

PROPERTY **E**CONOMICS



AYRBURN SCREEN HUB

FAST TRACK ECONOMIC

IMPACT ASSESSMENT

Client: Winton

Project No: 52439

Date: January 2025



SCHEDULE

| Code | Date | Information / Comments | Project Leader |
|---------|--------------|------------------------|--------------------------|
| 52439.8 | January 2025 | Report | Phil Osborne / Tim Heath |

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1. AYRBURN DEVELOPMENT

Property Economics have been commissioned by Winton to undertake an Economic Impact Assessment (EIA) of the proposed screen hub development located within the wider Ayrburn estate in the Queenstown Lakes District and wider Otago Region).

This EIA is designed to provide an economic assessment in terms of the Fast-Track Approvals Act (2024) ('the FTAA') based around economic injection, employment, and scale of economic impacts / benefits for the economy. This is for both for the construction and operational phases of the proposed development.

The FTAA supports development proposals to expedite the consent process where the proposed development results in significant regional or national benefits and the efficient operation of the consenting process.

The proposed development includes:

- A film and television studio including sound stage and workshops (Screen Hub) areas with associated offices.
- Depot facility with office, storage and logistic spaces.
- Offices and private actor spaces / dressing rooms.
- Gym / wellness centre.
- 231 rooms within 185 separate units for worker or visitor accommodation (to be made available as visitor accommodation when not in use for screen productions).
- Conference / event space.

Figure 1 following provides an aerial concept plan of the proposed development.

FIGURE 1: PROPOSED DEVELOPMENT CONCEPT PLAN



Source: Winton

2. ECONOMIC CONTEXT

In assessing the potential economic impacts of the proposed development, it is important to first establish the context in which the impacts will be assessed. For the purposes of this assessment the two important parameters are:

- a) The geospatial extent of the economic impact. While the provision of production studios and related activities at Ayrburn could have a national economic impact, the majority of impacts are likely to be retained within the Otago Region
- b) In terms of the statutory considerations, the Resource Management Act (RMA) provides context in terms of the utilisation of natural resources. It calls for the “*efficient use and development of natural and physical resources*” (Part II section 7(b))¹.

This can be considered from the perspective of economic efficiency which can be defined as “*the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs.*”²

- c) The FTAA section 22, subsection (1)(a) outlining the criteria for assessing the application including whether the Fast Track process:

“*the project is an infrastructure or development project that would have significant regional or national benefits*”.

This report has not considered the profitability of the proposed development's operations and relies on the motivation of the applicant to assume that the development is feasible.

2.1. INFORMATION & DATA SOURCES

Information has been obtained from a variety of reliable data sources and publications available to Property Economics, including:

- Input / Output Tables - Statistics NZ
- Business Frame Data - Statistics NZ
- Proposed Development Specifics – Winton
- Development Concept Plan – Winton

¹ Resource Management Act 1991, section 7(b).

² Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics (2nd edition)*, Harper Collins, page 148.

- Economic Impact of the New Zealand Aotearoa Screen Production Sector – Olsberg SPI, July 2022
- Economic Futures (Film Queenstown Lakes)- Queenstown District Council
- Economic Trends in New Zealand Film Sector Firms & Employment – MBIE
- Ayrburn Screen Hub Report December 2024 – Dave Gibson

3. THE SCREEN INDUSTRY

The New Zealand screen industry is one that has primarily been built on the natural attributes of the country, as well as the high levels of innovation and invention within the industry and supporting sectors.

A recent economic assessment³ highlights some of the nationally significant contributions of the New Zealand screen production industry, including:

- Over 100 international productions per annum
- Total production spend was up to \$1b (2021), up 20% year on year from 2015 (since the introduction of the NZSPG)
- The screen industry directly employs 5,400 FTEs with over 17,500 people employed through support businesses
- Over the 6 years to 2021 the screen production industry contributed over \$10b in economic output.

This rapid rise has been fuelled by international success in film and television production, such as the success of Peter Jackson's Lord of the Rings trilogy.

While the proposed facilities at Ayrburn are not unique in a national sense, they have historically been absent from the Otago Region despite the fact that the area has been a drawcard for its unique and natural beauty.

While some major productions have been filmed in Otago Region (Mission Impossible: Fallout, A Wrinkle in Time, and The Hobbit Trilogy) and this area is the third largest production hub in the country, the industry's current contribution does not reflect its valuable opportunity (\$35m per annum). This is in large part due to much of the valuable production and post-production aspects of the business not being accommodated within the region. It is this opportunity the proposed development is attempting to realise.

Queenstown Lakes District Council has a team within its Economic Futures division⁴ that seeks to support and facilitate screen production within the area. It highlights the locational benefits of operating within this sector in Otago, including.

- Diverse filming locations in close proximity – mountains, lakes, forests, rivers and towns

³ *Economic Impact of the New Zealand Aotearoa Screen Production Sector – Olsberg SPI, July 2022*

⁴ *Economic Futures (Film Queenstown Lakes)- Queenstown District Council -*
<https://www.qldc.govt.nz/community/economic-development/film>



- Equipment base and high-calibre crew with international experience - view our local directory.
- An international airport with flights to Australia and the rest of New Zealand.
- World-class accommodation, dining and entertainment options for visiting cast and crew.
- Opposite seasons to the Northern Hemisphere – snow in July and flowers in February.
- Film-friendly council and local community.



















4. ECONOMIC IMPACTS AND CONSIDERATIONS OF PROPOSED DEVELOPMENT

4.1. ECONOMIC ACTIVITY OF DEVELOPMENT PHASE

This economic impact assessment estimates the total additional gross economic output⁵ into the Otago Regional economy that would be brought about by the proposed development. The specifications and details have been provided by Winton and represent the Project's configuration and costings at this point in time.

Table 1 below summarises employment within Otago Region and is the base composition and trends utilised to provide the following impact assessment.

TABLE 1: OTAGO REGION EMPLOYMENT COMPOSITION

| ANZSIC | 2000 | 2005 | 2010 | 2015 | 2020 | 2024 | 2000-24 Growth | |
|---|---------------|---------------|---------------|----------------|----------------|----------------|----------------|-------------|
| | | | | | | | # | % |
|  A - Agriculture, Forestry and Fishing | 6,963 | 8,460 | 8,192 | 9,826 | 9,765 | 9,436 | 2,473 | 36% |
|  B - Mining | 295 | 406 | 548 | 545 | 735 | 912 | 617 | 209% |
|  C - Manufacturing | 11,205 | 11,548 | 9,543 | 8,541 | 8,822 | 9,577 | -1,628 | -15% |
|  D - Electricity, Gas, Water and Waste Services | 629 | 543 | 642 | 739 | 1,035 | 1,281 | 652 | 104% |
|  E - Construction | 3,859 | 6,499 | 6,901 | 7,891 | 11,077 | 12,433 | 8,574 | 222% |
|  F - Wholesale Trade | 2,417 | 2,720 | 2,866 | 3,495 | 3,775 | 3,600 | 1,183 | 49% |
|  G - Retail Trade | 8,508 | 10,623 | 10,823 | 11,293 | 12,721 | 12,928 | 4,420 | 52% |
|  H - Accommodation and Food Services | 7,688 | 10,205 | 10,177 | 12,618 | 14,619 | 14,394 | 6,706 | 87% |
|  I - Transport, Postal and Warehousing | 2,961 | 3,833 | 3,554 | 3,894 | 4,808 | 4,819 | 1,858 | 63% |
|  J - Information Media and Telecommunications | 1,572 | 2,070 | 1,674 | 1,653 | 1,678 | 1,185 | -387 | -25% |
|  K - Financial and Insurance Services | 1,243 | 1,421 | 1,562 | 1,513 | 1,456 | 1,497 | 254 | 20% |
|  L - Rental, Hiring and Real Estate Services | 832 | 1,399 | 1,481 | 1,485 | 2,038 | 2,127 | 1,295 | 156% |
|  M - Professional, Scientific and Technical Services | 2,831 | 3,809 | 4,539 | 4,923 | 6,173 | 7,043 | 4,212 | 149% |
|  N - Administrative and Support Services | 2,724 | 5,146 | 5,251 | 4,329 | 6,064 | 5,689 | 2,965 | 109% |
|  O - Public Administration and Safety | 2,791 | 3,034 | 3,297 | 4,179 | 5,232 | 5,556 | 2,765 | 99% |
|  P - Education and Training | 9,001 | 9,305 | 10,503 | 9,579 | 11,217 | 11,181 | 2,180 | 24% |
|  Q - Health Care and Social Assistance | 9,494 | 10,350 | 11,175 | 11,783 | 12,909 | 14,454 | 4,960 | 52% |
|  R - Arts and Recreation Services | 1,831 | 2,444 | 2,939 | 3,168 | 3,489 | 3,657 | 1,826 | 100% |
| ... S - Other Services | 2,428 | 3,028 | 2,917 | 3,087 | 3,721 | 4,186 | 1,758 | 72% |
| Total All Industries (Rounded) | 79,300 | 96,800 | 98,600 | 104,500 | 121,300 | 126,000 | +46,700 | +59% |

Source: Stats NZ Business Demographics (2024) -

In the 12 months ending June 2024 the Otago Region generated \$16.73b in GDP with \$1.6b of this by way of tourism. While a smaller proportion of this was generated in the film industry, the potential for proportional growth in this sector (and 'flow-on' benefits to the district as a whole) is material.

⁵ For example, this has not taken into account any short-term loss of operational employment currently on site.

The economic impact assessment is not site specific, i.e., the EIA does not endeavour to identify the extent to which particular parts of region that will benefit economically

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 proposed Project are broken down by the development phase, which includes the construction costs (CAPEX⁶) of the development and the proportion of those costs that are retained within the region.

Economic impacts fall into three categories:

- a) **Direct Impacts:** The direct economic impacts are derived from the actual spending / expenses incurred for the forecast period of operation.
- b) **Indirect Impacts:** Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the operation.
- c) **Induced Impacts:** Induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

The EIA includes costs, which have been valued for the overall Project. 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 (based on 106 sectors), which were then assessed at a regional level based on the Otago Region economic activity, composition, and productivities.

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

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

Total output impacts to the Otago Region for the proposed developments include:

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

⁶ CAPEX – Capital Expenditure

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

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 EIA, 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. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
3. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Demographic data⁷ to March 2024.
4. This report deals with the economic impact of the proposed development on the Otago Region. These are specifically the direct impacts related to the operation and construction of the proposed activity.
5. The economic activity generated is based on the Project's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchment. As stated, this assessment is not site specific.
6. For the purposes of this assessment, a 6% discount rate has been applied.
7. Labour movements are based on average retention rates rather than specific company locations.
8. The proportion of materials and labour internalised in direct benefits to the region are based on standardised labour movements as well as employment and production composition within the district. The amount of each 'flow-on' dollar retained in the region are based on the movement of resources (including labour) between other regions.

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

TOTAL REGIONAL ECONOMIC ACTIVITY DEVELOPMENT PHASE

Table 2 outlines the resulting impacts on the Queenstown Lakes District and regional economies as a result of the development of the project up to 2027, i.e. Construction phase.

TABLE 2: TOTAL GROSS OTAGO REGIONAL ECONOMIC INJECTION

| | 2025 | 2026 | 2027 | Total |
|--|---------------|----------------|---------------|----------------|
| Direct Expenditure (\$m) | | | | |
| Land | | | | |
| Earthworks / Civil Works | \$7.5 | \$5.0 | | \$12.5 |
| Civil Consultants | \$11.5 | \$6.2 | | \$17.8 |
| Demolition | | | | |
| Other | | \$13.5 | \$3.4 | \$16.9 |
| Levies | | | \$3.3 | \$3.3 |
| Infrastructure | \$2.8 | \$7.8 | \$0.6 | \$11.1 |
| Total Development Costs (excl. land) | \$21.8 | \$32.5 | \$7.2 | \$61.5 |
| Construction | | | | |
| Hotel | \$9.7 | \$29.1 | \$25.8 | \$64.6 |
| Studio | \$5.7 | \$45.2 | \$5.7 | \$56.5 |
| Other | | \$17.3 | \$4.3 | \$21.6 |
| Total Construction and Development Costs (excl. Land) | \$15.3 | \$91.5 | \$35.8 | \$142.7 |
| Increased Local Spend* | | \$0.5 | \$0.7 | \$1.2 |
| Total Direct Expenditure (excl. land) | \$37.1 | \$124.5 | \$43.7 | \$205.4 |
| Level 2 Multiplier Impacts | | | | |
| Total QLD Output NPV (48 sector multipliers)** | \$44.2 | \$139.3 | \$46.0 | \$229.4 |
| Total Regional Output NPV (48 sector multipliers)*: | \$52.7 | \$169.4 | \$56.1 | \$278.2 |
| Employment (FTE Years) | | | | |
| Development Employment | 243 | 392 | 86 | |
| Construction Employment | | 645 | 266 | |
| Other Employment | 71 | 83 | 59 | |
| QLD Total Employment (FTE years) | 272 | 1,120 | 411 | 1,803 |
| Regional Total Employment (FTE years) | 313 | 1,261 | 463 | 2,037 |

Source: Property Economics

* Increased Local Spend by residents, employees, construction workers and additional local business spend through the different stages of development.

** The impacts on QLD and Region as a result of direct, indirect and induced activities.

The preceding table illustrates that the total (direct, indirect and induced activities) impact on business activity within the Otago Region as a result of the proposed development over a 3-year construction period is estimated to be around \$278 million Net Present Value (NPV).

In terms of employment multipliers, this would contribute approximately 640 jobs per annum over the development period for the Project, with a total number of FTE years⁸ estimated at nearly 2,040 over the 3-year 2025-2027 construction period.

⁸ These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs)

4.2. ONGOING OPERATIONAL IMPACT ON ECONOMIC ACTIVITY

The following assessment provides an economic analysis of an operational scenario for the accommodation, spa, and screen hub facilities. This scenario represents a number of operational assumptions regarding the nature of the activity to the regional economy, identifying where this activity is considered to be unique or a representation of general contribution. These assumptions are a combination sourced from Winton and Dave Gibson's report⁹.

The assumptions include:

SCREEN HUB

- One domestic drama series. budget \$10 million, area spend \$4 million
- One domestic telemovie Budget \$3 million, area spend \$1.5 million
- One offshore financed TV series Budget \$60 million, area spend \$30 million
- One offshore financed film Budget \$50 million, area spend \$25 million
- Several TVC's, mostly from offshore as line productions - area spend \$5 million.

ACCOMMODATION

- 80% Occupancy
- 25% Operating Expenses
- 231 Rooms across 185 Separate Units

SPA

- 70% Occupancy
- 30% Operating Expenses

EVENTS

- 52 Weddings
- 52 Conferences
- 35% Operating Expenses

⁹ Titled 'Ayrburn Screen Hub Report', Dave Gibson, dated December 2024

4.3. TOTAL REGIONAL ECONOMIC ACTIVITY FROM ONGOING OPERATION

This phase calculates the economic impact of each \$1 injected into the regional economy on the initial business cycle. This Level 2 multiplier is based on the national input-output tables produced by Statistics New Zealand (based on 48 sectors), and then assesses the output at a regional level based on regional economic activity, composition, and productivities.

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

Table 3 summarises the operational economic contribution to the regional economy based on the overall assumptions supplied by Winton consultants. These economic benefits are additional to the construction contribution as outlined earlier of \$278m which are based on development costs.

TABLE 3: TOTAL ONGOING OPERATIONAL REGIONAL ECONOMIC CONTRIBUTION

| | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Direct Expenditure (\$m) | | | | | | | | | | | |
| Accommodation | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$32.1 |
| Studio (Total Production Spend) | \$65.5 | \$68.8 | \$72.2 | \$75.8 | \$79.6 | \$83.6 | \$87.8 | \$92.2 | \$96.8 | \$101.6 | \$445.5 |
| Other | \$2.5 | \$2.6 | \$2.8 | \$2.9 | \$3.1 | \$3.2 | \$3.4 | \$3.5 | \$3.7 | \$3.9 | \$17.1 |
| Total QLD Output NPV (48 sector multipliers)** | \$40.6 | \$40.3 | \$40.1 | \$40.0 | \$39.8 | \$39.6 | \$39.5 | \$39.3 | \$39.2 | \$39.1 | \$397.6 |
| Total Regional Output NPV (48 sector multipliers)* | \$49.5 | \$49.2 | \$49.0 | \$48.7 | \$48.5 | \$48.3 | \$48.2 | \$48.0 | \$47.9 | \$47.7 | \$485.1 |

It is estimated that the activities from the proposed development would contribute \$485m in economic activity to the region over a 10-year period to 2036. Once again these are at NPV levels. This would support 370 FTEs per annum with over 130 of these jobs on site.

5. SUMMARY

Our EIA estimates that this proposed development would have significant and positive economic impacts on the Otago Regional economy with a greater level of film, television and digital production spend retained within the area. This essentially leverages off the locational attributes that the region achieves for digital production, retaining a greater level of activity throughout the production process.

Quantified economic benefits include:

1. \$278m (NPV) of regional economic activity generated from the construction and development over a 3-year period.
2. This level of activity will support over 640 full time jobs per annum, with a total of 2,040 FTE job years.
3. \$485m (NPV) of regional economic activity generated over a 10-year operational period for the proposed development.

This level of activity will support over 370 full time jobs per annum, with many of these being unique to the region. As outlined in the film consultant's report large scale productions overlook Queenstown as a location to base themselves as there are too many logistical barriers due to a lack of film facilities and accommodation. The Ayrburn Screen Hub provides the facilities which will overcome these barriers and unlock a significant economic opportunity.