

ECONOMIC UPDATE FOR HAMILTON














This publication reports on a selection of key economic indicators for Hamilton, and that have the potential to impact on Council's business.

It provides an analysis of data and current trends in Hamilton relating to these indicators, and any identifiable impact they may have on Council.

It is intended to provide graphical and visual information and trends, with basic text analysis. For more detailed analysis and further data, Council's Strategy & Research Unit is available to provide further explanation (refer below for contact details).

The information is sourced mainly from Statistics New Zealand, Infometrics, and the Real Estate Institute of New Zealand (REINZ).

EXECUTIVE SUMMARY

Hamilton	New Data	Trend
Unemployment		
GDP		
Employee Count		
Business Count		
New Houses (value and floor area)		
Building Consents (monthly residential)		n/a
Accommodation Occupancy		

Favourable Change



Negative Change



Volatile / No trend



Little Change

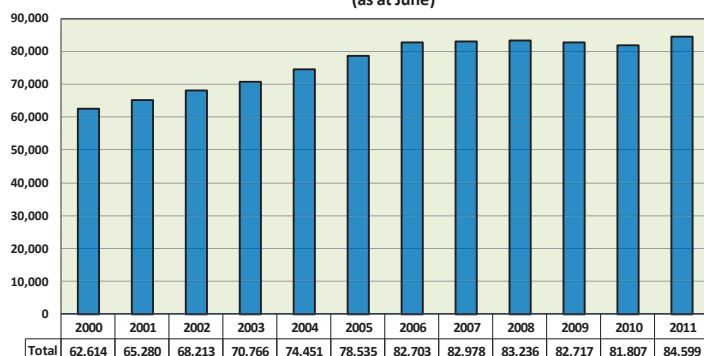


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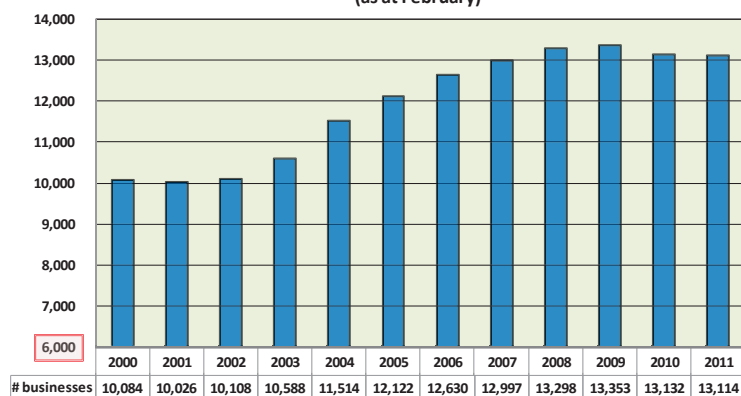
1. NUMBER OF EMPLOYEES AND BUSINESSES

Hamilton Total Employees
(as at June)



Source: Infometrics (ANZSIC)

Hamilton Business Count
(as at February)



Source: Statistics New Zealand

The Graphs Explained

- The **employment data** shows the total number of people employed in Hamilton by year at each June quarter end, using data from Infometrics.
- The **business data** shows the count or number of businesses in Hamilton by year. It is measured from the Statistics New Zealand Annual Business Frame Update Survey.

What do these indicators show?

Employment:

- Hamilton had a total of 84,599 people employed in the June 2011 quarter.
- Between 2010 and 2011 (June quarters) Hamilton recorded an increase of 2,792 jobs, with the largest net gain of 1,195 jobs occurring in the 'Education' sector. However, the 'Construction' sector recorded a net loss of 40 jobs.

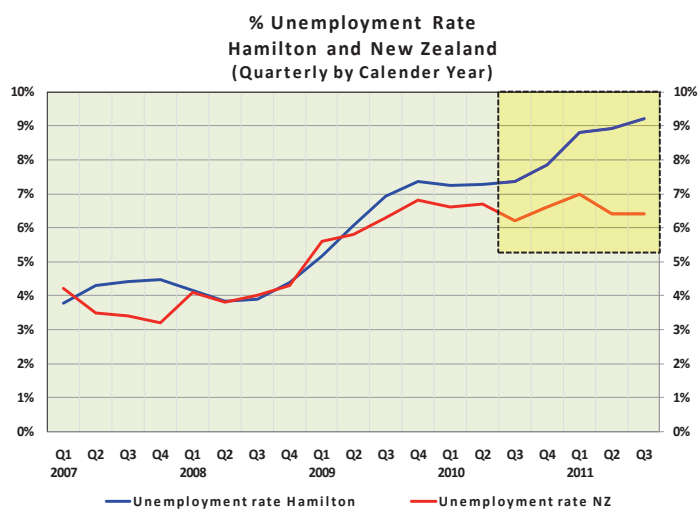
Business:

- Hamilton had a total of 13,114 businesses as at February 2011.
- The number of businesses in Hamilton remained mostly constant – a 0.1% decrease between February 2010 (13,132) and February 2011 (13,114).
- In this same period there was a net decrease of 20 businesses in the 'Construction' sector, while the 'Accommodation' sector recorded the largest net gain of 30 businesses.
- A period of strong growth between 2002 and 2008 (over 30%), reflects the credit boom and expansion leading up to the Global Financial Crisis (GFC) around 2008. Business count growth since the GFC has stalled and even reduced.

What does this mean for Hamilton and HCC?

- The scale of employment and business numbers, in addition to opportunity from available jobs, is one of the major drivers for migration to Hamilton, economic activity, and standards of living.
- High employment drivers also give Hamilton a competitive advantage over other regions, and drives growth.

2. UNEMPLOYMENT RATE



The Graph Explained

- The unemployment rate is the number of unemployed people expressed as a percentage of the total labour force.

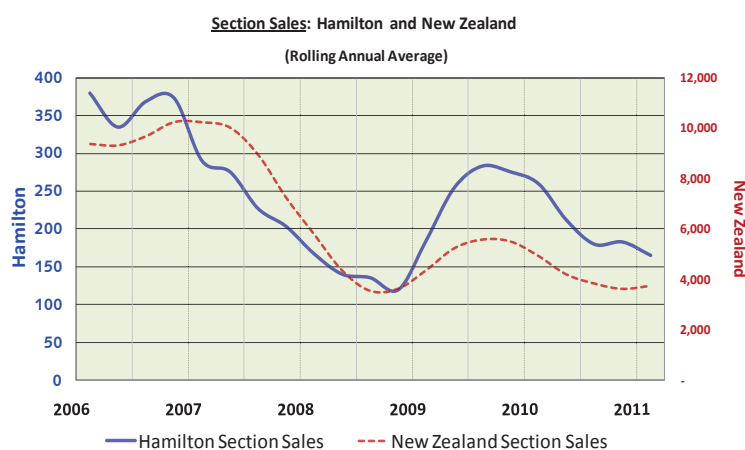
What does this indicator show?

- The September 2011 quarter unemployment rate in Hamilton was estimated at 7,200 or 9.9% (compared to 6,600; 8.7% unemployed for the September 2010 quarter).
- Hamilton's unemployment is increasing at a faster rate than national unemployment. Historically both had tracked about the same (refer yellow box).

What does this mean for Hamilton and HCC?

- There are many complex social and economic reasons and implications for rising unemployment – outside the scope for this paper. Council, as the community and economic leader in Hamilton, has a strong interest in a reducing unemployment rate notwithstanding the current economic environment.

3. HOUSE AND SECTION SALES



The Graphs Explained

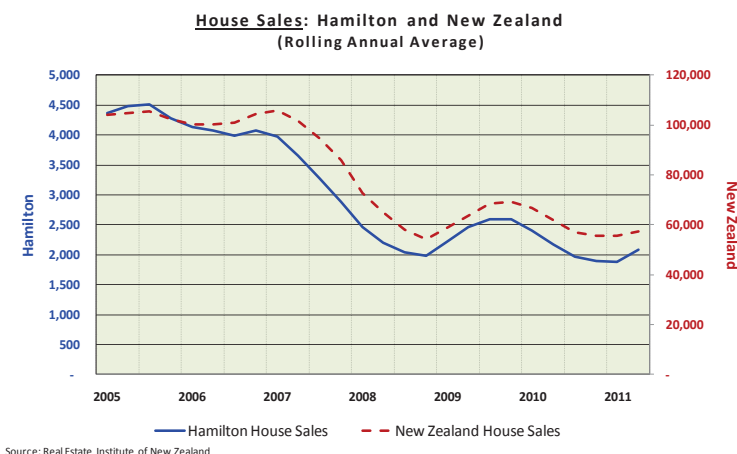
- Both graphs show the rolling annual average (sum of the 4 previous quarters) for section and house sales in both Hamilton and New Zealand.
- The two lines allow trend analysis, but not direct analysis by number of sales.

What Do These Indicators Show?

- Section sales from the rolling 12-month average to September 2011 have fallen to 165 (from 260 for the comparable period to September 2010).
- This is largely a result of the volatile global credit conditions, and the resulting uncertainties in the development market that follows.
- There has been a slight increase in house sales in the recent September 2011 quarter. In this uncertain environment it would be unwise to draw strong conclusions from this.

What does this mean for Hamilton and HCC?

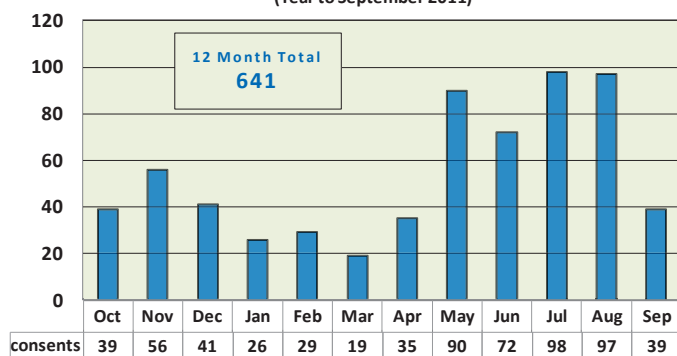
- Section sales directly impacts Council revenue via Development Contributions charges (at around \$30,000 per section titled).
- House sales reflect housing activity in the City. The market has been volatile and unpredictable due to uncertainty and credit restrictions.



4. BUILDING CONSENTS

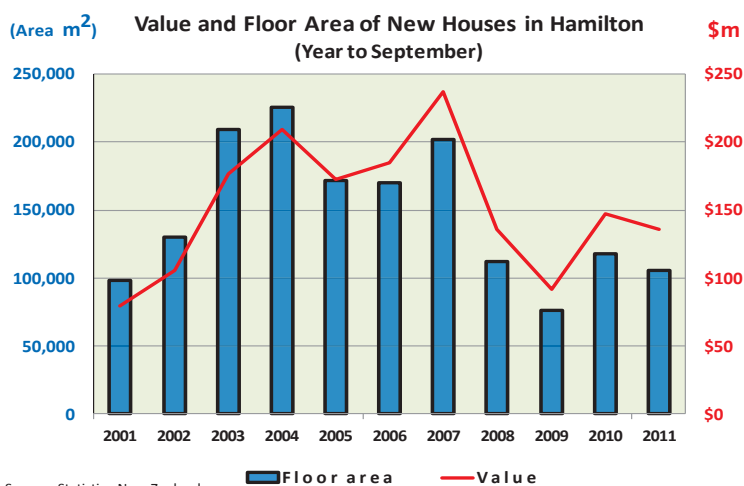
Building Consents

Hamilton Building Consents for New Houses
(Year to September 2011)



Source: Statistics New Zealand

House Value and Floor Area



Source: Statistics New Zealand

The Graphs Explained

Building Consents for Houses

- The graph shows the total number of building consents issued for houses in Hamilton per month, for the year to September 2011.

House Value and Floor Area

- The graph shows the total floor area and value of new houses in Hamilton by month.

Building Consents for Houses

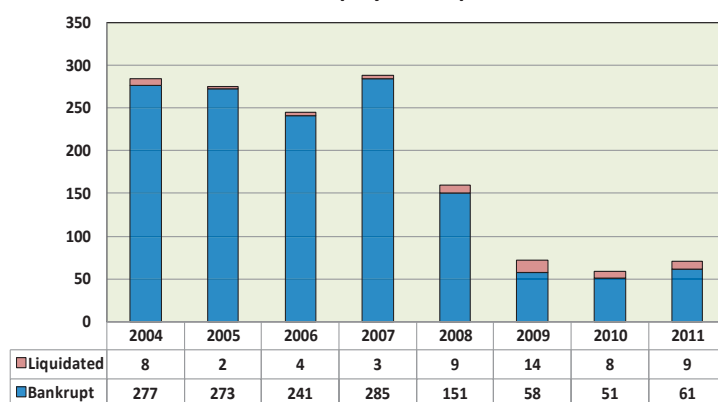
- The total number of building consents for new houses issued for the year ended September 2011 was 641, down 8 or 1.2% on the year ended September 2010 (649 consents issued).
- Monthly building consent numbers are typically uneven in distribution. There are cyclical elements and some seasonal elements, in addition to larger projects at certain intervals making trend analysis within a given year difficult.

House Value and Floor Area

- Total value of new houses fell to \$135.4m in the year to September 2011 (from \$147.2m in the comparable previous period, a decline of 8%).
- Total floor area for new residential buildings fell to 105,905m² (from 117,679m², a decline of 10%).
- There is a clear correlation between value and new floor area, indicating that the ratio of price to floor area for new houses is consistent year to year.
- The graph also illustrates the impact of tightening credit and the Global Financial Crisis, evidenced by the crash starting around 2007.

5. BANKRUPTCY AND LIQUIDATION

Hamilton Bankruptcy and Liquidation Count



Source: Ministry of Economic Development - Insolvency and Trustee Service

The Graph Explained

- The graph shows the number of successful bankruptcy applications, and the number of liquidations in Hamilton by year.

What does this indicator show?

- The indicator shows a decreasing trend of bankruptcies and data for liquidations.
- Hamilton's bankruptcy count typically represents less than 5% of the country's total bankruptcy count.
- Changing approaches by Courts and the small comparative number of Hamilton bankruptcies and liquidations mean this data should be considered from an anecdotal perspective.

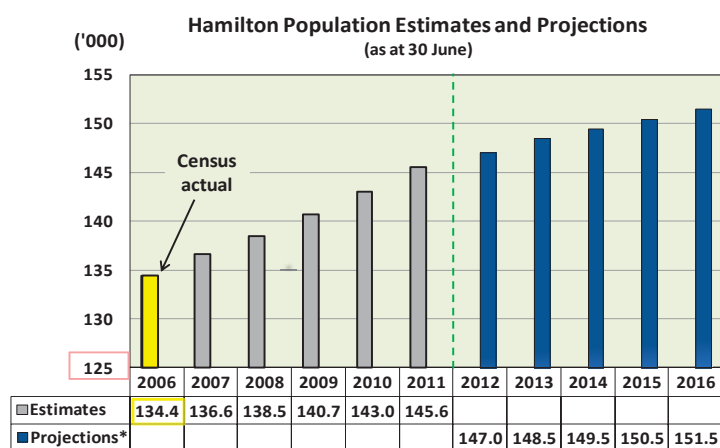
6. COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

- The value of consents issued for the year ended September 2011 for commercial/industrial buildings was \$71.4m, which represents a large drop from the previous year (59.1% decrease over the \$174.7m recorded for the year ended September 2010).
- This indicator is driven by large projects. The 2010 September year included several large consent value contribution (Hospital \$36m, The Base \$26m and Ministry of Education development at Te Rapa \$7m).
- There are a number of large commercial projects expected to come on line in the near future (listed below) hence this drop off is explained mostly by the 'lumpy' nature of these large contracts.
- The floor area of these buildings was 59,745m² for the year ended September 2011, a decrease of 21.7% over the 76,300m² recorded for the year ended September 2010.

Recently completed, in progress, or proposed commercial and industrial developments in Hamilton include:

- \$40m facelift for Centre Place shopping centre– expected opening Christmas next year.
- \$10m overhaul of Centre Place eateries completed.
- Titanium Park – Retailer Torpedo7 new headquarters and distribution centre commencing April 2012, with possible impact on freight potential for Hamilton Airport.
- CityGate – begin work early next year – high-end five story office and retail development, located at the corner of Anglesea and Ward streets.
- Tainui Group holdings to invest \$5m in CBD over next 5 years – plans to renovate its Ward street office block.
- Waikato University – completion and opening of new \$30m student centre (November 2011).
- Waikato Hospital's \$430m building programme began in 2005 and is scheduled for completion in 2013, that includes:
 - \$130m Meade Clinical Centre – opening March 2012 and to be completed in 2013.
 - \$4.5m laboratory refurbishment.

7. POPULATION AND MIGRATION



Source: (*refer report text): NZ Census / Infometrics / Future Proof

The Graph Explained

- The most recent Census data is from 2006, with the 2010 Census postponed until 2013 due to the Christchurch earthquake. As a result population related data estimates will be harder to predict, and will have higher margins of error.
- Estimates – produced by Statistics New Zealand.
- Projections – Council projections based on Infometrics data.

What does this indicator show?

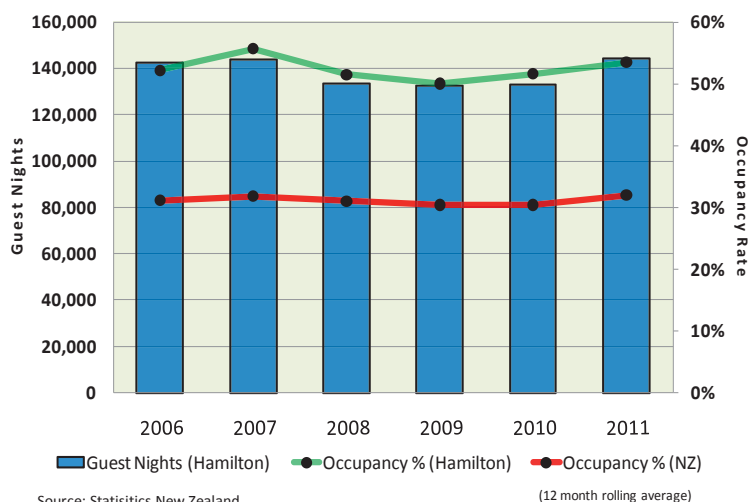
- Statistics New Zealand population estimates for Hamilton are 145,600 at June 2011, an increase of 2,200 (or 1.8%) on the previous year's figure of 143,000.
- Between September 2010 and September 2011 Hamilton recorded a natural population increase (births minus deaths) of 1,545 and a total net international migration decrease of 441.
- Council (via Infometrics) projects linear population increases of about 1% per year.

What does this mean for Hamilton and HCC?

- Recent Future Proof population projections for 2009-2011 were shown to be high, and Council has revised these downward using Infometrics data, reflected in the flatter and lower trend on the graph shown by the blue bars.

8. ACCOMMODATION OCCUPANCY RATE

Occupancy Rate and Guest Nights: Hamilton and New Zealand
(year ended September)



The Graph Explained

- The graph shows the total number of guest nights in Hamilton accommodation (blue bars) by September year-end.
- The green and red occupancy rate lines show the difference between Hamilton's (significantly higher) and New Zealand's occupancy %.

What does this indicator show?

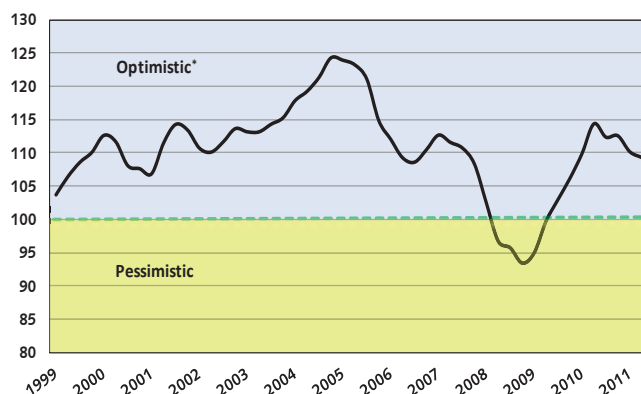
- The indicators show a highly favourable occupancy in Hamilton (at over 50% for the last 6 years) compared to only low 30%'s for New Zealand combined.
- This shows that there is a robust accommodation sector in Hamilton, in both volume and usage.
- The number of nights spent in Hamilton's commercial accommodation totalled 144,071 for the year ended September 2011, up 8.2% on the previous year's figure of 133,132. This was boosted by some early Rugby World Cup (RWC) activity.
- RWC increases are also expected to be reflected in next periods numbers too.

What does this mean for Hamilton and HCC?

- The figures indicate that Hamilton has a robust accommodation sector, with moderate increases in total guest nights, and a highly favourable occupancy rate.
- This provides comfort that there is appeal and volume of accommodation for visitors to the city.

9. CONSUMER CONFIDENCE – WAIKATO

Consumer Confidence Index - Waikato Region
(12 Month Rolling Average)



* being the net percentage of respondents expecting good, as opposed to bad, economic times over the coming year

Source: Infometrics

The Graph Explained

- This is an indicator of how the market perceives the economic climate and how confident consumers are about the next 12 months.
- Labels 'optimistic' and 'pessimistic' are a simplification. The complete definition is that an index number over 100 indicates that there are more optimists than pessimists, while a number under 100 indicates that pessimists outnumber optimists.

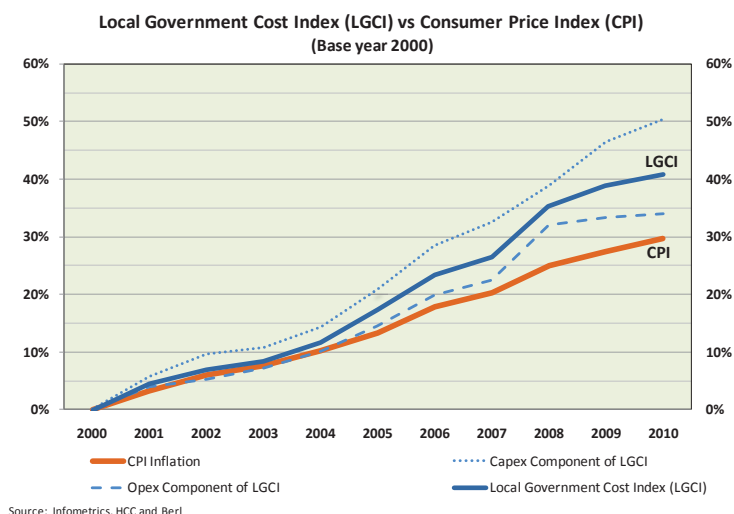
What does this indicator show?

- That consumer confidence steadily decreased from the mid 2000's and bottomed out in 2009. There has been a subsequent increase in the last 18 months as consumers find more comfort and put some distance from the GFC.

What does this mean for Hamilton and HCC?

- When consumer confidence is up, people tend to spend more. As the Waikato's consumer confidence is relatively low (112.5 for the year ended June 2011), people may be inclined to spend less in Hamilton. This is down 3% from the June 2010 figure of 116.

10. CPI PRICE INDEX AND LGCI COST INDEX



The Graph Explained

- The Local Government Cost Index (LGCI) indicates changes in the major costs faced by local government in New Zealand.
- The Consumer Price Index (CPI) is used to measure the changes in the price of goods and services purchased by New Zealand households. It is an indicator of the relative value of the dollar at any point in time.

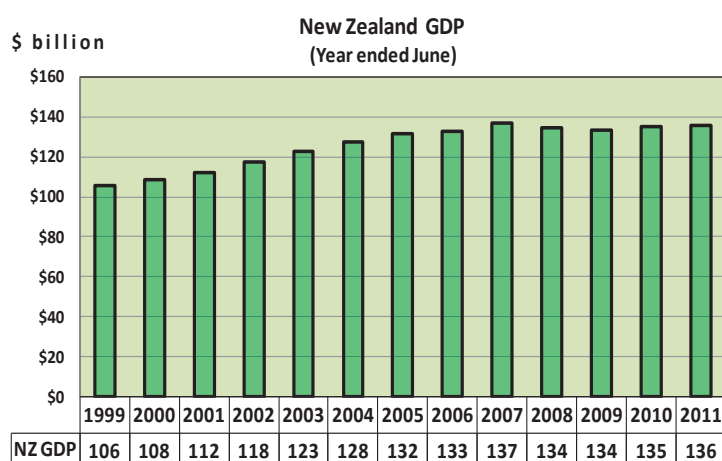
What does this indicator show?

- Simplistically, this shows that the LGCI tracks above the CPI, and is at a slightly higher rate of increase. It also shows that the capex component of the LGCI is the stronger driver (over opex).

What does this mean for Hamilton and HCC?

- Input costs for Council activities, represented by the LGCI, are higher, and rising faster than the CPI index. This allows more accurate and conservative cost inflation estimates for financial document preparation.

11. GROSS DOMESTIC PRODUCT (GDP)



The Graph Explained

- Gross Domestic Product (GDP) is an indicator of overall economic performance.
- It is the value of goods and services produced within a particular country, city or region.
- If goods are manufactured elsewhere but sold within the city only the retailer's gross profit margin contributes to GDP. If goods are manufactured within the city but transported by a local company to be sold elsewhere, the wholesale and transport costs contribute to its GDP.

What do these indicators show?

New Zealand:

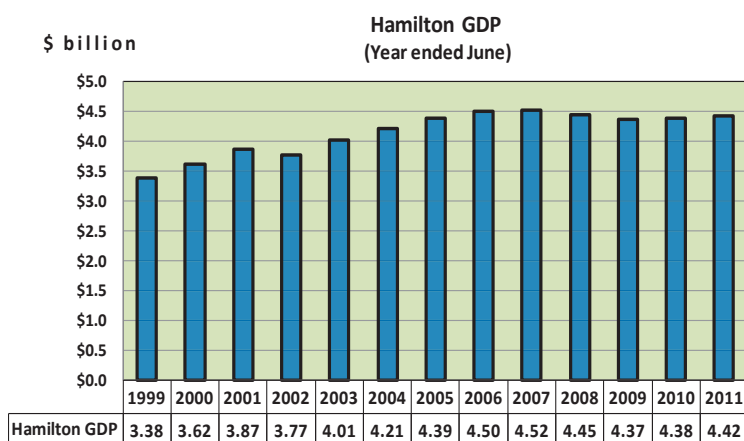
- The graph shows that the level of national GDP since 2007 has been effectively flat.

Hamilton

- There has been a small decrease in Hamilton's GDP since 2008, although there has been a slight improvement in Hamilton's GDP over the last 12 months.
- For the year ended September 2011, Hamilton's total GDP was estimated at \$4,419.9 million, a decrease of 3% from the \$4,518.1 million for the year ended March 2008.

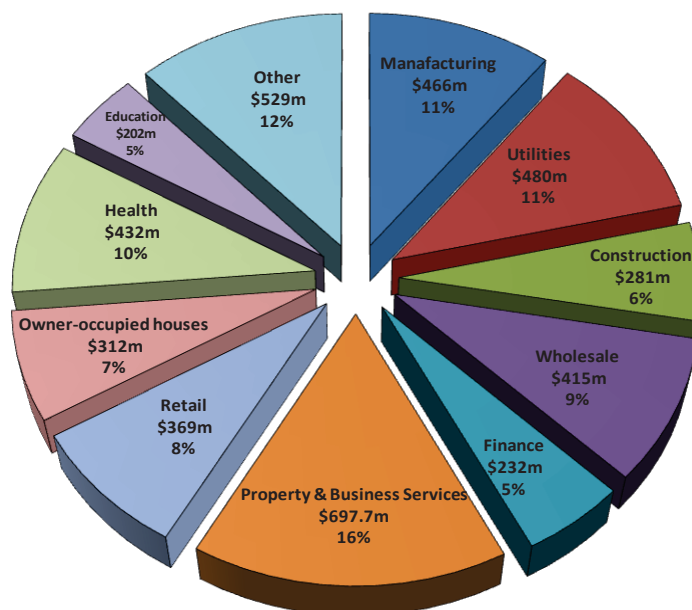
What does this mean for Hamilton and HCC?

- This macro indicator shows a slight rebound from the post GFC lows, and growth in the early 2000's.

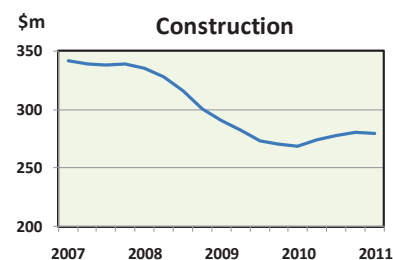
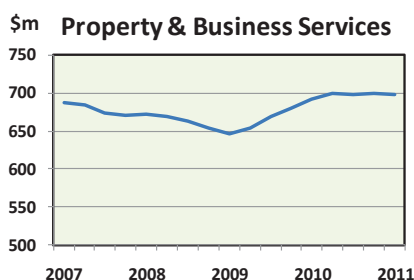
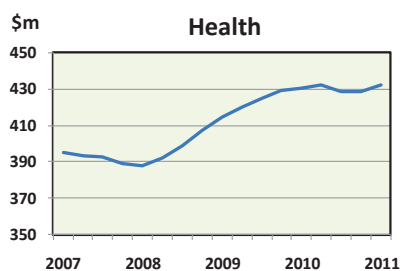


Hamilton GDP per Sector*

(Year to March 2011 Actuals)



*Simplified from ANZSIC GDP by sector (March 2011) Infometrics data
(June 2011 data available only 'estimates')



HAMILTON EMPLOYEE AND BUSINESS COUNT MAPS

The following maps show employment and business numbers for the major Census Area Units including Te Rapa (which includes 'The Base'), Chedworth (which includes the Westfield shopping centre), Hamilton Central (which includes the CBD), Frankton and University. At February 2011 these five areas accounted for 63.5% of Hamilton's businesses and 44% of the city's employment

Te Rapa – between 2000 and 2011 the number of businesses in Te Rapa increased by 69.1% (480) and employment by 83.3% (6,180). Opening of The Base in July 2005 has contributed significantly to business and employment growth in this area. Subsequent redevelopments of The Base since 2005 (including the 6,000m² 'Te Awa' mall in July 2010) now mean the centre has a total rentable area of 80,000m², making it New Zealand's largest retail complex under one ownership.

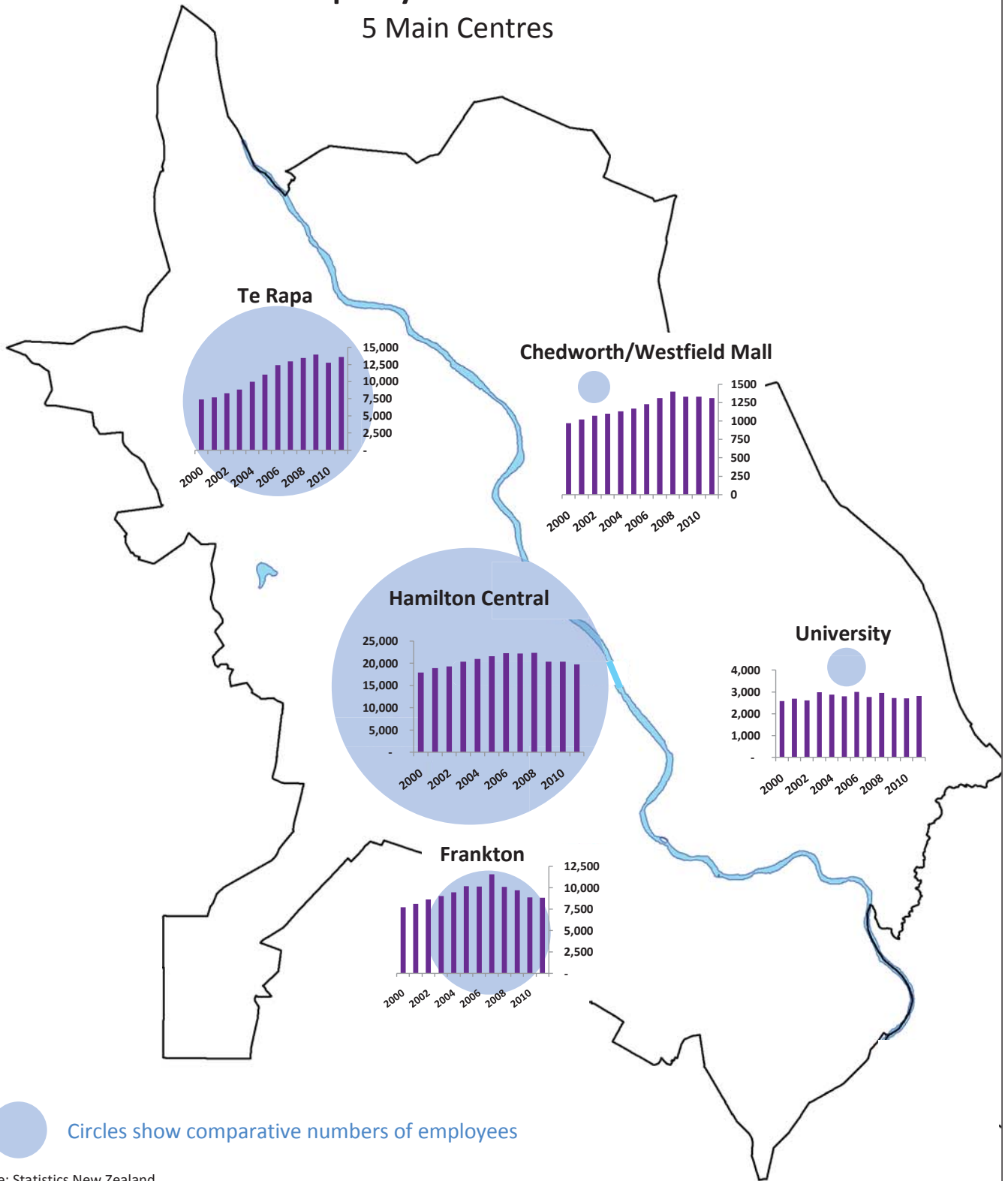
Chedworth - between 2000 and 2011 the number of businesses increased by 65.9% (145) and employment by 35.1% (340). The main driver behind this growth is the significant redevelopments to the Westfield shopping centre that have occurred since 2006 e.g. 2006 – completion of a \$40 million redevelopment; May 2007 – opening of a six-screen cinema complex; October 2010 - \$33 million expansion. Floor area of the shopping centre is now 28,500 m².

Disclaimer:

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Hamilton Employee Count: 2000-2011

5 Main Centres

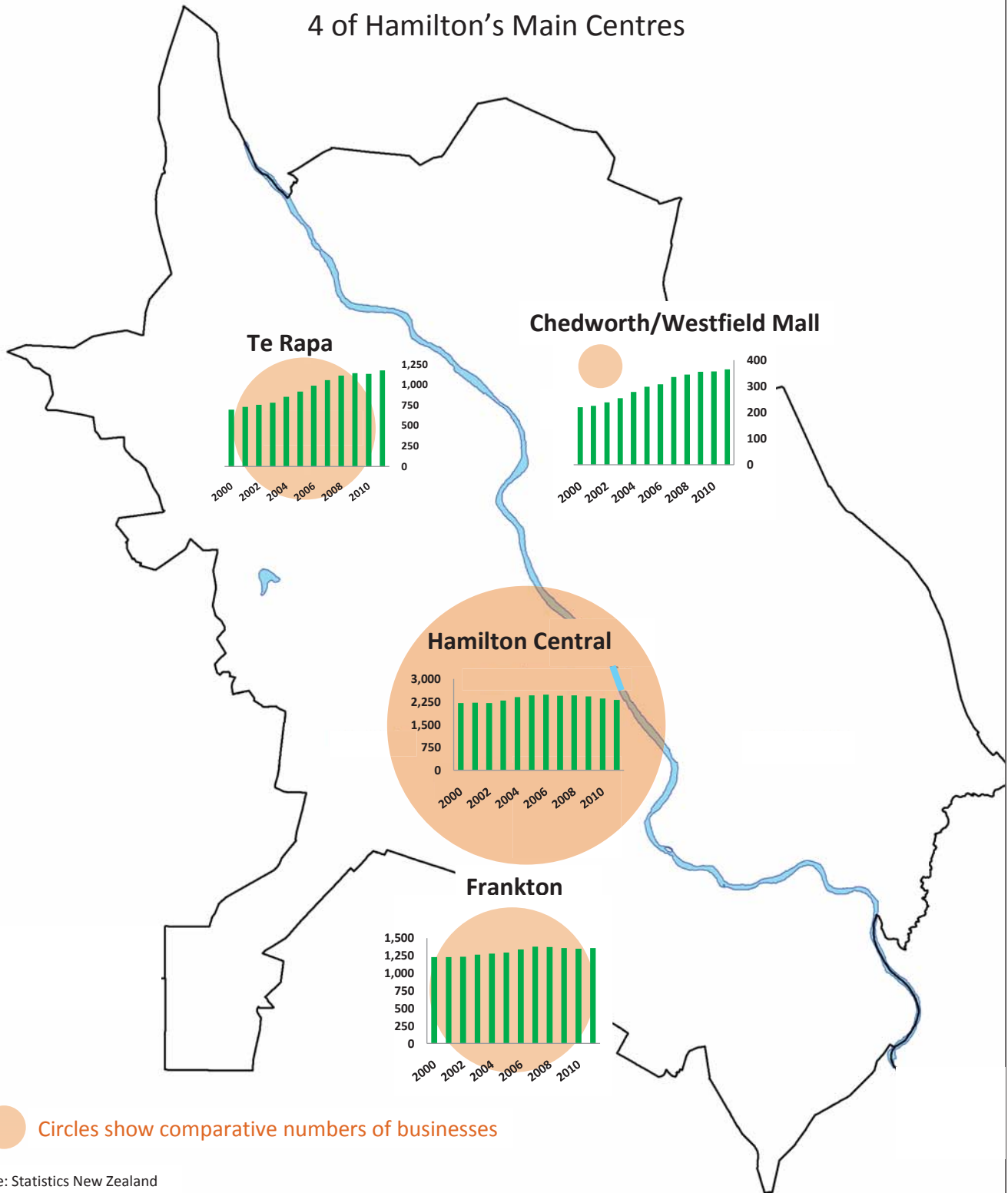


Source: Statistics New Zealand

Area	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Te Rapa	7,420	7,690	8,300	8,850	9,960	11,030	12,380	12,930	13,450	13,920	12,770	13,600
Dinsdale	1,020	930	880	860	870	940	770	780	860	820	830	750
Frankton	7,730	8,130	8,630	9,050	9,480	10,170	10,130	11,580	10,090	9,700	8,890	8,840
Chedworth	970	1020	1,070	1,100	1,130	1,170	1,230	1,310	1,400	1,330	1,330	1,310
Hamilton Central	17,940	18,920	19,320	20,370	20,970	21,600	22,300	22,200	22,350	20,390	20,330	19,770
University	2,580	2,690	2,610	2,980	2,880	2,800	3,010	2,770	2,960	2,730	2,710	2,810
Rest of City	18,130	19,460	21,790	23,440	27,190	27,960	30,620	31,530	31,830	26,840	24,550	23,550
Total Hamilton	56,810	59,770	62,100	65,130	68,880	72,030	74,690	77,690	77,990	75,490	73,200	74,140

Hamilton Business Count: 2000-2011

4 of Hamilton's Main Centres



Source: Statistics New Zealand

Area	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Te Rapa	695	730	754	781	853	916	987	1,057	1,111	1,140	1,131	1,175
Dinsdale	444	439	429	428	457	473	501	488	492	490	466	460
Frankton	1,228	1,227	1,233	1,266	1,279	1,296	1,337	1,377	1,372	1,356	1,349	1,357
Chedworth	220	225	239	254	278	298	308	336	345	355	356	365
Hamilton												
Central	2,206	2,213	2,210	2,287	2,398	2,455	2,474	2,440	2,451	2,420	2,357	2,304
University	113	99	90	106	115	140	152	180	199	193	187	174
Rest of City	4,734	4,654	4,724	5,038	5,677	6,071	6,370	6,631	6,836	6,909	6,820	6,819
Total												
Hamilton	10,084	10,026	10,108	10,588	11,514	12,122	12,630	12,997	13,298	13,353	13,132	13,114