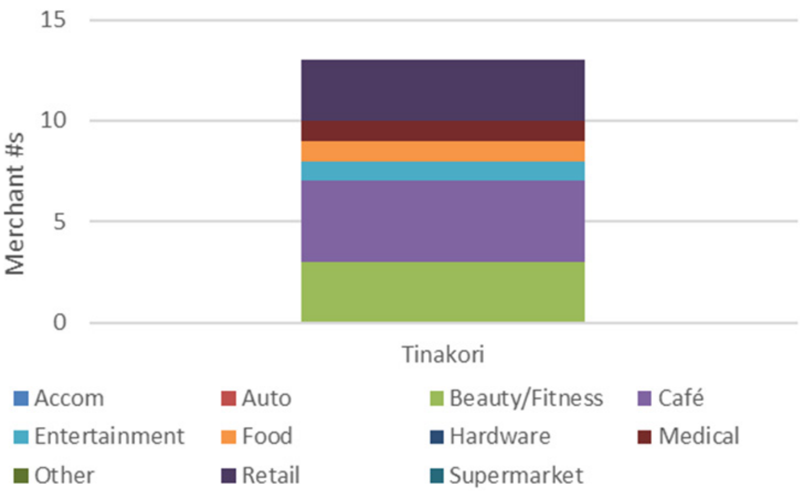
Bike lane installation and bus lane improvements were installed on Bowen Street and west of Bowen Street on Tinakori Road in 2022/2023. The retailers are situated on Tinakori Road, east of Bowen Street. No parking changes were made in the retail area although concerns were raised about the displacement of parked vehicles into this area.

There are 13 retailers in the data set, the largest share made up of beauty/fitness, and cafes.

Tinakori Road spend compared to benchmark



Tinakori Road merchants



Observations

1. Spend in this precinct is generally aligned with the benchmark although there have been deviations arguably due to the small number of merchants in this sample and their sensitivity to wider economic conditions.
2. Christmas 2023 was more subdued with a decline against benchmark continuing through the year since the start of 2024 as the recession and job insecurity has grown.
3. Given the time between the works in 2023 and the noticeable decline in spend in 2024 (relative to benchmark) it is unclear whether this is due to the recession or related to the works. We will continue to monitor retail spend in this area.

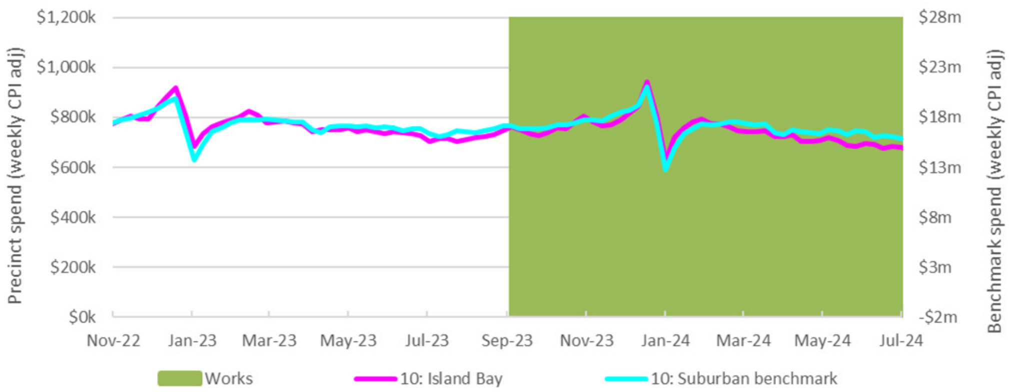
Island Bay

Street improvements in and around The Parade's main shopping area include public space upgrades and transport safety improvements. More specifically, work here has included traffic calming, pedestrian crossing improvements, separated bike lanes, adjustment of car parking, garden upgrades, seating, safety lighting, accessible spaces, gathering spaces, artwork, interpretation and new surfaces.

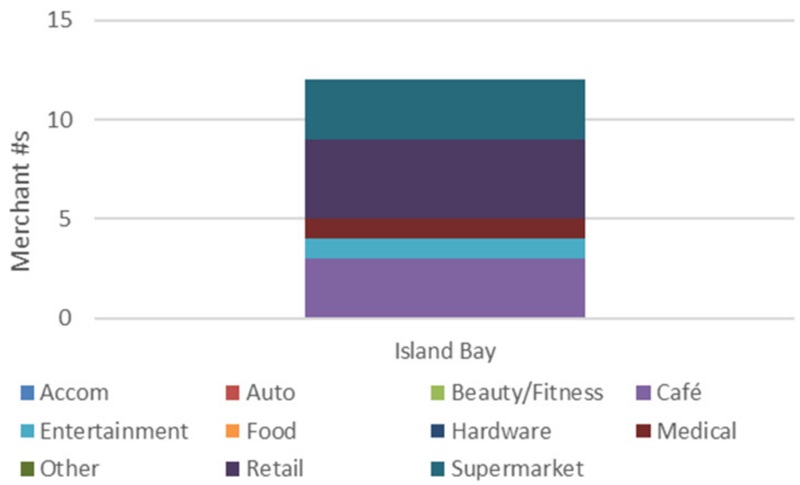
Works to install these changes started at the end of January 2024 and will be complete in October 2024.

There are 12 retailers represented in the Island Bay data, with the largest share made up of cafes, retail, and a supermarket.

Island Bay spend compared to benchmark and 2023 (inflation adjusted)



Island Bay merchants



Observations

1. Spend in Island Bay largely follows the suburban benchmark, including during the works.
2. A slight dip in the Island Bay spend from May 2024 has occurred, and compared with the slight dip in 2023, has been slower to recover against the benchmark.
3. There is a growing deviation to the benchmark. In the latest data this is minor, but this might change, so we will continue to monitor it.
4. We will continue to observe spend trends in this area after works have been completed and people have had time to get used to the street layout changes.

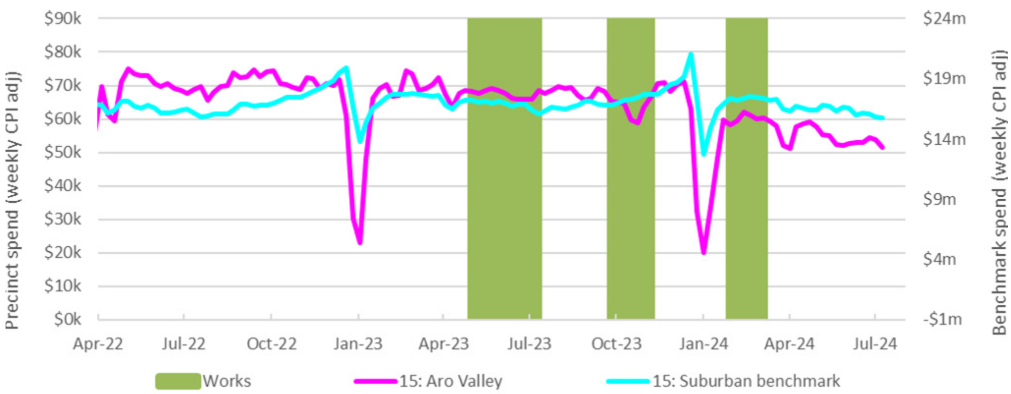
Aro Valley

Development in this area included traffic calming, speed reductions, installation of bike racks, removal of residential street parking, a bus platform at the shops, the addition of two Cityhop car park spaces, and installation of a bike lane.

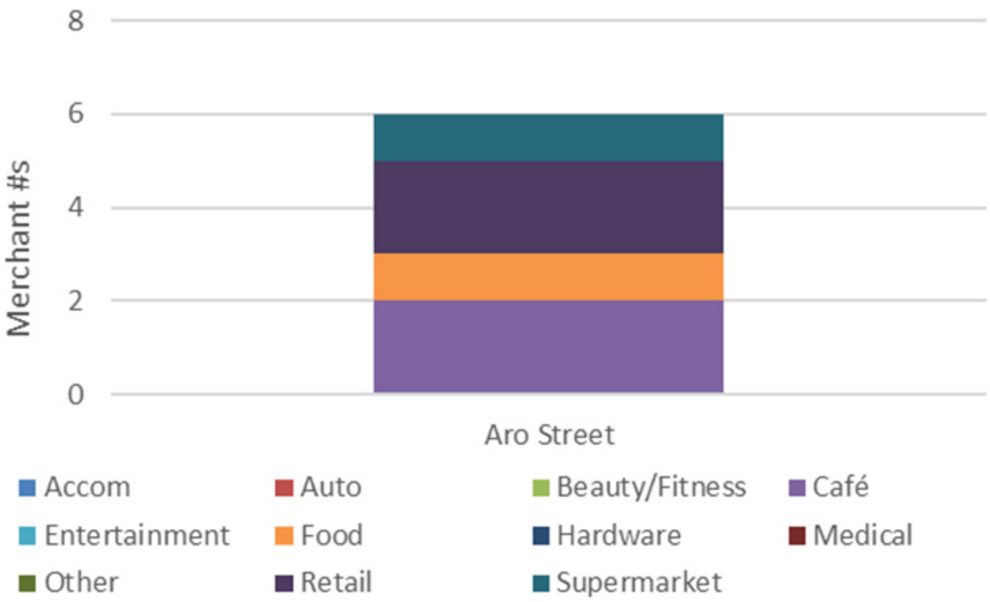
This project was delivered as part of the rapid roll-out of the Wellington bike network and focussed on installation methods that minimised the amount of civil works and disruption. Therefore, the period of works is shorter than permanent street layout changes (eg Thorndon Quay).

There are six retailers in the data set with the largest share being café and retail.

Aro Valley spend compared to benchmark and 2023 (inflation adjusted)



Aro Valley merchants



Observations

1. Spend in Aro Valley largely follows the suburban benchmark trend, without the Christmas peak and a significant decline after Christmas, presumably as customers leave on holiday.
2. While some volatility is expected due to the small sample size, from late December 2023 spend has declined relative to the suburban benchmark.
3. The decline of spend relative to the benchmark has increased following the works but also may have been impacted by the severity of the recession given the low income demographic that lives in this area.
4. We will continue to monitor this precinct and seek to understand factors contributing to the observed trends.

Summary

This report uses EFTPOS sales data to learn more about the impact of street changes on economic and retail activity. The study considers areas where street changes have been made from 2021 through to 2024.

During this time, Wellington's retail economy has been impacted by a challenging economy, job insecurity, working from home and changing consumer trends, which has likely affected the mix of retailers and customers in some areas.

As a result, it is currently challenging to attribute change in spend trends in the precincts to specific causal factors.

Spend trends appear to be precinct specific and related to the mix of merchants and their customers operating in a challenging economic environment. However, in some precincts the spend trends could also be due to the impact of works.

Ongoing monitoring, including pedestrian numbers, commercial vacancies, rent trends and the evolving mix of merchants and land use may help to disentangle these factors in future report and assess the short and long term economic impact of street changes on nearby retailers.

Merchant categories

Abbreviation	Categories
Accom	Accommodation
Auto	Other automotive repair and maintenance
Auto	Fuel retailing
Auto	Taxi and other road transport
Auto	Automotive body, paint and interior repair
Auto	Tyre retailing
Auto	Parking services
Auto	Passenger car rental and hiring
Auto	Air and space transport
Auto	Automotive electrical services
Auto	Car retailing
Auto	Motor vehicle parts retailing
Auto	Water passenger Ttansport
Auto	Courier pick-up and delivery services
Auto	Motorcycle Retailing
Auto	Other motor vehicle and transport equipment rental and hiring
Auto	Urban bus transport (including tramway)
Beauty/fitness	Hairdressing and beauty services
Beauty/Fitness	Sport and camping equipment retailing
Beauty/fitness	Other personal services
Beauty/fitness	Health and fitness centres and gymnasia operation
Beauty/fitness	Sports and physical recreation venues, grounds andfFacilities operation
Beauty/fitness	Sports and physical recreation clubs and sports professionals
Café	Cafes and restaurants

Abbreviation	Categories
Entertainment	Pubs, taverns and bars
Entertainment	Liquor retailing
Entertainment	Travel agency and tour arrangement services
Entertainment	Amusement and other recreation activities
Entertainment	Clubs (hospitality)
Entertainment	Motion picture exhibition
Entertainment	Libraries and archives
Entertainment	Museum operation
Entertainment	Performing arts operation
Entertainment	Performing arts venue operation
Entertainment	Entertainment media retailing
Entertainment	Brothel keeping and prostitution services
Entertainment	Scenic and sightseeing transport
Food	Takeaway food services
Food	Other specialised food retailing
Food	Catering services
Food	Fresh meat, fish and poultry retailing
Hardware	Hardware and building supplies retailing
Hardware	Electrical, electronic and gas appliance retailing
Hardware	Floor coverings retailing
Hardware	Other electrical and electronic goods retailing
Hardware	Houseware retailing
Medical	Dental services
Medical	General practice medical services

Merchant categories

Abbreviation	Categories
Medical	Pharmaceutical, cosmetic and toiletry goods retailing
Medical	Other health care services
Medical	Specialist medical services
Medical	Physiotherapy services
Medical	Optometry and optical dispensing
Medical	Chiropractic and osteopathic services
Medical	Other allied health services
Medical	Veterinary services
Medical	Pathology and diagnostic imaging services
Other	Postal services
Other	Domestic appliance repair and maintenance
Other	Religious services
Other	Other repair and maintenance
Other	Printing
Other	Nature reserves and conservation parks operation
Other	Other machinery and equipment repair and maintenance
Retail	Clothing retailing
Retail	Other store-based retailing
Retail	Footwear retailing
Retail	Antique and used goods retailing

Abbreviation	Categories
Retail	Newspaper and book retailing
Retail	Manchester and other textile goods retailing
Retail	Laundry and dry-cleaning services
Retail	Flower retailing
Retail	Watch and jewellery retailing
e	Electronic (except domestic appliance) and precision equipment repair and maintenance
Retail	Other personal accessory retailing
Retail	Toy and game retailing
Retail	Fruit and vegetable retailing
Retail	Clothing and footwear repair
Retail	Computer and computer peripheral retailing
Retail	Stationery goods retailing
Retail	Garden supplies retailing
Retail	Department stores
Retail	Lottery operation
Retail	Marine equipment retailing
Retail	Photographic film processing
Supermarket	Supermarket and grocery stores