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Economic Assessment of the Proposed Expansion of Titanium Park's Northern Precinct

Prepared for:

Waikato Regional Airport Limited

Authorship

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1. Executive Summary

Context and Purpose

Hamilton Airport is a regionally significant transport hub, which moves thousands of people and tonnes of freight each year. In addition, the land around it – known as Titanium Park – is one of the region's most strategically important growth nodes, catering for a wide range of industrial, commercial, and retail activity. To enable the next phase of development, Waikato Regional Airport Ltd (WRAL), and adjoining land-owner Rukuhia Properties Limited (RPL), together seek a private plan change to expand its Northern Precinct from 41 to 130 hectares, along with consequential amendments to the Operative District Plan. This report assesses the need for – and likely economic effects of – the proposed expansion.

Subject Land and Strategic Context

Having described the subject site's location, receiving environment and current zoning, we next summarise the relevant strategic/planning context. These include the:

- National Policy Statement on Urban Development (NPS-UD), which requires high growth areas like Waipa to provide sufficient business land to meet future needs; and the

- Waikato Regional Policy Statement (WRPS), which identifies industrial locations across the FutureProof subregion and allocates a share of projected future growth to each. In addition, the WRPS defines criteria against which any proposal for alternative land release must be assessed.

Industrial Land Market Assessment

Next, we assessed the likely effects of the proposal on the local industrial land market. Although the Northern Precinct is technically located in the Waipa District, many recent strategies and reports consider it to fall within the greater Hamilton property market, so we adopted that as our study area. To assess likely study area supply, we reviewed the FutureProof Industrial Land Study (FPILS) from March 2020, which provides the latest information available. It estimates that there will be 663 hectares of commercially-feasible industrial land available to meet demand over the longer term.

While this figure may seem large, it must be put in context. First, it directly assumes – without any modelling or analysis – that all vacant industrial land in "desirable" locations will be commercially feasible to develop in future. However, this will not always be the case. Second, this estimate ignores several factors that will naturally limit future supply. They include site and infrastructure constraints, lack of development intention, land banking, supply drip-feeding, developer operational limitations, land tenure options (i.e. market demand for leasehold vs. freehold), and financial constraints. Collectively, these various factors will cause future market supply to fall well short of the estimates derived in the FPILS.

To reflect these various constraints and provide a more reliable supply estimate against which to consider demand, we applied constraint matrices to the estimated supply at each industrial node, and also reflected the recent strong uptake of local industrial land. Of the 663 hectares of feasible supply cited in the FPILS, we estimate that there will be approximately 228 hectares available over the short-medium term (3 to 10 years), and just under 450 hectares over the long-term (10 to 30 years).

We estimated likely future industrial land demand by estimating future growth in the local labour force, converting this to employment growth, allocating a proportion to industrial sectors, converting industrial employment growth to additional industrial floorspace, and overlaying a floor area ratio to derive future industrial land requirements. Then, we applied NPS-UD competitiveness margins of 20% for the short-medium term and 15% for the long term to arrive at overall industrial demand estimates of an additional:

- 237 hectares over the short-medium term (10 years), and
- 604 hectares over the long term (30 years).

Overall, our demand estimates align with those derived in the 2018 Business Capacity Assessment for FutureProof. More importantly, regardless of whether our figures or those derived for FutureProof are used, demand is expected to exceed supply over the long term (of approximately 450 hectares, as discussed above). The proposed expansion of the Northern Precinct directly addresses this long-term shortfall by injecting approximately 90 hectares of additional industrial land into the local market and therefore helping to restore long-term equilibrium.

In addition to helping ensure a well-functioning market, as required by the NPS-UD, the proposal will also help to make the market more responsive to growth, thus helping to reduce pressure on industrial land prices over time. This is important, because industrial developments are typically land hungry, so their prices profoundly affect the viability of development. Furthermore, the more affordable/competitive that it is to develop industrial properties in the greater Hamilton area, the greater its share of future development within the broader "golden triangle" property market.

Effects of Increased Retail/Commercial Services Provision

The proposed plan change increases the size of the airport zone from just under 94 hectares to nearly 184 hectares, an increase of 95%. Accordingly, it also seeks a pro-rata (95%) increase in the existing cap on non-terminal retail/commercial services from 5,300m^2 to 10,300m^2. To guarantee that the uplift in retail GFA associated with the plan change serves the Northern Precinct itself (rather than the wider airport), we understand that a rule is proposed to ensure that all non-ancillary retail activities located in the Northern Precinct shall not exceed 5,000m^2 GFA.

To examine the potential impacts, we identified the nearest centres (who are most likely to bear any impacts), identified their sizes, roles, and functions, then assessed their current health and vitality. Having considered all these factors, we concluded that any proposed increase in the retail

floorspace cap associated with the plan change will have no discernible impacts on the health and vitality of other centres because:

- Any additional onsite retail enabled by the proposal will be focussed on meeting the daily needs of local businesses and workers, not aimed at competing with nearby centres.

- The overall size of retail provision at the airport would remain rather modest, particularly compared to the scale of nearby centres, which appear to be trading well and fulfil a wide range of roles and functions anyway.

- As a result, the impacts of enabling slightly more airport retail floorspace via the plan change will be largely indiscernible on other nearby centres.

Proposal Benefits/Economic Rationale

Finally, we considered the wider economic effects of the proposal, namely:

- *Synergies/Agglomeration* – the proposal expands an existing urbanised/developed area and therefore enables agglomeration benefits to occur, i.e., economic efficiencies that arise when economic activities cluster together, such as reduced transport costs, and improved productivity (for example, through the sharing of labour, specialised assets, and ideas).

- *Infrastructure Efficiency* – the development will be largely self-sufficient with respect to infrastructure, and thus avoid significant costs on the Council. Not only will this help to manage Council debt, but it will also eliminate the inevitable risks faced when Councils provide infrastructure ahead of demand, as is usually the case.

- *Economic Stimulus of Construction* – the process of planning for, designing, constructing, and fitting out the buildings that will occupy the additional land will create jobs and incomes for district workers. Including flow-on effects, we estimate that developing the additional GFA enabled could generate a one-time boost in regional GDP of $130 million; create employment for 1,440 people-years; and boost household incomes by $70 million.

- *Proximity to Strategic Transport Routes* – not only is the airport part of the golden triangle, but its immediate proximity to key national freight routes also make it a strategic location to accommodate growth in industrial activity over time.

- *Highest & Best Use of Land* – the subject land is currently used for low-value rural purposes, while the proposal enables it to be put to a higher and better use, thereby supporting the overarching purpose of the RMA (which is to enable the sustainable use and development of natural and physical resources).

Given the proposal's strong benefits, and noting the absence of any material adverse economic effects, we see no reason to deny it on economic grounds.

2. Introduction

2.1. Context and Purpose of this Report

Hamilton Airport is a regionally significant transport hub, which moves thousands of people and tonnes of freight each year. In addition, land around the airport – known as Titanium Park – has gradually developed into one of the region's most strategically important nodes, catering for a wide range of industrial, commercial, and retail activity.

To enable the next phase of development, Waikato Regional Airport Ltd (WRAL) and Rukuhia Properties Limited (RPL) now seek a private plan change to expand the Northern Precinct from 41 hectares (as provided in the Operative Waipa District Plan) to 130 hectares (plus associated amendments to the District Plan provisions applying to the Northern Precinct). This report assesses the demand for – and likely economic effects of – the proposed expansion.

2.2. Scope of the Assessment

This report focuses on the two most substantive economic effects associated with the proposed plan change. These are impacts on the sub-region's supply of industrial land, and the effects of consequent increases in the amount of retail floorspace provided for at the Northern Precinct.

2.3. Structure of this Report

The remainder of this report is structured as follows:

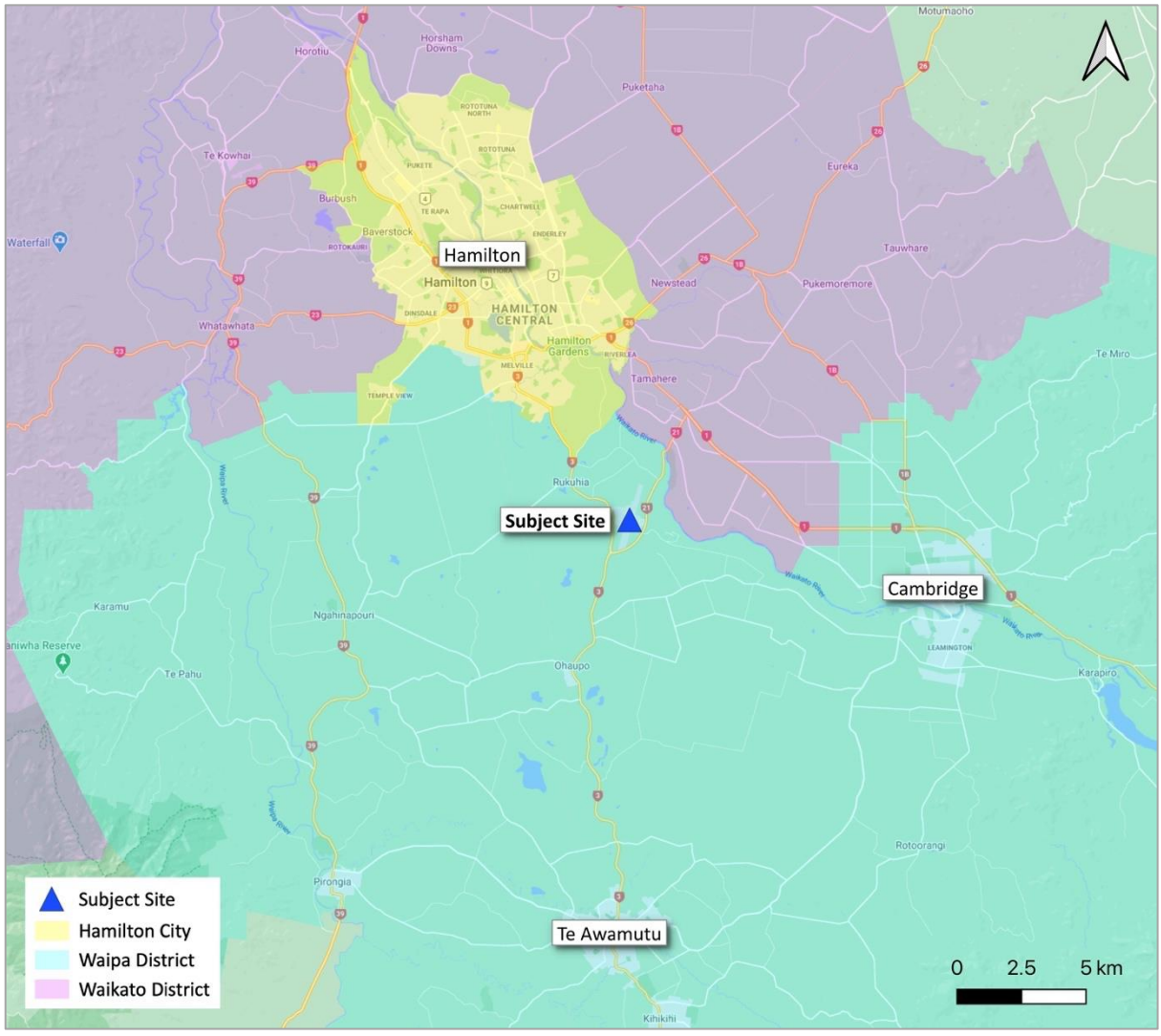
- **Section 3** locates the subject site and describes its receiving environment and current zoning, then identifies the area proposed for rezoning.
- **Section 4** describes the broader strategic/planning context for the proposal.
- **Section 5** briefly describes the proposed rezoning.
- **Section 6** sets the scene for our assessment of industrial land market impacts.
- **Section 7** refines existing industrial land analyses to determine likely future supply.
- **Section 8** projects future industrial land requirements in the medium and long term.
- **Section 9** synthesises the results of the previous few sections to assess the overall impacts of the proposal on the industrial land market.
- **Section 10** assesses the potential effects of the additional retail/commercial services provision enabled by the proposed plan change.
- **Section 11** summarises the benefits and economic rationale of the proposed plan change.

3. Subject Land

3.1. Location

The land earmarked for rezoning is directly adjacent to the existing Northern Precinct of Titanium Park, which is located at Hamilton Airport. The site is situated in the northern reaches of the Waipa district, and is approximately 14km south of the Hamilton CBD. The location of the subject site is illustrated in Figure 1 below.

Figure 1: Location of Subject Site



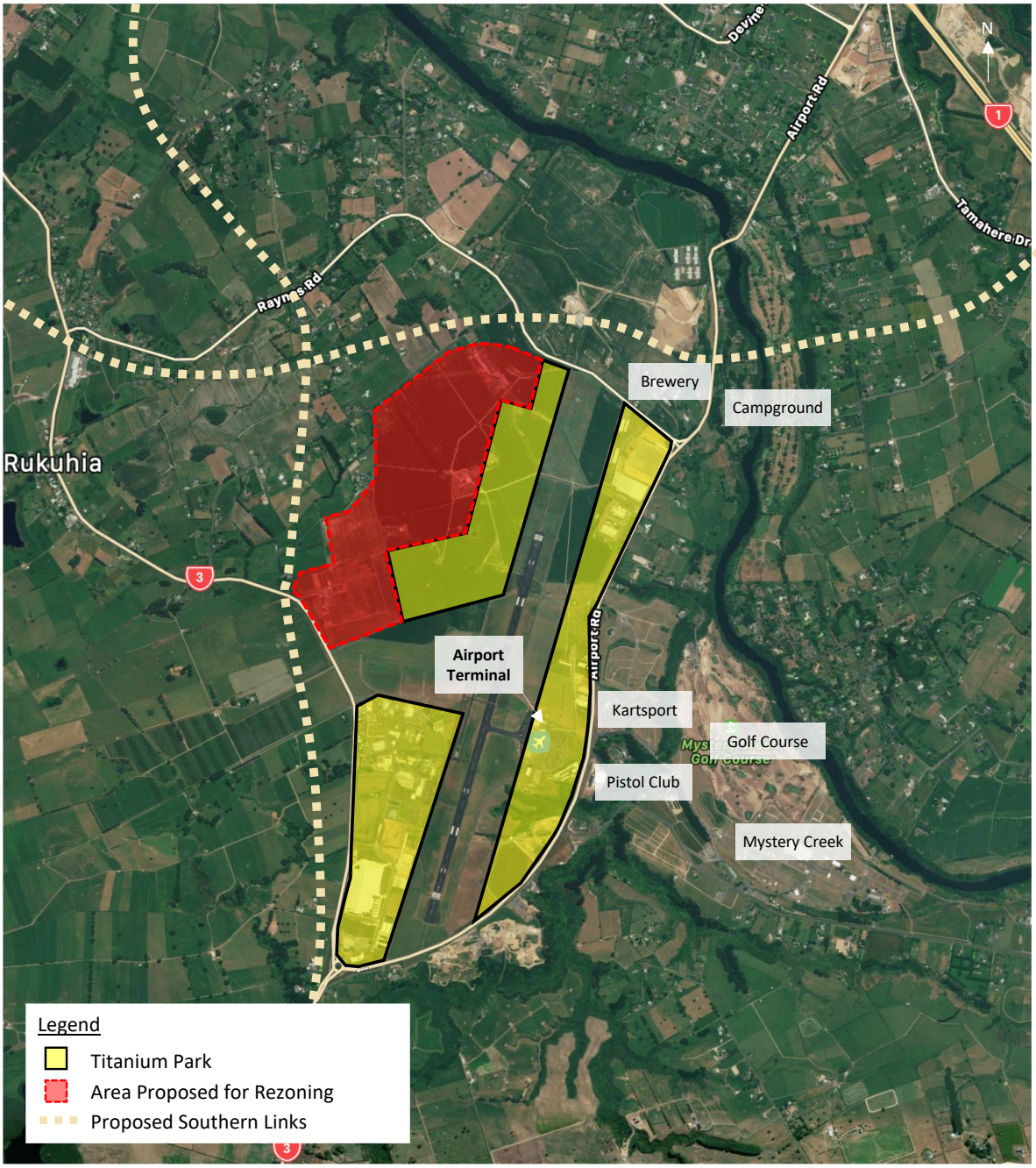
As shown above, the airport is strategically located between Hamilton City, Cambridge, and Te Awamutu. With direct access to state highway networks, it also forms a central junction between Auckland, Tauranga, New Plymouth, Taupo, and Rotorua.

3.2. Description of Site and Receiving Environment

Hamilton Airport is bound by State Highway 21 / Airport Road to the south and east, State Highway 3/Ohaupo Road to the west and Raynes Road and Narrows Road to the north. The

airport's immediate receiving environment is illustrated in Figure 2 below, which also shows the location of Titanium Park (in yellow) relative to the airport terminal and runway.

Figure 2: Receiving Environment

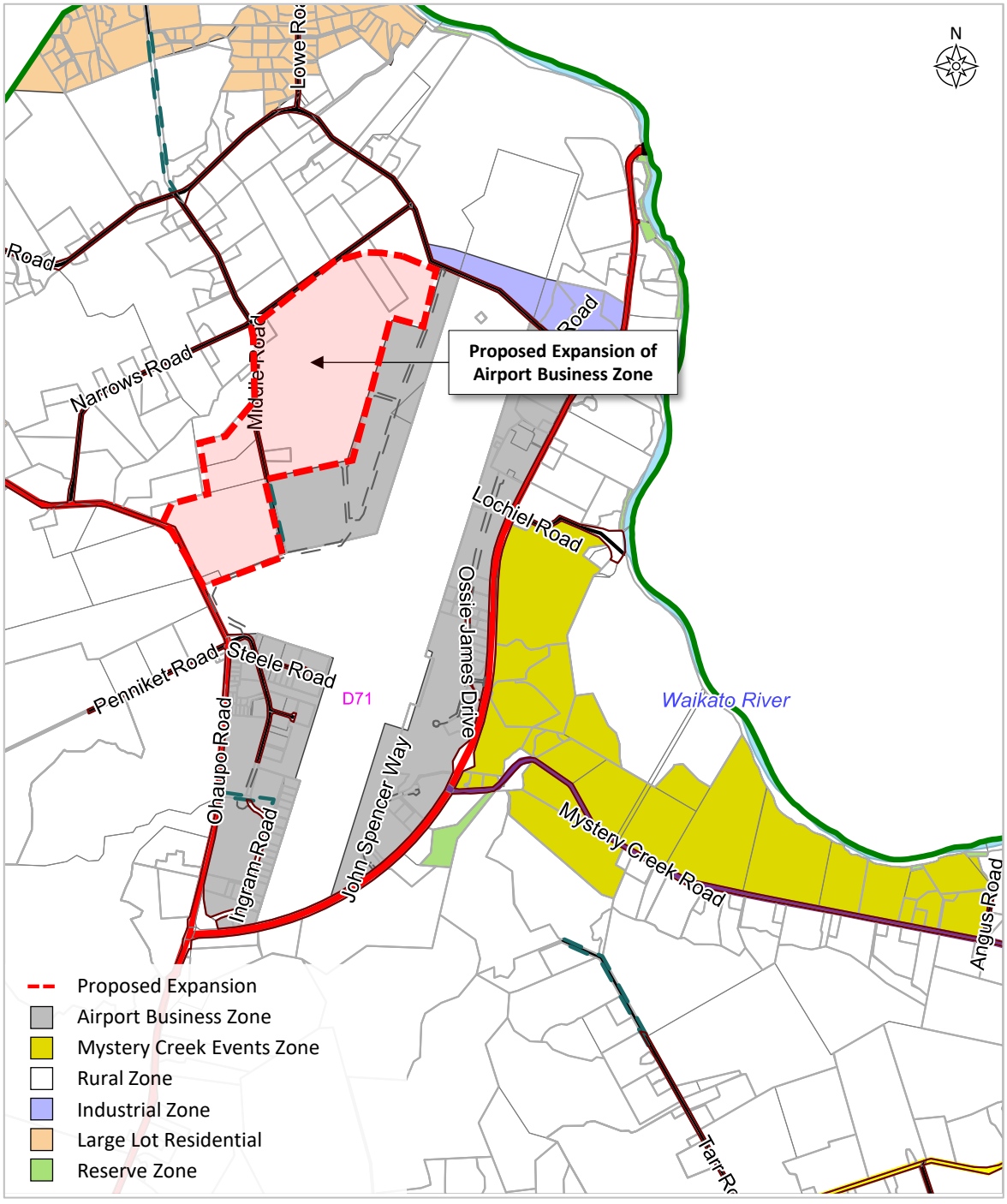


Titanium Park, delineated in yellow above, surrounds the airport's main runway, with the western section of it also bisected by the airport's secondary grass runway. Immediately east of the airport terminal is the Mystery Creek Events Centre and associated recreational facilities, including a golf course, pistol club and kart-racing track. The remaining land surrounding the site is predominantly rural, except some small-scale industrial activity north of the runway, which includes a brewery. Also, importantly, the proposed Southern Links route – which is currently only designated – flanks the entire western and northern boundaries of the site.

3.3. Current Zoning

Section 10 of the Waipa Operative District Plan (ODP) covers the Airport Business Zone, which applies to Titanium Park. The area of land currently zoned as Airport Business is indicated in grey in Figure 3 below. The area proposed for expanding the Northern Precinct of Titanium Park (and the Airport Business Zone) is currently zoned rural, and is delineated in a dashed red outline.

Figure 3: Zoning Map

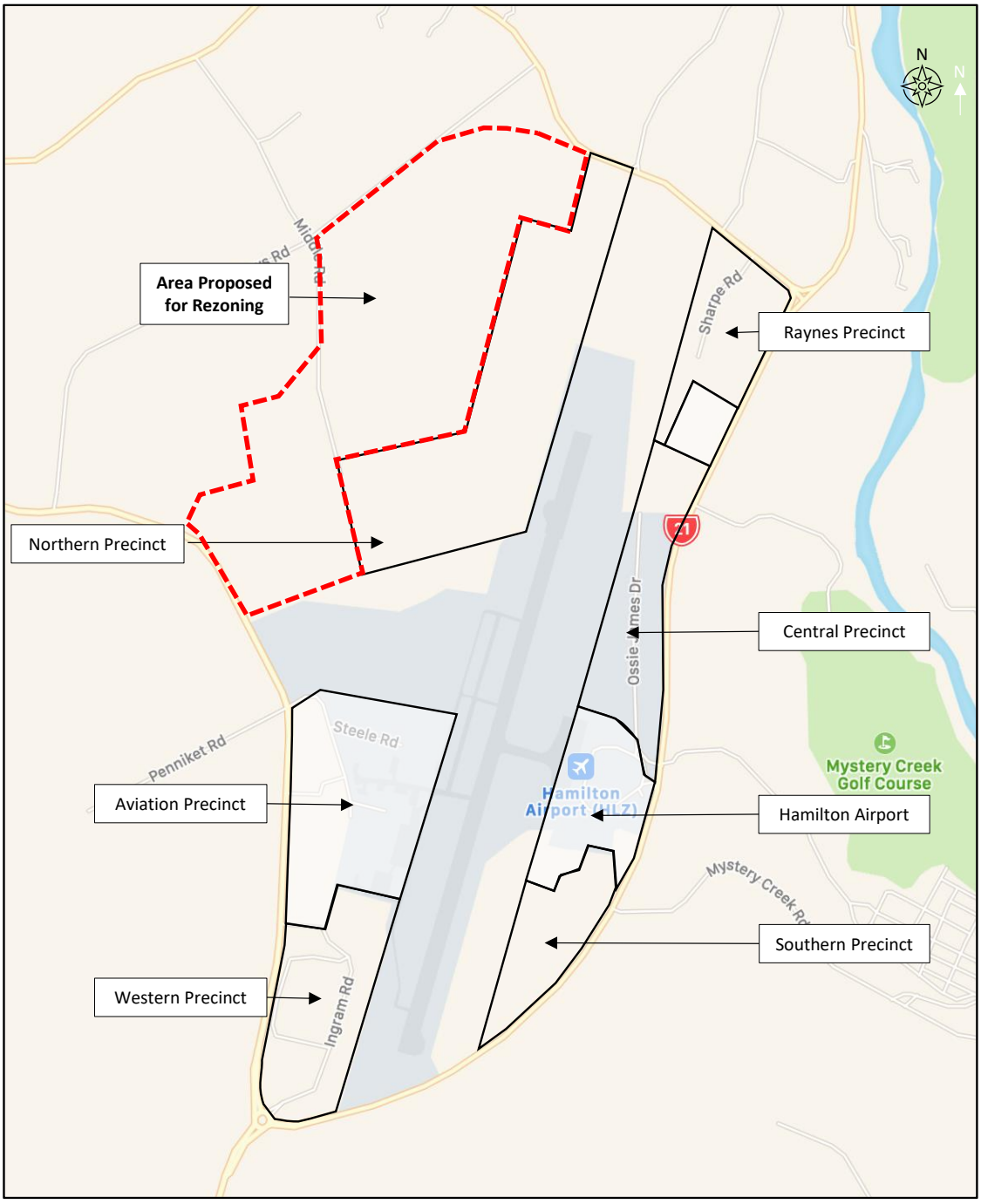


To the east of the airport precinct is the Mystery Creek Events Zone. In addition, there is an industrial zone located north of the airport's main runway. The remaining land surrounding the subject site is zoned rural.

3.4. Titanium Park Precincts & Area Proposed for Rezoning

Titanium Park comprises several precincts, each of which caters to different activities. The approximate location of the precincts is illustrated below, with a brief description provided thereafter. The area proposed for rezoning (which spans approximately 90 hectares) is shown in the dashed red outline. The area to be rezoned is owned by two entities – Titanium Park Limited – 61ha, and Rukuhia Properties Limited – 29ha. This will result in the Northern Precinct having an area of approximately 130ha.

Figure 4: Titanium Park Precincts



Located northeast of the main runway, land in the **Raynes Precinct** has been fully taken up. Occupants include large-scale warehouse and distribution facilities such as Storage King, 1-Day, Trade Depot, and a Torpedo7 distribution centre.

Development is underway in the **Central Precinct**, which contains the 'spine road' connecting the airport terminal with the entrance to SH21. Featuring both airside and highway frontage lots, it is attractive to airport-related operations as well as commercial uses that would benefit from the high visibility of roadside frontage. Current occupants include appliance components supplier Smiths, Armourguard, Genera Biosecurity, and Hamilton Caravan Rentals.

The **Southern Precinct** is suitable for commercial uses, with many lots visible from State Highway 21. Current occupants include TyreLine and Beaurepaires.

The **Western Precinct** is dominated by a large manufacturing and distribution facility operated by paper-giant Visy Industries. It is also home to Waikato Storage and Scafpro.

The **Aviation Precinct** and other existing aeronautics-related activity are indicated in white in the precinct map. Occupants include Waikato Aviation, Pacific Aerospace, Hamilton Aero and L3Harris.

The **Airport Precinct** encompasses the terminal building, a Jet Park Hotel, and the head office of executive helicopter flight operator Helicorp.

The **Northern Precinct** currently comprises approximately 40 hectares of land that is zoned for a wide range of industrial and commercial uses, with some limits on retail and other uses. The area proposed for rezoning is immediately north and northwest of the existing Northern Precinct and, if confirmed, will add roughly another 90 hectares of land. This will bring the Northern Precinct to about 130 hectares of zoned land, including 40ha already zoned, of which 113ha is developable.

4. Strategic/Planning Context

This section briefly summarises the broader strategic/planning context for the proposal.

4.1. National Policy Statement for Urban Development

The National Policy Statement on Urban Development (NPS-UD) 2020 sets out objectives and policies for providing sufficient development capacity in urban areas. It aims to remove unnecessary restrictions on development and enable growth where it can be serviced cost-effectively. The NPS-UD also defines different tiers of "urban environments" and sets rules accordingly. The Greater Hamilton area, incorporating Waikato Regional Council, Hamilton City Council, Waikato District Council, and Waipā District Council is a Tier 1 urban environment. These are the highest growth areas in New Zealand and have the most stringent requirements for providing development capacity.

Importantly, the NPS-UD sets specific requirements for business land, with clause 3.3 requiring all local authorities to provide sufficient capacity for different business sectors over three timeframes: short (3 yrs), short-medium (10yrs), and long-term (10-30 yrs). That capacity must be:

a) Plan Enabled;

b) Infrastructure Ready;

c) Suitable to meet the demands of different business sectors; and

d) Meet expected demand plus a competitiveness margin (defined as 20% for the short and short-medium terms, and 15% for the long term).

In addition, as per clause 3.8 of the NPS-UD, local authorities must consider the merits of any unanticipated or out-of-sequence developments that:

a) Provide significant development capacity;

b) Would contribute to a well-functioning urban environment; and

c) Are well-connected along transport corridors.

4.2. Waikato Regional Policy Statement (WRPS)

Futureproof is a sub-regional growth strategy adopted by three partner Councils – Waikato District, Waipa District, and Hamilton City. Amongst other things, the FutureProof partners have identified strategic (sub-regional) industrial nodes and allocated the amount of land to be provided at each at different stages in the future. This industrial land allocation is contained in Table 6-2 of the Waikato Regional Policy Statement (WRPS), and is reproduced below for context:

Table 1: Future Proof industrial land allocation (Table 6-2 of the WRPS)

Strategic Industrial Nodes located in Central Future Proof area (based on gross developable area) [1]	*Industrial land allocation and staging (ha)*			Total Allocation 2010 to 2061 (ha)
	2010 to 2021	2021 to 2041	2041 to 2061	
Rotokauri	85	90	90	265
Ruakura	80	115[2]	210[2]	405
Te Rapa North	14	46	25	85
Horotiu	56	84	10	150
Hamilton Airport	74	50	0	124
Huntly and Rotowaro	8	8	7	23
Hautapu	20	30	46	96
TOTAL HA	**337**	**423**	**388**	**1148**

[1] Gross Developable Area includes land for building footprint, parking, landscaping, open space, bulk and location requirements and land for infrastructure including roads, stormwater and wastewater facilities.

[2]Development beyond the 2021 period is subject to completion of the Waikato Expressway.

Table 1 shows that, the airport has been allocated 124 hectares of industrial land to 2041. This is the land zoned for industrial and mixed industrial/business development in the Waipa District Plan. Appendix S1 of the District Plan lists the land areas for different parts of the Airport Node, which total 152 hectares, including the M37 Industrial zoned land north of the airport but excluding the Aviation Precinct and terminal area. Appendix S1 is shown below, where the area proposed for rezoning is explicitly identified as a "Possible Future Growth Area". Figure 5 provides further information about the airport industrial node listed in Table 6-2 above.

Figure 5: An extract of the Hamilton Airport Industrial Growth Precinct

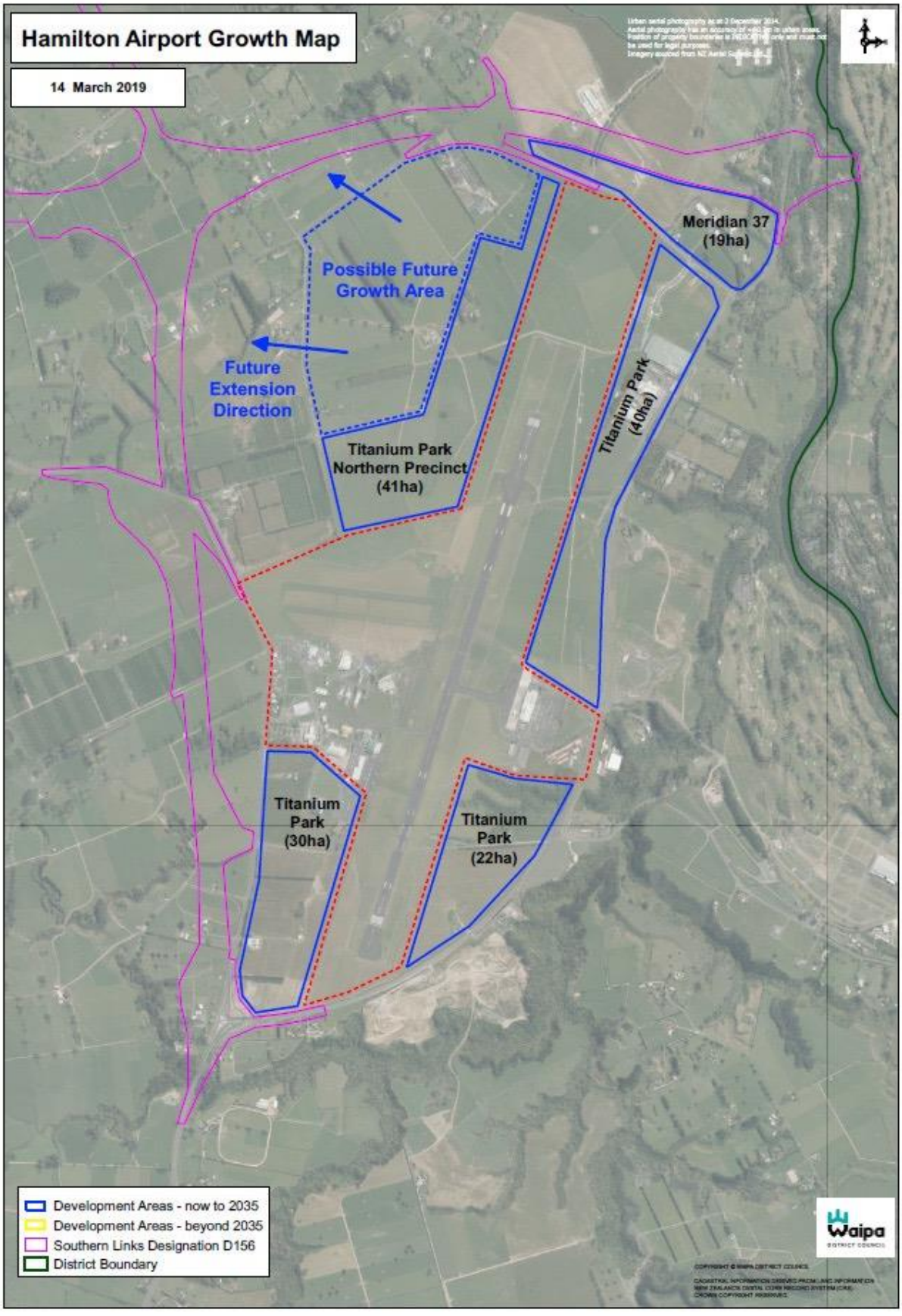
Hamilton Airport Industrial Growth Cells – anticipated now to 2035

GROWTH CELL	LAND AREA	OVERVIEW AND CAPACITY
Titanium Park	92ha	▪ Titanium Park is being developed in stages, with the initial stage being developed currently. The industrial capacity provides for Future Proof anticipated demand for the period until 2041. It is zoned in the District Plan as Airport Business Zone which provides for a range of other activities as well as industrial.
Meridian 37	19.5ha	▪ Meridian 37 is located on the northern side of Raynes Road. Similar to Titanium Park, the growth cell provides for Future Proof anticipated demand for the period until 2041, and provides for further industrial development and airport related activities.
Titanium Park Northern Precinct	41ha	▪ Located adjacent to the airport runway and located within the Airport Business Zone of the Waipa District Plan.

Hamilton Airport Industrial Growth Cells – anticipated beyond 2035

GROWTH CELL	LAND AREA	OVERVIEW AND CAPACITY
Northern Precinct Extension	Undefined	▪ A 'future extension direction' is shown also to indicate where any further development would logically be located given the alignment of Southern Links. This future extension would provide for future industrial land beyond 2035.

Figure 6: Growth Map contained in Appendix S1 of the ODP



The proposed extension of the Northern Precinct exceeds the allocation set for the airport node in Table 6-2 of the WRPS. Departures from the staging and sequencing shown in this table are governed by section 6.14.3 of the WRPS, which allows alternative land releases to occur provided specific criteria are met. We identify these criteria below.

Criteria for Alternative Land Releases

According to section 6.14.3 of the WRPS, any proposal to release land in an alternative manner to that stipulated in Table 6-2 requires that:[1]

a) to do so will maintain or enhance the safe and efficient function of existing or planned infrastructure when compared to the release provided for within Tables 6-1 and 6-2;

b) the total allocation identified in Table 6-2 for any one strategic industrial node should generally not be exceeded or an alternative timing of industrial land release allowed, unless justified through robust and comprehensive evidence (including but not limited to, planning, economic and infrastructural/servicing evidence);

c) sufficient zoned land within the greenfield area or industrial node is available or could be made available in a timely and affordable manner; and making the land available will maintain the benefits of regionally significant committed infrastructure investments made to support other greenfield areas or industrial nodes; and

d) the effects of the change are consistent with the development principles set out in Section 6A.

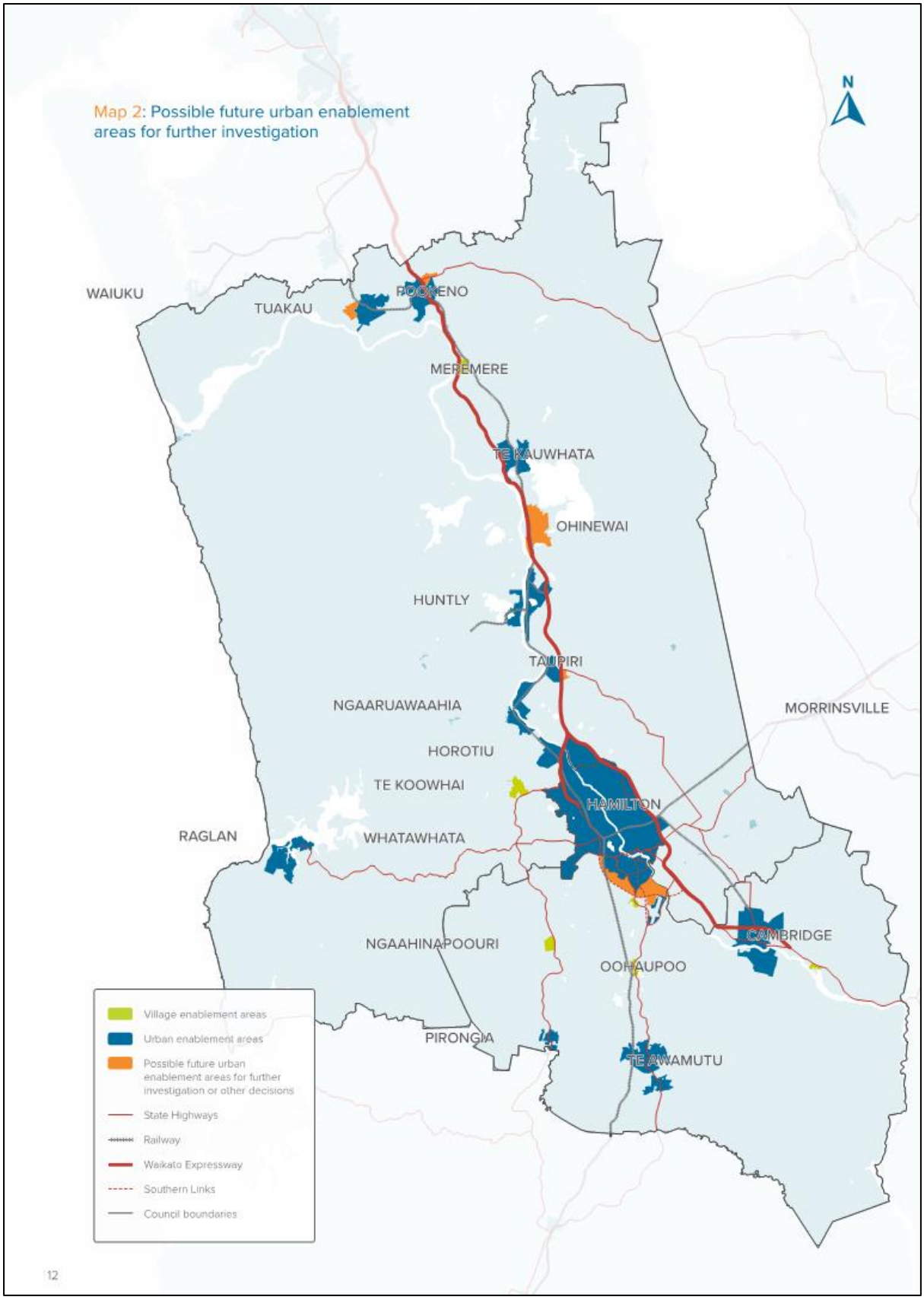
Section 6A contains several general development principles, which are addressed in technical work by other organisations as part of this process. In this report, we focus on addressing the economic considerations under points b and c above.

4.3. Future Proof Strategy Consultation Draft September 2021

A draft update of the Future Proof Strategy was released for consultation in September 2021, incorporating various documents such as the Auckland Corridor Plan, and also acknowledging that the original strategy did not identify enough land in light in increased economic activity and demand. In response additional areas for future urban development are identified for urban expansion, as shown in Figure 7 below.

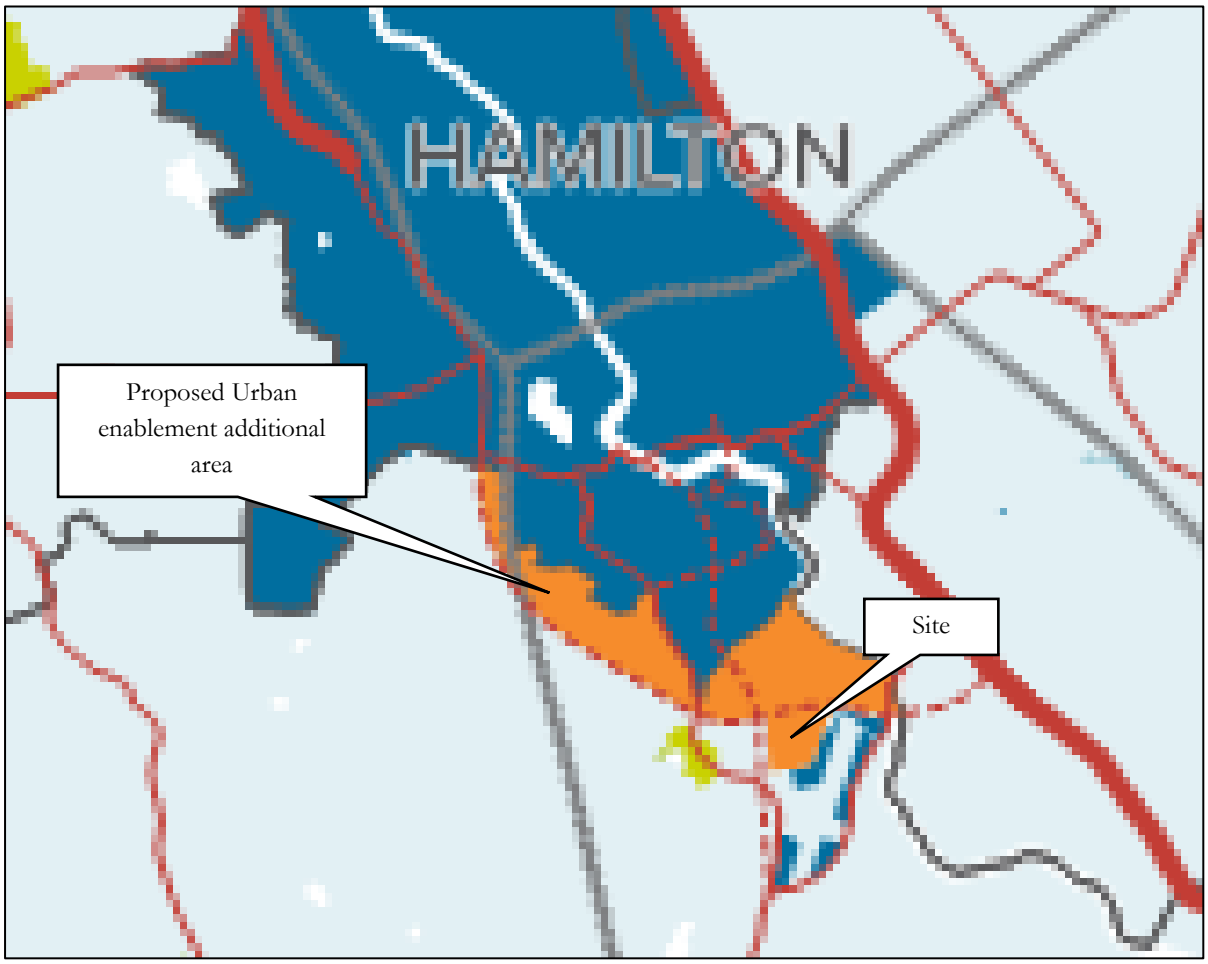
[1] Refer RPS 6.14.3(a)-(d).

Figure 7: Possible Future Urban Enablement, Future Proof Strategy Consultation Draft September 2021



The Consultation Draft identifies a significant area for consideration to the south of Hamilton, up to and around Hamilton Airport. This can be seen more clearly in the figure below.

Figure 8: Possible Future Urban Enablement, Future Proof Strategy Consultation Draft September 2021



As can be seen, significant expansion is mooted to the south of Hamilton (up to and including the area proposed to be rezoned) which indicates that the proposal is consistent with overarching strategic directions. The Peacocke growth cell in Hamilton City is also just north of the subject site, and will be a significant and complementary source of employment and population growth.

5. Proposed Rezoning

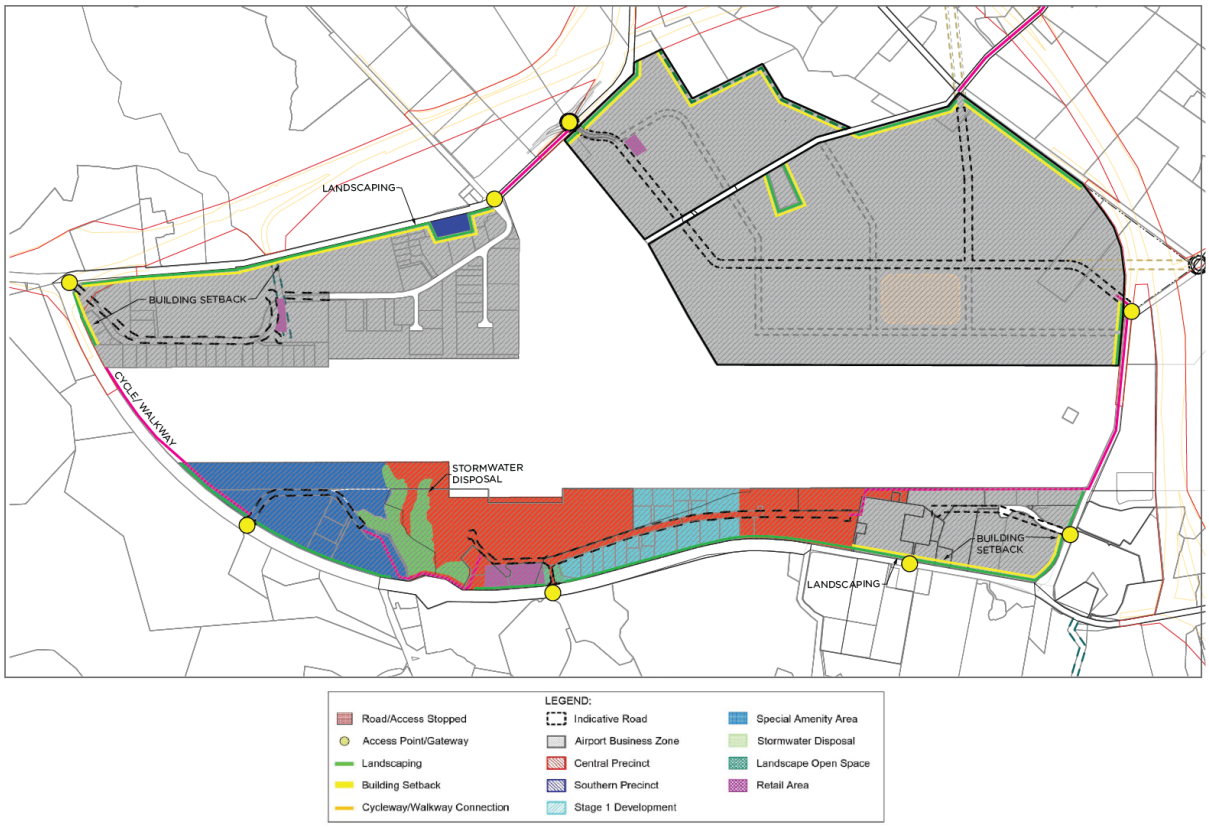
5.1. Rationale

The recent uptake of the existing Titanium Park precincts has been rapid, with the entire Raynes Precinct, the entire Western Precinct, and parts of the Central Precinct, already sold. Given strong market interest in remaining available land, and noting the long timeframes typically associated with rezoning processes, WRAL and RPL believes it is timely to now advance the planned expansion of the Northern Precinct.

5.2. Structure Plan

Figure 7 below illustrates the proposed new Structure Plan, which incorporates the additional areas proposed for rezoning herein.

Figure 7: Illustrative Masterplan



The Northern Precinct component of the structure plan above comprises 130 hectares (including the 40 hectares already zoned), with an estimated development area of just of over 113 hectares.

6. Industrial Land Market Assessment

6.1. Context

As discussed earlier, the proposed rezoning represents a departure from the industrial land allocations contained in table 6-2 of the WRPS and hence triggers an assessment against the criteria in section 6.14.3 of that document. More generally, the proposal represents an increase in the proposed quantum of industrial land, which raises the issue of whether or how the proposal helps give effect to the NPS-UD requirement to provide sufficient business land to meet future needs. This section, and the next few that follow, address those issues by providing a detailed assessment of the plan change request's impact on the local industrial land market.

6.2. Steps in the Assessment

Following are the key steps in our assessment of effects on the local industrial land market.

1. Delineate a study area
2. Assess industrial land supply
3. Assess industrial land demand
4. Consider effects on the supply/demand balance

Below we delineate a study area for the assessment, with the other steps set out in separate sections.

6.3. Study Area

Although the subject is in the Waipa district, we consider that it effectively forms part of the broader Hamilton City urban land market. This conclusion is also reached in various recent reports and strategies. For example:

- The Hamilton Waikato Metropolitan Spatial Plan (MSP) identifies the airport as forming part of the broader Hamilton metropolitan area. It also categorises the airport as one of six key employment nodes and identifies it as a future employment priority area.

- The Hamilton to Auckland Corridor Study (H2A) identifies the airport as comprising part of the "southern metro corridor". It cites the airport as a future employment cluster and describes completion of the Northern Precinct structure plans as a recognised priority.

- Detailed land market studies undertaken pursuant to the former NPSUDC included the airport in the broader Hamilton urban land market.

In addition, recent real estate research reports also treat the airport as forming part of the Hamilton land market. For example, CBRE's 'Hamilton Industrial Occupancy Survey' includes the airport precinct, making it the only location outside Hamilton City to be included. Further, the airport is included in Bayley's 'Golden Triangle Logistics Report' – an analysis of Waikato industrial land – where the airport again is the only node outside Hamilton City included.

In our view, these various observations confirm that Hamilton Airport and its business land forms part of the broader Hamilton property market. Accordingly, we set the study area for our assessment of industrial land market effects equal to Hamilton city.

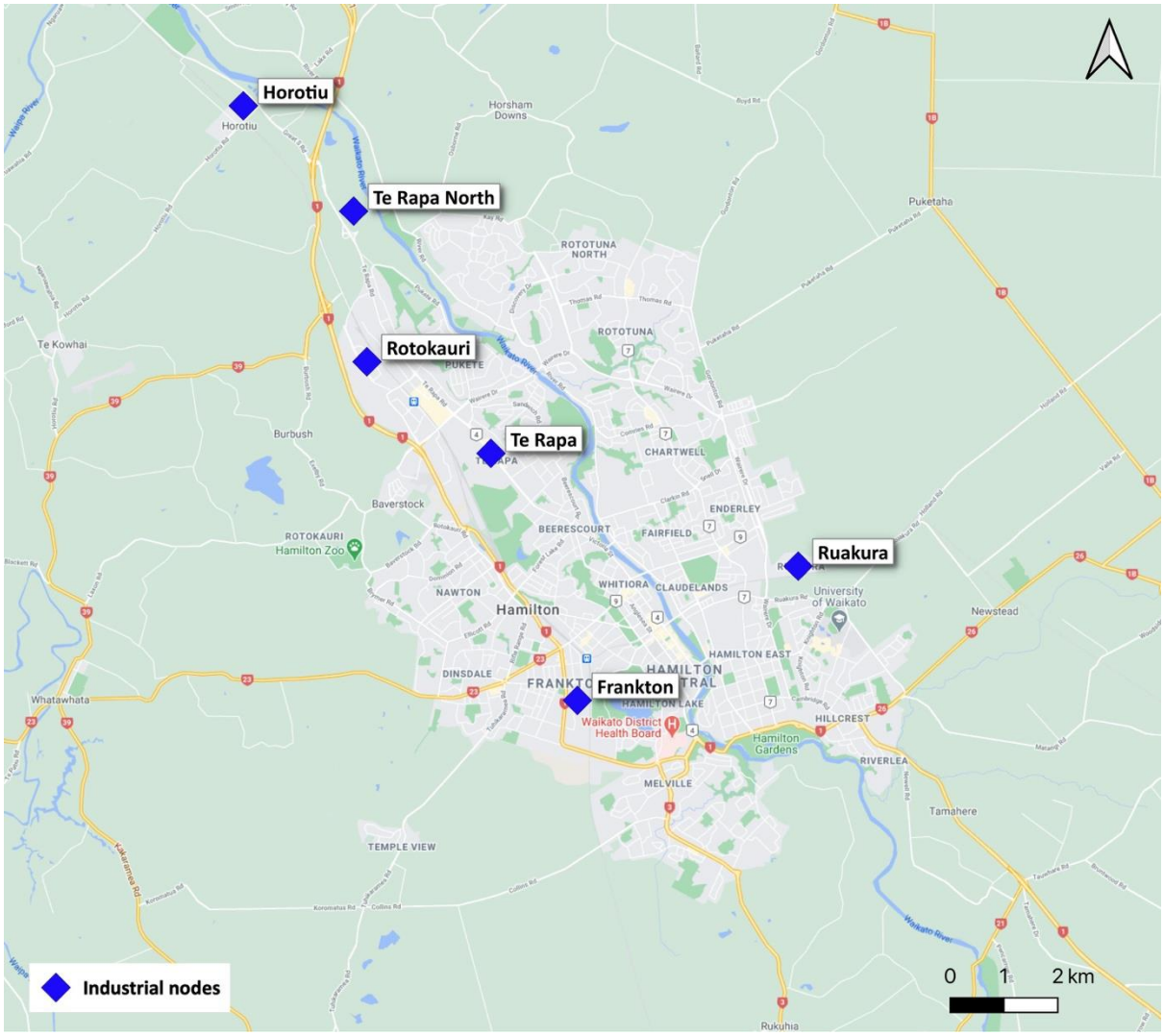
7. Industrial Land Supply

This section assesses current and projected future industrial land supply in Hamilton City.

7.1. Future Proof Industrial Land Study (FPILS)

In March 2020, Future Proof released an updated study on the subregion's industrial land market to inform future infrastructure planning and decision making. The following map identifies the location of key industrial nodes in and around Hamilton City as per the FPILS.

Figure 8: Location of Major Industrial Nodes In/Around Hamilton City in FPILS



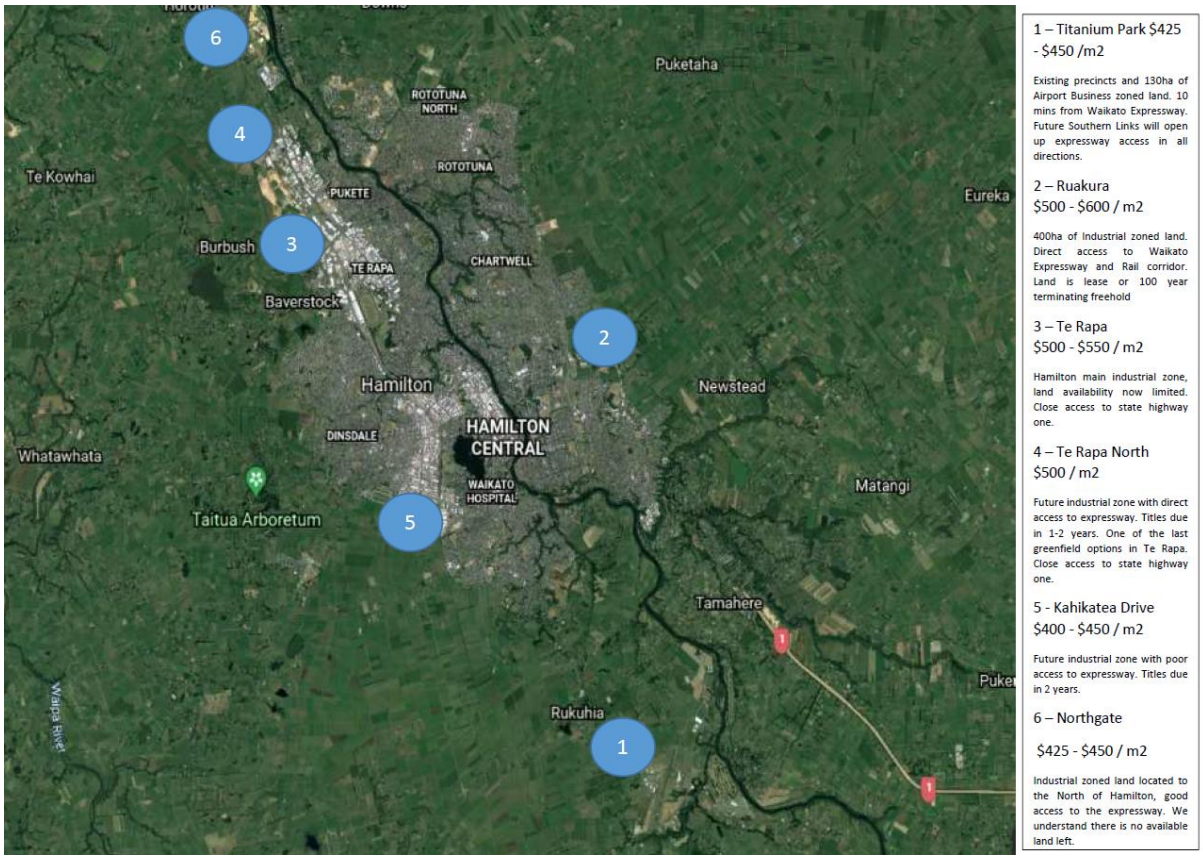
7.2. Industrial Node Descriptions

Following are brief descriptions of each of the key industrial nodes identified above.

Please note that these have been updated reflecting analysis carried out towards the end of 2021, which is much further through the COVID pandemic than the updated FutureProof study (noted above). Recent commentary prepared by Colliers shows that the Hamilton industrial land market underwent a step-change post the first COVID lockdown. Contrary to predictions of a sustained

period of uncertainty impacting on price, the land market emerged much stronger with a consequent surge in prices and a level of activity that has quickly changed Hamilton's industrial land supply landscape. Increases in price have been recorded across all industrial precincts, which Colliers accredit to increased demand and low supply of sites along with control of the supply by a relatively small number of owners. This is demonstrated in the graph below highlighting the uptick on prices in Te Rapa since 2020.

Figure 9: Telfer Young Commentary on Recent Industrial Land Prices



Te Rapa North has a large amount of future industrial land (180ha+), but is currently focused on the large Fonterra Dairy Factory. Further, any expansion is restricted in terms of planning rules (like the airport and other nodes), with only 46ha being available in the medium-term under the WRPS. In addition, we understand that there no plans for the council to fund additional infrastructure required to enable expansion. Regardless, it is unlikely that the proposed expansion of the Northern Precinct will have a significant impact on this node given its location and hence distance.

Most of the industrial land in the **Rotokauri** growth cell is already developed or under development, with major sites including Porter Equipment Hire and a large Mainfreight depot. Once the remaining land is developed, there is no additional industrial land planned for this location now or in the future, and for this reason it is unlikely to be significantly impacted by the proposed Northern Precinct expansion.

The adjacent and well-established **Te Rapa** industrial area is in a similar situation, with very little vacant industrial land available and no future industrial land anticipated for under the Future Proof Strategy. Reflecting low availability, sale prices for some lots in Te Rapa have been recently recorded at $650/m^2$.

Frankton is an established industrial area with less than 13 hectares of vacant land zoned for industrial use. There is no additional industrial land planned for this node. In fact, according to the Future Proof Industrial Land Study (FPILS), some industrial land may be ceded to residential use in the future. A recent sale of a small site in Bandon Street in June 2021 was at $668/m^2$.

Development at the **Ruakura** industrial node recently received a major boost with $40m of central government funding and $150m of local government and developer funding for projects enabling its proposed 'inland port' and associated industrial development. Situated on the main trunk railway line between Auckland and Tauranga, and adjacent to the planned Waikato Expressway linking Auckland and Hamilton, it will focus on large scale storage and distribution and associated industries, with links also to the University of Waikato and Innovation Park research and development hubs. With its large scale, its funding secured, and a long time horizon for its planned development (half of the land is scheduled under the RPS to be released post 2041), it is unlikely to be significantly affected by the proposed Northern Precinct expansion, which seeks to develop much sooner and does not share many of the locational attributes that distinguish Ruakura (including its future inland port). Also, given its (mostly) leasehold tenure, this land is generally unavailable to people seeking a freehold owner-occupier development outcome.

Horotiu is an identified 'Future Proof Strategic Industrial Node'. Approximately 200 hectares of future industrial land is identified for the area in the Waikato 2070 plan, with a development timing of 3 to 10 years. While none of this was included in the Proposed District Plan, we are aware of at least one submission related to industrial rezoning. There were just under 40 hectares of vacant industrial land available within the Northgate Business Park in 2019. While this land is provided for under the Waikato Operative District Plan, it is subject to infrastructure capacity constraints. Further, as the northern-most node in our study area, it will be largely unaffected by the proposed expansion of the Northern Precinct.

7.3. Feasible Capacity under the FPILS

Amongst other things, the FPILS provides up-to-date estimates of the amount of feasible industrial land capacity in the study area, as summarised in the table below.

Table 2: Vacant Industrial Land as at June 2019

Industrial node	Vacant land
Te Rapa North	194
Te Rapa	29
Rotokauri	93
Frankton	11
Ruakura	325
Other	12
Total	**663**

Table 2 shows that, according to the FPILS, the Hamilton industrial property market (supposedly) has feasible development capacity equal to 663 hectares of vacant land.

7.4. Critique of the FPILS Methodology and Findings

While we acknowledge the significant amount of data and information contained in the FPILS and appreciate its importance to sub-regional industrial land planning, we have significant concerns about the underlying methodology and hence the conclusions reached.

For example, the NPSUD require that there is sufficient commercially feasible land to meet future demand over the short, medium, and long term. For residential land, this is usually determined by estimating the likely returns from development on a parcel-by-parcel basis using standard financial feasibility modelling. However, for the business land considered in the FPILS, feasibility is based on adding figures for recent land uptake to a baseline provided by an earlier 'Business Development Capacity Assessment' (BDCA) report[2] that "inferred" feasibility somewhat coarsely and indirectly by adding a fixed 20% margin (required by the NPSUDC) to a bespoke 'multicriteria analysis'.

Specifically, land that is located in areas that the BDCA report's authors considered desirable (according to their multicriteria analysis) is assumed to be commercially feasible for development even though that may not be the case. Notwithstanding that parcel-level feasibility modelling is more complicated for non-residential land, the assumption that all land in desirable areas will automatically be commercially viable for future development is highly implausible because it does not explicitly consider the financial viability of development. As a result, in our view, the FPILS's estimates of feasible capacity are unreliable and should be treated with caution.

Modelling assumptions aside, we also note that the capacity estimates produced by the BDCA are not forecasts or measures of likely future market supply. Instead, they are simply desktop measures of future capacity. In reality, future market supply will be only a subset of feasible capacity for several reasons. Those factors include:

[2] ME Consulting: *Business Development Capacity Assessment 2017* (https://futureproof.org.nz/assets/FutureProof/Documents/5-market-economics-business-development-capacity-assessment-2017_16-july-2017-final.pdf)

- *Developer intentions* - some landowners have no clear intention to develop their land, particularly over the short- to medium-term.

- *Land banking and drip-feeding* – other landowners may intend to develop in future, but are currently withholding supply to capitalise on inevitable land price inflation, while some are drip-feeding supply to maintain prices and hence maximise returns.

- *Constraints* – the Council's estimates of feasible capacity only consider infrastructure as a potential constraint and therefore overlook other factors that affect the developability of land, such as contamination or awkward topography.

- *Operational capacity* – some landowners face operational capacity constraints, which limit the number of new sections/dwellings that they can supply per annum.

- *Financing* – similarly, some landowners face capital/financing constraints that also limit their ability to supply.

Is it also important to recognize that the industrial land capacity estimates contained in the FPILS do not account for important differences in site and location attributes such as proximity to key transport routes, and instead effectively treat all sources of capacity as perfect substitutes. In practice, several attributes distinguish industrial land across locations. For example, the airport has flexible lot sizes and configurations, plus a different zoning to industrial locations within the city itself. Conversely, a significant proportion of Ruakura is leasehold land, which the market may not gravitate to. However, these differences are not reflected in the capacity assessments underlying the FPILS.

Combined with the collective impacts of the various market constraints identified above, we disagree with the general theme of the FPILS – that there is more than enough industrial land across the sub-region to meet future needs over the short, medium, and longer term which a finer grained analysis reveals to not be the case.

7.5. Specific Constraints on Hamilton City Industrial Land Supply

As noted above, the FPILS estimates of vacant land fail to account for various factors that will limit future supply. Interestingly, however, the FPILS states that there are significant constraints on the major industrial land nodes in Hamilton City (the city). For example:

- The report notes that, of the vacant industrial land in Hamilton City (the city), 96% is in four locations – Te Rapa, Te Rapa North, Rotokauri, and Ruakura.

- The largest is Ruakura, which accounts for almost 50% of city vacant industrial land. However, this land is leasehold, which many prospective occupants would avoid. Accordingly, this node's contribution to actual future supply may be much lower than raw capacity estimates suggest.

- In addition, Te Rapa North (the second largest city node with 28% of capacity) was not previously identified as a major growth area, so only very limited infrastructure investment is programmed in the current LTP or the 30-year Infrastructure Strategy. A funding agreement will be required before much progress can be made here, so this node will provide very little additional capacity over the short to medium term.

- Perhaps even more importantly, much of the land in Te Rapa North is owned by one party, with no apparent plans to develop it or bring it forward as an industrial use.[3]

- Rotokauri is the third largest industrial node in the city, accounting for 15% of capacity. However, like Ruakura and Te Rapa North, it is also constrained. Specifically, while services are available for stage 1 of this development, all other stages require the provision of an extremely expensive swale, which has been the centre of debate for many years.[4] Accordingly, it is unclear when future capacity in this location may come on stream too.

In summary, despite the FPILS concluding that there is more than enough industrial land to meet sub-regional needs, the three largest growth areas in the city face constraints that will significantly limit their ability to meet demand, particularly over the short to medium term. Similar issues exist elsewhere in the sub-region, too. For example, land at Meremere accounts for nearly a quarter of Waikato District's industrial land supply, but it is contaminated and requires remediation before it can be used.

7.6. Estimated Constraints Matrices

To translate the FPIL's latest estimates of feasible industrial land capacity to more meaningful measures of likely future market supply, we derived and applied constraints matrices for each area that reflect the various factors that will naturally limit supply in each area. To that end, Table 3 below shows the estimated approximate proportion of land lost to the constraints outlined above in the short-to-medium term.

Table 3: Constraints Matrix – Short to Medium Term (2021 to 2031)

Industrial node	Developer intentions	Land banking and drip-feeding	Unattractive to Market	Infrastructure & Other Constraints	Operational/ finance capacity	Total
Te Rapa North	5%	5%	5%	50%	5%	**70%**
Te Rapa	5%	5%	5%	5%	5%	**25%**
Rotokauri	5%	5%	5%	50%	5%	**70%**
Frankton	5%	5%	5%	5%	5%	**25%**
Ruakura	5%	5%	25%	5%	5%	**45%**
Other	5%	5%	5%	5%	5%	**25%**

Supply is most heavily restricted in Te Rapa North and Rotokauri in the short-to-medium term, due to the infrastructure constraints cited in section 7.5 above. In Ruakura, a higher portion of

[3] As per Section 1.5.1.1 of the Future Proof Industrial Land Study (FPILS), 2020.
[4] We have been advising HCC on infrastructure matters since 2005, and have worked extensively on funding options for the swale, but an acceptable solution has yet to be identified/agreed between all stakeholders.

land is deemed unattractive to the market due to the large amount of leasehold land. While this is not a physical constraint, per se, it will affect the likely rate of uptake and is therefore included. For the remaining nodes, a quarter of total vacant land is assumed to be lost overall.

In the long term, a quarter of vacant land is assumed to be lost for each industrial node except Ruakura, which is assumed to remain less market-attractive due to the leasehold nature of its offer. This is illustrated in Table 4 below.

Table 4: Constraints Matrix – Long Term (2031 to 2051)

Industrial node	Developer intentions	Land banking and drip-feeding	Unattractive to Market	Infrastructure & Other Constraints	Operational/ finance capacity	Total
Te Rapa North	5%	5%	5%	5%	5%	**25%**
Te Rapa	5%	5%	5%	5%	5%	**25%**
Rotokauri	5%	5%	5%	5%	5%	**25%**
Frankton	5%	5%	5%	5%	5%	**25%**
Ruakura	5%	5%	20%	5%	5%	**40%**
Other	5%	5%	5%	5%	5%	**25%**

7.7. Revised Capacity Estimates to 2019

The two tables below apply our estimated constraints matrices above to the FPILS estimates of feasible capacity to derive our best estimates of likely future market supply by industrial node in the short-medium term (Table 5), and the long term (Table 6).

Table 5: Likely Market Supply - Short to Medium Term (10 years)

Industrial node	Vacant land as at June 2019 (ha)	Total land lost to constraints (ha)	Likely market supply (ha)
Te Rapa North	194	136	58
Te Rapa	29	7	22
Rotokauri	93	65	28
Frankton	11	3	8
Ruakura	325	146	179
Other	12	3	9
Total	**663**	**360**	**303**

To summarise: Of the 663 hectares of vacant industrial land cited in the FPILS, we estimate that approximately 360 hectares will be lost to various constraints in the short-to-medium term, resulting in a likely market supply of about 300 hectares. The corresponding long-term capacity estimates are illustrated in the table below.

Table 6: Likely Market Supply - Long Term (30 years)

Industrial node	Vacant land as at June 2019 (ha)	Total land lost to constraints (ha)	Likely market supply (ha)
Te Rapa North	194	48	145
Te Rapa	29	7	22
Rotokauri	93	23	70
Frankton	11	3	8
Ruakura	325	130	195
Other	12	3	9
Total	**663**	**214**	**448**

In the long-term, as some supply constraints are lifted, likely market supply is expected to increase to just under 450 hectares.

7.8. Recent Uptake Rates and Capacity as at Early 2022

More recent uptake rates have been obtained, which allow the above likely market supply to be updated to early 2022. Information from Telfer Young indicates that the absorption rate of industrial land in Hamilton historically was around 8ha per year, reaching a high of 15ha per year between 2003 – 2007. However, based on recent demand, uptake rates have increased significantly. For example, Telfer Young note that Stage 3 of Northgate (comprising 30ha) was sold down in 12 months from mid-2020. Te Rapa Gateway and Northgate have experienced a combined annual absorption rate of around 15ha/year since 2014 but with most of the take up occurring in the last 2 – 3 years. Overall, there is little availability remaining, with one lot available in Northgate, and no land available in Te Rapa

It can therefore be - conservatively and reasonably – assumed that over the last 2.5 years there has been an annual uptake of at least 30ha per year, resulting in the reduction of 75ha to the end of 2021. This reduces our short-medium term capacity estimate above from 303ha to only 228ha.

It may be argued that the recent uptake rates are anomalous and a symptom of the temporary low credit environment, which we are slowly leaving with reversion to historical trend and lower absorption rates likely over the coming years. However, on the back of the recent surge, even with reversion to historical rates, the supply of industrial land would likely be exhausted in the remainder of the short-medium period. Furthermore, the prevailing cost differential between Auckland and the Waikato is likely to act as a local buffer against dropping absorption rates, with Waikato likely to remain more affordable than Auckland well into the foreseeable future.

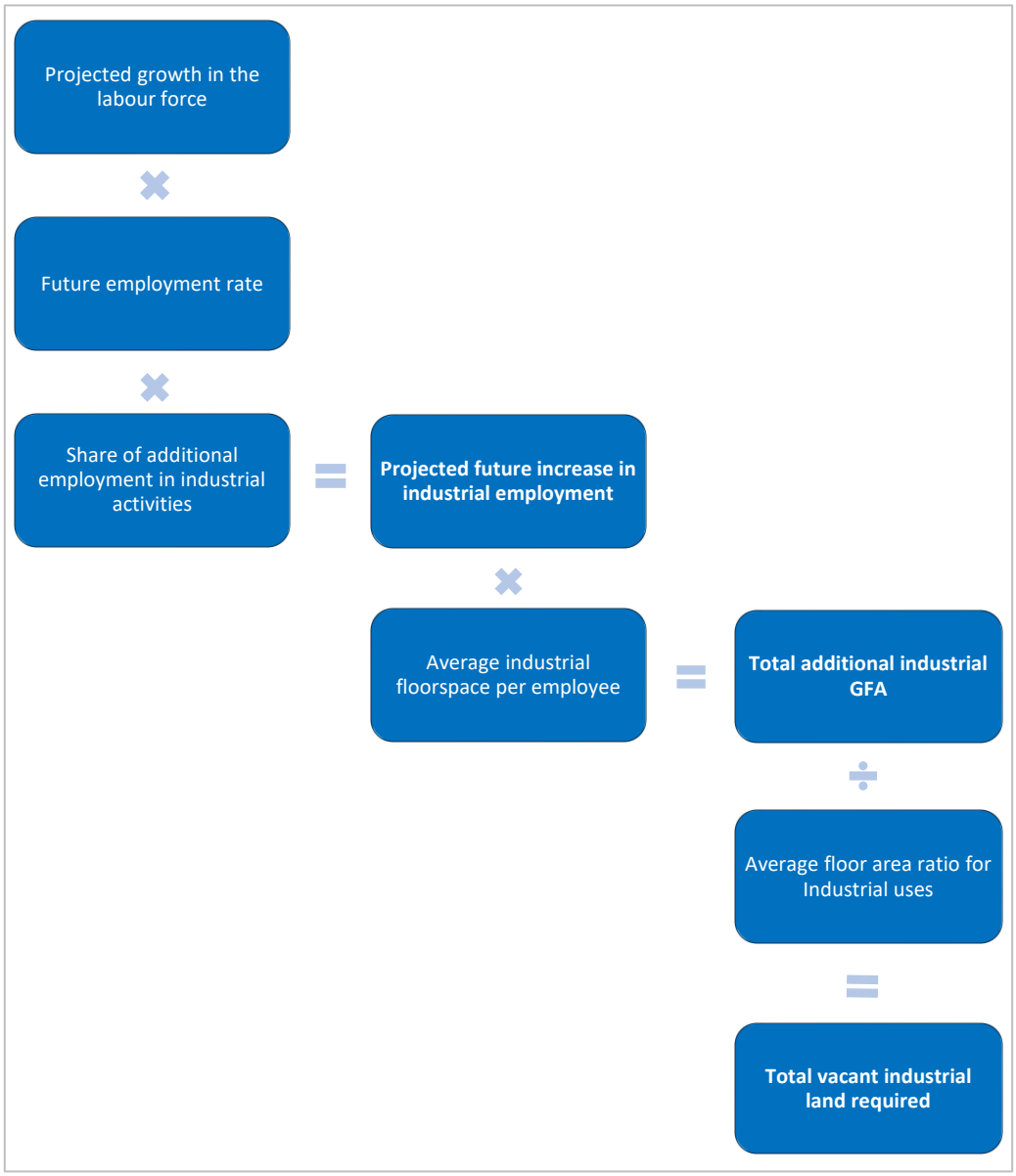
8. Industrial Land Demand

This section briefly projects industrial land demand in the short-medium term (10 years) and long term (30 years), as defined by the NPSUD.

8.1. Methodology

The methodology used to project future industrial land demand is illustrated in Figure 10 below, and is a widely-used approach here and overseas. It essentially projects future industrial land needs on a bottom-up basis starting from projected growth in the local labour force.

Figure 10: Industrial Land Demand Projection Methodology



First, population projections from Hamilton City Council (HCC) are used to estimate future growth in the city's labour force. This is translated into an estimate of employment growth by applying a future employment rate. Then, we use historical data to estimate the share of new

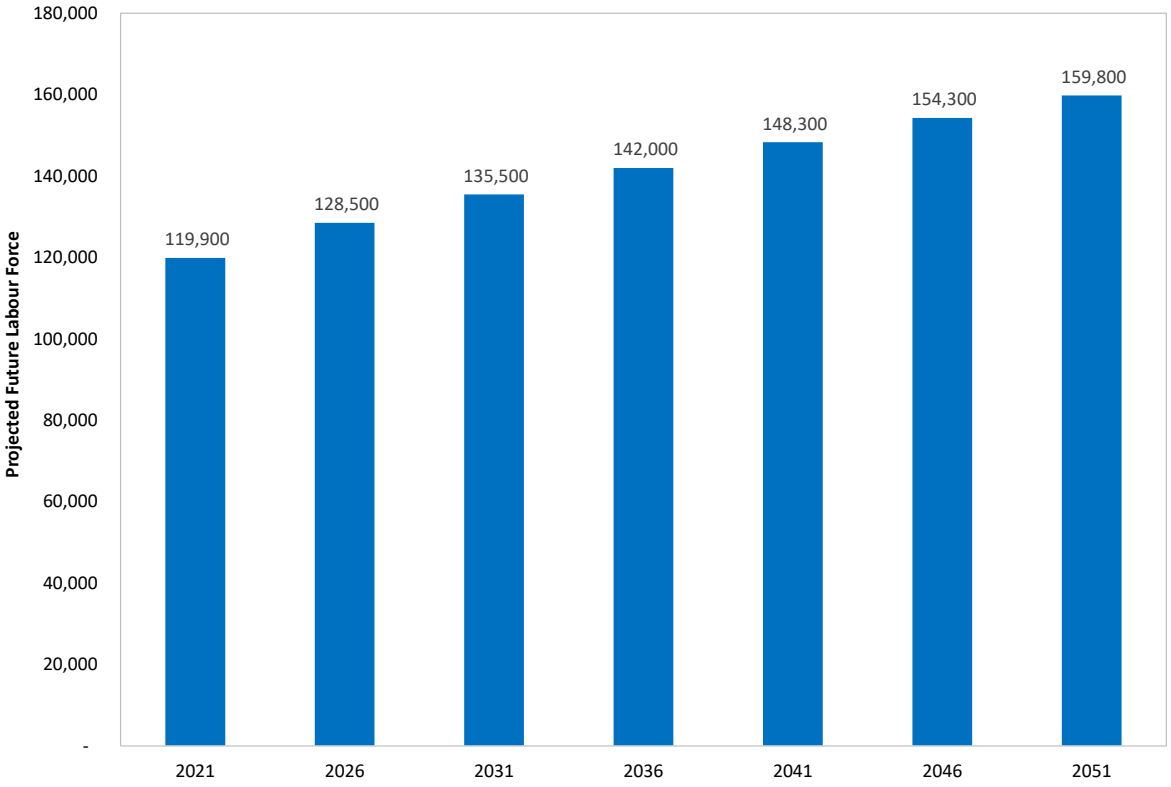
employment falling within the industrial sector to arrive at a projection of future industrial employment. That industrial employment projection is converted to an estimate of additional floorspace (or "GFA") based on an estimate of the average floorspace per industrial worker. Finally, additional industrial floorspace is converted to additional industrial land based on an average ratio of floorspace to land (known as the floorspace ratio or FAR).

We now work through each step to project sub-regional industrial floorspace demand to 2051.

8.2. Projected Labour Force

We used Hamilton City Council's latest population projections to assess the likely growth in the city's labour force, which is defined as the population aged between 15 and 64. For the purposes of this assessment we have adopted the 'Medium Covid' scenario as our baseline. Figure 11 shows the projected growth in the city's labour force to 2051.

Figure 11: Projected Labour Force



As the chart above indicates, the city's labour force is forecast to grow from approximately 120,000 people in 2021 to nearly 160,000 by 2051. This translates to a compound annual growth rate of 1.0%.

8.3. Projected Industrial Employment

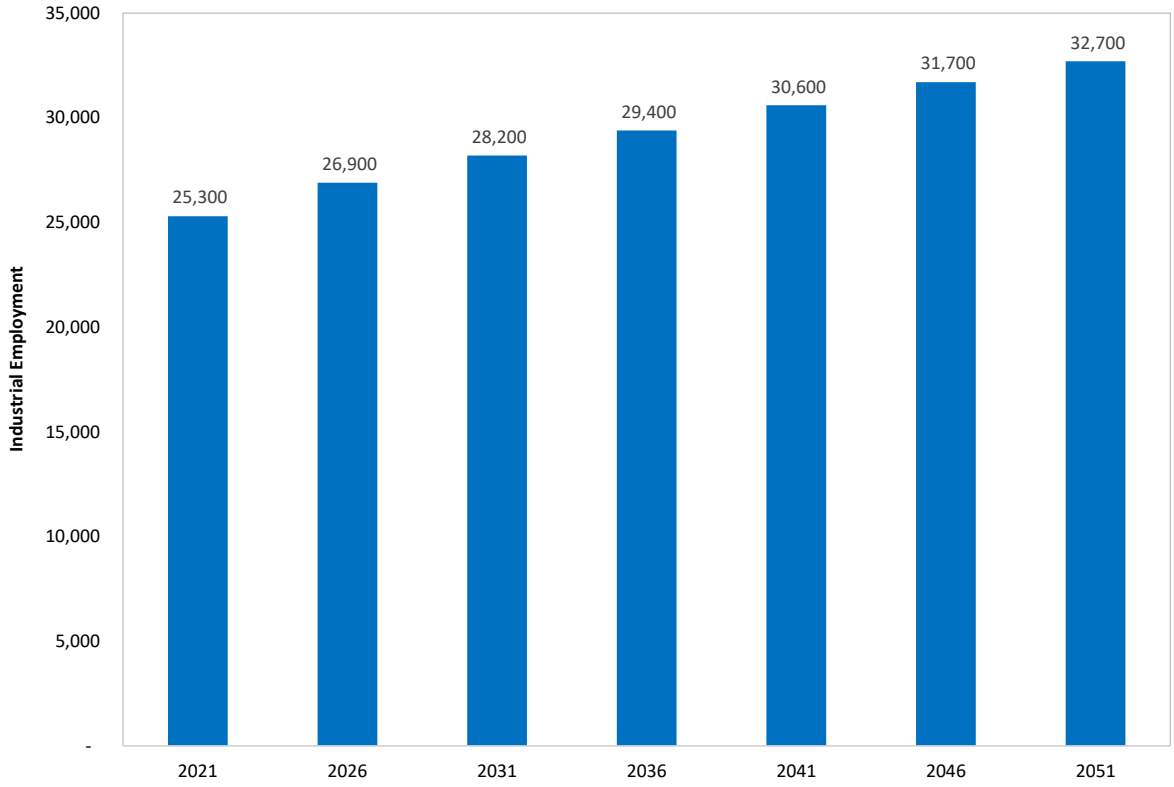
Next, we converted the labour force described above into an estimation of future employment by applying an employment rate of 81%. This is based on MBIE's 2020 employment rate for the city, which has been adjusted for differences in the working age definition.

Then, we estimated the share of future employment likely to occur in industrial sectors, which we defined as the following 6-digit ANZIC sectors:

- Manufacturing;
- Wholesale trade;
- Construction; and
- Transport, Postal and Warehousing.

To do so, we drew on historical employment data for Hamilton City, which shows that industrial jobs have made up 23% of additional employment over the last 20 years. We applied this rate to the projected increase in total employment to arrive at a forecast of future industrial employment. The results are shown in Figure 12 below.

Figure 12: Projected Industrial Employment



Industrial employment is forecast to grow from 25,300 in 2018 to 32,700 by 2043 – an increase of over 7,400 jobs.

8.4. Projected Industrial Floorspace Demand

In the next step, we drew on analysis completed by Market Economics (ME) in the context of the Business Development Capacity Assessment (BDCA) to estimate the average floorspace required per industrial worker. The ME analysis provides estimates of floorspace requirements by building type, as outlined in Table 7 below.

Table 7: Floorspace per Employee by Building Type

Building Type	Floorspace per employee (m2)
Office - Commercial	20
Warehouse	167
Factory	138
Yard - Industrial	100
Other Built - Commercial	60
Other Built - Industrial	60
Outdoor - Industrial	20

We mapped this data to the industrial sectors outlined in section 8.3 above, with the aid of a matrix provided in Appendix 3 to the BDCA. Finally, we overlaid the historic share of the city's industrial jobs for each sector[5] to arrive at a weighted average of approximately 120 square meters per worker, as outlined in Table 8 below.

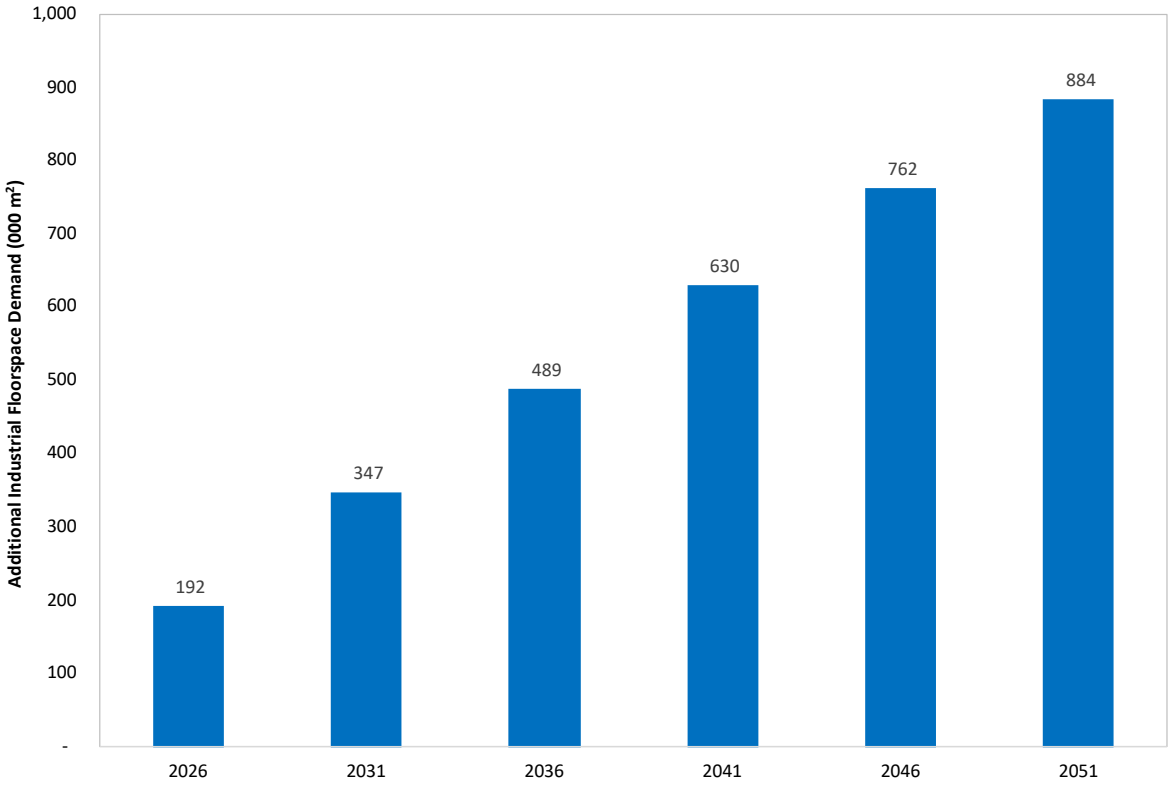
Table 8: Floorspace per Employee by Industrial Sector

Industrial Sector	Historical Share of Industrial Jobs	Estimated floorspace per employee (m2)
Manufacturing	43%	134
Construction	27%	87
Wholesale Trade	20%	160
Transport, Postal and Warehousing	10%	108
Total	**100%**	**120**

The floorspace required to support the projected increase in industrial activity is then calculated as the number of additional industrial employees multiplied by 120 square metres. The resultant additional floorspace requirements for Hamilton City to 2051 are presented in Figure 13 below.

[5] Sourced from Statistics New Zealand's online data portal.

Figure 13: Projected Additional Industrial Floorspace Demand (000s m² of GFA)



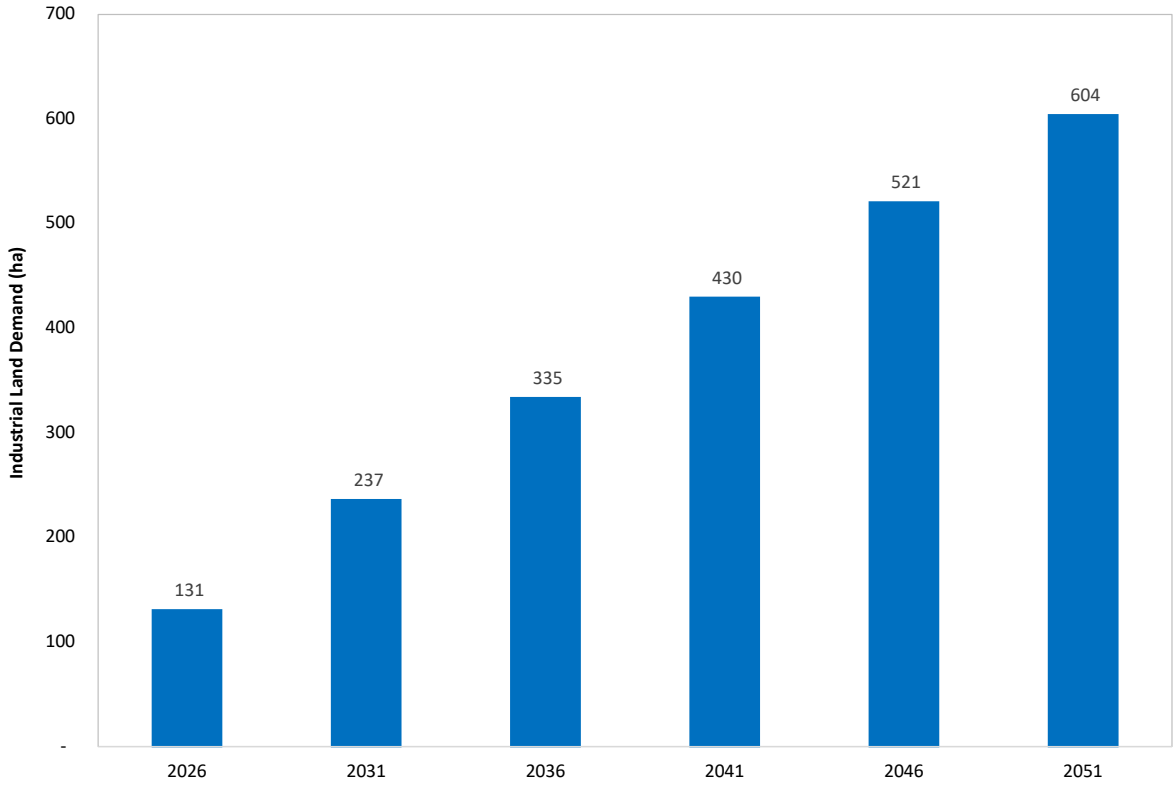
As the chart above shows, close to 350,000 square metres of additional industrial floorspace is expected to be required in the medium term (by 2031). In the long term, over 880,000 square metres of additional floorspace may be required.

8.5. Projected Vacant Land Required

To determine the land required to house this additional industrial floorspace, we applied the average floor area ratio (FAR) of 0.15 used in the BCDA.[6] That is, for every square metre of additional floorspace, 6.7 square metres of industrial land is required. The resulting total vacant industrial land required to ensure sufficient supply is illustrated in Figure 14 below.

[6] Wherever possible and appropriate, we prefer to adopt the BCDA assumptions in our analysis to ensure that it is as comparable as possible with prior work undertaken for the subregion.

Figure 14: Projected Vacant Industrial Land Demand



In the short-medium term (by 2031), we estimate that an additional 237 hectares of industrial land will be required to meet demand. Long term demand (to 2051) is estimated at 604 hectares.

For comparison, medium-term industrial land demand for Hamilton City is forecast at 318 hectares in the BDCA, with long-term demand projected to be 524 hectares. Therefore, we estimate long-term demand to be approximately 15% higher than suggested by the BDCA, and medium-term demand lower. These differences will be partly explained by the timing of the projections, as the BDCA was published in 2018.

9. Impacts of Proposal on Industrial Land Market

This section brings together the discussion and analysis in the previous three sections to assess the overall impacts of the proposal on the industrial land market.

9.1. Impacts on Supply/Demand Balance

To begin, Table 9 reconciles our estimates of likely market supply (from section 7) with our estimates of projected future demand (from section 8) to assess the proposal's impact on the likely supply/demand balance.

Table 9: Future Market Demand/Supply Balance (hectares) – EXCLUDING PROPOSAL

Projection Period	**Short-Medium Term**	**Long Term**
Demand incl competitiveness margin (ha)	237	604
Likely market supply (ha)	228	448
Surplus/Deficit	9 ha deficit	156 ha deficit
Conclusion on sufficiency	**Insufficient**	**Insufficient**

As the table above shows, the likely market supply of industrial land in the wider Hamilton area appears insufficient to meet projected demand in the short-to-medium term (i.e. the next 10 years) based on recent uptake rates. Similarly, long-term demand (to 2051) exceeds supply by more than 150 hectares, signalling the need for much greater supply to keep pace with longer term demand.

The proposed expansion of the Northern Precinct directly addresses both the short to medium and long-term shortfalls by injecting an additional 90 hectares of industrial land into the local market. This will partially bridge the gap between supply and demand, helping to ensure the efficient functioning of the market, as required under the NPSUD.

9.2. Benefits of More Responsive Supply

In addition to helping plug a significant likely shortfall in industrial land supply, the proposal will also help to make the industrial land market more responsive to growth in demand over time. As a result, it will help to reduce pressure on industrial land prices and therefore make industrial development more affordable overall than it would have been otherwise. This is important, because industrial developments are typically land hungry, so land prices are a significant factor in the overall viability of industrial development. And, the more affordable/competitive it is to develop industrial properties in the greater Hamilton land market, the greater its share of overall development within the broader golden triangle market. Accordingly, the proposed expansion of the Northern Precinct will play an important role in cementing the sub-region's role as a dominant player in the north island industrial land market.

We also note that the subject site is strategically located between the two existing Waipa townships of Cambridge and Te Awamutu to the east and south (respectively), plus the Peacocke growth cell in Hamilton City to the north. All three areas are earmarked for significant population growth, making the subject site an ideal place to meet employment needs over time.

10. Ancillary Retail/Commercial Services Provision

This section briefly considers the possible impacts of increased retail provision associated with the proposed rezoning.

10.1. Current District Plan Rules

Under current district plan rules, retail activities and wholesale shops are permitted activities within Airport Business Zone, subject to the following restrictions:

- The cumulative GFA of all retail activities located outside the terminal building shall not exceed 5,300m^2; and
- Individual retail shops shall have less than 450m^2 in GFA, with the exception of a single store with a permitted floor area of up to 1,000m^2. This larger store must primarily sell pre-prepared fresh food/groceries and beverages, but may also sell non-food goods in an ancillary capacity.

However, retail activities and wholesale shops are non-complying activities in both the Northern and Southern airport precincts, and thus require resource consent. Should resource consent be granted for such activities within these precincts they would contribute to the overall GFA cap of 5,300m^2.

10.2. Proposed Increase in Retail Cap

The proposed plan change increases the size of the airport zone from just under 94 hectares to about 184 hectares, an increase of 95%. Accordingly, the plan change also proposes to increase the cap on non-terminal retail/commercial services pro-rata from 5,300m^2 to 10,300m^2.

10.3. Proposed Rule Framework

Objective 10.3.2 of the Operative District Plan (ODP) sets out to "provide for industrial and business activities, including offices and limited retail activities in an integrated mixed use business park within a defined area. To this effect, Policy 10.3.2.1 aims to "provide for limited retail activity within the Airport Business Zone as a means of providing a service to the airport and business park users, and the immediate neighbourhood." This is achieved via the corresponding rules and activity statuses for onsite retail and commercial services summarised above.

We acknowledge this policy and its supporting suite of rules (aimed at avoiding retail distribution effects on existing centres), and note that it will apply to any additional retail GFA enabled by the plan change. In addition, to ensure that the additional retail enabled by the proposed rezoning is not concentrated in one area, and to guarantee that the uplift in retail GFA associated with the plan change serves the Northern Precinct itself (rather than the wider airport), we understand that the following rule is proposed:

"The total floor area of all non-ancillary retail activities located in the Northern Precinct of the Airport Business Zone shall not exceed 5,000m² GFA."

This retail allowance will mostly be consolidated into one location within the expanded Northern Precinct, in an area termed 'The Hub', which is approximately 10ha (much of which is taken up by landscaping and amenity works in accordance with the Airport Master Plan). However, a small share will also be allocated to a stand-alone group of shops in the south-western extent of the proposed expansion area to enable access to workers there without the need to drive to the hub.

Policy 10.3.2.2. will be amended to clarify the role and purpose of retail activities enabled in and around the Airport. Further, Rule 10.4.1.5 will be revised so that non-complying activity status will apply to any retail activities in the Northern Precinct outside the two locations discussed just above (and as identified on the structure plan) to further avoid the risk of any adverse distributional effects arising. We consider these amendments and appropriate and efficient way to protect the health and vitality of existing centres will enabling future occupants of the Northern Precinct to meet their day-to-day retail needs in an convenient and accessible manner.

10.4. Impacts on Other Centres

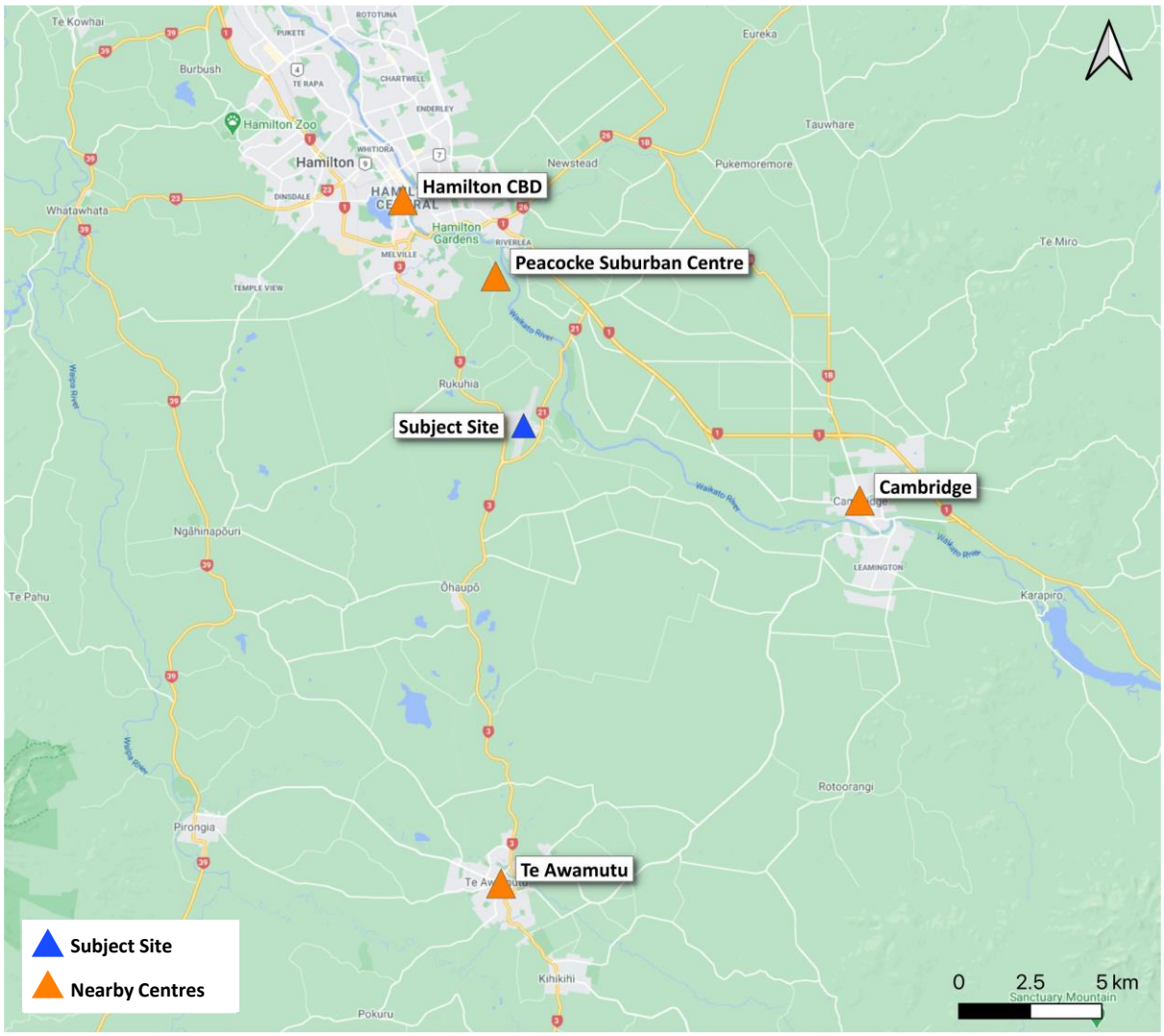
We now consider possible impacts of the proposed increase in retail activity on the health, vitality, role, and function of existing commercial areas nearby. Following are the steps in our assessment:

- Identify potentially at-risk centres;
- Assess the size, role, function, health, and vitality of each centre;
- Consider possible impacts of the proposed increase in retail GFA on each centre; and
- Summarise and conclude.

10.5. Identification of At-Risk Centres

We identified the following four existing centres as being at potentially at risk of adverse retail distribution due to their relative proximity to the subject site: Hamilton CBD, Cambridge, Te Awamutu, and Peacocke Suburban Centre. The location of each relative to the airport is indicated in Figure 15 below.

Figure 15: Map of At-Risk Centres



10.6. Roles & Functions

Less than 10 kilometres north of the Northern Precinct is the indicative location of the Peackocke Suburban Centre, which is currently in structure plan phase. According to the Hamilton City Operative District Plan, the Suburban Centre will be the location for a public library and schools, a public transport centre and the focus for the majority of commercial activities within Peacocke development. As this centre is yet to be developed, it is not possible to assess any likely retail distribution effects at this stage.

Situated approximately 14 kilometres northwest of the Northern Precinct, Hamilton CBD is the next closest at-risk centre. With just under 20,000 employees in 2020, it is also by far the largest. As Hamilton City's pre-eminent commercial area, the CBD fulfils a broad range of roles and functions. Not only is it the largest retail node in the city, it also forms its civic and commercial heart.

The commercial centre of Cambridge is located on the northern banks of the Waikato River, around 17 kilometres southeast of the Northern Precinct. An estimated 3,000 or so people were

employed within the commercial centre last year. The town itself is appreciated for its quaint charm and leafy streets. It offers a range of recreational activities including a velodrome, and a new aquatic centre is currently under construction. New neighbourhood centres are also slated for the various growth cells that dot the townships northern and western extents, including a larger supermarket development in the C1 growth cell.

At just over 18 kilometres south of the Northern Precinct, Te Awamutu is the furthest at-risk centre from the subject site. It is also the smallest, with approximately 2,500 employees in 2020. The town is home to several cultural and recreational facilities, including a museum and walking tracks.

To more formally assess the roles and functions of the three currently operating centres, we analysed ANZIC industry employment data published by Statistics New Zealand.[7] The resulting composition of centre employment in 2020 is illustrated in Table 10 below.

Table 10: Existing Centres Employment Mix in 2020

Industry	Hamilton CBD	Cambridge	Te Awamutu
Accommodation and Food Services	9%	13%	11%
Administrative and Support Services	6%	2%	1%
Agriculture, Forestry and Fishing	0%	1%	3%
Arts and Recreation Services	3%	1%	3%
Construction	2%	5%	6%
Education and Training	7%	5%	2%
Electricity, Gas, Water and Waste Services	3%	0%	1%
Financial and Insurance Services	6%	3%	3%
Health Care and Social Assistance	11%	7%	10%
Information Media and Telecommunications	3%	2%	1%
Manufacturing	1%	8%	3%
Mining	0%	0%	0%
Other Services	4%	6%	4%
Professional, Scientific and Technical Services	17%	8%	8%
Public Administration and Safety	14%	4%	13%
Rental, Hiring and Real Estate Services	2%	2%	1%
Retail Trade	11%	29%	22%
Transport, Postal and Warehousing	0%	1%	3%
Wholesale Trade	1%	3%	3%
Total	**100%**	**100%**	**100%**

In the Hamilton CBD, retail accounts for just 11% of employment, and significant levels of activity are present in several other sectors. These include professional, scientific and technical services (17% of employment), public administration and safety (14%), and health care and social assistance (11%). There is also notable employment in accommodation and food services, education and training and arts and recreation.

7 For the purposes of this analysis we have adopted the following Statistical Area 2 (SA2) boundaries: Cambridge Central, Te Awamutu Central and, for the Hamilton CBD, Hamilton Central plus Kirikiriroa. While not identical to the corresponding commercial zones, they offer a very good approximation.

In Cambridge, retail trade makes up 29% of total employment, followed by accommodation and food services with 13%. A number of other services are also represented, as is manufacturing, with around 8% of jobs.

Similarly, Te Awamutu is home to a wide range of activities. While the highest sector employment is in retail, this represents just 22% of total jobs. Public administration and safety, and healthcare and social assistance both have a significant presence, with 13% and 10% of employment respectively.

Ultimately, all three centres are more than just retail locations, and instead fulfil a broad range of roles and functions.

10.7. Health & Vitality

Gauging the health and vitality of at-risk centres is important because, all other things being equal, the likelihood of retail distribution effects occurring depends on the health of the centres, and hence their ability to withstand likely competitive effects. Unfortunately, though, measuring the health and vitality of centres can be difficult, particularly for large centres like the Hamilton CBD. That said, the commercial vacancy rate is a frequently-used and easily-measured indicator of centre health, so we used that to gauge the health and vitality of our three centres.

To do so, we used Core Logic's Property Guru tool to extract data on all commercial properties located within the three at-risk centres. We then identified premises that are currently up for lease, in order to determine an indicative, point-in-time, vacancy rate. The results are displayed in Table 11 below.

Table 11: Indicative Commercial Vacancy Rates in Late 2021

Measure	Hamilton CBD	Cambridge	Te Awamutu
Properties currently for lease	53	6	2
Total commercial properties	967	228	194
Indicative vacancy rate	**5%**	**3%**	**1%**

As the data above indicates, vacancy rates are low across the centres, ranging from 1% in Te Awamutu to 5% in in Hamilton CBD. As such, we consider all three centres to be healthy and vital.

10.8. Impacts of Proposal

The proposed plan change allows for a maximum retail floorspace of 10,300m^2 across the entire proposed extended Airport Business Zone (excluding the airport terminal). This is significantly smaller than the retail offering at the three at-risk centres, as illustrated in Table 12 below, which once again draws on Property Guru data.

Table 12: Estimated Retail Floorspace in 2021

Location	GFA (m^2)
Hamilton CBD	175,930
Te Awamutu	64,540
Cambridge	51,460
Northern Precinct (proposed)	10,300

As the data above indicates, the amount of retail floorspace proposed by the plan change is small compared to the potentially at-risk centres. For example, it represents less than 5% of the Hamilton CBD GFA and just 13% and 17% for Te Awamutu and Cambridge respectively. Thus, even if the expanded retail cap were to be reached, the level of retail activity provided onsite would be very small compared the three existing centres.

In addition, any retail development at the airport will occur gradually over time. Meanwhile, retail demand continues to grow across both the Waipa District and Hamilton City, with strong growth projected into the future. This creates additional headroom to accommodate retail development.

Finally, the type of retail provided for within the expanded retail area of the plan change is a restricted offering, intended to provide primarily for the day to day needs of workers in the airport area, and not to attract significant numbers of people from outside it.

10.9. Definition of Retail Distribution Effects

Under section 74(3) of the Resource Management Act 1991 (RMA), when preparing or changing any district plan, territorial authorities must not have regard to trade competition or the effects of trade competition. Territorial authorities can consider possible flow-on effects arising from trade competition, which are also known as retail distribution effects.

Put simply, retail distribution effects *may* occur if a new development reduces the patronage of competing stores so acutely that it causes closure, thereby causing the roles and functions of their respective centres to decline so significantly that the social and economic wellbeing of their communities is undermined.

A strong body of case law confirms that trade impacts must go beyond effects that are ordinarily associated with trade competition, and that impacts on individual stores are irrelevant because they simply amount to pure trade competition.

10.10. Summary & Conclusion

In summary, we consider that any proposed increase in the retail floorspace cap associated with the plan change will have no discernible impacts on the health and vitality of other centres because:

- Any onsite retail provided pursuant to the elevated cap will be focussed on meeting the day to day needs of local businesses and workers, and not aimed at drawing trade from other nearby centres.

- The overall size of retail provision at the airport would remain small, particularly compared to nearby centres, which appear to be trading well anyway.

- Not only are nearby centres much larger and thus able to withstand any additional competitive pressure exerted by future airport retail, but they also fulfill a wide range of roles and functions other than retail that will be wholly unaffected.

- As a result, the impacts of enabling slightly more airport retail floorspace via the plan change will be largely indiscernible on other nearby centres.

11. Proposal Benefits/Economic Rationale

This section briefly considers a range of wider economic effects associated with the plan change.

11.1. Synergies/Agglomeration with Existing Uses

The proposed plan change will expand an existing urbanised/developed area – i.e. Titanium Park – and therefore enable agglomeration benefits to be realised. Agglomeration benefits refer to the economic efficiencies that may arise when economic activities cluster together. This clustering of economic activity, in turn, can help to reduce transport costs and lift the average productivity of firms (for example, through the sharing of labour, specialised assets, and ideas). Indeed, these agglomeration benefits are the motivating force for compatible/related economic activities willingly collocating with one another across the world.

11.2. Infrastructure Efficiency

We understand that the development will largely be self-sufficient with respect to infrastructure, and therefore will not incur significant infrastructure costs for the Council, that would later have to be recouped through funding tools such as development contributions. By avoiding the imposition of infrastructure costs on the Council, the development will help Waipa District to better manage its debt and remain within prudential debt limits set through legislation. In addition, the absence of Council-funded infrastructure will eliminate the risk that Council's take when they provide capacity ahead of demand, the exact nature and timing of which are uncertain.

11.3. Economic Stimulus of Construction

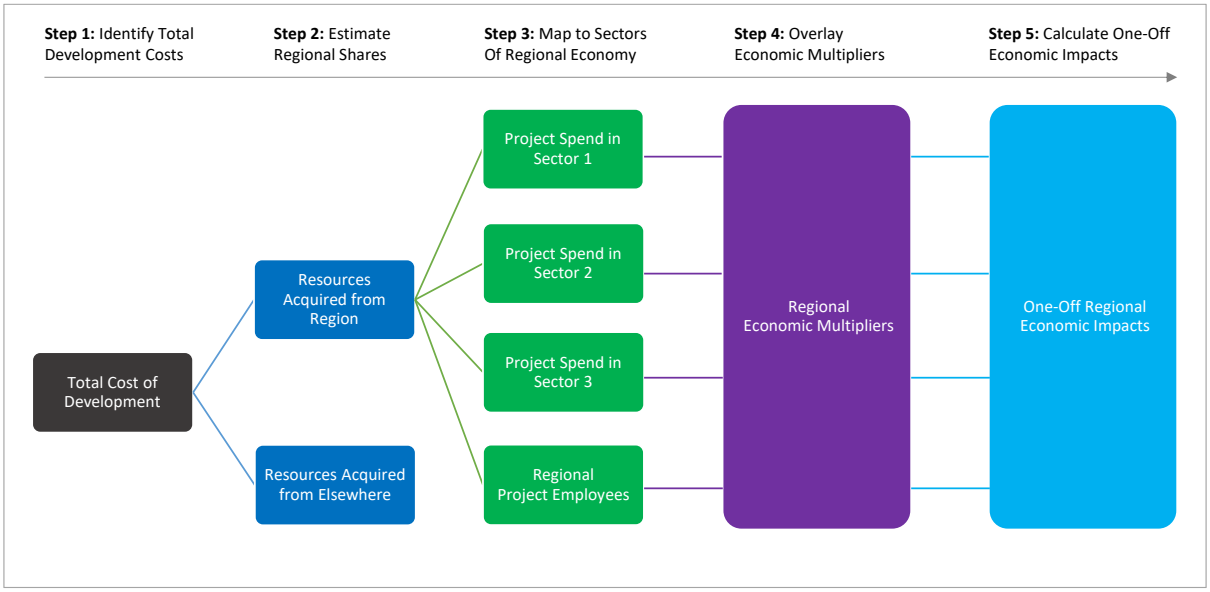
The proposed plan change provides an additional approximately 90 hectares of Airport Business zoned land, about 70% of which is likely to be developable (with the rest used for roads, reserves, infrastructure etc). Of the 63 hectares that will likely be developable, approximately 30% is likely to become future floorspace (i.e. applying a floor area ratio of 0.3). This translates to a yield of 189,000m^2 of additional GFA enabled by the rezoning.

The process of planning for, designing, constructing, and fitting out the various buildings and structures that will occupy the expanded Northern Precinct will draw in a wide range of workers and hence create jobs and incomes for numerous district workers. For example, the following workers would be required to complete the project, many of which would be district locals.

- Architects, planners;
- Quantity surveyors;
- Civil and structural engineers;
- Building contractors and sub-contractors;
- Plumbers, electricians, glaziers; and so on.

The diagram below illustrates the process used to estimate the resulting one-off impacts.

Figure 16: Methodology for Estimating One-Off Economic Impacts



In short, our methodology first identifies the project resources (staff and supplies etc) that will be sourced either regionally or nationally, then splits those costs into different industries based on the various tasks involved in the construction down process, such as land development, building development, infrastructure servicing, and so on. Then, we overlay those regional costs estimates with corresponding economic multipliers to derive the one-off impacts on GDP, incomes, and employment. In addition, we capture the impacts of people directly employed by the development process, and model subsequent spending by them in the regional economy to estimate the overall impacts of the development, including flow-on effects.

Table 13 presents our estimates of the one-off impacts of construction, where we assumed that 90% of total development costs would be spent within the region.

Table 13: One-Off Regional Economic Impacts of Construction

Regional Impacts	Direct	Flow-on	Total
GDP $m	$46m	$84m	$130m
Employment (people-years)	510	930	1,440
Household Incomes $m	$30m	$40m	$70m

To summarise: Including flow-on effects, we estimate that development of the additional GFA enabled by the proposed expansion could:

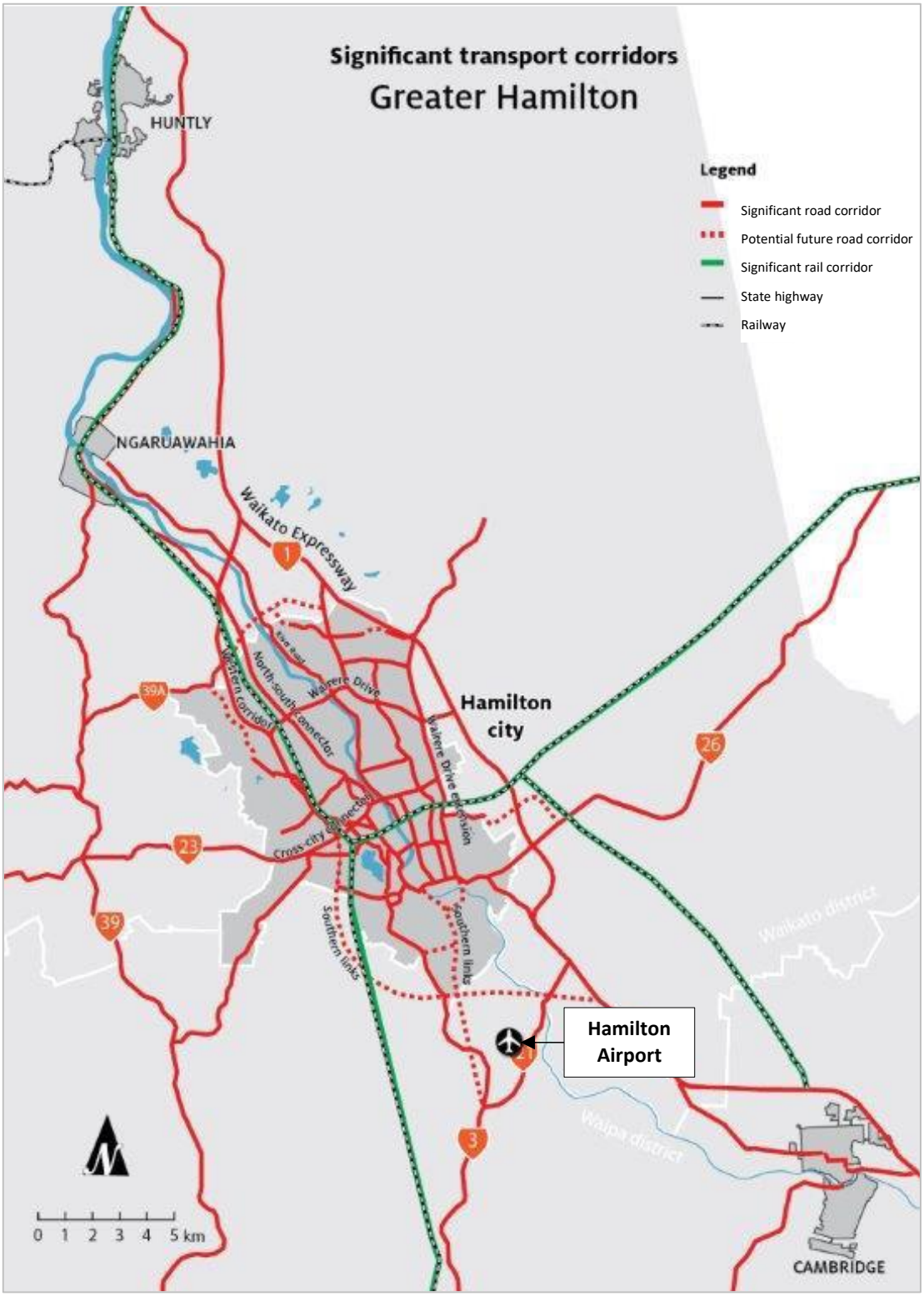
- Generate a one-time boost in regional GDP of $130 million;
- Create employment for 1,440 people-years[8]; and
- Boost household incomes by $70 million.

[8] One person-year means one person employed for a full year. Hence, 100 people-years could mean 100 people employed for one year, 50 people employed for 2 years, and so on.

11.4. Proximity to Strategic Transport Routes

Not only is the Northern Precinct part of the Golden Triangle, but it is also strategically located to take advantage of ongoing growth in freight movements. This is illustrated in Figure 17 below from the WRPS, which demonstrates the airport's immediate proximity to key national freight and movement routes, as well its connection to the nearby metro routes of Hamilton City.

Figure 17: Strategic Transport Corridors Map



11.5. Highest & Best Use of Land

The subject land is currently used for low-value rural purposes. The proposal addresses this and enables the land to be put to its highest and best use. As a result, it maximises economic efficiency in the underlying land market while also supporting the overarching purpose of the RMA (to enable the sustainable use and development of natural and physical resources).