

Intelligent Investment

Large Format Retail New Zealand

REPORT

Insights

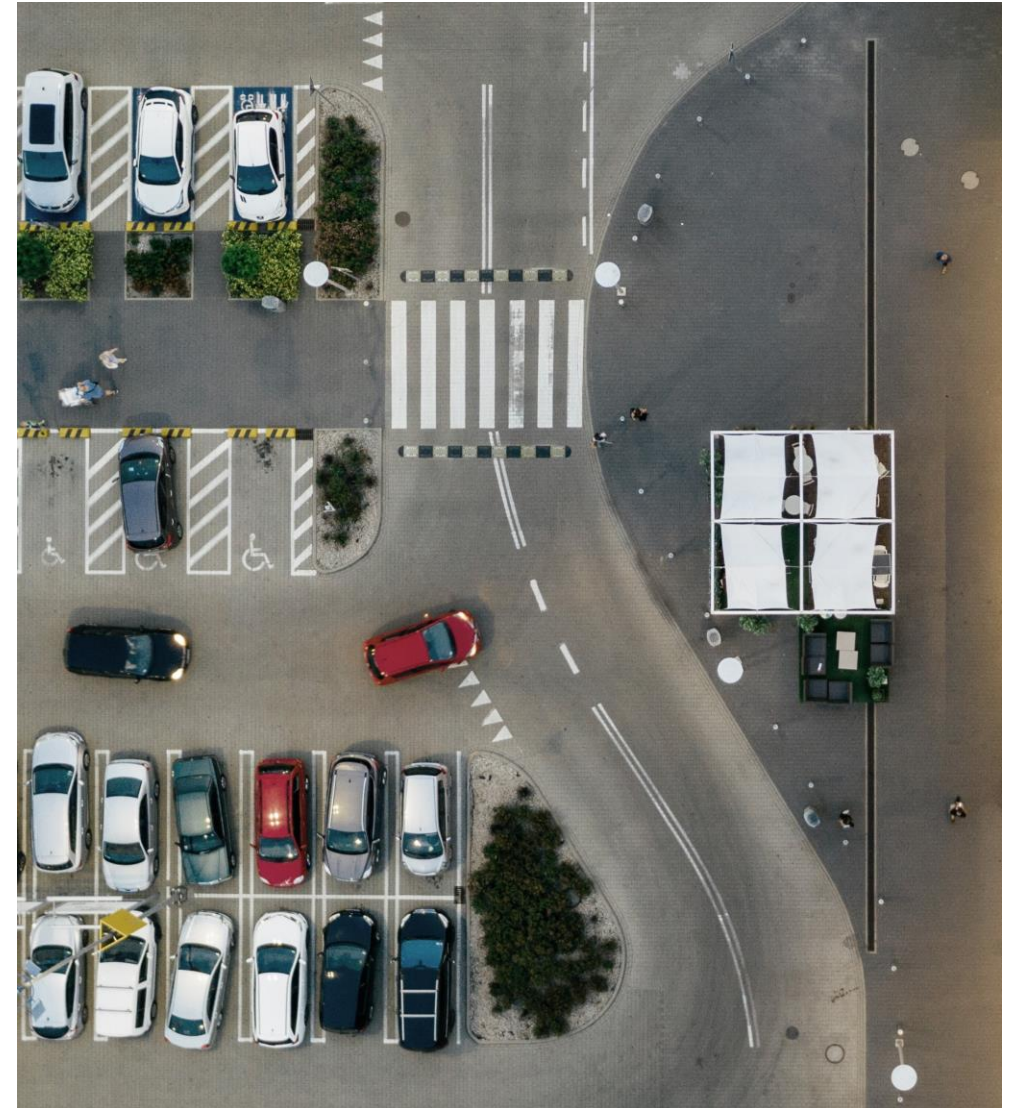
CBRE RESEARCH
FEBRUARY 2024

CBRE



Key themes

- 01** Population as a key driver to sales & income growth
- 02** Occupiers' sales growth
- 03** Large Format Retail locations in New Zealand
- 04** Investment transactions



01

Population as a Key Driver to Sales & Income Growth

Net New Zealand immigration reaches historic peaks

2023 saw two annual records for immigration into New Zealand by non-New Zealand citizens.

- 219,200 migrant arrivals (for the year to October) , exceeding the previous record, which was 138,300 in the March 2020 year.
- a net migration gain of 173,400, exceeding the previous record, which was 80,400.

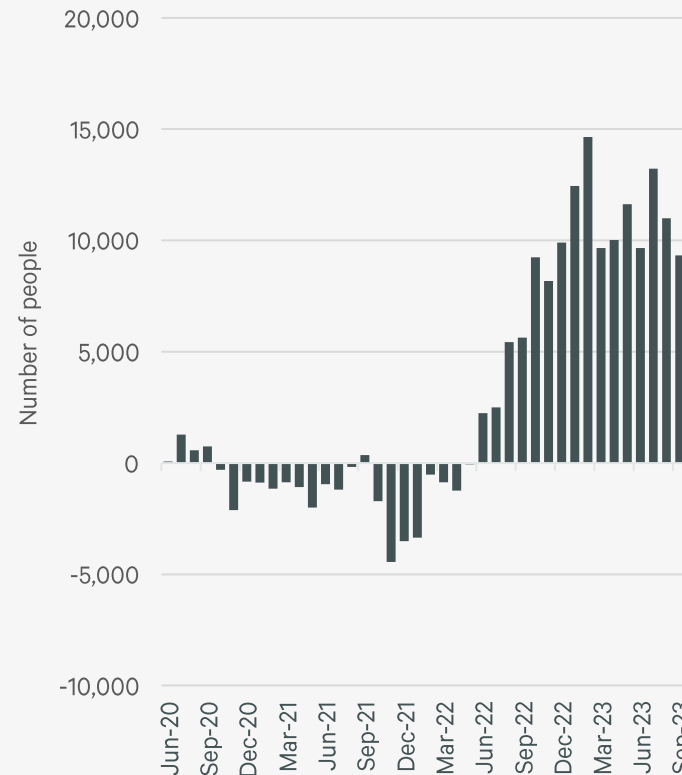
Combined with an outflow of 44,500 New Zealand citizens the overall net population gain from migration was 128,900 people, a 2.5% increase of the country’s population in the past year.

Between 2018 and 2020, population growth was tracking above Statistics New Zealand’s high growth scenario. Even with the impact of Covid on migration, growth currently tracks above the medium growth projection scenario.

If future population growth only tracks at Statistics New Zealand’s medium projected growth rate, which is well below recent trends, we will see an extra 210,000 people by 2028. If growth eventuates at their high growth scenario (still below last year’s growth), population will lift by about 520,000 people during the five-year period from 2024 to 2028.

Figure 1: New Zealand Migration and Population Growth

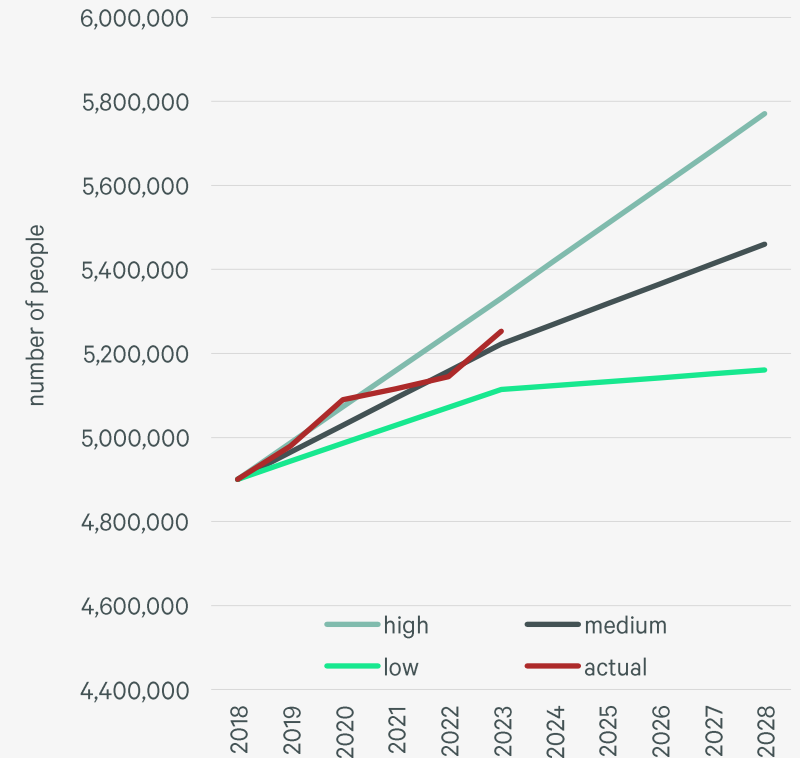
Monthly Net International Migration



Source: Stats NZ, CBRE Research

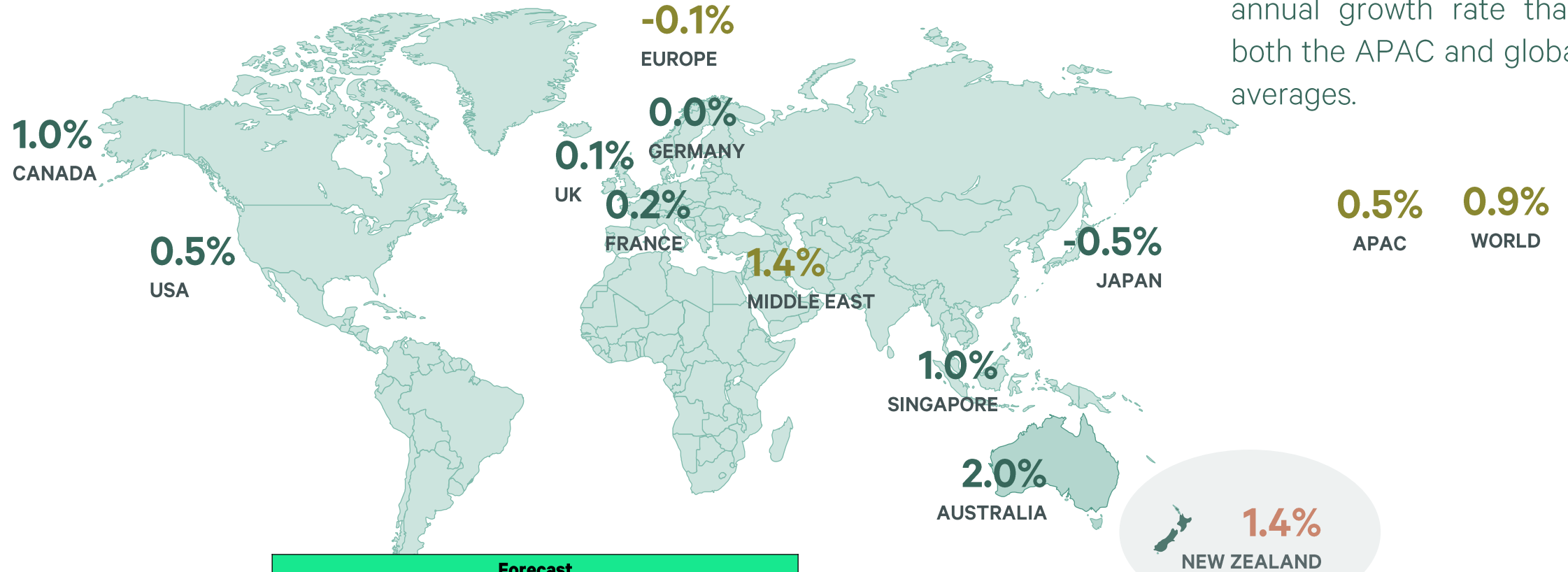
Figure 2: New Zealand Migration and Population Growth

Population Projections 2018-2028 vs Actual



Global comparison

Figure 3: Population forecast annual growth rate 2022-32



New Zealand’s population will grow at a higher annual growth rate than both the APAC and global averages.

| | Forecast | | | | | | |
|-----------------------|----------|--------|--------|--------|--------|--------|--------|
| (%) | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| GDP growth (q-o-q) | -0.3 | 0.0 | 0.1 | 0.5 | 0.5 | 0.5 | 0.6 |
| Unemployment rate | 3.9 | 4.2 | 4.6 | 4.9 | 5.0 | 5.1 | 5.1 |
| Annual inflation rate | 5.6 | 5.0 | 4.3 | 3.7 | 2.9 | 2.5 | 2.4 |

Source: Statistics NZ, RBNZ

Catchment areas of key cities in both the North and South Island will experience positive population growth in the next years, a positive driver for LFR sales growth

Between 2018 (the last official census figure) and 2028, the catchment areas of the main cities in the North Island will experience an average population growth of 11%. The catchment areas that will experience the highest growth are the ones that pertain to Auckland (20.4%), Tauranga (15.9%), Hamilton (14.1%), Whangārei (10.7%) and New Plymouth (10.7%).

Also, during the period 2018-2028, the catchment areas of the main cities located in the South Island are predicted to witness an average population growth of 12%. The catchment areas that will experience the highest growth are the ones related to Queenstown (25.7%) and Christchurch (11.5%).

Figure 4: North Island cities' catchment areas population forecast

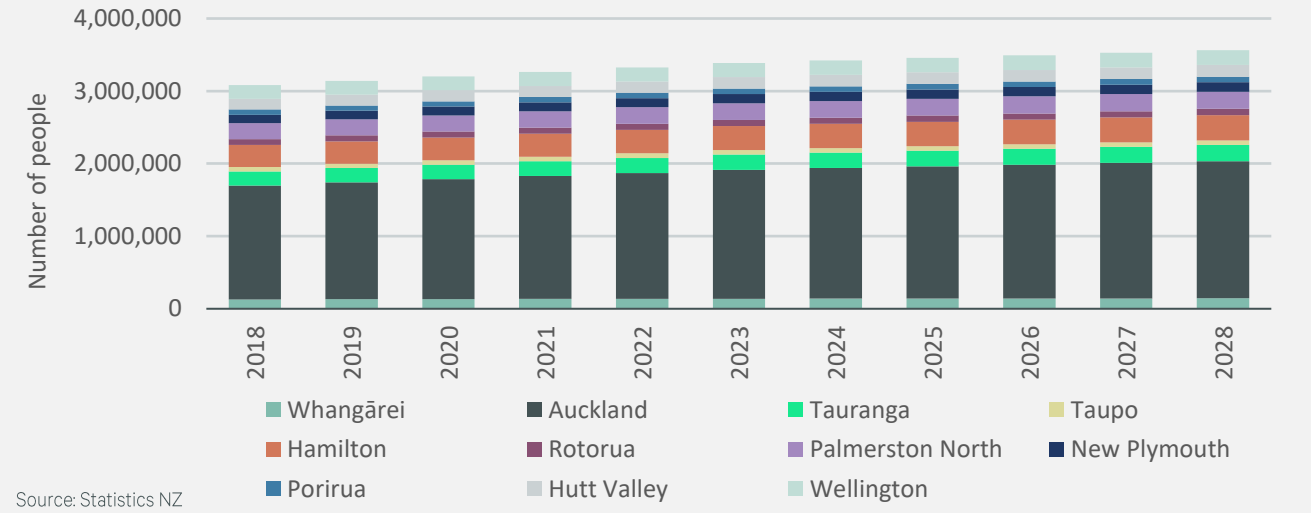
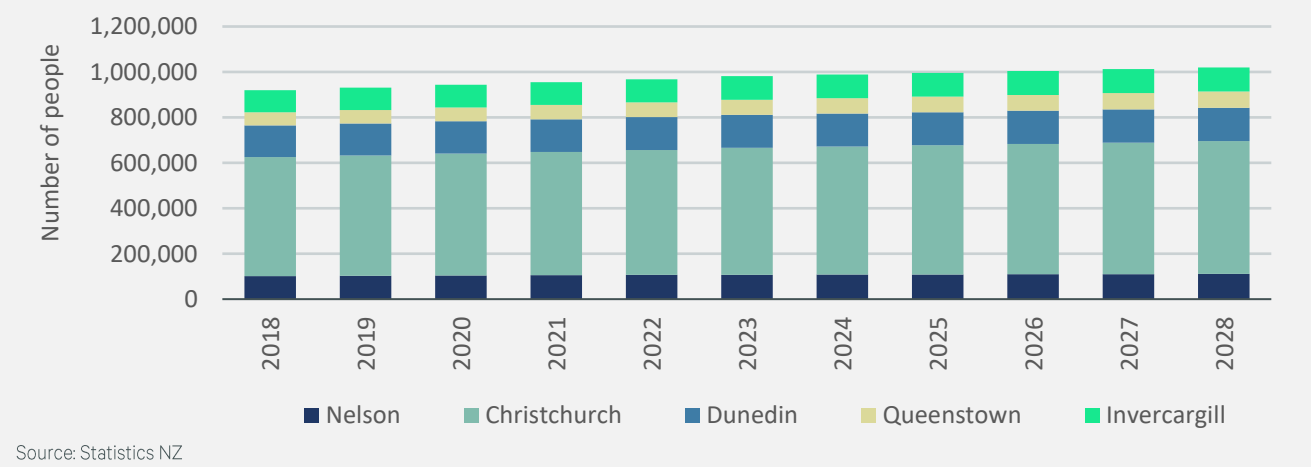


Figure 5: South Island cities' catchment areas population forecast



02

Occupiers' Sales Growth

Consumer preference

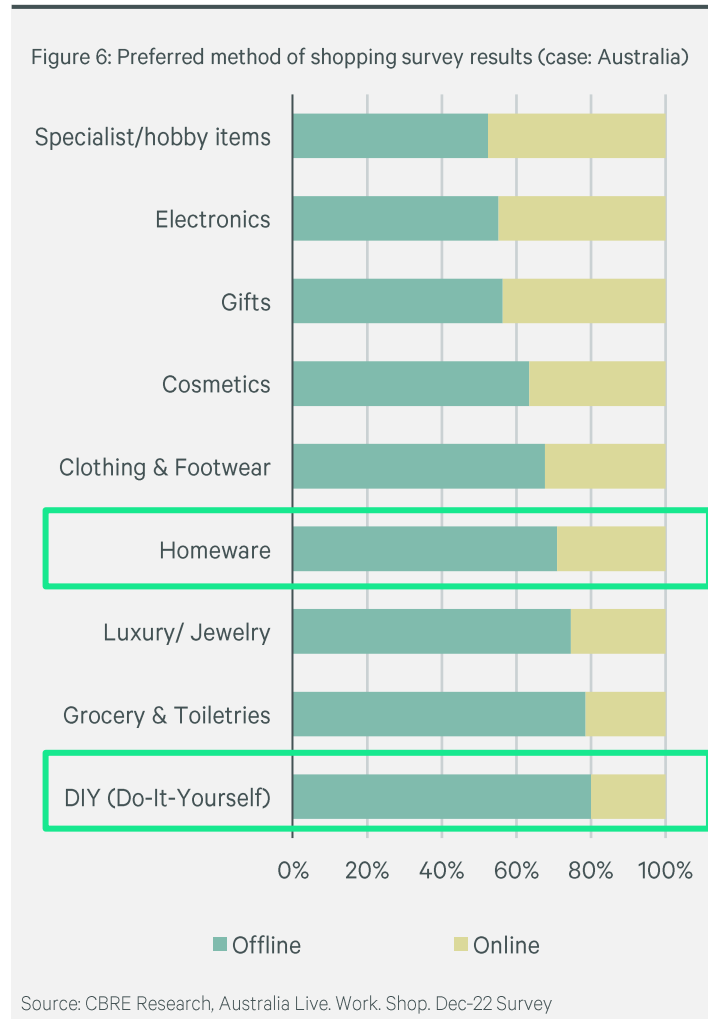
CBRE Research polled more than 20,000 people worldwide from Gen Z to Baby Boomers in December 2022 to understand how they will live, work and shop in the future, and how this will impact the real estate they use. Included in the survey were around 9,000 respondents from Asia Pacific, of which 1006 respondents were Australian. A significant portion of consumers (80%) would rather shop ‘offline’ (in store) for DIY products, which validates the requirement for physical LFR stores. This was also the case for homeware shopping with 71% of participants preferring to shop in store for goods such as electrical, furniture and white goods.

Wage Growth

The Reserve Bank of New Zealand (RBNZ) forecast seasonally adjusted wage growth to hit 3.8% (y-o-y) in Q4 2023. Also, for Q4 2024 it predicts wage growth to sit at 3.5%. It reached its peak between Q4 2022-Q2 2023, a period in which wage growth sat around 4.3%-4.5%. Overall, this indicates real wage growth will, as it has done historically, lead to an increase in discretionary spending and household goods. LFR sales are correlated to wage and population growth due to the potential increase in discretionary spending for household goods.

Consumer Confidence

Consumer confidence in New Zealand is improving. In the last quarters, consumer confidence sat at historically low levels due to a high cost of living and a high interest rate environment. However, in Q4 2023 consumer confidence started to bounce back across all regions in New Zealand. This can be attributed to a rise in the number of New Zealanders who expect their economic conditions to improve in the next year. Also, based on the last consumer confidence survey conducted, more households have witnessed an improvement in their finances.



58%

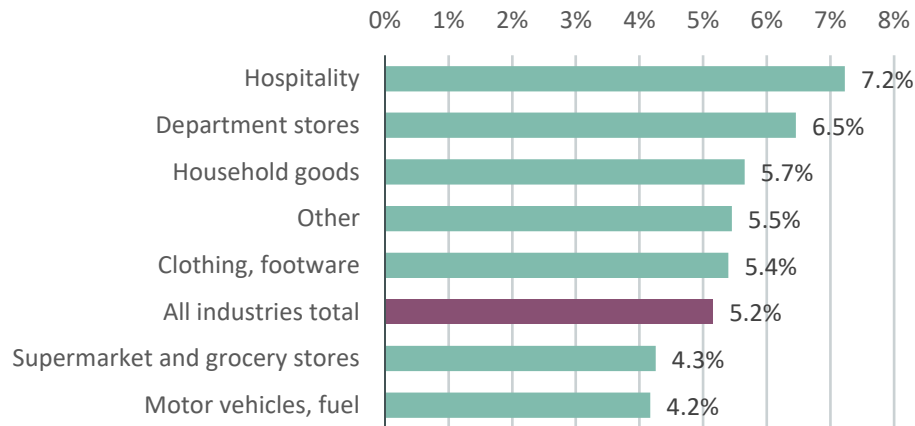
Of retail survey respondents agreed to “I like to see a product in store before I order online.”

Occupier Performance & Stability

In the year ended September 2023, retail sales grew by 3.5% compared to the previous period, reaching around \$121 billion. It is important to note that this happened during a period of subdued economic growth and high cost of living.

When broken down by category, hospitality and department stores registered the highest growth rates during this period, by 16.5% and 14.8%, which are linked mostly to discretionary spending. Also, these two categories are the ones that, on average, performed better in the last decade in terms of retail spend.

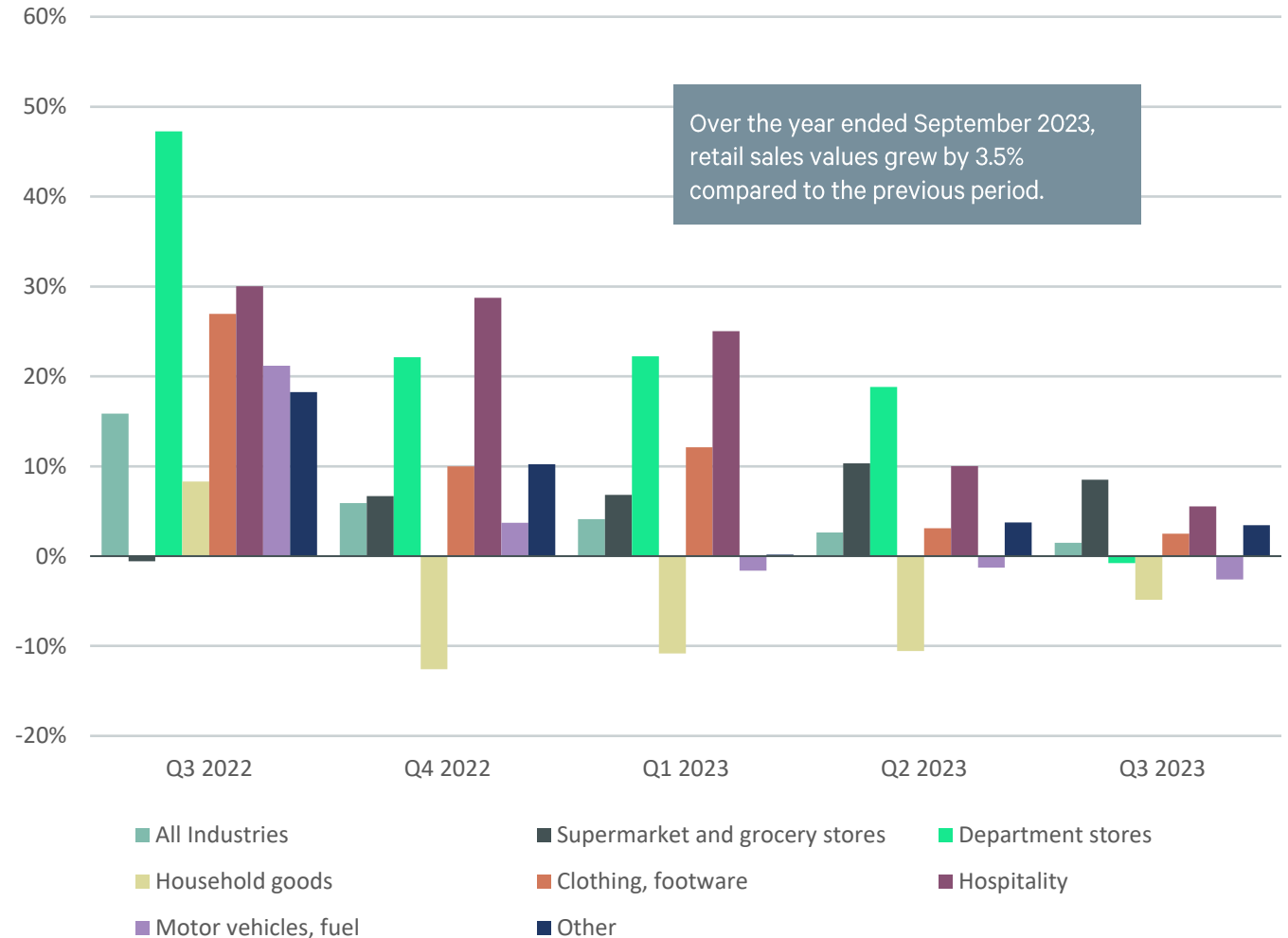
Figure 7: Retail spend by category, 10-year annual average growth rate (2013-2023)



NZ\$121.3 billion

Retail spend over the 12 months to Q3 2023

Figure 8: New Zealand retail trade (sales values) by category (seasonally adjusted, y-o-y growth)



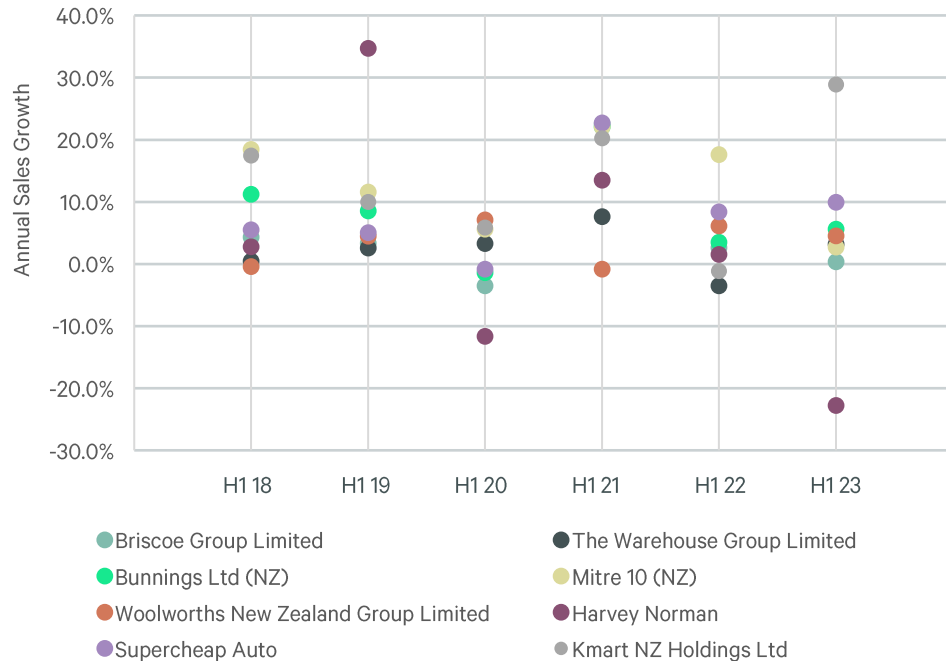
Source: Statistics NZ, CBRE Research

Occupier Sales Growth

LFR occupiers have had a robust performance since 2017. Between H1 2017 and H1 2023, New Zealand's 8 major LFR companies recorded a 32% sales growth. Some outperformers during this period were Kmart and Mitre 10, which registered sales growth rates of 110% and 106%, respectively.

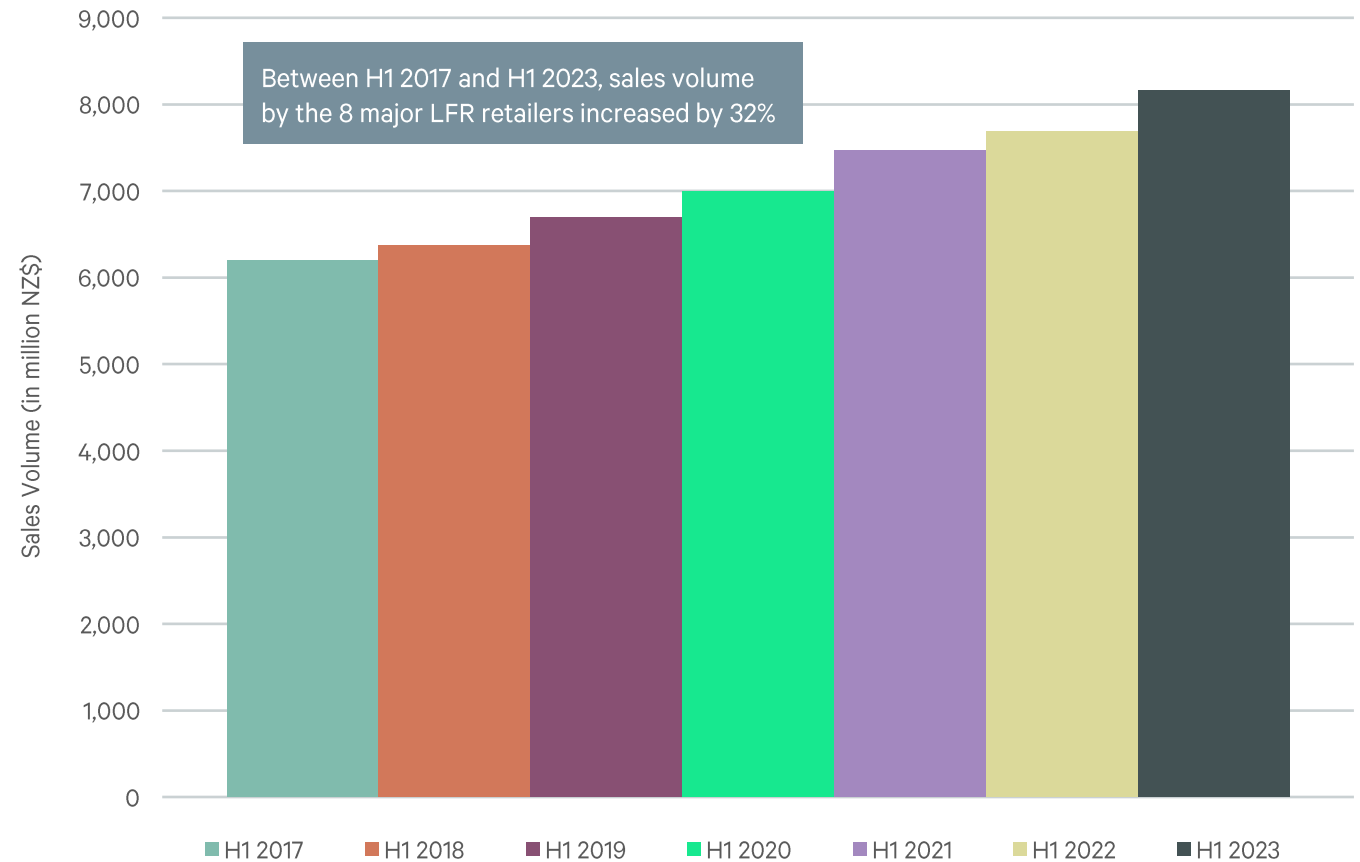
Also, in terms of sales volume, the average annual growth rate for the 8 major LFR companies during the H1 2017 – H1 2023 period was 4.7%.

Figure 9: New Zealand's 8 Major LFR Occupiers y-o-y Sales Growth (H1 2018 - H1 2023)



Source: CBRE Research

Figure 10: New Zealand's 8 Major LFR Companies* Sales Volume (H1 2017 – H1 2023)



* It Includes Briscoe Group Limited, The Warehouse Group Limited, Bunnings Ltd (NZ), Mitre 10 (NZ), Woolworths New Zealand Group Limited, Harvey Norman, Supercheap Auto and Kmart NZ Holdings Ltd

Source: CBRE Research, Financial Statements from listed companies

03

Large Format Retail stores in New Zealand

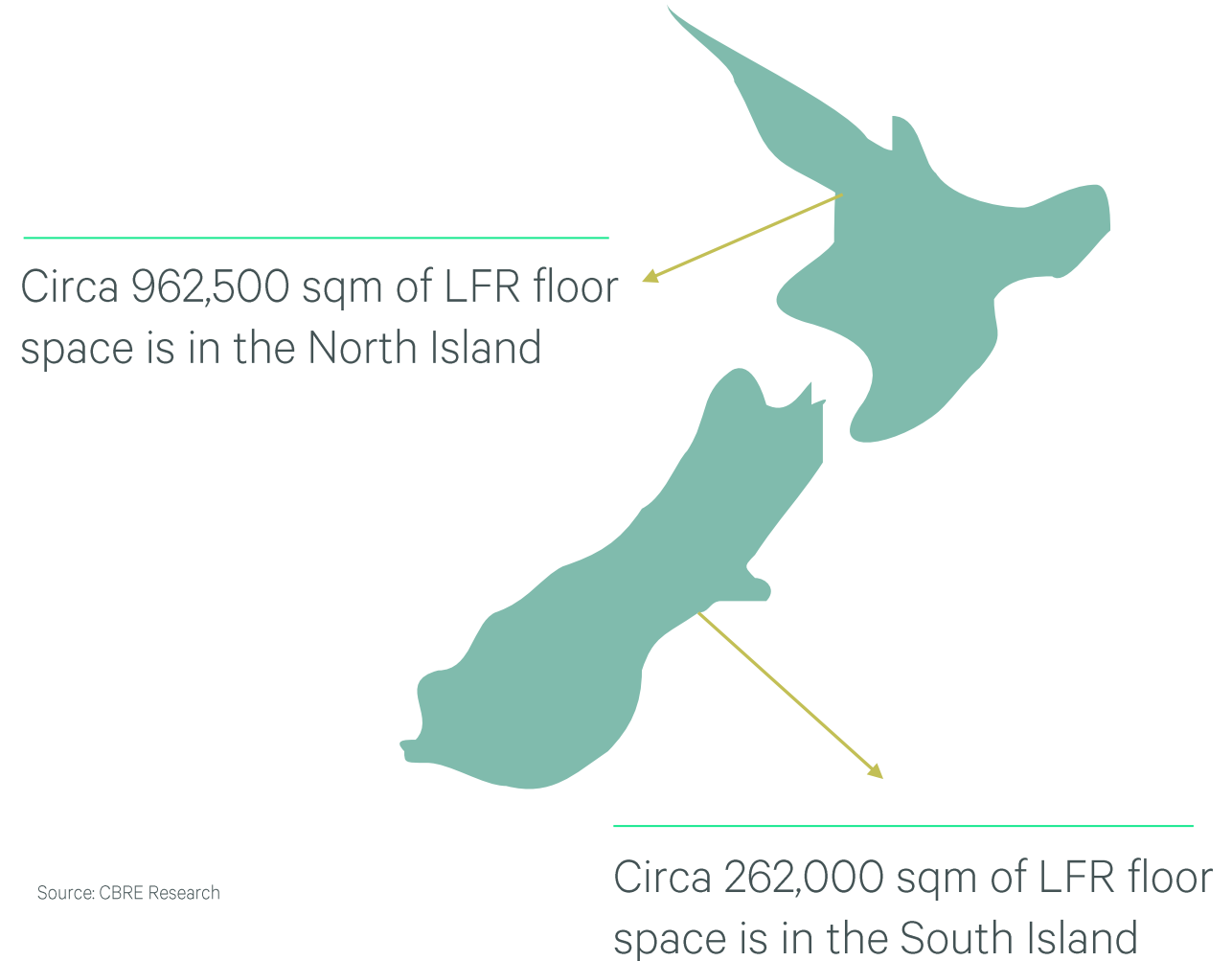
Around 79% of New Zealand’s total Large Format Retail floor space is in the North Island.

Out of the total LFR floor space available in New Zealand, the Auckland region is the one that has most of it (42.5%), followed by Canterbury (14.0%), Bay of Plenty (13.0%), Wellington (8.6%) and the Waikato (8.3%).

Only 10 LFR centres are larger than 30,000 sqm. Five of them are in the Auckland region, three of them in Canterbury, one in Bay of Plenty and one in the Waikato (The Base in Hamilton, the largest in the country).

| Region | Total NLA of LFR stores (sqm) |
|----------------------------|-------------------------------|
| Auckland | 520,704 |
| Canterbury | 171,340 |
| Bay of Plenty | 159,376 |
| Wellington | 104,736 |
| Waikato | 101,804 |
| Otago | 64,350 |
| Northland | 38,974 |
| Taranaki | 20,220 |
| Nelson | 13,400 |
| Marlborough | 12,450 |
| Manawatū-Whanganui | 8,697 |
| Hawke's Bay | 8,000 |
| Total (New Zealand) | 1,224,051 |

Figure 11: Large Format Retail space in New Zealand

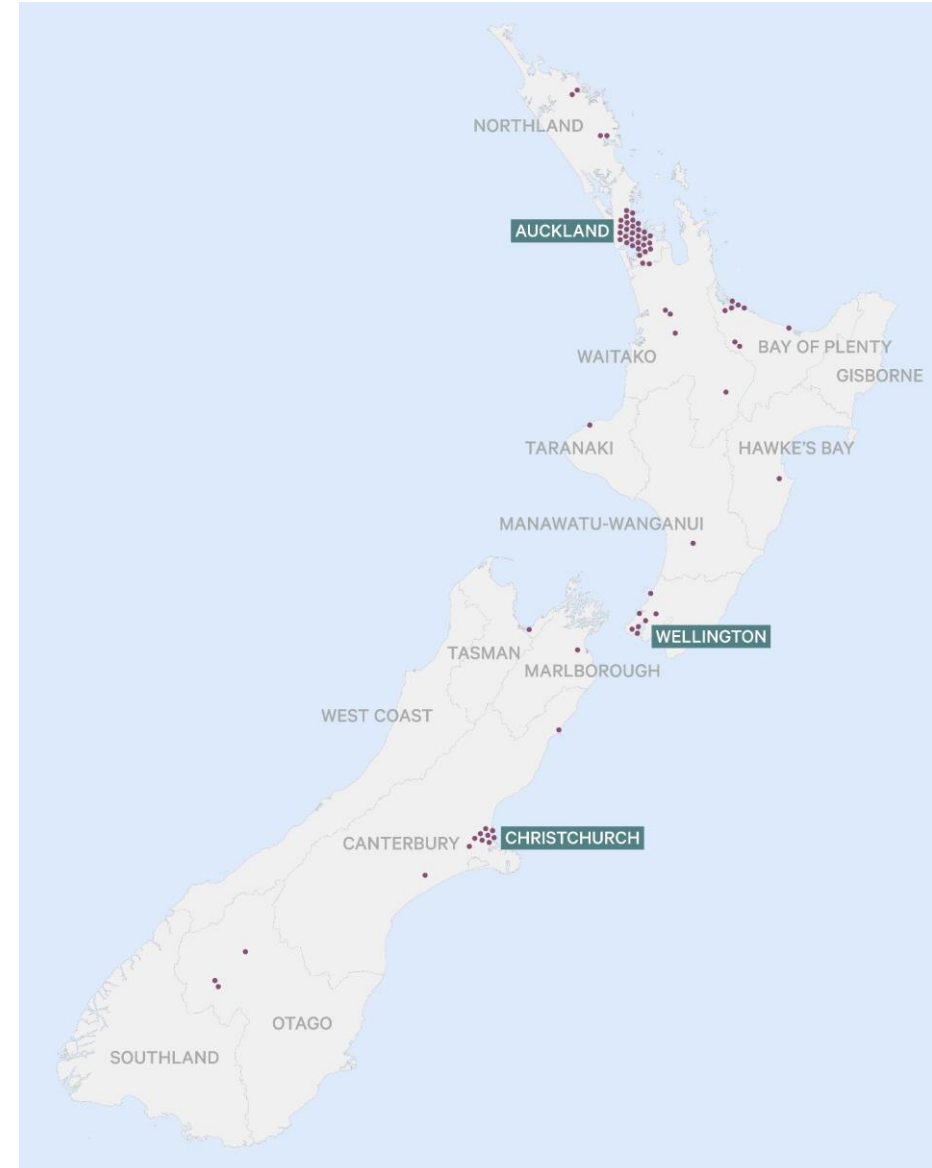


Source: CBRE Research

There are 73 Large Format Retail centres in New Zealand.

Auckland is the region with the highest number of LFRs centres (31), followed by Canterbury (11), Bay of Plenty (8), Wellington region (7) and Northland (4).

| Region | Number of LFRs |
|--------------------|----------------|
| Auckland | 31 |
| Canterbury | 11 |
| Bay of Plenty | 8 |
| Wellington | 7 |
| Northland | 4 |
| Waikato | 4 |
| Otago | 3 |
| Taranaki | 1 |
| Nelson | 1 |
| Marlborough | 1 |
| Manawatū-Whanganui | 1 |
| Hawke's Bay | 1 |
| Total | 73 |



Source: CBRE Research

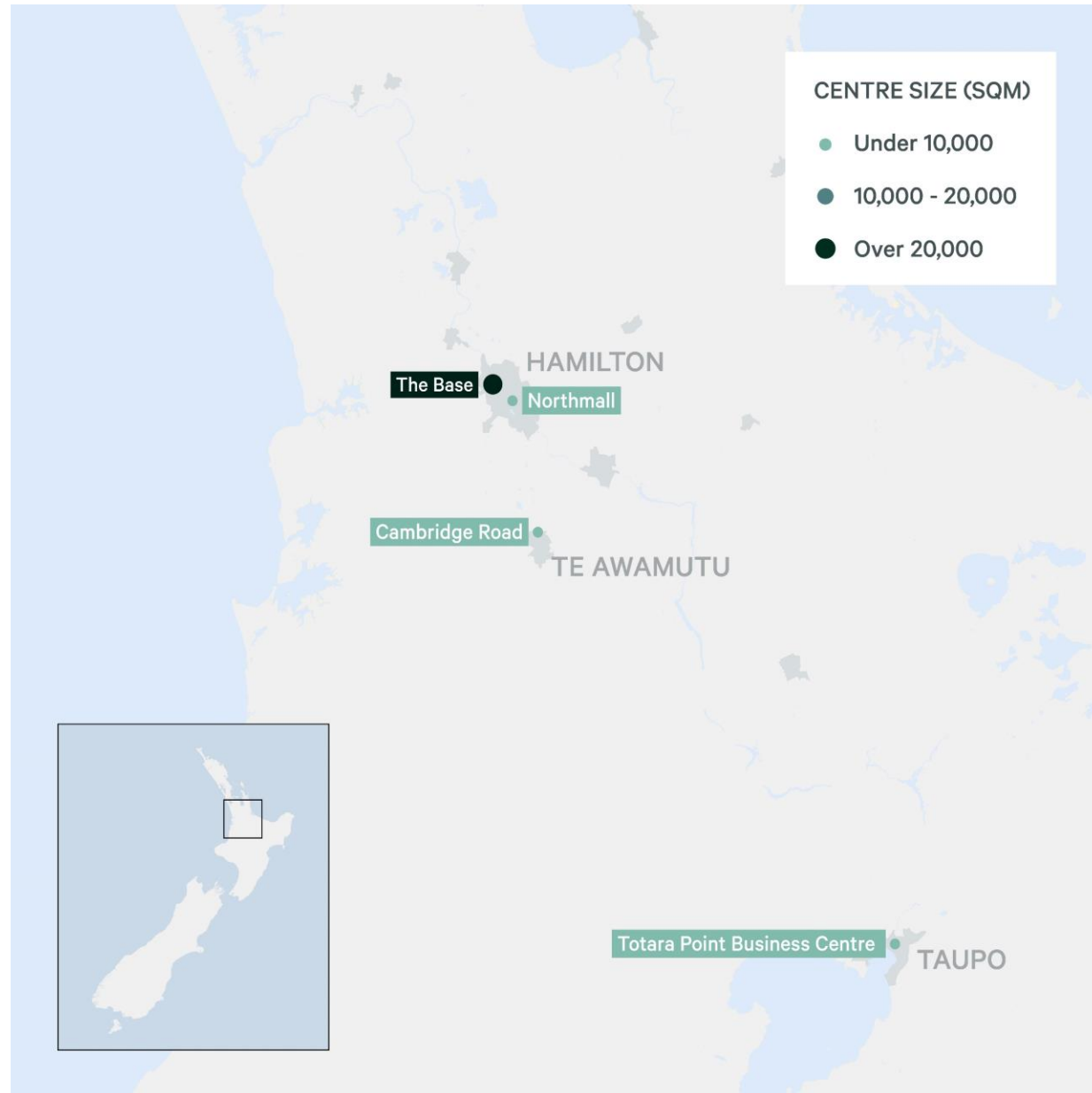
Main LFRs in Northland



Main LFRs in Auckland



Main LFRs in the Waikato



Main LFRs in Bay of Plenty



Main LFRs in Hawke's Bay



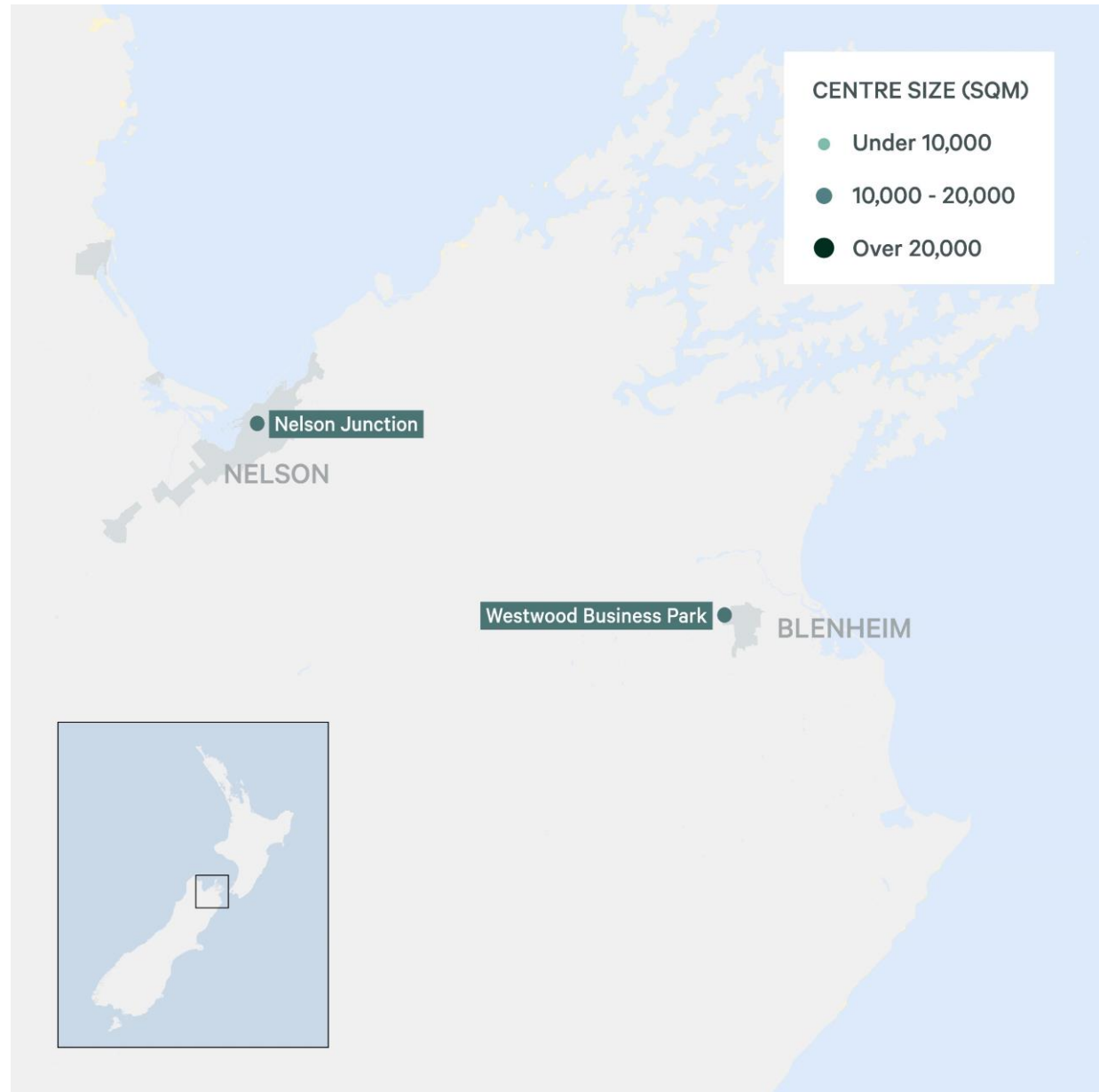
Main LFRs in Manawatū-Whanganui and Taranaki



Main LFRs in the Wellington Region



Main LFRs in Marlborough and Nelson



Main LFRs in Canterbury



Main LFRs in Otago



04

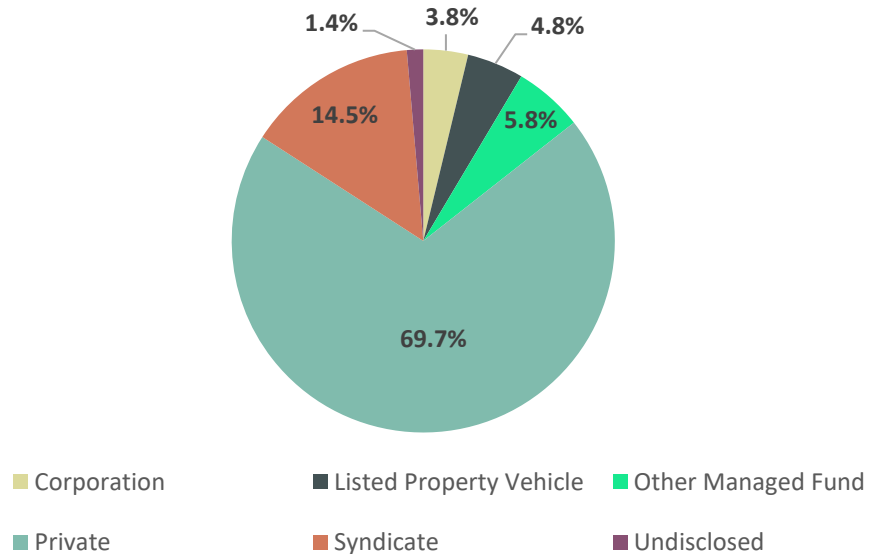
Investment Transactions

An investment market dominated by domestic private buyers

Private investors are the most active buyers in the New Zealand LFR investment market. During 2018-2023, private buyers represented around 70% of the total transaction value, followed by syndicates (14.5%), and other managed funds (5.8%).

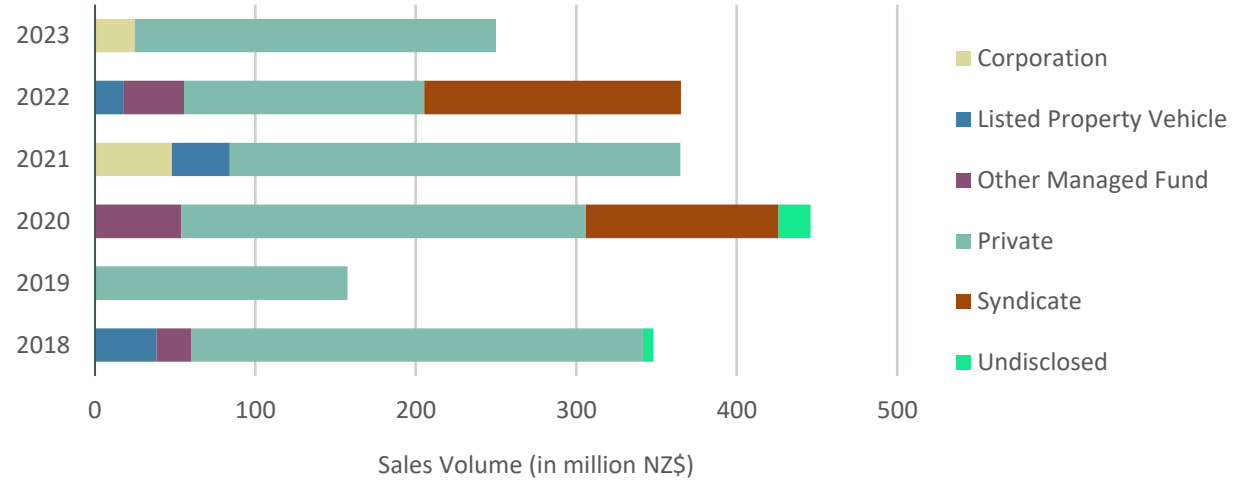
In relation to buyers' origin, transactions have consistently been dominated by domestic buyers. In the last five years, on average, 82.2% of transactions were done by domestic buyers, 16.8% by foreign purchasers and the remaining 1.1% had an undisclosed origin.

Figure 12: Large Format Retail Investment Transactions by Buyer Type (2018 - 2023)



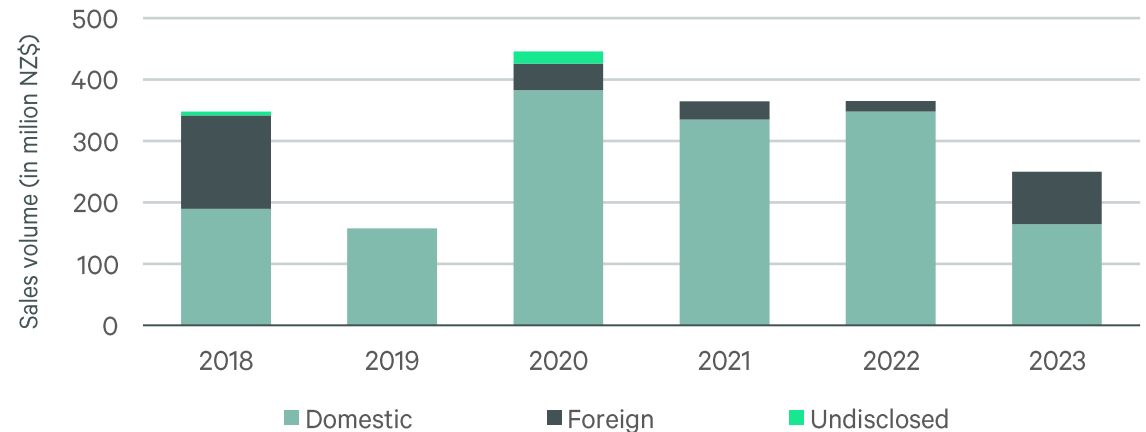
Source: CBRE Research

Figure 13: Large Format Retail Investment Transactions by Buyer Type (2018 - 2023)



Source: CBRE Research

Figure 14: Large Format Retail Buyers Origin (2018 - 2023)



Source: CBRE Research

Notable Large Format Retail Transactions (2018 - 2023)

| Property | Suburb | City | Sale Price | Sale Date | Vendor | Purchaser | Purchaser Type |
|---|---------------|--------------|---------------|-----------|--|--|-------------------------|
| Albany Lifestyle Centre | Albany | Auckland | \$ 87,500,000 | 04-Nov-20 | Argosy | Oyster LFR Trustees Limited | Syndicate |
| Westgate Lifestyle Centre | Westgate | Auckland | \$ 85,700,000 | 13-Mar-23 | Kiwi Property | Harvey Norman Properties Ltd / Rod Duke | Private |
| Northwood Supa Centa | Belfast | Christchurch | \$ 81,700,000 | 01-Feb-19 | CPPIB | Miles Middleton | Private |
| Bunnings Warehouse (21 Fred Taylor Drive) | Westgate | Auckland | \$ 70,000,000 | 01-Sep-20 | Bunnings Ltd | Ben Cook | Private |
| Bunnings New Lynn | New Lynn | Auckland | \$ 55,750,000 | 10-Jul-21 | The Trust Company (Australia) Limited | New Lynn Retail Ltd | Private |
| Remarkables Park Town Centre | Frankton | Queenstown | \$ 55,500,000 | 01-Dec-22 | Stride Property Ltd (ex-DNZ) | Unknown Local Private | Private |
| Bunnings Warehouse Grey Lynn | Grey Lynn | Auckland | \$ 54,000,000 | 01-Nov-20 | Ben Cook | Dilworth Trust Board | Other Managed Fund |
| 271 Richmond Road | Westmere | Auckland | \$ 48,000,000 | 21-Apr-21 | Goodland Limited | General Distributors Limited | Corporation |
| Countdown Orewa and Porirua | Orewa | Auckland | \$ 44,355,369 | 01-Aug-20 | Woolworths Ltd | Ben Cook | Private |
| Nelson Junction (99 Quarantine Road) | Annesbrook | Nelson | \$ 42,472,589 | 17-Oct-19 | AMP Capital Investors JV NZ Super Fund | Private | Private |
| 359 Massey Road | Mangere East | Auckland | \$ 41,089,579 | 15-Oct-21 | Woolworths Group Limited | Kremlin Mangere Limited | Private |
| Bunnings Warehouse (13 Quentin Drive) | Hamilton | Hamilton | \$ 37,500,000 | 01-May-22 | Hamilton Retail Holdings Limited | Tim Nominees Limited | Other Managed Fund |
| 22 Stoddard Road | Mount Roskill | Auckland | \$ 36,750,000 | 05-Apr-23 | Asset Plus | Hadleigh Bognuda | Private |
| 4 Carr Road | Mt Roskill | Auckland | \$ 36,000,000 | 06-Aug-21 | Location Ltd | Investore Property Ltd | Listed Property Vehicle |
| Countdown Mangere East | Mangere East | Auckland | \$ 33,666,314 | 16-Jun-23 | Kremlin Mangere Limited | Private | Private |
| Mega Mitre 10 (1 Astley Avenue) | New Lynn | Auckland | \$ 32,500,000 | 13-Aug-20 | Ben Cook | Mitchell Mackersy | Syndicate |
| The Warehouse (7 Wagener Place) | Mt Albert | Auckland | \$ 31,000,000 | 27-Mar-18 | Argosy Property Trust | Jacky Orr | Private |
| 100 Pah Road | Royal Oak | Auckland | \$ 30,500,000 | 22-Jun-23 | The Warehouse Group | Stephen Low | Private |
| 67 Cavendish Drive | Papatoetoe | Auckland | \$ 30,000,000 | 02-Mar-21 | 67 Cavendish Drive Limited | SPG Manukau Limited | Private |
| Moorhouse Central (347 Moorhouse Avenue) | Central City | Christchurch | \$ 27,640,000 | 05-Feb-18 | Ocean Partners | Mainland Capital(Goodwin, Bridge, Jones) | Private |

Key Points

01

New Zealand will continue to benefit from positive population growth in the next years, boosted by high levels of net migration. This is encouraging for LFR companies, since it allows them to tap continuously into a larger market.

02

Relevant catchment areas for the LFR market around New Zealand will continue to witness population growth in the medium-term. Auckland is expected to lead the way on this front.

03

Consumer confidence is improving in New Zealand, after registering historically low levels due to the high cost of living and a high interest rate environment. Higher consumer confidence translates into higher levels of household discretionary spending.

04

During the last decade, discretionary spending has been resilient in New Zealand, including in segments such as department stores and household goods.

05

Between H1 2018 and H1 2023, the main LFR retailers based in New Zealand recorded robust sales growth, exposing the high demand in this market and its potential growth.

06

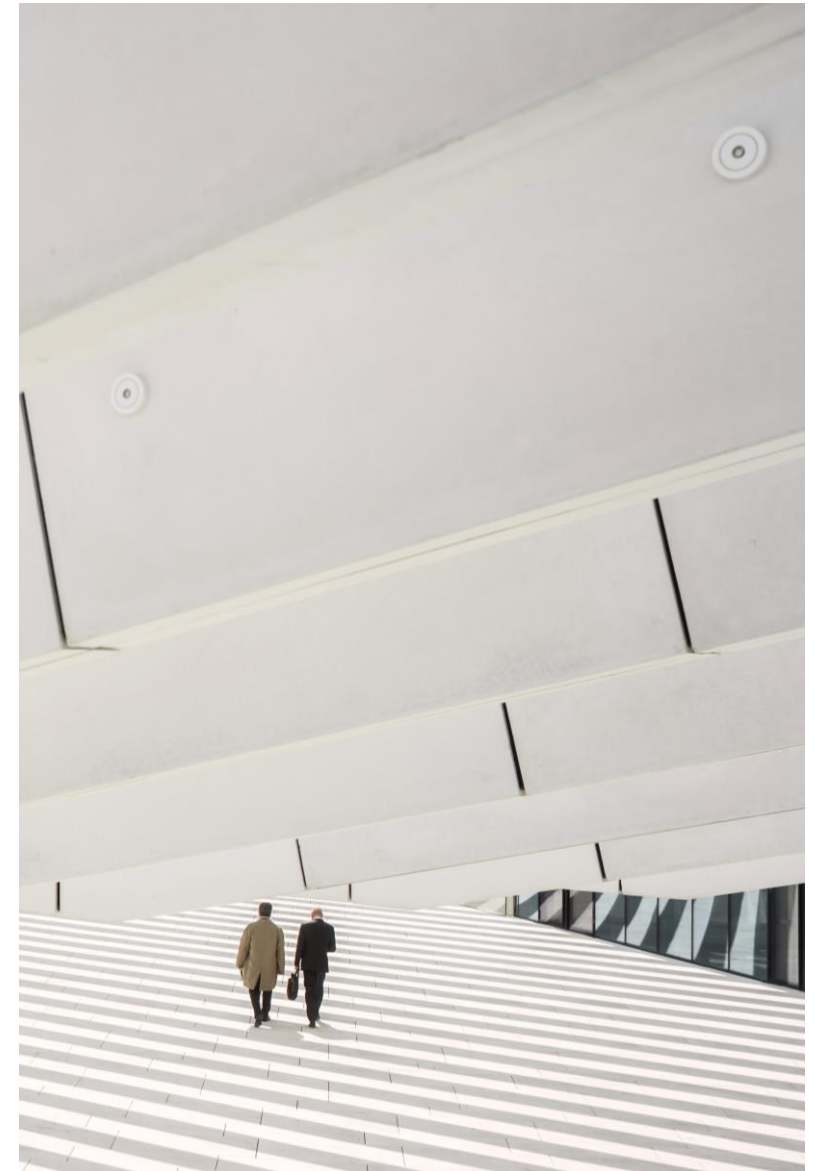
On the purchasing side, the New Zealand LFR investment market continues to be dominated by private investors, which have accounted for circa 70% of the total transaction value in the last five years. Most of them are domestic buyers.

07

Most of the largest LFR transactions done during 2018-2023 have happened in Auckland, followed by Christchurch, Hamilton, Nelson and Queenstown.

08

The LFR market in New Zealand has been resilient in the last years despite strong headwinds and other negative exogenous factors. This market currently has all the right ingredients to continue to grow into the future, such as population growth, more stable financial conditions and good economic fundamentals.



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