

Technical Memo

To:	Mark Benjamin	From:	Fraser Colegrave
Date:	Friday 15 July 2022	Page:	4 (including this page)
Subject:	Response to Question 10 in Further Information Request		

Mark,

Thank you for sending through the further information request for the Lakeview development in Queenstown. This memo provides our response to Question 10.

Further Information Sought

The further economic information sought is set out below:

“Please provide an addendum to the Insight Economics assessment (Appendix 24 to the AEE) assessing the potential short- and medium-term effects of the proposal on the existing town centre and whether there is a likelihood of any displacement (and if so of what kind and to what extent). Please also provide a differentiation between the quantity of retail and hospitality proposed that would serve the needs of the users of the proposal, and what is intended to serve the wider Queenstown area.”

Scope of this Response

We have interpreted this request as seeking more information about potential unintended/adverse impacts of the development on the health, vitality, role, and function of the Queenstown Town Centre (QTC). Accordingly, this memo responds by:

- First, summarising the findings of our report with respect to this issue.
- Then, considering the potential for adverse effects to arise by comparing the size of the proposal’s retail and F&B elements to the current size of the QTC to put it in context.
- Comparing the level of retail and F&B demand arising onsite with the quantity of floorspace supply proposed to assess whether the two are roughly in balance, or whether a significant proportion of demand must flow-in from elsewhere to ensure ongoing financial viability.
- Clarifying, that the biggest threat to the QTC comes from the ongoing rapid growth of Frankton, not Lakeview, which instead provides a viable and legible extension of the QTC.

Summary of Reports Key Findings

Section 7.2 of our report addressed the proposal’s support for the QTC. Specifically, it noted that:

- The QTC has been physically constrained for some time, with only an additional 100m² of retail floorspace provided there since 2013.
- Conversely, Frankton has flourished, dragging the area’s economic centre of gravity away from the QTC.
- The proposal helps address this emerging power imbalance by providing a viable and legible extension of the township’s physical footprint.

- Spending by future residents/guests of the development will help sustain onsite retail and hospitality functions, while also providing a strong pool of additional demand to help support and enhance the role, function, health, and vitality of the QTC.
- Thus, overall, the development strongly supports the ongoing health and vitality of the QTC.

Below we provide additional data and explanations to justify or further explain these conclusions.

Size of the Proposal vs Queenstown Town Centre (QTC)

Stages 1 and 2 of the development, for which Fast Track consent is sought, includes 1,000m² of retail and hospitality space. To put this in the context of QTC's current size, we used Core Logic's *Property Guru* database to identify and extract data on all parcels that comprise the Queenstown Town Centre (according to their District Plan zoning).

As at late June 2022, the QTC spans:

- 137,100m² of commercial floorspace¹, of which
- 90,110m² is retail space.

The 1,000m² of retail and hospitality space proposed for the first stages of Lakeview is equal to only 0.7% of the QTC's current commercial floorspace, and only 1.1% of its retail space. Put another way, the existing retail space in QTC is 90 times larger than proposed for the first stages of Lakeview.

Even when we consider the total retail and hospitality floorspace proposed for Lakeview at full build out, of approximately 7,500m², it is 12 times smaller than the current retail space in the QTC.

Accordingly, the proposal's retail and hospitality elements will remain strictly subservient to the QTC, and not threaten its pre-eminence, nor its commercial roles or functions.

Balance Between Onsite Supply and Demand

As readers will be aware, the proposed development comprises several stages. At each stage, differing amounts of additional retail and hospitality floorspace will be provided, boosting supply. In addition, the number of new dwellings and other accommodation units provided – which generate retail and hospitality demand to sustain onsite supply – varies by stage. Consequently, the balance between onsite retail/hospitality supply and demand will vary over time.

That said, it is possible – and useful – to assess this balance at set dates to consider whether onsite retail and hospitality will likely rely on a material share of its sales being diverted from the QTC to remain viable, thus placing competitive pressure on it. To that end, below we assess the onsite supply/demand balance for two future dates: completion of Fast Track Stages, and overall completion. To begin, the following table shows the balance between onsite supply and onsite demand from future guests of the co-living and hotel units.

¹ Includes retail, office and mixed-use floorspace. Excludes accommodation, parking and residential.

Table 1: Onsite Demand Vs Supply at Completion of Fast Track & Overall Completion

Key/Calcs	Onsite Supply	Fast Track	Overall
A	Retail/Hospitality GFA m ²	1,000	7,550
B	Expected Sales \$/m ² /yr	\$5,000	\$5,000
C (=AxB)	Annual Sales	\$5,000,000	\$37,750,000
D	Less: Sales to Onsite Guests ²	\$4,000,000	\$27,200,000
E (=C-D)	Net Sales required for viability	\$1,000,000	\$10,550,000
F (=D/C)	Onsite Demand/Onsite Supply	80%	72%

By completion of the Fast Track stages, onsite retail and hospitality supply will need to draw \$1 million of sales from sources other than onsite guests of its co-living accommodation units. To some extent, that gap will be filled by spending from the 224 onsite apartments also being provided via stages 1 and 2. However, some will come from further afield, and thus likely represent diversion from the QTC.

To put that \$1 million in context, according to Stats NZ's Monthly Regional Tourism Estimates, the *Destination Queenstown* RTO attracted \$1.245 billion in retail and F&B tourism expenditure in the year ended October 2019. Thus, to be viable, the retail/hospitality elements provided in the Fast Track stages of Lakeview would need to attract less than 0.1% of the RTO's regular (pre-COVID) retail and F&B tourism expenditure.

By the development's overall completion, onsite supply and demand remain roughly in balance, with future sales to onsite guests of the co-living and VA units estimated to be worth about 72% of onsite sales. While the actual share may differ, with more or less sales made to outsiders, it should be clear that an immaterial share of QTC spending would need to be diverted to make up the difference.

Thus, overall, we do not consider the proposal to cause any material degree of displacement/diversion from the QTC. The two can comfortably coincide. Moreover, with tens of millions of retail/hospitality spending leaking out of Lakeview and into the QTC each year, the relationship is likely to be symbiotic.

Frankton's Rapid Commercial Growth & Implications for the Proposal

Finally, I elaborate on the threat posed by the recent – and expected future – rapid growth of Frankton which, as noted in our report, is the real threat to the QTC. According to data from CoreLogic's Property Guru database, Frankton contains 80,300m² of retail floorspace, 90% of which has been built since 2010.³ Conversely, QTC has had only 1,600m² of new floorspace consented since 2010, which represents overall floorspace growth of less than 2%. Put another way, growth in Frankton's retail floorspace since 2010 was 45 times greater (in GFA terms) than growth in QTC retail floorspace over the same period.

Lakeview would contribute to the revitalisation of the QTC, by adding nearly 5 times more new retail floorspace – at completion – than has been provided there over the last 10 years. Not only that, but

² The figure of \$4m for the Fast Track stages is taken from the Onsite Sales column in Table 4 on page 19 of our report. The corresponding figure for the overall completion of the project (of \$27.2 million) is derived by scaling up the Fast Track figure by the additional visitor accommodation units provided at completion.

³ The remaining 10% of buildings are of unknown age in Property Guru

QLDC’s objectives for the Lakeview project clearly identify that it is intended to provide a natural and complementary expansion of the Town Centre that will house a diverse range of commercial uses. This is shown in the excerpt of project objectives below from QLDC’s website.⁴

Figure 1: Lakeview Project Objectives (from QLDC Website)

Project Objectives

- > Maximise financial return in a manner that minimised risk to ratepayers
- > Establish a thriving residential focused, mixed-use precinct, which is stitched into the Queenstown town centre context and;
 - > Exhibits best-practice urban design principles, is walkable, activated, liveable and authentic;
 - > Exhibits a consistent design language and high-quality built form outcomes that complement the natural environment, fit into the Queenstown context and are of human scale;
 - > Provides a diverse retail mix which complements and provides for the natural expansion of the existing town centre core and will appeal to locals and visitors;
 - > Provides for the intensification sought via Plan Change 50 and delivers a variety of housing outcomes and/or a diverse residential community;
 - > Considers opportunities for visitor accommodation and/or visitor facilities where these are economically viable.

- > Ensure Lakeview's development potential is unlocked in a timely and efficient manner.

I trust that this memo provides all the information required to respond to the request, but please let me know if you’d like any further details.

Sincerely,



Fraser Colegrave
Managing Director
Insight Economics Limited

⁴ <https://www.qldc.govt.nz/your-council/major-projects/lakeview-development>