



About this Update

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

September 2008 Quarter Summary

While business confidence increased slightly in the month of December 2008 it still remained negative at -35.0, which was an increase of 8 points from -43.0 in November 2008 according to the National Bank. Consumer confidence in the Waikato decreased in the December quarter to 96.0, compared with 106.7 in the September 2008 quarter.

Hamilton's unemployment rate increased to 4.9% in the September 2008 quarter (compared with 3.3% in the June 2008 quarter) and was higher than the national unemployment rate of 4.0%.

There was a total of 425 houses sold in Hamilton in the September 2008 quarter, compared with 386 in the June 2008 quarter. According to National Bank's 'Property Focus' nationally the median number of days to sell decreased to 47 in September, from 57 in the July 2008 quarter.

The number of residential building consents issued for Hamilton increased from 42 in the June 2008 quarter to 53 in the September 2008 quarter. However, this is considerably down when compared to the 105 residential consents issues in the September 2007 quarter.

The Waikato Regions year on year growth for September 2008 was -0.4% the lowest level recorded in at least the last 10 years (refer opposite figure).

Sources:

- The National Bank of New Zealand (Economics Division)
- Statistics New Zealand.

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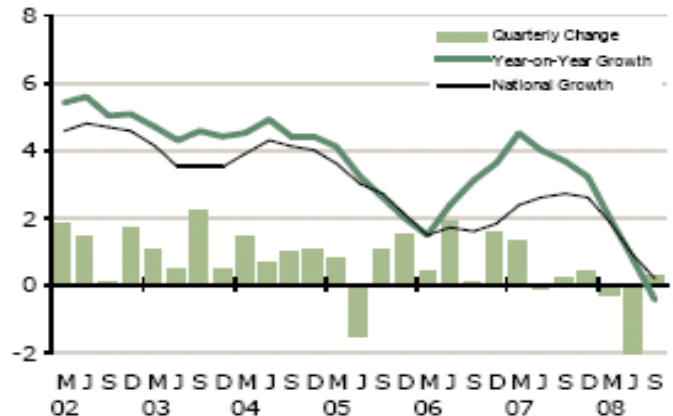
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The publication can also be downloaded from www.hamilton.co.nz/economicupdate

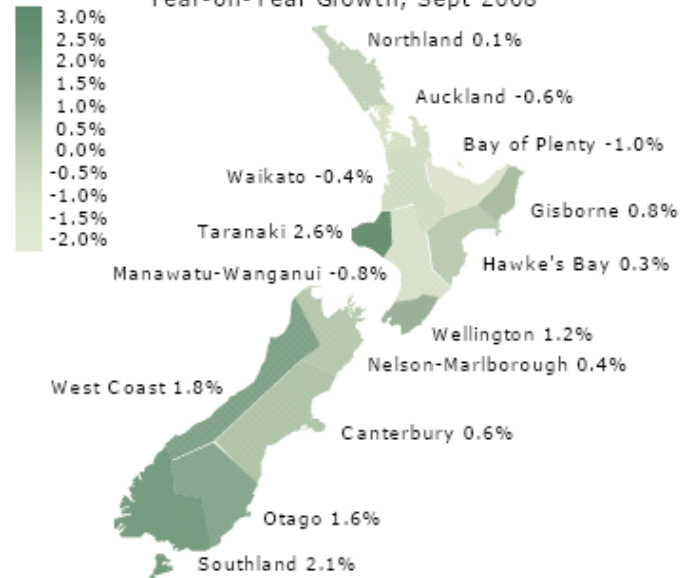
Update for December 2008

ECONOMIC GROWTH — WAIKATO REGION (September Quarter 2008)



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

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



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



Highlights

THIRD OF FIRMS TO SHED STAFF AS BUSINESS CONFIDENCE DECLINES

Following the global financial crisis that commenced in the later part of 2008, local businesses are now reporting a weak domestic economy and expect the situation to continue to decline with job losses likely.

In the New Zealand Institute of Economic Research's Quarterly Survey of Business Opinion (QSBO) released on 13th January 2009, 44% of firms reported a decrease in their activity in the December 2008 quarter. 43% said they expected their trading activity to decrease further in the next quarter.

The number of firms intending to reduce staff over the next three months (32%) was at its highest since June 1991.

The number of firms (49%) reporting a fall in profitability for the December 2008 quarter was the highest in 26 years and 46% expected profitability to decline in the next three months.

Businesses in every region showed a marked fall in business confidence to levels last seen in the 1970's. Firms in the lower North Island had the biggest fall, with 60% expecting business conditions to deteriorate, compared with 11% in the September 2008 quarter.

www.nzherald.co.nz

COUNCIL CONSIDERS THE PROPOSED 2009-19 LTCCP

Council has deliberated on its Proposed 2009-19 Long Term Council Community Plan (LTCCP) and budget and will formally adopt the plan on 20 March 2009. The plan will then be open for public submissions between 21 March - 21 April 2009. The plan reflects the tight economic environment and incorporates significant spending cuts while ensuring major city infrastructure investments are protected and future growth is catered for.

The plan proposes an average rates rise for the next financial year beginning 1 July 2009 of 4.98% to Hamilton ratepayers.

Hamilton Mayor Bob Simcock says the budget and plan was extremely challenging to prepare in the current economic climate. *"It is important to remember that while the plan covers a 10 year period, it is reviewed every three years. Potentially the economic climate may improve within that timeframe and there is the flexibility to re-introduce projects based on affordability. The first three years, however, are critical to the immediate economic well-being of the city."* www.hamilton.co.nz

INVESTORS OPT FOR SAFETY OF RENTAL PROPERTIES

Low bank interest rates have seen an influx of people switching their money from bank deposits to rental properties.

A number of economic commentators have noted that as interest rates come down, more people are starting to put their money into property investments to obtain the 5% to 6% interest return, plus potential capital gains.

In Hamilton, Dennis Coombes, a director of Ray White's Online Realty has seen a similar trend. *"We're finding the older people of 60-plus have around \$200,000 and they're scared to leave it in the bank. When you consider the interest rate, less tax and the rate of inflation, you actually have nothing left. People don't trust the sharemarket or any global markets so there's a big pull for senior citizens to put their money into real estate. They're buying a regular income from the rental. That's happening a lot here"* Mr Coombes said. www.landlords.co.nz

BUSINESS DEVELOPMENT CENTRE APPOINTED AS HAMILTON ECONOMIC DEVELOPMENT AGENCY

After nearly 20 years of providing assistance to the region's small businesses, the Business Development Centre has been appointed by Hamilton City Council as the city's new Economic Development Agency (EDA).

News of the Business Development Centre's appointment follows the announcement in December 2008 that The Katoylst Group has re-focused the organisation to concentrate all its efforts on expanding the Waikato Innovation Park. Katoylst's various economic development initiatives are being taken up by other organisations, including the Business Development Centre.

CEO of the Business Development Centre, Sandra Perry, says taking up the reigns as the city's EDA is a logical move for the organisation.

"In one form or another, the Business Development Centre has been around for nearly 20 years. Over that time we've continued to sustainably expand our business services, helping thousands of start-ups and existing companies build their organisations" said Mrs Perry.

Over the coming months, the Business Development Centre will develop a new organisational structure for the EDA while also confirming the agency's short and long-term economic development goals.

Mrs Perry said it's likely the Business Development Centre will take on a new name as well as expand into helping businesses in new industries. However, she said the organisation's core will always remain constant. *"Over 80% of the businesses operating in and around Hamilton employ five people or less, and the heart of our organisation has always been about assisting those companies."* www.businessdevelopmentcentre.co.nz

CHANGES PLANNED TO CITY BOUNDARIES

It is proposed that Hamilton's boundaries are to be extended in the East and North of the city to cope with future expansions as part of an agreement between Hamilton City Council and Waikato District Council.

A comprehensive Strategic Land Agreement was signed between the two councils in 2004 after extensive consultation with the community. The agreement identifies the future city boundary and the parcels of land to be transferred from Waikato District into the city. The latest agreement updates the proposed timing of the transfer of two significant areas based on the adoption of the Hamilton Urban Growth Strategy in December 2008.

As well as providing for future growth in the city, by having the land as part of Hamilton, it will allow for better land use and long term planning. The majority of the new land coming to the city has been identified for industrial and commercial use.

The Eastern area of land is a large part of Ruakura including innovation Park between Morrinsville Road and Greenhill Road, largely owned by Tainui. The second portion of land to transfer is near the North Western part of the city between the proposed Horotiu/Te Rapa Bypass and the present city boundary along Ruffell Road.

Hamilton Mayor Bob Simcock said the city appreciates its close working relationship with Waikato District Council which is enabling this positive outcome. www.hamilton.co.nz



Population Growth / Projections - Hamilton

Population Estimates (1)				Population Projections (high) (2)					
1996	2001	2006	% Change 1996 - 2006	2009	2014	2019	2046	2051	% Change 2009 - 2051
111,700	120,900	134,400	+20.3%	141,504	153,679	166,498	230,085	241,659	+70.7%

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

(2) Source: University of Waikato and Population Studies Centre. Population Projections (2009-2051) have been developed for Hamilton City Council by the University of Waikato using Census 2006 data as the base. Projections include additional migration due to significant local / regional economic development initiatives.

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

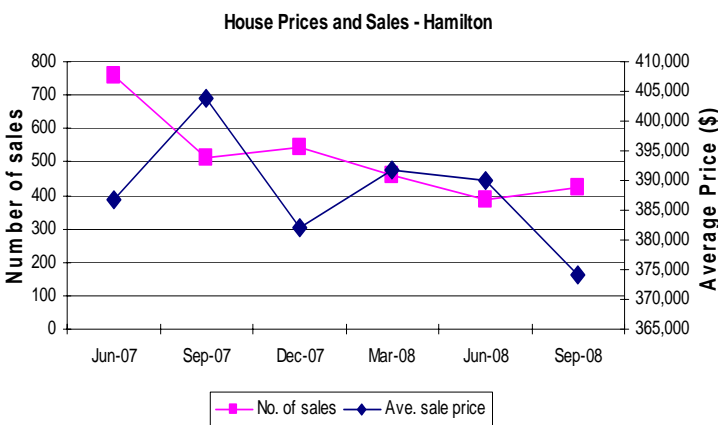
House Sales

Between the September 2007 quarter and the September 2008 quarter, house prices in Hamilton decreased by 7.3%, according to the Quotable Value Price Index. From the quarter ending June 2008 to the quarter ending September 2008, house prices in Hamilton decreased by 4.0%, compared to a nationwide house price decrease of 2.9%.

The average price for houses sold in Hamilton during the September 2008 quarter was \$374,118, with the national average sale price for the same timeframe higher at \$390,507.

A total of 425 houses were sold in Hamilton in the quarter ending September 2008, up from 386 houses sold in the quarter ending June 2008.

In the December 2008 edition of 'Property Focus', the National Bank commented that the median days to sell had improved to 47 days, after peaking at 57 days in July 2008. Median house prices were down 4.1% on a year ago, however, with mortgage rates falling considerably housing affordability looks set to improve.



Sources:

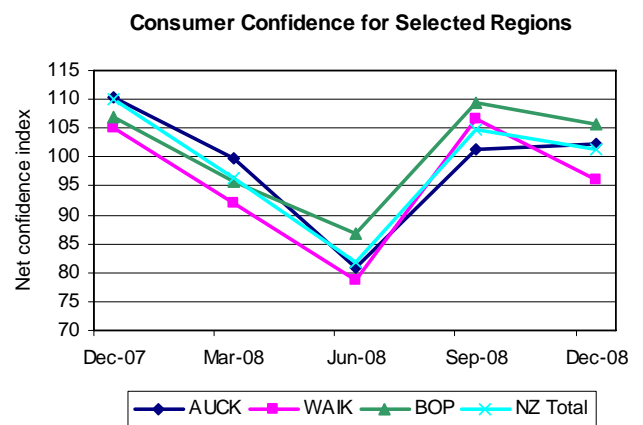
- National Bank Property Focus
- Quotable Value Ltd

Consumer Confidence

The Westpac-McDermott Miller Consumer Confidence Index declined again in the December 2008 quarter, with the prospect of a deepening global recession throughout 2009. The index for New Zealand declined to 101.3, however this is still up from the March and June quarters of 2008 which were 96.5 and 81.7 respectively.

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

A net 45% of respondents said they expected economic conditions to deteriorate over the next 12 months. Westpac commentators also noted that it seems, in the eyes of the consumer, not even lower fuel prices, falling interest rates, or the new government can rescue the New Zealand economy from the fallout of the global downturn.

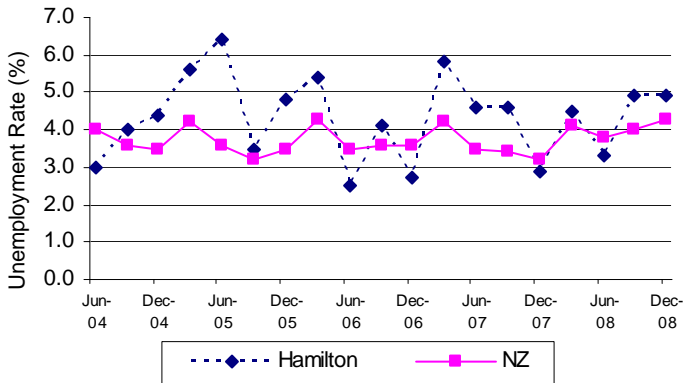


Source: Westpac Bank (Economics Division)

Unemployment Rate

Estimates suggest that at September 2008 there were 3,200 people unemployed in Hamilton out of a total labour force of 66,200, giving an estimated unemployment rate of 4.9% (compared with the national unemployment rate of 4.0% for the September 2008 quarter). Of the people employed in Hamilton, 48,300 were in full-time employment, with a further 14,600 in part-time employment.

Unemployment Rate - Hamilton and NZ

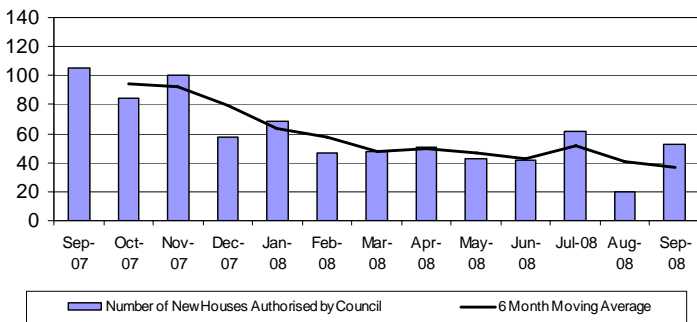


Source: Statistics New Zealand (Household Labour Force Survey)
 Note: Unemployment statistics at a city level are below the design level of the survey and are subject to volatility. Estimates are indicative only.

Building Activity

During the year to September 2008, a total of 677 new houses valued at \$135.6 million were authorised for construction within Hamilton. This represented a decrease of 45.1% in number and a decrease of 42.6% in value from the previous year. Building consents for new houses were issued for a total floor area of 112,522 square metres during the year ended September 2008, a decrease of 44.1% from the previous year. Nationally building consents for new houses were issued for a total floor area of 4.1 million square metres in the September 2008 quarter, down 18.9% from September 2007 quarter.

Number of New Houses in Hamilton Authorised by Council



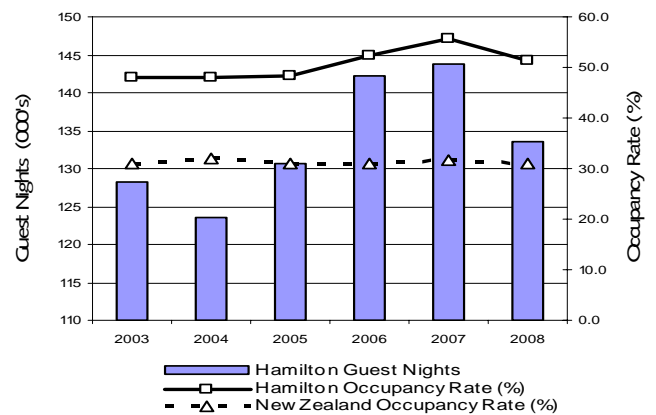
Source: Statistics New Zealand

Accommodation

The total number of guest nights for Hamilton in the September 2008 quarter was 133,491 (compared with 143,759 for the same quarter in 2007), a decrease of 7.1%. The occupancy rate for Hamilton accommodation in the September 2008 quarter was 51.5%, which was 4.2 percentage points lower than 55.7% occupancy rate recorded during the September 2007 quarter. The national occupancy rate during the September 2008 quarter was 31.0% (compared with 31.8% during the September 2007 quarter).

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

Occupancy and Guest Nights for September Quarters

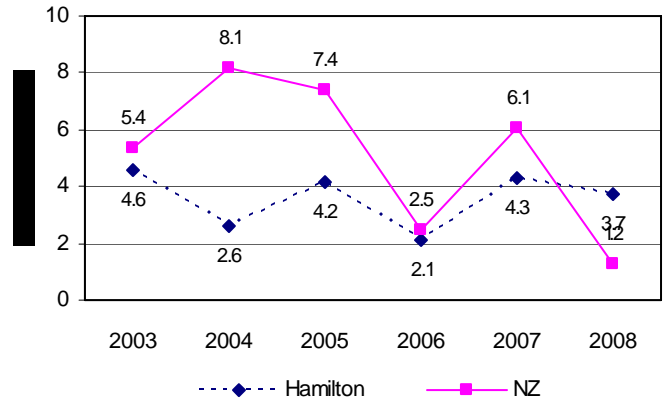


Source: Statistics New Zealand (Visitor Accommodation Survey)

Retail Trade

Retail sales in Hamilton for the year ending September 2008 were up 3.7% on the year ending September 2007, compared to a national increase of 1.2% for the same period. Retail sales in Hamilton totalled \$631.6 million in the September 2008 quarter, representing 3.9% of New Zealand's total retail sales for this period. Nationally, retail sales stood at \$16.0 billion for the September 2008 quarter alone.

Retail Trade (Year Ending Sept Quarter)



Source: Statistics New Zealand (Retail Trade Survey)

Key Facts About Hamilton and the Waikato Region

Geography and People

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

Advantages for Business

- Hamilton is the major commercial and industrial centre of one of the richest agricultural and pastoral areas in the world.
- The Waikato is New Zealand's highest export region, accounting for almost 20% of the country's total exports.
- The surrounding dairy industry strengthens Hamilton's economy and its wide business base. The Agricultural Production Survey (June 2007) showed that the Waikato accounted for 31.7% of the country's dairy cattle - 1.7 million of 5.3 million nationwide.
- Ruakura Research Centre complex is the leading agriculture and life sciences research centre in New Zealand. This centre comprises Agresearch (including MIRNZ — the Meat Industry Research institute of New Zealand), HortResearch, Landcare Research and DairyNZ.
- The education sector is a key economic driver for the city, with 9,708 full-time equivalent students enrolled at the University of Waikato, 6,151 full-time equivalents enrolled at Waikato Institute of Technology (WINTeC) and 1,010 full-time equivalents enrolled at Te Wananga o Aotearoa (Hamilton Campus) in 2007.
- Hamilton is central to a number of key attractions and events e.g., The National Agricultural Fieldays, which is the largest exhibition of its type in the Southern Hemisphere with almost 1,000 exhibitors, had 131,629 attendees across four days in June 2008.
- Hamilton hosts New Zealand's largest annual event - the Hamilton 400 V8 Supercars StreeTrace. It also hosts hallmark events such as The Great Race, Fuel Festivals, and the World Rally Championship.
- Hamilton's location close to two main sea ports (Auckland and Tauranga), four State Highways, a strategic railway junction, the Auckland International Airport (just over an hour away by road), the South Auckland industrial base and the Hamilton International Airport provides significant logistics and distribution opportunities for export and import businesses (an example being the establishment of Fonterra's inland port adjacent to the main trunk railway in Te Rapa in 2005).
- Hamilton International Airport offers a wide range of domestic travel as well as flights to Sydney, Brisbane, and the Gold Coast. The \$15.5m airport terminal upgrade was completed in December 2007.

Lifestyle

- Hamilton has a mild climate, with moderate annual rainfall in both summer and winter, which ensures good growing conditions all year round. Mean temperatures are 18.3° Celsius in January and 8.7° Celsius in July.
- With its extensive tree planting, good air quality, and clean rivers and lakes, Hamilton can rightfully be called a 'clean and green' city. Hamilton City Council was the first local authority in New Zealand to produce an Environmental Policy.
- Hamilton provides an extensive range of high quality health services, ranging from primary through to highly specialised tertiary hospital services. The Waikato District Health Board's provider of hospital and health services, Health Waikato, is one of New Zealand's largest in terms of revenue and the types and numbers of services provided. Waikato Hospital (which is part of the Waikato District Health Board) is a 600 bed regional base hospital located in Hamilton and is one of the largest in New Zealand. The Waikato District Health Board employs over 5,200 people and provides tertiary and trauma services to a catchment of over 800,000 people in the central North Island.
- There are considerable recreational opportunities within Hamilton and its immediate surrounds. The Waikato River flows through Hamilton and is used for recreational pursuits, including rowing, canoeing, waka ama (outrigger canoe), water-skiing and rafting.
- Raglan Harbour and beaches on the west coast are within a 40-minute drive from Hamilton, providing a world-class surfing venue and excellent fishing, swimming and other water-based opportunities.
- The natural resources of the immediate region - including its forests, lakes, rivers, and mountains - provide opportunities for tramping, bush-walking, and other types of outdoor recreation.
- As the centre of the thoroughbred industry, Hamilton has an excellent racing venue at Te Rapa. A national trotting track is 15 minutes drive from Hamilton in Cambridge.
- Hamilton has a 25,800 capacity stadium (Waikato Stadium) which hosts both national and international events. The city also provides numerous parks and high quality venues for sports such as rugby, league, soccer, cycling, badminton, cricket, shooting, tennis, ten-pin bowling, and many others.
- Hamilton hosted the New Zealand round of the prestigious V8 Supercar Championship in the city. The inaugural race in April 2008 attracted 172,000 attendees plus 5,000 people associated with the running of the event. The event generated \$28.3 million of new money into the local economy in the first year and is estimated to generate \$156 million over the seven years that the event will run for.

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