

2021

Hamilton Annual Economic Report

**A snapshot of Hamilton's people,
economy and development for 2021**

Published May 2022



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

Contents

| | |
|--------------------------------------|----------|
| Executive summary | 4 |
| Introduction | 6 |
| Global and domestic economic context | 6 |
| Outlook for 2022 | 10 |

| | |
|---------------------|-----------|
| Our economy | 12 |
| Industry | 13 |
| Employment and jobs | 16 |
| Card spending | 20 |

| | |
|-------------------------------------|-----------|
| Housing | 23 |
| Subdivision consents granted | 25 |
| Titled sections | 26 |
| Building consents | 27 |
| Houses under construction | 30 |
| Houses completed | 32 |
| Outlook for housing | 34 |
| Residential greenfield growth areas | 35 |
| Housing preference survey | 38 |
| House sales | 40 |
| House finance | 43 |

| | |
|--|-----------|
| Commercial and industrial development | 44 |
| Consenting trends | 45 |
| Industrial land in the city | 49 |

| | |
|---|-----------|
| Our people | 52 |
| Population | 53 |
| Age structure | 54 |
| Population changes and negative migration | 55 |

| | |
|-------------------------|-----------|
| Our central city | 56 |
| Initiatives | 58 |
| New developments | 59 |
| Doing business | 64 |

SUMMARY

2021 key growth and economic indicators

CITY AREA



11,093 ha

POPULATION



178,500

BUSINESSES IN THE CITY



18,119

GDP



\$12 BILLION

PEOPLE WORKING IN HAMILTON



100,420

UNEMPLOYMENT RATE



4.8%

NON-RESIDENTIAL DEVELOPMENT



79,000m²

HOUSES UNDER CONSTRUCTION



1170

NEW HOUSES COMPLETED IN 2021



1497

MEDIAN HOUSE PRICE



\$769,000

Report disclaimer:

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Sources: Hamilton City Council, Infometrics and Marketview



Executive summary

Hamilton is the thriving heart of the region and an integral part of the golden triangle between Auckland and Tauranga. With a population of 178,500 it is New Zealand's fourth largest city and has a growth rate higher than Auckland, Christchurch and Wellington over the last three years. Hamilton has a diverse economy which helped it weather the pandemic better than New Zealand's other major cities.

2021 was another big year for growth in Hamilton, with continued growth in population, housing stock and economy, while dealing with the ongoing challenges and uncertainty of the COVID-19 pandemic.

2021's highlights for Hamilton include:

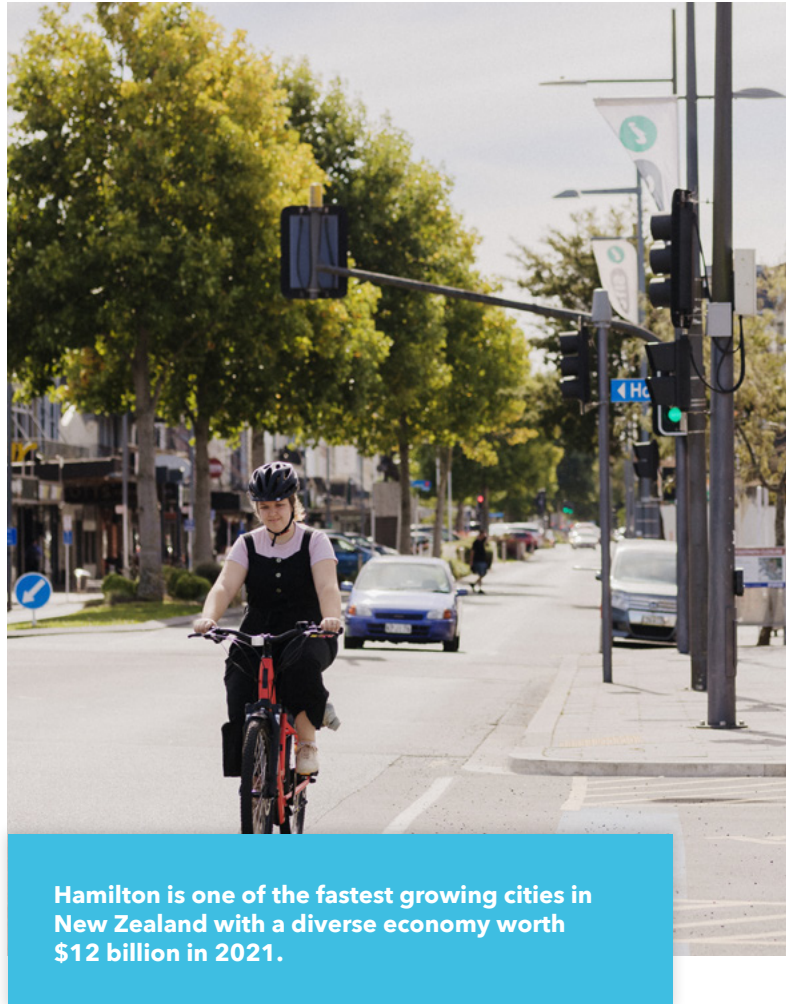
- A record 1497 new homes were completed - up 6% on 2020.
- A 12% increase in the number of homes under construction.
- Hamilton made up 41% of Waikato's \$30 billion Gross Domestic Product (GDP) and 43% of its jobs.
- Hamilton's GDP was \$12 billion increasing 4.3% since 2019 despite the pandemic, and for the first time supports over 100,000 jobs.
- Unemployment declined to 4.8%.
- Council submitted a proposal to the Infrastructure Acceleration Fund based on its \$334 million expression of interest for the central city.

- Hamilton ranked first in New Zealand and 21st in the world for its successful integration of digital technology, knowledge and assets to improve city services.
- Median house prices increased by 20% which includes increases of 19% for standalone houses, 14% for flats and units, and 10% for sections.
- Consents were granted for 79,000m² of new commercial and industrial development.
- Hamilton's annual population growth - 0.9% - outpaced other major cities and New Zealand as a whole.
- The central city continued to grow with numerous developments underway and population growth of 5.8%.

There were challenges in 2021, most of which were the result of the global pandemic and not isolated to Hamilton.

These included:

- Consumer price inflation increased 5.9% in the December 2021 quarter.
- Inflation and booming property prices led the Reserve Bank of New Zealand (RBNZ) discontinue its monetary stimulus from mid-2021 and increase the Official Cash Rate from 0.25% to 0.75% by the end of 2021.
- Mortgage rates nearly doubled in the space of 12 months, increasing pressure on household budgets and discretionary spending.
- The tight labour market meant that despite an increase of 33% in job advertisements in Waikato, the number of applications per job was down 39%.
- The hospitality and accommodation sector saw nearly \$31 million less in spending and non-retail businesses like hairdressers and book retailers saw a drop of \$33 million.
- Supply chain disruptions caused delays across many areas including construction.



Hamilton is one of the fastest growing cities in New Zealand with a diverse economy worth \$12 billion in 2021.

Significant global economic influences that emerged in 2022 include:

- Russian invasion of Ukraine and its effects on the New Zealand economy such as petrol prices hitting \$3.12 following the invasion as well as further supply chain and shipping disruptions.
- China's ongoing zero-COVID policy has seen its major cities locked down and resulted in further port disruptions which will inevitably prolong supply chain issues.
- New COVID-19 variants appear to be less severe, reducing the economic and social impacts of the virus and enabling economies and borders to reopen.



INTRODUCTION

Global and domestic economic context

Hamilton's economy is strongly influenced by the New Zealand economy, which in turn cannot be isolated from the global economy. 2021 was a bumpy year for economies worldwide as we grappled with year two of a pandemic and its new variants, were hit with logistical and supply chain issues, saw demand for durable goods skyrocket and inflation begin to follow suit. Added to that was what has turned into a Russian invasion of Ukraine, and rising political tensions between the USA, Australia, and China; not to mention extreme weather events causing disruptions around the globe.

When the pandemic hit, countries around the world closed their borders and many went into lockdown. Governments worldwide unleashed fiscal stimulus packages to inject borrowed money into their economies and avoid an economic crash. Unemployment was predicted to hit an unprecedented 13%. However, the rebound was quick considering the breadth and the severity of the pandemic, as well as the economic and social consequences of locking down cities around the world.

In response to the crisis, the RBNZ used a series of macroeconomic levers to support the economy. It lowered the Official Cash Rate (OCR) from 1% to 0.25% and printed money by expanding its Large-Scale Asset Purchase programme to buy central and local government bonds, from \$33 billion to \$60 billion. Government debt has increased from \$58 billion in 2019 to \$102 billion in 2021. The government then poured millions of dollars of this new debt funded money into income and business support schemes.

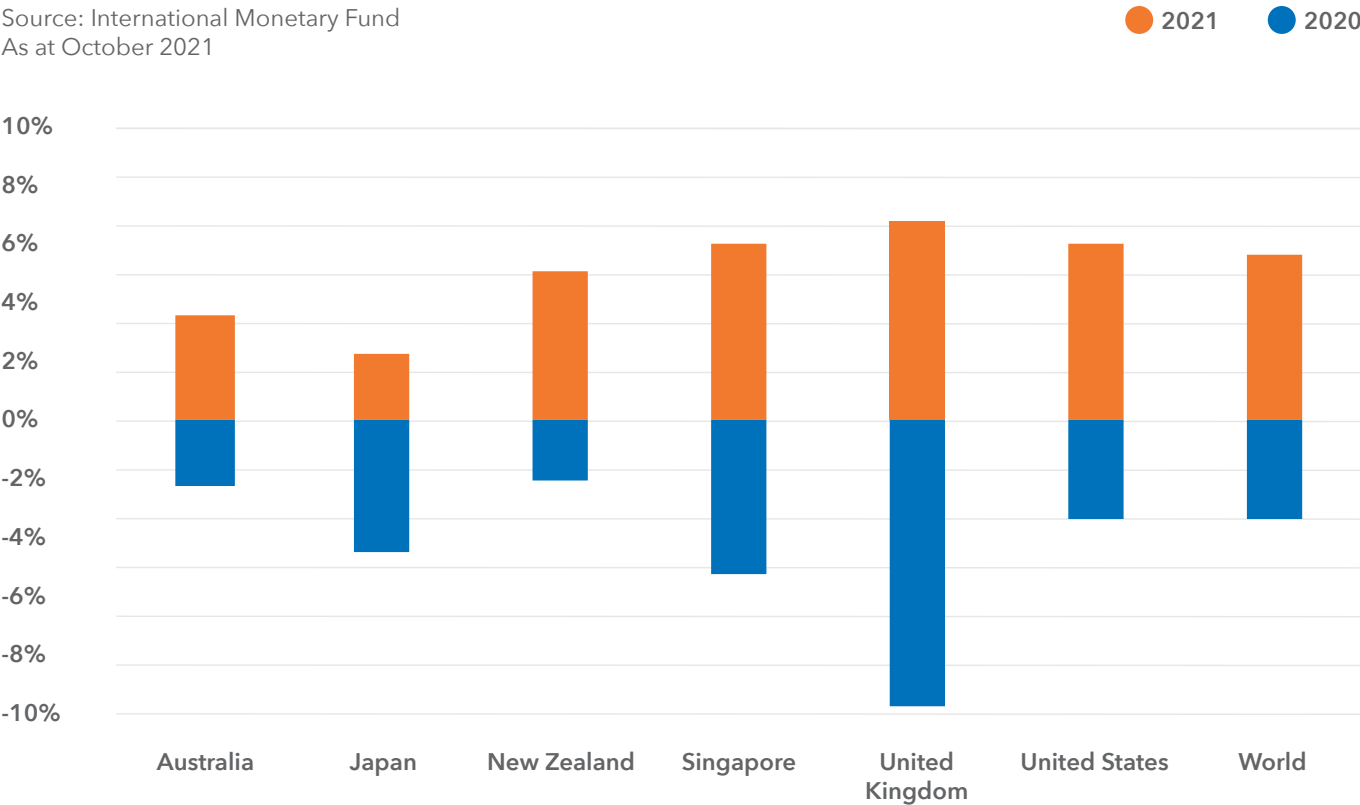
On the back of all the fiscal stimulus and support, New Zealand’s economy was looking strong leading into 2021. People were spending money and demand for durable products was at record highs. The government prioritised spending on large infrastructure projects and announced funding for housing-related infrastructure through schemes like the Infrastructure Acceleration Fund under which Council was invited to submit a proposal based on its \$334 million expression of interest for the central city.

Demand for housing soared across the country in 2020 with credit easy to obtain, loan to value ratios dropped and record low interest rates. Property was seen as a safe investment with a good return at a time when the stock market was volatile and deposit interest rates were meagre. House prices were already hot leading up to the end of 2020 but 2021 took things up another level with the fastest annual price increases on record.

For 2021, the International Monetary Fund estimated a 5.1% increase in New Zealand’s real GDP, compared to 5.9% global growth and Australia’s growth of 3.5%. For most countries, including New Zealand, this growth is a rebound after significant falls in 2020. Global GDP dropped 3.1% in 2020, New Zealand’s GDP dropped 2.1%, while Australia’s economy shrank 2.2% and United Kingdom’s fell 9.4%.

Global GDP growth

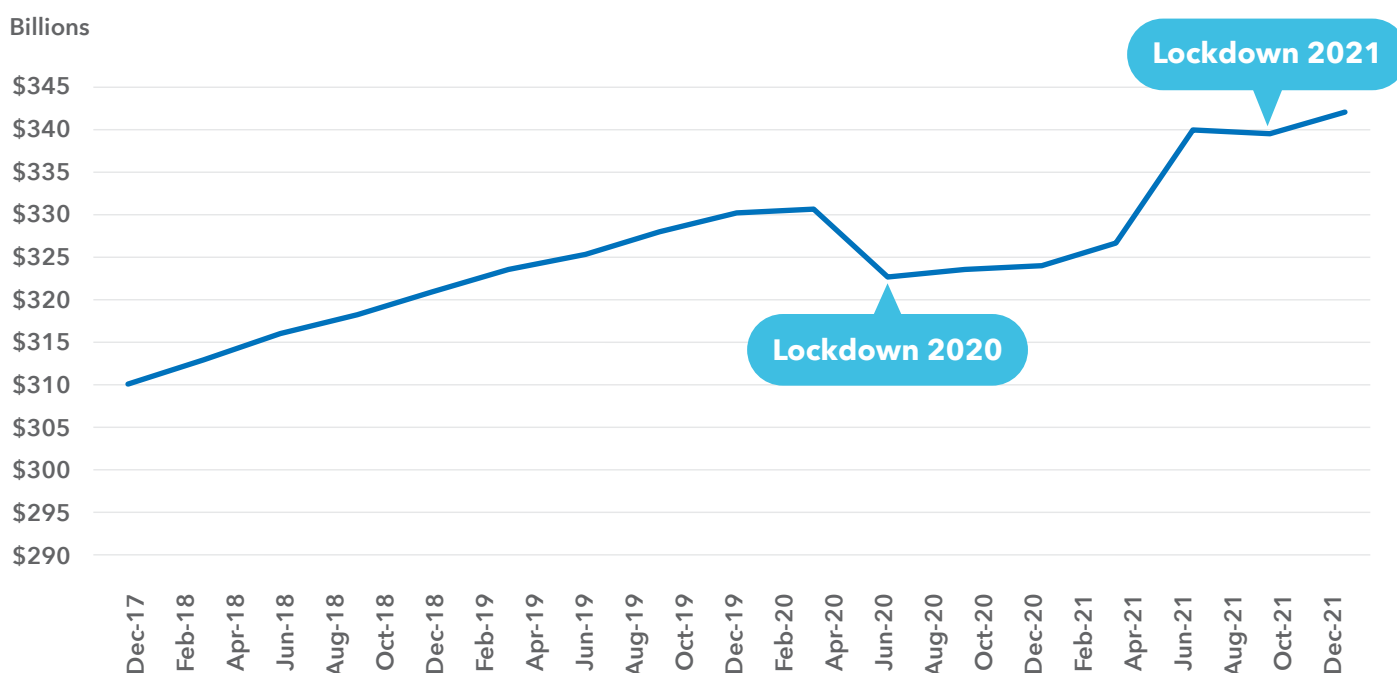
Source: International Monetary Fund
As at October 2021



In August 2021, the Delta variant of COVID-19 gained a foothold in Auckland, sending New Zealand into lockdown once more. The entire country remained at Level 4 for two weeks with all of the country south of Auckland moving to Level 3 for a further week before moving down to Level 2. Annual GDP fell from 5.2% in the June 2021 quarter to 4.8% growth in the September 2021 quarter as a result. On 3 October, Waikato moved back into Level 3 and remained there until mid-November. GDP increased 5.5% in the December 2021 quarter with most of New Zealand at Level 2. The high levels of growth seen in 2021 were on the back of the huge drop seen in 2020 because of the first lockdown.

New Zealand GDP

Source: Infometrics



Global inflation began to gain a foothold across all areas throughout 2021. By the end of the year, it had reached 5.9% in New Zealand with expectations of further growth in 2022. Three factors were the key inflationary forces: increased demand from consumers; global supply constraints coupled with rising global fuel prices and logistics challenges; and the closure of borders directly aggravating the labour shortage.

Manufacturing was hard hit by the pandemic and supply chain disruptions. In 2020 industries braced for an economic downturn and some shifted production to different products. When the rebound came and demand increased, demand simply exceeded supply. In China production was interrupted by power outages and a significant slump in their property sector following the collapse of Evergrande Group, one of China's largest real estate companies. All of these factors contributed to inflationary spirals in many economies including New Zealand's.

Strong international demand fuelled by money printing across the western world has put huge pressure on supply chains across the board. Combined with manufacturing restraints and disruptions to global transportation, supply has been simply unable to meet demand. This supply shortage has ultimately driven up prices for imported goods. The IMF estimates that supply disruptions lowered global GDP growth in 2021 by up to 1% (or about \$800 billion) and raised core inflation by 1%.

New Zealand's domestic production and supply chains are heavily reliant on imported components and products. In 2021 imports failed to keep up with increased demand, resulting in increased reliance on imported goods. The prices of tradable goods - things like cars, appliances and fuel - account for 40% of total inflation and are mostly imported goods which are subject to international supply chain pressures and international inflation.

Fuel prices plummeted in 2020 as people simply stopped driving and stayed home. Crude oil dropped to below USD20 a barrel as production outstripped demand. In 2021, prices began to increase again, returning to pre-pandemic levels by mid-February. The price peaked at over USD80 a barrel in late 2021 and increased to over USD115 a barrel following Russia's invasion of Ukraine.

This is a level not seen since the global financial crisis and before that the 1979 oil crisis. Not only is oil consumed in high volume as a raw material in the form of petrol and diesel, but it is also needed for the production of many other goods including plastics, lubricants, and solvents. Oil price increases significantly effect inflation and economies because its many uses include things that are difficult to do without, such as electricity, aviation, transport and heating.

Rising inflation and the booming property market caused the RBNZ to discontinue its monetary stimulus from mid-2021. The loan-to-value ratio restrictions were reinstated for mortgage lending in March 2021. Large scale money printing halted in July 2021 and the OCR was increased to 0.5% in October 2021. The RBNZ signalled that it will continue to increase the OCR in 0.25% steps throughout 2022. Common expectations are for the OCR to reach 3% before the end of 2022 and increase to around 3.5% in 2023. Internationally other central banks followed suit, pulling back on stimulus and increasing OCRs.

In February 2022, Russia invaded Ukraine causing significant global political backlash, economic uncertainty and a humanitarian crisis. Russia supplies 11% of the world's oil, 25% of Europe's oil and 45% of its natural gas. While it would like to, Europe cannot cut off its dependence on Russian oil and gas without major economic disruption – and even the reductions it is making are having a negative effect on its economy.

Furthermore, 30% of global wheat comes from Russia and Ukraine. These two countries are also the main exporters of metals that are important to global supply chains. While New Zealand has relatively weak trade and investment links with Russia and Ukraine, it is likely to be impacted by weaker global demand and higher prices from those areas most impacted. The most visible of these is probably petrol prices, where a litre of 91 octane petrol increased from a low of about \$1.97 in March 2020 to a peak of \$3.21 in March 2022.



INTRODUCTION

Outlook for 2022

The outlook for 2022 and beyond is likely to be bumpy. There are strong headwinds for our economy this year. Around the globe, forecasts are being revised down for economic growth.

Supply chain disruptions are also expected to continue and both the Russian invasion and China locking down some of its biggest cities is expected to exacerbate this. While much of the world is now learning to live with Covid, China continues to pursue a zero-COVID policy. This has resulted in the lockdown of major trade and financial hubs like Shanghai and Shenzhen in 2022. Unless China moves to a different strategy, lockdowns there are likely to continue and will continue to have flow on effects for global trade.

Around 90% of global trade is transported by ship. The ongoing invasion of Ukraine by Russian will cause additional disruption to supply chains

and add further costs to transporting good through increased fuel prices. Nearly 15% of all sea farers are Russian or Ukrainian, meaning the availability of crews is going to hamper global shipping.

In addition, at the time of writing, there were 84 vessels with 553 workers of different nationalities stranded in Ukrainian ports. The stranded ships are mostly bulk carriers and oil tankers according to the International Maritime Organisation.

The average kiwi consumer will be directly affected. Inflation is expected to continue to push prices higher throughout 2022, with predictions towards 8% for 2022, the highest this century and blowing the previous peaks in 2008 and 2011 out of the water. Housing costs, transport costs and food prices, all basic essentials, will continue to increase. Annually, food prices had increased

7.6% in March 2021 with increases over most food groups. Fresh fruit and vegetables increased a staggering 18% as shortages pushed prices higher. Extreme weather events are becoming more frequent and will continue to impact the supply of fresh food.

The RBNZ is trying to reign inflation in with increases to the OCR, without slowing the economy too hard or fast. They have now indicated that keeping a lid on inflation is more important than the impact of increasing the OCR on house prices and unemployment. House price growth is expected to slow and even turn negative in 2022, however, it is likely to be more of a correction after 2021's excessive growth.

For some homeowners, especially those with large mortgages that were locked in a year ago, the increased interest rates will noticeably impact their bank balance. For example, a fixed \$500,000 mortgage at 2.5% that is refixed at 5.5% would increase weekly mortgage payments by \$200. Increasing interest rates are not expected to greatly affect home loan repayments as banks affordability calculations consider higher interest rates. However, prospective home buyers' ability to meet bank affordability requirements will be affected and rate increases may reduce spending on goods and services.

Residential consenting in Hamilton is supported by a strong pipeline of work, however, we are expecting supply chain issues and labour

shortages to push out the completion timeframes and costs for new builds. This is likely to make it more difficult for the sector to manage work, staffing levels and costs.

Economic uncertainty is likely to continue to dampen investment in non-residential development as businesses remain uncertain about the viability of large outlays for new building projects. There are number of projects in the pipeline, be it coming in for resource consent or under construction, that will keep the non-residential construction sector moving despite this ongoing uncertainty.

As international borders reopen in 2022 and with managed isolation requirements dropped, a much-needed boost to our local economy and struggling tourism sector is expected. The extent of an influx of skilled migrants to help fill labour shortages and tourists is uncertain. People, particularly those under 35 years, are expected to leave New Zealand for both travel and job opportunities overseas.

A net loss in migration seems likely in 2022 as kiwis head off to work abroad in places like Australia and the United Kingdom. Migration is not expected to return to pre-pandemic levels for the foreseeable future.

Our economy



OUR ECONOMY

Hamilton's importance to Waikato

Hamilton's economy was worth \$12 billion in 2021 and generated by just over 100,000 jobs. Hamilton made up 41% of Waikato's \$29.5 billion GDP and provided 43% of the jobs across our region, despite our small footprint.

Hamilton's contribution to Waikato

LAND AREA



0.5%

JOBS



43%

GDP



41%

POPULATION ESTIMATE



35%

OUR ECONOMY

Industry

Hamilton has a diverse economy that is spread relatively evenly over several key industries. This diversity has helped Hamilton weather the pandemic better than New Zealand's other major cities. Hamilton's GDP has increased 4.3% since 2019 despite the pandemic. This compares to increases of 0.4% in Auckland, 3.3% in Wellington, 3.1% in Christchurch and 3.6% across the country.

Healthcare and social assistance was our biggest sector and includes services like hospitals, medical centres, outpatient services, aged residential care and dental services. The sector contributed nearly \$1.2 billion to our economy in 2021 and employing nearly 16,000 people across 1120 businesses. Manufacturing contributed another \$1.1 billion and 9,700 jobs across 735 businesses.

Contribution to Hamilton's GDP by sector, 2021

| Sector | GDP (\$million) | Percentage |
|---|-----------------|-------------|
| Healthcare and social assistance | \$1197 | 10% |
| Manufacturing | \$1101 | 10% |
| Professional, scientific and technical services | \$994 | 9% |
| Owner-occupied property operations | \$962 | 8% |
| Unallocated | \$875 | 8% |
| Construction | \$845 | 7% |
| Electricity, gas, water and waste services | \$733 | 6% |
| Retail trade | \$676 | 6% |
| Wholesale trade | \$647 | 6% |
| Public administration and safety | \$644 | 6% |
| Rental, hiring and real estate services | \$614 | 5% |
| Education and training | \$543 | 5% |
| Financial and insurance services | \$417 | 4% |
| All others | \$1353 | 12% |
| Total | \$11,609 | 100% |

Source: Infometrics

Growing smarter with technology and innovation

Hamilton is home to an increasing number of successful tech businesses that are leading the way, in some cases internationally, in data security, robotics, artificial intelligence, software development and advanced data processing applications.

Hamilton's tech sector saw significant growth prior to the COVID-19 outbreak in 2020, with revenue growth of 16.3%, the fastest in the country. The tech sector needs people that are young, innovative and who think differently. Hamilton's youthful and highly educated population provides a great base for tech companies.

As New Zealand's borders reopen to the world, Hamilton's tech sector hopes to attract new talent to their growing home in Hamilton.

In 2021 Hamilton was ranked 21 in the world for its successful integration of digital technology, knowledge and assets to improve city services. This was above the likes of Tokyo, Hong Kong and Dublin; and was the highest rank achieved by any New Zealand city.

University of Waikato founded its Artificial Intelligence Institute in 2021, the first of its kind in New Zealand and home to the country's most powerful supercomputer dedicated to machine learning. A solid foundation is set for the tech sector to grow and continue to flourish in Hamilton.



Photo courtesy of Waikato Innovation Park

Waikato Innovation Park is the home of agritech in Hamilton, conveniently nestled between rural paddocks and research facilities in Ruakura on the edge of the city.

Leading the herd in agritech

Hamilton is a natural home for agricultural technology (agritech) given its position in the heart of the region. Agritech covers manufacturing, biotech and digital-based technology companies that are creating products, services, IP and value chain solutions for the agriculture and horticulture sectors. New Zealand leads the world in agritech and Hamilton is the long-time home of industry leaders like Gallagher Group, Livestock Improvement Corporation (LIC) and Dairy Goat Co-operative based in the city. Gallagher and LIC contributed 40% of the \$1.4 billion in total revenue earned by New Zealand's top agritech firms in 2020.

The biggest week on the agricultural calendar is Fieldays, the largest agricultural trade and technology event in the southern hemisphere. Despite the pandemic and lack of international visitors in 2021, the event still attracted 132,766 attendees, the second largest crowd in its 52-year history.

Waikato Innovation Park located in Ruakura on the eastern edge of the city is a hub for agritech. It is home to more than 60 businesses and 800 employees focused on research, collaboration and commercialisation. A new \$14 million building was completed in 2021 and has added 2900m² of collaborative space for technology, food and agricultural companies. A new 6200m² development for a vertical farm facility is currently underway. It is the first of its kind in New Zealand and will give supermarkets a reliable source of leafy greens that are unaffected by weather events.

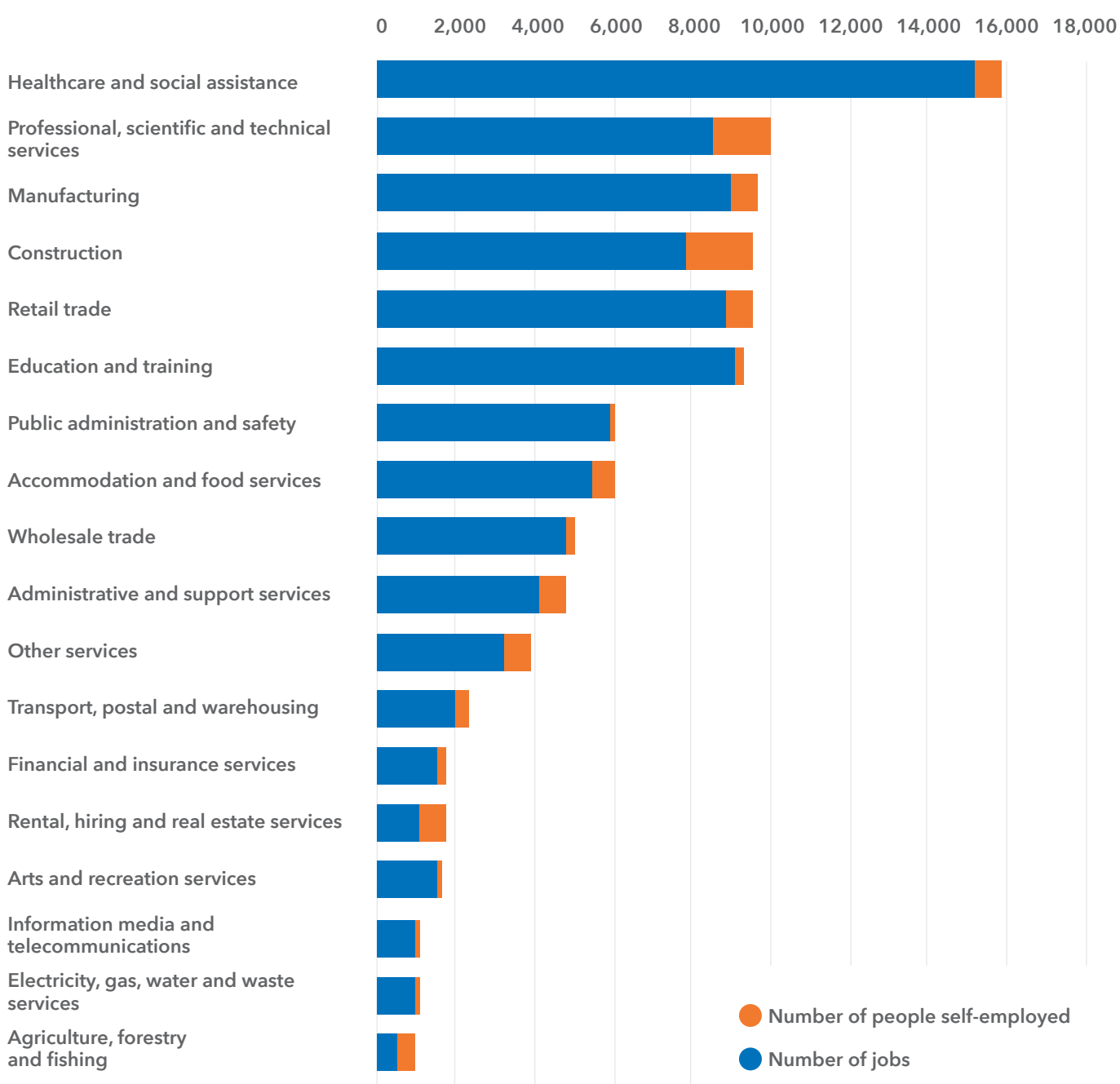
OUR ECONOMY

Employment and jobs

The number of jobs in Hamilton has continued to increase, cracking the 100,000 mark in 2021. At a high level, the distribution of jobs across Hamilton's industries reflects the contribution to GDP with healthcare and social assistance having the highest contribution (around 16,000 jobs).

Jobs by industry

Source: Infometrics



There are nearly 10,000 self-employed people in Hamilton. The highest number of self-employed people were in the construction sector (1700), about 18% of people working in this sector.

The most common occupation in Hamilton was 'specialist manager', with 8300 jobs in this category. Examples of specialist managers includes HR managers, sales managers, production managers and ICT managers. Health professionals were the second most common with 6900 jobs. Education professionals were third with 6500 jobs.

Many occupations saw extensive growth in the last 10 years. There has been an increase of 1800 specialist managers; 1600 health professionals; 1400 business, HR and marketing professionals; and 1200 education professionals. The only occupations to see a decline over this period were clerical and office support roles.

Hamilton has experienced small declines in cleaners and laundry workers; hospitality workers; factory process workers; and other labourers since the start of the pandemic. Unsurprisingly workers in the health sector increased by 320.

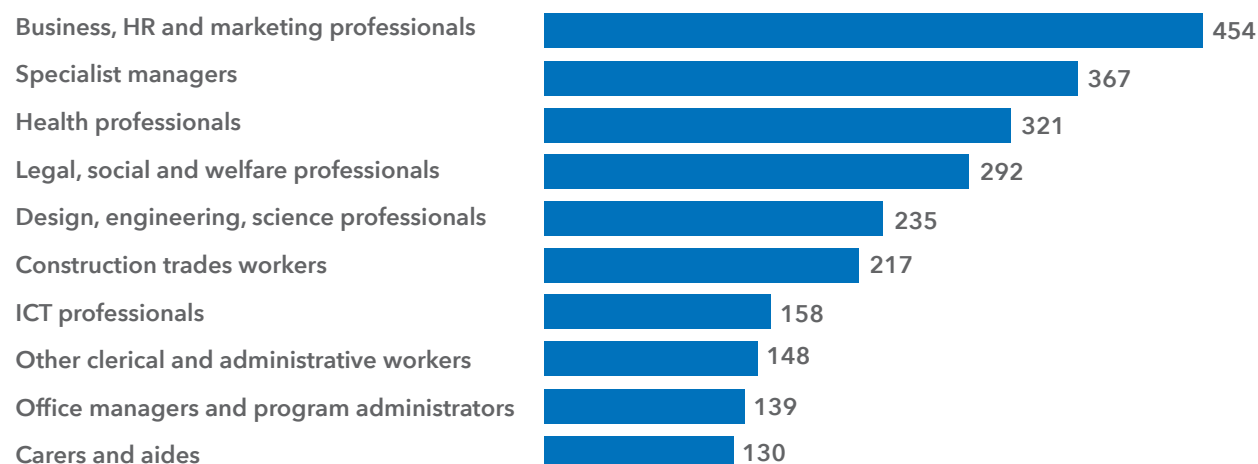


More people in Hamilton were employed than ever before - more than 100,000 jobs were filled in 2021 and unemployment hit a record low of 4.8%.

Business, HR and marketing professionals increased by 450, while specialist managers increased by 370. Legal, social and welfare professionals increased by 290. These changes are expected when considering the needs of businesses and the community during the pandemic.

New jobs added during the pandemic

Source: Infometrics



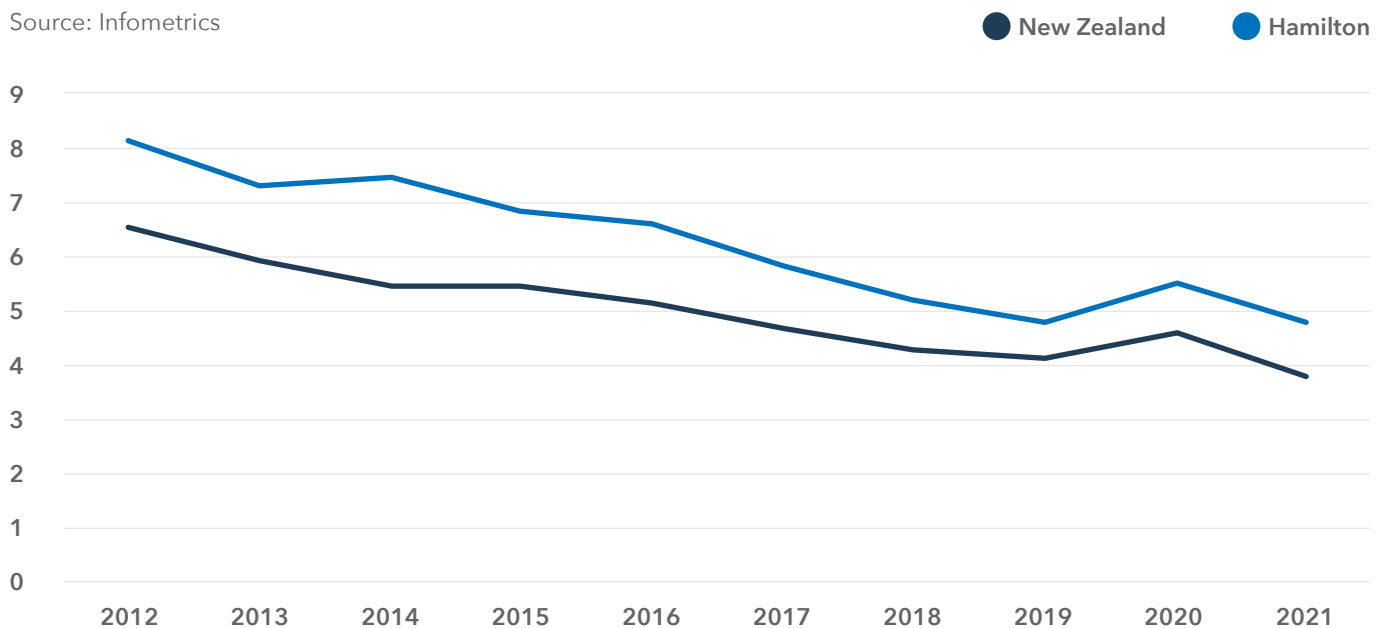


Job advertisements on Seek for Waikato were up 33% in 2021 compared to 2020 and a whopping 52% on 2019. At the same time, the number of applications per job was down 39%. In other words, there were lots of jobs but it's getting harder to fill them.

The shortage of suitable candidates for advertised roles or tightness in the labour market in Hamilton and around the country is reflected in incredibly low levels of unemployment in 2021 with this expected to continue into the first half of 2022. Now that international borders are open it's expected that migrants will be able to help fill the many vacancies around the country. However, there is also a real chance that a number of New Zealanders, particularly younger people, will take the opportunity to go overseas. Even experts in population and migration are uncertain as to whether we will face a net inflow or a net outflow of skilled workers - only time will tell.

Annual unemployment rate

Source: Infometrics

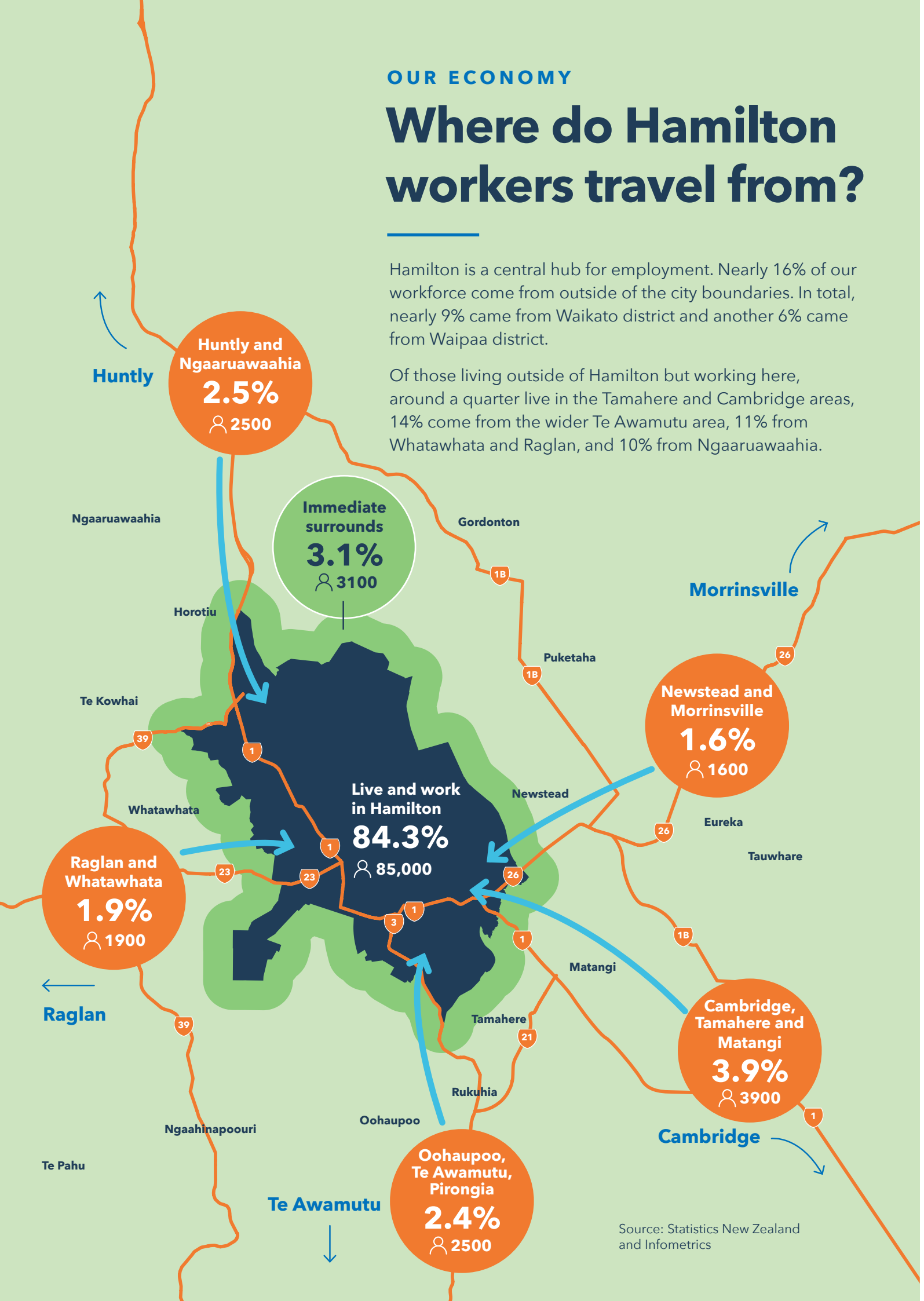


OUR ECONOMY

Where do Hamilton workers travel from?

Hamilton is a central hub for employment. Nearly 16% of our workforce come from outside of the city boundaries. In total, nearly 9% came from Waikato district and another 6% came from Waipaa district.

Of those living outside of Hamilton but working here, around a quarter live in the Tamahere and Cambridge areas, 14% come from the wider Te Awamutu area, 11% from Whatawhata and Raglan, and 10% from Ngaaruawaahia.



OUR ECONOMY

Card spending

Annual card spending increased 3% from 2020 to 2021 but remains nearly \$29 million (-1.4%) down on pre-pandemic levels. Since March 2020, changing spending patterns and lockdowns saw a massive dip in spending followed by a "V" shaped rebound as pent-up demand was released.

Spending is measured using instore EFTPOS transactions. Online purchases including online shopping and in-app purchases like UberEats are not captured so total spending was actually higher.

Different sectors saw very different spending patterns in 2021. Pre-pandemic, food and liquor accounted for 38% to 39% of all spending in

\$2 billion card spend

UP
3%
ON 2020

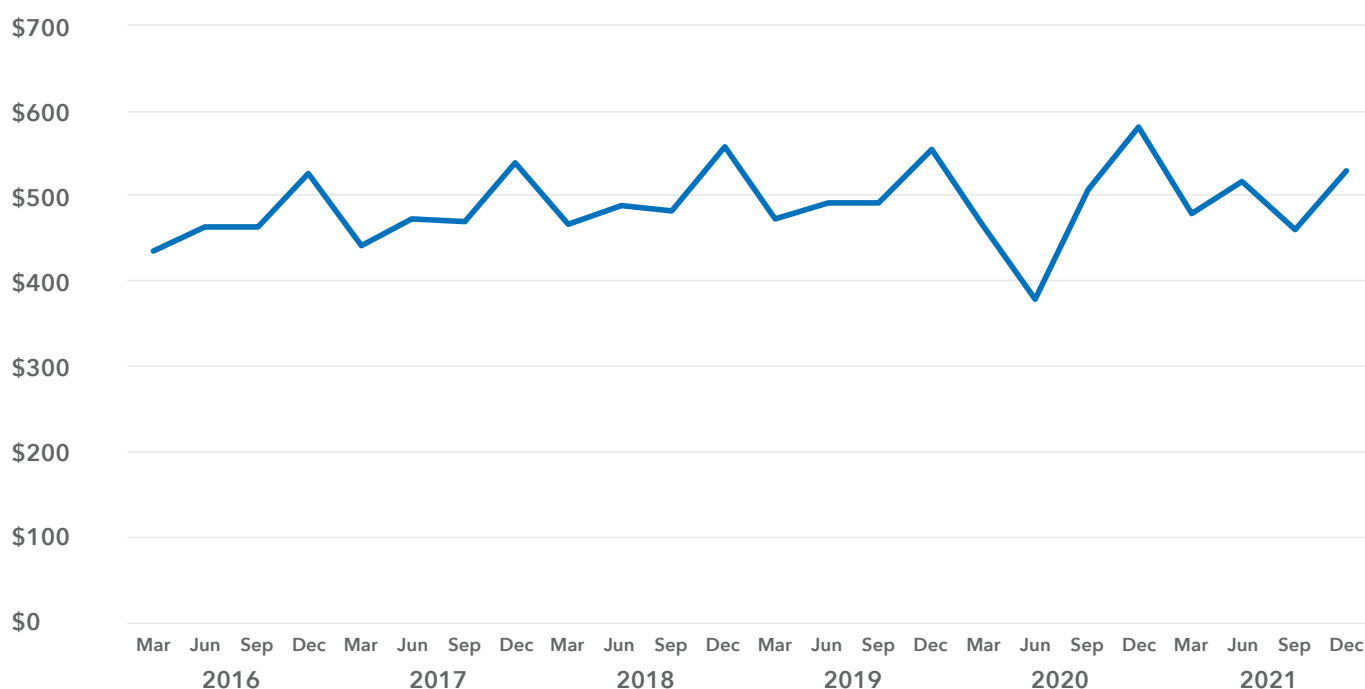
Hamilton. In 2020, it increased to 41% and remained the same in 2021. Hospitality and accommodation spending on the other hand fell one percentage point and non-retail businesses fell two percentage points, a fall of \$31 million and \$33 million respectively.

At an individual store-level, this equates to an average annual revenue fall of \$145,000 for a non-retail business and \$119,000 for a hospitality and accommodation business in 2021.

Quarterly card spending in Hamilton

Source: Marketview

Millions



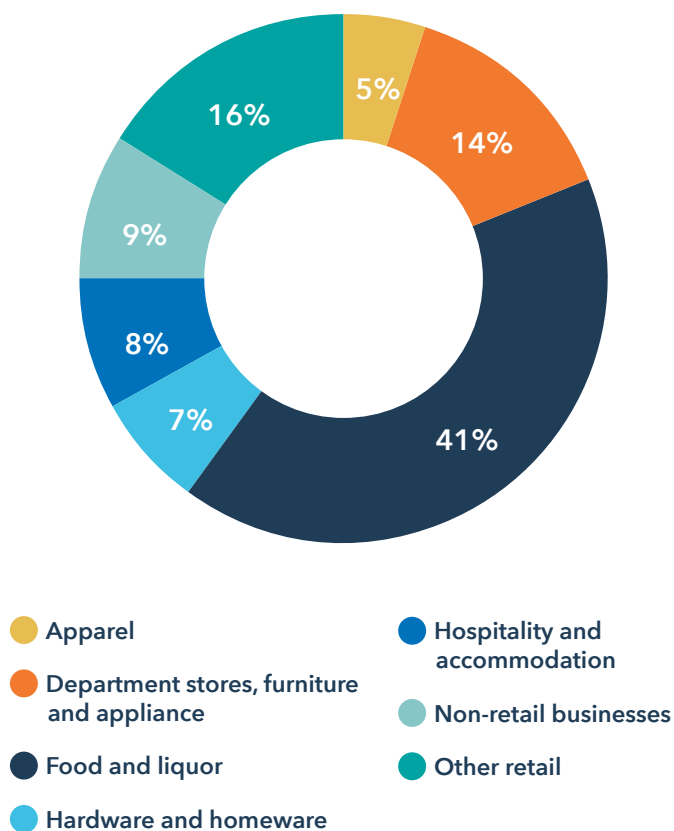


Non-retail businesses includes businesses like hairdressers, book retailers, toy and game stores, and jewellery stores. The loss of revenue is being managed alongside inflation that is pushing up expenses including the price of goods, the cost of transportation, wages and the interest rates on debt. Some businesses have taken on more debt to stay afloat as two years of increased cost and revenue pressures have taken a toll and their rainy day funds run out.

Across different parts of the city the picture varies. While 2021 saw increases in spending across all areas when compared to 2020, it's a much bleaker picture when compared to before the pandemic. In the central city, spending remains \$22 million (3%) below 2019 figures while neighbourhood centres experienced an increase of nearly \$10 million (6%). Spending in Frankton fell nearly 11% (\$4 million) from 2019 while our sub-regional centres like The Base and Chartwell fell 4% (\$20 million). There are two likely causes for this shift. The first is that more people are working from home, so going to buy lunch or a coffee is now popping down to your neighbourhood café rather than the one next to work.

Spending by sector in Hamilton 2021

Source: Marketview



People were simply less likely to travel to shop or eat, and many were also avoiding crowded places. The second reason is likely the strength of the support local campaign that started after the first lockdown. People were being encouraged to shop and eat at their local stores rather than online or with chain stores that are usually based in CBDs and malls.

The outlook for spending across the city is muted. There is mounting pressure on household budgets with the rising cost of basics like food, petrol and housing. ASB Bank has estimated that the average household will spend an extra \$150 a week on the basics. As these costs rise, discretionary spending declines. A recent survey by Westpac found that nearly 90% of households were being squeezed by inflation. Nearly 60% were already reigning in spending by cutting back on eating out and takeaways, as well as trying to limit spending on petrol and groceries. This will add pressure to businesses, particularly those that have not yet rebounded to pre-pandemic spending levels.



Neighbourhood centres experienced a boost in spending in 2021 as people worked from home and shopped locally.

Card spending in Hamilton by sector, 2016-2021

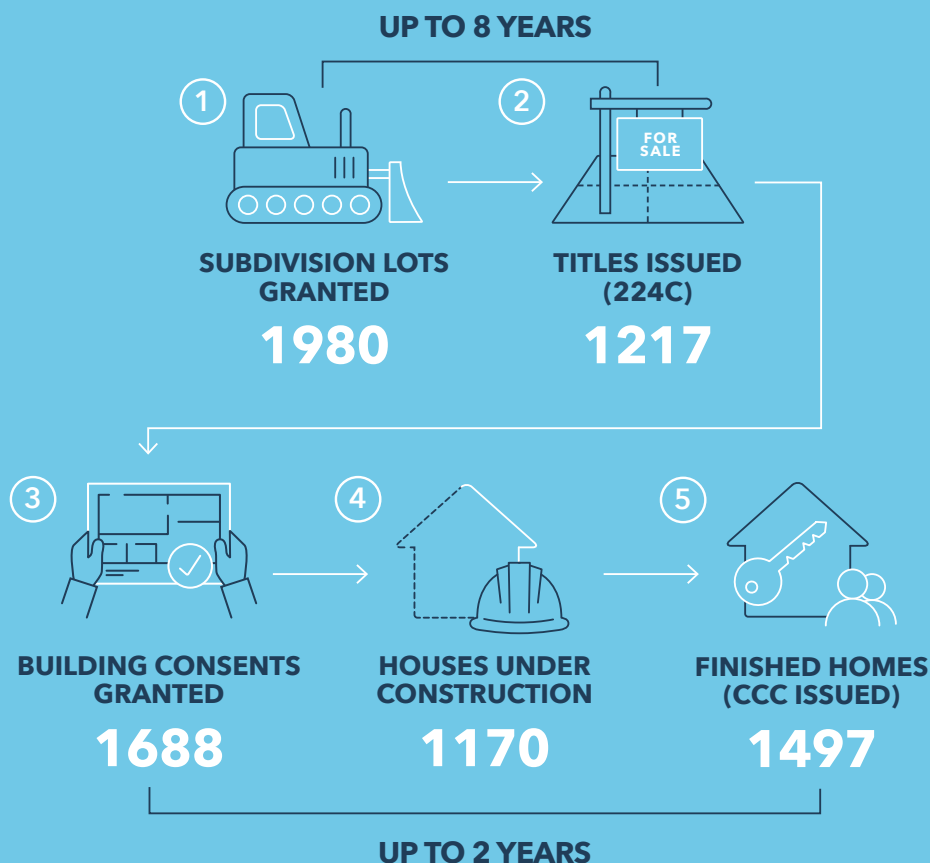
| | \$millions | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Sector | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Apparel | \$117 | \$112 | \$111 | \$108 | \$99 | \$107 |
| Department stores, furniture and appliances | \$287 | \$277 | \$279 | \$277 | \$269 | \$278 |
| Food and liquor | \$712 | \$747 | \$770 | \$773 | \$796 | \$805 |
| Hardware and homeware | \$123 | \$108 | \$114 | \$119 | \$124 | \$134 |
| Hospitality and accommodation | \$161 | \$169 | \$180 | \$189 | \$158 | \$158 |
| Non-retail businesses | \$196 | \$210 | \$226 | \$221 | \$182 | \$188 |
| Other retail | \$291 | \$305 | \$316 | \$326 | \$306 | \$315 |
| Total | \$1887 | \$1928 | \$1996 | \$2013 | \$1933 | \$1985 |

Source: Marketview

Housing



The consenting cycle



The development lifecycle generally begins with a subdivision consent being lodged and then granted. The subdivision consent allows a developer to begin earthworks and develop the land for subdividing. For big greenfield developments, this could include laying water and wastewater pipes and building roads. Once the work is completed, the developer can apply for 224c certificates to be issued which then allows them to get titles for the individual sections from Land Information New Zealand (LINZ). Some of this can be done simultaneously. There is a maximum statutory timeframe of eight years to complete a subdivision from the time a consent is granted to when titles have been issued.

Once sections have been titled (and often sold to the new owner or a building company), plans can be drawn up for the home that will go on the site. These plans are lodged with Council for building consent. Once the building consent is approved, there is a two-year window to complete the build. Once the build is finished and passes its compliance check, a Code Compliance Certificate (CCC) is issued and the house is ready for its new owners to move in. In 2021, the average time from building consent to CCC was eight months.



HOUSING

Subdivision lots consented

The number of subdivision lots granted for both freehold sections and unit titles remains positive despite being down on 2019 and 2020 consent numbers. The developer with the largest number of subdivision lots consented in 2021 was Northview Capital who consented 409 lots in Peacocke, including 192 residential lots for the Aurora development. Marketing is well underway for Aurora with Jennian Homes promoting sections of 400m² to 461m² starting at \$550,000. Pragma Homes, the second biggest developer in 2021, consented 141 new subdivision lots, mostly in Rototuna.

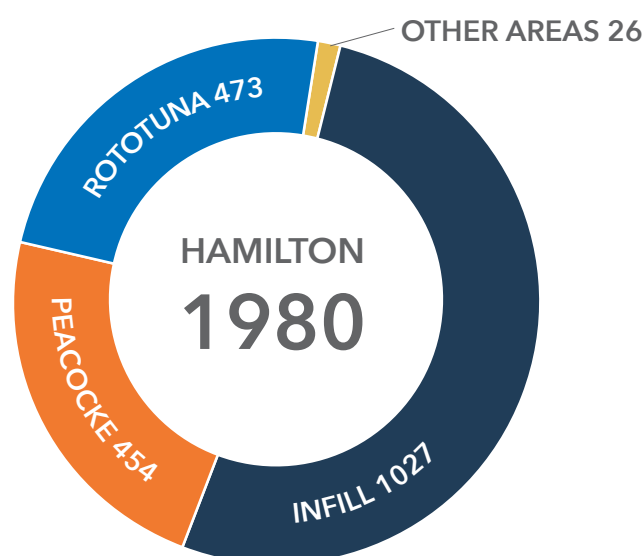
Infill subdivision consents were less than greenfield in 2019 and 2020 but rebounded to over half of all subdivision lots consented in 2021. Infill subdivision tends to be undertaken on smaller blocks of land and has much greater spread. Greenfield developments are often undertaken by one or two large developers on substantial blocks of land. The largest infill developer in 2021 consented 65 lots across the city.

Increasing house prices in 2021 appears to have driven increased demand for new infill homes. The median sale price for a home in a greenfield area in 2021 was \$940,000 but was \$715,000 for an infill home.

1980 subdivision lots granted

DOWN
5%
ON 2020

Subdivision lots granted, 2021





HOUSING

Sections and units titled

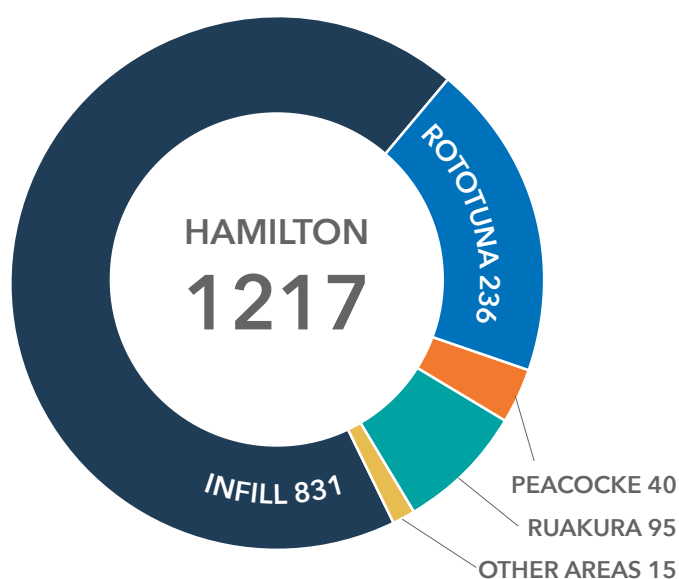
Generally, after a subdivision consent is granted and various pre-certification approvals are obtained, a developer will be issued a 224c certificate by Council. This allows the developer to apply to LINZ for title. Once the title is issued, a developer can sell the section separately. The issuing of a 224c certificate is in almost all cases followed by application for and issuance of a legal title over the land – and therefore for ease it is accurate enough to refer to them as ‘titled sections’.

Across Hamilton there were 1217 titles issued in 2021 with over 75% for freehold sections and 24% for unit titles, the latter being separate titles within an attached dwelling or apartment. Infill accounted for 68% of all new titles issued in 2021. For greenfield areas, Rototuna had the most sections titled in 2021, however, Peacocke is expected to increase significantly in titled sections given the pipeline of future residential development in the area.

1217 sections and units titled

UP
1%
ON 2020

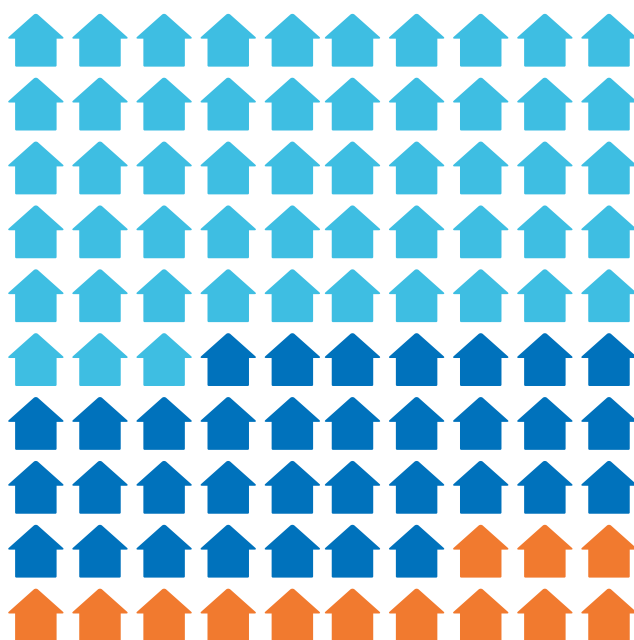
Titles issued, 2021



HOUSING

Building consents granted

For every **100 new homes** built in Hamilton over the last 10 years, **53** were in an **infill area** and **33** were in **Rototuna**.



Rototuna has been the focus of Hamilton's greenfield expansion to date, with nearly 4000 new homes built in the last 10 years. Peacocke and Ruakura each added about 620 new homes to the city over the same period. We expect continued strong growth in Rototuna at an estimated rate of about 300 to 400 new homes per year for the over the next five years.

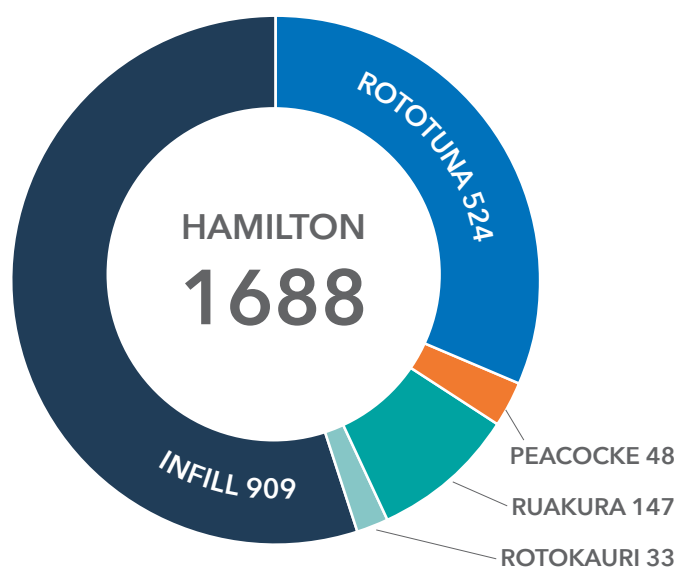
The rise of duplex and townhouse living

A housing preference survey *The Housing We'd Choose*, described in more detail on page 38, was conducted across the Waipaa-Waikato-Hamilton area in 2020 and showed that, despite strong central government direction for councils to enable increased attached housing and apartments, people still had a strong preference for a standalone house.

1688 dwellings granted

UP
28%
ON 2020

Dwellings granted, 2021

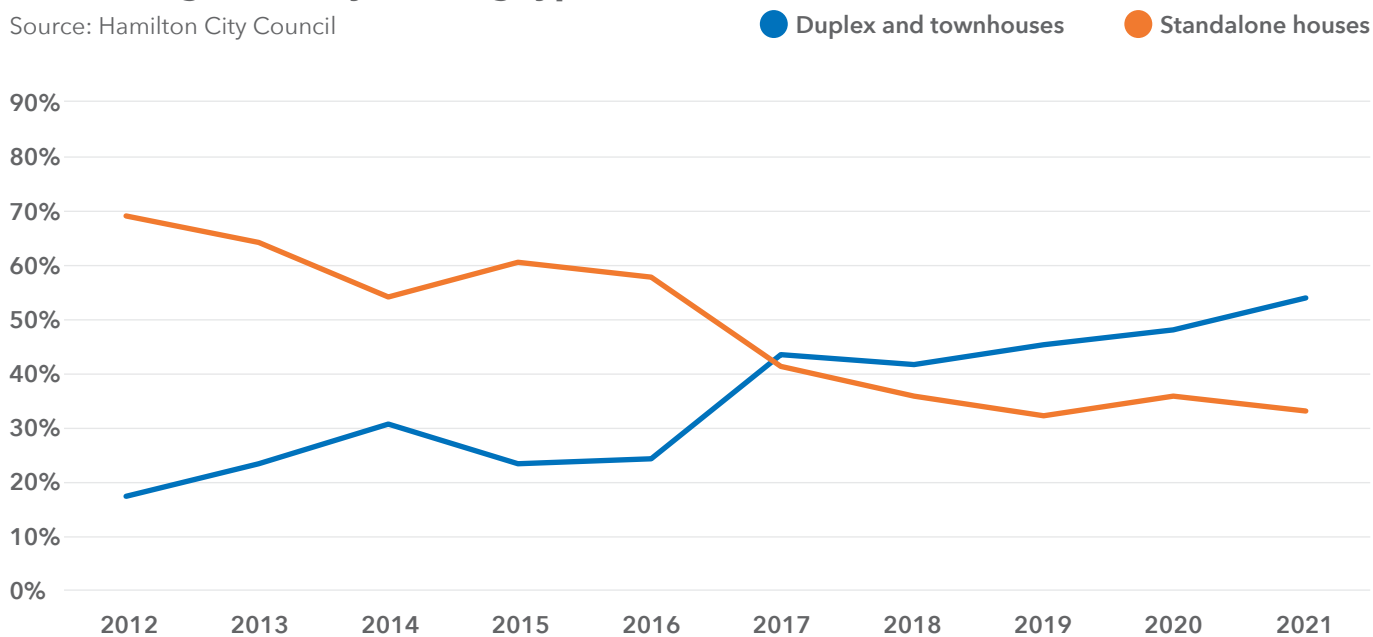


Despite peoples unconstrained preferences, increasing cost of land and more recently the cost of building has made attached housing and apartments more attractive. Hamilton has experienced a strong trend away from standalone homes to duplex and townhouses in both infill and greenfield areas.

The intensification requirements set out recently by government in the National Policy Statement on Urban Development and the new changes to the Resource Management Act that allows greater intensification without resource consent, will be transformative and we expect to see this trend towards duplex and townhouses continue.

Consenting trends by housing type

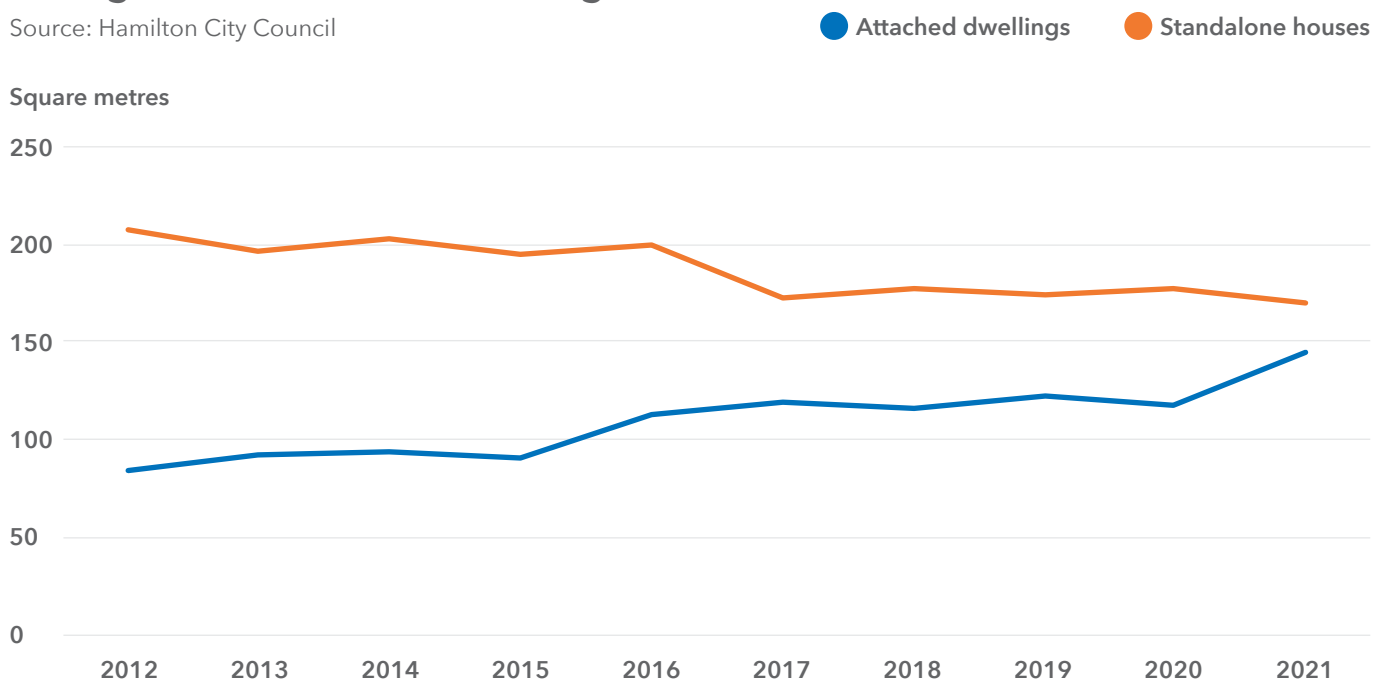
Source: Hamilton City Council



Over the last decade, there has been a shift in consenting from standalone houses to duplexes and townhouses. We have also seen a shift to from larger standalone homes typically on larger sections, to smaller standalone houses and larger duplexes or townhouses, so that by 2021 there is little difference between the floor area of the different housing types.

Average floor area of new dwellings

Source: Hamilton City Council





A third of dwellings consented in Waikato were for new homes in Hamilton.

Residential consents in Waikato, 2021

Source: Infometrics and Hamilton City Council



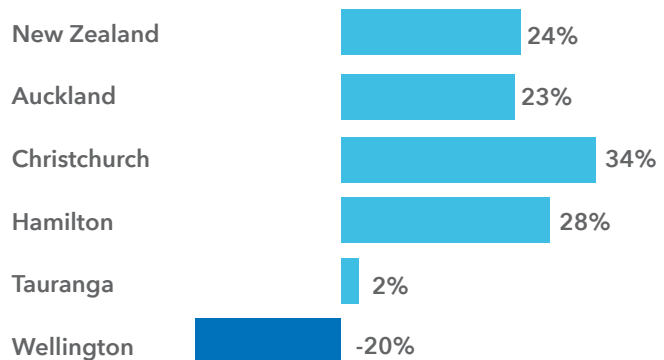
Consenting in Hamilton accounted for 33% of all residential consents across Waikato in 2021, down from 39% in 2018 and 2019. Several districts within Waikato have seen significant increases in consenting since 2019, the Waikato district for example, increased by over 300 consents (39%) between 2019 and 2021. Hamilton's consenting is at a similar level to 2019 and as such it takes a smaller piece of the region's consenting pie in 2021.

2021 saw record numbers of new residential building consents across almost all of New Zealand's major cities. Christchurch in particular saw a massive 34% increase – over 1000 additional consents. Hamilton's increased by a healthy 28% following a slow 2020. This was a wider trend seen in both rural and urban areas across New Zealand as the housing market boomed. Of 67 territorial authorities in New Zealand, only six saw any decline at all and only Wellington saw a substantial fall, down 234 consents on 2020.

Wellington saw consenting peak in 2019, and it has declined since. Both Council and developers seem to agree that this is because it is simply easier to build elsewhere like in the Hutt or Porirua and that the process needs to improve, however there are some big projects in the pipeline that have not been consented yet.

Change in dwelling consents

Source: Infometrics



HOUSING

Houses under construction

The number of houses under construction is constantly changing as some are completed and others begin construction. The number of houses under construction on 31 December 2021 was 1170 which was an increase of 15% compared to a year earlier.

The residential construction sector has boomed in Hamilton over the last 10 years. At the end of 2012, there were 317 houses under construction. This had increased to 817 in 2016 and has continued to increase through 2021.

The growth in the number of homes under construction is reflected in the number of businesses in the construction sector which increased 48% over the last 10 years to hit 2048 in 2021. Construction contributed \$845 million to our economy in 2021 and employed over 9500 people.

1170

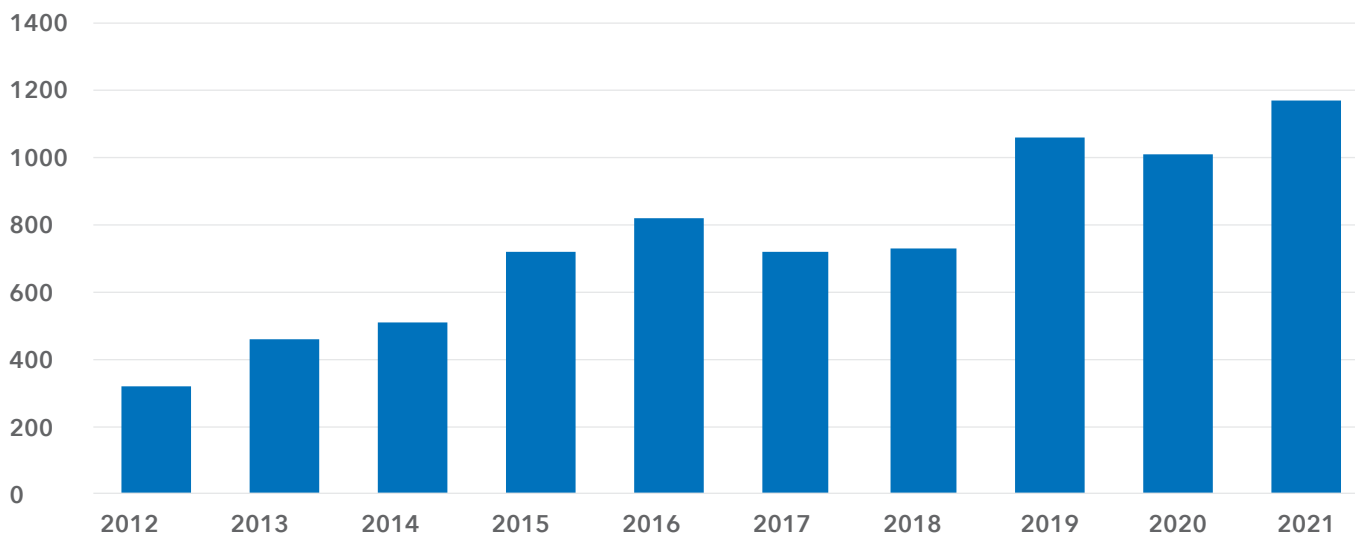
houses
under
construction

UP
12%
ON 2020

The big question is whether there is capacity left in the construction sector to continue to grow at the current rates. Not only has the closure of international borders meant that there is a lack of migrant workers coming in to fill job vacancies, but the production and importation of building materials is under huge strain. The sector has reported delays of six months on building materials. GIB has reported that it will increase manufacturing of its plasterboard by 20% in 2022 to try and meet demand. Australia is also running a campaign to attract construction workers to meet their increased demand, which may well result in a net decline in workers when the borders reopen. There are significant uncertainties remaining and little information that supports the ability of the sector to continue to grow.

Houses under construction

Source: Hamilton City Council
As at 31 December each year



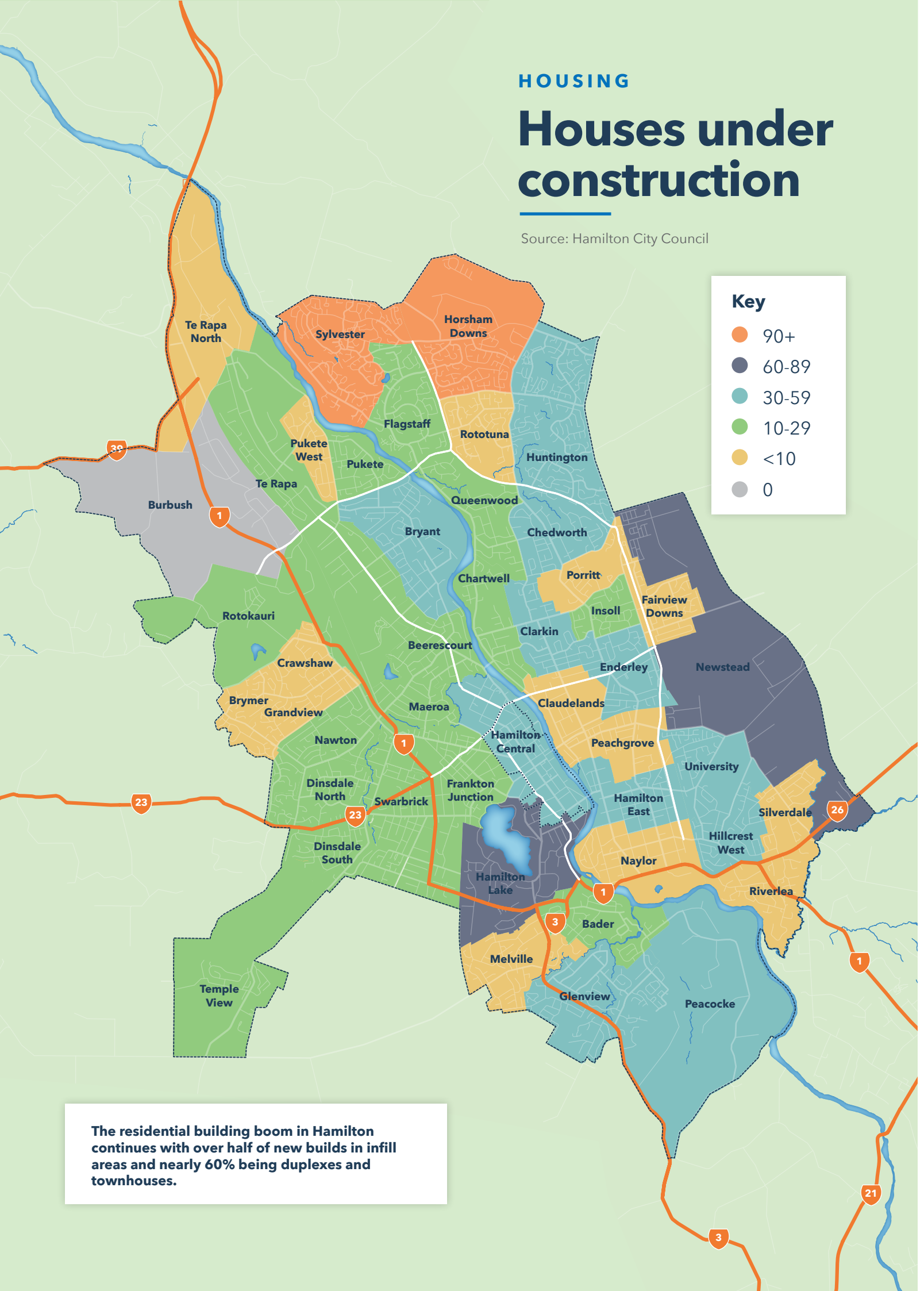
HOUSING

Houses under construction

Source: Hamilton City Council

Key

- 90+
- 60-89
- 30-59
- 10-29
- <10
- 0



The residential building boom in Hamilton continues with over half of new builds in infill areas and nearly 60% being duplexes and townhouses.

HOUSING

Houses completed (CCC issued)

2021 was another record year for completed homes with 1497 new homes completed and issued with a CCC, including 193 retirement village units. A CCC is issued when a home is completed and complies with all building requirements. Once issued the house can be sold and/or people can move in.

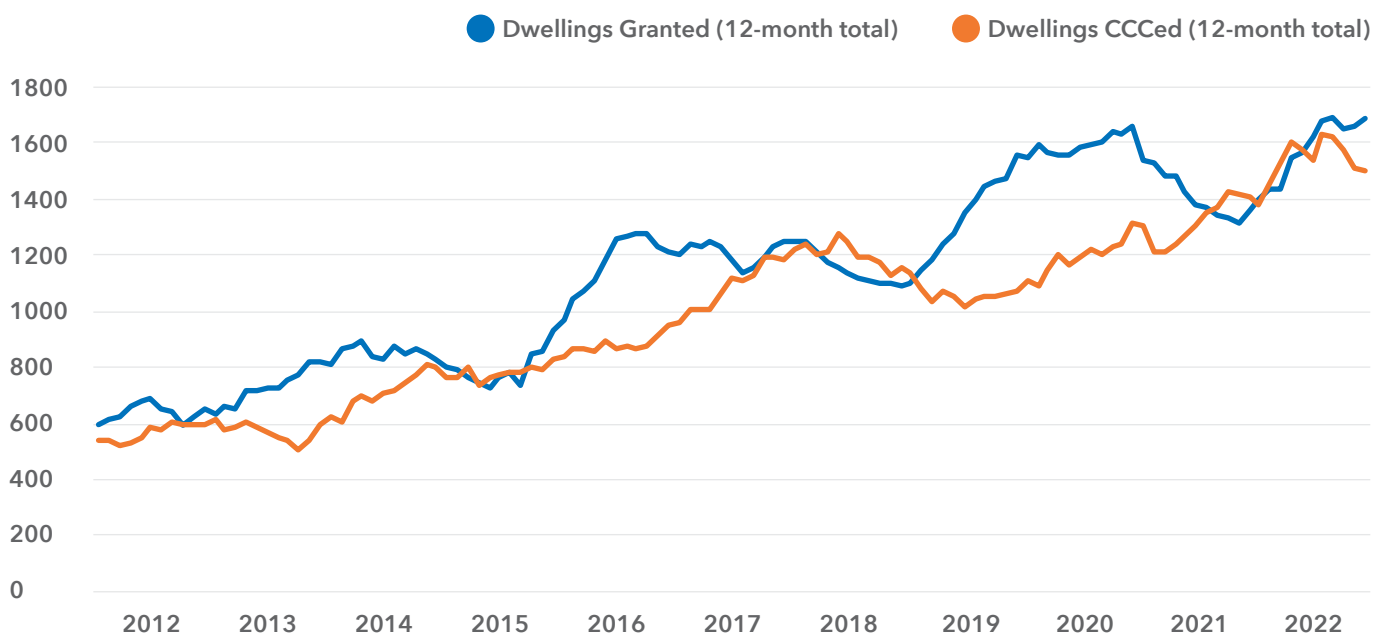
1497

homes
completed

UP
6%
ON 2020

Trends from consent to code compliance

Source: Hamilton City Council



The graph shows growth in CCC's issued between 12 to 18 months after growth in the number of building consents granted (imagine the blue line shifted to the right by that time period). This time lag is generally the amount of time it takes for a development to be built. This is reflected in the graph below where the shape of the curves is similar, but building consent trends lag CCC trends.

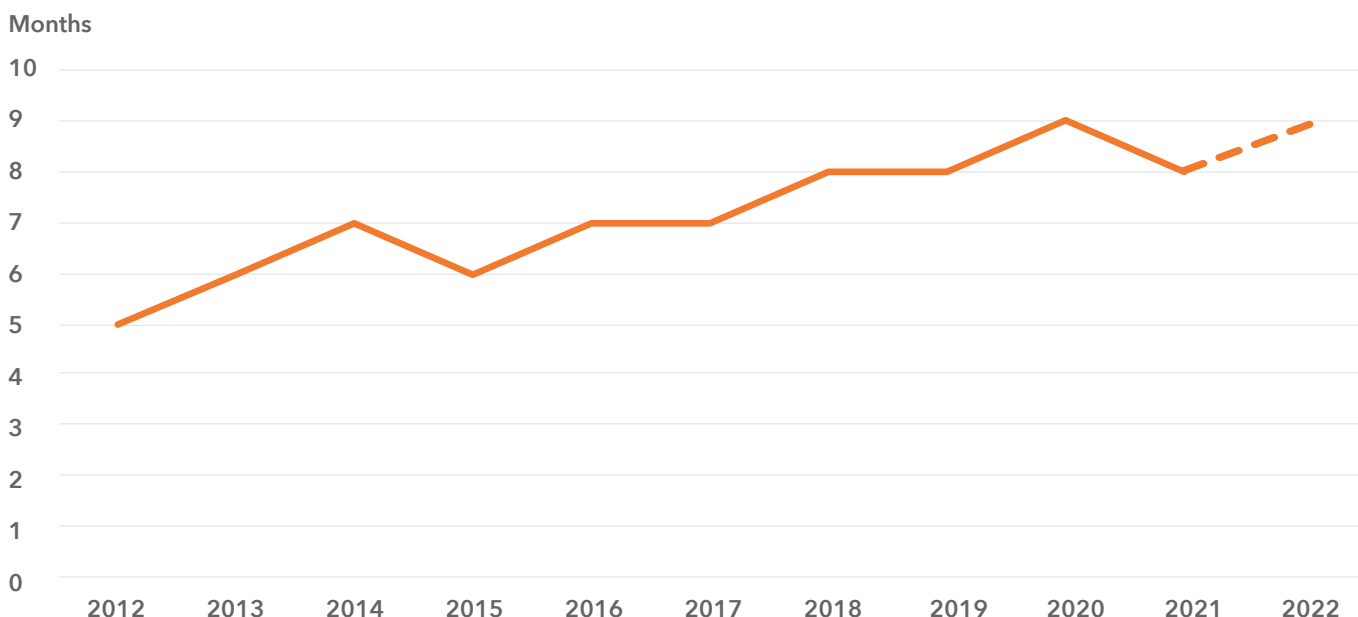
The amount of time needed to complete a home build, which is the time elapsed between a building consent being granted and CCC being issued, was sitting at eight months in 2021, down from nine months in 2020. The lower completion time in 2021 compared to 2020 is largely a reflection of the long lockdown in 2020 rather than conditions in 2021. Prior to that the trend had been upwards for much of the last 10 years, largely because the number of houses being built keeps increasing, putting strain on the construction sector and Council's ability to process consents. However, we are expecting the average construction time for new homes to increase in 2022. While many larger building companies can order product in advance, many of the smaller builders are not, meaning that a six-month delay on cladding will have an increasing impact on the time to build. In addition, many of the accessories people choose for their homes like kitchen appliances and bathroom fittings are also experiencing delays, meaning that even if the main build is done, people may be waiting for the final items to finish their home and get a CCC.



A new home took about eight months to complete in 2021. Strong demand and constraints on the supply of building materials will extend build times in 2022.

Median time to build a new home

Source: Hamilton City Council





What the future of housing and the new community in Peacocke could look like. Council has proposed plans to develop diverse and sustainable neighbourhoods with a mix of housing types.

HOUSING

Outlook for housing in Hamilton

Hamilton has been growing at pace since 2015 with increasing demand in both greenfield and brownfield growth areas. Historically, greenfield growth was concentrated in the Rototuna area in which nearly 4000 new homes have been built in the last 10 years. Greenfield growth is now being enabled in several parts of the city: Rotokauri, Peacocke, Ruakura and the remaining parts of Rototuna. Council has regular discussions with developers with land on the city's boundary with proposals to expand the city and enable their land holdings.

A growth model has been developed to help plan for growth and predict where residential development will occur in the short, medium and long term. These growth model projections are outputs from Council's 2021-31 Long-Term Plan base scenario. The numbers represent the projected number of new residential dwellings completed (received CCC) by growth area.

Growth model projections for new homes

| Area | 2022-2041 |
|---------------|---------------|
| Infill East | 5700 |
| Infill West | 6100 |
| Peacocke | 6000 |
| Rotokauri | 2200 |
| Rototuna | 1700 |
| Ruakura | 1000 |
| Te Rapa North | 900 |
| Total | 23,600 |

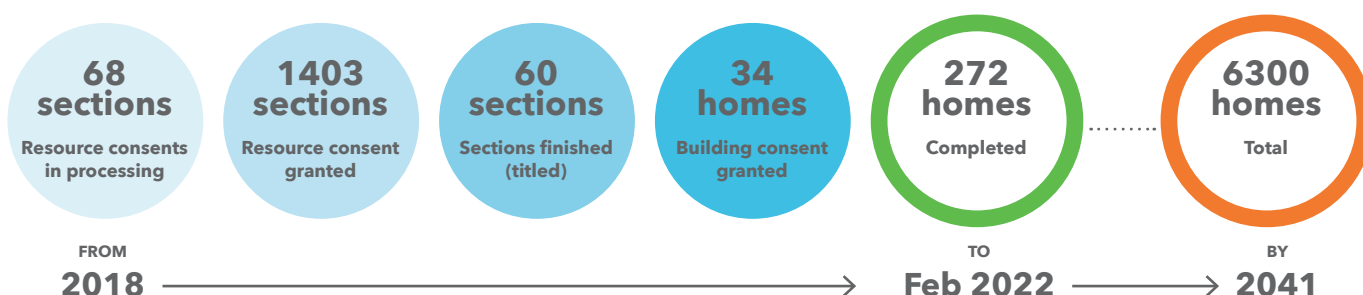
Source: Hamilton City Council



HOUSING

Our residential greenfield growth areas

Peacocke



Development in Peacocke was bought forward when funding was secured through the Housing Infrastructure Fund to unlock the area. The bridge connecting Peacocke to Cobham Drive is currently under construction along with other major infrastructure projects to service the area. The bridge and surrounding roads are due to open in late-2023.

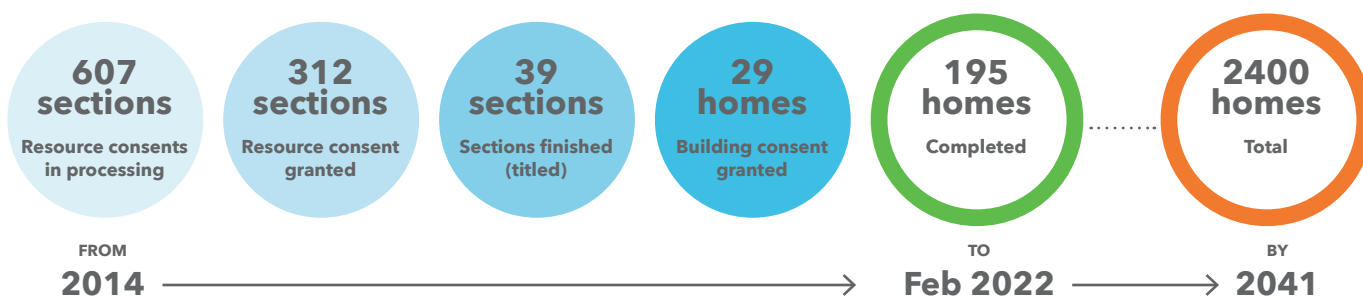
Developer activity and interest in the Peacocke area remains high. Current pre-application discussions, consenting and construction activity totals approximately 3000 homes - about 80% of the projected 10-year developer uptake of 3750 homes in Peacocke. The first housing is expected to follow in the following year. When completed, Peacocke will be home to up to 20,000 Hamiltonians.

The Amberfield subdivision was given the green light from the Environmental Court in September 2021. The subdivision will have 830 residential sections and is the first major subdivision consented in the area. The resource consent was initially approved in 2019 but several environmental conditions were appealed by both the developer and the Department of Conservation.

Consent was also granted in December 2021 for the Aurora subdivision. The consent was for a total of 192 residential sections, though the plan is to further subdivide some of the larger sections for apartments and duplexes (subject to Council approval) in the future.



Rotokauri



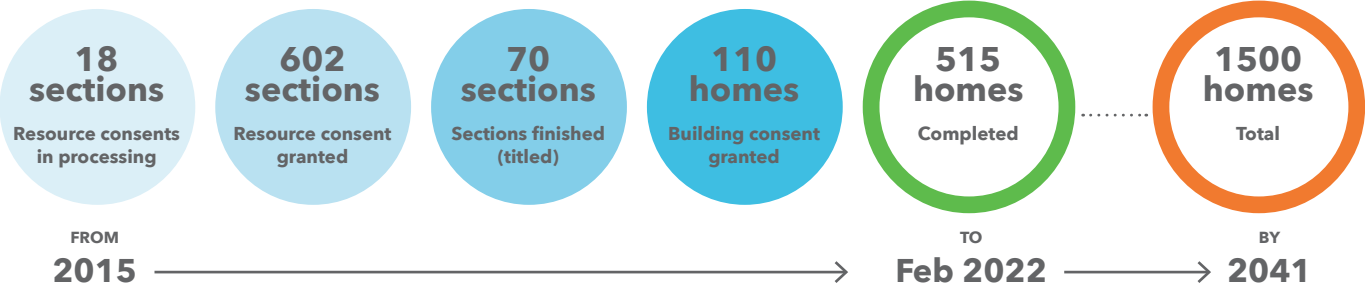
Rotokauri is a key growth area for development in the region because of its proximity to employment, education, retail, transport connections and community amenities. Rotokauri has a total capacity of over 6000 homes for about 16,000 people. To date, the majority of consenting activity has occurred in Rotokauri Stage 1 with a total of 195 homes completed (CCC issued) since 2015.

The latest subdivision consent granted in Rotokauri was for the 196-lot subdivision Brymer Heights in November 2020. Earthworks were well underway in 2021 and expected to continue through the next construction season.

Further development in Rotokauri Stage 1 requires a funding solution for the construction of critical infrastructure – the Rotokauri greenway and transport corridor. Council continues to explore funding options for this infrastructure with developers and government

In early September 2021, the MADE Group announced that they had secured \$100 million in funding to enable 2000 homes within a 122ha area in Rotokauri North (Rotokauri Stage 2). The development will also include a retirement village, primary school, sports park and neighbourhood centre. An application for a Fast-Track Consent application within the Stage 2 area was received by Ministry for the Environment (MfE) in October 2021.

Ruakura



Chedworth Properties are developing the 138ha Greenhill Park at the northern end of the Ruakura growth cell. This residential development is well underway and is already a well-established community, which will become home to 1600-1800 houses for up to 4500 people upon completion.

Tainui Group Holdings (TGH) has begun to develop two precincts they have earmarked for residential use. First, bulk earthworks are underway at Tuumata Rise, a 10ha parcel of land on Powells Road. TGH expects the first Titles to be issued here by December 2022. The second residential area is Taapapa, a 3ha block of land located at the southern end along Silverdale Road, where Council will be working with TGH to ensure the appropriate water and roading infrastructure is in place to ensure the best shared housing outcomes can be achieved.

Te Awa Lakes

Te Awa Lakes was granted resource consent in October 2021. The area is in the northern end of Hamilton in Horotiu, and adjacent to the Waikato Expressway. The resource consent allowed the developer to begin preparing the site for future transport corridors, infrastructure, and open space areas. Earthworks began in late November to support to development of Stage 1.

The 10-year project will eventually include 1500 new houses, including 1000 homes within the city boundary, and be home to up to 4000 residents. It will have retail, commercial and recreational areas, as well as a proposed lake that will be maintained to a contact recreational and possibly swimmable standard.

The project is currently in the planning and design phase but expected to begin construction on an initial 90 homes in late-2022.



HOUSING

Housing preference survey

In late-2020 a housing choice study, *The Housing We'd Choose*, was completed to try and better understand the demand side of the housing equation in our region – what was important to people when buying a new home and what were the trade-offs that they would make when constrained by what they could afford?

The study covered the Hamilton, Waikato and Waipaa districts, was undertaken by Market Economics and included responses from more than 800 residents. People were asked to rate the importance of certain location features, local environmental features, property features, and the facilities nearby. They were also given a set of choices that were constrained by their household financial situation.

Overall, the most important features were being safe from crime, being a standalone house and a freehold title. Being sunny and safe from natural hazards were also important.

Generally, participants preferred larger houses and were prepared to choose a different type of home and location to have a larger house. Price was of course a key consideration and was the fundamental reason why participants changed their preference.

Some of the key findings included:

- Duplexes, townhouses and apartments were more likely to be chosen over a standalone house when they were larger.
- People were willing to trade location for a larger home.
- Cost was a determining factor.
- Attached dwellings, like apartments, will become more acceptable over time.
- Increased demand for two-bedroom homes is likely as the population ages.
- 71% of participants who were planning to move in the next five years were planning to stay within the Hamilton-Waikato-Waipaa area.

There were four categories of features to rate. The most important location features were having easy access to shops, being near family and friends and easy access to work. Features of some importance were easy access to the city centre, public transport, and restaurants and cafes; and being in a familiar area.

Being near a GP/healthcare provider was the most important proximity to facilities feature followed by being near a preferred school. Being near a park or reserve and being near a hospital was also important.

The local environment features had some of the highest very important scores. Safe from crime was rated very important by 77% of participants and of some importance by another 22%. Safe from natural hazards, away from industrial areas, noise and busy roads were also very important or somewhat important for more than 90% of participants. Having a view was the least important.

Property features also rated very highly. Being sunny was very important for 70% of participants. Adequate off-street parking, being a standalone



dwelling, and having a section that is easy to maintain were rated very important or of some importance by over 90% of participants.

A freehold title, being fully fenced, having a lawn, and having a balcony or outdoor dining space were also all important for many participants.

The most popular unconstrained location in Hamilton was Hamilton North followed by Hamilton East. Once choice was constrained by financial affordability, Hamilton East was the most common choice followed by Hamilton North. The most building consents issued between 2015 to 2020 were in the Hamilton North area and were closely aligned with choice. Hamilton South area had the largest discrepancy between consents and choice, both constrained and unconstrained, with consents being significantly greater than choice.

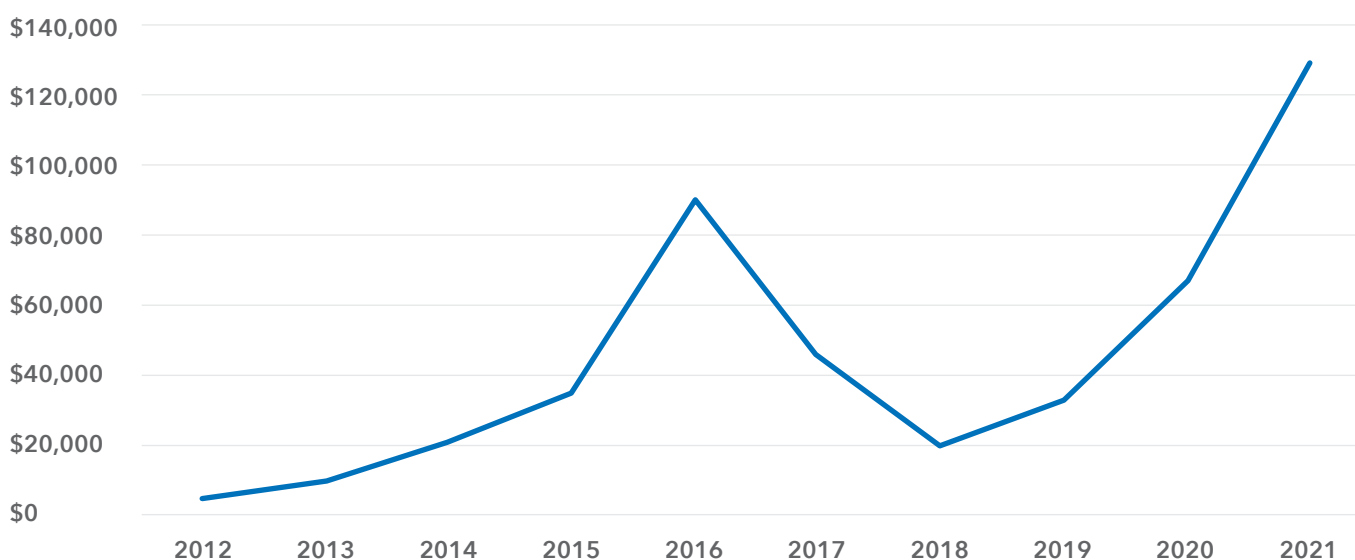
HOUSING

House sales

The growth in house prices across the country in 2021 was unprecedented, regardless of which of the several sources of house value and sales data is used to analyse it. New Zealand has always been a country with high levels of home ownership and property investment. Early in the pandemic when unemployment was forecast to reach 13%, there were grave concerns for the property market, and many believed it would slump. Instead, demand began to accelerate. In 2021 our data shows that the median sale price in Hamilton was \$769,400, up \$129,000 (20%) on 2020 and the highest ever annual growth in dollar terms.

Annual increase in median house price

Source: Hamilton City Council



There are a few reasons for this dramatic and sustained (until very recently) increase in house prices. Firstly, during March and April 2020, the stock market plummeted as the pandemic took hold and the globe went into various forms of lockdown. Property was seen as a safe asset to invest in, particularly in New Zealand but also in many other places around the world.

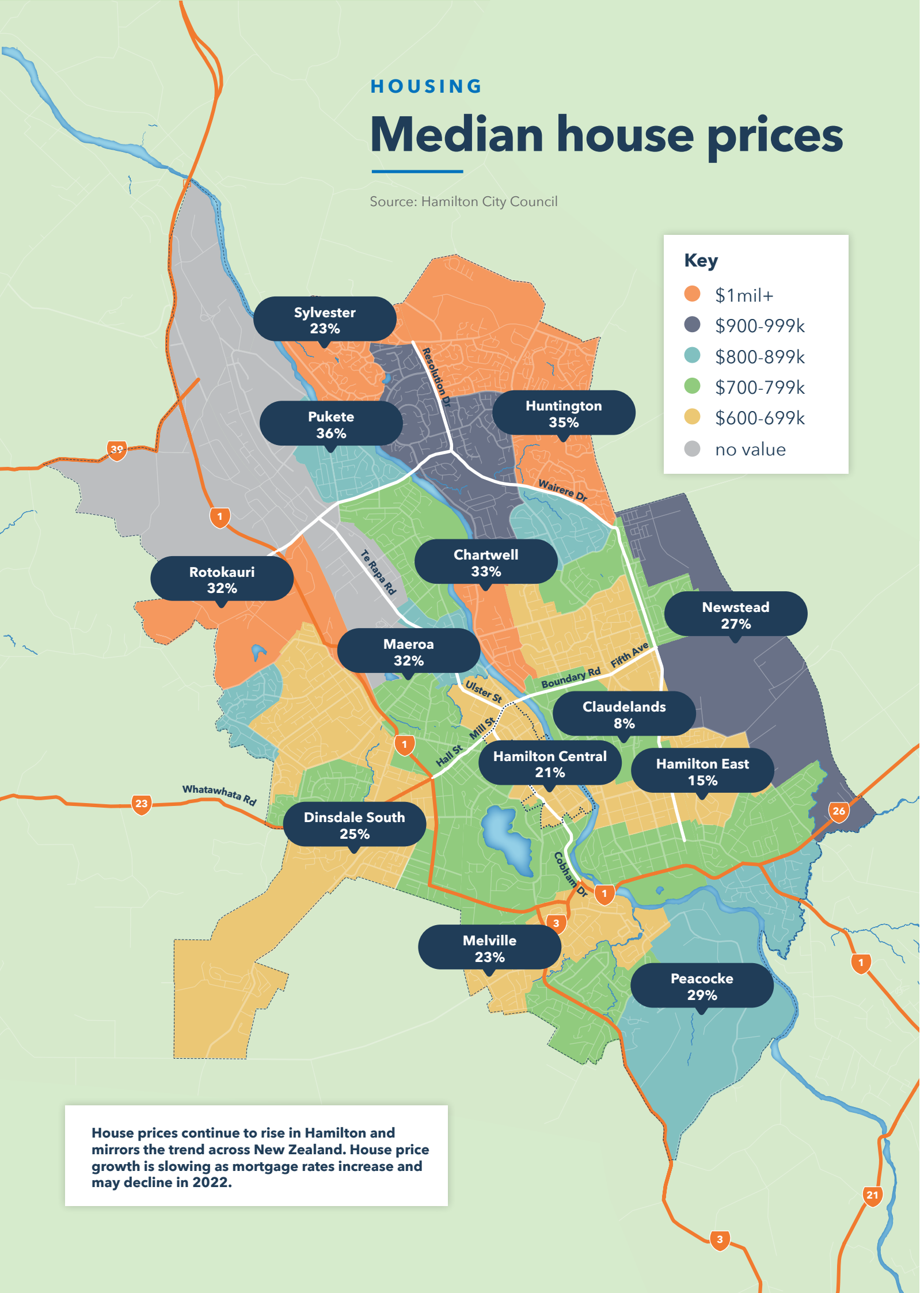
Secondly, the RBNZ had acted swiftly to protect the economy by removing the loan to value ratio requirements for banks, by lowering the OCR to 0.25% and making cheap money available to banks through the Funding for Lending programme to encourage banks to lend to businesses. The RBNZ made it much easier for people to get money to buy property as well as making that debt cheaper to repay. Mortgage rates fell from between 4% to 6% down to between 3% to 4.5% in June 2021.

Finally, Hamilton had the lowest number of listings and sales in a decade combined with high demand. The frenzied nature of the market arguably made people more frantic to get into it and the fear of missing out combined with fewer listings pushed people to buy. This added fuel to the fire and kept the housing market hot throughout 2021.

Median house prices

Key

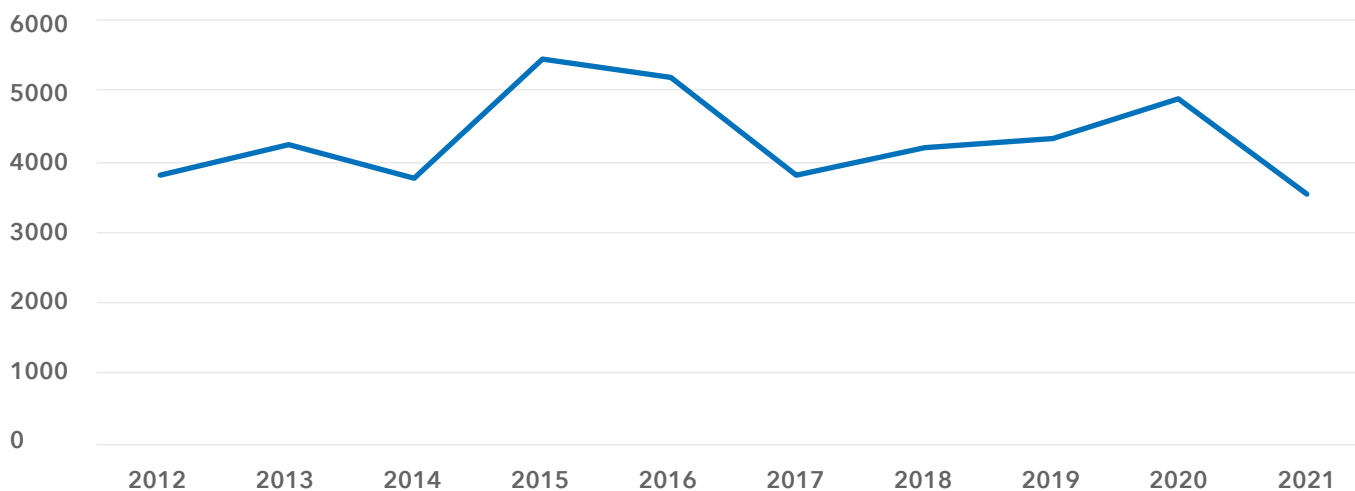
- \$1mil+
- \$900-999k
- \$800-899k
- \$700-799k
- \$600-699k
- no value



House prices continue to rise in Hamilton and mirrors the trend across New Zealand. House price growth is slowing as mortgage rates increase and may decline in 2022.

Number of property sales in Hamilton

Source: Hamilton City Council

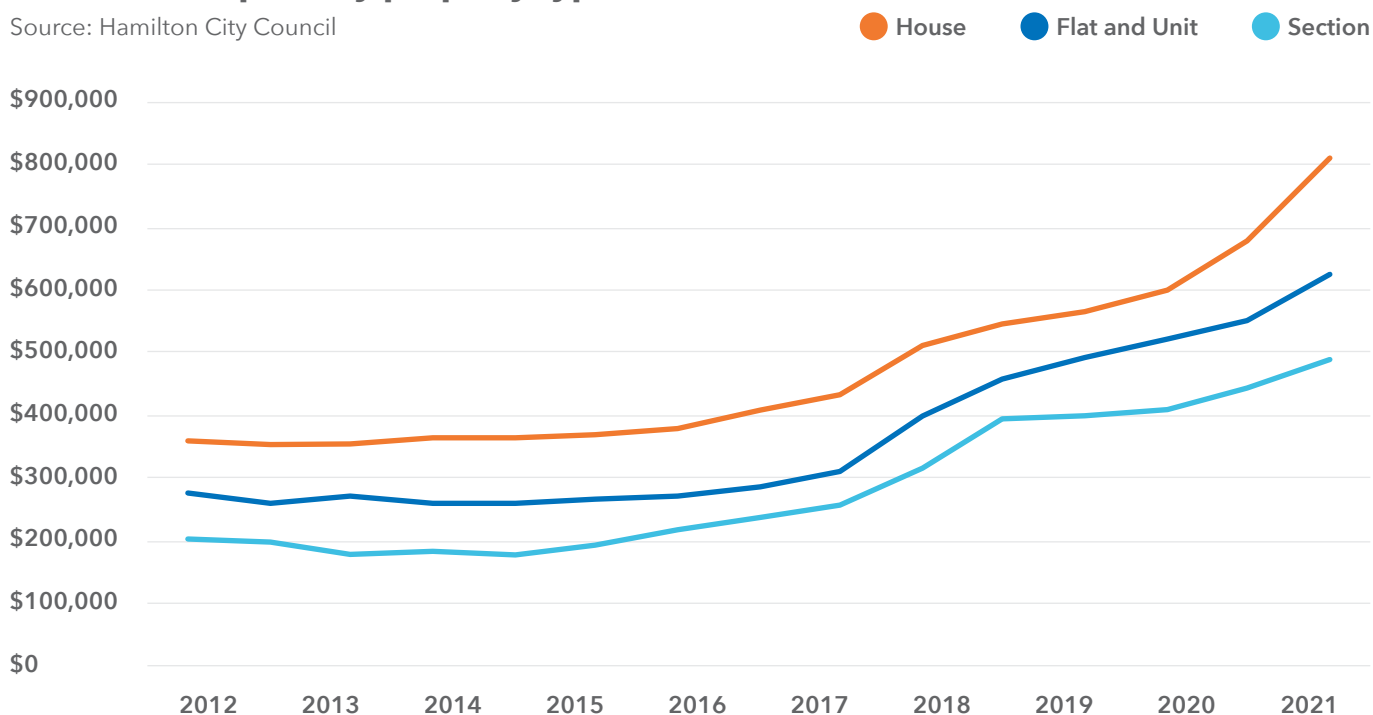


Sales prices for properties in Hamilton did not increase uniformly across different types of homes. In 2021, the median sales price of a standalone house increased by 19%. This compares to 14% for flats and units, and 10% for a section.

The March 2020 lockdown was the first time many of us had spent any substantial period confined to our own home. Our homes became our office, where we spent our spare time and where we cooked all our meals. For some, this highlighted that they wanted change and in 2020 we saw the growth in standalone house prices increase by 13%, more than twice the growth rate of 2019 and well above that seen for other types of properties.

Median sales price by property type

Source: Hamilton City Council



HOUSING

House finance

In March 2021, the government released a discussion document on changes to property investment rules in a bid to cool the market by targeting property speculation and investment activity. This passed into law in September 2021. The rules targeted investment property rather than the family home and included no longer being able to deduct interest for residential properties (phased in over 3.5 years), a new five year bright-line test period for new builds and excluded new builds from the interest rule for 20 years from the time of completion. The bright-line property rule means when a residential property is sold (excluding a family home) within five years, income tax on any gains may need to be paid. It is aimed at reducing property speculation.

The market remained hot despite these changes and in October 2021 the RBNZ moved to increase the OCR from 0.25% to 0.5%. This move was planned for August but the outbreak of the new COVID-19 Delta variant in the community and the subsequent lockdown led the RBNZ to delay. A further increase to 0.75% was made in November 2021, and further to 1% in February 2022.

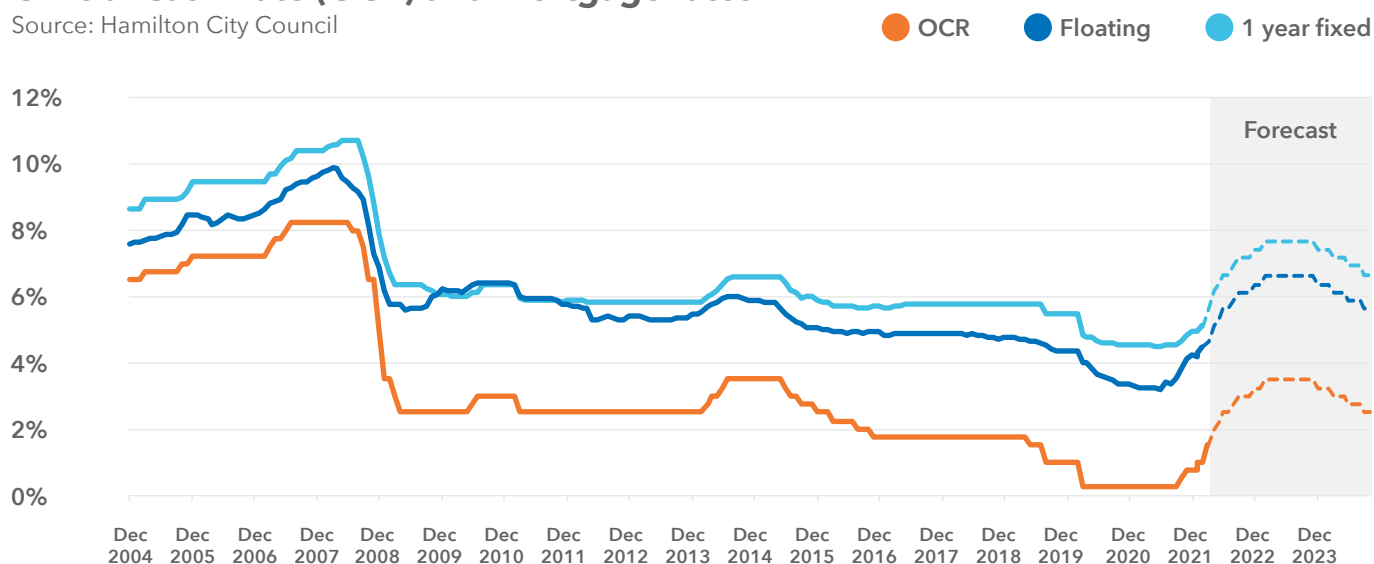
All major banks priced in moves in the OCR up to 3.5% by the end of 2022 resulting in mortgage rates increasing. With nearly 60% of mortgages in New Zealand coming up for resetting in the next 12 to 18 months, many people will experience a significant jump in their minimum repayments when they refix their loan. For example, a fixed \$500,000 mortgage at 2.5% that is refixed at 5.5%, would increase weekly mortgage repayments by \$200.

While the OCR movement and interest rates will impact household budgets, it is not expected to result in a significant increase in loan defaults as banks factor in an applicant's ability to repay a loan at a higher interest rate than the current rates.

The increase in mortgage rates has had a greater cooling effect on the housing market than the restrictions imposed for investors in 2021. Early 2022 has already shown signs of a shift to a buyers' market with listings taking longer to sell. It is widely expected that growth in the housing market will slow if not reverse in 2022, though arguably this will be more of a correction than a true fall in value.

Official Cash Rate (OCR) and mortgage rates

Source: Hamilton City Council



Commercial and industrial development



Consenting trends

The pandemic has created a lot of economic uncertainty and business confidence has reached its lowest level since the Global Financial Crisis. It is unsurprising that commercial and industrial consenting has been hard hit in 2020 and 2021 as businesses held off making major investment decisions.

79,000m²

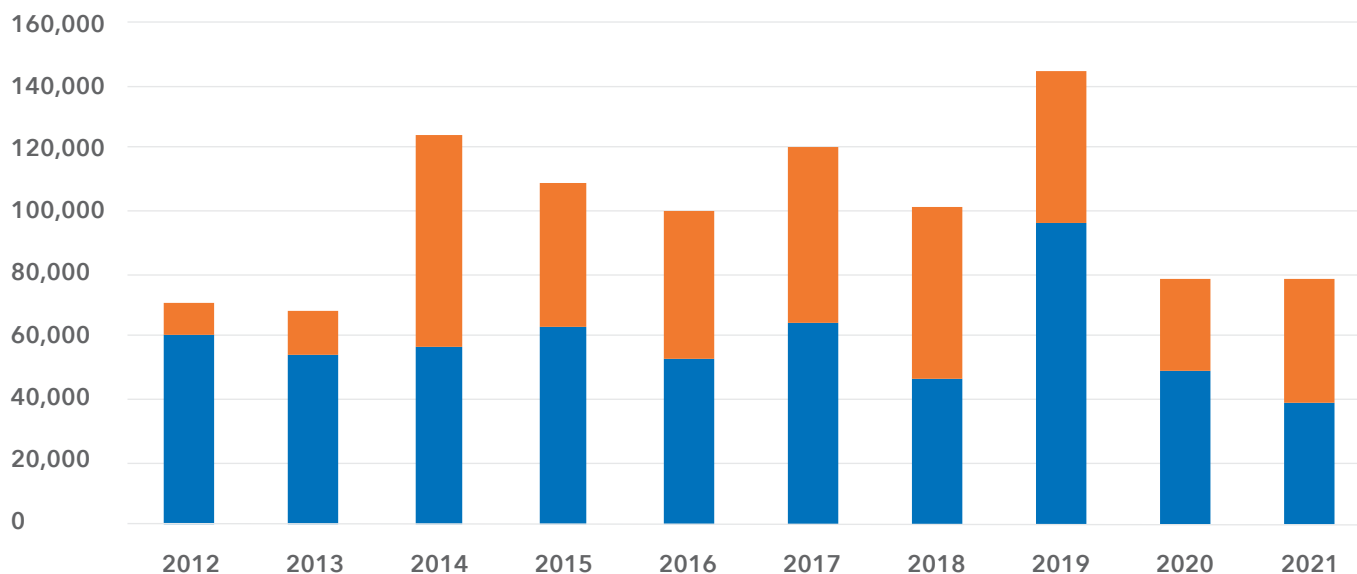
**new commercial and
industrial floor area
consented**

UP
1%
ON 2020

Area of non-residential development

Source: Hamilton City Council

Square metres

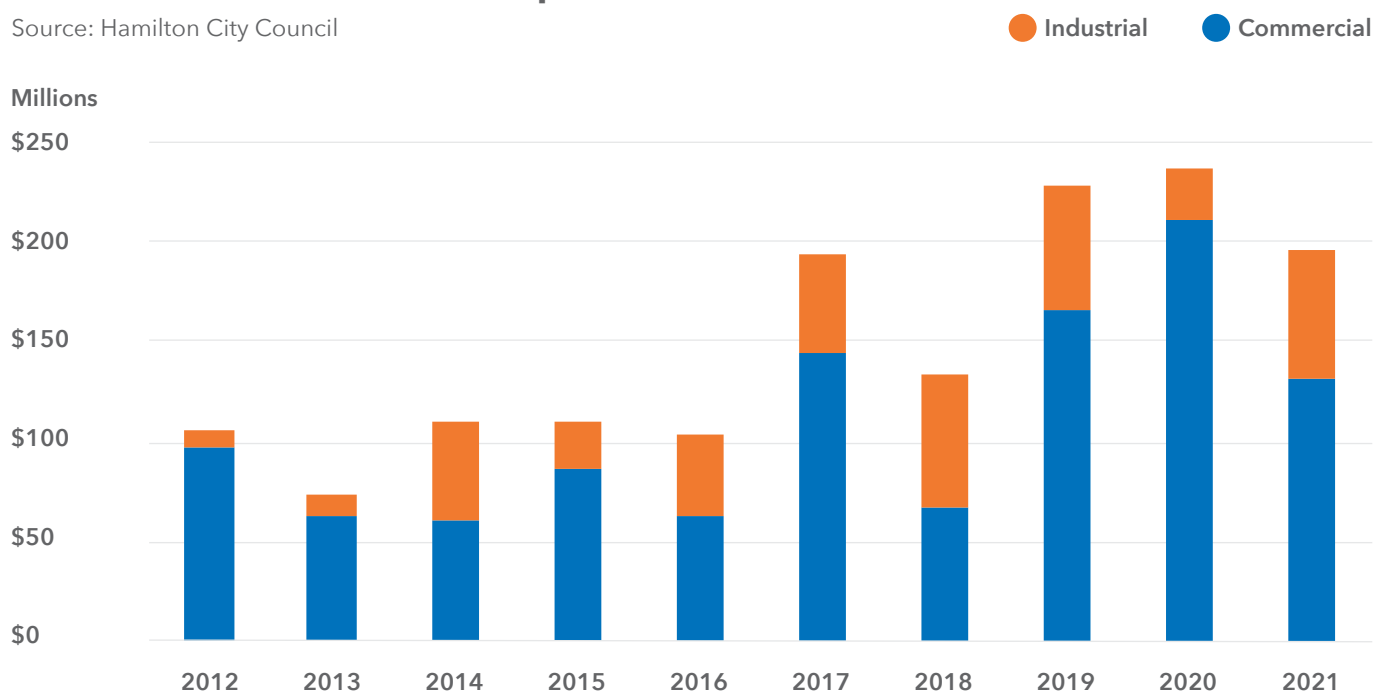


In 2021 there were nearly 79,000m² of new floor area consented across both commercial and industrial developments, similar to the 78,000m² consented in 2020 but well below the average of 105,000m² between 2012 and 2019.

The total value of the new developments consented in 2021 was \$196 million, down 17% on 2020 but above the 10-year average of \$149 million each year. The value of commercial development was \$135 million compared to \$61 million of industrial development.

Value of non-residential development

Source: Hamilton City Council

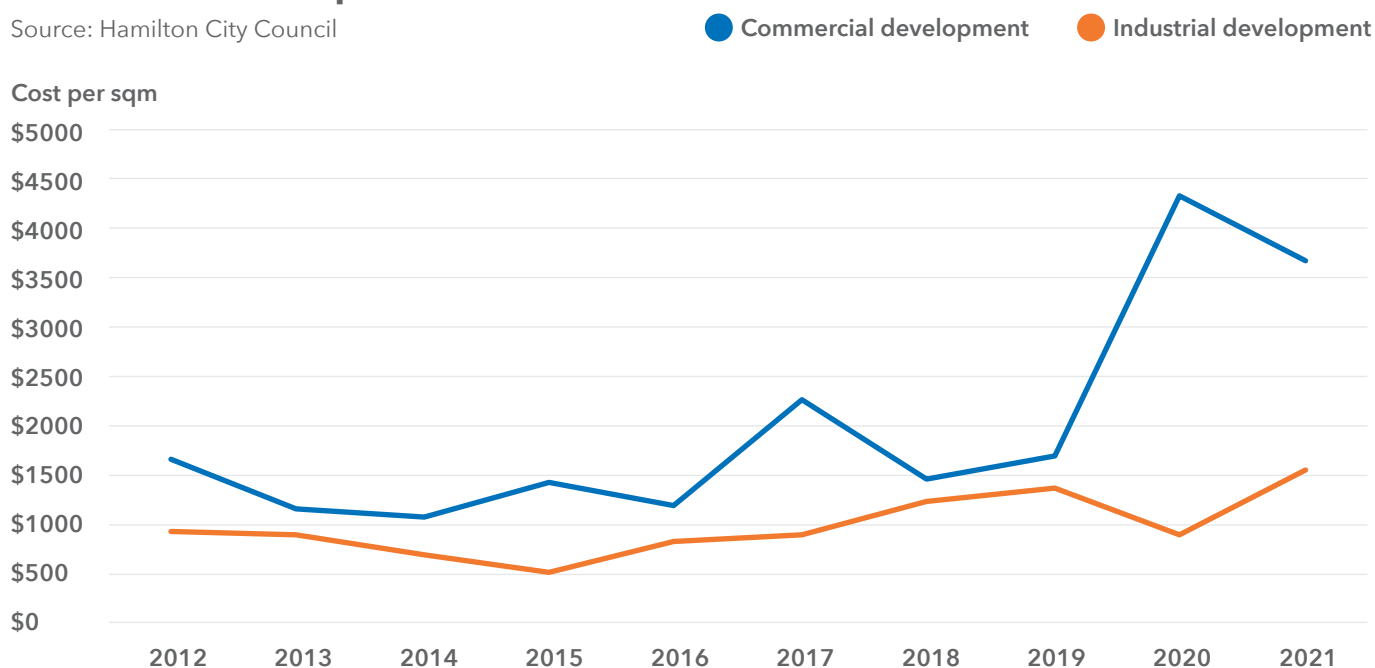


Both 2020 and 2021 had low levels of total floor area but compared to the preceding decade, a high total value for non-residential development. This is largely due to the type of developments that were consented. In 2020 and 2021, there were several multi-storey office blocks consented such as Union Square, the new ACC building and the Waikato Regional Theatre. These buildings tend to be much more expensive per square metre to build than a single storey block of shops for example.

In terms of value and the floor area, the average cost for industrial developments per square metre has increased at a reasonably steady pace from \$500 per m² in 2015 to around \$1500 per m².

Cost of new developments

Source: Hamilton City Council



Alterations and additions

The value of non-residential alterations and additions tends to be about 41% of the value of new construction with new construction making up the balance. In 2021, consents were granted for nearly \$70 million of non-residential alterations and additions. This was an increase of 9% on 2020, but in line with the 10-year average of \$71 million.

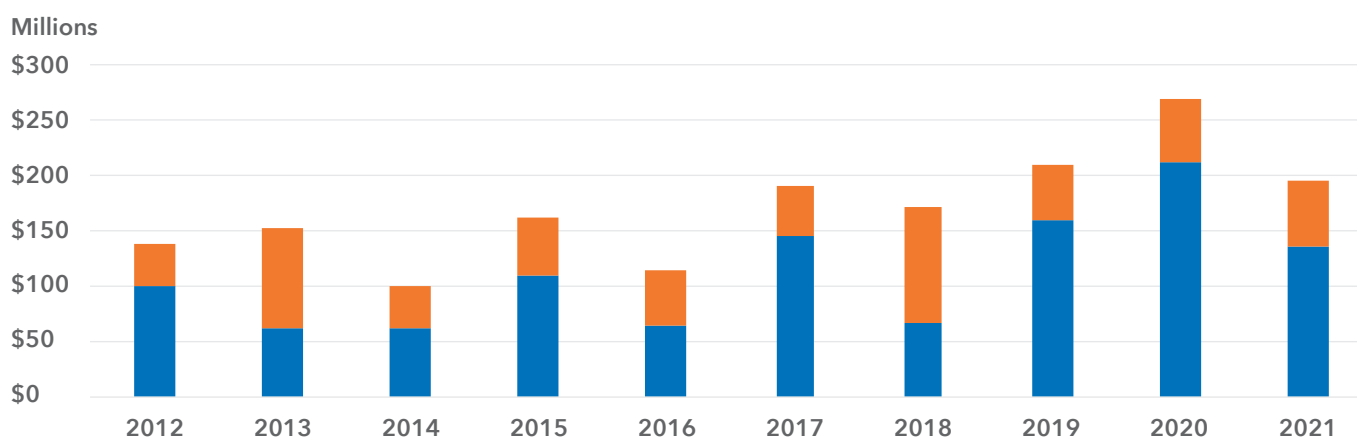
Commercial alterations and additions

Consents for commercial alterations and additions were valued at \$61 million in 2021, up on \$57 million in 2020 and a 10-year average of \$58 million.

Commercial consent value

Source: Hamilton City Council

● New construction ● Alterations and additions



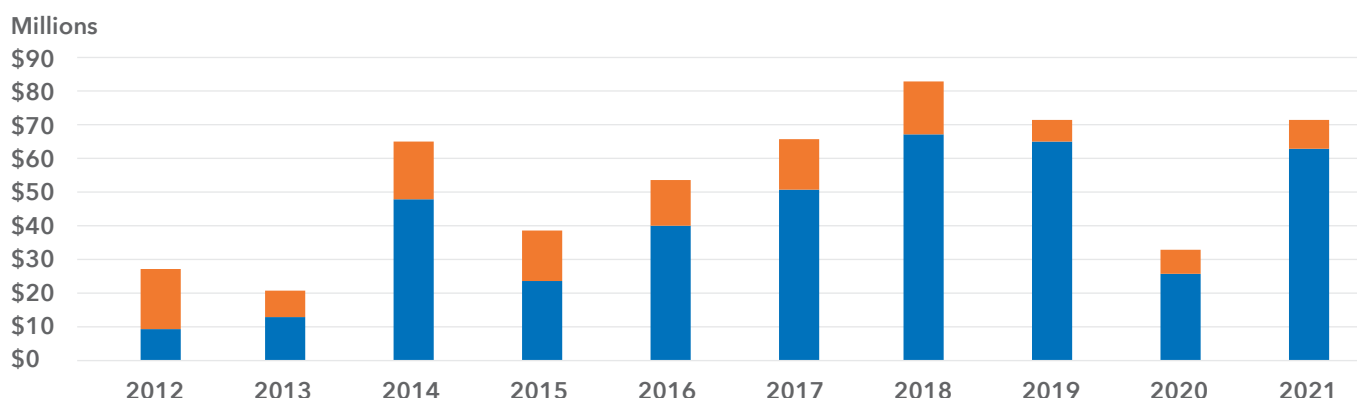
Industrial alterations and additions

The value of consented industrial alterations and additions tends to be proportionately lower. In 2021 consents in this area were valued at \$9 million, up on both 2019 and 2020.

Industrial consent value

Source: Hamilton City Council

● New construction ● Alterations and additions





COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Hamilton East evolution

Hamilton is abuzz with new development with several new builds in all phases of the consenting cycle as well as cool refurbishments that are turning preloved spaces into something new and inviting.

Made of Hamilton East is an exciting new development that was consented in 2021. It is a refurbishment of the old Waikato Regional Council offices on Grey Street in the heart of Hamilton East. The new precinct will offer a mix of produce markets, eateries, bespoke retail, light industrial and commercial spaces, including the new Duck Island icecream factory.

The mixed-use development is designed to focus on community interactions and connectivity to Grey Street and the Waikato River as well as easy access to the central city. It is based on the Christchurch Riverside Market.

Made is a short walk from another Stark Property development, Hills Village. This development is made up of two commercial buildings and three apartment buildings and is a mix of new development and refurbishment.

Construction on Stage 1 – Hills Apartment and Pool progressed well throughout 2021 and are nearing completion despite the headaches caused by the pandemic. Another three stages are planned and are at various points of construction.

Both developments are set to change the face of Hamilton East village and bring more activity to the area.



COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Industrial land in the city

Hamilton has four major industrial areas – Frankton, Te Rapa, Rotokauri and Ruakura. Frankton is Hamilton’s historical industrial hub which was located near the railway line and was first home to the Hutton’s factory in 1901. Te Rapa south is Hamilton’s main brownfield industrial area and is immediately adjacent to the new greenfield industrial area in Rotokauri. Ruakura is our newest industrial growth cell with earthworks beginning on the new inland port in 2017.

The use and availability of industrial land is often looked at in a wider sub-regional context. Hamilton Airport and Horotiu form part of this bigger picture of industrial land. Horotiu which is 8km north of Hamilton’s central city with the 100ha Northgate Business Park being the hub of new development in the area. Hamilton Airport’s 75ha Titanium Park is another major industrial area which is well underway and just 14km south of our central city.

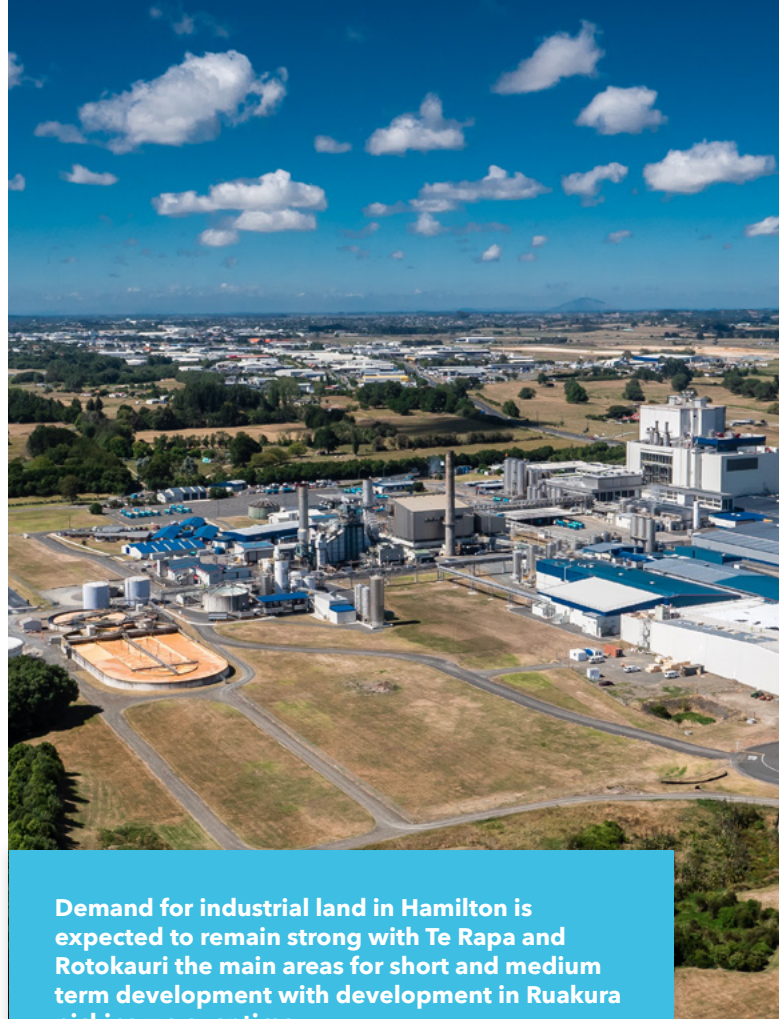
Our newer growth cells have larger parcels of empty land while more established areas tend to have smaller blocks of land where a new building can be built alongside an existing business or an existing site can be redeveloped with an old building being demolished and replaced.

The Industrial Vacancy Survey undertaken by CBRE and NAI Harcourts showed that Hamilton had reached a total of 2 million m² of industrial space in 2021 including 70,000m² of new space. The survey monitors industrial buildings in Te Rapa, Frankton and Hamilton Airport. The overall industrial vacancy rate in Hamilton was just 0.9%, the equivalent of less than 20,000m² of space. Nearly 80% of this vacant space was located in Frankton. The survey also showed that there was 64,400m² under construction or with construction about to start, most of which was in Te Rapa and at Hamilton Airport. This excludes the three new developments in Ruakura which

will have an increasing presence in industrial development in coming years.

Under the government's National Policy Statement on Urban Development, Hamilton City Council undertakes an assessment of housing and business land (an HBA) to ensure there is sufficient land to meet development demand. We can then use this information to plan for development and the infrastructure we need to enable development to occur.

We are constantly working to improve how we project future demand and monitoring the uptake and timing of capacity to inform these assessments. The projections below align with Hamilton's HBA, however, there will be more updated information available in the near future. The HBA shows that demand is expected to remain strong in Te Rapa in the short term with an estimated 43ha needed in the short-term and 148ha needed in the medium term. Demand in Ruakura is projected to grow as the Ruakura Superhub progresses.



Demand for industrial land in Hamilton

| Area | Demand (in hectares) | | | Total vacant land |
|-----------------------|----------------------|-------------|------------|-------------------|
| | Short term | Medium term | Long term | |
| Te Rapa and Rotokauri | 43 | 148 | 286 | 278 |
| Frankton | 1 | 22 | 80 | 21 |
| Ruakura | 0.3 | 5 | 19 | 337 |
| Other | 4 | 29 | 94 | 4 |
| Total | 52 | 222 | 540 | 640 |



COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Ruakura - getting ready to grow

Ruakura contains the greatest diversity of land uses of any greenfield growth cell in Hamilton. When fully developed, Ruakura will create between 6000 and 12,000 new jobs and be home to 8000 people.

The Ruakura Superhub is a 490ha multi-use development, equivalent to the size of Auckland's CBD. The Superhub will be anchored on an inland port, and include retail, commercial, industrial, residential and logistics.

In 2020, TGH and Council secured \$40 million funding through a \$20 million grant and a concessionary loan through the Government's Shovel Ready scheme. This helped to fast track the development by one to two years.

2021 was a big year for the development with significant groundwork undertaken on the inland port, the logistics hub, the wetlands and the enabling infrastructure to support the wider Superhub. Both the Council-led construction of the strategic transport network and the adjacent TGH-led land development are well advanced. Construction on the new PBT building began in September with completion expected in mid-2022. The new Ruakura water reservoir was also completed.

In 2021, two industrial consents were granted in Ruakura for around 11,000m². The first was for a new factory at the Waikato Innovation Park, and the second was for the first building in the Superhub - the PBT Warehouse.

Our people





OUR PEOPLE

Population

Hamilton's population was 178,500 in 2021, growth of 0.9% on 2020. Hamilton's population growth has outpaced that of other major cities and New Zealand as a whole. Between 2017 and 2021, our population increased 8% compared to 6% in Auckland, 3% in Christchurch, 4% in Wellington and 6% across New Zealand. In 2021 we saw growth despite closed borders with an increase of 0.9% compared to -0.1% in Auckland and 0.1% across New Zealand.

By 2035, we expect Hamilton to increase by over 50,000 people which means we will need over 18,000 new homes across our city. Our projections show that about 66% of that population growth will happen in our existing suburbs while the rest will take place in our newer greenfield suburbs like Rototuna, Ruakura, Rotokauri and Peacocke.

Growth in our neighbouring districts Waipaa and Waikato has also outpaced the New Zealand growth rate and are expected to continue to grow. Projections suggest that there will be another 25,000 people across these areas by 2035. Many of these people will commute to Hamilton for work, goods and services, and leisure.

OUR PEOPLE

Age structure

Hamilton's population is youthful with over 60% of our population under the age of 39 years. This compares to 53% of the New Zealand population. The age group with the biggest difference to the national population is 20- to 29-year-olds with 18% of Hamilton's population in this group compared to 14% across New Zealand. This may not sound like a lot, but it equates to more than 7000 people in their twenties living in Hamilton compared to the national average and explains why Hamilton is a noticeably young and vibrant city. Hamilton has a far smaller proportion of the population in the 60+ years age bracket – just 17% compared to 22% nationally.



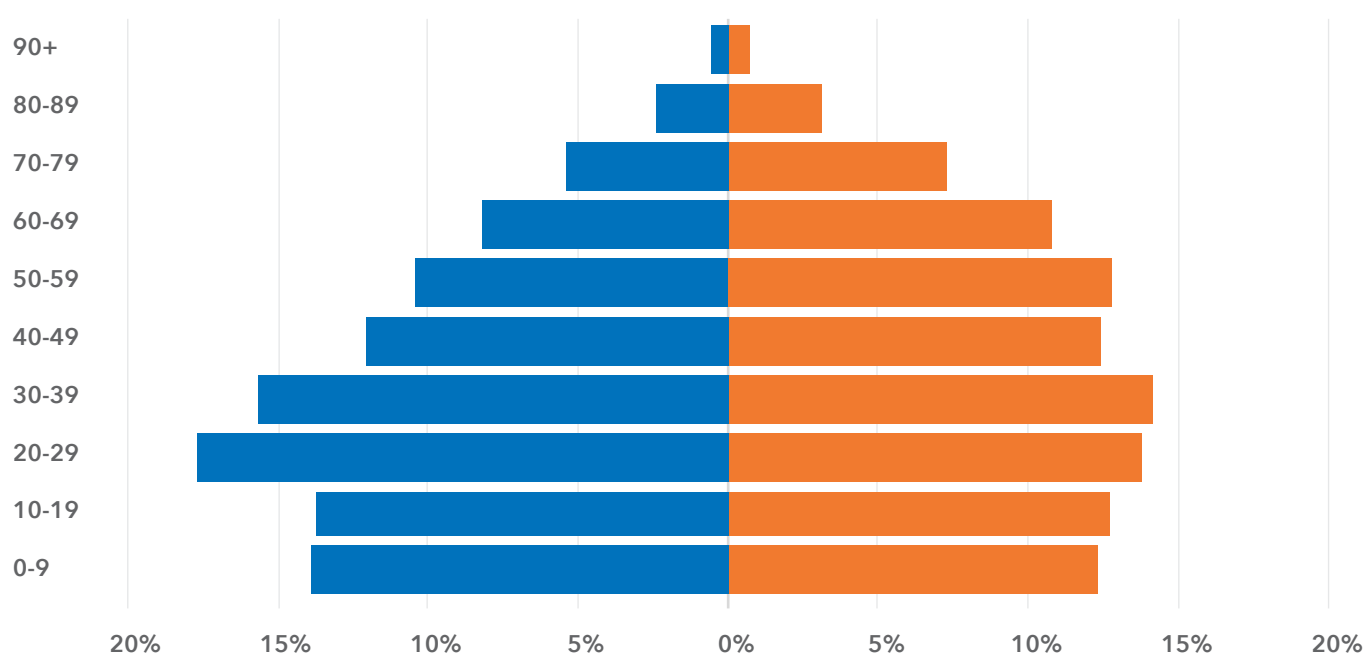
Hamilton is one of the most youthful places in New Zealand with a median age of 32.7 and 60% of residents under the age of 39.

Population age structure, 2021

Source: Statistics New Zealand
As at 30 June 2021

● Hamilton ● New Zealand

Age group



Population changes and negative migration

In March 2020, the Government took the unprecedented step of closing New Zealand's borders to all but New Zealand citizens and permanent residents. What had been a steady net gain of between 50,000 and 72,000 people a year over the previous six years, became a deficit. In 2021, net migration hit a low of -3900 people (outflow). New Zealand had not seen negative net migration since 2012 when a mining boom saw particularly large outflows of New Zealanders to Australia (62,800 in June 2012).

This has flowed down into population growth in Hamilton. The core components of population change are net internal migration, net international migration and natural increase (births minus deaths). The impact of border closures has been telling. International migration added an estimated 2500 people to our population in 2019 and another 3300 in 2020. In 2021 this fell to a net decline of an estimated 70 people.

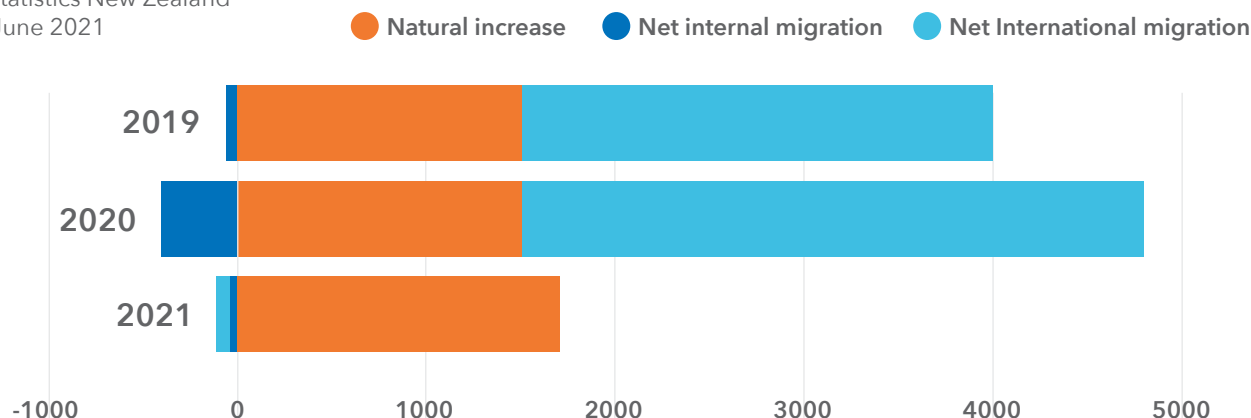
Historically Hamilton's largest internal migration inflow and outflow of new residents has come from Waikato and Auckland. On balance, Hamilton lost more people than we gained to Waikato and gained more people than we lost to Auckland.

New Zealand's borders began to reopen in April 2022 and the requirements for isolation on arrival are being removed. It is expected that there will be a gradual increase in the number of people moving to New Zealand in 2022 and beyond, however, indications from the government (and economists) are that it will not return to the levels seen pre-pandemic for the foreseeable future.

Borders reopening will also see an outflow of kiwis as people who have delayed travel head overseas for holidays, family relocations and work opportunities. In addition, countries like Australia are working hard to entice international workers as they struggle with tight labour market conditions. New Zealand's net migration is expected to be low or even remain in deficit longer than previously anticipated.

Components of population change in Hamilton, 2019-2021

Source: Statistics New Zealand
As at 30 June 2021



Our central city



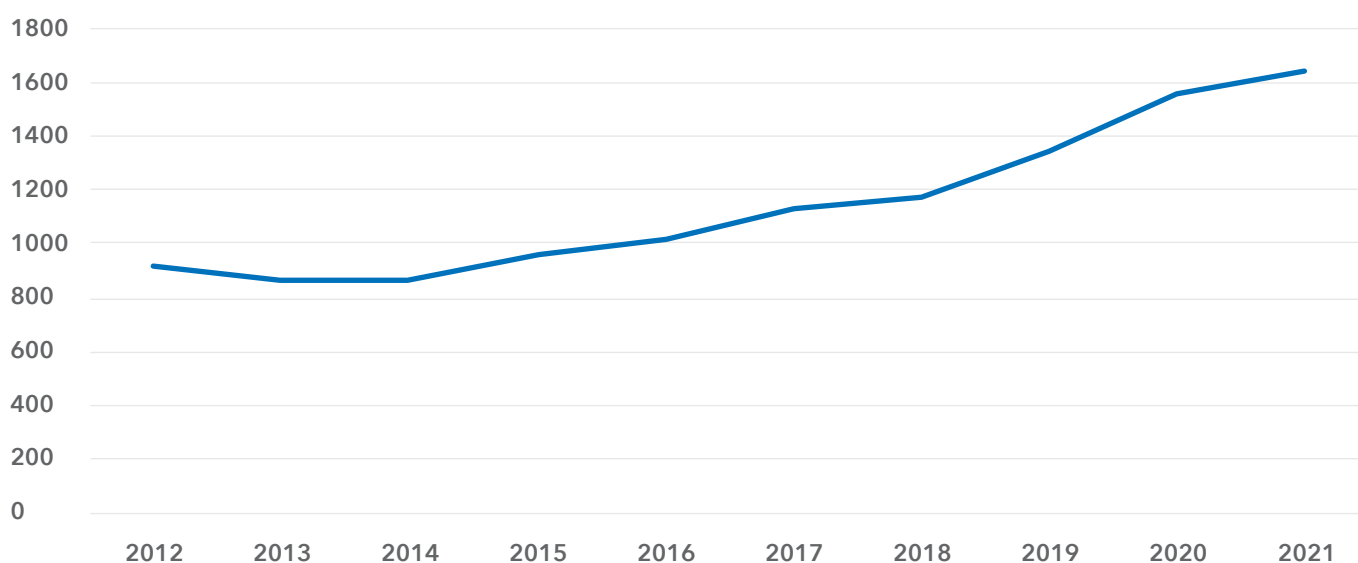


Hamilton's central city has been transforming over the last five years and 2021 saw a number of large developments underway, including the Waikato Regional Theatre, ACC Regional Headquarters and Union Square. We've also seen an increase in developments offering mixed-use inner-city living options with apartments alongside offices, retail and hospitality businesses and predict that this will continue as more people look to live in the central city.

In 2021 an estimated 1640 Hamiltonians called the central city home. This was a 5.8% increase on 2020 and the current growth of the central city is outpacing Hamilton as a whole. With increased interest in apartments, we expect to see the population of the central city continue to grow.

Hamilton's central city resident population

Source Statistics New Zealand
As at 30 June 2021



OUR CENTRAL CITY

Initiatives

Central City Transformation Plan (CCTP)

In May 2021, the Council revised its Central City Transformation Plan (CCTP). The CCTP guides development and decision making and sets the future direction. The last CCTP (created in 2015) included key projects such as the inner-city park, Victoria on the River, and has helped transform the central city into the vibrant and prosperous hub it is today.

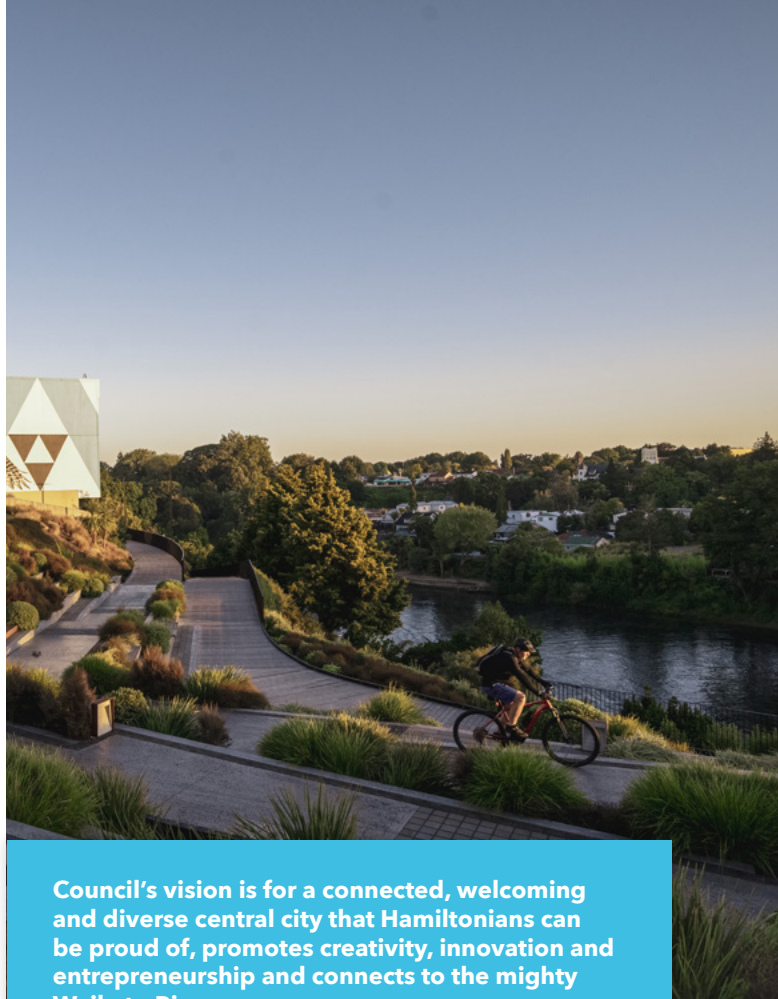
The revised CCTP includes proposals to add more ways to get around, more greenery, more celebrations and events, more job opportunities, more places for creativity and play and to celebrate the heritage and character of the central city.

Infrastructure Acceleration Fund (IAF)

On 2 May 2022, Kāinga Ora advised Council that its \$151 million central city IAF funding bid was successful, subject to funding and housing agreements to be negotiated, and the successful deployment of the 'HIF to IFF' in Peacocke. The total infrastructure package is \$201 million with balance of \$50 million to be generated using the Infrastructure Funding and Financing Act 2020 (IFF) in the Peacocke growth cell.

This IAF grant for infrastructure funding, if confirmed, would be the biggest in Hamilton's history and includes funding for the walking and pedestrian bridge that will span the Waikato River near where the new Waikato Regional Theatre will be located.

The proposed infrastructure investment would help to unlock more than \$2 billion of new residential and commercial development over the next 10 years, providing up to 4000 new homes and 305,000m² of commercial floor area.



Council's vision is for a connected, welcoming and diverse central city that Hamiltonians can be proud of, promotes creativity, innovation and entrepreneurship and connects to the mighty Waikato River.

The investment would future proof the central city and help to deliver a more sustainable, liveable city where walking, cycling and public transport are the primary ways to get around.

Development Contributions

Since 2014 Council has incentivised development in the central city by offering developers a reduction of between 50% to 100% in their development contributions (DC). Currently the reduction in the DC charges is 100% for buildings six storeys and above, and 50% for all other developments that meet the criteria.

In June 2021, Council included criteria to help achieve better outcomes in the central city. In order to be eligible for a DC remission, residential developers must engage with the Urban Design Advisory Panel process and having Life Mark 4 certification.



OUR CENTRAL CITY

New developments

In 2021, 7% of commercial development by floor area in Hamilton occurred in the central city. However, these developments accounted for over a third of the total value of all commercial development in the city. Central city developments are increasingly likely to be multi-storey and have mixed use including offices and apartments, which tend to be more expensive to build.

There are several exciting commercial and residential projects consented or underway around the central city in 2021.

Tūāpapa

Tūāpapa was granted resource consent in March 2021. The new development is located opposite Hamilton Girls' High School on the corner of Tristram Street and Ward Street. The development has three stages and will be mixed-use with office space, retail, hospitality and residential apartments.

The first stage, the Mahi building, will be six storeys with retail and hospitality on the ground floor and offices above. Stage two will be a four-storey mixed-use commercial building with the final stage featuring retail and hospitality on the ground floor and seven levels of apartments above. In total the proposed development will be 11,400m² of commercial space and 30 one-bedroom residential units.

Waikato Regional Theatre

In 2021, work started on the iconic \$76.3 million Waikato Regional Theatre. The theatre is being led by Momentum Waikato Community Foundation with support from Council. The theatre will feature a 1300-seat auditorium, with circle balconies and flexible staging, able to host drama, kapa haka, orchestral concerts, rock-pop-and-rap gigs, musicals, ballet, opera and community ceremonies.

Located on the site of the old Hamilton Hotel at the south end of Victoria Street the theatre will retain the heritage façade and play a key role in transforming the area into a cultural and entertainment hub while opening the city up to the Waikato River.

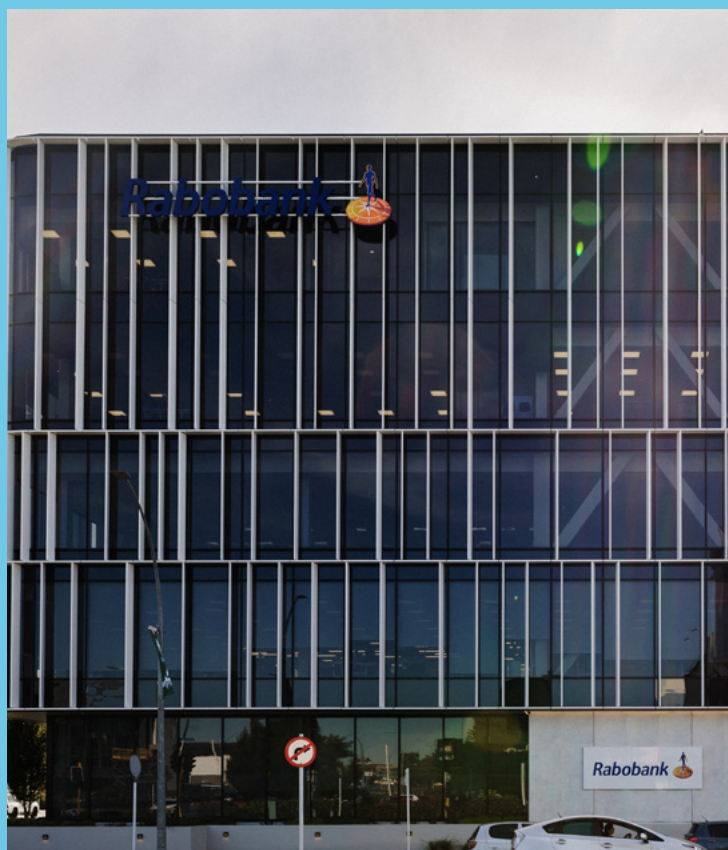


Photo courtesy of Momentum Waikato

Union Square

Union Square is a great example of where development in the central city is heading. The development will eventually include six high-rise buildings with a mix of commercial and retail tenancies. In 2021 the first building was completed and is now tenanted by Rabobank who has moved the bank's head office from Wellington to Hamilton. The new building has four floors of commercial space.

Work also began on the parking building that will support the development. Once the five remaining buildings are completed, the precinct will have about 23,000m² of office space, 18 retail outlets, a 350-space onsite carpark and apartments.



OUR CENTRAL CITY

Development activity

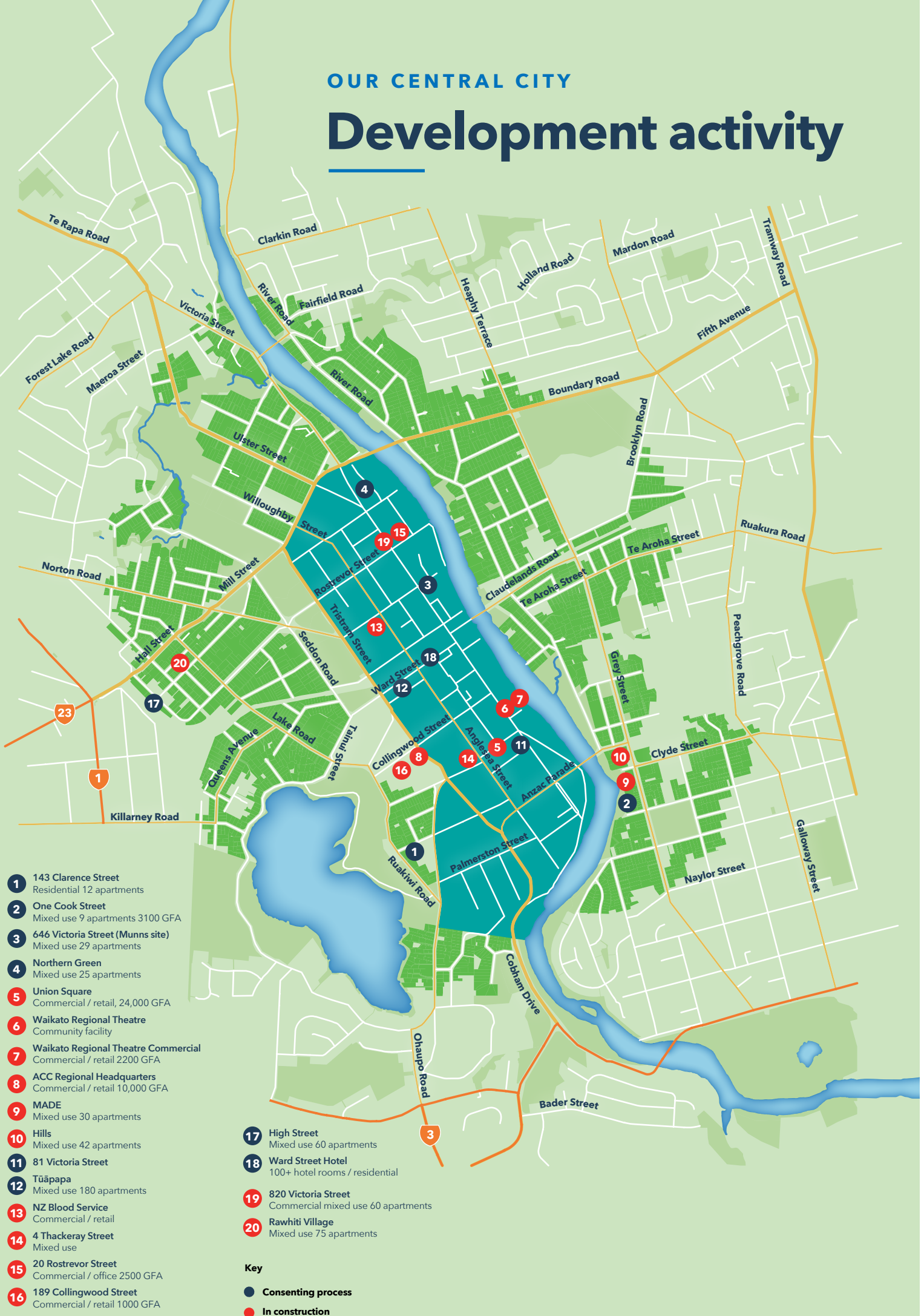




Photo courtesy of Stark Property

OUR CENTRAL CITY

Business profile - Mat Pedley

Mat Pedley is co-owner of the award-winning Mr Pickles Bar and Eatery, The Bearded Weasel (using the same kitchen), and opened Last Place bar in 2021 with a group of local business owners. His businesses are located in the heart of Hamilton's central city. We talked to Mat about being in business in Hamilton in 2021.

"Hamilton is a cool, young, vibrant growing place and we want to add to that and that's why we love to see places like Cream Eatery, Wonderhorse, Ernest; all these people that have a real point of difference and employ and treat people the way they need to be treated."

Mat has always taken a different approach when it comes to business in hospitality and strives to create venues with unique personalities rather than cookie cutter copies on the back of one successful venture.

In 2021 Mat and his business partners launched Last Place - an alternative blend of a New York-styled dive bar and a 1980s-era RSA - its focus being beverages and presentation of live music, with the music focus Mat says something Hamilton needs more of. It was open only a week before New Zealand moved into Alert level 4 lockdown, halting all business in hospitality.

"We had seven days of amazing trade last year. Now we're trading at 30% of what we were trading at in those seven days."

2021 brought several challenges for business owners with workers forced to stay at home during lockdowns, but also from local office workers being told to work from home, leaving the central city a ghost town. Mat's biggest focus over lockdowns was the wellbeing and mental health of his staff.

"We sent out vegetable packs, meat, stuff like that to the team when they were in lockdown when that first lockdown hit."

Mat's business partner Maurice Montero also paid for health insurance for his workers. In addition to the government assistance, their landlords have been phenomenal at offering rent reductions over the last six to 18 months.

"The rent reductions were a huge help and something that you just wouldn't see landlords doing in Auckland."

All businesses did it tough in 2021, not only did businesses close and staff have to stay at home, but suppliers suffered too. Mr Pickles has 120 different suppliers, supplying everything from honey to wine, who were also hit hard by lockdowns.

"The whole system has so many interconnected parts and it's important to ensure that you all come out the other side."

Even when Waikato was finally out of lockdown, there were still impacts from the restrictions that remained. There just weren't as many people out and about.

"A lot of people don't go out because there are too many rules... if I want to go to a bar and I want to have a drink and talk to that guy and that lady and hang out with my friends and you're not allowed to it can be frustrating."

The costs of goods increased steadily in 2021, so prices just have to go up. Mat says he got less pushback than expected, as patrons didn't seem to mind or notice a few extra dollars on their meals, but it's easier for people to directly

compare the cost of a cup of coffee at a café.

Investment in accountants is Mat's best tip, "we started spending money on people who were much smarter than us numbers wise, so we invest in accountants heavily."

Mat's outlook for hospitality in Hamilton is exciting. He'd like to see the bar and restaurant scene expand north up Victoria Street.

"I think by having too much in one area, you don't enough outward growth too."

He wants to see more suburban development take place in hospitality to keep the suburbs lively.

Mat was concerned about staffing shortages in hospitality, but he believes in that looking after your staff is crucial to keeping a good team which many businesses overlook.

The outlook is bright though with Mat constantly on the lookout for new opportunities. Mat has teamed up with several other owner-operators to secure the tender for the exciting new café, Everyday Eatery, at the Hamilton Zoo, which opened in April 2022.

What else for this year?

"We have other aspirations; we'd like to do one more this year but let's just make sure it's not going to all fall apart around us first."

OUR CENTRAL CITY

Doing business

The central city is home to over half of Hamilton's hospitality and accommodation businesses (558) and 44% of apparel stores (230). These sectors were hit hard by the pandemic, lockdowns and restrictions but have shown resilience. The number of central city businesses in these sectors has decreased by only 1.9% for hospitality and 2.5% for accommodation.

With the country still sitting in the orange traffic light setting, inflation pushing up prices and mortgage rates increasing, there are tough times ahead for our local businesses.

Hospitality and accommodation businesses make up 27% of all central city businesses. Other retail made up a further 27%, giving a combined share of 53% in 2021. Despite the tough economic environment for many central city business, new businesses continue to open and vacant tenancies filled.

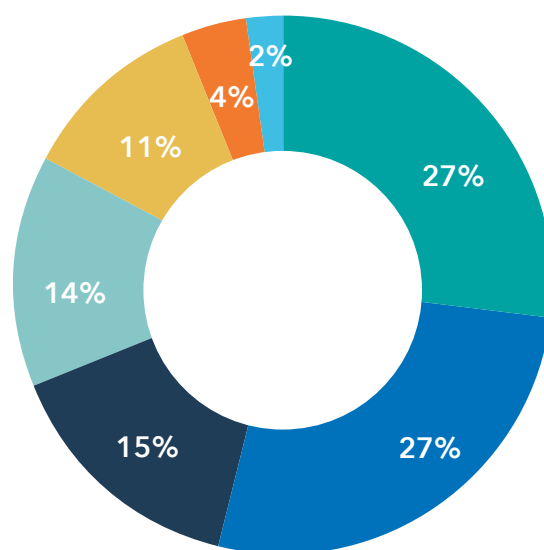


Hospitality and accommodation ventures make up 27% of central city businesses and generated \$286 million card spending in 2021.

Businesses in the central city, 2021

Source: Marketview

- Apparel
- Department stores, furniture and appliances
- Food and liquor
- Hardware and homeware
- Hospitality and accommodation
- Non-retail businesses
- Other retail



Card spending in the central city

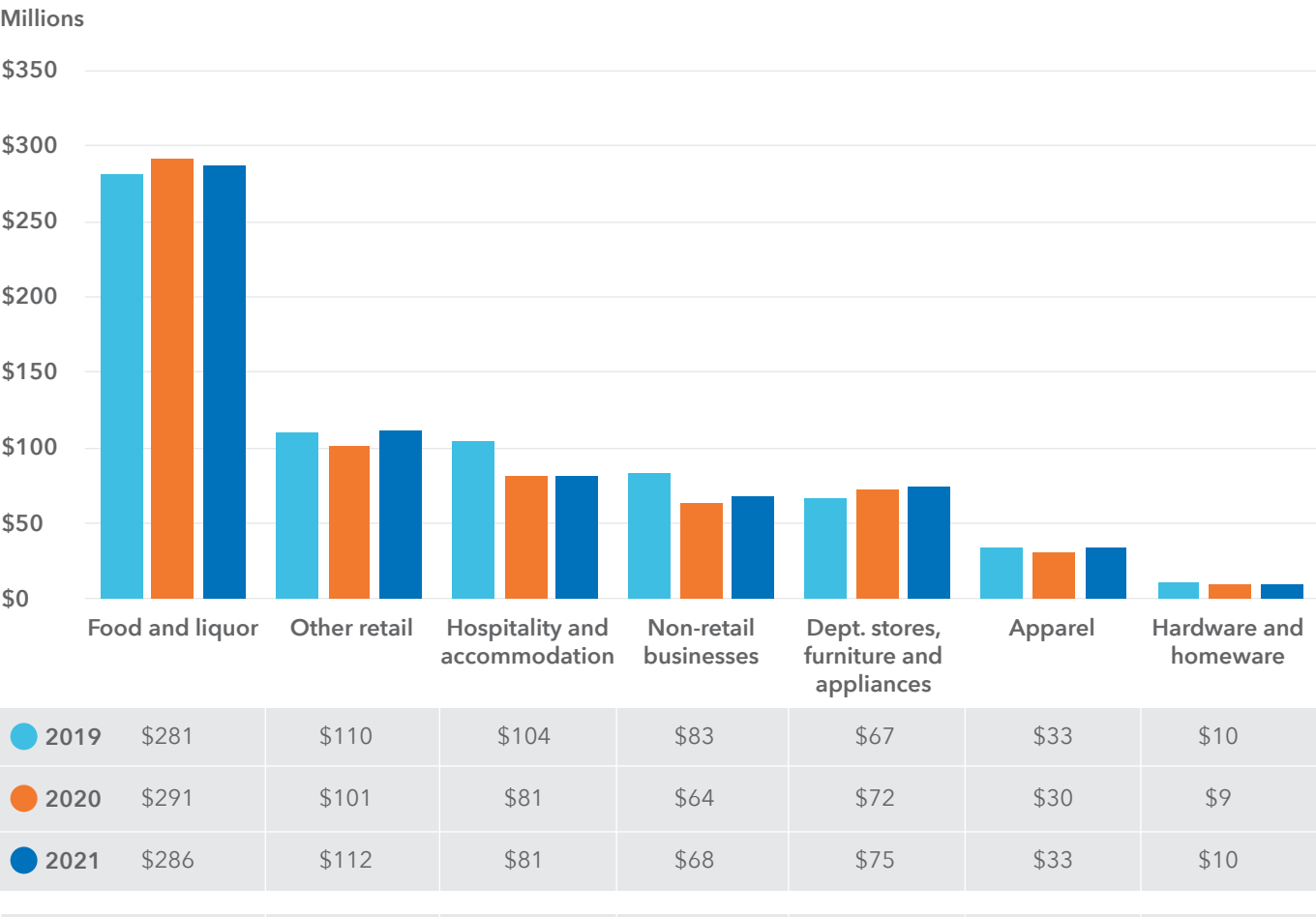
In 2021 card spending in Hamilton was nearly \$2 billion with a third of that being spent in the central city (\$665 million). Food and liquor spending made up 43% of all spending in the central city and remained the highest category for spend between 2019 and 2021. It was the only category that benefitted from the pandemic as people went out less and ate at home more frequently.

Spending on hospitality and accommodation has been heavily affected by the pandemic, dropping 22% or \$22 million since 2019. The outlook for 2022 remains subdued as the cost of living continues to rise, people will have less disposable income and are less likely to go out for a meal, buy a coffee every day or buy a new item of clothing. With the forecast for inflation and OCR increases into 2023, it could be a while before spending returns to pre-pandemic levels.

As explained on page 18, online spending is not captured in card spending so the spending shown in the graph below will be less than actual spending but it provides an insight into what is happening in stores.

Central city card spending, 2019-2021

Source: Marketview



Vacancy rates in the central city

Vacancy rates in the central city area dropped slightly from 5.8% in June 2021 to 5.6% at the end of 2021, according to the Retail Occupancy Report released by NAI Harcourts in collaboration with CBRE Research. Despite the ongoing pandemic these figures provide optimism and suggest that the area continues to be a desirable place to run a business.

The report also used categories primary, secondary and tertiary to rank the vacancy rates of the different central city premises, where each of the categories are based on street location. A prime tenancy is one with good pedestrian traffic, located near the central core. Those in close walking distance to high streets are secondary. Prime grade premises experienced a small decrease in vacancy, dropping from 5.8% in June 2021 to 5.7% in December 2021, which is its lowest vacancy rate since December 2008. Secondary grade saw a large decrease in vacancy from 7.6% to 4.5%. Tertiary grade, which are further from the central core, saw vacancy rates increase from 4% in June to 6.7% in December 2021, indicating a drop in interest for spaces in the fringe of the city.

There is also 5450m2 of retail space that is under refurbishment, down from 5760m2 in June 2021.

Pedestrian counts in the central city

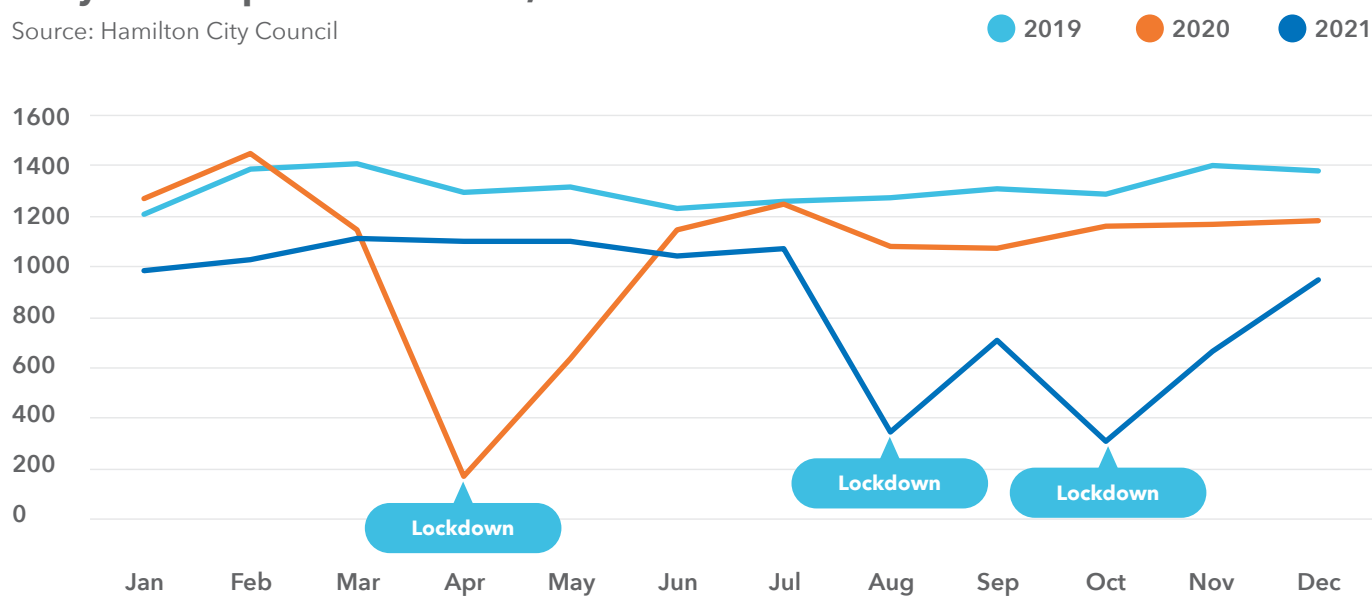
The central city experienced drastically reduced foot traffic for periods in the second half of 2021, with lockdowns preventing customer-facing businesses such as retail, hospitality and health and wellness from operating at full capacity and forcing office-based workers home. The effects of lockdowns are clearly shown in the graph with pedestrian counts fluctuating in line with lockdowns.

October was the slowest month for 2021, with the median daily pedestrian count at 342, in comparison with the median pedestrian count in March 2021 at 1115. This is a significant difference in foot traffic in the city and indicative of the challenges facing our customer facing businesses.

The graph also shows that pedestrian counts in 2021 were well below those in 2019 even when we were operating under Level 1 restrictions presumably because many people continued to work from home. The median pedestrian count did pick up again in November 2021 when we moved to Level 2 and then into the orange setting on the Covid Protection Framework. People did return to the central city ahead of Christmas, but in much smaller numbers. With hopes that lockdowns are now in the past and the upcoming new developments springing up in the central city to revitalise and attract talent to the city, it is hopeful the number of people out and about in the central city will rise and the median pedestrian counts will revert back to 2019 rates and higher.

Daily median pedestrian count, 2019-2022


Source: Hamilton City Council



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