

PROPERTY ECONOMICS



NORTHBROOK WANAKA

RETIREMENT VILLAGE PROPOSAL

ECONOMIC EFFECTS ASSESSMENT

Client: Winton Property Limited

Project No: 51893

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SCHEDULE

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1. EXECUTIVE SUMMARY

1. This economic report illustrates the potential economic impacts on the Queenstown Lakes District (QLD) that results from the development of Northbrook Wanaka proposed by Winton Property Limited (WPL) in Wanaka.
2. Over the past two decades the QLD has been one of the fastest growing economies in the country. The district has experienced employment growth in excess of 200% from 2000 compared to a national growth rate of 43% over the same period.
3. While the vast majority of the growth in the QLD are jobs related to the tourism sector, which accounts for 55.6% of Gross Domestic Product (GDP), the Construction sector has experienced substantial growth (the highest proportional growth over the past 20 years), representing the single most productive sector within the QLD economy following the tourism sector. Prior to COVID-19, the QLD construction industry contributed over 10% to the district's GDP in 2019 and comprised approximately 3,000 EC's¹ or 13% of the district's employment.
4. Before COVID-19, growth in tourism within the QLD was expected to increase at 6% per annum over the next 13-years.
5. This growth within the QLD tourism and the QLD construction sectors has attracted and retained businesses that represent a contribution of almost 70% to the district's economy, with the construction sector in the QLD representing nearly twice that of the national average.
6. The size and contribution of the tourism and construction sectors to the QLD therefore means that these industries are now heavily dependent on sustained and continuing

¹ EC or Employment Count is the standard employment measure utilised by Statistics NZ

- growth in order to keep the district from reaching the estimated unemployment rates and deep recession now predicted in the post COVID-19 economy.
7. While there is no one agreed position on the economic impacts of COVID-19 on the National, Regional or District economies, there are several impact estimates emerging. For the QLD, these include:
 - a) Loss in GDP upwards of 40% (i.e. a loss of \$1.2b from 2019 \$3b);
 - b) Job losses from 25% to 30% or 7,000-9,000 jobs (significantly greater than the national 9% estimates);
 - c) Yearly losses (to March 2021) of 91% international tourism spending and 21% domestic tourism spending;
 - d) 18-fold increase (from February to April 2020) in Ministry of Social Development welfare recipients.
 8. The reliance on the tourism and construction sectors to the districts economy therefore increases the significance of the WPL Lakes District Retirement Housing Proposal in retaining, supporting and growing not only construction industry specific jobs and infrastructure but the Regional and National economies as a whole over the short term.
 9. The project has been assessed on both the construction phase of the project and the on-going operational and spending phase.
 10. As each project moves from development to operation, the sectors within the economy that benefit change from predominantly construction and construction services to operational and household expenses.
 11. Overall, the total impact on business activity within QLD as a result of Northbrook Wanaka over an operational (retirement village) 15-year period is estimated to be in the order of \$163 million. Total contribution over the first 5 years is expected to be \$133m.
 12. In terms of employment multipliers this would contribute over 770² jobs during the peak construction year within QLD, with the ongoing operational local employment benefitting by 41 jobs per annum.
 13. Regionally, Northbrook Wanaka is expected to contribute an additional \$9m in GDP and 145 jobs over the 15-year period. At a national level the development provides for a further \$148m in national GDP and 1,210 jobs over the 15-year period.
 14. While the direct economic contribution of the project is significant, there are other potential economic benefits to the QLD likely to result from the project including:
 - a) **Safeguarding of existing infrastructure.** While a potential short-term loss of jobs is an obvious impact of COVID-19, loss of business infrastructure, construction capital,

² NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs)

and skills are difficult for an economy to regain over the short to medium term, further repressing the district's potential recovery.

b) Improving the competitive nature of the Lakes District retirement village offer.

It is clear that, with only 10% of the 70 plus age group³ within the Lakes District residing in retirement villages that this segment of the housing market is unrepresented. Coupled with low vacancies this represents a clear market opportunity for the QLD economy to provide a competitive product in a sought-after location.

- c) **Increased competitiveness.** Increased competitiveness for retirement housing (and the other commercial facilities within the project) provide for a wider, more diverse and competitive market while also attracting additional household demand and wealth to the district.

³ *Urban Economics Evaluation for Market Potential of Retirement Villages in Queenstown, June 2020*

2. INTRODUCTION

Property Economics has been engaged by WPL to undertake an assessment of economic effects of the Northbrook Wanaka Retirement Village development on the Queenstown Lakes District.

This analysis is designed to assess the economic implications of the project in terms of the resulting economic activity and impacts from both the construction and operational phases on the local (district level), regional, and national economies.

Additionally, the assessment will identify other potential economic costs and benefits directly associated with the project in terms of market responses and community wellbeing.

The proposed development is anticipated to start within the short term (following approval).

2.1. OBJECTIVES

The objectives of this report are to:

- (1) assess the economic activity resulting from specific land use to identify high-level economic costs and benefits; and
- (2) to quantify the economic impacts of the proposed development.

This analysis undertakes a high-level assessment of the primary sector land use proposed. The key objectives of the economic **effects** analysis include:

- Review and outline information pertaining to the actual measured or potential estimated economic impacts of COVID-19 on the local and regional economies.
- Undertake a high-level economic assessment of the project highlighting the impact on the local, regional and national economies.
- Provide commentary on the projects' ability to provide diversity to the local and regional economies.
- Provide commentary on qualified economic costs and benefits associated with the project with particular attention on any social (community) benefits.

2.2. INFORMATION & DATA SOURCES

Information has been obtained from a variety of reputable and reliable data sources and publications, including:

- Census of Population and Dwellings 2018 - Statistics NZ
- Business Frame Employment Data 2019 – Statistics NZ
- Queenstown Lakes Operative District Plan – Queenstown Lakes District Council
- Covid Economic Scenarios - Infometrics
- Targeted Covid Relief – NZIER INSIGHT
- RTO Tourism Spend Data - MBIE
- Proposed Development – Winton Property Limited
- Evaluation for Market Potential of Retirement Villages in Queenstown – UE, June 2020
- National Input / Output Tables (2016) - Statistics NZ
- Localised Input / Output Tables – Property Economics

3. QUEENSTOWN LAKES DISTRICT MARKET (PRE COVID-19)

The following sections outline the economic environment and trends (pre-COVID) within the QLD market. While the impacts of COVID-19 will inevitably alter this environment (as discussed in the following section), no historic or recorded data is currently available to accurately assess the impacts of the projects on a post COVID-19 economy. That is, any commentary would be based on forecast scenarios. As such, the projects are assessed in light of recorded data from Statistics NZ and the relativity of the results can subsequently be considered conservative (compared to if they were assessed against post COVID-19 data).

It remains prudent to assess the flow-on effects of the proposed projects based on this economic structure due to the fact that construction projects will serve to retain employment and businesses within the targeted industries therefore more likely to create the 'multiplier effects' that would have been seen pre-COVID.

Table 1 following illustrates the economic 'make up' of employment composition and employment trends in the QLD over the past 19 years.

Over the past two decades QLD has seen rapid employment growth in nearly all sectors.

Over this period (2000 – 2019) the economy has altered significantly with growth being experienced in more sustainable areas such as professional services and wholesale trade. This, along with growth in the construction sector, has rivalled hospitality (accommodation and food services) for growth.

TABLE 1: QUEENSTOWN LAKES DISTRICT EMPLOYMENT ACTIVITY AND TRENDS

ANZSIC	2000	2006	2008	2009	2010	2015	2017	2018	2019	# Growth (2000 - 2019)	# Growth (2018 - 2019)
A - Agriculture, Forestry and Fishing	384	600	430	448	428	527	525	515	556	+ 45%	+ 8%
B - Mining	21	28	3	3	15	15	18	33	39	+ 86%	+ 18%
C - Manufacturing	268	419	442	412	420	569	722	858	895	+ 234%	+ 4%
D - Electricity, Gas, Water and Waste Services	24	57	72	47	44	65	93	118	119	+ 396%	+ 1%
E - Construction	562	1,701	1,819	1,723	1,520	1,877	2,367	2,752	3,054	+ 443%	+ 11%
F - Wholesale Trade	129	210	227	261	200	339	514	621	604	+ 368%	- 3%
G - Retail Trade	1,209	2,041	2,169	2,116	2,289	2,447	2,954	3,048	3,241	+ 168%	+ 6%
H - Accommodation and Food Services	3,165	4,231	4,420	4,174	4,466	6,038	7,021	7,391	7,527	+ 138%	+ 2%
I - Transport, Postal and Warehousing	435	714	636	672	695	879	1,046	1,092	1,259	+ 189%	+ 15%
J - Information Media and Telecommunications	132	240	220	201	228	249	249	218	246	+ 86%	+ 13%
K - Financial and Insurance Services	127	228	315	293	296	294	267	263	274	+ 116%	+ 4%
L - Rental, Hiring and Real Estate Services	185	433	472	480	477	650	819	840	919	+ 397%	+ 9%
M - Professional, Scientific and Technical Services	251	720	830	863	815	1,051	1,272	1,491	1,691	+ 574%	+ 13%
N - Administrative and Support Services	493	1,089	1,050	919	997	1,369	1,579	1,871	2,016	+ 309%	+ 8%
O - Public Administration and Safety	120	171	274	306	327	405	476	573	666	+ 455%	+ 16%
P - Education and Training	297	458	504	549	570	861	960	999	1,019	+ 243%	+ 2%
Q - Health Care and Social Assistance	214	324	374	390	418	529	705	826	922	+ 331%	+ 12%
R - Arts and Recreation Services	675	945	849	1,019	1,163	1,331	1,573	1,650	1,561	+ 131%	- 5%
S - Other Services	231	353	377	374	411	536	586	692	678	+ 194%	- 2%
Total All Industries	8,922	14,962	15,483	15,250	15,779	20,031	23,746	25,851	27,286	+ 206%	+ 6%

	2000	2006	2008	2009	2010	2015	2017	2018	2019	Growth (2000 - 2019)	Growth (2018 - 2019)
Industrial	1,440	3,125	3,190	3,125	2,895	3,740	4,730	5,415	5,905	310%	9%
Retail	3,900	5,635	5,925	5,665	6,085	7,580	8,920	9,330	9,640	147%	3%
Commercial	1,970	3,790	4,025	3,925	4,080	5,255	6,120	6,760	7,280	270%	8%
Other	1,610	2,410	2,340	2,535	2,725	3,460	3,975	4,345	4,460	177%	3%
Total	8,920	14,960	15,480	15,250	15,785	20,035	23,745	25,850	27,285	206%	6%

Source: Property Economics, Statistics NZ

Visitor numbers have increased exponentially over the past decade. In 2005, Queenstown Airport accommodated just over 600,000 arrivals and departures with 6.5% of these international visitors. By 2017 these numbers grew to over 2,000,000 (230% growth in 12 years), with 28% (1,300% growth in 12 years) of these from international visitors⁴.

This growth has had a material impact on every sector of the QLD economy. Retail spend over the past 6 years has increased by over 77% (compared to 34% for the Region, or 17% when excluding the District), while GDP per capita is the 4th highest across all Territorial Authorities.

⁴ <https://www.queenstownairport.co.nz/corporate/airport-statistics>

This significant growth and pressure has also resulted in a residential property market that has experienced the highest rise in house prices nationally, as well as pressure on infrastructure (due to the high ratio of visitors to permanent residents).

This growth was expected to continue strongly. Tourism was projected to grow at a rate of over 6% per annum over the next 13 years, and Queenstown Airport was pursuing an extension to its noise contours and increased capacity to cater for a projected 150% increase in passenger movements to over 5 million per annum.

Population growth rates are also set to outstrip national averages with Statistics NZ medium projections indicating an annual growth rate of 2.2% compared to 1% nationally.

The growth in tourism experienced in the QLD over the past 19 years has seen both its contribution to GDP increase (up nearly 50% from 2000), and its regional and national significance grow (with Queenstown regional tourism organisation (RTO) growth rates of 6.3%, compared to 2% nationally).

International visitors to the QLD in 2017 contributed \$845m to national GDP. This trend was expected to continue over the foreseeable future, with growth rates of 6% per annum expected to at least 2031.

These tourism growth rates (to March 2020) have been the primary factor driving both business and residential demand (in the form of permanent residents and for rental properties) to the point that:

- Residential property prices have exceeded all other areas nationally, both in terms of increases and more recently in average nominal value;
- There was a significant shortage of rental properties, with rental costs (recently averaging \$690 / week) among the highest in the country;
- Residents, with pressure from sources such as AirBnB, have sought locations (such as Cromwell) further from the tourist centres of Queenstown and Wanaka both for accessibility and affordability.

The construction sector has experienced the second largest nominal growth in the QLD over the past 19 years with employment (EC's) increasing 440% to over 3,000 (EC's) in 2019. At the same time, this sectors contribution to district GDP has increased to over 10% (\$327m in 2019 in comparison to \$65m in 2000) increasing this sector's importance to the overall QLD economy and contributing alongside tourism to business and residential demand.

3.1. REGIONAL ECONOMY

Table 2 illustrates the regional economy with proportionately more subdued growth than the QLD over the same period. This illustrates the significance of the QLD to the region, with the QLD growing at four times the regional rate and escalating from 11% of the regional economy in 2000 to over 23% by 2019.

TABLE 2: OTAGO REGIONAL EMPLOYMENT COUNT BY SECTOR

ANZSIC	2000	2006	2008	2009	2010	2015	2017	2018	2019	# Growth (2000 - 2019)	# Growth (2018 - 2019)
A - Agriculture, Forestry and Fishing	6,960	7,869	8,309	8,420	8,187	9,811	9,637	8,921	9,184	+ 32%	+ 3%
B - Mining	295	387	504	503	548	545	617	691	714	+ 142%	+ 3%
C - Manufacturing	11,205	11,307	11,092	10,185	9,543	8,532	9,085	9,362	9,009	- 20%	- 4%
D - Electricity, Gas, Water and Waste Services	629	588	584	697	642	739	811	1,015	983	+ 56%	- 3%
E - Construction	3,865	7,154	7,667	7,485	6,928	7,912	8,986	9,633	10,668	+ 176%	+ 11%
F - Wholesale Trade	2,417	2,814	2,955	3,291	2,866	3,507	3,789	3,738	3,761	+ 56%	+ 1%
G - Retail Trade	8,502	10,823	11,165	10,587	10,786	11,264	11,849	12,149	12,473	+ 47%	+ 3%
H - Accommodation and Food Services	7,688	10,505	10,821	10,137	10,165	12,569	14,054	14,242	14,349	+ 87%	+ 1%
I - Transport, Postal and Warehousing	2,961	3,754	3,484	3,499	3,532	3,888	4,060	4,399	4,702	+ 59%	+ 7%
J - Information Media and Telecommunications	1,572	1,823	1,784	1,747	1,674	1,653	1,831	1,729	1,745	+ 11%	+ 1%
K - Financial and Insurance Services	1,243	1,500	1,747	1,660	1,562	1,513	1,293	1,543	1,394	+ 12%	- 10%
L - Rental, Hiring and Real Estate Services	832	1,375	1,457	1,437	1,502	1,506	1,803	1,881	1,960	+ 136%	+ 4%
M - Professional, Scientific and Technical Services	2,831	4,237	4,705	4,686	4,586	4,971	5,581	5,845	6,175	+ 118%	+ 6%
N - Administrative and Support Services	2,724	5,388	5,880	5,723	5,251	4,350	4,905	5,490	5,549	+ 104%	+ 1%
O - Public Administration and Safety	2,791	3,259	3,372	3,577	3,297	4,179	4,600	4,829	5,119	+ 83%	+ 6%
P - Education and Training	9,001	9,404	10,094	10,144	10,505	9,576	9,969	10,345	10,952	+ 22%	+ 6%
Q - Health Care and Social Assistance	9,494	10,359	10,627	11,075	11,175	11,777	11,881	12,070	12,448	+ 31%	+ 3%
R - Arts and Recreation Services	1,831	2,588	2,515	2,690	2,905	3,139	3,302	3,499	3,382	+ 85%	- 3%
S - Other Services	2,428	3,092	3,057	2,953	2,923	3,093	3,303	3,586	3,485	+ 44%	- 3%
Total All Industries	79,269	98,226	101,819	100,496	98,577	104,524	111,356	114,967	118,052	+ 49%	+ 3%

	2000	2006	2008	2009	2010	2015	2017	2018	2019	Growth (2000 - 2019)	Growth (2018 - 2019)
Industrial	21,360	26,030	26,255	25,560	23,935	25,095	27,190	28,400	29,425	38%	4%
Retail	15,035	19,750	20,365	19,205	19,425	21,950	23,795	24,255	24,670	64%	2%
Commercial	15,515	21,685	23,175	22,990	22,350	22,505	24,420	25,760	26,365	70%	2%
Other	27,355	30,755	32,025	32,745	32,865	34,975	35,950	36,555	37,590	37%	3%
Total	79,265	98,220	101,820	100,500	98,575	104,525	111,355	114,970	118,050	49%	3%

Source: Property Economics, Statistics NZ

4. POST COVID-19 ECONOMIC IMPLICATIONS FOR QLD

COVID-19 has had a profound economic and social impact across the globe, within New Zealand, and especially the QLD.

QLD contributed over \$3b to the regional (23%) and national (1%) economies in 2019, but by the middle of April 2020 the national and international 'shut down' resulting from Covid-19 had all but ceased the movement and spend from international tourists into the area.

The standout and likely enduring characteristic of the COVID-19 pandemic is the high level of uncertainty which it has generated and which permeates large swathes of social and economic activity, process and structure throughout the country and the society in which it takes place. While a recession seems inevitable, the depth and duration of recession, and characteristics of the recovery, are highly uncertain.

While historic numbers are not available to assess projects against a post-COVID economy, it is however important to consider the economic effects from proposed development projects on a potential post-COVID economy.

In economic terms, a considerable premium lies on the restoration and recovery of economic wellbeing in production, distribution and employment. It is therefore important to consider potential economic impacts in light of this recovery rather than simply benchmarking these impacts against past economic performance.

Given this, a reasonable approach to understanding the impacts of proposed developments is to consider impacts in the context of:

- Their direct impact on employment. Employment is commonly the biggest determinant of social, economic and wellbeing outcomes for individuals, families, and communities. Employment and the creation of jobs will be critical to recovery at a district and national wide level.
- The level of investment and the confidence this can re-establish in a given market. In particular, how it may stimulate re-investment in jobs, infrastructure, and systems (for example housing, health, and education assets).
- Their ability to provide impact within and over the short term.
- How flexibility, innovative, and adaptive they are in responding to current and future needs.

It is not surprising that the potential impacts on the QLD economy are likely to be more severely felt than other regions and the national averages. QLD's economic reliance on tourism has meant that over 50% (55.6% contribution in 2019) of GDP originates in this sector, with international tourist outnumbering residents by nearly 40 to 1.

Several potential economic realities for QLD have been forecast with estimates indicating [negative] impacts on GDP upwards of 40% (equivalent to a loss of \$1.2b), with job losses ranging to 25% or 30% (7,000 to 9,000 job losses).



These impacts are likely to be materially disproportionate to the national impacts and so the response and focus of support on this economy must be equally as focussed.

It is highly unlikely that the tourism sector will support the same levels of employment in the short to medium term. It is therefore important that infrastructure and jobs are maintained and new jobs created in sectors outside of the tourism sector to keep those traditionally employed in the tourism sector in employment, facilitate future recovery, and provide a stable employment and income base.

Projects such as that proposed by WPL provide the much-needed catalyst to the economy supporting the previously buoyant construction industry from also falling over and creating new jobs for those previously employed in sectors such as tourism. This activity not only significantly enhances the post-COVID economy, responds to demand that was already present pre-COVID, but it also provides a base for future growth and sustainability once the tourism sectors stabilise.

5. PROPOSED DEVELOPMENT

Northbrook Wanaka Retirement Village, located in Wanaka and including:

- 100 retirement units;
- 36 bed private hospital (including memory care);
- Community facilities (including recreation facilities, clubhouse including a café and community centre).

Essentially the developments fall into the categories of providing:

- Retirement housing;
- Aged care;
- Community facilities;
- Commercial spaces;

6. POTENTIAL ECONOMIC ACTIVITY GENERATION

This economic impact estimates the total additional gross injection (Added Gross Domestic Product) into the QLD economy brought about by the three proposed development.

The initial specifications and details have been provided by WPL and represent the development's configuration and costings at this point in time.

It is important to note that this is a gross injection and is not site specific.

It also assesses the likely economic impacts upon QLD business activity given the composition of activities above.

Although there are undoubtedly economic benefits that are specific to the location, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.

The economic impacts likely to be experienced as a result of the anticipated development are broken down into two phases:

1. The development phase which includes the construction costs (CAPEX⁵) of the development and the proportion of those costs that are retained within the District; and
2. The second phase is the on-going operations (OPEX⁶) of the anticipated development.

Both these phases are measured in terms of their expected direct, indirect, and induced economic impacts upon the district economy.

The direct economic impacts are derived from the actual spending / expenses incurred through the operation of the anticipated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development., while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

6.1. TOTAL ECONOMIC ACTIVITY

Phase one includes construction costs, which have been valued for the overall development.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand (2016 based on 106 sectors), which were then assessed at a district level based on QLD economic activity, composition and productivities.

⁵ CAPEX – Capital Expenditure

⁶ OPEX – Operational Expenditure

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall district production (within a given business cycle) for each \$1 injected.

This was performed for the general residential / commercial / industrial construction, commercial and retail sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the QLD catchment for the proposed developments include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

6.2. ASSUMPTIONS

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this Economic Impact Assessment it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'non-residential construction', 'non-building construction', 'other construction services'.
2. Associated (and estimated) land costs have been included in the financial repayment assessment for the project.
3. Financial or loan costs on capital primarily fall outside of the local district and impact the national economy.
4. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2013 data. However, employment data has been updated as per the Business Frame data⁷ to March 2019.
5. This report deals with the economic impact of proposed development on the QLD. These are specifically the direct impacts related to the operation and construction of the proposed development.

⁷ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

6. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
7. For the purposes of this report an 6% discount rate has been applied.
8. Labour movements are based on average retention rates rather than specific company locations.
9. The proportion of materials and labour internalised in direct benefits to QLD are based on standardised labour movements as well as employment (depicted in Tables 2 and 3) and production composition within the District. The amount of each 'flow-on' dollar retained in QLD are based on the movement of resources (including labour) between other districts and regions.

Phase 2 involves the on-going activity generated by each project.

There are several key assumptions that are included for the project during Phase 2:

1. All activity resulting from the on-going operations is net to the economy. In terms of project, this assumes that the development of additional facilities (such retirement units) meets a demand that would not otherwise be met (or it creates its own demand).
2. Where possible specific operational accounts have been utilised, in all other cases industry averages have been applied.
3. While finance has been based on total construction costs, QLD rates have been based on a 20% margin over and above total development value.

6.3. NORTHBROOK WANAKA RETIREMENT VILLAGE

Northbrook Wanaka Retirement Village (Northbrook Wanaka) is located in Wanaka and includes:

- Retirement Village (100 units)
- 36 bed Private Hospital
- Club House
- Recreation Facilities

Construction costs include:

- Total Construction \$115.55m
- Total Fitout \$4m

Operational costs include:

- Average Operational Expenses \$5.65m (over first 10 years)
- Average Other Expenses \$650,000 (over first 10 years)
- Labour Proportion \$1.74m average (over first 10 years)
- EBIT \$2.82m average (over first 10 years)

Table 3 outlines the resulting impacts on the QLD economy as a result of both the development and the on-going operation of Northbrook Wanaka⁸. While Figures 1 and 2 illustrate the overall impact on the regional and national economies in terms of GDP and employment over a 15-year period.

TABLE 3: TOTAL GROSS QLD ECONOMIC INJECTION NORTHBROOK WANAKA

(\$m)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	TOTAL
CAPEX	\$5	\$29	\$51	\$43												\$128.44
OPEX (Plus Final Demand)	\$0.00	\$0.0	\$0.0	\$2.3	\$2.7	\$3.3	\$2.8	\$3.0	\$3.0	\$2.8	\$3.0	\$2.9	\$2.7	\$2.7	\$2.7	\$34.08
Multiplier																\$0.00
TOTAL NET QLD ACTIVITY	\$5	\$29	\$51	\$46	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$162.51
Total Employment	78	429	771	688	46	42	42	45	45	42	45	43	41	41	41	2,439

⁸ Note that CAPEX and OPEX spend included in Table 5 excludes construction and operational costs that are spent outside the QLD in other regions.



FIGURE 1: DISTRIBUTION OF TOTAL GDP IMPACTS (\$M) OVER 15 YEAR PERIOD - NORTHBROOK WANAKA

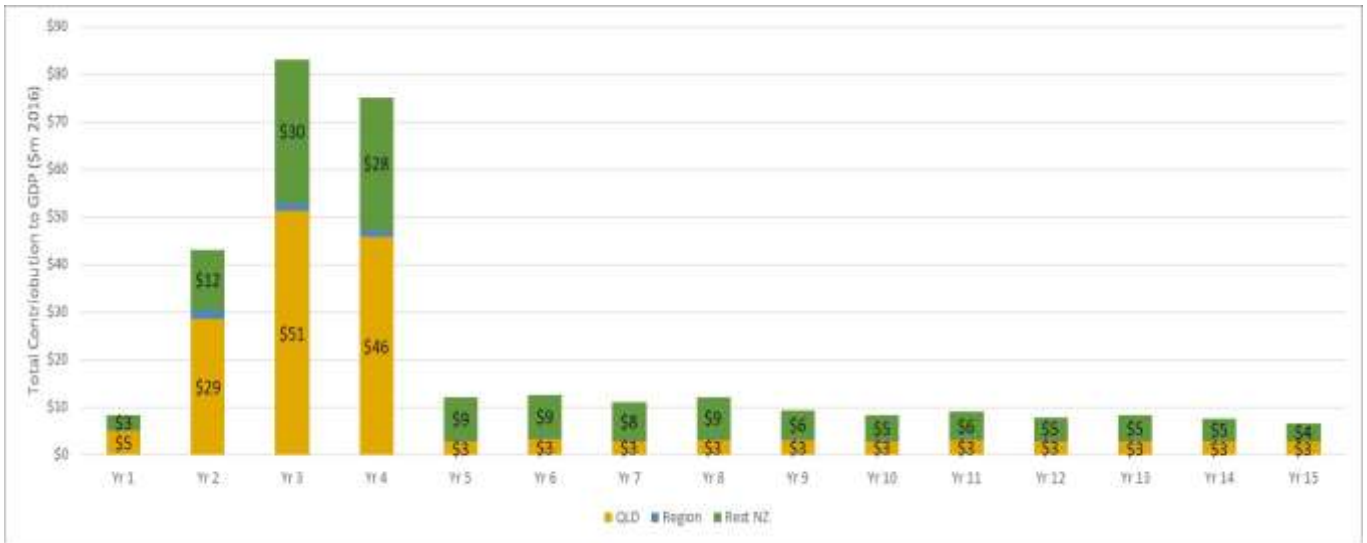
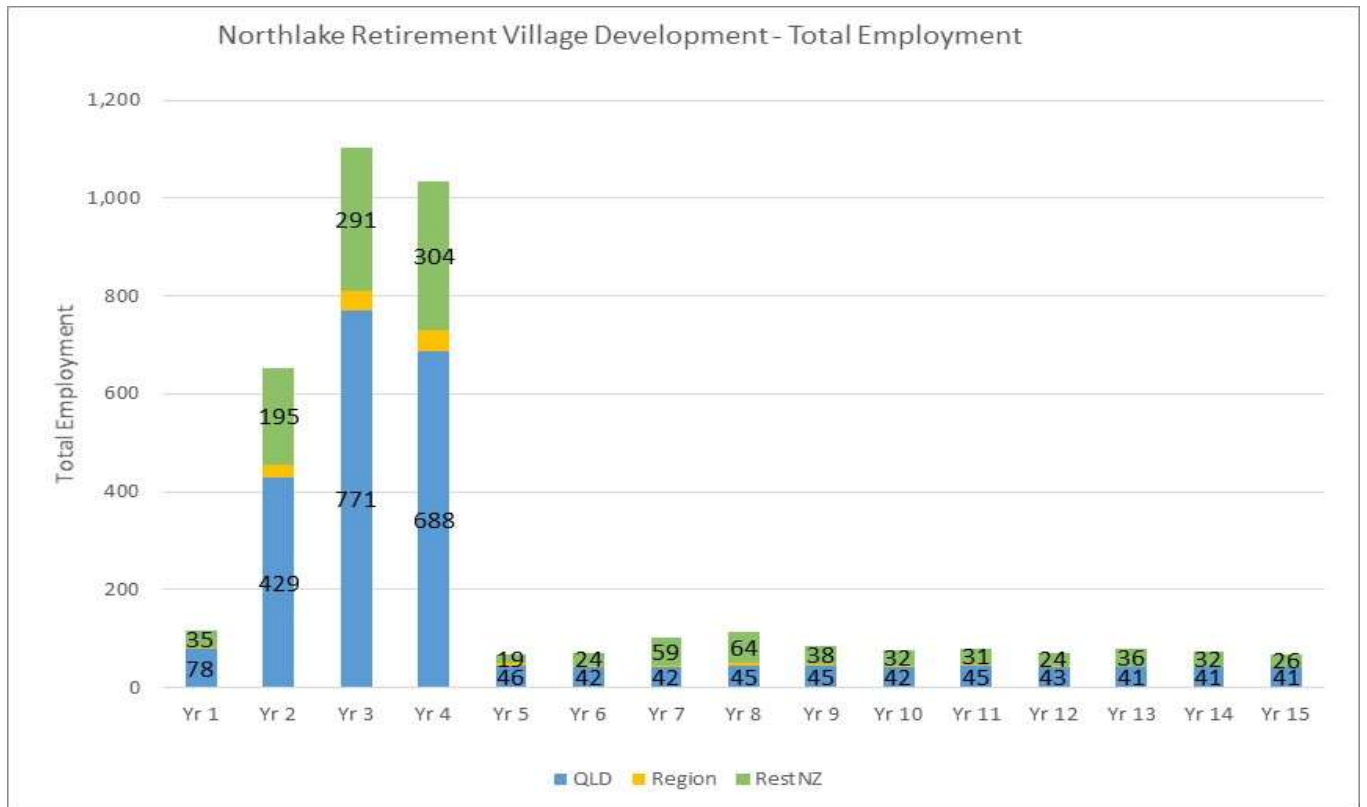


FIGURE 2: DISTRIBUTION OF TOTAL EMPLOYMENT OVER 15 YEAR PERIOD - NORTHBROOK WANAKA



The preceding table illustrates that the total impact on business activity within QLD as a result of Northbrook Wanaka over an operational (retirement village) 15-year period is estimated to be in the order of \$163 million. Total contribution over the first 5 years is expected to be \$133m.

In terms of employment multipliers this would contribute over 770⁹ jobs during the peak construction year within QLD, with the ongoing operational local employment benefitting by 41 jobs per annum.

Regionally, Northbrook Wanaka is expected to contribute an additional \$9m in GDP and 145 jobs over the 15-year period. At a national level the development provides for a further \$148m in national GDP and 1,210 jobs over the 15-year period.

⁹ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs)

7. OTHER ECONOMIC COSTS AND BENEFITS

Due to the diverse nature of the projects assessed, there are a range of potential economic costs and benefits that are likely to be achieved within the market beyond the direct economic activity (employment and GDP) generated.

There are essentially four primary considerations that contribute to the overall economic benefit of the proposed development.

1. **Opportunity and Equity:** The development of proposed retirement village and associated facilities / amenities has the potential to increase the competitive profile of the QLD environment providing opportunity for employment retention within and between the local economies.

The opportunity to retain employment is vital for the economic well-being of the district's economies. This in turn is likely to increase population growth and provide greater economies of scale and productivity.

2. **Increased Retention:** Increased retention of employment provides for population retention, greater levels of amenity, and improved community investment.
3. **Operational Efficiencies:** Along with increasing labour productivities, the development of additional employment and households is likely to improve overall business efficiencies increasing the competitive environment for the district.

As identified, the construction industry within QLD have seen the greatest proportional growth over the past 15 years. This is in part due to the ability for the growing market to internalise demand for growth into district activity and jobs. These improved densities are also likely to improve infrastructure provision and lower marginal costs.

4. **Competitive Demand:** The provision of an additional 100 retirement units not only facilitates greater choice and is likely to have a positive impact on product pricing, but also provides the districts with the ability to attract an increasingly diverse resident demographic enabling greater population growth and ensuing economic activity.