Memo

To: Adam Copland, Director, Whaka Projects

Kirk Pullar, Director, Whaka Projects

From: Dr Maggie Hong, Senior Consultant, Market Economics

Lawrence McIlrath, Director, Market Economics

Date: 05/08/2026

Re: Economic Assessment of the Mead Avenue Proposal, Cromwell

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Market Economics Limited (ME) has been engaged to prepare an economic assessment of the Mead Avenue Project (the Project), located at 7-9 Mead Avenue, Cromwell. The Project seeks resource consent to enable the 32 townhouses already approved under resource consent RC260018 to also be used as traveller accommodation. The proposal does not involve any changes to the approved building design, site layout, or development intensity. Rather, it provides flexibility for the consented dwellings to be occupied either as permanent residences, long-term rental accommodation, or short-term traveller accommodation.

The purpose of this assessment is to evaluate the economic implications of enabling traveller accommodation at the site. In particular, the assessment considers:

- the contribution that the Project could make to the Cromwell visitor economy,
- the extent to which it may support visitor expenditure and local employment,
- whether it is likely to complement or materially displace existing accommodation providers, and
- whether enabling traveller accommodation is likely to have any material implications for housing availability.

The assessment draws on publicly available information relating to tourism, visitor accommodation, and housing within Cromwell and the wider Central Otago District. Where appropriate, indicative estimates of visitor expenditure and employment supported by the Project have been prepared to illustrate the potential scale of economic benefits associated with the additional accommodation capacity.

As the Project relates solely to the operational use of an already consented residential development, this assessment focuses on the economic implications arising from the proposed land use rather than the physical development itself. Matters relating to transport, parking, servicing and operational management are addressed in separate technical assessments and are referred to where relevant.

1. Project Description

The Project relates to a consented residential development at 7 and 9 Mead Avenue, Cromwell, comprising 32 townhouse units located on a combined site area of approximately 3,882 m². The site is situated within the Medium Density Residential Zone, approximately 200 metres from the Cromwell town centre, and is surrounded by a mix of residential and visitor accommodation activities, including several existing motels. The site also adjoins a Council reserve to the east, providing direct access to recreational amenities (see Figure 1).

Figure 1: Subject Site - 7 and 9 Mead Avenue, Cromwell



Resource consent (RC260018) was granted in May 2026 for a Comprehensive Residential Development comprising 32 two- and three-bedroom townhouses together with associated subdivision and earthworks. During the processing of that application, the applicant originally sought consent for the units to also operate as traveller accommodation. However, that component was removed from the application following concerns raised regarding parking demand, with the intention of pursuing a separate resource consent application once the residential development had been approved.

The current application therefore seeks approval to enable each of the consented townhouses to be used as traveller accommodation, while retaining the flexibility for owners to occupy the units permanently or lease them for long-term residential use. The proposal does not increase the number of units, alter the approved building footprint, or change the overall scale of development. Instead, it introduces an additional permitted use for the already approved dwellings.

To manage the operation of the traveller accommodation, the application includes an Operational Management Plan that establishes a range of controls, including limits on occupancy, restrictions to a single booking group per unit, dedicated on-site parking for each unit, and procedures for managing waste and guest behaviour. These measures are intended to ensure that the activity operates in a manner compatible with the surrounding residential environment.

From an economic perspective, the key issue is not the physical development of the site, which has already been authorised, but the implications of allowing the consented dwellings to accommodate short-term visitors. Accordingly, this assessment focuses on the potential economic benefits associated with supporting the visitor economy, together with consideration of any implications for the existing accommodation market and the availability of housing within Cromwell.

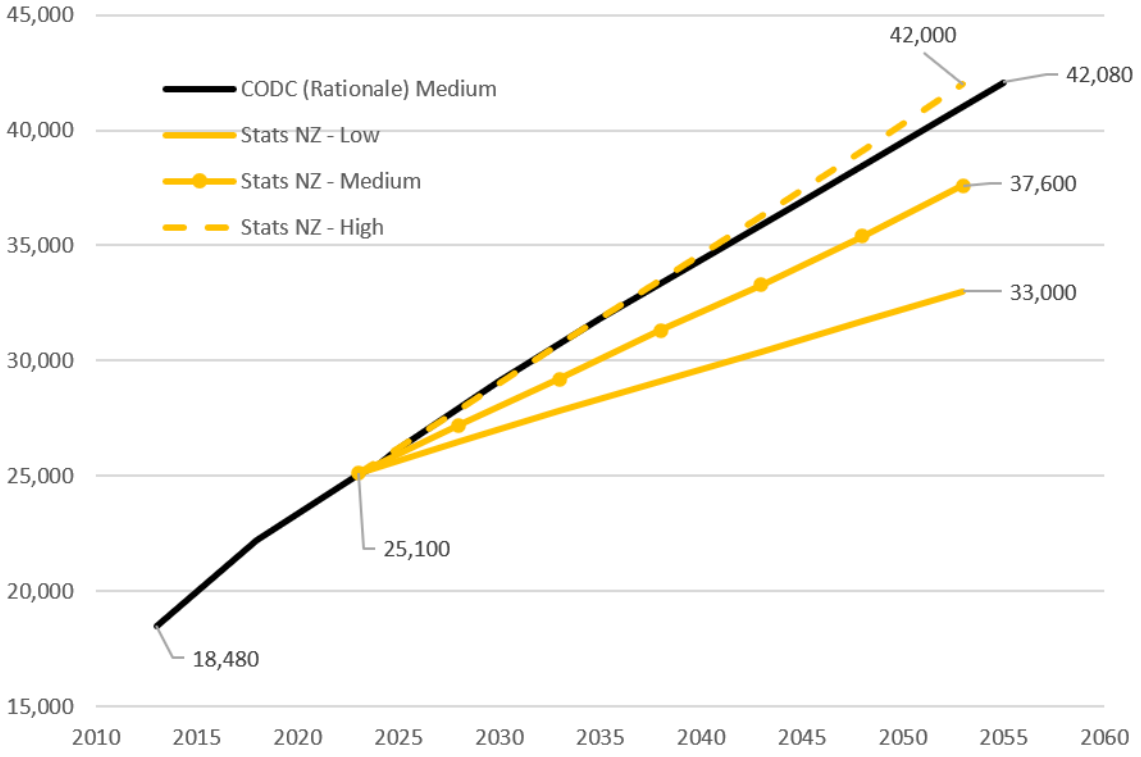
2. Economic Context

2.1 Population Growth and Outlook - Cromwell and Central Otago

The Central Otago District has experienced sustained population growth over the past two decades, reflecting its strong economic performance, attractive lifestyle, and proximity to the wider Southern Lakes region. Continued growth is expected over the coming decades, although the magnitude of that growth varies across the available projection series.

Looking ahead, both Central Otago District Council (CODC) and Stats NZ project continued population growth across the district over the coming decades, although the magnitude of growth varies between the available projection series. Figure 2 compares the Council's adopted medium growth projection, prepared by Rationale Ltd, with the latest 2023-base Stats NZ population projections for the Central Otago District.

Figure 2: Central Otago District Subnational Population Projections – CODC Adopted Medium Projection and Stats NZ 2023-base Projections



Source: Stats NZ

The Council's adopted projection anticipates the district's usually resident population increasing from approximately 26,151 people in 2025 to around 42,080 people by 2055. By comparison, the latest Stats NZ projections indicate that the district population could increase to between 33,000 people under the low growth scenario and 42,000 people under the high growth scenario by 2053, with the medium projection reaching approximately 37,600 people.

As illustrated above, the Council's adopted medium projection is only marginally below the Stats NZ high projection and sits materially above the official medium projection throughout the forecast period. While the projections differ in the scale of expected growth, they consistently indicate that Central Otago will continue to experience substantial population growth over the coming decades.

At a more local level, the Council's adopted growth projections identify the Cromwell Ward as the district's principal growth area. Under the recommended growth scenario, the ward's usually resident population is projected to increase from approximately 11,078 people in 2025 to around 21,241 people by 2055, representing an increase of more than 10,000 residents. This reflects Cromwell's role as the district's largest urban centre and its continued attractiveness as a place to live, work and invest.

Stats NZ also projects strong growth for Cromwell. Under the latest 2023-base projections, the Cromwell statistical area is expected to increase from approximately 7,100 people in 2023 to between 11,500 people under the low growth scenario and 16,150 people under the high growth scenario by 2053, with the medium projection reaching approximately 12,950 people. Although the geographic area differs from the Cromwell Ward used in the Council's projections, both datasets consistently indicate that Cromwell will continue to experience strong population growth over the coming decades.

2.2 Housing Demand, Supply and Capacity

As discussed in the previous section, continued population growth is projected for Cromwell over the coming decades, with the township consistently identified as the district's primary urban growth area. Regardless of which projection series is adopted, this growth will generate ongoing demand for additional housing.

The availability of sufficient residential land and development capacity is therefore an important consideration when assessing whether enabling traveller accommodation could have any material implications for housing supply. In particular, the key question is whether enabling the proposed 32 townhouses to also be used as traveller accommodation would materially reduce the availability of housing for permanent residents or the township's ability to accommodate future population growth.

Since 2020, the housing supply position within Cromwell has changed considerably. According to the 2023 Census, Cromwell contained 3,228 private dwellings. Since then, the introduction of the Medium Density Residential Zone (MDRZ) through Plan Change 19 has significantly increased the development potential of many existing residential sites, contributing an estimated 2,600 additional feasible dwellings within Cromwell township[1]. In addition, major greenfield developments, including the Cherry Orchard and Parkburn plan change areas, have progressed and are expected to provide between 1,379 and 1,723 additional feasible dwellings, depending on assumed minimum lot sizes.[2]

The increased development capacity enabled through these planning changes has been recognised through Council's recent housing capacity assessments. The Cromwell Yield Assessment concluded that Cromwell township has feasible capacity for approximately 9,262 dwellings, representing a surplus of around 61% against the Medium growth scenario and 46% against the High growth scenario.[3] This indicates that the township alone has sufficient feasible residential capacity to accommodate projected long-term growth.

As discussed in Section 2.1, the Council's adopted growth projections continue to anticipate strong population growth within Cromwell over the long term. However, the projected increase in dwellings remains well within the Ward-level feasible capacity identified in the Council's housing capacity assessment. Specifically, the projected 9,992 dwellings by 2055 compares with an estimated feasible capacity of 12,104 dwellings, representing a surplus of approximately 21%. This indicates that sufficient residential development capacity exists to accommodate projected long-term growth.

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[1] Rationale, *Cromwell Yield Assessment* (5 September 2022, REV 2.0), Table 5: Yields by Township and Zone.
[2] Rationale, *Cromwell Yield Assessment – Addendum: Sensitivity Analysis* (18 April 2023), Table 7: Yield assessment sensitivity.
[3] Rationale, *Cromwell Yield Assessment* (5 September 2022, REV 2.0), Section 5.3.

Rental market conditions also provide useful context. Cromwell has experienced sustained population growth over the past decade, which has translated into strong demand for both long-term rental and visitor accommodation. However, the analysis of MBIE's residential tenancy bond data indicates that rental housing supply in Cromwell has expanded at a faster rate than population growth over this period. Between 2018 and 2025, the number of active residential tenancy bonds in Cromwell increased by approximately 65.2%, compared to population growth of approximately 28.3% over the same period. On a per capita basis, the number of rental dwellings per 1,000 population increased from approximately 92 in 2018 to approximately 118 in 2025, indicating that rental provision has grown faster than the underlying population. As at October 2025, there were approximately 906 active residential tenancy bonds in Cromwell, with the number of bonds increasing by an average of around 44 per year since 2018. These trends indicate that the rental housing market has expanded over time in response to increasing demand, rather than becoming progressively more constrained.

Taken together, the housing capacity assessment and rental market evidence indicate that Cromwell is well positioned to accommodate future housing demand. The substantial feasible development capacity identified by the Council demonstrates that sufficient land and development opportunities exist to meet projected long-term growth, while the expansion of the rental housing market indicates that additional housing demand has, to date, been accommodated through an increase in rental supply. In this context, enabling the 32 consented townhouses to also be used as traveller accommodation is unlikely, in itself, to have any material implications for the overall sufficiency of housing supply in Cromwell.

2.3 Visitor Economy and Accommodation Market

Tourism is an important contributor to the Central Otago economy, complementing the district's traditional primary industries. The region's vineyards, orchards, cycle trails, lake-based recreation, heritage attractions and outdoor activities attract a diverse mix of domestic and international visitors throughout the year. As visitor numbers have grown, so too has the demand for a diverse range of visitor accommodation to support the needs of different market segments.

Commercial accommodation forms an important component of Central Otago's visitor economy. According to the Ministry of Business, Innovation and Employment's (MBIE) Accommodation Data Programme (ADP), there were 44 commercial accommodation establishments operating within the Central Otago Regional Tourism Organisation (RTO) area during the twelve months ending May 2026. These establishments collectively provided approximately 1,520 stay units and accommodated approximately 278,800 guest nights over the year (see Table 1).

Table 1: Commercial Accommodation – Structure, as of May 2026

	Establishment	No. of Stay Units	Capacity Utilisation Rate (12-Month Average)	Average Nights Stayed per Guest (12-Month Average)	Total Guest Nights (12 Months to May 2026)	Occupancy Rate (12-Month Average)
Backpackers	1	unknown	unknown	unknown	unknown	
Holiday parks & campgrounds	8	939	11.6%	2.6	88,600	12.7%
Hotels	3	unknown	unknown	unknown	unknown	
Lodges and boutique accommodation	15	168	28.3%	1.7	34,600	33.6%
Motels & apartments (>20)	2	unknown	unknown	unknown	unknown	
Motels & apartments (6-20)	15	166	68.8%	1.9	70,500	70.6%
Total	44	1,520	27.3%	2.1	278,800	29.7%

Source: MBIE ADP

The accommodation market comprises a range of accommodation types, including holiday parks and campgrounds, motels, serviced apartments, lodges and boutique accommodation. Holiday parks and campgrounds account for the largest share of reported stay-unit capacity (approximately 62%), reflecting the importance of this accommodation type within the district's visitor offering. However, average occupancy rates vary considerably across accommodation types.

Motels and apartments (6–20 units) recorded the highest average occupancy rate over the twelve months to May 2026 (approximately 70.6%), followed by lodges and boutique accommodation (33.6%). In comparison, holiday parks and campgrounds recorded an average occupancy rate of approximately 12.7%, contributing to an overall average occupancy rate of 29.7% across the commercial accommodation sector.

In addition to commercial accommodation, short-term visitor accommodation provided through online booking platforms forms an established component of Cromwell's visitor accommodation market. According to AirROI data for the twelve months ending July 2026, there were approximately 51 active short-term rental listings in Cromwell, achieving an average annual occupancy rate of 41.1%[4]. Occupancy exhibited a clear seasonal pattern, peaking during the summer months and declining through winter, consistent with broader visitor demand patterns across Central Otago.

The AirROI data indicate that the market is dominated by entire-home listings, with two-bedroom properties representing the most common accommodation type. This reflects strong demand for properties suitable for couples or solo travellers.

Taken together, the MBIE ADP and AirROI data indicate that Cromwell's visitor accommodation market comprises both traditional commercial accommodation and a well-established short-term rental sector. The range of accommodation types available enables the district to cater for diverse visitor preferences, budgets and travel purposes, while the relatively strong occupancy achieved by both motel/apartment accommodation and short-term rental properties indicates sustained demand for self-contained visitor accommodation within the district.

3. Assessment of Economic Effects

3.1 Benefits to the Visitor Economy

The proposed Mead Avenue Project seeks to enable the 32 consented townhouses to also be used as traveller accommodation. As discussed in Section 1, the proposal does not increase the scale or intensity of the approved development, but instead introduces greater flexibility in the use of the existing accommodation stock.

From an economic perspective, the principal benefit of the proposal is that it increases the supply and diversity of visitor accommodation within Cromwell. The town continues to experience strong population growth and remains an important destination within the wider Central Otago visitor economy. Maintaining an adequate supply of visitor accommodation is therefore important to supporting tourism activity and ensuring that visitors can stay within the district.

The proposed accommodation would be broadly comparable to existing motel and apartment-style accommodation, providing modern, self-contained units capable of accommodating families, small groups and longer-stay visitors. This represents a different accommodation offering to traditional hotel rooms and complements the existing mix of commercial accommodation available within Cromwell.

[4] Cromwell, Otago Region Airbnb Data 2026: Occupancy, Revenue & STR Market Report | AirROI

Importantly, the proposal introduces operational flexibility rather than additional development. The physical form and scale of the development have already been approved, with the proposal simply enabling the consented townhouses to be used for either permanent residential occupation or traveller accommodation. From an economic perspective, this flexibility allows the accommodation to respond to changing market conditions over time, improving the utilisation of the existing building stock while broadening accommodation choice within Cromwell.

3.2 Visitor Expenditure and Employment

Additional visitor accommodation has the potential to generate economic benefits by supporting increased visitor spending within the local economy. Visitors staying overnight typically spend not only on accommodation, but also on food and beverage services, retail shopping, fuel, recreation and other tourism-related activities, generating revenue for local businesses and supporting employment across a range of sectors.

Indicative estimates of the economic contribution of the Project have been prepared using the latest available tourism, accommodation and employment data for Central Otago, including MBIE's Accommodation Data Programme (ADP), Monthly Regional Tourism Estimates (MRTE)[5], AirROI Airbnb market data[6], and Infometrics tourism employment statistics[7].

Based on these estimates, the Project has the potential to generate approximately 4,800 occupied stay-unit nights per annum once fully operational. This is estimated to support approximately $0.9 million in annual accommodation expenditure and a further $2.6 million in visitor spending across retail, hospitality, recreation, transport and other tourism-related sectors, resulting in total visitor expenditure of approximately $3.5 million per annum.

This additional visitor expenditure is estimated to support approximately 27 jobs across the accommodation, hospitality, retail, transport and wider tourism sectors.

These estimates are indicative rather than forecasts and should be interpreted as an indication of the potential scale of economic effects. Actual visitor expenditure and employment outcomes will depend on realised occupancy, visitor spending patterns and operational arrangements. Nevertheless, the analysis demonstrates that enabling traveller accommodation within the consented development has the potential to generate a meaningful increase in visitor expenditure and support local employment within Cromwell and the wider Central Otago District. The greatest economic benefits are likely to occur during periods of strong visitor demand, when additional accommodation capacity enables visitors who might otherwise stay elsewhere to remain within the district.

3.3 Potential Displacement Effects

The principal potential adverse economic effects associated with the Project relate to the possibility of displacement within the visitor accommodation market and the opportunity cost of enabling traveller accommodation in place of permanent residential occupation.

The proposal has the potential to increase competition within the local accommodation market. However, competition between accommodation providers is a normal feature of a well-functioning market and does not, in itself, represent an adverse economic effect. As discussed in Section 2.3, short-term visitor accommodation provided through online booking platforms currently exhibits relatively high occupancy rates

[5] MBIE Tourism Evidence and Insight Centre - 12 months to May 2026.
[6] see footnote 4 above.
[7] Infometrics Regional Economic Profile, Central Otago District — Tourism employment (year to March 2025).

(41.1%) compared with other reported accommodation types within the district, second only to Motel & Apartment (6-20 units) at 70.6%. This suggests there is sustained demand for self-contained accommodation of the type proposed. Given the modest scale of the Project relative to the wider accommodation market, any displacement of demand from existing providers is expected to be limited. Instead, the proposal is more likely to complement the existing accommodation market by increasing accommodation choice and capacity, particularly during periods of peak visitor demand.

The proposal also provides flexibility for the consented townhouses to be used for either traveller accommodation or permanent residential occupation. Consequently, some dwellings that might otherwise be occupied on a long-term basis could instead accommodate visitors. However, as demonstrated in Section 2.2, Cromwell has substantial feasible residential development capacity, supported by the introduction of the Medium Density Residential Zone, recent greenfield residential developments, and updated housing capacity assessments. The latest population projections from Stats NZ (as shown in Section 2.1) also indicate that projected dwelling demand remains well within the township's identified development capacity.

Furthermore, the proposal does not permanently remove the dwellings from the residential housing stock. Rather, it provides owners with the flexibility to respond to changing market conditions over time, with the dwellings remaining available for permanent residential occupation should market conditions favour that use. In this context, enabling traveller accommodation for 32 already-consented townhouses is unlikely to materially affect housing sufficiency within Cromwell.

Overall, while the Project may result in a limited degree of displacement within both the visitor accommodation and residential housing markets, these effects are expected to be minor. Any potential adverse effects are outweighed by the economic benefits associated with increased visitor expenditure, employment and accommodation choice.

4. Conclusion

This memo has considered the economic implications of enabling the 32 consented townhouses within the Mead Avenue Project to also be used as traveller accommodation.

The proposal would increase the supply and diversity of visitor accommodation within Cromwell, supporting the continued growth of the local visitor economy. Based on indicative modelling, the Project has the potential to generate approximately $3.5 million in annual visitor expenditure and support around 27 jobs across the accommodation, hospitality, retail, transport and wider tourism sectors.

Potential adverse economic effects are expected to be limited. While the proposal may increase competition within the local accommodation market, the additional accommodation represents a relatively small increase in overall supply and is likely to complement, rather than materially displace, existing accommodation providers. Similarly, although the proposal enables the consented townhouses to be used for traveller accommodation, the available evidence indicates that Cromwell has sufficient residential development capacity to accommodate projected long-term population growth. Accordingly, the proposal is unlikely to have any material implications for housing sufficiency.

Overall, the Project is expected to result in net positive economic outcomes for Cromwell and the wider Central Otago District. It supports visitor expenditure, local businesses and employment, while making more efficient and flexible use of an already consented development and providing greater flexibility in responding to future accommodation demand.