

**APPENDIX D – MARKET ECONOMICS - ECONOMIC STATEMENT IN RESPONSE
TO HEARING PANEL DIRECTION #2 & DIRECTION #4**

Memo

To: Peter Skilton, Team Leader District Plan, Waipā District Council

From: Greg Akehurst, Director, Market Economics Ltd.

Maggie Hong, Senior Analyst, Market Economics Ltd

Date: 26 March 2025

Re: PC14 – Additional information request

1. Background

The demand for industrial land in Cambridge-Karāpiro has been a key focus of economic analysis and policy discussions, particularly in relation to Plan Change 14 (PC14). The 2023 Business Development Capacity Assessment (BDCA) provided estimates of industrial land sufficiency, but concerns have been raised that it may not have fully captured existing and potential demand in the Cambridge-Karāpiro market.

During the hearings process, the Panel sought further clarification on the economic justification for enabling additional industrial land. Specifically, Mr. Tim Heath of Property Economics (PE) provided economic evidence supporting the plan change. On behalf of Waipā District Council, Market Economics (Greg Akehurst) conducted an initial peer review of PE's assessment of the effects of PC14. Further input from Mr. Akehurst has been requested to assess the rationale for rezoning additional industrial land.

This paper addresses the key economic factors influencing industrial land demand in Cambridge-Karāpiro and provides evidence supporting the need for additional industrial land supply.

The remainder of this paper is structured as follows:

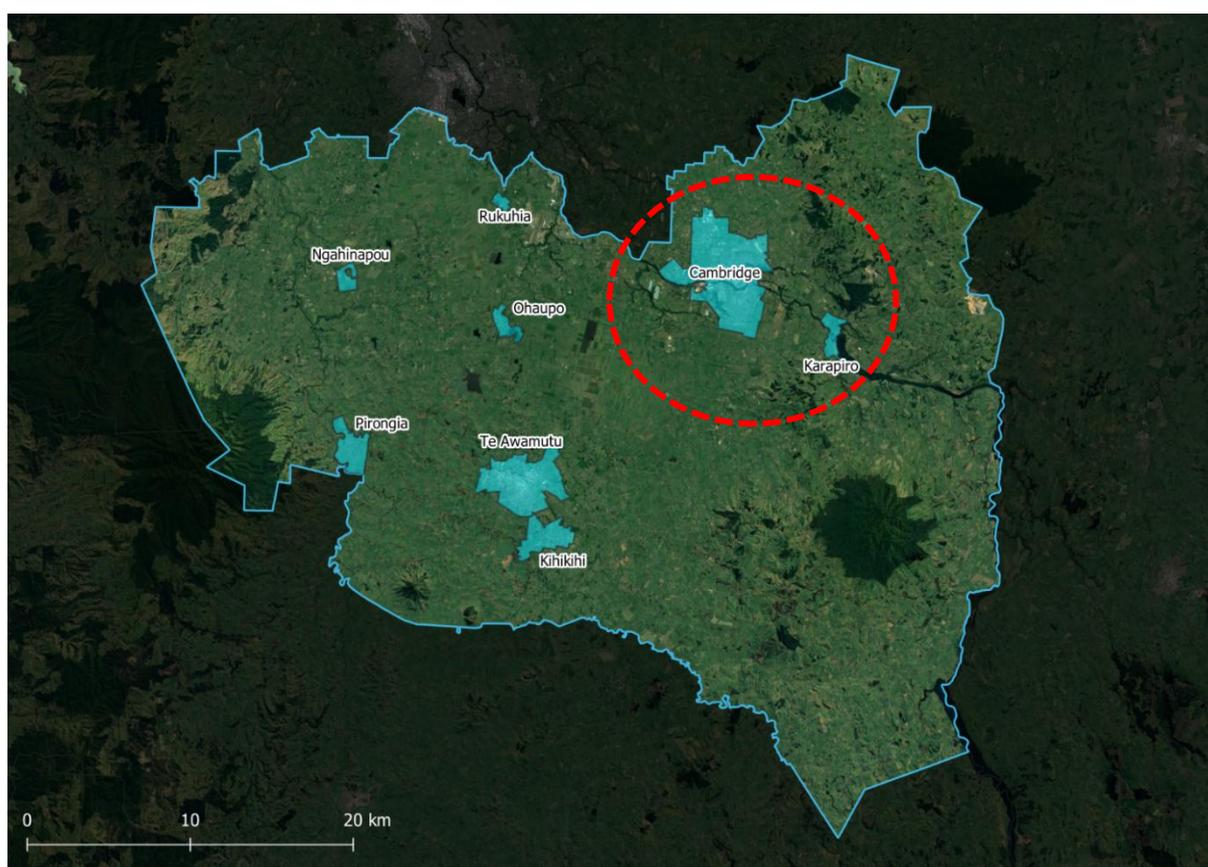
- Spatial Framework and Industrial Growth – An overview of the BDCA spatial framework, existing industrial zones, and key growth cells in the Cambridge-Karāpiro area.
- Business Demographic Trends – Analysis of employment and business growth trends influencing industrial land demand.
- Industrial Land Availability – Assessment of currently zoned industrial land, including constraints on development due to landowner preferences or other limitations/factors.
- Industrial Land Price Movements – Impact of PC14 on Market Competition and Business Attraction
- PE's Response to Hearing Panel Directions – Comments on PE's latest economic response in light of the Hearing Panel's requests.

The analysis presented in this paper aims to provide a comprehensive understanding of current industrial land demand in Cambridge-Karāpiro and support the case for enabling additional industrial land through PC14.

2. Spatial Framework and Industrial Growth

Under the National Policy Statement on Urban Development (NPS-UD), Tier 1 councils are required to conduct a Housing and Business Development Capacity Assessment (HBA) every three years. Commissioned by the Future Proof Partnerships, M.E last updated the HBA in 2023. For the Waipā District, the HBA outputs have been aggregated to a combination of towns based on geographic location, to effectively capture the range of urban towns and townships in both districts. Figure 1 shows the Spatial Framework for the Waipā District. Results for Cambridge and Karāpiro (highlighted in the *red dotted line circle*) have been aggregated based on the proximity of the satellite town to the major centre.

Figure 1 Waipā District Spatial Framework



In Cambridge, Waipā District, industrial-zoned land is primarily concentrated in two key areas: Hautapu and Matos Segedin Drive.

The Hautapu Industrial Area (Figure 2), located northeast of Cambridge, is a well-established hub for manufacturing, logistics, and agribusiness. With direct access to State Highway 1 (Waikato Expressway),

it offers strong transport links to Hamilton, Auckland, and Tauranga, making it an attractive location for large-scale businesses, including food processing facilities, warehousing, and distribution centres. Hautapu remains a key focus for industrial expansion, particularly for businesses requiring larger sites and strategic access to major transport corridors.

This fact has been recognised by Waipa District Council, which has identified future Industrial Growth Cells in this location to accommodate strong demand pressures. Given that these growth cells and their timing were set some time ago, it is important that their release adapts to updated demand conditions, rather than strictly adhering to previously established timeframes.

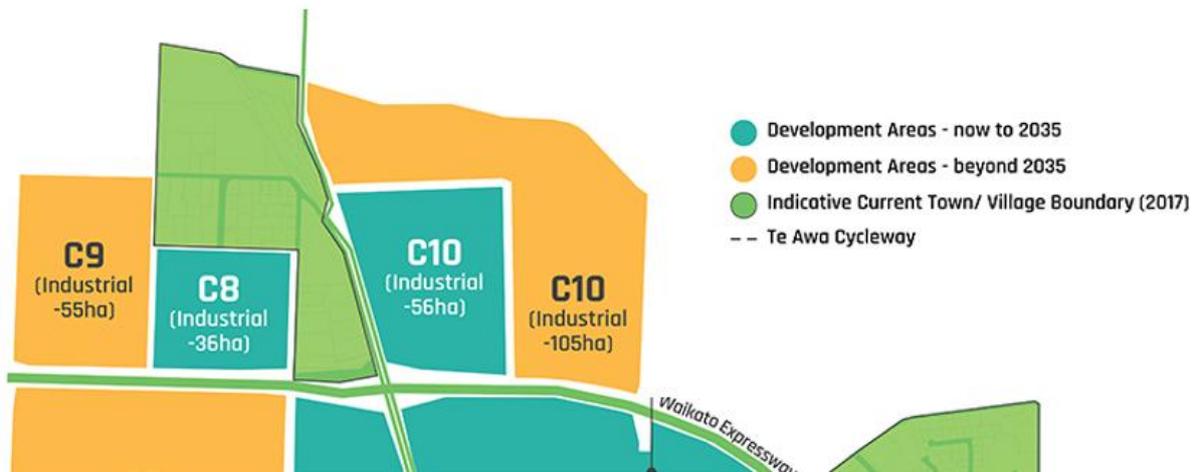
Figure 2 Industrial and Deferred industrial zones in Hautapu



Hautapu contains three key industrial growth cells: C8, C9, and C10 (See Figure 3). C8 is the first major industrial hub within the Hautapu Industrial Zone, establishing the foundation for further industrial growth in the area. C9, located adjacent to C8, is part of the planned industrial extension in Hautapu, with additional land recently rezoned through PC17. A new Deferred Industrial Zone has also been introduced above the existing growth cell, ensuring long-term industrial capacity. C10, situated on the northern side of Cambridge, is divided into two key precincts:

- (1) Bardowie Industrial Precinct – This area includes 30ha of Deferred Industrial Zone and 26.7ha of Rural Zone, which have been rezoned to Industrial Zone through PC11.
- (2) Mangaone Precinct – The subject site of PC14, this area is under consideration.

Figure 3 Industrial Growth Cell in Cambridge



Matos Segedin Drive

In contrast, the Matos Segedin Drive Industrial Area (see Figure 4), situated on the western side of Cambridge, supports a mix of light and general industrial activities. This area accommodates smaller-scale industrial operations, trade-based businesses, and service industries that contribute to the local economy. While not as large as Hautapu, Matos Segedin Drive provides an important alternative for industrial development, particularly for businesses seeking proximity to Cambridge’s residential areas and town centre. Together, these industrial zones play a vital role in supporting Cambridge’s economic growth, employment opportunities, and the increasing demand for industrial land in the Waipā District.

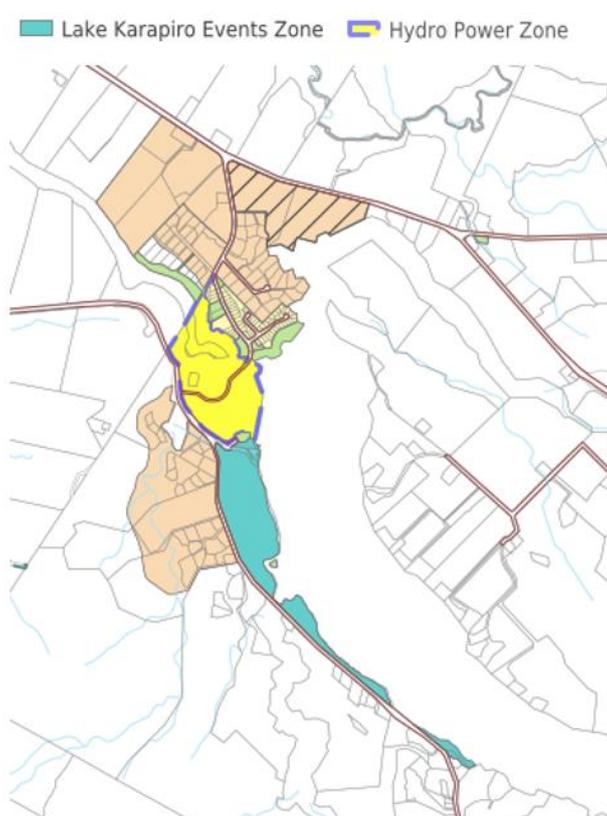
Figure 4 Industrial zone - Matos Segedin Drive



The zoning around Lake Karāpiro (see Figure 5) is primarily focused on recreational and infrastructure-related activities, with the two main non-residential zones being the Lake Karāpiro Event Zone and the Hydro Power Zone. The Lake Karāpiro Event Zone supports the area's role as a premier venue for water sports, outdoor events, and tourism-related activities, while the Hydro Power Zone accommodates the infrastructure associated with the Karāpiro Dam and its hydroelectric operations. Given the area's environmental, recreational, and energy functions, it is not expected to see any significant industrial activity or rezoning for industrial purposes in the foreseeable future.

Contrary to the evidence provided by Mr Heath in the PC14 hearing, **the 2023 BDCA did not account for any industrial capacity in Lake Karāpiro.**

Figure 5 Zoning around Lake Karāpiro



3. Business Demography

Typically, modelling of business demand occurs at the Statistical Area level (SA2s), and the relevant SA2s are allocated into various reporting areas.

Table 1 highlights a strong and sustained pattern of employment growth over the past two decades within Waipa and the Cambridge-Karapiro catchment. This demonstrates economic resilience and ongoing expansion in the Cambridge-Karāpiro area.

From 2001 to 2010, the Modified Employment Count (MEC¹) in the area grew from 6,948 to 8,710, reflecting a Compound Annual Growth Rate (CAGR) of 2.54%, outpacing the broader Waipā District's growth of 2.04% over the same period. Growth accelerated between 2010 and 2020, with employment in Cambridge-Karāpiro reaching 11,755, equating to a CAGR of 3.04%, again exceeding the district-wide rate of 2.66%.

Recent figures for 2024 show the MEC rising to 13,100, maintaining a robust growth trajectory with a CAGR of 2.75% between 2020 and 2024, significantly higher than Waipā's 1.77%. This continued strong performance underscores Cambridge-Karāpiro's role as a key economic hub within the district, driven by population growth, business investment, and its strategic location along major transport routes.

Table 1 Employment growth in Cambridge-Karāpiro – All sectors

Year	Modified Employment Count (MEC)	
	Cambridge -Karāpiro	Waipā
2001	6,948	16,070
2010	8,710	19,273
2020	11,755	25,054
2024	13,100	26,879
Time Period	Compound Annual Growth Rate	
	Cambridge -Karāpiro	Waipā
2001-2010	2.54%	2.04%
2010-2020	3.04%	2.66%
2020-2024	2.75%	1.77%

Error! Not a valid bookmark self-reference. demonstrates even stronger employment growth in key industries, including Mining, Manufacturing, Electricity, Gas, Water and Waste Services, Construction, Wholesale Trade, Transport, Postal and Warehousing, and Rental, Hiring and Real Estate Services.

From 2001 to 2010, employment in these selected industries grew from 2,111 to 2,952, reflecting a CAGR of 3.80%, significantly higher than the overall Waipā District's 2.12% growth over the same period. Growth further accelerated between 2010 and 2020, with employment in these industries increasing to 4,445, equating to a CAGR of 4.18%, again outpacing Waipā's 3.30%.

The most recent figures for 2024 show continued strong expansion, with employment reaching 5,152, maintaining a CAGR of 3.76% from 2020 to 2024, compared to Waipā's 3.11%. This sustained high growth rate in key industrial and infrastructure-related sectors underscores Cambridge-Karāpiro's

¹ Similar to Statistics New Zealand's Employee Count (EC), but incorporates non-employee (for tax purposes), working proprietors to provide a more accurate measure of actual people in employment.

increasing economic significance within the district, driven by strategic location advantages, business investment, and infrastructure development.

Table 2 Employment growth in Cambridge-Karāpiro – Selected Industries

Year	Modified Employment Count (MEC)	
	Cambridge -Karāpiro	Waipā
2001	2,111	4,906
2010	2,952	5,926
2020	4,445	8,200
2024	5,152	9,270
Time Period	Compound Annual Growth Rate	
	Cambridge -Karāpiro	Waipā
2001-2010	3.80%	2.12%
2010-2020	4.18%	3.30%
2020-2024	3.76%	3.11%

Table 3 Employment growth in selected SA2s and Industries

Year	Matos Segedin Drive	Hautapu Industrial Area	
	Cambridge Park-River Garden SA2	Fencourt SA2	Hautapu SA2
2001	11	58	415
2010	25	98	546
2020	309	124	944
2024	412	362	1,104
2020-24	34%	193%	17%

The employment growth data for the two key industrial-zoned areas in Cambridge—Matos Segedin Drive and Hautapu Industrial Area (see Table 3) —demonstrates significant expansion, particularly in Hautapu.

By analysing the SA2 areas associated with these industrial zones, we observe:

- Hautapu SA2, which includes the Hautapu Industrial Area, has grown from 415 jobs in 2001 to 1,104 in 2024, reflecting a 17% growth rate from 2020 to 2024.
- Fencourt SA2, where PC14 is located, has seen extraordinary growth, rising from 124 jobs in 2020 to 362 in 2024, a 193% increase. This surge highlights the area's growing importance for industrial and business activity.

- Cambridge Park-River Garden SA2, covering Matos Segedin Drive, has also expanded significantly, with employment rising from 309 in 2020 to 412 in 2024, a 34% increase.

The rapid growth in Fencourt SA2, combined with steady expansion in Hautapu and Cambridge Park-River Garden SA2, underscores the increasing industrial demand and economic activity in these key areas. The Hautapu Industrial Area, in particular, continues to be the dominant employment hub, while Fencourt's exceptional growth signals the emerging significance of the PC14 site as an industrial location.

Given this robust and sector-specific employment momentum, the area is well-positioned for continued strong growth, reinforcing its role as a key industrial hub in the Waipā District.

4. Land Availability and Development Intention in the Cambridge-Karāpiro area

Hautapu Industrial Area

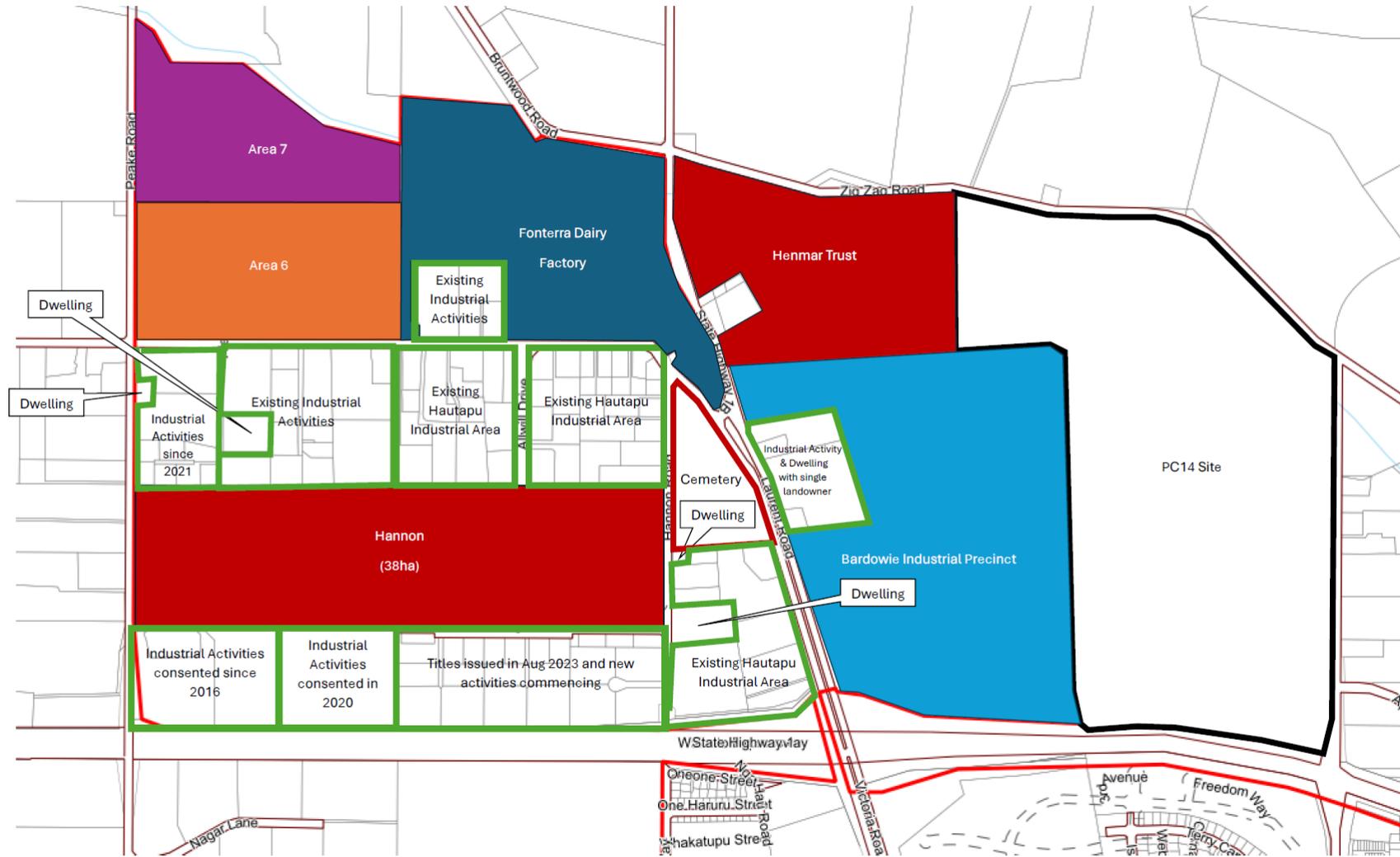
The Hautapu Industrial Area features a mix of industrial land availability and ownership types, reflecting both recent zoning changes and long-standing industrial activities (see).

- New Industrial Zone (Orange – PC17, Area 6): Approximately 20 hectares of land was rezoned as Industrial Zone through Plan Change 17 (PC17). PC17 was made operative by Council on 12 December 2023, with the operative date officially set for 19 January 2024. Approximately 25% of the zoned land already occupied by industrial operations.
- New Deferred Industrial Zone (Purple – PC17, Area 7): Additional land was zoned Deferred Industrial through PC17, providing future industrial expansion potential once development conditions are met.
- Fonterra Dairy Factory (Dark Blue): The Fonterra site remains a dominant industrial presence in Hautapu, serving as a key anchor for industrial activity in the area.
- Bardowie Industrial Precinct (Light Blue): This rezoned precinct, comprising 30 hectares of Deferred Industrial Zone and 26.7 hectares of Rural Zone land rezoned to Industrial Zone through Plan Change 11 (PC11), is part of C10. The rezoning was driven by the need to consolidate the plants and offices of Architectural Profiles Ltd (APL), a regionally significant business. APL now operates across 28.8 hectares of the Bardowie Industrial Precinct, with the remaining land eventually becoming available for other industries to establish, subject to adherence to urban design guidelines. The relocation of APL to Bardowie was necessitated by challenges in securing suitable Industrial Zone land in Cambridge large enough to accommodate its consolidated operations. This precinct represents a strategic expansion of Hautapu's industrial landscape, supporting both existing businesses and future industrial development.
- Existing or Recently Consented Industrial Activities (Green Outlined): Most sites in these areas are already occupied by industrial operations or have recently been granted consent for industrial development. Therefore, the availability of land for future industrial expansion is limited, particularly for businesses requiring large footprints. This constraint highlights the need for strategic planning to accommodate further industrial growth in the region.

- Landowners Not Interested in Industrial Development (Red): Approximately 38 hectares of industrial-zoned land is owned by the Hannon family, who have shown no interest in industrial development. Additionally, rural-zoned land owned by the Henmar Trust remains between the Fonterra Dairy Factory and the PC14 site, limiting immediate industrial expansion in this area.

The Hautapu Industrial Area continues to be a critical hub for industrial development, with recent zoning changes through PC17 unlocking additional capacity. However, landowner preferences and existing rural zoning constraints still influence the pace of industrial expansion in certain sections.

Figure 6: Land availability and ownership status – Hautapu Industrial Area



Key: Red = Landowners not interested in Industrial development, Orange = new Industrial Zone through PC17, Purple = new Deferred Industrial Zone through PC17, Dark Blue = Fonterra Dairy Factory, Light Blue = Bardowie Industrial Precinct, Green = Existing or recently consented industrial activities

Matos Segedin Drive

The Matos Segedin Drive industrial area is largely developed, with limited vacant industrial land available (see **Error! Reference source not found.**). Key land use and ownership details include:

- Inghams Factory (Dark Blue): A major industrial facility within the area, contributing to the region's established industrial activity.
- Existing Industrial Activity (Green Outlined): The majority of the land is already occupied by industrial operations, leaving minimal undeveloped space for new entrants.
- Vacant Sites: A total of six vacant sites remain available for industrial development:
 - The largest site is 1.76 hectares.
 - The second-largest site is 1.18 hectares.
 - The remaining four sites range between 1,600m² and 5,000m², providing smaller-scale industrial opportunities.
- Designation for Wastewater Treatment Station (Purple): A designated area adjacent to the industrial zone is set aside for a wastewater treatment station, restricting industrial expansion within that space but providing essential infrastructure to support existing and future industrial activity.

Given the high level of existing industrial occupation and limited vacant land, opportunities for new industrial developments in Matos Segedin Drive are constrained. However, the remaining vacant sites provide some capacity for further industrial growth, particularly for businesses requiring smaller-scale industrial lots.

Figure 7: Land availability and ownership status – Matos Segedin Drive



5. Industrial Land Price Movements

The introduction of additional industrial land through PC14 has the potential to significantly influence industrial land prices in the Cambridge area by increasing supply and enhancing market competition. With more land available, purchasers will have a greater range of options, reducing price pressures that could arise from limited supply. By enabling development within the Mangaone Precinct (C10), PC14 introduces new industrial capacity that can help stabilize or even moderate land price growth, making Cambridge a more attractive location for industrial investment.

One of the key advantages of PC14 is its ability to provide much-needed large land parcels, which are currently scarce in the local industrial market. The availability of larger sites is particularly critical for attracting anchor businesses that require significant footprints for manufacturing, logistics, or large-scale warehousing. Without these larger parcels, businesses with extensive land requirements may be forced to locate elsewhere, missing an opportunity to contribute to the economic growth of Cambridge.

Furthermore, the introduction of PC14 is expected to create a more dynamic and competitive land market, preventing price escalation that could otherwise occur due to constrained supply. Industrial land prices in Cambridge have been influenced by limited availability, and without PC14, businesses may have to compete for a restricted number of sites, driving up costs and making expansion more challenging. The release of additional land through PC14 helps mitigate this risk by ensuring that businesses have more choices, reducing speculative landholding, and encouraging fair market pricing.

The Hearing Panel requested an analysis of industrial land price movements, comparing trends in Cambridge with those in Waikato, Auckland, and Tauranga. However, obtaining detailed parcel-level sales data requires access to CoreLogic, which involves a costly data purchase, and this level of granularity is not publicly available.

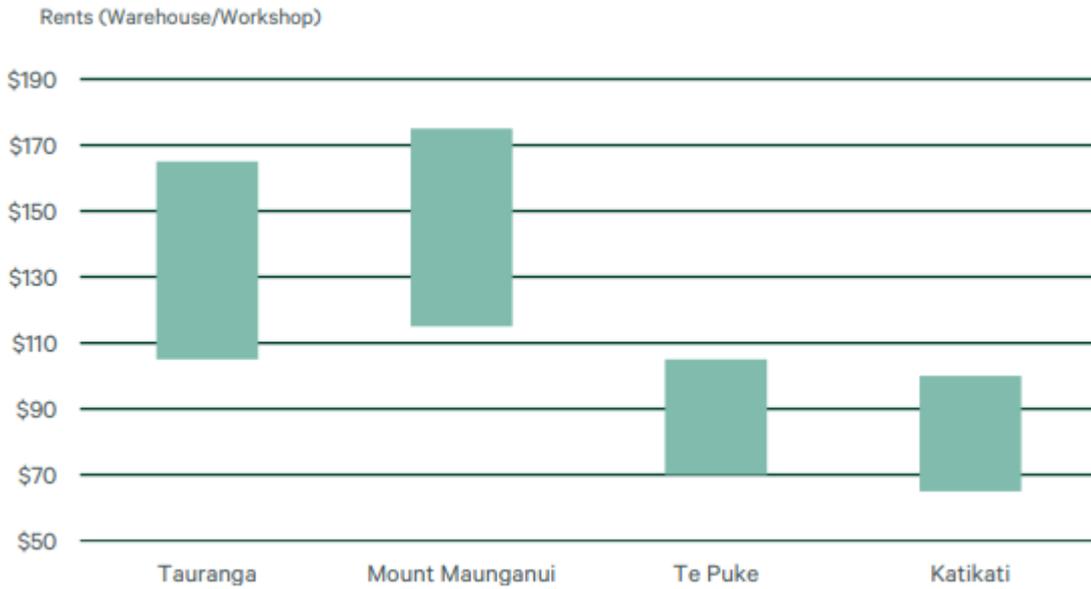
Anecdotally, based on analysis conducted by M.E in other locations such as Matamata and Tauranga, industrial land prices in Tauranga City exceed \$1,000 per square meter, whereas in and around Matamata, prices are less than a third of that.

CBRE Insight and Research publishes data on net rents for industrial warehouses and workshops (see Figure 8), offering insight into the potential range of values applicable to Cambridge/Hautapu, including the PC14 land. While Tauranga/Mt Maunganui and Hamilton exhibit similar rental values, the difference between these and smaller centers like Te Puke and Katikati suggests that Cambridge/Hautapu may sit between these market tiers. However, this is offset by Cambridge's strategic access to major markets and export hubs in Auckland and Tauranga via State Highway 1 (SH1).

The high rental prices in larger cities, combined with Cambridge's connectivity and accessibility, are driving strong demand for industrial land in Hautapu, reinforcing the need to bring forward the development of PC14 ahead of schedule to meet market pressures.



Figure 8 Net Rentals – Tauranga Market (Feb 2025)



Source: CBRE: New Zealand Regional Figures - Tauranga

Figure 9: Net Industrial Rentals – Waikato Market (Feb 2025)



Source: CBRE: New Zealand Regional Figures - Waikato



In comparison to other industrial markets in Waikato (see Figure 9), Auckland, and Tauranga, Cambridge has the potential to become a more competitive option for businesses looking to establish or expand operations. The strategic location of the PC14 site, with direct motorway access and proximity to existing industrial activities, enhances its appeal. By unlocking new industrial capacity, PC14 will help strengthen Cambridge's position as an industrial hub, ensuring that land prices remain competitive and attractive for both local and national businesses.

6. Comments on PE's latest economic response

PE has provided an economic response to Hearing Panel Direction, reinforcing the argument for additional industrial land supply in Cambridge-Karāpiro. The key points of PE's response include:

- Industrial employment growth is exceeding BDCA 2023 projections – Employment in the Cambridge-Karāpiro market has grown by 3.65% annually between 2021-2024, significantly outpacing the 1.7% annual growth projected in BDCA 2023.
- Industrial GDP growth further supports demand – The area's industrial GDP has increased 15% over three years, faster than both Waipā District and the broader Future Proof Partners (FPP) sub-region.
- Underestimation of land demand in BDCA 2023 – Cambridge-Karāpiro has accounted for 43% of Waipā's total industrial employment growth, while BDCA 2023 projected only 36%. Additionally, BDCA anticipated the area would require just 2.5ha of industrial land in the short term, whereas actual growth suggests a higher need.
- Industrial floorspace demand surpasses forecasts – In 2023-2024, Waipā accounted for 23% of industrial building consents in the FPP sub-region, more than double the 9% allocation projected in BDCA 2023.

The fundamental point of disagreement between PE and ME centres on whether industrial land availability is currently constrained. PE argues that existing land shortages are restricting industrial employment growth. In contrast, ME maintains that sufficient capacity exists in Cambridge-Karāpiro as suggested in BDCA 2023. This combined with PE's misinterpretation of the BDCA undermines our confidence in their findings.

Regardless, PC14 should still be approved due to its strategic advantages. This is not an argument about shortfalls of capacity, rather about strategic importance and being responsive to growth demands. The key justifications include:

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- PC14 brings forward planned industrial development – The site is already earmarked for future industrial use, and the proposal only accelerates its timing, rather than introducing unexpected land supply.
 - Economic benefits outweigh costs – Given the strong industrial growth trends, enabling PC14 will provide additional land to meet demand, supporting business expansion, job creation, and economic stability.
 - PC14 provides much-needed large industrial parcels – The Cambridge- Karāpiro market has limited large land parcels available for major industrial developments. PC14’s scale makes it attractive to anchor businesses requiring a significant footprint, such as logistics hubs, large manufacturers, and distribution centers.
 - Competitive land market benefits – Increasing land supply through PC14 will enhance market competition, prevent price escalation, and ensure affordability for businesses looking to establish or expand in Cambridge.

In summary, ME contends that PC14 would accommodate future demand without disrupting the market, citing its strategic location and potential to attract large-scale industrial investment as compelling reasons for approval.