BNZ MarketView

Heart of the City

March Quarter 2011 Report

Heart of the City March 2011 Quarterly Results Summary

Key Points

- Spending with HEART OF THE CITY retailers during the March 2011 quarter was down 4.3% on the same quarter last year. Spending with competitors was down by 2.4% for the quarter. Heart of The City's result was in line with the other non-mall areas, including Newmarket (down by 4.9%) and Parnell (down by 5.5%).
- HEART OF THE CITY's market share of spending in the March 2011 quarter was 26.6%, down by 0.3 share points on the March 2010 quarter, but up by 1.4 share points on the December 2010 quarter (25.2%). HEART OF THE CITY's market share of transaction in the quarter was 29.7%. This was the same as the March 2010 quarter, but again up on the December 2010 quarter by 2.4 share points (27.3%).
- Spending at the mall-based competitors was also generally soft, with only Mt Wellington in positive territory – up by 1.3%, down by 1.8% on last year.
- Transaction volumes within the HEART OF THE CITY were basically flat, on the March quarter in 2010, at -0.5%. Competitors recorded a very similar result with overall transaction volumes down by 0.2% on last year.
- We note that the absence of commuters in the CBD during January will always make the March quarter a challenging one for HEART OF THE CITY, however the weakest month of the quarter appeared to be February, where spending at HEART OF THE CITY retailers overall was down by 7.1%. This was in line with the competitors who on aggregate were down by 4.2%.
- Reports from clients in other parts of the country note that February was something of a "shocker". The key drivers behind this were the Christchurch earthquake and rising petrol prices. Both factors put a lot of consumers off discretionary spending in the latter part of the month.
- As noted in the December, with most retailers offering strong discounts at present the change in 'year-on- year' spending value is an imperfect measure of activity. Transaction volumes, which effectively record people in the market, provide a better guide to activity.

  For example spending with HEART OF THE CITY clothing retailers was down by 5.7%, while transaction volumes were actually up by 2.9%. This tells us there were more shoppers, but they were getting some great deals.

Heart of the City March 2011 Quarterly Results Summary

- Looking at the transaction volumes for HEART OF THE CITY these were largely in line with the March quarter of 2010. Five of the eight categories we monitor were virtually neutral, compared to three out of eight for competitors.

  - HEART OF THE CITY saw increased transactions in:
    - Food retailing (up 6.2%),
    - Apparel (up 2.9%)

  Neutral change in:
    - Department Stores (-0.4%)
    - Recreational Goods (-0.7%)
    - Bars, Cafes and Restaurants (-0.6%)

  Decline in:
    - Personal Services (down by 5.7%)
    - Durables (Furniture, Flooring and Appliances) (down by 7.2%)
    - Other Storetypes (down by 13.4%)

- Of these the only area we would highlight is the durables, in particular appliances. Nationally furniture and flooring expenditure has been soft for at least 18 months, however appliance sales have been picking up. Customers looking for a new TV are more like to shop at one of the Mega Centres. HEART OF THE CITY is not too far behind its competitors in this category, who were also down on the March quarter last year in both spending and transactions.

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Origin of Customer

- Spending from cardholders living in the core catchment of Auckland City (pre Super City) at HEART OF THE CITY retailers was down by 1.4%. Their value of spending at competitors was down by 1.8%, suggesting HEART OF THE CITY retailers were not as badly affected as their competitors.
- Where HEART OF THE CITY did lose out was in spending from the Greater Auckland areas, notably the old Manukau City and Waitakere City TLAs, which were down by 3.8% and 0.3% respectively. Manukau City spending with competitors was only down by 0.5%, while Waitakere City spending with competitors was up by 1.5%.
- In both cases, we would attribute this result to the absence of commuters in January, and also to the increased cost of fuel. Our figures show the consumer spending on fuel has not risen at the same rate as the price has changed.
- By our calculations the average price per litre of 91 Octane has increased by almost 20% since October last year, but spending on fuel has increased around 15%. We estimate on average there has been a drop of 30 kilometres per month in travel distance for the average car.

  While that doesn't sound like a lot, for residents of Manukau and Waitakere the trips likely to be getting cut are the ones into town.
- Outside of the Super City region we have seen a 9.1% decrease in spending in HEART OF THE CITY, which we would similarly attribute to fuel costs. Spending with competitors however was down by 3.2%, and the difference indicates that the drop in HEART OF THE CITY cannot be all down to fuel. We think it more likely visitors are reducing the number of shopping trips they do and, looking at the individual competitor results, the Mt Wellington retailers appear to be benefitting the most.

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IN SUMMARY

- Overall this would seem to be a very positive result. While the value of spending is flat, this was in no way unique to HEART OF THE CITY. Most competitors experienced a slowdown in spending during the December quarter and nationally there was nothing to get excited about.

  Consumers are being offered, and in fact are starting to expect, healthy discounts on most discretionary purchases. Transaction volumes are a better performance indicator and we are seeing an increase in transactions within the HEART OF THE CITY.

  While there has been an increase from the local catchments, we have also seen transaction volumes from all round the country up with HEART OF THE CITY retailers. This is suggesting the current marketing campaign has been effective in bringing business into the centre of Auckland.

KEY CHARTS

PERCENTAGE CHANGE IN SPENDING IN HEART OF THE CITY MARKETPLACE - March Quarter 2011 vs March Quarter 2010

KEY PLAYERS

HEART OF THE CITY down 4.3%

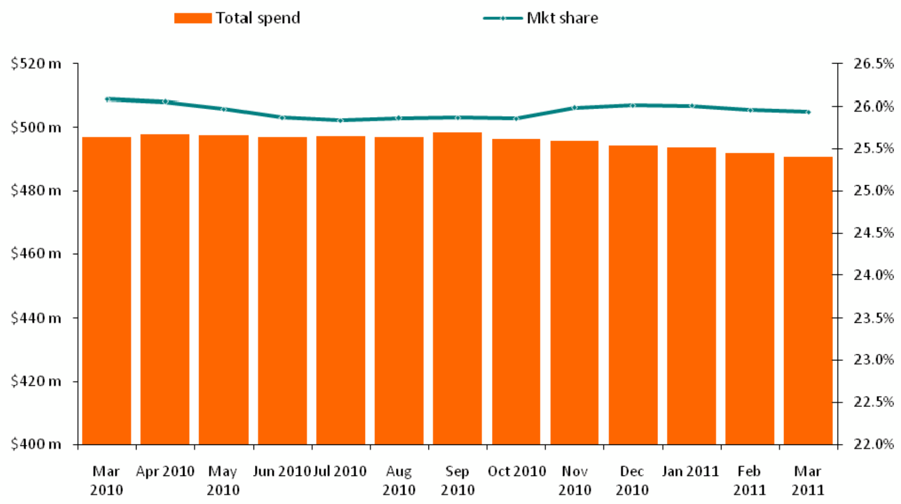
Competitors down 2.7%

Total – down 2.9%

BNZ MarketView Nationally – down by 2.3%

NB: National figures exclude fuel and supermarket spending, as these are not included in Heart of the City.

Moving Annual Total Spending in HEART OF THE CITY Marketplace and HEART OF THE CITY's Market share



COMMENTS

- The rolling 12 month chart shows Heart of the City's market share has stabilised at around 26% in the last six months although is easing in line with a general softening of spending in the market.
- Spending for the 12 months ending March 2011 in HEART OF THE CITY's market place (HEART OF THE CITY plus competitors) was down by 1.2% on the same 12 months a year ago. Transaction volumes however are basically the same. This indicates the consumer is out there but paying less.

2. Spending and Transactions Category Breakdown

FOOD RETAILING

	Auckland CBD This year	Auckland CBD Last Year	Auckland CBD Change	Competitors This year	Competitors Last Year	Competitors Change	Auckland CBD Market Share This year	Auckland CBD Market Share Last Year	Auckland CBD Market Share Change (share points)
March Quarter									
Spending	$3.26 m	$2.80 m	+16.4%	$17.76 m	$17.67 m	+0.5%	15.5%	13.7%	+1.8%
Transactions	142,347	134,072	+6.2%	399,705	385,590	+3.7%	26.3%	25.8%	+0.5%
Last 12 months									
Spending	$13.18 m	$11.59 m	+13.7%	$74.22 m	$74.87 m	-0.9%	15.1%	13.4%	+1.7%
Transactions	590,654	539,063	+9.6%	1,657,618	1,616,088	+2.6%	26.3%	25.0%	+1.3%

DEPARTMENT STORES

	Auckland CBD This year	Auckland CBD Last Year	Auckland CBD Change	Competitors This year	Competitors Last Year	Competitors Change	Auckland CBD Market Share This year	Auckland CBD Market Share Last Year	Auckland CBD Market Share Change (share points)
March Quarter									
Spending	$2.45 m	$2.57 m	-4.4%	$8.99 m	$9.55 m	-5.9%			
Transactions	30,001	30,135	-0.4%	154,464	154,593	-0.1%			
Last 12 months									
Spending	$11.27 m	$11.57 m	-2.6%	$44.83 m	$46.13 m	-2.8%			
Transactions	133,251	132,114	+0.9%	720,787	714,430	+0.9%			

CLOTHING AND SOFT GOOD RETAILING

	Auckland CBD This year	Auckland CBD Last Year	Auckland CBD Change	Competitors This year	Competitors Last Year	Competitors Change	Auckland CBD Market Share This year	Auckland CBD Market Share Last Year	Auckland CBD Market Share Change (share points)
March Quarter									
Spending	$3.01 m	$3.19 m	-5.7%	$15.34 m	$15.60 m	-1.7%			
Transactions	25,027	24,313	+2.9%	151,717	151,191	+0.3%			
Last 12 months									
Spending	$13.93 m	$14.26 m	-2.4%	$73.43 m	$71.76 m	+2.3%			
Transactions	107,662	106,795	+0.8%	702,555	667,904	+5.2%			

FURNITURE, HOUSEWARE AND APPLIANCE RETAILING

	Auckland CBD This year	Auckland CBD Last Year	Auckland CBD Change	Competitors This year	Competitors Last Year	Competitors Change	Auckland CBD Market Share This year	Auckland CBD Market Share Last Year	Auckland CBD Market Share Change (share points)
March Quarter									
Spending	$1.32 m	$1.39 m	-4.9%	$10.72 m	$11.28 m	-5.0%			
Transactions	12,854	13,854	-7.2%	62,308	65,114	-4.3%			
Last 12 months									
Spending	$6.04 m	$6.58 m	-8.2%	$50.21 m	$49.77 m	+0.9%			
Transactions	57,609	62,897	-8.4%	284,137	296,176	-4.1%			

2. Spending and Transactions Category Breakdown

RECREATIONAL, PERSONAL AND HOUSEHOLD GOOD RETAILING

	Auckland CBD				Competitors				Auckland CBD Market Share			
March Quarter	This year	Last Year	Change		This year	Last Year	Change		This year	Last Year	Change (share points)	
Spending	$5.72 m	$5.76 m	£¤	-0.7%	$10.37 m	$10.39 m	£¤	-0.2%	35.5%	35.7%	£¤	-0.1%
Transactions	65,785	66,261	£¤	-0.7%	161,303	161,964	£¤	-0.4%	29.0%	29.0%	£¤	-0.1%
Last 12 months												
Spending	$23.05 m	$23.89 m	a	-3.5%	$48.65 m	$50.02 m	a	-2.7%	32.1%	32.3%	£¤	-0.2%
Transactions	272,371	279,591	a	-2.6%	732,286	743,410	a	-1.5%	27.1%	27.3%	£¤	-0.2%

PUBS, TAVERNS, BARS, CAFES AND RESTAURANTS

	Auckland CBD				Competitors				Auckland CBD Market Share			
March Quarter	This year	Last Year	Change		This year	Last Year	Change		This year	Last Year	Change (share points)	
Spending	$6.11 m	$6.30 m	a	-3.0%	$5.08 m	$5.43 m	a	-6.5%				
Transactions	168,678	169,698	£¤	-0.6%	156,543	164,937	a	-5.1%				
Last 12 months												
Spending	$27.27 m	$27.17 m	£¤	+0.4%	$23.15 m	$23.72 m	a	-2.4%				
Transactions	725,379	722,633	£¤	+0.4%	703,280	712,189	a	-1.3%				

PERSONAL SERVICES

	Auckland CBD				Competitors				Auckland CBD Market Share			
March Quarter	This year	Last Year	Change		This year	Last Year	Change		This year	Last Year	Change (share points)	
Spending	$0.51 m	$0.57 m	a	-10.4%	$1.90 m	$2.08 m	a	-8.7%				
Transactions	5,585	5,925	a	-5.7%	27,560	30,179	a	-8.7%				
Last 12 months												
Spending	$2.39 m	$2.45 m	a	-2.5%	$8.47 m	$9.12 m	a	-7.1%				
Transactions	24,909	24,991	£¤	-0.3%	121,523	131,476	a	-7.6%				

OTHER STORETYPES

	Auckland CBD				Competitors				Auckland CBD Market Share			
March Quarter	This year	Last Year	Change		This year	Last Year	Change		This year	Last Year	Change (share points)	
Spending	$6.71 m	$7.82 m	a	-14.2%	$10.24 m	$10.66 m	a	-4.0%				
Transactions	55,454	64,064	a	-13.4%	85,961	87,815	a	-2.1%				
Last 12 months												
Spending	$30.22 m	$32.15 m	a	-6.0%	$40.60 m	$42.03 m	a	-3.4%				
Transactions	255,500	277,671	a	-8.0%	355,424	359,967	a	-1.3%				

2. Spending and Transactions Category Breakdown

	Auckland CBD				Competitors				Auckland CBD Market Share			
TOTAL	This year	Last Year	Change		This year	Last Year	Change		This year	Last Year	Change (share points)	
Spending	$29.10 m	$30.40 m	a	-4.3%	$80.39 m	$82.66 m	a	-2.7%	26.6%	26.9%	£¤	-0.3%
Transactions	505,731	508,322	£¤	-0.5%	1,199,561	1,201,383	£¤	-0.2%	29.7%	29.7%	£¤	-0.1%
Last 12 months												
Spending	$127.35 m	$129.66 m	a	-1.8%	$363.56 m	$367.41 m	a	-1.0%	25.9%	26.1%	£¤	-0.1%
Transactions	2,167,335	2,145,755	©	+1.0%	5,277,610	5,241,640	£¤	+0.7%	29.1%	29.0%	£¤	+0.1%