Pōneke Pulse

An economic pulse check for Wellington businesses from Wellington City Council

Issued for week starting 25 July 2022

Image: Parrot Dog, Lyall Bay

Spotlight for this Report: City suburban centres

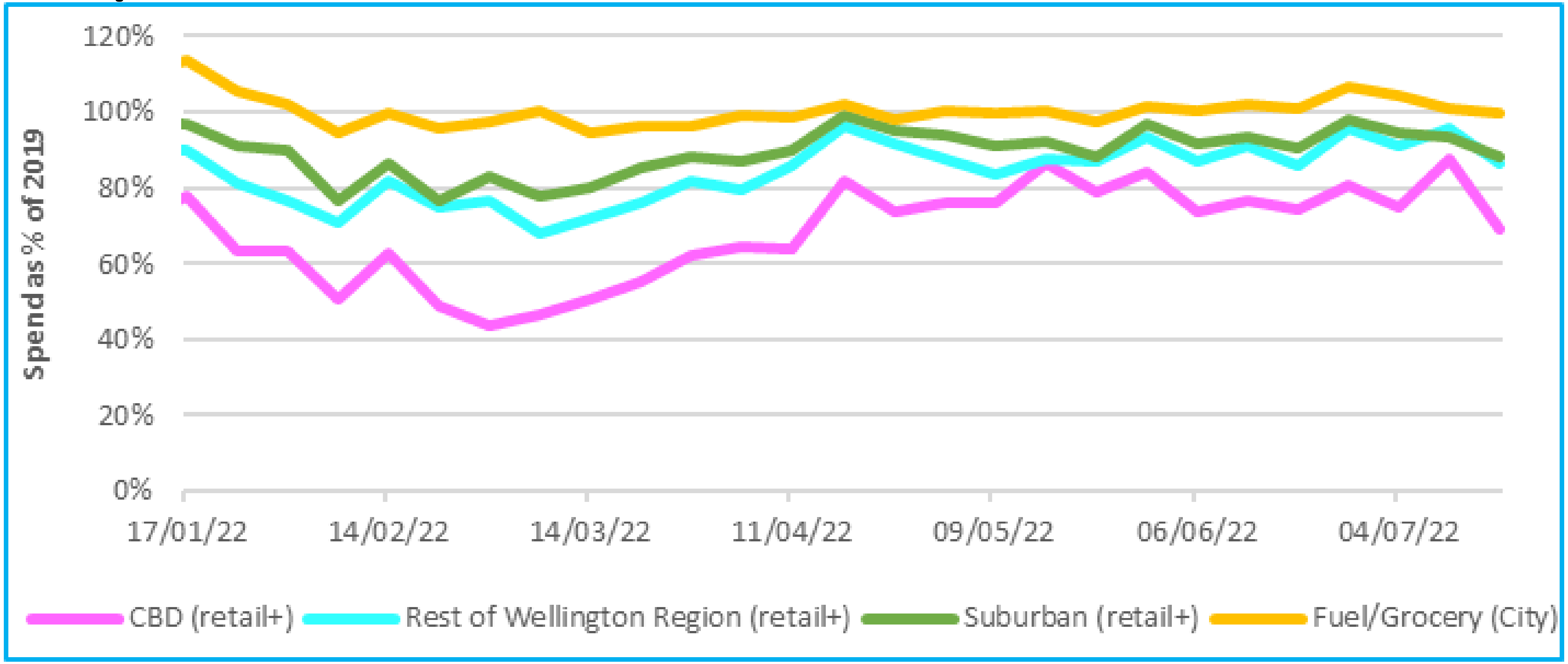
Suburban centres

- Retail and hospitality spend is returning to 2019 levels
  - Similar in Porirua and Hutt
- Strong growth in Home and Hardware

CBD

- Retail/hospitality+ spend (excludes grocery/fuel) down on 2019 but stable
- WfH: Reflects international experience
  - Longer commutes correlated with lower occupation of office space
  - In large US/European cities fall in office occupancy is 50%+ of pre-Pandemic

Spend: Suburbs rebounded, CBD stable

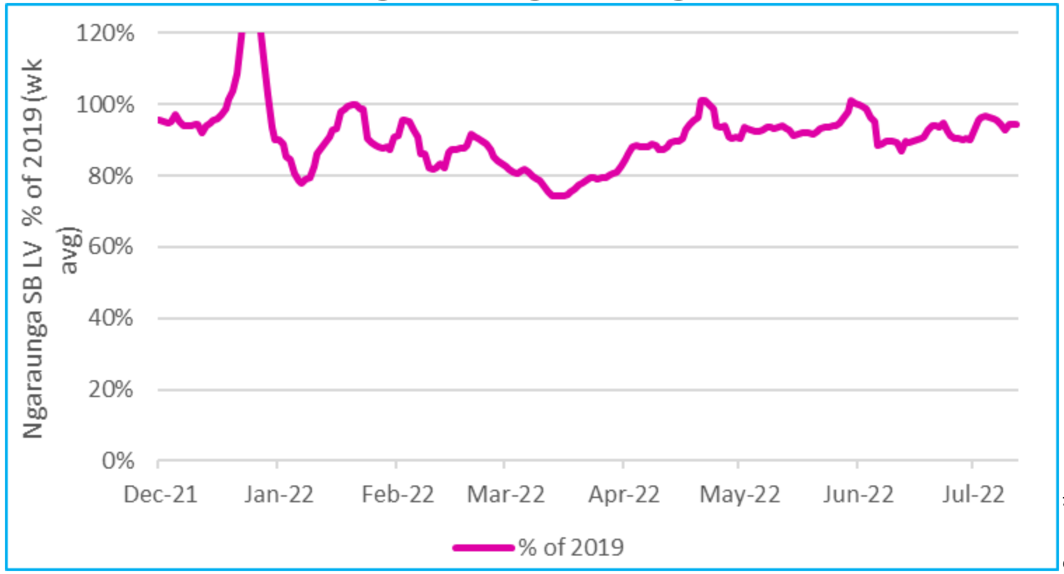


Source: AMarketView

- Suburbs, Rest of Wellington (Porirua/Hutt) almost 'back to 2019'
- CBD retail + hospitality spend:
  - Steady despite Winter illnesses (Flu and COVID-19)

CBD health: new commuting pattern

Car counts at Ngauranga Gorge



Source: Airways

Bus loadings

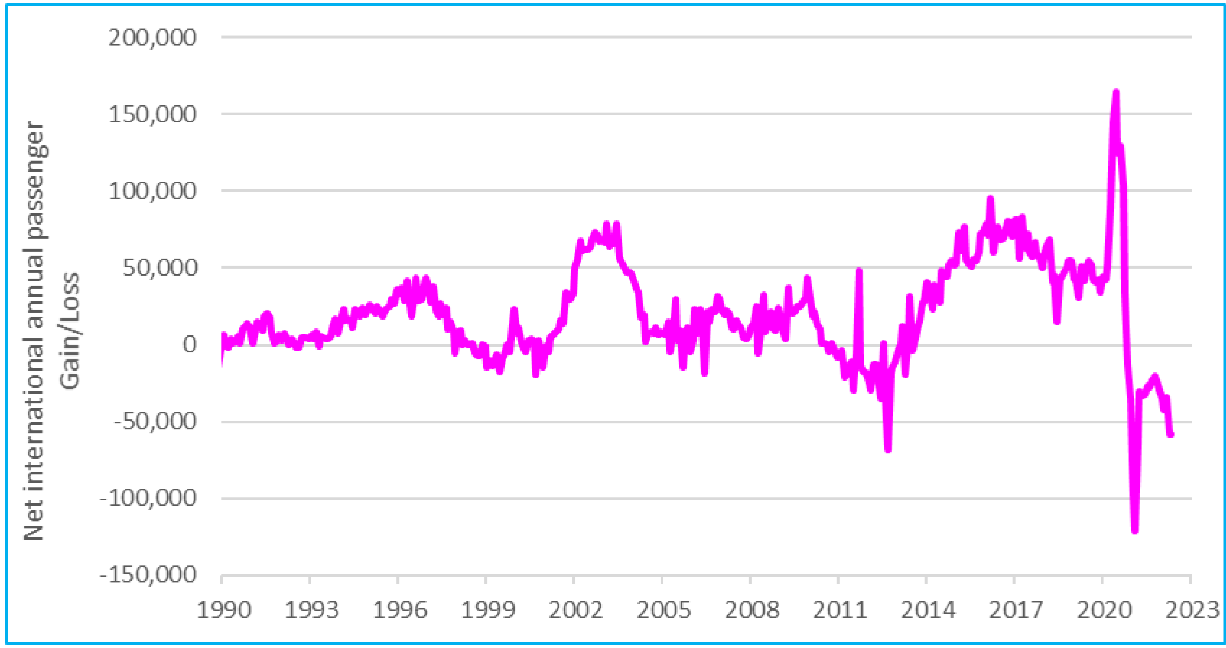
Source: GW

- Cars
  - 95% of 2019
- Buses
  - Stable(ish) at 70%-80% of 2019
  - 50% fare reductions, BUT travellers have other priorities:
    - WfH convenient, fits in with family better and - at times - more productive
    - Health risk still a factor (influenza now a concern)

City health: ‘brain drain’ updated (net passenger flow)

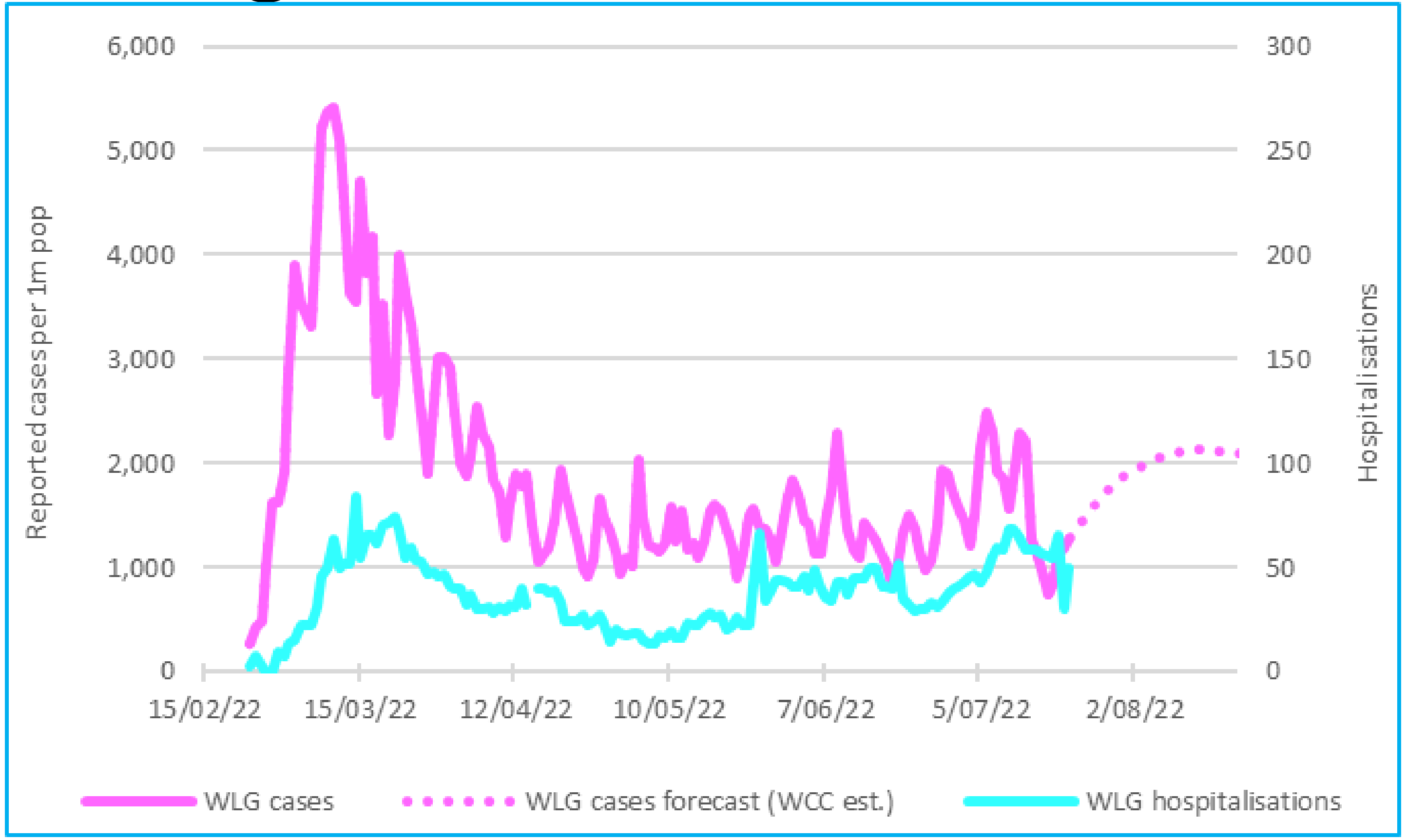
- 60,000 net loss per annum for New Zealand
  - Expected to impact Auckland the most
  - Wellington ICT sector plus others being impacted
  - Pent-up OE (40k est. p.a.) expected to subside
  - Little offsetting migration and COVID-19 gain is unwinding as ex-pats, backpackers and students leave

- Implications for economy of worker loss
  - Housing more affordable (rents + house prices fall)
  - Economy contracts as output falls and wages rise
  - If AUS economy continues to strengthen relative to NZ and migration slow to recover, there is risk of long-term loss
  - Net impact uncertain as migration drives both inflation and deflation



Source StatsNZ
NOTE: this is not an orthodox statistic measuring long-term migration. Rather it is the net sum of passenger flows IN and OUT of the country. It is intended to remove short-term visitors but includes those staying > 6-12months who put pressure on housing and infrastructure.

Wellington COVID-19: Winter blues



Source: MoH,+ WCC forecast

- Infections are persistently high
  - Load on hospitals as high as ever been
  - Driven by close quarter living and maybe waning immunity
  - 30% of COVID-19 cases are reinfections
  - Influenza+ infections aggravate health load

Spotlight on: Suburban centres

Source: Archaus (Andy Spain) Lyall Bay surf club, WellingtonNZ

Source: Neighbourly in Newtown

Source: Athfield architects for Johnsonville library

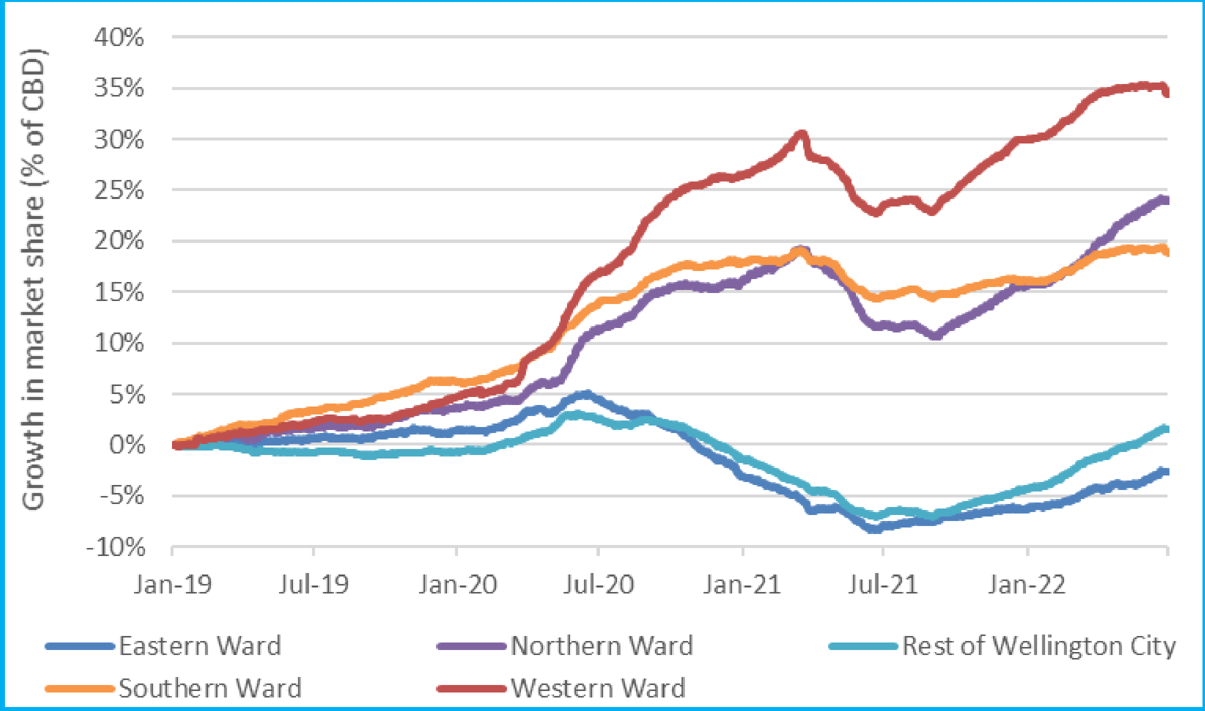
The Beijing, Newtown

Thorndon Farmers Market

Goods, Tinakori Road

Spotlight on: Suburban centre Retail/Hospo spend

- Going Suburban
  - Suburbs are gaining market share from CBD, up from 42% to 45%
- Big winners
  - Western Ward is an outstanding winner and is up 35%
  - Northern and to some extent Southern, follow
- Home and Hardware
  - Significantly up, consistent with the building boom, but not included in graph

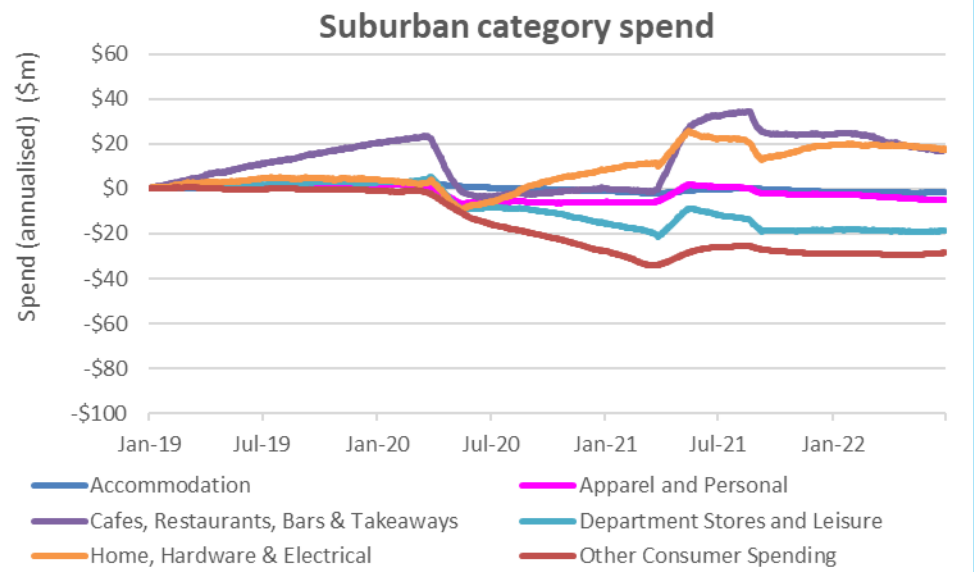


Source: MarketView

Eastern Ward: Kilbirnie, Miramar; Northern Ward; Tawa + Johnsonville; Southern Ward: Island Bay, Newtown; Western: Karori, Khandallah, Kaiwharawhara; Rest of Wellington: City address (i.e. PO Box) but location not specific

Spotlight on: Suburban centre
Spend changes by category since 2019

- Suburban spend back up to 2019 levels
  - Home and Hardware gains dominate
    - Households spend travel budget on improving the home work and life space
    - Embedding WfH capacity?
  - Hospitality strong – but staff shortages and inflation having an impact across the city



Spotlight on: Suburban centres … implications

- CBD investment
  - ‘Curated’ change in CBD to grow liveability/workability
  - Investment in CBD infrastructure; public transport and pedestrian access
  - Promotion for events and tourism

- Working from Home (WfH)
  - 20%+ move away from CBD consistent with overseas experience
  - London and most large US cities are observing much more significant declines in CBD occupancy, but their commute experience is longer
  - Big upgrades to Home work and life spaces
    - Strengthens WfH capacity and makes it more attractive
  - Commercial interest in malls in suburban centres grows