



Housing and Business Market Indicators Quarterly Monitoring Report

Meeting the requirements of the National Policy Statement on Urban
Development Capacity (PB6 and PB7)

Q3 September 2017

1. FUTURE PROOF MARKET INDICATORS SUMMARY

Residential indicators

The Future Proof sub-region experienced a moderate slowdown in the rate of house price growth in the September quarter, rents however have continued to increase at similar rates. The high levels of buyer activity from Auckland based multiple property owners in Hamilton City has clearly declined. Buyer activity by local multiple property owners has picked up again in Waikato and Waipa.

Residential consents have continued to increase, with record numbers for more intensive types of residential development in Hamilton City and Waipa District. Whilst the gap between the number of residential consents issued (as proxy for supply) and demand for new dwellings (household growth) in Hamilton has narrowed in the last quarter, potential supply constraints are still indicated.

Business indicators

The available business indicators currently suggest that there are no major concerns regarding the sufficiency of office and retail capacity in Hamilton City. While there has been further decline in the in both office and retail vacancies in the Hamilton city central business district (CBD), further supply (via new development and refurbishment) is expected.

Strong uptake of industrial land in Hamilton has continued leaving overall vacancy rates for industrial leases at very low levels with available supply tight.



TABLE OF CONTENTS

1.	FUTURE PROOF MARKET INDICATORS SUMMARY	1
2.	INTRODUCTION	3
3.	PURPOSE OF REPORT	3
4.	OUTLINE OF REPORT	3
5.	RESIDENTIAL INDICATORS	4
5.1	DWELLING SALE PRICE AND RENT TRENDS	4
	Indicator 1: Dwelling sales prices (actual)	4
	Indicator 2: Change in dwelling sale price (inflation adjusted)	5
	Indicator 3: Dwelling rents (actual)	5
5.2	INDICATORS OF SUPPLY AND DEMAND	6
	Indicator 4: New dwelling consents compared to household growth	6
	Indicator 5: Buyer classification– Hamilton	7
	Indicator 6: Residential Building consents by territorial authority	8
5.3	PRICE EFFICIENCY INDICATORS	9
	Indicator 7: Price Cost Ratio	9
	Indicator 8: Rural Urban differentials	10
5.4	HOUSING AFFORDABILITY TRENDS	11
	Indicator 9: Housing Affordability	11
	Indicator 10: Rental Affordability	11
	Indicator 11: Ratio of dwelling sales price to rents	11
6.	BUSINESS INDICATORS	12
6.1	INDICATORS OF SUPPLY AND DEMAND	12
	Indicator 12: Hamilton City Central business district office vacancy rates	12
	Indicator 13: Hamilton City Central business district retail vacancy rates	13
	Indicator 14: Hamilton City Industrial vacancy rates	13
	Indicator 15: Selected Non-Residential Building consents	14
6.2	PRICE EFFICIENCY INDICATORS	15
	Indicator 16: Land price differentials across industrial zone boundaries	15
7.	NOTES AND DATA SOURCES	16

2. INTRODUCTION

The National Policy Statement on Urban Development Capacity (NPS-UDC) came into effect on 1 December 2016. The overarching purpose of the NPS-UDC is to ensure that planning enables development through providing sufficient development capacity for housing and businesses over the next 10 to 30 years. The NPS-UDC identifies the Future Proof sub-region¹ as a high-growth urban area. As such, the Future Proof councils are required to meet all the requirements in the NPS-UDC. This includes monitoring, and reporting, on a quarterly basis the housing and business market indicators (PB6) and indicators of price efficiency (PB7). Other demand and supply drivers outside of the scope of NPS-UDC monitoring that impact on urban development include: natural population growth; strong migration; low interest rates; investor confidence and activity; tax incentives; and low measured construction productivity².

3. PURPOSE OF REPORT

The purpose of this second quarterly monitoring report from the Future Proof partners is to fulfil the requirements of PB6 and PB7 of the NPS-UDC. These policies direct local authorities to monitor a range of indicators on a quarterly basis to ensure that local authorities are well informed with timely information about demand, urban development activity, how well the market is functioning and how market changes may affect the sufficiency of development capacity for housing and business land in the Future Proof sub-region. The NPS-UDC encourages local authorities to publish the results of their monitoring. This report includes the following PB6 market indicators;

- a. Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time,
- b. The number of resource consents and building consents granted for urban development relative to the growth in population; and
- c. Indicators of housing affordability.

PB7 requires the use of indicators of price efficiency in the local land development market to understand how well the market is functioning and how planning rules may affect this, and when additional development capacity might be needed. This report presents the following PB7 price efficiency indicators which have been made available to date by MBIE³;

- a. Price cost ratio, and
- b. Price differentials between zones.

4. OUTLINE OF REPORT

The indicators described in this second indicator report are presented in two broad categories; residential indicators and business indicators. Eleven residential and five business indicators are presented. An overview narrative is provided at the start of each section with some further commentary provided for each indicator. Where available, indicators include data for each territorial authority (Hamilton City Council, Waikato District Council and Waipa District Council), and for the combined Future Proof sub-region ('Greater Hamilton').

Other than the introduction of comparative building consent statistics and the PB7 residential and business land price efficiency indicators (which were not available for the June report), this report begins to examine the recent quarterly change in some of the indicators. Technical notes and data sources are provided at the end of the report. Ongoing refinements to the reporting framework and indicators will be made in successive quarterly reports.

¹ The combined Hamilton City Council, Waikato District Council and Waipa District Council geographic area.

² Auckland Chief Economist, June 2017

³ The Ministry of Business, Innovation and Employment are responsible for providing the key NPS-UDC indicators.

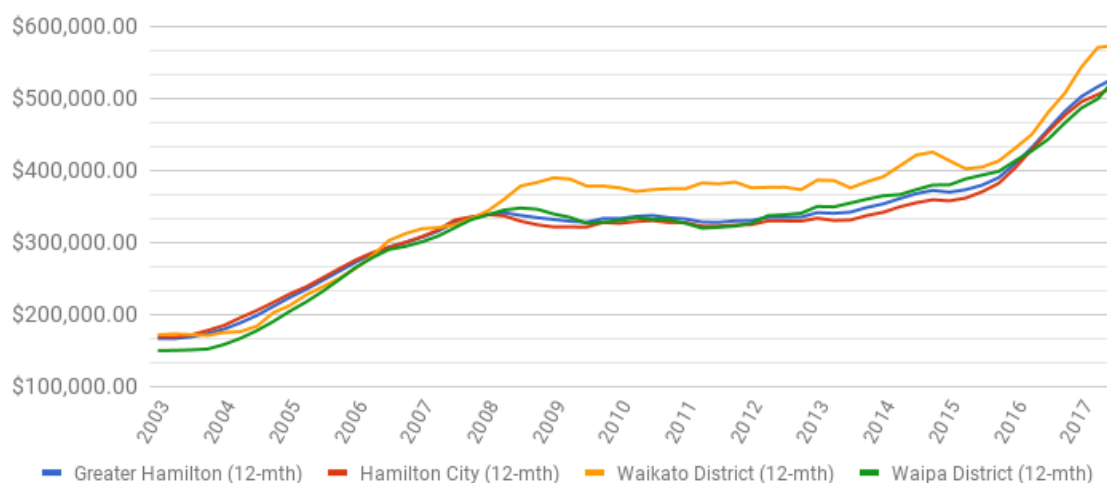
5. RESIDENTIAL INDICATORS

The Future Proof sub-region experienced a moderate slowdown in the rate of house price growth in the September quarter of 2017, rents however continued to increase at similar rates. The high levels of buyer activity from Auckland based multiple property owners in Hamilton City has clearly declined and the proportion of activity from first home buyers has recovered. The surge of Auckland multiple property owner activity occurred to a lesser extent in the Waikato District, and was not apparent in Waipa District. Activity from first home buyers declined in both Waikato District and Waipa District. This, however, has not been the case in Waikato District and the Waipa District.

Residential consents number continued to increase, with record (or near record) for more intensive types of residential development. Whilst a potential shortfall in supply is evident, particularly in Hamilton, this gap between supply and the demand for new dwellings (household growth) appears to have narrowed slightly. This continued demand for housing has put land supply under pressure across the Future Proof sub region particularly in Hamilton where there is some suggestion of constraints on capacity, however the extent of these constraints requires further investigation. These barriers may include urban planning policies that constrain development, land banking, lending rules or construction industry skilled labour and capacity constraints.

5.1 DWELLING SALE PRICE AND RENT TRENDS

12-month rolling average Dwelling sales price (actual)



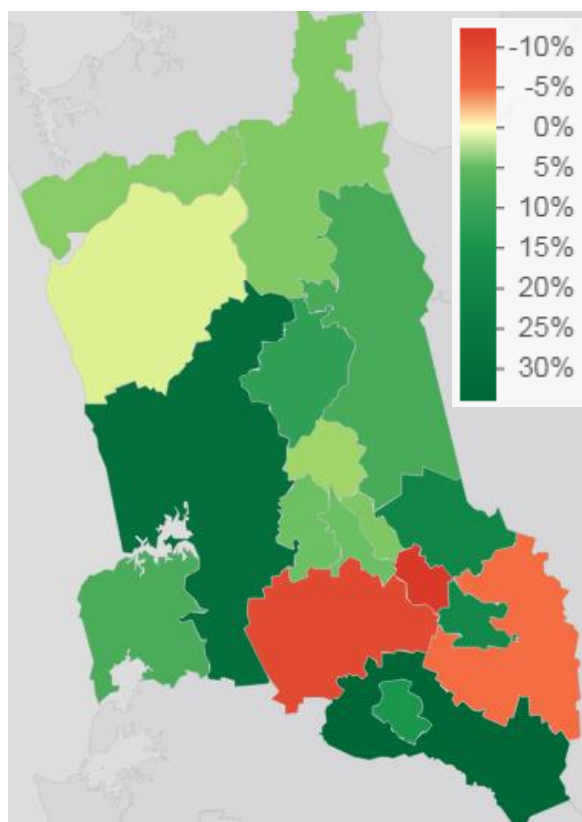
Indicator 1: Dwelling sales prices (actual)

Apart from the Waipa District the period of rapid house price growth in the Future proof sub-region, since 2015, appears to have slowed in the September quarter 2017, particularly when compared with the increase experienced in same quarter the year before (2016).

	June '17 (Q2)	Sept '17 (Q3)	Change btw Q2 and Q3 '17	Change btw Q2 and Q3 '16
Future Proof Area	\$519,313	\$530,939	2.2%	6.2%
Hamilton City	\$510,000	\$516,625	1.3%	6.4%
Waikato District	\$569,675	\$585,000	2.7%	7.2%
Waipa District	\$498,400	\$527,000	5.7%	3.8%

Indicator 2: Change in dwelling sale price (inflation adjusted)

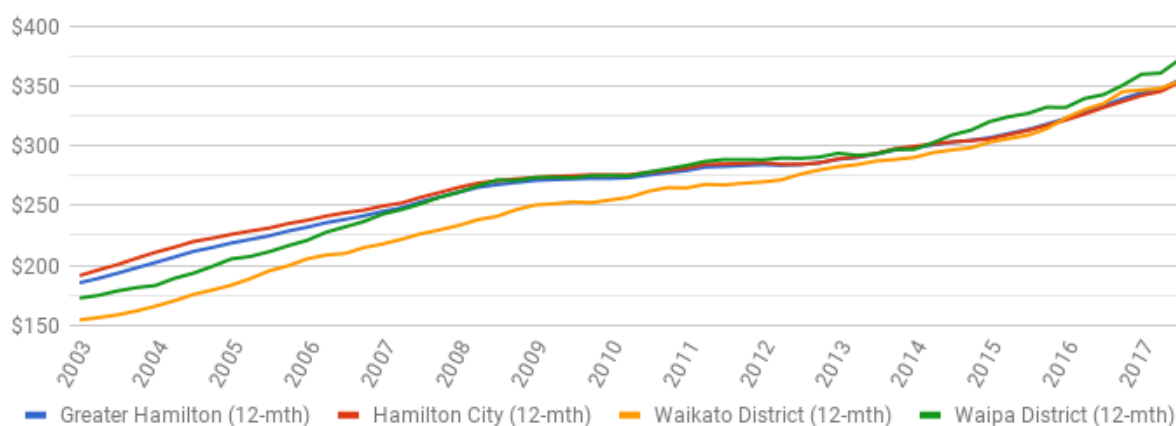
The map to the right displays the change in dwellings sale price (adjusted for inflation) by Ward over the year from September 2016 to September 2017. Whilst the dwelling sales price growth was a fairly moderate for Hamilton City (4%) and the Waikato District (3.4%) the Waipa District experienced strong growth at 25.8%. At the Ward level in Hamilton City, dwelling sales prices increased in the West Ward by 4% and in the East Ward by 2.5%. In the Waipa District the sales price declined in the rural wards; Pirongia Ward (-9.3%), and Maungatautari Ward (-4.3%). The declines in the rural wards were offset at the District level by strong gains in the urban wards of Cambridge ward (18.6%) and Te Awamutu (13.9%).



In the Waikato District, all wards experienced an increase in dwelling sales price over the year to September 2017. In the urban wards sales prices increased marginally; Awaroa ki Tuakua Ward (4%), Huntly Ward (13.3), Ngaruawahia Ward (3%), Raglan Ward by 9.5%. Strong to moderate dwelling price growth occurred in the rural wards of Whaingaroa (33%), Eureka (22%) and Hukanui-Waerenga Ward (10%), Newcastle (5.8%), Whangamarino (4.3%), and the Onewhero Ward by 2%.

Indicator 3: Dwelling rents (actual)

12-month rolling average Dwelling rents (actual)



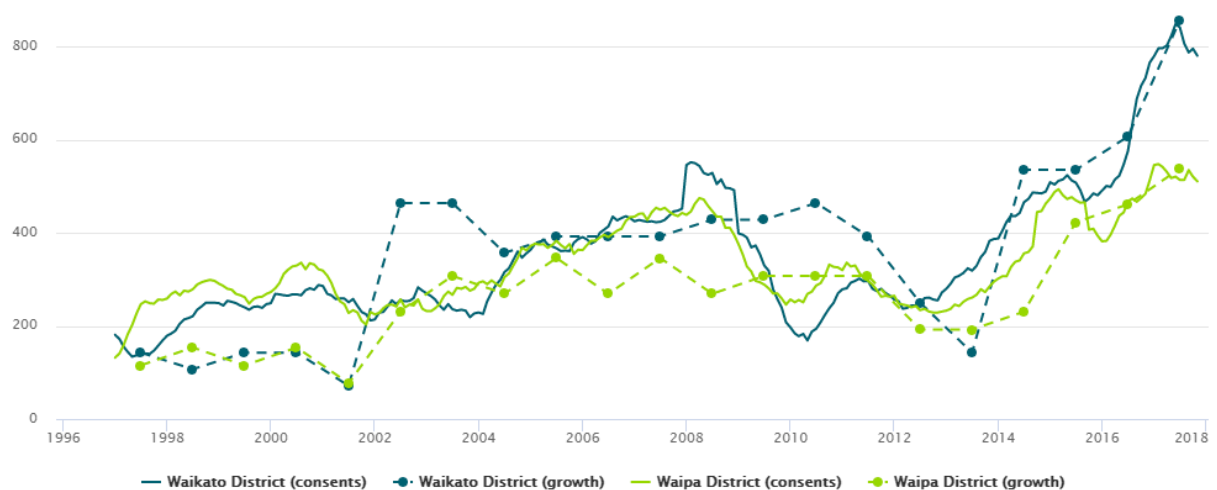
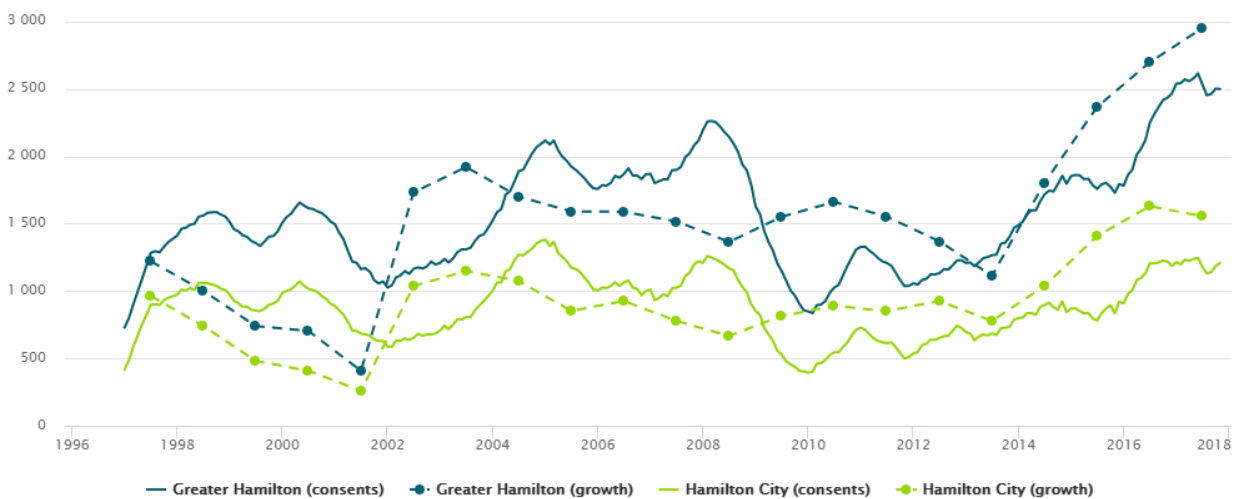
The geometric mean weekly rent in the Future Proof sub-region in the September quarter of 2017 was \$355. Hamilton City increased by 1.1% from the previous quarter to \$353, Waikato District increased by 1.1% to \$354 and the Waipa District increased at a higher rate of 2.2% to \$372.

	June '17 (Q2)	Sept '17 (Q3)	% change
Future Proof Area	\$347	\$355	1.1%
Hamilton City	\$345	\$353	1.1%
Waikato District	\$348	\$354	1.1%
Waipa District	\$361	\$372	2.2%

5.2 INDICATORS OF SUPPLY AND DEMAND

Indicator 4: New dwelling consents compared to household growth

The updated Indicator 4 graphs below provides a rough estimate of movements in both demand and supply for new residential dwellings, and the gap between the two. As displayed on the first graph, the Future Proof sub-region has, since 2013, continued to experience both strong population growth (demand) and increase in the number of new residential consents (supply). Overall a shortfall in supply is suggested for the Future Proof sub-region (namely in Hamilton City), however this shortfall appears to have narrowed or improved over the last quarter. Supply and demand appear to be matched in Waikato and Waipa. What the net shortfall for the Future Proof sub-region over this period may be is currently unknown. Factors that may contribute to the shortfall in supply may include potential planning and construction industry capacity constraints.



Indicator 5: Buyer classification- Hamilton

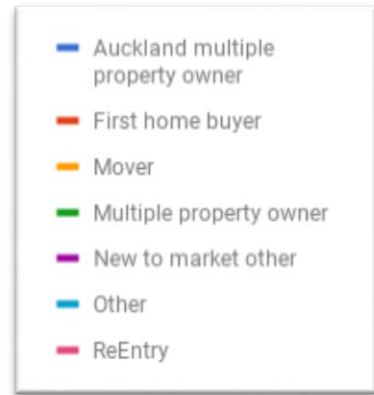
Future Proof TAs experience markedly different patterns of house buyer activity, as indicated by the quarterly buyer classification provided by CoreLogic.

The surge of Auckland multiple property owner activity in Hamilton City over the last two years, which has now clearly declined, appears to have occurred to lesser extent in Waikato District with only a small elevation in activity over this period. Waipa District on the other hand did not experience any heightened activity from Auckland based investors.

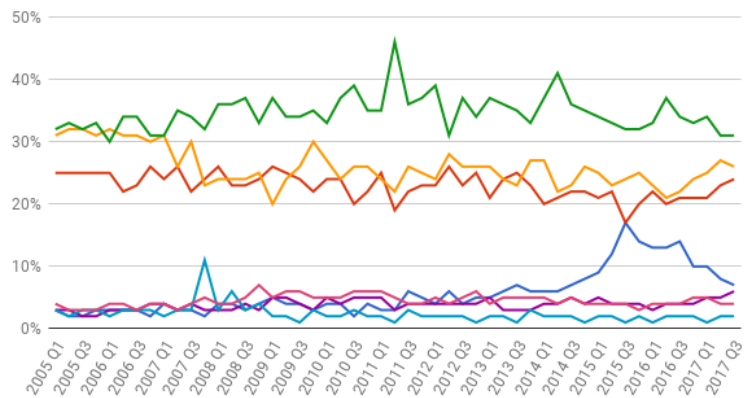
While Hamilton City buyers have long been dominated by local multiple property owners, Waikato District and Waipa District have since 2012 had larger numbers of Movers suggesting that the two districts have attracted more people permanently rather than property investors. The recent growth in Pokeno in the Waikato District and Cambridge in the Waipa District could account for this increased activity.

First home buyer activity increased further in Hamilton from 21% in December 2016 to 24% in the September 2017 quarter. Corelogic has commented that this is likely due to first home buyer reasons or purchasing (getting into the property market and long-term security) to ensure they find a way into the market at a time when rental yield and tougher lending criteria are affecting investors' desire and ability to buy.

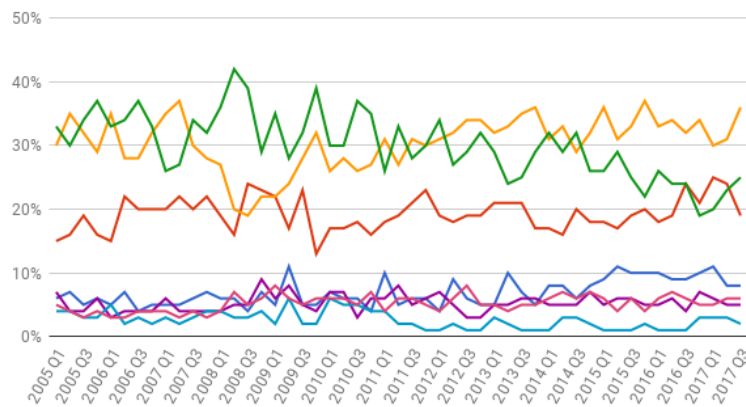
In both the Waikato District and the Waipa District First home buyer activity has seen a decline since December 2016 falling from 21% to 19% and 20% to 14% respectively. The share of buyer activity by Local Multiple property owners increase over this period (December '17 to September 17) by 19% to 25% in Waikato District and from 25% to 30% in Waipa District.



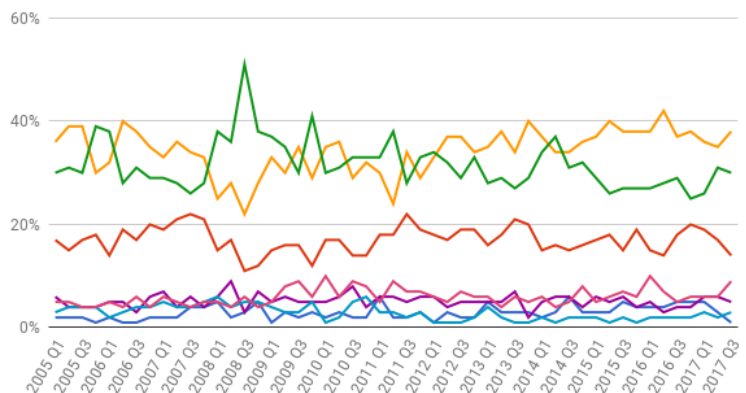
CoreLogic Buyer Classification - Hamilton City



CoreLogic Buyer Classification - Waikato District



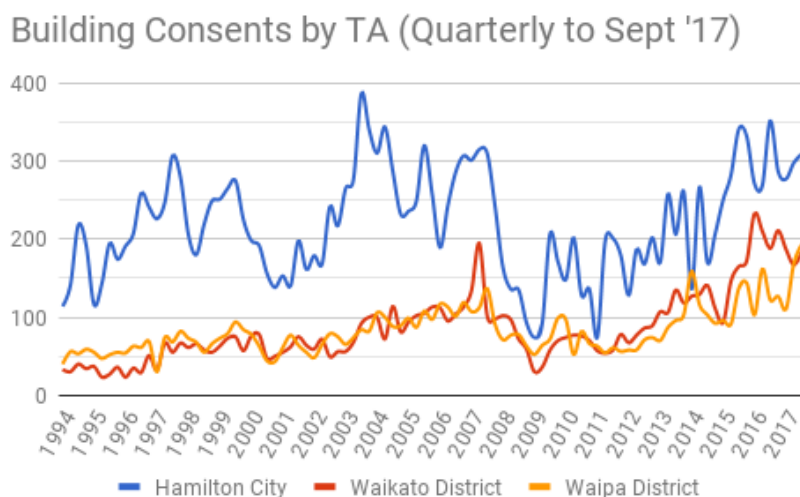
CoreLogic Buyer Classification - Waipa District



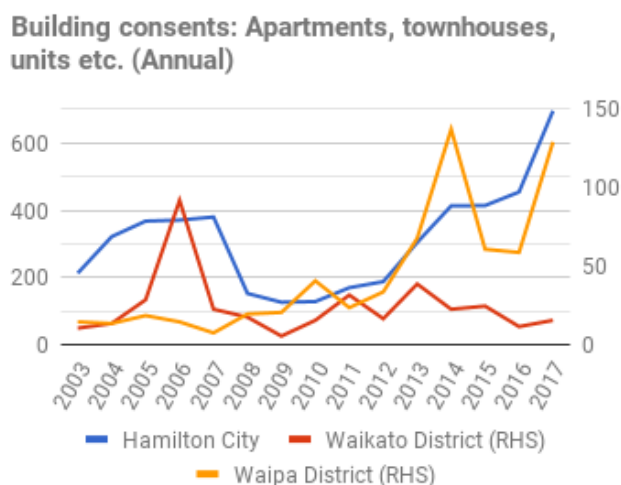
Indicator 6: Residential Building consents by territorial authority

New dwellings consents have continued to rise for Waikato District, Hamilton City and Waipa District, in the quarter to September 2017. This continues the upward trend since the low levels experienced after the GFC.

Notably, there was a record level of dwelling consents issued in the Waipa District during the September quarter, of which almost a third were for more intensive types of residential development as opposed to detached, or standalone houses (see further comment on this category below).



The Statistics NZ building consent category of 'Apartments, townhouses, units etc.' (see graph to the right) covers a range of smaller, usually more compact types of housing development. Growth in this category indicates both a shift in the types of dwellings which are being built and the intensification of urban areas. Also captured in this category are the units in retirement villages. These large developments, can be identified by the spikes in Waikato District and Waipa District numbers to the right.



Overall, Hamilton City has maintained larger numbers of dwelling consents in the 'Apartments, townhouses, units etc.' category, with the impact of the GFC (after 2007) clearly evident, followed by increasing numbers of consents from 2010 to 2017. Lower levels are evident in Waikato District throughout the monitoring period, except for a peak in 2006. Waipa District has experienced a growing trend in the 'Apartments, townhouses, units etc dwelling category'. This is most evident in central Cambridge where several townhouse and apartment dwellings have been constructed in recent years.

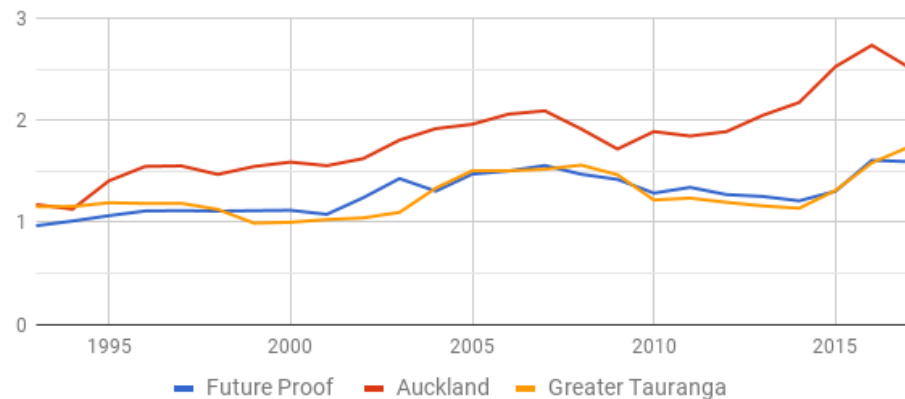
5.3 PRICE EFFICIENCY INDICATORS

Indicator 7: Price Cost Ratio

The price cost ratio indicator shows house prices compared to construction and other costs, in order to estimate how much of the remaining house price is driven by the cost of land. It provides a general indication of the degree to which the supply of land and development opportunities are constrained relative to demand. A modest ratio is between 1 and 1.5; where land comprises up to one third of the price of a home. A high ratio *may* indicate insufficient land supply, impact on prices due to a surge in houses prices or illustrate the extent of a lag in the supply of houses.

As seen in the graph to the right, in the 1990s the price-cost ratio for the Future Proof sub-region remained largely constant at a little over 1. The ratio then increased in the early 2000s, reaching 1.4 at the time of the property boom in 2003 and rising again

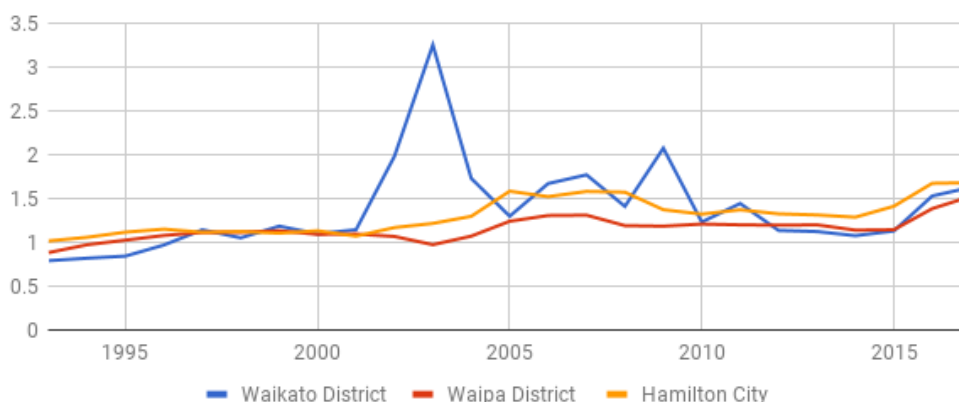
Price - Cost Ratio



to around 1.5 in 2007 in the pre GFC property boom. The ratio then gradually declined to 1.2 in 2014 suggesting that land supply over this period was responsive to the lower level of demand over this period, post GFC. Between 2014 and 2017 the ratio rose sharply to reach 1.59, suggesting that the supply of land, and development opportunities, may not have kept up with demand. Compared with Auckland, the price-cost ratios for Tauranga/Smart Growth and the Future Proof sub-region appear to follow a similar pattern over the period. Auckland’s price-cost ratio on the other hand has been over 1.5 for the last 20 years and has trended upward to more than 2.5 in the last year.

In the graph below Hamilton City, Waikato District and Waipa District have largely followed a similar trend since 1993, with Hamilton generally having a slightly higher ratio than the two districts. Since about 2015 there has been a marked increase in the ratio for all three TAs. The significant spikes in the Waikato District ratio are due to a small number of high priced sales skewing the indicator. These outlying sales will be accounted for in a future update to the ratio methodology.

Price Cost Ratio

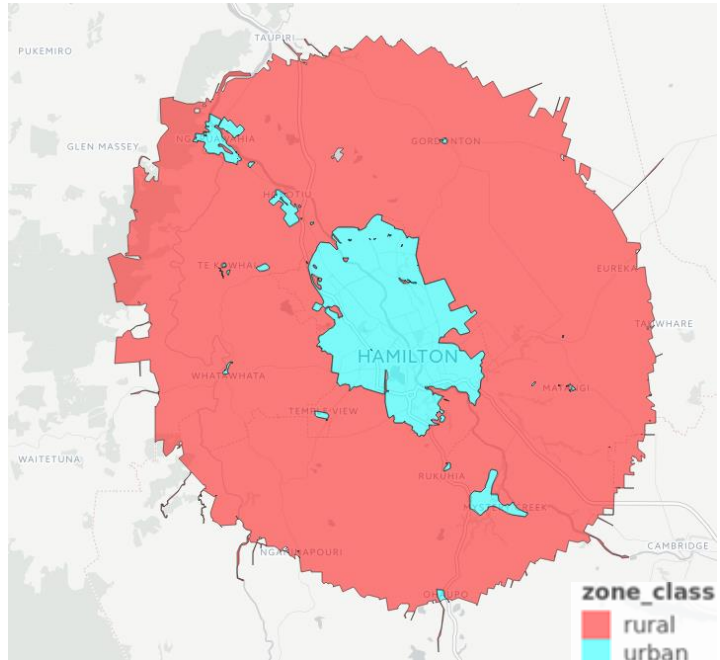


Indicator 8: Rural Urban differentials

Rural-urban differentials have been calculated by comparing the values of residential land 2km either side of boundary between urban and non-urban zones, after removing the impact of differences in amenities, geographic characteristics and infrastructure. If the value of land jumps where the zone changes, this may indicate that various land-use regulations are constraining urban development capacity. The differential estimates how much urban residential land values are being elevated because of these regulatory constraints. It is a key indicator of whether the District Plan provides sufficient development capacity.

Area of study: The calculation of this differential is focused on an area greater than the Hamilton City Council boundary (see Map to the right), encompassing Ngaruawahia to the north and the Airport to the south. The areas classified as urban are marked in light blue and the rural areas are marked as red.

Data source: The rural-urban differential for this area was calculated using the November 2015 valuation data for Hamilton City, the 2014 data for Waikato District and the November 2016 data for Waipa District. All data was updated to 2017 values using the Sales Price Appraisal Ratio. The underlying data reflects the land use permitted at the time of the valuation, consequently any subsequent enabling District Plan changes, which may permit new land use activity to take place, are not reflected in this analysis.



Map: Location of rural and urban zones

Results: The scatter diagram, see Figure 1, shows that land values drop sharply at the rural urban boundary. After removing major non-regulatory factors affecting land values, urban residential land close to the rural-urban boundary is worth just over 2.4 times the value of rural land next door, or \$227 more per square meter. The analysis suggests that regulations may be constraining development capacity and adding up to \$113,500⁴ to the value of a typical section in the Hamilton area.

Commentary: Monitoring both the ratio level and change in the ratio over time is important. The current results suggest that development capacity is constrained. However, as noted above, the differential measures the impact of Hamilton City District Plan operative in 2014 which was less permissive than the 2016/17 District Plan. Areas in the city with deferred zoning (e.g. Te Rapa North, Ruakura, Peackocks and Rotokauri) are also not captured in this analysis. The extent this extra capacity will be reflected in urban land values when the next revaluation is undertaken in November 2018 is unknown. Other factors, not controlled for, may also be reflected in the results of this analysis.

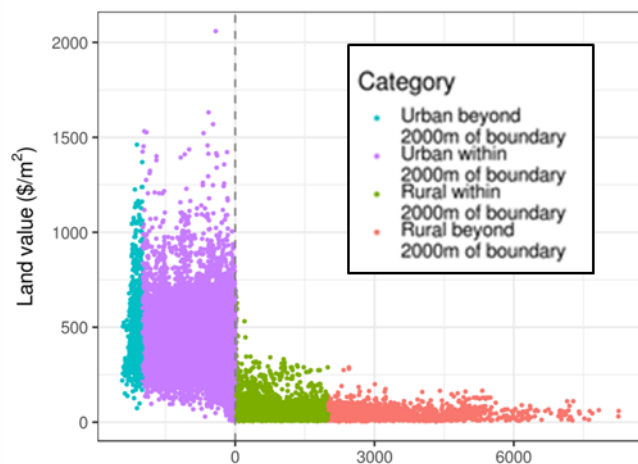


Figure 1: Distribution of land values immediately inside and outside of the rural-urban boundary

⁴ Cost may be overstated by as much as \$22,000 as the cost of local infrastructure and the net cost of growth infrastructure is not fully captured by development contributions. See Net Cost of Growth Report.

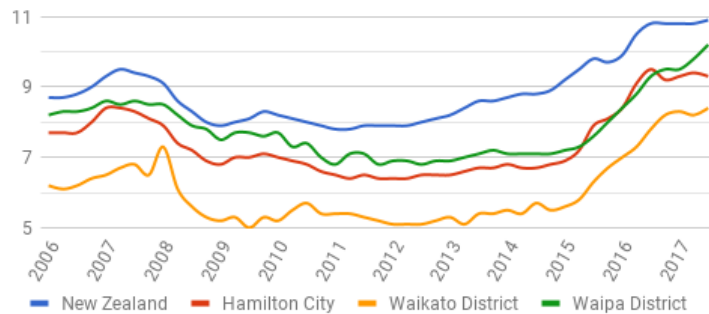
5.4 HOUSING AFFORDABILITY TRENDS

The two MBIE housing affordability measures used in last quarter have not been updated. The most recent Infometrics September 2017 quarter affordability indicators, are provided below alongside a measure that indicates changes in the ease of moving from renting to home ownership.

Indicator 9: Housing Affordability

This ratio measure of housing affordability (average current house value to average annual earnings) indicates a period of increasing unaffordability from early 2015 to late 2016. Since then the levels of housing affordability have remained largely unchanged in the year to September 2017, except for Waipa District where affordability has decreased.

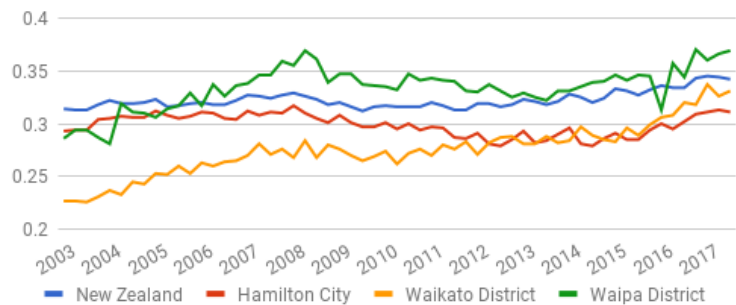
Housing Affordability: Quarterly to Sept'17 (Infometrics)



Indicator 10: Rental Affordability

This ratio measure of rental affordability (average weekly rents over average weekly earnings) indicates that affordability has steadily declined across all three Future Proof partners between 2013 and September 2017. Whilst the rate of decline has slowed in Hamilton City from the March 2017 quarter, rental affordability continued to decline more rapidly in the Waikato District and Waipa District.

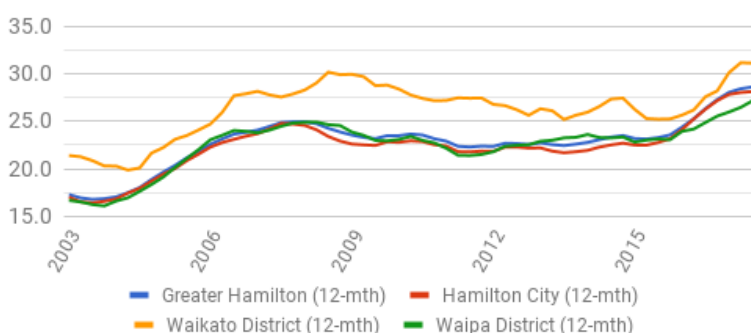
Rental Affordability: Quarterly to September (Infometrics)



Indicator 11: Ratio of dwelling sales price to rents

This ratio of prices and rents provides additional insight into the relationship between owning and renting dwellings over time. It indicates changes in the ease of moving from renting to home ownership, and shows trends in the average yield to an investor from renting out a dwelling. A higher house price/rent ratio reflects a larger gap between renting and buying. The price to rent ratio for the Future Proof sub-region has increased slightly from 28.4 in the June 2017 quarter to 28.6 in the September quarter. This means a median house is 28.4 times the mean annual rent paid. The ratios between house prices and rents have increased in all areas since 2015, largely driven by house price increases.

12-month rolling average ratio of dwellings sales price to rents



	June '17 (Q2)	Sept '17 (Q3)	
Future Proof Area	28.52	28.61	↑
Hamilton City	28.18	28.13	↓
Waikato District	31.26	31.12	↓
Waipa District	26.30	27.16	↑

6. BUSINESS INDICATORS

Non-residential building consent trends indicate that demand has largely returned to pre GFC levels across the Future Proof sub region. The latest vacancy reports for the Hamilton City central business note further declines in office and retail vacancies however the expectation is that further supply, via new development and refurbishment, will be forthcoming and capacity supply issues are not expected.

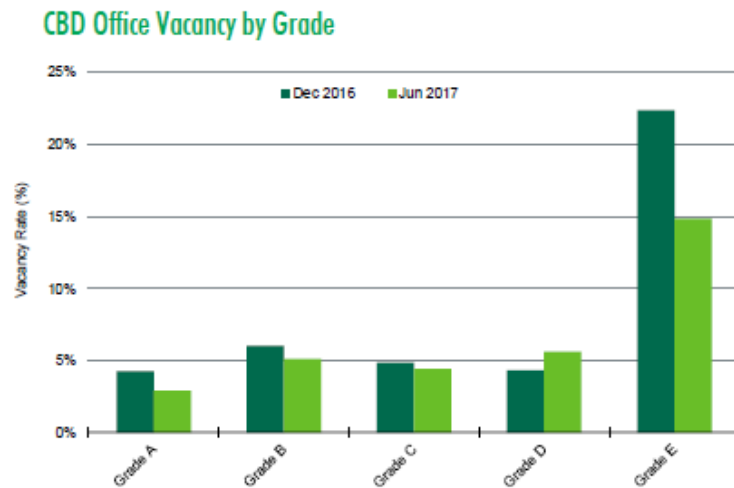
The latest report from Bayleys Research (August 2017) has highlighted that overall vacancy rates for industrial leases in Hamilton are at very low levels and that the available supply remains tight. This view aligns with land price differentials analysis which suggests that a level of insufficient capacity for industrial land use existed in 2015. Additional areas of zoned industrial land are now available and why this industrial land supply may still be constrained needs further investigation. Work continues to identify additional supply data and information for the other major towns within the Future Proof sub-region.

6.1 INDICATORS OF SUPPLY AND DEMAND

Indicator 12: Hamilton City CBD office vacancy rates

The overall vacancy rate in Hamilton's CBD decreased further to a new record low of 6.3% in June 2017. This was a further decrease from an historic low of 7.25% in December 2016. Demand for prime office space remains strong.

The Hamilton CBD office market is characterised by average to lower quality grade space which forms the bulk of stock, although its composition is slowly changing as local developers are actively converting older secondary premises and refurbishing them to a higher standard. This movement and demand for quality space has resulted a small increase in vacancy in Grade D and a four year low in Grade A. Although vacancy remains tight amongst prime office space CBRE NAI Harcourt's expect that this will not translate into significantly higher rents, as further supply via new development and refurbishment will be forthcoming .

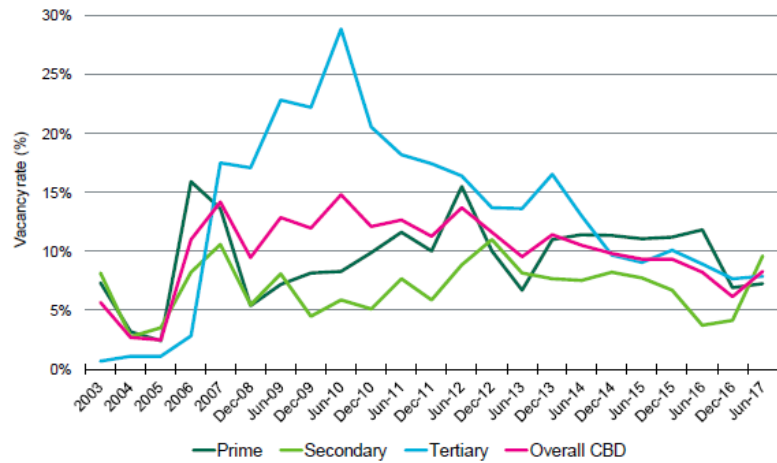


Indicator 13: Hamilton City central business district retail vacancy rates

The Hamilton CBD retail vacancy rate increased to 8.3% in June 2018, up 2.1% from 6.2% in December 2017. This marks the first vacancy increase since 2013. Vacancy increased by a total of two more vacancies than on the previous survey, however these two additional vacancies were both considerably large. While there were no new retail builds completed in the year to September 2017, two redevelopments were underway and six tenancies under refurbishment or fit out.

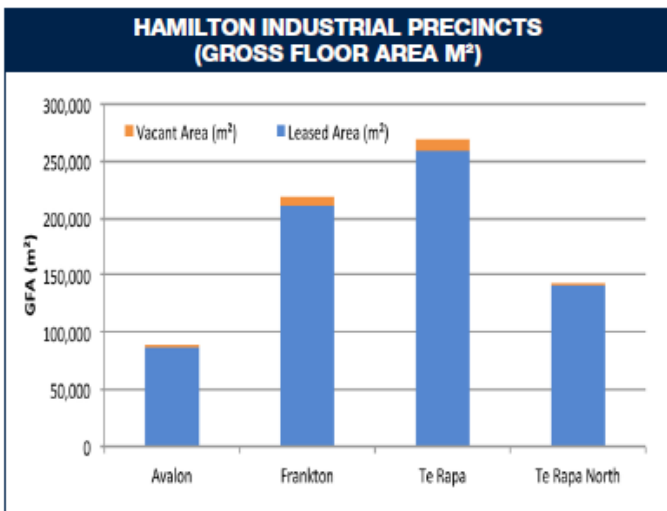
While the overall vacancy rate for the Hamilton CBD is well above rates recorded in other major centres like Auckland (2.4%) and Wellington (5.3%), NAI Harcourts CBRE expect the amount of space under refurbishment and the new development is having a dampening impact on vacancy rates. Despite this outlook vacancy levels remain high and do not indicate any capacity supply issues.

Historical CBD Vacancy by Grade



(Source: NAI Harcourts CBRE, June 2017)

Indicator 14: Hamilton City Industrial vacancy rates



Source: Bayleys Research

The latest Bayleys Research industrial vacancy survey (released August 2017) comments that demand remains strong for Industrial leases in Hamilton and that supply remains very tight across all of Hamilton’s major industrial areas. As at June 2017, the overall vacancy rate for Hamilton was a very low 2.8%. ranging from Te Rapa North at just 0.4% to Frankton at 3.3%.

As noted in the June Quarterly indicator report the Colliers International New Zealand Industrial Report (September 2017) had stated that Hamilton’s industrial market has continued to achieve steady growth over the past year, resulting in “available prime vacant space being absorbed almost as soon as it became available”. While the Colliers report outlined that while there is strong demand, there is “speculative supply” in the pipeline for the norther industrial area of Te Rapa. The further commentary on falling vacancy levels suggest however that supply side constraints be investigated.

HAMILTON INDUSTRIAL VACANCY BY PRECINCT		
	2017	2016
Avalon	2.3%	7.1%
Frankton	3.3%	4.7%
Te Rapa	3.7%	6.9%
Te Rapa North	0.4%	2.0%
Hamilton overall	2.8%	5.4%

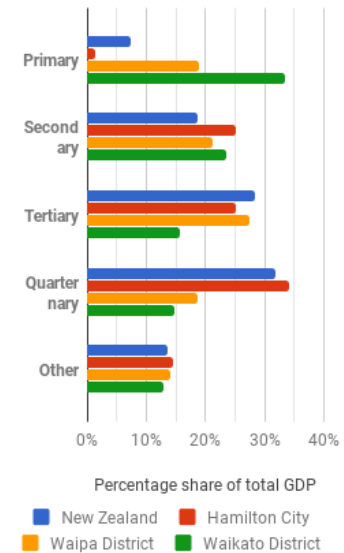
Source: Bayleys Research

Indicator 15: Selected Non-Residential Building consents

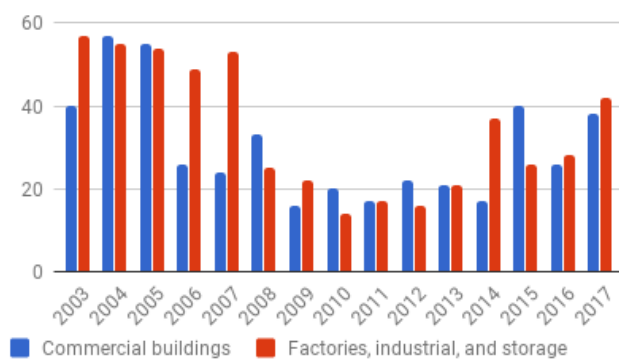
To illustrate historical levels of demand in the business sector, the numbers of non-residential building consents for the two main categories of non-residential consents (Commercial and Factories, industrial and storage) are set out below for the three Future Proof partner councils.

Overall the non-residential consents in the Future Proof areas appear to have recovered in since the levels experienced after the GFC (2007-2014). Comparing the consents levels on the graphs below to the GDP by sector chart to the right there is a clear relationship between the structure of the local economy in each Future Proof partner area and the level of building consents for the two main non-residential categories. See notes on page 17 for definition of the five broad economic sectors.

Contribution to GDP by broad sector (June 2016)

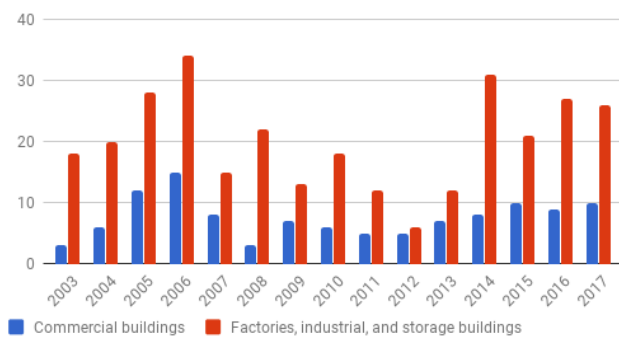


Hamilton City: Non-Residential consents



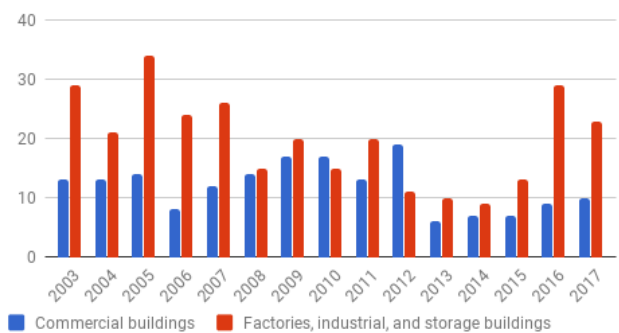
Hamilton City: The Hamilton City economy has very low levels of activity in the Primary sector. Economic activity is focused in the Secondary and Tertiary sectors, which contain similar levels of activity and is strongest in the Quaternary sector. This structure is reflected in a pattern of relatively equal number over consents in both consent categories.

Waikato District: Non-Residential consents



Waikato District: The District has very high levels of Primary sector activity (the highest out of the three Future Proof partners), followed by Secondary activity and lower levels in the other sectors. This concentration of activity in the Primary and Secondary sectors is clearly reflected in the significantly higher number of consents in the 'Factory, industrial and storage building' category over the lower number consents in the Commercial building category.

Waipa District: Non-Residential consents



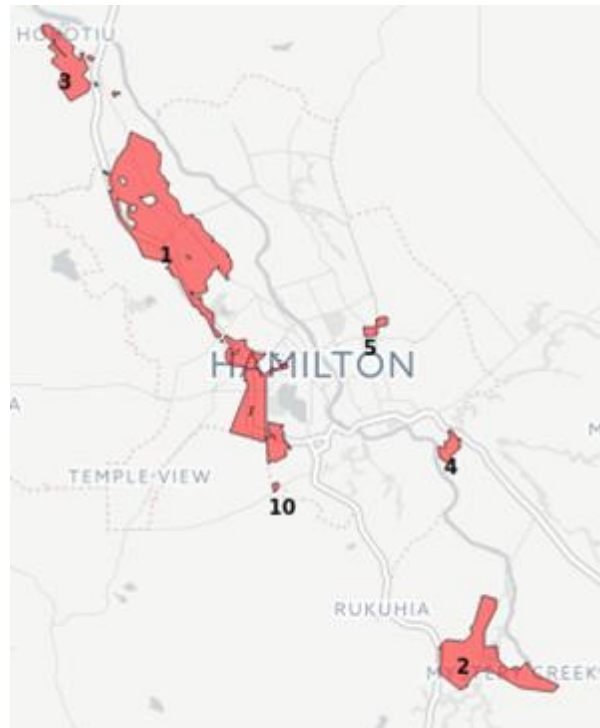
Waipa District: The District has similar levels of economic activity in the four main sectors, other than the Tertiary sector which is slightly higher. This spread of economic activity across the four sectors is reflected in the comparable levels of consents in two main non-residential consent categories, however higher numbers of industrial consents do feature in some years.

6.2 PRICE EFFICIENCY INDICATORS

Indicator 16: Land price differentials across industrial zone boundaries

If the value of land jumps significantly where zoning changes between an industrial zone and other activity zones, this indicates that zoning and other regulations may not match current relative demands for different land uses in that location. Consistent differentials may indicate insufficient development capacity for the more expensive land use city-wide.

Area of Study: This report focuses the five largest industrial zones analysed identified on the map to the right in red); the three industrial areas within Hamilton City, the area around the Airport to the south and the Horotiu Industrial area to the north.

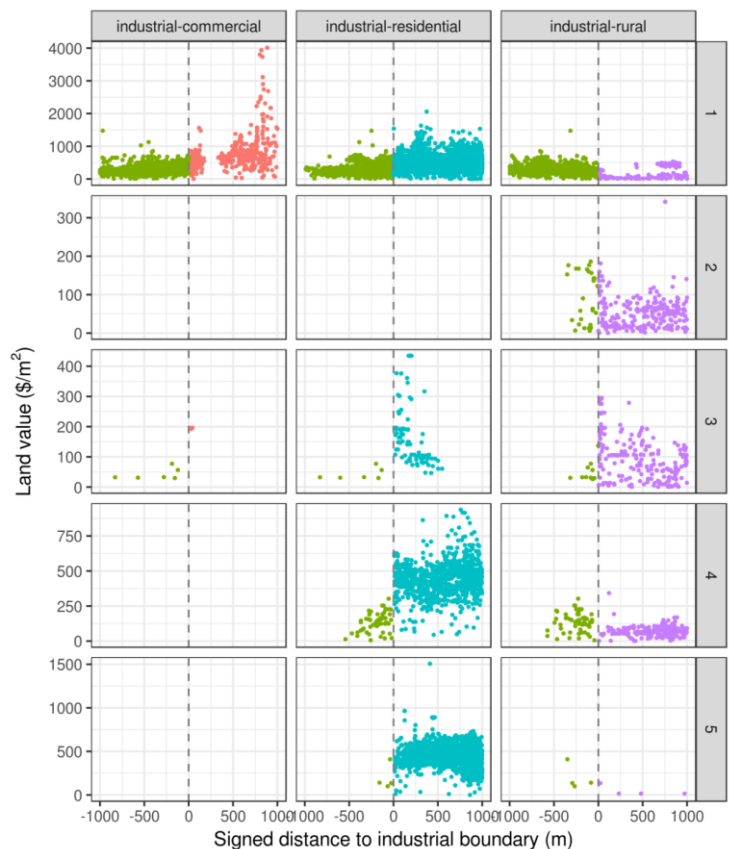


Data source: As with the rural-urban differentials, the industrial zone differential has been calculated using the 2015 valuation data for Hamilton City. The underlying data reflects the land use permitted at the time of the valuation, consequently any subsequent changes.

Results by Zone:

- 1) **Frankton-Te Rapa:** Not including TeRapa North. Industrial land worth less than adjoining commercial and residential and worth a little more than adjoining rural. Some suggestion of need for further industrial land, however clear boundary effect not evident.
- 2) **Hamilton Airport:** Titanium Business Park and Mystery Creek Event Centre. Industrial land is worth only slightly more than the surrounding rural land suggesting no shortfall of industrial land capacity.
- 3) **Horotiu:** North Gate Business Park. Industrial land is worth less than small pockets of adjoining commercial land, rural and residential land, suggesting that there is no shortfall of industrial land.
- 4) **Riverlea:** Rural worth slightly less than industrial. Residential worth more than industrial suggesting greater demand for residential in location.
- 5) **Ruakura:** Small block either side of Wairere Drive. Residential worth more than industrial. Differential between Industrial and rural significant. Inconclusive as very few data points.

Hamilton: Parcel land values near selected industrial borders



Commentary: Higher land values in the Hamilton City industrial land areas suggest a level of insufficient capacity in 2015. Further Industrial land has been made available via the 2016/17 District Plan (including the Ruakura Variation), however some capacity is currently held in deferred 'Future Urban Status' due to infrastructure constraints.

7. NOTES AND DATA SOURCES

The information was primarily sourced from the Ministry of Business, Innovation and Employment (MBIE) dashboard for Hamilton City, Waipa District, Waikato District and the Greater Hamilton Urban Area. Information was also sourced from Statistics New Zealand NZ.Stat website and publicly available reports from CoreLogic/QV , CBRE NAI Harcourts and Colliers International.

Indicator 1: Dwelling sales prices (actual) - (Source: MBIE Dashboard, January 2018)

This indicator shows the median prices of residential dwellings sold in each quarter. This median price series is not adjusted for size and quality of dwellings. Prices are presented in nominal terms; they have not been adjusted for general price inflation.

Indicator 2: Dwelling Sales price (SPAR Index. Source for both images: MBIE Dashboard, August 2017)

The Sales Price Appraisal Ratio (SPAR) provides an index of percentage change in dwelling sales prices relative to a common base year. It is constructed by comparing the sales price of each dwelling sold in a period with its valuation estimate. It adjusts for the composition and quality of the dwellings sold over each period. Data is sourced from CoreLogic.

Indicator 3: Dwelling rents (actual) Source for both images: MBIE Dashboard, August 2017)

Notes: This indicator reflects nominal mean rents as reported in new rental bonds lodged with MBIE. The mean used is a geometric mean. The reason for using this mean is that rents cluster around round numbers, and tend to plateau for months at a time (spiking up by say \$10 or \$10 at a time). This makes analysis of time series difficult and using the geometric mean is a way of removing this clustering effect.

Indicator 4: New dwelling consents compared to household growth

Notes: This indicator approximates the demand for, and supply of, new dwellings. It measures changes in demand and how responsive supply is. The number of new dwelling building consents is lagged by six months (presented as a 12 month rolling average), to account for the time taken from consenting to completion. It is not adjusted for non-completions, or for demolitions. It is used as a proxy for supply. The most recent resident population, divided by the local average housing size, is used as a proxy for demand. Both sets of data are sourced from Statistics New Zealand.

Indicator 5: Core Logic Buyer classification Source: Corelogic Buyer Classification, Hamilton Sept- Oct 2017)

First home buyer (FHB)	Purchasing a single house with mortgage finance and buyer names have not previously appeared on a residential property title. Genuine FHBs purchasing with cash will appear as new to market cash buyers.
Multi-property owner (MPO, 'investor')	Adding to an existing portfolio of at least one property, with the exception of those classified as new to market (see below). Includes purchases where the intent is to owner occupy.
Auckland Multi-property owner (MPO, 'investor')	As per MPO definition above, with at least half of their portfolio based in Auckland.
Mover	Buying a single house having recently sold (or subsequently selling within a short timeframe) existing property. Movers will be labelled 'investors' for short periods if there is a lag between settlement and the sale of existing property.
New to market (NTM)	Purchasing a house with cash (or purchasing multiple properties on the same day) having not previously appeared on a residential property title nationwide, or purchasing a house in a region where buyer names have not previously appeared on a residential property title.
Re-entry	Buying a single house following an extended period of absence from the housing market (buyer names have previously appeared on a residential property title).
Other	Classification is unknown. Less common in the classification of buyers relative to sellers.

Indicator 6: Residential Building consents by territorial authority Source: Statistics NZ, Infoshare, Nov 2017

Indicator 7: Price Cost Ratio (Source: MBIE Dashboard, January 2018)

Indicator 8: Rural Urban land price differential (Source: MBIE Dashboard, January 2018)

Indicator 9: Infometrics housing affordability index

Source: Informetric Quarterly Economic Monitor – September 2017

Infometrics housing affordability index which is the ratio of the average current house value to average annual earnings. The levels quoted in the report are average current values over the past 12 months. An average current value is the average (mean) value of all developed residential properties in the area based on the latest house value index from QVNZ. Housing affordability in the four most recent quarters is based on estimated average annual earnings, while earnings data from earlier years is based on actual figures from Linked Employer Employee Data published by Statistics New Zealand.

Indicator 10: HAM rent – share of renting households below the benchmark

Source: Informetric Quarterly Economic Monitor – September 2017

This section investigates the affordability of rents in Hamilton City and for the country as a whole by comparing average weekly rents with average weekly earnings (which are calculated from estimated average annual earnings). We present a rental affordability index which is the ratio of the average weekly rent to average weekly earnings. A higher ratio, therefore, suggests that average rents cost a greater multiple of typical incomes, which indicates lower rental affordability. Rents (\$ per week) are averaged across the quarter in question from monthly rental data sourced from MBIE. Rental data pertains to averages from data collected when bonds are lodged and does not control for specifications of the home (eg. size, number of bedrooms, age of home, etc). Note that rental affordability in the four most recent quarters is based on estimated average annual earnings, while earnings data from earlier years is based on actual figures from Linked Employer Employee Data published by Statistics New Zealand.

Indicator 11: Ratio of dwelling sales price to rents Source for both images: MBIE Dashboard, August 2017)

Notes: This ratio augments the price and rent indicators by providing about the relationship between owning and renting dwellings over time. It indicates changes in the ease of moving from renting to home ownership, and shows trends in investor yields.

Indicator 12: CBD district office vacancy rates Source: CBRE NAI Harcourts CBRE, June 2017

Indicator 13: CBD retail vacancy rates Source: Bayleys Research, June 2017)

Indicator 14: Industrial vacancy rates Source: Bayleys Research, August 2017)

Indicator 15: Selected Non-Residential Building Consents Source: Statistics NZ, Infoshare, Nov 2017

Contribution to GDP by broad sector: Source: Informetric Quarterly Economic Monitor – September 2017

The primary sector extracts or harvests products from the earth and includes agriculture, forestry, fishing, and mining. The secondary sector produces manufactured and other processed goods and includes manufacturing, electricity, gas and water, and construction. The tertiary sector includes all service industries that are not knowledge intensive, such as retail trade, and food and accommodation services. The quaternary sector includes knowledge intensive service industries. 'Other' includes owner occupied property operation and unallocated activity.

Indicator 16: Land price differentials across industrial zone boundaries

(Source: MBIE Dashboard, January 2018)