Question and Answer

Operator

And your first question comes from Geoff Zame from Craig Investment Partners.

Geoff Zame
Deutsche Bank AG, Research Division

I just have a couple of bits and pieces. Just looking at the retail performance, it was obviously -- the highlight -- there was that sort of disruption -- that was despite the disruption in the first half. So when you sort of project that out, and obviously, it provides well for your year-end numbers, is there anything I'm missing on the OpEx slide in the second half? Or are those first half run rates consecutive for the second half as well?

Simon D. Robertson
Former Chief Financial Officer

Geoff, Simon Robertson here. I think it's probably fair to say that last year's full results announcement, we sort of indicated that the market was underestimating the expenses and in particular, the investment in air services development. We have tried to quite strongly indicate that we will be investing further in those particular items in the next 6-month period. So I think you can expect to see a small uplift or actually a reasonable uplift in that particular area in the next 6 months. We need to make sure that the new services that have been announced are an absolute success, because that will not only help those services but will also help the sales argument with potential new airlines as well about the success of starting services in New Zealand.

Simon Moutter
Former Chief Executive Officer

That support tends to be a bit front end loaded, Geoff, so because you want them to hit the ground and promote. Just on retail, I think it's fair to say this is the more -- the closing capital of months of the half year were very strong. And that reflects your earlier observation that actually the reformatting of retail was actually only completed there -- and not really completed actually. There was still a number of stores to be opened in November. So we're looking forward to quite a strong second half on retail.

Geoff Zame
Deutsche Bank AG, Research Division

Just the other things. I'm just wondering, are you in a position to sort of comment on sort of what areas you're appealing on the merits review? And that is one thing. And then just finally, just whether you can give any color on the NQA-- you've always got to plan down on what the latest deposition is and what that cost of finance looks like currently relative to market and what have you?

Simon D. Robertson
Former Chief Financial Officer

I think they're both mine. So with regards to the merits review, the 2 main areas that we think investors should be asking us to appeal on are, first of all, are land valuation but most importantly, the area of land held for future use. We believe that is clearly earmarked for future aeronautical development and should form part of the regulatory asset base. And also, we've got concerns about some of the treatment of reclaimed land and how that doesn't provide us great incentives to look into the future as we make investments, if there is just a subsequent change by the regulator to view costs as sunk and therefore, take them out of the regulatory asset base.

The second aspect really around the weighted average cost of capital and asking really full information disclosure isn't needed. And even if it is, I think even your analysis, Geoff, would look at that and say the Commerce Commission's analysis would suggest that Auckland Airport's work is higher than your own determination on the industry. So clearly, we think our work does not provide the right investments to make -- for us to make investments for the long-term capacity of passengers in New Zealand. In terms of the NQA refinancing, things are progressing well, so it matures at the end of the year. The team there involved are seeking to refinance 3- and 5-year trenches and to refinance all of the capital expenditures well that is expected through that period, and we would be expecting to repay all the current finances, including a shareholder loan, which is in there and improve the interest rate cost outlook going forward.

Operator

And your next question comes from Robert Bode from First New Zealand Capital.

Robert Bode
Jarden Limited, Research Division

I'll just kind of ask a couple of the more pressing ones. But just on the second half outlook, Simon, you mentioned that with the air services coming on, the new air services an expected acceleration from the current rate. On the one hand, you expect that. But on the other hand, you've kind of got some expressing caution regarding earthquake impacts and fuel costs, et cetera. Your guidance what do you kind of assume in your guidance for the year at around the top end of your previous early month?

Simon Moutter
Former Chief Executive Officer

It's quite tricky to answer that, Rob. I guess, we're concerned about the uncertainty of the earthquake impacts. And clearly, we have no role in the setting of the pricing of fuel, which is always a concern for how it dampens demand as it flows through to ticket pricing. So I think you can read into that. We've quite really see the guidance at the top or a little above. I suspect if we hadn't had the cautionary note around the earthquake, we have not included that the top element we've been talking about a little above. But we're not sure how that might impact volumes or the tourism proposition to New Zealand in particular if we get a significant need of halo effect that dampens and flows to the whole market. So it is generally an expression of we don't know to be honest. And we were pretty robust in our forecast for that, but with that event occurring and not enough time to sort of do any comprehensive analysis on that, we just -- that's dampened us slightly.

Robert Bode
Jarden Limited, Research Division

And your comments on property, you're kind of aspirational targets for your rental. Where are you currently with your property developments in place, relative to the $30 million kind of stock point in 2009?

Simon D. Robertson
Former Chief Financial Officer

Rob, Simon Robertson here. So we've given good indications of the current work in progress underway and the property development area. And we're not unhappy with the market's anticipation at all with regards to the returns, the rental returns that should be applicable on that capital investment. So that should increase the rent roll quite significantly, it has already. When it actually comes on stream, which will be more next year, we can expect to see a significant amount of improvement in the rental and complex.

Robert Bode
Jarden Limited, Research Division

Within the mid 30s to it?

Simon D. Robertson
Former Chief Financial Officer

Yes, just slightly above that.

Robert Bode

Jarden Limited, Research Division

Just looking at North Queensland. I'm not sure if the detail is in the financial statements. But you've got a common EBITDA of $32-odd million coming back to a bottom line, a little above breakeven. What's your appreciation? How do you reconcile those 2 figures? Is the detail in the pack in terms of depreciation and interest? Can you provide some?

Simon Moutter
Former Chief Executive Officer

No, we haven't provided the actual numbers within those particular areas, Rob. But in comparison to the prior 6-month period, the differences really are increases in depreciation on the back of the domestic terminal and increase in interest costs, which is 2 things really, the funding of the domestic terminal but also no longer any capitalized interest on domestic terminal, which has just impacted the bottom line. I think the thing that we've stressed quite often in this case is we've always acknowledged actually that the way reported earnings would run out of this particular investment that they wouldn't be strong. And I think I seem to recall, I see that the full year announcement again, it'll be sort of breakeven for our title associates for the full year. So that view hasn't changed at all. The important thing to note though is if you sort of backed out the equity earnings of North Queensland Airports and instead replace that with the dividend flow that we've received in the first 6 months, then the EPS -- with the underlying EPS growth would actually be very strong and stronger than the underlying profit growth.

Robert Bode
Jarden Limited, Research Division

And just on the impacts of Yasi and the Brisbane floods, do you see any kind of or expect any slowdown in Cairns and Mackay performance at all?

Simon D. Robertson
Former Chief Financial Officer

Rob, on that one, we are cautious but not as cautious as around the unknowns of the Christchurch. Our 2 airports survived the floods and Yasi unscathed. The airports were closed only for a very short time, less than 24 hours, both of them, and suffered no significant damage. Mackay Airport actually benefited during the period of the Queensland floods because it's the nearest neighbor. Rockhampton was closed for nearly a month, so it had a significant terrific uplift. And so, I think, the only caution really is what's the sort of -- is there any need of halo from Queensland flooding into the North Queensland tourism proposition in Cairns -- cyclones not so much because it's out of the normal pattern of tropical destinations. That's why January, February are the low season in Cairns because cyclones are a regular event. So we're not particularly worried about the Yasi event but more with the sort of global sense of flooding. I mean, Australia is not in great shape at the moment, might impact flows. It's too early to say but I'm not unduly concerned about that.

Operator

And your next question comes from Adrian Allbon from Goldman Sachs.

Adrian Allbon
Goldman Sachs JBWere Pty Ltd, Research Division

Most of my questions have been answered. But just a follow-up question from Geoff's initial one. Are you able to give us an indication of what the retail spend rate has been in January and, I guess, month-to-date for February?

Simon D. Robertson
Former Chief Financial Officer

Yes, January result in terms of retail was, I'll describe as, exceptional if I can, Simon. It really was a very pleasing result. So the trend, I guess, that we saw in December continued in January.

Simon Moutter
Former Chief Executive Officer

Sort of strong double digit.

Adrian Allbon
Goldman Sachs JBWere Pty Ltd, Research Division

And in February?

Simon Moutter
Former Chief Executive Officer

Uplift -- I haven’t seen any numbers...

Simon D. Robertson
Former Chief Financial Officer

We've got no indications that I've heard from the team that there's been any change in the day-to-day information that they received on retail performance in February to date.

Operator

And your next question comes from Paul Richardson from BT Funds Management.

Paul Richardson

Can I just expand further on your quick comment about CapEx guidance for this year? Can you give some longer term indications for the labels of capital expenditure might be needed at Auckland and possibly also the CapEx outlook for North Queensland assets?

Simon D. Robertson
Former Chief Financial Officer

We will give a more definitive CapEx outlook at year-end in particular for Auckland Airport. I guess, the comment that I'd make around CapEx that's applicable to both Auckland and all our airports, really, is that we're always trying to make sure that any investments are optimal and occur at the right time. And for North Queensland Airports, I've just finished a significant investment in the domestic terminal and have the significant capacity in the international terminal. So certainly part of the investment story there was that it would be CapEx light for quite a few years from now. So we'll give an update on outlook for Auckland Airport, but again, I'll just highlight one of whole strategies is really is to make sure that we're investing at the right time to get the optimal returns.

Paul Richardson

Also a question about your comment on property investment. What sort of expected returns are you targeting on the property versus your aeronautical airport expected returns? What’s sort of your hurdle rates in that area?

Simon Moutter
Former Chief Executive Officer

Paul, the key thing in pure investment properties -- you've got a thing about property in 2 places. So we have the sort of -- the property is very core either in or close to the terminal areas, which is run by Aeronautical division that has a regime applying to that, which repeated as in the investment property area and our hurdle rates on that are around the 11% minimum.

Simon D. Robertson
Former Chief Financial Officer

It depends a little bit on the nature of the investments. You do have to meet the market. But it's the benchmarks that you would fully expect us to deliver that's applicable for the risk of each particular payments. So it's not one number. It's a range that we look at and not just returns but also then cash and EPS impact amongst other factors that we consider in the investment decision.

Simon Moutter
Former Chief Executive Officer

And some of those property developments have a synergy impact around the building a hotel in the middle of the car park has a flow onto car parking revenues. People who visit us come to meet people there, et cetera. So if we do this well, we can get returns much higher than market on some investments.

Paul Richardson

Right. That was what I was thinking. To clarify the synergy such that might arise – airport location or whatever would be on top of a normal property kind of commission hurdle rate.

Simon Moutter
Former Chief Executive Officer

Absolutely.

Operator

[Operator Instructions] And there are no further questions coming through at this time, so I'll turn the conference back to your speakers. Please continue.

Simon Moutter
Former Chief Executive Officer
Thank you, everyone, for joining us this morning. We look forward to talking to you over the next few days, some of you who are attending the follow-on briefings and otherwise at the annual results announcement in 6 months or so time. Thank you all for your time. Cheers.