



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 June 2008 (i.e. it primarily focuses on data covering the period January to March 2008), plus some of the more recent happenings around Hamilton and the region.

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

March 2008 Quarter Summary

Both business and consumer confidence slumped in March, according to the National Bank, business confidence dropped to its lowest levels since they started surveying, reflecting the drought conditions in the Waikato Region. Consumer confidence also decreased to a ten year low.

The Waikato Region also experienced a house sale drop of 22% and lifestyle blocks fell 11%, however large farm sales increased by 19%.

Hamilton's unemployment rate went up to 4.5% in the March 2008 quarter (compared with only 2.9% in the December 2007 quarter) and was higher than the national unemployment rate of 4.1%.

Retail sales in Hamilton for the March 2008 quarter totalled \$616.2m. For the year ending March 2008, retail sales were up 3.0% compared to the previous year.

The total number of houses sold in the March 2008 quarter was down to 459 compared with 545 in the December 2007 quarter. According to National Banks Property Focus the median number of days to sell rose to 51 in July which is almost three weeks longer than at the start of 2007.

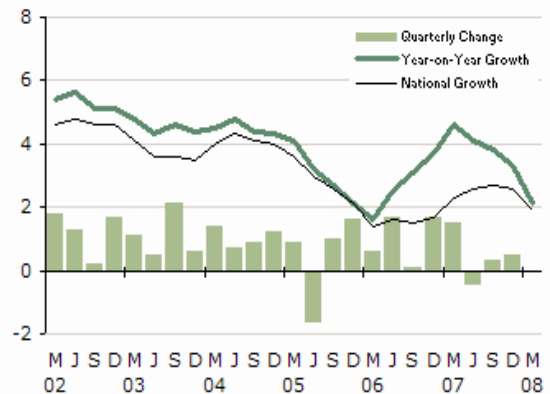
Sources:

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

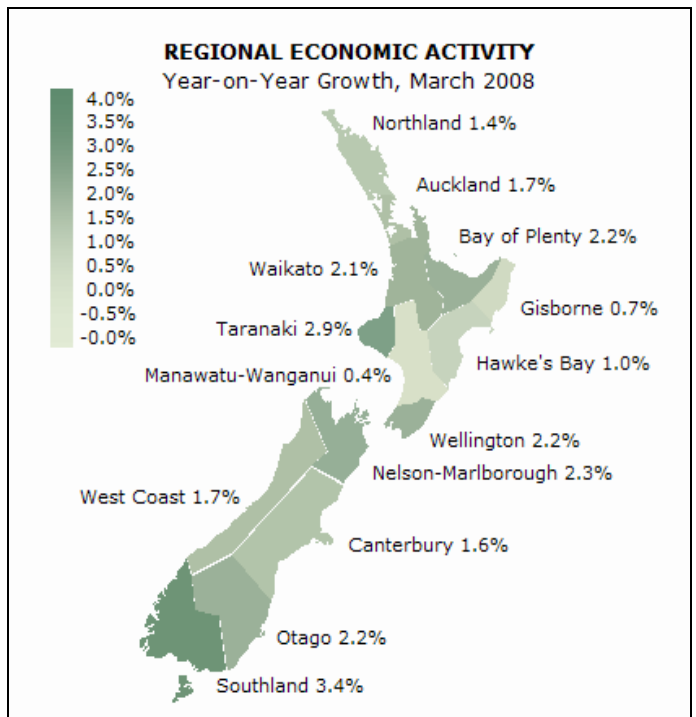
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Update for June 2008

**ECONOMIC GROWTH – WAIKATO REGION
(March Quarter 2008)**



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



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



Highlights

STUDENT NUMBERS UP AT THE UNIVERSITY OF WAIKATO

More students are opting to study at the University of Waikato, with student numbers up on last year.

Overall, enrolments at the university are 2% up on last year at 9,774 students. Higher numbers of school leavers and domestic students have boosted the figures. New domestic enrolments (first time students and transfers from other tertiary institutions) are up 11% on 2007 levels.

The Vice-Chancellor, Professor Roy Crawford, said it was encouraging to see so many people recognising the excellence of the educational opportunities that the University of Waikato had to offer.

Professor Crawford said there was increasing awareness of the outstanding teaching and research opportunities offered at the university, and these, along with the lifestyle opportunities provided at the Hamilton and Tauranga campuses, meant Waikato was increasingly becoming the university of choice. - www.waikato.ac.nz

HAMILTON FARMERS CENTRE SELLS

The Farmers Centre in Hamilton's CBD was recently sold by for \$27.2 million, making it a contender for the largest commercial property transaction in Hamilton to date. It last changed hands 10 years ago for \$18 million.

The centre comprises 11,478sqm and includes one of the major multi-storey car parking sites in Hamilton with around 600 car parks. The Farmers store runs over two levels with six other retail tenancies on the lower street level.

Despite competition from offshore super funds to purchase the property, it was Podium investments Ltd, a syndicate of local farmers, who made the successful offer.

At present the new owners have no plans to alter the centre in any way. It is an investment hold and will be managed by GBD Properties who also manage the KPMG tower situated above Farmers. The combined value of the tower in combination with Farmers and the car park is approximately \$42 million. - www.landlords.co.nz

HAMILTON CITY COUNCIL ADOPTS ANNUAL PLAN

Hamilton City Council had its final budget meeting for the 2008/09 financial year and confirmed an average rate rise of 5.29%, which is lower than the 6.56% rise forecast in the 2006-16 LTCCP.

Hamilton Mayor Bob Simcock says that the 2008/09 Annual Plan for the city reflects a level of renewed fiscal restraint which is in direct response to a period of financial uncertainty and slowing growth for both the city and national economy.

"Council is facing the same challenges which are seen clearly in the wider economy. Reduced revenue from rates growth and fees and charges, combined with increased operating costs and rapidly rising construction costs means we must be increasingly disciplined in our financial decision making for the coming years." - www.hamilton.co.nz

GOODBYE FREEDOM, HELLO AIR NEW ZEALAND

From 30 March 2008 Freedom Airlines were taken over by parent airline, Air New Zealand. Since starting operations from Hamilton in December 1995, Freedom had flown over 1.1 million passengers from the Waikato and Bay of Plenty to Sydney, Melbourne, the Gold Coast and Fiji.

Airport chief executive Chris Doak said he was sorry to see Freedom go out of "business" but is looking forward to "great things" from Air New Zealand.

"There has been a reluctance by the business passenger to fly the leisure-based Freedom product and now with Air New Zealand the barriers have been removed" Doak says.

He also commented that "Instead of taking the risk of driving to Auckland International Airport and finding the motorway blocked by traffic and accidents, Hamilton would now become convenient option for business executives."

An expectation of an increase in Australian visitor numbers comes at a time when the airport has just reported a 13% decrease in international travellers for the six months to December 2007. The decline was caused by Freedom cancelling Melbourne services and restricting its summer schedule. Mr Doak predicts Air New Zealand's decision to take over Freedom's trans-tasman schedule will reverse the trend. - www.hamiltonairport.co.nz

LAUNCH OF HAMILTON REGIONAL ECONOMIC STRATEGY

Training young people in industries where there are skill shortages and harbouring emerging business leaders are key parts of the Economic Development Strategy for the Hamilton economy. The strategy was developed by Hamilton City Council and 12 partner agencies.

Launched at Innovation Park on 4 August 2008, the strategy is part of a wider Council initiative to work with both government agencies and companies to ensure Hamilton is a thriving economic city.

Hamilton Mayor Bob Simcock said the aim is to come up with ideas that would make a difference to the city.

Other flagship projects include promoting the city as a business and employment location, establishing a Hamilton economic development fund, rolling out high-speed broadband around the city, setting up an online business hub, revitalising the heart of the city, developing Ruakura as a research and innovation precinct, growing food-based companies and promoting Hamilton as a visitor hub.

Tainui Labour MP Nanaia Mahuta said it was important that there was a strong focus on building young people's educational achievements and making Hamilton an attractive place to live long-term.

Waikato Institute of Technology chief executive officer Mark Flowers said skills were key to the strategy. "It is another way in which we can work effectively with a lot of the key organisations in the region," he said. "It's about developing the economy of the region to higher levels." - www.waikatotimes.co.nz



Population Growth / Projections - Hamilton

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

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

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

The population of the Hamilton Urban Area (at 30 June 2007) was estimated to be 194,700. The Hamilton Urban Area comprises the Hamilton Zone (the City and environs) with 163,900, Cambridge Zone with 15,800 and the Te Awamutu Zone with 15,050 residents. Hamilton has seen an estimated population increase of 11.2% between June 2001 to June 2006, well above the national increase of 7.8%.

House Sales

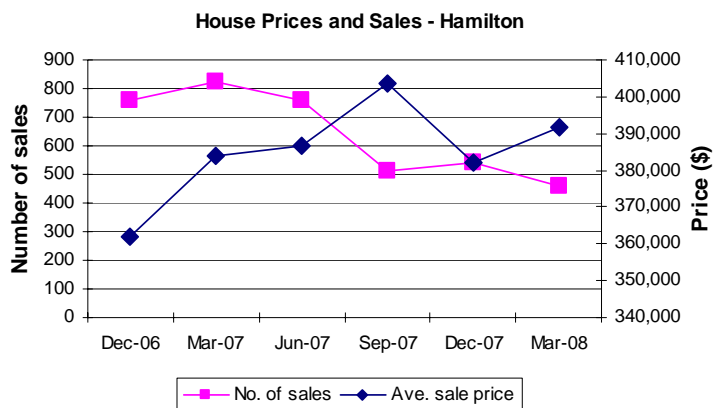
Between the March 2007 quarter and the March 2008 quarter, house prices in Hamilton increased by 2.0%, according to the Quotable Value Price Index. From the quarter ending December 2007 to the quarter ending March 2008, house prices in Hamilton decreased by 1.1%, compared to a nationwide house price decrease of 0.6%

The average price for houses sold during the March 2008 quarter in Hamilton was \$391,668, with the national average sale price for the same timeframe slightly higher at \$399,224.

A total of 459 houses were sold in Hamilton in the quarter ending March 2008, down from 545 houses sold in the quarter ending December 2007.

In their July 2008 edition of Property Focus, the National Bank commented that the property market is still weak, with house sales plummeting to a sixteen year low. The median time to sell rose sharply to 51 days, which is almost three weeks longer than it was at the start of 2007. This suggests that vendors are still yet to adjust their price expectations to a slowing market.

The National Bank also commented that once house prices start to drop, affordability will also drop from its currently expensive state.



Sources:

- National Bank Property Focus
- Quotable Value Ltd

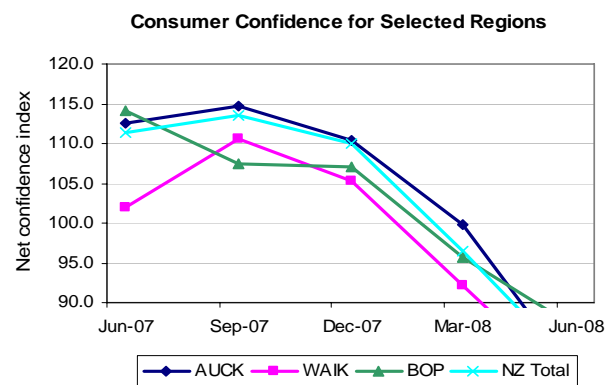
Consumer Confidence

Consumer confidence declined considerably in the June 2008 quarter, with the number of pessimists outweighing the number of optimists again this quarter. The Westpac McDermott Miller Consumer Confidence Index fell 15 points this quarter to 81.7, from 96.5 in March, which is the lowest since the 1991 recession.

Westpac business commentators note that rising prices of every day items such as food, petrol and shelter are eating into disposable incomes. Highly publicised rising fuel prices appear to be the main cause for low consumer confidence.

Consumer's assessment of their own financial circumstances now compared to a year ago was the biggest decline, with a net 40.8% of respondents saying they felt worse off. Consumers don't expect this situation to improve over the coming years, with a net 8.0% of consumers expecting to be worse off financially in a year's time. A net 51.6% of respondents expect bad economic times over the next 12 months, up from a net 37.2% in March; this is the most negative response to this question in 10 years. Consumers are expecting the downturn to short lived, with a net 19.7% expecting better economic times over the next five years.

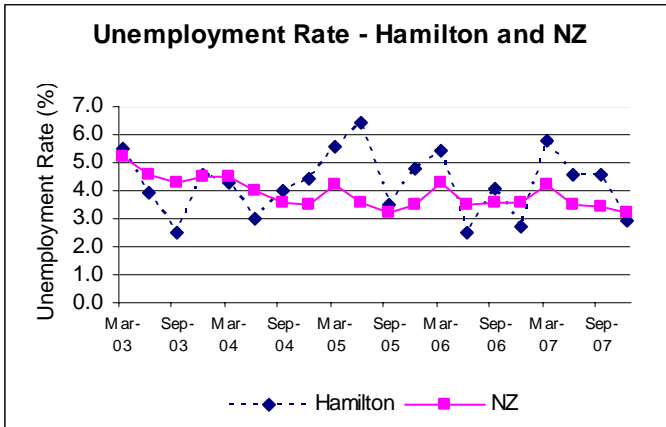
The Westpac-McDermott Miller Survey of Consumer Confidence is made up of several questions, including whether people feel financially better or worse off, whether the economy will experience good economic times over the next year, and whether now is a good time to buy a major household item. An index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



Source: Westpac Bank (Economics Division)

Unemployment Rate

Estimates suggest that at March 2008 there were 2,900 people unemployed in Hamilton out of a total labour force of 63,700, giving an estimated unemployment rate of 4.5%. This compares with the national unemployment rate of 4.1% for the March 2008 quarter. Of the people employed in Hamilton, 48,900 were in full-time employment, with a further 11,900 in part-time employment.

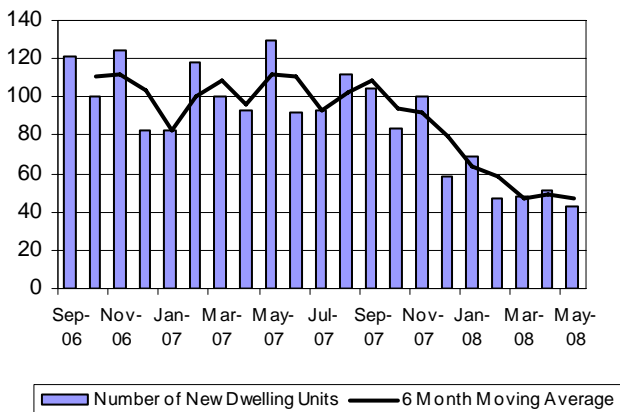


Source: Statistics New Zealand (Household Labour Force Survey)
 Note: Unemployment statistics at a city level are below the design level of the survey and are subject to volatility. Estimates are indicative only.

Building Activity

During the year to March 2008, a total of 1,031 new dwelling units valued at \$211.3m were authorised for construction within Hamilton. This represented a decrease of 9.3% in number and a rise of 0.5% in value from the previous year. Building consents for new dwellings were issued for a total floor area of 177,115 square metres during the year ended March 2008, a decrease of 2.5% from the previous year. This compares to a national decrease in floor area of 2.7%.

Number of New Dwelling Units in Hamilton Authorised by Council



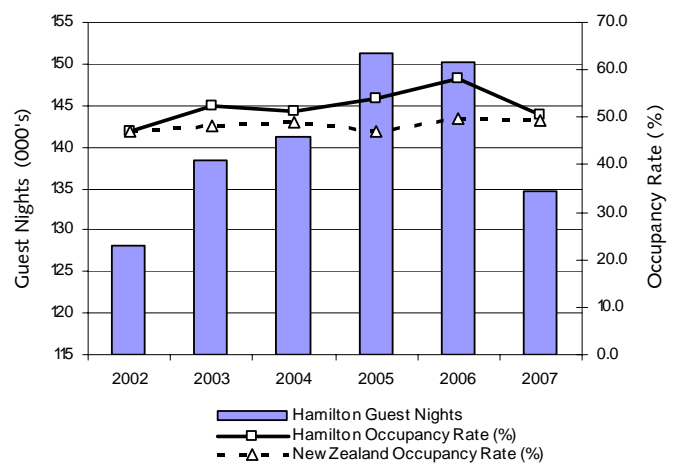
Source: Statistics New Zealand

Accommodation

The total number of guest nights for Hamilton in the March 2008 quarter was 134,761 (compared with 150,122 for the same quarter in 2007), a decrease of 10.2%. The occupancy rate for Hamilton accommodation in the March 2008 quarter was 50.5%, which was 7.5 percentage points lower than 58.0% occupancy rate recorded during the March 2007 quarter. The national occupancy rate during the March 2008 quarter was 49.5% compared with 49.6% during the March 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.

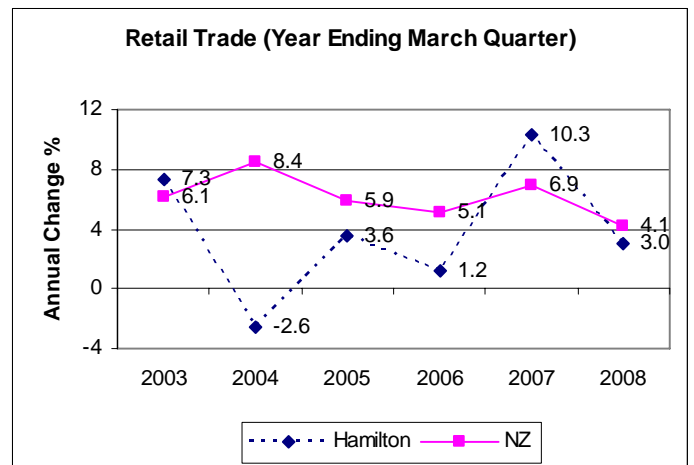
Occupancy and Guest Nights for March Quarters



Source: Statistics New Zealand (Visitor Accommodation Survey)

Retail Trade

Retail sales in Hamilton for the year ending March 2008 were up 3.0% on the year ending March 2007, compared to a national increase of 4.0% for the same period. Retail sales in Hamilton totalled \$616.2m in the March 2008 quarter, representing 3.7% of New Zealand's total retail sales for this period, down 1% on the December 2007 quarter. Nationally, retail sales stood at \$16.6 billion for the March 2008 quarter only.



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: Census 2006).

Advantages for Business

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

Lifestyle

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

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