

From: [Official Information](#)
To: [REDACTED]
Cc: [Official Information](#)
Subject: Final response - LGOIMA 434062 - [REDACTED] - Short term accommodation
Date: Tuesday, 5 November 2024 4:10:07 pm
Attachments: [image001.png](#)
[image002.jpg](#)
[image003.jpg](#)
[Horwath HTL - Market Situation Report - Hamilton Update 2023\(2\).PDF](#)

Kia ora,

We refer to your information request below. Hamilton City Council provides the following response.

Your request:

I hope this email finds you well. I am writing to formally request access to the study referenced by Mayor Paula Southgate, which discusses the projected demand for additional short-term accommodation in Hamilton, particularly the need for new hotel rooms by 2033. This study has been mentioned in connection with the ongoing hotel developments in Hamilton's central city.

For reference, the study was cited in the following articles:

- Waikato Times: New \$100m Hamilton CBD Pullman Hotel on the way (<https://www.waikatotimes.co.nz/nz-news/350309153/new-100m-hamilton-cbd-pullman-hotel-way>)
- NZ Herald: Hamilton's Mistry Centre to be transformed into \$100m Pullman Hotel (<https://www.nzherald.co.nz/waikato-news/news/hamiltons-mistry-centre-to-be-transformed-into-100m-pullman-hotel/07HQSTMUBCY5JR6AI6W6YEUKY/>)

If this specific study was not conducted by the Hamilton City Council, I understand that it might have been carried out by the hotels involved in these developments. However, since obtaining the necessary permits would have likely required attaching such studies to the permit applications, I believe the Council may still have access to these documents.

I would greatly appreciate it if you could provide me with any relevant documents, reports, or studies that detail:

1. *The projected demand for hotel and short-term accommodation in Hamilton by 2033.*
2. *Data or analysis related to the short-term accommodation shortage and the support for new hotel developments in the city.*

Please inform me if there are any associated costs for processing this request. I look forward to your response within the statutory timeframe as outlined under the Official Information Act 1982.

Our response:

Further to the 2023 Horwath report we note that the market is moving annually, and the demand identified in the 2023 report has strengthened since that report was issued.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Ngaa mihi

Keeley Faulkner

Official Information Advisor & Legal Support Officer

Legal services

Governance & Assurance Team | Partnerships, communication & Maaori

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I support flexibility at work. While it suits me to send this email now, I don't expect a response outside of your own working hours.

From: [REDACTED]

Sent: Tuesday, October 15, 2024 11:29 AM

To: info@hcc.govt.nz

Subject: Official Information Request – Accommodation Demand Study for Hamilton

Dear Hamilton City Council,

I hope this email finds you well. I am writing to formally request access to the study referenced by Mayor Paula Southgate, which discusses the projected demand for additional short-term accommodation in Hamilton, particularly the need for new hotel rooms by 2033. This study has been mentioned in connection with the ongoing hotel developments in Hamilton's central city.

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Please inform me if there are any associated costs for processing this request. I look forward to your response within the statutory timeframe as outlined under the Official Information Act 1982.

Thank you very much for your time and assistance.

Kind regards,

[REDACTED]

DDI: 07 838 6699 | Email: info@hcc.govt.nz



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necessarily reflect the views of Hamilton City Council.

Hamilton Hotel Market Situation Report



**Prepared for
Hamilton City Council**

02 August 2023
(updated from October 2021)



Hotel, Tourism and Leisure

A member of Crowe Global

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1 INTRODUCTION

In 2021, Hamilton City Council (HCC) commissioned Horwath HTL Limited (“Horwath”) to prepare a Hamilton hotel market report which was issued on 21 October 2021. This report is an update of the October 2021 report, as requested by HCC in July 2023.

1.1 SCOPE OF WORK

We have undertaken the following scope of work:

- summarised the hotel and motel market for Hamilton, including historical demand, supply and occupancy performance up to May/June 2023.
- identified commercial accommodation demand drivers for the leisure and other market segments in Hamilton (historical and expected future)
- estimated the current and potential future demand for and supply of commercial accommodation in Hamilton.

1.2 EXCLUSIONS OF SCOPE

Our work has excluded:

- specific follow-up market enquiries other than those made as part of our general conversations with market participants
- detailed verification of information or representations provided by third parties
- hotel site options assessment or analysis
- a market demand study for any particular assumed hotel
- future quantified demand projections other than to the extent indicated above
- a feasibility study or other report.

1.3 DISCLAIMERS

This report is based on certain assumptions, estimates and other information available to us (the sources of which are stated in our report) and our knowledge of the tourism industry in New Zealand and Hamilton. We did not conduct an audit or verification of the information supplied to us during the engagement, except to the extent stated in this report.

Some assumptions and forward-looking statements inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period covered in our analysis will vary from those described in our report (including forward looking statements and projections) and the variations may be material.

Our report is intended for the private use of Hamilton City Council, and not for inclusion in a private offering, prospectus or public offering for equity and / or debt raising purposes or other reasons. Neither the report nor its contents, nor any reference to our firm, may be included or quoted in any offer document, prospectus, valuation or other document without our prior written consent and input.

We reserve the right to (i) review any document for consistency with our report, where there is a reference to our report, or inclusion of any part, and (ii) suggest amendments to your document. This may result in additional engagement by our firm, and therefore additional fees.

Horwath HTL Ltd owes a duty of care to Hamilton City Council as our client and cannot be held responsible for any loss suffered by a third party as a result of that party relying on our report. The potential liability of Horwath HTL Ltd under this engagement, or in any way associated with the services rendered, will be limited to the extent of our fees paid to Horwath HTL Ltd in relation to this engagement.

2 SUMMARY OF KEY FINDINGS AND CONCLUSIONS

In the perception of most modern-day frequent travellers, Hamilton's existing commercial accommodation market is dominated by motels and smaller hotels at the lower end of the 3-4 star categories. The quantity and overall quality of existing supply falls short of current and future market requirements.

Prior to the Covid-19 pandemic, the average annual occupancy rate of the city's hotels and motels was 72% with significant variation between properties. Properties with more up to date facilities, offering high quality services and facilities, reported annual occupancies in the range of 80%-95%.

Representatives of major Travel Management Companies (TMC's) who book accommodation for central government departments, major businesses and other organisations, reported a lack of suitable accommodation in the city and having frequent difficulties securing rooms at their preferred properties.

Conference and event organisers have repeatedly selected alternative cities to host their event due to a lack of suitable accommodation in Hamilton.

Supply and demand of Airbnb has increased considerably over time to cover some of the accommodation shortfalls, reducing the stock of residential accommodation.

Since 2020, commercial accommodation supply in the city has reduced dramatically with circa 53% of motel supply taken off the market for use by the Ministry of Social Development's (MSD) social housing requirements.

In the meantime, growing economic activity and tourism appears to have restored demand for commercial accommodation in Hamilton to pre-pandemic levels. This has resulted in a significant increase in occupancy rates with hotels and motels reporting an average occupancy of 78% for the 12-months period to June 2023. This compares to 68% and 75% for the full years 2018 and 2019, respectively.

Considerable compression has been reported during weekdays and on Saturday nights, with people either abandoning plans to stay overnight or seeking alternative accommodation options in the wider Waikato Region.

The Novotel Tainui is the clear market leader. The hotel has recently been awarded the Accor Pacific Award for the best performing property across 360 hotels in the Pacific Region. A sample of publicly advertised room rates during the period August-December 2023, show the rates offered for a standard room by the Novotel Tainui were on average \$67 (29%) higher than rates offered by its closest rate competitor (the recently upgraded Ibis Hotel) and \$102 (53%) higher than the average of a group of other competitor hotels.

Reported demand for Airbnb¹ during the year ending June 2023 has increased by 56% compared to the same period in 2019 while Airbnb supply increased by 38%

Hamilton is the 4th largest city in New Zealand and the economic hub of the Waikato region. Over the past 10 years, the city's economy and population have grown more strongly than the national average.

Yet, with regard to the quantity of available commercial accommodation in relation to its population and economic output, even prior to the Covid-19 pandemic, the city lagged behind most comparable city's in New Zealand, particularly in terms of hotel supply.

The economic outlook for the Waikato Region and Hamilton seems positive for the foreseeable future (10+ years), supported by further population growth, business investment, major infrastructure spending and improvements of public amenities.

Transport infrastructure improvements (including road and rail) are making Hamilton and the Waikato region quicker and easier to access from Auckland for visitors and trade. Improved access also makes regional multi-day conferences in Hamilton more attractive / competitive as an alternative to Auckland.

Provided there is sufficient suitable accommodation available, there appears to be much potential for an increase in the number of business, entertainment, sporting and other events at Claudelands, FMG Stadium, Seddon Park and Mystery Creek Events Centre that will attract hotel and motel demand.

Internationally renowned visitor attractions in the Waikato region such as Hobbiton Movie Set and Waitomo Caves, with very limited nearby commercial accommodation available, provide Hamilton with more opportunity to 'capture' visitor accommodation demand.

To meet future commercial accommodation requirements, we expect that Hamilton requires a mixture or circa 155 addition hotel rooms and serviced apartment units by 2024, rising to circa 595 in the year 2033. This is based on our expectation that from 2025 onwards, MSD use of motels has significantly reduced with 85% of the 2019 motel supply in Hamilton and the Waikato having returned to the market.

Our calculations include projections of future domestic and international visitor night demand for New Zealand, the Waikato and Hamilton City, assumptions about visitor stay patterns, the future of existing motel supply and sustainable market occupancy rates.

¹ When comparing Airbnb demand and supply, we compare only "entire places" and not shared accommodation

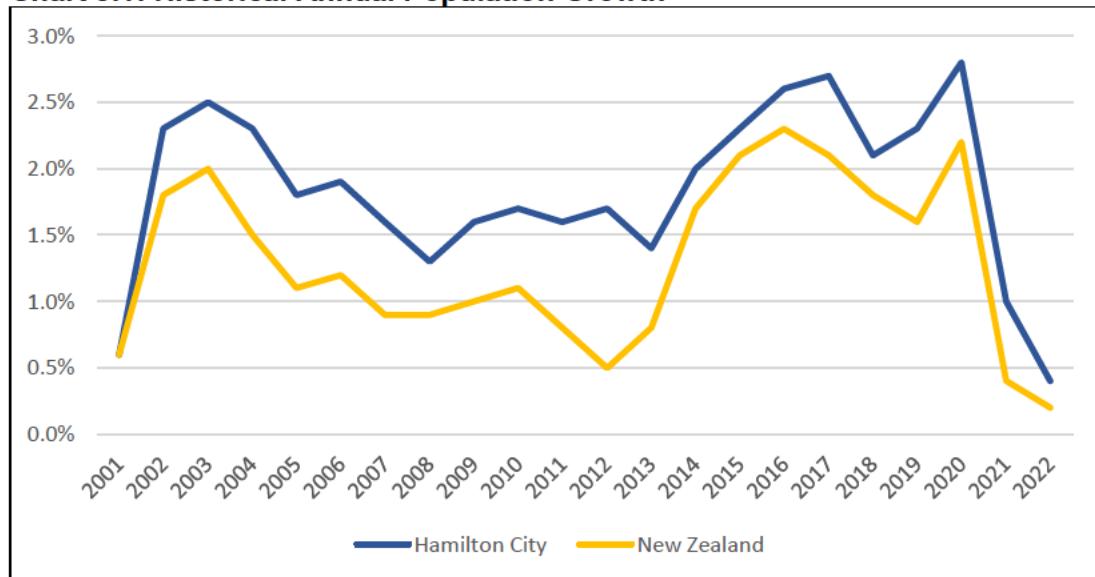
3 HAMILTON OVERVIEW

Hamilton is located at the heart of the Waikato region and is the fourth largest city in New Zealand after Auckland, Wellington and Christchurch. It is the main population centre at the heart of the geographically extensive Waikato Region.

3.1 HAMILTON AND WAIKATO POPULATION GROWTH OUTLOOK

Population growth in Hamilton City has been above the national average for all of the past 20 years and is expected to continue to grow at above the national average.

Chart 3.1: Historical Annual Population Growth



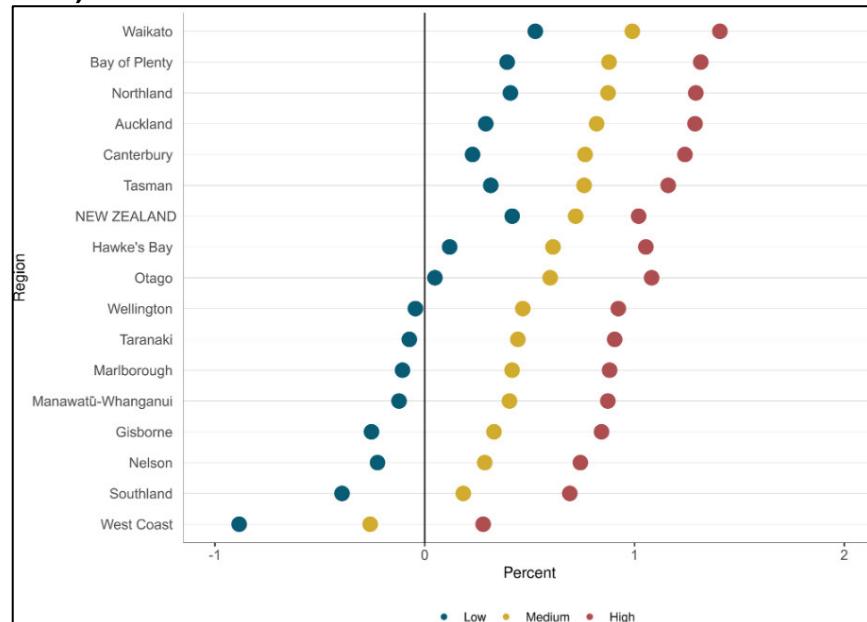
(Source: Stats NZ)

The stronger than average growth has been the result of higher migration, opposed to natural growth and reflect the increasing attractiveness of the city as a good place to live and work.

According to the latest population estimates published by Statistics New Zealand (Stats NZ), Hamilton's City's population in 2022 (179,900) comprised 35% of the Waikato region's total population (513,800).

According to the latest population growth estimates published by Stats NZ in December 2022, the Waikato region is expected to grow the fastest of all 16 regions at an average of 1% each year between the period 2018-2048 as illustrated in the chart below.

Chart 3.2: Projected average annual population change by region and TLA (2018-2048)



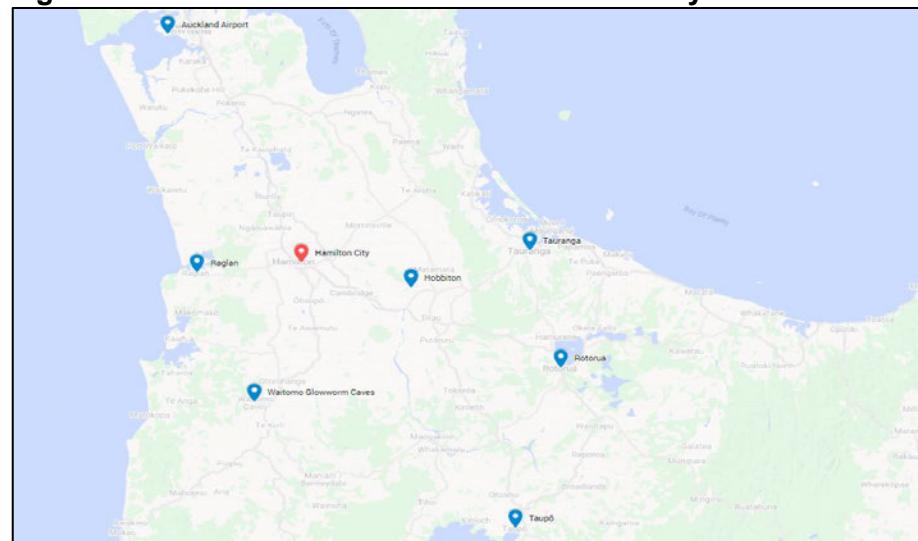
(Source: Stats NZ)

3.2 LOCATION AND ACCESSIBILITY

As illustrated in Figure 3-1, Hamilton is located 125km south of the Auckland CBD on State Highway 1. It is also 228 km north of Taupo on State Highway 1, the main arterial route through the North Island.

Due to its central location on the North Island, Hamilton is closer to a larger part of the New Zealand's population than Auckland. Together with the Waikato region, it has developed into a major production centre and distribution hub.

Figure 3-1: Hamilton's Location in Relation to Key Visitor Centres



(Source: Google Maps)

The recently completed Waikato Expressway provides fast motorway access between Auckland and Hamilton. Approximate off-peak travel times between Hamilton and nearby destinations are summarised in Table 3.1.

Table 3.1: Driving times to Hamilton CBD

Location	Approximate Driving time (Hours:Minutes)
Auckland CBD	1:30
Auckland Airport	1:15
Cambridge	:25
Tauranga	1:20
Rotorua	1:30
Taupo	2:00
Hobbiton Movie Set	1:00
Waitomo Caves	1:00

(Source: Google Maps) (Noon travel times)

Appendix A shows the location of the main industrial and business zones in Hamilton.

Hamilton Airport is serviced by Air New Zealand and Origin Air, with regular direct flights to and from Wellington, Christchurch, Palmerston North, and Dunedin. The airport has experienced a 31% increase in passenger movements during the four years to June 2019. Following the Covid-19 pandemic, passenger activity for the year ending June 2023 was 368,000, or 97% of the activity reported for the year ending June 2019.

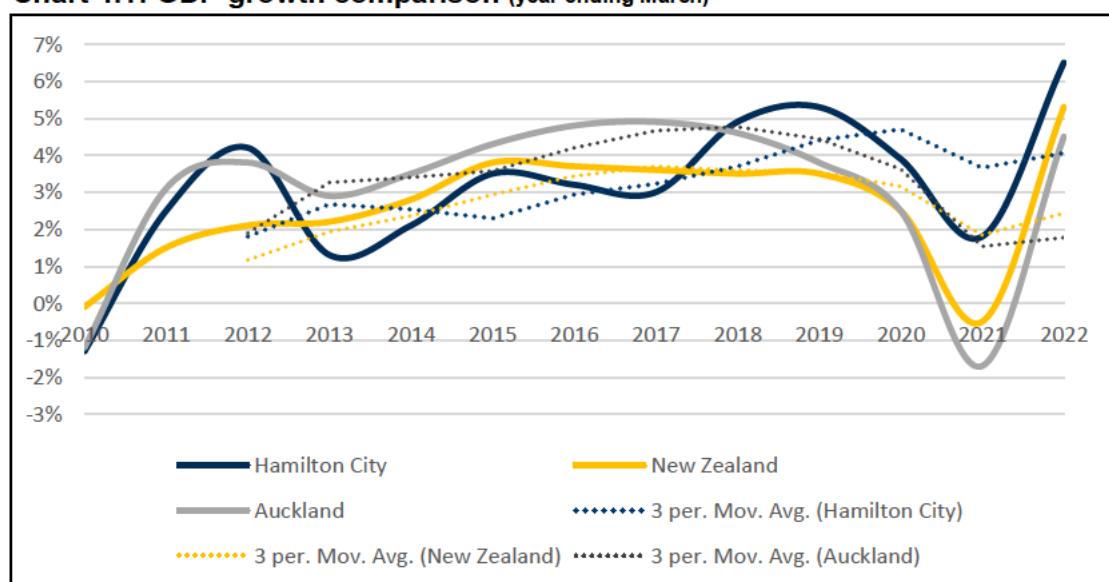
4 ECONOMIC PERFORMANCE

4.1 GDP GROWTH

Chart 4.1 shows a strong increase in the growth of Hamilton's Gross Domestic Product (GDP) over the three years prior to the Covid-19 pandemic and a strong recovery since, outperforming the average for Auckland and New Zealand.

Economic growth in Hamilton City averaged 3.5% per annum over the 10 years to 2022, compared with a national average of 3.0%.

Chart 4.1: GDP growth comparison (year ending March)



(Source: Infometrics)

The strong recent economic performance reflects the increasing attractiveness of the city as a place to live, work and invest. Some of the contributing factors include:

- additional investment and development from agricultural, logistics distribution and servicing companies
- a strong growth in the number of businesses
- the spill-over from Auckland's strong population growth and consequent pressure on housing affordability in Auckland
- completion of the Hamilton section of the Waikato Expressway, which has made Hamilton more easily accessible from Auckland and is contributing to improving Hamilton's attractiveness as a place to live, work and invest in new businesses
- improved facilities and community infrastructure in Hamilton
- an increase in well skilled and educated younger people moving into the area.

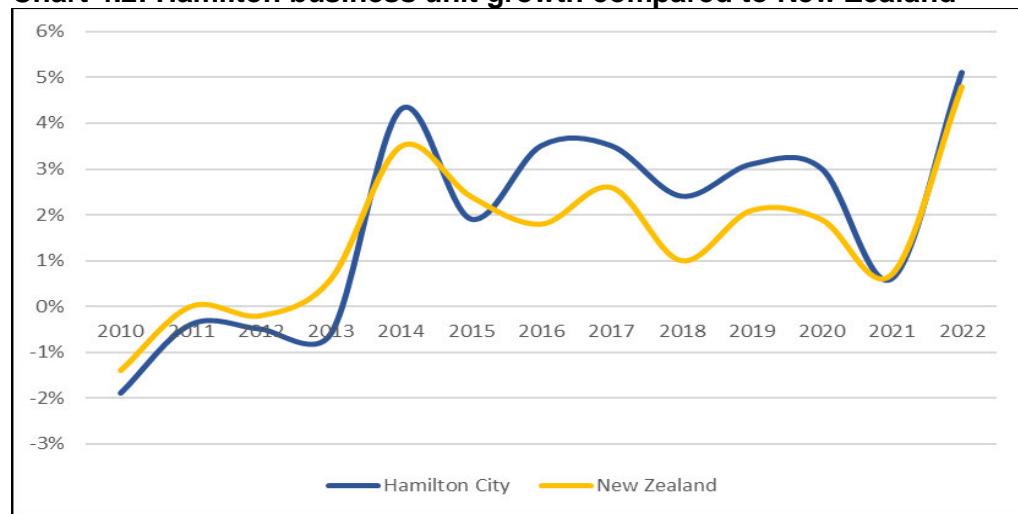
With less reliance on international tourists and significant share of “essential” businesses, Hamilton’s economy has been relatively resilient to the negative impacts from Covid-19 compared to many other cities in New Zealand.

4.2 BUSINESS GROWTH AND INDUSTRY DIVERSIFICATION

Chart 4.2 shows a comparison of business unit growth between Hamilton and the New Zealand average over the 10 year period to 2022.

Business unit growth in Hamilton has outperformed the average growth in New Zealand during most of the past 10 years.

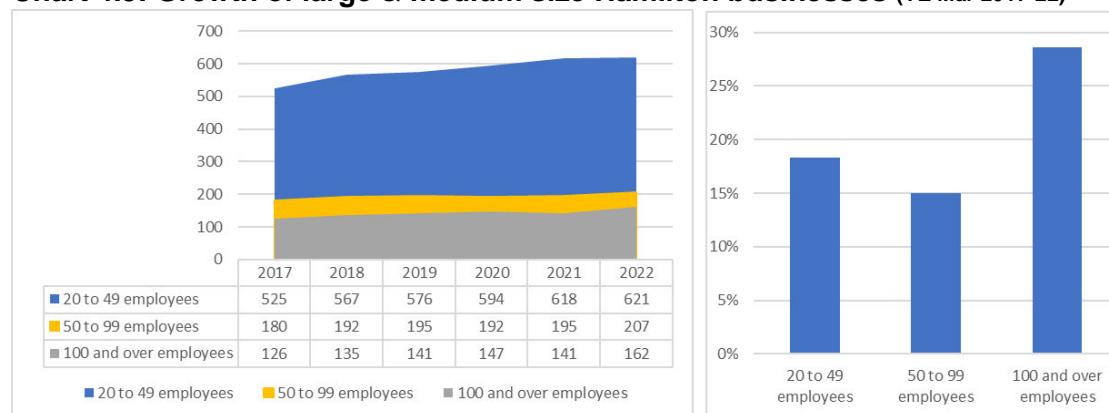
Chart 4.2: Hamilton business unit growth compared to New Zealand



(Source: Infometrics)

Apart from a strong increase in self-employed people without employees, the increase has been particularly strong amongst medium and larger size businesses as illustrated in Chart 4.4, reflecting both business growth and newly established business units.

Chart 4.3: Growth of large & medium size Hamilton businesses (YE Mar 2017-22)

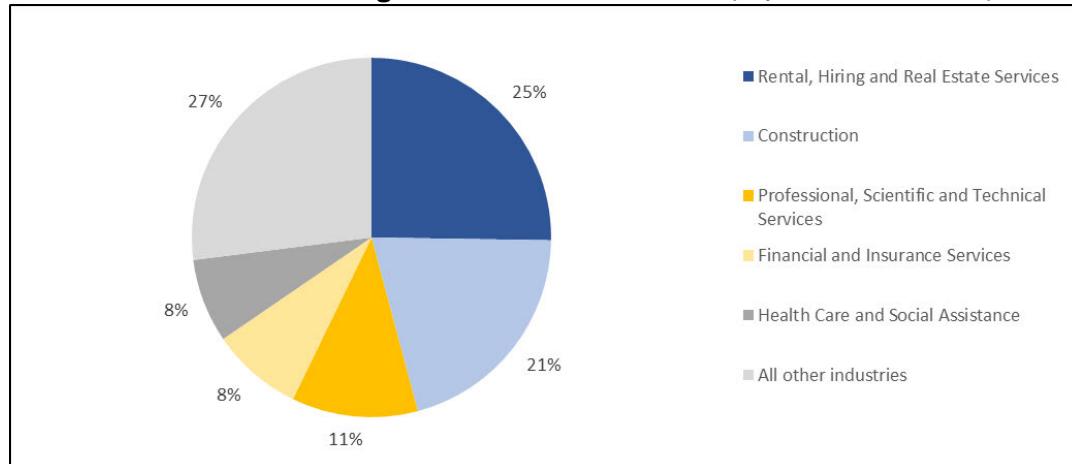


(Source: Infometrics)

Much of the business growth has occurred in knowledge intensive sectors that require higher skilled employees such as professionals, managers, technicians and trades workers.

Chart 4.4 shows the key industry sectors that have contributed to business unit growth during the 10 years to March 2022.

Chart 4.4: Contributors to growth in business units (10 years ended Mar 2022)

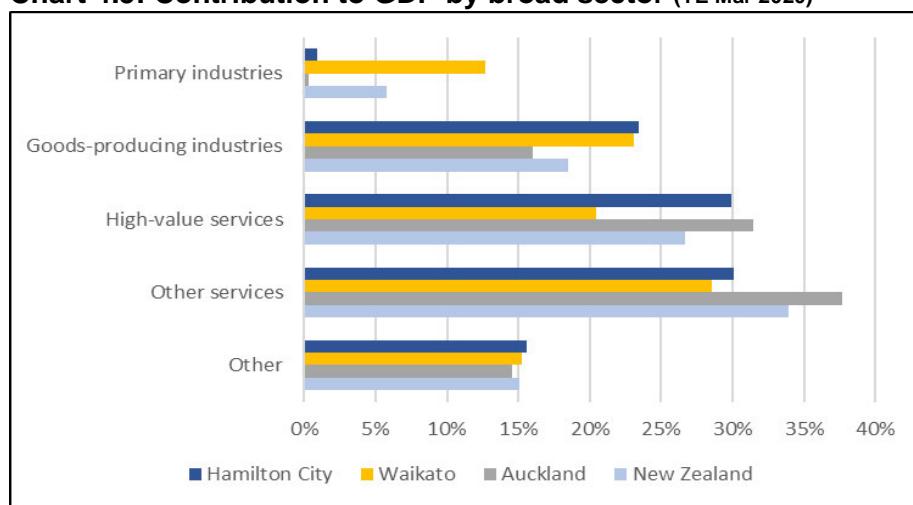


(Source: Infometrics)

Hamilton city services a very broad range of industry sectors. It has the advantage of being the hub of the Waikato region which is dominated by primary industry sectors as well as being a major urban centre attracting goods producing industries and companies providing high value services as illustrated in Chart 4.6 below.

As a result, the overall economy and therefore the demand for commercial accommodation is less sensitive to potential ups and downs of any particular sector.

Chart 4.5: Contribution to GDP by broad sector (YE Mar 2020)



(Source: Infometrics)

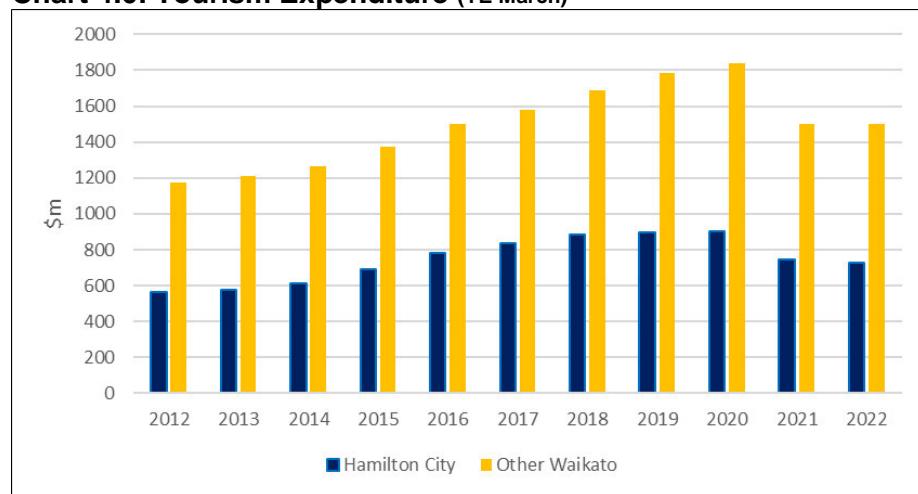
A list of major employers in the Hamilton area is contained in Appendix D.

4.3 TOURISM EXPENDITURE IN HAMILTON

Spending by domestic and international tourists during the pre-pandemic period 2010-2020 in Hamilton City had grown at a Compound Annual Growth Rate (CAGR) of 4.8%, while that in the Waikato Region outside Hamilton had grown at a CAGR of 5%. This compares to a national growth of 4.9% during the same period. Because the region is still less dependent on international tourists, it was also less impacted by the Covid-19 pandemic than most other major cities.

Chart 4.6 shows the historical growth in absolute terms.

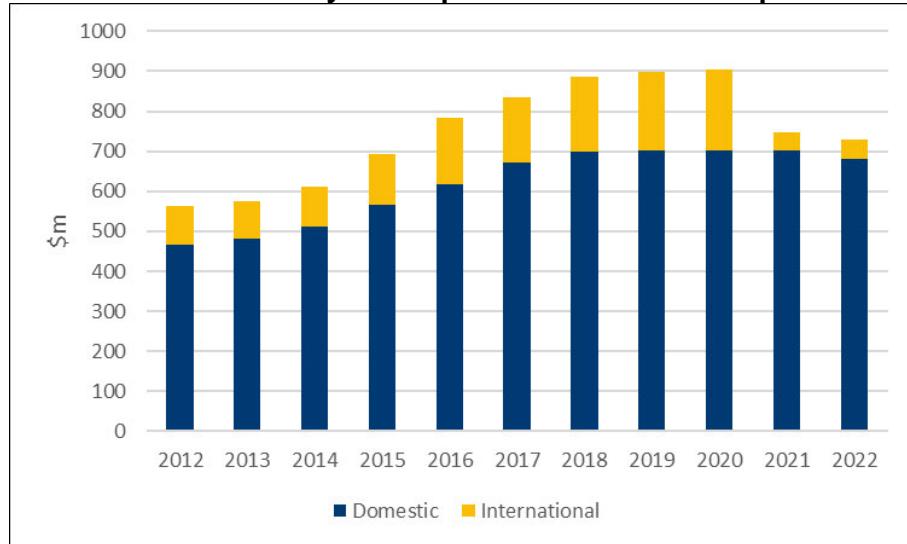
Chart 4.6: Tourism Expenditure (YE March)



(Source: Infometrics / Stats NZ)

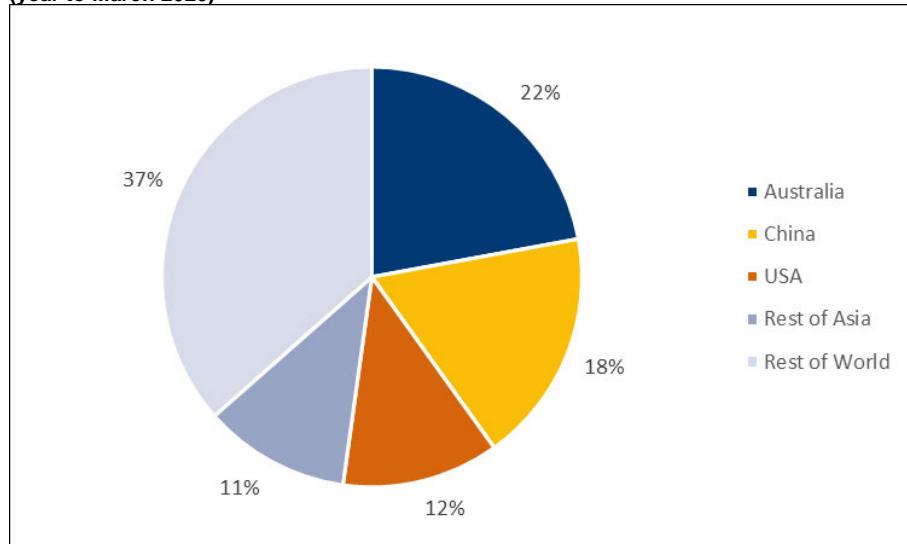
The growth reflects both the strong increase in business activity and popularity amongst domestic and international leisure travellers.

The growth of internationally oriented businesses combined with an increasing appeal of the region with international travellers has had a significant impact on international tourism expenditure in the city, which has grown at a CAGR of 10% during the five years pre-Covid-19 as illustrated in Chart 4.8.

Chart 4.7: Hamilton City – Composition of Tourism Expenditure


(Source: Infometrics / Stats NZ)

International Tourism expenditure made up 23% of total tourism expenditure in Hamilton for the pre-pandemic year ending March 2020. Australia, China and the USA were the largest international source markets, contributing 52% of total international tourism spend in the year to March 2020.

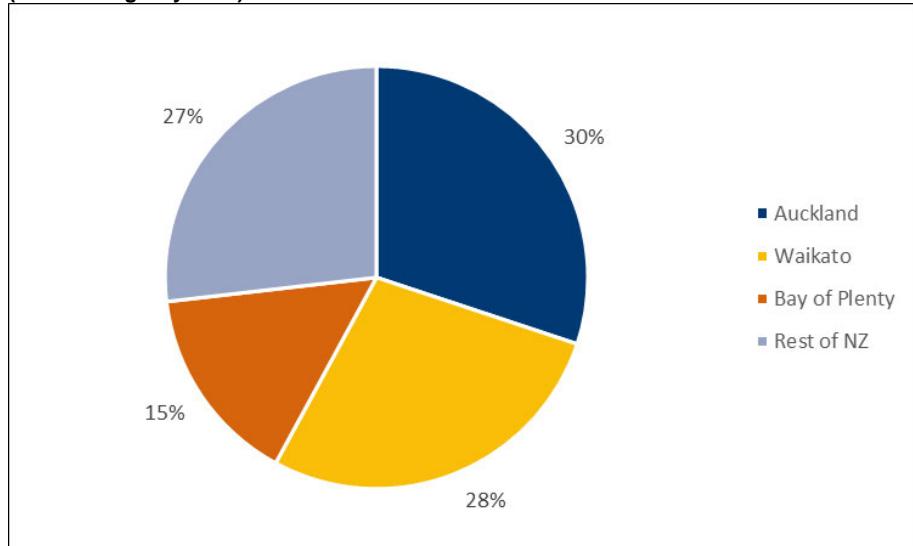
**Chart 4.8: International Tourism Expenditure - Main Countries of Origin
(year to March 2020)**


(Source: Infometrics / Stats NZ)

Domestic visitor spending is dominated by visitors who reside within driving range of the city as shown in Chart 4.10 below.

This reflects the role that Hamilton plays as a regional hub and as a semi-satellite centre for Auckland. For current and future accommodation providers it highlights the need to provide ample car parking for guests.

Chart 4.9: Domestic Visitor Spending by Main Region
(Year ending May 2023)



(Source: MBIE, *Tourism Electronic Card Transactions*)

Visitor expenditure data further indicates that:

- the Hamilton visitor economy was not significantly detrimentally impacted by COVID-19, due to less exposure to international visitors
- short-term negative impacts in domestic visitor expenditure during the 2020 lockdown periods were largely offset by increased domestic visitor expenditure in the non-lockdown periods, including from domestic leisure 'short breaks'
- business and corporate visitor expenditure underpins total tourism expenditure in Hamilton.

5 KEY DEMAND DRIVERS FOR COMMERCIAL ACCOMMODATION

5.1 BUSINESS EVENTS VENUES AND ACTIVITY

Hamilton has two nationally significant Business Events venues – Claudelands and Mystery Creek (located just outside the Hamilton City boundary) – as well as several other venues capable of hosting meetings, conferences, incentive events, public and trade shows and exhibitions, entertainment and other events.

5.1.1 Claudelands

Claudelands is a multi-function events facility, the main venue of which is shown in Figure 5-1. Together with FMG Stadium Waikato (rugby), Seddon Park (cricket) and a number of smaller venues, the facilities are managed by H3, a highly professional and commercially focussed business unit of Council.

Developed in 2011 by the Hamilton City Council, Claudelands includes a four-star conference centre, an entertainment arena with a capacity for 6,000 patrons, extensive meeting facilities and a combined 11,000m² of indoor (7,000m²) and outdoor (4,000m²) exhibition space.

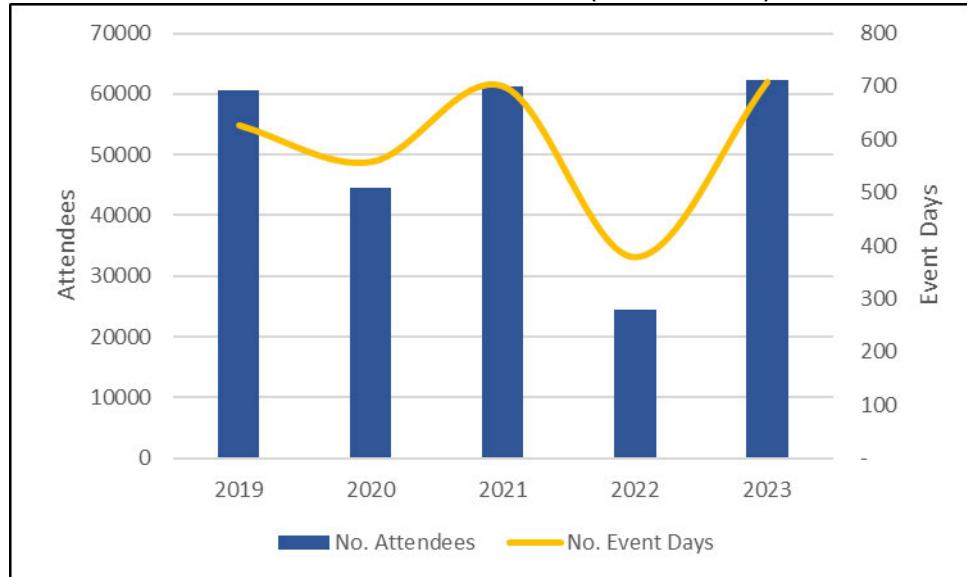
Figure 5-1: Claudelands Events Centre



(Source: Hamilton City Council)

The facilities are well-suited for large conferences and other business events, as well as large consumer shows, music and theatre performances and major sporting events.

Prior to the Covid-19 Pandemic in the year ending June 2019, the H3 facilities hosted 715 business events, totalling 627 event days with a total attendance of 60,678. As illustrated in Chart 5.1, business levels during the pandemic remained strong and have recovered to exceed 2019 levels in the year to June 2023, showing the continued popularity of the venues.

Chart 5.1: Business Events in H3 Venues (YE June 2019-23)


(Source: H3)

Claudelands operates well below its potential capacity, much of which is attributed to a lack of commercial accommodation in the city as described in section 6.3.2 of this report.

Appendix F provides Claudelands' event space details and Appendix E provides an overview of the number and type of events and attendance numbers at Claudelands and other H3 Venues.

5.1.2 Mystery Creek Events Centre

Sitting on 114 hectares of land and capable of hosting events with up to 45,000 attendees, the Mystery Creek Events Centre is New Zealand's largest event venue.

Figure 5-2: Mystery Creek Events Centre


(Source: www.mysterycreek.co.nz)

Mystery Creek hosts several large-scale annual events, including the Transport and Heavy Equipment Expo and the National Agricultural Fieldays. The latter is a four-day event which attracts approximately 130,000 visitors each year from across New Zealand and overseas in addition to approximately 10,000 exhibitor staff.

These events generate more accommodation demand than can be satisfied in Hamilton and surrounding areas during the event as well as considerable demand during the lead up and conclusion of the events.

Throughout the year, the venue typically holds around 100 other events ranging from 100 to 10,000 attendees, including multi-day conferences.

Like Claudelands, Mystery Creek is operating below capacity and is losing opportunities due to a shortage of suitable hotel accommodation in Hamilton.

Appendix F includes details about the size and capacity of Mystery Creek's event spaces.

5.2 SPORTS, LEISURE AND ENTERTAINMENT EVENTS

5.2.1 Domestic Event Leisure Demand

Key demand drivers for domestic leisure visitors include:

- FMG Stadium Waikato which can seat 25,800 attendees and hosts high profile sporting fixtures such as the All Blacks, National Rugby League (NRL), Super Rugby, and National Provincial Rugby
- Seddon Park is recognised as one of the cricket world's best "boutique" grounds; it is the home of cricket in Hamilton and has the capacity to host 10,000 event attendees
- Clarence St Theatre is in the centre of Hamilton and can transform from an outstanding proscenium arch theatre (capacity of 550) to a theatre restaurant style to a standing concert venue (capacity of 900)
- Claudelands also hosts a wide range of entertainment and theatre events (as well as Business Events), that attract visitors from around the Waikato region some of whom stay overnight in commercial and private accommodation in Hamilton
- a significant schedule of rowing and cycling events hosted in Cambridge and at Lake Karapiro which generate room-night demand in Hamilton
- the new \$74 million Waikato Regional Theatre located on Victoria Street in the heart of the CBD, will seat 1,300 patrons and attract visitors from throughout the Waikato region. Construction is in progress and the theatre is expected to open in early 2025.

Figure 5-3: Waikato Regional Theatre - under construction



(Source: <https://sharethestage.co.nz>)

5.2.2 Visitor Activity and Attraction Demand

Popular local attractions and activities provide good reasons for local visits from neighbouring regions to visit and stay in Hamilton, including:

- Hamilton Gardens (recently expanded with the new Fantasy Collection gardens, and with ongoing expansion plans also in planning)
- Hamilton Zoo (with improvements in facilities in recent years)
- Waikato Museum Te Whare Taonga o Waikato
- The annual week-long ‘Balloons Over Waikato’ event at Hamilton Lake
- Hobbiton Movie Set
- Waitomo Glowworm Caves
- Avantidrome sports and leisure facility (Cambridge)
- Lake Karapiro, sporting and cultural events (Waipa)

5.2.3 Education Institution Visitor Demand

Major tertiary education institutions based in Hamilton (The University of Waikato and Waikato Institute of Technology (Wintec)) have approximately 24,000 Equivalent Full Time and Part Time tertiary students and 2,400 staff between them.

These institutions generate commercial accommodation demand in the Free Individual Traveller (FIT) segment, from visiting friends and relatives, as well demand from visiting academics and speakers.

The new head office for the recently established national ‘mega polytechnic’ Te Pūkenga – New Zealand Institute of Skills and Technology (NZIST) – is based in Hamilton.

The new entity is responsible for all 16 of the country's institutes of technology and polytechnics, including Wintec. Visitors to the head office will generate incremental commercial accommodation demand in Hamilton.

6 COMMERCIAL ACCOMMODATION MARKET OVERVIEW

6.1 HAMILTON HOTELS, MOTELS AND SERVICED APARTMENTS

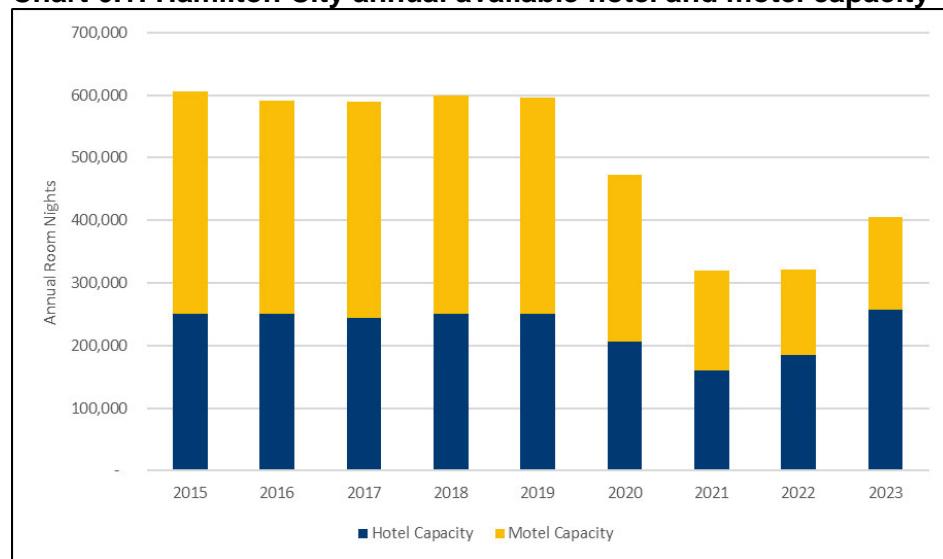
With the exception of the Covid-19 period, hotel room capacity in Hamilton has been stable over the past five years at circa 690 rooms across 8 hotels, rising to 730 rooms after a 40 room addition to the Novotel in 2020. Capacity during the Covid-19 period was impacted by two hotels being used as managed isolation facilities.

Motel capacity however has been decreasing considerably for some time as motels converted to providers of emergency housing under contracts with the Ministry of Social Development (MSD). We discuss this more in section 6.2.

According to the government's Commercial Accommodation Monitor (CAM), the city had 39 motels with a total of 931 rooms as at September 2019 which was the last month of reporting. Since then, the Accommodation Data Program (ADP) has reported a total of 33 motels with a total of 740 rooms as at June 2023. Of the 33 motels, just 20 motels and a total of 410 rooms were reported as active and available to the market. This represents an available room capacity of just 55% of the built capacity. Prior to ADP data, CAM data did not distinguish between built capacity and available capacity.

The following chart shows the available capacity reported by CAM and ADP.

Chart 6.1: Hamilton City annual available hotel and motel capacity



(Source: CAM & ADP)

Table 6.1: Hamilton City Hotel Supply

Hotel Property Name	Key Count	Trip Advisor Rating ²
Novotel Hamilton Tainui	217	4.0
Distinction Hamilton Hotel & Conference Centre	147	3.0
ibis Hamilton Tainui	126	4.0
Ramada by Wyndham Hamilton City Centre	69	3.0
Heartland Ambassador Hotel Hamilton	51	4.0
Ventura Inn & Suites Hamilton	50	4.0
VR Hamilton Hotel	38	3.0
Abbots Hamilton Hotel & Conference Centre	32	2.5
Sub-total – Hamilton City	730	3.6
Jet Park Hamilton Airport (Waipa District)	61	4.5
Total – Greater Hamilton	791	3.7

(Source: Horwath HTL, Trip.com, Tripadvisor)

Our market enquiries with hotel operators and booking agents indicate that hotel supply is often highly constrained on weekdays when demand from business travellers is strong. With much of the hotel supply relatively dated and in need of refurbishment, the Novotel is regarded as the leading hotel that meets the quality standards expected by today's frequent business and leisure travellers, while the recently upgraded Ibis hotel leads the budget category.

Based on public advertised room rates, the Novotel achieves a significant room rate premium over the rest of the market. We understand that the constraint on available hotel rooms midweek results in many business travellers who would prefer to stay in hotels have to stay in motels instead.

Table 6.2 summarises the leading Hamilton serviced apartments and motels based on size and TripAdvisor rating.

Table 6.2: Top 10 Hamilton Motel and Serviced Apartment Supply

Motel Property Name		Key Count	Trip Advisor Rating
Albert Court Motor Lodge		18	5.0
Argent Motor Lodge		19	5.0
Astra Motor Lodge		16	5.0
Atrium On Ulster		28	4.5
Bella Vista Motel Hamilton		18	4.5
BK's Hamilton Motel		28	4.5
Quantum Lodge Motor Inn		25	5.0
Stadium Motel		17	4.0
Ulster Lodge Motel		18	4.0
Quest Hamilton		40	3.5
Total – SA and top 10 motels		227	4.4

(Source: Horwath HTL)

² Calculated Average Tripadvisor ratings are weighted for hotel/motel size.

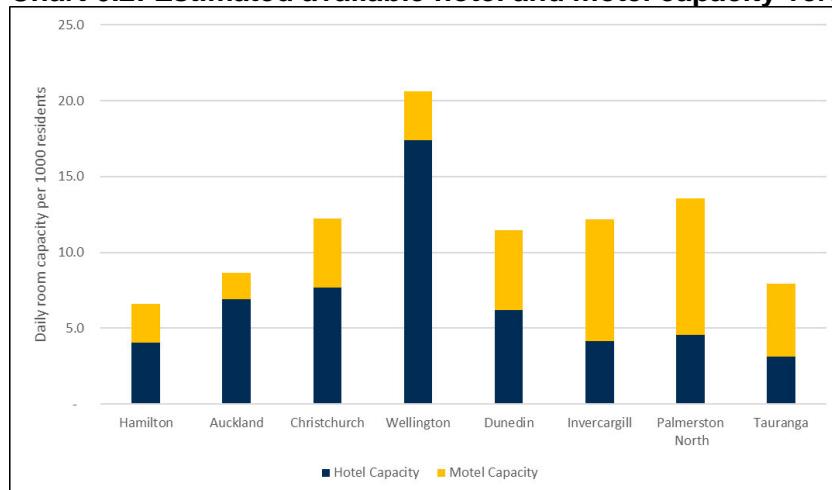
If all Hamilton motels were included in the analysis, the average TripAdvisor score would fall to a score similar to the average hotel score of 3.8.

The 'Quest on Ward' (29 rooms), has been closed for building maintenance issues since April / May 2019. It is expected that this property will be reinstated into the competitive room supply in the 3rd quarter of 2023.

As New Zealand's fourth-largest city in terms of population, Hamilton's hotel supply has been relatively low compared to other commercial centres and does not seem to reflect the needs of the city's growing economy.

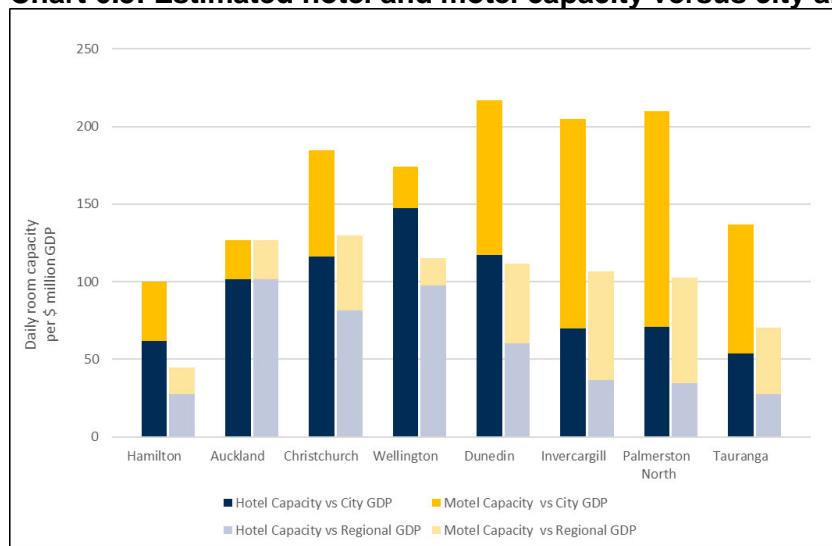
Charts 6.2 and 6.3 show comparisons of Hamilton's accommodation capacity with other centres in relation to their population and the economic output of the city and the region for which the city is the commercial hub.

Chart 6.2: Estimated available hotel and motel capacity versus city population



(Source: Stats NZ, Fresh Info & Horwath HTL)

Chart 6.3: Estimated hotel and motel capacity versus city and regional GDP



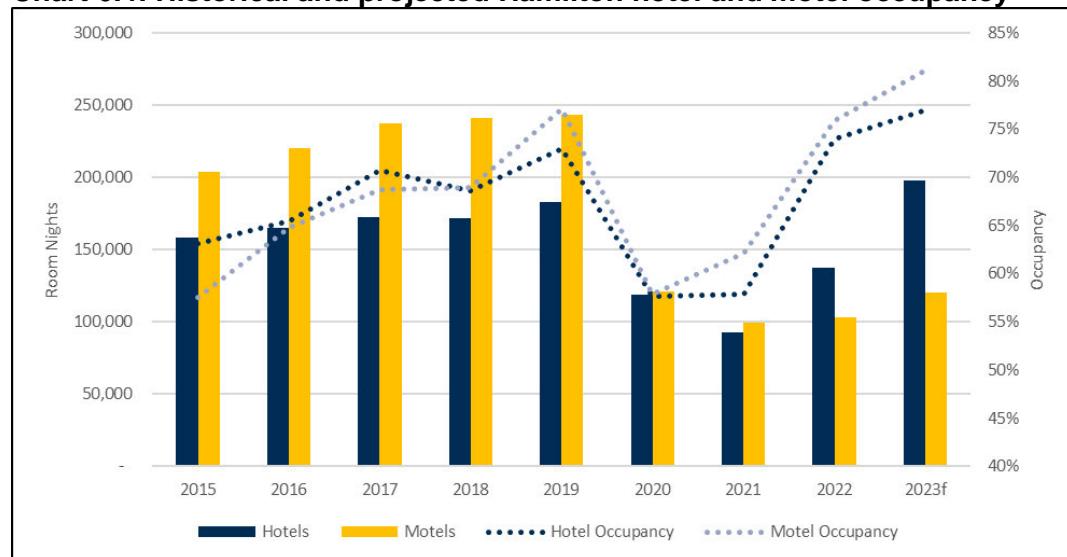
(Source: Stats NZ, Fresh Info & Horwath HTL)

While the city's room supply has declined, room night demand, outside of Covid impacted years, has continued to increase, resulting in Average Occupancy Rates (AOR) for the market exceeding 75% with clear signs of constraint demand for hotels as well as motels .

Occupancies vary significantly based on the quality standards and ratings of hotels and motels. Our desktop research and inquiries with operators, owners and accommodation booking agents indicate that hotels and motels that are preferred due to their quality, branding and location were often booked out and achieved annual occupancy rates in excess of 85-90%.

Chart 6.4 shows the city's historic occupancies and our projections for 2023.

Chart 6.4: Historical and projected Hamilton hotel and motel occupancy



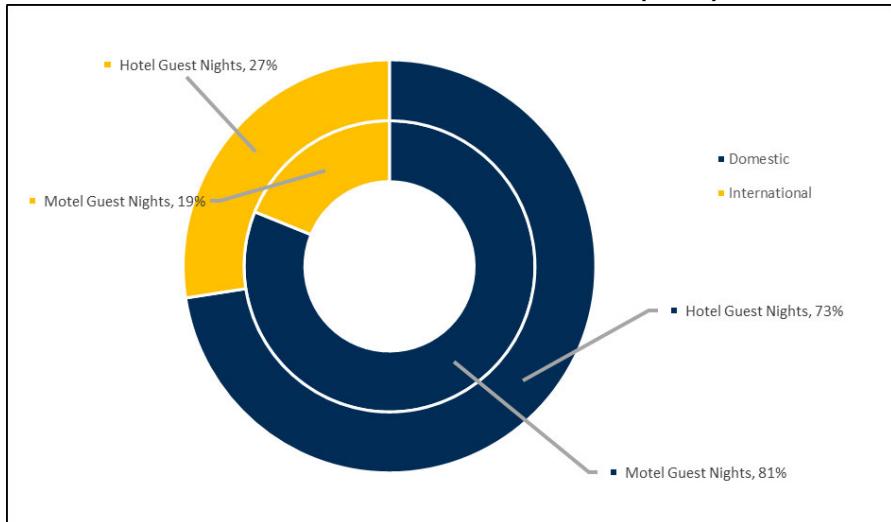
(Source: CAM,ADP, Horwath HTL)

The average condition and small size of many hotels have made them less distinct from the typical motel, resulting in many motels successfully competing for guests that would normally prefer to stay in hotels. This is reflected in the similar occupancy rates after accounting for the expected much higher than average hotel occupancies achieved by hotels such as the Novotel.

Despite a strong growth over the five years pre-Covid-19, Hamilton still has a relative low dependence on international visitors as shown in Chart 6.5.

We estimate³ that approximately 27% of hotel visitor nights and 19% of motel visitor nights were derived from international markets. This compared to a national average of 47% of all hotel visitor nights and 34% of all motel visitor nights.

³ Estimates are based on regional data published by Tourism Industry Association (TIA) and Tourism Expenditure data published by MBIE,

Chart 6.5: Domestic versus International mix (2019)


(Source: TIA, Horwath HTL)

The share of international visitor nights over the five years to 2019 appears not have grown in line with the city's international tourism spend.

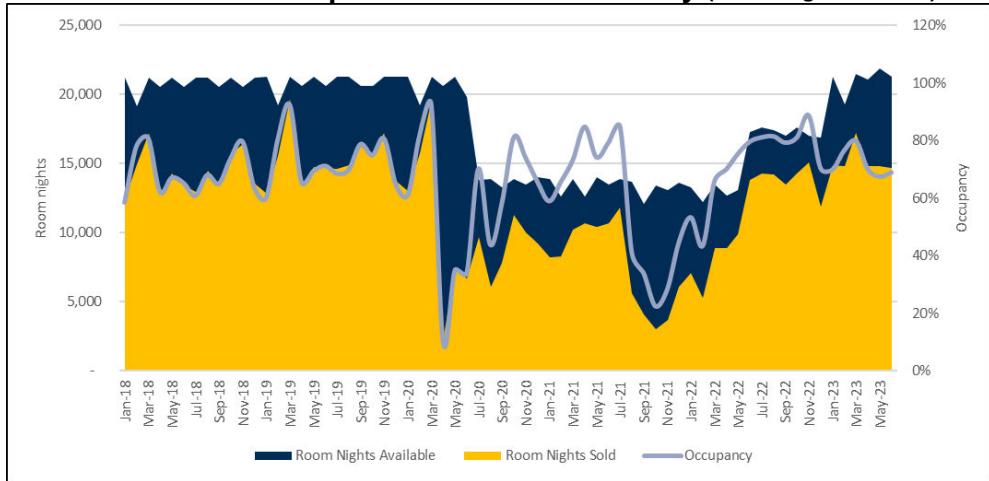
This suggests an increasing number of international travellers who do not stay overnight in the city and instead pass through or return to cities such as Rotorua and Auckland.

6.2 IMPACT OF GOVERNMENT HOTEL AND MOTEL DEMAND

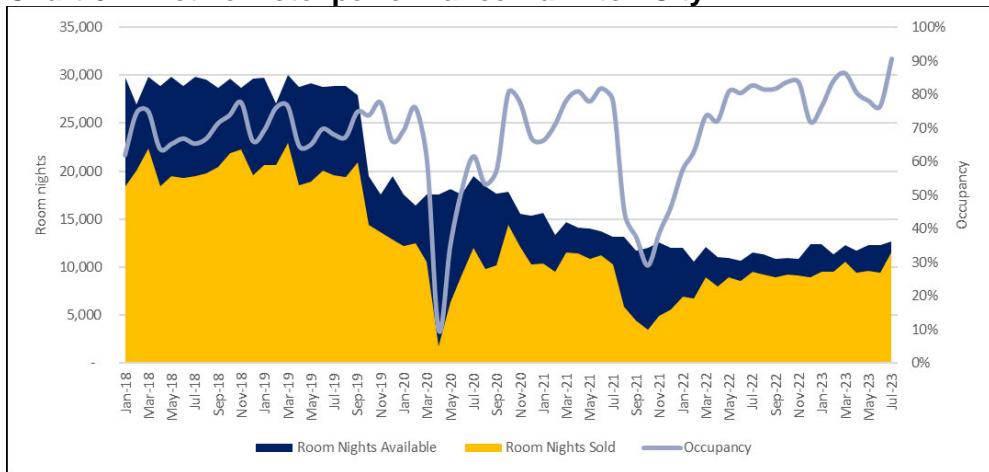
Based on the data reported and our research, we estimate that the city currently has circa 33 motels/lodges with a total of 652 rooms that are used for emergency housing and are closed to the public. At least circa 15 of these motels/lodges have been doing so since before 2020, while an estimated 18 more motels have closed to the public for the purpose of providing emergency housing since 2020. Furthermore, since 2019, many motels are used by the Ministry of Social Development (MSD) for social housing which taken many motels out of the market.

This has resulted in rising occupancy rates and many instances where consumers' preferred accommodation choices have no availability.

The charts below show the impact of the significant supply and demand changes amongst the city's hotels and motels.

Chart 6.6: Active Hotel performance Hamilton city (Excluding MIQ hotels)


(Source: CAM, ADP, Horwath HTL)

Chart 6.7: Active Motel performance Hamilton City


(Source: CAM, ADP, Horwath HTL)

The effective removal of supply has resulted in demand shifting to areas outside of Hamilton, including regional Waikato and in some instances Tauranga which have experienced significant occupancy increases. It has also resulted in some demand transferring to private accommodation such as Airbnb which we have illustrated in the next section.

Our inquiries with several booking agents indicate that even before Covid-19 many had great difficulty securing the quality of accommodation that met their requirements (especially during weekdays) and that they frequently had to book non-preferred facilities or locations for their travellers. The supply decrease since mid-2020 has significantly exacerbated this problem.

Although we understand that several motels are accepting only MSD business, the data suggests that the MSD demand is spread more widely in other properties not dedicated solely to MSD business.

MSD reported that more than 24,000 people were listed on the housing register as of September 2022 and that the number of people without a place to live had surged. According to MSD, motels were packed with people in need, and Hamilton had 720 “households” in emergency housing dotted throughout the city.

The period of time over which MSD demand will continue at this level is uncertain, and it is possible that at least some level of MSD demand will continue for several years.

Many of the motels currently used by MSD have facilities that are dated and will require considerable investment if they were to return to the open market.

We expect that much of this capacity may continue to be used by MSD for the next few years or may be permanently re-purposed to another use either for or as a result of this activity.

6.3 OTHER HOTEL AND MOTEL MARKET CHARACTERISTICS

6.3.1 Consumer insights and market trends

Our inquiries with several hotel and motel operators, showed a general optimism about the market with owners reporting strong occupancy levels which fluctuate widely. An operator of a good quality mid-size hotel reported a full year 2019 occupancy of circa 85% while an operator of a mid-size hotel that required refurbishment reported occupancies of circa 65% for the same period.

One motel provider stated that in 2019 his property had an average annual occupancy in excess of 90%. We estimate that the Novotel, being the market leader had annual occupancies in the range of 84%-89% and has seen little to no drop in occupancy after the completion of an extension with 40 additional rooms in 2020.

Much of the occupancies are driven by strong weekday business and government demand. Major companies such as Fonterra, AMI, Rabobank, Gallagher and The University of Waikato are solid contributors to demand, not only in hotels but also in good quality motels.

Much of the demand is also derived from travellers visiting the many Small and Medium-sized Enterprises (SMEs) in the city and wider region. Contributing government departments include health, social development, education, justice, police and corrections.

Meeting and conference delegates attending events at the Claudelands Events Centre frequently choose motels for their overnight accommodation, with motel owners claiming that they offer better service than many of the hotels.

One operator of a domestic hotel brand mentioned that “big conferences will fill the town one or two days per week, about every other week.” During such periods and during other major events, they can achieve room rates from \$280 to \$400.

Hotels / Motels with sufficient on-site car parking find it easier to attract business travellers than those without.

Demand during weekends and school holidays has grown considerably over the past years. This has been driven by many sporting events in and around the city, concerts, events at Claudelands, weddings and other celebrations, Visiting Friends & Relatives (VFR) travel during the festive season, visitors exploring the Waikato cycle trails and visitors from the lower North Island stopping over on their way to Auckland.

One operator mentioned “there is always something happening on the weekend in Hamilton,” referring to activities that attract overnight visitors.

Weekend demand is dominated by families, groups of friends, couples and sporting teams, who often prefer larger size, motel accommodation with or without the options to prepare a simple meal in the room.

We have also made inquiries about the Hamilton accommodation market with several representatives of major travel management companies (TMCs). They handle accommodation bookings for all national government employees, major national and international companies, sporting organisations, etc.

TMCs typically select preferred hotels / motels, negotiate rates and booking terms, make the bookings on behalf of the traveller and according to the organisation’s travel policies.

Our enquiries substantiated some key market trends we have seen during the last few years outside the Covid-19 period, in respect of the government and business market segment such as:

- a demand for accommodation in Hamilton for corporate and government employees from all levels (from executive to contract employees)
- frequent difficulty booking the desired standard of accommodation due to no availability or high room rates; a large number of bookings are made in non-preferred properties, most of which are motels.
- a strong preference for 4-4.5 star properties

- a general preference for national or international branded hotels that provide consistent quality standards, ease of booking and a trusted environment.
- a general preference for larger, branded hotels and hotel companies that they can use across the country and that offer a loyalty program
- little to no bargaining power by TMC's in terms of rates and availability with their preferred hotels
- a frequent preference for self-contained facilities such as serviced apartments with female business travellers
- a room rate expectation of between \$230-\$320 (incl GST) for a 4-4.5 star hotel, with a maximum rate for government employees of around \$275
- current room rates in Hamilton are at the lower end of the top four cities in New Zealand
- while occasionally bookings are made at AirBNBs, the lack of certainty regarding quality standards, difficulties around the booking process and relationships make this type of accommodation not very suitable for TMCs
- a strong preference for the Novotel as it best meets their quality standards
- TMCs consider booking at motels a “bit of a lottery,” or “hit and miss,” referring to the lack of consistency in quality standards
- the hotel/motel’s location is not a priority factor in choosing accommodation, with most travellers prepared to use a car or taxi to travel to and from their place of work.

6.3.2 Lost / Declined Events at Claudelands

The current constraint on the existing supply of hotel accommodation in Hamilton is widely accepted as resulting in the loss of some large potential conference events for Claudelands.

Based on specific enquiries with the event planning team at Claudelands, we are advised that Claudelands misses out on a substantial volume of business due to the limited availability of suitable accommodation in Hamilton City.

Examples of such events lost to Hamilton in recent times include:

- Building Nations Symposium (Infrastructure NZ) – 500 delegates, 3 days
- Harcourts Annual Conference – 900 delegates, 4 days
- Veterinary Association Congress – 3,000 delegates, 5 days
- Intensive Care Conference – 400 delegates, 5 days.

Events such as these usually require a higher than average standard of commercial accommodation (usually 4–4.5 star hotels). The existing supply of 4–4.5 star hotels in Hamilton is not capable of accommodating events with 300 attendees or more.

The Waikato region has earned a reputation for hosting successful business events but has to decline additional business because of the shortage of available accommodation.

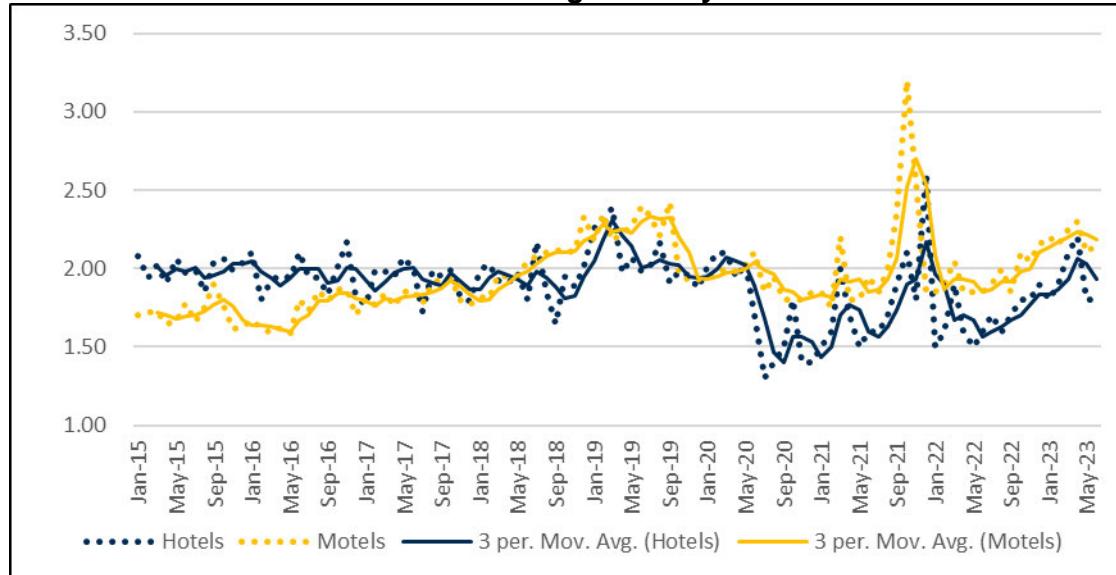
Professional Conference Organisers (PCOs) who specialise in association events have effectively ‘crossed out’ Hamilton City as a potential destination because of the lack of available accommodation in the city.

Nevertheless, H3 (the Claudelands management team) are investing significant time and resources into targeting the Association market and believes that at least one more quality 4-star hotel would align with event organiser requirements.

6.3.3 Average Length of Stay

Despite the development of the Waikato express way, shortening the travel time between Auckland and Hamilton, the Average Length of Stay (ALS) in hotels appears to recover to around 2 nights following shorter stays during the Covid-19 impacted years. This is illustrated in Chart 6.8. Furthermore, the ALS in Hamilton is well above the national average of 1.8 for hotels and 1.9 for motels.

Chart 6.8: Hamilton Hotel and Motel Length of Stay 2015-2023



(Source: Accommodation Survey, Stats NZ, Horwath HTL)

In addition to the general increase in economic and leisure activity, we attribute the following factors to this trend:

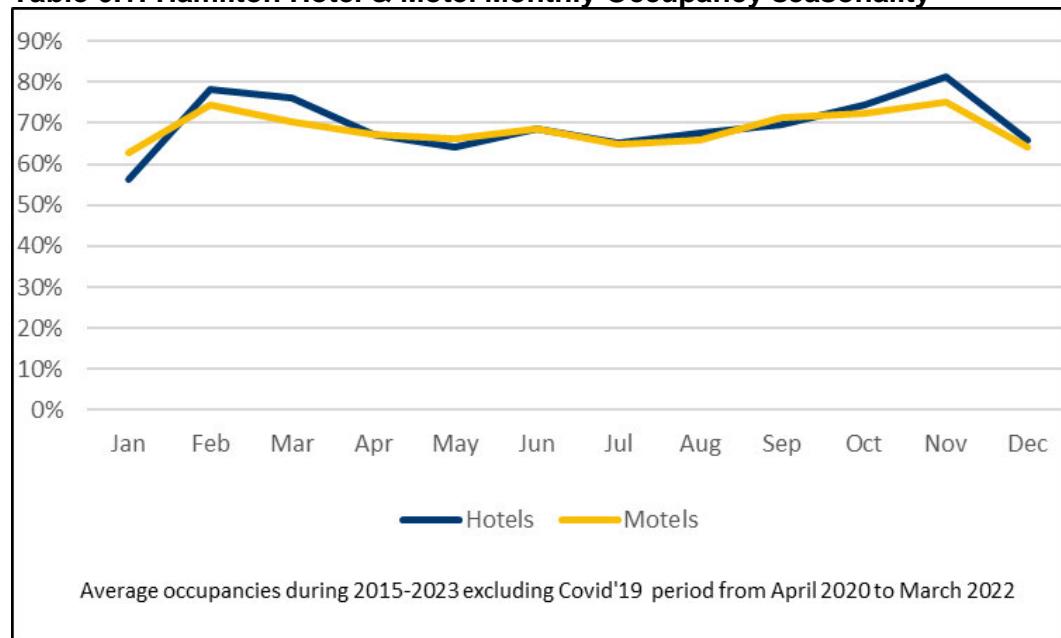
- an increase in the number of multi day business and leisure events in Claudelands Events Centre and other venues in the area

- an increasing number of business travellers who use prefer to use Hamilton as a base to cover the wider Waikato region
- a shift in multi-day midweek corporate demand from hotels to motels as hotel room rates have increased and midweek hotel capacity has been constrained.

6.3.4 Seasonality

Table 6.1 summarises changes in Hamilton's hotel and motel Average Occupancy Rate (AOR) on a monthly basis for the five years pre-covid to February 2020. Commercial accommodation demand in Hamilton is less seasonal when compared to many visitor destinations in New Zealand, with the lowest occupancy being experienced in January (rather than winter). This reflects the significant proportion of commercial accommodation demand derived from the business / corporate segment.

Table 6.1: Hamilton Hotel & Motel Monthly Occupancy seasonality



(Source: Accommodation Survey, Stats NZ)

6.3.5 Weekday vs Weekend demand

While no market statistics are available about weekday and weekend demand, our inquiries with several hotel and motel owners and operators suggest that over the past years, weekend demand has increased considerably as a result of a growing number of events in and around the city.

Particularly on Saturday nights, hotel and motel occupancies often meet or exceed those on popular weekdays, reaching in excess of 80%-85%. This is reflected in the typical pricing we have observed and discussed in the next section.

6.4 ESTIMATED CURRENT HOTEL AND MOTEL RATES

Information regarding average achieved actual room rates for Hamilton hotels and motels is not publicly available.

Domestic branded hotel operators, report lead-in room rates of \$175–\$200 (incl GST) with contracted corporate & government rates for premium room types in the range of \$200–\$220.

Based on our market research, we estimate that the full year 2023 ADR for a typical mid-size 4-star hotel/motels be in the range of \$170–\$190 (excl GST) and the ADR for the leading hotel around \$220–\$240 (excl GST)

Appendix B shows Hamilton hotel and motel public rates quoted on third-party websites for 12 days during the period August-December 2023.

The Novotel Tainui is the clear market leader. A sample of publicly advertised room rates during the period August-December 2023, show the rates offered for a standard room by the Novotel Tainui were on average \$67 (29%) higher than rates offered by its closest rate competitor (the recently upgraded Ibis Hotel) and \$102 (53%) higher than the average of other competitors. The hotel has recently been awarded the Accor Pacific Award for the best performing property across 360 hotels in the Pacific Region which, apart from New Zealand also includes Australia, French Polynesia and Hawaii.

The motels and serviced apartments in Hamilton appear to have minimal optimisation in revenue management and price adjustments, as rates stay consistent throughout the week and few properties appear to adjust their prices based on peak demand periods in Hamilton.

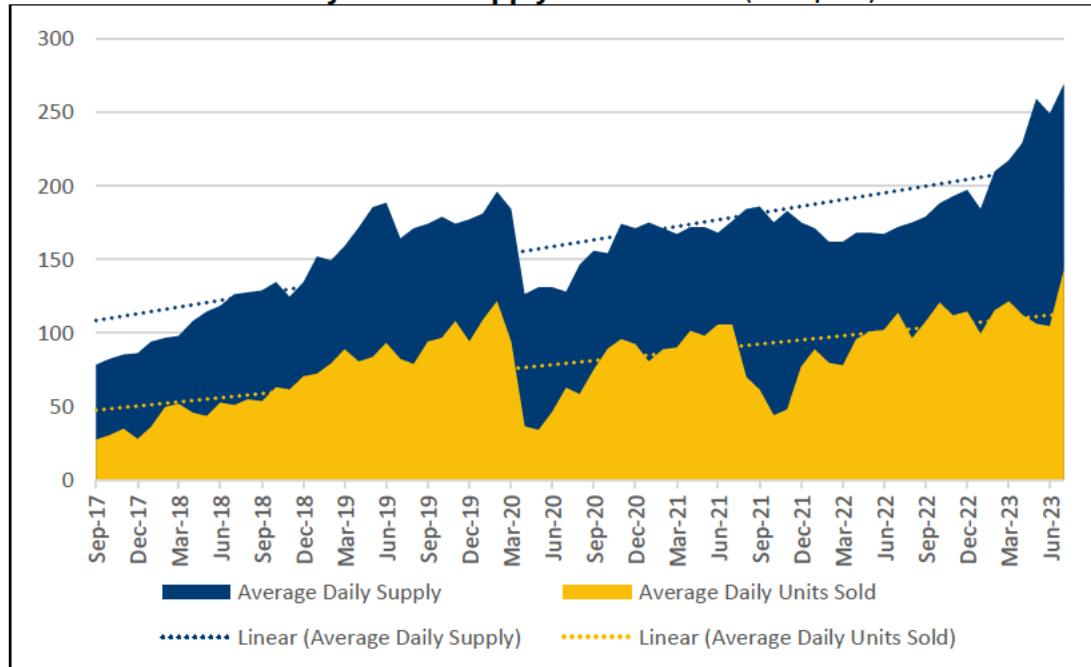
6.5 PRIVATE HAMILTON CITY ACCOMMODATION

In considering the demand and supply for Hamilton City, we have also taken into account the extent of private accommodation that has been made available by private individuals effectively on a commercial basis.

A good example of this, which has gained significant increases in both demand and supply in recent years, is Airbnb. This style of private accommodation competes directly and indirectly with commercial accommodation providers.

Chart 6.9 shows Airbnb available supply and demand as reported by proprietary website alltherooms.com in the 6 years to July 2023.

The data shows that since 2017, amidst monthly fluctuations, the available Airbnb inventory in 'entire place' listings (ie: excluding private rooms in larger homes) has more than doubled.

Chart 6.9: Hamilton City Airbnb Supply and Demand (entire place)


(Source: alltherooms.com)

Occupancy rates for Airbnb properties (entire place) averaged around 50% in 2019 and 2023 to date.

Airbnb demand is traditionally strongest on weekends and during school holidays, reflecting the popularity of amongst leisure travellers and families. The multi-room Airbnb properties can accommodate a higher density of guests than motels.

Nevertheless, our inquiries and research indicate that there are an increasing number of business travellers to Hamilton that use Airbnb due to constraints in quality commercial accommodation.

We consider it very likely that any new and well marketed hotel supply will attract considerable 'existing' demand away from both motels and Airbnb properties.

Future legislation regarding Airbnb accommodations, like those seen in various cities around the world, might reduce the availability of Airbnb rentals, thereby potentially further increasing demand for hotels.

7 HAMILTON FUTURE OUTLOOK

We expect that a range of developments and initiatives will contribute to a relatively strong growth of future visitor nights.

The New Zealand government's Urban Growth Agenda (UGA) aims to facilitate population growth in New Zealand's leading cities including Hamilton.

Collaboration between Hamilton City Council, Environmental Waikato, Waipa, Matamata-Piako and Waikato District Councils has designed 'Future Proof' as the growth strategy plan specific to Hamilton and Waikato. It outlines key aspects in the "Hamilton–Auckland (H2A) Corridor Plan" and the "Hamilton-Waikato Metropolitan Spatial Plan" in terms of how the UGA's objectives in the Waikato will be achieved.

The UGA has identified the "Hamilton–Auckland corridor" as having significant housing and employment growth potential in the southern Auckland–northern Waikato area to the north and in the greater Hamilton metropolitan area to the south.

Appendix C shows the areas covered within "the corridor" including the following Policies and Plans:

- Transport Corridors
- Priority Development Areas
- Enabling Infrastructure
- Hamilton-Waikato Metropolitan Spatial Plan.

7.1 TRANSPORT CORRIDORS

The roading network provides the main access to Hamilton and the surrounding Waikato region. Other transport infrastructure includes the North Island Main Trunk Line and East Coast Main Truck line, and the Te Awa Cycleway.

A balanced approach is planned to facilitate increased access in the Waikato, and to / from Hamilton in particular.

The "Hamilton-Auckland Corridor Plan & Implementation Programme" outlines key initiatives in future-proofing a balanced approach in accessing Hamilton and its surrounding regions. These include:

- rapid intercity rail service
- start-up passenger rail service
- improved public transport between southern Auckland and Northern Waikato

- introducing peak and more frequent off-peak bus services between towns
- rapid and frequent public transport network.

Implementing these initiatives is expected to further facilitate Hamilton's growth, which should drive additional visitors and commercial accommodation nights.

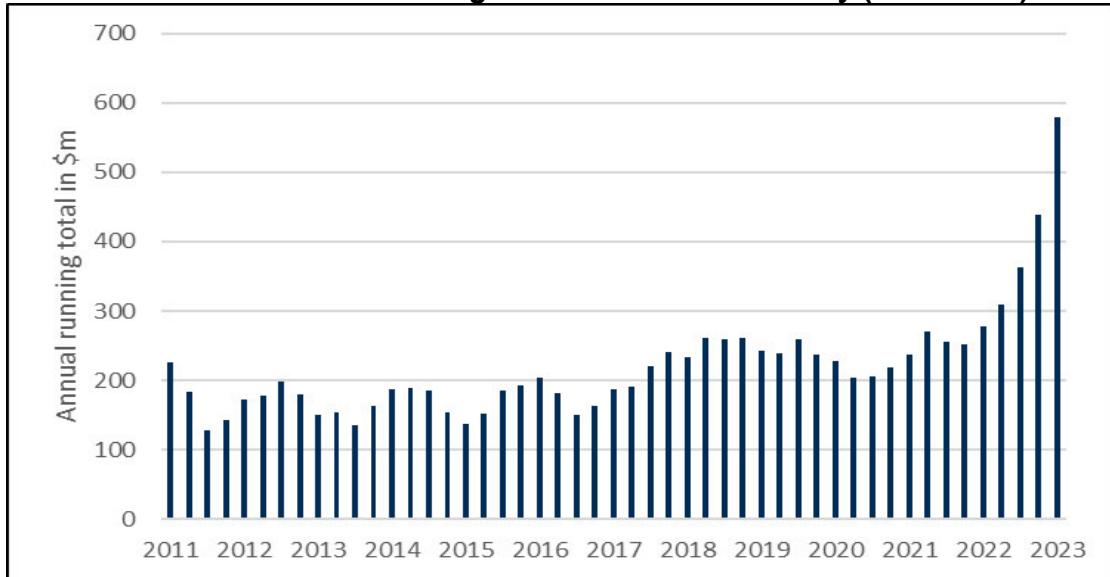
7.2 ECONOMIC GROWTH & DEVELOPMENT

Several major projects which will stimulate further economic growth are either under construction or in planning. These projects will generate increased in commercial activity and visitors to Hamilton and the Waikato. Key projects under construction or planning include:

- Ruakura Superhub, a 490 hectare mixed used development incorporating a 30-hectare Inland Port (expected to open in July/August 2023), 200 hectares logistics and industrial facilities and 1,000 to 2,000 residential houses being developed by Tainui Group Holdings (currently in development)
- rail partnership between Port of Tauranga and the Ruakura Inland Port
- extensive investment into commercial infrastructure development adjacent to Hamilton Airport
- large industrial investments at Huntly and Pokeno.

7.3 CONSTRUCTION AND PROPERTY DEVELOPMENT

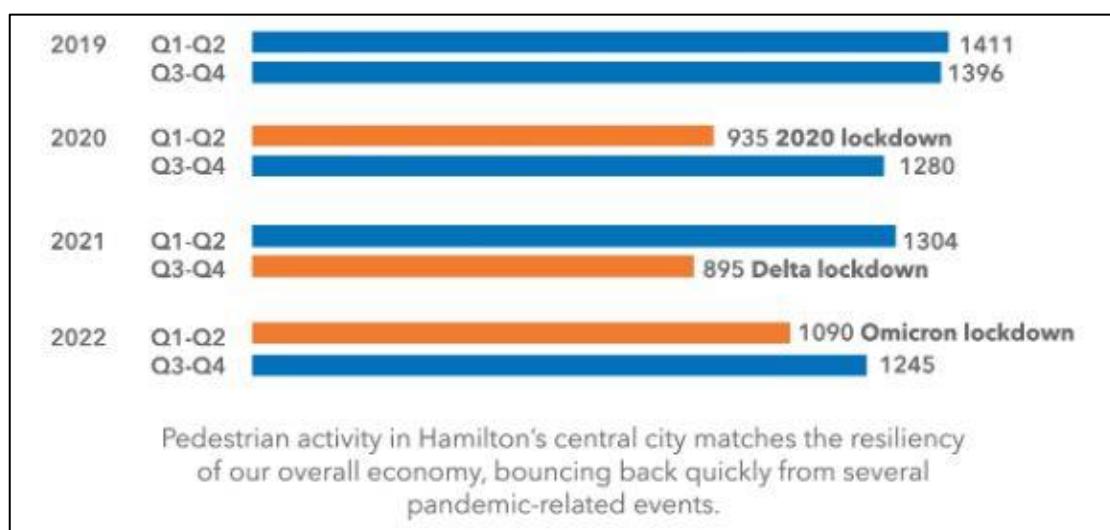
As indicated in Chart 3.2 by the value of non-residential building consents issued by Hamilton City Council over the past 10 years, commercial and industrial development has been strong in Hamilton, reaching a peak in 2023. The ongoing Ruakura superhub development has contributed to a strong increase in consents related to additional industrial construction in the area.

Chart 3.2: Non-residential building consents in Hamilton City (2011–2023)


(Source: Infometrics)

A large portion of previous permits for non-residential construction were focussed on Hamilton's CBD. This area continues to undergo a notable rejuvenation, characterized by the completion, progress, and future initiatives of several significant developments. These initiatives collectively contribute to the growth of the residential and working population within the heart of the city.

The second half of 2022 saw a strong increase in foot traffic in the central city, a measure that is indicative of commercial activity. Commercial development includes office space, retail stores, restaurants, business services and accommodation.

Figure 7-1: Central City Pedestrian Count


(Source: Hamilton City Council)

Tainui Group Holdings recently completed Amohia Ake, the new regional offices for ACC located on the corner of Collingwood and Tristram streets. The three-pavilion, 8500m2 project is designed for 800 staff.

Construction of the 23,000m2 Union Square mixed-use development is currently focused on a second office building with about 5000m2 of office space. It is 90% preleased and set to open in late 2023.

Completed buildings at Union Square include a garage for tenants with 327 carparks, end-of-trip facilities, and e-bike storage. A four-storey office building opened in 2021 and is home to Rabobank, Craigs Investment Partners, and AA Insurance.

According to the city's Council as per June 2023, there was 40,994m2 of commercial development occurring across the central city, up from 30,272m2 12 months ago.

In November 2022, the Government confirmed \$150.6 million of Infrastructure Acceleration Fund (IAF) support for the central city. This funding will support the delivery of a new water reservoir and pump station, a new pedestrian and cycling bridge across the Waikato River, as well as investigations into other strategic water and transport infrastructure to service the central city.

Over the next 10 years, Council predicts about 4000 new homes and more than 300,000m2 of additional commercial development in the central city.

7.4 PRIORITY DEVELOPMENT AREAS

The “Hamilton–Auckland corridor” includes significant identified development potential. To increase overall urban growth, surrounding areas need to be able to accommodate the future potential residential and employment growth of Hamilton City.

Key initiatives and identified priority development areas include:

- Hamilton-Waikato Metropolitan Spatial Plan
- Metropolitan economic corridor
- Drury development (South Auckland)
- Northern metro corridor (Rotokauri, Te Rapa, Horotiu, Ngāruawahia, Hopuhopu, Taupiri)
- Central metro corridor (Frankton, Hamilton city centre, Hospital, University, Ruakura)
- Southern metro corridor (Peacocke, Airport, Te Awamutu, Cambridge).

To enable the planned levels of growth, basic infrastructure requirements need to be met. This includes funding new water, wastewater, flood control, drainage,

and electricity supply. These enablers will be the catalyst for sustainable growth in the region.

The development of these priority areas and the associated infrastructure will result in an increase in skilled workers coming to the region eg: consultants, engineers, builders, and supporting trades. The increase in skilled workers coming to the Waikato will generate further pressure on existing commercial accommodation supply.

7.5 HAMILTON-WAIKATO METROPOLITAN SPATIAL PLAN

The Hamilton-Waikato Metropolitan Spatial Plan (MSP) demonstrates the vision and framework for how Hamilton City and the neighbouring communities within Waikato Region will grow and develop over the next 100+ years.

The MSP includes a significant focus on growing Hamilton's central city area as a civic, administrative, cultural and commercial metro core that is well connected by public transport and safe walking and cycling networks, where people can afford to live and work.

A healthy and thriving city centre will generate migration from smaller towns and cities, driving up demand for all forms of commercial accommodation.

8 OPPORTUNITY FOR NEW COMMERCIAL ACCOMMODATION

Indications are strong for a very positive future for Hamilton and the Waikato Region in terms of development and growth. The perception of Hamilton is rapidly changing to being a vibrant city offering a desirable lifestyle with good connectivity to Auckland. Significant central and local government funding and supporting policies will further increase Hamilton's appeal for further investment by commercial and residential investors.

As a result of this investment, we expect that Hamilton will see a further increase in commercial accommodation demand, provided the accommodation meets the requirements of today's business and leisure travellers.

The relatively few existing hotels and motels in Hamilton City that meet guest expectations are currently achieving strong occupancy rates.

As indicated in previous sections, there is currently reasonably regular compression in the commercial accommodation market, especially mid-week, which is further increased by major events occurring in the city. These events, which occur both during the week and at weekends, can bring significant numbers of visitors to Hamilton. In this environment, room rates achieved by the leading hotels and motels are very strong.

As identified in this report there are a wide range of demand drivers in the business / corporate, government, leisure and Business Events market segments. A regular schedule of entertainment, sports events, visitor attractions and activities help sustain commercial accommodation demand in Hamilton throughout the year.

Ongoing development of new businesses, support of new business infrastructure and other major economic growth initiatives will generate additional Hamilton commercial accommodation demand in coming years.

Tourism expenditure data indicates Hamilton has not been significantly detrimentally impacted in terms of visitor spending as a result of COVID-19.

As discussed in section 6.3.2, there is an increasing number of events that require hotel and other forms of accommodation, and potential events have been lost to Hamilton due to the shortage of suitable accommodation.

Increasing traffic congestion in and around Auckland has made access to many hotels, especially in the Auckland CBD, problematic for some international visitors. With improved road access and shorter travel times from Auckland Airport to Hamilton, this makes Hamilton a more viable and attractive alternative for first and / or last night accommodation of international visitor in New Zealand.

8.1 PROJECTED FUTURE HOTEL AND MOTEL DEMAND

Our projections for future hotel and motel demand take into account projected international arrivals to New Zealand, projected growth of domestic overnight visitors and the share of Hamilton and the Waikato Region of the total visitor nights in New Zealand. We've taken into account the proportion of national visitor nights attributed to the city and region, along with their economic expansion, ongoing development initiatives, and attraction to both business and leisure travellers. They include assumptions about changes over time in market share, the average length of stay and room density.

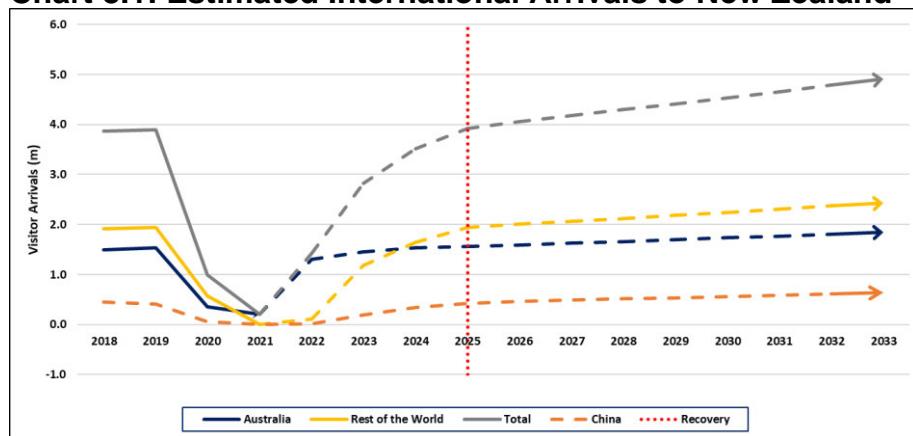
8.1.1 New Zealand – Visitor Night Projections

We project that the number of international arrivals to New Zealand will recover to pre-pandemic levels by 2025. While global international travel has rebounded quickly since 2022, the recovery has been stronger in short haul than in long-haul travel. Airline capacity and economic uncertainty combined with high inflation have caused significant increases in airfares to New Zealand and a more reluctant return of travellers from Europe and China.

This scenario is aligned with expectations expressed by organisations such as the Tourism Export Council New Zealand (TECNZ) and Tourism Industry Aotearoa.

Chart 8.1 shows our long-term projections, including for some of Hamilton's major international markets.

Chart 8.1: Estimated International Arrivals to New Zealand⁴



(Source: Horwath HTL)

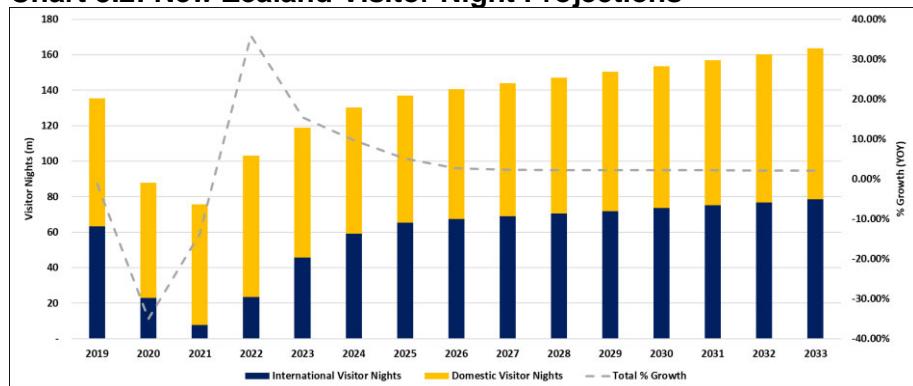
After international arrival numbers have recovered in 2025, we project a growth at a CAGR of 2.8% during the period 2026-2033.

⁴ International visitor arrivals in 2020 and 2021 include New Zealander passport holders returning and spending time in New Zealand, as well as international visitor nights spent in the country prior to the border closure in 2020, and Australian visitors in 2021.

Chart 8.2 shows our projected international and domestic visitor nights spent in New Zealand over the 10 years to 2033.

Our international visitor night projections are based on assumed average lengths of stay in New Zealand which are more conservative than previous assumptions, last published by MBIE up to 2019 and include a gradual decline in key markets such as Australia, China and the USA due to changing travel patterns.

Chart 8.2: New Zealand Visitor Night Projections



(Source: Horwath HTL)

Total international and domestic visitor nights are projected to grow at a modest CAGR of 2.2% after the recovery in 2025 until 2033.

8.1.2 Hamilton - Visitor Night Projections

To estimate the requirement for the city's future hotel capacity, we have projected future demand for hotel and motel accommodation (including serviced apartments) on the basis that there are no supply constraints (otherwise described as 'unconstrained demand').

This assumes that everyone who would prefer to stay in Hamilton will be able to book their accommodation of choice on most days during the year at an acceptable rate.

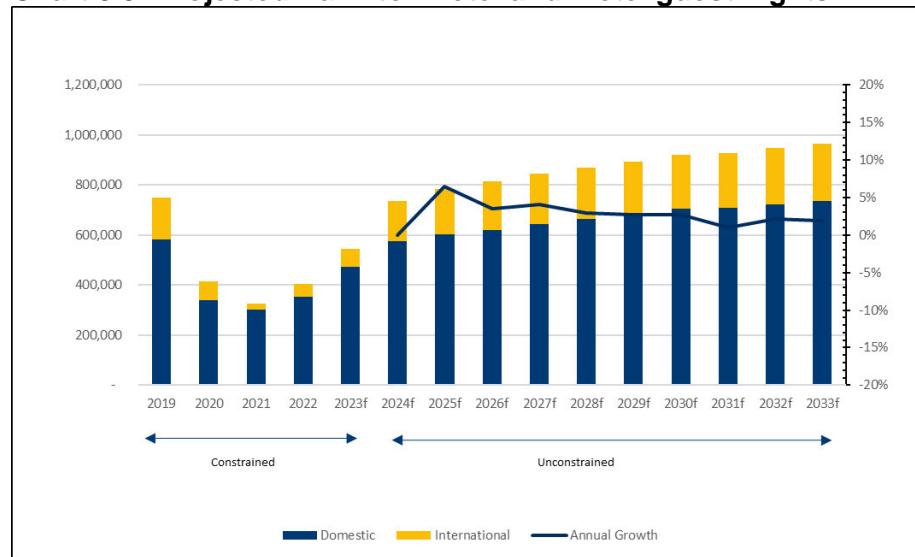
Considering the past and current supply constraints in the market, the pace of recovery seen to date and the city's future outlook, we expect that by 2024 visitor night demand for the city will have returned to pre-covid levels, despite lower international guest nights, driven by strong domestic demand.

Drawing from the information in section 7 of this report, which discusses the city's developmental plans and economic growth potential, we anticipate that future visitor night growth in Hamilton will surpass the national average at a CAGR of 3.0% during the period 2024-2033. This compares to our national visitor night growth projection of 2.8% and reflects our expectation that over

time, Hamilton will increase its historical market share of visitor nights, both for domestic and international visitors.

Chart 8.3 shows our unconstrained demand projections for hotels and motels (including serviced apartments) for the period 2024-2033.

Chart 8.3: Projected Hamilton hotel and motel guest nights



(Source: Horwath HTL)

8.2 FUTURE COMMERCIAL ACCOMMODATION REQUIREMENTS

Chart 8.4 shows our projections for unconstrained hotel and motel room demand. These are based on the projected visitor nights and historical guest room density.

Chart 8.4: Hamilton City - Projected Unconstrained Hotel and Motel Demand



(Source: Horwath HTL)

The growth after most of the Covid-19 recovery in 2024 is projected at a CAGR of 3.0% for the 9 year period to 2033.

We have considered the extent to which motels currently used for emergency housing (as discussed in section 6.2) will be re-positioned and return to available supply for general short-term accommodation.

Most of the motels used for emergency housing will need significant investment to meet the quality standards expected by today's travellers.

Moreover, based on our inquiries, much of the latent demand is for good quality hotel or serviced apartment accommodation in the 4-4.5 star range with sufficient capacity to book group blocks for conferences and other events.

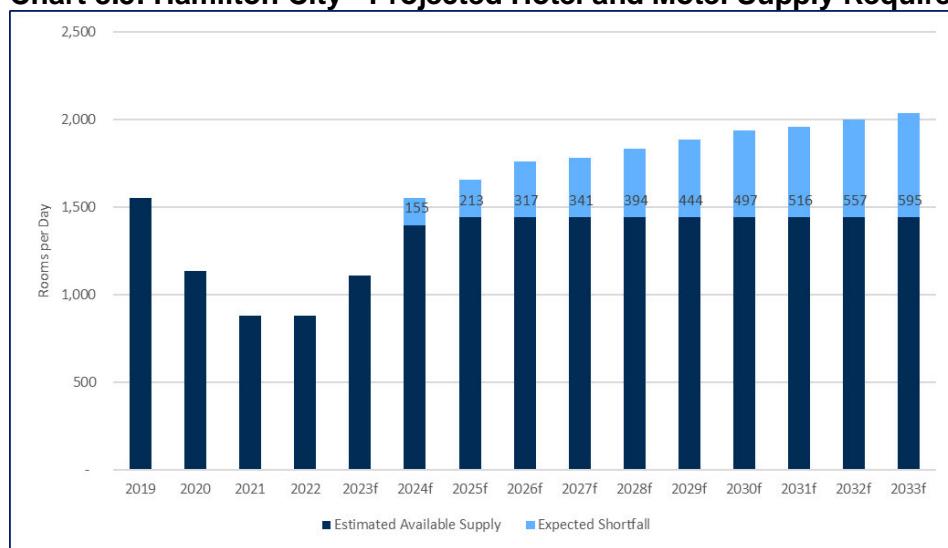
Given the extensive geographic dispersion of many demand drivers, any potential site must offer convenient access to abundant parking facilities, major transportation arteries, and a range of entertainment amenities.

In our projections we have assumed that from 2025 onwards, 85% of the pre-covid motel supply in Hamilton and the Waikato will have returned to the market.

We have also assumed the addition of two 80-room hotel developments in the Waikato region, outside Hamilton, opening in 2026 and 2030, respectively.

Based on the projected demand, we calculate that there will be a requirement of 155 additional rooms in 2024, growing to 595 rooms by 2033 in order to maintain an average annual market occupancy of around 77%.

Chart 8.5: Hamilton City - Projected Hotel and Motel Supply Requirement



(Source: Horwath HTL)

Notwithstanding their quality ratings, in the perception of many modern-day frequent travellers, Hamilton's existing commercial accommodation market is

dominated by motels and smaller hotels at the lower end of the 3-4 star categories.

There is a market opportunity for mid-size and larger hotel accommodation at a 4-4.5 star level to meet the demand from today's travellers and organisers of conferences and events.

Such a hotel will capture much 'latent' visitor night demand, particularly from those travelling for business and attending meetings and conferences but also from today's leisure travellers who expect the standards of facilities to be the same or better as at their homes.

Considering the source markets, we believe there is no significant volume of latent demand for a medium scale or larger 5-star hotel in Hamilton, however an opportunity does exist for small size, high quality boutique accommodation.

To meet current and future demand, financially feasible hotel developments will be influenced by site availability and suitability and could include the following (including a combination of options):

- a 4-4.5-star hotel in the range of 200-250 rooms offering a mix of accommodation types such as studio rooms with or without kitchenettes combined with one and two bedroom apartments to cater for long stay business travellers and the domestic leisure market.
- a 4-4.5 star hotel in the range of 130-160 rooms
- a boutique, high quality (4.5-5-star) property in the range of 40-60 rooms
- 4-4.5 star serviced apartment accommodation, including studios equipped with kitchenettes plus one and two bedroom apartments with a combined key count in the range of 50-80.

A significant proportion of guests will be traveling by car. Having adequate on-site car parking would provide an additional competitive advantage for a new hotel, particularly when considering that car parking for the Novotel and ibis hotels is significantly constrained.

Identifying a site of sufficient scale in or near the Hamilton City CBD will be a key achievement in developing a new hotel.

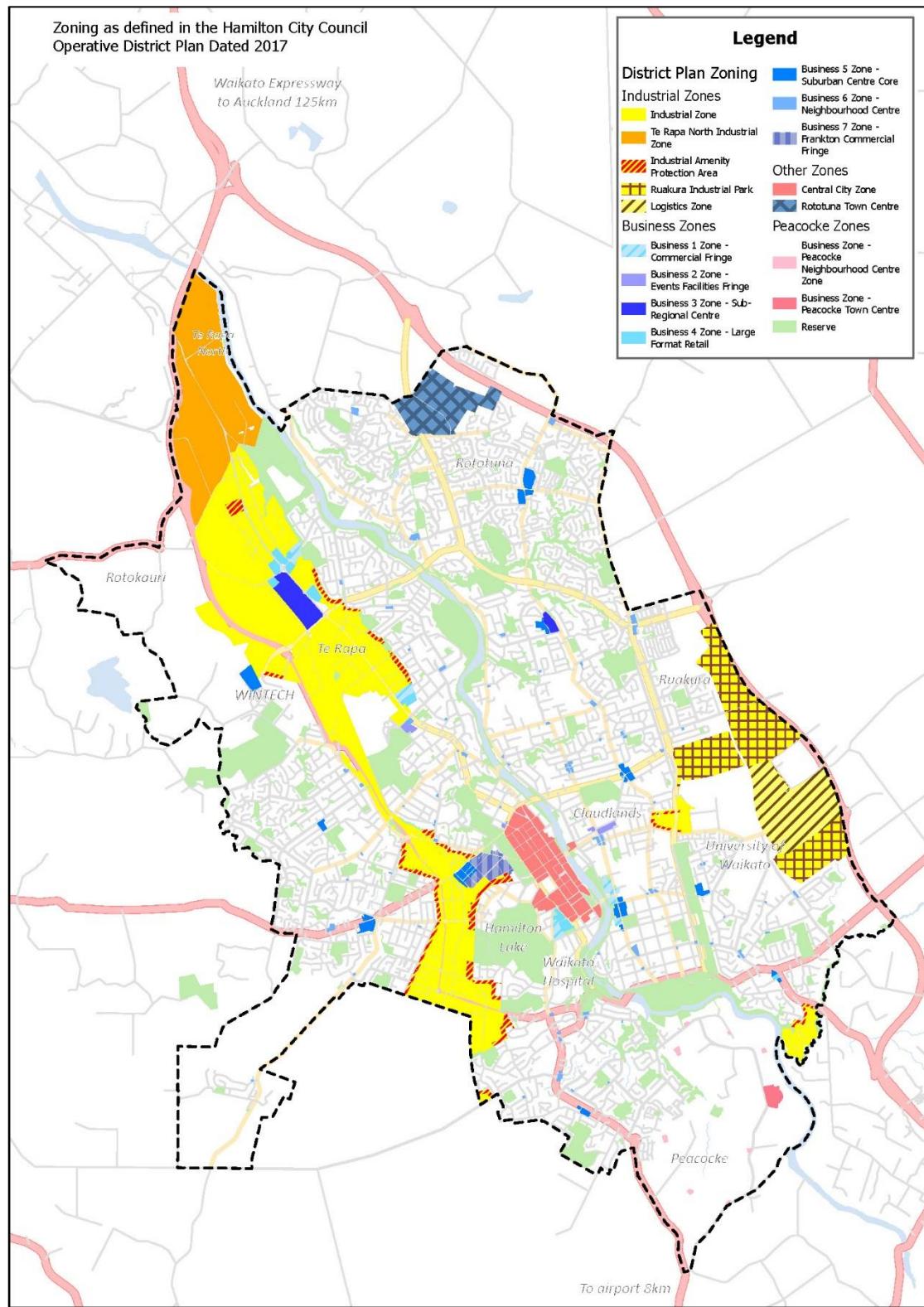
At the time of this report, the following two hotel developments have been granted resource consent:

1. a proposed building conversion on 42 Ward Street to a 4.5 star international hotel, which reportedly will require a variation to be 146 to 160 keys.
2. a 67 room 4-star hotel on Hood Street of which planning has reportedly been paused

Another four projects, at various stages of planning, are mooted in the CBD or CBD fringe locations.

APPENDIX A

Hamilton's Industrial and Business Zones



(Source: Hamilton City Council)

APPENDIX B

Sample Hotels Public Advertised Room Rates for 6 Months 2023

Property	Room Count	Room Type	August		September		October		November		December	
			Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
Novotel Tainui Hamilton	217	Superior Room	259	279	319	299	319	299	299	299	299	279
Ventura Inn & Suites Hamilton	50	Standard Studio	195	185	185	195	175	175	175	185	175	185
Heartland Ambassador Hotel Hamilton	51	Standard Twin Queen	200	240	182	195	200	245	198	220	198	198
Ramada by Wyndham Hamilton	69	Economy Room	152	169	186	186	152	152	152	152	152	152
ibis Hamilton	126	Standard	219	229	229	229	229	229	229	229	229	229
Abbots Hamilton	30	Business Double Room	169	209	169	169	169	169	169	169	169	169
Distinction Hamilton	147	Standard Twin	215	275	215	260	215	260	215	260	215	260

(Source: Booking .com & hotel websites)

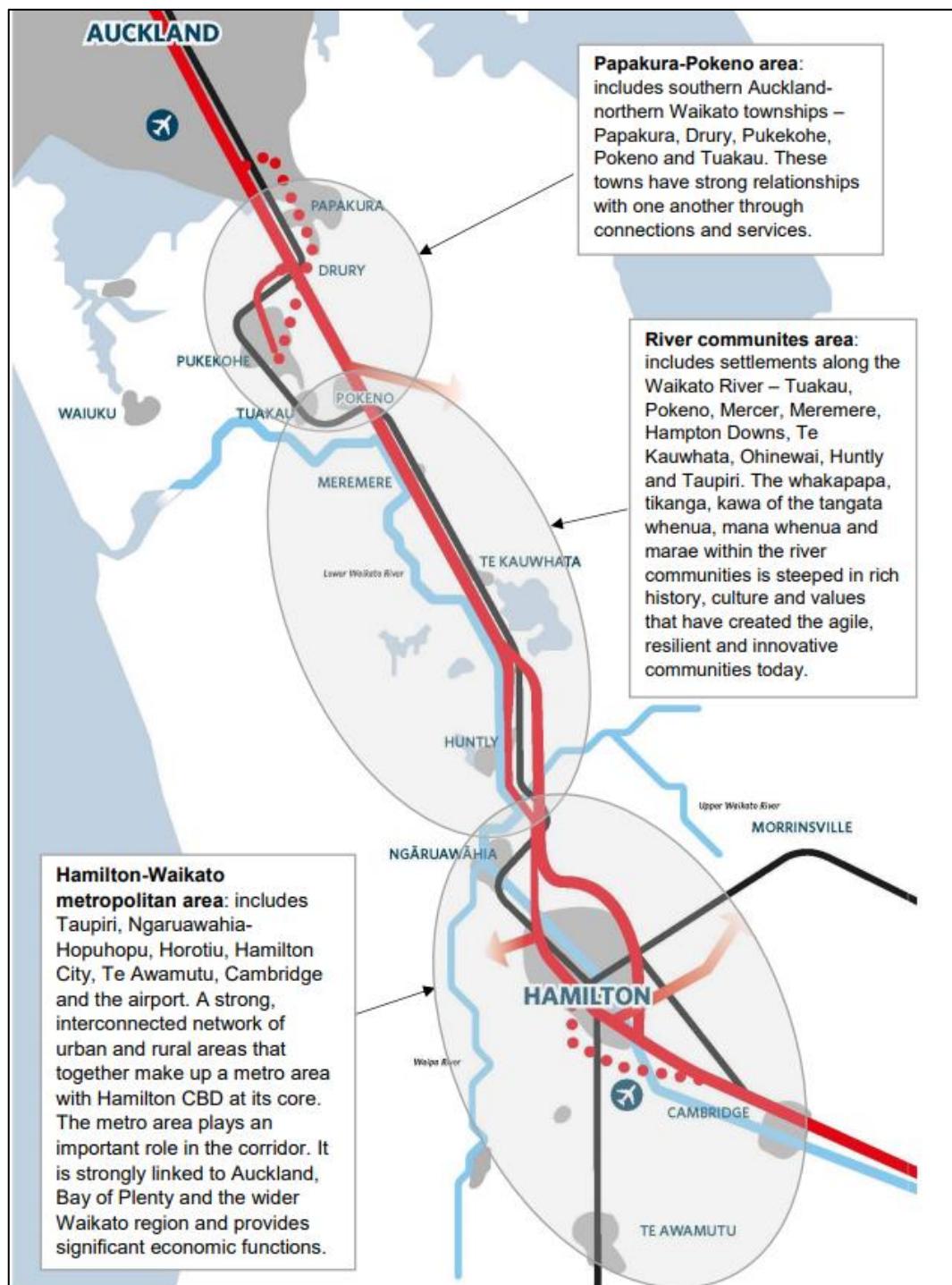
Sample Top Motels Public Advertised Tariffs for 6 Months 2023

Property	Room Count	Room Type	August		September		October		November		December	
			Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
Albert Court Motel Lodge	18	Studio	169	169	169	169	169	169	169	169	169	169
Argent Motor Lodge	19	Studio King	205	205	195	205	205	205	205	205	205	205
Bella Vista Motel	18	Studio	211	211	193	211	211	211	188	188	188	188
Astra Motor Lodge	16	Access Suite	198	198	198	198	198	198	198	198	198	198
Quest Hamilton	38	Studio	335	255	271	242	271	217	271	242	242	214

(Source: Booking .com & motel websites)

APPENDIX C

“The Corridor”



(Source: Hamilton-Auckland Corridor Plan and Implementation Programme)

APPENDIX D

Major Employers in Hamilton area⁵

AFFCO New Zealand

Employs more than 2,800 people and is one of New Zealand's leading meat companies, processing and exporting more than 150,000 tonnes of quality meat products every year. It operates nine processing sites across the North Island of New Zealand, and is represented on six continents through a network of overseas offices and agents.

AgResearch

New Zealand's largest Crown Research Institute – a combination of research centres such as Ruakura, Grasslands, Wallaceville, Lincoln and Invermay where research is carried out to assist pastoral industries, food processing and innovative products.

Alstom Grid

Provides products and system to transmit and distribute electricity, ensure the reliability, quality and safety of energy flows, as well as operate efficient networks through information management.

CHH Kinleith

Pulp and paper milling

Digipoll

A fieldwork services provider specializing in computer assisted telephone interviewing, using an exclusive Random Digit Dialling programme development in-house.

Environment Waikato

Manages natural and physical resources in the Waikato region – including pest control and natural hazard management.

Fonterra Canpac International

Branded, nutritional milk products, blending, sachet packaging, consumer packing, metal packaging, printed cans, canning components and cans.

Forlong & Maisey

Agriculture, biotechnology, light innovation, light aviation, transport logistics, science research, education and healthcare dominate most of the Hamilton economy with other sectors such as manufacturing and retail emerging. This provides a diverse employment environment in the city and a growing demand for property.

Gallagher Group

Animal management systems, fencing, farm performance monitoring.

⁵ Source: <https://www.hamiltonpropertyguide.co.nz/>

The Lines Company Limited

Manages the power lines in the King Country of New Zealand. Head office is in Te Kuiti, but they also have physical presence in Otorohanga, Taumarunui, Turangi, Ohakune and Mangakino.

LIC

LIC's mission is to lead the world with genetics and knowledge to create wealth for pastoral dairy farmers. Livestock improvement sets the standards for the world in dairy herd improvement through a unique national database.

NDA Engineering

Fabricator of large stainless steel process vessels and other equipment. Their customers are mainly from process industries with a large proportion of work being carried out for the dairy, wine, brewing, chemical, mining, pulp and paper, pharmaceutical and food and beverage industries.

New Zealand Forest Managers

A privately owned company specializing in forest management organization that provides commercial forest owners with a comprehensive management service covering the full range of operations from forest development, protection and investment through to harvesting and marketing.

On Gas

NZ's second largest LPG supplier. As part of the NGC Group of companies, On Gas distributes and sells LPG, propane, and butane to industrial, commercial, residential and automotive markets.

Perry Group

Operates businesses in the property development, metal protection, quarrying, sand mining, waste solutions, fertilizer, manufacturing, leisure and entertainment industries.

Porter Hire

Their core business activity is to hire a wide range of earthmoving equipment throughout New Zealand. They are the largest rental company in the Southern Hemisphere. Currently over 1200 machines make the extensive line of equipment.

Timpack Industries

Provides one of the most comprehensive lines of products and services in the timber based packaging industry – the convenience and economy of 'single-sourcing' customers' packaging and service needs.

University of Waikato**Waikato District Health Board**

Responsible for funding and providing services to achieve good health and independence for the 320,000 people living in the Waikato district of the central North Island of New Zealand.

Waikato Institute of Technology

Waikato Times

Established in 1872, it is the third largest daily newspaper in the North Island, and the most popular and well read newspaper in the region.

Wallace Corporation

Employs some 600 staff seasonally. The company is a significant exporter with over 80% of sales to the USA, Canada, Europa, Australia and Asia. Additionally, WCL owns dairy farms surrounding the Waitoa Site and dry stock farms.

APPENDIX E

H3 Venues – Annual Activity

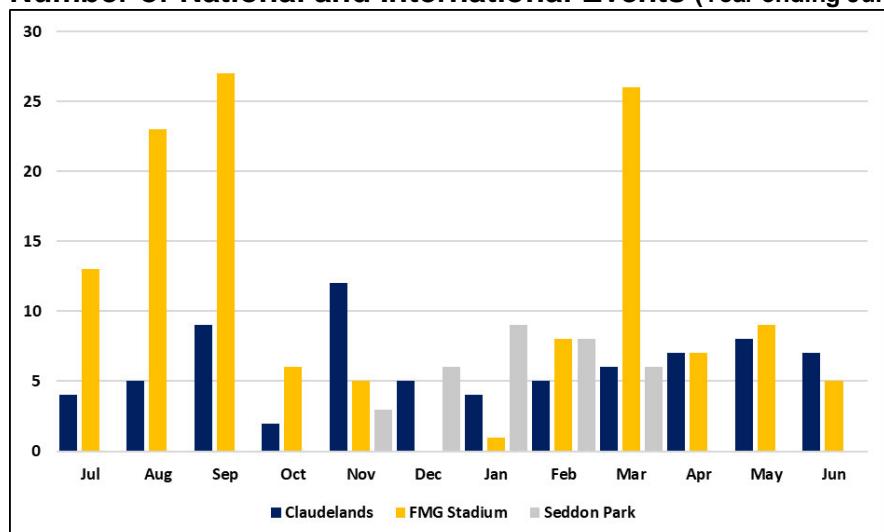
Number of National and International Events by Size (Year ending June 2023)

Type of Event	Event size by number of attendees				Total Events
	2-99	100-499	500-999	1000+	
Conference	0	9	3	0	12
Exhibition	1	2	2	3	8
Function	3	6	0	2	11
Meeting	28	4	0	0	32
Performance	0	3	12	9	24
Sport	113	10	6	20	149
Total	145	34	23	34	236

(Source: H3)

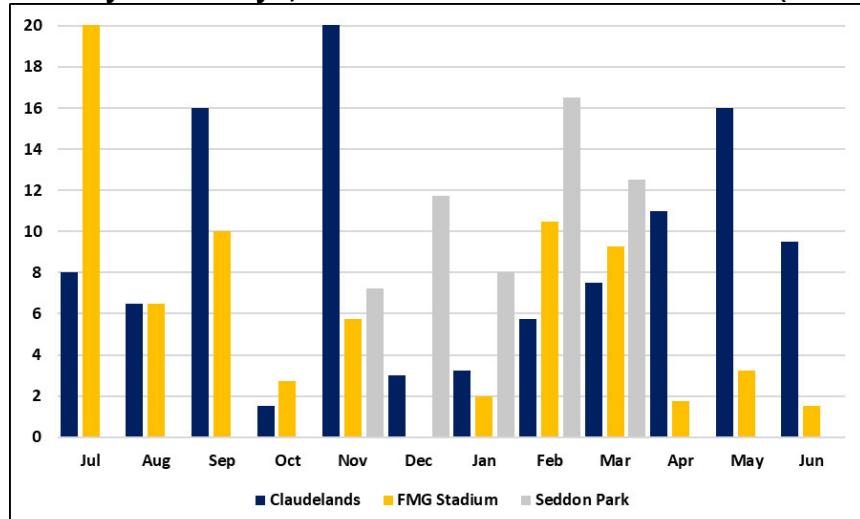
The charts below show the monthly numbers of the main H3 venues in terms of number of events, event days, and total attendance numbers for national and international events (excluding local events) for the year ending June 2023.

Number of National and International Events (Year ending June 2023)

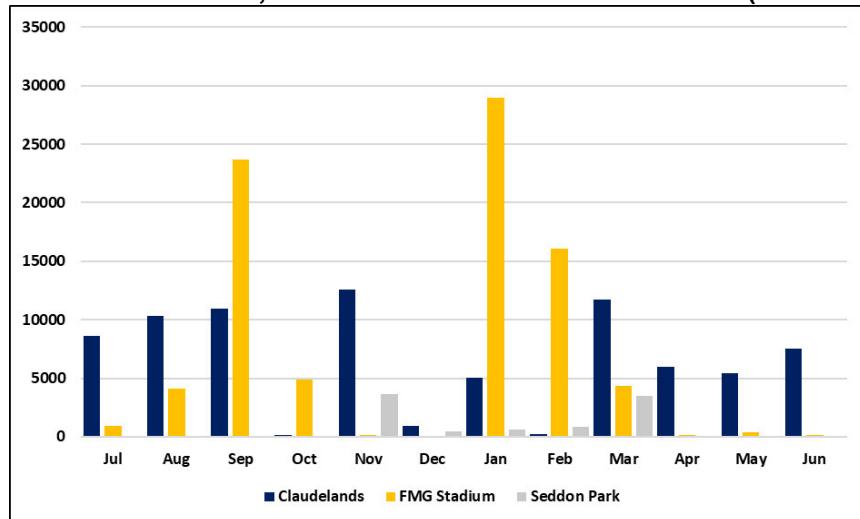


(Source: H3 Venues event analysis)

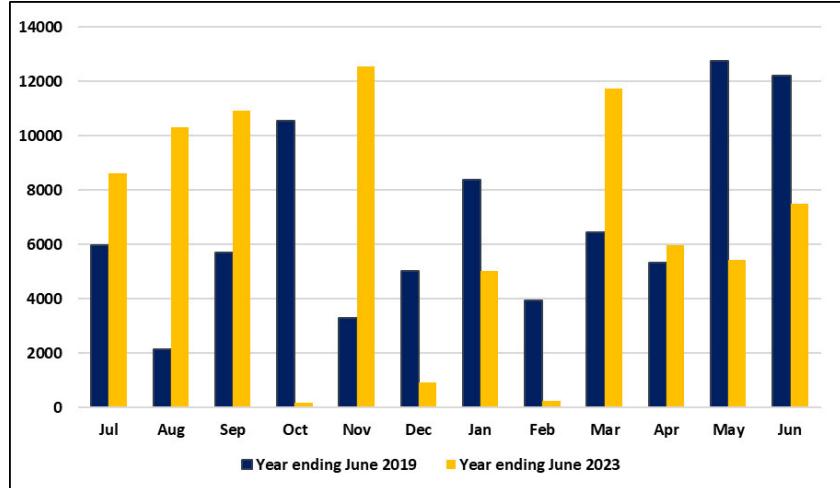
The event attendances suggest that the H3 venues are likely to generate good volumes of commercial accommodation demand in Hamilton.

Monthly Event Days, National and International Events (Year ending June 2023)


(Source: H3 Venues event analysis)

Event Attendance, National and International Events (Year ending June 2023)


(Source: H3 Venues event analysis)

Claudelands – National and International Events Attendance 2023 vs 2019


(Source: H3 Venues event analysis)

APPENDIX F

Claudelands and Mystery Creek Event Spaces

Space	Size m ²	Maximum Capacity	
CLAUDELANDS			
Exhibition Plaza	4,125		
Exhibition Halls A&B	4,002		
Exhibition Halls C&D	3,128		
Globox Arena	2,220	6,000	Theatre
Upper Concourse	1,550	1,400	Cocktail
Heaphy Room (Combined)	992	900	Theatre
Heaphy Room (Double)	662	600	Theatre
Heaphy Room (Single)	331	300	Theatre
Heaphy Prefunction	400		
The Barn	800	650	Cocktail
Brooklyn (Combined)	252	230	Cocktail
Brooklyn 1	168	150	Cocktail
Brooklyn 2	83	70	Cocktail
Brooklyn 3	119	50	Theatre
The Grandstand	202	120	Cocktail
Arena Lounge	197	180	Cocktail
Network Lounge	93	50	Theatre
Oakley Room	80	62	Theatre
Globox Suite	63	40	Theatre
Ricoh Boardroom	49	16	Boardroom
MYSTERY CREEK			
The Pavilion	6,042	6,000	Cocktail
Convention Centre	2,052	1,500	Cocktail
Gallagher Building	800	450	Cocktail
The Bledisloe	1,090	600	Cocktail
The Bledisloe	200	200	Cocktail
Convention Centre Suites	100	150	Cocktail

Claudelands - Globox Arena



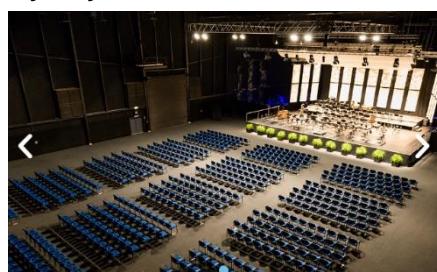
Claudelands - Exhibition Hall



Mystery Creek - Pavilion



Mystery Creek - Convention Centre



Sources:

<https://claudelands.co.nz/spaces/our-spaces/venues>
<https://mysterycreek.co.nz/>