Auckland City Fringe Retail Assessment

Prepared for:

Waitematā Local Board

30th June, 2016

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INTRODUCTION

While the Auckland CBD is a popular retail, hospitality, and tourism destination, there are also several strong offerings in the 'City Fringe' – the business districts directly neighbouring the CBD. These districts are namely Karangahape Road, Newmarket, Parnell, Ponsonby, and Uptown. With their proximity to the CBD, the City Fringe districts are ideally situated to interact with a large segment of Auckland's population, and leverage the strong retail trends seen lately in Auckland City.

The Waitematā Local Board has commissioned Marketview to assist in developing programmes that will attract retailers and customers to invest in the City Fringe. The purpose of this report is to identify market trends and behaviours in the City Fringe, compare these trends to those observed in the rest of Auckland and NZ to identify any gaps, examine the core customers of the City Fringe and their shopping habits, and identify the potential opportunities for the City Fringe.

To analysis is broken into three parts, respectively aiming to identify:

- What are the gaps in the City Fringe offering?
- Who are the customers of the City Fringe?
- What are the opportunities for the City Fringe?

DATA DEFINITIONS

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Marketview specialises in the management and analysis of electronic card transactional data as a tool for measuring and analysing the spending and behaviours of consumers. Since 2001, transactional data has become a trusted source of market intelligence and is now used extensively by organisations throughout New Zealand. Clients include retailers - national chains through to single site stores, commercial property owners and developers, manufacturers, and local and central government.

The data is received from two main sources:

- Paymark – the largest electronic card payment network in New Zealand, covering all transactions made at merchants on this network.
- Depersonalised spending by Bank of New Zealand (BNZ) cardholders.

The basis for this report is estimated total electronic card transactions from Auckland residents between January 2014 and December 2015. This includes transactions made in the City Fringe, in areas elsewhere in Auckland and New Zealand, and domestic and international online shopping.

Merchants have been grouped into the following key storetypes to identify trends in tourism and retail sales:

- Accommodation
- Hospitality
- Other Tourism Products
- Apparel & Personal Accessory
- Food & Liquor
- Fuel & Automotive
- Large Format Retail
- Other Retail

A full breakdown of the retail categories that comprise each store type is given in the appendix.

Auckland is Outgrowing the City Fringe

The Auckland City Fringe has seen solid growth from 2014 to 2015, with total revenue from Auckland residents growing 3.3% to $970M in 2015. This growth has mainly come through strong results in K Road, Parnell , and Ponsonby, which have grown at 8.0%, 7.7%, and 5.2% respectively. Uptown has seen a decline, however this district is the smallest in the City Fringe and will thus be the most volatile. The City Fringe has outgrown the New Zealand in general, but has not seen the same growth as the rest of Auckland, which has grown at 4.4%. The City Fringe has outgrown Auckland and the rest of New Zealand in food & liquor, but has fallen behind in hospitality.

The City Fringe is Popular Locally

A high proportion of the City Fringe's revenue comes from customers who live in nearby areas, such as Parnell and Remuera. In general these customers are under 30 years of age, and are also more likely to be male than female. In particular, K Road and Uptown customers skew strongly towards these demographics, with an older customer base in Newmarket and Parnell. Customers of this demographic typically over-index in hospitality and apparel spending in Auckland, so retailers of these types would be good options for encouraging spending from the local catchment in K Road and Uptown.

The City Fringe is a popular shopping destination for customers living in the City Fringe catchment, collecting 16.5% of their total spending in 2015. Most of this shopping is done in Newmarket and Ponsonby. Outside of the city fringe, the CBD is the most popular district amongst these customers, receiving 12.9% of their total spending in 2015. Mall districts such as Sylvia Park and St Lukes were also popular shopping locations for customers living in the City Fringe catchment, particularly on weekends.

The City Fringe catchment does a high amount of their apparel shopping in areas such as Onehunga and Sylvia Park, which offer discount and chain apparel options. However the City Fringe has higher-end boutique apparel offerings that allow it to operate in a different niche to these shopping malls, and provide a point of difference that can attract customers looking for a unique experience.

Online shopping made up 9.6% of the City Fringe catchment's total spending in 2015. Males did a slightly higher proportion of their shopping online (11.2%), as did customers living in the Ponsonby catchment (11.6%). Growth in online shopping has been mainly driven by a rise in international online spending, particularly as international shipping and parcel forwarding services grow in popularity.

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Opportunities to Increase Growth

The City Fringe has been outgrown by the rest of Auckland in apparel and hospitality – the two largest categories in terms of revenue. Mall apparel options have grown in popularity and are expected to grow further with additions such as Zara and H&M in Sylvia Park. The City Fringe can look to increase its growth in apparel by providing a unique experience through its boutique apparel options.

With reduced blood-alcohol tolerances and limited late-night transport options in Auckland, we have seen a recent rise in suburban hospitality at the expense of the CBD. There has been high growth in hospitality in several areas throughout Central Auckland, indicating that the demand is still strong in this category. With its proximity to the CBD, the City Fringe is exposed to a large volume of non-local customers. The City Fringe may need to focus more on their food options to drive hospitality as liquor offerings become less viable to these non-local customers.

The City Fringe catchment's population is projected to add 30,720 people from 2013 to 2023 (Statistics New Zealand, 2015). Assuming that the average spend per person holds steady between 2015 and 2023, this population growth would see the City Fringe's revenue from the catchment grow $60.8M to reach $430M in 2023 (before adjusting for inflation). Provided that spending per person holds steady across the store types within the City Fringe, nationwide population growth should see the City Fringe increase their annual cardholder revenue to well above $1B by 2023.

What are the gaps in the City Fringe offering?

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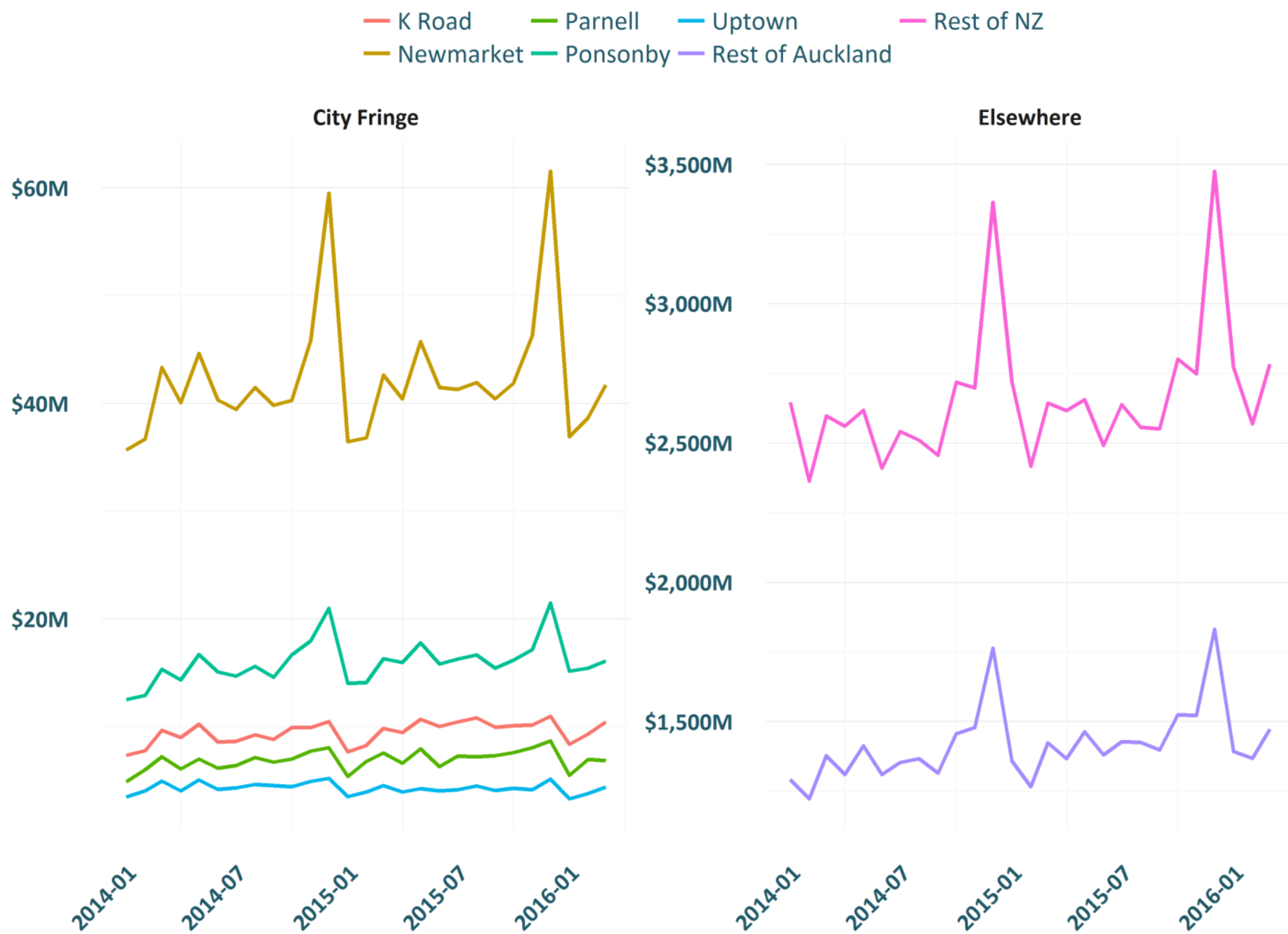
MONTHLY REVENUE FROM AUCKLAND RESIDENTS



Over the last two years, there has been steady growth in spending from Auckland residents in each City Fringe district, except for Uptown, which has declined from 2014 to 2015.

This is in line with the rest of Auckland and New Zealand, in which we also see consistent growth in overall spending.

CITY FRINGE REVENUE AND GROWTH FROM AUCKLAND RESIDENTS

District	2014 Revenue	2015 Revenue	Growth
K Road	$109.76M	$118.49M	7.95%
Newmarket	$507.18M	$516.98M	1.93%
Parnell	$80.52M	$86.80M	7.79%
Ponsonby	$187.52M	$197.31M	5.22%
Uptown	$53.94M	$50.66M	-6.09%
Total City Fringe	**$938.93M**	**$970.22M**	**3.33%**
Rest of Auckland	$16,663.02M	$17,394.83M	4.39%
Rest of NZ	$31,484.29M	$32,317.19M	2.65%
Domestic Online	$1,517.82M	$1,545.38M	1.82%
International Online	$1,136.10M	$1,302.66M	14.66%

Despite a decline in the Uptown district, the City Fringe has collectively grown 3.3% from 2014 to 2015, mainly driven by growth in K Road, Parnell, and Ponsonby.
While the City Fringe has shown solid growth, other areas in Auckland have been stronger, with districts outside of the City Fringe growing at 4.4% from 2014 to 2015.

CITY FRINGE REVENUE AND GROWTH FROM AUCKLAND RESIDENTS

Store Type	2014 City Fringe Revenue	2015 City Fringe Revenue	City Fringe Growth	Rest of Auckland Growth	Rest of NZ Growth
Accommodation	$26.20M	$29.85M	13.94%	1.51%	4.07%
Hospitality	$235.79M	$246.85M	4.69%	9.88%	7.56%
Other Tourism Products	$7.22M	$7.03M	-2.67%	4.82%	-0.46%
Retail - Apparel & Personal Accessory	$200.80M	$205.58M	2.38%	3.95%	-2.04%
Retail - Food & Liquor	$133.90M	$143.17M	6.92%	5.48%	4.94%
Retail - Fuel & Other Automotive	$72.10M	$68.05M	-5.63%	-3.14%	-5.59%
Retail - Large Format Retail	$138.81M	$138.16M	-0.47%	6.99%	4.17%
Retail - Other	$146.64M	$152.33M	3.88%	2.27%	2.13%

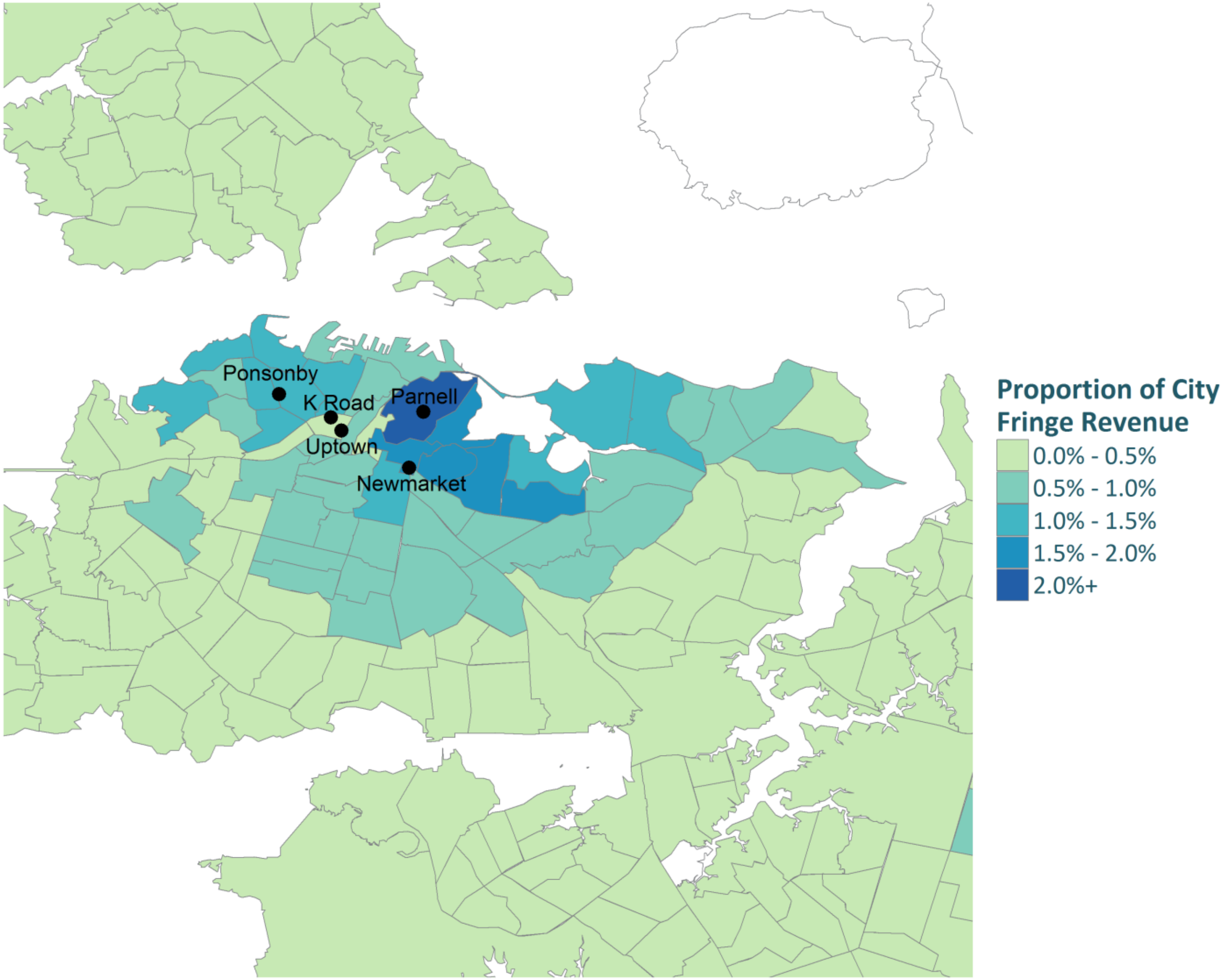
Growth in the City Fringe has been strong in food & liquor retailers, who have grown $9.3M (+6.9%) from 2014 to 2015. This growth rate is above those for the rest of Auckland (+5.5%) and the rest of New Zealand (+4.9%).

While hospitality has given the City Fringe its highest absolute growth (+$11M) from 2014, the growth rate (+4.7%) for this category is well below those of the rest of Auckland (+9.9%), and the rest of New Zealand (+7.6%).

Large format retailers in the City Fringe have been flat from 2014 compared to solid growth seen in the rest of New Zealand, although this growth is likely a result of increased distribution elsewhere, rather than an increase in demand.

Who are the customers of the City Fringe?

COLLECTIVE CITY FRINGE ORIGIN OF REVENUE



The City Fringe districts collectively see a high proportion of their revenue come from Parnell and Remuera. Additionally, the City Fringe is strong throughout central Auckland, with several areas south and east of the CBD contributing high proportions of the City Fringe's revenue.

CITY FRINGE REVENUE COMES FROM LOCAL RESIDENTS

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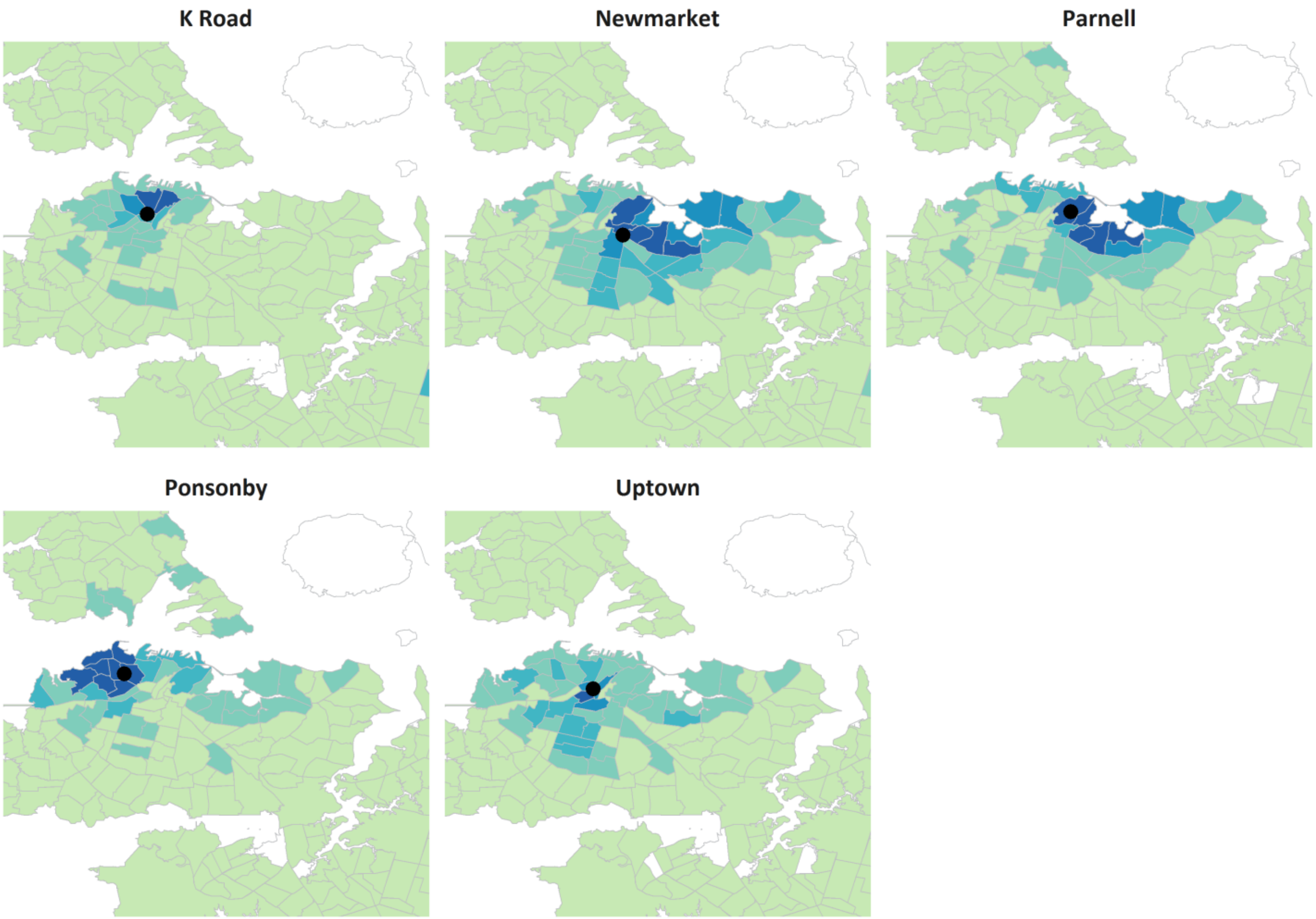
INDIVIDUAL CITY FRINGE ORIGIN OF REVENUE

Proportion of City Fringe Revenue: 0.0% - 0.5% | 0.5% - 1.0% | 1.0% - 1.5% | 1.5% - 2.0% | 2.0%+



Individually, the City Fringe districts each have more localised catchments, although there are several areas which contribute high amounts of revenue to multiple City Fringe districts.

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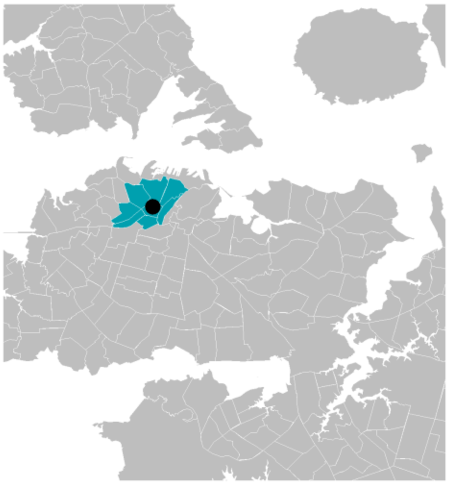
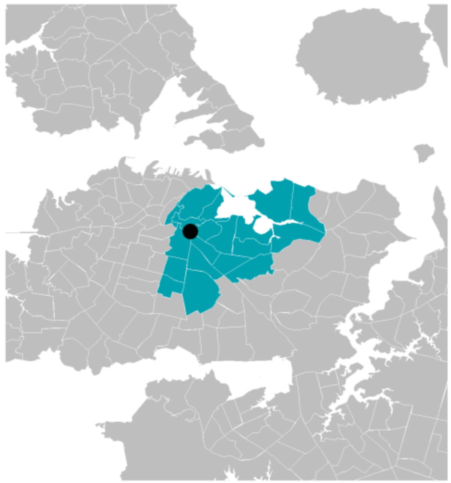
CITY FRINGE CATCHMENTS

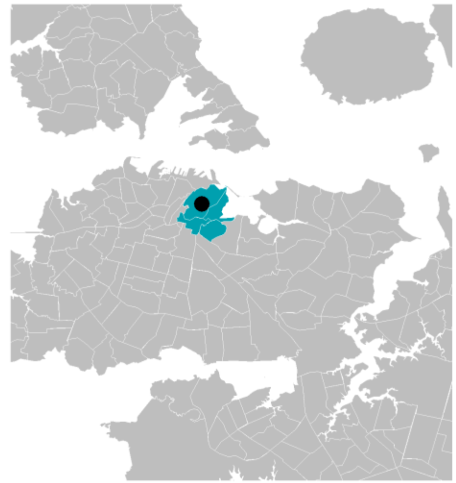
K Road



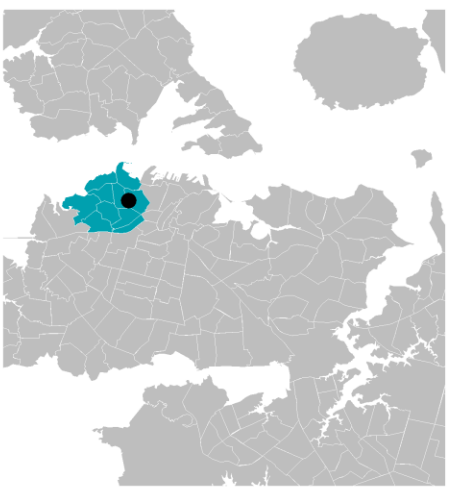
Newmarket



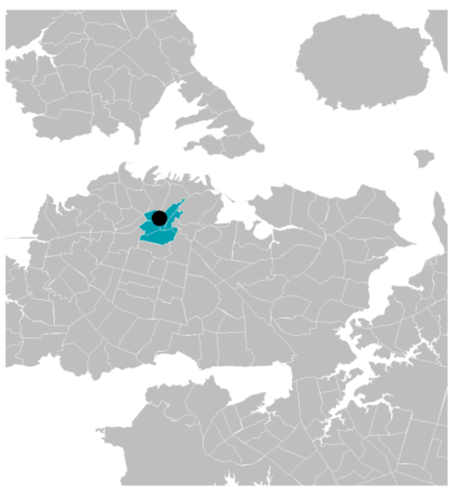
Parnell



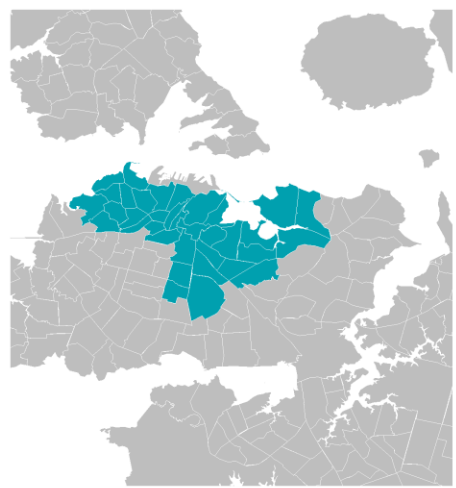
Ponsonby



Uptown



Total City Fringe



Each City Fringe district has a catchment containing their core customers based on their location and contribution to the district's total revenue.

With the Westfield shopping mall, Newmarket has a wide-ranging catchment. Other City Fringe districts have smaller catchments of local customers.

CITY FRINGE REVENUE COMES FROM LOCAL RESIDENTS

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PROPORTION OF TOTAL REVENUE

Location	K Road	Newmarket	Parnell	Ponsonby	Uptown	Total City Fringe
City Fringe Catchment	25.2%	39.0%	41.6%	39.5%	30.3%	37.2%
Auckland City	19.7%	24.4%	18.2%	20.8%	26.1%	22.6%
North Shore City	10.4%	7.4%	9.2%	12.4%	8.5%	9.0%
Waitakere City	8.2%	4.8%	4.0%	5.4%	8.8%	5.5%
Rodney District	3.0%	2.2%	2.4%	2.2%	3.2%	2.3%
Papakura District	1.1%	1.1%	0.7%	0.6%	0.9%	0.9%
Franklin District	1.7%	1.3%	0.8%	0.9%	1.2%	1.2%
Rest of NZ	30.8%	19.9%	23.1%	18.2%	20.9%	21.2%

The City Fringe catchment collectively accounted for 37.2% of the City Fringe's total revenue in 2015. This was particularly high in Newmarket, Parnell, and Ponsonby who each received around 40% of their total revenue from within the City Fringe catchment.

Outside of the catchment, most of the City Fringe's revenue comes from elsewhere in Auckland City (22.6%), and the North Shore (9.0%), with customers from outside of Auckland accounting for 21.2% of the total City Fringe revenue in 2015.

WHO LIVES IN THE CITY FRINGE CATCHMENTS?

West

39% aged under 30 in K Road and Uptown

53% male in K Road, Ponsonby, & Uptown

East

61% aged over 45 in Newmarket & Parnell

53% male

In general, residents of the city fringe catchment are younger and more male than the average for Auckland. This is particularly true in the K Road catchment, from which 38% of cardholder spending is done by customers aged under 30, and the Uptown catchment, where 41% of cardholder spending comes from under 30s. In Auckland in general we see 16% of spending come from customers aged under 30, so these customers are dramatically over-represented in K Road and Uptown. Customers of this demographic typically over-index in hospitality and apparel spending in Auckland, so retailers of these types would be good options for encouraging spending from the local catchment in K Road and Uptown.

Older cardholders are more prevalent in the Newmarket and Parnell catchments, where 61% of customers are aged over 45, compared to 55% overall in Auckland. In this demographic we see spending that is skewed towards large format retail and food & liquor retailing, making these store types well suited for targeting the local catchments of Newmarket and Parnell.

Males are more represented in the collective City Fringe catchment than the average for Auckland. 53% of spending from the City Fringe catchment comes from male customers, whereas in Auckland we see 48% of spending from males.

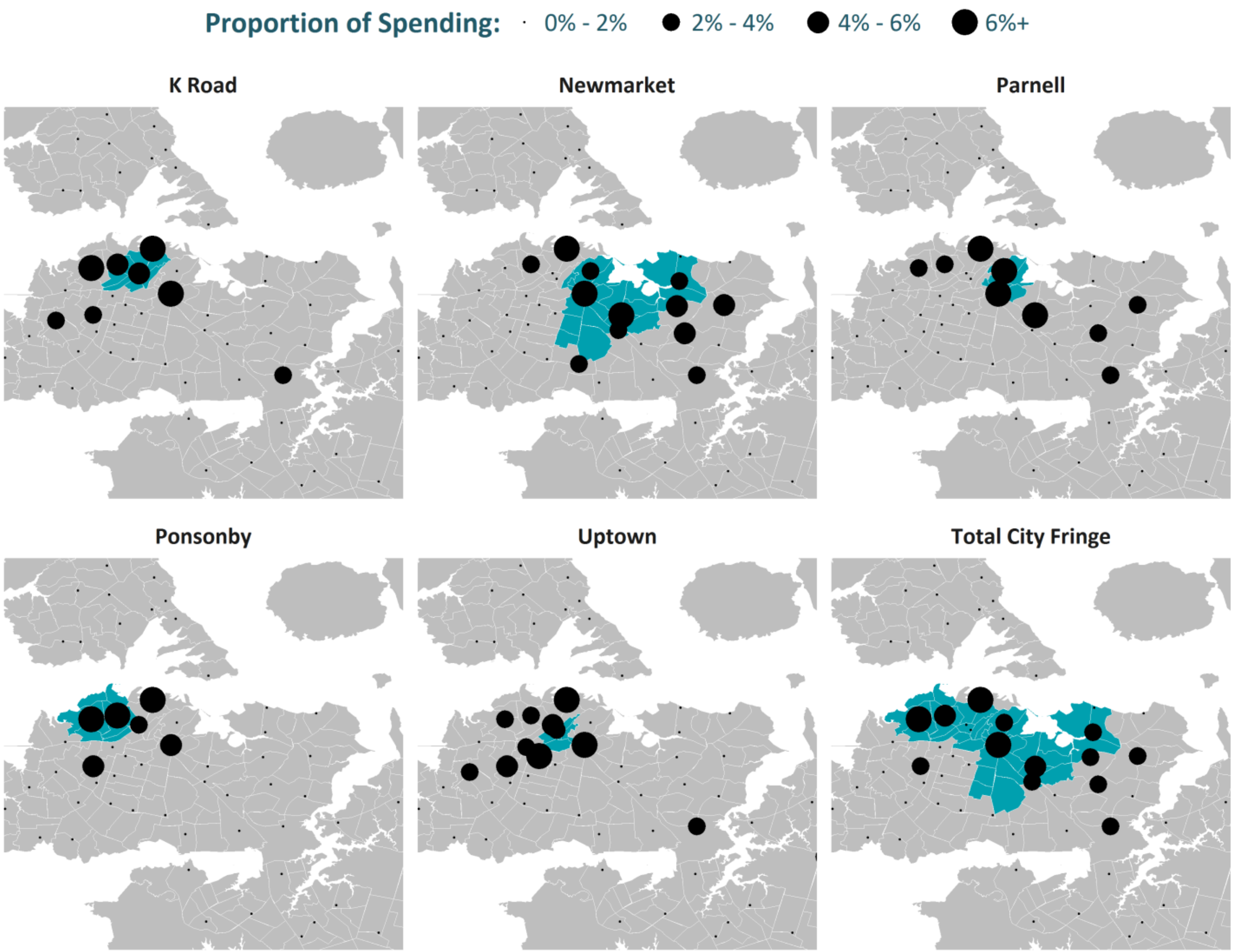
TOP SHOPPING LOCATIONS FOR THE CITY FRINGE CATCHMENT IN 2015

	District	2015 Spend	Proportion of Grand Total	District Ranking
City Fringe	Newmarket	$202.68M	9.1%	2
	Ponsonby	$79.06M	3.6%	4
	Parnell	$36.92M	1.7%	13
	K Road	$30.15M	1.4%	14
	Uptown	$15.29M	0.7%	23
	Total City Fringe	**$364.11M**	**16.5%**	
Rest of Auckland	CBD	$285.71M	12.9%	1
	Grey Lynn	$110.72M	5.0%	3
	Remuera	$70.35M	3.2%	5
	Tamaki	$55.90M	2.5%	6
	St Lukes	$47.62M	2.1%	7
	Mt Wellington/Sylvia Park	$46.87M	2.1%	8
	Rest of Auckland	$1,007.32M	45.4%	
	Rest of NZ	$228.13M	10.3%	
	Grand Total	**$2,216.74M**	**100%**	

Residents of the City Fringe catchments spent $2.2b in 2015, of which 16.5% was done in the City Fringe. The bulk of this shopping is done in Newmarket, with a healthy amount in Ponsonby. Parnell, K Road, and Uptown are not as popular as other districts in Auckland for these customers.

The most popular single district in Auckland for the City Fringe catchment is the CBD, which saw 12.9% of their total spend in 2015. Other local areas outside of the city fringe such as Grey Lynn and Remuera were also popular, mainly through their strong supermarket presence. Outside of local districts, St Lukes and Sylvia Park were attractive options for the City Fringe catchment with their mall offerings.

CITY FRINGE CATCHMENT 2015 SPENDING IN AUCKLAND



Customers in each individual City Fringe catchment do a high proportion of their shopping in local business districts, particularly the CBD and the City Fringe.

Sylvia Park and other eastern districts are also popular shopping locations for many of the City Fringe's core customers.

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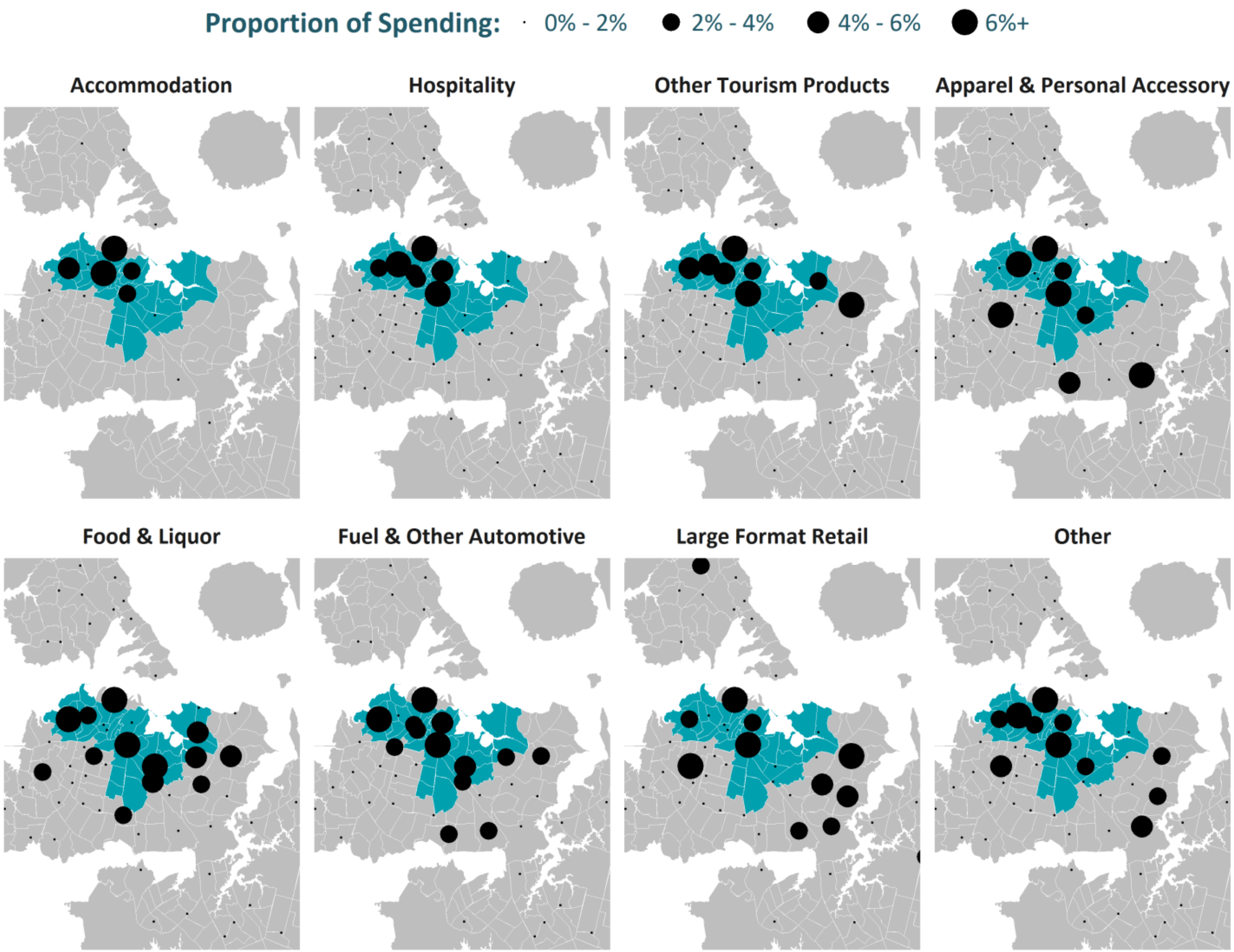
CITY FRINGE CATCHMENT 2015 SPENDING IN AUCKLAND



The City Fringe is a popular option for catchment customers shopping in all store types, although there are characteristic trends outside of these districts for several store types.

With Dress Smart and chain offerings, Onehunga, St Lukes, and Sylvia Park are popular options for apparel.

Food & liquor and fuel are more wide-spread, as convenience between home and work plays more of a role for these storetypes.

The popularity of large format retailers in the south-east is simply because this is where many such stores in Auckland are located.

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CITY FRINGE CATCHMENT 2015 SPENDING IN AUCKLAND

District	Accommodation	Hospitality	Other Tourism Products	Apparel & Personal Accessory	Food & Liquor	Fuel & Other Automotive	Large Format Retail	Other	Total
Newmarket	0.6%	4.9%	2.7%	24.3%	5.8%	6.6%	14.7%	11.1%	9.1%
Ponsonby	0.2%	8.7%	1.0%	8.3%	1.5%	0.2%	1.2%	4.9%	3.6%
Parnell	0.7%	3.3%	0.6%	2.3%	0.6%	1.9%	1.5%	2.1%	1.7%
K Road	3.0%	2.5%	1.0%	0.3%	1.2%	1.8%	0.1%	1.7%	1.4%
Uptown	0.0%	1.4%	0.2%	0.4%	0.3%	1.2%	0.8%	0.6%	0.7%
Total City Fringe	**4.4%**	**20.8%**	**5.5%**	**35.6%**	**9.3%**	**11.7%**	**18.3%**	**20.4%**	**16.5%**
CBD	15.8%	26.1%	4.1%	22.9%	7.1%	4.2%	10.1%	13.1%	12.9%
Grey Lynn	1.3%	2.7%	1.2%	1.1%	10.7%	4.9%	1.7%	1.9%	5.0%
Remuera	0.0%	1.4%	0%	2.6%	6.7%	2.5%	0.3%	2.2%	3.2%
Tamaki	0%	0.8%	1.6%	0.4%	3.6%	1.7%	5.1%	2.1%	2.5%
St Lukes	0%	0.6%	0.2%	5.4%	0.8%	0.8%	5.2%	3.7%	2.1%
Mt Wellington/Sylvia Park	0%	0.8%	0.1%	5.6%	1.5%	0.9%	2.7%	4.2%	2.1%
Rest of Auckland	13.9%	35.7%	48.3%	20.2%	53.2%	61.5%	50.1%	44.7%	45.4%
Rest of NZ	64.5%	11.1%	38.9%	6.2%	7.2%	11.8%	6.4%	7.8%	10.3%

The City Fringe is a popular option for apparel, mainly driven by high spending in Newmarket and Ponsonby. Hospitality in the City Fringe districts is also popular amongst residents of the City Fringe catchment.

As we have already seen, food & liquor and fuel are more wide-spread categories. Passing trade plays a large role in shopping in these categories, as customers often opt to shop for fuel and groceries in between home and work.

MON – FRI VS SAT – SUN REVENUE[1]

District	Weekday Revenue	Proportion of Weekday Total	Weekend Revenue	Proportion of Weekend Total
K Road	$20.81M	1.4%	$9.34M	1.3%
Newmarket	$134.43M	9.0%	$68.25M	9.4%
Parnell	$26.32M	1.8%	$10.61M	1.5%
Ponsonby	$51.51M	3.5%	$27.55M	3.8%
Uptown	$10.93M	0.7%	$4.36M	0.6%
Total City Fringe	**$244.00M**	**16.4%**	**$120.11M**	**16.5%**
CBD	$206.03M	13.8%	$79.68M	10.9%
Rest of Auckland	$887.28M	59.6%	$451.51M	61.9%
Rest of NZ	$150.37M	10.1%	$77.77M	10.7%
Grand Total	**$1,487.67M**	**100.0%**	**$729.06M**	**100.0%**

Between weekdays and weekends, there are some differences in how the City Fringe catchment shops, although these differences appear to mainly occur in areas outside of the city fringe. During the week, the City Fringe saw 16.4% of their catchment's spending; compared to 16.5% during weekends.

While spending in the City Fringe remains steady, the City Fringe catchment does less of their total spending in the CBD during the weekend (13.8% midweek vs 10.9% on weekends). This is due to the fact that a great deal of the City Fringe catchment works in the CBD during the week, and will often not shop in the CBD during the weekend.

1: Based on City Fringe catchment spending only, Jan. 2015 – Dec. 2015

CBD DROPS IN THE WEEKEND, CITY FRINGE HOLDS

MON – 7PM FRI VS 7PM FRI – 11:59 SUN REVENUE[1]

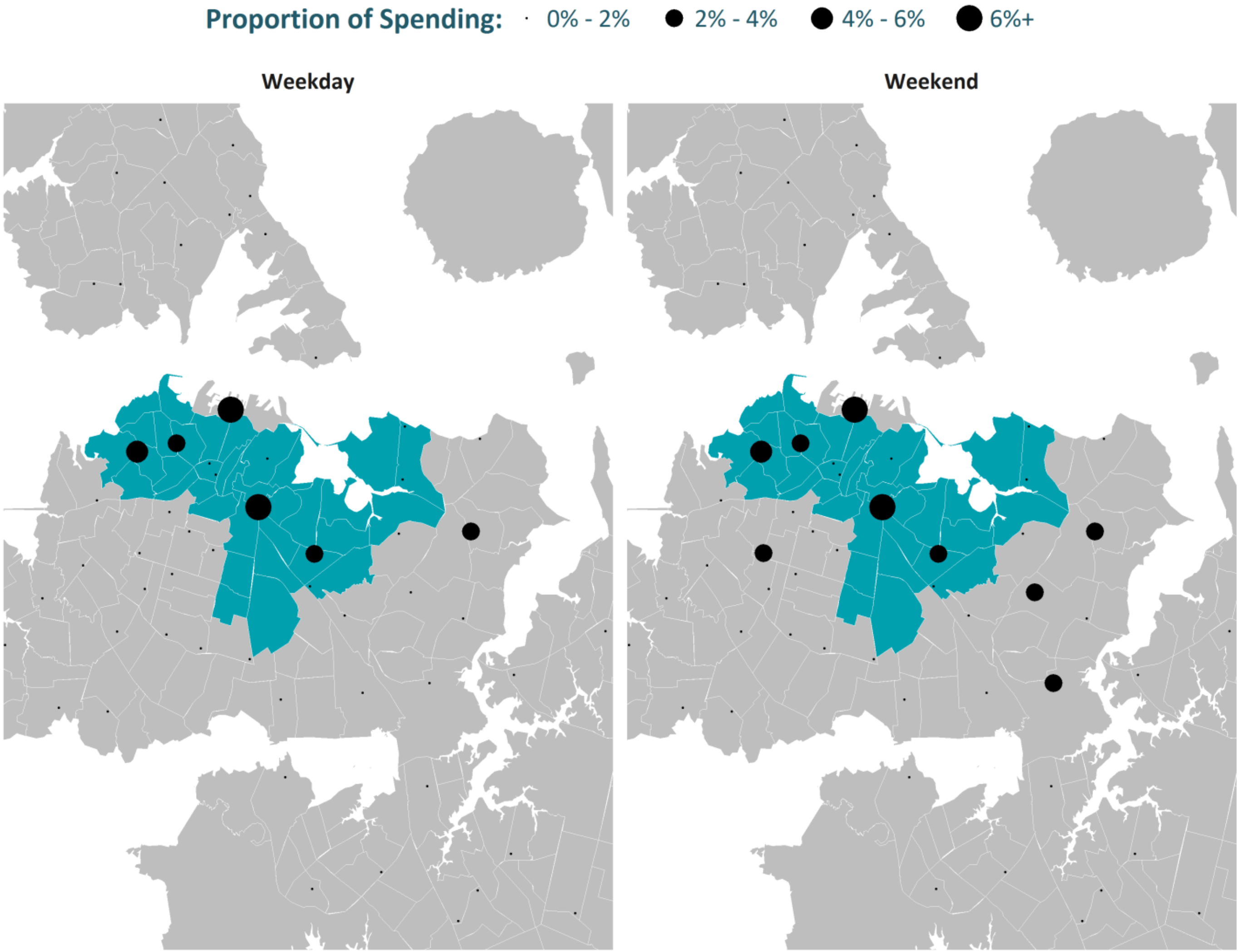
District	Weekday Revenue	Proportion of Weekday Total	Weekend Revenue	Proportion of Weekend Total
K Road	$13.84M	1.9%	$7.87M	2.0%
Newmarket	$64.02M	8.9%	$34.27M	8.5%
Parnell	$9.90M	1.4%	$5.07M	1.3%
Ponsonby	$25.09M	3.5%	$17.78M	4.4%
Uptown	$6.48M	0.9%	$3.04M	0.8%
Total City Fringe	**$119.33M**	**16.7%**	**$68.03M**	**16.9%**
CBD	$110.93M	15.5%	$52.11M	13.0%
Rest of Auckland	$416.38M	58.2%	$238.91M	59.4%
Rest of NZ	$69.35M	9.7%	$43.27M	10.8%
Grand Total	**$715.99M**	**100.0%**	**$402.32M**	**100.0%**

A case could be made for the weekend starting at 7pm on Friday evening, which would give ‘office hour’ customers time to finish work and begin their weekend shopping. If we consider this extended weekend, the differences between weekdays and weekends are the same as we have already seen. Spending in the City Fringe is consistent between weekdays and weekends, with a slight decline in the CBD during the weekend.

Although there is still no difference between weekends and weekdays with this definition, note that including Friday evening as the weekend does increase K Road’s share of weekend spending from 1.3% to 2.0%. This shows K Road to be a popular destination for Friday night shopping, a great deal of which is spent in hospitality.

1: Based on City Fringe catchment spending only, Jan. 2015 – Dec. 2015, excluding credit card transactions

CITY FRINGE CATCHMENT WEEKDAY VS WEEKEND SPENDING



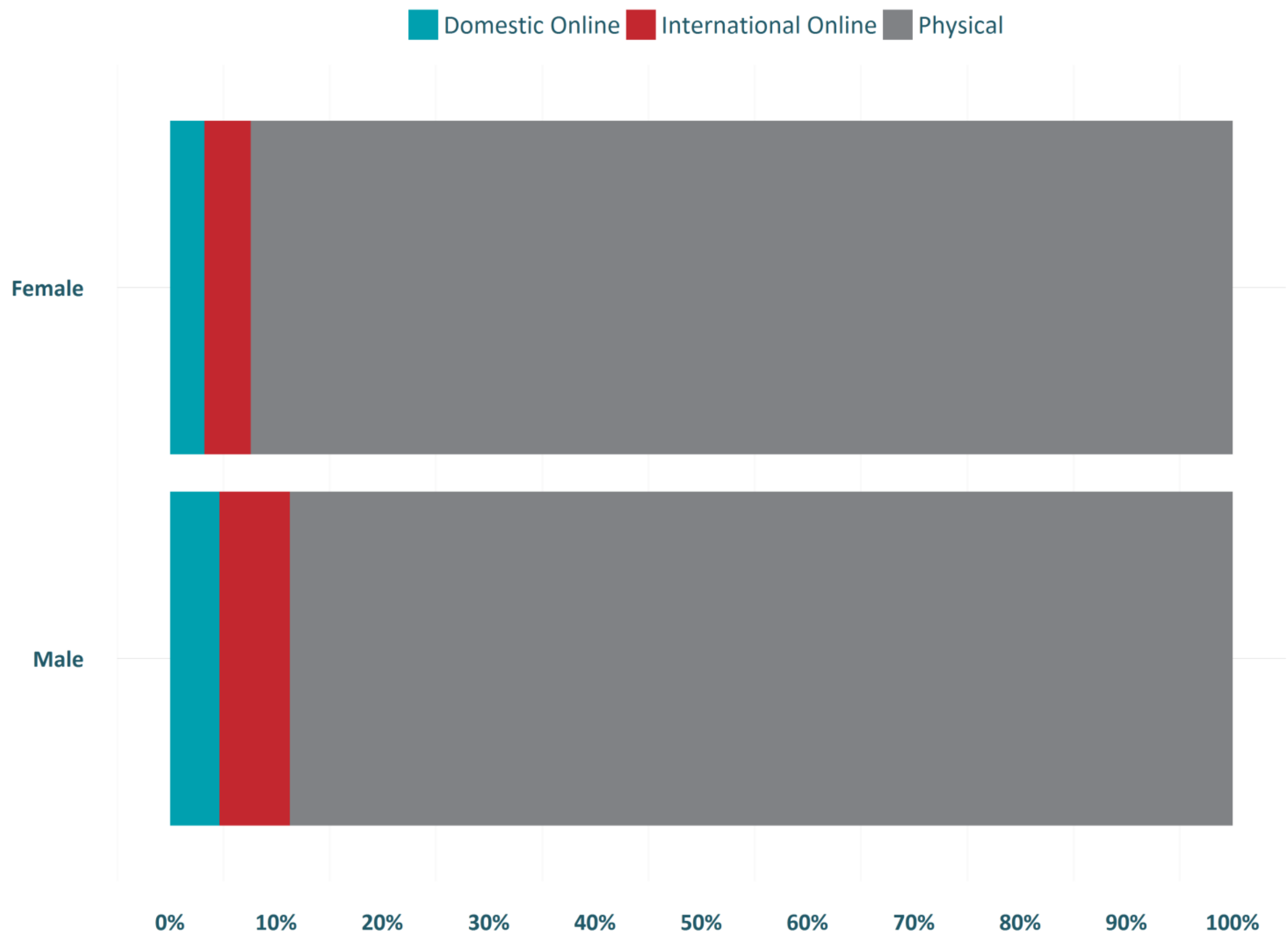
Based on City Fringe catchment spending only, Jan. 2015 – Dec. 2015

As we have seen, the popularity of the city fringe amongst its key customers does not appear to change dramatically between weekdays and weekends, while spending inside the CBD declines.

When we look at the locations of the spending outside of the CBD, it is easy to see where the difference during the weekend comes from.

Sylvia Park, St. Lukes, and Lunn Avenue all show increased spending during the weekends , suggesting that the main driver for the change in spending during the weekend outside of the CBD is due to the increased shopping at malls and retail parks during the weekends.

CITY FRINGE CATCHMENT ONLINE VS PHYSICAL SHOPPING



While online shopping is growing in popularity, particularly at international online retailers, the proportion of online shopping from the City Fringe catchment is still low compared to the amount of physical shopping.

Males in the City Fringe catchment are doing more shopping online than their female counterparts, with 11.2% of their total spending being done online.

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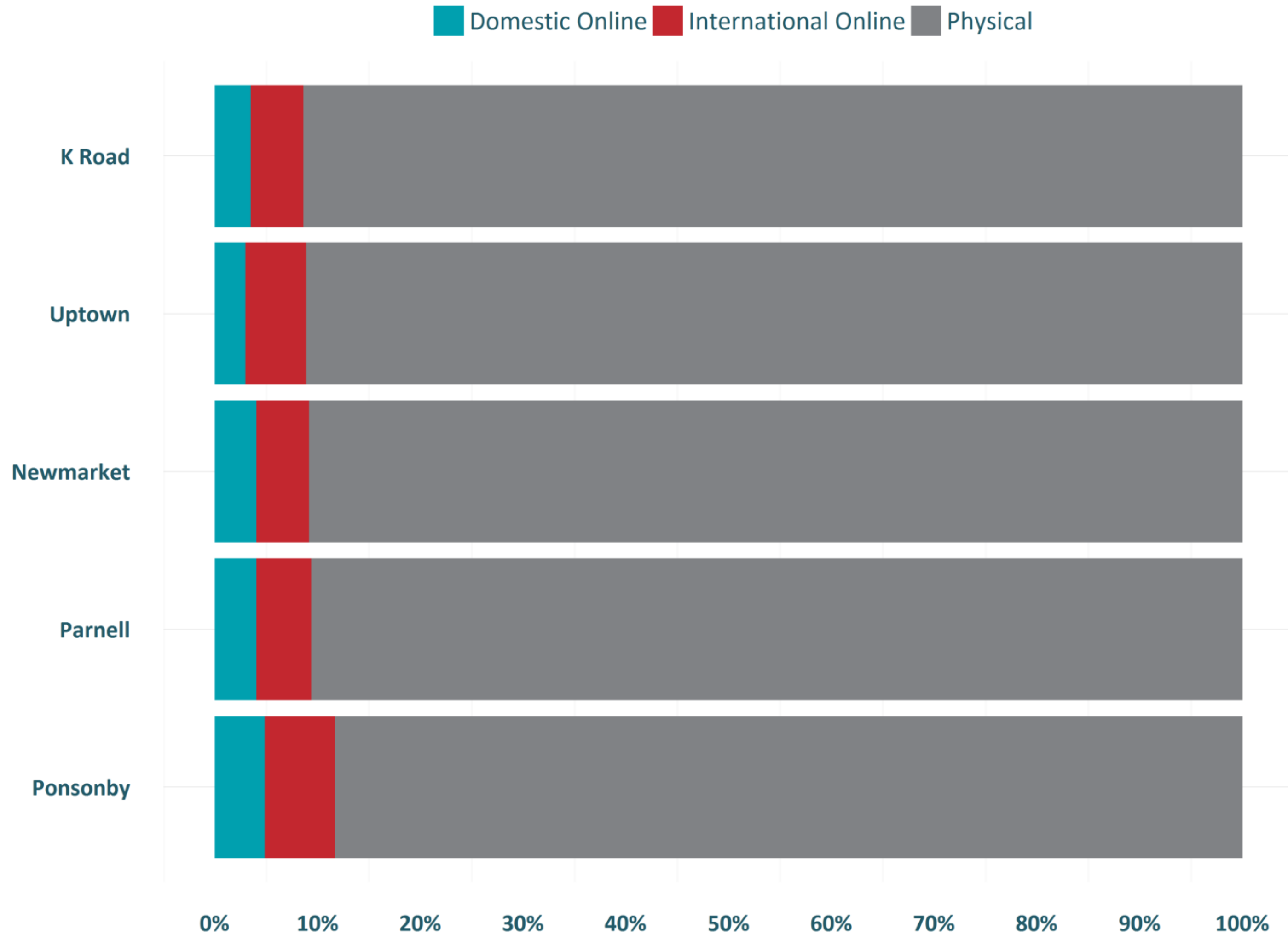
CITY FRINGE CATCHMENT ONLINE VS PHYSICAL SHOPPING

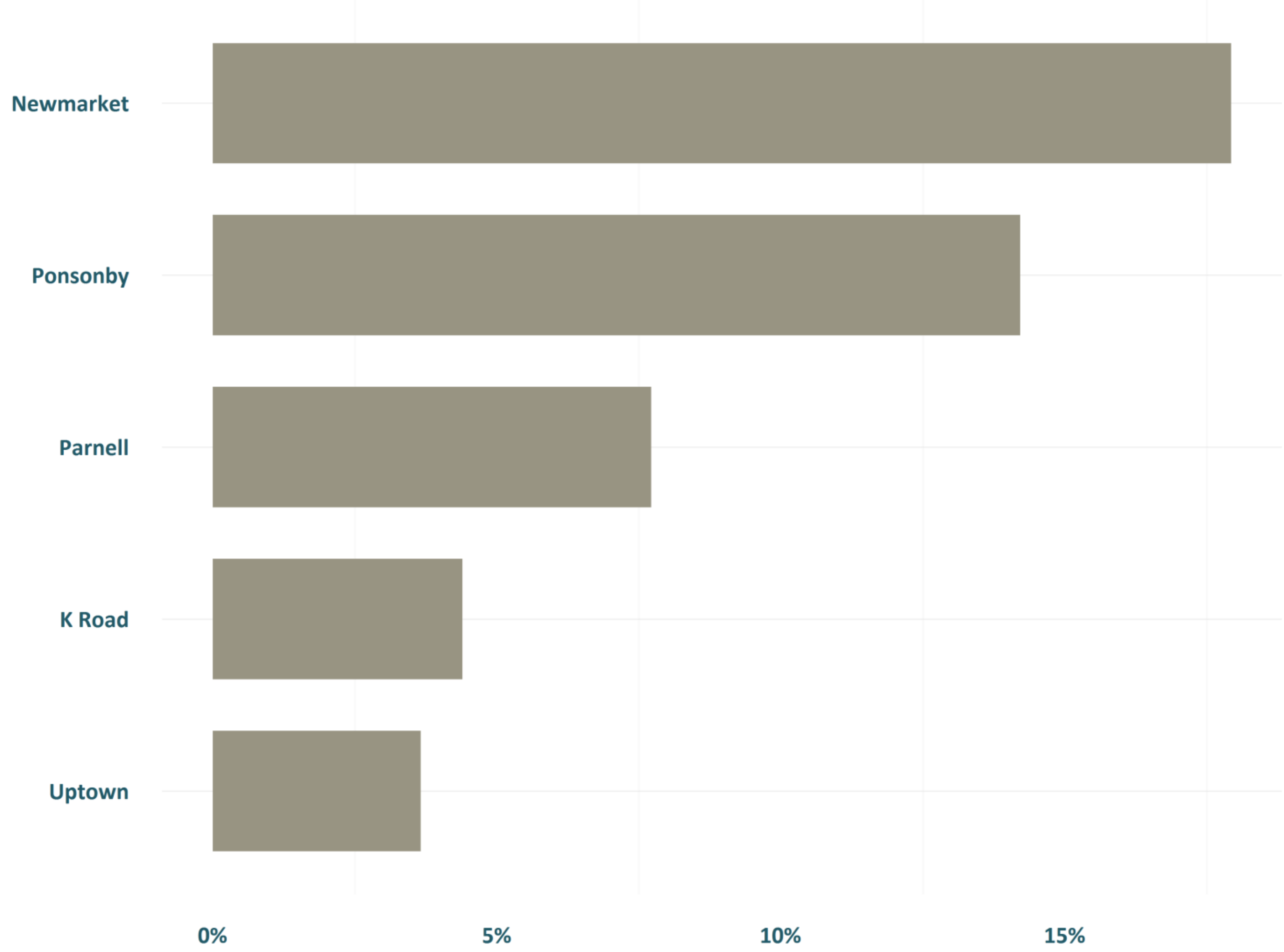


Ponsonby residents are showing the highest uptake in online shopping, with 11.6% of their total shopping being done online.

Other City Fringe catchments have a slightly lower spend online, with most other individual catchments doing around 9% of their total shopping online.

Where are the opportunities for the City Fringe?

CITY FRINGE LOCAL CATCHMENT PENETRATION



Currently, the City Fringe districts only receive a low proportion of their local catchment's spending around Auckland.

In particular, customers in the Uptown and K Road catchments do less than 5% of their shopping in the Uptown and K Road districts, with Parnell's penetration of their catchment only marginally higher.

Newmarket and Ponsonby perform better amongst their local customers, attracting around 15% of their spending. This would suggest that there is room for the other City Fringe districts to grow by increasing their appeal amongst their local customers, to bring them more into line with the better performing districts.

Potential for Further Growth in the City Fringe

As we have seen in our first section on page 6, the City Fringe is not growing at the same rate as the rest of Auckland. While the City Fringe has seen strong growth of 3.3% from 2014 to 2015, during the same time period the rest of Auckland grew at 4.4%. This indicates that there is scope for the City Fringe to see higher growth than what they are currently getting. Had the City Fringe grown at the same rate as the rest of Auckland in 2015, this would have seen revenue increase to $980M – an additional $10M from what was actually achieved.

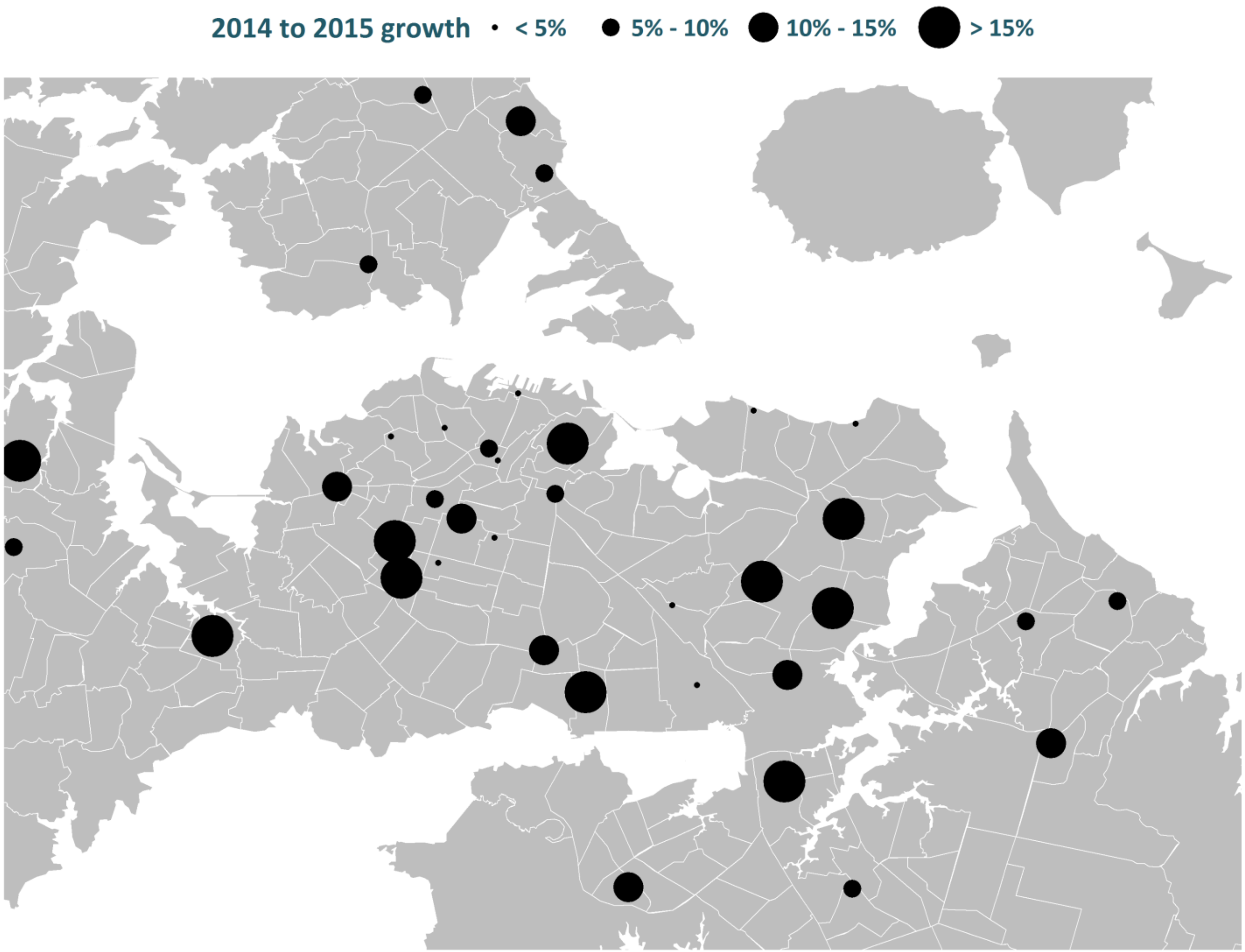
In particular, Uptown declined 6% from 2014 to 2015. Uptown is the smallest of the City Fringe districts in terms of revenue and local catchment, but its central position in the City Fringe exposes it to a large number of customers. Uptown should aim to leverage some of the stronger growth seen in the CBD and other City Fringe districts to boost their own growth in the future.

Key Categories Can Drive City Fringe Growth

Apparel is a strong offering in the City Fringe, second only to hospitality in terms of absolute revenue. While apparel in the City Fringe has grown at 2.38% from 2014 to 2015, the rest of Auckland has grown 3.95%% over the same time period.

St Lukes, Sylvia Park, and Onehunga are the most popular apparel locations outside of the CBD and City Fringe. With Sylvia Park due to add Zara and H&M in the future, we should expect their popularity in apparel to grow further. The City Fringe contains several boutique apparel options, which provide a point of difference from the wider Auckland market, and could be promoted to drive apparel growth in the City Fringe districts.

AUCKLAND HOSPITALITY GROWTH



Hospitality is the largest category in the City Fringe, with $246.9M in revenue in 2015. While hospitality has been booming in Auckland, with 9.9% growth, the City Fringe has not been as strong, growing 4.7% in 2015, with the CBD faring similarly.

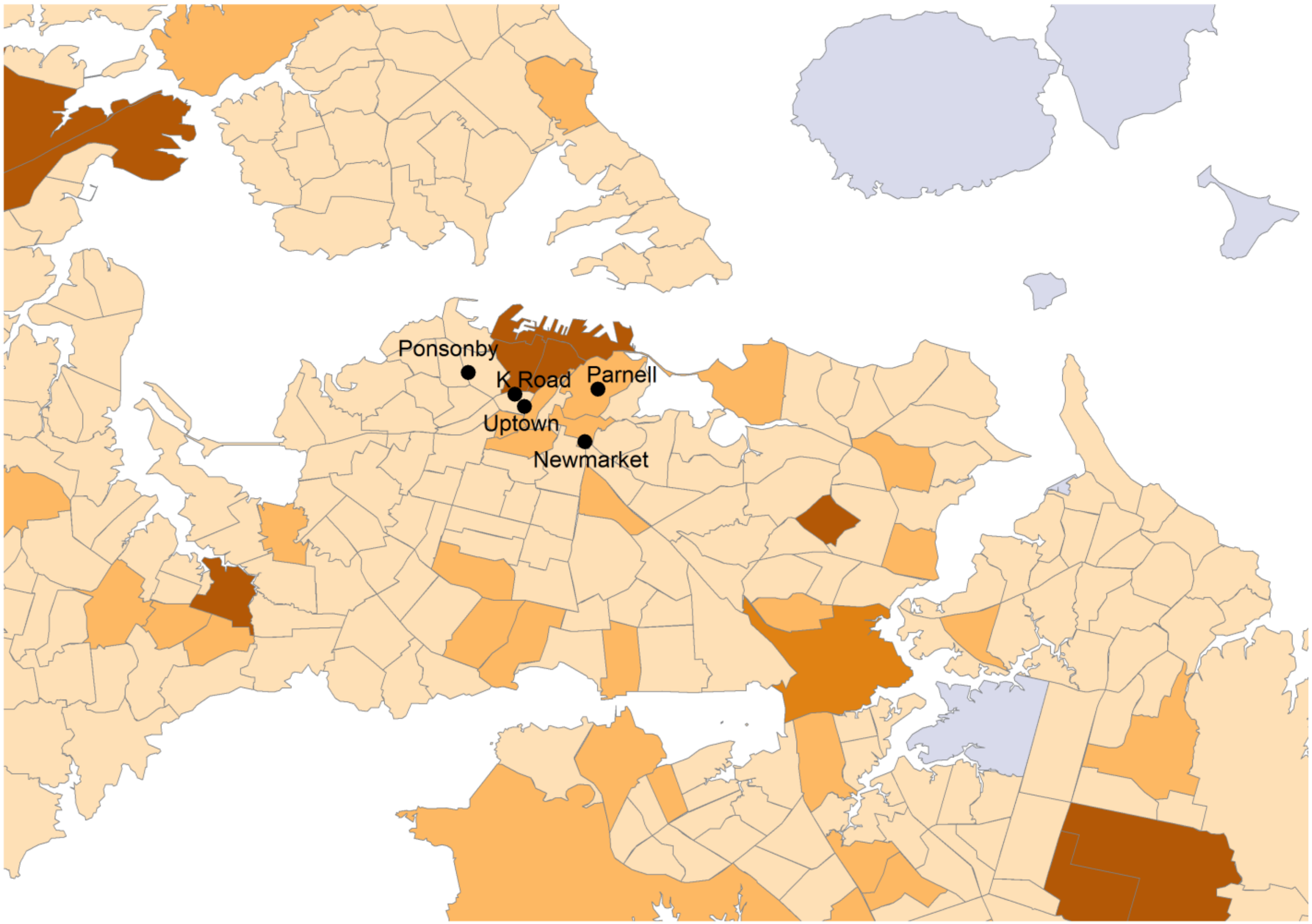
With reduced blood-alcohol tolerances and limited late-night transport options in Auckland, we have seen a recent rise in suburban hospitality at the expense of the CBD.

There is clearly still demand for hospitality, with high growth in several areas throughout Central Auckland. The City Fringe may need to focus more on their food options to drive hospitality as liquor offerings become less viable to non-local customers.

2013 TO 2023 PROJECTED POULATION GROWTH

Median Population Growth Forecast; Source: Statistics NZ

Population Growth: < 1 | 1 - 999 | 1000 - 1999 | 2000 - 2999 | > 3000



Population growth in Auckland is projected to be strong over the next 8 years.

Areas in the catchments for K Road, Newmarket, Parnell, and Uptown are forecast to see particularly high growth, as well as areas in the CBD which provide a high proportion of the City Fringe's revenue.

Recall that we have seen low penetration of the local catchment in K Road and Uptown. Increasing the performance of these districts within their local catchments should be a high priority, given that their local populations are forecast to grow dramatically in the next 7 years.

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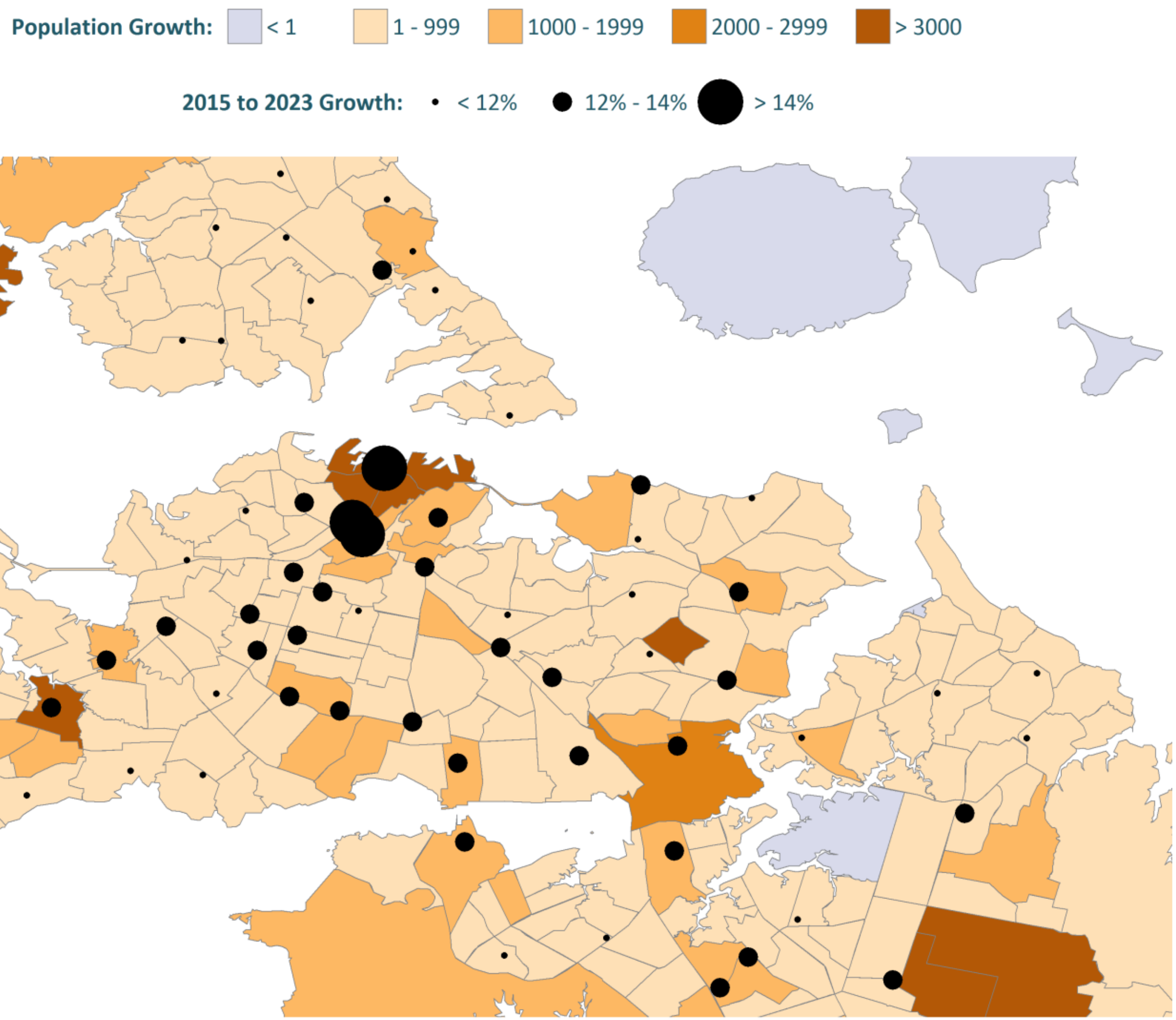
2015 TO 2023 PROJECTED REVENUE GROWTH

Median Population Growth Forecast; Source: Statistics NZ

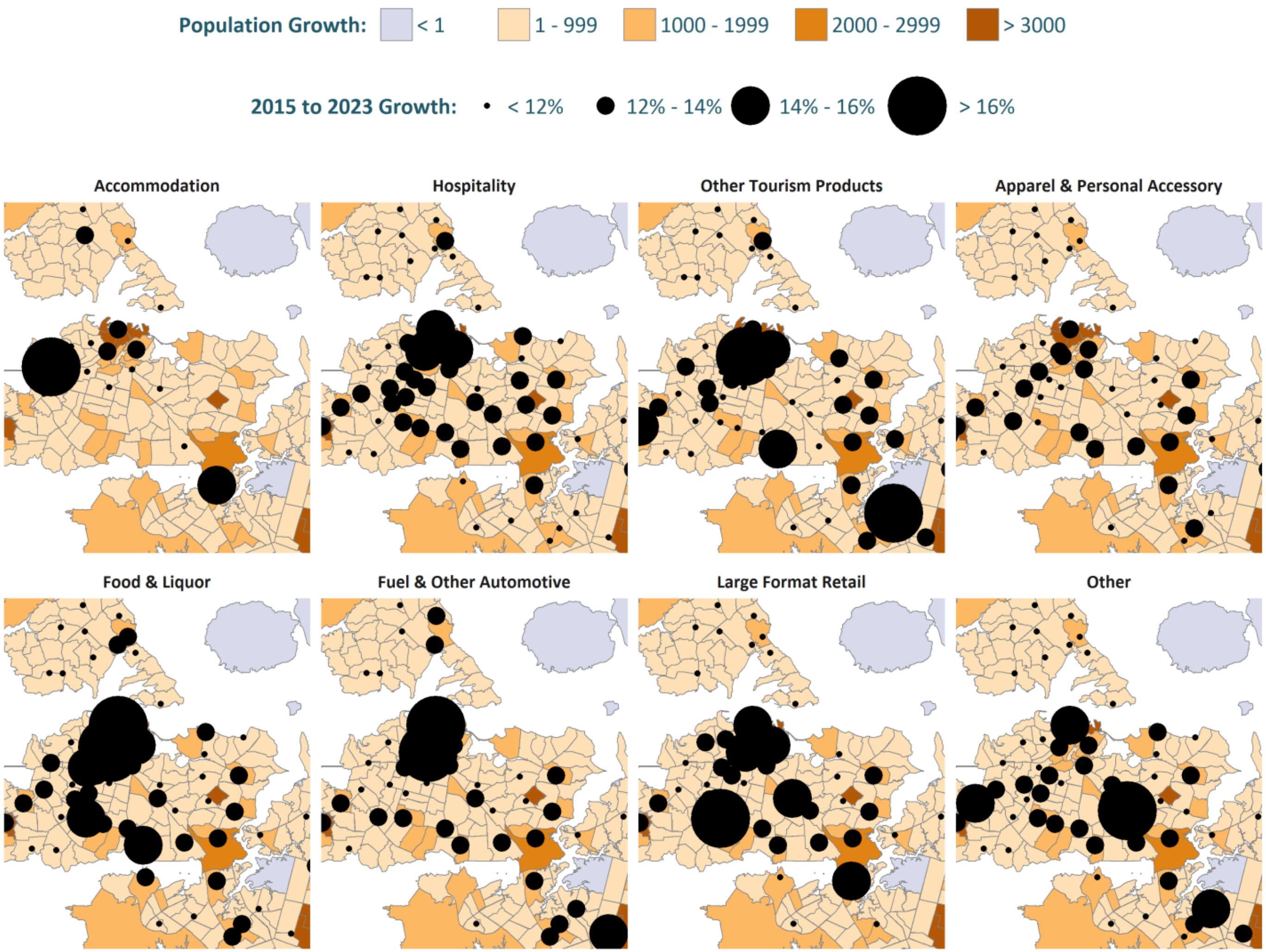


Assuming that the annual spend per person holds steady in each area unit in Auckland, the City Fringe will benefit from the particularly high population growth in the Auckland CBD, with growth of over 14% projected in K Road and Uptown from 2015 to 2023.

Newmarket, Parnell, and Ponsonby have lower projected growth than the rest of the City Fringe. However, these districts received the most revenue in 2015, hence growth of 12-14% in these areas will still provide substantial dollar growth to the City Fringe in 2023.

2015 TO 2023 PROJECTED REVENUE GROWTH

Median Population Growth Forecast; Source: Statistics NZ



Most store types will see strong growth in the CBD and the City Fringe, on the back of particularly high projected population growth in these areas.

Retail districts across Auckland all benefit from the high projected population growth, with growth of over 12% from 2015 to 2023 forecast in several store types across Auckland.

Food & liquor and hospitality have particularly high growth rates forecast in the City Fringe area – this could be an area of particular focus for the City Fringe to increase its position in the Auckland marketplace.

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ESTIMATED CITY FRINGE GROWTH FROM POPULATION GROWTH

Location	2013 Population	Estimated 2023 Population	Population Growth	2015 Revenue	Estimated 2023 Revenue	Estimated Spending Growth
City Fringe Catchment	143,090	173,810	30,720	$369.09M	$429.87M	$60.78M
Auckland City	327,880	387,630	59,750	$224.36M	$255.92M	$31.56M
North Shore City	236,300	269,360	33,060	$89.36M	$99.09M	$9.73M
Waitakere City	204,240	248,230	43,990	$54.45M	$63.44M	$8.99M
Rodney District	106,030	133,720	27,690	$23.23M	$27.85M	$4.61M
Papakura District	60,170	76,230	16,060	$9.19M	$11.05M	$1.86M
Franklin District	62,820	78,840	16,020	$12.21M	$14.58M	$2.37M
Rest of NZ	3,301,570	3,581,150	279,580	$210.35M	$224.36M	$14.01M
Grand Total	**4,442,100**	**4,948,970**	**506870**	**$992.24M**	**$1,126.17M**	**$133.92M**

The City Fringe catchment's population is projected to add 30,720 people from 2013 to 2023. Assuming that the average spend per person holds steady between 2015 and 2023, this population growth would see the City Fringe's revenue from the catchment grow $60.8M to reach $430M in 2023 (before adjusting for inflation).

Population growth in other areas of Auckland City would also contribute heavily to growth in the City Fringe, with revenue from outside of the catchment estimated to grow $31M from 2015 to 2023.

Over the last two years, there have not been any dramatic changes in spending per person throughout Auckland. Provided that spending per person continues to hold steady, nationwide growth should see the City Fringe grow their annual cardholder revenue to well above $1B by 2023.

APPENDIX – STORE TYPE GROUPINGS

Storetype Grouping	Subcategory Description
Accommodation	Accommodation
	Residential Property Operators
Food and beverage serving services	Cafes and Restaurants
	Catering Services
	Clubs (Hospitality)
	Pubs, Taverns and Bars
	Takeaway Food Services
Other tourism products	Amusement and Other Recreational Activities n.e.c.
	Amusement Parks and Centres Operation
	Casino Operation
	Creative Artists, Musicians, Writers and Performers
	Health and Fitness Centres and Gymnasia Operation
	Horse and Dog Racing Administration and Track Operation
	Libraries and Archives
	Lottery Operation
	Museum Operation
	Nature Reserves and Conservation Parks Operation
	Other Gambling Activities
	Other Horse and Dog Racing Activities
	Performing Arts Operation
	Performing Arts Venue Operation
	Sports and Physical Recreation Administrative Service
	Sports and Physical Recreation Clubs and Sports Professionals
	Sports and Physical Recreation Venues, Grounds and Facilities Operation
	Zoological and Botanical Gardens Operation

APPENDIX – STORE TYPE GROUPINGS CONT.

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Storetype Grouping	Subcategory Description
Retail sales - apparel and personal accessory	Clothing Retailing
	Footwear Retailing
	Other Personal Accessory Retailing
	Watch and Jewellery Retailing
Retail sales - food and liquor	Fresh Meat, Fish and Poultry Retailing
	Fruit and Vegetable Retailing
	Liquor Retailing
	Other Specialised Food Retailing
	Supermarket and Grocery Stores
Retail sales - fuel and other automotive	Car Retailing
	Fuel Retailing
	Motor Cycle Retailing
	Motor Vehicle Parts Retailing
	Trailer and Other Motor Vehicle Retailing
	Tyre Retailing
Retail sales - large format retail	Computer and Computer Peripheral Retailing
	Department Stores
	Electrical, Electronic and Gas Appliance Retailing
	Floor Coverings Retailing
	Furniture Retailing
	Garden Supplies Retailing
	Hardware and Building Supplies Retailing
	Other Electrical and Electronic Goods Retailing
Retail sales – other	Antique and Used Goods Retailing
	Entertainment Media Retailing
	Flower Retailing
	Houseware Retailing
	Manchester and Other Textile Goods Retailing
	Marine Equipment Retailing
	Newspaper and Book Retailing
	Other Store-Based Retailing n.e.c.
	Pharmaceutical, Cosmetic and Toiletry Goods Retailing
	Retail Commission-Based Buying and/or Selling
	Sport and Camping Equipment Retailing
	Stationery Goods Retailing
	Toy and Game Retailing