

2022

Hamilton Annual Economic Report

**A snapshot of Hamilton's people, economy and
development and a look at the year ahead**

Published May 2023



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

Contents

Executive summary	4
Introduction	6
Global and domestic economic context	6

Our economy	11
Industry	13
Employment and jobs	16
Card spending	18

Housing	20
Subdivision lots consented	22
Sections and units titled	23
Building consents	24
Houses under construction	27
Houses completed	29
Residential greenfield growth areas	31
House sales	34
OCR and the cost of servicing debt	37
Hamilton's rental market	38

Commercial and industrial development	39
Consenting trends	40
Alterations and additions	44
Industrial land in the city	45

Our people	47
Population	48
Age structure	50

Our central city	52
Infrastructure Acceleration Fund	54
New developments	56
Vacancy rates	57
Doing business	58
Card spending	59
Pedestrian counts	63

Our metro economy	64
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Our outlook	67
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SUMMARY

2022 key growth and economic indicators

CITY AREA



11,093 ha

POPULATION



179,900

BUSINESSES IN THE CITY



16,968

GDP



\$13.4 BILLION

FILLED JOBS IN HAMILTON



104,357

UNEMPLOYMENT RATE



4.3%

NON-RESIDENTIAL DEVELOPMENT



152,900m²

HOUSES UNDER CONSTRUCTION



1121

NEW HOUSES COMPLETED IN 2022



1446

MEDIAN HOUSE PRICE



\$775,000

Report disclaimer:

This document provides general information on the economic growth of Hamilton, and is not intended to be used as a basis for any particular course of action or as a substitute for financial advice. The views and opinions expressed are those of the relevant authors, and do not necessarily reflect the views of Hamilton City Council. Hamilton City Council disclaims all liability in connection with any action that may be taken in reliance of this document, and for any error, deficiency, flaw or omission contained in it.

Sources: Hamilton City Council, Infometrics and Marketview



Executive summary

2022 was an eventful year as the country came crashing off the economic highs of 2021 into the reality of combating high inflation. Business and consumer confidence hit some of the lowest levels New Zealand has seen, and the R word “recession” became the leading headline. The outlook remains mixed but, looking back, the numbers were relatively good for Hamilton, and we saw growth across a range of indicators.

Hamilton cemented its position as the centre of the golden triangle with the opening of the Waikato Expressway and the acceleration of development across the city, particularly in the Ruakura Superhub. We had some of the highest levels of industrial consenting on record with big players in the distribution game – Kmart, Maersk, Big Chill and PBT – announcing moves to Hamilton and developing their new premises here.

2022’s highlights for Hamilton include:

- Record levels of industrial floor area consented (128,600m²) as the Ruakura Superhub gained momentum.
- Hamilton’s job market continued to grow with an additional 3700 filled jobs.
- GDP surpassed \$13 billion for the first time in the September quarter.
- Housing development in our existing suburbs (infill) continued at pace with a record 68% of all new dwelling consents issued for homes in these areas.
- Unemployment fell to 4.3% - the lowest since 2005.
- Supply chain and demand pressures began to ease in the construction sector in the second half of the year, boosting the number of new homes completed.

- Hamilton's population continued to grow, reaching 179,900. Auckland, Wellington and Christchurch all experienced population decline.
- Card spending increased 11% to \$2.8 billion and transactions increased 4%. Hospitality and accommodation spending returned to pre-pandemic levels for the first time.
- Another 828 businesses were created across the city.
- Hamilton received a government grant for \$151 million to advance critical infrastructure in our central city that will enable up to 4000 new homes to be built and support 300,000m² of commercial development.

Challenges:

- The median house price in Hamilton fell \$84,000 from the end of 2021, exacerbated by mortgage rate increases and economic uncertainty. A concern for many and an opportunity for some.
- Commercial consenting remained low compared to pre-pandemic levels as economic uncertainty rose, the cost of financing went up and banks tightened lending criteria.
- Our greenfield areas saw residential consenting fall 42% as house prices fell, construction costs grew and cheaper housing options became available across infill areas.

Significant national and global economic influences included:

- Inflation levels reached record levels in many countries, including New Zealand, leading to central banks hiking interest rates to soften demand.
- Labour shortages were an ongoing challenge for many countries, including those that opened their borders ahead of New Zealand. The competition for migrants increased throughout the year.
- The outbreak of COVID-19's Omicron variant in the first quarter of 2022 saw productivity levels in New Zealand drop as large numbers of people had to isolate and restrictions were

put in place to slow down the spread of the virus.

- China's zero-COVID policy disrupted manufacturing and supply chains as production was reduced and some of China's biggest cities were locked down.
- Closed borders continued to cause disruption in New Zealand in the first half of 2022.
- The Russian invasion of Ukraine disrupted global food and fuel markets and was one of the significant drivers of inflation in Europe.
- Climate-related emergencies were widespread and added to the disruption of global supply chains. Flooding, wildfires, drought, heat waves, and storms hit around the world throughout the year.

The prospect for Hamilton's economy in 2023 is subdued by the outlook for the national and global economies. There continues to be downward pressure from rising interest rates, and high inflation will challenge household budgets. Our outlook is for:

- Industrial consenting to remain strong in Hamilton and create demand for labour and services.
- Residential consenting to decline over the next two years as house prices remain low. There are upside risks with the increased migration levels seen in the past six months.
- Climate change and extreme weather events to continue to pressure food growers and supply chains. These challenges, however, will create opportunities for growers and businesses willing to innovate.
- Demand for New Zealand's exports to soften.
- Inflation to remain above the Reserve Bank of New Zealand (RBNZ) target of 1-3%, with prices continuing to increase in most sectors. Mortgage rates will remain high in response.
- Lower spending to result in some business failures and rising unemployment.
- Increased demand for labour and resources to help rebuild areas impacted by Cyclone Gabrielle.



INTRODUCTION

Global and domestic economic context

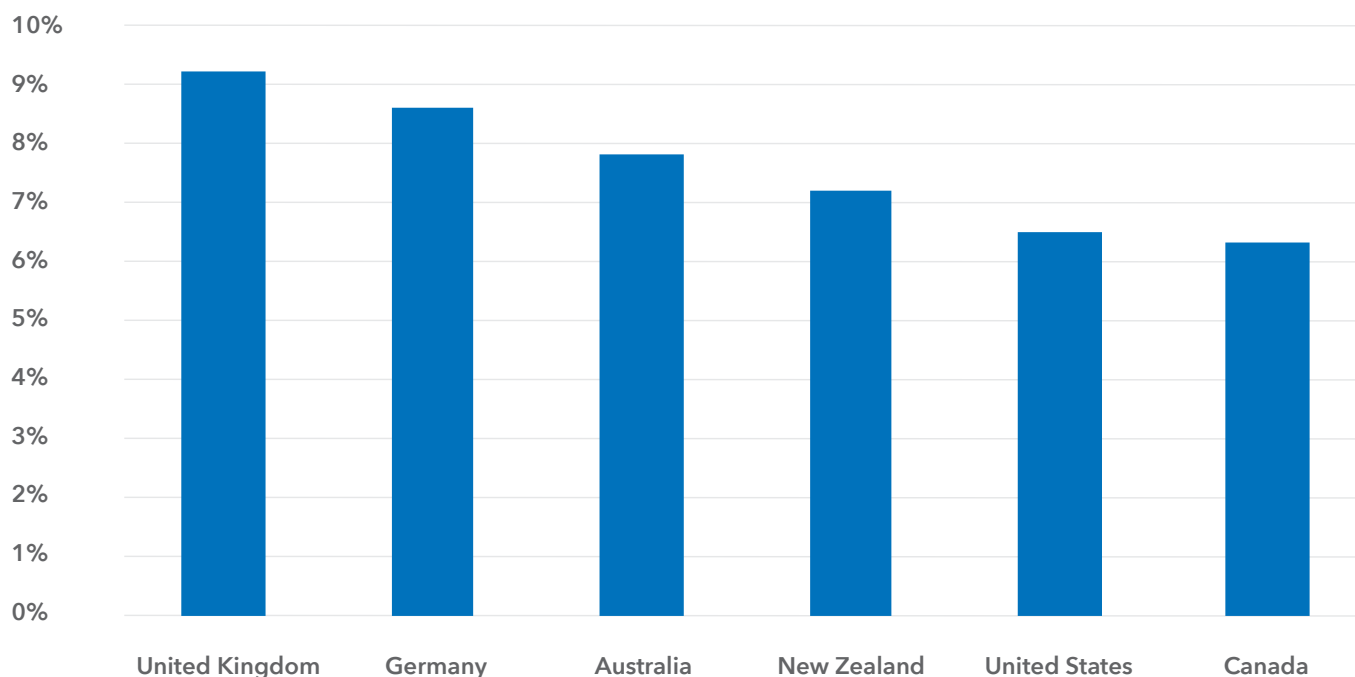
Surging inflation grabbed headlines around the globe in 2022. New Zealand's consumer price index, a general measure of inflation, crept over 7% in the June 2022 quarter and remained high throughout the year due to COVID-19, labour and supply shortages, war and extreme weather events.

However, New Zealand fared better than many European countries, who experienced inflation rates over 10% as the price of fuels skyrocketed following the Russian invasion of Ukraine. Germany, for example, saw the cost of natural gas increase 65% and heating oil by 87% despite government relief measures like discounting fuel and reducing tax on gas. Inflation peaked for New Zealand, Canada and the United States in June 2022 but took longer to peak in Europe and the United Kingdom (October 2022). Australia peaked at 7.8% by the year's end.

As inflation took hold, central banks around the world started to hike official cash rates. Economic pessimism increased with both business and consumer confidence hitting record lows. In New Zealand, the RBNZ began to hike the official cash rate in October 2021 from a record low of 0.25% to 0.75% by the end of the year. The past year saw the official cash rate increase at the fastest rate on record, moving 3.5 percentage points to 4.25% by the end of 2022.

Global inflation

Source: International Monetary Fund
As at December 2022



Omicron impacts New Zealand businesses

It's easy to forget we spent half of 2022 under some form of restriction because of COVID-19. The rapid spread of the Omicron variant was the catalyst for change and saw the loosening of restrictions in New Zealand. The economic impact of the spread of the virus, and the restrictions put in place to protect our communities, were far-reaching. The spread of Omicron saw many businesses close or scale back their opening hours or production to cope with the absence of staff who had either contracted the virus or who were in mandatory isolation. Statistics New Zealand estimate there was a 67% increase in the number of people away from work for a full week due to sickness, illness or injury in the March 2022 quarter. During the same period, there was a 21% increase in the number of people working reduced hours due to sickness. The impact of Omicron was especially pronounced as many businesses were already struggling to fill vacancies.

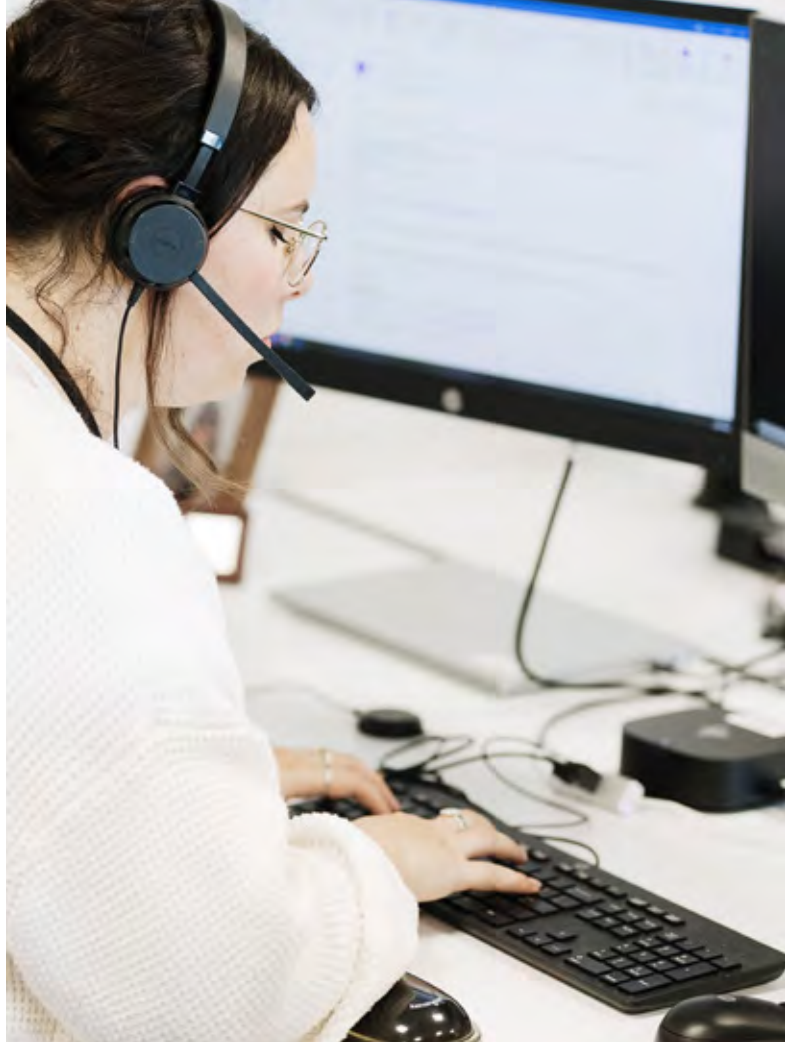
The arrival of Omicron saw the Government introduce a phased health response that moved the country from a "stamping it out" approach to "slowing the spread". The country eventually shifted to self-management with rapid antigen tests, and isolation only for those testing positive and their immediate household contacts. In March, the isolation period reduced from 10 to seven days, and by April the vaccine mandates started to be dropped.

Restrictions under the traffic light system greatly reduced the ability of many businesses in the event and hospitality areas to operate at capacity. It resulted in events like Fieldays moving from June to November while other events like the Hamilton Arts Festival were cancelled. The traffic light system was removed in September 2022, lifting all restrictions on gatherings and eliminating contact tracing, therefore enabling large events to once again take place.

Employment and wages increase as businesses struggle to find workers

Labour shortages continued in New Zealand with the unemployment rate sitting at just 3.2% in June 2022 and ending only slightly higher at 3.3%. Labour costs spiralled as employers competed for employees, pushing wages higher – another driver of inflation. Low unemployment is positive for people seeking work, however, the lack of people available to fill jobs saw wages grow 4.1% in 2022 and hourly earnings increase 7.2%.

Seek job data showed advertisements peaked in May 2022 at record levels. Towards the end of 2022 advertising started to decline, ending the year 10% lower than in 2021 for New Zealand and 9% lower in Waikato. In 2022, Waikato saw a significant increase in demand for workers in the trades and services sector, manufacturing and logistics, and in hospitality and tourism. As job advertisements declined, the number of applications for each job increased.



Tourism and immigration climb once borders reopen

Border restrictions started to ease as COVID-19 measures were loosened. By June, most of the managed isolation facilities around the country, including in Hamilton, were closed and reverted back to motels and hotels. By July, our borders had fully reopened to the world, although visa processing still took some time.

The removal of quarantine requirements led to an influx in arrivals and, to a lesser extent, an increase in departures as New Zealanders left for their OEs or to see family they hadn't been able to visit during the pandemic.

The closed border, followed by the slow processing of work visas, was blamed by businesses for the shortage of workers. At the end of 2022, net migration was positive with a net gain of nearly 24,000 migrants (including returning New Zealanders). Nearly 55,000 more work visas were approved in 2022 than in 2021, as well as nearly 130,000 more visitor visas and almost 11,000 more first time student visas (i.e. new international students). However, all of these visa categories remained well below pre-pandemic levels. For example, there were more than 520,000 fewer visitor visas issued compared to the average annual number between 2017 and 2019.

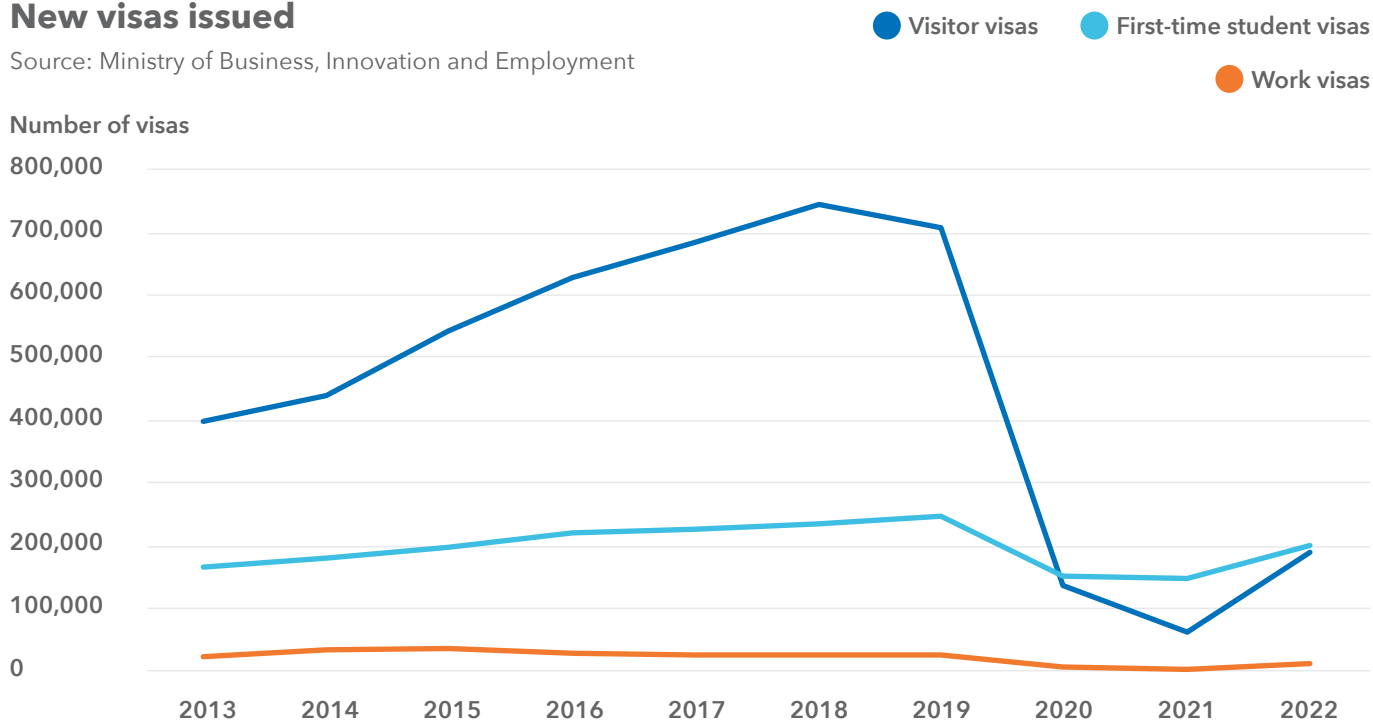
More than 150,000 people were granted New Zealand residency in the past year. The one-off 2021 Residence Visa allowed people who were in New Zealand on another visa during the pandemic to go through a "fast-tracked" residency application process. These people can now buy houses in New Zealand.

Tourism numbers returned to 68% of pre-pandemic levels by December 2022. Australian tourist numbers sat at 85% of pre-pandemic levels by December 2022, while Chinese tourist numbers were at 13%.

Increased migration and tourism fuels demand for goods and services, as well as housing, so could counter some of the downward pressure seen in the housing market.

New visas issued

Source: Ministry of Business, Innovation and Employment



China's zero COVID policy challenges supply chains and international tourism

China continued to pursue its "zero-COVID" policy throughout most of 2022 before lifting it in December, leading to a surge in cases. Throughout the year, China attempted to control the spread of Omicron by putting many of its major cities into lockdown. Shanghai, for example, was in lockdown for more than five months. Global supply chains were again challenged as production was hampered and the global movement of goods slowed.

China's strict quarantine rules had a marked effect on international tourism, with China being one of New Zealand's biggest tourism markets pre-pandemic. As of October 2022, the number of Chinese tourists was just 8% of pre-pandemic levels. It had increased to 13% by December, but there is still a long way to go before tourism returns to previous levels.

The Russian invasion of Ukraine continues to have flow-on effects

At the start of 2022, Russia invaded Ukraine. The war put pressure on oil, fertiliser, steel, sunflower oil and wheat supplies through both sanctions on Russia and the disruption of export products from Ukraine. While agreements were reached in a bid to protect the export of essential exports, such as grain, there continued to be disruption and shortages caused by the war. Europe saw extreme levels of energy inflation as access to Russian fuels was reduced, initially through European sanctions, and later by Russia itself. Europe pivoted to new markets where it could, putting pressure on global prices. The general effects of war are likely to have long-term impacts on exports from Ukraine and Russia, and on related supply chains.



Climate change disrupts supply chains

Climate change and the extreme weather events both in New Zealand and abroad have had a significant impact on our economy and inflation. The past year saw devastating flooding, extreme droughts, heat waves, and wildfires, as well as earthquakes and volcanic eruptions. The combined effect of these events impacted global food supplies, manufacturing and shipping. While not all of these events directly impacted New Zealand or its immediate trading partners, there were flow on effects as demand was transferred to other markets and prices became inflated. These challenges can be positive for New Zealand exporters. For example, Fonterra benefited from increased global dairy prices in 2022 as milk production in Europe was impacted by drought.

The Auckland floods at the end of January 2023 and the devastation caused by Cyclone Gabrielle in February will inevitably have an inflationary effect as people need to rebuild or replace household items that were lost or damaged. Roads will need to be fixed and resources are likely to be prioritised for critical infrastructure repair. Food prices will also be affected as both Auckland, Bay of Plenty and the Hawkes' Bay are an important part of the food ecosystem in New Zealand. On the upside, as the rebuild gets underway, an estimated \$12 billion will be poured into the recovery, which will create economic activity for New Zealand.

Our economy



OUR ECONOMY

Hamilton's importance to Waikato

LAND AREA



0.5%

JOBS



44%

GDP



42%

POPULATION



36%

Source: Infometrics and Hamilton City Council

Hamilton has long been the city that services the Waikato region. In 2022, Hamilton was home to 44% of the region's jobs and generated 42% of its GDP. We estimate about 15% of Hamilton jobs are filled by people from around the region. Hamilton's four biggest industries provide a significant proportion of regional industry jobs. Almost two-thirds of regional healthcare jobs are located in Hamilton as well as 56% of professional, scientific and technical jobs, 39% of manufacturing jobs and 39% of construction jobs.

The past year was challenging for Hamilton's economy as businesses battled a combination of a labour shortage, COVID-19 disruptions and inflation. Yet our economy came through with strong growth in GDP, jobs and spending, as well as significant investment in industrial development.

In 2022, Hamilton's GDP ended the year at \$13.4 billion – an increase of 4.1%. This compares to a 3.1% GDP increase in Auckland, 4.6% in Tauranga and 2.8% for New Zealand. Since the beginning of 2020, when the pandemic began, Hamilton's GDP has increased \$1.4 billion.

OUR ECONOMY

Industry

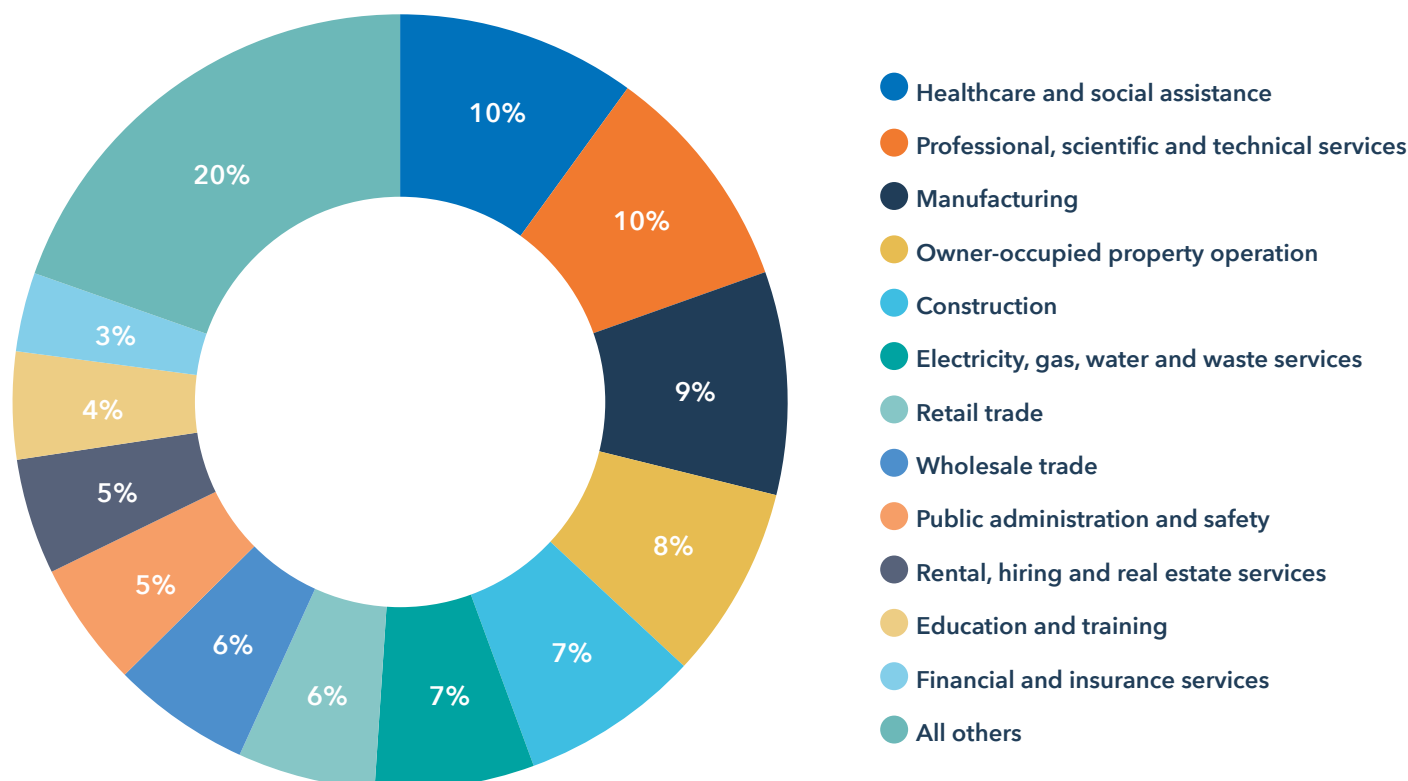
Diversity is one of the key strengths of Hamilton's economy. Several Hamilton business sectors experienced significant growth in 2022. Administration and support services grew 18%; transport, postal and warehousing expanded 15%; professional, scientific and technical services increased 14%; and media and telecommunications grew 11%.

Most of our sectors saw growth in line with the rest of New Zealand, although three sectors outperformed the rest of the country: media and telecommunications, manufacturing, and financial and insurance services all saw significantly higher growth in Hamilton – six to seven percentage points more than the New Zealand average in their respective sectors.



Hamilton's key sectors' contribution to the economy

Source: Infometrics





Businesses

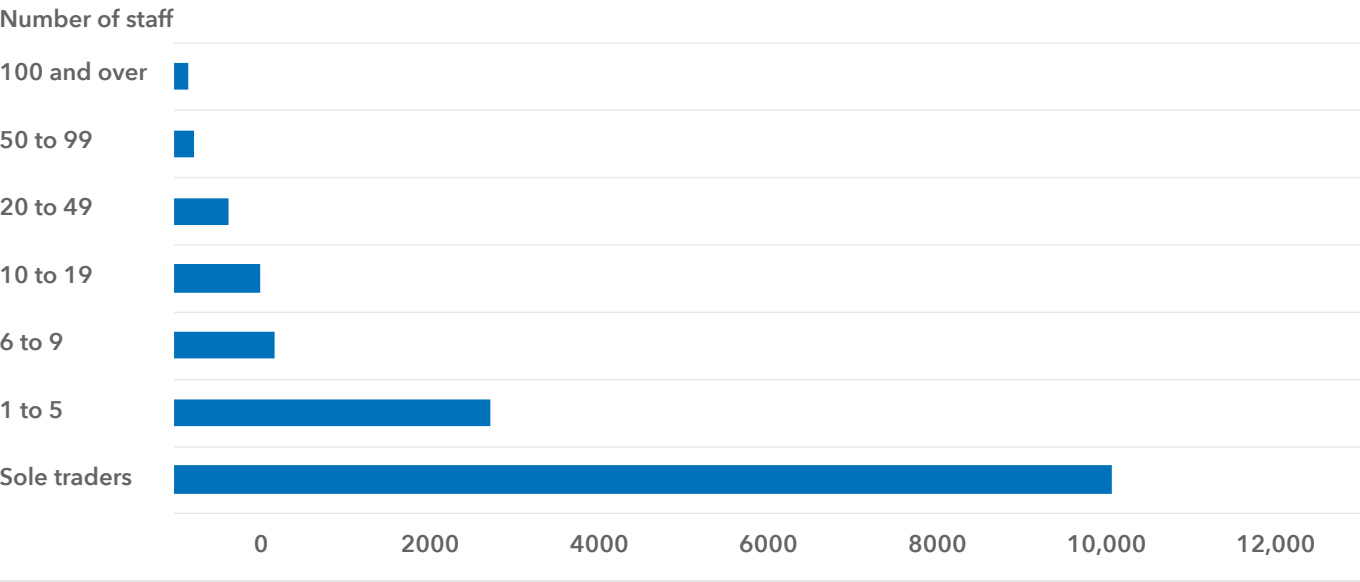
Hamilton is home to almost 17,000 businesses. Despite increasingly challenging business conditions, Hamilton’s business community grew by 5.1% (828 businesses) in 2022 – the highest annual increase since 2006, and slightly higher than New Zealand’s business growth (4.9%).

One in five of our businesses are in the property operators and real estate services industry which grew by more than 200 businesses in 2022. The construction sector saw a 7% increase in businesses and currently makes up 13% of all Hamilton businesses. Since 2019, the construction sector in Hamilton has expanded 16%.

About 60% of our businesses are sole traders with no employees and another 20% have one to five employees. In 2022, there were 162 businesses in Hamilton with more than 100 employees each, equivalent to 1% of all businesses. This compares to 0.5% across both Auckland and New Zealand.

The size of Hamilton businesses

Source: Infometrics



OUR ECONOMY PROFILE

Fresh food innovation



In 2022, construction began on the Greengrower development at Hamilton's Innovation Park, the first large-scale vertical farm in New Zealand. It has three growing tunnels which will produce kale, lettuce, rocket, herbs and microgreens to supply supermarkets across the North Island. Produce is grown in vertical stacks, minimising the amount of space (or land) needed. Produce will be grown from seed right through to harvest. Greengrower see themselves as part of the food production ecosystem, working alongside traditional farming to ensure produce is available throughout the year.

Greengrower's two co-founders started the company in 2017 after seeing the challenges the fresh food industry faced trying to supply the market throughout the year. Vertical farming was identified as a way to ensure year-round supply and deliver a more sustainable product to the market.

It's been a long road to get to where they are now, but the business has been supported by strong partners who spent a long time understanding and developing the technology. The support of New Zealand-based partners, including Hamilton City Council, has also been crucial to getting to this point.

Greengrower began growing in its first tunnel in December 2022.

This innovative approach to growing greens ensures supply at a time when climate change is disrupting the availability of fresh food. This approach is also significantly better for the environment. Water usage is 1% of traditional farming and the controlled environment means

there is no need for sprays and pesticides, eliminating the need to wash your produce before you eat it. Water is reused throughout the growth cycle, and electricity use is much more efficient than conventional greenhouses and comes from renewable sources.

Completing a large construction project during COVID-19 was challenging and, like many businesses, Greengrower continues to face supply chain challenges. It has also changed the way they look at their own supply chain management.

In March 2023, the business was awarded a \$3.5 million government grant to support ongoing research and development into sustainability in food and fibre production. The grant will allow Greengrower to carry out research to enhance the viability of controlled environment farming (CEF), and expand the varieties of produce grown.

Why be based in Hamilton? Hamilton is superbly situated with great logistics and connections to distribute produce across the North Island. Good logistics plays an important role in ensuring produce is always fresh. Nowhere else in New Zealand offers the real benefits of the cross-section of manufacturing, industry, agriculture, and technology that Hamilton does. This project is an excellent example of Hamilton's place at the centre of the country's agritech, technology and innovation sector. The future is exciting, and Hamilton will play a key part in Greengrower's future plans as their largest site and business headquarters.

OUR ECONOMY

Employment and jobs

Hamilton saw nearly 3700 new jobs filled in 2022, an increase of 3.7%. Just over half of new jobs were in healthcare, construction and manufacturing. This growth was significant given the incredibly tight labour market and poor business confidence levels seen during the past year. New Zealand as a whole saw job growth of 3% while Auckland experienced 3.2% growth. Tauranga (3.9%) was the only metro city to register higher growth than Hamilton.

Healthcare continues to be Hamilton's biggest employer with 16,500 jobs across the sector. Professional, scientific and technical services; construction; and manufacturing each provide more than 10,000 jobs in our city.

During the past 10 years the largest job growth in Hamilton was seen in public administration and safety positions which increased by 98%. This

104,357 jobs in 2022

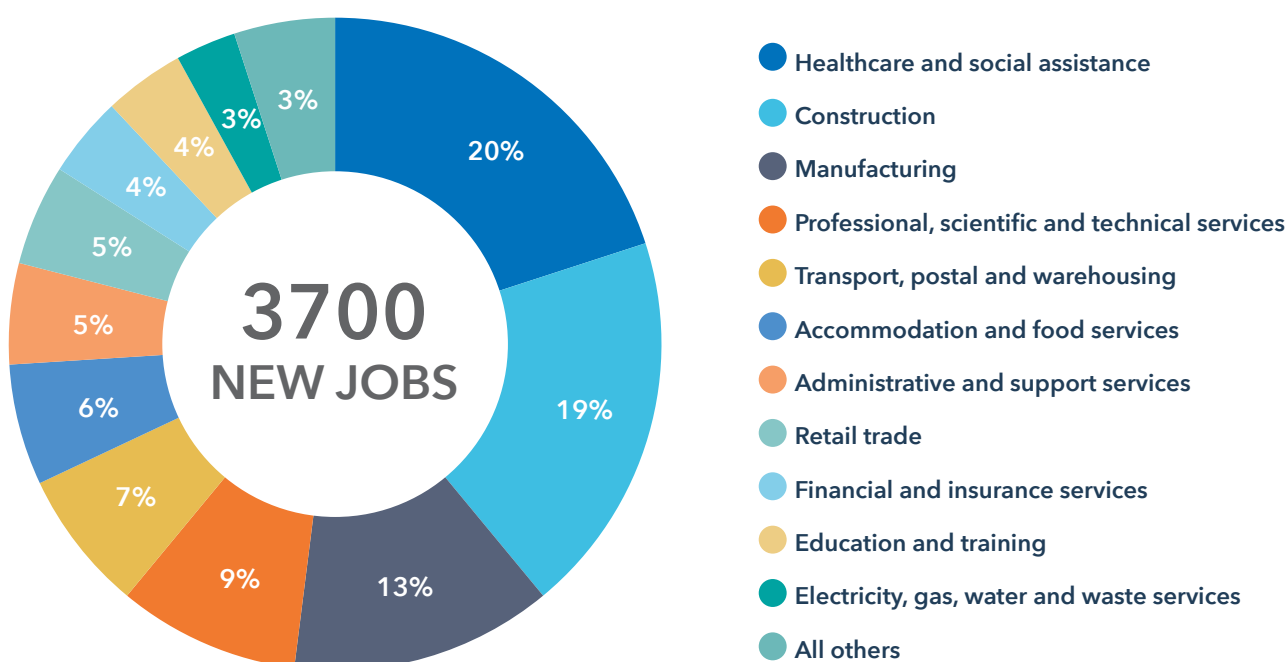
UP
4%

was driven by growth in central government roles which increased by more than 2700 jobs since 2013. More than half of these new jobs were filled since the start of the pandemic

Construction jobs have increased by 58% over the same 10-year period, reflecting the fast-paced growth in demand for new homes in Hamilton and a 60% increase in consenting. As the city has expanded, there has been a subsequent fall in the number of jobs in areas like dairy farming, which has shrunk by 31% since 2013.

Where were new jobs filled in 2022?

Source: Infometrics



Not all sectors have experienced job growth in recent years. As Hamilton has expanded, farmland has been converted into new housing areas resulting in employment in farming, horticulture and fruit growing falling 39% since 2013. The pandemic has also impacted some employment sectors more than others. For example, when the country went into lockdown in 2020, many jobs in information media services were cut as advertising demand declined. In 2022, this sector saw a 7% jump in filled jobs but the total number of roles still remains 15% lower than in 2019.

An estimated 9900 Hamiltonians are self-employed. Hamiltonians are less likely to be self-employed than New Zealanders generally. During the past 20 years, the self-employment rate has fallen from 15% to just under 10%. Nationally, self-employment rates have fallen from just over 18% to 16%. Although the pandemic does not appear to have changed the rate of decline, a recession might. In 2011 and 2012 following the Global Financial Crisis (GFC), self-employment dropped rapidly. This coincided with a fall in employment generally in 2010 and 2011, particularly in areas with high levels of self-employment like construction and real estate services.

The number of people self-employed has grown at a significantly lower rate than general job growth since 2021 (1% versus 4%). However, in some industries self-employment growth has exceeded general employment growth, such as in manufacturing where self-employment has increased 8% while job numbers grew 5%.

The labour market continued to be under immense pressure in 2022 with unemployment in Hamilton reaching the lowest level since 2005. The unemployment rate reached 4.3% by December 2022, down from 5.6% in 2021 - a massive shift in 12 months.

Job advertisements

Following RBNZ Governor Adrian Orr's comments that New Zealand may need to enter a recession in order to regain control over inflation, there was a noticeable slump in job advertising. In the Waikato, the number of job adverts was 12% lower in December than during the same month in 2021. The decline needs to be considered in context though - compared to 2019, job advertising was still up 49%.

The number of applications per job also increased across the year, particularly over the last six months of 2022. Arguably there are a few factors at play here. In the latter half of the year, the borders reopened, and visa processing was increasing, including for the 150,000 special 2021 residents visas. At the same time, inflation was at particularly high levels and was not being reflected in annual salary reviews for many. Workers were in high demand and the ability to get a better paying job was more tempting and relatively easier than ever before.

Stats NZ data shows that hourly earnings increased 7.2% in 2022, while salary and wages increased 4.1% - both are at the highest level in more than a decade. High levels of employment meant there were fewer people available to fill jobs, resulting in more churn within the market with already employed people changing jobs. This fuelled wage growth as people negotiated new contracts.

In Waikato, the largest growth in job advertisements was in trades and services; manufacturing, transport and logistics; and hospitality and tourism. Interestingly, advertising for non-permanent jobs was incredibly low with businesses focused on filling permanent long-term roles instead.

OUR ECONOMY

Card spending

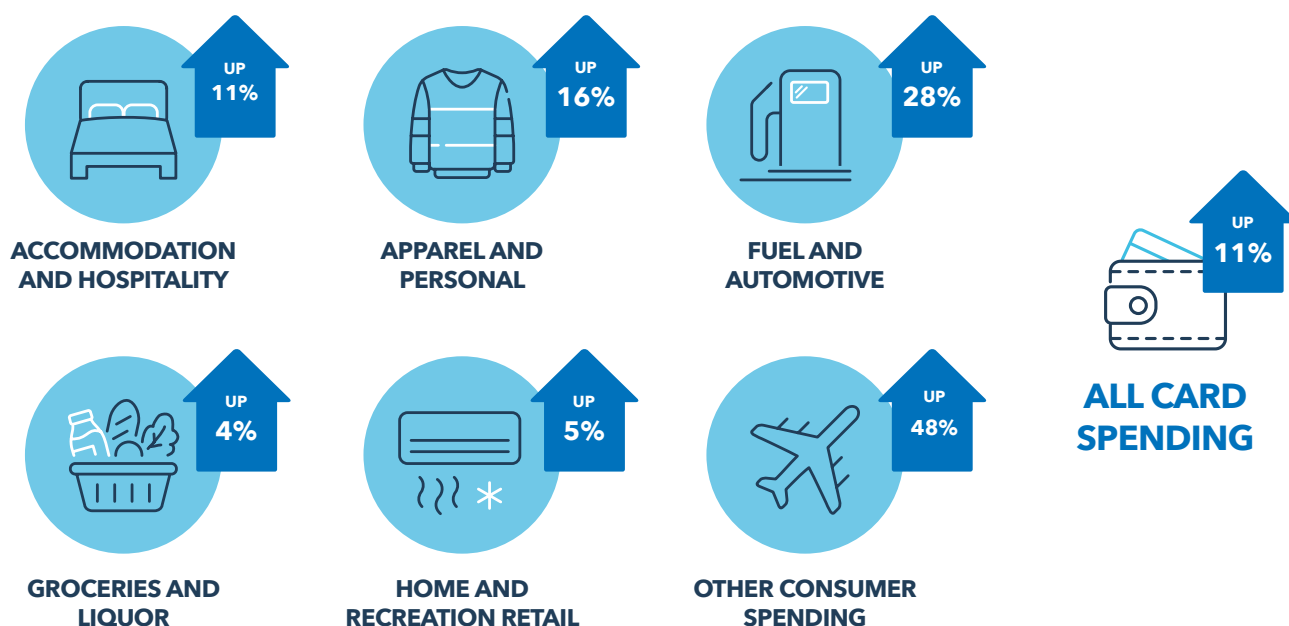
Rolling into the start of 2022, spending was subdued in Hamilton once inflation was taken into account. In March 2022, spending increased 4% on the March 2021 quarter but annual inflation was 6.9%. The spread of the Omicron variant and the move back to the red traffic light setting likely slowed spending in February and March. Data shows that there was an 8% drop in the number of transactions in the March quarter, and a 6% drop in the June quarter.

Despite RBNZ calling in November for New Zealanders to stop spending in November, Hamilton saw a 17% year-on-year lift in spending in the December quarter, wrapping up a year where \$2.8 billion was spent in Hamilton stores – 11% more than in 2021.

Electronic card data shows 60% of spending was by locals and another 30% coming from people who live in Waikato. In 2022, we saw a notable increase in spending by people coming to shop from outside of Hamilton. Spending by people from the Waikato region (excluding Hamilton) was up 16% on 2021, while spending by those coming from outside of Waikato increased 20%, returning to pre-pandemic levels. Shoppers from outside of Hamilton tended to spend more money than locals in each transaction; about \$55 per transaction for those from outside of the region and \$58 per transaction for Waikato shoppers. Hamiltonians spent on average \$44 per transaction, an increase of 6% on 2021 spending figures.

Changes in card spending in 2022

Source: Marketview





COVID-19 restrictions have affected Hamilton businesses very differently. While the accommodation and hospitality sector was hardest hit, most other sectors bounced back quickly after lockdowns. Accommodation and hospitality is still sitting just below 2019 spending levels, although spending through the likes of UberEats and online purchases can not be captured.

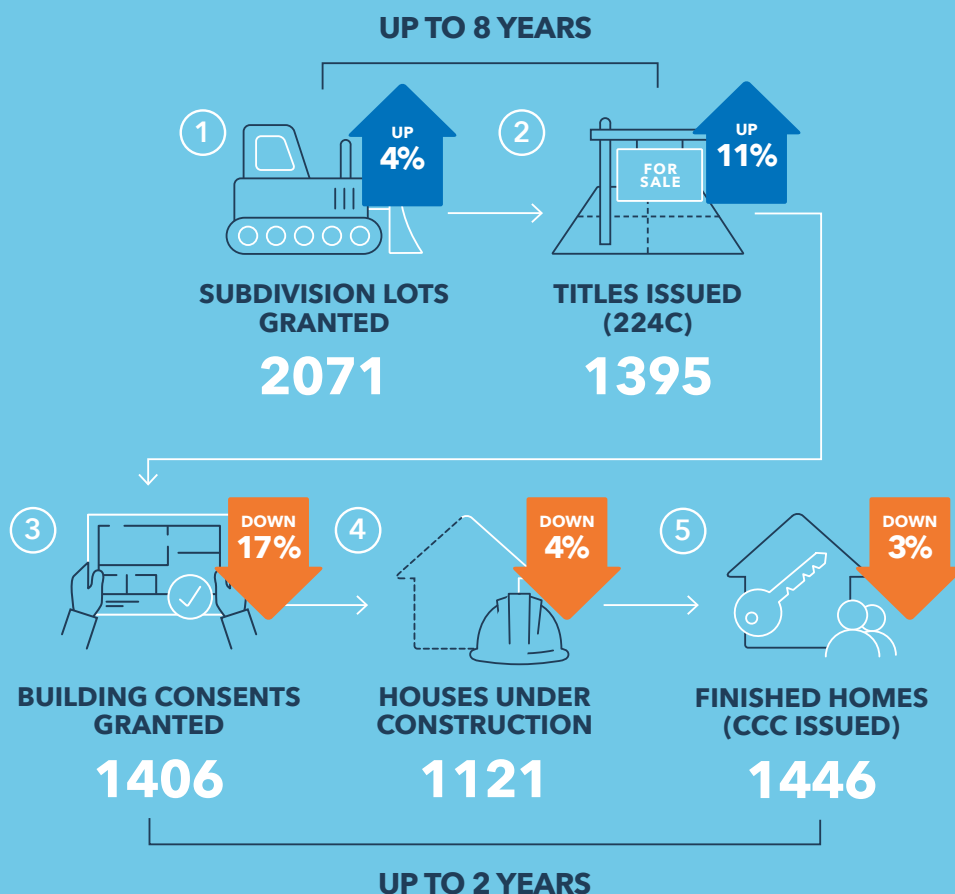
The December 2022 quarter highlighted how much COVID-19 restrictions impacted hospitality businesses in 2021. In the December 2021 quarter we were at the red and orange traffic light settings for more than half of that period and spending on accommodation and hospitality in Hamilton was \$70 million. Compare this to 2022, when there was an increase of \$35 million in card spending - 50% more than in the same quarter in 2021.

Over the past year, 'other consumer spending', which includes international travel, increased 48%. This reflects an increase in demand following the removal of quarantine and border restrictions, as well as a significant increase in international airfares since the pandemic began - up 89% by the end of 2022.

Housing



The consenting cycle



Source: Hamilton City Council

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 within the subdivision. 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 2022, the average time from building consent to CCC was 11 months.



HOUSING

Subdivision lots consented

In 2022, nearly two-thirds (1281) of residential lots granted in subdivision consents were in Hamilton's existing suburbs (infill). Another 500 lots were consented in Rototuna, the highest in this growth cell since 2009.

Kirkdale Investments consented 229 lots in Rototuna, the largest number for a single developer in 2022. Kāinga Ora consented 142 lots across Hamilton, about three quarters of these lots were in existing suburbs on the west side of Hamilton like Crawshaw, Bader and Nawton. Everton Heights consented 114 lots in its Rotokauri subdivision.

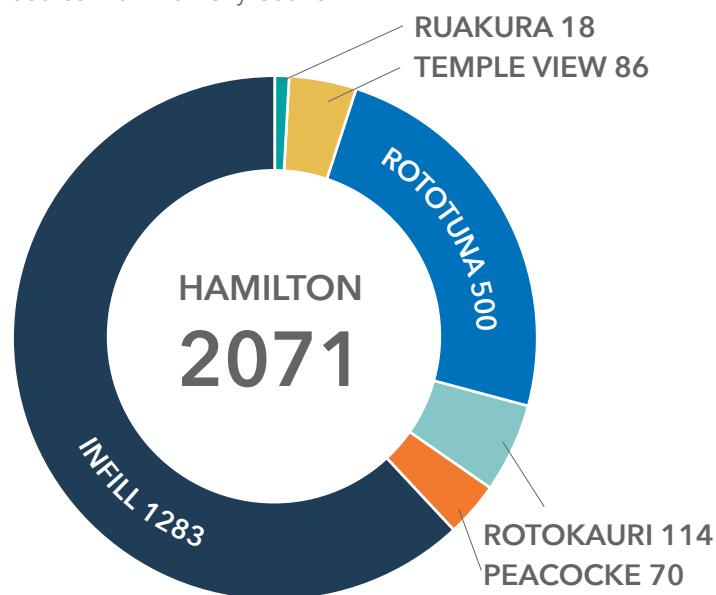
As the housing market took off in 2021, demand for bare sections to develop was incredibly high. Developers responded by developing new areas for subdivision and titling sections in greenfield areas in Rototuna, Greenhill Park and Peacocke. Many of these subdivisions were completed and/or titled in 2022.

2071 subdivision lots granted

UP
4%
ON 2021

Subdivision lots granted in 2022

Source: Hamilton City Council





HOUSING

Sections and units titled (224c)

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 a developer to apply to LINZ for a title. Once the title is issued, a developer can sell a section separately. The issuing of a 224c certificate is in almost all cases followed by an application for and issuance of legal title over the land, which is why we refer to them as 'titled sections'.

There were 1395 titles issued in 2022 across Hamilton. Infill continued to be prominent with 60% of all titles issued in existing suburbs. Nearly a fifth of titles were issued for Rototuna which remains our busiest growth area but the development of Peacocke continued to gain pace with another 158 freehold sections titled in 2022 as Northview advanced its Aurora development.

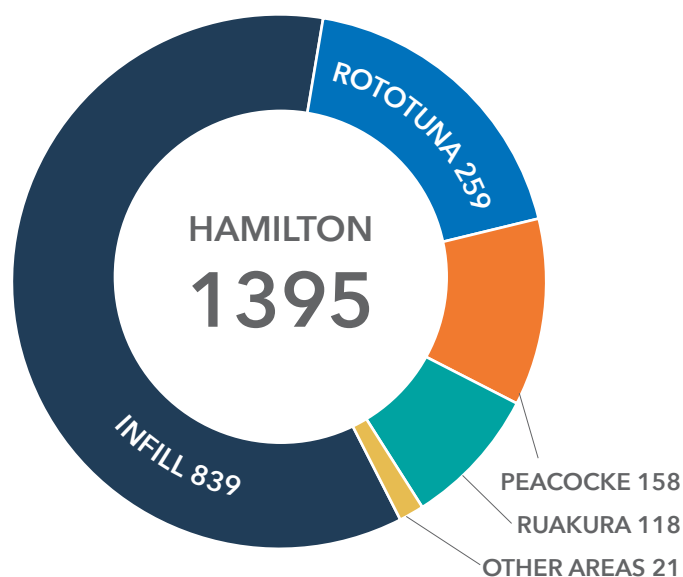
The average new freehold section size in Hamilton has more than halved over the past 10 years, shifting from just over 600m² in 2013 to only 280m² in 2022. This reflects the overall drive to intensify cities rather than allow urban sprawl, and the growing prominence of infill development in Hamilton where one house is removed to make way for multiple duplexes or townhouses.

1395 sections and units titled

UP
11%
ON 2021

Titles issued in 2022

Source: Hamilton City Council



HOUSING

Building consents granted

The building consent data for 2022 tells two very different tales. Consenting in our existing suburbs (infill) reached a record high of 956 new dwellings, while activity in our new growth areas (greenfield) slowed from a record high in 2021 of 775 new homes to 450 in 2022 – a fall of 42%.

Since 2013, Hamilton has seen a shift from 50% of consented new dwellings in existing suburbs to 68% in 2022.

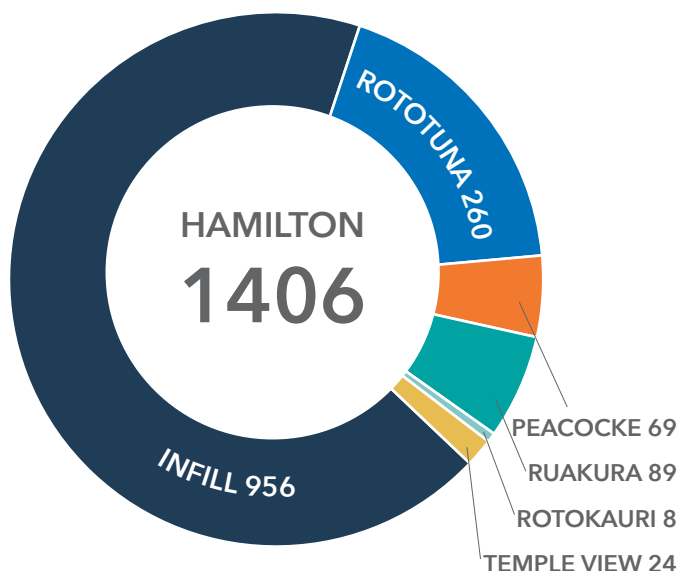
As house prices have increased, demand for attached homes in our existing suburbs has grown. Attached dwellings in the form of duplexes, townhouses and apartments make up nearly three-quarters of new builds (excluding retirement village units). These homes tend to be on smaller sections and have smaller floor areas, so they are cheaper to build and more affordable to buy.

1406 dwellings granted

DOWN
17%
ON 2021

Dwellings granted in 2022

Source: Hamilton City Council

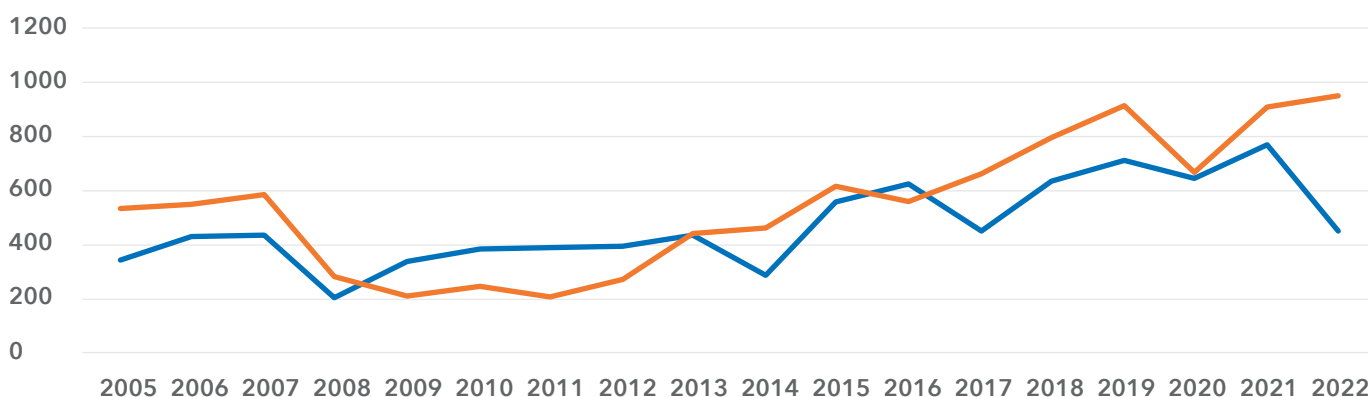


Dwellings consented in our new and existing suburbs

Source: Hamilton City Council

● Greenfield ● Infill

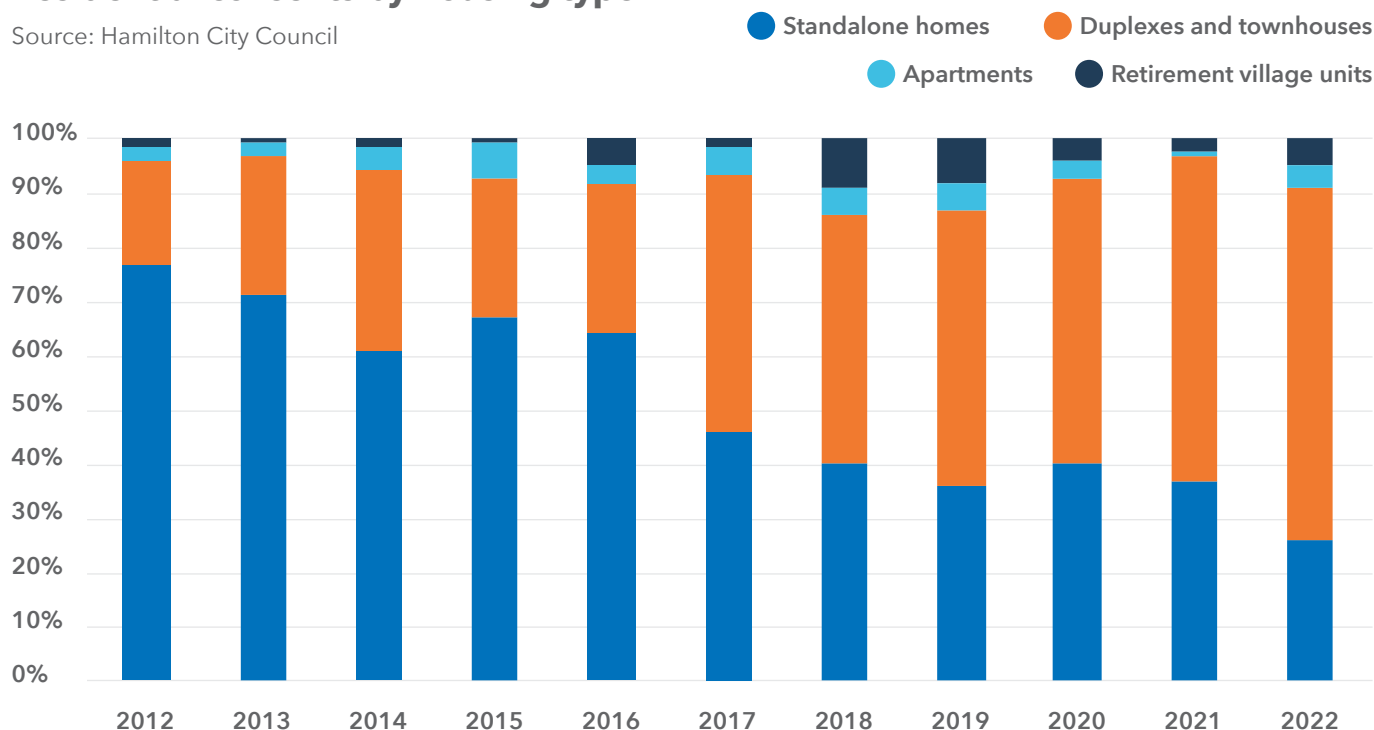
Number of dwellings consented



Our greenfield areas have also seen a shift from being almost exclusively standalone homes to nearly half of consents granted in 2022 being for townhouses and duplexes (attached dwellings) and another 5% for apartments. There are likely two drivers of this shift: cost and planning rules allowing for smaller sections. Standalone houses tend to sit on larger sections and have a bigger floor area.

Residential consents by housing type

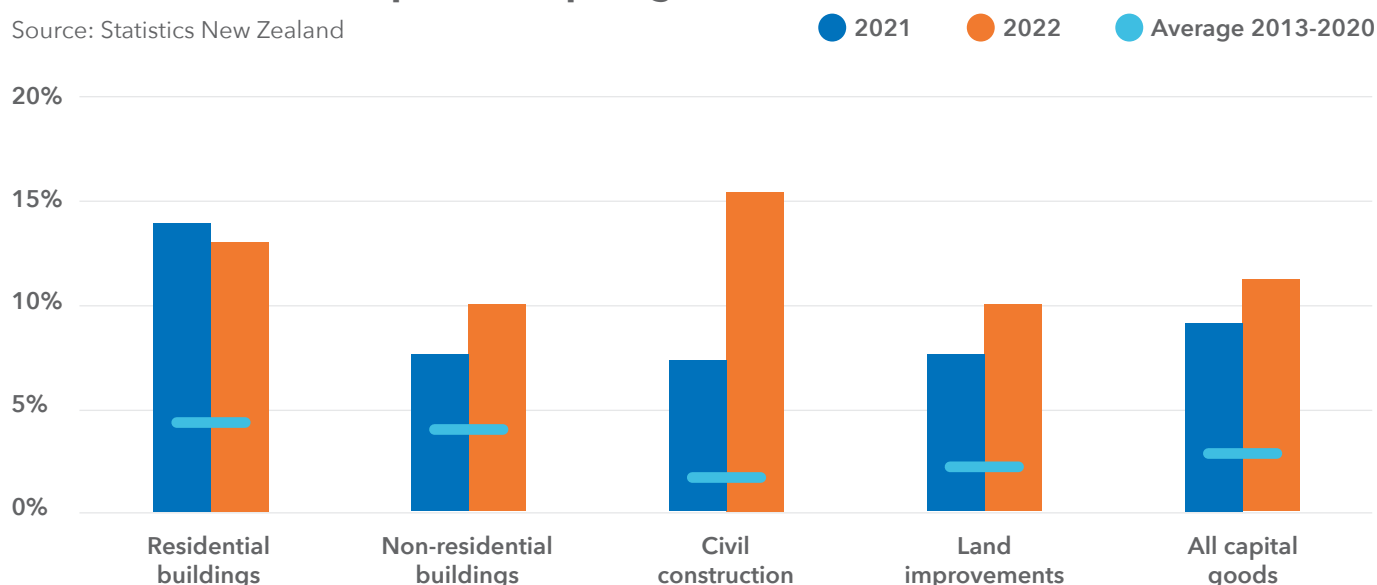
Source: Hamilton City Council



Since March 2021, construction cost increases have been unprecedented. Stats NZ reported a 13% annual increase in capital costs for residential construction in December 2022. This was an improvement on mid-year when it was tracking at 17% but comes on the back of a 14% increase in 2021. This compares to an annual average cost increase of 4% between 2013 and 2020.

Annual increase in the price of capital goods

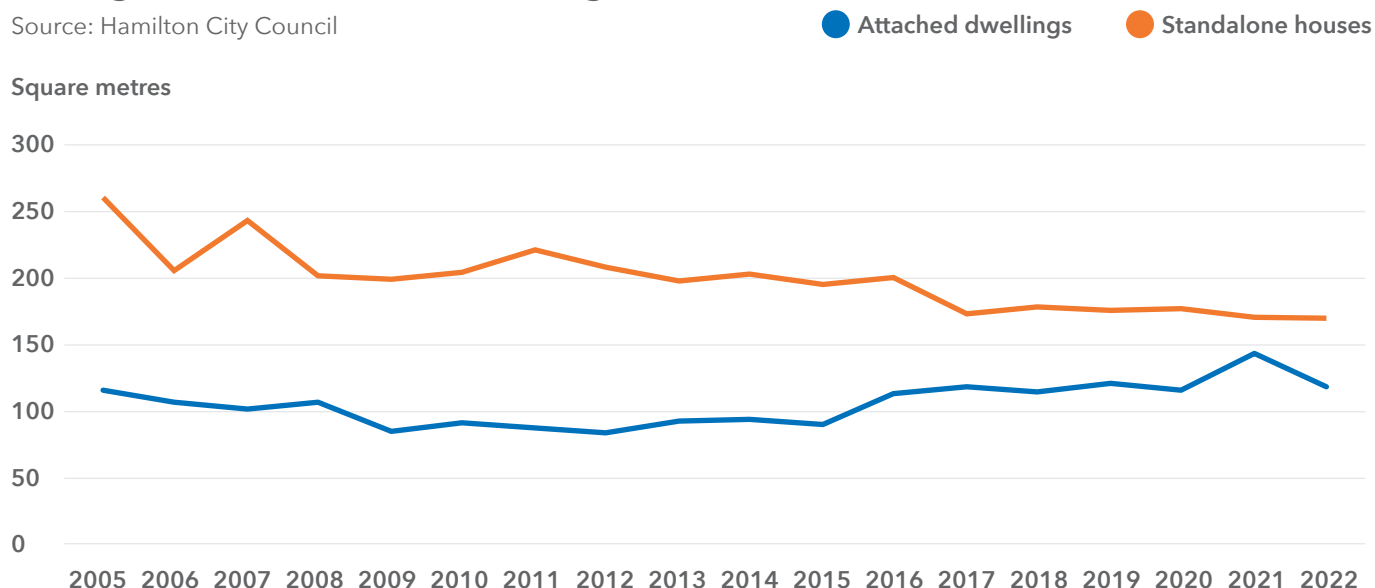
Source: Statistics New Zealand



These cost increases have been a factor in pulling down the average size of new dwellings in Hamilton. The average floor area of attached dwellings (duplexes and townhouses) fell 17% to 120m² while standalone houses fell 1% to 169m². Since 2015, the difference between the two types of dwellings has reduced from about 100m² to just 50m².

Average floor area of new dwellings

Source: Hamilton City Council



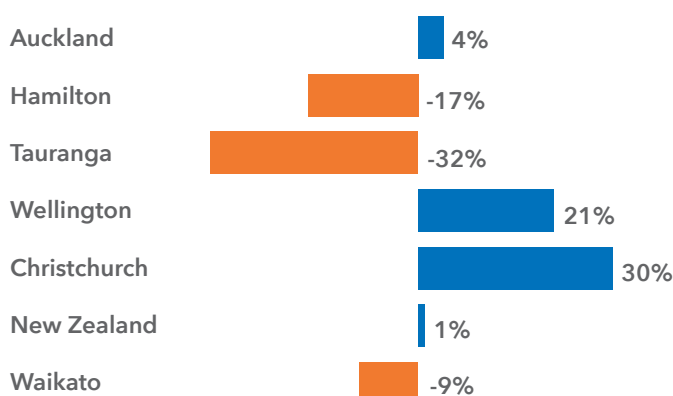
Residential consenting fell in two thirds of territorial authorities in the past year. Christchurch's sizeable increase of 1200 more dwellings in 2022 helped keep the national numbers positive. Tauranga consents fell 32% from a record high in 2021, while Wellington numbers rebounded after a slump in 2021. The pace of growth also slowed in Auckland, from a 23% lift in 2021 down to a 4% increase in 2022.

Across Waikato, residential consenting fell 9% or by nearly 500 dwellings, with falls in most of its districts. Taupo and Waipaa were the only districts to experience an increase in 2022.

Consenting in Hamilton made up 30% of all residential consenting in Waikato, slightly below the 33% mark of 2021.

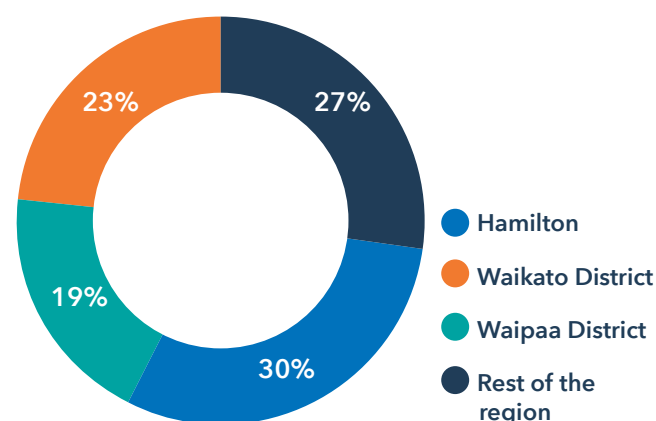
Change in dwelling consents, 2021 to 2022

Source: Infometrics



Share of residential consents in the Waikato region

Source: Infometrics



HOUSING

Houses under construction

The number of houses under construction is constantly changing as some are completed and others begin construction. This can reflect economic activity but also challenges like delays in completing construction.

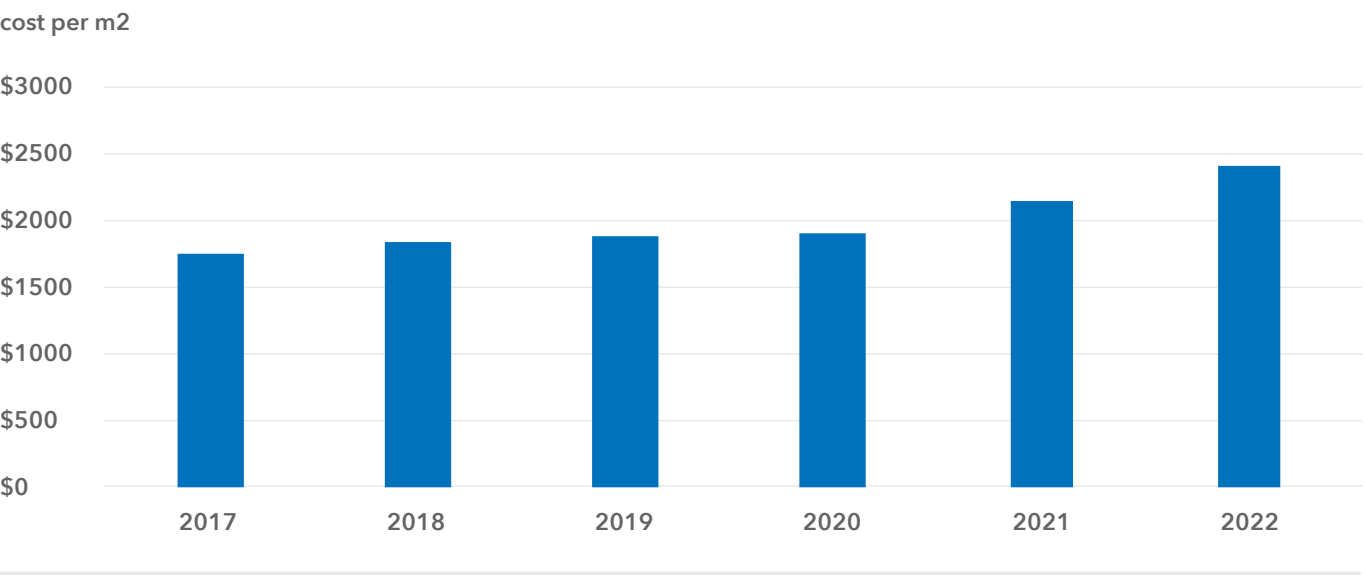
The number of houses under construction as at 31 December 2022 represented a 4% decline from the same time in 2021. This was actually a good sign as it reflected the easing of supply chain issues as the year progressed. Throughout 2021 the huge demand for construction materials and labour put immense pressure on a supply chain that was fighting to keep up and navigate the challenges of COVID-19. The number of houses under construction peaked in July 2022 at just over 1300.



The inflation in construction costs also explains why attached housing in infill areas has become more popular. Excluding land prices, to build an average single storey attached dwelling in Hamilton cost about \$290,000 in 2022 according to QV's Costbuilder. The average detached home, which is typically built in greenfield areas, cost about \$405,000 to build. Land costs are also higher in greenfield areas as sections tend to be about 60% larger.

Cost to build a home in Hamilton per square metre

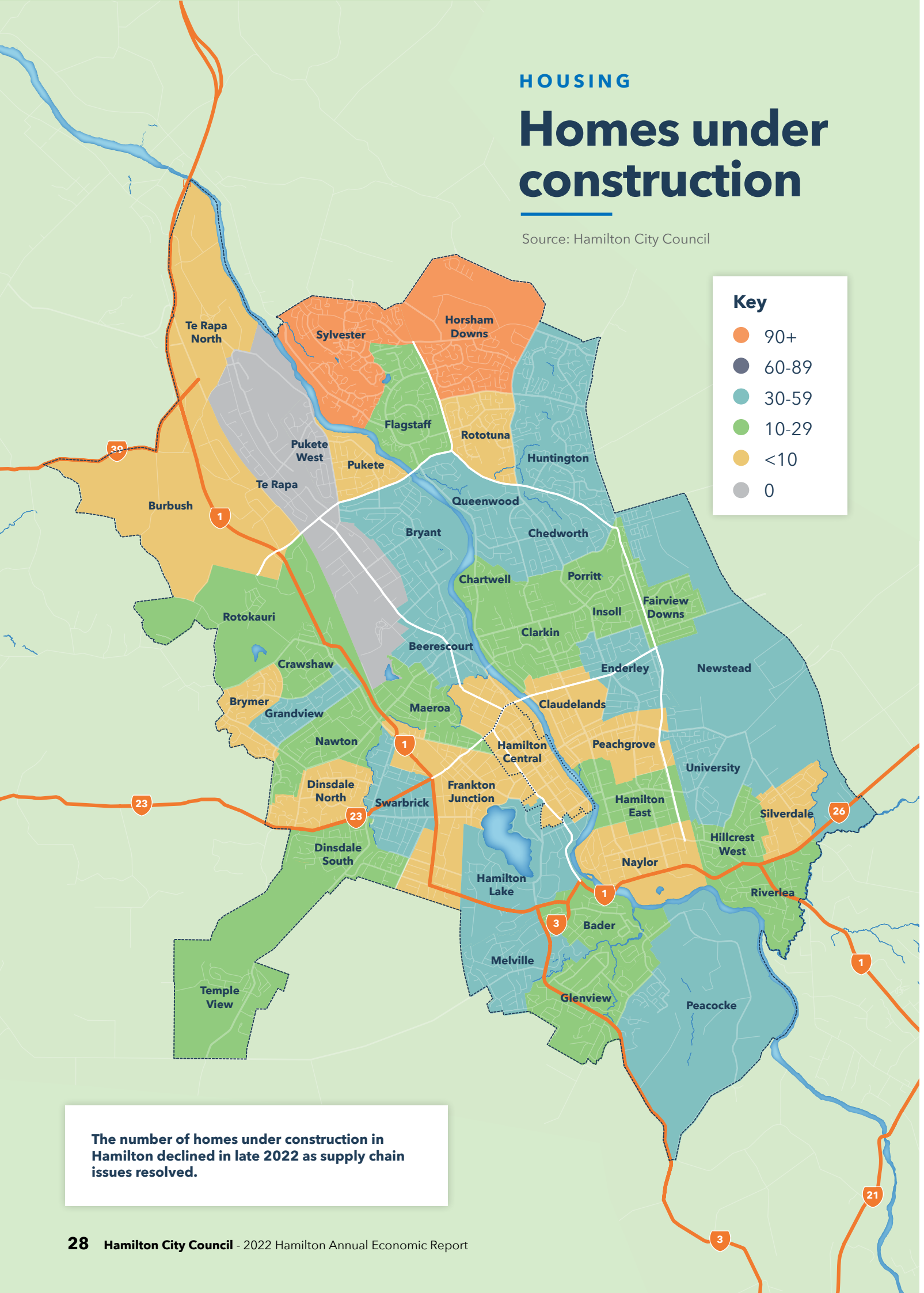
Source: QV Cost builder



HOUSING

Homes under construction

Source: Hamilton City Council



The number of homes under construction in Hamilton declined in late 2022 as supply chain issues resolved.

HOUSING

Homes completed

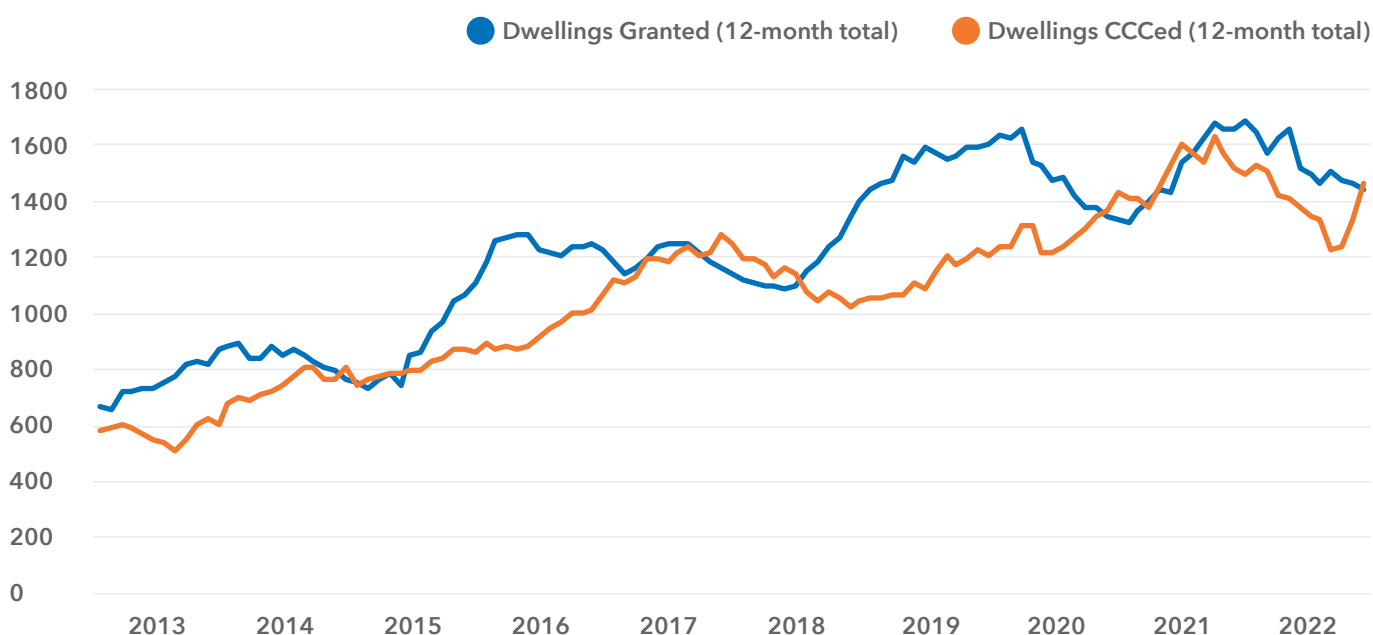
The number of new homes completed fell sharply during the first half of 2022, hitting the lowest point in September since the 2020 lockdown. In the latter half of the year, there was a significant uptick as homes that had been waiting for materials, fixtures and fittings could finally be finished. This helped round out 2022 with just 3% fewer homes completed than in 2021.

1446 homes completed

DOWN
3%
ON 2021

Trends from consent to completion

Source: Hamilton City Council



The challenges in the construction sector supply chain were reflected in the median number of months it took for a home to go from consent to completion. It hit a record high of 11 months in 2022 – up from eight months in 2021, and a previous peak of nine months in 2020 when Hamilton spent nearly two months in Level 4 lockdown.

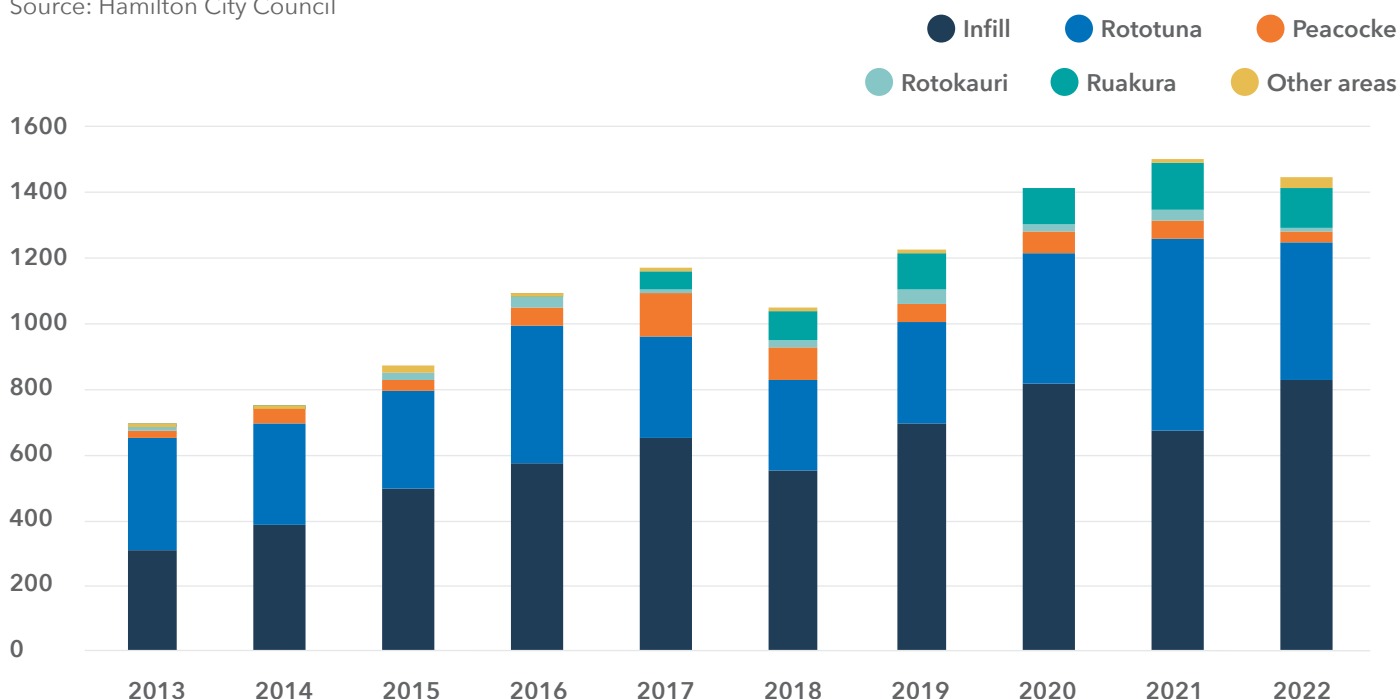


A record total of 834 new attached homes (duplexes and townhouses) were completed in 2022, making up 58% of all new homes completed that year. This was a significant jump from the 50% market share attached homes had in both 2020 and 2021. It reflects the general movement we've seen across residential consenting towards redeveloping existing suburbs as well as the influence of land and building costs when building or buying a new build home.

As with consents granted, infill continued to be where most new homes were completed. Rototuna continued to be the busiest greenfield area with 420 new homes completed in 2022 - two thirds of the 620 new homes in greenfield areas across the city. Ruakura had 120 new homes while the remaining 80 were across the Peacocke, Rotokauri and Temple View growth areas.

New homes completed (CCC issued) by growth cell

Source: Hamilton City Council

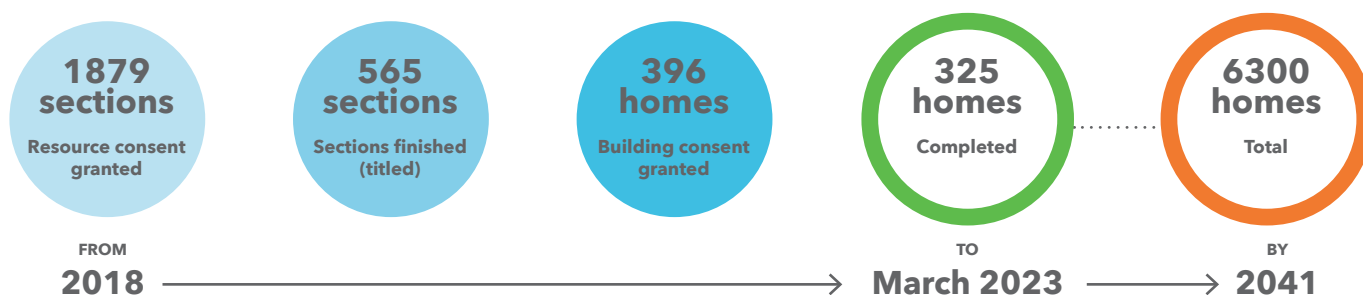




HOUSING

Our residential greenfield growth areas

Peacocke



Peacocke is Hamilton's southern greenfield growth cell. The past year has been a busy one for infrastructure development in the area with construction of the new bridge over the Waikato River in full swing, as well as major transport links and strategic water, wastewater and stormwater networks. The bridge is due to open in the latter half of 2023 and will unlock development opportunities in the area.

There is extensive work underway to protect and enhance the natural environment in Peacocke, including the gully network and the long-tail bat habitat. Peacocke is Hamilton's biggest ever neighbourhood investment in the environment and will have 100 plus hectares of greenspace and 30 wetlands.

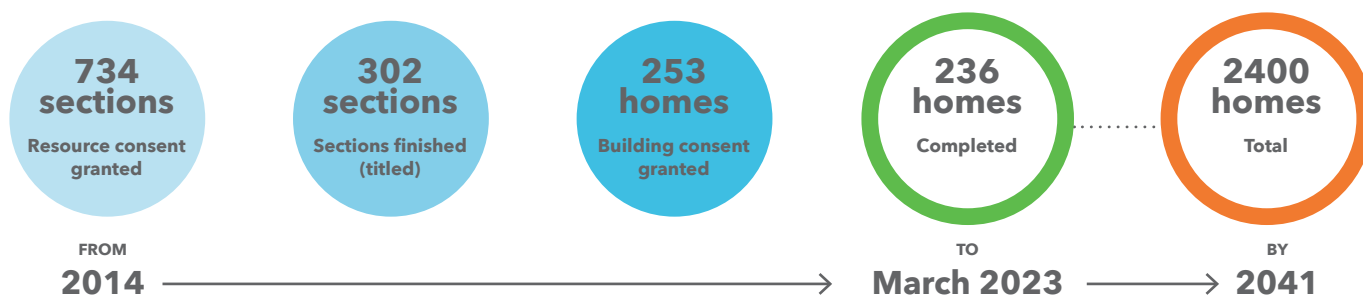
In 2022, another 70 sections were consented to be subdivided and 158 titles were issued, 119 of these were issued for the Aurora development located in stage one of Peacocke. A land-use consent was also granted for a 230-unit retirement village at the northern end of the growth area.

Building consents were granted for the development of 59 new dwellings within stage one of Peacocke in 2022. These were relatively evenly split between standalone homes and attached dwellings, and seven apartment units.

Peacocke will eventually be home to about 20,000 people. We expect about 6300 homes by 2041, with capacity to grow further to a total of 7400 homes by 2050.



Rotokauri



Rotokauri is located on the north-west side of Hamilton that has both extensive residential and employment areas. Rotokauri needs a large stormwater swale (called the Rotokauri Greenway Corridor) to unlock its residential development potential. In 2022, an agreement was reached with one of the main developers in the area to undertake the detailed design and designation work on this important piece of infrastructure. The swale has an estimated cost of more than \$150 million.

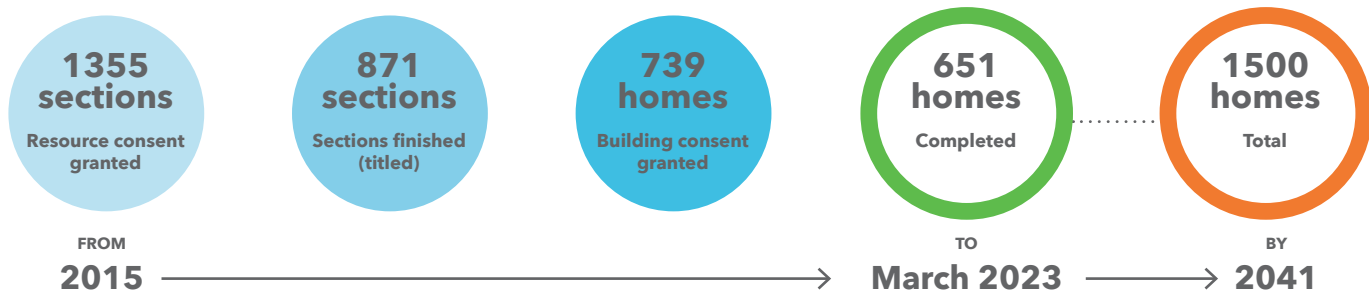
In the northern end of Rotokauri is a special housing area. At the beginning of 2022, a private plan change was made to enable 140 hectares to be rezoned for housing. In July, consent was lodged for 285 residential lots in stage one of the development while 11 super lots were consented. The site for a new community park was also agreed on.

Consenting for new homes was quiet in Rotokauri in 2022, with just 10 new dwellings consented and 16 completed. Progression of work in Rotokauri North will enable a significant increase in residential development over the coming years. The southern end and middle parts of the area are reliant on the greenway progressing in order to unlock the area for development.

Rotokauri will eventually be home to about 22,000 people and by 2041 there will likely be about 2400 new homes in the area.



Ruakura



Ruakura is Hamilton’s eastern growth area. The entire growth area covers 822 hectares and includes both residential development and employment land, including the Ruakura Superhub – a huge industrial development by Tainui Group Holdings.

The past year saw significant work undertaken on the major infrastructure needed to service the area, including new roads, waters and utilities that enable the full development of stage one of the Superhub.

In 2022, Ruakura was again the busiest growth area outside of Rototuna with 118 new titles issues and 120 new homes completed in the Greenhill Park development. Another 76 homes were under construction at the end of the year.

Tainui Group Holdings is also progressing a private plan change application to rezone a 68-hectare block of residential land, adjacent to Fairview Downs, from industrial to residential zoning. The application was lodged with Council in December 2022.

Ruakura will eventually be home to 8000 people and we expect to see 1500 new homes in the area by 2041, with further capacity to grow to 3300 homes.

Te Awa Lakes

Te Awa Lakes is Hamilton’s newest growth area. Located in the northern tip of Hamilton in what was once industrial zoned land until a recent private plan change allowed for residential development.

Work on stage one of the Te Awa Lakes development moved along significantly in 2022 with extensive ground works underway as well as design work for both the commercial and residential parts of the development. Consent was lodged for the first 79 homes in 2022.

Te Awa Lakes will eventually be home to about 4000 people. The ten-year project is expected to create about 1500 new homes, including those on the other side of Hamilton’s boundary.



HOUSING

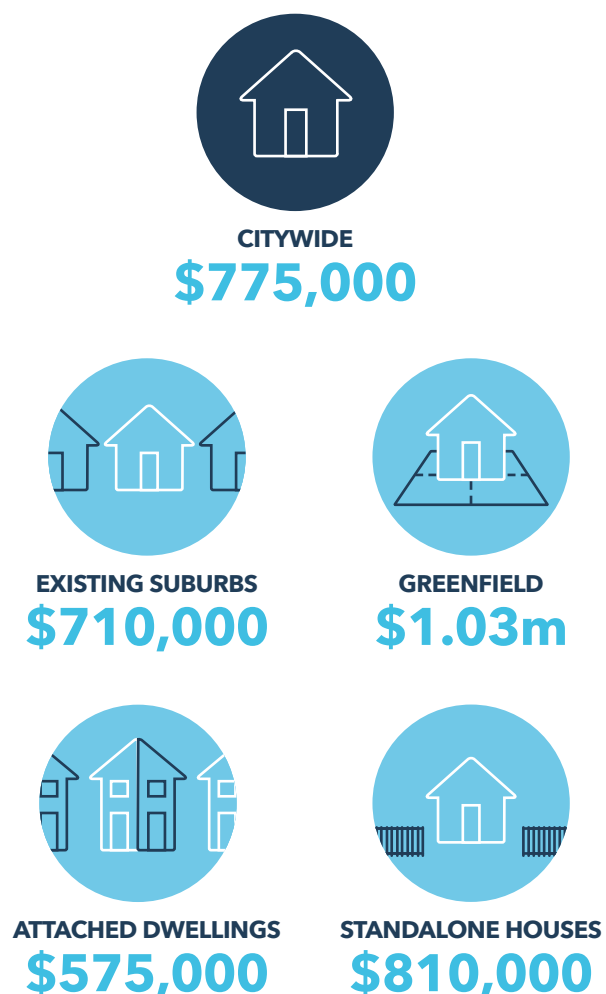
House Sales

House prices around New Zealand fell throughout the year as mortgage rates increased substantially. Arguably, the falls we saw in 2022 were also a market correction where the inflated price growth seen in 2021 came back down to a level more in line with historical growth rates. In 2021, Hamilton saw the median house price increase 26% (\$179,000) to \$860,000 – about three times the growth rate seen in both 2019 and 2020. By the end of 2022, house prices had fallen back to \$775,000 – a fall of \$84,000 or 10%. Prices remained higher than they were in the first half of 2021.

In mid-2022, we forecast the median house price would drop to \$770,000 by the end of 2022 and fall a maximum of 12% by the middle of 2023. So far, Hamilton prices are tracking slightly better than we expected and are holding up under price pressure better than other cities. The possibility of a recession and higher increases in mortgage rates since these projections were run mean we might see prices fall below our previous projections.

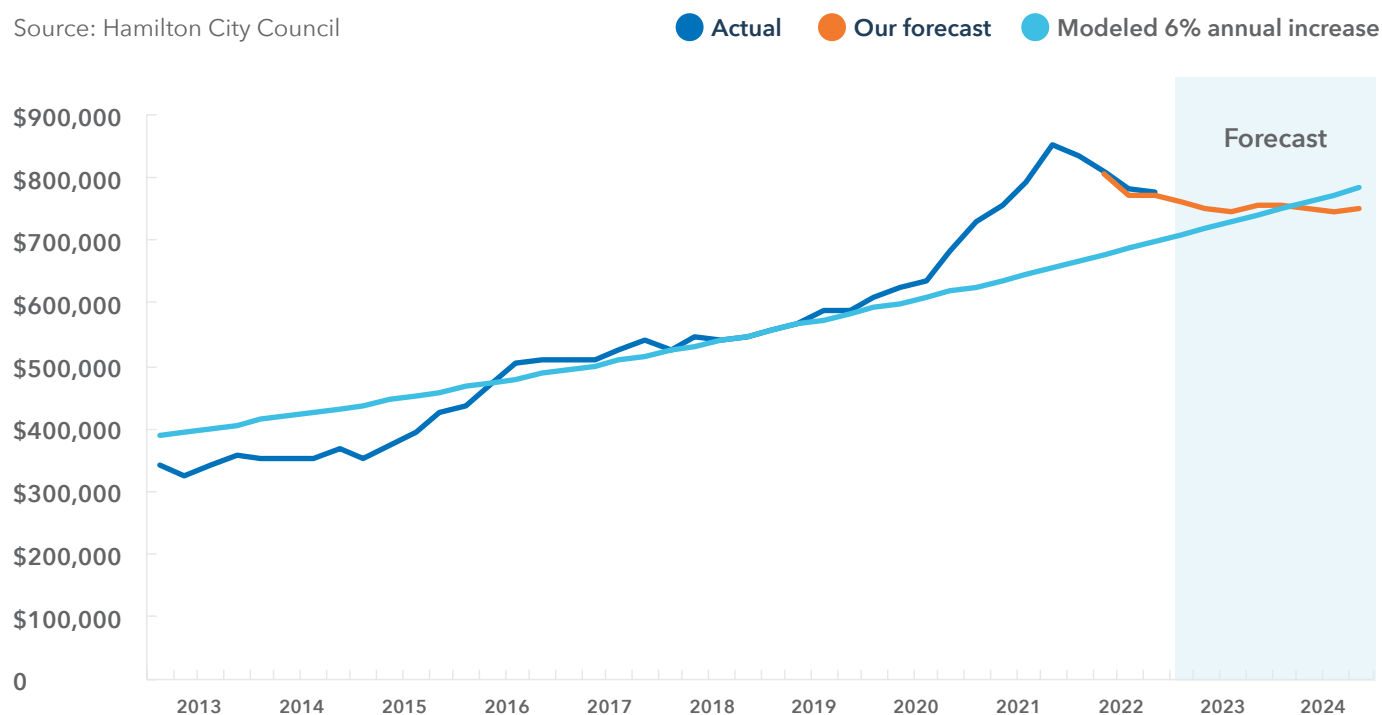
Median house prices in Hamilton

Source: Hamilton City Council



Hamilton's median house price forecast

Source: Hamilton City Council



Sale prices seem to have held up better in our greenfield areas, with prices falling just 8% compared to 12% in existing suburbs. Equally, standalone homes experienced price falls of 9% compared to 14% for attached dwellings like townhouses and duplexes. Section prices only fell 2% in 2022.

Hamilton offers opportunities and challenges for both buyers and sellers. CoreLogic reports that by the end of 2022, first home buyers had become the biggest group of buyers in the Hamilton market, accounting for 29% of all sales – the highest across its time series. Hamilton also compares favourably to Waikato as a whole where just 17% of sales were to first home buyers.

The percentage of buyers looking to move house fell to 22%, the lowest since the GFC. Movers are struggling to sell their own homes in order to release the money they need to buy their next property. Real estate agents have reported this is a common challenge with sales falling through when existing homes don't sell.

In 2022, house sales were at the lowest levels we have on electronic records, lower than following the GFC in 2007 when the housing market softened significantly. There were nearly 2400 house sales that were settled in 2022 compared to 4240 in 2021 and a yearly average over the past five years of 4320.

Buying a house, whether existing or new build, has always been about weighing up the pros and cons of different options. House prices play a big part in demand for new housing. If the cost to buy an existing property is not too dissimilar to building new, more people will choose to build new. When house prices fall and construction prices rise, as they did in 2022, the gap between building new and buying an existing home gets wider. There can be more value seen in existing properties, such as less debt and a bigger section. The effect on the construction sector has been seen in the slowdown in consenting, particularly in greenfield areas.

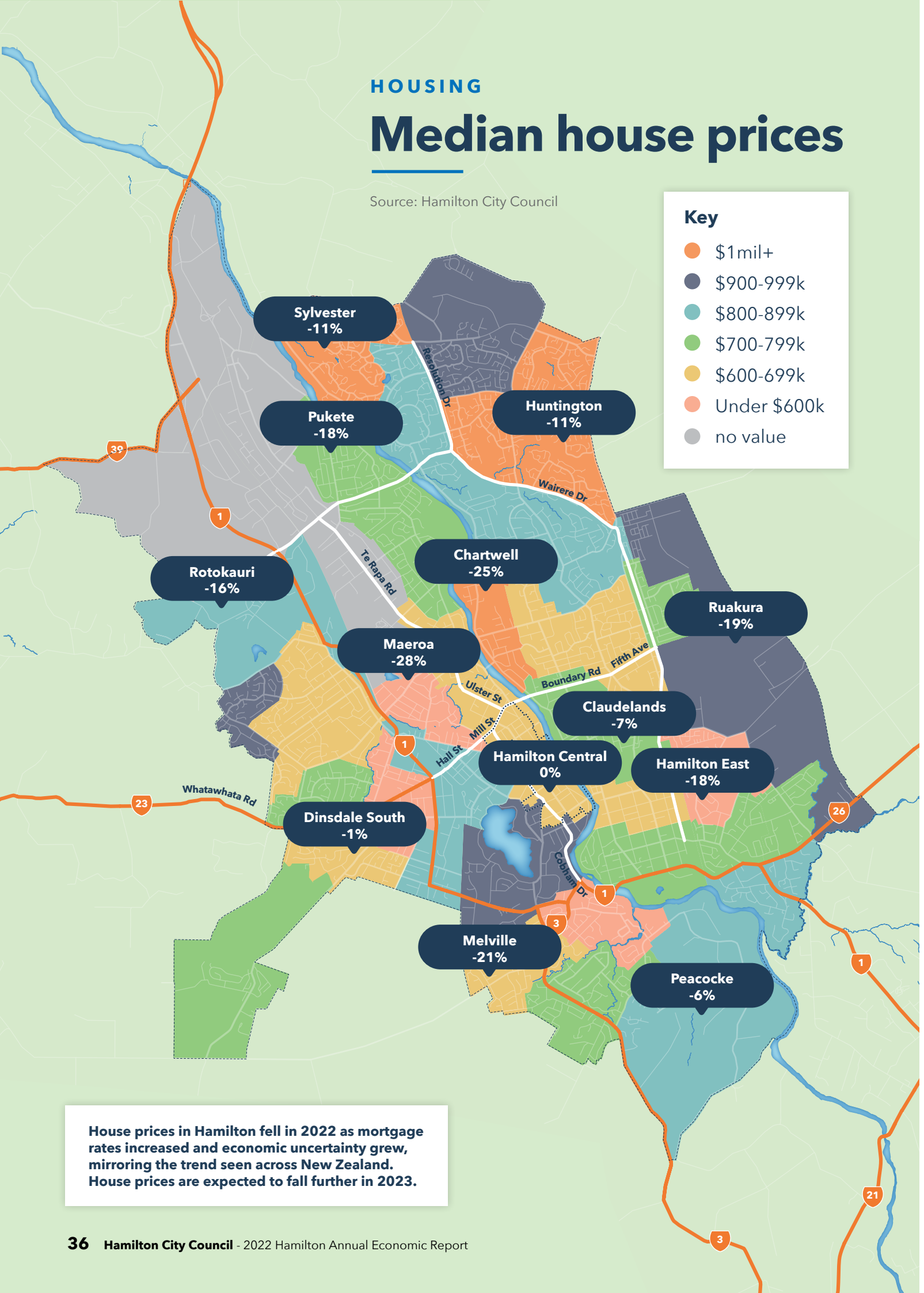
HOUSING

Median house prices

Source: Hamilton City Council

Key

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



House prices in Hamilton fell in 2022 as mortgage rates increased and economic uncertainty grew, mirroring the trend seen across New Zealand. House prices are expected to fall further in 2023.

HOUSING

OCR and the cost of servicing debt

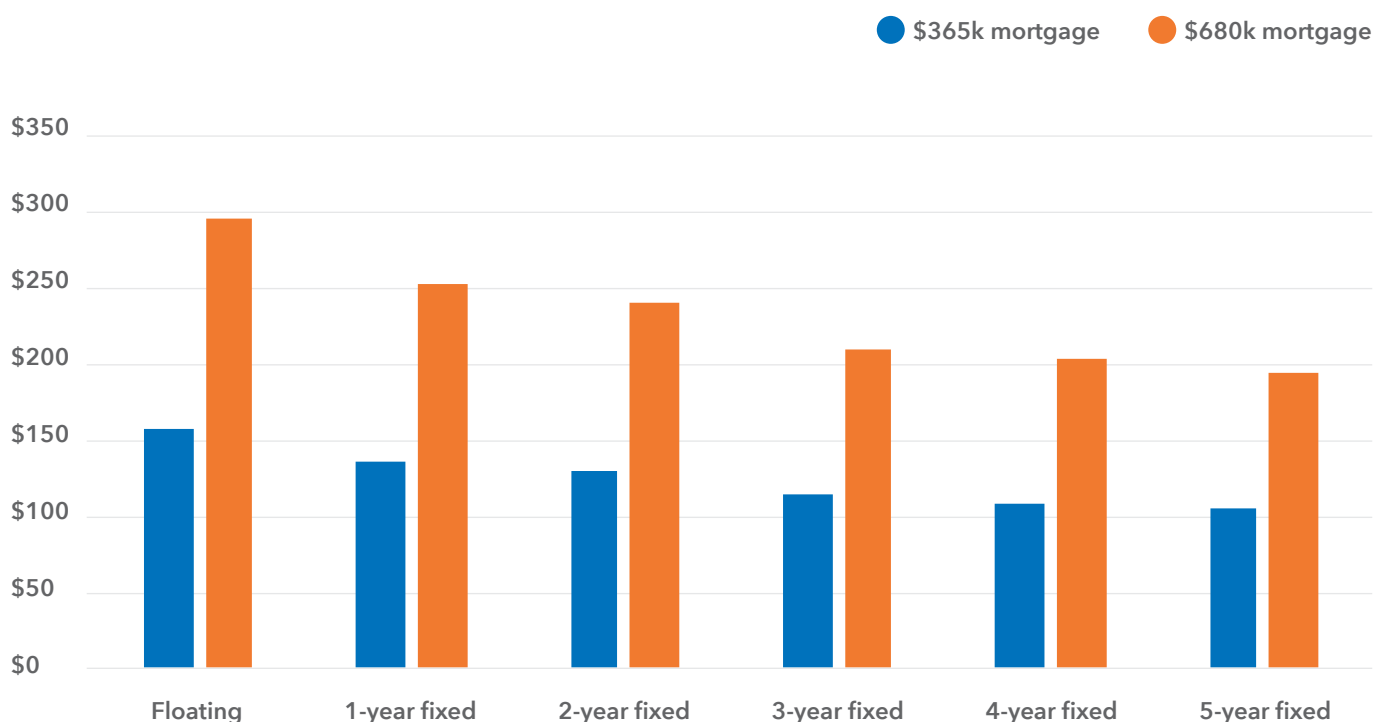
2022 was the year of mortgage rate increases as the official cash rate (OCR) made some of the biggest and fastest increases in history. At the start of the year, the OCR was 0.75% but by December it was sitting at 4.25% and RBNZ had signalled the need to go higher than most banks had expected.

In November 2021, RBNZ signalled the need to increase interest rates and banks began to price this into their mortgage rates. There was a significant increase in mortgage rates across the year, with one-year fixed term interest rates increasing on average 62% to 6.8% and floating rates increasing 59% to 7.8%.

In real terms, for a family with New Zealand's average mortgage of \$365,000 on a 30-year monthly repayment schedule, this equates to an additional \$595 per month or \$137 per week at the one-year fixed rate. While that is painful, it is probably doable for most households with this level of debt. For those that purchased a mid-range home at the peak of the market (October to December 2021 in Hamilton), then their repayments would increase by just over \$250 per week – a much harder amount to absorb into a weekly budget. To date, banking data shows no uptick in interest-only loans which can often be the first sign of repayment difficulty.

How much more are our mortgage repayments costing per week?

Source: ANZ mortgage calculator



*This comparison uses the ANZ mortgage calculator and average bank interest rates for each term in December 2021 compared to December 2022, assumes a 30 year mortgage repayment plan and monthly repayments.

HOUSING

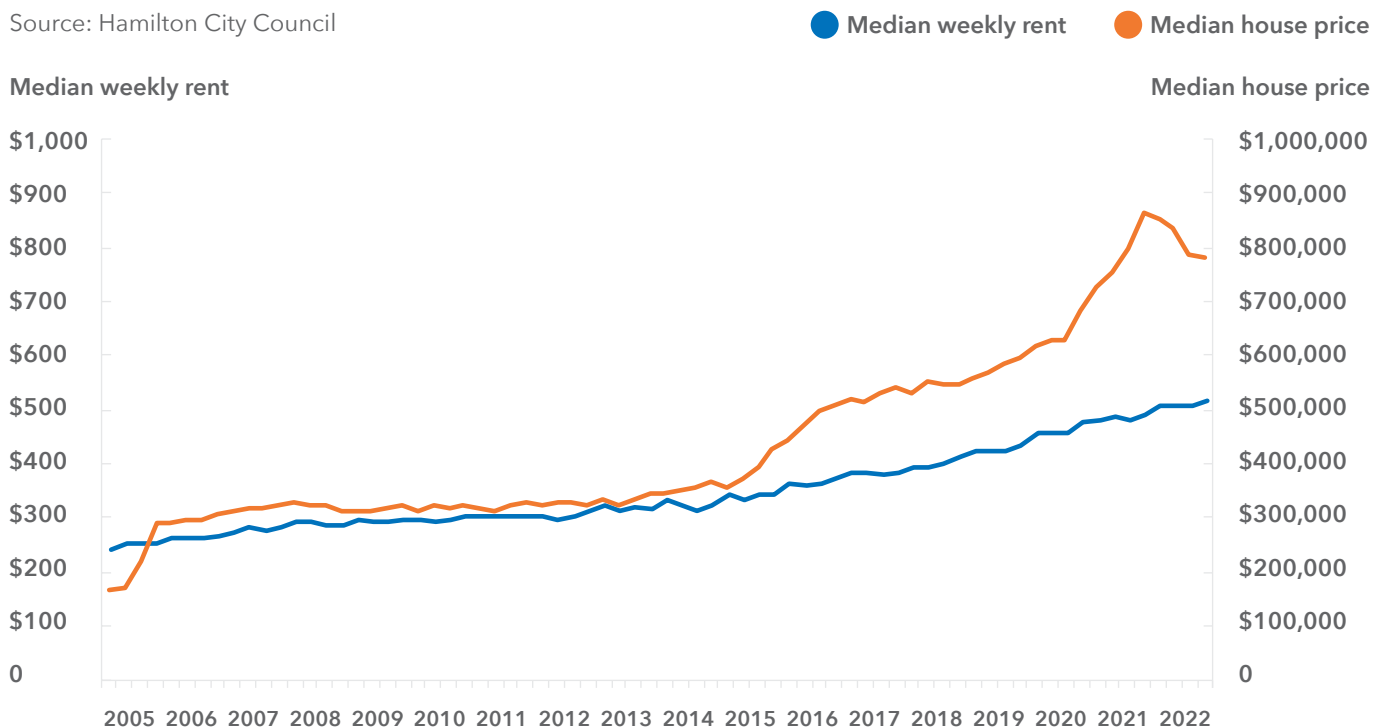
Hamilton's rental market

We estimate about 26,000 homes in Hamilton are not owned by the people who live in them. Hamilton's rental market is made up mostly of these homes. Included in this figure are between 415 and 525 AirBnB rentals.

The median rent in Hamilton sat around \$500 per week for most of the year. Weekly rent tended to be in line with movement in the housing market until 2015. Since then, demand for housing in Hamilton increased and house sale prices began to diverge from rent. At the same time, consents for new homes also started to increase. Until 2015, the median weekly rent increased by 3% per year and house prices increased by 2%. In the years since, rent increased 6% per year and house prices by 11% on average.

Hamilton median house prices and weekly rent

Source: Hamilton City Council



The number of tenancy bonds lodged in 2022 increased 2% to 8265. This figure only includes private rentals and is an indicator of turnover as well as current rental price trends. Bond numbers remain down on 2019 but started to pick up again as borders reopened.

The Infometrics' Rental Affordability Index looks at average rent as a percentage of average household income. In Hamilton, the average weekly rent was equivalent to 21% of the average household income in 2022. This is slightly better than the New Zealand average of 22%.

Rental yield is an important part of the decision to buy a rental property. Hamilton's median gross rental yield is about 3.2%, slightly better than New Zealand's 2.9%. Our suburbs with lower house prices tend to have better rental yields than areas like Rototuna with higher house prices. Suburbs such as Bader, Nawton and Fairfield are at the lower end of the house price range but still command rents above the city's median.

Commercial and industrial development





Ruakura has been central to Hamilton's industrial consenting boom.

COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Consenting trends

Hamilton experienced remarkable industrial growth in 2022 with a record 128,000m² of industrial development consented. That's the equivalent of about 13 rugby fields of new industrial development consented in just one year, and was worth almost \$194 million. This investment is particularly impressive as it happened at a time when business confidence was at a record low (even lower than during the GFC) and signalled broader confidence in our city both now and into the future. The value of these industrial consents was the highest on record and exceeded any other year in the past decade by at least 287%.

The Ruakura Superhub is playing an increasingly large role in industrial consenting with more than 40% of all industrial consenting located there, including the 40,000m² Kmart distribution centre and the 13,100m² Big Chill cold store.

153,000m²
of new commercial and
residential floor area
consented

UP
93%
ON 2021

Rotokauri continued to attract significant investment with 57,000m² of new industrial space consented in 2022, including 15,000m² in the Te Rapa Gateway Industrial Park.

The value of commercial consents in 2022 was comparable to 2021 at around \$130 million. However, uncertainty caused by the pandemic impacted new floor area growth which was down 34% on 2021 at slightly more than 24,300m², and well below the 10-year average of 54,200m² per year. About 43% of new commercial consents were for central city developments, with the rest spread around the city. This aligns well with Hamilton's focus on growth in the central city.

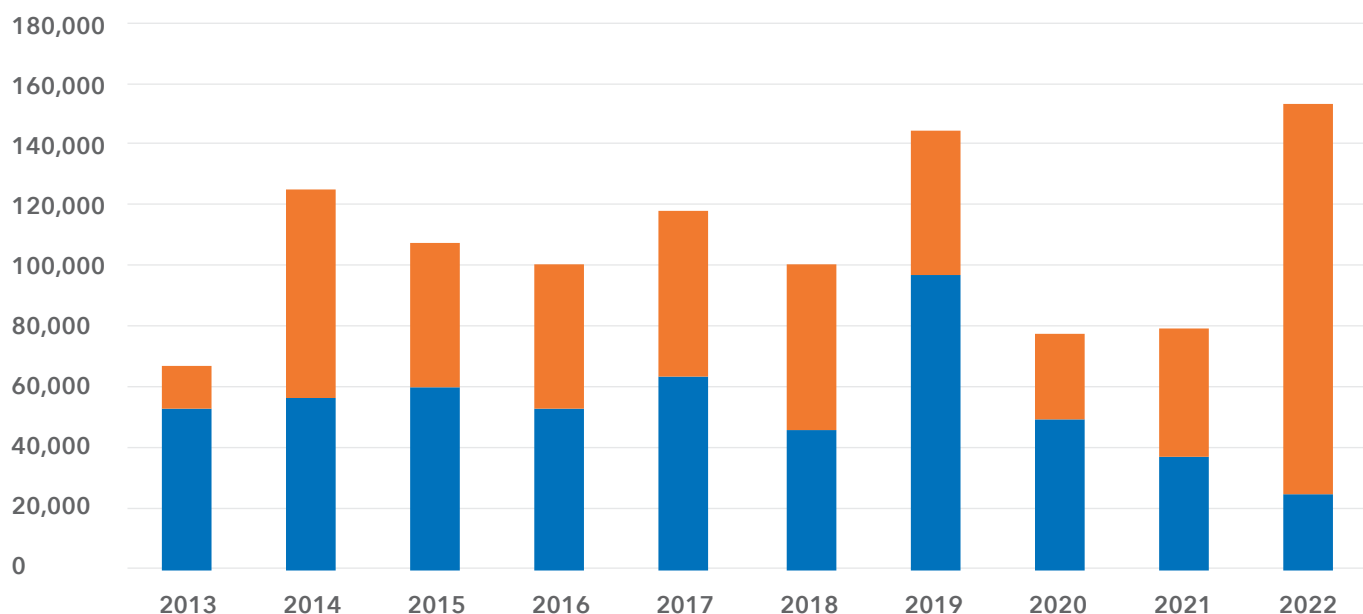
We estimate that within Hamilton there was about 61,000m² of commercial floor area worth about \$261 million under construction at the end of 2022. This includes builds like The Pā at the University of Waikato, the new ACC building on Tristram Street and the Waikato Regional Theatre.

Area of new non-residential development

Source: Hamilton City Council

Industrial Commercial

Square metres

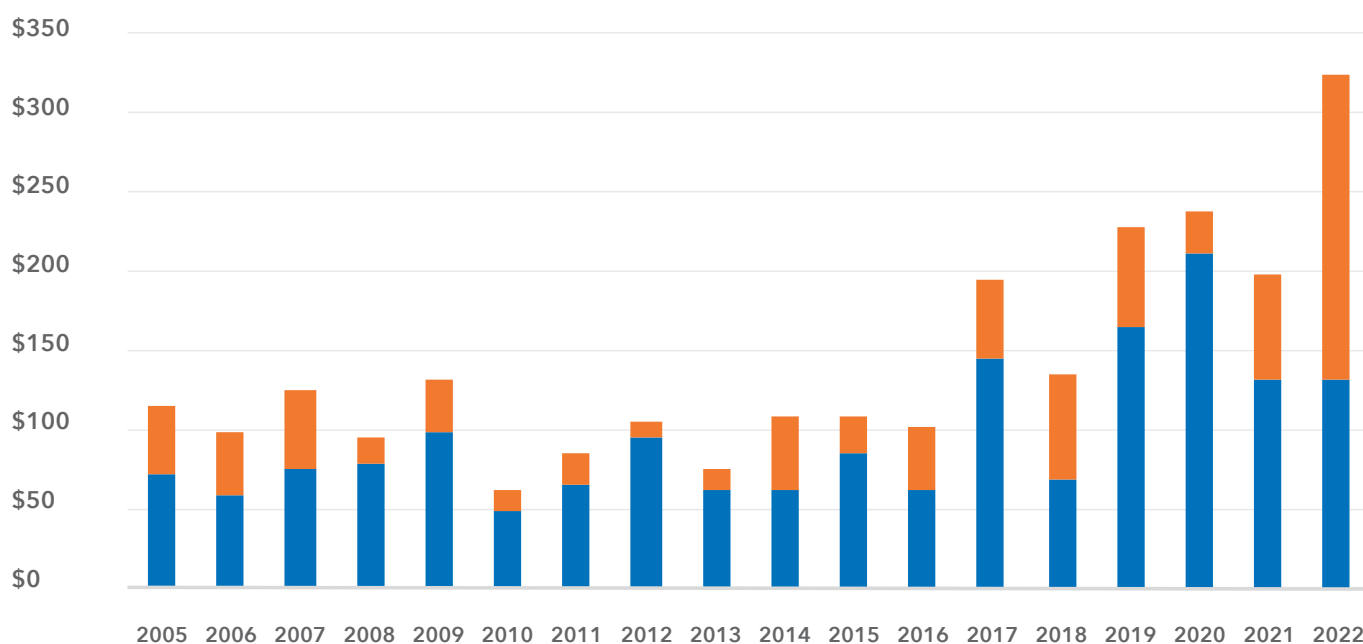


Value of new non-residential development

Source: Hamilton City Council

Industrial Commercial

Millions





COMMERCIAL AND INDUSTRIAL DEVELOPMENT

The University of Waikato's vibrant new heart takes shape

The University of Waikato's "The Pā" – referencing the concept of community and location – was one of Hamilton's most unique commercial developments under construction last year. The 5500m² development in the heart of the university campus will be a multi-functional complex that will deliver state-of-the-art teaching, learning and socialising and celebration spaces for students, their whaanau and the community.

The Pā was inspired by a cultural narrative that links the development to the Kiingitanga, and to the iwi and hapuu of Waikato and beyond. The narrative will be expressed not just in the unique exterior of the complex but also in the carvings, tukutuku and art installations inside. The result will be a building that is architecturally, culturally and functionally unique in New Zealand.

The complex has several spaces and functions including a student hub, food court, reception and staff offices, a new home for Te Pua Wānanga ki te Ao – the Faculty of Māori and Indigenous Studies, a wharenui, multi-function rooms for teaching and a space for staff to eat and socialise.

On top of its day-to-day function for students and staff on campus, it will be an event space that can cater for up to 1000 people across the aatea, mahau and wharenui spaces. It will be available for business and community use, hosting graduations, conferences and cultural and community events and activities. The Pā is the first of ten priority projects on the University of Waikato's strategic masterplan for its Hamilton campus. These projects will be staged over the next 15 or so years.



COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Waikato Expressway - a game changer

In July 2022, the 22km Hamilton section of the Waikato Expressway opened, marking the last stage of the 30-year expressway project. The completion of the expressway means through-traffic can bypass Hamilton, easing congestion along some of the city's key arterial roads.

Significant regional economic benefit also comes from the completion of the expressway. Hamilton and Waikato firms are now able to better service the Auckland market, have reduced travel times and reduced fuel costs. It is estimated completion of the expressway will generate about \$3.4 billion in economic benefit as well as around \$53 million per year in savings from fewer accidents.

Since completion of the expressway, peak morning travel times have dropped 35% between Thomas Road in Rototuna and Newell Road in Riverlea. Peak evening travel times also fell 60% between Normandy Avenue in Melville and Newell Road. This is a result of 8000 fewer vehicle trips a day on Wairere Drive and 3000 fewer trips on Kahikatea Drive.

The reduction in heavy vehicles along Hamilton's major arterials has helped ease traffic congestion.

About 30% of heavy vehicles now bypass the city completely. Those that do come into the city are taking different routes and using one of the five interchanges to enter the city closer to their destination. This has benefits for local traffic as well as being more efficient for heavy vehicles.

The opening of the expressway unlocked development potential in Ruakura. This industrial land is bordered by the expressway to the east and is serviced directly by the Ruakura interchange. The Ruakura Superhub covers 490 hectares and has an industrial precinct, the inland port, a research precinct and a service centre. To date, 15 hectares (43%) of the logistics precinct and 8 hectares (32%) of the industrial zone has been leased. Last year construction started on the 40,000m² Kmart national distribution centre, and the Waitomo service centre opened, along with fast-food outlets McDonald's and KFC. The first Superhub tenant, PBT, also opened its doors. It was a massive year for the Superhub and 2023 is looking equally exciting.

Alterations and additions

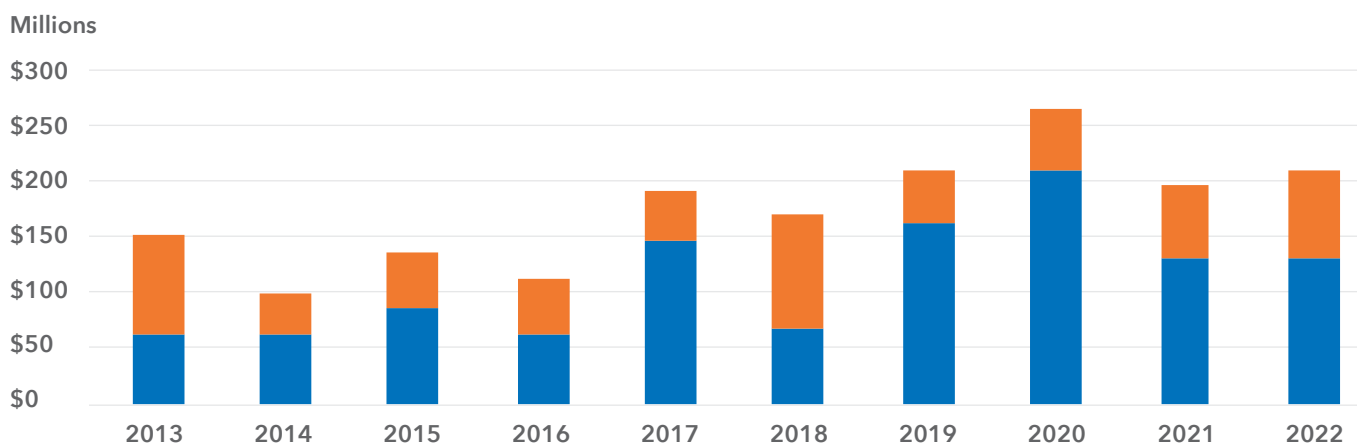
During the past year, \$101 million worth of alterations and additions were consented for existing industrial and commercial buildings. This was almost \$30 million more than in 2021 and the highest level since 2010.

Commercial alterations and additions were at the highest level since 2018 with more than \$79 million of work consented. Nearly \$34 million (43%) of this was spent on alterations and additions in Hamilton's central city, reflecting the steady upgrade of commercial buildings in Hamilton.

Commercial consent value

Source: Hamilton City Council

● New construction ● Alterations and additions

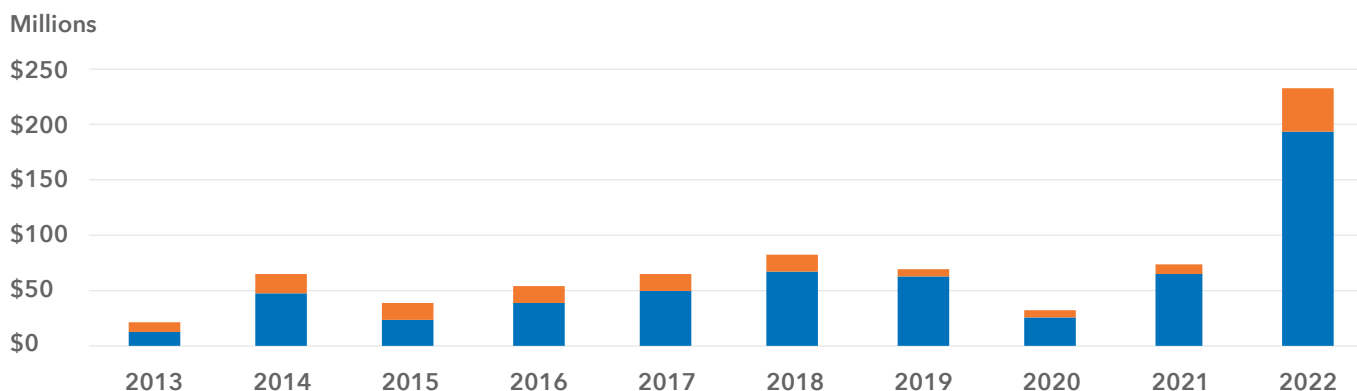


Industrial alterations and additions were valued at almost \$22 million in 2022, nearly three times higher than in 2021, and the highest yearly total on record. Te Rapa had the most activity with \$11 million (50%) of alterations consented.

Industrial consent value

Source: Hamilton City Council

● New construction ● Alterations and additions





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, located near the railway line and was first home to the Huttons’ factory in 1901. Te Rapa south is Hamilton’s main brownfield industrial area and is 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. Horotiu is located 8km north of Hamilton’s central city with the 100 hectare Northgate Business Park being the hub of new development in the area. Hamilton Airport’s 75 hectare Titanium Park is another major industrial area which is well underway and is located 14km south of our central city.

Our newer growth cells have larger parcels of empty land. More established areas tend to have smaller parcels 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 a total of 2.06 million m² of industrial space in 2022, including 57,000m² of new space. The survey monitors industrial buildings in Te Rapa, Frankton and Hamilton Airport. The overall industrial vacancy rate in Hamilton was 1.2%, equal to about 25,000m² of space. Nearly 80% of this vacant space was located in Frankton. The survey also showed that there was 53,000m² under construction or with construction about to start, most of which was in Te Rapa and at Hamilton Airport. Ruakura is being added to the survey in 2023 due to its increasing importance in the development of industrial land.

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 decide on the infrastructure we need to enable development to occur.

We are constantly working to improve how we project future demand, and monitor 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, in the short-term, demand is expected to remain strong in Te Rapa, with an estimated 43 hectares needed in the short-term and 148 hectares 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	267
Frankton	1	22	80	19
Ruakura	0.3	5	19	332
Other	8	47	154	4
Total	52	222	540	621

Our people





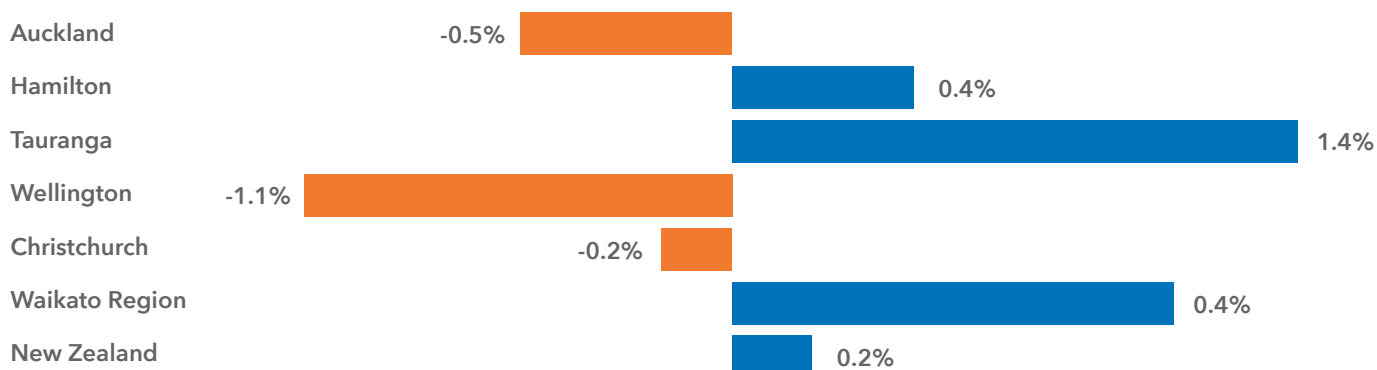
OUR PEOPLE

Population

Hamilton's population reached 179,900 in 2022, an increase of 0.4% on 2021. The 2021 estimate was readjusted upwards by 600 people to 179,100, making growth look lower in 2022. In comparison, New Zealand's population grew by 0.2% in 2022. Hamilton has grown at a faster pace than New Zealand for more than 20 years and, since 2013, has outpaced every major city in the country except Tauranga.

Annual population change 2022

Source: Statistics New Zealand



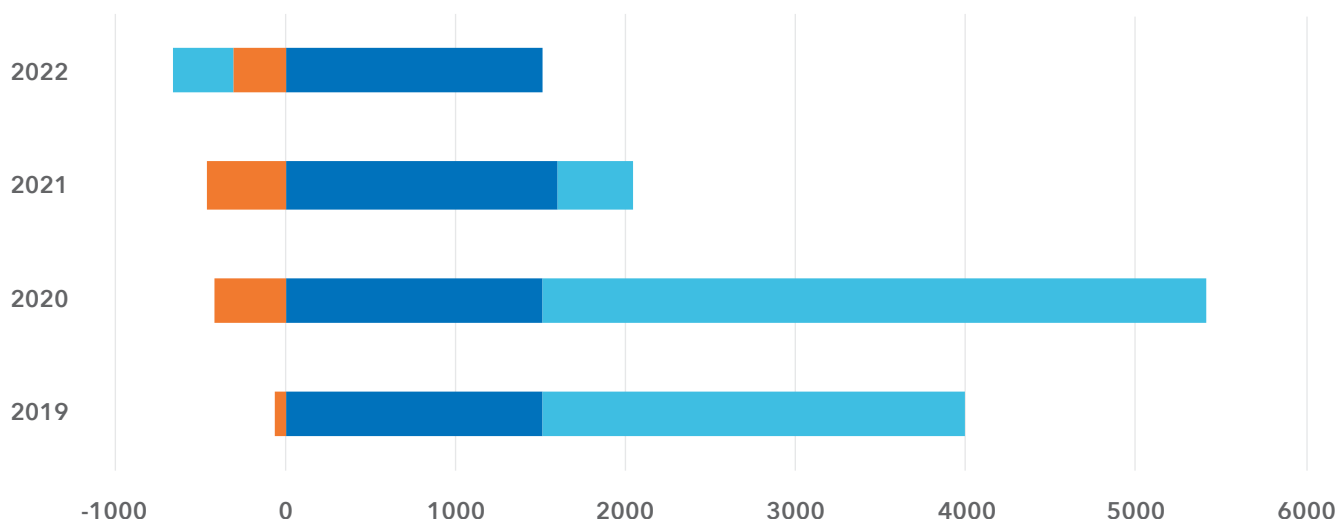
Population change

Since New Zealand's borders closed in 2020, there has been almost no international migration to boost our population. In fact, for most of the pandemic, New Zealand experienced negative net migration with more people leaving New Zealand than arriving. Population growth came from internal migration and natural increase (births minus deaths). Hamilton, with its young population (median age of 33 years), has a relatively high level of natural population increase compared to most other parts of New Zealand. This helped our growth levels remain higher throughout the pandemic.

Components of population change in Hamilton, as at 30 June 2022

Source: Statistics New Zealand

● Natural increase ● Net internal migration ● Net international migration



*Note: Statistics New Zealand updates previous data each time it releases its population estimates. The latest release saw an upward shift in internal migration in 2021.

Population growth is expected to be much higher in 2023 with the earlier than expected return to positive net migration at the end of 2022. Statistics New Zealand and most economic commentators were not expecting to see positive net migration until late 2023 or early 2024.

According to Stats NZ's population data, New Zealand's four largest cities, including Hamilton, have had negative net internal migration meaning more residents left these cities than arrived each year. Hamilton, Auckland, Christchurch and Wellington all rely on international migration to drive population growth.

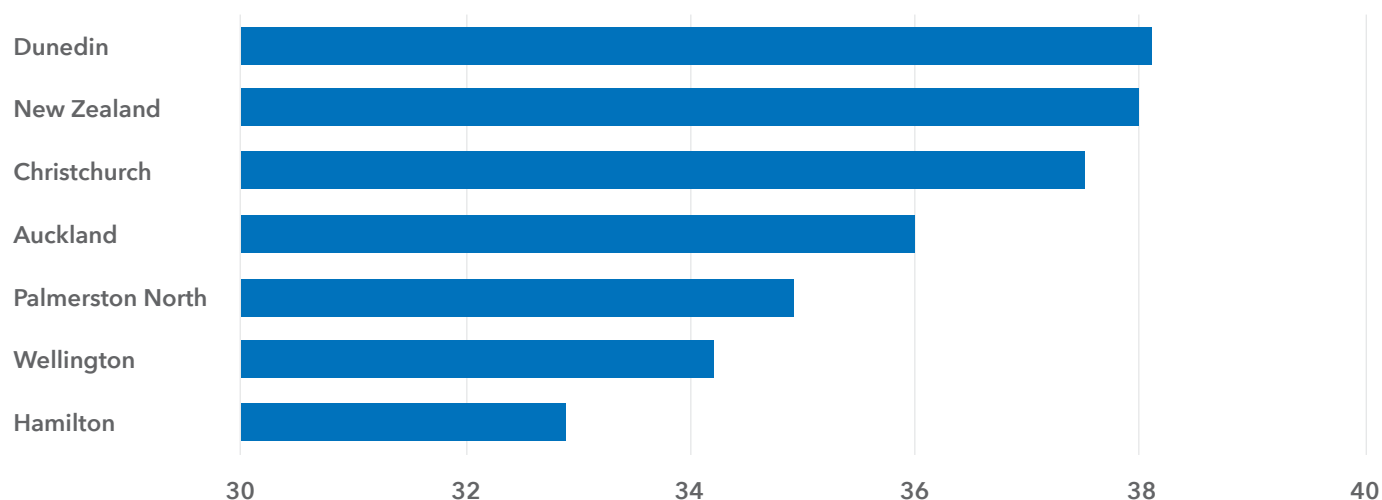
Hamilton City Council is currently planning for the next 50 years and the need to accommodate 310,000 people and another 60,000 homes. That equates to an extra 60,000 people every ten years. Hamilton's current growth patterns suggest at least two-thirds of this growth will be accommodated in our existing suburbs, with the rest going into greenfield areas like Peacocke, Rotokauri and Ruakura.

Age structure

Hamilton is New Zealand's youngest city with a median age of 33 years. This compares to 38 years for New Zealand, 39 years for Tauranga and 55 years for Thames-Coromandel - New Zealand's oldest district. Hamilton's young population is sometimes accredited to it being a university city which is partly true, but the city's population is significantly younger than New Zealand's other major university cities..

Median age of New Zealand university cities

Source: Statistics New Zealand

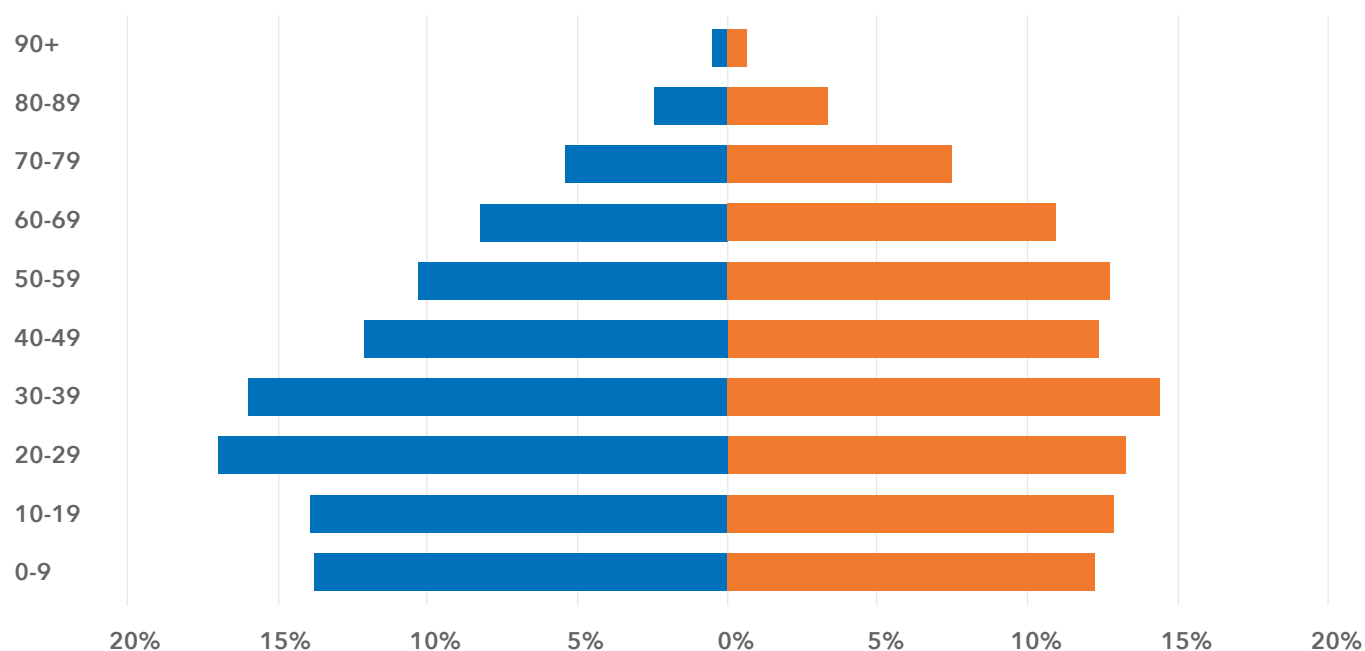


Population age structure

Source: Statistics New Zealand

● Hamilton ● New Zealand

Age in years



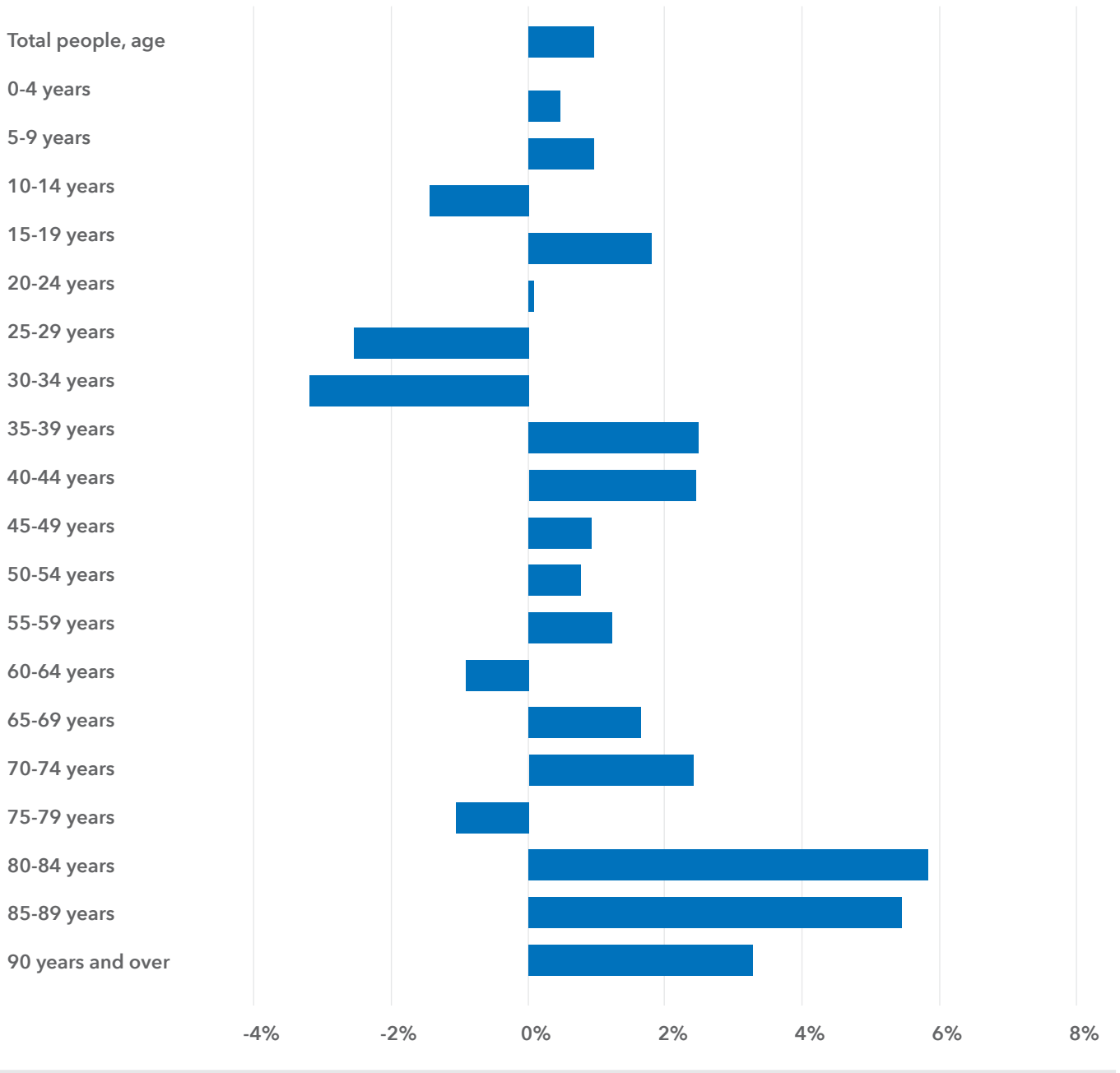
Hamilton’s age structure is heavily weighted towards those under the age of 40 years. The high proportion of the population aged between 20 and 39 years is also one of the reasons Hamilton has high natural increase as this is the age group most likely to have children. As people reach retirement age, there is a trend to retire “to the beach” so our population is significantly smaller at the upper end compared to the rest of the country, while Thames-Coromandel is heavily weighted at the retirement end.

For the first time Hamilton experienced a “brain drain” as COVID-19 border closures impacted Hamilton’s 20 - 24 years age group, with fewer international students coming into the city in 2021 and 2022. In 2022, there was also a decline in the number of 25 to 29 year olds in the city, most likely due to younger people heading off overseas a few years later than expected because of the pandemic.

Population change by age, 2021 to 2022

Source: Statistics New Zealand

● Hamilton ● New Zealand



Our central city





Nearly half of Hamilton's central city population are aged between 20 and 39 years.

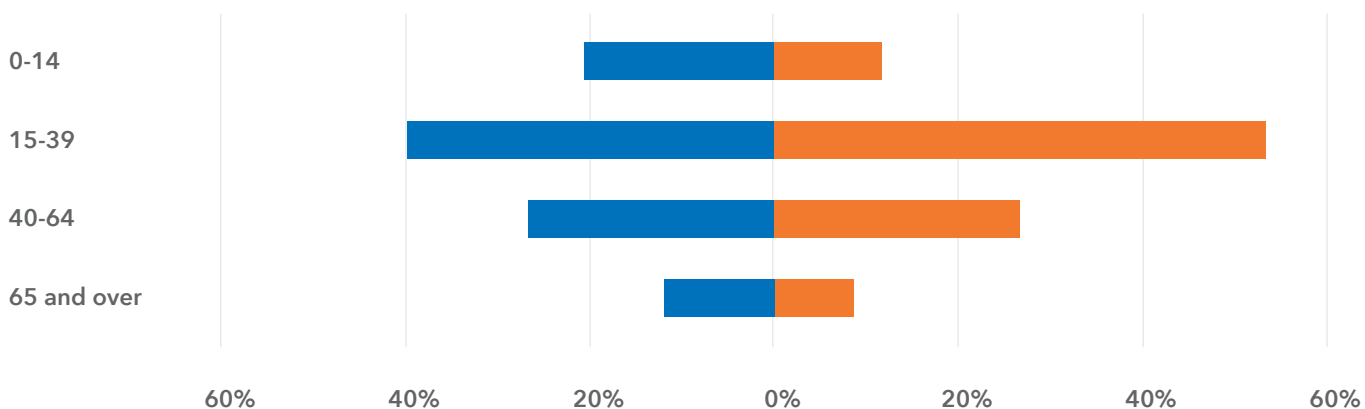
Our central city population continued to grow in 2022, increasing 2% to reach 1650. Hamiltonians living in the central city tend to be younger with nearly 50% being aged between 20 and 39 years. There are significantly fewer children and older people than across the rest of the city. Population growth in the central city continues to outpace the city as a whole.

Population age structure 2022

Source: Statistics New Zealand

● Hamilton ● Central city

Age in years





OUR CENTRAL CITY

Infrastructure Acceleration Fund grant to enable 4000 new homes in central city

In November 2022, the Government confirmed that Hamilton's central city application to the Infrastructure Acceleration Fund (IAF) for \$151 million had been granted. The announcement came on the back of extensive negotiations between Council and government officials to determine the scope and outcomes of the agreement.

The IAF investment from the Government, Council and the development community will unlock more than \$2 billion worth of new residential and commercial development over the next 10 years. This equates to about 4000 new homes and more than 300,000m² of commercial development.

The grant will fund 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.

The IAF funding is supported by funding of \$129 million across Council's current long-term plan, \$80 million from development contributions and a projected \$100 million of direct infrastructure investment from the development community. The funding will not cover all the infrastructure required to service the new levels of intensification required under the National Policy Statement on Urban Development (NPS-UD), but it is a strong start in terms of three waters infrastructure.

Agreements have been signed between Council, Kāinga Ora and six central city developers to bring the central city vision to life. Tristan Jones/Jones Group, Apex Property, Pragma Developments, Tainui Group Holdings, Stark Property and Cavendish Ventures have all agreed to deliver new homes in the central city.

CENTRAL CITY

Infrastructure Acceleration Fund projects



Boundary Name

- Central city area
- Areas within 800m from the central city

Road

- State Highway
- Minor Arterial Road
- Major Arterial Road
- Railway
- Stormwater
- Wastewater
- Water
- Transport

Indicative estimates: Inflated \$NZ in millions, based on indicative concepts and assumed construction dates
 *Note: Active modes river bridge \$10 million 2021-31 Long-Term Plan amount is additional to the bid request. Bridge location to be determined.



OUR CENTRAL CITY

New developments

In 2022, nearly 21,000m² of new non-residential floor area was consented in the central city, representing nearly half of all the value and new floor area of commercial consenting across Hamilton. Most of this was for the Union Square development, a city block-sized development located between Anglesea, Hood and Alexander streets. The four-storey Building B and six-storey Building E were both consented in 2022.

Consent was lodged for Stage 2 of the Waikato Regional Theatre build. Work has progressed steadily on the theatre throughout 2022, first with the demolition of the existing structure (and preservation of the façade), and the undertaking of earthworks in the latter half of the year. Work has started on the foundations and the structure as well. The next 12 months will see the development of the outside of the building as well as the fit-out. The Waikato Regional Theatre is set to be completed in June 2024.



Image thanks to K'aute Pasifika

Last year saw work on the final stages of the fale of New Zealand's first pan-Pacific hub on the outskirts of the central city, an iconic building that represents a traditional meeting house. The fale was officially opened in early 2023 and provides a community space with capacity for 600 people. The hub will provide a range of services including support services for health, employment and housing.

OUR CENTRAL CITY

Vacancy rates

Our central city had nearly 80,000m² of retail space at the end of 2022 according to the NAI Harcourts Retail Occupancy Report. Hamilton has a retail vacancy rate of only 6%, less than the national annual average rate of 7%. Over the past year, our vacancy rate increased slightly by 0.6% with more retail space becoming available during the year following refurbishments. The report highlights Hamilton's low vacancy rates, high demand, and healthy levels of refurbishment and redevelopment as key components of its underlying strength.

OUR CENTRAL CITY

Doing business

Our central city supports 21,400 jobs, has 2650 businesses and generates \$3.2 billion of our city's GDP (about 25%). The central city saw growth across all three of these areas in 2022, with jobs increasing 3%, the number of businesses up 4% and GDP rising 7%.

The central city is home to 76% of the city's financial and insurance service jobs, 52% of information media and telecommunications jobs, and 54% of public administration and safety jobs.

Professional, scientific and technical services were the biggest generators of GDP in the central city, accounting for 16% or \$501 million in 2022. This sector also generated the most jobs with more than 4200 jobs.

Public administration and safety had about 3300 jobs in the central city in 2022, almost three

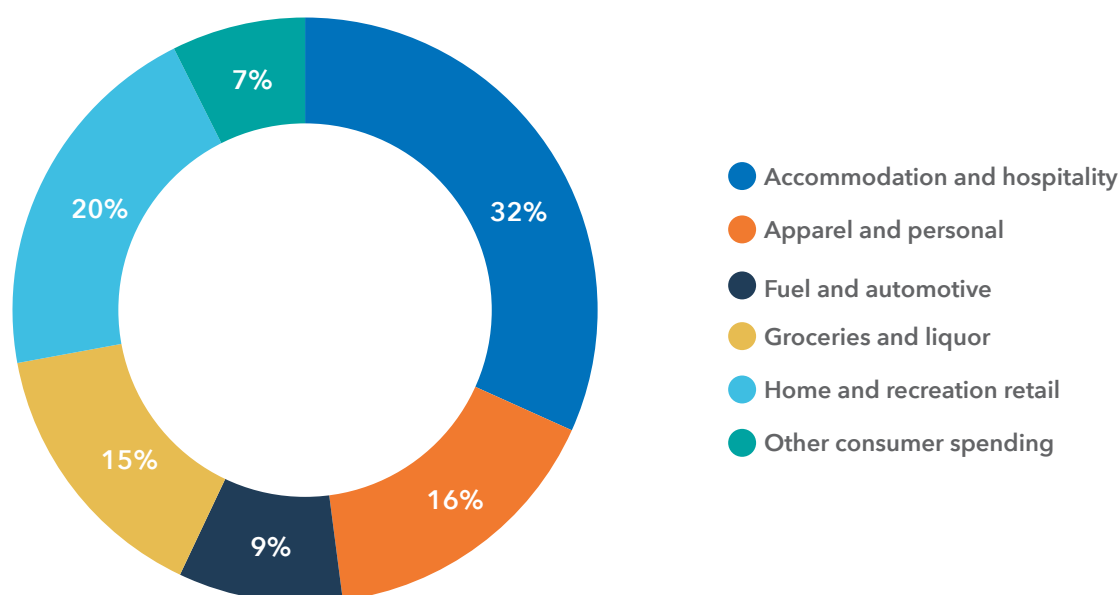
quarters of these were in central government administration and safety. In part, this reflects Hamilton's role as a service hub for Waikato.

The electricity, gas, waste and water services sector generated \$460 million in GDP, the second highest, but employed just 532 people.

Retail trade generated almost \$112 million in our central city and more than 2100 jobs. Our card spending data shows that there were 1771 retail businesses in Hamilton at the end of 2022, down 44 businesses on 2021. Accommodation and hospitality businesses made up nearly a third of all retail businesses in the central city. These businesses generated \$54 million in GDP and supported more than 1600 jobs.

Retail businesses in the central city 2022

Source: Marketview





OUR CENTRAL CITY

Card spending

Our card spending data counts the spending on EFTPOS machines around the city. Every time someone swipes a card to make a purchase, the data is collected. Data is not yet available for online shopping and in-app purchases like UberEats.

Card spending in Hamilton's central city increased 12% to \$711 million in 2022, while transactions increased 5%. The significant increase in the amount spent is partly a symptom of inflation which sat at 7.2% at the end of 2022.

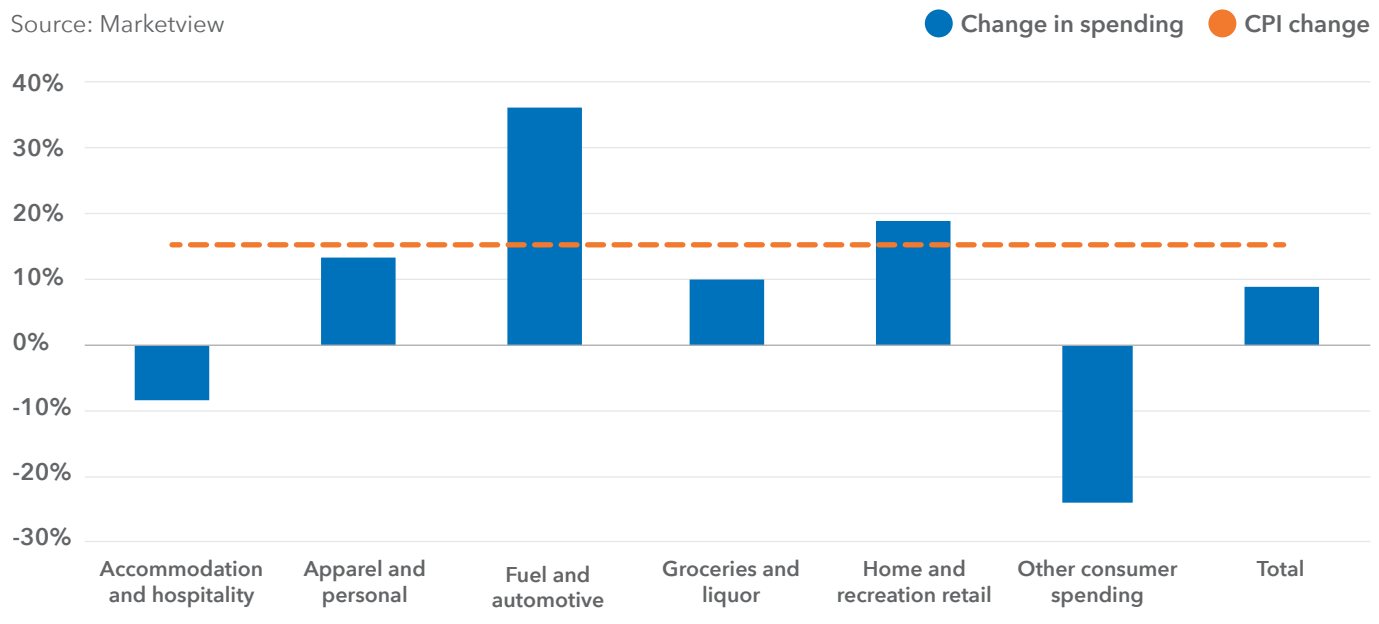
Fuel and automotive spending increased 38% in 2022, primarily a reflection of the massive rise in fuel costs in 2022. Petrol and diesel pump prices increased rapidly after Russia invaded Ukraine on 24 February 2022, resulting in our government intervening and reducing petrol taxes and road user charges. Prices peaked in late June at \$3.13 per litre for diesel and \$3.28 for regular petrol, around twice the price of July 2021.

Spending increased 35% in the other consumer spending category, including areas like international travel which rebounded in the second half of 2022 as the borders reopened. Increased international flight costs helped to push this category higher.

Card spending in 2022 was up in all categories compared to 2021. However, for some areas it remains well below pre-pandemic spending levels. Accommodation and hospitality increased 14% in 2022 but, when compared to 2019, it remains 9% lower. Other consumer spending in 2022 was 24% below 2019 spending levels. Overall spending is 9% higher now than it was in 2019 while the consumers price index (CPI) shows prices increased 15% over the same period.

Changes in spending since 2019

Source: Marketview

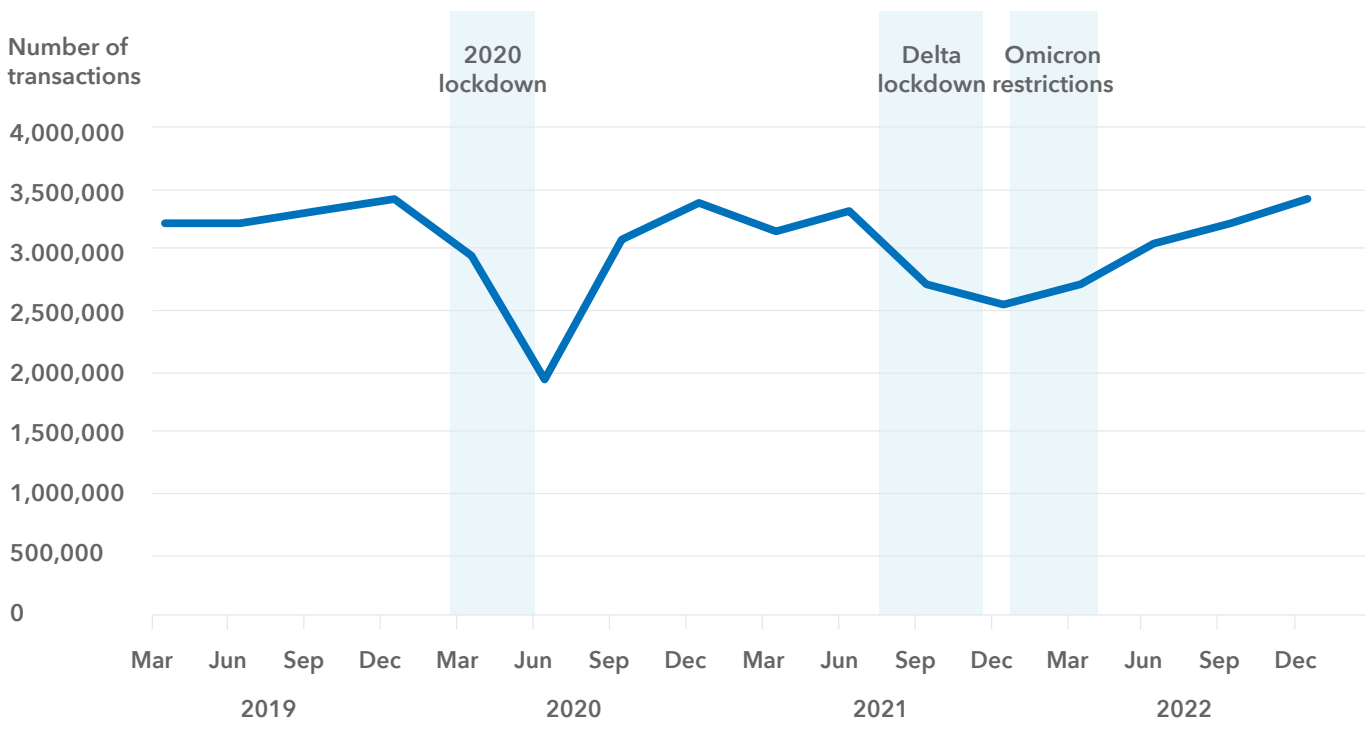


Transaction data shows how often people are making purchases and can show a pattern that might be distorted by inflation in the spending numbers. Our data show that there were 12.4 million transactions made in 2022, 5% more than in 2021 but 6% fewer than in 2019. Transactions in the December 2022 quarter returned to pre-pandemic levels and were the highest seen since December 2019.

COVID-19 restrictions impacted our spending habits with noticeable drops in transactions when Hamilton was under higher levels of restrictions. The lack of international tourists also contributed to lower transaction numbers and was particularly evident in accommodation and hospitality transactions which were 19% lower than in 2019.

How COVID-19 restrictions impact spending

Source: Marketview

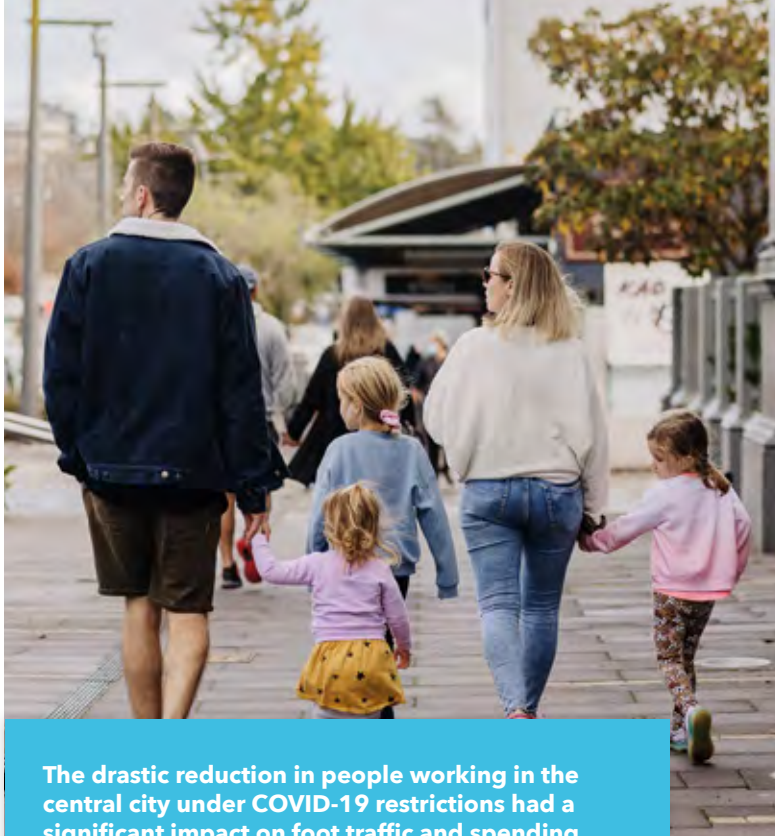


OUR CENTRAL CITY

Pedestrian counts

December pedestrian counts in the central city increased 9% in 2022. The impact of COVID-19 restrictions means comparisons to 2021 fluctuate markedly from -25% in March 2022 when Hamilton was at the red traffic light setting, to 273% in October as we were in Level 4 lockdown for much of October 2021. Overall, pedestrian counts in the central city remained below pre-pandemic levels throughout the year, reflecting the ability many people have to now work from home.

There is a direct correlation between the number of people walking around our central city and the number of transactions made. In simple terms, people equal purchases. When restrictions were in place, people tended to shop locally in their own suburbs because of the rules

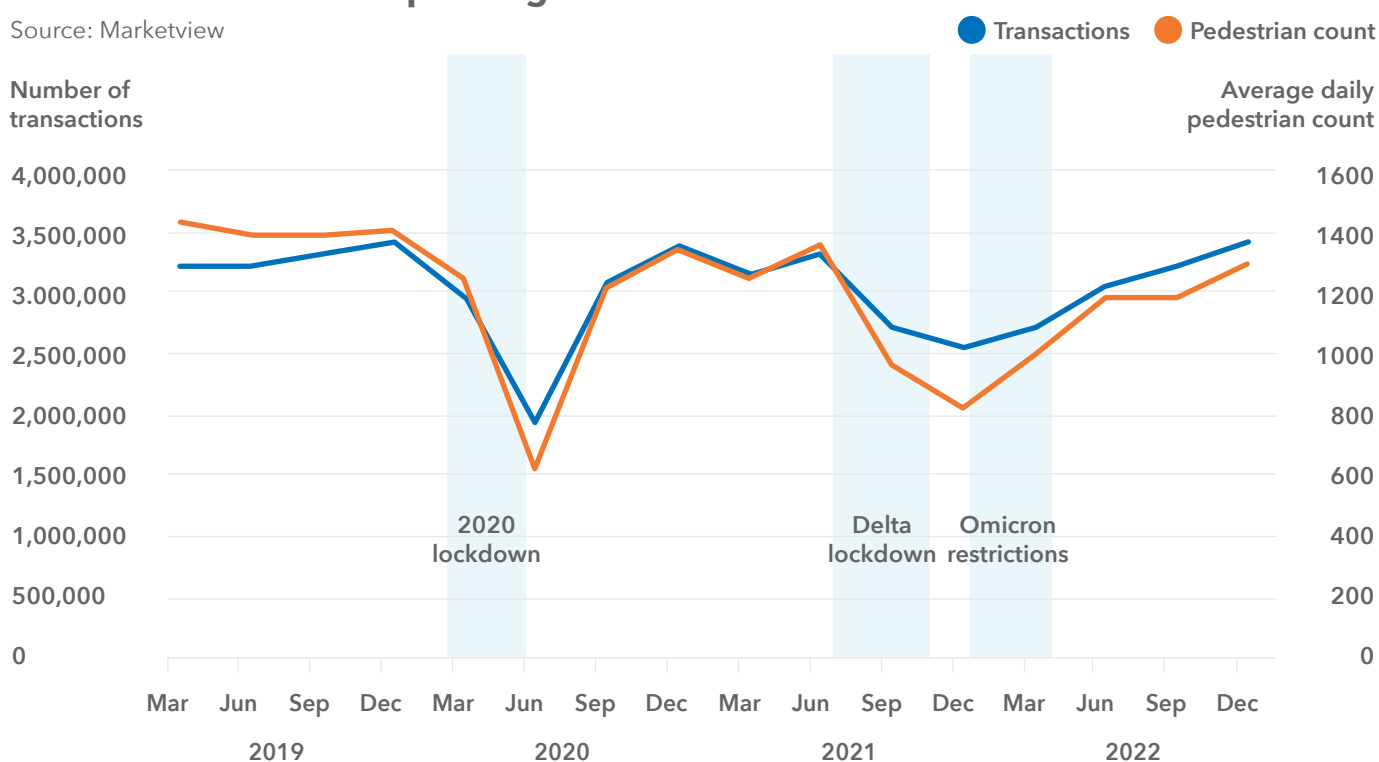


The drastic reduction in people working in the central city under COVID-19 restrictions had a significant impact on foot traffic and spending.

and for convenience. The lack of workers in the central city also meant fewer people popped out for coffee or lunch, or to grab something from a store.

Pedestrian counts and spending

Source: Marketview





OUR CENTRAL CITY

Business profile - Kate from NES

Kate Harris is the new owner and creative director of NES, a New Zealand designed and made fashion label and boutique. The business has been in Hamilton's central city for 20+ years and has a loyal customer following, both instore and online. NES branded clothing is also stocked in 21 selected fashion boutiques around New Zealand.

The Barton Street store is home to the NES brand, where its collections are designed in house and brought to life in partnership with other small New Zealand businesses. The NES store also offers other carefully curated brands from both New Zealand and Australia and is a destination

for shopping in the central city. We talked to Kate about being in the retail business in Hamilton in 2022 and her outlook for 2023.

Hamilton's relative affordability and its location offer definite benefits to businesses. "I can whip to Auckland and Tauranga in a heartbeat where my machinists and my cutters are, and the expressway to Auckland really aids that". Kate also finds dealing with Waikato businesses easier. "They tend to be more personable and there's a higher level of trust. Customer satisfaction is more important when you know the person or people behind the brand and know where your money is going."

Many businesses had to deal with high levels of inflation and COVID-19 restrictions in 2022, and they are now facing the uncertainty of turning economic conditions. Kate has seen the cost of fabric increase and industry veterans report that costs are now much higher. Manufacturers are increasing costs, so these need to be factored into the price of clothing. "We have absorbed some of these increases in our margins, but there are some items where margins are now pretty tight". Because the NES brand manufacture some of the clothing they sell, the margins are much better than for products that they stock from other brands.

Labour shortages were also a theme of 2022. Kate's focus on staff retention has been key. Looking after the wellbeing of her staff and paying more than the living wage is uncommon in retail and gives NES another point of difference to attract and retain the best staff. Building good relationships with your suppliers and stockists is also important.

While some retailers are struggling, NES has increased sales on last year. The biggest challenge has come from production delays as opposed to a lack of sales. Producing her product in New Zealand has helped her avoid the worst of the global supply chain disruptions some retailers have experienced.

So, what's the key to competing in slower economic times? Knowing your customers and building relationships. NES' customer demographic is generally 40 to 55 year old women. For them the instore experience is crucial: building relationships and providing personal advice. High quality, timeless pieces are also important which is something NES prides itself on. A more mature demographic is also beneficial, as they tend to have a bit more disposable income to spend than those who are younger with mortgages, children and likely lower household incomes.

Kate is optimistic about 2023 and believes the retail industry is on the rise. She'd like to expand manufacturing as demand increases and offer more NES branded items in store next year, eventually expanding to 75% of her stock holding. Kate believes it's important to keep her clothing New Zealand made as this is a major point of difference for NES.

Our metro economy





Hamilton is one of the smallest territorial authorities by land area in New Zealand. As such, the surrounding sub-region is inextricably linked to Hamilton and plays an important role in our city's economy and our growth story. Future Proof was set up as a joint project to consider how the Hamilton, Waikato and Waipaa sub-region should develop. Its area stretches from Taupiri in the north through to Kihikihi and Cambridge in the south, and from Tauwhare to Whatawhata. Hamilton is the civic, administrative, cultural and commercial metro centre of the Metro Spatial Plan (MSP) area.

The MSP creates a framework to respond to growth challenges, now and in the future, and aims to address issues such as environmental deterioration, demand on infrastructure and rising housing costs. The MSP also supports a radical shift to using public transport. One of Future Proof's initiatives has been the Hamilton-Waikato Metro Spatial Plan (MSP) which considers how the subregion can best grow over the next 100 years.

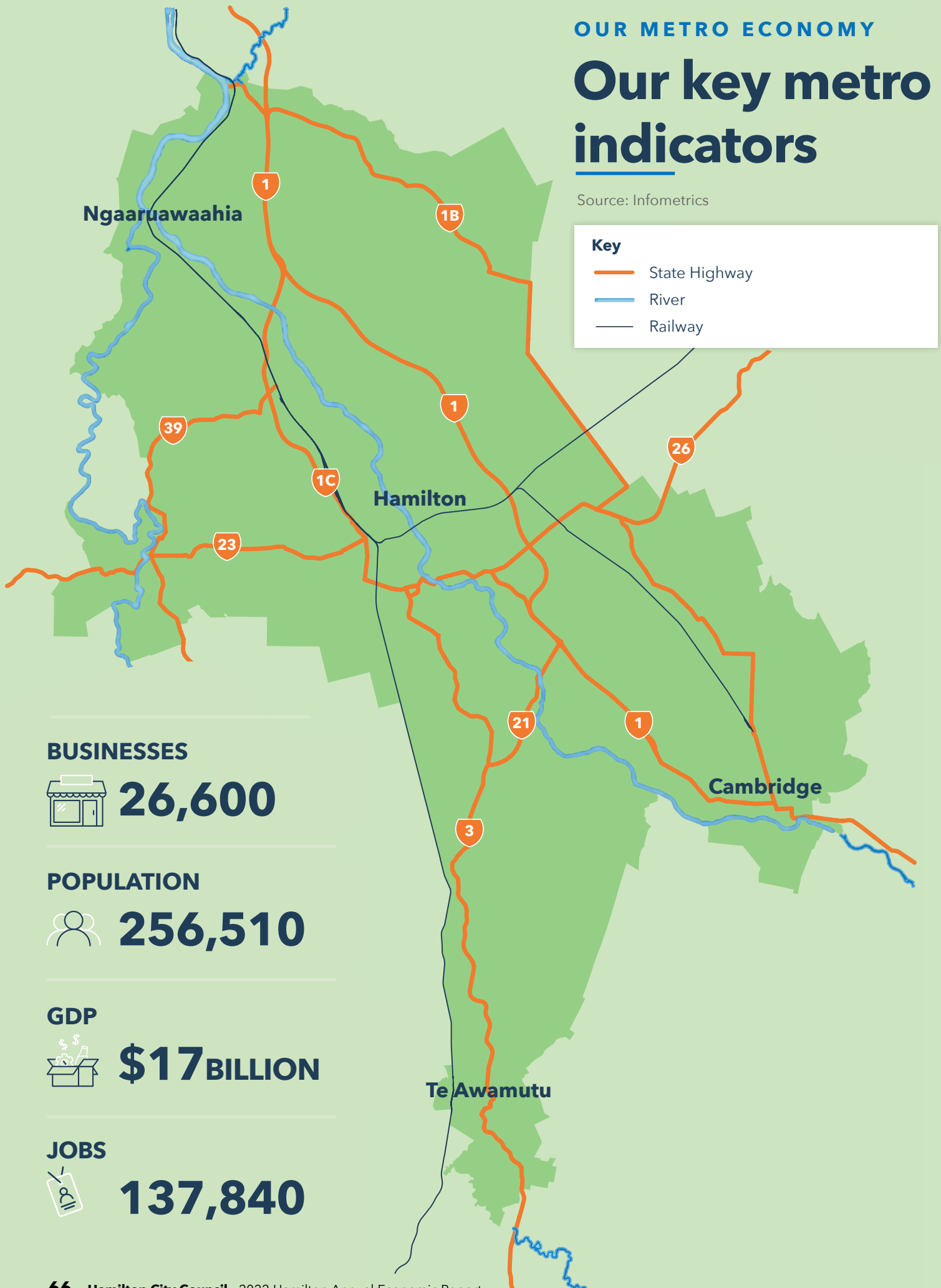
Our surrounding metro area and neighbouring districts are an important part of Hamilton's economic story. Census data shows 27% of New Zealanders moving to Hamilton came from Waikato and Waipaa districts, while 36% of those moving out of Hamilton moved to these same districts. Data also shows about 93% of people who work in Hamilton come from our MSP area.

In 2022, the MSP area's GDP increased by 6% to \$17 billion. Since 2009, the MSP area's GDP growth rates have hovered slightly above Hamilton's which, in turn, have mostly sat above New Zealand's GDP growth rate. Similarly, the growth in the number of people, businesses and jobs in the MSP area has increased at a faster rate than across New Zealand for nearly 10 years. We estimate that about 93% of Hamilton's workforce come from the MSP area (including Hamilton itself).

OUR METRO ECONOMY

Our key metro indicators

Source: Infometrics



Our outlook



Hamilton's economy has shown remarkable resilience through the COVID-19 disruptions of the past three years. However, Hamilton is very much a part of the wider New Zealand economy just as New Zealand is intrinsically linked to the global economy. The outlook for the national and global economies is subdued which will have a flow on effect for Hamilton. However, our underlying strengths are unchanged and our value proposition for new and expanding businesses remains strong. Our position as a logistics hub for the upper North Island will continue to strengthen and expand, bringing more employment opportunities as well as demand for workers and homes.

New Zealand's economy continues to face a multitude of challenges. One of the more problematic is high inflation which has been more persistent and higher than expected by the RBNZ. Various factors contribute to these inflationary pressures, such as the war in Ukraine, climate change affecting global food production, and labour shortages in many western nations. Despite downward pressure from rising interest rates, inflation is likely to remain high throughout 2023 for those reasons. Most of the big banks and economic commentators see New Zealand's inflation moving from about 7% down to between 5% and 6% by the end of 2023.

Climate change and extreme weather events will continue to impact supply chains

Climate change and related weather events are unfortunately our new norm. We should expect to see more economic disruptions caused by the weather, particularly in relation to our food supply. Locally, there will be ongoing effects from Cyclone Gabrielle and the destruction of food crops in the Hawke's Bay and beyond. The recovery and rebuild is likely to draw on (and in some cases divert) resources, both materials and labour, from across New Zealand for several years.

The demand for construction labour and materials in affected areas will gather momentum once the decisions around the rebuild are made. In Christchurch, there was about a two-year lag before the construction sector increased

significantly. The Government has said it will need to prioritise resources due to the scale of work needed. Hamilton's construction sector is likely to be impacted to some degree. The extent is not yet known, but it is expected that there will be a redirection of resources and scarcity may push up costs and extend timeframes for some projects.

Hamilton is comparatively well placed and somewhat insulated from disruptions with its multiple connections into and out of the city, including the Waikato Expressway, mitigating the risk of being isolated by infrastructure damage. Hamilton's inland location also protects it from the worst impact of storms.

The need for innovation and change to secure our supply chains will be an opportunity for businesses and new technology. Hamilton's Greengrower (featured on page 15) is an example of innovation in the supply of fresh greens that we may see more of in the future.

A global recession?

In 2022, there was increased talk of a global recession and organisations like the International Monetary Fund and the World Bank dropped their forecasts for global gross domestic product (GDP) several times. Central banks are pushing hard to bring down inflation by increasing cash rates to restrict discretionary spending and are not afraid of pushing economies into recession to achieve that.

So, what does this mean for New Zealand? The RBNZ is forecasting national annual GDP to fall 1% from \$284 billion in mid-2023 to \$282 billion in mid-2024. New Zealand is an export nation both in terms of goods (think dairy, meat, seafood) and services like tourism (worth \$41 billion) which was our largest export industry before the pandemic. The strength of the New Zealand dollar is also important to that mix. A high New Zealand dollar is good for importers as our dollar can buy more, while exporters get less when their sales are converted back. When the dollar is weak, tourists can purchase more in New Zealand with the same budget in their home currency.

Key New Zealand exports like dairy, meat and logs are already experiencing softer demand. However, with China easing COVID-19 restrictions, demand is expected to increase again in some areas. On the other hand, markets like Europe and the United Kingdom are experiencing extremely high levels of inflation which is likely to soften demand. As people tighten spending and dine out less, demand for New Zealand's premium produce, meat and seafood, tends to fall. Conversely, New Zealand products traditionally bought at the supermarket could see sustained demand if they are competitively priced.

A global recession, or even a recession in countries our tourism industry relies on, may see a pull back of international tourists. With high prices and lower discretionary income, people are more likely to holiday closer to home.

Yet, New Zealand has shown its resilience throughout the pandemic as well as during previous global downturns like the GFC. If there is a recession, it is expected to be relatively shallow with a fall of 1% in GDP, though it could run into 2024. Some more fortunate Hamiltonians may not even notice a difference.

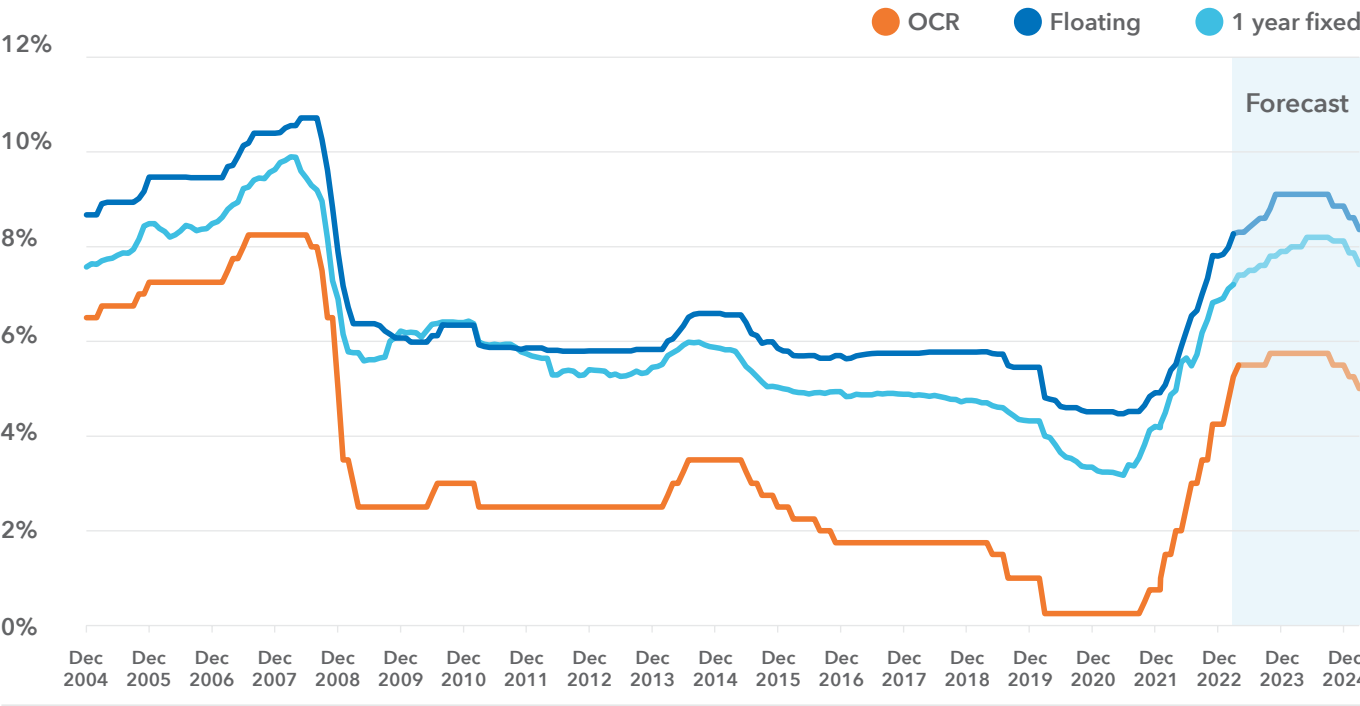
Mortgage rates should stabilise

The RBNZ lifted the OCR again in April 2023, taking it to 5.25% and pushing floating mortgage rates to over 8%. Banks and economists had mostly expected the RBNZ to increase to 5%. The ANZ was the first of the big banks to respond, increasing its floating rate and shorter fixed term rates. On the plus side, deposit rates also increased. The RBNZ has indicated that the future direction of monetary policy (i.e. whether the OCR will go up, down or hold) will depend on the extent domestic demand and core inflation ease.

Despite this recent increase, mortgage rates can be expected to stabilise somewhat as most banks will have now priced in the increases in the official cash rate. Three to five-year fixed rates appear to have reached their peak already with several commentators expecting rates to drop in 2024/25. This will largely depend on the progress on reducing inflation. Stable interest rates allow households to budget and plan with confidence, knowing how much their repayments are likely to be moving forward. It will also add some stability to the housing market.

Official Cash Rate (OCR) and mortgage rates

Source: Hamilton City Council



House prices will fall further, and residential consenting will slow

Broadly speaking, economic commentators are expecting house prices to continue to fall before levelling out sometime in the next 12 to 18 months. The RBNZ expects price falls of about 20% from peak 2021 levels. It's important to remember that picking the bottom (or buying a property when it's cheapest) is hard. If you sell and buy in the same market, there is little to gain and, regardless, you don't know you've hit the bottom until prices start going up again.

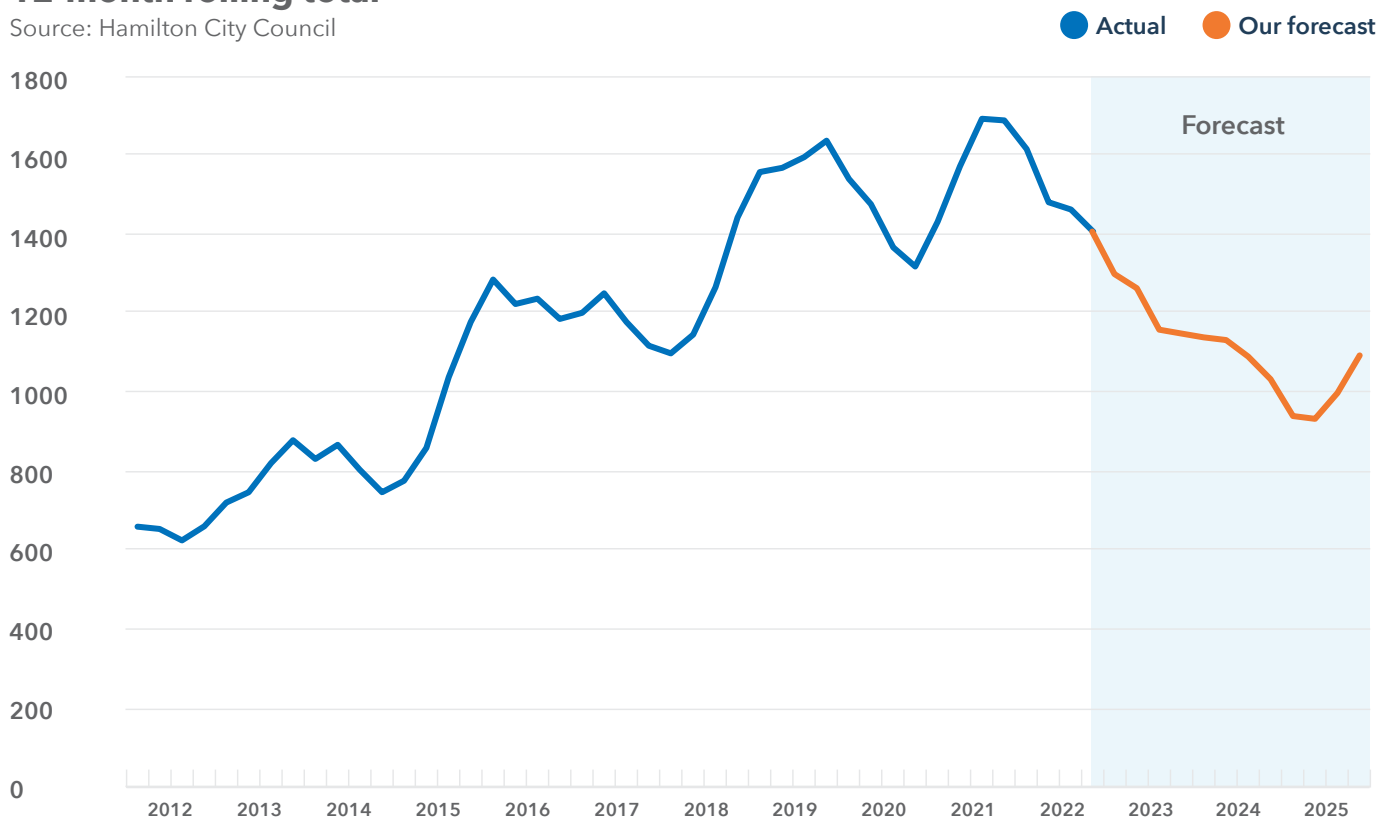
While the short-term outlook is for significantly lower levels of residential consenting and building activity, our long-term outlook remains positive. There are several reasons for this: firstly, Hamilton's economy is well balanced, and we do not expect an economic downturn to last long. Secondly, Hamilton is growing both in population and in production. International migration is expected to increase fairly rapidly in 2023 and 2024, driving up our population and increasing the demand for housing.

Falling house prices and increased costs will continue to challenge the residential construction market. Construction costs continue to rise but the sale price of the end product is lower. The construction sector remains pessimistic about the outlook and the future pipeline of work for new residential builds. There is also a widely held belief that construction costs will continue to increase in 2023, though at a slightly slower rate than in 2022.

Our latest internal modeling for the next two years suggests residential consenting could fall to 1150 new dwellings in the 2023 year and decline further to about 1000 by the end of 2024. We expect consenting in our greenfield areas to slow to about 400 dwellings per year – between 50 and 100 fewer homes per year than we saw in 2022. Consenting in our existing suburbs will fall to around 700 new dwellings by the end of 2024. This modelling assumes that the RBNZ achieves its goal of increasing unemployment and economic conditions remain subdued.

Hamilton's forecast number of dwellings consented, 12-month rolling total

Source: Hamilton City Council



Our forecast is produced by Council's Growth Funding and Analytics Unit, and is not an official Hamilton City Council forecast.

Industrial consenting will continue its strong growth trajectory

The outlook for industrial consenting remains strong with consents for nearly 22,000m² of new industrial floor area lodged in the first three months of 2023. Consents for nearly 17,000m² of new commercial floor area was also lodged. The demand for land in Ruakura, Te Rapa, Rotokauri and Hamilton Airport remains high.

Hamilton's positioning as a key logistics hub has become well established in the past few years as seen in the huge increase in industrial consenting. With increased businesses comes demand for workers, support services and manufacturing, homes for those workers to reside and demand for all the various services that people need: cafes, supermarkets, retail stores, sports facilities and entertainment.

Competition will increase as spending falls

The RBNZ is attempting to reduce inflation by increasing interest rates in order to reduce spending. Falling house prices have also reduced people's ability and willingness to spend money as well. Card spending in Hamilton has started to slow in some areas after inflation is considered (real spending). During the next one to two years, we are likely to see real spending fall in Hamilton. The fall in domestic spending will be partially offset by increased tourist spending following the reopening of our borders and higher international migration.

Businesses are going to need to be more competitive to retain existing customers and attract new ones. This does not necessarily mean lowering prices as companies with a better product, better customer service or a point of difference will do better than those without.

Labour supply pressures will ease

Labour was the biggest concern for many businesses in 2021 and 2022. The significant boost in net migration since our borders reopened, combined with a slowdown of the economy, will result in more people to fill jobs. This will give employers greater choice but create more competition for people applying for jobs.

In the long-term, labour supply is likely to be a challenge for businesses, particularly in western countries with aging populations. Automation and artificial intelligence are going to be an increasingly important part of the economy and will fill labour gaps as our population ages and the working age population shrinks.

The final word

The next two to three years will be less profitable for many and tough for some. If it comes to a recession, inevitably some businesses on the margin will not remain profitable and will shut down. But new opportunities and new businesses will also be created. Hamilton's underlying strengths and our value proposition remain unchanged. We will ride out this economic storm and continue to grow in the future. Hamilton's strategic location, easy access and relative affordability, will continue to draw investment and ensure economic growth.


Report disclaimer:

This document provides general information on the economic growth of Hamilton, and is not intended to be used as a basis for any particular course of action or as a substitute for financial advice. The views and opinions expressed are those of the relevant authors, and do not necessarily reflect the views of Hamilton City Council. Hamilton City Council disclaims all liability in connection with any action that may be taken in reliance of this document, and for any error, deficiency, flaw or omission contained in it.

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