



## **CBD Quarterly Monitoring – A summary prepared for the CBD Board February 2012**

Here is a summary from the report prepared by Auckland Council for the CBD Board, providing a snapshot of performance in Auckland's CBD in the September and December 2011 quarters.

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### **Executive Summary**

This report provides an economic snapshot of Auckland's CBD in the September and 2011 quarter (as well as the latest data trends where available), and investigates the changes which have occurred up to this time.

### **Auckland CBD trends**

#### *Property*

The value of non-residential consents in the year to December 2011 was \$116 million, which was a significant increase compared the year to September value of \$57 million.

#### *Retail*

Estimated retail spending in the CBD increased by 1.3 percent in the year to September 2011 and 0.3 percent in the year to December. These increases were partly due to the Rugby World Cup, as spending in the CBD's hospitality sector increased by 15 percent in the year to December 2011.

#### *Hotel activity*

The annual average monthly revenue in Auckland CBD hotels has fallen back to historical levels since the World Cup and was \$13m in December 2011. An analysis of the origin of guests at CBD hotels, shows that while New Zealander's continue to account for almost half of all guest nights; since 2009 the proportion of guest nights has been rising among South Korean and Chinese tourists. In contrast, the proportion of guest nights have decreased among tourists from the UK and USA.

### **Auckland trends**

Auckland's annual GDP rose by 3.5 percent in the year to September 2011. Indicators for Auckland continue to show mixed results, with the region having performed well (or less negatively) in a number of areas. These include:

- Unemployment, although relatively high, seems to have stabilised.
- Retail sales rose by 6 percent in the year to September 2011, the seventh consecutive quarter of growth in sales.
- Net migration, although decreasing since the June quarter, remains positive.

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

- The significant decrease in both exports and imports, in part due to the industrial action occurring at the Ports of Auckland.

- The outlook in terms of the general business situation and investment intentions remained negative. This was due to the increased uncertainty within the local and global economy caused by flat local demand and the European debt crisis.

## National trends

National *annual* GDP grew by 1.4 percent in the year to September 2011. Annual inflationary pressures have decreased recently with food and communications prices falling in the December 2011 quarter. The trade-weighted index, although decreasing in the December 2011 quarter, remains above the ten-year average at 68.6 basis points. The official cash rate (OCR) has remained at 2.5 percent as of 26<sup>th</sup> January 2012, as the economy continues to experience subdued business sentiment and confidence.

The table below summarises the quarterly changes in the indicators between September 2010 and September 2011.

**Table 1.** Scoreboard of quarterly Auckland CBD, Auckland-wide and New Zealand economic indicators

CBD level indicators	Year ended				Sep-11
	Sep-10	Dec-10	Mar-11	Jun-11	
CBD office vacancy rates (six month value) <sup>1</sup>	n/a	13.8%	n/a	12.8%	n/a
Residential consents for new buildings	0	0	0	1 <sup>R</sup>	0
Value of non-residential consents for new buildings	\$154m	\$146m	\$133m	\$44m <sup>R</sup>	\$57m
Recorded offences in the CBD <sup>2</sup>	n/a	17,396	n/a	16,927	n/a
Growth in retail spend <sup>3</sup>	-0.2%	-0.9%	-4.9%	3.0%	1.3%
Passengers on public transport into CBD <sup>4</sup>	n/a	n/a	32,353	n/a	n/a
Average hotel occupancy rates <sup>5</sup>	74.6%	75.2%	75.4%	76.5%	77.6%
Average hotel revenue (per month at the end of each quarter) <sup>5</sup>	\$15.0m	\$15.2m	\$14.9m	\$15.0m	\$16.2m
<b>Regional level indicators</b>					
Regional GDP growth <sup>6</sup>	1.0%	1.5%	2.2%	2.7%	3.5%
Average unemployment rate	8.0%	8.0%	8.0%	7.6%	7.5%
Growth in exports (sea and air port)	-3.9%	5.2%	8.8%	10.4%	8.7%
Growth in retail sales	4.3%	3.6%	3.2%	5.2%	5.6%
Quarterly business sentiment (Upper North Island) <sup>7</sup>	6.5%	11.1%	-15.4%	29.0%	23.7%
Quarterly business investment intentions (Upper North Island) <sup>7</sup>	-12.6%	-10.7%	-13.3%	-5.6%	1.5%
Net migration	8,262	7,242	6,386	6,220	5,207
Arrivals through Auckland International Airport <sup>8</sup>	3.284m	3.314m	3.314m	3.45m	3.46m
Nights spent in commercial accommodation <sup>8</sup>	5.602m	5.690m	5.853m	5.995m	6.968m
<b>New Zealand indicators</b>					
GDP growth	1.0%	1.5%	1.5%	1.5%	3.5%
Consumers price index (inflation)	1.7%	4.5%	4.5%	5.3%	4.6%
Trade weighted index (month) <sup>9</sup>	67.1	67.8	67.2	67.8	69.1
Average unemployment rate	6.4%	6.5%	6.7%	7.6%	6.6%

All data is from Statistics New Zealand unless specified.

All values are for the year ended unless specified.

<sup>1</sup> Source: CBRE Ltd

<sup>2</sup> Statistics New Zealand and New Zealand Police

<sup>3</sup> Marketview Ltd

<sup>4</sup> Auckland Regional Transport Authority

<sup>5</sup> New Zealand Hotel Council and Covec Ltd

<sup>6</sup> Source: Infometrics Ltd

<sup>7</sup> Source: New Zealand Institute of Economic Research, Quarterly Survey of Business Opinion

<sup>8</sup> Source: Ministry of Tourism and Statistics New Zealand

<sup>9</sup> Source: Reserve Bank of New Zealand

<sup>R</sup> Revised figure

## 1.0 Auckland CBD economic trends

### 1.1 Auckland CBD office market<sup>1</sup>

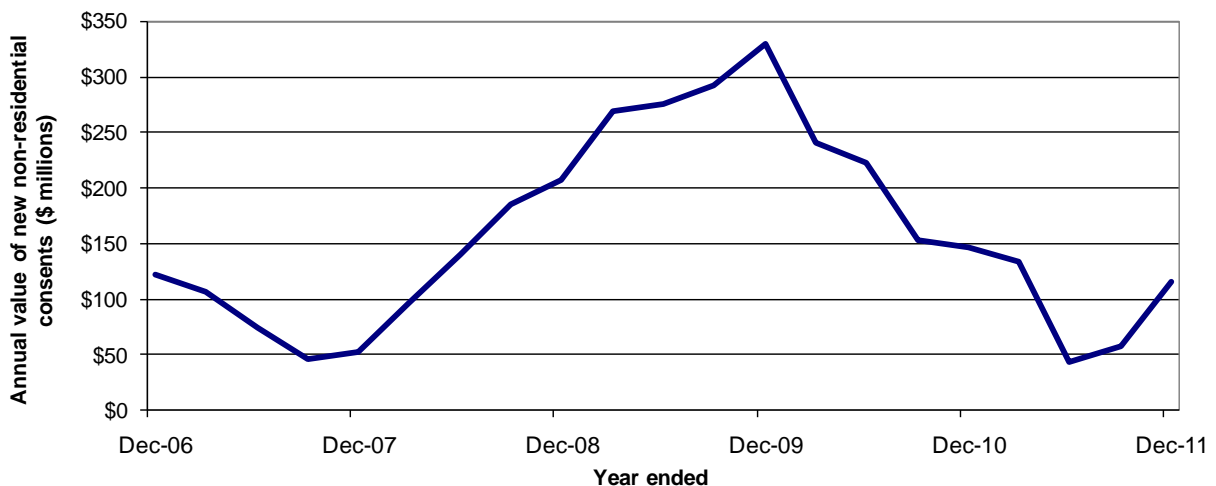
The overall office vacancy rates have remained stable in the six months to June 2011 at approximately 13 percent. Moreover, in the six months to June 2011, there were also small, but significant decreases in vacancies across all grades of office stock, particularly in core A-grade office space. The short-term outlook for the CBD office market continues to be poor and real estate commentators<sup>2</sup> continue to be pessimistic about growth in this sector in the medium term.

### 1.2 Building consents in Auckland's CBD<sup>3</sup>

Non-residential consents in the year ending December 2011 were valued at \$116m in current prices (see Figure 1). This increase was mainly due to \$71m of consents over the December quarter, and is the largest nominal increase since March 2009. Over half of these consents were for office space, including a \$36m refurbishment of the ANZ head office on Albert Street and an \$11m part-consent for the new ASB building in the Wynyard Quarter. Additionally, there was a \$10m consent for the installation of a substation in Hobson Street.

There were two new resource consents recorded in the CBD, in the year to December 2011. These two consents were for a total of 5 dwellings. Although the rental values continue to increase due to restricted supply, the overall sentiment within the CBD residential property market continues to be downcast, particularly due to uncertainty around potential net yields and financing<sup>4,5</sup>.

**Figure 1.** Annual value of building consents for new non-residential buildings in Auckland's CBD, 2006-2011



Source: Statistics New Zealand, Building Consents data.

<sup>1</sup> No further office vacancy information has become available since the previous CBD report. For full analysis, refer to July 2011 report.

<sup>2</sup> Colliers, June 2011 – Research Report and Jones Lang LaSalle, Q1 2011 – Market Report

<sup>3</sup> Building consents data is incomparable to pre-2011 reports as the data is compiled through a different methodology.

<sup>4</sup> CBRE, 2011 – Auckland Residential MarketView

<sup>5</sup> Realestate.co.nz, 2012 – NZ Property Report

### 1.3 Retail spend in the CBD<sup>6</sup>

Table 2 shows the retail spending characteristics through September 2011. It shows that overall spending increased by 1.3 percent. Transactions through this period increased by 5.8 percent. This growth was in part due to the Rugby World Cup. In particular, spending in the CBD's hospitality sector increased by 15 percent in the year to December 2011. This corresponded with a 4 percent decrease in hospitality spending in the CBD's competitor areas over the same period<sup>7</sup>.

Estimated retail spending in the CBD increased by 0.2 percent in the December 2011 quarter, compared to the same quarter in 2010 (see Table 3). This corresponded to a 0.8 percent increase in transaction volume over the same period. Table 3 shows that there was a significant increase in Albany/Sylvia Park (+5.2%), and a small decrease in Ponsonby (-0.7%).

**Table 2.** Retail spend in the September 2011 and September 2010 quarters in the CBD and main competitor areas

Competitor area	Sep-11 quarter spend (million)	Sep-10 quarter spend (million)	Net change (million)	% change
Albany/Sylvia Park	\$14.70	\$14.56	\$ 0.14	1.0%
Newmarket	\$21.87	\$22.51	-\$ 0.64	-2.8%
Ponsonby	\$7.10	\$7.25	-\$ 0.15	-2.1%
<b>CBD</b>	<b>\$34.31</b>	<b>\$33.86</b>	<b>\$0.45</b>	<b>1.3%</b>

Source: Marketview Ltd.

**Table 3.** Retail spend in the December 2011 and December 2010 quarters in the CBD and main competitor areas

Competitor area	Dec-11 quarter spend (million)	Dec-10 quarter spend (million)	Net change (million)	% change
Albany/Sylvia Park	\$20.68	\$19.66	\$ 1.02	5.2%
Newmarket	\$26.09	\$25.90	\$ 0.20	0.8%
Ponsonby	\$8.22	\$8.28	-\$ 0.06	-0.7%
<b>CBD</b>	<b>\$62.12</b>	<b>\$61.98</b>	<b>\$0.13</b>	<b>0.2%</b>

Source: Marketview Ltd.

### 1.4 Crime in the CBD<sup>8</sup>

In the year ending June 2011 there were 16,927 recorded offences in the CBD. This equates to a nine percent decrease in reported offences compared to the year ending June 2010. Over 45 percent of reported crimes (46%; 7,708 offences) were for theft or related offences. Other offences that made up significant proportions of recorded crimes were public order offences (17%; 2,915 offences) and property damage (7%; 1,133 offences). The percentage of recorded crimes that were resolved decreased to 43 percent in 2011, compared to 50 percent in 2010.

### 1.5 Occupancy, room rates and revenue in Auckland CBD hotels

The total monthly revenue for CBD hotels have returned to historical levels since the Rugby World Cup, with revenues of approximately \$18 million and \$13 million in the months of November and December 2011 (see Figure 2), this rapid decrease will also cause the average room rate to revert to its historical levels over time. Overall, the annual average monthly revenue in the year ending December 2011 was \$18.4 million,

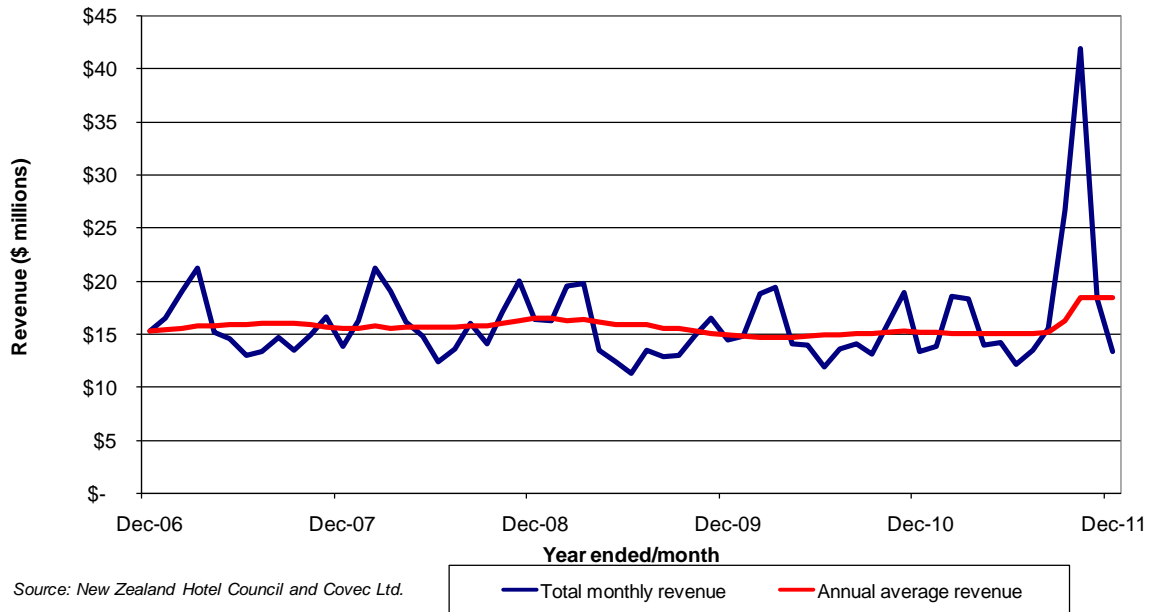
<sup>6</sup> This is based on electronic transaction data from BNZ customers.

<sup>7</sup> MarketView, Q3 2011 – Auckland CBD Report

<sup>8</sup> No further data is available, for full analysis refer to the October 2011 CBD monitoring report

approximately 22 percent higher than in 2010. Figure 3 shows that the annual average occupancy rate reached 78 percent in the year to December 2011, up from 75 percent in December 2010.

**Figure 2.** Total revenue for New Zealand Hotel Council member hotels in Auckland CBD per month and annual average, 2006-2011



**Figure 3.** Annual average occupancy and room rates for New Zealand Hotel Council member hotels in Auckland CBD, 2006-2011

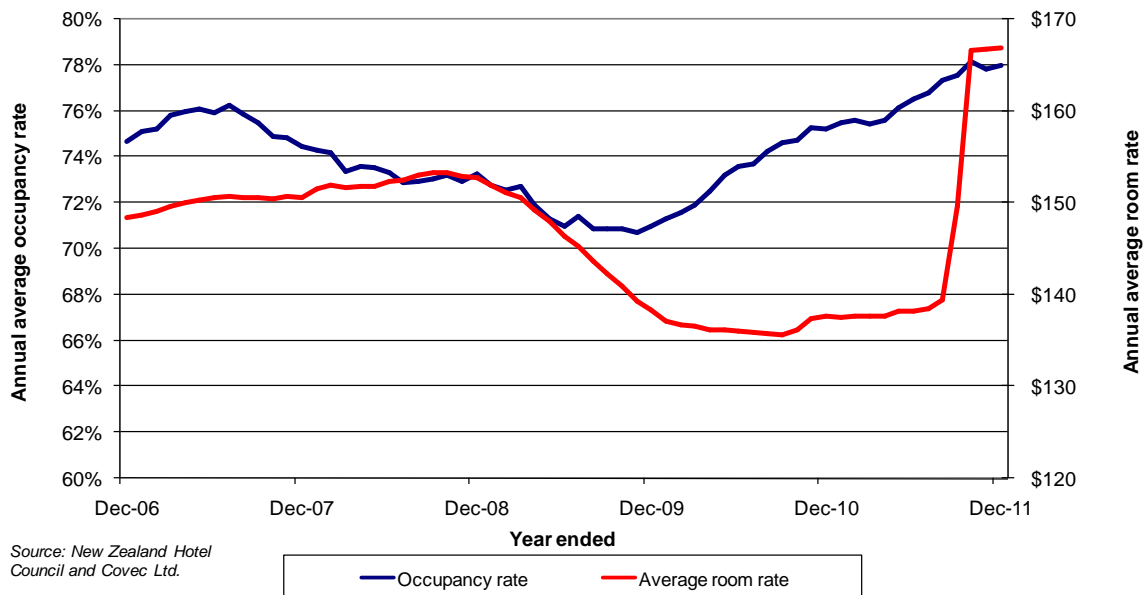
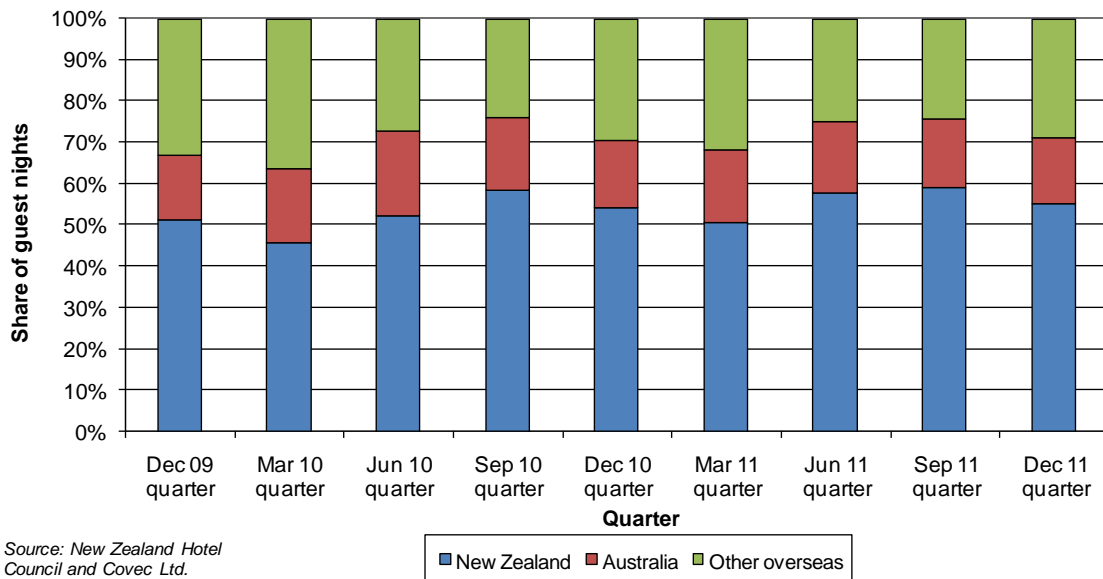


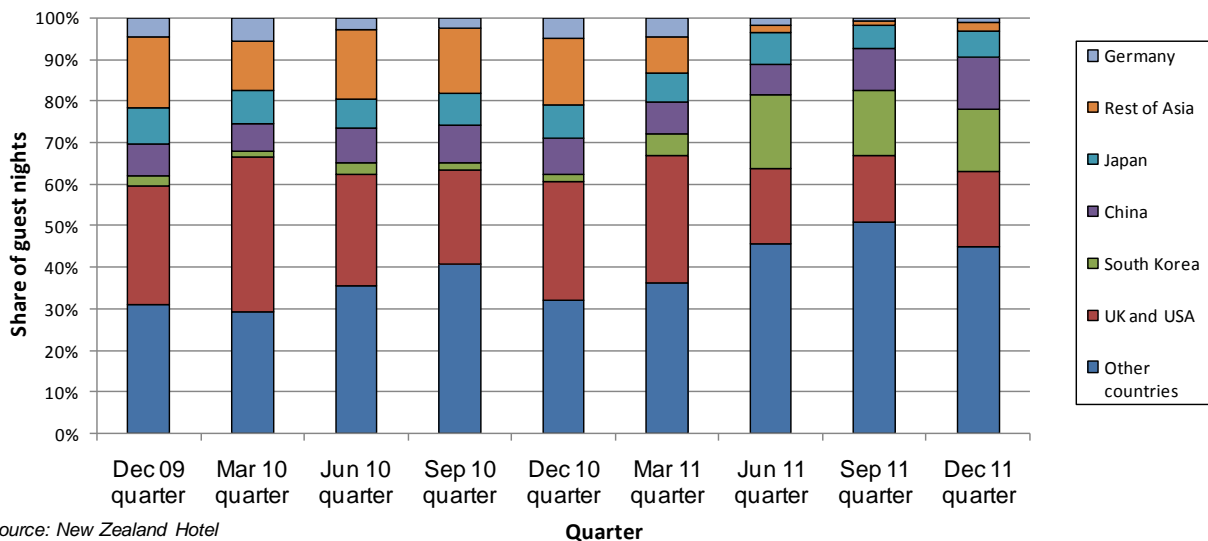
Figure 4 shows that the origin of guests staying at CBD hotels has stayed relatively stable, with New Zealanders accounting for approximately half of all guest nights. The proportion of overseas guests generally increase during the December and March quarters, however the proportion of Australian tourists has remained relatively stable fluctuating between 16 and 20 percent of all CBD hotel guests.

**Figure 4.** Origin of Guests at New Zealand Hotel Council member hotels in Auckland CBD, 2009-2011



The origin of international guests (excluding Australian), at CBD hotels has varied markedly over time. Figure 5 shows the proportion of guests from the UK and USA has decreased from 29 percent in December 2009 to 18 percent in December 2011. This trend is similar to the rest of Asia, which also decreased from 17 percent to 2 percent between December 2009 and 2011. However, these decreases were offset by significant increases across in guests from South Korea (2% to 15%), China (8% to 12%), and other countries (31% to 45%).

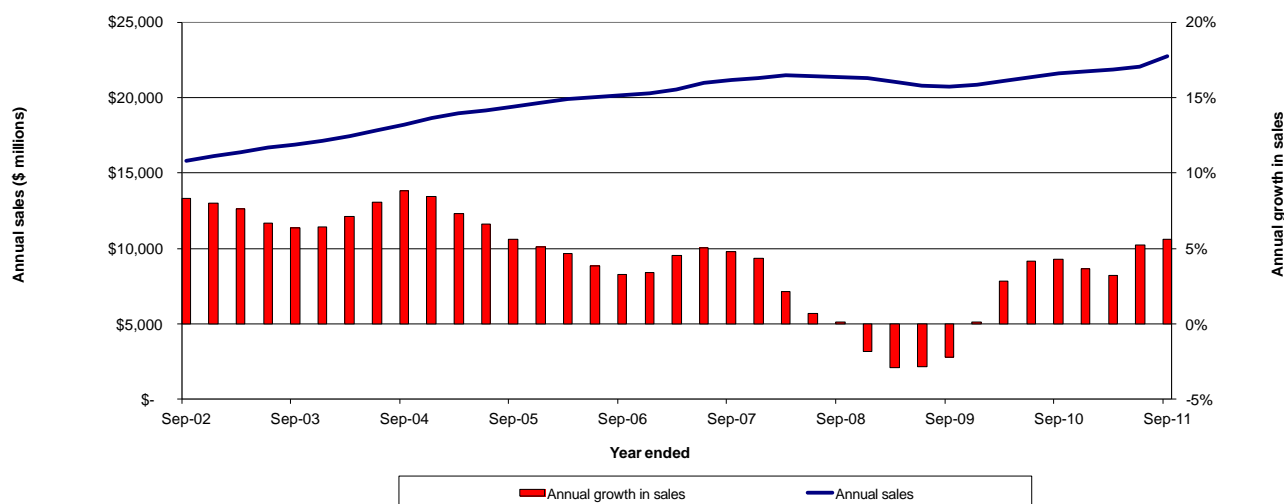
**Figure 5.** Origin of International Guests (ex Australia) at New Zealand Hotel Council member hotels in Auckland CBD, 2009-2011



## 1.6 Retail sales in Auckland

Figure 11 shows that annual retail sales in Auckland increased by 6 percent in the year to September 2011, to reach \$23bn. It was the second consecutive quarter of retail growth higher than 5 percent. This increase was higher than the national average increase of 3.7 percent but was lower than retail sales growth in the Wellington region, which increased by 7.6 percent in the year to September 2011.

**Figure 6.** Annual retail sales in Auckland, Sep 2002-2011



Source: Statistics New Zealand, Retail Trade Survey.

## 1.7 Tourism in Auckland

In the year to September 2011<sup>9</sup>, there were 3.46 million arrivals through Auckland International Airport (AIA). The AIA continues to attract more than 70 percent of all international arrivals and is the main driver of growth within the national tourism sector (see Figure 15).

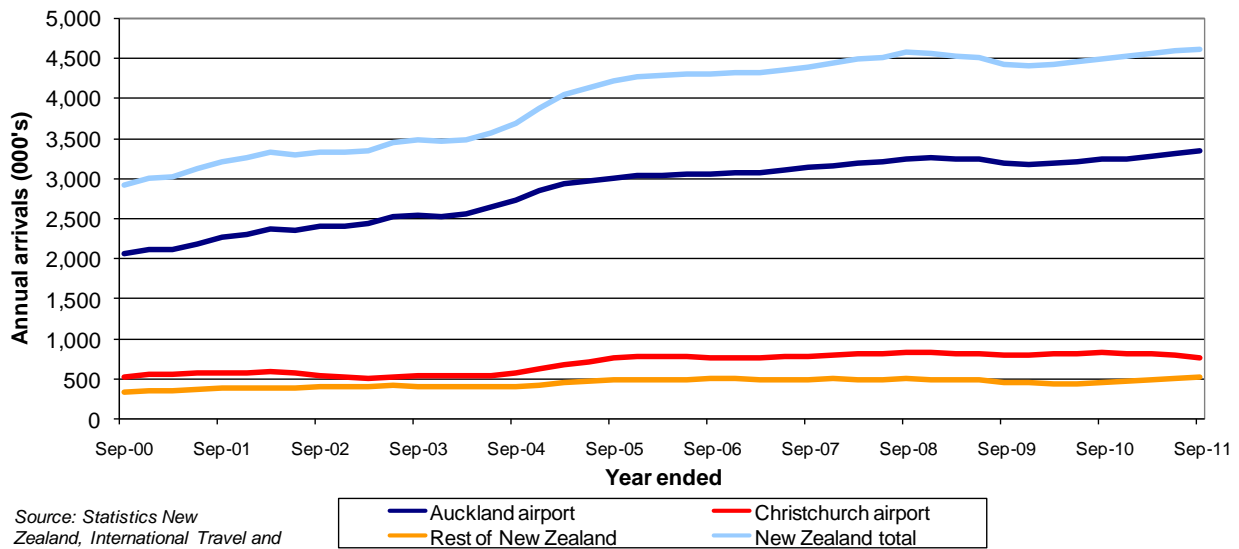
In the September 2011, there was an increase of 5.5 percent in the number of arrivals compared to the year ending September 2010. This was in part due to the Rugby World Cup (RWC) commencing. Officially, there were 74,400 RWC visitor arrivals in September 2011, accounting for over one-third of all arrivals during the month. These add to 4,400 RWC arrivals in August and 1,200 in July, to give a three-month total of 80,000<sup>10</sup>.

Specifically comparing the month of September 2011, to September 2010; short-term overseas visitor arrivals to New Zealand in the 2011 September month (219,900) were up 26 percent from the 2010 September month (174,200), indicating the effect the RWC had on international tourism.

**Figure 7.** Visitor arrivals by New Zealand airport, 2000-2011

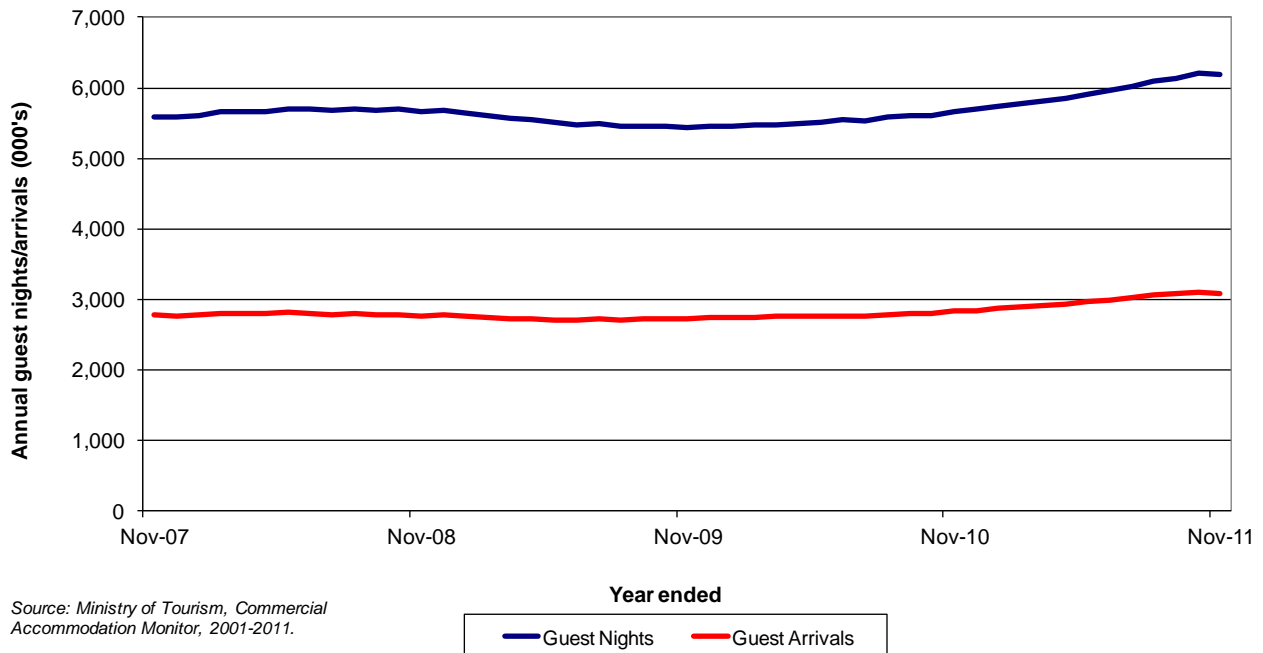
<sup>9</sup> More recent international arrival data is not yet available.

<sup>10</sup> International Travel and Migration: September 2011, Statistics New Zealand 21 October 2011



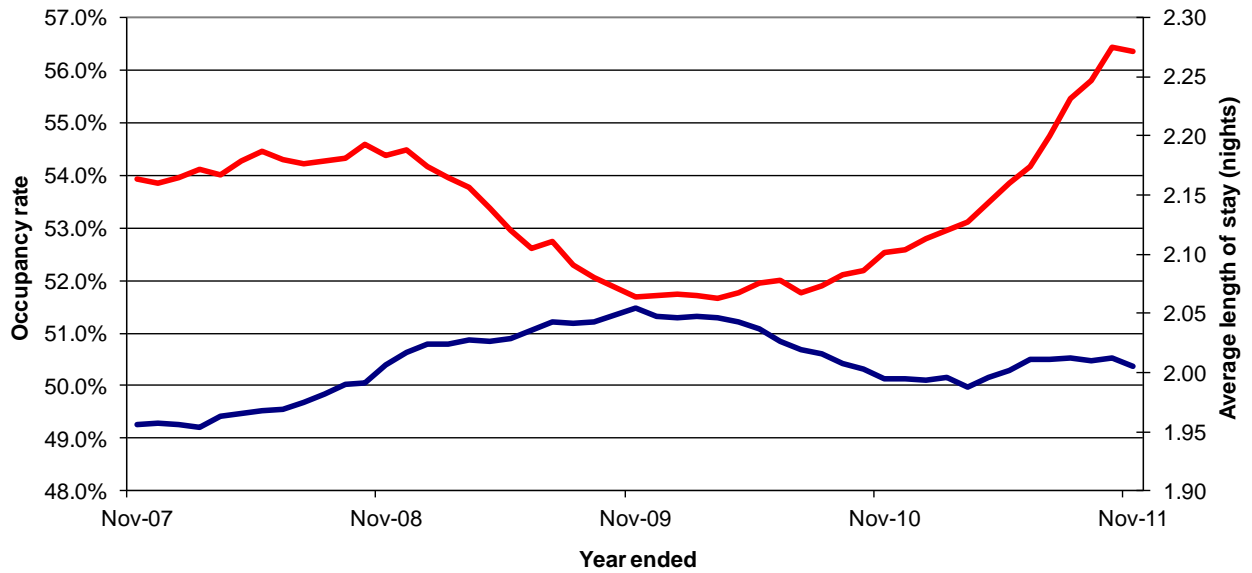
The annual number of guest arrivals staying in commercial accommodation in Auckland reached 3.08 million in the year to November 2011. This represents an increase of 8.8 percent compared to the year ending November 2010. Guest nights also increased to 6.12 million in the year ending November 2011, an annual increase of 9.3 percent. Over the same period, the annual average occupancy rate also increased by 7.3 percent (refer to Figures 16 and 17).

**Figure 8.** Annual guest nights and guest arrivals in commercial accommodation in the Auckland region, 2006-2011

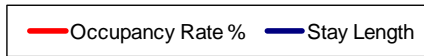


**Figure 9.** Annual average occupancy rates and average guest nights spent in commercial accommodation in Auckland, 2006-2011





Source: Ministry of Tourism, Commercial Accommodation Monitor, 2001-2011.



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