

# *Building the Waterfront economy*

## Waterfront Auckland

*Highlighting the  
economic value the  
Waterfront  
redevelopment is  
bringing to the city*

*March 2013*

### **Disclaimer**

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John Dalzell  
CEO  
Waterfront Auckland  
PO Box 90 343  
AUCKLAND 1142

6 March 2013

Dear John

**The economic value of the redeveloped Auckland Waterfront**

We are pleased to present the findings of our work to update the project we completed in November 2010 that considered the economic value of the redeveloped Auckland Waterfront.

Our main focus has been to consider the impacts of the ongoing construction on the Auckland economy, as well as the economic activity stimulated by the increasing number of workers based on the Waterfront.

This report has been prepared in accordance with our Engagement Letter dated 26 February 2013, and is subject to the restrictions and disclaimers set out in Appendix A.

Yours sincerely

A handwritten signature in black ink that reads 'Chris Taylor'.

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## Executive summary

In 2010, PwC completed a project for Sea+City (the forerunner of Waterfront Auckland) that examined the expected contribution of the redeveloped Auckland Waterfront to the Auckland economy in 2040. Since then, development on the Waterfront has been rapid, with many of the conceptual plans of two years ago becoming reality.

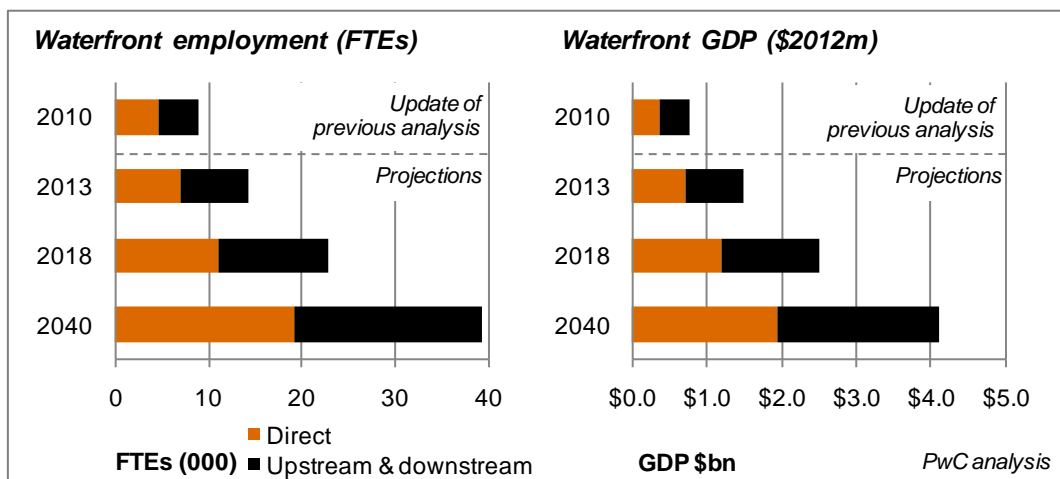
This work examines:

- how development on the Waterfront is tracking today
- where the Waterfront will be as a key component of the Auckland economy in the next five years (consistent with the ‘Waterfront Plan – Implementation Strategy’)
- whether the Waterfront is on track to achieve the economic benefits identified in the study two years ago.

### Ongoing impacts

This report examines progress made in the Waterfront redevelopment since 2010 and projects growth to 2018 and 2040. It compares the 2040 projections with those presented in the 2010 report.<sup>1</sup>

Overall, the Waterfront is estimated to support nearly 7,000 direct full-time equivalent (FTE) jobs by the end of 2013, generating \$710 million in direct GDP per year. Over the five years to 2018, this impact is expected to rise to nearly 11,000 direct FTEs and \$1.2 billion in direct annual GDP. Once upstream and downstream impacts are included, these figures more than double, supporting jobs and economic production across Auckland.

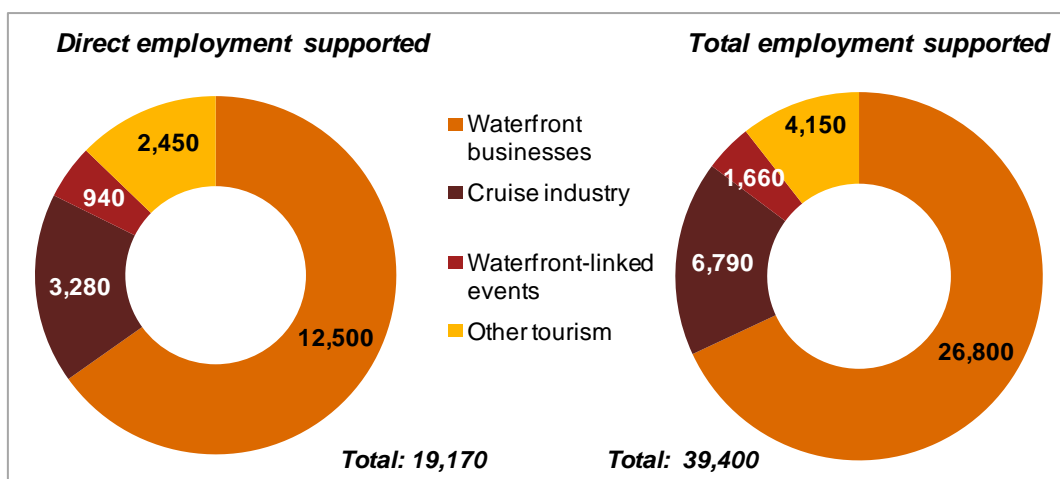


The Waterfront appears to be well on track to achieve the levels of employment and economic production set out in the 2010 report. The high density of business services and marine sector employment are expected to stimulate considerable agglomeration benefits, raising productivity even higher. By 2040 the Waterfront will generate nearly \$2 billion in annual direct GDP, while it will

<sup>1</sup> The 2010 employment and GDP figures presented in this report vary from those presented in the 2010 report. In employment terms, the main reason for differences is improved data quality for estimating FTEs. In the case of GDP, this difference is further accentuated because values in this report are presented in 2012 dollars rather than in 2010 dollars.

directly support nearly 19,200 ongoing FTEs through the key components of Waterfront-based employment, cruise industry, Waterfront-linked events and Waterfront tourism. Once upstream and downstream impacts are included, the Waterfront will support 39,400 FTEs producing \$4.12 billion in GDP on an ongoing basis by 2040. This \$4.12 billion equates to around 5.4% of Auckland’s total GDP in 2012, supporting the equivalent of 5.6% of Auckland’s present-day employment.

Consistent with the previous report, employment of high-productivity workers based on the Waterfront is expected to provide the bulk of the economic activity, with 12,500 workers expected to be based there by 2040.



The cruise industry, which continues to grow strongly, will support nearly 3,300 direct jobs in Auckland, facilitated by access through the Waterfront. Visitor numbers to a redeveloped Waterfront are expected to rise dramatically as the appeal of the Waterfront as a tourist destination in and of itself grows, supporting 2,450 direct FTEs in accommodation, travel, food and beverage and retail businesses across Auckland.

Once the upstream and downstream impacts on suppliers to businesses and individuals directly linked to the Waterfront is included, 39,400 total FTEs are supported, two-thirds of which will be due to workers directly employed on the Waterfront.

**One-off construction impacts**

Waterfront Auckland estimates around \$1.3 billion of construction activity is slated for the Waterfront over the period to 2029, of which an estimated \$557 million is expected to be spent by 2018. Over these first five and three quarter years, an average of around 420 construction FTEs will be employed site at any given time, or 1,000 in total across Auckland once upstream and downstream impacts are included. On-site workers will directly generate \$122 million in net present value GDP over this time. The 1,000 FTEs are expected to generate \$357 million in net present value GDP terms by 2018.

Over the 26 years to 2029, nearly 340 FTEs will be directly employed in construction work on the Waterfront at any given time. These workers will generate \$229 million of direct GDP in present value terms, simulating a further \$440 million in upstream and downstream GDP across Auckland in real present value terms to 2029. Overall, an average of 800 FTEs will be supported throughout Auckland due to construction.

## *Glossary*

Downstream impacts	See <i>Induced impacts</i>
Full-time equivalents (FTEs)	A measure of employment that allows comparison of workloads across various contexts. It takes into account the casual / part-time nature of some industries such as hospitality relative to industries where full-time employment is more common such as manufacturing.
GDP	Gross Domestic Product, which is the market value of all final goods and services produced within defined geographic borders in a given period. In this report, the geographic borders are those that bound Auckland.
Indirect impacts	The impacts on supplier industries that result from direct economic activity in the industry being studied. For instance, a new finance business located on the Waterfront will purchase legal, internet and electricity supply services. As the finance business pays for these inputs into its operation, it also generates economic activity (jobs and GDP) at those suppliers.
Induced impacts	The impacts on the economy as workers in the business being examined and in its supplier industries spend their wages in the economy. For instance, workers at a finance business located on the Waterfront and at the internet service provider that services the finance business spend their wages at supermarkets, petrol stations and on movie tickets, generating employment there.
Input-output tables/analysis	A quantitative economic technique that estimates the interdependencies between different components of the economy in matrix form. It shows how the output of one industry is an input to each other industry. Multipliers are derived from input-out tables.
Multipliers	A factor of proportionality that measures how much one variable changes in response to a change in some other variable. In the case of input-output analysis, multipliers measure the ratio of total employment and GDP to direct employment and GDP. For instance, a GDP multiplier of 2.1 means that for every \$1.00 of direct GDP generated, \$2.10 of total GDP is generated (including indirect and induced impacts), or \$1.00 direct plus \$1.10 in indirect and induced impacts.
Upstream impacts	See <i>Indirect impacts</i>

## *Introduction*

In 2010, PwC completed a project for Sea+City (the forerunner of Waterfront Auckland) that examined the expected contribution of the redeveloped Auckland Waterfront to the Auckland economy in 2040. Since then, development on the Waterfront has been rapid, with many of the conceptual plans of two years ago becoming reality.

## *Purpose and scope of this work*

Waterfront Auckland would like to better understand:

- how development on the Waterfront is tracking today
- where the Waterfront will be as a key component of the Auckland economy in the next five years (consistent with the ‘Waterfront Plan – Implementation Strategy’)
- whether the Waterfront is on track to achieve the economic benefits identified in the study two years ago.

It is important to note that our scope in this work is to consider the impact of economic activity on or directly attributable to activities on the Auckland Waterfront. It does not re-estimate displacement and additionality as we did in our original work in 2010.

## *Defining the Waterfront*

Figure 1 shows the area covered explicitly in the study – the Wynyard Quarter, Viaduct Harbour and Central Wharves. The portion of the Wynyard Quarter considered in this report is that part north of Pakenham Street and west of Halsey Street.

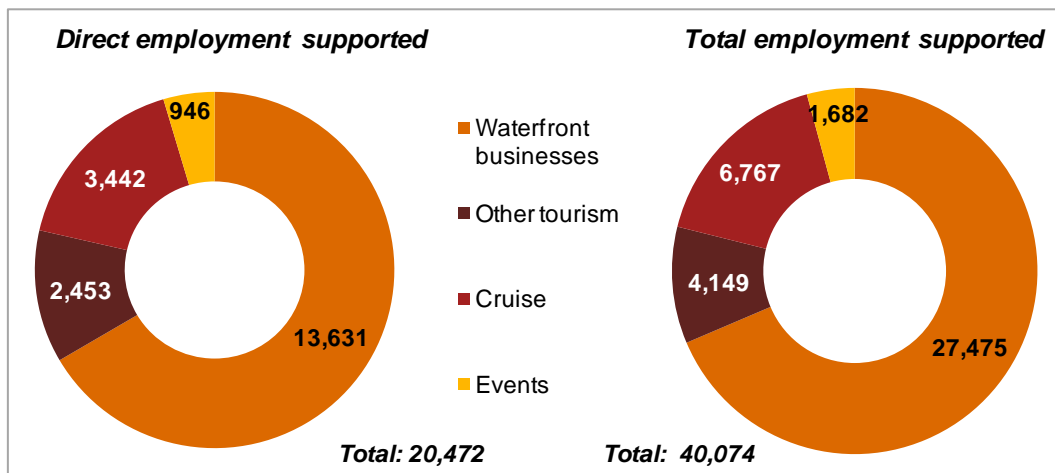
**Figure 1 The Waterfront as defined in this report**



## Looking back: What the previous report said

This report answers the questions set out above by examining the four key areas of economic activity covered by the original report, and evaluating the extent to which development has remained on track across these four areas. The impact of these four key areas produced in the 2010 work is summarised in Figure 2.

**Figure 2 Employment supported by the Waterfront in 2040 (2010 estimate)**



These original estimates suggested that by 2040, nearly 20,500 full-time equivalents (FTEs) would be employed directly as a result of the Waterfront, with a further 19,600 employed across Auckland as a result, yielding a total of 40,100 FTEs across the region. Together, these jobs were expected to generate \$4.29 billion in total economic activity in Auckland by 2040 (measured in 2010 dollars).



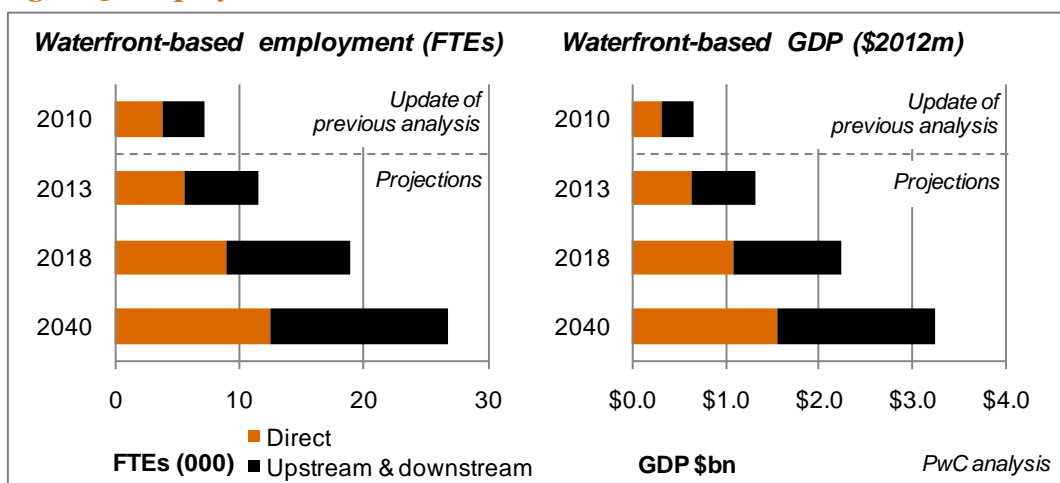
## Employment on the Waterfront

Since the 2010 PwC report, the main new developments that have supported job growth on the Waterfront have been the new North Wharf restaurants, the Cloud, the Viaduct Events Centre, and most recently, the ASB building, which is all but complete, expected to be occupied by June 2013.

This section estimates the economic impact of workers already based on the Waterfront, and the expected impacts of workers based there in 2018 and 2040.

Figure 3 presents direct and total estimated economic impacts of employment at the waterfront for 2010, 2013, 2018 and 2040.

**Figure 3 Employment and GDP based at the Auckland Waterfront**



Since 2010, an estimated 1,760 further direct FTEs have been added to the Waterfront economy (including 1,250 expected to be based in the ASB building by June 2013), for a total of 5,550 FTEs employed across the Waterfront by late 2013. These Waterfront-based jobs are expected to support a further 6,000 upstream and downstream FTEs across Auckland.

By 2018, with much of the commercial space coming on-stream, direct employment on the Waterfront is expected to grow to nearly 8,900 FTEs, supporting a further 10,000 FTEs across wider Auckland.

Further development out to 2040 will see 12,500 FTEs (possibly many more workers given the part-time nature of retail, and food and beverage jobs) based on the Waterfront. These FTEs will support a further 14,300 FTEs across Auckland, for a total employment impact of 26,800.

These figures are slightly lower than the estimates provided in the 2010 report (8% and 2% respectively). The main reason for the difference is the much clearer picture of the likely developments on the Waterfront that we have today, and the resultant improved estimates of the number of workers that will likely be housed on the

**The Waterfront is expected to be home to a large number of high labour productivity businesses based in the science, technical, professional, finance and ICT industries. As a result, GDP per worker is expected to be relatively high yielding a total annual GDP impact of \$3.24 billion by 2040.**

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Waterfront. We also have a better idea of which types of industries will be based on the Waterfront and the resultant space required for each worker.

The Waterfront is expected to be home to a large number of high labour productivity businesses based in the science, technical, professional, finance and ICT industries. These businesses are also expected to benefit from their close proximity to one another, stimulating agglomeration benefits. As a result, GDP per worker is expected to be relatively high, at around \$125,000 per worker in 2012 dollars. This high labour productivity yields a direct GDP impact of \$1.56 billion in 2040, or \$3.24 billion once upstream and downstream impacts are included.

These GDP values are higher than those estimated in the 2010 report as they are reported in 2012 prices and account for a slightly different mix of industries (and resultant labour productivities) based on more up-to-date information.

## Assumptions

The following assumptions are important to note in interpreting the numbers above:

- Figures are presented for calendar years.
- Estimates of new employment on the Wynyard Quarter since the 2010 report were developed working with Waterfront Auckland to identify which businesses had entered or exited the Quarter and what new construction had been completed or is to be completed in 2013.
- Construction timeframes and building configurations set out by Waterfront Auckland have been adopted.
- Most new employment is expected to be in the science, technical, professional, finance and ICT industries.
- Construction gross floor area (GFA) estimates from Waterfront Auckland were used to estimate the likely number of new FTEs based at the Waterfront. These values are presented in Figure 4.

**Figure 4 Assumptions on employment as a function of GFA for new construction**

Space use	GFA (m2) / FTE
Retail	30
Office	15
Marine	40
Residential	5,000
Hotel	300

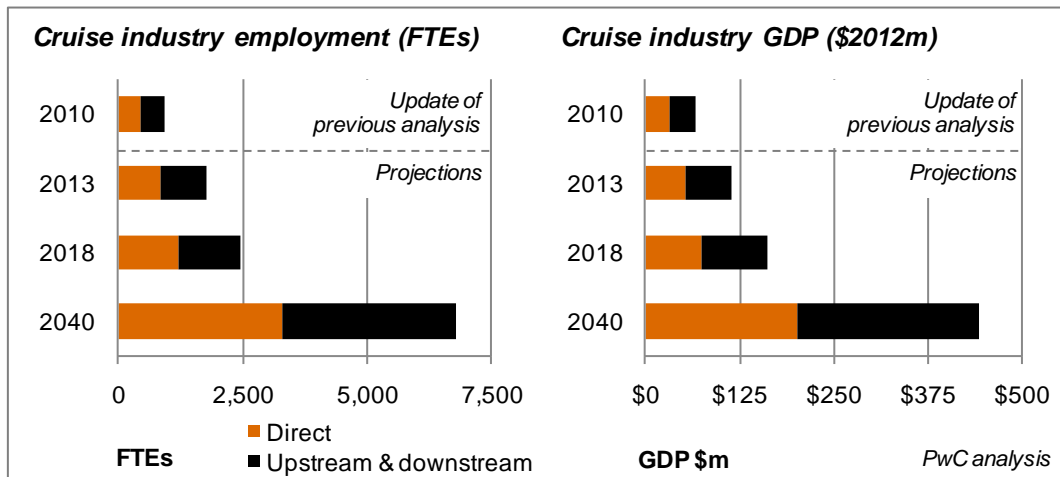
*PwC, Waterfront Auckland, Architectus*

## The cruise industry

The remarkable growth of the cruise industry has continued over the last two years, with total unique visitors coming to New Zealand up by 58% over this period. Auckland remains a key component of the cruise industry in New Zealand, as the main port for crew and passenger exchanges, bunkering, provisioning, and maintenance. As a result, growth in Auckland has been even faster, with passenger numbers up by 64% over the two years to 2012, with further strong growth expected in the 2012/13 year to June.

Figure 5 shows estimates for the economic impact of the cruise industry in Auckland for the June 2013 year, compared with its role in 2010, and estimates going forward to 2018 and 2040.

**Figure 5 Employment and GDP generated by the cruise industry in Auckland**



Auckland currently accounts for around 35% of cruise industry GDP in New Zealand, and 31% of total employment generated by the cruise industry.<sup>2</sup>

As of the June 2013 year, the cruise industry centred on the Waterfront's wharves is estimated to support nearly 850 direct FTEs in Auckland. These jobs are estimated to generate \$53 million in direct GDP in Auckland. Taking into account upstream and downstream impacts, the total benefit of the cruise industry is estimated at more than 1,750 FTEs and \$115 million in GDP.

Even a relatively conservative growth model of 8% per year over the next three years, slowing after that, yields total employment of nearly 2,500 FTEs and GDP of \$161 million a year by 2018. By 2040, the industry is expected to generate \$443 million a year in GDP in Auckland, employing nearly 6,800 FTEs. The similarity to 2040 estimates of employment produced

**A relatively conservative growth model suggests the industry will generate \$443 million a year in GDP in Auckland, supporting nearly 6,800 FTEs by 2040.**

<sup>2</sup> Cruise New Zealand. (2012). *Economic Impact Assessment of the New Zealand Cruise Sector*. Prepared by Market Economics.

in our earlier work is a function of higher than expected growth over the last two years, and a reduction in our forecast growth rates due to the revised plans for cruise infrastructure.

## *Assumptions*

Much of this analysis revises projections done as part of the previous work to account for more up-to-date industry data. We have also reviewed assumptions about cruise industry infrastructure and its effect on overall cruise industry growth in New Zealand, and Auckland's share of that growth.

Key assumptions include:

- Auckland's share of total GDP and employment generated by the industry remains constant until 2017, when it gradually increases to 38% and 34% respectively as improvements to Auckland's cruise infrastructure and the continuing trend to larger ships help it capture a larger share of the New Zealand inbound cruise industry.
- Spend per passenger / crew member remains the same in real terms from 2014 onwards. This gives us a relatively conservative view of GDP growth.
- The refurbished Shed 10 infrastructure is assumed to be finished on time for the first ship to berth there in October 2013, and ongoing improvements in wharf facilities (including lengthening) are put in place over the years to 2017.
- Overall growth in the number of unique passengers visiting New Zealand by cruise ship rises at 8% per annum for the next three years (below recent growth rates), slowing to 3.5% a year by 2040 (much in line with earlier projections). As highlighted in the previous report, this growth will be underpinned by ever-increasing size of ships, more turnarounds, new itineraries, and the fact that larger ships will be able to visit via the Panama Canal when its enlargement is completed.<sup>3</sup>
- One further point to note is the increasing interest in cruising in Asia (by residents of Asia as opposed to visitors from North America and Europe). This could lead to even stronger global growth in the market, and potential new, larger ships travelling to and around New Zealand during the typhoon season (June to September). We have not explicitly allowed for this new opportunity in our modelling, possibly further reinforcing the conservative nature of these estimates.

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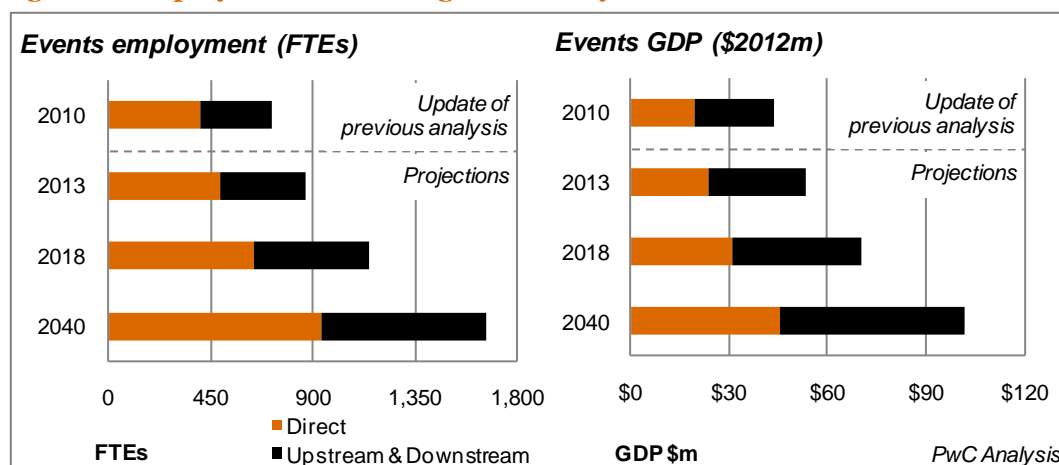
<sup>3</sup> The enlargement of the Canal is expected to be completed by late 2014 or early 2015.

## Major Waterfront-linked events

The Waterfront redevelopment is expected to play a role in Auckland capturing events it may not otherwise capture, or in hosting events more regularly. The focus of this section is on major international-scale events.

Figure 6 shows the historical and expected impacts of Waterfront-linked events on the Auckland economy.

**Figure 6 Employment and GDP generated by Waterfront-linked events**



In contrast to the figures for the other components of the total economic value of the Waterfront summarised in this report, the redevelopment of the Waterfront is not expected to as dramatically increase events. Nevertheless, events based at or around the Waterfront are estimated to support nearly 500 direct, ongoing FTEs during 2013, with a further 380 upstream and downstream FTEs.<sup>4</sup> By 2018, total employment supported by Waterfront-linked events is expected to reach nearly 1,150 FTEs. By 2040, this is expected to rise even further, to around 1,670 FTEs. Total GDP stimulated is expected to grow from around \$53.2 million in total in 2013, to \$102 million by 2040.

### Assumptions

We have made the following assumptions:

- The same historical studies were used to estimate the economic impact of individual event types as was used in our 2010 work.
- We have re-examined the expected return period (how regularly events of each type are likely to be held in Auckland) based on recent announcements such as the fact that Auckland will host the Volvo Ocean Race over the next two editions. The revised return periods for 2040, the assumed

**By 2040, major Waterfront-linked events are expected to support 1,670 FTEs across Auckland, stimulating \$102 million in annual GDP.**

<sup>4</sup> It is important to note that by nature, events tend to be “lumpy”. In other words, many events are captured every so often, rather than annually. The values presented here are therefore averaged out over several years as set out in the assumptions, and should not be assumed to be actual values representing one particular year.

return periods for 2013 and 2018, and estimated spend per event (in \$2010m) are summarised in Figure 7.

**Figure 7 Return periods for major Waterfront-linked events**

Event	Return period (years)				Spending (\$m)
	Previous 2010	Future 2013	2018	2040	
Volvo Ocean Race	4.50	3.00	3.00	3.00	\$17.0
America's Cup Championship regatta series	3.00	4.00	4.00	4.00	\$16.3
ITU World Champs Grand Finale or similar	7.00	7.00	6.00	5.00	\$21.0
World Masters Games or similar	12.00	10.00	8.00	8.00	\$131.9
New Year Event	0.00	0.00	0.00	1.00	\$26.1
Other annual Waterfront-based events*	0.33	0.25	0.17	0.15	\$6.0

\* such as an annual corporate triathlon, ironman event, smaller (but int'l) sailing event, Corporate World Team Champs, Superyacht regatta

- Direct spending in Auckland as a result of these events is assumed to be across a range of tourism-related industries including accommodation, food and beverage, retail, and transport.
- As highlighted in the previous report, there are a number of other events that are currently held around the Waterfront that have not been included here because they could potentially be held elsewhere. Nevertheless, the economic impacts estimated here are likely to be conservative given the number of events we have excluded.

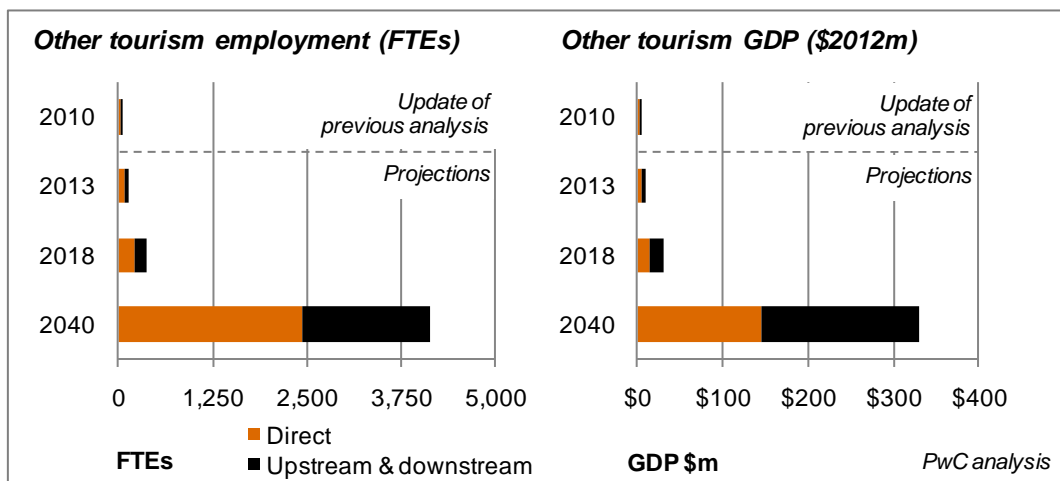
## Other tourism

Developments on the Waterfront over the last two years have led to the Waterfront increasingly becoming a stand-alone tourist destination. Nevertheless, we would expect tourism on the Waterfront to accelerate strongly between 2018 and 2040, after much of the commercial and retail construction work will have been completed within the Wynyard Quarter.

The numbers in this section capture the additional economic activity generated by tourists visiting the Waterfront that is not captured in estimates of spending due to the cruise industry or events on the Waterfront.<sup>5</sup>

Figure 8 shows the estimated employment on the Waterfront directly attributable to other tourism, and upstream and downstream employment supported across Auckland as a result of this tourism.

**Figure 8 Employment and GDP generated by other tourism on the Waterfront**



The number of people visiting the Waterfront is already expected to have increased sharply as a result of development that has been occurring on the Waterfront. As of 2013, visitors to the Waterfront are estimated to support 74 FTEs directly, with a further 51 upstream and downstream workers. As many of the major buildings and retail spaces are put in place over the next five years, employment is expected to grow to 225 directly supported, or 380 in total.

Yet most of the growth in tourism is expected to be in the 22 years after 2018. This is because most retail, food and beverage and hospitality infrastructure is expected to be put in place by 2018. By 2040, when the redevelopment will be largely complete, including residential, marine and other infrastructure, the Waterfront is expected to

**The number of people visiting the Waterfront is already expected to have increased sharply. By 2040, the Waterfront is expected to support 4,150 jobs in Auckland, generating total annual GDP of \$330 million.**

<sup>5</sup> Estimates of visitors will include some cruise ship passengers who spend time on the Waterfront, and some visitors to major events who spend time at the waterfront, dealt with elsewhere in this report. However, given the conservative estimates we use of the number of visitors to the Waterfront, the expenditure per visitor, and time spent on the Waterfront, we believe any double-counting of visitors has been more than offset by the lower estimates of dollars and time spent on the Waterfront.

support 2,450 direct jobs in Auckland, and a further 1,700 upstream and downstream, generating total annual GDP of \$330 million.

## *Assumptions*

We have applied broadly the same assumptions for other tourism used in the original report. Notable assumptions include:

- We have assumed a **growth in visitor numbers** in line with that original work. After reviewing the most recent estimates of construction timelines, the 2010 projections of visitors, visitor nights resulting from those visits, and visitor spend seem defensible. If anything, the 2013 and 2018 numbers may be conservative, as we assume visitors spend under four hours on the Waterfront area in total. Much of the increase in time spent on the Waterfront will depend on the timing of other supporting tourist infrastructure and activities based at the waterfront.
- Visitors spend only part of one day at the Waterfront (around 28% in 2013). To determine the **number of visitor nights** in Auckland directly attributable to the Waterfront, we therefore take the number of visitors estimated to visit the Waterfront in a given year, and multiply it by the share of a day we estimate is spent on the Waterfront. So, for example, 205,000 tourists are estimated to visit the Waterfront in 2013, each spending 28% of a day there, yielding around 58,000 visitor nights.
- **Spending per visitor** has been kept at 2010 levels in real terms, but has been inflated to 2012 dollars. Our average spend per visitor per day is \$173 in 2013. This is a relatively low daily spend, allowing for the possibility that some visitors will stay with friends (substantially reducing hotel costs) or may not stay the night in Auckland.

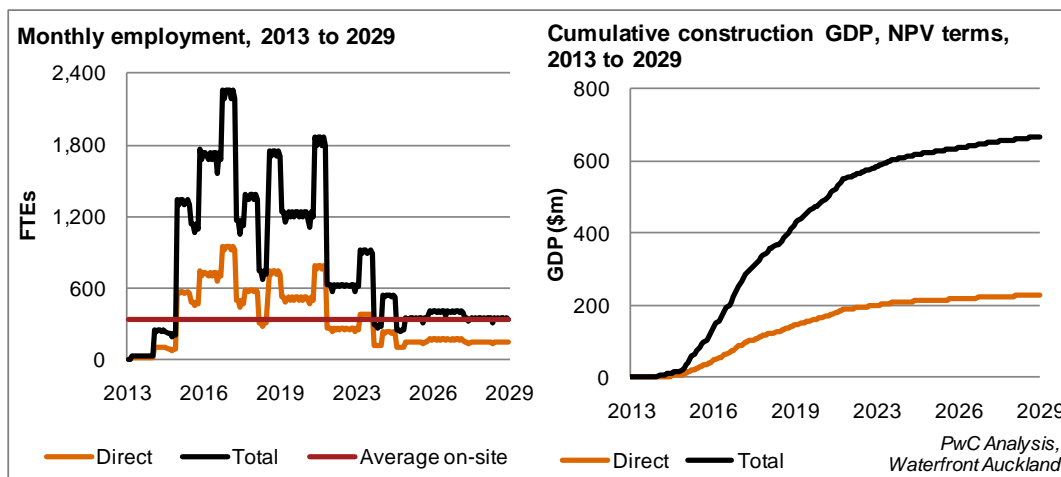


## Construction activity

Construction on the Waterfront since the work completed in November 2010 has proceeded at a rapid pace. Since the 2010 report, the main developments have been the new North Wharf restaurants, the Cloud, a number of horizontal construction projects<sup>6</sup>, and most recently, the ASB building, which is all but complete, expected to be occupied by June 2013.

Nevertheless, there is much more work to be done over the next several years. Waterfront Auckland has provided updated estimates of direct construction activity and completion times from 2013 through the end of 2029 that indicate around \$1.3 billion of construction activity is expected for the Waterfront over the period. We used these estimates of spending to calculate the impact on employment and GDP generation in Auckland out to 2029. The results are presented in Figure 9.

**Figure 9 One-off impacts of construction activity through to 2029**



Construction spending is by nature lumpy, as different projects have varying start dates and completion timelines. This is reflected in the lumpiness of the employment profile. Construction activity is expected to peak in 2017/18, resulting in direct employment of around 950 FTEs on site. At other times, particularly later in the period of analysis, far fewer construction workers are expected to be employed on-site (around 150 FTEs in June 2027 for instance), mostly in residential developments.

Taking into account upstream and downstream employment generated at supply industries, and at businesses where construction workers spend their incomes, up to 2,250 FTEs will be supported across the Auckland economy at certain peak times during the next 26 years.

The red line on Figure 9 shows that, on average, nearly 340 FTEs will be directly employed in construction work per annum on the Waterfront for the next 26 years, given the construction work plan provided by Waterfront Auckland.

**On average, nearly 340 FTEs will be directly employed in construction work on the Waterfront for the next 26 years.**

<sup>6</sup> Horizontal infrastructure refers to construction of roads, bridges parks and similar projects.

In present value GDP terms, construction activity is expected to stimulate \$669 million in total GDP across Auckland over the next 26 years, off \$229 million of direct GDP generated by activity on-site.

## *Assumptions*

This construction profile assumes:

- Most of the Wynyard Quarter commercial developments are completed over the period to 2029, and that residential development occurs at a pace that allows construction of approximately 160,000 square metres of residential space by 2029.
- An 8% real discount rate is applied to construction cost data provided by Waterfront Auckland.
- Waterfront Auckland cost figures were for “direct construction costs” only, which includes actual construction costs, professional fees (such as design costs) and Council consents and connection fees. It excludes costs of marketing, interest payments, loan establishment fees and the like, which are important considerations in the financial case for a given construction project but are typically seen as “facilitation costs” and excluded from economic analysis.

## ***Appendix A: Restrictions***

This economic impact assessment has been prepared for Waterfront Auckland. It has been prepared solely for this purpose and should not be relied upon for any other purpose.

This report has been prepared solely for use by Waterfront Auckland, and may not be copied or distributed to third parties without our prior written consent.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this Report and/or any related information or explanation (together, the “Information”). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

Our report has been prepared with care and diligence and the statements and opinions in the report are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. In preparing our report, we have relied on the data and information provided by other parties as being complete and accurate at the time it was given. The views expressed in this report represent our independent consideration and assessment of the information provided.

No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by us or any of our partners or employees for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

We reserve the right, but are under no obligation, to revise or amend our report if any additional information (particularly as regards the assumptions we have relied upon) which exists at the date of our report, but was not drawn to our attention during its preparation, subsequently comes to light.

This report is issued pursuant to the terms and conditions set out in our engagement letter dated 26 February 2013.