



About this Update

This publication reports on a selection of key indicators that monitor trends in Hamilton and the wider Waikato Region. The update provides statistical information available as at September 2008 (i.e. it primarily focuses on data covering the period April to June 2008), plus some of the more recent happenings around Hamilton and the region.

It is currently distributed to elected members and staff at Hamilton City Council as well as to various organisations and members of the public. The publication can also be downloaded from www.hamilton.co.nz/economicupdate.

June 2008 Quarter Summary

Business confidence was largely unchanged in the June 2008 quarter according to the National Bank, while consumer confidence fell for the second successive quarter. Consumer confidence in the Waikato increased this quarter, after a large decline in the June 2008 quarter.

Hamilton's unemployment rate fell to 3.3% in the June 2008 quarter (compared with 4.5% in the March 2008 quarter) and was lower than the national unemployment rate of 3.8%.

The total number of houses sold in Hamilton in the June 2008 quarter was down to 386, compared with 459 in the March 2008 quarter. According to National Bank's 'Property Focus' the median number of days to sell rose to 56 in September, from 51 in the June 2008 quarter.

A recent survey by Darroch Valuation found that vacant industrial land supply across Hamilton currently stands at 89 hectares, compared with approximately 140 hectares around six years ago.

Sources:

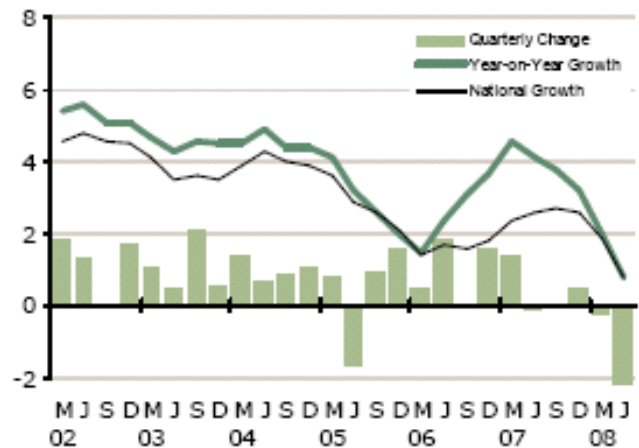
- The National Bank of New Zealand (Economics Division)
- Statistics New Zealand, Quarterly Regional Review (Hamilton) March 2008.
- Darroch Valuation.

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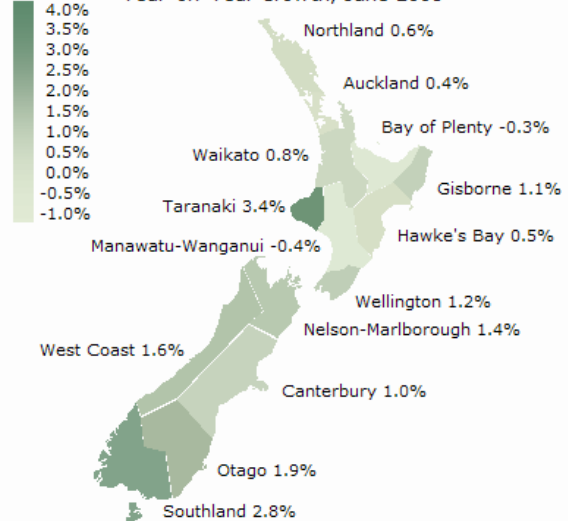
Update for September 2008

ECONOMIC GROWTH — WAIKATO REGION (June Quarter 2008)



Source: The National Bank of New Zealand (Economics Division)

REGIONAL ECONOMIC ACTIVITY Year-on-Year Growth, June 2008



Source: The National Bank of New Zealand (Economics Division)

Waikato economic growth was the same as the national average economic growth, at 0.8% for June 2008, and was one of only four regions to have back-to-back declines over the past two quarters, according to National Bank's 'Regional Trends'.

Highlights

STUDENT CENTRE TAKES SHAPE

The University of Waikato has embarked on an ambitious \$29 million capital works programme to build a landmark, one-stop student centre at the heart of its campus. The 10,600m² complex will house an "information commons" with space for 1,000 computers and the provision of wireless technology. The existing central library will be refurbished and integrated with the new facilities. Design team leader Alec Couchman says making the campus a more attractive place for students is a key driver of the project. [Waikato University Alumni Magazine — 2008 Winter edition](#)

CITY FIRM IN MICROSOFT LINK

Microsoft has entered into a partnership that will be worth millions of dollars to Hamilton software development company NetValue. The software giant has chosen the four-year-old London Street firm, which employs 40 staff, for its high-performance computing, life sciences and high potential managed independent software vendor partner programmes, as NetValue launches human genome mapping software called 'Slim Search'. NetValue chief executive Graham Gaylard said his company's high-speed genomic search technologies combined with Microsoft's High Performance Computer Server platform were a critical component for the next generation of DNA search and analysis. He said the new software eliminated the need for clusters of supercomputers in high performance research centres and could be installed on one PC. Mr Gaylard, said the partnership gave NetValue instant international credibility: *"Given we are the only one with such status in New Zealand, then we will get a competitive advantage from that alone."* Said Mr Gaylard. The software, developed by fellow shareholder Dr Stuart Inglis, Dr Leonard Bloksberg and Prof John Cleary, cost hundreds of thousands of dollars to develop and will be used by doctors to make a diagnosis. Those using it will pay \$US50,000 per year. www.waikatotimes.co.nz

RETAIL LOW OR VACANT IN CITY CBD

Retail sales are at a national low and the number of vacant shops in the Hamilton's CBD is estimated to be around 100. An ASB study found that Waikato retail sales for the year to 30 June were down 3% (the national low) compared to the previous year. Auckland's retail trade was down 1%, while Northland and Nelson saw a significant increase of 9% and 10% increase respectively. The majority of tenants leaving the CBD were closing rather than relocating, according to Colliers International director Mark Brunton. The increase of retail space at The Base, St James Park Shopping Centre and Chartwell Westfield were all factors. Mr Brunton said consumers were watching their money more carefully and it was hurting retailers. Howards Storage World, in Downtown Plaza, went into receivership in July and in Frankton, Blockbuster video closed its doors. Other Waikato sectors are also facing turbulent times. New car sales slowed by 15% in the Waikato and the construction sector was among the worst hit in the country, with a 32% decline compared to the same period last year. Employment remained relatively stables, down by 1% and despite ongoing reports that house prices had taken a dive, the ASB study showed it had fallen only 1.4%. www.waikatotimes.co.nz

HONEY RESEARCH HITS INTERANTIONAL MARKET

Research from Waikato University's honey research group is about to hit international medical markets in the form of a dressing for wounds. The dressing, a blend of honey and a seaweed extract, is designed for use on wounds including leg and foot ulcers, burns, and infected areas. The international wound-care market is estimated to be worth \$12 billion by 2012. The dressing is the brainchild of Dr Peter Molan, a professor at the University of Waikato, who leads the university's world-renowned Honey Research Unit. Dr Molan said the dressing would be particularly useful for chronic wounds resulting from diabetes. Type II diabetes is predicted to become a huge burden on health systems as obesity rates see more people succumbing to the disease, and the foot ulcers and wounds it often causes. *"It means fewer amputations which are often necessary when these wounds won't heal."* That, in turn, means lower costs for the health sector. *"A lot of wounds care is done in the community, and this dressing doesn't need changing as often as conventional dressings, so it could save on time and travel costs"* Dr Molan said. Comvita's Chief Marketing Officer Scott Coulter said the Medihoney Antibacterial Honey Gel Sheet had regulatory approval as a medical device to be sold in Europe, as well as FDA approval for the US. It is already for sale in the New Zealand medical industry. www.waikato.ac.nz

HAMILTON AIRPORT UNVEILS \$3.8 MILLION ANNUAL PROFIT

Hamilton International Airport has reported an after-tax surplus of \$3.8m for the year ended June 2008, up from \$2.7m the year before. Chairman Jerry Rickman, said the company had reduced debt during the year from \$21.2m to \$17.9m from the proceeds of land sales. Mr Rickman said landing charges were up 33%, car park revenue up 2.9%, rental income up 36% and departure fees up 13% as the airport achieved record aircraft movements for the year. www.waikatotimes.co.nz

COUNCIL APPROVES ZONING CHANGE FOR TITANIUM PARK

A major commercial and industrial development planned for the southern outskirts of Hamilton has been given the green light, following Waipa District Council's decision to re-zone 117 hectares of land bordering Hamilton International Airport. The Titanium Park development, a joint venture between Hamilton International Airport and McConnell Property, will house a balanced mix of commercial, industrial, manufacturing and aviation enterprises, and provide a range of purchase options catering to businesses of all sizes. McConnell Property Head of Commercial and Industrial, Nigel Richards, said the Council's decision to replace the previous rural and airport industrial zoning with a new Airport Business Zone is a tribute to everyone who participated in what he describes as a "hugely consultative" process. The joint venture partners are now working towards finalising a start date for construction, with a ground-breaking ceremony planned for some time in the near future. Mr Richards said the new development will be a welcome relief to the local industrial and commercial market. www.hamiltonairport.co.nz



Highlights**V8 Highlights****COMPANIES FLOCK TO INNOVATION PARK**

International processing and packing company Tetra Pak is among several major new tenants to anchor the next stage of development at the Waikato Innovation Park.

The company will be joined in the new building by existing park tenant video communications company Tandberg and possibly the expanding Hills Laboratories, which already has some of its facilities at Innovation Park. The moves will allow space for several new companies to take up residence in the established core facilities building.

Earthworks began last week in what will be the third major expansion in less than four years with a new building due to sit adjacent to the core facilities building.

The Government announced in May it would inject \$4 million into the Waikato development - a sum matched by funds from a joint venture fund including Hamilton City Council and Innovation Waikato Ltd. Innovation Park CEO Derek Fairweather, said contracts had been signed and earthwork were under way with construction due to be completed by August 2009.

The aim of the park is to help New Zealand companies grow by combining their capabilities and helping them find large international export opportunities, and the expansion was in-line with plans for city growth due to plans for city growth due to include the Ruakura area into Hamilton by 2016, Mr Fairweather said.

Waikato Innovation Park was established in February 2005 and is home to more than 50 companies and 350 staff. The park is estimated to contribute \$5 million to the local economy each year.

Meanwhile, AgResearch last week predicted the global financial crisis could significantly reduce investment in biotechnology and agricultural sciences.

General manager of applied technologies Dr Jim Suttie, said there was likely to be limited interest in investment in the biotechnology market from now on.

"The international crisis means there is less likelihood of investment in areas including animal biotechnology which are important to New Zealand's future. Additionally, if farmers face a downturn, it becomes an instant issue for AgResearch. Farmers will want increased real value for the sector research levies they pay. Should these levies disappear, AgResearch would face financial repercussions". [Hamilton Press](#).

UNIVERSITY OPENS INCUBATOR TO BUSINESS COMMUNITY

WaikatoLink, the commercialisation arm of Waikato University, is opened its business incubator up to the wider business community in October.

Chief executive Mark Stuart said the WaikatoLink Venture Incubator, which would focus on high-growth technologies in the AgBio, biotechnology and information and communication technology sectors, would allow businesses to tap into experience in incubating high-growth ventures based on university science and technology.

"It's going to be quality more than quantity," Mr Stuart said. "We expect to have three or four [businesses] at any one time but if it goes larger than that we would be pleased."

Statistics from the US show 87% of businesses survive after going through an incubation process, compared to 40% that don't go through that process.

Hamilton Mayor Bob Simcock said the City Council wanted to encourage more entrepreneurial activity in the region. He said the incubator would make a significant contribution to job and wealth creation.

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V8'S GENERATE \$28 MILLION ECONOMIC IMPACT FOR HAMILTON

An independent post-event analysis of the inaugural Hamilton 400 held in April 2008 has shown that the economic impact on the city was approximately 40% greater than originally estimated. The study, undertaken by Horwath HTL Limited after the Hamilton 400, says that \$28.3 million of new money was generated for the local economy as a result of the city hosting the event.

Horwath HTL completed an economic impact estimate prior to the event in 2006 as part of the resource consent application which predicted the impact would be around \$20 million.

The incremental expenditure was generated by the estimated 54,450 visitors to the city. Of those, approximately 39,050 attended the event itself (the remaining 15,400 visitors accompanied ticket holders to Hamilton but did not attend the event). Estimated numbers of visitors were based on a visitor survey undertaken after the event combined with information supplied by the event organisers.

Main areas of expenditure by visitors were identified to be accommodation (\$7m), food and beverage (\$6.8m), merchandise (\$2.1m), retail, entertainment and leisure not at the event (\$3.8m), local transport (\$2.2m) plus \$6.2 for the purchase of goods and services associated with event management.

Hamilton Mayor Bob Simcock says that the results of the economic impact study were very pleasing, particularly given they are significantly greater than originally estimated.

"The city took on the significant task of hosting the V8s for two primary reasons. First was to enhance our city's reputation and second was economic benefit. Clearly hosting the event has delivered economically in year one. More importantly though, the data from the survey gives us reassurance that these benefits will continue for years to come with a high percentage of visitors telling us they intend to return in future years."

www.hamilton.co.nz

CONCERTS REMOVED TO BOOST CITY CROWDS

Hamilton V8 organisers have pulled the plug on the post-race gigs for next year's event to help boost numbers in the city's hospitality and entertainment areas.

The move is being welcomed by those in the city's bar and restaurant community, many of whom complained about empty pubs during the city's biggest crowd-pulling weekend this year. Hamilton 400 event director Steve Vuleta said about 8,000 people attended the two concerts this year, which affected the number of people going into town.

"The biggest motivator behind the decision is in response to the dissatisfied inner-city retailers. If not holding the concerts assists them, we will help where we can."

Mr Vuleta said for the 2009 Hamilton 400 the city centre could expect three nights of "bumper crowds" because there would be no concerts and there was no scheduled Super 14 rugby match as there had been this year.

The concerts were originally planned as a way of stopping too many people going to town at once, with the thinking being that two waves of people would hit the bars and restaurants.

One of the recommendations of the V8 event review was to better support the city centre as a post-race venue by changing bus routes and promoting the area through marketing and advertising.

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Population Growth / Projections - Hamilton

Population Estimates (1)					Population Projections (high) (2)				
1996	2001	2006	% Change 1996-2001	% Change 2001 - 2006	2007	2012	2017	2022	% Change 2007 - 2022
111,700	120,900	134,400	+8.2%	+11.2%	137,503	149,672	162,111	174,748	+27.1%

(1) Source: Statistics New Zealand Population Estimates. The estimated resident population is based on the census usually resident population count, with adjustments for residents missed or counted more than once by the census, and for residents temporarily overseas on census night.

(2) Source: University of Waikato and Hamilton City Council. Population Projections (2007-2022) have been developed for Hamilton City Council by the University of Waikato using Census 2006 data. Projections include additional migration due to significant local / regional economic development initiatives.

The population of the Hamilton Urban Area (at 30 June 2008) was estimated to be 197,300. The Hamilton Urban Area comprises the Hamilton Zone (the City and environs) with 166,100, Cambridge Zone with 15,950 and the Te Awamutu Zone with 15,200 residents. Hamilton has seen an estimated population increase of 11.2% between June 2001 to June 2006, well above the national increase of 7.8%.

House Sales

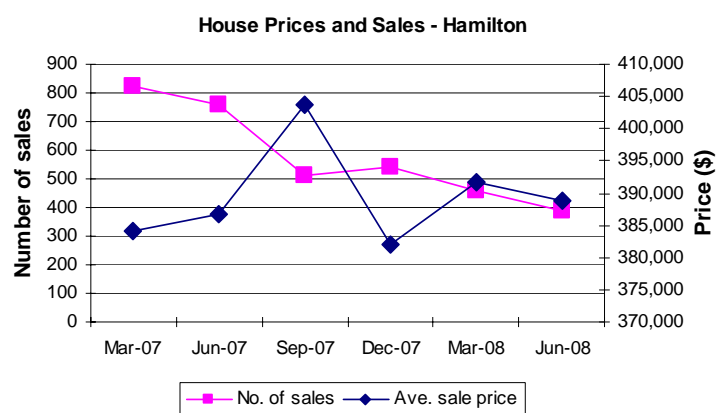
Between the June 2007 quarter and the June 2008 quarter, house prices in Hamilton decreased by 0.5%, according to the Quotable Value Price Index. From the quarter ending March 2008 to the quarter ending June 2008, house prices in Hamilton decreased by 0.8%, compared to a nationwide house price increase of 0.7%

The average price for houses sold during the June 2008 quarter in Hamilton was \$388,702, with the national average sale price for the same timeframe higher at \$401,735.

A total of 386 houses were sold in Hamilton in the quarter ending June 2008, down from 459 houses sold in the quarter ending March 2008.

In the October 2008 edition of 'Property Focus', the National Bank commented that the housing market remains soft, with the median days to sell largely unchanged at 56 days, which is still near historical highs and median house prices at \$330,000, down 6.1% on a year ago. However, lower interest rates are set to improve affordability and serviceability.

The National Bank also commented that sections and apartments are regarded as the most vulnerable parts of the property market and 85% of regions have now recorded an increase in available listings of sections and apartments.



Sources:

- National Bank Property Focus
- Quotable Value Ltd

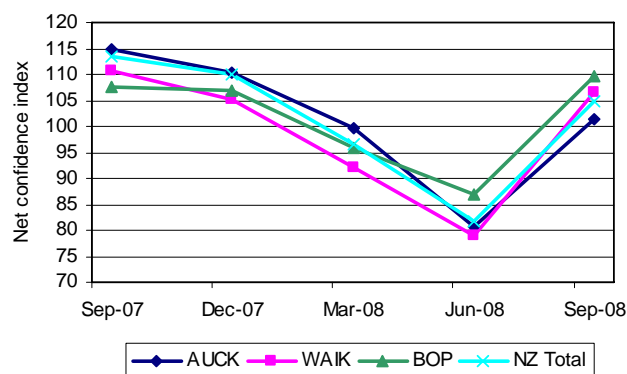
Consumer Confidence

The Westpac-McDermott Miller Consumer Confidence Index improved in the September 2008 quarter, with the biggest driver being the improvement in the economic outlook over the next 12 months. The index for New Zealand lifted to 104.8, up from 81.7 recorded in the June 2008 quarter.

The Westpac-McDermott Miller survey of consumer confidence is made up of several questions, including whether people feel financially better or worse off, whether the economy will experience good economic times over the next year, and whether now is a good time to buy a major household item. An index above 100 indicates there are more optimists than pessimists, while a number below 100 indicates that pessimists outnumber optimists.

There was a large decrease in the number of people thinking that times will be bad, down from 63.6% in June to 41% in September, and also an increase in the number of people thinking times will be good improving from 12% in June to 24.3% in September. Westpac business commentators also noted that lower petrol prices and interest rates are also helping to improve consumer confidence.

Consumer Confidence for Selected Regions



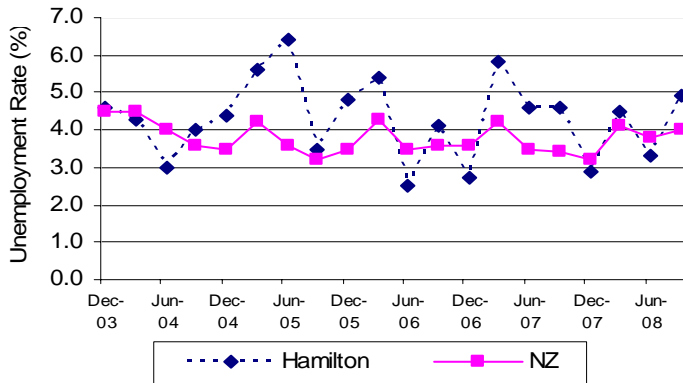
Source: Westpac Bank (Economics Division)



Unemployment Rate

Estimates suggest that at June 2008 there were 2,200 people unemployed in Hamilton out of a total labour force of 65,700, giving an estimated unemployment rate of 3.3% (compared with the national unemployment rate of 3.8% for the June 2008 quarter). Of the people employed in Hamilton, 48,700 were in full-time employment, with a further 14,800 in part-time employment.

Unemployment Rate - Hamilton and NZ

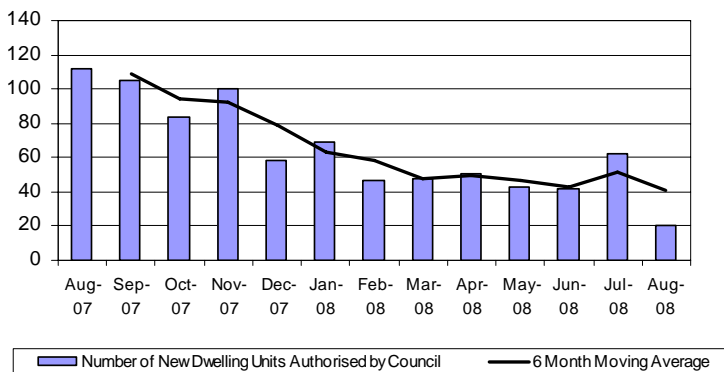


Source: Statistics New Zealand (Household Labour Force Survey)
 Note: Unemployment statistics at a city level are below the design level of the survey and are subject to volatility. Estimates are indicative only.

Building Activity

During the year to June 2008, a total of 759 new dwelling units valued at \$176.8m were authorised for construction within Hamilton. This represented a decrease of 32.7% in number and a decrease of 21.9% in value from the previous year. Building consents for new dwellings were issued for a total floor area of 145,419 square metres during the year ended June 2008, a decrease of 25.6% from the previous year. This compares to a national decrease in floor area of 11.1%.

Number of New Dwelling Units in Hamilton Authorised by Council



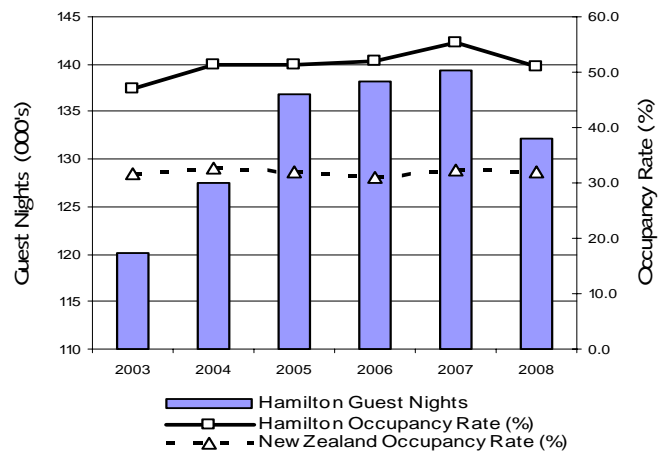
Source: Statistics New Zealand

Accommodation

The total number of guest nights for Hamilton in the June 2008 quarter was 132,099 (compared with 139,291 for the same quarter in 2008), an increase of 5.2%. The occupancy rate for Hamilton accommodation in the June 2008 quarter was 51.0%, which was 4.3 percentage points lower than 55.3% occupancy rate recorded during the June 2007 quarter. The national occupancy rate during the June 2008 quarter was 31.9% (compared with 32.4% during the June 2007 quarter).

Hamilton is fortunate in that it is not affected to the same extent by seasonal variations as many other places are; therefore the occupancy rate remains relatively consistent throughout the year.

Occupancy and Guest Nights for June Quarters

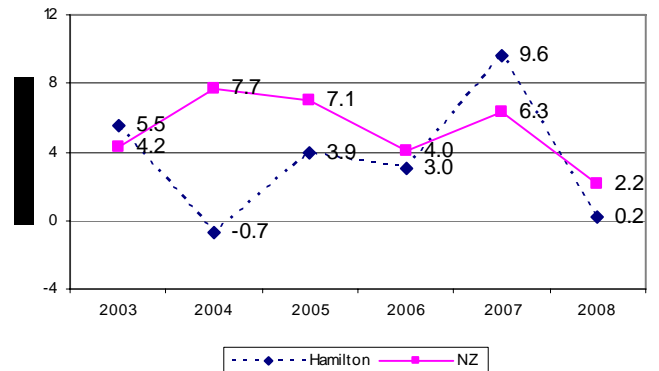


Source: Statistics New Zealand (Visitor Accommodation Survey)

Retail Trade

Retail sales in Hamilton for the year ending June 2008 were up 0.2% on the year ending June 2007, compared to a national increase of 2.2% for the same period. Retail sales in Hamilton totalled \$620.9m in the June 2008 quarter, representing 3.9% of New Zealand's total retail sales for this period. Nationally, retail sales stood at \$15.9 billion for the June 2008 quarter alone.

Retail Trade (Year Ending June Quarter)



Source: Statistics New Zealand (Retail Trade Survey)

Key Facts About Hamilton and the Waikato Region

Geography and People

- The land area of Hamilton at 1 July 2007 was 98.6 square kilometres (km²).
- The Hamilton Urban Area covers 1,101 km².
- Hamilton is the business, service, and educational centre of the Waikato Region.
- 1.9 million people reside within 160 km of Hamilton i.e., around 46% of New Zealand's population.
- Hamilton accounts for 3.2% of New Zealand's usually resident population count. (Source: Census 2006).
- Hamilton has a youthful population, with a median age of 31.3 years (compared with the national median age of 35.9 years). (Source: Statistics New Zealand 2006).

Advantages for Business

- Hamilton is the major commercial and industrial centre of one of the richest agricultural and pastoral areas in the world.
- The Waikato is New Zealand's highest export region, accounting for almost 20% of the country's total exports.
- The surrounding dairy industry strengthens Hamilton's economy and its wide business base. The Agricultural Production Survey (June 2007) showed that the Waikato accounted for 31.7% of the country's dairy cattle - 1.7 million of 5.3 million nationwide.
- A number of key research facilities are located in Hamilton, and a significant amount of New Zealand's science research is undertaken in a major agritech cluster in and around Hamilton, particularly at the Ruakura Research Centre complex (an internationally renowned agricultural and horticultural research institution) and at Waikato Innovation Park which opened in February 2004.
- The education sector is a key economic driver for the city, with 12,207 students enrolled at the University of Waikato and 14,861 enrolled at Waikato Institute of Technology (WINTeC) in 2007.
- Hamilton is central to a number of key attractions and events e.g., The National Agricultural Fieldays, which is the largest exhibition of its type in the Southern Hemisphere with almost 1,000 exhibitors, had 131,629 attendees across four days in June 2008. Also the Hamilton 400 V8 Supercar race which will run from 2007-2014.
- Hamilton's location close to two main sea ports (Auckland and Tauranga), four State Highways, a strategic railway junction, the Auckland International Airport (just over an hour away by road), the South Auckland industrial base and the Hamilton International Airport provides significant logistics and distribution opportunities for export and import businesses (an example being the establishment of Fonterra's inland port adjacent to the main trunk railway in Te Rapa in 2005).
- Hamilton International Airport offers a wide range of domestic travel as well as flights to Sydney, Brisbane, and the Gold Coast. The \$15.5m airport terminal upgrade was completed in December 2007. There are also plans to extend the runway out to 2,720 metres, creating opportunities for flights to Asia and increased freight distribution.

Lifestyle

- Hamilton has a mild climate, with moderate annual rainfall in both summer and winter, which ensures good growing conditions all year round. Mean temperatures are 18.3° Celsius in January and 8.7° Celsius in July.
- With its extensive tree planting, good air quality, and clean rivers and lakes, Hamilton can rightfully be called a 'clean and green' city. Hamilton City Council was the first local authority in New Zealand to produce an Environmental Policy.
- Hamilton provides an extensive range of high quality health services, ranging from primary through to highly specialised tertiary hospital services. The Waikato District Health Board's provider of hospital and health services, Health Waikato, is one of New Zealand's largest in terms of revenue and the types and numbers of services provided. The Waikato District Health Board provides services for a population of 355,000, with 40% of its population in rural areas, and has a budget of more than \$700 million; this makes it one of the largest of New Zealand's 21 district health boards.
- There are considerable recreational opportunities within Hamilton and its immediate surrounds. The Waikato River flows through Hamilton and is used for recreational pursuits, including rowing, canoeing, waka ama (outrigger canoe), water-skiing and rafting.
- Raglan Harbour and beaches on the west coast are within a 40-minute drive from Hamilton, providing a world-class surfing venue and excellent fishing, swimming and other water-based opportunities.
- The natural resources of the immediate region - including its forests, lakes, rivers, and mountains - provide opportunities for tramping, bush-walking, and other types of outdoor recreation.
- As the centre of the thoroughbred industry, Hamilton has an excellent racing venue at Te Rapa. A national trotting track is 15 minutes drive from Hamilton in Cambridge.
- Hamilton has a 25,800 capacity stadium (Waikato Stadium) which hosts both national and international events. The city also provides numerous parks and high quality venues for sports such as rugby, league, soccer, cycling, badminton, cricket, shooting, tennis, ten-pin bowling, and many others.
- Hamilton hosted the New Zealand round of the prestigious V8 Supercar Championship in the city. The inaugural race in April 2008 attracted 172,000 attendees plus 5,000 people associated with the running of the event. The economic impact study estimated that the event will generate \$20.3 million of new money into the local economy in the first year and \$156 million over the seven years that the event will run for.

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