

CBD Quarterly Monitoring – A summary from report prepared for the CBD Board – 29 April 2011

Here is a summary from the report prepared by Auckland Council for the CBD Board, providing a snapshot of aspects of performance in Auckland's CBD in the December 2010 quarter.

Executive Summary

Auckland CBD trends

Property

The market conditions within the CBD property market have remained weak within the 2010 December quarter. Office vacancies have increased and this is forecast to increase in the long term. The annual value of consents for new non-residential buildings in the CBD has declined for a fourth consecutive quarter.

There were no consents for new residential dwellings in Auckland CBD in the year to December 2010. The December 2010 quarter was the sixth consecutive quarter with no consents for new apartment dwellings in Auckland's CBD (refer to Table 1).

Transport

Auckland CBD's pedestrian counts have decreased by 9 percent between 2009 and 2010, this is however not reflective of the increasing trend in other cordon count surveys conducted within the CBD.

In 2010, the total number of people travelling into the CBS on public transport decreased by three percent compared to 2009. There has been an increasing trend in patronage since the mid 1990s, so this change is not reflective of the long-term trend.

Hotel activity

The annual average monthly revenue in Auckland CBD hotels remained stable throughout 2010 increasing by 2.2 percent between March 2010 and 2011. The main driver for this change has been a three percent increase in occupancy rates over the same period.

Crime

In the year to December 2010, there were 17,396 recorded offences in the CBD, a decrease of approximately 16 percent compared to the 2009 calendar year. This is the lowest number of reported crimes in the past ten years.

Table 1. Scoreboard of Auckland CBD quarterly economic indicators

CBD level indicators	Year ended				
	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
CBD office vacancy rates (six month value) ¹	13.2%	n/a	12.7%	n/a	13.8%
Residential consents for new buildings	121	121	1	0	0
Value of non-residential consents for new buildings	\$330m	\$241m	\$223m	\$154m	\$154m
Recorded offences in the CBD ²	20,465	19,467	18,609	n/a	17,396
Growth in retail spend ³	-2.7%	-1.4%	-1.0%	-0.2%	n/a
Passengers on public transport into CBD ⁴	n/a	31,374	n/a	n/a	n/a
Average hotel occupancy rates ⁵	71.0%	71.9%	73.6%	74.6%	75.2%
Average hotel revenue (per month at the end of each quarter) ⁵	\$14.9m	\$14.7m	\$14.9m	\$15.0m	\$15.2m

All data is from Statistics New Zealand unless specified.

All values are for the year ended unless specified.

¹ Source: CBRE Ltd.

² Statistics New Zealand and New Zealand Police.

³ Marketview Ltd.

⁴ Auckland Regional Transport Authority.

⁵ New Zealand Hotel Council and Covec Ltd.

Auckland trends

Auckland's annual GDP rose by 1.5 percent in the year to December 2010. Indicators for Auckland continue to show mixed results, with the region having performed well (or less negatively) in a number of areas. These include:

- An increase in trade through the Auckland seaport. This is reflective of an increase in the value and volume of agricultural commodities being exported from Auckland
- The annual number of arrivals through Auckland International Airport grew in the last year, as has the number of guest arrivals at commercial accommodation.
- There was a positive annual net migration of people moving to Auckland.
- Retail sales grew by three percent in the year to December 2010.

Auckland's economy has struggled in a range of areas. Key amongst these are:

- The city's unemployment rate is particularly high and remains higher than that of New Zealand.

- Businesses remained cautious with low investment intentions over the following 12 months. This was improving until the Christchurch earthquake occurred with a net of 15.5 percent of businesses in the Upper North Island suggesting the business situation will deteriorate in the six months from March 2011.

National trends

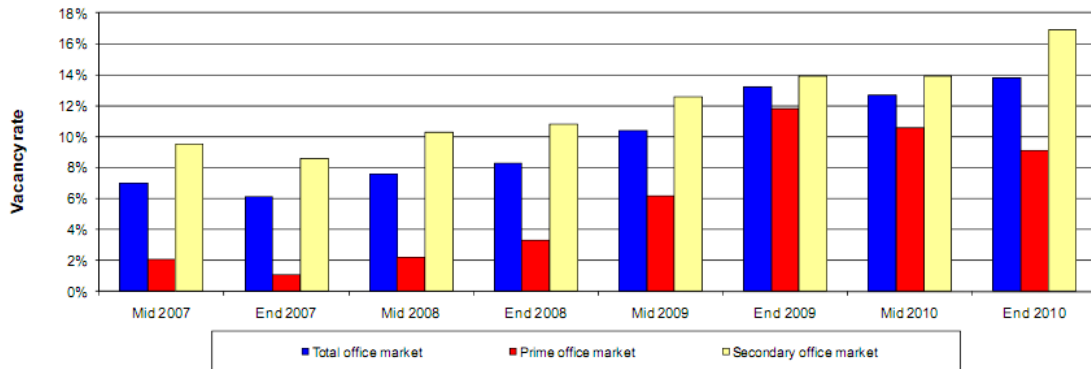
National *annual* GDP grew by 1.5 percent in the year to December 2010, following seven consecutive quarters of annual decline. Annual inflationary pressures increased significantly due to an increase in indirect taxes and the price of fuel, transport and food. The trade-weighted index remained stable and above its ten-year average. The official cash rate (OCR) remained at 3.0 percent at the end of December 2010 as the economic recovery for New Zealand has been weaker than expected. However, the Christchurch earthquake in February 2011 prompted the RBNZ to decrease the OCR to 2.5 percent to encourage economic growth. It remained unchanged at the latest announcement on the 28th April 2011.

Pedestrian counts in Auckland's CBD

The 2010 pedestrian count survey showed that the Auckland CBD pedestrian count decreased by 9 percent between 2009 and 2010. However, this is not reflective of the increasing trend across the other pedestrian count surveys that have been conducted in the CBD. This difference is also within the range of variance due to weather. Between 2008 and 2010, pedestrian counts grew in most areas of the CBD, with the strongest growth across the mid and lower Queen Street areas⁹. Pedestrian counts have increased over the 2008 to 2010 period in Newmarket and New Lynn, both increasing by 5 percent. Pedestrian counts have remained static in Takapuna, while Henderson decreased by 4 percent over the 2008-2010 periods (refer to figure 7 in appendix 1).

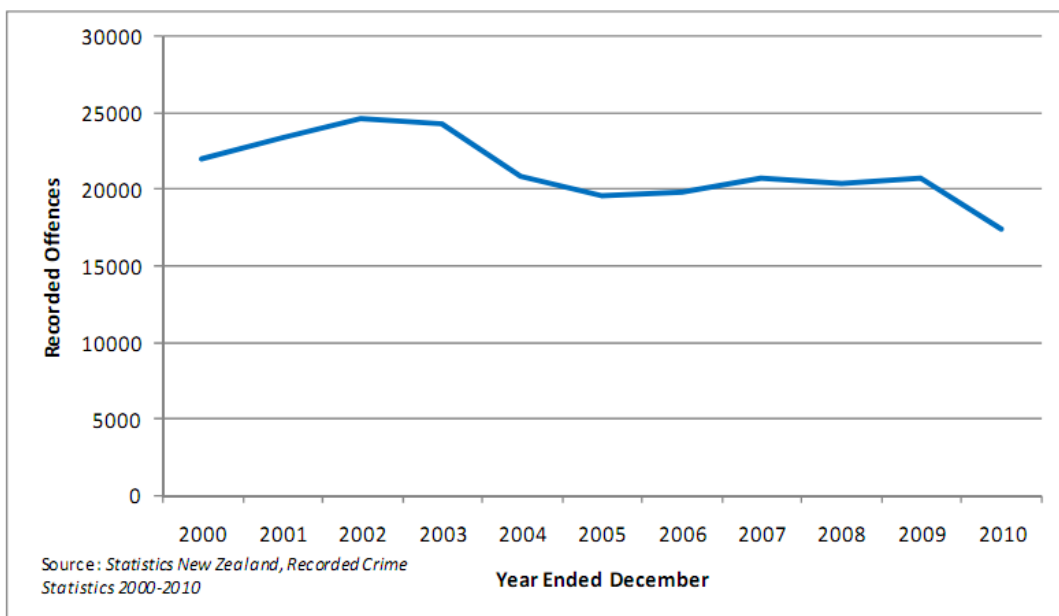
Graphs of Auckland CBD Economic indicators

Figure 1. Vacancy rates in Auckland CBD's office market, 2007-2010



Source: CBRE Ltd.

Figure 5. Recorded offences in Auckland's CBD, 2000 to 2010



Source: Statistics New Zealand, Recorded Crime Statistics 2000-2010

Figure 7. Pedestrian counts in Auckland's CBD and Auckland suburban centres, 2007 to 2010

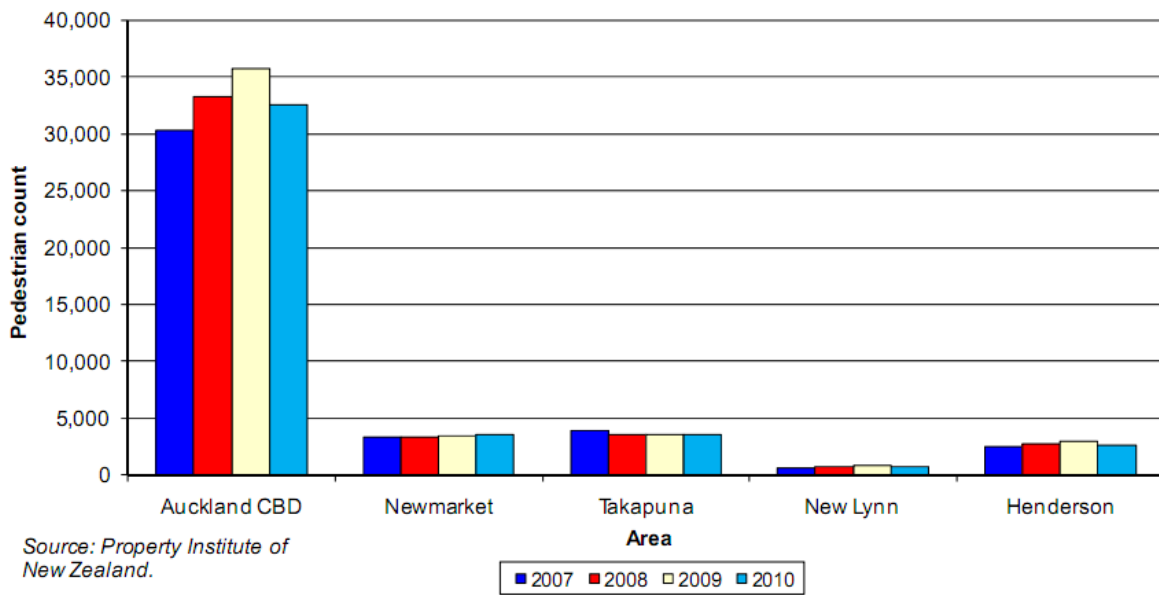


Figure 8. Passengers by type of public transport heading into Auckland CBD during the morning peak hour period (7-9am) (latest survey conducted in March 2010)

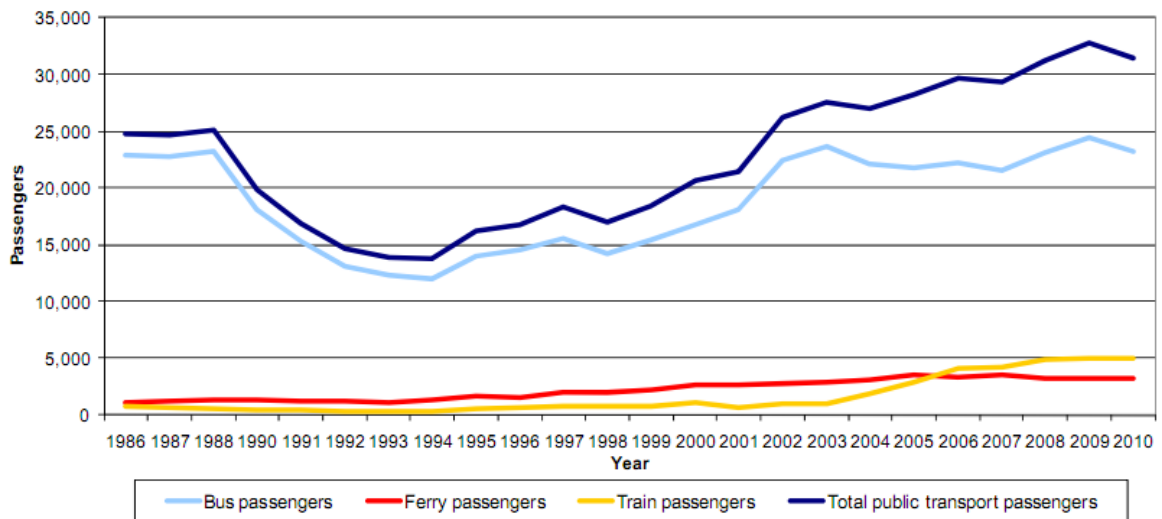


Figure 10. Annual average occupancy and room rates for New Zealand Hotel Council member hotels in Auckland CBD, 2001-2011

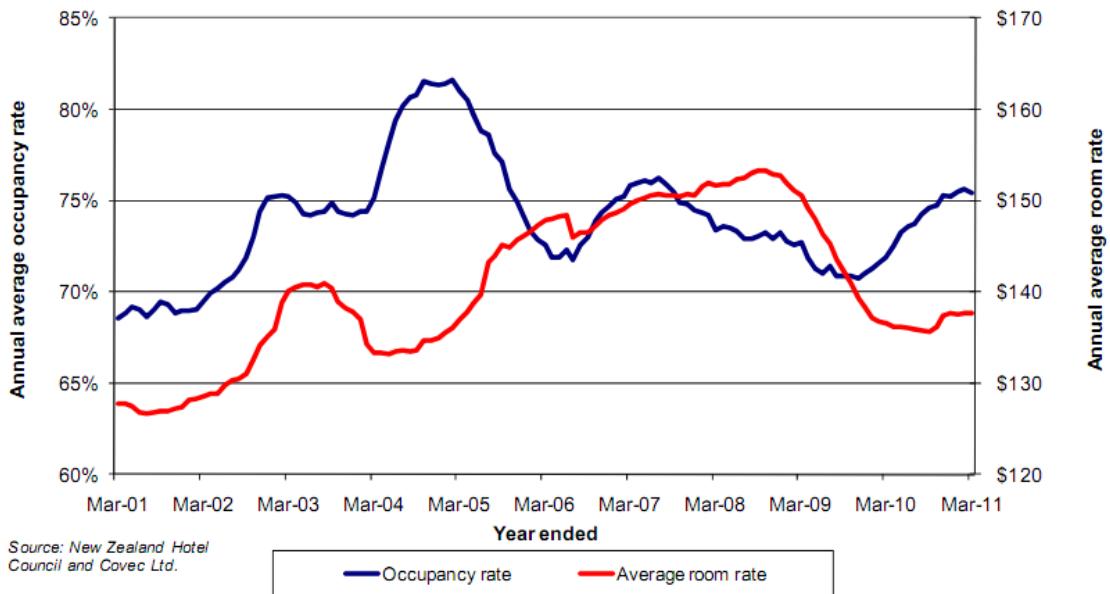
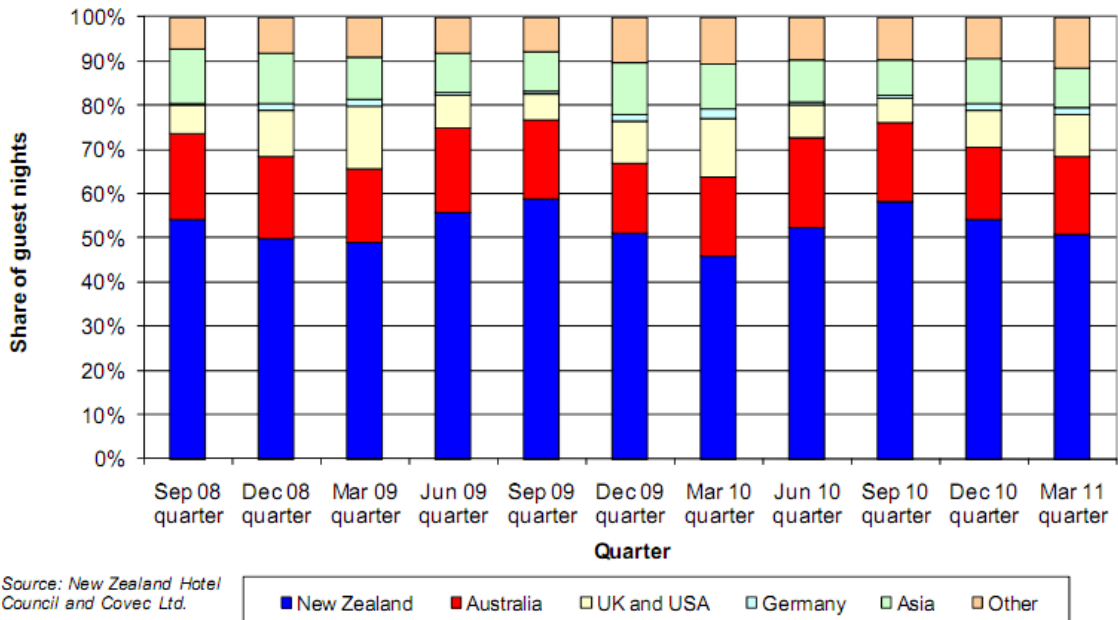


Figure 11. Share of guest nights in New Zealand Hotel Council member hotels in Auckland CBD by guest origin, September 2008-March 2011



Graphs of Auckland economic indicators

Figure 12. Annual real GDP growth in Auckland and New Zealand, December 2005-2010

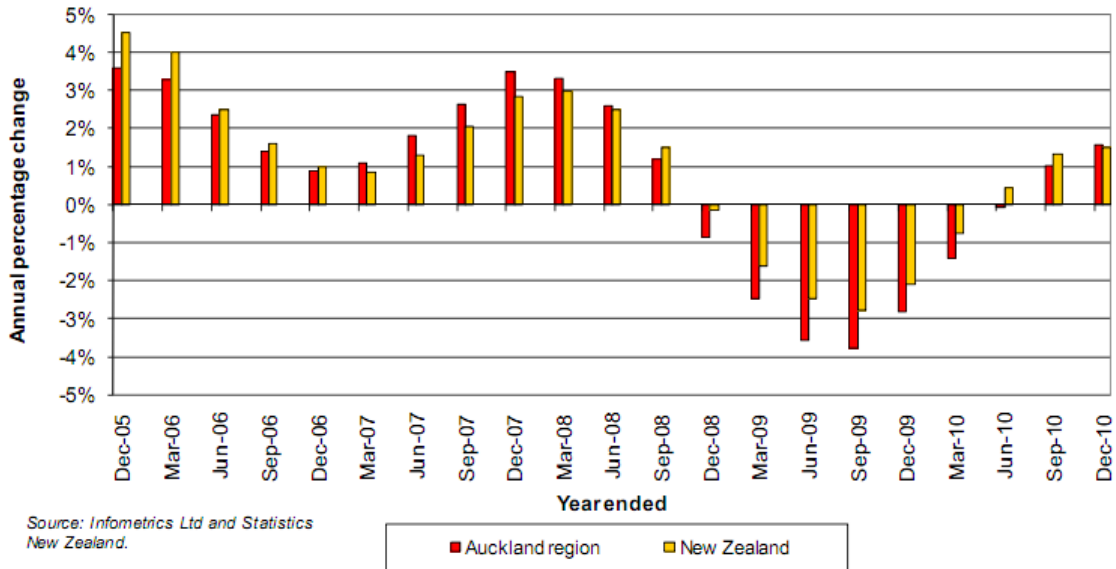


Figure 16. Annual retail sales in Auckland, December 2001-2010

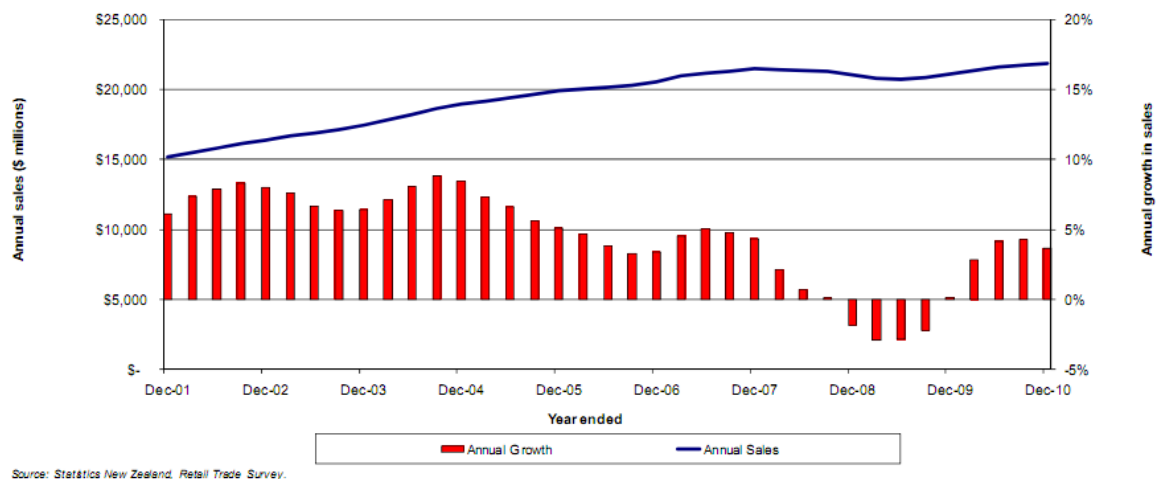
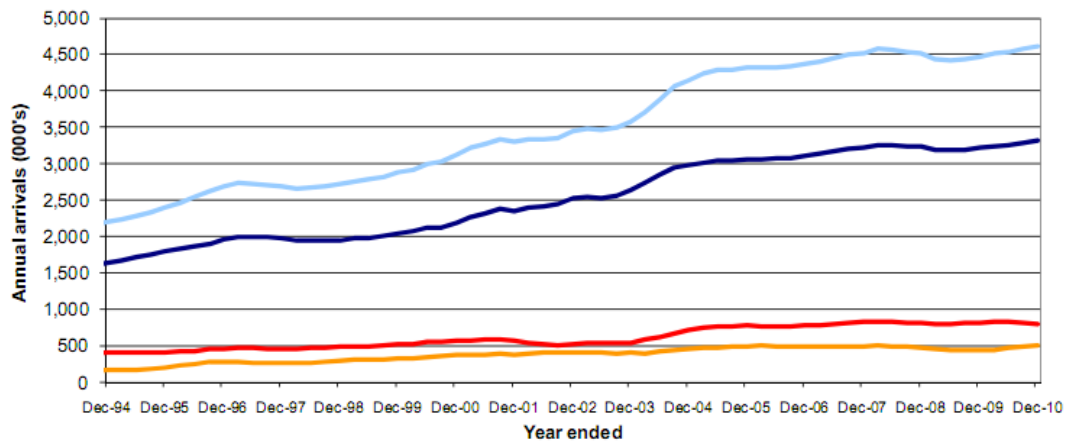


Figure 20. Visitor arrivals by New Zealand airport, 1994-2010



Source: Statistics New Zealand, *International Travel and Migration statistics, 1994-2010*.



Table 4. Scoreboard of quarterly Auckland CBD, Auckland-wide and New Zealand economic indicators

CBD level indicators	Year ended				
	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
CBD office vacancy rates (six month value) ¹	13.2%	n/a	12.7%	n/a	13.8%
Residential consents for new buildings	121	121	1	0	0
Value of non-residential consents for new buildings	\$330m	\$241m	\$223m	\$154m	\$154m
Recorded offences in the CBD ²	20,465	19,467	18,609	n/a	17,396
Growth in retail spend ³	-2.7%	-1.4%	-1.0%	-0.2%	n/a
Passengers on public transport into CBD ⁴	n/a	31,374	n/a	n/a	n/a
Average hotel occupancy rates ⁵	71.0%	71.9%	73.6%	74.6%	75.2%
Average hotel revenue (per month at the end of each quarter) ⁵	\$14.9m	\$14.7m	\$14.9m	\$15.0m	\$15.2m
Regional level indicators					
Regional GDP growth ⁶	-2.3%	-0.5%	1.0%	1.0%	1.5%
Average unemployment rate	6.9%	7.3%	7.8%	8.0%	8.0%
Growth in exports (sea and air port)	-7.3%	-11.5%	-9.0%	-3.9%	5.2%
Growth in retail sales	0.1%	2.8%	4.1%	n/a	n/a
Quarterly business sentiment (Upper North Island) ⁷	34.9%	21.3%	24.2%	6.5%	11.1%
Quarterly business investment intentions (Upper North Island) ⁷	0.3%	7.6%	11.4%	-0.8%	4.4%
Net migration	10,949	10,288	8,805	8,262	7,242
Arrivals through Auckland International Airport ⁸	3.214m	3.239m	3.251m	3.284m	3.314m
Nights spent in commercial accommodation ⁹	5.448m	5.473m	5.539m	5.602m	5.690m
New Zealand indicators					
GDP growth	-1.6%	-0.4%	0.6%	1.0%	1.5%
Consumers price index (inflation)	2.0%	2.0%	1.7%	1.7%	4.5%
Trade weighted index (month) ¹⁰	64.7	65.1	67.1	67.1	67.8
Average unemployment rate	6.1%	6.4%	6.6%	6.6%	6.6%

All data is from Statistics New Zealand unless specified.

All values are for the year ended unless specified.

¹ Source: CBRE Ltd

² Statistics New Zealand and New Zealand Police

³ Marketview Ltd

⁴ Auckland Regional Transport Authority

⁵ New Zealand Hotel Council and Covec Ltd

⁶ Source: Infometrics Ltd

⁷ Source: New Zealand Institute of Economic Research, Quarterly Survey of Business Opinion

⁸ Source: Auckland City Council

⁹ Source: Ministry of Tourism and Statistics New Zealand

⁹ Source: Ministry of Tourism and Statistics New Zealand

¹⁰ Source: Reserve Bank of New Zealand