



REGIONAL HOTSPOTS 2016

NZ's top future growth areas

infometrics.co.nz

This report was prepared by Infometrics

Author

Gareth Kiernan, Chief Forecaster

Email: Economics@infometrics.co.nz

Phone: 04 889 0801

While every effort is made to ensure that the information contained in this publication is accurate, Infometrics Ltd accepts no responsibility for any errors or omissions, or for any loss or damage resulting from reliance on the use of the information, forecasts or opinions it contains.

Regional Hotspots

POPULATION GROWTH 2013 – 2023

Orewa/Albany: 53%

Hobsonville: 254%

Central Auckland: 47%

Beachlands/Drury: 54%

North Hamilton: 70%

Papamoa: 74%

Central Wellington: 25%

Central Christchurch: 83%

Southwest Christchurch: 105%

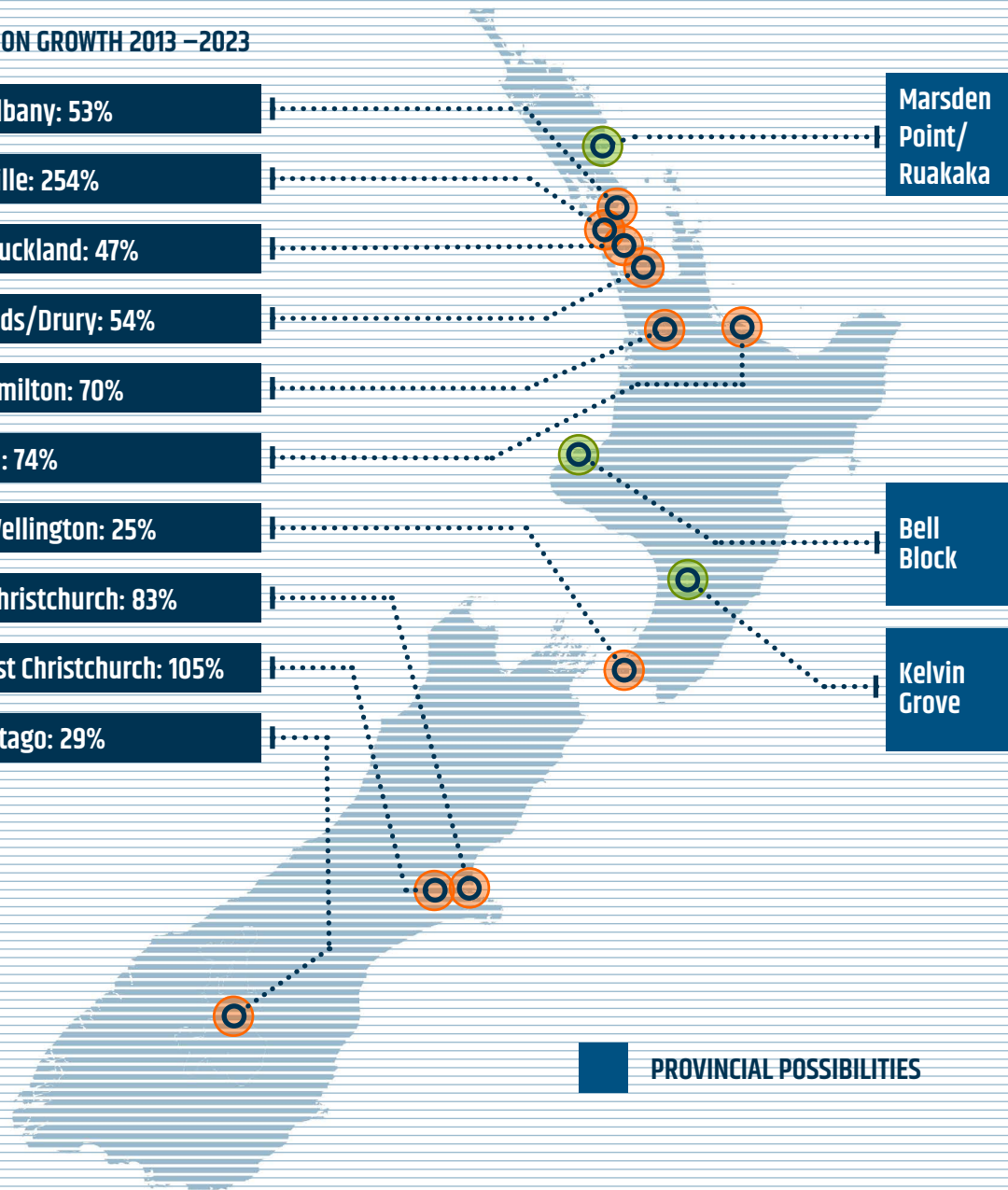
Central Otago: 29%

Marsden Point/
Ruakaka

Bell Block

Kelvin Grove

PROVINCIAL POSSIBILITIES



Executive Summary

Introduction

With population growth of 2.1%pa, and running at its fastest rate since the mid-1970s, almost all of New Zealand has had a bit of a “hotspot” feeling to it this year. The spread of the housing market’s boom from Auckland through the halo regions and then across much of the rest of the country has clearly demonstrated one of the consequences of strong population growth, particularly if the supply of new housing is unable to respond quickly enough to the lift in demand. But strong population growth has wider implications than simply adding heat to the housing market.

Perhaps one of the most significant effects of an increasing population is the relative ease it provides businesses with for increasing their revenue or sales volumes. This effect is exemplified by the differing economic fortunes between shrinking towns in the central North Island, such as Taumarunui, and growth areas in other parts of the country such as Waiuku. In 1996, those two towns were roughly the same size, at just over 6,000 people. But since then, Taumarunui’s population has fallen to 4,640 people, while Waiuku’s population is now 9,340. The loss of the freezing works and dairy factory and the decline in the importance of the railway have negatively affected job opportunities in Taumarunui over an extended period of time. As people continue to leave, the town loses more of the critical mass needed to sustain other businesses in the area, resulting in a declining trend that has the potential to be self-reinforcing.

In contrast, growth areas can sustain more businesses and bigger firms – even if the average spending by each individual is not increasing. The fact that there are potentially more customers coming in the door for businesses in a town such as Waiuku gives those firms a distinct advantage over companies trying to operate in an area with a static or shrinking population.

For the hotspots we have identified in this report, they are not looking at run-of-the-mill population growth over the next

5-10 years. In many cases, these locations are faced with rapid expansion because they are areas for development that have been targeted by local councils as planners try to facilitate urban growth to match their city or town’s popularity. Growth of this magnitude doesn’t just require new houses to be built, but also needs to be accompanied by appropriate physical and social infrastructure, the integration of business areas and employment opportunities, and the provision of new retail and service centres within the development.

This report highlights what we believe to be some of the key growth localities for New Zealand over the next decade. Almost by definition, these hotspots are concentrated around the country’s main metropolitan centres, reflecting the highly urbanised nature of New Zealand’s population and the greater density of potential new markets offered by these growth areas.

Within this framework, not all hotspots are created equal. Truth be told, limiting Auckland to just four hotspots seems a little unfair when the entire region is creaking under the weight of rapid population growth and an undersupply of housing. But the four areas we have chosen to showcase within Auckland look set to be the standouts for the region, even if affordability issues and stresses around infrastructure provision do end up constraining the wider region’s ability to grow over the medium term.

Auckland and the “halo” regions

The corridor north of Auckland from Orewa to Albany, as well as the city’s south-eastern periphery from Beachlands to Drury, are key areas of greenfield development to house Auckland’s ever-expanding population. Hobsonville presents a slightly different proposition, with land that had previously been used as an air force base earmarked for a large, relatively intensive, and highly planned area of new residential development with supporting facilities. Although some development has already occurred at Hobsonville, the area is set to really take off over



Executive Summary

the next five years, with population growth of more than 250% in the decade to June 2023.

High house prices and the undersupply of housing in Auckland have led to a significant outflow of people from the region into other parts of the country, resulting in a lot of discussion about the “halo” regions such as Waikato and Bay of Plenty. Within these regions of strong growth, we have highlighted North Hamilton and Papamoa as two of the standouts, and even as population growth across the top half of the North Island is likely to gradually ease from its current highs over the coming five years, development of these key areas within Hamilton and Tauranga will continue apace.

Affordability issues, the geographic spread of Auckland, and the city’s new Unitary Plan have reignited the focus on denser housing options, such as apartments, in the city. Population growth in Central Auckland is running well ahead of Statistics NZ’s projections, and with substantial commercial and infrastructure development occurring in the central city, we anticipate that further strong growth will occur in coming years.

The other major urban centres

Although Auckland is the dominant location for apartment living, both Wellington and Christchurch are also facing a substantial increase in the number of people living in the inner city. Growth in Central Wellington is partly being driven by greater student numbers, but is also being facilitated by a renewed trend of lower-grade office buildings being converted to apartments. Central Christchurch is still going through its phase of rebuilding and redevelopment following the 2011 earthquakes, offering opportunities for more intensive housing developments, more efficient use of space by commercial operators, and a stronger retail offering that can coexist alongside Christchurch’s comprehensive suburban mall options.

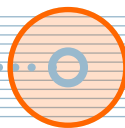
The Christchurch earthquakes have also amplified the rate of development around the fringes of the city’s urban area, and

Southwest Christchurch in particular. Rolleston had already been one of the fastest growing towns in New Zealand, and while it will continue to perform strongly, its expansion is now being accompanied by significant residential construction in areas such as West Melton, Wigram, Prebbleton, Lincoln, and Halswell. There has been a general westwards drift of Christchurch’s population following the earthquakes that is likely to be sustained over the medium term given greater land stability, alongside increasing employment opportunities and retail services towards the west that have arisen over the last five years.

Out in the provinces

Outside the five largest urban centres, we have also cast the spotlight on a few provincial areas. The most promising of these is Central Otago, encompassing not just the obvious growth area of Queenstown, but surrounding areas such as Wanaka and Cromwell as well. Massive growth in the tourism industry has rekindled economic activity in the region and is flowing through into substantial increases in demand for workers, housing, and support services. Although the rate of growth in Central Otago will ebb and flow as broader economic conditions change, the region’s prospects over the long-term look upbeat.

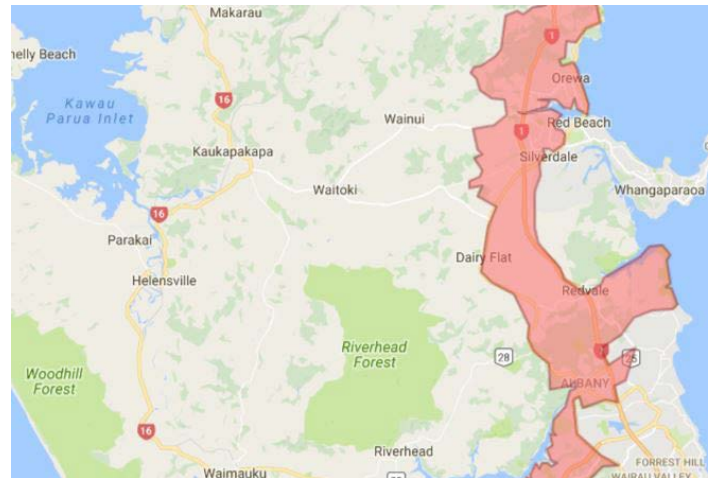
Other provincial centres to rate a mention are Whangarei, New Plymouth, and Palmerston North. In the case of these towns and cities, we are not focusing on the entire urban area, but rather on selected growth pockets within these centres. Marsden Point, Bell Block, and Kelvin Grove are key areas where local councils are attempting to funnel new development, and increased household numbers will need to be accompanied by additional provision of services in these areas. Even with the Taranaki economy having struggled since the substantial drop-off in oil and dairy prices during 2014, an area such as Bell Block will be a relatively strong performer given the attractiveness of its location and the improvements to infrastructure that have been made over recent years.



Auckland: Orewa-Albany

Highlights

- Population growth 2013-2023: 53% (17,580 people)
- Increased cross-harbour transport capacity of around 75% will make the North Shore more attractive.
- Silverdale's transition to a suburban township is likely to see considerable investment in retail, community, and civil facilities.
- Orewa is likely to have less of a "resort" or retirement-area feel about it as economic activity and population spread northwards.
- High average disposable incomes and the spending power of a growing population makes the area very attractive for businesses looking to tap into growth markets.



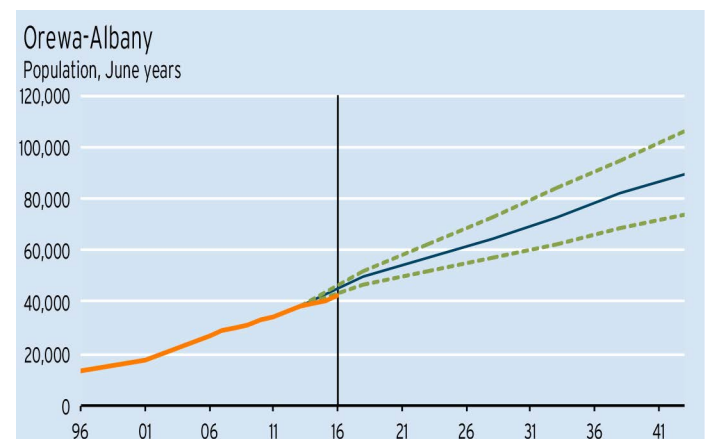
The spread of the Auckland urban area northwards has resulted in considerable commercial, industrial, and residential development on the North Shore over the last 20 years. Although the expansion of economic activity and associated employment in the area has helped boost the attractiveness of living on the North Shore for many people, the increasing number of commuters heading southwards across the Auckland Harbour Bridge for work has also placed additional pressure on public and private transport infrastructure.

Completion of the Western Ring Route, including upgrades to the Northern Motorway and extension of the Northern Busway, will help improve access from Albany and other northern areas to the central and western parts of Auckland. The nature of Auckland's economic growth means that the greatest pressure over the medium-term is likely to come on transport links to the CBD, an outlook recognised by planning that is currently underway towards the completion of an additional Waitemata Harbour crossing by about 2030. An effective increase of around 75% in the cross-harbour transport infrastructure capacity, including the addition of rail links, will greatly enhance the attractiveness of living on the North Shore for central Auckland workers.

With these significant plans in mind, there has already been growth in the population around Albany, although the expansion during the last three years has not been quite as rapid as had been expected. Nevertheless, continued investment in infrastructure will boost growth over the medium term. This population growth is being complemented by the development of retail and commercial space along with distribution facilities. Continued increases in student numbers at Massey University's Albany campus have also boosted activity in the area.

Further north, the spread of demand for property near or at the coast will also result in substantial population growth at Long Bay, Silverdale, and Orewa. Silverdale's transition from a standalone town towards more of a suburban township is likely to see considerable investment in retail, community, and civil facilities take place. Growth in Orewa will be less pronounced, but the town is likely to have less of a "resort" or retirement-area feel about it as economic activity and population more generally spread northwards.

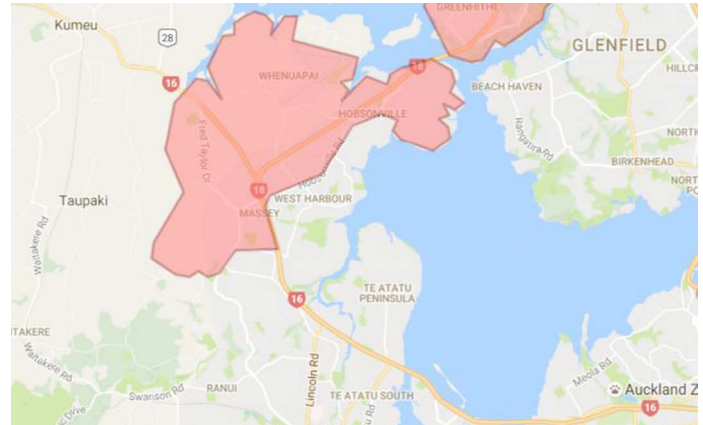
Critically, though, the more expensive nature of coastal property means that the disposable incomes and spending power of the growing population in the northern reaches of Auckland are likely to be higher on average than across Auckland as a whole. This aspect of the area's development makes prospects particularly attractive for businesses looking to tap into growth markets.



Auckland: Hobsonville

Highlights

- Population growth 2013-2023: 245% (12,390 people)
- Population growth will accelerate as new housing supply expands and as the Northwestern Motorway and Waterview Connection becomes operational in 2017.
- Almost 8,000 dwellings in the Hobsonville area are planned. Around 7,400 are within the Hobsonville Point development.
- A substantial business park employing around 4,000 people is planned in Hobsonville while a planned marine industry precinct could employ 2,000 people.
- Significant additional infrastructure investment in the area will be necessary.



Residential development in Hobsonville and Whenuapai means that this area is set to record some of the country's fastest population growth, not just over the coming decade, but throughout the next 25 years. Development of the former airfield at Hobsonville Point is transforming what was previously a rural and lifestyle area of Auckland into a large new suburban centre accompanied by retail and commercial facilities.

Completion of the Upper Harbour Motorway in 2011 helped improve road access into the area, and this access will be further enhanced by work to the south along the Northwestern Motorway and the Waterview Connection, much of which will be operational in 2017. Ferry services to Hobsonville Point over the last four years have also increased the connectivity of the area into the CBD.

Population growth has been relatively modest to date, but will accelerate as the area's supply of new housing expands. Almost 8,000 dwellings in the Hobsonville area are planned within Special Housing Areas, with about 7,400 of those dwellings falling within the Hobsonville Point development.

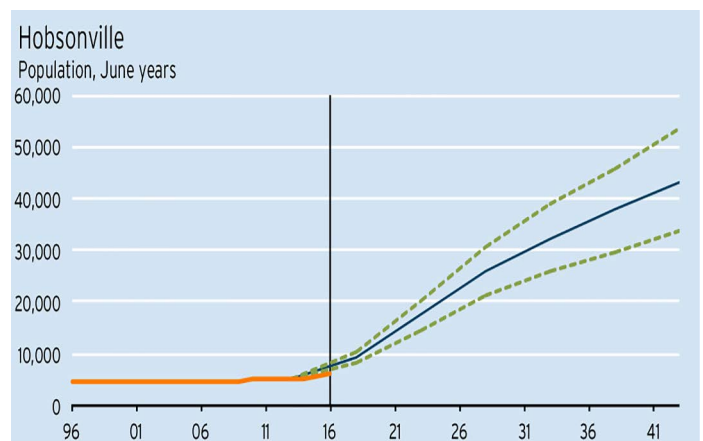
One of the key features of the development occurring at Hobsonville Point is the relatively high-density nature of much of the new housing. The suburb will contain a mix of apartments, terraced houses, and standalone houses, although even the standalone houses will be on relatively small sections. There are also requirements for a minimum proportion of affordable housing within the development.

In anticipation of rapid population growth, the NorthWest Shopping Centre opened in late 2015 as part of the Westgate Town Centre, which will also include a new library in 2017. A substantial business park is planned on the north side of Hobsonville Road employing about 4,000 people, while a

marine industry precinct that is planned could employ as many as 2,000 people.

Even though the Whenuapai Air Force base is set to remain operational for the foreseeable future, there will still be considerable development on the northern side of the Upper Harbour Motorway as well.

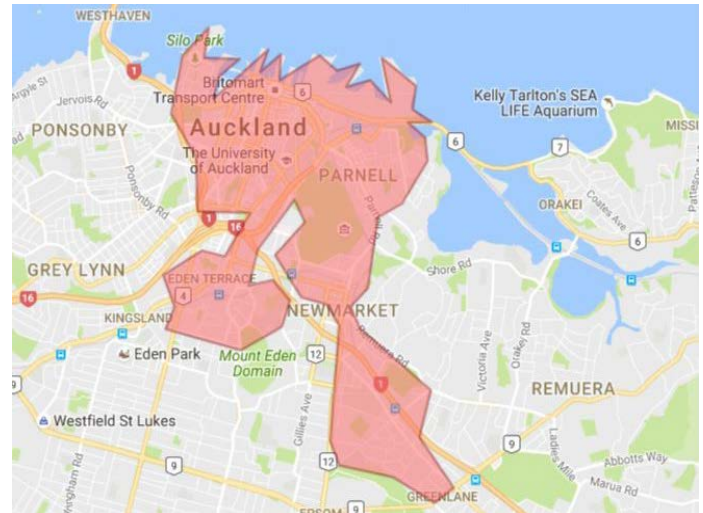
Auckland Council is heavily involved in the planning process for this part of the city, aiming to ensure that appropriate infrastructure is in place to cope with the area's projected exponential population growth. There has already been some work done on the likes of water and wastewater provision, focused on servicing the Special Housing Areas. However, it is clear that significant additional infrastructure will be necessary, including further water and wastewater capacity, medium-term expansion of transport networks, additional public transport services, new schools, and the provision of new civic facilities such as community centres, parks, etc.



Auckland: Central Auckland

Highlights

- Population growth 2013-2023: 47% (24,410 people)
- Strong population growth is expected close to the waterfront, particularly in the Wynyard Quarter, which is aimed at the upper-end of the market.
- The international education sector once again shapes as a significant driver behind demand for central city accommodation.
- The geographic pattern of business growth in Central Auckland is set to change over the next seven years with the construction of the City Rail Link.
- One of Auckland's challenges will be ensuring civil infrastructure can handle the demands of a rapidly increasing population in a relatively small area.



Increased densification is a necessary part of Auckland's development as the city's population continues to expand. Although a lot of attention has been focused on the development of town centres with higher-density residential components in suburban areas, these pockets of intensive development pale by comparison with the expected growth in the central city's population over the next decade.

The deluge of central city apartment development during the first half of last decade saw the population of our Central Auckland hotspot more than double, from 24,100 people at the 2001 census, to 49,400 by the 2013 census. Sixty percent of that growth occurred in the Auckland Central West and Auckland Central East area units, which lie between the Northern Motorway and SH16 heading down to the port.

Since the 2013 census, very strong population growth has continued in these two area units, with the population in each area unit by June 2016 already exceeding Statistics NZ's medium projections for 2023. Grafton West and Newmarket's populations are also running well ahead of expectations, contributing to Central Auckland's surging population over the last three years.

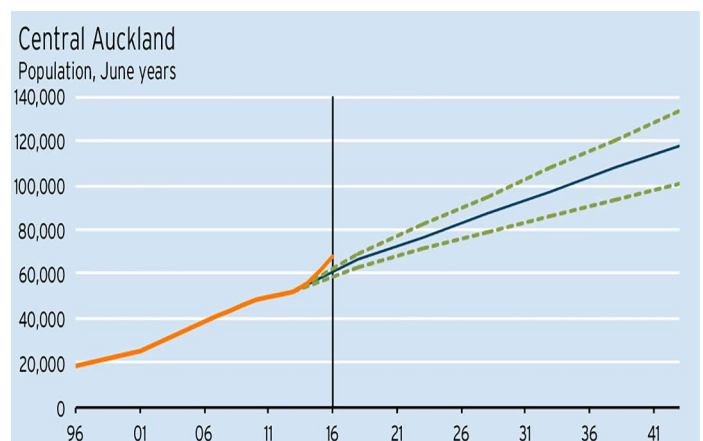
Although the Auckland Central West and Auckland Central East areas will continue to grow over coming years, that expansion will be somewhat overshadowed by development closer to the waterfront, particularly in the Wynyard Quarter. These harbour-side developments are likely to primarily be aimed at the upper end of the market, appealing to high-income and/or high-wealth households.

As was the case in the late 1990s and early 2000s, growth in the international education sector also currently shapes as a significant driver behind demand for central city accommodation. The convenience of living close to their place of study is complemented by other central city amenities and the lack of any required property maintenance. However, the

standard and size of current and future apartment construction is set to be significantly higher than during last decade's apartment building boom, which resulted in a large number of low-quality and substandard dwellings.

The geographic pattern of business growth in Central Auckland is set to change over the next seven years with the construction of the City Rail Link. Over the last 20-25 years, there has been a northwards drift of business down Queen Street as harbour-side land has been freed up and developed. But the planned Aotea Station is already driving plans for development in more southern parts of the CBD, and the improved public transport and commuter access that will be provided by Karangahape Station could also result in significant revitalisation and redevelopment around Karangahape Road and the top of Queen Street, subject to the area's special character restrictions.

If one area within Central Auckland epitomises the evolution of inner-city living, it is Newmarket. The former borough's population peaked as far back as 1926 at about 3,200 people, but as businesses gradually displaced residents in the CBD



Auckland: Central Auckland (continued)

fringe areas, Newmarket's population had shrunk to 1,000 by 1991. However, between the 2006 and 2013 censuses, the population almost doubled to just under 3,000. The development of more intensive housing options has brought residents back into Newmarket and will facilitate continued growth over the medium term. A similar mix of townhouses, lower-rise apartments, and mixed residential and commercial developments will underpin ongoing population growth in other comparable areas such as Eden Terrace and Parnell.

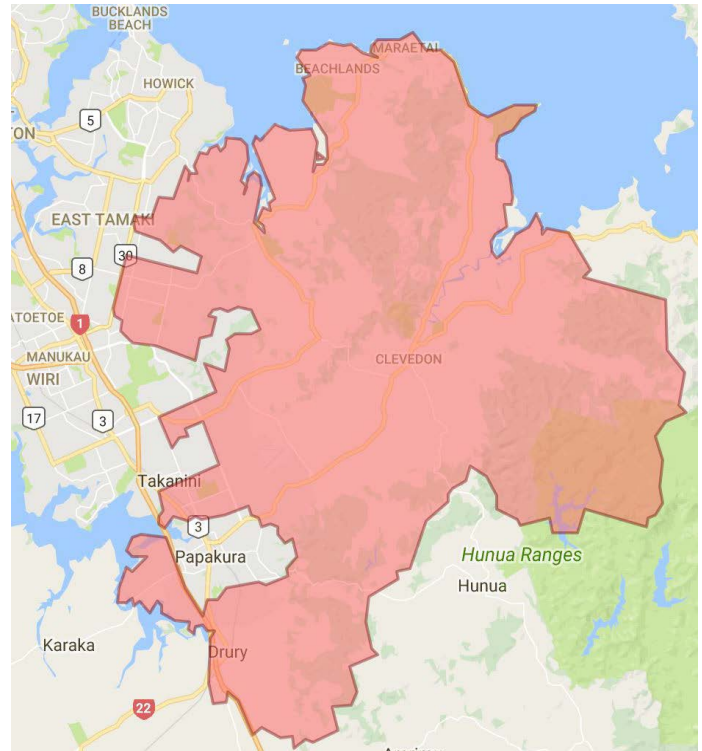
Whereas central city services in the 1990s would have been primarily aimed at workers and late-night revellers, growth in the central city population over the last 20 years means that many of the necessary amenities for residents are now in place. This relatively well-established social infrastructure means that inner-city living is a viable option for many people. Looking towards future growth, one of the biggest challenges for Auckland Council, as with other pockets of planned intensive growth across the city, will be ensuring that civil infrastructure is able to handle the increased demands placed on it by the rapidly increasing population in a relatively small geographic area.

“Newmarket epitomises the evolution of inner-city living in Auckland”

Auckland: Beachlands - Drury

Highlights

- Population growth 2013-2023: 54% (24,590 people)
- The Beachlands Drury area has room for 12,000 new dwellings across 11 Special Housing Areas with 90% of these in Flat Bush, Hingaia and Takanini.
- Large population growth is expected in Flat Bush between now and 2021 will be supported by social, retail and commercial development in and around the town centre.
- Hingaia will grow on the back of planned residential developments, the areas access to the motorway, and expansion of schools. This will place increased demand on the Papakura Town Centre.
- New recreational and community facilities makes Takanini attractive to live, and is well placed to cope with additional growth.
- Beachlands and Maraetai urban coastal appeal is likely to be capitalised on by developers over the next few years.
- Ongoing infrastructure investment will be required in many of the areas in and around Beachlands-Drury to keep up with population growth.



The most difficult part about including part of south Auckland as a hotspot is that almost the entire southern and eastern third of the city could be highlighted in our report. Between the mix of infill housing, increasing densification around suburban hubs, major new areas of development including some large Special Housing Areas, and general expansion around the urban fringes, south Auckland encapsulates the growth pressures that the Auckland region is grappling with as its population continues to grow.

We have chosen to focus on a relatively large swathe of land stretching from Beachlands and Maraetai in the northeast around to Papakura and Drury in the south. The breadth of this area reflects the enormous stresses that are currently being felt in Auckland's housing market and the ubiquity of urban development that is necessary across the region.

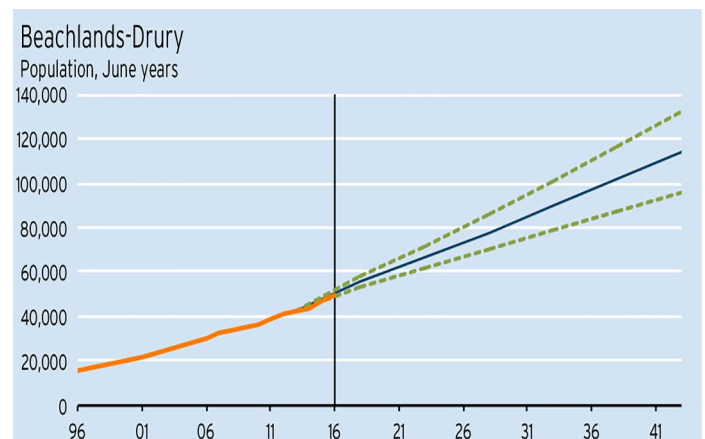
In terms of the hotspots that we have selected across the Auckland region, Beachlands-Drury has the greatest potential number of new dwellings in Special Housing Areas, with room for over 12,000 new dwellings across 11 SHAs. The bulk of these new dwellings, at about 10,000, will be located in three large SHAs: the Flat Bush Strategic Area, Hingaia, and the Takanini Strategic Area.

Estimates of the population across the Beachlands-Drury area up to June 2016 suggest that population growth is running below Statistics NZ's medium projections. However, as activity picks up across the SHAs and residential construction work in

Auckland continues to increase in response to strong demand pressures, we expect to see a considerable increase in the number of people living in the Beachlands-Drury area.

Flat Bush

Flat Bush borders on the Ormiston and Dongegal Park areas that have already undergone significant residential and other development. Auckland Council has put significant planning resources into Flat Bush to ensure an attractive and well-ordered town centre is developed, and the Council owns about 90% of the land that will be used in the town centre. A supermarket and primary school opened in 2015, while Barry Curtis Park provides a large green space with a range of community and recreational facilities. A library and



Auckland: Beachlands - Drury (continued)

aquatic centre are also planned, and Ormiston Junior High School (catering for years 7-10) will open at the start of 2017. Considerable population growth will also be supported by retail and commercial development in the town centre between now and 2021, along with ongoing investment in the expansion and upgrades of civil infrastructure such as roading, water, and wastewater networks.

As is planned with zoning changes around a number of existing suburban centres across Auckland, Flat Bush is planned to have a cluster of higher-density apartments and townhouses around the town centre, complemented by standalone houses in the surrounding areas, resulting in almost 4,500 new dwellings in total.

Hingaia

There is currently very little housing on the Hingaia Peninsula to the west of Auckland's Southern Motorway. A number of developers currently have plans for the residential development of this land that has previously been used for rural purposes, with room for almost 3,500 dwellings in the SHA.

The government has invested in the upgrade and expansion of existing schools in the area as well as announcing funding for a new primary school. The area also already has relatively good access to the motorway via the Papakura interchange. However, unlike the development at Flat Bush, plans for new retail or community facilities are relatively limited. Land along either side of Harbourside Drive has been zoned for mixed use and is likely to result to be mostly used for retail development. But the expanding population is also set to boost demand at the Papakura Town Centre, and could contribute to continued revitalisation and expansion of the services available in the town.

Takanini

The final major SHA within the Beachlands-Drury area is the Takanini Strategic Area. With provision for almost 2,100 additional dwellings this SHA builds on the development that has already taken place over recent years, highlighted by the construction of Bruce Pulman Park with its substantial

recreational and community facilities, alongside the big-box retailers at Southgate and other retail facilities at Takanini Village. In this regard, Takanini is probably already well placed to cope with further significant population growth.

Given the current rural-urban boundary, there is room for further development occur northwards towards Alfriston. Notwithstanding the location of Ardmore Airport, flat land stretching further to the east also shapes as a potential location for additional development over the longer-term, as it would potentially provide better access to existing transport routes and other infrastructure than expansion out past Karaka on the southern side of Manukau Harbour.

Beachlands and Maraetai

Beachlands and Maraetai don't include any SHAs, but nevertheless represent an area of solid projected population growth over the next decade and beyond. The nature of this growth will be somewhat different to much of the rest of the housing development across south Auckland, which is largely focused on trying to accommodate some of the city's rapidly expanding population in a reasonably timely and cost-effective manner. Being on the outskirts of the urban area, Beachlands and Maraetai have maintained some of their historic holiday feel. That slightly less urban coastal appeal is set to be further capitalised on by developers over coming years, with apartment projects in the works and plenty of residential subdivision planned as well.

Although the drive into Auckland's CBD is relatively long, the ferry service from Pine Harbour means that the commute can still be a relatively comfortable one. Furthermore, with the expanding industrial sector presence in East Tamaki and burgeoning population around the eastern fringes of Auckland, Beachlands and Maraetai are well located for employment opportunities in these areas.

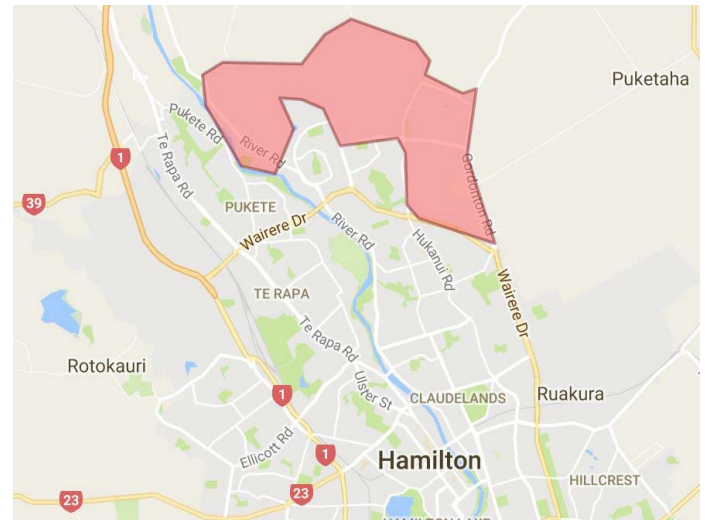
The construction of a supermarket along with supporting retail and office facilities in Beachlands will also boost the amenities available in the area, increasing its attractiveness for people to live and enabling further population growth over the medium term.

“Beachlands and Maraetai urban coastal appeal is likely to be capitalised on by developers over the next few years.”

Waikato: North Hamilton

Highlights

- Population growth 2013-2023: 70% (10,980 people)
- Improved facilities and the spill-over from Auckland's strong population growth and housing affordability has made Northern Hamilton a popular area.
- Completion of the Hamilton section of the Waikato Expressway will make Auckland more accessible and will increase North Hamilton's attractiveness.
- The prospect of the inland port at Ruakura is likely to provide considerable employment opportunities, helping drive further growth on North Hamilton.
- The more affluent, younger age profile of people in the area indicates the area is set for strong business growth and development over the coming decade.



The choice of this hotspot reflects the ongoing trend of the growth in Hamilton's metropolitan area towards the north. Although there are also longer-term plans for expansion of the city southwards towards the airport, growth in the short-term will be focused on the fringes around Flagstaff, Rototuna North, and Huntington.

The northern fringes of Hamilton have been favoured by developers and property buyers as they are comparatively well serviced by improved facilities over recent years. The massive development of The Base at Te Rapa has made the northern part of the city the premiere retail destination within Hamilton. Access from the northern suburbs on the eastern side of the Waikato River towards the south has also been vastly improved by the construction of Wairere Drive through to link up with State Highway 1 at Hillcrest.

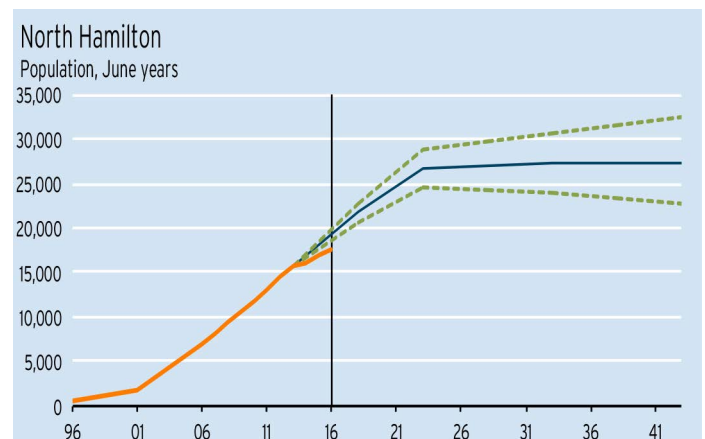
Additionally, the exodus of people out of Auckland in recent years due to the city's high house prices will also tend to favour development on the northern side of Hamilton. For some of these people, proximity to Auckland will still be of some importance given family and/or employment links with the city. Being located in North Hamilton already knocks time off the journey to Auckland compared with some other parts of Hamilton. Furthermore, once construction of the Hamilton section of the Waikato Expressway is completed by 2020, these north-eastern suburbs will benefit from being even closer to the main road transport link connecting the city with Auckland. A final factor encouraging development on the eastern side of the city is the prospect of the inland port at Ruakura. The establishment of the first stage of this facility by 2021 is likely to provide considerable employment opportunities, both directly and indirectly, helping to drive further growth in economic activity and population in key areas of Hamilton, including the northern part of the city.

Although population growth in North Hamilton over the last three years has failed to live up to Statistics NZ's projections,

we expect an acceleration in the rate of development given the improvements in employment opportunities and infrastructure taking place in surrounding locations. The spill-over effects of Auckland's strong population growth and housing affordability issues will also positively affect demand for housing in North Hamilton.

Recognising the area's expanding population, the government has constructed new junior and senior high schools in Rototuna, opening in 2016 and 2017 respectively. Rototuna Town Centre will be developed at the intersection of Resolution Drive and Borman Road, including a mix of retail, commercial, and community facilities to complement existing urban centres in the CBD, Chartwell, and The Base.

The strength of house prices in the northern parts of Hamilton indicates that the area's population is well-off, while the demographic breakdown shows that the age profile is relatively young. From the point of view of business growth, these factors enhance the attractiveness of the area's expected development over the coming decade.



Bay of Plenty: Papamoa

Highlights

- Population growth 2013-2023: 74% (5,190 people)
- The Tauranga Eastern Link has increased the attractiveness for businesses and households to be sited in Papamoa.
- In the short-term, retail and other service growth in the area are likely to be dotted throughout neighbourhood centres in the area.
- Over the longer-term, as residential construction spreads into the Te Tumu area, there may be scope for a more significant retail centre to be developed.
- Business and job growth will take place over the medium-term, particularly in the areas bordering the Tauranga Eastern Link.

Papamoa has undergone a transformation from a rural and holiday community to a suburb of Tauranga over the last 20-30 years as the city has grown substantially and, particularly during the 2000s, the popularity of coastal property increased immensely. However, the area's growth is far from finished, with development expected to continue spreading eastwards over the next decade and beyond.

In broader terms, Tauranga has undergone something of a transformation from a popular retirement destination to a more broadly based growth city. The success of the Port of Tauranga has coincided with strong business growth in the city, while Tauranga's lifestyle has proved a strong drawcard for families. The spread of population growth across all age brackets has seen major expansion in Tauranga's social infrastructure, businesses, and employment opportunities – a trend that has been largely self-reinforcing in terms of attracting more people to the city.

Papamoa is one of two main growth hubs in Tauranga, and we expect it to outperform the area south of Tauranga around Pyes Pa. Completion of the Tauranga Eastern Link last year has helped increase the attractiveness for both businesses and households to be sited at Papamoa, providing more direct access both into the city and towards eastern Bay of Plenty.

The more coastal nature of Papamoa also holds strong appeal from a lifestyle point of view for families as well as retirees. By June 2016, the area's population was only running slightly ahead of Statistics NZ's low projections, but with Tauranga City's population recording one of the fastest growth rates in the country, we expect further acceleration in Papamoa's prospects over coming years.

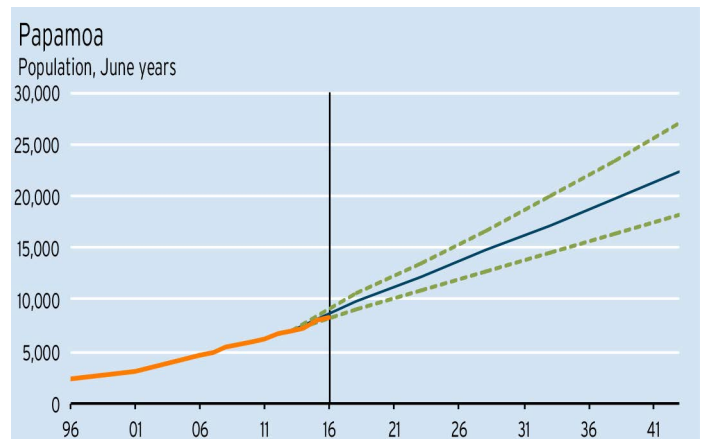
One of the challenges for growth in the Papamoa area is the relatively long and thin nature of the suburb. Currently, retail facilities are mainly located in the older Papamoa Beach area, with fewer services available further east in more recently



developed areas. The “ribbon-like” nature of growth will make it more difficult to justify a single large urban hub within Papamoa East; instead, retail and other services are likely to be based around a number of smaller neighbourhood centres dotted throughout the area. Over the longer-term, as residential construction spreads further east away from the older Papamoa Beach area into the Te Tumu area, there may be scope for a more significant retail centre to be developed.

Industrial and commercial development is also planned around Papamoa. However, the area is probably less well-sited than the likes of Tauriko, for example, for freight and logistics-related activities, as it lies on the side of Tauranga that is away from the “Golden Triangle” growth areas of Auckland and Hamilton.

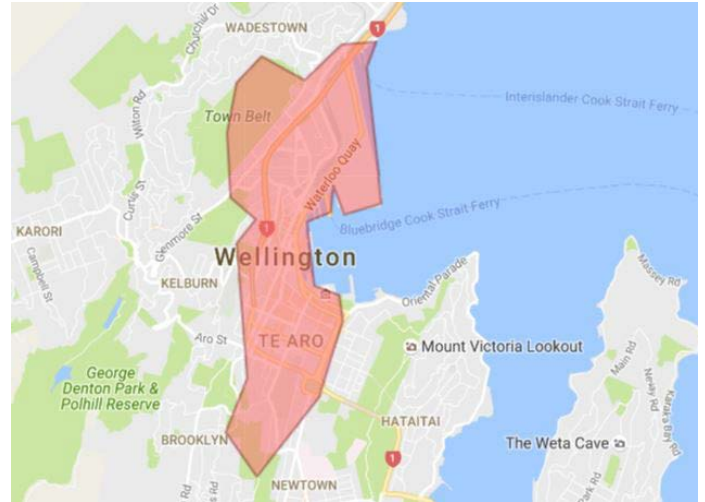
Nevertheless, Tauranga City Councils' focus on ensuring that new residential development is accompanied by employment opportunities within Papamoa suggests that business and job growth will take place over the medium-term, particularly in the areas bordering the Tauranga Eastern Link.



Wellington: Central Wellington

Highlights

- Population growth 2013-2023: 25% (5,760 people)
- Apartment conversions helped facilitate a revitalisation of Central Wellington during the 1990s and 2000s as many company head offices relocated.
- A surplus of lower-grade office space followed the Christchurch earthquakes and has become more pronounced as government departments consolidate premises.
- We are starting to see signs of surplus lower-grade office being converted into apartments. We expect this to continue, notably in Te Aro, Lambton and Thorndon.
- Increased tertiary student numbers in Wellington will also contribute to growth in the inner-city population and overall vibrancy of the CBD.



Central Wellington’s population grew substantially during the 1990s and the first half of last decade, increasing by an average of 5.5%pa between the 1991 and 2006 censuses. The growth was facilitated by Wellington City Council’s determination to revitalise the inner city, a process that was sorely needed as the size of the public sector workforce shrank and many corporate head offices relocated to Auckland or Sydney.

In part, the reduction in demand for office space in Wellington contributed to growth in the inner city’s population, with a number of older and lower-grade office buildings being converted to apartments. The increased number of people living in the central city also flowed through into demand for a more diverse range of retail facilities and a large number of entertainment options.

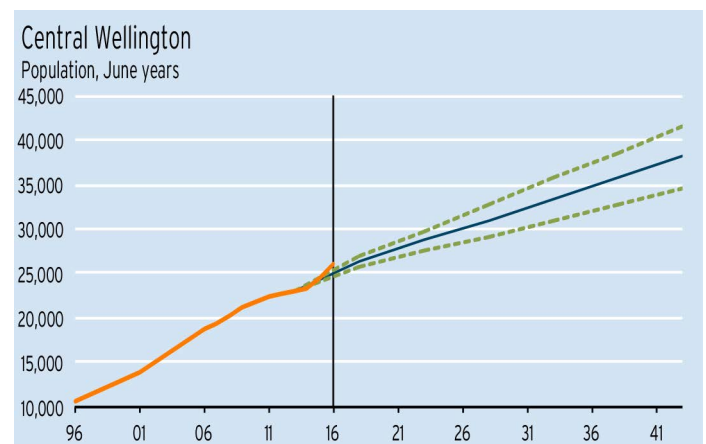
Since the Christchurch earthquakes in 2011, Wellington’s office market has been going through another transitional phase, with strong demand for space in high-grade and seismically safe buildings, while lower-grade buildings have struggled to attract or retain tenants. The surplus of lower-grade space has become even greater throughout 2016 as government departments have continued their process of consolidation, moving into refurbished and upgraded premises.

The returns that owners are able to generate from lower-grade office space are generally exceeded by the returns that can be made from apartments. As a result, for buildings that meet tenants’ seismic strength requirements, we expect to see more apartment conversions taking place over the next five years. This month’s large earthquake, which has severely affected Kaikoura and caused issues for several buildings in Wellington’s CBD, will have reiterated the importance of the ability of buildings to withstand quakes, particularly for potential tenants of those buildings.

Central Wellington’s population grew by 6.1% in the June 2016 year, suggesting the renewed wave of apartment conversions is already underway. This activity will be particularly concentrated in Te Aro, although the Lambton and Thorndon areas are likely to experience significant population growth as well.

Increasing tertiary student numbers in Wellington will also contribute to growth in the inner-city population. Victoria University has been steadily increasing its number of hostels over recent years, and the opening of the Whitireia-WelTec campus on Cuba Street in 2018 will add to student numbers in Central Wellington as well.

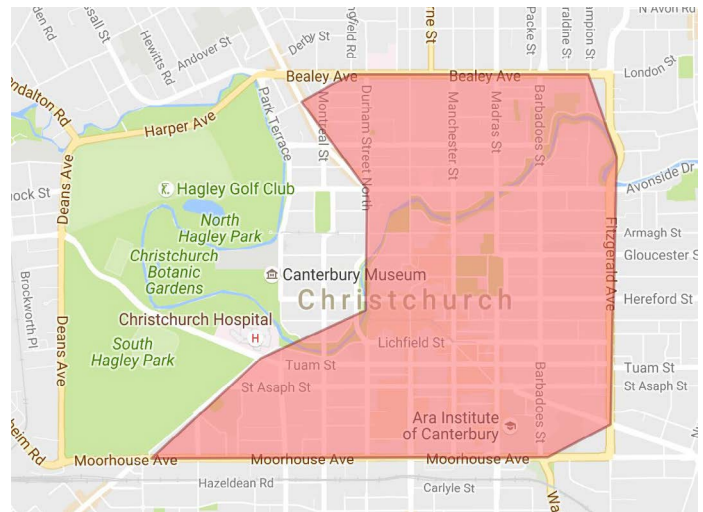
“Apartment conversions helped facilitate a revitalisation of Central Wellington during the 1990s and 2000s as many company head offices relocated.”



Canterbury: Central Christchurch

Highlights

- Population growth 2013-2023: 105% (4,270 people)
- Population growth in the city centre is expected to accelerate over the next 5-10 years, after having fallen by 33% between the 2003 and 2013 census.
- The mix of residential and commercial buildings will change as less efficient commercial office space gives way to residential dwellings in the city centre.
- Central government and large firms are returning to the city. Previous commercial occupants will be slower to return due to significantly higher rents.
- Achieving a unique mix of retail activity is vital for the CBD's success given the very strong hold suburban malls have on shopping patterns in Christchurch.



The bulk of the talk about earthquake rebuilding work in Christchurch has focused on the drift of the city's population northwards and westwards, and the length of time that it has taken for significant progress to be made on non-residential work in the CBD. But one of the overlooked effects of the earthquakes was the sharp drop in Central Christchurch's population as many older dwellings near the CBD were destroyed or cordoned off, and the shops and other facilities that serviced those people disappeared. Central Christchurch's population shrank by 33% between the 2006 and 2013 censuses.

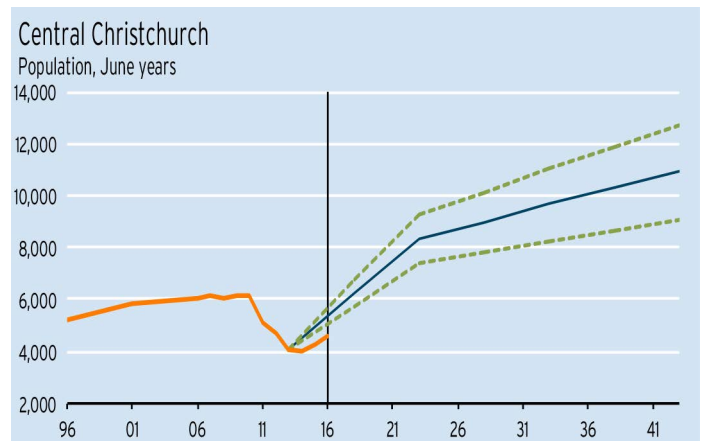
Estimates from Statistics NZ suggest there has been a small recovery in Central Christchurch's population over the last two years, but further substantial growth is expected over the next 5-10 years. The necessary, but gradual, reconstruction of the central city's building stock has enabled a reconfiguration of land use in the CBD. With Christchurch's commercial building stock previously being relatively old and inefficient, the total footprint of the city's office space is likely to be considerably smaller over the medium-term. This reduction in land used for office space is likely to open up more room for central city living.

In addition, the loss of some older relatively low-density dwellings within the four avenues has also created an opportunity for the construction of more townhouses and apartments in the central city.

The other key factor behind the reappearance of more vibrancy in Central Christchurch is the return of the central city workforce. Central government has committed to coming back to the CBD, while large corporate firms (for example, in the legal and accounting space) have also been willing to pay the significantly higher rents that brand new buildings

have commanded. However, many other businesses that were formerly sited in the centre of town are less willing or able to pay much higher rents, which appears to be slowing commercial development work. We anticipate that the process of rebuilding on the vacant lots in Central Christchurch will take another decade, with landowners only pressing ahead with new developments when they have sufficient pre-commitments from tenants.

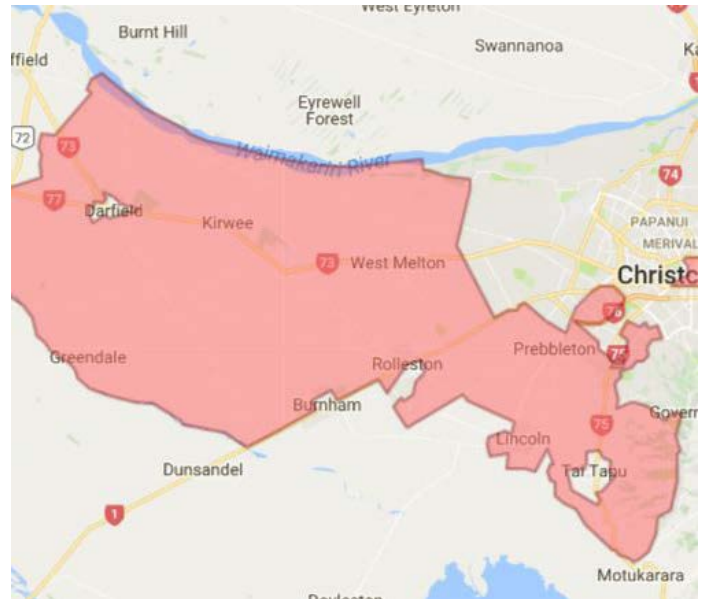
Nevertheless, gradual increases in the number of people living and/or working in the CBD will foster demand for additional retail options and other services. Christchurch has the opportunity to establish a relatively cosmopolitan retail offering more along the lines of central Auckland or Wellington, with a greater mixture of entertainment and hospitality, high-end or international retail, and standard household retail than existed prior to the quakes. Achieving a unique mix of retail activity is vital for the CBD's success given the very strong hold that suburban malls have on shopping patterns in Christchurch.



Canterbury: Southwest Christchurch

Highlights

- Population growth 2013-2023: 85% (122,790 people)
- The drift in population since the Christchurch earthquakes in 2011 has been another contributor to population growth and residential development in Rolleston, Wigram, Prebbleton, Lincoln and around Halswell.
- The unexpected acceleration of population growth around Halswell has left the area underserved in retail and social and community amenities.
- The population in Prebbleton and Lincoln are both expected to expand by 30-40% over the next eight years, helping to make the demarcation of the city's suburbs and nearby towns less pronounced.
- The drift of business activity towards the west of the city combined with development on the Christchurch Southern Motorway makes Southwest Christchurch an attractive proposition.



At the 1996 census, Rolleston was home 1,053 people – a town about the same size as Reefton. Since that time, there has been a population explosion, with Christchurch City’s urban limits contributing to the rapid growth of the satellite town.

Rolleston followed a trend whereby its population roughly doubled at each of the subsequent censuses in 2001, 2006, and 2013. This growth has seen the Selwyn District Council invest in the development of a community centre, library and aquatic centre in the town, while the Council’s Izone Southern Business Hub has been an increasingly popular place for industrial and distribution businesses to site their operations, boosting local economic activity and employment opportunities.

Since Christchurch’s devastating earthquakes in 2011, the northwards and westwards drift of the city’s population has been a new contributor to Rolleston’s growth. Rolleston remains a core component of growth towards the southwest of Christchurch, although the town’s population growth is projected to be much less meteoric in coming years.

Sitting at about 10,000 people at the 2013 census, Rolleston’s population is not expected to top 20,000 until the 2030s. However, even this rate of population growth will still need further substantial development of retail, community, and education facilities in the town. A secondary school is set to open in Rolleston in 2017.

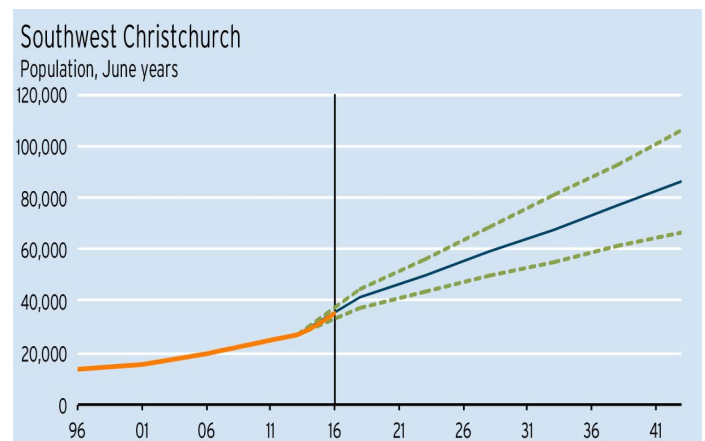
But it has not only been Rolleston that has felt the effects of the changes due to the earthquakes. Major new residential developments have been taking place at Wigram, Prebbleton, Lincoln, around Halswell, and further west towards West Melton and Kirwee. This residential building work has

been complemented by businesses being forced to locate themselves away from the CBD in areas such as Addington, Riccarton, Hornby, and Avonhead, meaning that living on the western outskirts of the city has been relatively convenient for many people with regards to their places of work.

A major mixed-use development has been proposed in Halswell, including a large outdoor shopping centre, a retirement village, and as many as 400 town houses.

Rapid population growth in Wigram will increase the need for more community facilities going forward, including a secondary school. Major residential development and commercial space has already popped up in the area.

The unexpected acceleration of population growth around Halswell in particular, including Aidanfield and Hendersons Basin, has left the area underserved in terms of a range of



Canterbury: Southwest Christchurch (continued)

“The unexpected acceleration of population growth around Halswell has left the area underserved in retail and social and community amenities.”

services, including the retail offering, social and community amenities, and school facilities. A major mixed-use development has been proposed between Halswell Road and Sparks Road, including a large outdoor shopping centre, a retirement village, and as many as 400 townhouses. The Ngā Puna Wai Sports Hub, to the north between Halswell Road and the Christchurch Motorway, is scheduled to be completed by late 2018 and will be a major drawcard for the area.

Residential development in Wigram has been accompanied by the construction of retail and office space at The Landing. This town centre is designed to complement existing larger-scale retail offerings at Hornby and Riccarton. Continued population growth in Wigram is likely to result in a need for increased community facilities, while the absence of a secondary school in the area will also need to be addressed at some stage.

The other hubs of growth in Southwest Christchurch lie within the Selwyn District. Prior to the 2011 earthquakes, significant zoning restrictions and the desire to maintain a green belt around Christchurch City meant that there was a strong demarcation between the city’s suburban boundaries and the nearby towns of Prebbleton, Lincoln, and Rolleston. That demarcation has become less pronounced as development has been forcibly accelerated towards and beyond the city fringes. Prebbleton and Lincoln still have a small-town feel to them, but are both expected to expand by 30-40% over the next eight years. Over the longer-term, development along Springs Road is likely to see Prebbleton, in particular, become more and more like a suburb of Christchurch.

Access from these towns into Christchurch City has already been improved thanks to the first stage of the Christchurch Southern Motorway. The \$195m second stage of the Motorway extends past Prebbleton towards Rolleston and is part of the government’s Roads of National Significance programme. It is due to be completed in 2020 and will further improve access into the central and southern parts of the city. The fact that there has been a significant drift of business activity and employment towards the west of the city has also helped make the option of commuting from these towns a more attractive alternative than it was previously.

Although the growth pressures are not as intense, development is also occurring along SH73 at Yaldhurst and West Melton. Once again, the shorter post-quake commute to the western edges of Christchurch, rather than the central city, has boosted demand for housing in these localities.

Otago: Central Otago

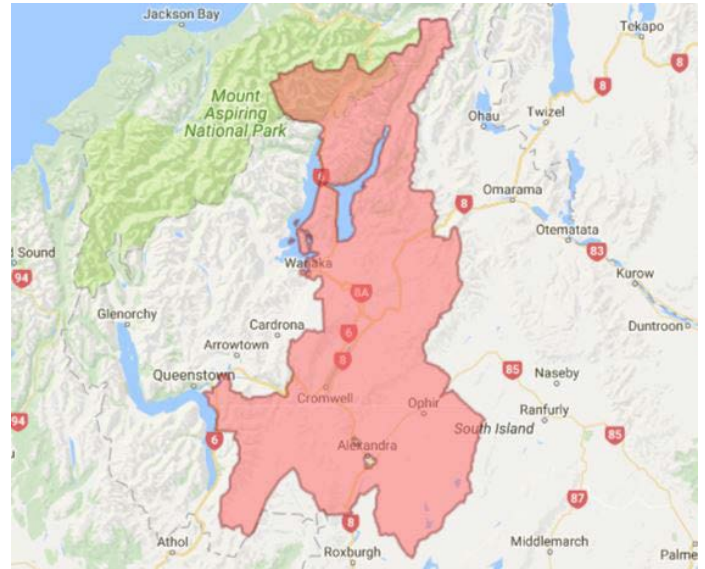
Highlights

- Population growth 2013-2023: 29% (5,880 people)
- Substantial population increases in that Arrowtown, Wanaka and Cromwell reflect population pressures and less affordable housing in Queenstown.
- Major developments are planned in Wanaka, including the mixed-use Three Parks area, other retail, services and residential developments.
- More affordable accommodation makes Cromwell an increasingly attractive area to live for both retirees and Queenstown and local workers.
- High growth areas in Queenstown are concentrated in the east and south with 700 residential sections at Jack's Point and 2,000 lots planned for Hanley's Farm.
- Ensuring that a significant chunk of development work in Cromwell and surrounding areas focus on affordable housing is key to avoiding the problems that have arisen in Queenstown.

Of all our hotspots, Central Otago has by far the lowest population density. Within the region, it would be easy to pick out Queenstown as being the focal point for growth, especially given the 8.7% growth in the town's population over the last two years. But focusing only on Queenstown would mean missing out on other towns within the region that are enjoying a surge in popularity in tandem with Queenstown's ongoing expansion as a lifestyle and tourism destination.

In fact, the 2006-2013 inter-census period was the first time since 1956-1961 that Queenstown's population growth (10.3% over the seven years) was not more than double nationwide population growth (5.3%). In terms of growth rates, Queenstown's increase in population has been overshadowed by Wanaka, Cromwell, and Arrowtown since the 2001 census. And even as Queenstown's population growth has accelerated again over the last three years, racing ahead of Statistics NZ's high population projections, the population pressures and shortage of affordable housing in the town have meant that the number of people living in surrounding areas has risen substantially as well.

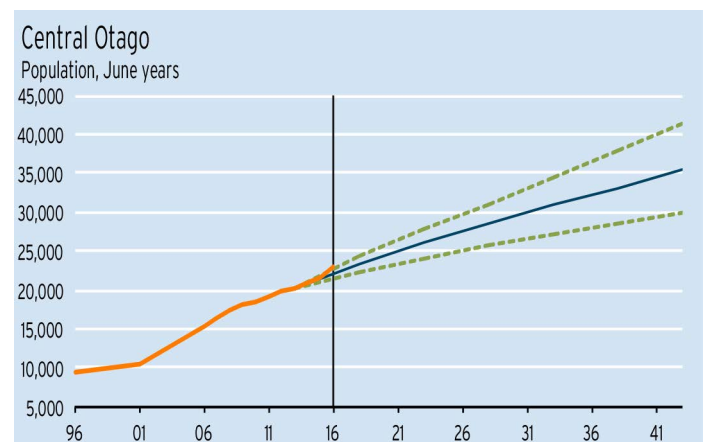
Wanaka provides a different feel to the more internationally focused Queenstown, and is appealing increasingly to New Zealanders as a more low-key and less expensive alternative to live in, or for holidays or retirement. The town has a number of major developments planned, including the Northlake residential subdivision (1,600 houses) and the mixed-use Three Parks area. Within these developments there are plans for a sports facility and swimming pool, as well as retail space that will encompass larger stores. Commercial and industrial space is also expected to be included as part of a business park within



the Three Peaks development.

Cromwell offers a more affordable alternative to either Queenstown or Wanaka. The town's population shrank between 1986 and 1996 as workers on the Clyde Dam moved away, but has surged over the last 10-15 years with employment opportunities offered by the horticulture and viticulture industries, as well as spill-over effects of the tourism boom in Queenstown. Expanding education facilities reflect the town's increasing population, and it is also attracting more retirees. As it grows, the town aims to make sure that a significant chunk of development work is focused on affordable housing, avoiding the problems that have arisen in Queenstown, in particular, in trying to accommodate lower-paid service workers within the area.

In terms of Queenstown's growth, we have focused our attention on the southern and eastern fringes of the town.



Otago: Central Otago

Lake Hayes Estate is already well established, but development is underway in the neighbouring Shotover Country area. South of the Kawarau River, there is ongoing development at Jack's Point (about 700 sections), including proposals for a retail and visitor-focused village with a hotel. This area is bordered by plans for medium-density residential development at Hanley's Farm (over 2,000 lots). On State Highway 6, the upgrade of the Kawarau Falls Bridge from one to two lanes will be complete by late 2017 and improve the connectivity of the area to Frankton and Queenstown.

In terms of Queenstown's growth, we have focused our attention on the southern and eastern fringes of the town. Lake Hayes Estate is already well established and there has been substantial development in the neighbouring Shotover Country area. South of the Kawarau River, there is ongoing development at Jack's Point (about 700 sections), including proposals for a retail and visitor-focused village with a hotel. This area is bordered by plans for medium-density residential development at Hanley's Farm (over 2,000 lots). On State Highway 6, the upgrade of the Kawarau Falls Bridge from one to two lanes will be complete by late 2017 and improve the connectivity of the area to Frankton and Queenstown. This project will be complemented by the construction of the Eastern Access Route past Queenstown Airport, which will further alleviate the traffic bottleneck at the junction of State Highways 6 and 6A.

"Major developments are planned in Wanaka, including the mixed-use Three Parks area, other retail, services and residential developments."

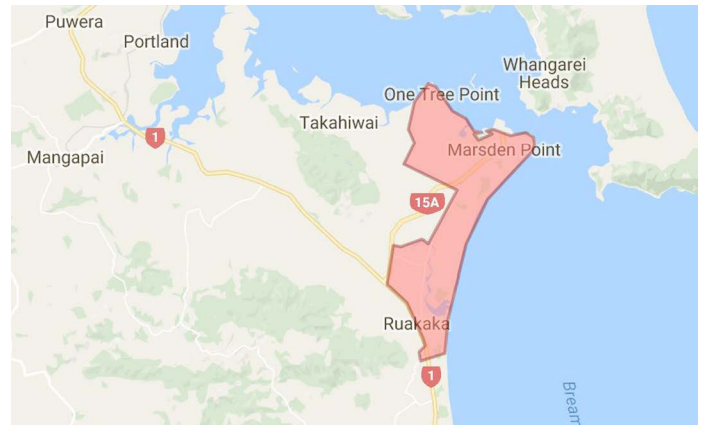
Provincial Possibilities

With our top 10 hotspots heavily concentrated around the main urban centres, we felt it was important to cast the net a bit wider and pick up on some smaller areas of localised growth out in the provinces. Our attention was drawn to three pockets of growth.

Marsden Point and Ruakaka

Highlights

- Population growth 2013-2023: 29% (1,120 people)
- Improved access from the North Shore to Northland will further help the spillover from Auckland and boost Whangarei's population growth, particularly in the southern areas of Marsden Point and Ruakaka.
- Growth in this area will be orientated around the oil refinery and Newport, which will have strong population growth and infrastructure improvements.
- There are development plans for mixed-use commercial, and residential areas between Ruakaka and One Tree Point.

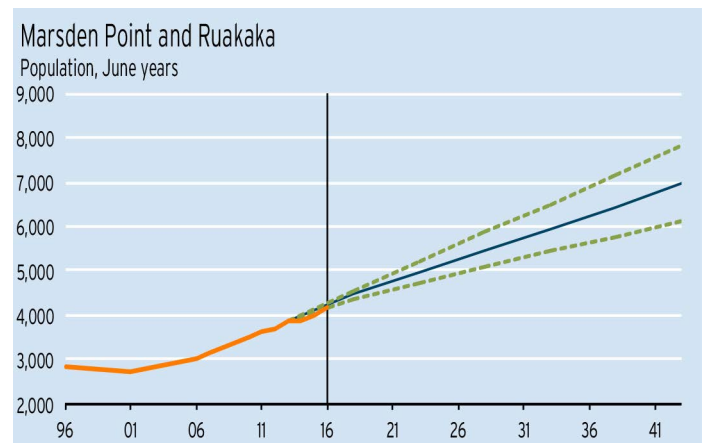


Current housing affordability issues in Auckland have had spillover effects for the surrounding regions, although Northland has arguably not been as heavily affected as Waikato or Bay of Plenty. Nevertheless, we expect Whangarei to record faster population growth over the medium-term, and much of this growth is likely to be concentrated in the Marsden Point and Ruakaka area, south of the main town.

This area is one that has been earmarked for significant medium-term development by the Whangarei District Council. The growth is expected to be based around the requirements of the oil refinery and Northport, particularly with relatively strong

There is scope for a considerable amount of industrial activity to be sited in the Marsden Point area. Further significant residential development and local urban centres are planned at One Tree Point and Ruakaka, with a mixed-use area containing

commercial and other space planned in between the two communities.

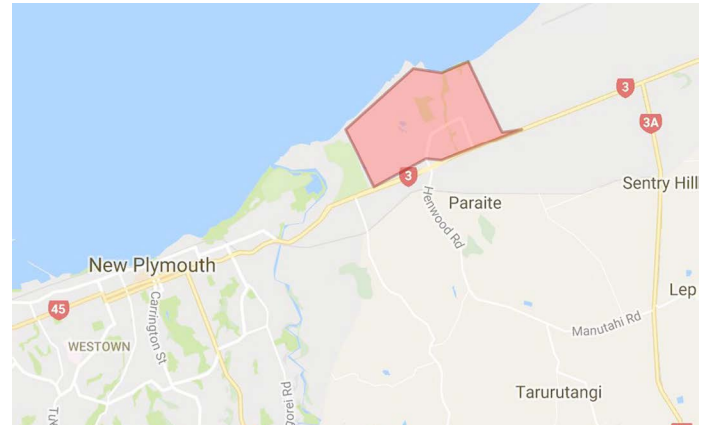


“There are development plans for mixed-use commercial, and residential areas between Ruakaka and One Tree Point.”

Bell Block

Highlights

- Population growth 2013-2023: 20% (1,080 people)
- The SH3 bypass of Bell Block and the extension of the Coastal Walkway has been a catalyst for growth in Bell Block.
- Reasonably affordable coastal housing, growing business activity in the industrial areas near the town and Bell Block's proximity to the Valley Mega Centre make the area attractive.
- Continued population growth and demand for housing will feed through into further expansion of retail facilities and social infrastructure.



The construction and opening of the State Highway 3 bypass of Bell Block in 2010 has proven to be something of a catalyst for a change in the township. The diversion of through traffic has helped Bell Block develop into more of a self-contained community. And with the extension of the Coastal Walkway to Bell Block, which was opened at the end of 2014, has helped improve the connectedness of the satellite town with the main urban centre of New Plymouth.

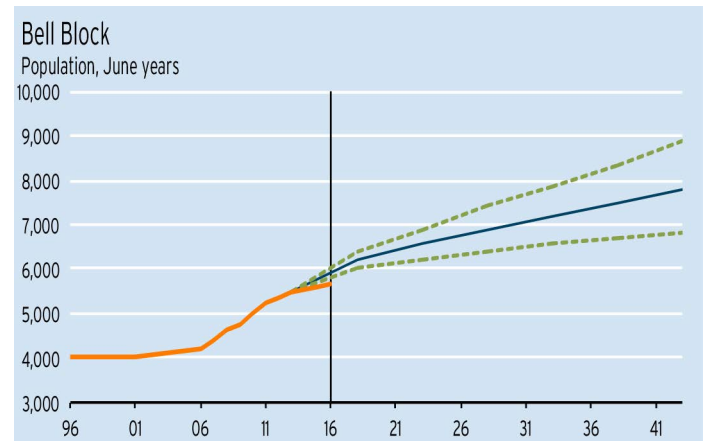
Unlike the other growth areas around New Plymouth, Bell Block has the advantage of being relatively coastal. Being slightly further from central New Plymouth means that housing options in the area can be reasonably affordable, although the town also appeals to people looking to build a higher-end home as well.

Other advantages for Bell Block include growing business activity in industrial areas near the town, as well as its proximity to the Valley Mega Centre on the northeast outskirts of New Plymouth.

The broader Taranaki economy has struggled somewhat over the last couple of years due to the sharp downturn in both dairy and oil prices – factors that had helped generate strong growth in previous years. The region's economic struggles are reflected in Bell Block's population growth, which has slowed

from 5.1% to 1.4%pa since 2010, and is currently running below Statistics NZ's low projections.

The current recovery in dairy prices should help improve the region's economic performance. But even if growth in the Taranaki economy continues to be modest, we expect Bell Block to be an outperformer within the region. Continued population growth and demand for housing will feed through into further expansion of retail facilities and social infrastructure such as schools.

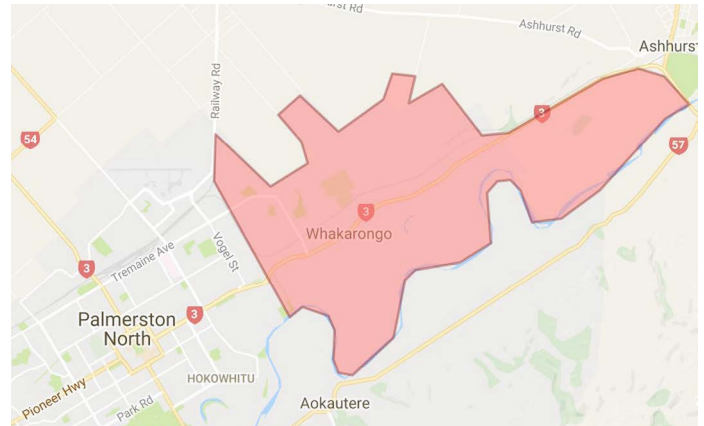


“Continued population growth and demand for housing will feed through into further expansion of retail facilities and social infrastructure.”

Kelvin Grove

Highlights

- Population growth 2013-2023: 24% (1,960 people)
- Kelvin Grove has gradually transformed from a semi-rural lifestyle area into a residential area. There is still room for residential development in the area.
- The continued spread of housing in this direction will increase demand for services, resulting in the expansion of retail and education facilities over time.



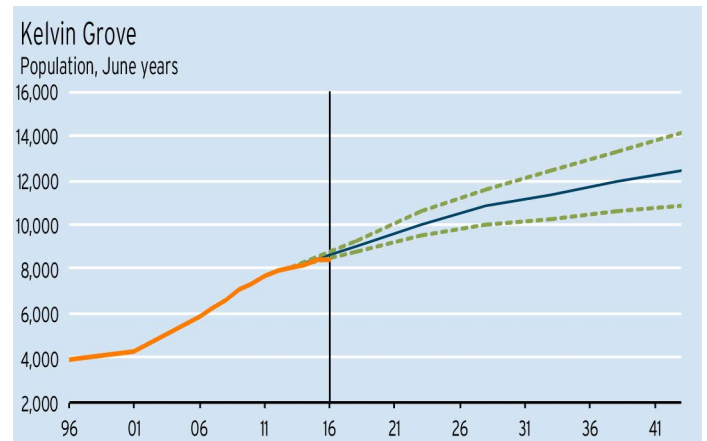
Kelvin Grove, on the north-eastern outskirts of Palmerston North, has gradually been transformed from a semi-rural lifestyle area into a residential area. Like many of the other growth areas we have highlighted, Kelvin Grove offers more than just a place to live, with a mix of industrial and commercial businesses located within the area as well.

There is still room for further residential development in Kelvin Grove, and the Palmerston North City Council is also targeting growth in the neighbouring Whakarongo area on the northern side of State Highway 3. The continued spread of housing in this direction will increase demand for services and is likely to result in the expansion of existing retail and education facilities over time.

Palmerston North's economy has benefited from strong growth in the agribusiness and agritech areas. These sectors are closely tied in with Massey University, which itself has enjoyed a substantial lift in international student numbers over the last 5-6 years.

One of the other business growth areas for Palmerston North has been wholesaling and distribution, with the city providing better access to lower North Island areas for firms than being sited in Wellington. Although improvements in the roading network north of Wellington could alter future business

location decisions, we believe that the biggest effect will be a drift of industrial business away from Wellington to the cheaper alternatives of Kapiti and Horowhenua, rather than any major shift of growth from Palmerston North to Levin.



“Kelvin Grove has gradually transformed from a semi-rural lifestyle area into a residential area. There is still room for residential development in the area.”

