

November 2023

Opportunities in a new paradigm

Gavin Duane



Core Property
Fund Research & Ratings

Location*iQ*

Location IQ

About Us

Who We Are

Location IQ empowers Australia's retail and property communities to make big location decisions through our unrivalled data intelligence.

What We Do

What sets us apart is our ability to make authentic connections - not only with data but with people. We take complex information and then we curate, distill and articulate it for our clients.

Our clients make big, bold moves every day. They are expanding their footprints, shaping cities and suburbs, pioneering new ways to inspire customers and grow their businesses. And we are there supporting their big ideas from the beginning.

Key Industries

We work across a large number of other industries including aged care, medical, student accommodation, media, petrol, childcare, gyms, hotels and more.



Gavin Duane

About Me

If you are a 53-year-old man from Australia, there are 164,200 people like you on Earth... and there are 93 million other 53-year-olds in the world.

When I was born, there were 3.7 billion people in the world.

On my 100th birthday, there will be 10.3 billion.

More than half of the world's population is concentrated in just seven countries:

- India
- China
- The United States
- Indonesia
- Pakistan
- Nigeria
- Brazil (add in Congo, Ethiopia, Tanzania and Egypt by 2100).

<https://www.washingtonpost.com/world/interactive/2022/world-population-8-billion/>

(hit the X on the browser as soon as the page loads to access for free)





Do You Know New Zealand?

Question 1

Quiz Time

What is the Population of New Zealand?

- a) 3.7 million
- b) 4.3 million
- c) 5.0 million
- d) 5.3 million**
- e) 6.0 million



Question 2

Quiz Time

Where is Christchurch Located?

- a) East Coast – South Island
- b) West Coast – South Island
- c) East Coast – North Island
- d) West Coast – North Island



Question 3

Quiz Time

Which Towns are Located Further South out of the Following:

a) Queenstown or Hobart

b) Auckland or Canberra



Question 4

Quiz Time

What is the Population Split Between the North and South Islands?

- a) North 2.7 million, South 2.6 million
- b) North 3 million, South 2.3 million
- c) North 3.7 million, South 1.6 million
- d) North 4 million, South 1.3 million**
- e) North 4.3 million, south 1 million



Question 5

Quiz Time

How Many \$NZ does \$1 AUD Buy?

a) \$1.04

b) \$1.08

c) \$1.20

d) \$1.25

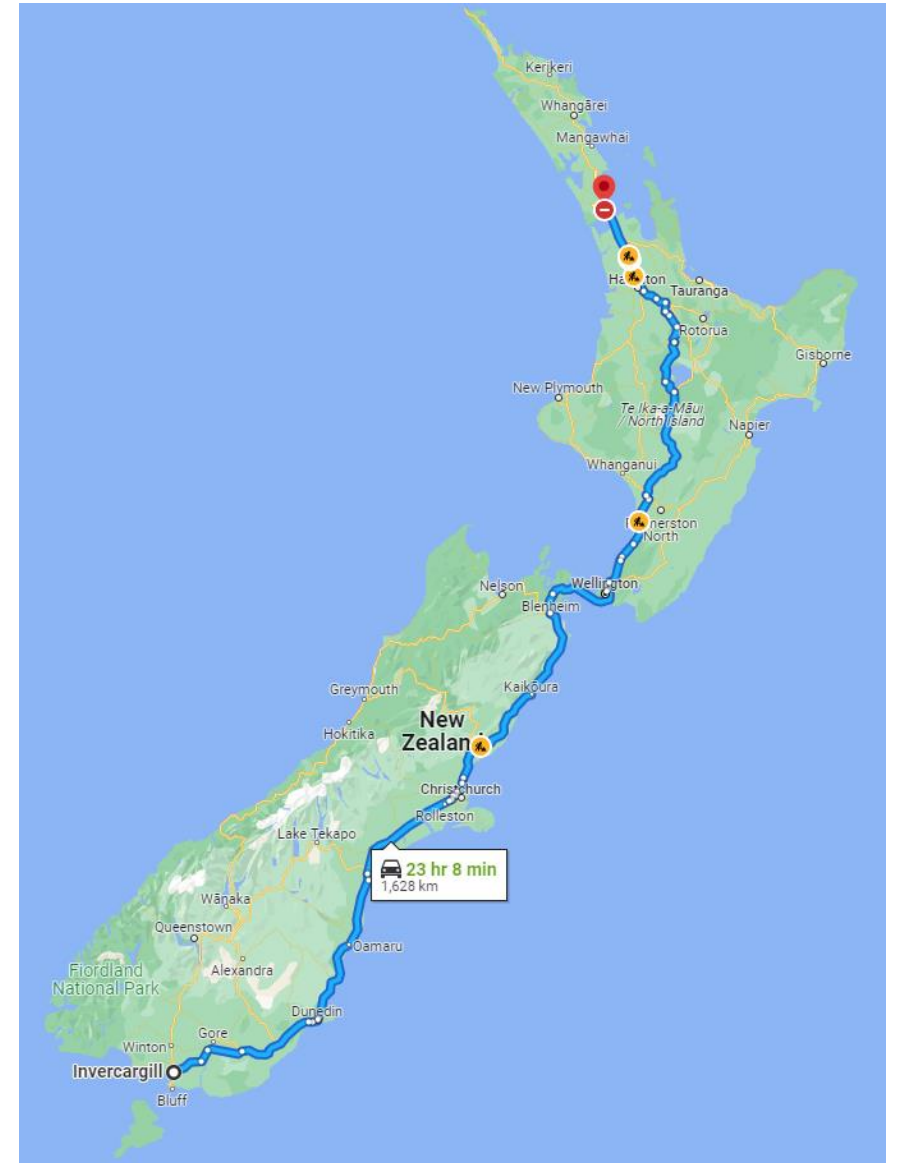


Question 6

Quiz Time

How Far is the Drive Between Auckland (near top of NI) and Invercargill (bottom of SI)?

- a) Cairns to Brisbane (1,707 km)
- b) Sydney to Melbourne (878 km)
- c) Adelaide to Sydney (1,375 km)
- d) Perth to Adelaide (2,693 km)



Question 7

Quiz Time

How Many Sheep are there in New Zealand?

- a) 10 million
- b) 16.5 million
- c) 100 million
- d) 25 million



Interesting Fact: This represents the lowest ratio of sheep to people since 1870

Question 8

Quiz Time

What is the average per litre petrol price in New Zealand?

- a) \$2.00
- b) \$2.50
- c) \$3.00
- d) \$3.50
- e) \$4.00



Question 9

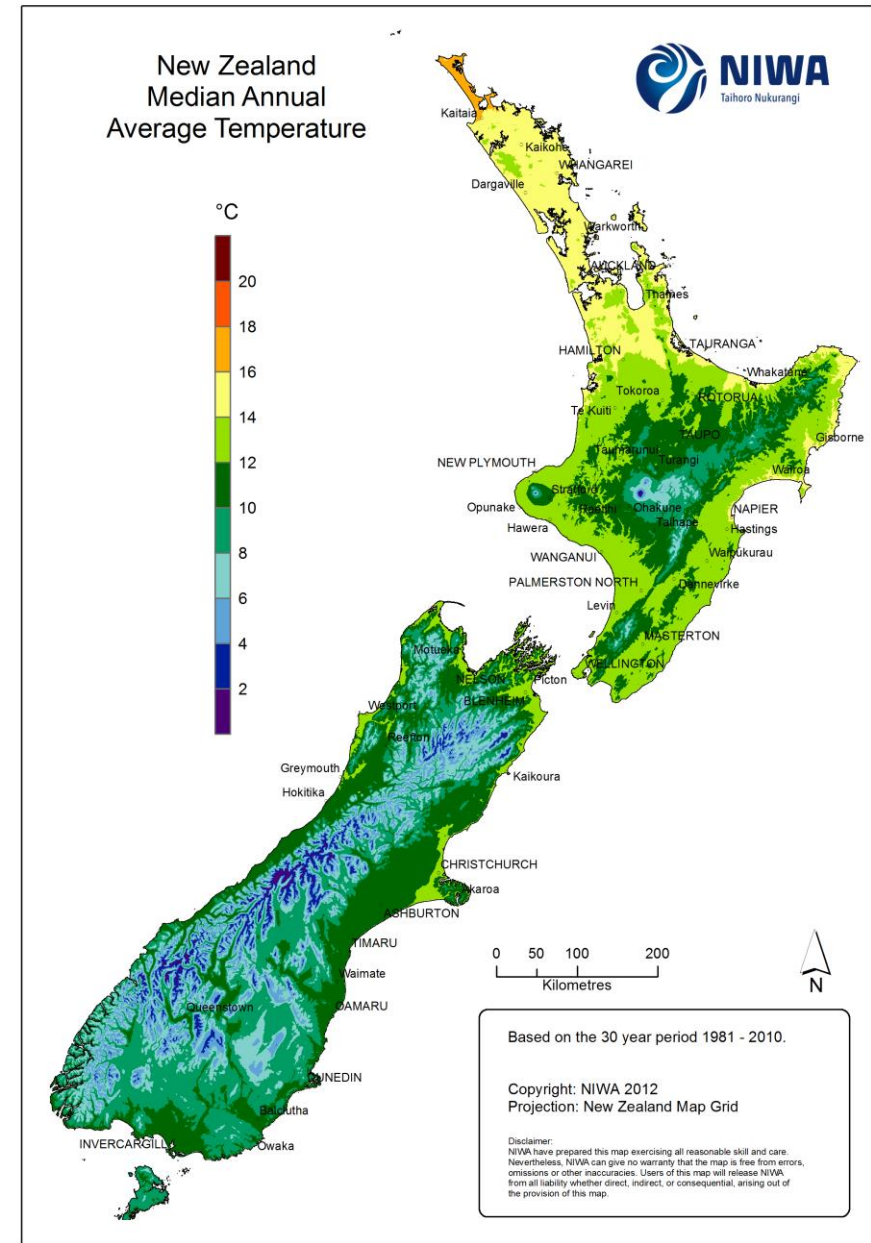
Quiz Time

Which city has the higher average temperature?

a) Auckland

b) Melbourne

20.2 °C vs 19.0 °C



Question 10

Quiz Time

When did the Australian rugby team last hold the Bledisloe Cup?

a) 2002

b) 2006

c) 2009

d) 2012

Interesting Fact: NZ 51 v AUS 12 series wins





How is the New Zealand Economy Going?

Key Takeaways

Similarities with Australia

Economic Indicator	New Zealand	Australia	United States
Population (M)	5.27	26.88	335.71
GDP (US \$B)	233.1	1,607.9	27,623.5
GDP per Capita (US \$)	44,240	59,817	82,284
Inflation (CPI, %)	5.6%	5.4%	3.7%
Unemployment Rate (%)	3.6%	3.6%	3.9%
Official Cash Rate (%)	5.50%	4.35%	5.25%
\$1 USD =	\$1.698 NZD	\$1.574 AUD	\$1 USD

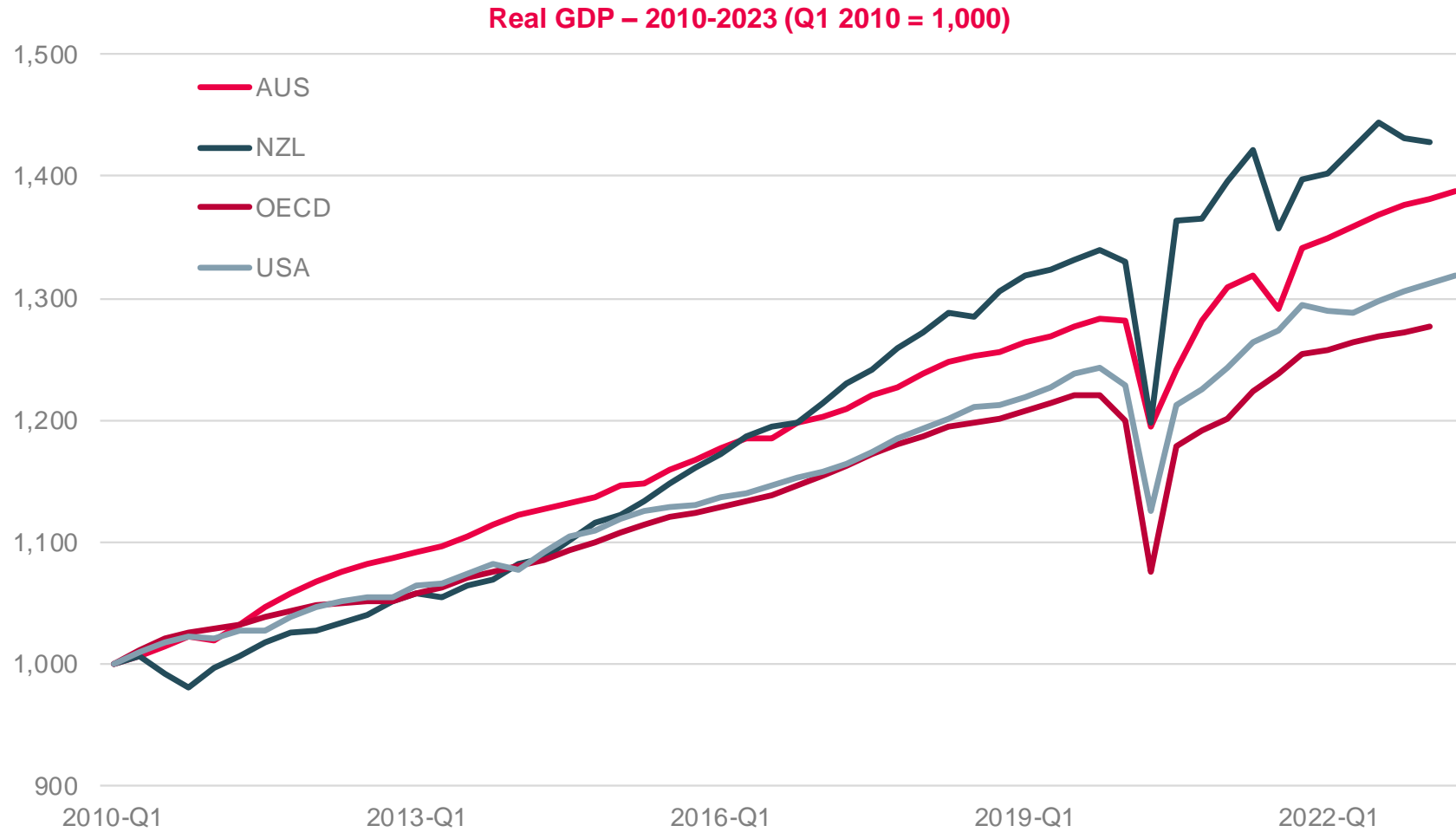
Source: ABS, Stats NZ, United States Census Bureau, United States Bureau of Economic Analysis,

Bureau of Labor Statistics, xe.com

*Base Federal Funds Rate (FED)

GDP

Strongest Growth Post GFC



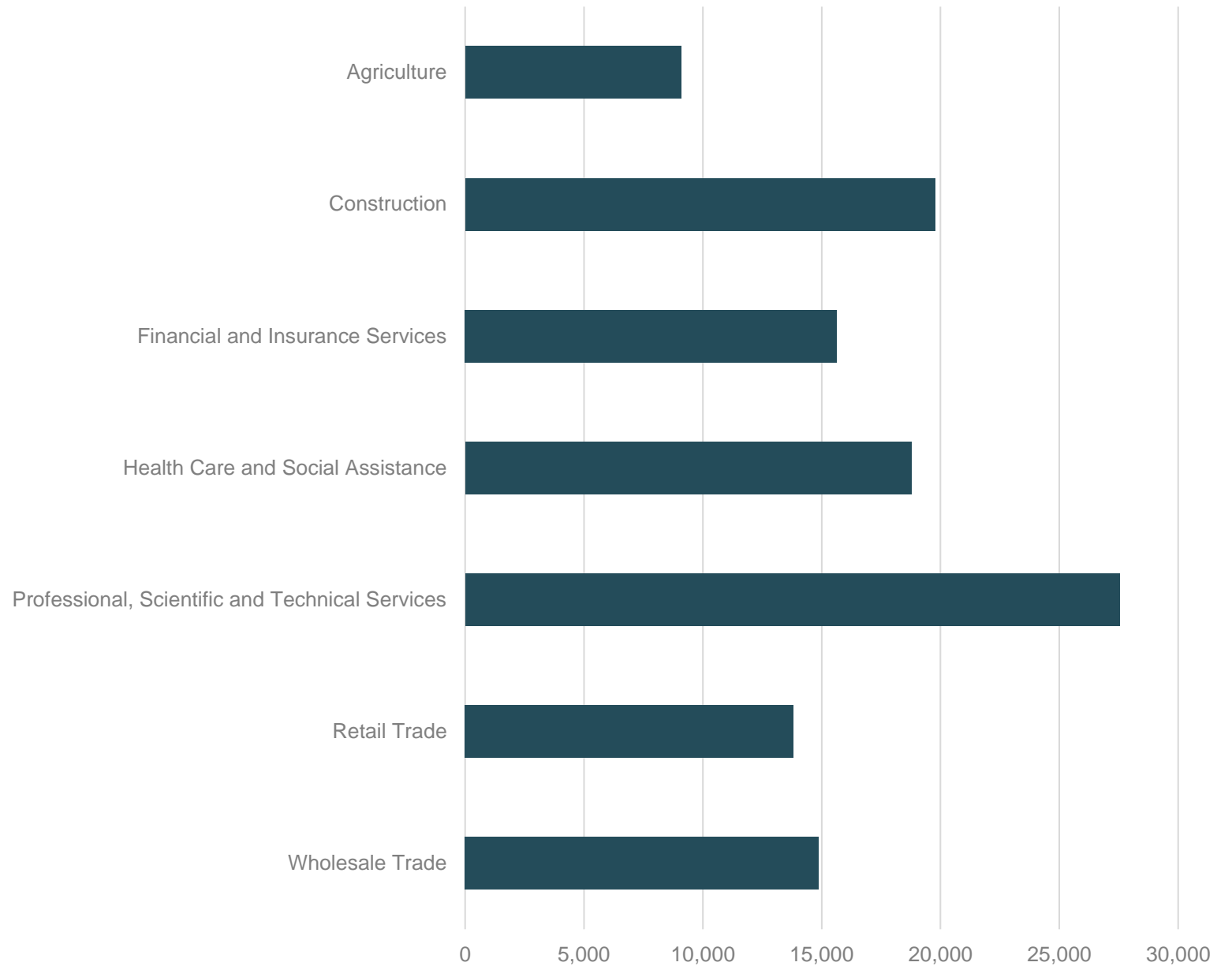
Source: OECD

GDP

Key Industries

Key Callouts

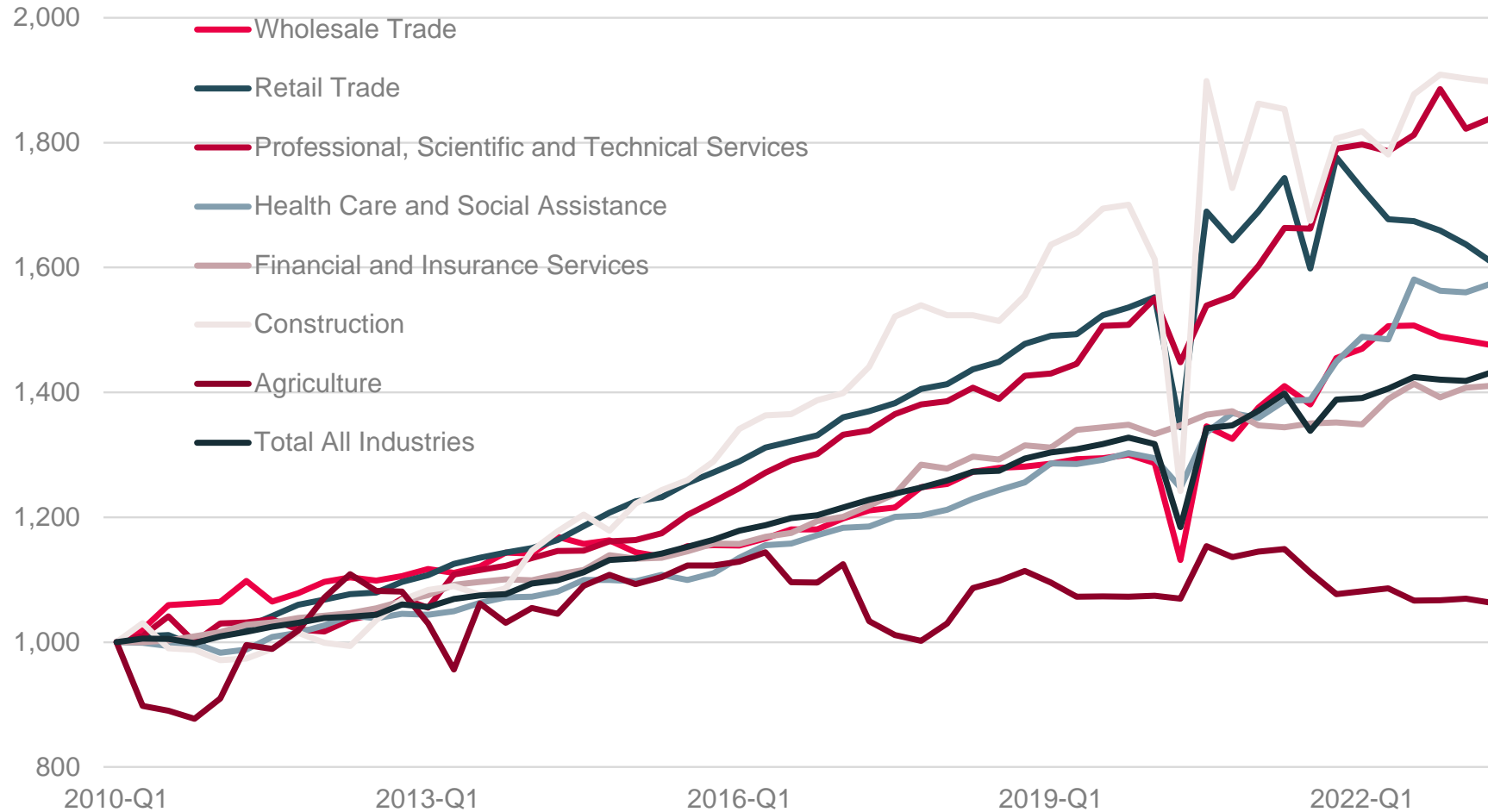
- The NZ economy is typically thought of as based on agriculture.
- Agriculture is the 14th largest industry in NZ out of 32.
- Agriculture is around \$9 billion annually, or 3.5% of GDP.
- Largest is professional services at \$27.5 billion, more than three times Agriculture.



GDP

Construction and Professional Services

Real GDP – 2010-2023 (Q1 2010 = 1,000)



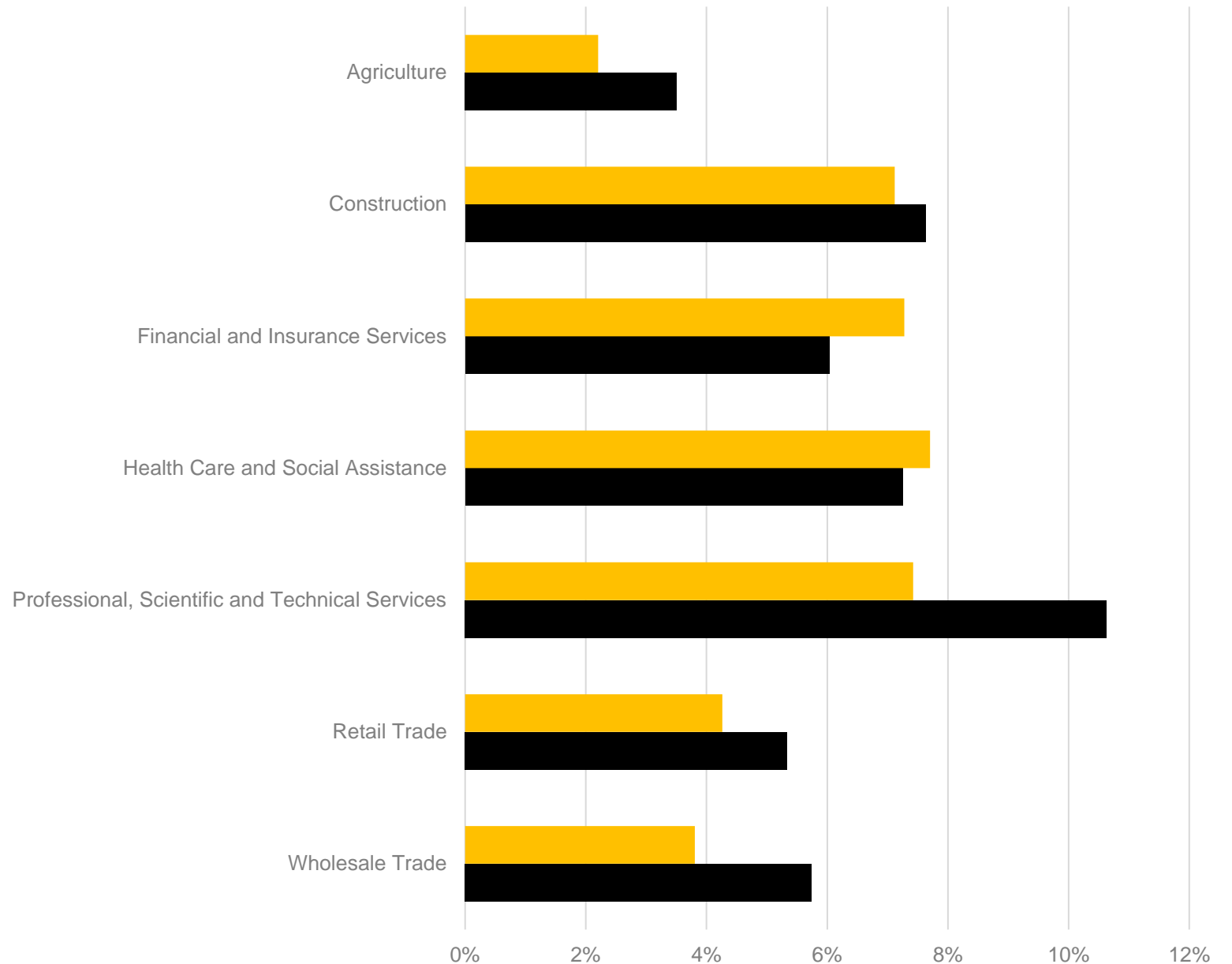
Source: OECD

GDP

Comparison with Australia

Key Callouts

- Proportion of GDP across key industries for NZ and AUS.
- Agriculture, professional services and construction higher proportion in NZ.
- Health care and financial/insurance services higher proportion in AUS.
- Interestingly, mining makes up 10.3% of Australian GDP.

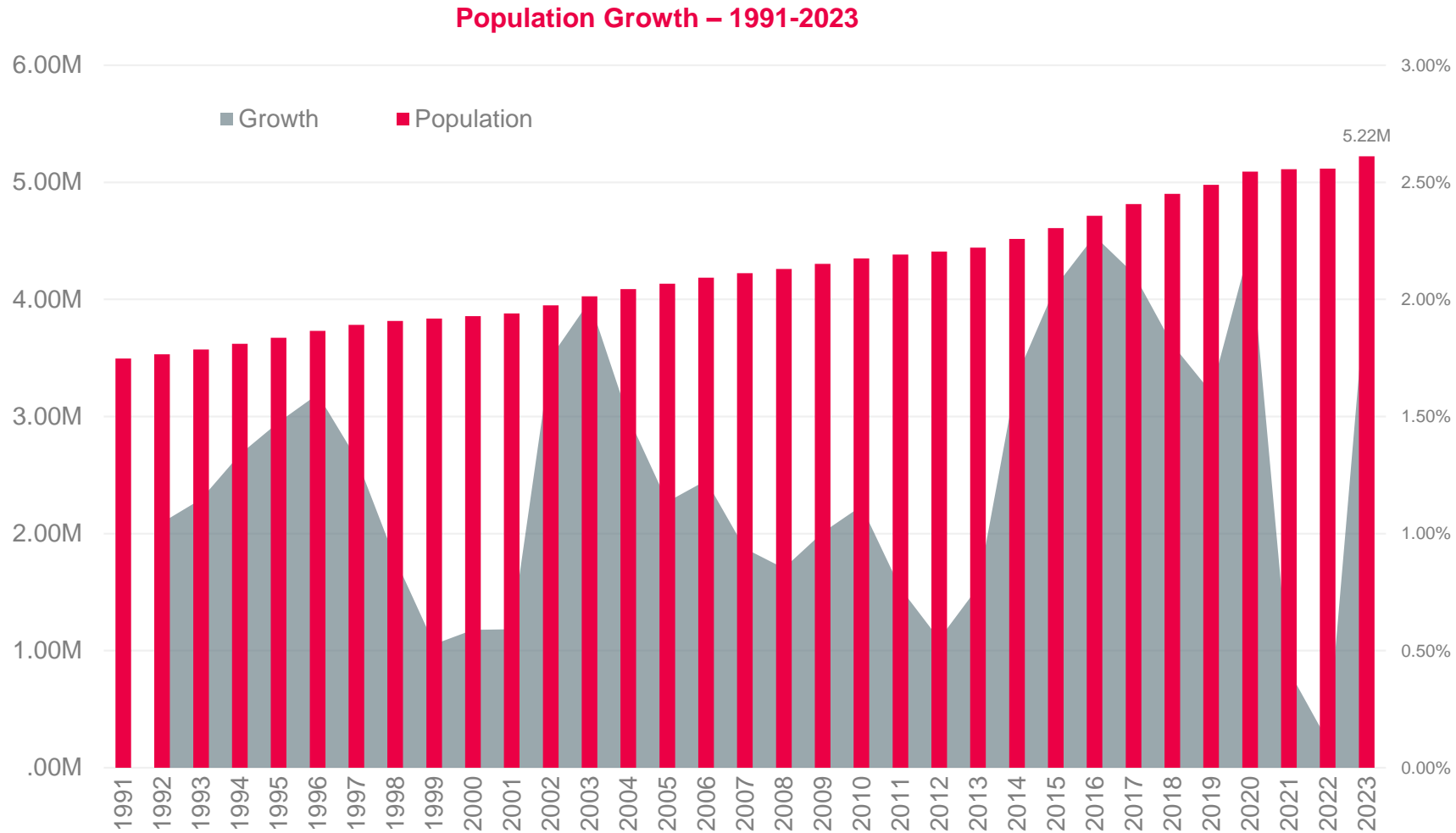




New Zealand Population

Population Growth

Where will NZ land?



Source: Statistics New Zealand

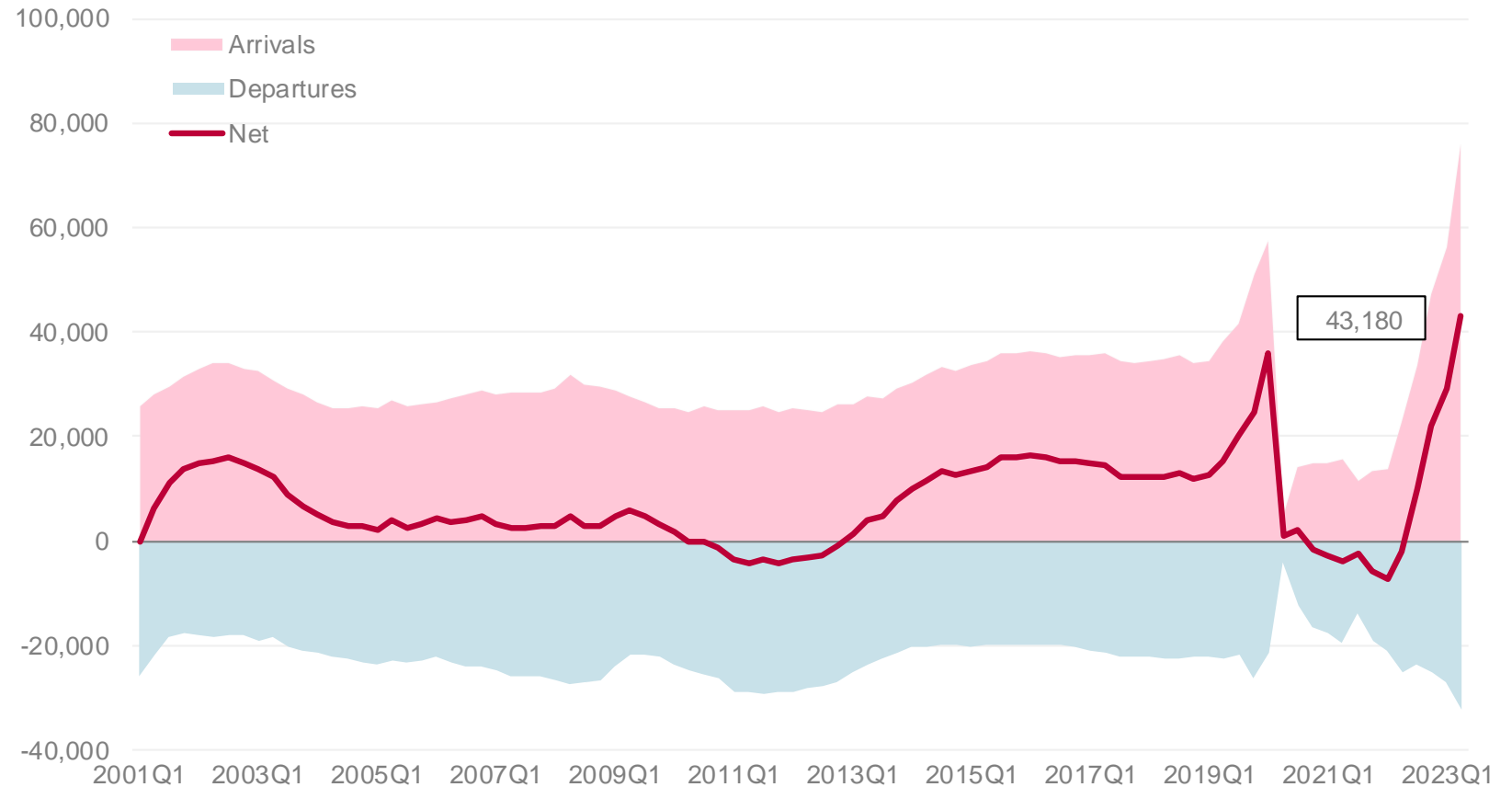
Migration

Significant Increase Post Covid

Key Callouts

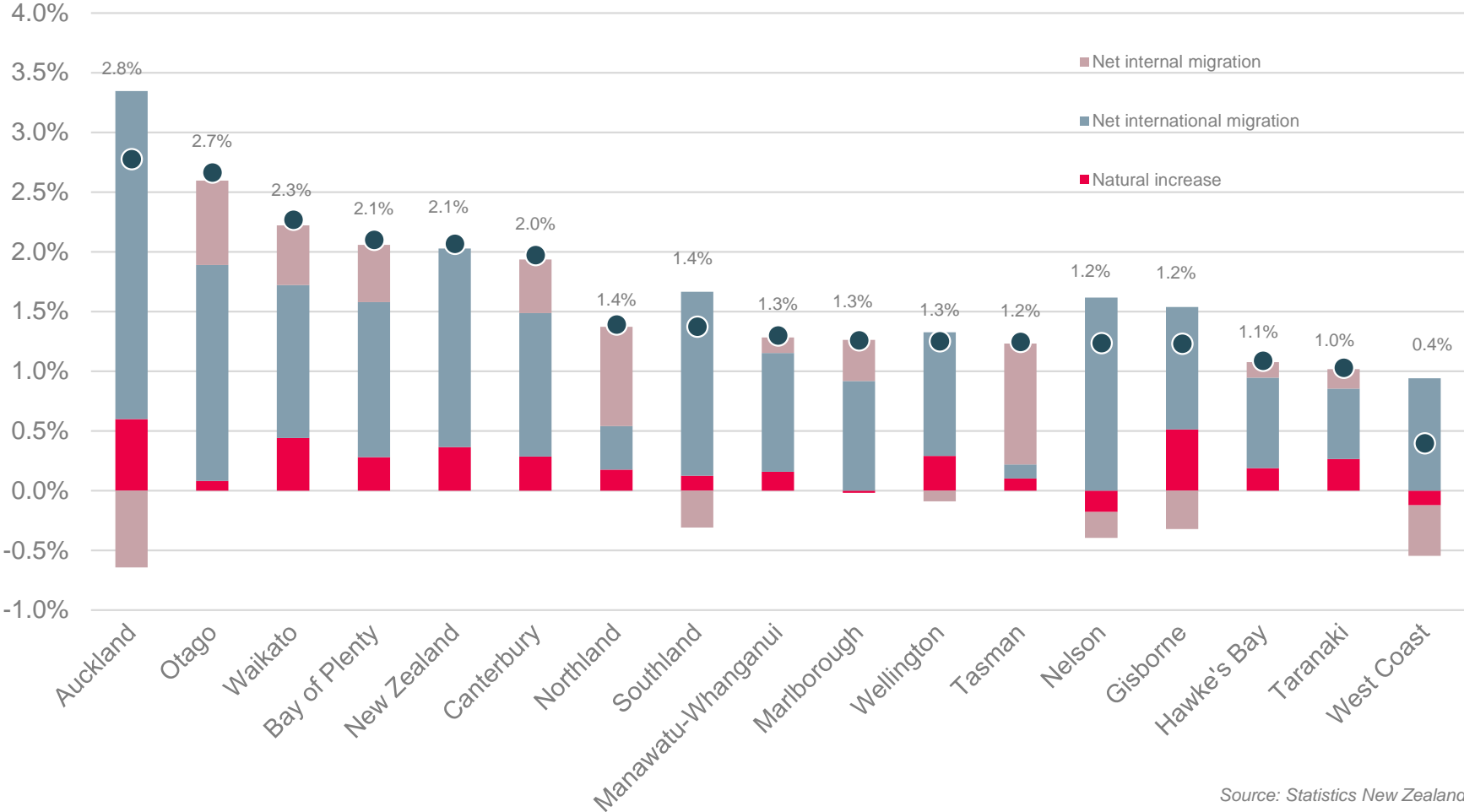
- Highest level of net migration in over 20 years
- Net migration of over 100,000 persons in the year to June 2023.

Quarterly Migration – 2001-2023



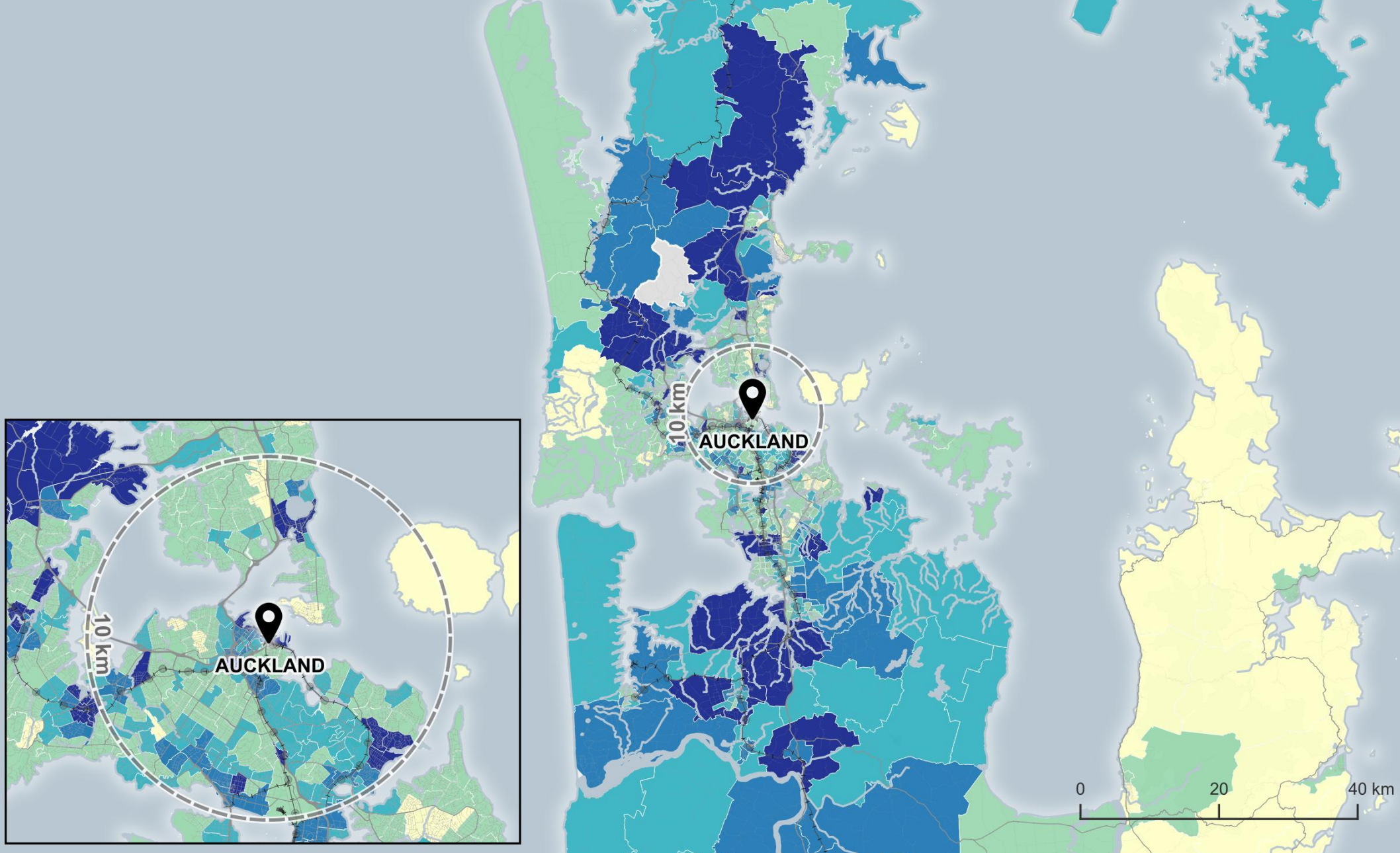
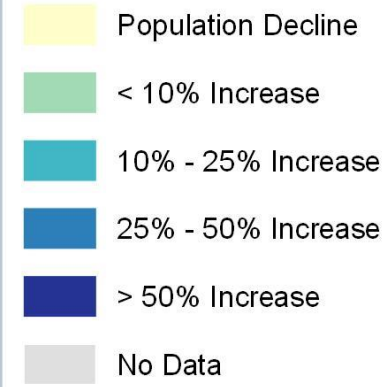
Components of Population Growth, 2022-23

Strong population growth

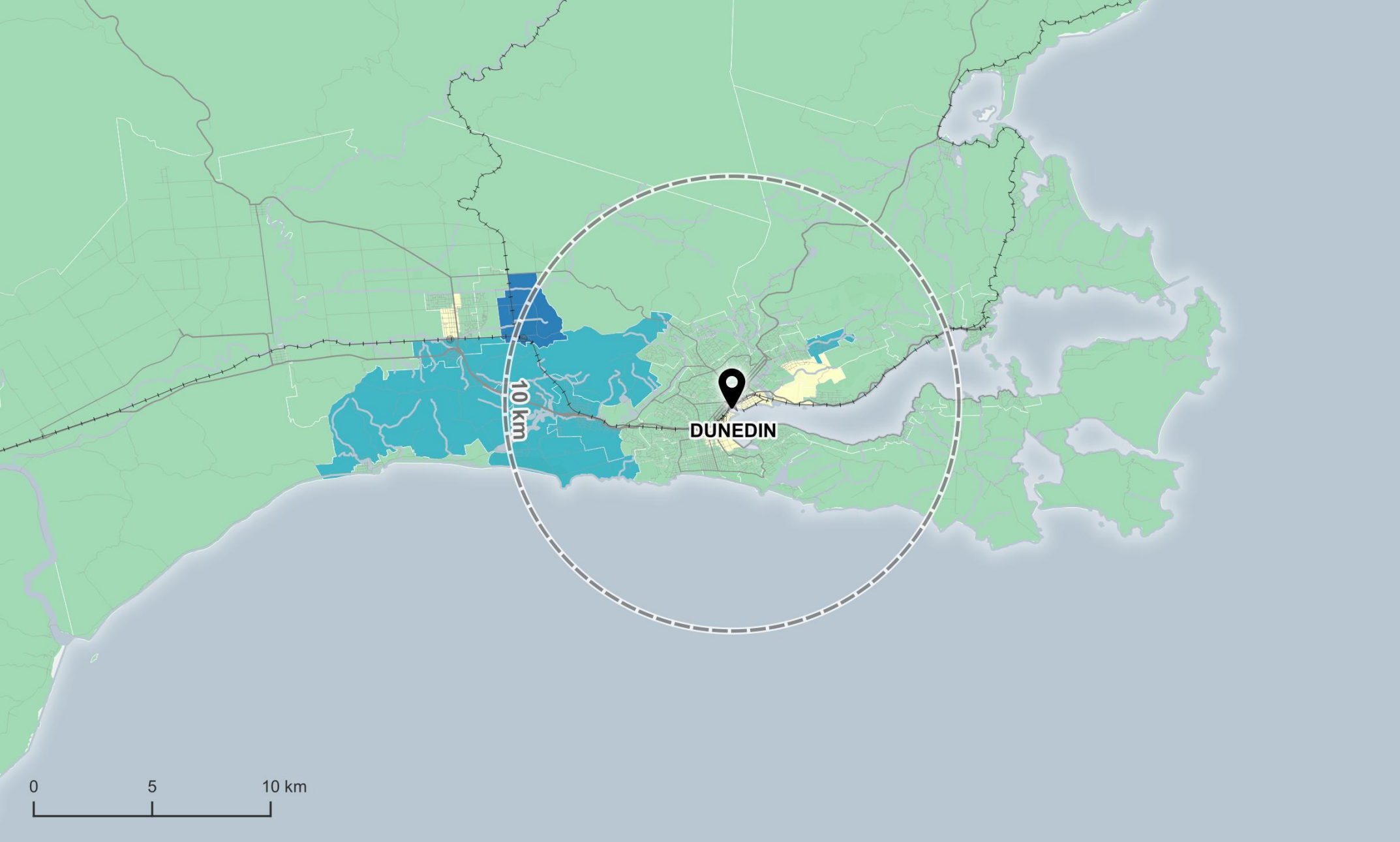
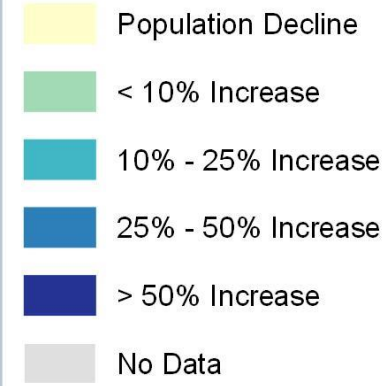


Source: Statistics New Zealand

Population Change by SA2 (2023-2043)



Population Change by SA2 (2023-2043)





Do You Know New Zealand Retailers?

Largest Supermarket Brands in New Zealand

Unique Supermarket Ownership Structure. Strong Australian Presence.

foodstuffs NORTH ISLAND

Foodstuffs South Island



NEW WORLD



Combined Future

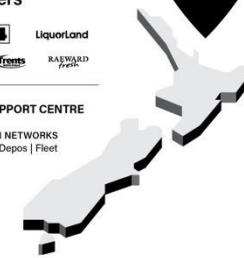
532

Co-op Members
Local Grocery Retailers and Wholesalers

Logos for PAK'n SAVE, FOUR SQUARE, LiquorLand, Gilmeurs, and RAEWARD fresh.

CO-OP | BOARD | SUPPORT CENTRE

NO CHANGE TO: SUPPLY CHAIN NETWORKS
Distribution centres | Transport Depots | Fleet



PROGRESSIVE



countdown



Opportunities in a new paradigm

Location*iQ*

Largest Non-Food Major Brands in New Zealand

Again, Strong Australian Presence



How Many of Australia's Top Retailers are in New Zealand?

Largest Retailers in Australia by Volume



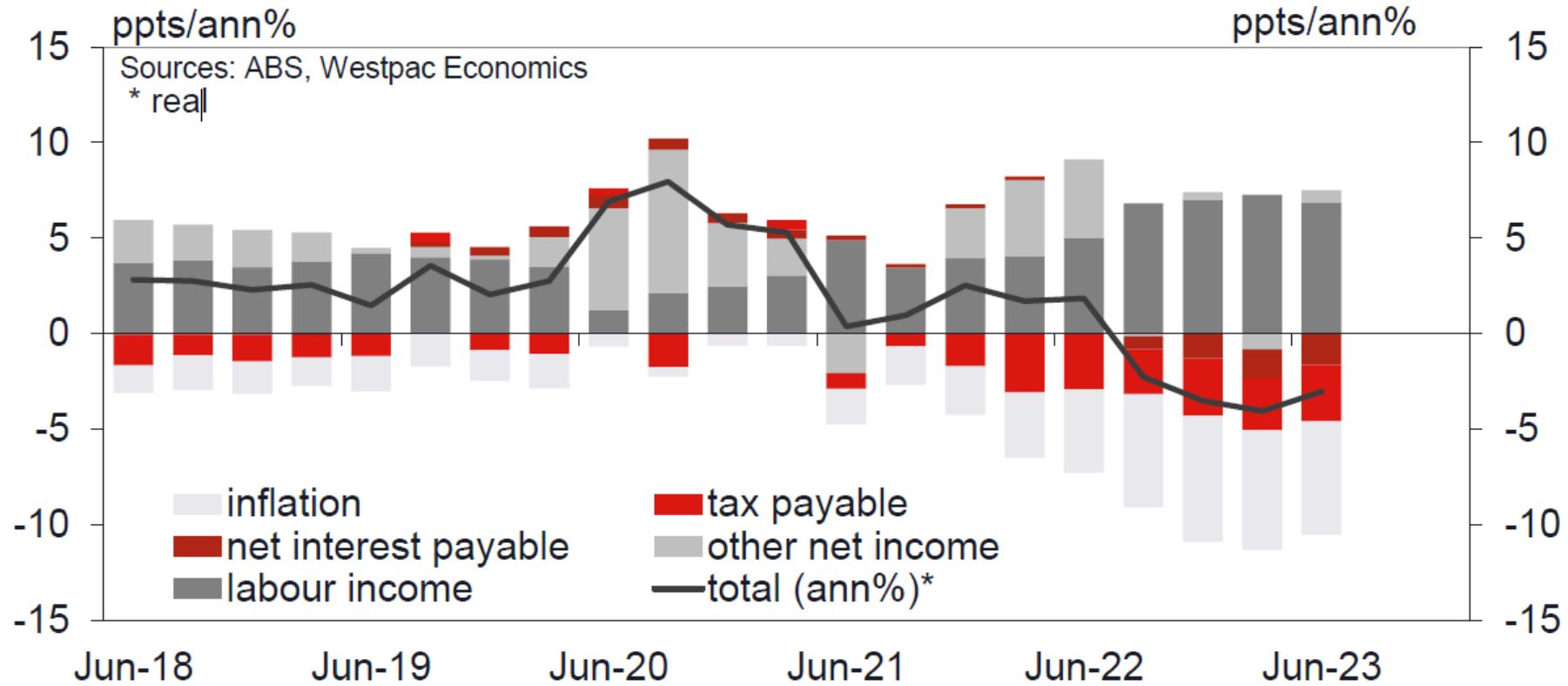


The New Paradigm

Household Income

Real Household Squeezed by Inflation, Tax & Interest Rates

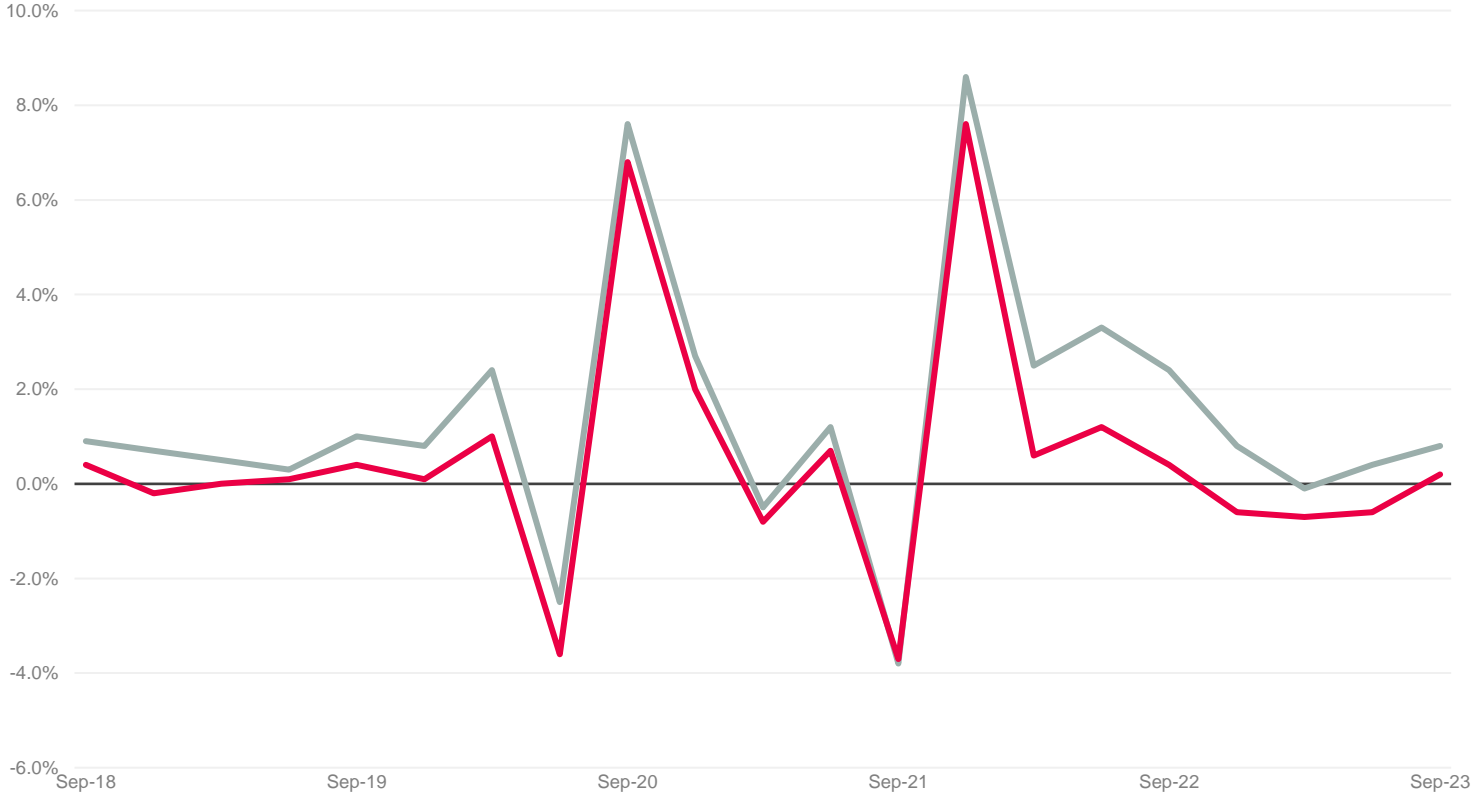
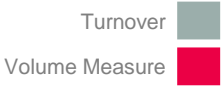
Westpac Economic Briefing – 8 November 2023



Quarterly Retail Turnover

Turnover vs. Volume

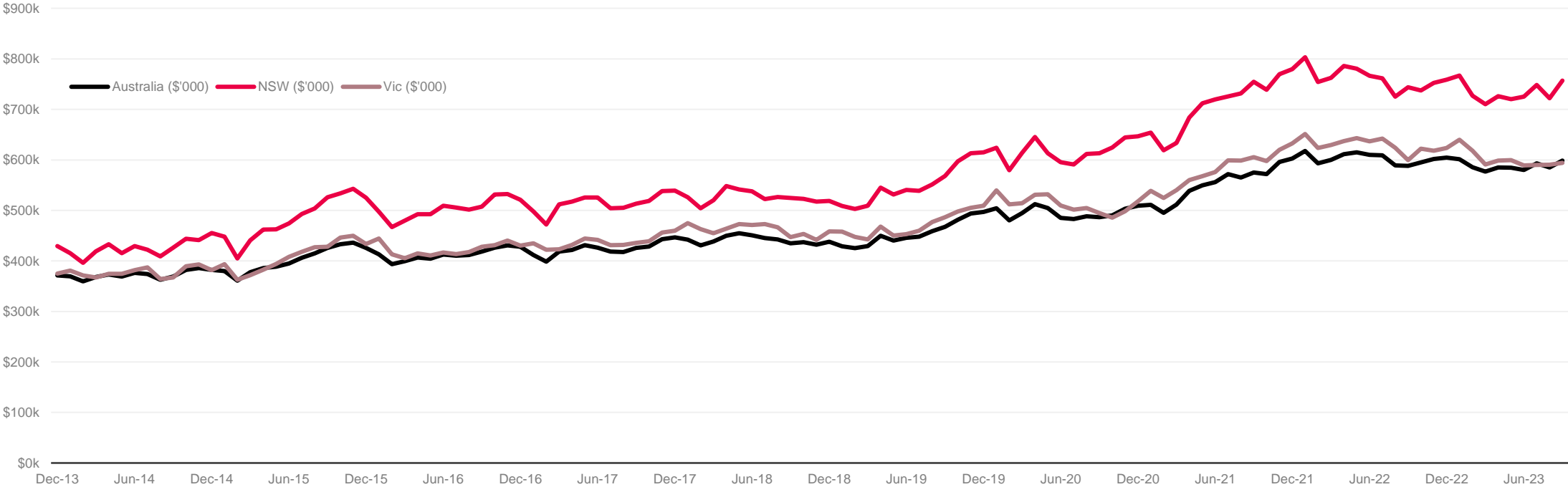
Turnover Positive, but Volume Low or Negative



Housing Costs

Owners & Borrowers

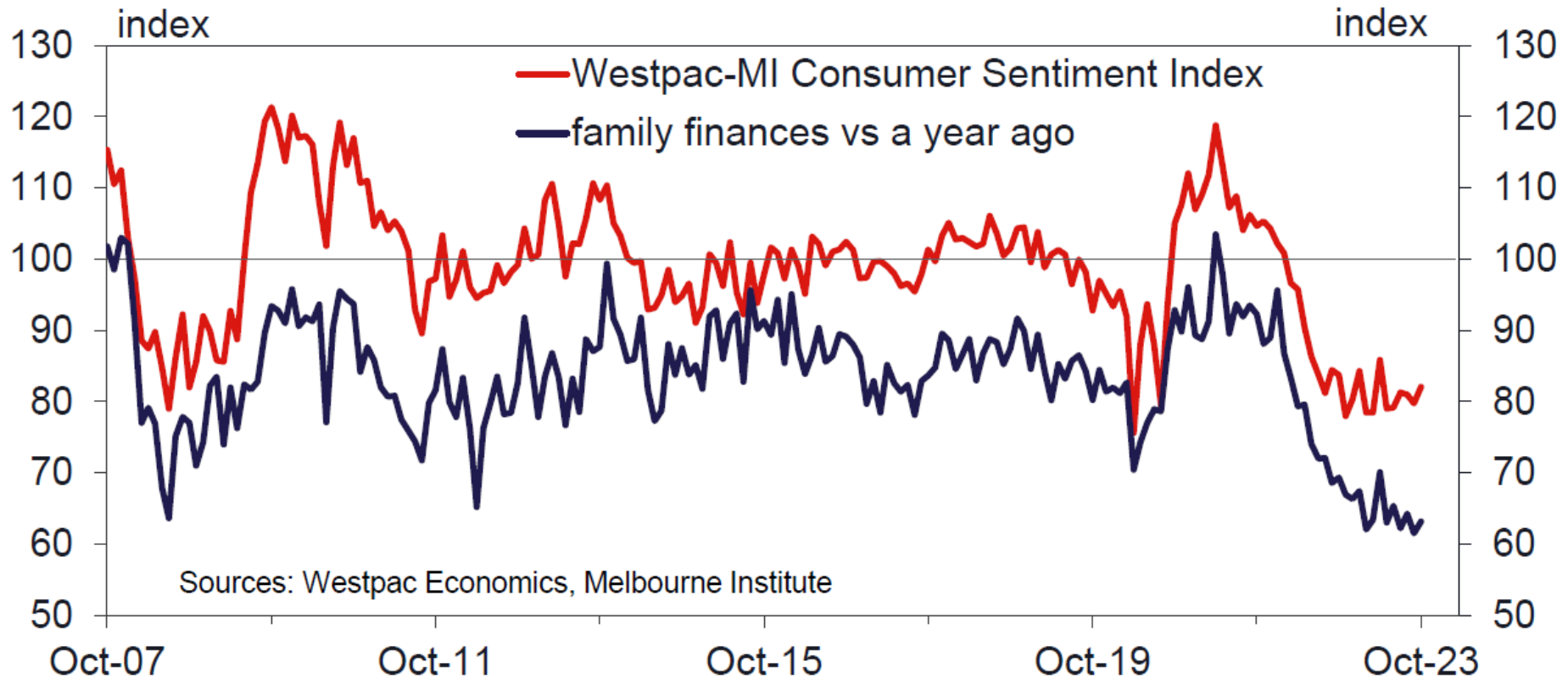
Average Loan Size (Owner-occupier), \$'000



Consumer Sentiment & Finances

Pessimistic Outlook

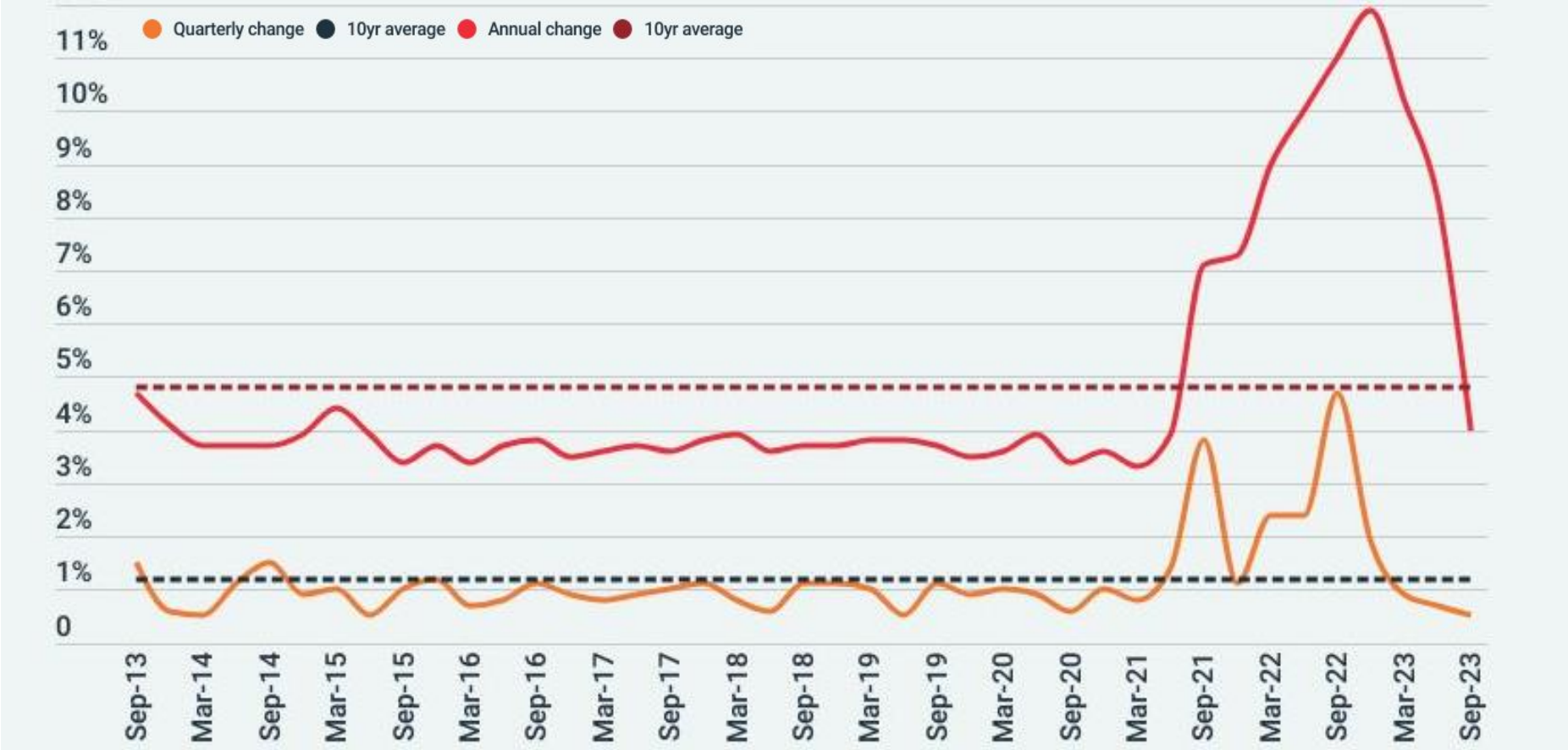
Westpac Economic Briefing – 8 November 2023



Construction Costs

Cordell Construction Cost Index

Quarterly & Annual Change in Index



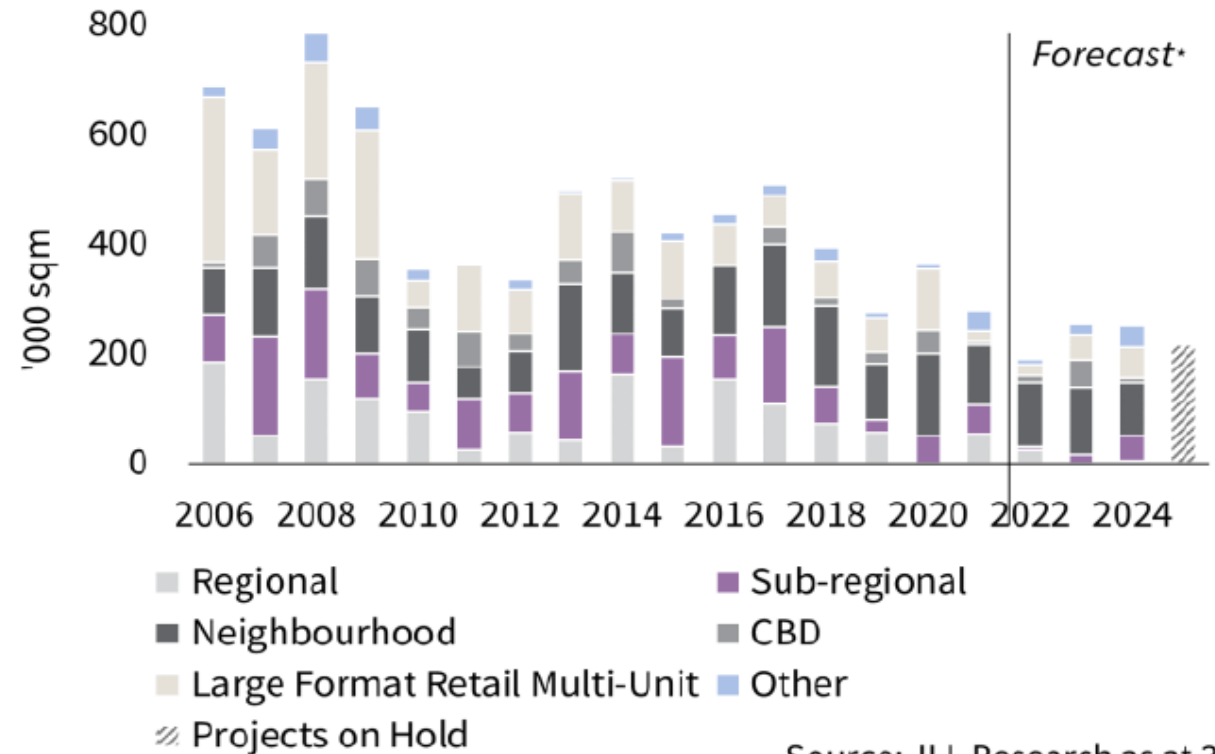
Brick & Mortar Pipeline

New Project Pipeline Has Been Low Since 2018

Key Callouts

- Project commencements have slowed but are gradually reaching pre-pandemic levels. Development project delays and revisions continue to be apparent but not to the same extent as earlier on in the pandemic.
- More owners instead are focusing on refurbishments and mixed-use opportunities to diversify income streams.
- Like the GFC, the slowdown in construction as helped incumbent assets ride out the downturn.

Brick & Mortar Pipeline by Centre Type



Source: JLL Research as at 3Q22

*includes completed, under construction and plans approved

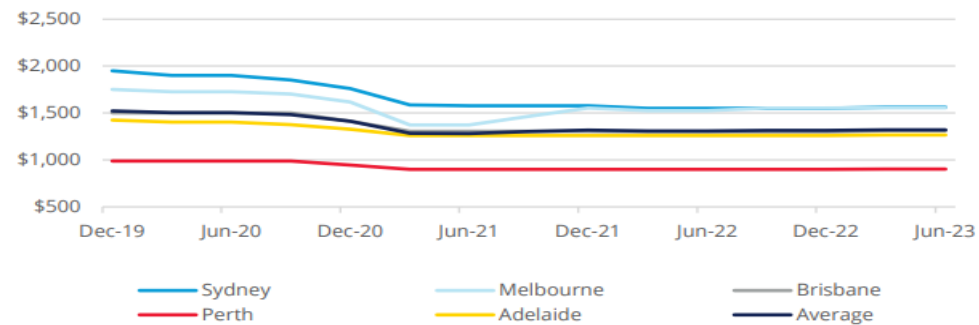
**includes projects on hold with unknown completion years

Retail Performance

Gross Face Rents by Centre Type

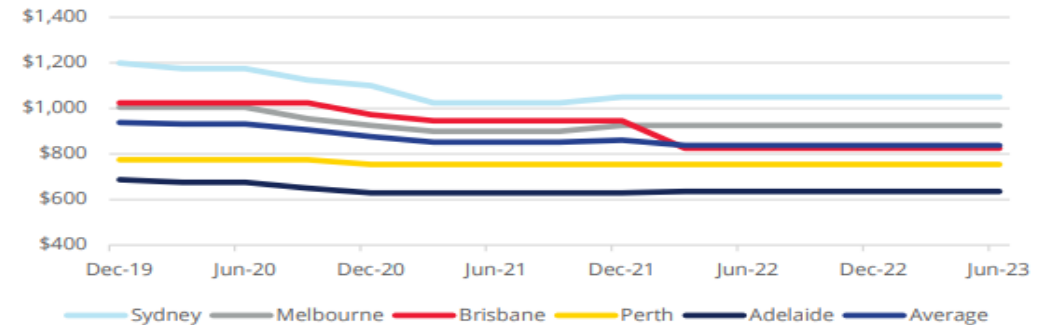
Regional Shopping Centres

Average Gross Face Rents by Market (\$ psm p.a.)



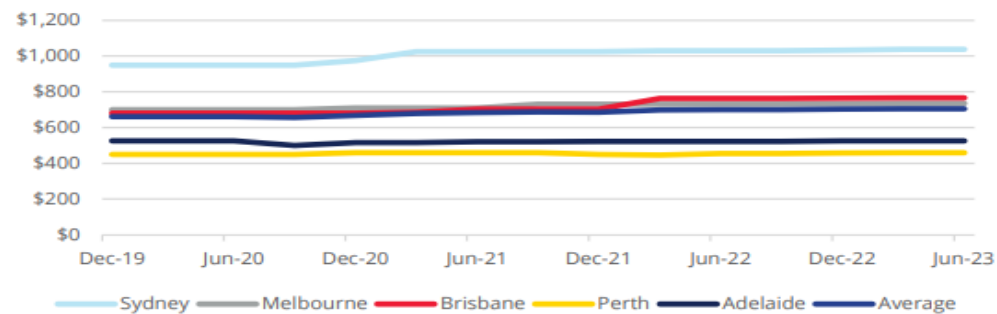
Sub-regional Shopping Centres

Average Gross Face Rents by Market (\$ psm p.a.)



Neighbourhood Shopping Centres

Average Gross Face Rents by Market (\$ psm p.a.)

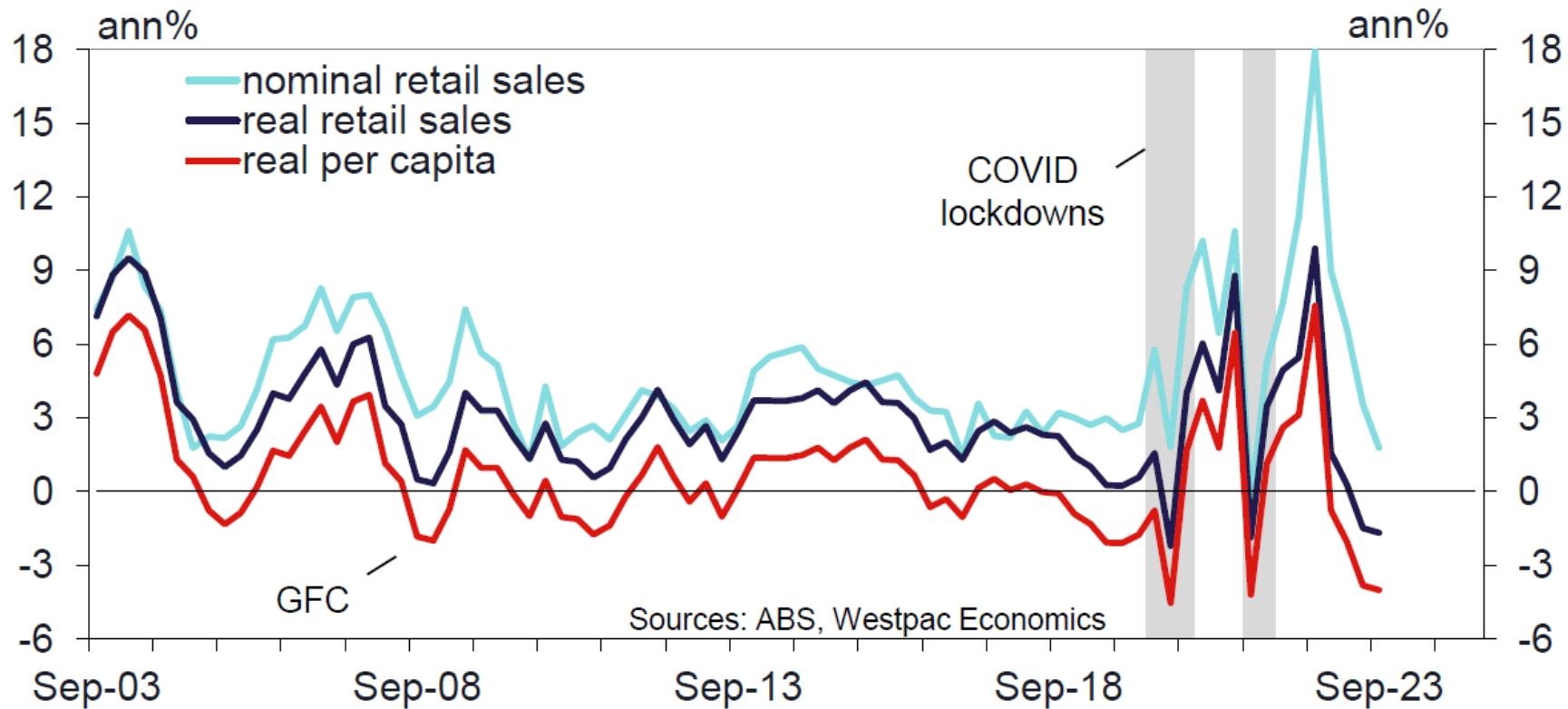


Source: Colliers Research Australian Retail Research Snapshot Q2 2023

Retail Sales Growth

Population Growth and Inflation driving consumer spending

Westpac Economic Briefing – 8 November 2023



Where to Now?

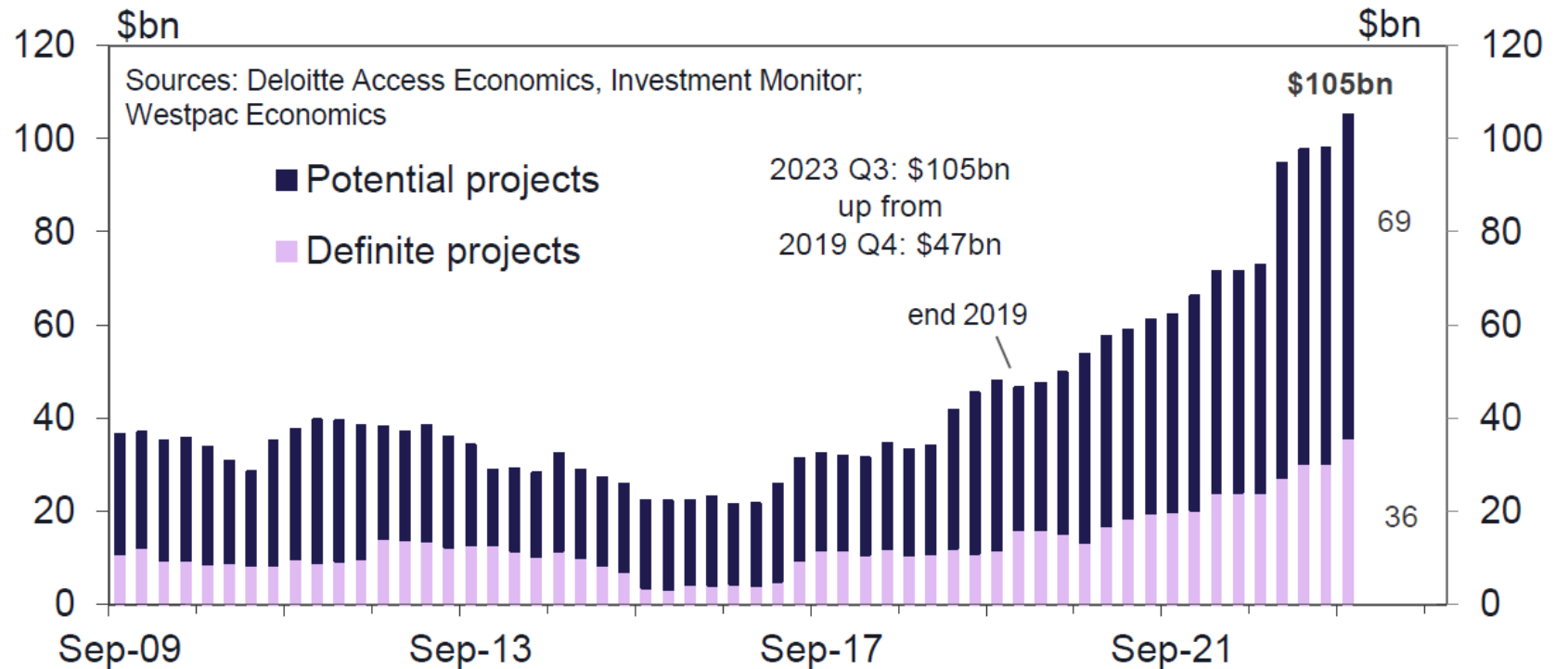
Key factors – Number of customers (population), health of customers (spend) and competition

Next 12 Months

- Population growth = high but slowing as compared with past 12 months
- Health of customers – people employed but competing costs for retail. Employment slowing.
- Competition – not building as competing infrastructure impacting costs. Office??

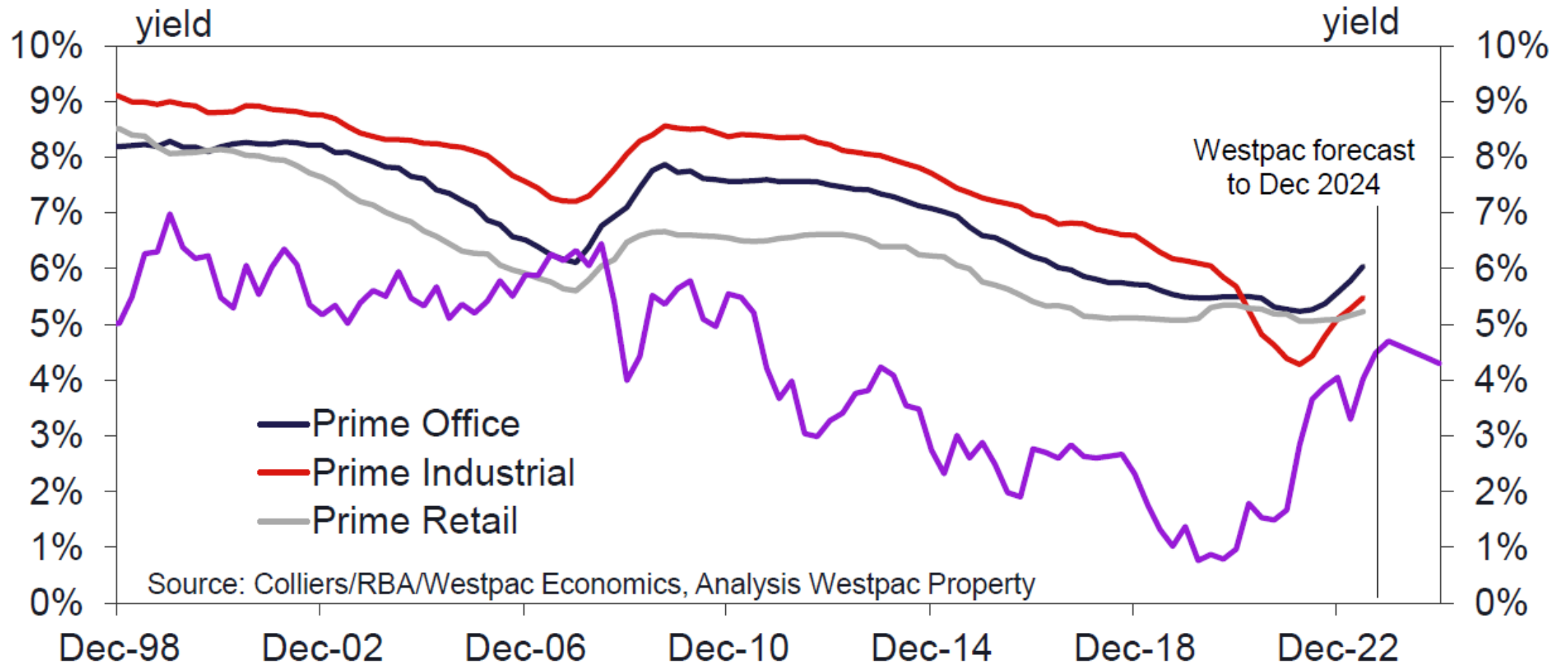
2 out of 3 ain't bad?

Australian Retail Sales Outlook – Annual Change (%)



Real Estate Yields

Westpac Economic Briefing – 8 November





The Opportunities

The Opportunities

Retail

- Population Growth
- Employment Growth
- Building Costs high
- Older population

Hot spot

Gold Coast?

Office

- Population Growth
- Digital technology employment growth (CSIRO: geography of Australia's digital technology industries)
- Not building now/limited supply
- Ability to customers to pay

Hot spot

Brisbane/Perth?

Industrial

- Population Growth
- Road/Rail Infrastructure
- Limited Supply or supply not being built at moment.

Hot spot

Sydney?

Contact Us

(02) 8248 0100

Level 27 | 25 Martin Place

Sydney NSW 2000

locationiq.com.au

Behind every
good decision

Location*iq*