

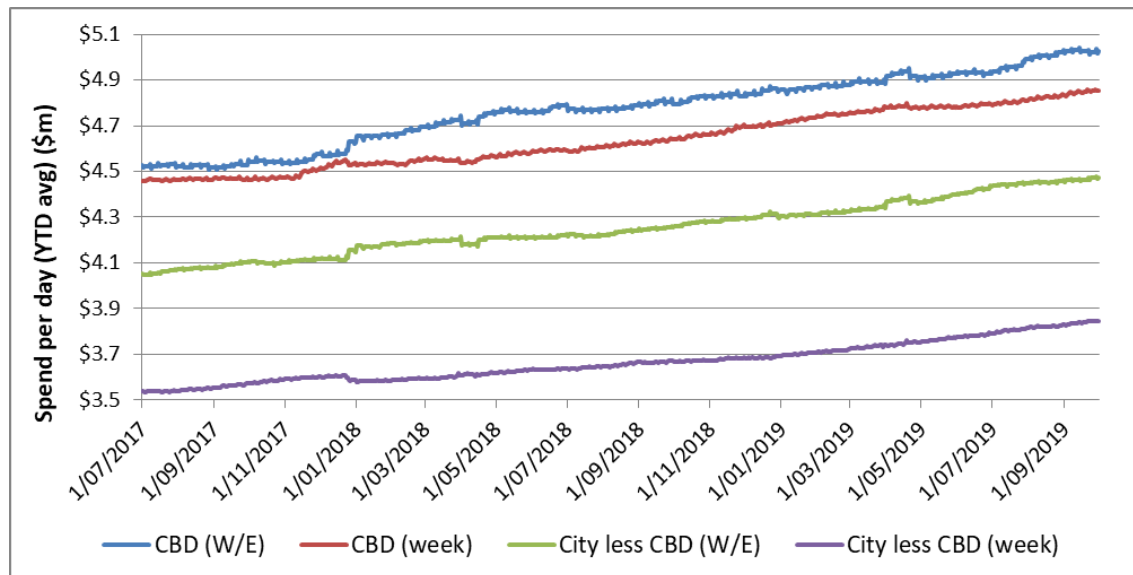
Wellington City Retail Sales Summary

September 2019 Quarter

1. Overview

Merchant's perspective:

Wellington City merchant average daily consumer spend (year to date)



Consistent growth in consumer spend has occurred in the CBD and the rest of the City on both weekdays and weekends. Weekend CBD growth has continued despite parking charges introduced in Nov 2018.

Merchants in Wellington City recorded electronic card retail spend of \$3.22 billion in the year to September 2019, up by 3.7% (\$115.3m) over the same period a year ago. Retail sales increased 4.5% in the Wellington region (incl Wellington City) and 3.6% in all of New Zealand over the same period.

The 3.7% growth in city spend was driven largely by more people eating out and an increase in spending on automotive (i.e. the increasing cost of fuel). Seven out of the eight merchant categories had higher levels of sales with hospitality recording the largest dollar increase of \$49.8m in the year to September 2019. Other categories to increase were accommodation, fashion and discretionary.

Wellington residents contributed 63% of all spending in Wellington based merchants, while 15% originated from visitors from Wellington region, 15% from the rest of NZ, and around 5% from international visitors.

Retail spending at merchants in the Wellington CBD totalled \$1.77 billion in the year to March 2019, up 3.5% (\$60.6m) when compared to the previous year, with a 16.3% (\$34.5m) increase in the CBD Thorndon-Tinakori Road precinct. Spending in the rest of the city totalled \$1.45 billion, up 3.9% on the previous year.

Wellington City resident's perspective:

Wellington City residents spent \$3.3 billion in the year to September 2019 covering physical and online spending, which increased 3.0% (\$94.2m) over the same period last year. Of the total spend 29% (\$941m) was spent in the CBD, 33% (\$1bn) was spent in city (excluding CBD), 14% (\$470m) was spent in the wider region, 12% (\$404m) was spent out of the region and 11% (\$364m) was spent online. Within the Wellington region the largest increase in spend occurred in Lower Hutt which was 6.0% (\$12.7m) higher than the same period last year.

Note: All data in this report is sourced from the WCC Retail Sales and Analysis tool. The reporting tool is updated with monthly data from Marketview which excludes cash transactions estimated to be between 5% and 20% of total electronic card transactions.

Quarter spotlight (cruise ship trade):

The cruise ship trade is examined this quarter where Statistics NZ record \$59m spent in the Wellington region during 2018/2019 season up 28% from the same period a year earlier. We consider the international background as a basis for predicting future trends for Wellington.

2. Merchant retail sales summary

Wellington City merchant retail sales for the year to September 2019

Location	Annual (\$m)		Change (\$m)	% Change
	Year to Sep-19	Year to Sep-18		
CBD	1,770.6	1,710.0	60.6	3.5%
Rest of City	1,456.0	1,401.2	54.8	3.9%
Total Wellington City	3,226.6	3,111.2	115.4	3.7%

Physical card transactions in Wellington City increased by 3.7% (\$115.4m) in the year to September 2019 when compared to the same 12 month period a year ago. Spending growth in the 'Rest of the City' was higher than the CBD, up 3.9% (\$54.8m) when compared to the previous year.

Wellington region and national merchant retail sales for the year

Location	Annual (\$m)		Change (\$m)	% Change
	Year to Sep-19	Year to Sep-18		
Carterton District	58.9	57.1	1.8	3.1%
Kapiti Coast District	637.7	610.1	27.6	4.5%
Lower Hutt City	1,461.4	1,404.3	57.1	4.1%
Masterton District	391.5	368.1	23.3	6.3%
Porirua City	707.9	664.4	43.5	6.6%
South Wairarapa District	126.8	116.4	10.4	8.9%
Upper Hutt City	410.6	385.5	25.0	6.5%
Wellington City	3,226.5	3,111.2	115.3	3.7%
Total Wellington Region	7,021.2	6,717.1	304.2	4.5%
Total National	65,311.0	63,065.2	2,245.8	3.6%

Physical purchases of goods using electronic card transactions in the Wellington Region (including Wellington City) increased by 4.5% in the year to September 2019 when compared to the same 12 month period a year ago. Strong growth in retail sales continued in the South Wairarapa District, Lower Hutt City and Porirua City territorial authorities.

3. Merchant retail sales by spend category

Wellington City merchant retail sales by category

Spend category	Annual (\$m)		Change (\$m)	% Change
	Year to Sep-19	Year to Sep-18		
Hospitality	690.1	640.3	49.8	7.8%
Automotive	312.0	288.9	23.1	8.0%
Discretionary	305.1	294.0	11.1	3.8%
Food and Liquor	945.7	932.9	12.8	1.4%
Durables	246.2	254.3	-8.1	-3.2%
Accommodation	195.2	185.5	9.7	5.2%
Other	226.9	224.2	2.7	1.2%
Fashion	305.3	291.1	14.2	4.9%
Total	3,226.5	3,111.2	115.3	3.7%

Categories are:

Automotive: Mainly fuel, but also includes parts, tyres, automotive electrical, repair and maintenance

Hospitality: includes cafes, restaurants, takeaways, pubs, catering and clubs.

Spending on automotive has the highest increase at 8% (\$23.1m) compared to last year, while spending on hospitality also had strong gains at 7.8% (\$51.9m).

4. Merchant Wellington CBD retail sales summary

Total merchant retail sales by CBD precinct for the year

CBD precinct area	Annual (\$m)		Change (\$m)	% Change	% of total
	Year to Sep-19	Year to Sep-18			
Willis St-Cambridge Terrace	818.3	799.3	19.0	2.4%	46%
Thorndon-Tinakori Road	245.9	211.4	34.5	16.3%	14%
Lambton	705.1	698.3	6.8	1.0%	40%
Wellington City-Marinas	1.3	1.1	0.3	25.1%	0%
Total	1,770.6	1,710.0	60.5	3.5%	

Physical card transactions in the Wellington CBD represented about 55% of card spending in the city during the 12 months to September 2019. The largest contributor in the CBD was the Willis St-Cambridge Terrace precinct with \$818m or 42% of card retail sales in the Wellington City CBD, up 2.4% YTD.

5. Wellington City resident location of physical spend

Wellington City residents spent \$3.3 billion on retail purchases in the year ending September 2019, which increased by 3.0% (\$94.2m) compared to the same period a year ago. Spend increased by 5.6% (\$50.1m) in the CBD and decreased by 3.9% (-\$16.5m) in the rest of New Zealand.

Wellington City residents' retail spend (physical and online)

Spending category	Year to Sep-19	Year to Sep-18	Change (\$m)	% Change	% of total
CBD	941.7	891.6	50.1	5.6%	29%
Rest of City	1092.4	1048.8	43.6	4.2%	33%
Wellington region	470.2	453.5	16.7	3.7%	14%
Rest of New Zealand	404.2	420.6	-16.5	-3.9%	12%
Online spend	363.6	363.3	0.3	0.1%	11%
Total spend	3,272.0	3,177.8	94.2	3.0%	100.0%

Wellington City residents undertook 30.0% of their physical spending outside of the city in the year to September 2019. Spend in Wellington City was up 4.8% (\$93.7m) while spend in Lower Hutt was up 6.0% (\$12.7m).

Wellington City residents' physical spending in and outside Wellington City

Merchant location	Annual (\$m)		Change (\$m)	% Change
	Year to Sep-19	Year to Sep-18		
Wellington City	2034.0	1940.4	93.7	4.8%
Lower Hutt	222.8	210.2	12.7	6.0%
Porirua	164.3	159.9	4.4	2.7%
Kapiti	40.1	40.0	0.1	0.3%
Upper Hutt	15.9	15.7	0.3	1.7%
Wairarapa Territorial Authorities*	27.1	27.8	-0.8	-2.7%
Region spend outside Wellington City	470.2	453.5	16.7	3.7%
Spend in Rest of NZ	404.2	420.6	-16.5	-3.9%
Total spend outside the city	874.4	874.1	0.2	0.0%

* Masterton, Carterton and South Wairarapa

Local and non-local spending at Wellington City merchants

Customer origin	Annual (\$m)		Change (\$m)	% Change
	Year to Sep-19	Year to Sep-18		
Local resident spend	2,034.1	1,940.4	93.7	4.8%
Non-local residents				
Rest of Wellington region	486.3	467.7	18.6	4.0%
Rest of New Zealand	554.2	572.6	-18.4	-3.2%
International	152.0	130.5	21.5	16.5%
Total non-local spend	1,192.5	1,170.8	21.7	1.9%
Total spend	3,226.6	3,111.2	115.4	3.7%

6. Wellington City resident online spending

Online spending by Wellington City residents was \$363.6m online in the year to September 2019, which was 11.1% of total retail spend and grew by 0.1% (\$0.3m) from the same period last year.

Comparison of online spending to total retail sales by Wellington City residents

Category	Annual (\$m)		Change (\$m)	% Change
	Year to Sep-19	Year to Sep-18		
Total online sales	363.6	363.3	0.3	0.1%
Total physical sales	2,908.4	2,814.5	93.9	3.3%
Total retail sales	3,272.0	3,177.8	94.2	3.0%
Online sales as a percentage of total retail sales	11.1%	11.4%	-0.3%	

Spending at NZ online stores was \$129.9m which was 36% of total online spend and grew by 2.2% (\$2.8m) in the year to September 2019.

Wellington City residents' online spending

Spend category	Annual (\$m)		Change (\$m)	% Change	% of total
	Year to Sep-19	Year to Sep-18			
NZ online	129.9	127.1	2.8	2.2%	36%
International online	233.7	236.2	-2.5	-1.0%	64%
Total Online	363.6	363.3	0.3	0.1%	

Note: missing online data for the last quarter required data to be adjusted consistent with trends in physical spend for the most recent quarter.

7. Quarter Spotlight: Cruise Ship trade

The cruise ship trade into Wellington is growing. Ten years ago a 2000-pax ship visiting Wellington was a large ship. Now we're welcoming RCCL's Ovation of the Seas carrying 5000 pax plus crew, and the line is looking at deploying it's largest Oasis class ships to New Zealand which carries 6300 at capacity plus 2000 crew. Wellington has been voted in the top five Australasian ports for CruiseCritic's members for the last two years, so it's fair to say that passengers are enjoying their Wellington experiences.

Statistics NZ report the following (12 months ending June 2019):

- \$59m spend (28% growth from the same period in 2018), which should be considered in the context of the \$2.7bn total visitor spend in the Wellington Region.
- 222,448 passenger arrivals (37% growth from the same period in 2018).
- \$265 spend per passenger (on average).

WellingtonNZ is the lead agency that represents WCC's and GWRC's interest in this trade who are taking steps to improve the customer experience and better manage the impact on residents.

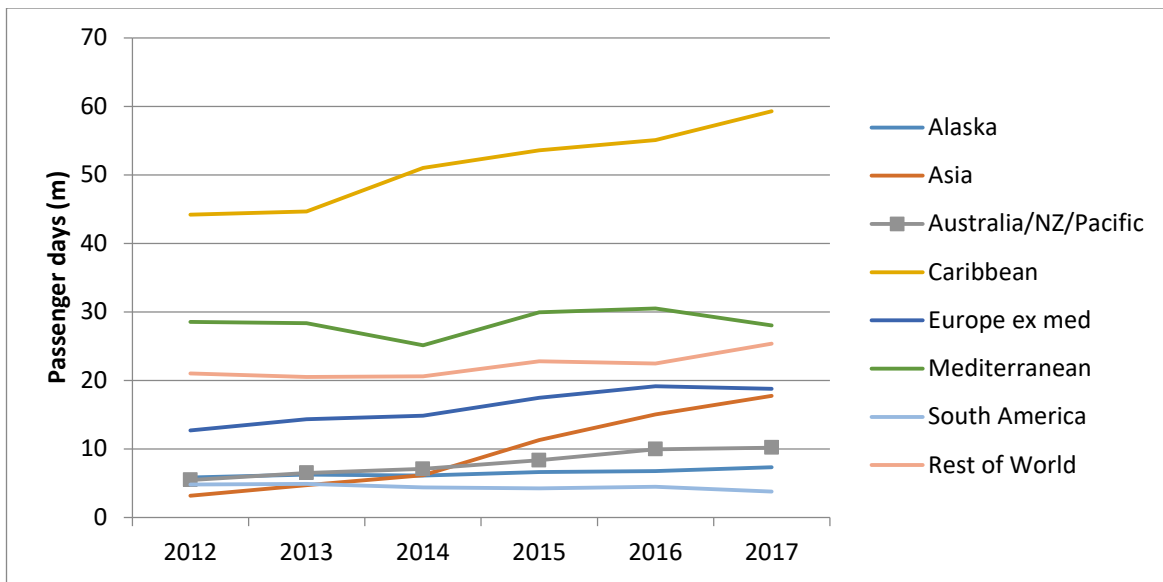
On the global scale, Industry observers tell us that the international cruising market is in good heart. Some general observations of the international market are¹:

1. Customer satisfaction
Customer experience ratings are consistently high leading to high levels of repeat business.
2. What customers want
Value for money is said to be a prime driver. Analysis of entry level offerings on the Ovation of the Seas (the dominant ship serving Wellington) indicates a cost of NZ\$207/day (per person), which is arguably competitive with the equivalent quality of food and hotel for a land based holiday.
3. Sector growth
6%/annum CAGR since 2012 with 30m passengers serviced in 2018. Growth exceeds land based tourism.
4. Capacity utilisation
100%+ occupancy on most ships which is achieved with a strong value proposition, but also by using incentives and last minute deals.
5. Discounting
Discounting has been subdued in recent years as demand matches/exceeds capacity and prices are rising.
6. Profitability
New entrants are entering the market and companies are investing in new vessels in response to strong demand. Carnival Corporation (controls 50% of the market with 104 ships) reported close to an 8% return on fixed assets in 2018. However cruising is a high fixed cost industry with assets typically lasting 25 years
7. Business stability
Ship-yards currently have a \$70bn backlog, with delivery spread over 10 years due to construction capacity constraints. This constraint nominally reduces the risk of a crash caused by over-supply which caused business failures after the Global Financial Crisis.
8. China and Asia
China represents an immense opportunity but it is also immature and has been subject to regulatory pressure that has caused volatility in recent years.

The Caribbean and Mediterranean dominate this trade, but there has been strong growth in the Asian market, and to a lesser extent the Australasian market which is providing new opportunities. The total market has grown at a CAGR of 6% from 2012 to 2017 and has continued that trend into 2019 (not shown)²:

¹ Sourced from Carnival's Corporation's 2018 annual report and a Forbes interview with the President of Vacations to Go at <https://www.forbes.com/sites/joemicallef/2018/09/01/the-cruise-industrys-boom-is-primed-to-continue/#258a15832d89>

² Data extracted from the Global Economic Contribution of Cruise Tourism in 2017 commissioned by Cruise Lines International Association (CLIA)



These observations suggest that the Australasia could expect to see a reasonable share of the expected growth, since the Australasian market represents an opportunity in its own right but also presents off-season opportunities for ships serving other markets in the Pacific.

The implications of these findings is the cruise trade is likely to grow strongly and will put further pressure on infrastructure such as port facilities and parking for buses to name a few.

In addition, pollutants and emissions from cruise ships is an issue to be considered. On the pollutant side there is international pressure from customers and destinations for the cruise ship trade to better manage its footprint. There is work being done in the industry, and as an example, by January 2020 the IMO MARPOL Annex Vi regulations will mandate use of 0.5% sulphur fuel oil and lead to a reduction in sulphur emissions. It is also noted that all visitors incur emissions, whether they visit by plane/land or by sea. Initial analysis suggests that emissions from visitors coming via plane and staying on land are of a similar order to those visiting by cruise ship.