

## **BEFORE AN INDEPENDENT HEARING COMMISSIONER**

**UNDER** the Resource Management Act 1991

**AND**

**IN THE MATTER** of an Application for Land Use consent to use part of the existing building on the application site for a Smiths Ashburton retail tenancy with associated logistics, storage and car parking at 363 West Street, Ashburton by **Tricroft Properties Limited**

**LUC21/0029**

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### **STATEMENT OF EVIDENCE OF TONY GILBERT 16 SEPTEMBER 2021**

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#### **Introduction**

1. My name is Tony James Gilbert. I am the General Manager of Tricroft Properties Limited (the applicant).

#### **Background**

- In December 2020 we engaged with the Directors of Smiths City, after becoming aware that they were likely required to find an alternative premises when their lease expired, understood to be soon.
- Through further discussion, Smiths City confirmed in February 2021, that discussions with their current landlord were not looking promising and that they were now considering the feasibility of relocating to the West St Ashburton site or leaving Ashburton all together.
- At this point, we understood Smiths City required to be operating in a new site (assuming they decided to maintain their presence in Ashburton), in May 2021.
- Tricroft made the decision to pursue negotiations with Smiths City, given the short time frames, for the following reasons.

- **Retain the Smiths City business in the Mid Canterbury Community –**  
Smiths City have been operating in Ashburton for over 25 years. The first COVID-19 outbreak and resulting restrictions in 2020, resulted in Bunnings closing its Ashburton operation. For Mid Canterbury, this meant ~30 employees and their families required to find alternative employment, and general retail choice was reduced for Mid Canterbury. We understand that many of these employees left Ashburton all together, with the example of the Branch manager who took up a similar role in Christchurch. The Bunnings example heightened the need to retain the Smiths City presence in the Ashburton market to prevent similar and further outcomes, such as was experienced with Bunnings. I discuss further below about the importance of consumer choice and retail spend leakage to other markets.
- **The West St premises being the ideal solution to retain the Smiths City Business –** When Bunnings announced that they were vacating the site, Tricroft began engaging with the market to find a suitable replacement tenant. Initially, we focused on businesses similar to Bunnings that would occupy the entire space in the same manner as Bunnings. However, it soon became clear that leasing a 4725m<sup>2</sup> site to one tenant would prove challenging.  
Our initial discussions led to one suitable tenant making enquiries but did not proceed. It became clear from market feedback, that potential tenants were seeking suitable spaces between 1,500m<sup>2</sup> – 2,000m<sup>2</sup> (Floor / building Space). We also observed during our visits to Christchurch, the continuing evolution of Large Format Retailers (LFR) and how they were setting up their premises to provide optimal trading conditions.  
Taking the Hornby Mega Centre as an example. This is a retail complex located on Main South Road / Chappie Place. The building is a converted former Mitre 10 building with a new Mega Mitre 10 being developed near this building in the last few years. The converted Mitre 10 building now houses approximately 10 LFR's including Noel Leeming, Macpac and 99 Bikes. The retail floor space

alone (not including back of house functions etc.) looks to be ~1,000m<sup>2</sup> for each site. Our West St site in Ashburton, being a former Bunnings building, is very similar to this converted Mitre 10 building, albeit much smaller in size. Given market feedback and the evidential success of the Hornby Mega Centre example, Tricroft decided to cater for the market and redevelop the West St building along similar lines, dividing the building into three separate tenancy spaces. The West St site, similar to Hornby Mega, provides;

- ideal visibility,
- located on State Highway 1,
- ample car parking / customer access,
- ideal retail and back of house floor space;and
- ideal truck / logistics access.

These points are all conditions that appeal to LFR's. Whilst the retail floor space provided in the West St building is smaller than Smiths City's former site, all other factors described above provide a superior location for Smiths City, providing a key element to retaining their business in Ashburton.

#### **The Mid Canterbury Property / Retail Market**

- Through the development of the Kmart premises (called River Crossing) in Ashburton (due to be complete end of 2022) and current redevelopment of the West St premises, including broad discussions with various potential tenants and leasing agents, Tricroft has established a good understanding of the changing needs of LFR operations.
- I have noted above the key conditions for optimal LFR trading: Retail Floor Space (~1000m<sup>2</sup> minimum being ideal), storage / inwards goods facilities, yard space for bulk deliveries / collections, adequate customer carparking and access, adequate truck / logistics access, proximity to main roads / arterial routes / Motor & Highways, co-locating with other LFR's generating consumer "foot traffic".
- Tricroft positively supports initiatives to maintain and create a healthy and vibrant town Center. We understand that the District Plan Change 4 (PC4) is now operative under the District Plan and seeks to give priority to the

development of retail (and other business types) in the town center (Business A Zone), to foster this initiative. Through the process of developing River Crossing and the West St premises, we have observed the challenge and need to identify the differences between retail operations, their differing needs and impacts on the locations they are developed in.

- Taking Kmart and Smiths City as examples (reflecting observations & discussions from multiple engagements we have had in the market with other LFR's):
  - **Kmart:** Historically their sites have been predominately based in the typical shopping Mall set up. Kmart is a very good example of a retailer that struggled for brand market positioning however, over time it has rebranded and repositioned itself to become a market leader. Kmart is progressively moving away from the Shopping Mall set up, toward “open space” premises where it is either the only tenant on a site, or more commonly, the anchor tenant of a premises with other LFR's and smaller hospitality businesses. Also, they look to co-locate with Grocery Super Markets, providing ideal foot traffic generation. These open spaces provide large scale carparking and ideal consumer convenience. Furthermore, the building size provides ample storage / back of house facilities, typically serviced by large (B Train) trucks.
  - **Smiths City:** I have some good insight into the evolution of the Smiths City business being an employee from 1999- 2006. When I started with Smiths City, the business traded in Whitewares, Electronics, Furniture, Homewares, DIY / building materials, Gardening / Outdoor goods and Sports Goods. Like every successful business that has been challenged to redefine itself and ensure future survival and brand relevance, Smiths City has drastically reduced its product lines to a core of Whitewares, Electronics, Homewares and Furniture. It has revitalized the brand to ensure performance in a smaller core of activities. The Smiths City LFR needs are identical to Kmart (defined above) albeit on a smaller scale.

- **Impact on location:**
  - The needs and physical scale of the LFRs described above, lead these businesses to identify site locations typically outside of a Town Center or the CBD of a city.
  - To achieve the above optimal trading conditions, large parcels of land are required.
  - Furthermore, due to logistics requirements, this means obtaining sites with adequate access for heavy vehicles and in close proximity to arterial routes or State Highways.
  - Whilst the District Plan positively seeks to give priority to the development of retail in the Town Center or the Business B zone, the type of retail described above i.e. LFR, would be challenging to accommodate in this location.
  - My observation from multiple discussions with various LFR operators, is that they do not prefer or seek to set up operations in such central locations. Finding the land parcel size to accommodate the needs described above is challenging. The lack of other LFR operators seeking central locations takes away the appeal of co-locating and generating foot traffic. From a logistics perspective, central locations do not provide ideal access for larger transport vehicles which, can also have negative effects on the town center with regard to impact on traffic and parking spaces.

**Positive influences / contributions LFR's present to the district:**

- Through developing River Crossing and the West St site, Tricroft has gained interest from other National and Australasian LFR operators to set up activities in Mid Canterbury. The potential to co-locate with an established, leading LFR brand is appealing. This also flows on to other business types (hospitality as an example) that also seek to set up in close proximity to an LFR or large retail complex.
- With regard to Retail Leakage, I refer to Mr Foy's Statement of Evidence, Paragraph 6.1, which states "there is very high leakage in some categories,

especially the sectors in which Smiths City is focused: furniture (where 61% of total spend by Ashburton residents is not spent in Ashburton but leaks to other destinations), housewares (also 61%), recreation (56% leakage), and electrical (39% leakage)”. The development of LFR operations, in locations that promote optimal trading conditions for them in Mid Canterbury, in my opinion, promotes greater consumer choice, reduces retail spend leakage and promotes increased local and non-local spend in Mid Canterbury. There is also the development of increased employment opportunities in Mid Canterbury.

- **Smiths City Specifically:** In my opinion, comparable operators to Smiths City, currently located in Ashburton, are Noel Leeming (Electronics), Redmond’s Furniture (and Homewares), Harvey Norman (All product offerings), Smith & Church (All Product Offerings), The Warehouse (Furniture / Homewares). As noted in this report, Smiths City have confirmed that if they chose not to lease the West St premises, they would have exited the Mid Canterbury market. Assuming that to be the case, in my opinion, this would lead to further retail spend leakage to other markets. I would consider Harvey Norman and Redmond’s Furniture to position themselves in the “higher price point” and the Warehouse, to be the lower price point, with Smiths City having a strong position in the mid-point.

### **In Summary**

The intent of my report has been to acknowledge the essential need to support the ongoing vitality and general health of the town center. I have also intended to convey the education Tricroft has received from the marketplace, regarding the specific needs of LFR operators in particular, that support optimal trading conditions for them.

In my opinion, whilst the Ashburton District Plan intends to promote the development of retail in the town center, there does not currently exist the space / conditions required to meet the needs of an LFR. Furthermore, LFR’s in my view prefer locations typically found outside of a Town Center and in my opinion, having a LFR setting up within the town center could potentially have negative impacts on the wider location such as traffic congestion and general access including parking. I have also highlighted Tricroft’s intent to retain the Smiths City business in Ashburton, in a location that best promotes the success of their business.

Currently, Mid Canterbury is challenged by retail spend leakage as outlined in the evidence of Mr Foy.

We are seeking to reverse this trend and promote growth and diversity for the Mid Canterbury Community.

**Tony Gilbert**  
**31 August 2021**