PROPERTY ECONOMICS

OHINEWAI STRUCTURE PLAN

ASSESSMENT OF ECONOMIC EFFECTS

Client: Ambury Properties Ltd

Project No: 51826

Date: November 2019

SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics has been engaged by Ambury Properties Limited (**APL**) to undertake an assessment of economic effects for the proposed Ohinewai Structure Plan (**OSP**) and rezoning.

This analysis is designed to assess the economic implications of the OSP in the context of the RMA and to guide policy and rule development within the Structure Plan area relevant to commercial activity and to mitigate any potential adverse economic impacts. Also incorporated is an economic impact overview quantifying where possible the high-level economic costs and benefits arising out of the OSP's development during both the initial construction phase and on an ongoing basis on the local economy.

The subject site is located within the Waikato District, bounded by State Highway 1 and the main trunk railway line to the west and centred around the intersection of Lumsden and Tahuna Roads. The site of the proposed OSP is in close proximity to the township of Huntly, being an approximate 5 minutes' drive north (circa 7km).

This assessment of economic effects concerns the rezoning of approximately 178ha of Rural land to enable Business, Residential, Industrial land uses, open spaces for public recreational activities (passive and active) and nature restoration reserves within the proposed OSP. The proposed Structure Plan propositions to reconfigure the consented land use pattern away from its primary farmlands focus towards a comprehensive mixed use industrial, commercial and residential focus.

The proposed development of the OSP is intended to be an amalgamation of the Comfort Group production operations throughout Australasia, with an initial estimate of the total project construction costs in excess of $1 billion including over $225 million for civil works. The proposed development consists of establishment of a new 100,000 sqm Comfort Group factory, supporting 1,500 jobs in addition to accommodating industrial, residential and commercial (including retail) uses

The purpose of this report is to assess the potential economic effects arising out of the development of the OSP as proposed on the local and regional economies.

1.1. OBJECTIVES

The purpose of this report is to assess the market for some specific land uses, identify high-level economic costs benefits and quantify the economic impacts of the OSP's development.

This analysis undertakes a high-level market assessment of the three primary sector land uses proposed within the OSP – industrial, commercial (including retail) and residential.

The key objectives of the economic effects analysis include:

Residential

- Determine the scale and composition of growth within the market over the next 20-year period (population and households).
- Assess price point of residential dwelling stock and its competitive nature in the market on a comparative basis.
- Assess the level of demand originating from onsite employment activities.

Industrial

- Assess the locational attributes of the OSP site in terms of key industrial sector location criteria.
- Evaluate the size of industrial employment in the local and district level markets over a 20-year period to 2038.
- Determine the level of 'flow-on' industrial sector GFA in the Waikato District as a result of The Comfort Group being developed.
- Assess the current zoned industrial land provision within the localised market.
- Assess zoned (industrial land) capacity against location attributes of the OSP site.
- Determine whether the proposed OSP would undermine any identified industrial nodes, with a particular focus on implications for Huntly.

Commercial / Retail

- Quantify the level of retail expenditure generated by the OSP development (residential and business generated) on an annualised basis, and the additional expenditure it would add to the localised (Huntly) market.

- Determine the amount of retail GFA that can be sustained within the OSP development.
- Identify the current commercial centres network within the surrounding environs.
- Breakdown the retail and commercial components of the Huntly and Te Kauwhata retail centres and assess their composition based on employment data.
- Determine the potential effects of the OSP retail provision on Huntly and Te Kauwhata in a RMA context.
- Assess the market of the proposed discount outlet centre and where shoppers are likely to be derived.
- Assess relevant policy settings (RPS and FutureProof) and discuss implications of the proposed discount outlet's market, in an economic context.

Economic Cost Benefit

- Outline some higher-level economic costs and benefits derived from the OSP and the various land use activities proposed for the site.

The key objectives of the economic impact analysis include:

- Estimate the additional jobs and income provided for both the local and wider economy as a result of OSP development.
- Estimate the likely direct job creation and direct economic income for both Ohinewai / Huntly and Waikato Region.
- Estimate the on-going injection into the economy from the operation of the proposed mix of activities and the increased localised spend and production resulting from the increased residential, commercial and industrial base. This will be limited to the economic injection brought about within the development of the OSP itself.
- Analyse how benefits from construction expenditure has flow on effects to the rest of the economy. These flow-on effects take the form of **'indirect'** economic impacts such as the activity generated by the suppliers of the construction (and technical 'residential / commercial spend'), and 'spill-over' economic benefits such as other forms of retail spending in the area by 'unique' parties.
- Analyse 'induced' economic impacts which include the flow-on spending resulting from more jobs and direct income generated by the proposed development.
- The total number of jobs likely to be created per annum (and over the full construction phase) for both Ohinewai / Huntly and Waikato Region by sector.
- The value added by the development to the local and Regional economies.
- The total increase in economic activity brought about by the proposed development.

1.2. INFORMATION & DATA SOURCES

Information has been obtained from a variety of what Property Economics consider to be reputable and reliable data sources and publications, including:

- Census of Population and Dwellings 2013 - Statistics NZ
- Household and Population Projections – Statistics NZ
- Waikato Regional Policy Statement – Waikato Regional Council
- FutureProof Strategy 2017, – FutureProof
- Proposed Ohinewai Structure Plan – ADAP+
- OSP Cost Estimates – Gaze Commercial
- Business Frame Employment Data 2019 – Statistics NZ
- Input / Output Tables – Statistics NZ (extrapolated to 2018 by Property Economics)
- Business Growth Modelling – Property Economics
- Residential Sales Price Data – MBIE
- Waikato Region Economy – Environment Futures Report – Waikato Regional Council

2. PROPOSED OSP DEVELOPMENT

The Comfort Group owns and operates two factories within the Auckland Region: the Dunlop Foams factory in Avondale and a Sleepyhead Manufacturing factory in Otahuhu with warehousing in Glen Innes. As outlined in Stefan Geertsema's affidavit to Council dated August 2019, the existing facilities have significant site restrictions and are considered to be past their *"use by"* date (or useful economic life).

This new development is designed to achieve two main goals for the company:

1. Firstly, to consolidate and expand their current operations and improving The Comfort Group's productive efficiency by doing so.
2. Secondly, the owners of The Comfort Group are committed to investing into affordable residential homes for their workers who typically earn lower wages and face financial difficulties securing more permanent living arrangements in Auckland.

The Comfort Group's full development is proposed to be a 178ha mixed-use urban development located around 7km north of Huntly travelling on State Highway 1. The primary activity on the site will be a newly built 100,000sqm Comfort Group factory, which is intended to be an amalgamation of Comfort Group's production operations throughout Australasia employing up to 1,500 staff. Additionally, the development will provide for 132,000 sqm of general industrial activity with an estimated 43,440sqm of commercial space.

Currently, the Ohinewai site is predominantly vacant of improvements aside from a few rural properties and is primarily comprised of lower-lying rural farmland which has necessitated the requirement for significant Civil Works. Some retail activities are proposed, and other industrial activity would be predominantly Light Industrial while retail usage is proposed to be dominated by bulk retail activity.

Table 1 provides a summary of the land use areas and gross floor area (GFA) yields of the factory, industrial and commercial components of the proposed development.

TABLE 1: PROPOSED OHINEWAI DEVELOPMENT BUSINESS LAND USES

Land Use	Land Use Area (ha)	Footprint (ha)
Sleepyhead Factory	37	10
Total Industrial	62.7	13.3
Business	8.7	4.3

Source: Property Economics, Comfort Group

The residential component of the proposed development has a land coverage of 52.2ha and is proposed to accommodate approximately 1,100 homes. Two thirds of these homes are proposed to be higher density terraced housing, while the balance is proposed to be general density standalone housing. The residual 54.8ha of the development is accounted for by open space and reserve areas.

The Factory, Commercial and Industrial activities are primarily located to the western half of the development (closer to SH1 and the main trunk railway line), while residential activities and open space / reserve areas extend to the east. The illustrative masterplan of the proposed development has been included in Appendix 1.

3. ECONOMIC EFFECTS OF RETAIL ACTIVITY

This section assesses the economic effects of the proposed retail development within the OSP. Of the 43,000 sqm in commercial floorspace proposed, the proposal has outlined two retail centres;

1. A small cluster of convenience retail shops designed to supply and support the local residential and business activity, and
2. A Discount Factory Outlet (**DFO**) centre designed to serve a much broader market by providing discount goods, with some from manufacturing activity within the Ohinewai development.

These two retail centre types have quite different catchments and target markets so will be assessed separately.

The process in the following sections sets out the projected retail expenditure and sustainable GFA forecasts that are likely to be generated by additional 1,100 households along with the OSP employment base and businesses within the OSP. It further assesses the appropriate size and typology of the retail provision within Ohinewai, and the potential economic effects arising from its development to ensure the retail provision in the OSP does not generate significant adverse effects on the wider commercial centre network.

The first centre to be assessed is the local convenience centre.

3.1. LOCAL CONVENIENCE CATCHMENT

The local market catchment for a small cluster of convenience shops in the OSP development is Ohinewai itself, i.e. any convenience retail shops within the OSP would primarily service the local Ohinewai residents and workers and not rely on drawing custom from further afield.

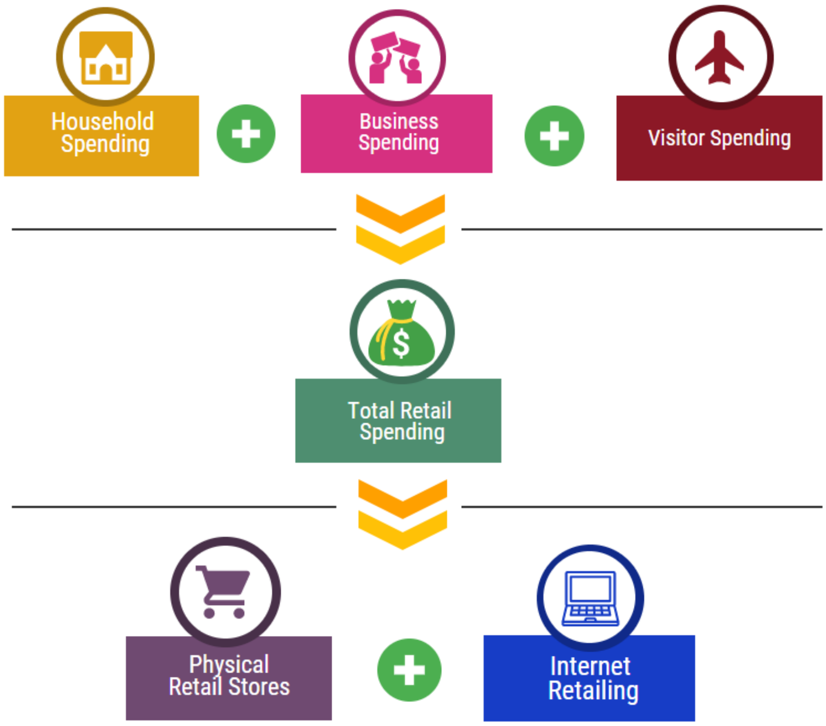
3.2. RETAIL EXPENDITURE MODEL

This section sets out the modelling process to determine the 2030 retail demand once the OSP residential is fully developed– (which for the purposes of this analysis is assumed to be 2030). These forecasts have been based on the proposed residential and workers based within the OSP. and have been prepared using the Property Economics Retail Growth Model.

A more detailed breakdown of the Growth Model and its inputs is set out in Appendix 2.

The following flow chart provides a graphical representation of the Property Economics Retail Expenditure Growth Model.

FIGURE 1: PROPERTY ECONOMICS RETAIL EXPENDITURE MODEL OUTLINE



Source: Property Economics

GROWTH IN REAL RETAIL EXPENDITURE

For the purposes of projecting retail expenditure, growth in real retail spend has been incorporated into the model at a rate of 1% per annum over the forecast period. This 1% rate is based on the level of debt retail spending, interest rates and changes in disposable income levels, and is the average inflation adjusted increase in spend per household over the assessed period.

LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the identified market do not necessarily equate to the sales within that particular area. Residents can freely travel in and out of the area, and they will typically choose the centres with their preferred range of stores, products, brands, proximity, accessibility and price points. A good quality offering will attract customers from beyond its core market, whereas a low-quality offering is likely to experience retail expenditure leakage out of its core market.

Therefore, the retail expenditure generated in an area represents the sales centres or retail stores within that area could potentially achieve and is the key influence on what the market can potentially sustain. This should not be interpreted as a negative for any potential retail activity in Ohinewai, but simply represents normal commercial market mechanisms (competition) and is a consideration that needs to be appropriately accounted for in any retail economic analysis.

EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2019 NZ dollars and exclude the following retail activities, as categorised under the ANZSIC categorisation system:

- Accommodation (hotels, motels, backpackers, etc.)
- Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)
- Hardware, home improvement, building and garden supplies retailing (e.g. Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

The above retail sectors have been excluded because they are not considered to be core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality, particularly convenience centres like Ohinewai. Modern retail centres do not rely on these types of stores to be viable or retain their role and function in the market as such stores have the potential to generate only non-consequential trade competition effects rather than flow-on retail distribution effects in the context of the RMA. Therefore, the retail centre network's economic wellbeing and social amenity cannot be unduly compromised.

The latter two bullet points contain activity types that generally have great difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that for most of these activity types it would be unviable to establish new stores in centres given their modern store footprint requirements and untenable to remain located within them for an extended period of time (beyond an initial lease term) in successful centres due to property economic considerations such as rent, operating expenses, land value, operational and functional requirements and site sizes.

Trade orientated activities such as kitchen showrooms, plumbing stores, electrical stores and paint stores are also excluded from the model for similar reasons. This is not to imply that these activity types are not situated in centres, as in many instances some of these stores types remain operating in centres as a historic overhang.

However, in the future, it is increasingly difficult from a retail economic perspective to see these store types establishing in centres (new or redeveloped), albeit they likely have equal planning opportunity to do so. As such, demand for these store types is additional to the retail demand assessed in this analysis.

CONVENIENCE STORES

Convenience retailing can be generally defined as stores used for quick stop and frequently required shopping, used primarily due to their close proximity and easy accessibility for the customer. These stores are not exclusive to any one retail category with examples of such stores including, dairies, bakeries, fruit & vegetable stores, cafes and restaurants.

Supermarkets, albeit being a large footprint store, are also classified as convenience stores given they predominantly service more localised catchments, the products sold are largely homogenous between supermarket stores and they tend to be fairly evenly distributed right across an area's urban fabric.

SUSTAINABLE GFA

This analysis uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floor space proportionate to an area's retainable retail expenditure that is likely to result in an appropriate quality and offer in the retail environment. This does not necessarily represent the 'break even' point, but a level of sales productivity ($/sqm) that allows retail stores to trade profitably and provide a good quality retail environment, and thus economic wellbeing and social amenity.

It is also necessary to separate the Gross Floor Area into:

- Net retail floorspace (Sustainable Floorspace); and
- Back office floorspace does not generate any retail spend (Back Office Floorspace)

A store's net retail floor area only includes the area which displays the goods and services sold and represents the area which the general public has access. By contrast, the Gross Floor Area typically represents the total area leased by a retailer. Back Office Floorspace in a retail store is the area used for storage, warehousing, staff facilities, admin functions, toilets and other 'back office' uses.

These activities on average occupy around 25-30% of a store's GFA but can vary (higher and lower) between individual retailers based on operational and functional requirements. It is important to separate out such back office floorspace from sustainable floorspace because back office floorspace does not generate any retail spend. For the purposes of this analysis a 30% ratio has been applied to net retail floorspace to provide an appropriate level of sustainable GFA.

3.3. CONVENIENCE RETAIL OFFERING

To assess a suitable convenience centre size, Table 2 breaks down the total convenience spend that is expected to be generated by residents and additional workers and businesses at Ohinewai.

TABLE 2: ANNUAL OHINEWAI CONVENIENCE RETAIL EXPENDITURE ($M)

Convenience Spend	2030
Residents	$4.0
Additional Workers and Business	$2.4
Total	**$6.4**

Source: Property Economics

At a broad level, convenience retail spend is estimated to represent around 19% of all retail expenditure (excluding supermarket spend) and this proportion has been adopted for the purpose of this analysis.

The additional 1,100 households coupled with additional workers and businesses in Ohinewai is expected to generate around $6.4 million per annum of convenience expenditure by 2030.

Sustainable GFA Forecast and Centre Land Requirements

Table 3 shows the level of sustainable retail convenience GFA and the resulting land requirements by 2030 under the assessed growth scenario and assuming the development has been fully constructed by this time. It excludes supermarkets, land for parks, reserves, playgrounds and community facilities. Land for these land uses would be additional to the land areas identified in Table 3. With such a small population base a large modern full-service supermarket is not considered a viable proposition in Ohinewai at full development. The majority of Ohinewai's supermarket spend is likely to be spent in Huntly (Countdown).

TABLE 3: SUSTAINABLE CONVENIENCE RETAIL GFA AND LAND REQUIREMENTS

Ohinewai Catchment	2030
Net Convenience Retail Demand Increase ($m)	$6.4
Retail GFA (sqm)	1,660
Non-Retail Commercial Service (sqm)	830
Total Retail / Commercial Service Requirement (sqm)	**2,490**
Retail Land (sqm)	3320
Non-Retail Commercial Service Land (sqm) Default Storey Average	1,660
Likely Land Requirement (ha)	**0.5**

Source: Property Economics

The sustainable levels of convenience retail GFA from likely expenditure generated within Ohinewai is expected to be around 1,660 sqm. However, convenience centres typically have some commercial service store types as well. This can be around half the retail provision in a small convenience centre, which would bring the total sustainable floorspace to around 2,500 sqm.

For small convenience shops parking provision is often directly outside the stores on the road which the centre is located. This lowers the land requirement for parking on centre land. Applying a 50% GFA to land ratio the convenience centre land requirement based on the available spend generated would be around 0.5ha. This may not all be located in one location but a couple of smaller convenience centre provisions.

3.4. TRADE COMPETITION VS DISTRIBUTION EFFECTS

In terms of assessing potential retail economic effects under the RMA there is first a need to differentiate between trade competition effects and flow-on retail distribution effects.

By themselves, trade competition effects are not justification for declining a retail consent application under the RMA, unless they are of a level that generates significant adverse flow-on retail distribution effects on the existing centre network of the area. It is within this broader context that the relative merits of the proposal needs to be considered.

Retail distribution effects are generated by, and are the result of, consequential trade competition and retail activity disbenefit effects. These effects can range across the spectrum (positive and negative) depending on the level of effects generated, which are heavily dependent on the scale, type and location of the proposed activity, among other attributes.

Where the patterns of support and retail activity within an existing centre would not change dramatically within a locality as a consequence of a proposed activity, then the retail distribution effects are not considered to be significant.

Put another way, retail distribution effects would occur where a new business (or cluster of businesses) affects an existing centre to such a degree that it would erode a centre's viability, causing a decline in its function and amenity, and disenabling the people and communities who rely upon those existing (declining) centres for their social and economic wellbeing.

Retail distributional effects are differentiated from the effects of trade competition on trade competitors, which are to be disregarded pursuant to s104 (3)A of the RMA when considering resource consent applications.

Although retail distributional effects are a relevant consideration for a consent authority, it should be noted that Environment Court case law has made it clear that those effects must be significant[1] (but not necessarily ruinous) before they could properly be regarded as going beyond the effects ordinarily associated with trade competition.

3.5. EXISTING RETAIL IN HUNTLY AND TE KAUWHATA

Tables 4 and 5 contain the employment counts and business counts for the Te Kauwhata and Huntly centres. The purpose of this section is to assess at a high level the current retail provision within the surrounding centres and their respective composition.

TABLE 4: NUMBER OF STORES AND EMPLOYMENT COUNT FOR TE KAUWHATA

Job Category	No of Stores	% of Stores	Employment Count	% of Employment
Cafes, Restaurants and Takeaway Food Services	3	25%	6	20%
Clothing, Footwear and Personal Accessories Retailing	0	0%	0	0%
Clubs (Hospitality)	0	0%	0	0%
Furniture, Floor Coverings, Houseware and Textile Goods Retailing	0	0%	0	0%
Pharmaceutical and Other Store-Based Retailing	0	0%	0	0%
Pubs, Taverns and Bars	0	0%	9	30%
Recreational Goods Retailing	3	25%	0	0%
Specialised Food Retailing	3	25%	0	0%
Supermarket and Grocery Stores	3	25%	15	50%
Total	**12**		**30**	

Source: Property Economics

Te Kauwhata is located 10 mins by car north of Ohinewai and contains a small convenience provision for its local community. Te Kauwhata contains 12 retail stores employing around 30 employees. Convenience food and beverage store types dominate the centre's retail provision accounting for around 75% of its retail offer.

Given its distance and extent of retail provision, Property Economics consider there is no propensity for a small convenience retail provision in Ohinewai to attract significant customer away from Te Kauwhata to purchase similar goods. Some non-consequential trade competition effects may arise at best but nothing that would threaten the role, function and viability of the Te Kauwhata centre as a whole.

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[1] *Northcote Mainstreet vs North Shore City Council (High Court, CIV-2003-404-5292), Randerson J stated: "In regard to shopping centres, I would not, with respect, subscribe to the view that the adverse effects of some competing retail development must be such, as to be ruinous before they could be considered. But they must, at the least, seriously threaten the viability of the centre as a whole with on-going consequential effects for the community served by that centre*

Furthermore, offsetting any trade competition effects is the projected robust growth for Te Kauwhata which would contribute a lot more retail spend to the Te Kauwhata market relative to any trade competition loss from Ohinewai.

As such in Property Economics opinion the proposed local convenience provision in Ohinewai has no potential to generate any adverse RMA effects of consequence on Te Kauwhata.

TABLE 5: NUMBER OF STORES AND EMPLOYMENT COUNT FOR HUNTLY

Job Category	No of Stores	% of Stores	Employment Count	% of Employment
Cafes, Restaurants and Takeaway Food Services	15	25%	110	37%
Clothing, Footwear and Personal Accessories Retailing	6	10%	15	5%
Clubs (Hospitality)	3	5%	15	5%
Furniture, Floor Coverings, Houseware and Textile Goods Retailing	3	5%	0	0%
Pharmaceutical and Other Store-Based Retailing	12	20%	35	12%
Pubs, Taverns and Bars	0	0%	0	0%
Recreational Goods Retailing	0	0%	3	1%
Specialised Food Retailing	6	10%	18	6%
Supermarket and Grocery Stores	6	10%	100	34%
Total	**60**		**296**	

Source: Property Economics

Huntly is the main commercial centre for the wider catchment. It has a significantly larger commercial provision than any other centre in the area with around 60 retail stores employing nearly 300 people.

Huntly is focussed on small speciality store and convenience-oriented store types with no meaningful large format retail offer. The Countdown supermarket is the largest footprint retail store in the centre and services both Huntly and surrounding rural environs.

Cafes, restaurants and takeaway stores is the largest sector accounting for 25% of the centre's retail provision with a small scattering of non-food retail stores across the balance of the centre. This increases to 45% if other food sectors are included.

Huntly also has a strong non-retail store presence in terms of commercial services and community facilities which underpins the role and function of Huntly as a whole.

Huntly is in very close proximity to Ohinewai (approximately 5 mins by car) and would benefit from attracting additional convenience spend generated by the Ohinewai development. Being the primary commercial centre in the localised area (and only supermarket), Ohinewai residents would travel to Huntly on a regular basis for retail and commercial services which would help to improve the performance, vitality and vibrancy of the Huntly Town Centre. Any town centre would benefit from an injection of 1,100 homes and new industrial park within 5 mins of its location to the tune of millions of dollars per year, and Huntly is no different.

As such any small grouping of convenience shops in Ohinewai has no propensity to adversely affect Huntly. In fact, the contrary would be the reality with Ohinewai adding significant economic value to the Huntly town centre and improve its current '*state*' of performance and economic '*health*'.

3.6. APPROPRIATE PLANNING SETTINGS FOR CONVENIENCE CENTRE

Based on the preceding convenience retail analysis the following planning settings are considered appropriate for a small convenience centre provision in the OSP development to ensure no adverse retail distribution effects are generated and ensure a convenience role and function is delivered to the market.

- Individual leasable retail units shall have a gross leasable floor area of no more than 400sqm.
- Any grocery store shall have a gross floor area of no more than 1,000sqm.
- Any individual office tenancy shall be no more than 200sqm.
- The total combined gross floor area of convenience retail (including the grocery store) and stand-alone office activities within the Ohinewai Structure Plan must not exceed 2,500sqm.

3.7. COMMERCIAL DEVELOPMENT IN FUTUREPROOF AREA

Policy 6.16 of the Waikato Regional Policy Statement outlines important considerations for new commercial development within the FutureProof area. The policy has a focus as stated:

> *"Management of the built environment in the **Future Proof area** shall provide for varying levels of **commercial development** to meet the wider community's social and economic needs, primarily through the encouragement and consolidation of such activities in existing commercial centres , and predominantly in those centres identified in Table 6-4 (section 6D)".*

Ohinewai is not an identified area in Table 6-4 and as such commercial development is to be managed to:

a. support and sustain the vitality and viability of existing commercial centres identified in Table 6-4 (section 6D);

b. support and sustain existing physical resources, and ensure the continuing ability to make efficient use of, and undertake long-term planning and management for the transport network, and other public and private infrastructure resources including community facilities;

c. recognise, maintain and enhance the Hamilton Central Business District as the primary commercial, civic and social centre of the Future Proof area;

d. recognise that in addition to retail activity, the Hamilton Central Business District and town centres outside Hamilton are also centres of administration, office and civic activity. These activities will not occur to any significant extent in Hamilton outside the Central Business District in order to maintain and enhance the Hamilton Central Business District as the primary commercial, civic and social centre;

e. recognise, maintain and enhance the function of sub-regional commercial centres;

f. maintain industrially zoned land for industrial activities unless it is ancillary to those industrial activities, while also recognising that specific types of commercial development may be appropriately located in industrially zoned land; and

g. ensure new commercial centres are only developed where they are consistent with a) to f) of this policy. New centres will avoid adverse effects, both individually and cumulatively on:

i) the distribution, function and infrastructure associated with those centres identified in Table 6-4 (section 6D);

ii) people and communities who rely on those centres identified in Table 6-4 (section 6D) for their social and economic wellbeing, and require ease of access to such centres by a variety of transport modes;

iii) the efficiency, safety and function of the transportation network; and

iv) the extent and character of industrial land and associated physical resources, including through the avoidance of reverse sensitivity effects.

Policy 6.16(g) is of most relevance for the proposed retail activity in Ohinewai. The proposed small convenience is serving its local community of fundamental and frequently purchased retail goods and services. Ohinewai represents the most efficient location to service these requirements from an economic perspective and is simply too small in scale to have any propensity to undermine the role, function and viability of any existing centre.

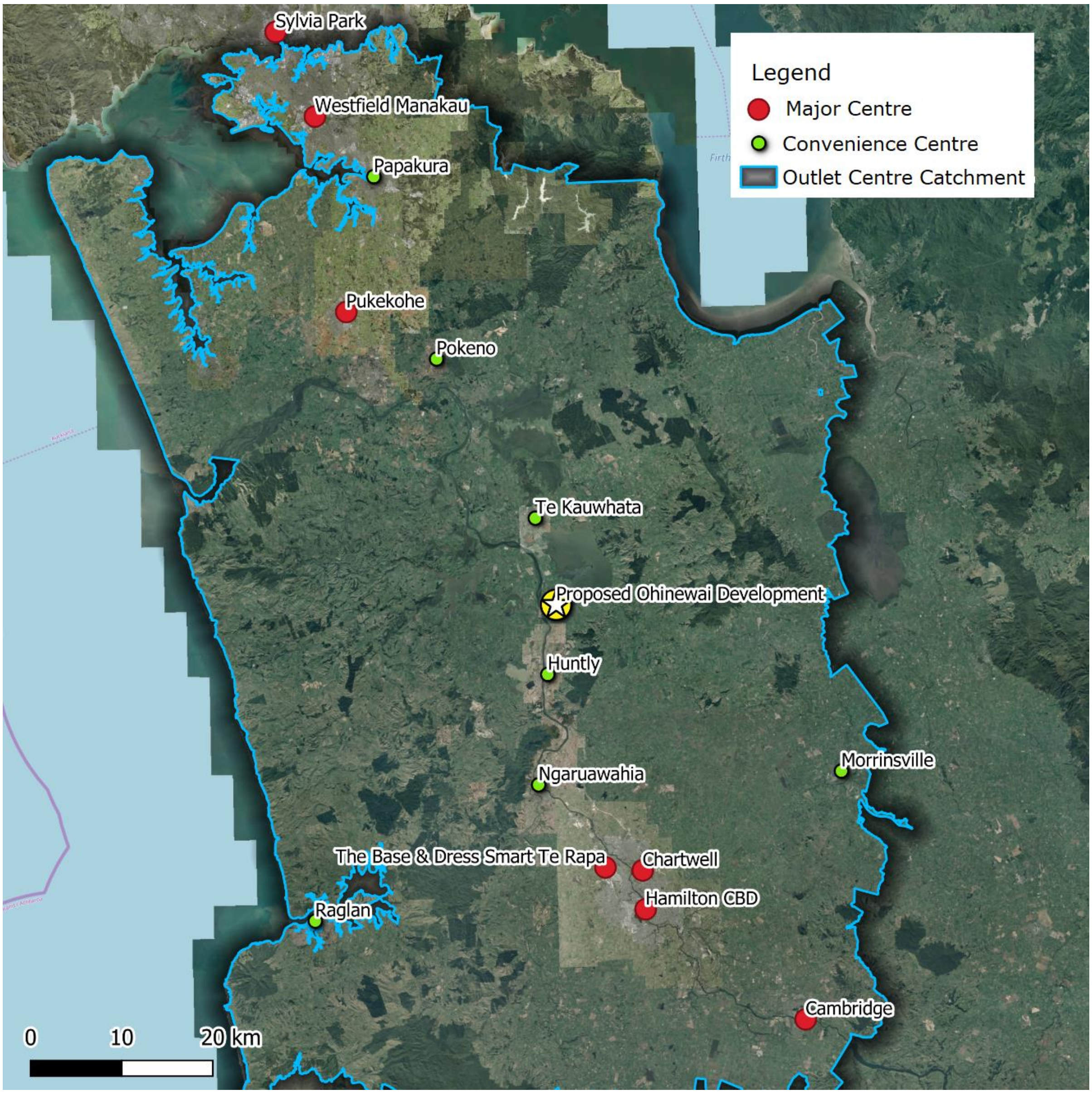
In effect Ohinewai is a new township that will require some basic retail and commercial service requirements.

4. DISCOUNT FACTORY OUTLET STORES

In addition to a small convenience retail provision, a discount factory outlet (DFO) centre has also been proposed within the OSP. As indicated in the masterplan (refer Appendix 1), just over 8.5 ha of land has been allocated to DFO activities with an anticipated yield of 43,400 sqm GFA.

With the size of the DFO centre is proposed to be upwards of 40,000 sqm GFA, this retail provision is clearly targeting markets well beyond the localised area. The commercial reality is the DFO centre would have to draw the vast majority of its customers from well beyond the localised market as the local Te Kauwhata, Huntly and Ohinewai area does not generate enough annualised retail spend to sustain a centre of this size.

FIGURE 2: DISCOUNT OUTLET CATCHMENT AND COMMERCIAL CENTRES



Source: Property Economics

Figure 2 contains an identified catchment for a large DFO centre at Ohinewai and the relevant commercial centres within the vicinity of the proposed centre. A DFO centre of this scale would be unique across both southern Auckland and Hamilton markets, and given the proximity consumers would likely travel to the DFO for goods reduced heavily in price. Delivering this DFO point of difference is important to ensure the centre is unique and would attract customers from these markets, otherwise the proposed centre would become the equivalent of any other LFR centre in the market.

The catchment therefore includes all of Hamilton City and south to Cambridge, and the south Auckland market.

Table 6 contains an overview of the total large format retail spend generated within the identified catchment on an annualised basis.

DFO stores transcend most retail categories, with the identified spend only representing a portion of that sector attributable to LFR store types e.g. clothing and footwear store are predominantly delivered in small format (less than 500sqm GFA) store formats, so only a small (10%) of this sector is attributed to LFR store types.

To sustain 40,000 sqm of large format DFO retail floorspace in Ohinewai, the sales required are estimated to be in order of $100-$110 million annually. This puts into context the DFO sales relative to total market size with the $110m in 2018, equating to around 3.8% of the LFR spend generated in the catchment. Moving forward this proportion falls due to market growth.

TABLE 6: LARGE FORMAT RETAIL SPEND WTIHIN DISCOUNT OUTELT CATCHMENT

LARGE FORMAT RETAIL SPEND ($m)	2018	2023	2028	2033	2038
Food retailing	$1,870	$2,090	$2,320	$2,560	$2,810
Clothing, footwear and personal accessories retailing	$40	$50	$50	$60	$70
Furniture, floor coverings, houseware and textile goods retailing	$210	$230	$250	$280	$300
Electrical and electronic goods retailing	$180	$200	$230	$250	$270
Department stores	$240	$260	$290	$320	$350
Recreational goods retailing	$300	$330	$370	$410	$450
Other goods retailing	$10	$20	$20	$20	$20
Total	**$2,840**	**$3,190**	**$3,530**	**$3,900**	**$4,270**

Source: Property Economics

4.1. RETAIL CENTRES

In order to draw an estimated $110 million of retail spend from the identified catchment, the centre will need to be competitive against the other retail options. As identified in Figure 2 at a broad level, there are two main classes of retail centres:

- Convenience retail including the Huntly Town Centre for example which contain store types primarily to support the local market and traffic passing through along SH1; and
- Major centres of difference sizes which are designed to compete across a wider market and have a broad range of store types across all sectors and larger trading catchments.

There are two discount centres that would more directly compete with the proposed DFO within the catchment, a Dress Smart in Onehunga, Auckland and a smaller one within The Base Sub-regional centre in Hamilton.

These two centres were very popular when they opened as it was a new concept and pre-Internet retailing. Their performance and 'draw' have slipped somewhat over more recent years as discounting among many retailers become more normalised (i.e. Briscoes) and internet retailing has grown in popularity and offered significantly cheaper prices on goods on a comparative basis. As such, the requirement to travel to a discount outlet centre to purchase discounted goods has diminished and the proposed DFO will need to provide a meaningful point of difference in the market to be successful over a sustained period.

4.2. ABILITY TO DRAW CUSTOMERS FROM A LARGER MARKET

The success or failure of the DFO centre in the OSP will ultimately depend on the extent to which it is able to draw from this wider market. Compared to the current outlet and shopping centres, the Ohinewai site is geographically less convenient to access, so will need to provide a compelling reason for people to drive the extra distance to the centre.

This will first and foremost be price. Within the identified catchment, around 60% of the population base is further than 40 min drive from the Ohinewai site. The proposed centre will need to overcome the challenges faced by the current outlet centres and distinguish itself to overcome this distance barrier.

In order to achieve a point of difference in the market, and ensure a unique DFO centre is developed, provisions need to be tailored to provide certainty of outcome.

4.3. POTENTIAL DFO IMPACTS

The size of the market in which the DFO centre competes in relation to the centre's estimated sales highlights the reality that the DFO has no propensity to generate significant adverse retail distribution effects on any centre in the broader network. Robust growth in the catchment would also ensure any of the non-consequential trade competition effects are also offset within a few years of the DFO store becoming operational.

The commercial risk of the DFO centre is in reality with the developers of the DFO centre itself, as if the DFO centre fails to draw the level of patronage as envisaged there would be no adverse effects generated and the wider market and centres will continue operating as a business as usual scenario.

4.4. POLICY 6.16 OF THE WRPS

As identified earlier, policy 6.16(g) is the most relevant economic consideration in respect of the WRPS. In terms of the proposed DFO, the scale of the centre is such that without activity type and floorspace limitations it would have the potential to adversely affect other centres in the network. Clearly a DFO centre was not envisaged for Ohinewai when the WRPS and FutureProof documents were developed. It represents a new unforeseen opportunity.

However, the proposed DFO would be a niche / unique centre in the market that is not duplicating another centre type and to ensure the centre maintains this unique position the developer has offered self-imposed restrictions on the centre.

These restrictions include:

a. Outlet and Discount Retail activities shall either:

   i. sell goods manufactured by a manufacturing activity located within the Ohinewai Structure Plan; or

   ii. must offer goods for sale where at least 50% of the stock must have a discount of at least 40% off the recommended retail price including clearance, damaged, seconds and/or end of line goods.

Policy 6.16(a) states that new centres should support and sustain the viability and vitality of existing centres 6.16(g) states new centres will avoid adverse effects both individually and cumulatively. Huntly is the key centre of concern, and as outlined earlier in this section the proposed DFO centre is not an offer duplicated in Huntly, or any other centre in the wider FutureProof area commercial network, and as a result no one individual centre would have their role and function, vitality and future viability jeopardised as a result of the proposed DFO centre (with its proposed restrictions).

If the DFO centre is successful, the centre would be drawing significant retail spend into the district and region predominantly from Auckland's southern markets.

In terms of efficiency, the WRPS policy under 6.16 appears to focus on transport network efficiency rather than geographic or location efficiency. The location is such that the DFO would draw customers from Auckland and Hamilton, whereas a more city centric location (i.e. located in either Hamilton or Auckland) would likely diminish the market penetration in the city the centre is not situated and potentially generate more trade competition effects than the proposal.

5. RESIDENTIAL ASSESSMENT

This section aims to provide high level guidance on the suitability of providing residential dwellings within the OSP development. The section examines future residential demand and capacity trends for the Waikato District (excluding the positive influence of Ohinewai), assess the house price point spread of dwellings across the settlements within the localised catchment, provide high level perspective of residential demand originating from OSP employment and potential benefits of housing within the OSP.

5.1. RESIDENTIAL DEMAND

The Housing and Business Assessment (**HBA**) undertaken for FutureProof by ME, *Housing Development Capacity Assessment 2017 Future Proof Area – Waikato District, Hamilton City and Waipa District 17 July 2018 – final*, was prepared to meet NPS UDC requirements, providing an assessment illustrating the sufficiency of feasible residential capacity under the provisions of the various District Plans encompassed within the Future Proof Area[2].

This assessment determined the following:

Waikato District

- Long-term dwelling demand (to 2046) in the Waikato District, based on FutureProof medium projections, was expected to be 19,425 (including the required NPS 15% buffer).
- Total Capacity is comprised of infill potential and Greenfield capacity. This totals between 19,485 dwellings (without infrastructure constraints) and 13,285 (with current constraints factored in).
- Overall commercially feasible capacity by 2046 is estimated at 13,062.
- This resulted in an overall shortfall of residential capacity in the order of 6,400 by 2046 (predominately at the lower price points).
- As such, at a District level, the HBA project a long-term feasible capacity shortfall based on projected residential demand.

Huntly (excluding influence of the OSP)

Specifically, in terms of Huntly the report concluded:

- Total demand for Huntly by 2046 is expected to be 1,047 dwellings.

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[2] *Waikato District Council District Plan*
Hamilton City Council District Plan
Waipa District Council District Plan

- Plan enabled greenfield capacity (including infrastructure constraints) is expected to be 174 dwellings by 2046.
- By 2046 the additional commercially feasible capacity in Huntly is expected to be approximately 460 dwelling under the high growth scenario.
- This leaves an overall shortage of 587 dwellings in Huntly

In essence Waikato District's estimates a residential feasible capacity shortfall at a district level and at the more localised Huntly level. The Ohinewai development will only 'add to' residential demand within the local Ohinewai / Huntly areas and assist in meeting the estimated long term feasible residential shortfall, assisting the district to satisfy its NPS UDC obligations.

5.2. RESIDENTIAL PROPERTY PRICES

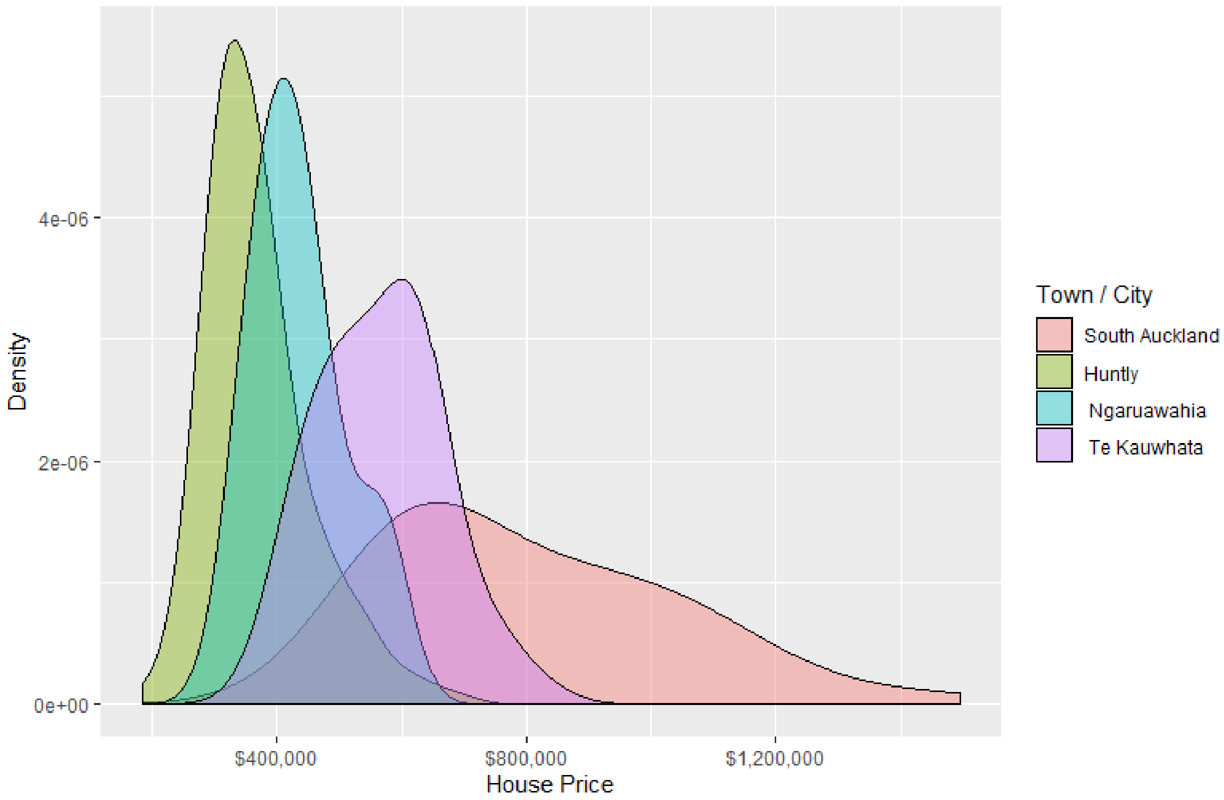
In order to assess an envisaged residential price point that would be competitive based on the surrounding property markets it is useful to assess residential house price bands across each area.

Figure 3 contains a distribution of house prices within Huntly, Ngaruawahia, Te Kauwhata and general South Auckland markets for comparative context. The first observation to note is the closer the township is to a main urban centre the higher the house price. This suggests Ohinewai being a more distant location between Auckland and Hamilton is well positioned to provide a competitive house price point and more affordable housing stock comparatively.

The vast majority of homes sold in Huntly are priced below the $500,000 mark with an average of around $380,000, while Ngaruawahia has a higher average price point at $460,000. In comparison, Te Kauwhata has been recently subject to a new large-scale housing development which is likely to be a key reason why the average price of homes sold is growing higher

The house prices for the South Auckland market, while not directly relevant to Ohinewai, provides important base context to reasons behind Auckland flows into Waikato District which has fuelled Pokeno's growth in recent years, ranged from below $400,000 to over the $1 million mark. While the mode of the distribution (most likely price) is closer to that of the Te Kauwhata, the longer tail towards higher house prices means average price is closer to $600,000.

FIGURE 3: DENSITY PLOT OF HOUSE PRICES BY TOWN / CITY



Source: Property Economics

Property Economics understands the housing in Ohinewai is likely to be around the $500,000 price point on average. This is above the averages in Huntly and Ngaruawahia (which is predominantly older house stock) but below the Te Kauwhata average price which contains a growing proportion of new stock.

Ohinewai's residential product will be new houses which will have a price point at the lower end of the new stock in comparative areas and be both competitive and an attractive proposition for buyers in the market.

The residential homes in Ohinewai will be adjacent to a significant employment hub. The OSP will not deliver a dormant township which has no underlying employment base. This generates a significant level of economic efficiency for workers (e.g. less travel time to place of employment, less vehicle trips on SH1 north / south to and from work and therefore freeing up capacity on this scare resource.

Ohinewai will deliver net new growth to the areas of Ohinewai and Huntly (predominantly). With circa 1,500 employees within the development (post construction), the increase in demand for residential stock at the localised level will have positive benefits for Huntly's residential market as well key in such close proximity to Ohinewai.

6. INDUSTRIAL ASSESSMENT

This chapter assesses the key industrial considerations in a RMA context in relation to the industrial activity proposed within the OSP development.

6.1. KEY INDUSTRIAL SITE REQUIREMENTS

The location decision process of many companies is often complex and is specific to each business and its operational requirements. There are however a set of key locational criteria that gives an understanding of the factors affecting business location, albeit to varying degrees. These are outlined below.

- **Undisrupted water and electricity supply**. Note for some businesses the escalating price of electricity translates into lower profit margins. Black-outs and power surges are costly occurrences for businesses, especially if generators need to be hired. Seamless access to power and water is critical to the industrial sector to reduce risk and manage costs which are crucial to remaining competitive.

- **Digital capability.** Access to the latest digital technology is increasingly important. Many businesses now require uninterrupted digital access, with an increasing proportion of businesses becoming technologically reliant. This also helps future-proof the business location.

- **Close proximity / good access to transportation hubs, such as ports and airports**. This is particularly important for The Comfort Group which exports a significant quantity of goods produced and import a large volume of materials utilised in their manufacturing process. One of the key advantages of the Ohinewai site is its connection to the rail network that enables more efficient transportation to the two largest points of Auckland and Tauranga utilised by The Comfort Group.

- **Proximity to an appropriate labour supply**. For many industrial businesses access to labour is an important consideration in their location decision making processes, especially for manufacturing businesses where access to semi-skilled labour is vital. In general, business locations in areas that have a lower level of access to the workforce are seen as problematic. In this instance, this is in part managed by the proposal to provide substantial residential product within the OSP development for workers. Supporting this is a solid worker base in Huntly as well.

- **Location of customers/target markets (domestic and international)**. This has a strong influence on location depending on whether the business is servicing a localised market, a regional market or the national or international market. For those servicing the national and international markets and those businesses that have large transport costs such as The Comfort Group, locations in close proximity to State Highway 1 and rail siding facility such as the Ohinewai site are preferable. The OSP site, situated in between two major urban cities in NZ and within the Auckland, Hamilton and Tauranga golden triangle is considered well positioned for domestic and international markets.

- **Access to major road corridors**. This is important for staff getting to work, clients / reps visiting premises, and the efficient distribution of goods. Sites (or locations) adjacent to major arterial roads are preferred and often receive a premium in the market in more built up urban areas. All activities that have a distribution / logistical focus prefer these locations. As part of this criterion, improved transportation in industrial areas is also seen as a future requirement, particularly in regard to better roading networks, traffic management, and close to public transport services. The Ohinewai Site provides ease of access to the major State Highway 1 corridor with its rail access has strong and efficient connections to key transport options, and direct access to Tauranga and Auckland ports which The Comfort Group utilise heavily.

- **Location of suppliers**. This can be especially important for businesses that have significant raw material inputs and freight costs. The Comfort Group sources a lot of base inputs from offshore (through Auckland and Tauranga ports), and with its strong road and rail linkages the OSP site is considered to represent an efficient location for suppliers.

- **Room for potential expansion and growth on the site**. For most businesses relocating is a very expensive exercise, and for businesses with significant capital investment in their manufacturing operations (factory, plant and machinery) such as The Comfort Group, it is preferable to have a high level of certainty that they will be able to operate from the site for an extended period of time to ensure they achieve a return on their investment. Thus, having the ability to expand their operation to allow for business growth onsite is important. It's an important consideration for businesses who want to mitigate long term risks on their capital investment. The OSP site provides expansion potential and therefore elevates certainty and longevity of location lowering manufacturing and capital risk.

- **Land and property costs**. This is a key criterion in the location decision of almost all businesses, particularly those that operate on low margins. For the scale of manufacturing factory and warehousing required by The Comfort Group land costs are often prohibitive in many urban cities if a site of this scale required was managed to be sourced.

- **Potential to secure resource consent**. Often if the resource consent process is going to be long and drawn out, most businesses will not enter the process at all as time delays can have significant effects on their bottom line and business operations. As such certainty is seen as a big benefit to business locations who can offer it. A master planned development with Council approval removes this risk over the larger term.

- **Level of congestion in peak times**. This is becoming increasingly important, as it can have a significant influence on businesses heavily reliant of delivery of goods. In many main centres, for example, this is now a major consideration where time delays and trucks getting caught in traffic is having significant flow-on implications for company logistics and their ability to service clients to the level required.

- **Exposure / Profile**. Most businesses seek locations that offer some level of exposure and profile. This is a cost-effective method of marketing and is able to elevate the brand of a business significantly. This is a substantial benefit of being located along State Highway 1 which hosts a large volume of traffic daily. This criterion is not a critical one for The Comfort Group (given Sleepyhead it is an already well-established international brand) but it is a by-product of the OSP site being located in highly accessible location by SH1.

The Comfort Group's desire to support their employees by building affordable accommodation has made it difficult to fit plans around current industrial hubs. By creating a unique complex with mixed land uses, The Comfort Group is capable of managing the negative externalities of mixing industrial or business land with residential dwellings that would otherwise be difficult to manage.

In addition, significant portions of the land in the large industrial hub of Ruakura are currently leasehold land which would not give the developer the certainty they require to justify the construction of such a significant facility, nor enable to development of the residential dwellings proposed. The Ohinewai site was strategically chosen despite the additional costs required in earthworks as it fits with the above criteria.

6.2. INDUSTRIAL NODES

A key economic consideration for the OSP application is whether the development would impact upon the role of the strategic industrial nodes as previously identified in the Waikato Regional Policy Statement (WRPS).

The WRPS which became Operative in May 2016, outlines the FutureProof land patterns that are required to meet the strategic objectives of the plan. Within these outlined land use patterns are strategic industrial nodes, in which new industrial development should predominantly be located. This is in order to encourage industrial activity to develop in a consolidated, 'future-proofed' area.

The most relevant policy of the WRPS relating to the proposed development is Policy 6.14 (e) which states:

> '*new industrial development outside the strategic industrial nodes or outside the allocation limits set out in Table 6-2 shall not be of a scale or location where the development undermines the role of any strategic industrial node as set out in Table 6-2;*'.

For completeness below is Table 6-2 of the WRPS:

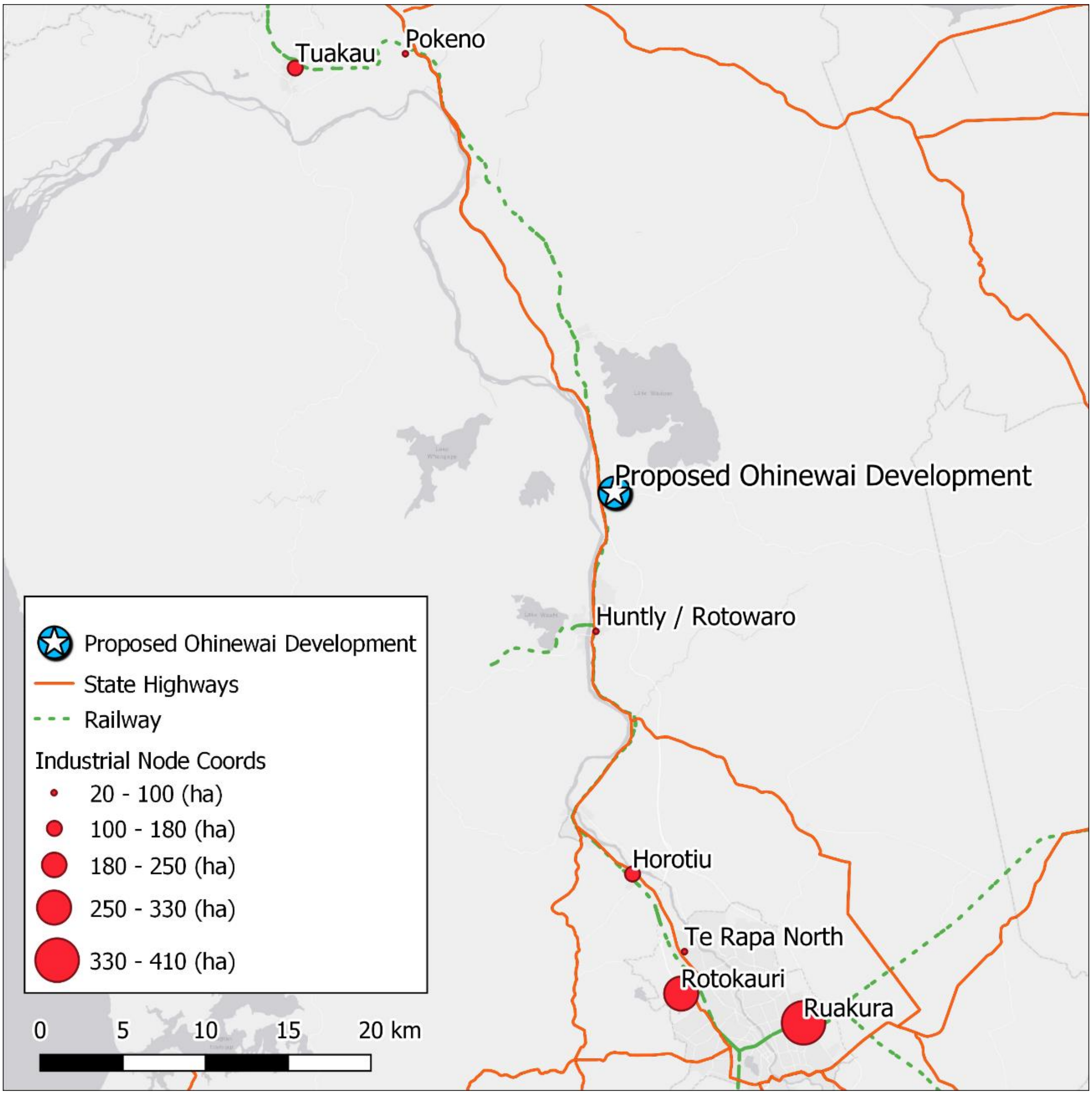
Table 6-2 WRPS:

Strategic Industrial Nodes located in Central Future Proof area (based on gross developable area)	Industrial land allocation and staging (ha)			Total Allocation
	2010 to 2021	2021 to 2041	2041 to 2061	2010 to 2061 (ha)
Rotokauri	85	90	90	265
Ruakura	80	115	210	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**	**1,148**

In order to release alternative land for industrial development, a proposal would only be considered if doing so would maintain or enhance the safe and efficient function of existing or planned infrastructure when compared to the release of land within the industrial nodes.

Figure 4 following shows the locations of the identified industrial nodes within the region with the comparative scale of the land encompassed.

FIGURE 4: INDUSTRIAL NODES IN WAIKATO DISTRICT AND NORTHERN HAMILTON



Source: Property Economics, Waikato District Council, RPS

Overall there are nine Future Proof industrial nodes identified by Waikato Regional Council, two of which (Tuakau and Pokeno) lie within the former Franklin District of Auckland. These two northern industrial nodes are quite separate from the balance and are heavily influenced by the Auckland market (relative to the Waikato market), i.e. it is unlikely many business designed to service Waikato / Hamilton market would locate in Tuakau as the increased transport costs would likely reduce the businesses competitiveness in the market.

There is a total allocation of 208ha of land within these two nodes in the former Franklin District, and 1,148ha across the balance of the seven other nodes. At the time of hearing submissions for the RPS, there was approximately 879ha of zoned industrial land vacant across the 1,148ha of Future Proof industrial nodes outside of the former Franklin District

This total allocation of industrial land is forecast to be developed in a staged manner over the period to 2061, with roughly 29% of the land planned to be staged before 2021, a further 37% released from 2021-2041, and finally the remaining 34% from 2041-2061.

Importantly, being unforeseen in the industrial land demand projections, The Comfort Group's Sleepyhead mega factory (NZ context) is unlikely to detract from the forecast demand utilised to support the above zoning of industrial land within FutureProof and the RPS.

In fact, the development of such an extensive facility within Waikato would require additional support services that are likely to positively contribute and provide a stimulus to increasing demand for the identified industrial areas, i.e. the Waikato industrial market is likely to grow at a faster rate than projected with the injection of the Sleepyhead factory in the market, rather than the counterfactual. This is particularly true with the OSP encouraging industrial growth in Huntly given its close proximity and large township.

For completeness, not all of the business operations that will utilise the balance of the Ohinewai industrial area will be unique / additional to Waikato. However, the location opportunity is only available as a direct result of the Sleepyhead factory establishing and the limited amount of developable and vacant industrial land in Huntly means the proposed Ohinewai node is the only practical industrial land provision in the Ohinewai / Huntly area.

Furthermore, it is unlikely industrial business serving the Hamilton market would garner significant benefit from locating in Ohinewai and therefore the Ohinewai industrial area is unlikely to have any consequential impact on the WRPS and FutureProof strategy industrial nodes.

Overall, the industrial node within the OSP is likely to provide a net economic benefit to Huntly, Waikato District and the region without undermining existing strategic industrial nodes by generating a net increase in industrial employment and employment opportunities across the areas, increase business activity within the local, district, and regional economy and improve the economic wellbeing of the community.

There were a number of requirements which made the current strategic industrial nodes in Waikato unsuitable for The Comfort Group's purposes. They include:

- **Land Ownership** - Due to the significant amount of capital investment required in the factory and facilities, there needed to be certainty for the company to have control over the land. Leasehold land tenure would not be suitable due to the unnecessary risks surrounding lack of ownership. Additionally, the overall master planned development requires control to meet quality and long-term sustainability goals.
- **Access to North Island Main Trunk Rail Line** and State Highway network - The company imports and exports through Ports of Auckland and Tauranga. Given the level of manufactured product '*shifted*', having direct access to rail and road infrastructure creates significant efficiencies and was an important component of site selection.
- **Sufficient Vacant Land** - For the development of the foam and carpet factory, and to allow for any future growth, there are very few site / industrial nodes of an appropriate size available that have the requisite site requirements.

- **Close Proximity** - A desire to remain within close proximity to Auckland. Auckland remains The Comfort Group's largest domestic market by some margin, so the closer the site to Auckland, the more efficient the location.

There are limited parcels available that are suitably sized for the development and the locational requirements of The Comfort Group. The land in the largest industrial hub of Ruakura is currently leasehold land which would not give the developer the certainty they require to justify the investment and construction of such a significant facility. The Ohinewai site was strategically chosen despite the additional costs required in earthworks as it fits with the above criteria.

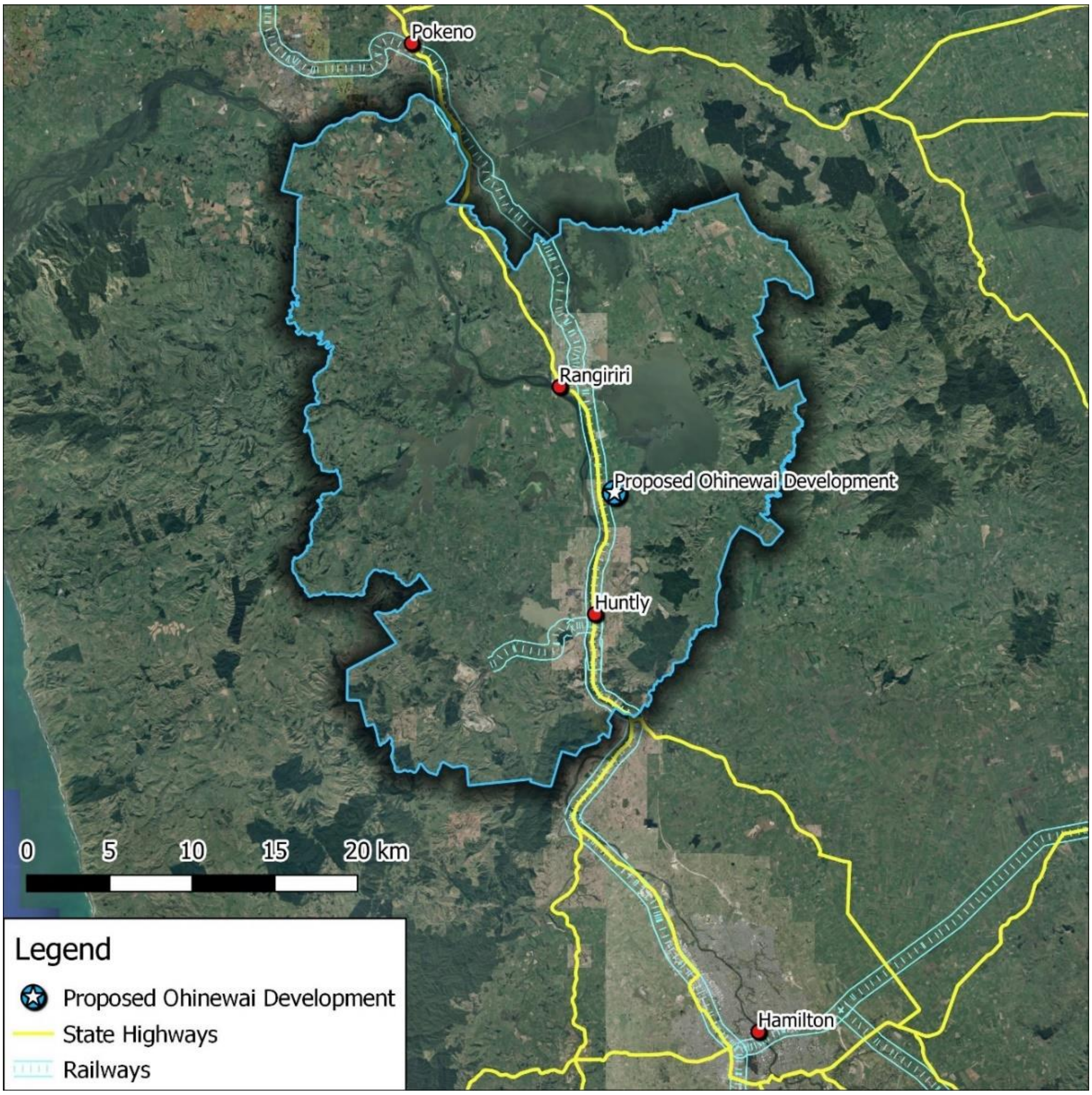
7. LOCALISED OHINEWAI ECONOMIC MARKET

The following sections quantifies the estimated economic impact of the proposed OSP development in terms of both initial construction phase benefits and on an annualised ongoing economic benefit once the development is operational and functioning.

An important initial step in an Economic Impact Analysis is to identify a catchment and provide a breakdown of the local economy to assess its local composition and changes in the structure of its economic base.

Figure 5 below illustrates the localised Ohinewai economic catchment for the proposed OSP development and extends from Taupiri in the south, incorporates Huntly, and encompasses rural areas northwards to Mercer. The catchment is based on the road network, geographic features, Statistics NZ statistical areas, proximity to major urban areas and proximity to commercial centres.

FIGURE 5: PROPOSED OSP DEVELOPMENT LOCALISED CATCHMENT



Source: Property Economics

While the development could draw commercial and industrial employees from beyond this catchment, the identified area represents the core economic market that localised activity would service on a more frequent basis.

As indicated by Table 7, this area is dominated by primary and secondary industries which are transiting away from the staple agriculture (in terms of employment).

TABLE 7: 'LOCALISED' OHINEWAI EMPLOYMENT ACTIVITY AND TRENDS

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
A Agriculture, Forestry and Fishing	895	943	510	523	813	515	503	-392	-43.8%
B Mining	238	392	442	496	373	265	166	-72	-30.3%
C Manufacturing	346	468	555	331	350	446	437	91	26.3%
D Electricity, Gas, Water and Waste Services	85	200	259	329	377	393	371	286	336.5%
E Construction	184	205	293	255	250	329	359	175	95.1%
F Wholesale Trade	64	51	48	76	57	63	51	-13	-20.3%
G Retail Trade	311	282	241	198	245	268	254	-57	-18.3%
H Accommodation and Food Services	213	232	177	193	227	224	198	-15	-7.0%
I Transport, Postal and Warehousing	129	121	199	202	193	136	148	19	14.7%
J Information Media and Telecommunications	6	15	12	12	21	21	24	18	300.0%
K Financial and Insurance Services	36	23	31	36	31	12	18	-18	-50.0%
L Rental, Hiring and Real Estate Services	33	30	40	50	59	52	63	30	90.9%
M Professional, Scientific and Technical Services	65	56	64	74	64	63	56	-9	-13.8%
N Administrative and Support Services	27	18	63	128	124	81	78	51	188.9%
O Public Administration and Safety	103	87	67	49	432	439	497	394	382.5%
P Education and Training	379	382	395	420	475	490	438	59	15.6%
Q Health Care and Social Assistance	175	178	240	246	324	339	400	225	128.6%
R Arts and Recreation Services	39	45	39	48	27	24	67	28	71.8%
S Other Services	105	118	110	111	103	78	85	-20	-19.0%
Grand Total	**3,433**	**3,846**	**3,785**	**3,777**	**4,545**	**4,238**	**4,213**	**780**	**22.7%**

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
Commercial	345	320	389	483	643	581	625	280	81.0%
Industrial	862	1,039	1,268	1,065	1,082	1,170	1,173	311	36.1%
Other	1,734	2,008	1,737	1,868	2,382	2,029	1,992	259	14.9%
Retail	492	479	391	362	438	458	422	-70	-14.2%
Grand Total	**3,433**	**3,846**	**3,785**	**3,777**	**4,545**	**4,238**	**4,213**	**780**	**22.7%**

Source: Property Economics, Statistics NZ

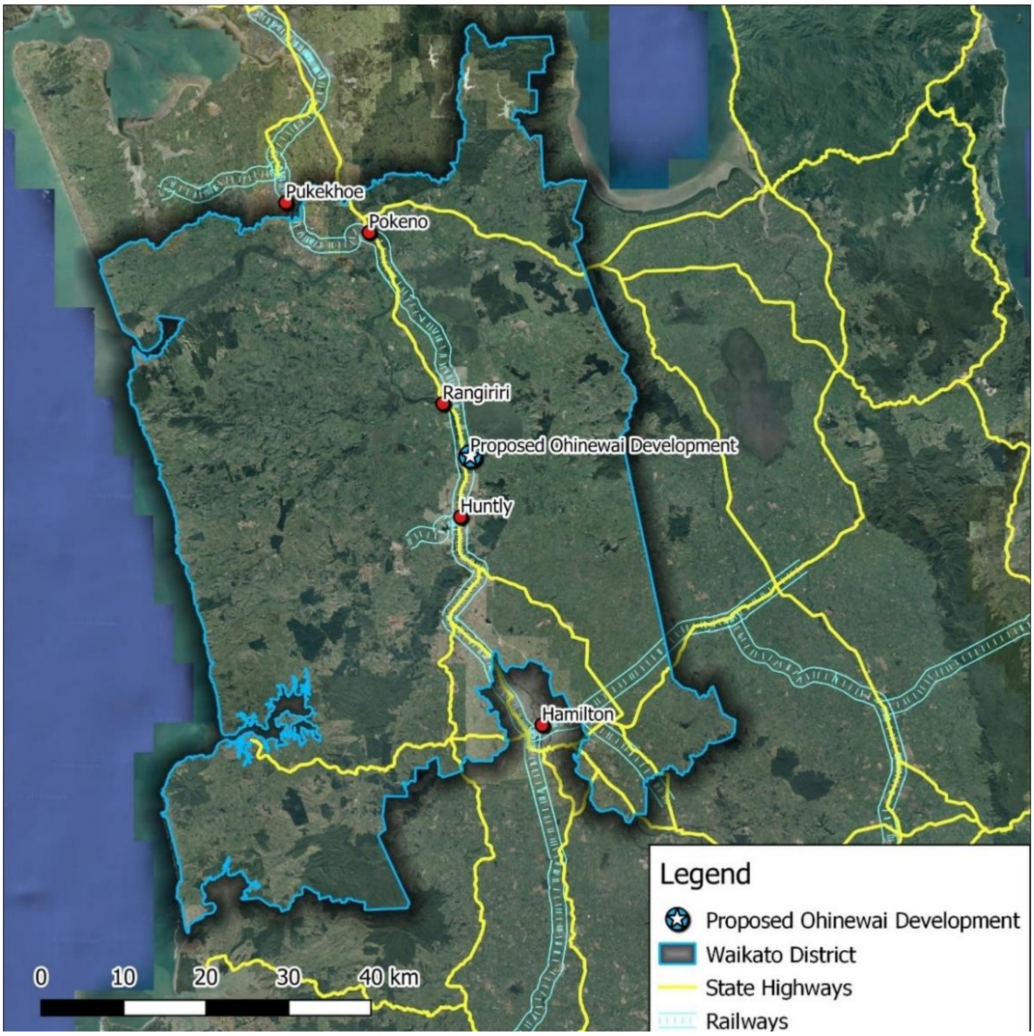
The data shows an overall net employment increase within Ohinewai's localised economy of 23% over the assessed period, with the key growth sectors being Utilities, Public Service and Health having significant proportional growth, albeit the nominal employment base across many of these sectors are relatively low. Without these three sectors the productive sectors of the local economy fell over this period.

Over the same timeframe Auckland employment rose by a net 40% and the Waikato District by over a net 55% with the two key growth sectors being Construction and Manufacturing, which accounted for over 2,200 new jobs for this period. While these sectors grew in Ohinewai's local economy they grew considerably slower than the wider District and the Waikato Region.

Although Agriculture remains, marginally, the largest single employment sector in Ohinewai's localised economy, it has diminished as an employer by over 40% in the last 18 years. This indicates the Ohinewai economy has developed (and continues to develop) a more diversified economic base and places increasingly less reliance on its traditional rural base. Hence for this area to continue to provide for the local resident population[3] the local economy must seek to encourage employment in other sectors at least at a rate commensurate with the District.

Figure 6 highlights the Waikato District while Table 8 following indicates the temporal employment trends in this area over the 2000-2018 period.

FIGURE 6: WAIKATO DISTRICT GEOGRAPHIC AREA



Source: Property Economics

[3] *The current level of job retention (by resident population) for the catchment was under 25% in 2018.*

Table 8 outlines the employment composition and trends for the Waikato District. As stated previously the District has seen substantial proportional growth in employment (40% greater than the Auckland Region) over the past 18 years. Of interest, however, is that the local Ohinewai area is decreasing in significance in relation to the District.

Excluding the Ohinewai catchment from the District employment figures increases the growth rate from 55% to 70% over this period.

TABLE 8: WAIKATO DISTRICT EMPLOYMENT COUNT BY SECTOR

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
A Agriculture, Forestry and Fishing	4,164	4,152	3,817	3,694	4,804	4,505	4,570	406	9.8%
B Mining	384	553	559	653	495	403	353	-31	-8.1%
C Manufacturing	1,230	1,551	1,659	1,443	1,484	2,025	2,285	1,055	85.8%
D Electricity, Gas, Water and Waste Services	133	239	317	372	428	445	444	311	233.8%
E Construction	796	806	1,298	1,268	1,190	1,464	1,961	1,165	146.4%
F Wholesale Trade	202	222	282	232	231	294	399	197	97.5%
G Retail Trade	688	676	751	679	664	733	781	93	13.5%
H Accommodation and Food Services	636	715	711	773	748	838	931	295	46.4%
I Transport, Postal and Warehousing	536	646	675	553	480	507	648	112	20.9%
J Information Media and Telecommunications	24	42	36	51	75	90	90	66	275.0%
K Financial and Insurance Services	66	62	79	87	76	45	45	-21	-31.8%
L Rental, Hiring and Real Estate Services	93	117	145	146	182	193	246	153	164.5%
M Professional, Scientific and Technical Services	173	422	399	456	501	592	716	543	313.9%
N Administrative and Support Services	137	289	427	566	580	430	455	318	232.1%
O Public Administration and Safety	312	314	337	398	849	822	874	562	180.1%
P Education and Training	1,266	1,205	1,262	1,493	1,534	1,708	1,836	570	45.0%
Q Health Care and Social Assistance	537	535	570	567	716	885	998	461	85.8%
R Arts and Recreation Services	213	270	279	344	352	314	398	185	86.9%
S Other Services	296	316	349	353	348	366	428	132	44.6%
Grand Total	**11,886**	**13,132**	**13,952**	**14,128**	**15,737**	**16,659**	**18,458**	**6,572**	**55.3%**

	2000	2003	2006	2009	2012	2015	2018	Net Growth (2000-2018)	Percentage Growth (2000-2018)
Commercial	1,075	1,531	1,712	2,013	2,320	2,319	2,622	1,547	143.9%
Industrial	3,259	3,767	4,447	4,042	4,043	4,914	5,919	2,660	81.6%
Other	6,324	6,550	6,438	6,737	8,073	7,980	8,345	2,022	32.0%
Retail	1,229	1,284	1,355	1,336	1,300	1,445	1,572	344	28.0%
Grand Total	**11,886**	**13,132**	**13,952**	**14,128**	**15,737**	**16,659**	**18,458**	**6,572**	**55.3%**

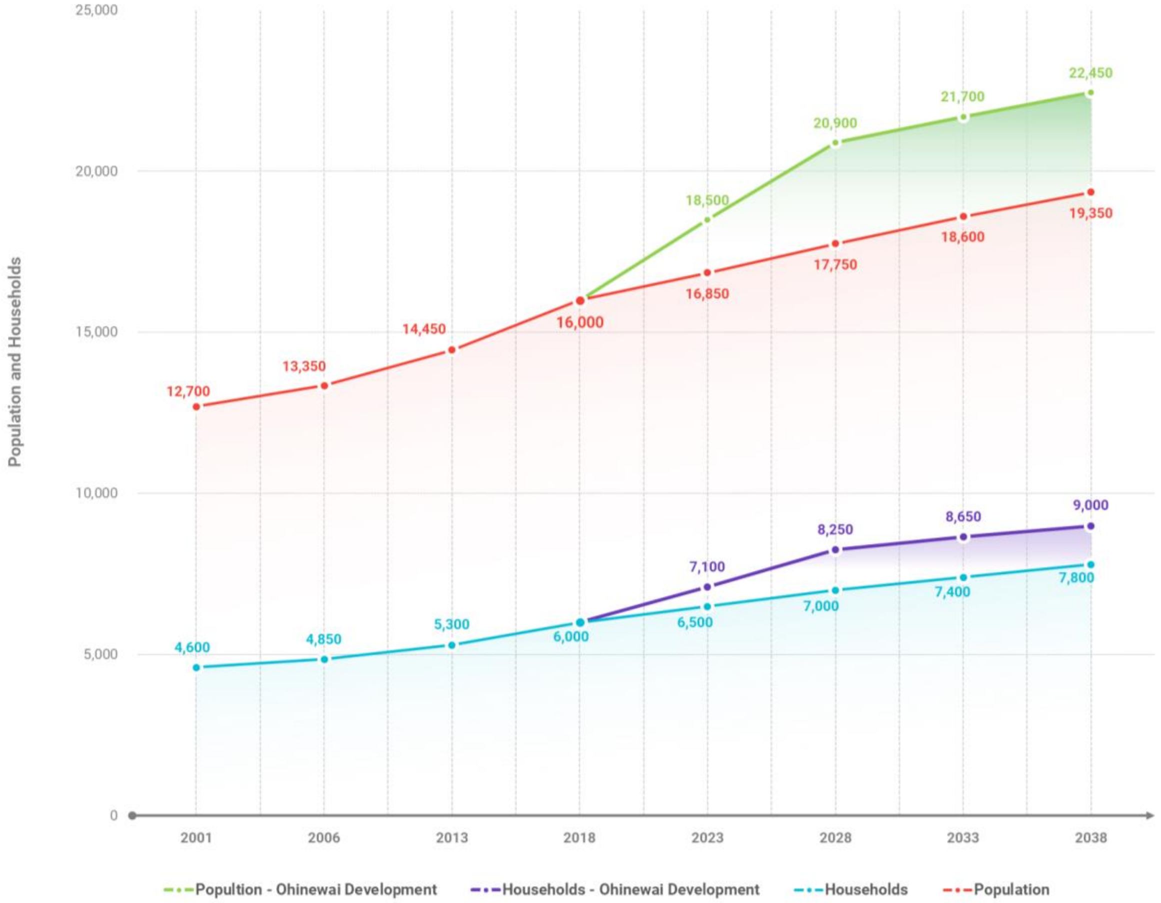
Source: Property Economics, Statistics NZ

8. POPULATION AND HOUSEHOLD FORECASTS

The following section outlines the population and household growth forecasts for the localised Ohinewai catchment. The projections have been derived from the latest Statistics NZ Medium population and household count projection series. Population and household growth projections have been included in this report as they provide an important base context for the following analysis and are an integral component in the quantification of retail expenditure and economic benefits associated with the proposed development.

Figure 7 displays the population and household growth profile for the localised catchment. This includes actual growth from 2001-2013 and projected growth over the subsequent 25 years to 2038.

FIGURE 7: LOCALISED CATCHMENT POPULATION AND HOUSEHOLD GROWTH



Source: Property Economics, Statistics NZ

Additional to the growth under the Statistics NZ Medium series, we have incorporated growth that will be generated as a result of the proposed OSP development. The proposed OSP would add an additional 1,100 households to the localised Ohinewai catchment by circa 2030. This growth is assumed to occur in conjunction with the Medium growth projection identified by Statistics NZ.

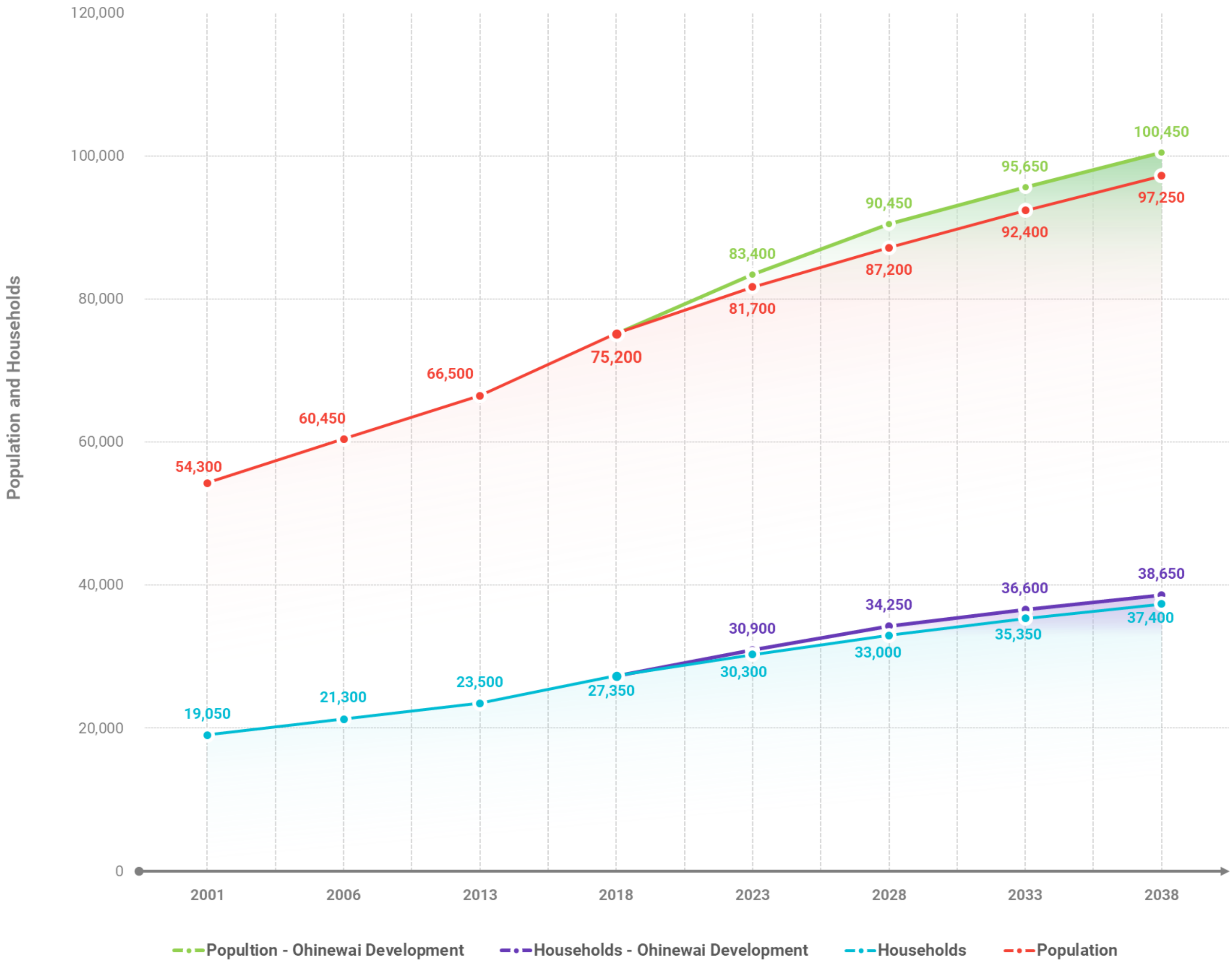
The current population base of the localised market is estimated at 16,000 people with a total household base of 6,000. With an additional growth injection from the proposed OSP development, the population is projected to increase by 6,500 people to just under 22,500 by 2038. This equates to a 41% increase in population base in 20 years

In respect of households, the localised Ohinewai catchment is projected to observe a net increase of 3,000 households over the forecast period, elevating its household base to an estimated 9,000 by 2038. This equates to 50% net growth in the household count of the catchment over the forecast period.

The proposed OSP development is projected to account for a noteworthy 14% of the localised Ohinewai catchment household base by 2038. This highlights the OSP's material contribution to the area's future growth prospects and importance of Ohinewai to growing the local economy

Figure 8 displays the population and household growth profile for the Waikato District, including the impact of the Ohinewai development.

FIGURE 8: WAIKATO DISTRICT POPULATION AND HOUSEHOLD GROWTH:



Source: Property Economics, Statistics NZ

The population base of the Waikato District is currently estimated at 75,200 people. This is expected to grow to nearly 97,300 by 2038, net growth of 25,300 people. District wide, the proposed Ohinewai development is projected to result in 15% more population growth between 2018 and 2038 than under the standard Statistics NZ Medium scenario.

District wide household count is forecast to increase by 11,300 to 38,650 by 2038. This is 12% more growth than what is projected to be observed under the Statistics NZ Medium Scenario. In 2029, once fully developed, the proposed development will account for just under 4% of households in the Waikato District.

9. GENERAL ECONOMIC COSTS AND BENEFITS

The ensuing costs and benefits are not intended to be an exhaustive list of all impacts of the proposed development, but a primary list of those considered most appropriate to assess.

At this stage the counterfactual position is considered to be that the site continues to operate as agricultural without the additional activity.

There are essentially four primary issues that relate to the net economic benefit of the proposed development.

1. **Opportunity and Equity**: The development of the proposed factory and associated housing has the potential to increase the opportunity for employment retention within then District and local catchment. The opportunity to retain employment is vital for the economic well-being of the local and District economy. This in turn is likely to increase population growth and provide greater economies of scale and productivity.
2. **Increased Retention**: Increased retention of employment provides for less travel, greater levels of amenity, and improved community investment.
3. **Operational Efficiencies:** Along with increasing labour productivities the development of additional employment and households is likely to improve overall business efficiencies increasing the competitive environment both locally and for the District. These improved densities are also likely to improve infrastructure provision and lower marginal costs.
4. **Housing:** A key consideration for the Comfort Group is the ability for employees to be located within an area that is affordable. A key driver of unaffordable housing is the demand directed through business location. The motivation for The Comfort Group is to redirect that demand to an area that typically has lower demand and therefore lower land and build values. This provides their employees with the opportunity to own their own homes. Additionally, the development of 1,100 dwellings is likely to provide some additional options to the general market while providing greater levels of amenity afford by a Master planned development.

10. POTENTIAL ECONOMIC ACTIVITY GENERATION FROM THE PROPOSED DEVELOPMENT

This economic impact overview estimates the total additional gross injection into Waikato Region's business activity brought about by the proposed development. The proposed development for the purposes of this assessment includes:

- 100,000sqm bespoke Sleepyhead Factory: 22,000sqm to be built within 18 months with a further circa 20,000 every 18 months thereafter;
- Approximately 137,000sqm of industrial floorspace (capacity): to be built over 8 years;
- Approximately 43,500sqm of commercial space: to be built over 6 years; and
- A total of 1,100 dwellings (327,500sqm): to be built over 10 years with the first 100 entering the market in 2022.

The initial specifications and details have been provided by Ambury Properties Limited and represent the development's configuration and costings at this point in time.

It is important to note that this is a gross injection and is not site specific. It also assesses the likely economic impacts upon Waikato Regional business activity given the composition of activities above.

Although there are undoubtedly economic benefits that are specific to this location, they are primarily driven by proximity to transport corridors, ownership opportunities, site size and the opportunity costs associated with other sites.

The economic impacts likely to be experienced as a result of the anticipated development are broken down into two phases.

- First, the development phase which includes the construction costs of the development and the proportion of those costs that are retained within the Region.
- The second phase is the on-going operations of the anticipated development in terms of realistic retail spend and employment generation.

Both these phases are measured in terms of their expected direct, indirect, and induced economic impacts upon the regional economy. The direct economic impacts are derived from the actual spending / expenses incurred through the operation of the anticipated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

Impacts are measured based on initial injections of capital into the Waikato Region due to the 'construction' costs of the development, and the on-going spending and saving associated with the eventual operation of this development. This economic injection then gives rise to a chain of flow-on effects (multiplier effect) through indirect spending from suppliers and a general increase in economic activity.

10.1. TOTAL CONSTRUCTION ACTIVITY

Stage One includes construction costs, which have been valued for the overall development in two parts. The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand, which were then assessed at a Regional level based on Waikato's economic activity, composition and productivities. This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (with a given business cycle) for each $1 injected.

This was performed for the general residential / commercial / industrial construction, commercial and retail sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Waikato Region catchment for the proposed development include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

ASSUMPTIONS

The following assumptions have been applied in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the proposes of this EIA it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio); 'non-residential construction', 'non-building construction', 'other construction services'.
2. Not all economic impacts will be restricted to the Waikato Region, however the distribution of these wider impacts has not been assessed within this report.
3. The origin of labour has been assessed based on Regional labour movements furnished by Statistics NZ based on 2013 data. However, employment data has been updated as per the Business Frame data[4] to March 2019.

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[4] *Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.,*

4. This report deals with the economic impact of proposed development on Waikato Region. These are specifically the direct impacts related to the operation and construction of the proposed development.
5. The economic activity generated is based on this development partially attracting activity that may not have otherwise located here. As stated, this assessment is not site specific (although the site has several attributes, as previously mentioned, that meet a specific need for the Comfort Group). As such several activities are not included in the final 'net' impact.
6. For the purposes of this report an 8% discount rate has been applied.
7. Labour movements are based on average retention rates rather than specific construction company locations.
8. The proportion of materials and labour internalised in direct benefits to Waikato are based on standardised labour movements as well as employment (depicted in Tables 9 and 10 following) and production composition within the Region. As per the explanation on multipliers provided in Appendix 5 the amount of each 'flow-on' dollar retained in Waikato is based on the movement of resources (including labour) between other districts and regions.
9. Specific construction assumptions include:
    - Civil Works: $225m
    - Rail Siding: $14.5m
    - Pedestrian / Cycle lanes: $10m
    - Road alignments: $15m
    - 3 Waters: $60m
    - Sleepyhead build costs have been applied at $1,100sqm
    - Residential Build costs $2,500sqm

Tables 9 and 10 following identify the relevant employment proportion and employment ratio's utilised in this EIA by sector.

Given the aforementioned assumptions, Table 11 following estimates the initial economic impact from the construction phase of the Ohinewai development only.

TABLE 9: WAIKATO REGIONAL EMPLOYMENT PROPORTIONAL COMPOSITION (2019)

	Employment	Industry share of the Region	Employment	Industry share of the Nation
Agriculture, Forestry and Fishing	17,900	9.2%	121,000	5.4%
Mining	1,150	0.6%	5,100	0.2%
Manufacturing	24,200	12.4%	249,600	11.1%
Electricity, Gas, Water and Waste Services	2,350	1.2%	18,800	0.8%
Construction	15,900	8.2%	169,300	7.6%
Wholesale Trade	7,000	3.6%	111,800	5.0%
Retail Trade	19,300	9.9%	217,500	9.7%
Accommodation and Food Services	14,100	7.2%	164,700	7.4%
Transport, Postal and Warehousing	6,100	3.1%	96,200	4.3%
Information Media and Telecommunications	1,700	0.9%	33,700	1.5%
Financial and Insurance Services	2,450	1.3%	58,300	2.6%
Rental, Hiring and Real Estate Services	2,650	1.4%	35,100	1.6%
Professional, Scientific and Technical Services	12,400	6.4%	161,500	7.2%
Administrative and Support Services	7,600	3.9%	117,400	5.2%
Public Administration and Safety	9,700	5.0%	136,400	6.1%
Education and Training	17,700	9.1%	187,500	8.4%
Health Care and Social Assistance	22,000	11.3%	239,500	10.7%
Arts and Recreation Services	4,150	2.1%	40,900	1.8%
Other Services	6,200	3.2%	74,600	3.3%
Total	194,550	100.0%	2,238,900	100.0%

TABLE 10: WAIKATO EMPLOYMENT REPRESENTATION RATIOS

ANZSIC	Region to NZ
Agriculture, Forestry and Fishing	1.70
Mining	2.59
Manufacturing	1.12
Electricity, Gas, Water and Waste Services	1.44
Construction	1.08
Wholesale Trade	0.72
Retail Trade	1.02
Accommodation and Food Services	0.99
Transport, Postal and Warehousing	0.73
Information Media and Telecommunications	0.58
Financial and Insurance Services	0.48
Rental, Hiring and Real Estate Services	0.87
Professional, Scientific and Technical Services	0.88
Administrative and Support Services	0.74
Public Administration and Safety	0.82
Education and Training	1.09
Health Care and Social Assistance	1.06
Arts and Recreation Services	1.17
Other Services	0.96
Total	1.00

TABLE 11: ESTIMATED CONSTRUCTION ECONOMIC IMPACT ON WAIKATO REGION (NPV)

Residential		
Number of Sites	1,100	
Direct Total Construction Cost ($m)		$327
Direct Waikato Impact ($m)		$216
Waikato Impact ($m)		**$551**
Commercial/ Retail		
Total Floorspace (sqm)	43,437	
Total Construction Cost ($m)		$87
Direct Waikato Impact ($m)		$37
Waikato Impact ($m)		**$84**
Industrial		
Total Floorspace (sqm)	136,831	
Total Construction Cost ($m)		$178
Direct Waikato Impact ($m)		$68
Direct Waikato Impact ($m)		**$152**
Sleepyhead		
Total Floorspace (sqm)	100,000	
Total Construction cost ($m)		$140
Direct Waikato Impact ($m)		$53
Waikato Impact ($m)		**$120**
Community		
Total Floorspace (sqm)	TBA	
Total Construction Cost ($m)		0
Direct Waikato Impact ($m)		0
Waikato Impact ($m)		**0**
Other (Development Costs)		
Pre-construction Services		$79
Additional Roading		$43
Servicing		$100
Earth Works (Civil Construction) etc.		$225
Post-construction services		$31
Waikato Impact ($m)		**$409**
Total Spend ($m 2019)		**$1,099**
Initial Regional Economic Injection ($m 2019)		**$1,316**

Source: Property Economics

The preceding table illustrates that the total initial impact on business activity within Waikato Region as a result of the proposed OSP development is estimated to be in the order of $1,316 million. In terms of employment multipliers this would contribute, on average, approximately 411 employees per annum over the 10-year period.

This is based on completion of the entire development by 2031, given the appropriate discount rate.

Note all figures in this economic assessment are in 2019 NZ dollars.

This impact is broken down into the various development sectors, commercial space and the communal areas. The construction of each of these components has unique level two multipliers that exhibit the flow-on effects (and retention) that each will have in the Region's economy. For the purposes of this report these are based on an average floorspace cost.

10.2. ON-GOING ECONOMIC INJECTION

Once again, a key assumption of the economic activity generated through the proposal is that, although the location of this site is crucial, is not site specific.

The key assumption regarding the on-going activity include:

- The Sleepyhead operation will employ 1,000[5] employees
- The Sleepyhead operation has an indicative (non-labour) operating cost of $45m per annum
- The retention of retail expenditure (through increased employment and household spend) is based on the current level of retail provision with an additional 20% of the commercial retail space proposed servicing the local population. NB once again the proposed provision of retail here does not necessarily result in unique activity as it will redirect existing and future growth from other Regional locations. This split will be highly dependent on the specific developed retail offer.
- The additional households accommodated here will exhibit average income
- It has been assumed that the development will be at full capacity by 2031.
- It is assumed that 100% of Sleepyhead workers (at capacity) will live in the Waikato Region, with up to 70% living within the local catchment by 2031. Additionally, it is assumed that no current workers reside within the Region (apart from the few that are currently bussed to Auckland for work experience)
- The unique nature of the business impacts are limited to the sleepyhead operations and associated 'additional' household growth.

[5] Sleepyhead employment could potentially reach 1,500 employees but 1,000 employees has been adopted for the purposed of the economic impact analysis to be conservative. Any employment above this level would add positive economic impacts and benefits to those identified in the report.

- Given the objective of The Comfort Group to provide affordable housing options for their immediate staff, it is assumed that 70% of the residential development will be 'absorbed[6]' through unique employment growth, i.e. if existing local workers move to 'new' Sleepyhead jobs their current job / existing employment creates an opportunity for the local market, so it creates net new jobs taken up by new employees. What the OSP would not result in is the loss of other jobs already in the economy.

TABLE 12: TOTAL ON-GOING ECONOMIC ACTIVITY GENERATED REGIONALLY AT CAPACITY (2019 $)

Activity	Impact ($m)
Direct Factory Expediture	$45.0
Additional Household Income	$58.0
Total Economic Impact	**$192.9**
Employment (EC's)	1,265

Source: Property Economics

At capacity the unique injection into the Waikato Regional economy is estimated at $193m per annum (in 2019 dollars) with an additional 1,265 EC's generated (1,000 of which are Sleepyhead employees). Over the first 7 years of operation the NPV of production to the Region is approximately $555m.

10.3. LOCAL MARKET IMPACT

The localised Ohinewai catchment has been defined earlier in the report and currently accommodates 6,000 households with 4,200 jobs provided locally. The economy has seen muted growth over the past 18 years indicated by a growth rate that is a third of the remaining District. Additionally, in 2001 the catchment had a retention rate of 27% compared to the regional rate of 35%, by 2018 the estimated regional retention rate has risen to 41% while the local catchment rate has fallen slightly over the same period.

While the economic impact of the proposed development and associated activities is substantial, at a regional level, it is proportionately an economic windfall for the local

[6] *In some way the housing, either in his development or elsewhere will increase demand through this direct employment growth. Also there is an assumption that some households will accommodate more than one Sleepyhead employee.*

catchment. In assessing the potential impact on the local market fundamental assumptions must be made regarding the potential retention within the local catchment.

Figures 7 and 8 of this report illustrate the potential impact of the proposed development on the population and household growth numbers for both the District and the local catchment. While it is not expected that all of the proposed residential component of the development will accommodate 'unique' demand (that is that some of the proposed residential dwellings will accommodate previously expected growth) the redistribution of direct (Sleepyhead) and indirect (the subsequently generated jobs) will create additional demand for the area.

Given that much of this demand is generated through relocated employment the retention rate within the District and, more pronounced, the local catchment is expected to rise (locally to over 30%).

The two phases of impact outlined above, construction and operational also have significantly different impacts on the local economy. Firstly, the construction phase is less likely to impact upon the local economy due to the small construction labour force located here. With only 360 construction employees located in the catchment (and fewer specialist EC's) it is highly likely that a larger proportion of the workforce will be sourced from the wider District (due to proximity and a base of 2,000 EC's) and Regionally (due to the large 16,000 EC component). It is estimated that this phase could contribute up to $100m to the localised catchment within the construction phase of the development.

10.4. RETAIL IMPACT

A key consideration regarding the likely economic impact of the proposed development upon the local market is the increased level of retail expenditure captured due to the increased local income levels (through improved employment) and localised business spend.

Although the development of retail activity itself will produce additional economic activity within the local catchment, it is difficult to be sure that the proposed retail component will attract additional spend either from within or externally (given the uncertainty of the retail component).

Tables 13 and 14 illustrate the level of retail spend generated within the catchment projected for 2028 (in 2019 dollars) on a comparative basis with the status quo and the proposed OSP development in the market.

TABLE 13: ESTIMATED RETAIL SPEND GENERATED BY LOCALISED CATCHMENT (2028 $M)

	Status Quo ($m)	With Development ($m)
Food retailing	$68	$98
Clothing, footwear and personal accessories retailing	$11	$15
Furniture, floor coverings, houseware, and textile goods retailing	$7	$9
Electrical and electronic goods retailing	$9	$14
Hardware, building and garden supplies retailing	$20	$30
Pharmaceutical and personal care goods retailing	$7	$10
Department stores	$14	$18
Recreational goods retailing	$7	$9
Other goods retailing	$10	$15
Food and beverage services	$28	$36
Total	**$181**	**$252**

Source: Property Economics

TABLE 14: ESTIMATED RETAIL FLOORSAPCE SUSTAINABLE BY LOCALISED CATCHMENT (2028 SQM)

	Status Quo (sqm)	With Development (sqm)
Food retailing	5,912	8,445
Clothing, footwear and personal accessories retailing	1,382	1,792
Furniture, floor coverings, houseware, and textile goods retailing	1,721	2,134
Electrical and electronic goods retailing	1,678	2,408
Hardware, building and garden supplies retailing	4,842	7,254
Pharmaceutical and personal care goods retailing	674	971
Department stores	3,515	4,411
Recreational goods retailing	1,330	1,649
Other goods retailing	1,603	2,310
Food and beverage services	3,075	4,018
Total	**25,732**	**35,392**

Source: Property Economics

A key component of the 'operational' phase of the proposed development is its potential impact on local businesses. It is clear that the additional 1,000 employees directly related to the Sleepyhead operation are unique and are unlikely to represent a considerable opportunity cost to the local market (that is attract current residents away from existing employment) and so represent a net gain to the local economy.

Additionally, as above there are considerable 'flow-on' impacts attributable to the additional employees, business spend and induced household spend, that is likely to be retained in the local market.

The additional retail expenditure generated by the new residents is based on 70% of the households accommodating newly located Sleepyhead workers with a further 10% locating here due to associated businesses and the competitiveness of a master planned development.

Tables 13 and 14 indicate an increased retail spend of 40% with the proposed OSP development in the market. Given the current and potential provision of retail within the local catchment it is anticipated that a significant proportion of this spend will not be captured by the local market. Even with these lower retention rates it is anticipated that the proposed development will result in an increase in retail spend of $35m per annum, and support further 5,500 sqm of retail within the local catchment[7]. The majority of this spend is likely to be spent locally and support Huntly.

10.5. EMPLOYMENT GENERATION

As indicated the primary impact upon the local economy is the addition of 1,000 direct employees of the Comfort Group. This is added to further through the indirect activity generated through their operations and, as identified above the induced impacts of the increased household income.

Based on the expected level of retention it is anticipated that the operational component of the development will contribute an additional 88 jobs to the local economy on top of the 1,000. It is important to note that this is based on the current composition of the local economy. There also exists the potential for current suppliers to move to the proposed 135,000sqm of industrial area and 43,000 of commercial floorspace. This has the potential to provide a competitive location that would attract additional industrial and commercial employment to the local area and District.

Based on these results it is estimated that the construction activity generated by the development will contribute over 42 equivalent jobs for the local catchment per annum over a 10-year timeframe and contribute 1,088 equivalent jobs to the local catchment from on-going activity.

[7] Note this is limited to the local catchment demand and does not include the opportunity for the development to service a wider retail market.

11. SUMMARY

The Comfort Group has proposed a fully master planned 178ha mixed-use urban development located around 7km north of Huntly. The primary activity on the site will be a newly built 100,000sqm Comfort Group factory, which is intended to be an amalgamation of Comfort Group's production operations throughout Australasia employing up to 1,000 staff. Additionally, the development will provide for 136,830 sqm of general industrial activity with an estimated 43,440sqm of commercial space. The residential component is proposed to be 1,100 medium and higher density dwellings targeted specifically at the company's employees in terms of affordability and suitability.

The market in which The Comfort Group are proposing to develop has seen limited growth over the past 18 years. The local catchment has approximately one third the remaining District's growth and has seen a relative consistent drop in retention of employment over this period. While the District itself has seen significant growth in employment over the past 18 years (55%), it continues to exhibit lower employment retention than other surrounding districts. This has been driven in part through more rapid population growth without the subsequent employment base, i.e. people living in the district but outside the district, especially in Auckland, and in particular Pokeno.

The population growth projections for both the local catchment and the District are expected to be buoyant over the next 20 years with growth rates of 50% and 40% respectively. The Comfort Group proposal is not simply the provision of additional business and residential capacity but the direct provision of jobs. As indicated earlier there are fundamental operational reasons underlying the choice of this specific site that provide an impetus for The Comfort Group to relocate their operations.

The development itself has some more general benefits associated with its operation and development including: Increased employment opportunities, improved amenity and infrastructure efficiencies, affordable housing options, improved retention and productivities.

More specifically the development and operation of specifically Sleepyhead and the additional (unique) increased households will have a direct impact upon the Regional and local economies. In terms of the construction impact over the 10-year period it has been estimated that this will contribute $1.3b in NPV and provide for approximately 410 jobs per annum within the Region. Locally this level of development is likely to add $100m over the 10-year period of construction and provide for an additional 42 jobs per annum.

As outlined, to be conservative, the operative impacts are limited to the Sleepyhead operations as well as the estimated additional households that would be accommodated within the Region and local catchment due these specific operations. As such these activities (at capacity – 100,000sqm factory and 70% of the households being associated with the Sleepyhead relocation) the impact on the Region would be in the order of $193m per annum supporting 1,265 jobs. While the local catchment would support an additional 5,500sqm of retail GFA capturing a further $35m in retail spend and provide for an additional 1,088 jobs within the Ohinewai catchment. In terms of the OSP's other key findings:

- This development is unique which means it generates additional employment and hence residents that would likely not have existed in absence of the OSP. Because it is unique and therefore unaccounted for in the plans, it is not expected to undermine the strategic industrial nodes or planned residential developments.
- The development is expected to generate an additional $6.4m in convenience retail spend which can support around 2,500 sqm of floorspace including commercial service.
- The success of the DFO centre will be dependent on its ability to draw from the Auckland and Hamilton markets which may be possible given the consistent discounts requirement and there being no other retail centre like it in the market. As it draws from the large market and targets specifically the discount market, it is not expected to reduce efficiency or undermine the role, function or commercial vitality and viability of other commercial centres in the network.
- Selling homes at the $500,000 price mark will ensure it is sufficiently cheaper than Auckland or the new homes in Te Kauwhata. The large gap in house average house prices being the Auckland and Waikato region has started to drop which means if the trend continuous it may affect the migration of current workers to the plant.
- The development aligns with a number of the design requirements in that it promotes employment and retail in close proximity to its resident population.
- Promoting the use of the rail ensures net benefits to the transportation network and supports the growth and development of the rail network within the 'Golden Triangle'.

APPENDIX : 1 PROPOSED OSP

APPENDIX 2: PROPERTY ECONOMOIC RETAIL GROWTH MODEL

This overview outlines the methodology that has been used to estimate retail expenditure generated at Census Area Unit (CAU) level for the identified catchment out to 2038.

CAU 2013 Boundaries

All analysis has been based on Census Area Unit 2013 boundaries, the most recent available.

Permanent Private Households (PPH) 2013

These are the total Occupied Households as determined by the Census 2013. PPHs are the primary basis of retail spend generation and account for approximately 71% of all retail sales. PPHs have regard for (exclude) the proportion of dwellings that are vacant at any one time in a locality, which can vary significantly, and in this respect account for the movement of some domestic tourists.

Permanent Private Household Forecasts 2006-2038

These are based on Statistics NZ Census Area Unit (CAU) Medium Series Population Growth Projections and have been adjusted to account for residential building consent activity occurring between 2006 and 2018, with this extrapolated to the year of concern. This accounts for recent building activity, particularly important for the 5-10-year forecasts, and effectively updates Statistics NZ projections to reflect recent trends.

International Tourist Spend

The total international tourism retail spend has been derived from the Ministry of Economic Development Tourism Strategy Group (MEDTSG) estimates nationally. This has been distributed regionally on a 'spend per employee' basis, using regional spend estimates prepared by the MEDTSG. Domestic and business-based tourism spend is incorporated in the employee and PPH estimates. Employees are the preferred basis for distributing regional spend geo-spatially as tourists tend to gravitate toward areas of commercial activity, however they are very mobile.

Total Tourist Spend Forecast

Growth is conservatively forecast in the model at 3% per annum for the 2015-2038 period.

2013-2038 PPH Average Household Retail Spend

This has been determined by analysing the national relationship between PPH average household income (by income bracket) as determined by the 2013 Census, and the average PPH expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ.

While there are variables other than household income that will affect retail spending levels, such as wealth, access to retail, population age, household types and cultural preferences, the effects of these are not able to be assessed given data limitations and have been excluded from these estimates.

Real Retail Spend Growth (excl. trade-based retailing)

Real retail spend growth has been factored in at 1% per annum. This accounts for the increasing wealth of the population and the subsequent increase in retail spend. The following explanation has been provided.

Retail Spend is an important factor in determining the level of retail activity and hence the 'sustainable amount 'of retail floorspace for a given catchment. For the purposes of this outline 'retail' is defined by the following categories:

- Food Retailing
- Footwear
- Clothing and Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other Stores.

These are the retail categories as currently defined by the ANZSIC codes (Australia New Zealand Standard Industry Classification).

Assessing the level and growth of retail spend is fundamental in planning for retail networking and land use within a regional network.

Internet Retail Spend Growth

Internet retailing within New Zealand has seen significant growth over the last few decades. This growth has led to an increasing variety of business structures and retailing methods including; internet auctions, just-in-time retailing, online ordering, virtual stores, etc.

As some of internet spend is being made to on-the-ground stores, a proportion of internet expenditure is being represented in the Statistics NZ Retail Trade Survey (RTS) while a large majority remain unrecorded. At the same time this expenditure is being recorded under the

Household Economic Survey (HES) as a part of household retail spending, making the two datasets incompatible. For this reason, Property Economics has assumed a flat 5% adjustment percentage on HES retail expenditure, representing internet retailing that was never recorded within the RTS.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a decrease in on-the-ground spend and floor space demand. In order to account for this, a non-linear percentage decrease of 2.5% in 2018 growing to 15% by 2038 has been applied to retail expenditure encompassing all retail categories in our retail model. These losses represent the retail diversion from on-the-ground stores to internet-based retailing that will no longer contribute to retail floor space demand.

Retail Spend Determinants

Retail Spend for a given area is determined by: the population, number of households, size and composition of households, income levels, available retail offer and real retail growth. Changes in any of these factors can have a significant impact on the available amount of retail spend generated by the area. The coefficient that determines the level of 'retail spend' that eventuates from these factors is the MPC (Marginal Propensity to Consume). This is how much people will spend of their income on retail items. The MPC is influenced by the amount of disposable and discretionary income people are able to access.

Retail Spend Economic Variables

Income levels and household MPC are directly influenced by several macroeconomic variables that will alter the amount of spend. Real retail growth does not rely on the base determinants changing but a change in the financial and economic environment under which these determinants operate. These variables include:

Interest Rates: Changing interest rates has a direct impact upon households' discretionary income as a greater proportion of income is needed to finance debt and typically lowers general domestic business activity. Higher interest rates typically lower real retail growth.

Government Policy (Spending): Both Monetary and Fiscal Policy play a part in domestic retail spending. Fiscal policy, regarding government spending, has played a big part recently with government policy being blamed for inflationary spending. Higher government spending (targeting on consumer goods, direct and indirectly) typically increases the amount of nominal retail spend. Much of this spend does not, however, translate into floors pace since it is inflationary and only serves to drive up prices.

Wealth/Equity/Debt: This in the early-mid 2000s had a dramatic impact on the level of retail spending nationally. The increase in property prices has increased home owners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumable spending. This debt spending is a growth facet of New Zealand retail. In 1960 households saved 14.6% of their income, while households currently spend 14% more than their household income.

Inflation: As discussed above, this factor may increase the amount spent by consumers but typically does not dramatically influence the level of sustainable retail floor space. This is the reason that productivity levels are not adjusted but similarly inflation is factored out of retail spend assessments.

Exchange Rate: Apart from having a general influence over the national balance of payments accounts, the exchange rate directly influences retail spending. A change in the $NZ influences the price of imports and therefore their quantity and the level of spend.

General consumer confidence: This indicator is important as consumers consider the future and the level of security/finances they will require over the coming year.

Economic/Income growth: Income growth has a similar impact to confidence. Although a large proportion of this growth may not impact upon households MPC (rather just increasing the income determinant) it does impact upon households discretionary spending and therefore likely retail spend.

Mandatory Expenses: The cost of goods and services that are necessary has an impact on the level of discretionary income that is available from a household's disposal income. Important factors include housing costs and oil prices. As these increase the level of household discretionary income drops reducing the likely real retail growth rate.

Current and Future Conditions

Retail spend has experienced a significant real increase in the early-mid 2000s. This was due in large part to the increasing housing market. Although retail growth is tempered or crowded out in some part by the increased cost of housing it showed massive gains as home owners, prematurely, access their potential equity gains. This resulted in strong growth in debt / equity spending as residents borrow against capital gains to fund retail spending on consumption goods. A seemingly strong economy also influenced these recent spending trends, with decreased unemployment and greater job security producing an environment where households were more willing to accept debt.

In 2008 this reversed with the worldwide GFC recession took grip, while over recent years an economic recovery has emerged. As such, the economic environment has undergone rapid transformation. The national market is currently experiencing low interest rates (although expected to increase over the short term) and an inflated $NZ (increasing importing however disproportionately). The recent rebound in the property market and an increase in general business confidence as the economy starts to recover from the post-GFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 20-year period. This rate can be highly volatile however and generally falls within the range of 0.5%-2.0%. It is considered prudent in the shorter term to be conservative with regard to the level of sustainable retail floor space within given centres and as the economy stabilises and experiences cyclical growth longer term rates might be slightly higher.

Business Spend 2013

This is the total retail spend generated by businesses. This has been determined by subtracting PPH retail spend and Tourist retail spend from the Total Retail Sales as determined by the Retail Trade Survey (RTS) which is prepared by Statistics NZ. All categories are included with the exception of accommodation and automotive related spend. In total, Business Spend accounts for 26% of all retail sales in NZ. Business spend is distributed based on the location of employees in each Census Area Unit and the national average retail spend per employee.

Business Spend Forecast 2013-2038

Business spend has been forecasted at the same rate of growth estimated to be achieved by PPH retail sales in the absence reliable information on business retail spend trends. It is noted that while working age population may be decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.

APPENDIX 3: CONVENIENCE RETAIL

The potential range of tenancy types considered suitable for the proposed convenience retail options is highlighted in the following list.

Note this is not intended to represent an exhaustive list, simply an indication of the types of retail and commercial & professional services businesses that could fit seamlessly into such a centre that would meet the local community's convenience and frequently required needs.

EXAMPLES OF CONVENIENCE RETAIL STORE TYPES

- Supermarket / Superette / Dairy / Mini-mart
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery
- Fruit & Vege Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways (Fish & Chips, Pizza, Chinese, Thai, Turkish, Indian, etc.)
- Cafés & Restaurants
- Newsagent
- Pub / Bar / Tavern
- Florist
- Gift Shops
- Pharmacy

EXAMPLES OF CONVENIENCE COMMERCIAL / PROFESSIONAL SERVICE ACTIVITIES

- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors
- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Travel agency
- Child care facilities
- Banks
- Financial Advisors
- Gym
- Lawyer

APPENDIX 4: RPS FUTURE PROOF TABLE

Table 6-1: Future Proof residential growth allocation and staging 2006-

Growth areas	Residential population[1]			
	2006	**2021**	**2041**	**2061**
Hamilton existing urban	119400	136400	161100	187900
Hamilton Greenfield (Rototuna, Rotokauri, Ruakura and Peacockes)	15000	37000	60000	60000
Future Hamilton Greenfield			3000	29700
Hamilton City Total	**134400**	**173400**	**224100**	**277600**
Cambridge	13225	17500	23200	25145
Te Awamutu / Kihikihi	12625	15900	20100	21565
Huntly	6915	8940	10925	12275
Ngaruawahia	5120	8340	12375	15875
Raglan and Whaingaroa	3220	4340	5025	5200
Te Kauwhata	1020	3430	5825	7675
Waipa Rural Villages	2350	3300	4290	5330
Waikato Rural Villages	6725	9050	12400	15775
Waipa Rural	15500	18800	19410	21460
Waikato Rural	22400	24800	27350	29800
Future Proof sub-regional total	**223500**	**287800**	**365000**	**437700**
Sub-regional split by settlement type				
City	134400	173400	224100	277600
Towns	42125	58450	77450	87735
Rural Villages	9075	12350	16690	21105
Rural	37900	43600	46760	51260
Sub-regional split – proportion of total population				
City	60%	61%	61%	63%
Towns	19%	20%	21%	20%
Rural Villages	4%	4%	5%	5%
Rural	17%	15%	13%	12%

er facilities.

APPENDIX 5: OHINEWAI STRUCTURE PLAN BUSINESS ZONE

17.5.11 Ohinewai Structure Plan Business Zone – Office and Retail Gross Leasable Floor Area

P1	a. Commercial/Retail activities shall meet the following: i. Individual leasable retail units shall have a gross leasable floor area of no more than $400m^2$. ii. Any grocery store shall have a gross floor area of no more than $1,000m^2$.
P2	a. Stand-alone Office tenancies shall have a gross leasable floor area of no more than $200m^2$.
P3	a. The total combined gross floor area of commercial/retail activities (including any grocery store) and stand-alone office activities within the Ohinewai Structure Plan must not exceed $2,500m^2$. Caps on the gross floor area of Commercial/Retail Activity and Office Activities in the Ohinewai Structure Plan Business Zone shall not apply to Commercial Services, Service Stations or Garden Centres.
P4	a. Outlet and Discount Retail activities shall either: i. sell goods manufactured by a manufacturing activity located within the Ohinewai Structure Plan; or ii. must offer goods for sale where at least 50% of the stock must have a discount of at least 40% off the recommended retail price including clearance, damaged, seconds and/or end of line goods. For clarity, there is no gross floor area cap on Outlet and Discount Retail activities in the Ohinewai Structure Plan Business Zone.
RD1	a. Retail or Office activities that do not comply with 17.5.10 P1, P2, P3 or P4. b. The Council's discretion shall be restricted to the following matters: i. The adverse economic impact on the Huntly town centre;