Waihi
Industrial Land Rezoning and Demand Analysis

Veros

HAURAKI DISTRICT COUNCIL

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Document Acceptance:

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Draft approved for issue:	Mathew Gibbard		3rd June 2022
Final approved for issue:	Morgan Jones		3rd June 2022

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Separate Confidential Appendix

Stakeholders' and Landowners' Comments

1. Executive Summary

Veros have investigated the demand for industrial land in Hauraki, with a particular focus on Waihi. The objective was to see if the *Preliminary Draft [23 August 2021] Proposed Plan Change 2 to the Hauraki District Plan: Waihi Re-zoning - Residential and Industrial* is supported and financially viable.

To examine this, extensive analysis of the existing industrial supply and demand was undertaken at both a local and regional scale. In addition, local and regional businesses, landowners, market influencers and real estate agents were surveyed to correlate the quantitative analysis. This has given clarity on the market, including the key challenges and opportunities.

As part of the assessment local and neighbouring industrial property markets have been fully surveyed. Land costs have been quantified, as well as the amount of stock available in those regions, that could potentially compete with Waihi.

It was discovered that there is a solid foundation of support for greenfield industrially zoned land. The reasons for this are due to:

- Tightly held industrial landholdings in Waihi, with a low turnover rate.
- Small titles, held in multiple ownership, making it physically difficult for existing business to expand and new businesses to enter the market.
- No industrial property for lease, with landowners regularly approached by potential tenants from in and out of Waihi.
- Issues with reverse sensitivity due to the proximity of residential and commercial neighbours.

In understanding how Hauraki District Council can respond, three potential options have been identified and analysed which include:

1. Status quo, no Council intervention.
2. Rezoning the Baxter Road Block.
3. Rezoning the block between Ford and Crean Road, identified as W2, in the *Preliminary Draft [23 August 2021] Proposed Plan Change 2 to the Hauraki District Plan: Waihi Re-zoning - Residential and Industrial.*

A preliminary development feasibility and a multi criteria analysis have been performed on each of these three options. From this an indication of relative competitiveness and potential take up rates of industrial land in Waihi has been identified.

The most favourable of these three options would be rezoning the block identified as W2. The rezoning is in alignment with the *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050.*

W2 also appeared to be a financially viable to develop for landowners and developers. It was also found that at a high level, the developed land sellable price point would be palatable to buyers based on current demand and industry rates.

A recommendation is to proceed to:

- Further engage with the underlying landowners and Waka Kotahi, including the drafting of a preliminary Development Agreement with those parties
- Further infrastructure design and pricing.
- Proceed with a structure plan design including laying out development principles for mitigation buffers and minimum design parameters for the subdivision and future buildings. These designs should look to protect new businesses and existing neighbours from reverse sensitivity issues and enhance the look and feel of Waihi's southern gateway for the tourist market.
- Develop a funding strategy, in conjunction with research into the availability of Government funding and a plan around Development Contributions. These sources of funding will be required to cover the Hauraki District Council's upfront costs.
- Subject to major infrastructure investment and funding being resolved, advance the changes to the District Plan.

2. Background and Introduction

Hauraki District Council is reviewing the District Plan to enable the *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050* plan. The *Preliminary Draft [23 August 2021], Proposed Plan Change 2 to the Hauraki District Plan: Waihi Re-zoning - Residential and Industrial, (Including Section 32 Evaluation*) proposes rezoning land to enable residential and industrial use.

The scope of this report is to provide a high-level analysis of current and likely future demand for industrial land in Waihi and the wider Bay of Plenty (BOP)/Waikato area to support the Plan Change process. This includes an analysis of the depth of the market in Waihi, and a comparative analysis of key competing industrial precincts in the Waikato and BOP. Targeted interviews of large local business operators have been undertaken to understand demand and supply. To support this investigation also included is:

1. A Preliminary Development Feasibility study to gauge the attractiveness of industrial land at Waihi and possible uptake if land was made available. This included breakdown of key infrastructure and land development costs, and the potential funding structure required to understand the cost of land to market. This is critical in determining the likely competitiveness and market uptake of land and development.
2. the identification of any impediments and risks or incentives for uptake of industrial land development at Waihi and any general observations.

3. Waihi Industrial Property Context

Industrial Land, Use and Ownership

Based on analysis using CoreLogic data sets, there is currently approximately 21.55 Ha of "industrial use" land in Waihi. The majority of which is location in the township and near residential dwellings and commercial premises. The ownership of the land is fragmented with 64 different parties with landholdings.

Current ownership structure and use of industrial land in Waihi include:

- Low building site coverage at approximately 23% of all the industrially use land.
- There appears to be underutilised industrially used sections, which would initially indicate there could be the ability to intensify activity. 34 of the 83 titles utilises 10% or less of the land for buildings.
- 54.3% of the industrially use land appears to be owner occupied. These owner occupier businesses include light manufacturing, motor vehicle services, engineering, construction materials sales and businesses, mining, cement manufacturing, storage and transportation yards. 30 parties control these 41 titles.
- The 10 largest owner occupiers control approximately 36% of all industrial land available. These owners are a mix of local, national or out of town and international business operators.
- 24.6% of industrial land appears to be owned by commercial landlords. They have a variety of tenants including manufacturers, motors vehicle services, distribution and an array of small industrial and service uses. There are 22 owners of these 28 titles.
- 9.5% of the land appears to be vacant lots or don't outwardly appear to have a business running from them. There are 8 titles and 8 owners here. Some of these titles have the same owners as the neighbouring residential property.
- HDC and Goldfield Railway Inc. own the balance of the land of 11.6%. Of this land 1.76ha appears to be reserve or paper road.

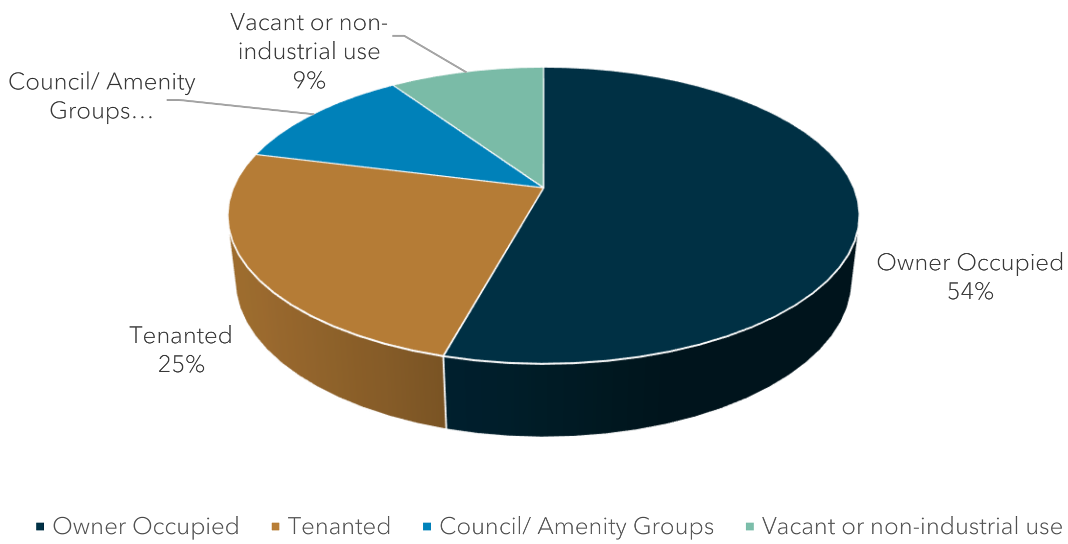


Figure 1: Distribution of industrial land ownership and occupation

The bulk of Waihi's industrial land is bound by residential or commercial neighbours. The landowners and tenants spoken to generally made comments about operational difficulties due to reverse sensitivity. There were respondents who were in regular conflict with their neighbours over noise and other complaints. Apparently, these conflicts are escalating with new people moving into Waihi from other parts of the country.

Figure 2: Industrial use land in Waihi is in the most part surrounded by residential and commercial neighbours – As indicated in Core Logic data sets.

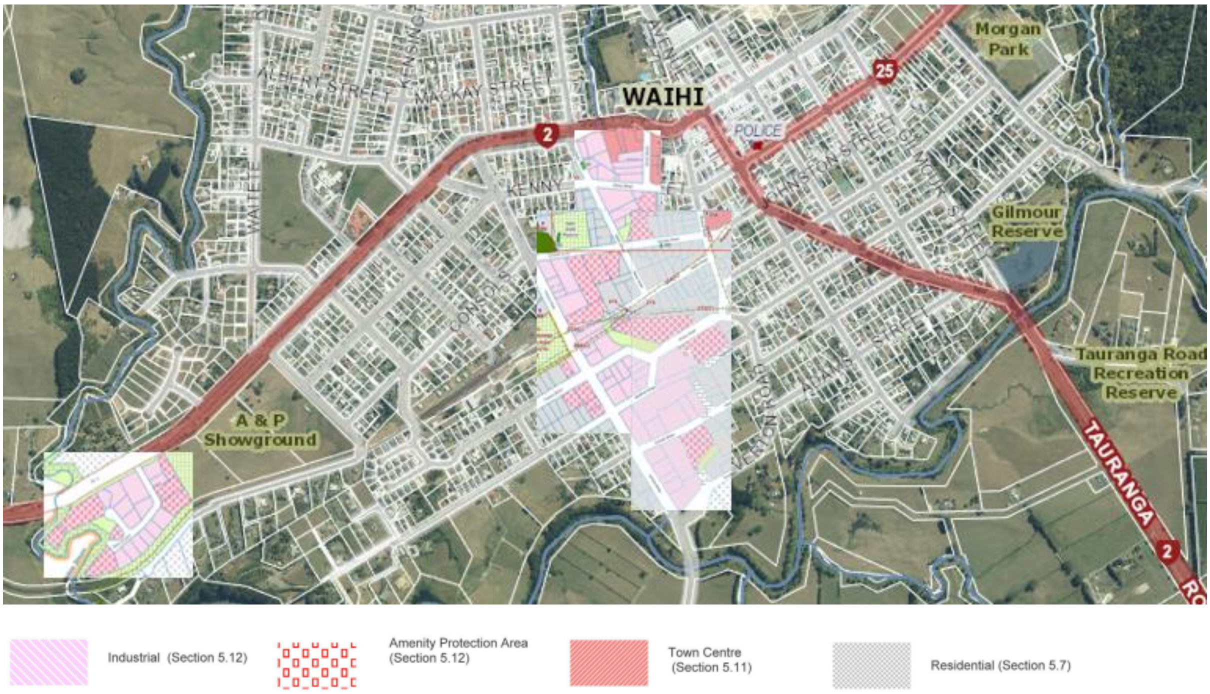


Figure 3: Industrial zoned land from the Hauraki District Plan, in pink and pink with red box, on a satellite map of Waihi.

Industrial Land Currently for Lease or Sale

Currently there is just one industrial property advertised for sale online in Waihi. The property is tenanted investment of 10 Dean Crescent with the tenant a petfood manufacturer. The lease is short and there are some issues with lack of Code of Compliance in Hauraki District Council's Land Information Memorandum Report. There were no offers at the end of the programme and as of 27/05/22 the property was marketed for $995,000 plus GST if and representing a yield of 6.6%.

There are signs up for land for sale at 11 Baber Street. The owner was not open to discussion around price expectation but was going to provide a written response regarding land demand, once they had spoken to their tenants. Investigation reveals that the sale signs have been up since at least 2019.

There are currently no industrial properties advertised for lease in Waihi.

Recent Sales

In the last two years, there have been only seven notified sales of properties class by Core Logic as industrial use. These were:

- 18 Connell Street, vacant section, at an effective rate of $73 per m² in May 2020. These purchasers own two neighbouring residential zoned properties and now control 9,145m² of land.
- 14 Dean Crescent, the building of Ashby Engineering. It would appear the building and land were sold and the seller remained as a tenant. The sale was just after NZ was released from Covid lockdown in 2020.
- 21 Dean Crescent, a self-storage facility that was sold in January 2022 for $1,160,000.
- 32 Haszard Street, 330m² building on a 1,325m² title purchased vacant possession, December 2020 for $430,000, now leased to the Salvation Army. The purchaser owned the vacant lot to the rear. This property is zoned Town Central but appears in Core Logic statistics as industrial use.
- 5 Parry Palm Ave, sold with option to sublease in January 2022 for $480,000.
- 11 Roberts St, 7,438m² section sold in May 2020 for $47 per m² in May 2020 to the largest private holder of industrial land in Waihi.
- 5 Victoria Street, 4,000m² with a 562m² building sold to the operators of the neighbouring truss plant for $850,000 in November 2021.

Interesting sale:

- The seller of 5 Victoria St, purchased 8.3694ha of the site identified as W2 block in The Preliminary Draft Proposed Plan Change 2 to the Hauraki District Plan: Waihi Re-zoning - Residential and Industrial. The $770,000 purchase was by way of contemporaneous settlement. The effect rate was $92,000 per ha.

There are wide reports of business owners tiring of reverse sensitivity constraints. This can be demonstrated by the above business operator selling industrially zoned land in the town boundaries and speculatively purchasing part of the W2 Block. There were anecdotal reports of another business operator purchasing rural land out of desperation due to lack of supply, potentially operating in incorrectly zoned land.

Key Economic Factors

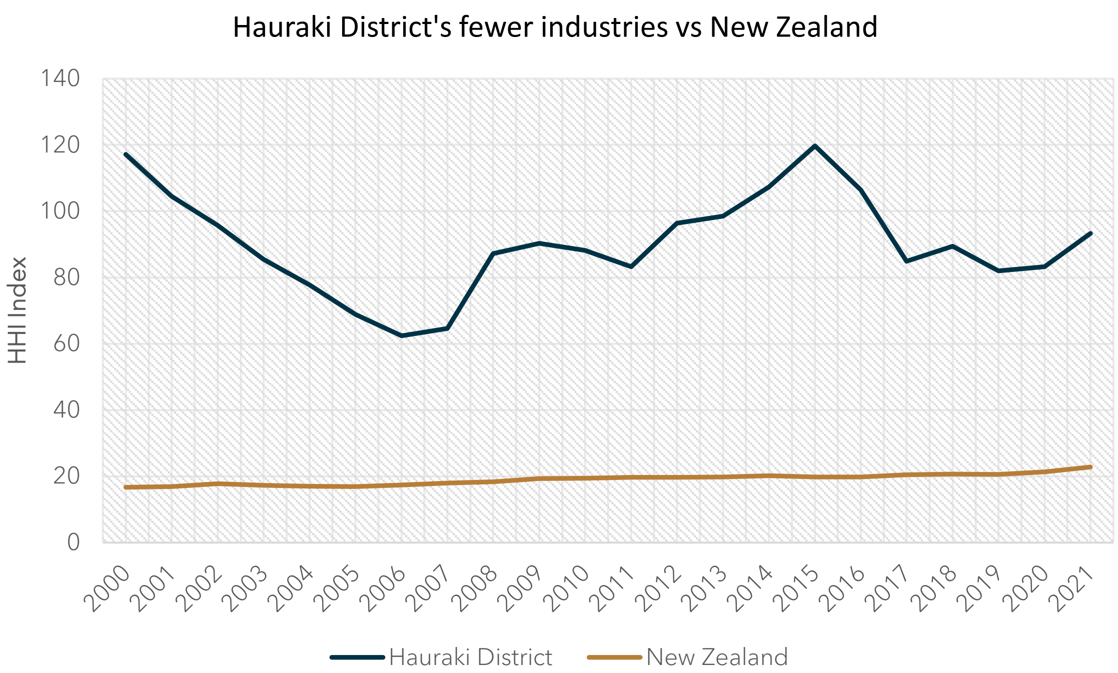
Waihi is heavily dependent on mining with over 22% of Hauraki's GDP being derived from this activity ($61m). The extension to the Martha Pit and other new mining enterprises could consolidate this reliance.

Activity at the mine ceased between 1952 and 1987, due to low gold price and a lack of available labour.

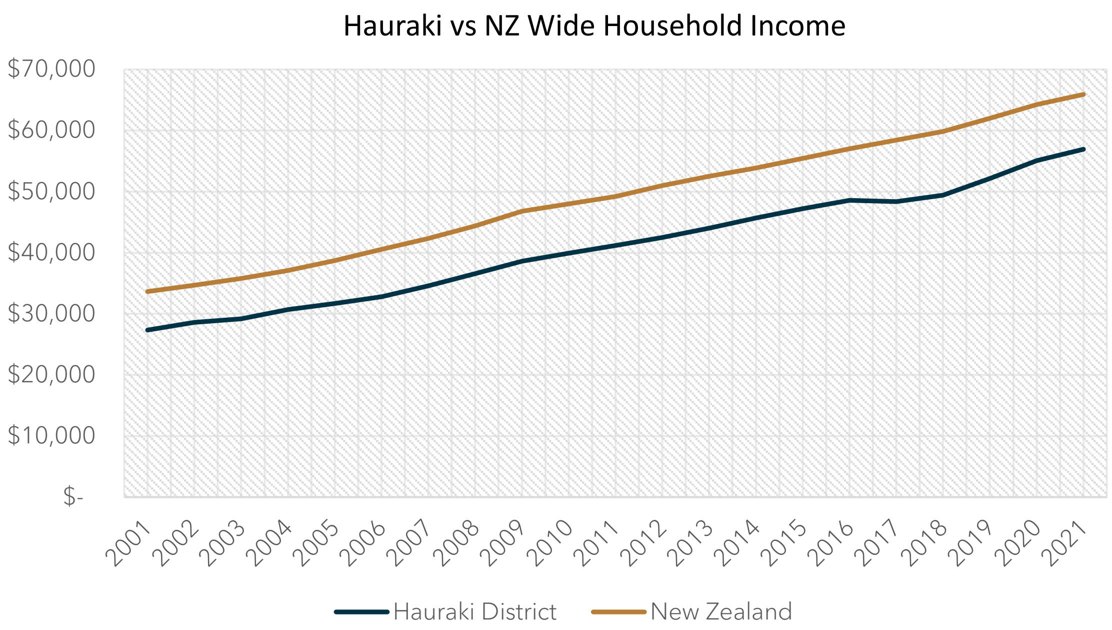
Waihi also has a notable history in the manufacture of electrical appliances, going back to the 1930's. This history is still evident with Hella manufacturing from Waihi, today.

The Hauraki in general is much more reliant on a few industries, compared with New Zealand. This means that a downturn in one sector, can have significant consequences on the individuals, businesses and the region.

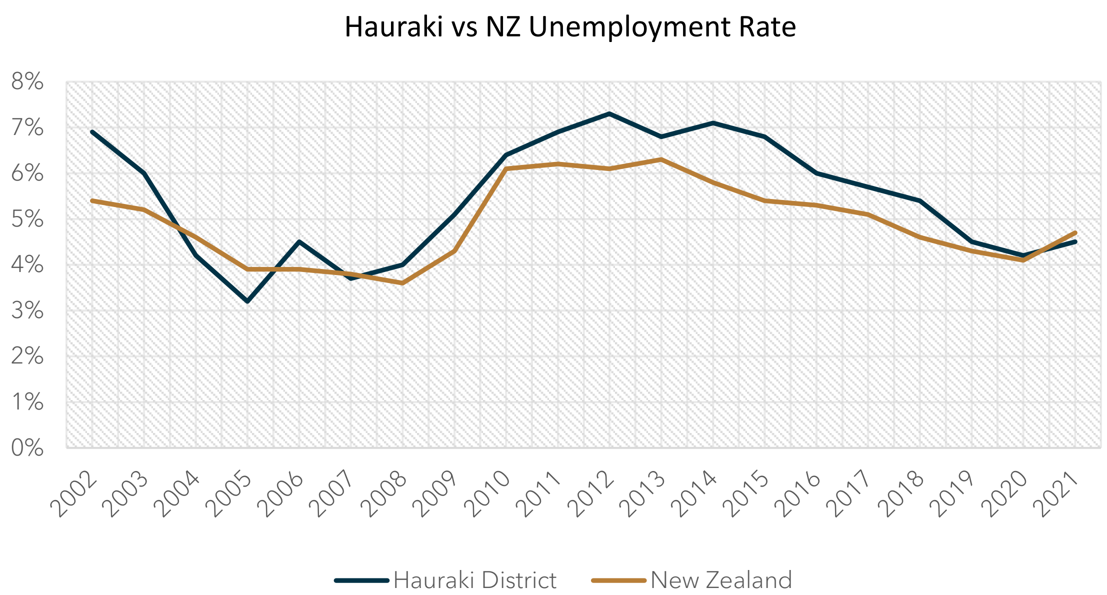
The following graph demonstrates how undiversified and resilient the Hauraki Economy is compared to New Zealand in general by using the Herfindahl- Hirschman Index (HHI). The closer the score to zero on this scale, the more diverse and resilient an economy.



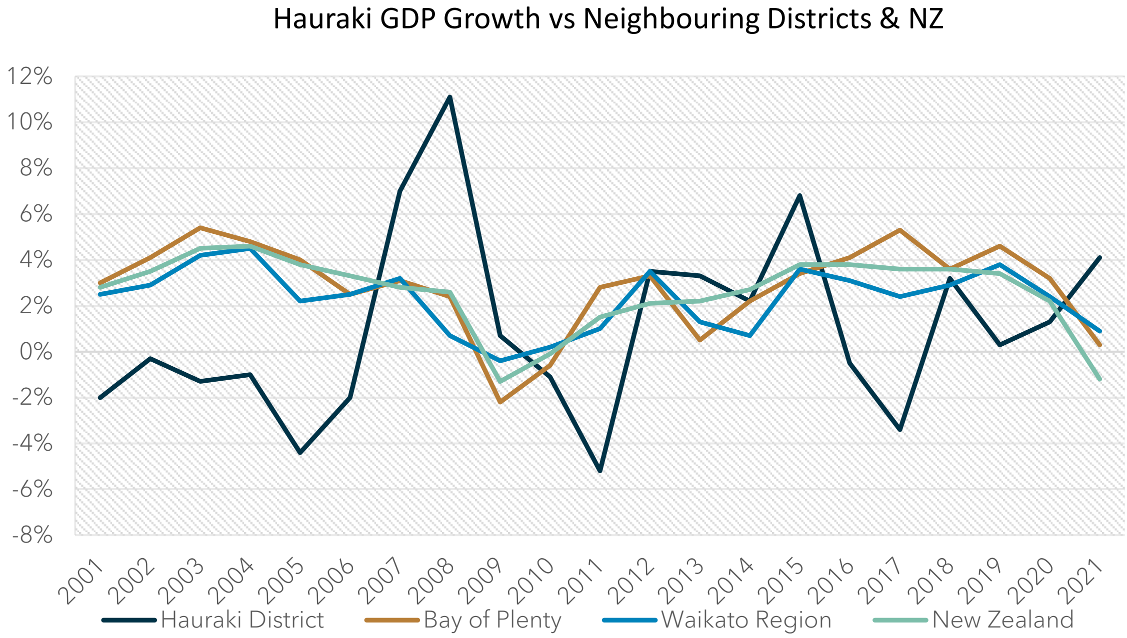
This reliance on fewer business classes can mean an economy lacks resilience. If large businesses reduce staff or close, the local employment opportunities are affected, which in-turn trickles down through the entire local economy. This is especially prevalent, given the lower mean household total income compared with the rest of the New Zealand.



Hauraki Districts unemployment rate is generally slightly ahead of the rest of New Zealand.



The reliance on a few industries, lower household incomes and generally higher unemployment rates are all factors that potentially lead to the volatile nature of the Hauraki's GDP growth. If one industry fails or reduced their operations, the unemployment rate appears to spike and/ or household spending tightens. This is amplified in a trickledown effect through the local economy.



Currently Hauraki's regional growth is at 4.1% whilst the rest of New Zealand is in decline at -1.2%. The Hauraki's population growth has outstripped that of the rest of New Zealand five of the last six years and at an estimated 21,800. This is only 500 short of projected population 2028. At the current growth rate that number will be hit by 2024.

Summary of Industrial land and economic outlook of Waihi

- Owner occupiers' control slightly more than half of the industrial use land.
- Fragmented titles, make it difficult for businesses to control additional land and to expand.
- No discernible industrial property for lease, with an anecdotal reasonable level of enquiry
- One genuine tenanted investment on the market and one piece of land speculatively on the market
- Reverse sensitivity issues, with residential and commercial neighbours at close proximity to the bulk of industrially zoned land
- Limited land availability means no new businesses can come to town and current businesses are not expanding. This can be misinterpreted as a lack of demand, when in this case it appears to be a lack of supply issue.
- Local and out of town property owners do not want to take the risk or are not confident enough in applying for consent to rezone land from other uses to industrial.
- Growth in Waihi's population with people moving to town looking for lifestyle and affordable housing. To make this growth sustainable, more varied employment opportunities are required. This will also shield Waihi from its aging population.
- The commercial centre is vibrant
- State Highway 2 being modified north of Tauranga, potentially making Waihi an option for Tauranga based businesses who are unable to find or afford land locally.

4. Industrial Demand Analysis

Industrial markets operate both locally and regionally. From a regional perspective, currently there is a limited supply of industrially zoned land in the Golden Triangle. The Golden Triangle is the area between Auckland, Hamilton and Tauranga. This area has become a powerhouse in the New Zealand economy.

Waihi is on State Highway 2, the arterial route between Auckland and Tauranga. This positions the town well as part of this established economic sphere, being only 144km to the Ports of Auckland and 66km to the Ports of Tauranga. With the upcoming improvements to State Highway 2 to the south, the transport link to Tauranga will be improved allowing freight and people to move more efficiently.

Karangahake Gorge is natural barrier for efficient transport links to Auckland and the Waikato. The drive from Ports of Auckland to Waihi is around 1 hour 50 minutes. The drive from Ports of Auckland to Hamilton, is 22km shorter and 30 minutes less.

Industrial zoned land available now, with a title or title pending and ready for construction to commence is currently scarce. There is next to nothing available in the Bay of Plenty and Hauraki Districts. There is some land available in the rest of Waikato, Franklin, Cambridge and Matamata Piako.

The proximity of other Waikato locations has little or no interest to Waihi based businesses. Karangahake Gorge also acts as a barrier to these areas, as well as potentially Paeroa. The land prices in neighbouring areas general discourage Waihi based enterprises from looking further afield.

It is a similar story with industrial space for lease in the same regions with limited supply in the Bay of Plenty and Hauraki. There are no industrial premises currently advertised for lease in Waihi.

The following table summarises the price and availability of industrial land for sale in Hauraki and neighbouring regions. This is land that is industrial zoned and with infrastructure in place, and is suitable for immediate development.

Industrial Land Availability by Region*	Rates in Prime Locations	Rates in Secondary Locations	Number and total size of lots	Sizes ranges Available
Tauranga	$700-$800/m^2	$400-$500/m^2	3 totalling 4Ha	1,583 to 28,800m^2
Bay of Plenty – Regional	$300-$400/m^2	N/A	-	-
Hamilton	$500-$600/m^2	$350-$400/m^2	26 totalling11Ha	2,668 to 16,100m^2
Waikato Regional Inc. Matamata Piako	$200-$345/m^2	$70-$150/m^2	19 totalling 22Ha	2,023 to 12,400m^2
Franklin/ Pokeno	$500-$600/m^2	N/A	15 totalling 40Ha	3,000 to 31Ha
Hauraki (Paeroa)	$300-$400/m^2	N/A	2 totalling 3.1Ha	0.7 to 2.4 Ha

*Estimates accurate as of 12th May 2022

Competing Industrial Areas

There are some industrially zoned subdivisions in the Golden Triangle in the process of design and development. These subdivisions could potentially compete with Waihi for regional, national and industrial buyers, but not those focussed solely on the Waihi market, or those businesses who are using Waihi as a gateway to the Coromandel.

Tauranga has subdivisions coming to the market in Te Puna and at Rangiuru. There are reports that the development at Te Puna could be derailed by the local community rallying against a business that has purchased a large piece of land for a container storage business, with concerns over increased traffic volumes.

There are also potential competing subdivisions on the horizon coming up in the Waikato at Northgate and Putāruru, as well as the continued expansion of the park at Waharoa.

None of these subdivisions will be viable alternatives for businesses that want to be in Waihi due to cost or distance.

Providing industrial land supply in Waihi could draw other business into town, with road links to Tauranga via State Highway 2 currently undergoing improvement. This would provide additional employment opportunities to influence and support population growth.

The table below summaries each of the potential industrial subdivisions in the study area, their size, phase in development and characteristics.

Site	Size	Planning	Serviced	Highway Frontage	Rail Frontage	Est. Land Value	Availability
Te Puna Business Park	28ha	Yes	No	No	Yes	$400/m^2$	<12 months
Rangiuru Business Park	+130ha	Yes	Yes	Yes	Yes	$600/m^2$	24 months
Northgate - Hamilton	30ha	Yes	Yes	Yes	Yes	$500/m^2$	Immediate
Putāruru	20ha	Yes	Yes	No	Yes	$200/m^2$	18 months
Waharoa	10ha	No	No	Yes	Yes	$160/m^2$	Immediate

The following table provides a breakdown of established industrial and growing areas that potentially compete with Waihi for regional, national and international businesses.

Site	Overview
Mangatawa - Tauranga	Available land undergoing development. There is the potential for expansion here. There are soil and geotechnical issues. Flooding and stormwater issues. Groundwater issues. Limited tenure options with a preference for leasehold land due to the tangata whenua ownership. Only available for land lease, currently near capacity, with one piece of land available for sublease.
Wairakei - Tauranga	Papamoa East Interchange preliminary earthworks are out for tender. Funding being sought through Housing Infrastructure Fund. Connects to tolled TEL motorway. Most industrial land now being developed for housing through Special Housing Area provisions. Close proximity to residential. Recent sales of commercial land in an adjacent commercial subdivision have reportedly topped $1,300 / m^2.
Tauriko - Tauranga	Largest land parcel available is 3ha, currently under negotiation. Ownership now fragmented as sold down. Generally high land prices and design requirements. Pricing from $750 to 850 per m^2.
Hamilton	No large sites available where developers are more focused on delivering smaller sites where demand is greater and higher values can be achieved.
Titanium Park – Hamilton Airport	There are no single large blocks remaining. Ownership of precincts has been split after initially operating as a Joint Venture.
Ruakura – Tainui	Large logistics based industrial development where land can be leased or occupied under design/build agreements with Tainui. Expansion here is underway. Possible limitations around tenure of land, as leasing is the landowner's preference.
Hautapu – Cambridge	Large block of rural land was purchased and was rezoned under a Private Plan Change to Industrial. Currently on the market, with the potential for further growth.
Tuakau – Waikato District	There is approximately 26.7ha industrial subdivision available at River Hills industrial Park, Tuakau. Four sites are under contract. The pricing advertised from $600 per m^2. The drive to the Auckland CBD is approximately 45 minutes off peak. Is taking overflow from Pōkeno.

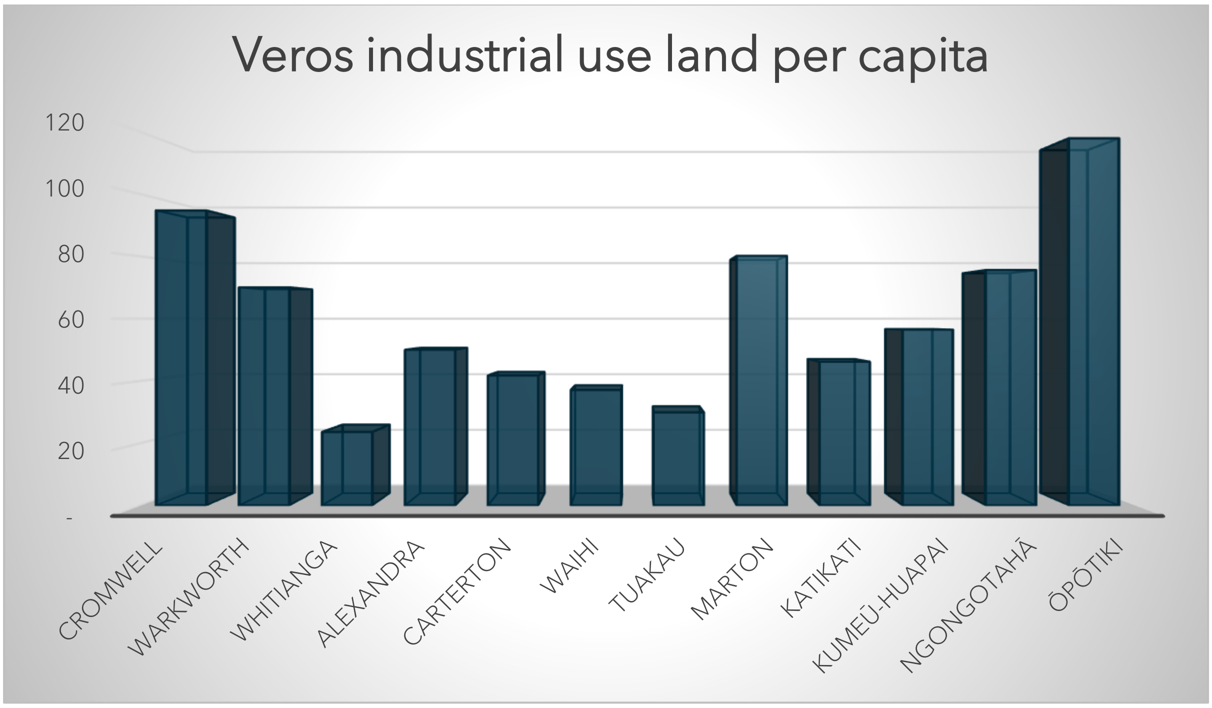
Waihi Industrial Use Land and Listings for Sale or Lease Compared with Towns of a Similar Population.

When Waihi is compared to similar sized towns across New Zealand, there would appear to be a lower amount of industrial use land available per capita. The following method was used:

- The seven towns above and below Waihi, according to NZ Statistics June 2021, were compared.
- Core Logics industrial land use statistics were extracted.
- A ratio of m^2 per capita was derived.

Town ranked by est. pop. size June 2021	Name	Statistics NZ June 2021 population estimate	Industrial use land according to Core Logic in Ha	Number of m^2 of industrial use land per capita
62	Cromwell	6,640	62.9	95
63	Warkworth	6,460	45.3	70
64	Whitianga	6,330	15.0	24
65	Kaitaia	6,310	226.6	359
66	Stratford	6,120	152.7	249
67	Alexandra	5,970	29.9	50
68	Carterton	5,850	24.4	42
69	Waihi	5,790	21.5	37
70	Dannevirke	5,700	91.4	160
71	Tuakau	5,650	16.9	30
72	Marton	5,520	44.2	80
73	Katikati	5,460	25.2	46
74	Kumeū-Huapai	5,390	30.4	56
75=	Ngongotahā	5,240	39.6	76
75=	Ōpōtiki	5,240	61.8	118
Median		5,790	39.6	70

It can be seen using this modelling, that Waihi is at the lower end of the scale. The following graph shows this data. The outliers of Kaitaia, Stratford and Dannevirke have been removed, for scaling reasons.



Of New Zealand towns of this size class also seem to have a very little existing stock on the market for sale or lease. Cromwell, Carterton and Tuakau all have new industrial subdivisions available for purchase. Carterton has a large multi stage subdivision on the market. In Cromwell and Ōpōtiki there are developers advertising units for lease, that are yet to be built.

Town ranked by est. pop. size June 2021	Name	Number of m² of industrial use land per capita	Advertised Industrial Listings		
			For lease	Buildings for sale	Industrial land for sale
65	Kaitaia	359	0	0	3
66	Stratford	249	1	0	1
70	Dannevirke	160	1	0	0
75=	Ōpōtiki	118	7	1	0
62	Cromwell	95	11	0	5
72	Marton	80	0	0	0
75=	Ngongotahā	76	1	0	0
63	Warkworth	70	2	2	0
74	Kumeū-Huapai	56	3	1	0
67	Alexandra	50	3	0	0
73	Katikati	46	0	1	0
68	Carterton	42	2	1	49
69	Waihi	37	0	1	0
71	Tuakau	30	1	0	10
64	Whitianga	24	0	0	0
Median		70	1	0	0

The industrial use land per capita ratio and number of listings for sale or lease shows that towns with a much higher ration than Waihi do not have high vacancy rates or large amount of property on the market. It also shows that in Carterton and Tuakau, which have similar ratios to Waihi, the market has identified a need and there are currently lots in new subdivisions for sale.

Summary

There is currently strong demand for industrially zoned land in the Waikato and the Bay of Plenty. This is despite increased interest rates, low unemployment rates, inflated construction costs and inflated business operating costs. Land supply issues fundamentally remain and whilst demand is expected to weaken in the short term with a lack of depth of buyers in the market, it is expected to return. There is evidence that speculative industrial land buyers still have enough confidence to be active in the market with some strong sales in Tauranga.

Historical low lease rates and insufficient rental growth are not in step with increased construction costs. Developers and owner occupiers are now struggling to make some developments feasible.

The Waihi market is tightly held with only 7 industrial use titles in Waihi trading hands in the last 2 years.

Waihi has good proximity to Auckland and Tauranga. Lower house prices and lifestyle factors is a positive for this area. If matched with a supply of zoned industrial land which is serviced and ready to go, there will be opportunities to attract new businesses to the town as well as supporting existing local demand.

In comparison with town of a similar population use Waihi is at the lower end of the scale of industrial use land per head of population.

5. Stakeholder and Landowners

To fully understand the local market, a variety of businesses and property owners in the area were interviewed to assess potential demand.

<u>These parties responded on the basis that their identities were to be kept confidential.</u>

<u>A full an unabridged version has been supplied as a separate document.</u>

Against additional industrial supply

Comments from a party that was against the plan to create more industrially zoned land

- They felt there was currently enough industrially zoned land in Waihi.
- They did not feel that there was the need to rezone any more land.
- Their main concern was the lack of parking in the town centre.

Undecided to increasing industrial supply

Comments from parties had no strong feeling either way

The comments from one industrial land owner:

- They had considered subdividing their current industrial land and/ or adding more buildings to the site, but that wouldn't be in the short term.
- They were aware that other parties were unable to find suitable land for industrial use.

The comments from a tenant that had recently been looking for space:

- They had recently been out in the market trying to get land or lease more space and they had talked to multiple property owners looking for solutions. They had managed to find some space.

Commercial landlord.

- They had a "long list of tenants waiting for space" and never had problems finding replacement tenants.
- They thought there could be a market for more land. They would potentially look at building a similar development to the one they currently owned if more land became available. They weren't very motivated to do so.

In Support for Additional industrial Supply

Owner of land and business.

- They were looking to purchase more land in Waihi, due to the fragmented nature of the industrial land in town conditions were not ideal. They would really like one large site as opposed to a piecemeal solution of multiple sites through town.
- The business is at capacity on the current sites and they were looking at expensive work around options.
- The existing sites were constrained. Any new land needed to look at the size of contiguous areas, as well as ease of access and egress.
- They were aware that a company had moved out of town because of lack of land. They were also aware of companies looking for space.
- When asked if land was to be rezoned to industrial, would they would potentially expand their operations in Waihi, they responded yes. This would increase their staff requirements, support employment growth in Waihi.
- They were currently hamstrung locally, as the industrial zoned land is bordered other zoning types and this limited operating hours due to noise restrictions.
- They had been approached by parties wanting to lease space for industrial purposes. They had also looked at developments for this purpose. They would need to move some existing tenants to achieve this but they could not find any suitable, compliant land.
- Their general observation was that there are essentially no empty retail spaces in Waihi and similarly there is no industrial land available. They also observed the same issue in Paeroa.

Industrial business and land operator.

- They were in support of the potential rezoning of land in Waihi.
- They had interest in potential locations, timelines and the proposed key changes.

Owner of land and business.

- They expressed some frustration with the situation in Waihi. They referred to conflict between the residents and the industrial businesses. They felt that there had been quite a few people move into the area, who then complained about the industrial business that they moved next door too.
- They were aware of other businesses whose capacity for growth was being decreased due to the lack of land options, either due to there not being enough land, or the reverse sensitivity situation.

Landlord

- They have multiple tenants on their property. They are regularly approached by other companies, looking for space. They have no more capacity there.
- They would maximise the site with more buildings, but felt they were too old to do so.
- They knew their tenants need more space, but hadn't been able to find anything that is suitable.
- They saw the expansion of the mine leading to further demand, that could not be fulfilled by current land availability.

Tenant and business operator

- They were frustrated with the lack of land options. If they were able to get more land, they could double their output to match orders. They would expand the businesses, create more employment, but the lack of land is hindering that.
- Their preferred option would be to buy their own land, but that has not been possible in Waihi, due to lack of appropriately zoned land.
- They felt that landlords have the upper hand in the market in Waihi, due to the lack of competition.
- They were aware of a company that is going to move out of town, due to land and reverse sensitivity issues.

Out of Waihi business operator and developer

- They were interested in potentially developing industrial land in Waihi. They knew several companies looking for up to 4ha of industrial land. The price and scarcity of land in Tauranga has meant these companies have not been able to gain a foot hold or expand there, so they are looking further afield.
- They thought Waihi had potential to fulfil some of this shortage of capacity, especially with the improvements currently being made to State Highway 2, north of Tauranga.
- They wanted to be kept in the loop if a Plan Change to support increased industrial land supply was progressed.

Real Estate Professionals

The following comments were from compiled from several real estate agents with expertise in the Hauraki, Waikato and Bay of Plenty industrial market:

- There is strong demand for industrial land in the Hauraki area, especially in Waihi.
- They said that if land was to be rezoned, that it should have easy access and profile to State Highway 2.
- They were not just seeing existing local owners and tenants looking to expand or secure more land, but also businesses from outside the town looking to move into the Hauraki.
- There is a shortage of industrial for lease with many tenants looking to engage.
- They recommended sites with a minimum size of 3,000 m^2.
- They have worked with several businesses from Waihi in the past, who have looked to relocate their business to Tauriko (Tauranga), due to the lack of premises or land in Waihi. None of these businesses relocated due to the costs associated with buying or leasing in Tauriko. Land in Tauriko is now priced at around $750 to $800 per m^2 and leasing can be up to $250 per m^2 for smaller units and upward of $130 per m^2 for larger warehouses.

From a rural real estate specialist:

- When it came to marketing kiwi fruit farms, Waihi was not seen as a premium area. The area is not known as a premium growing region due to the farms having lower fruit yields than neighbouring regions and there is also an apparent labour shortage issue in the area.
- A newly converted gold kiwifruit farm would be valued at $1.2 to $1.3 million per ha and a farm that was producing would be around the $1.5 million mark. This compares with new converts in Te Puke at $1.5m per ha and producing values at between $1.8 to $2.1 million per ha.
- If their comments are taken and compared, the finished value of industrial land, $1,500,000 per ha of producing kiwi equates to $150 per m^2. It is estimated greenfield industrial land on the same land in Waihi to be in the $250 to $400 per m^2 price range.

Summary

The general feedback was that there was an appetite for more industrially zoned land from owner occupiers, landlords, tenants and potential developers.

Even those who were ambivalent or cautious were aware that there was a requirement from other parties for more industrial land.

Shortlisted Options.

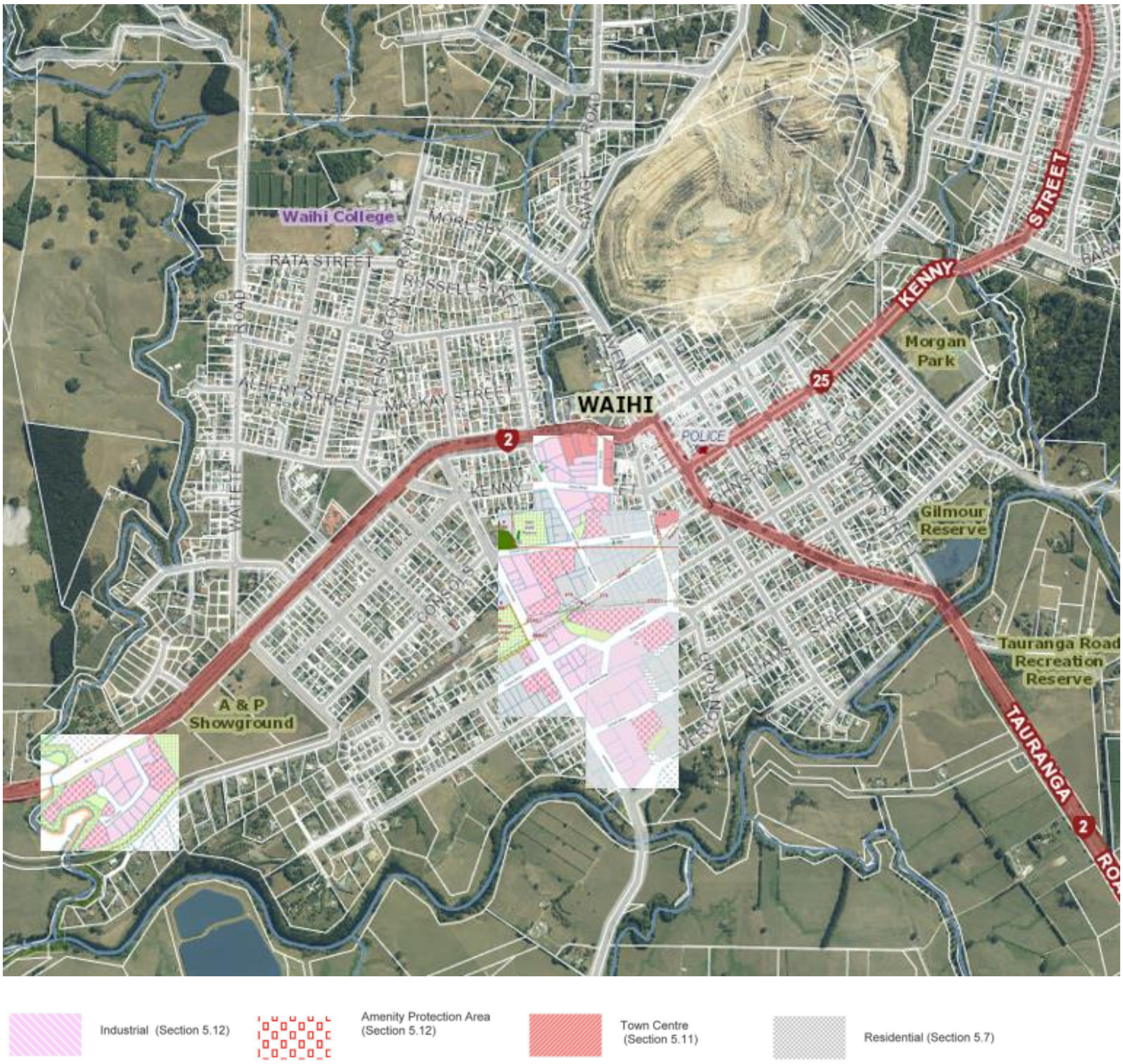
Veros have identified three shortlisted options to respond to the current supply issues:

1. Status quo: no HDC intervention.
2. Zone the Baxter Road Block.
3. Zone the W2 Block encompassing Ford Road through to Crean Road.

Option 1: Status Quo

This option would take the following course:

- Make no changes to the existing District Plan.
- Wait for individuals to privately apply for Resource Consent or Plan Change for industrial use.



Status Quo SWOT Analysis	
Strengths	**Weaknesses**
• No investment required from the council in terms of money or resources. • No investments in upgrades to utilities required.	• Continued reverse sensitivity issues, which the Council may have to become mediators or enforcers to resolve. • Devalues the prices of neighbouring residential, as well as the industrial land itself. • Does not allow new businesses to relocate to or establish in town, due to lack of land capacity. • Reliant on individuals applying for resource consent or Plan Change, which is a sizable and expensive barrier to entry.
Opportunities	**Threats**
• Allows current landowners to intensify industrial activities on current sites or develop unutilised land to achieve economy. • Allows for land ear marked for potential industrial zoning to be converted to high yield horticultural activities, e.g., kiwifruit. Both the Baxter Road block and the Ford Road Block (W2) have kiwifruit orchards as immediate neighbours.	• Growth of Waihi Industrial businesses constrained, potential for those employers leaving town reducing employment opportunities. • When mining eventually ceases in Waihi, there could be a spike in unemployment, due to lack of diversification of income.

Option 2: Zone the Baxter Road Block

This 12.4ha site lies 1km from the edge of town to the southeast on State Highway 2. The site is undulating and slopes down to the Ohinemuri River. Council water supply is adjacent to the property, but wastewater would need to be pumped from the bottom of the site over the ridge for disposal. Some earthworks would be required to make the land usable. Currently zoned Rural.

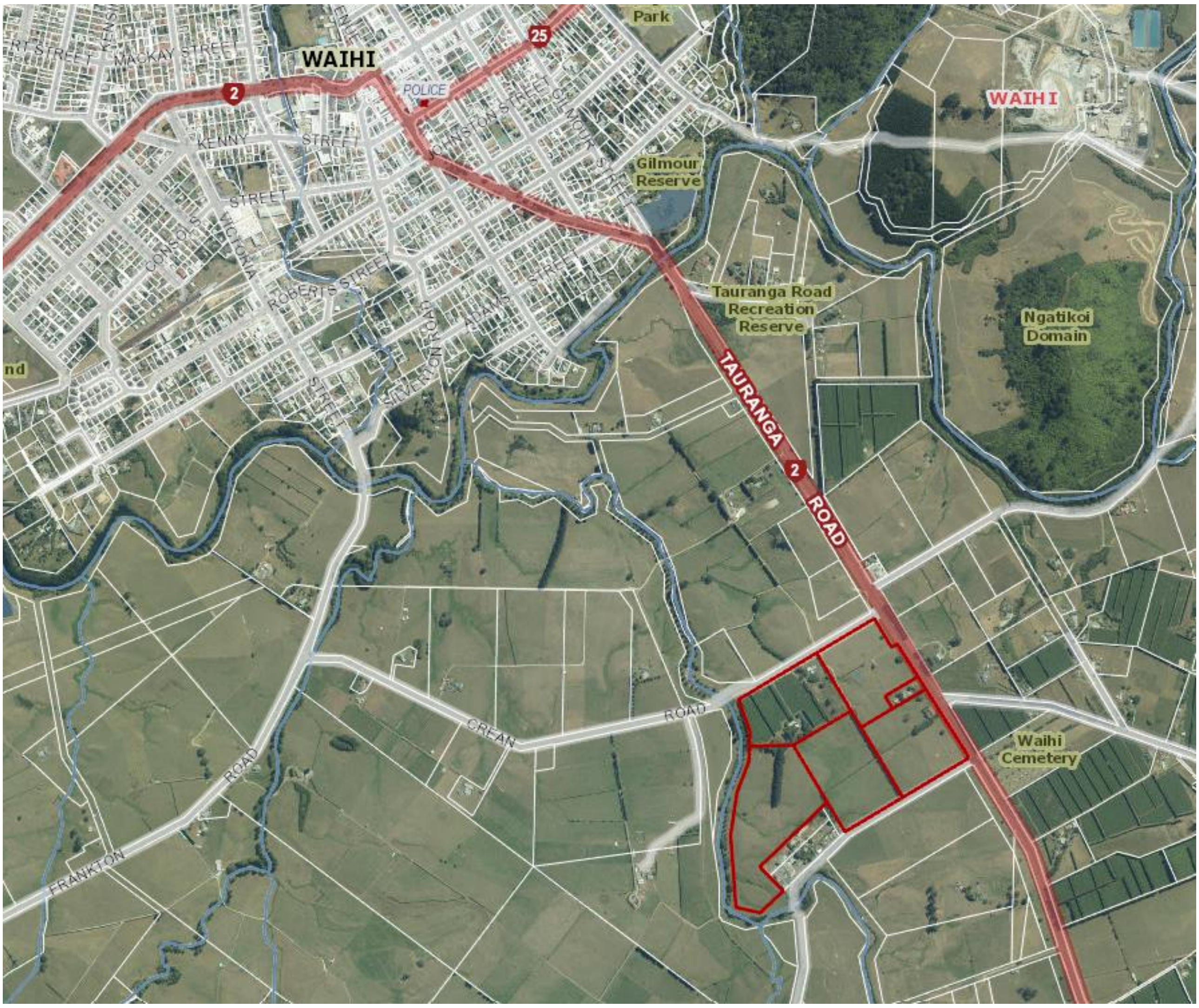
The Baxter Road Block, outlined in Red

Baxter Block SWOT Analysis	
Strengths	**Weaknesses**
• Gives the town the chance to move industrial to a specific precinct, removing and addressing reverse sensitivity effects like noise, dust and smells hazards from the centre of the residential area • Will provide additional defined industrial boundary areas, stopping the creep of unconsented industrial/ commercial users onto lifestyle and rural blocks • Profile and access to State Highway 2. • The landowner is engaged with potential change of zoning. • Neighbouring kiwifruit farm does not object, as long as the risk of potential crop contamination is mitigated	• Large pump station required to pump wastewater over the ridge • Several large lifestyle homes nearby, who could object to changes to the District Plan • The consumption of Land Use Capability (LUC) Class 2 Land. LUC 1-4 is suitable for arable cropping, with Grade 1 being the highest grade • The land will require the most recontouring of the three options • Access to the site from SH2 could require an upgrade with the approval of Waka Kotahi

Opportunities	Threats
• Enables the promotion of Waihi as an industrial business hub. • Opens up more land for - Expansion of current Waihi Industry, adding to Waihi's economic resilience and attracting people to town for these employment and lifestyle opportunities. - Allows new business players to enter the industrial market, adding some resilience to Waihi in preparation for the eventual end to mining. - The potential to attract large industrial activities from other markets like Auckland, Hamilton and Tauranga, who have land & labour shortages, spiralling costs or who are looking to provide their employees a lifestyle as well as employment. • The opportunity to upgrade wastewater facilities through development contributions. • Increased rates revenue through the added value to industrial land and the additional residential properties that will be required for employees, to fund future projects. • Due to scale of the Baxter block, there is the opportunity to rezone industrial land within Waihi to allow uses that are more congruent with proximity of neighbouring residential and commercial properties. This, of course, would be subject to ensuring any land contamination issues were remediated. • The upgrade to State Highway 2 between Tauranga and Waihi could make this area a viable option for Tauranga based businesses. Especially those who have been unable to find industrial land for purchase or those who have been priced out of the Tauranga market.	• If council does not provide a structure plan or roading, then newly zoned land can become fragmented and difficult to use. This has been reported by parties looking to buy industrial land in Katikati. Apparently, there was no structure plan in place for the industrial land at the southern gate way to the town. This has led to some difficulties with connectivity and fragmentation due to the size of the titles. • Potential flood hazard posed by the Ohinemuri River. • Damage to the look and feel to the tourist gateway from the south. This could be mitigated through prescribed use of planting or by use of appearance standards for the businesses/ buildings. Tauranga City Council has instilled mitigation, landscape features and buffer zones into the district pan for Tauriko. The underlying of titles at Tauriko industrial are also tagged with minimum look and feel requirements.

Option 3: Zone the W2 Block encompassing Ford Road through to Crean Road

This area, designated as W2 in the proposed Plan Change to the District Plan is approximately 31ha of relatively flat land. The land could be accessed with the introduction of a roundabout on State Highway 2 and Waihi Beach Road, 1.6k from the edge of the township. This site would be easier to connect to Waihi's current wastewater scheme. Council water supply is available on the other side of the highway.



The W2 Block, shown in red.

<table>
<tr><th colspan="2">The Crean to Ford Road Block (W2) SWOT Analysis</th></tr>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>

Gives the town the chance to move industrial to a specific precinct, removing the noise, dust and smells hazards from the centre of the residential area.
Will provide additional defined industrial boundary areas, stopping the creep of unconsented industrial/ commercial users onto lifestyle and rural blocks.
Profile and access to State Highway 2.
The largest, flattest of the choices, with the ability to stage the development, if properly planned and executed.
Relatively easy to provide wastewater and storm water removal solutions.
Adjacent to existing industrial block.
There do not appear to be any natural hazards

</td><td>

Neighbour who is concerned about the loss of horticultural land.
Neighbour who is concerned about the affect an industrial subdivision will have on their organic kiwifruit orchard. Could be mitigated with prescribed planting to separate the uses and by limiting specific uses close to the boundary of that property.
Devaluation of existing stock.
The potential for reverse sensitivity issues.

</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>

Enables the promotion of Waihi as an industrial business hub.
Opens up more land for:

Expansion of current Waihi Industry, adding to Waihi’s economic resilience and attracting people to town for these employment and lifestyle opportunities.
Allows new players to enter the industrial market, adding some resilience to Waihi in preparation for the eventual end to mining there.
The potential to attract large industrial activities from other markets like Auckland, Hamilton and Tauranga, who have land & labour shortages, spiralling costs or who are looking to provide their employees a lifestyle as well as employment.

The opportunity to upgrade wastewater facilities through additional development contributions.
Increased rates revenue through the added value to industrial land and the additional residential properties that will be required for employees, to fund future projects.
Upgrade to the intersection of State Highway 2 and Waihi Beach Road, to reduce accident rate shown in the February 2020 Tonkin and Taylor Waihi Growth Areas Transport Assessment.
To convert existing industrial land within Waihi to uses, that are more congruent with proximity of neighbouring residential and commercial properties.
The upgrade to State Highway 2 between Tauranga and Waihi could make this area a viable option for Tauranga based businesses who have been unable to obtain land, employees or those who have been priced out of the market.

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If council does not provide a structure plan, then the area could become fragmented and difficult to use, as has been the experience in Katikati.
Potential of contamination to the Ohinemuri River via the Waimata Stream. Could be mitigated through planting of buffer zones and storm water catchments, giving the opportunity to add additional indigenous wetland, vegetation and biodiversity zones.
Damage to the look and feel to the tourist gateway from the south. This could be mitigated through prescribed use of planting or by use of appearance standards for the businesses/ buildings.
The potential for businesses to verbally commit to wanting more land, but then not make the move when the options made to the District Plan, due to cost or other reasons.

</td></tr>
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Multi Criteria Analysis of the three options at a glance

Option assessment completed against criteria to determine ranking of options and a preferred option.

Legend

Positive.	
No action required to achieve the outcome.	
No discernible advantage or disadvantage but could be manipulated one way or the other dependant on execution or risk mitigation strategy.	
Required, but with challenges.	
No negative affect.	

	Status Quo	Baxter	Ford / W2
Saleable yield that could be achieved vs existing land that does not appear to have a current industrial use.	2.05ha	8.7ha	20ha
Owners	9	1	3
Distance from Waihi town boundary.	N/A	1.1km	1.6km
Alignment with *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050*			
Promote the development of towns and townships that enable people, communities and future generations to provide for their social, economic, cultural and environmental wellbeing.			
Ensure sufficient land is available for the development of housing and business activities to provide people with access to a range of lifestyle choices and job opportunities.			
Plan for and integrate infrastructure provision with land zoning and development to ensure infrastructural services and facilities meet future demand.			
Contain development within defined urban areas to avoid rural residential sprawl onto productive farmland, and ribbon development along coast and transport corridors.			
Avoid new development, and mitigate risks to existing communities, in hazard prone areas.			
Protect special natural and cultural features like			
• Indigenous wetlands;			
• Indigenous vegetation and biodiversity;			

• Outstanding landscapes;	🟧	🟧	🟧
• Historic heritage areas;	🟧	🟧	🟧
• Productive soils;	✅	❌	❌
• Sites of significance to Māori;	🟧	🟧	🟧
• Coastal Environments	❎	❎	❎
Alignment with key Issues for the future development of Waihi from *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050*			
Defining and managing urban boundaries in the developing north-east and south-west edges of the town and ensuring adequate connections between existing development and new urban areas.	❌	✅	✅
Providing for future industrial development and providing additional residential capacity while maintaining residential amenity.	❌	✅	✅
Providing for tourism, and the gateway aspect of Waihi to the Bay of Plenty and vice versa.	🟧	🟧	🟧
Managing the significant socio-economic effects of the eventual closure of the mine at Waihi.	❌	✅	✅
Key SWOT Items			
Cooperative neighbours, reverse sensitivity issues.	❌	🟧	❌
Ease of execution of earthworks.	✅	❌	🟧
Ease to stage development process.	🟧	✅	✅
Waka Kotahi engagement requirement.	🟧	☑️	☑️
Council intervention and investment required.	❎	☑️	☑️
Access to State Highway 2.	🟧	✅	✅
Relative ease of utility connection.	✅	❌	✅

Summary

- It would appear the two alternative sites support the *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050*.
- The W2 block has superior ease of servicing and is capable of more growth capacity through staging.

6. New Industrial Land Viability

The basis of high-level feasibility studies

Any new industrial land needs to be viable to develop and use.

In understanding this, Veros has examined the financial viability of rezoning the land and understanding if a developer could profitably subdivide it.

The viability assessment has been focused on the W2 block as this block is the easier of the two subject sites to be developed, due to contouring and services.

With similar projects and through known evidence of the experiences of councils, it is recommended that Hauraki District Council puts in place a structure plan and controls the headworks for the large enabling infrastructure items, once the change of zoning is achieved.

These potential costs include but are not limited to:

- wastewater reticulation to the boundary of W2
- water reticulation to the boundary of W2
- storm water to the boundary of W2 (pricing has been adopted from the 31 January 2020 Planning Report plus 50% for these three items)
- roundabout for access, estimated to be $4,000,000 based on other projects
- consenting for these works including preliminary engineering for stormwater, traffic, geotechnical services, etc,

The estimated high-level cost of the headworks would be:

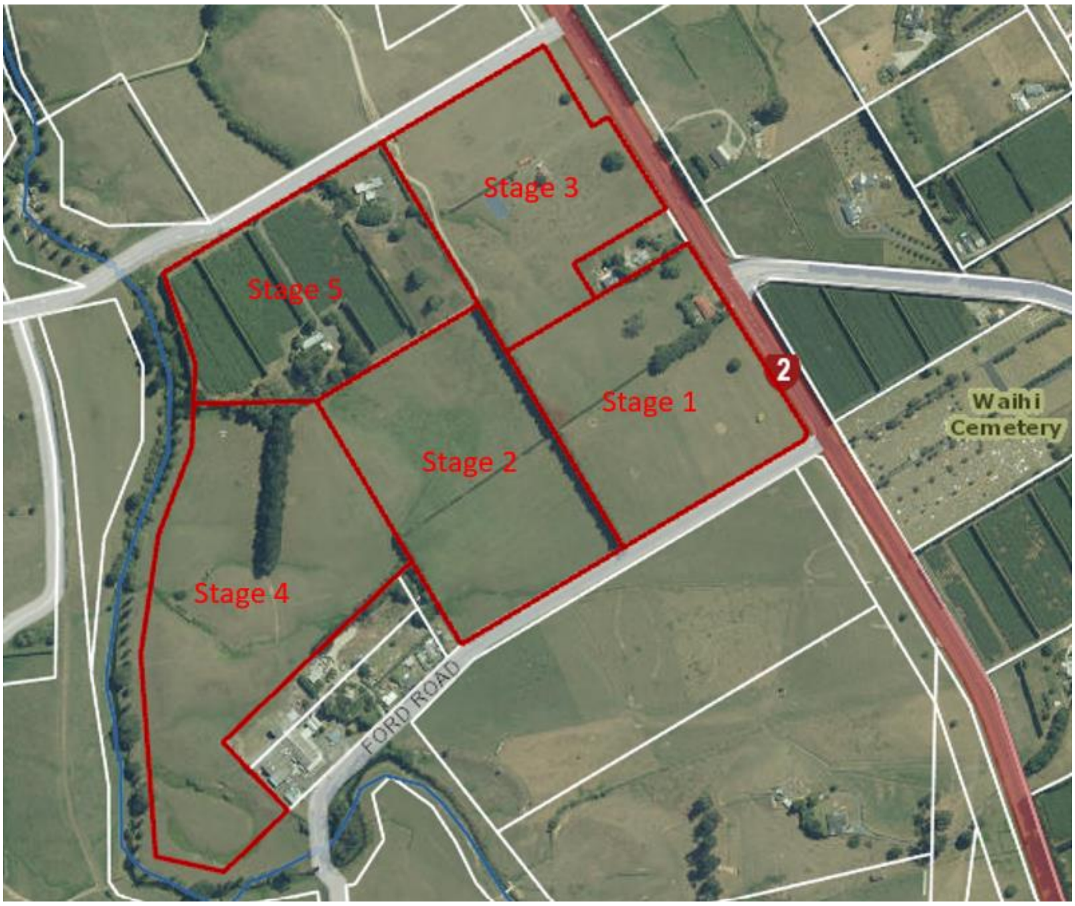
ESTIMATED DEVELOPMENT COSTS FOR HEADWORKS	
Due Diligence	**$57,000**
Consenting	**$441,000**
Earthworks	**$161,000**
Civil Contract Works	**$177,000**
Ancillary Civil Works	**$5,785,000**
Construction Contingency	**$935,000**
Price Escalation	**$706,000**
Professional Fees	**$288,000**
Legal Accounting	**$16,000**
Development Management	**$454,000**
Project Contingency (Excl. Construction & Fin Co's)	**$60,000**
DEVELOPMENT COSTS before SALES & FUNDING	**$9,080,000**
Construction Funding	**$531,000**
Post-construction Funding	**$511,000**
FUNDING COSTS	**$1,042,000**
TOTAL ESTIMATED HEADWORKS COST	**$10,122,000**

Staged Subdivision Developers Feasibility

The next step of understanding viability is examining if the project will work from a land-developers prospective.

In assessing this the following parameters have been adopted in constructing the initial feasibility.:

- Assume that the are no major geotechnical or site contamination issues
- The land at W2 is divided into 5 stages based on the underlying titles
- As single developer controls all of the land and a single consent is sought for the multiple stages



- A 23m wide access road is constructed from the roundabout into an interior ring road of 20m wide through the land
- 15% of each stage is held in roadways and footpaths
- 15% of each stage is held for stormwater reserve
- Each stage is of a variety of sizes between 2,500m^2 and 10,000m^2
- As part of Stage 2, 3 and 4 a 20m wide native planting mitigation buffer on the boundary with Stage 5
- An additional 15m buffer is planted along the bank of the Waimata Stream as part of Stage 4

- The estimated purchase price of the underlying land with its new zoning of \$30 per m^2 for Stages 1-4. The value of the value of the underlaying land at Stage 5 is estimated to be \$150 per m^2 as a producing kiwi fruit orchard.
- The estimated sale price for completed sections is \$350 per m^2 for sections in stage 1 & 3 due to their profile and proximity to State Highway 2. Stages 2 & 4 would be priced at \$325 per m^2. It is estimated the range to be \$250 to \$400 per m^2. Smaller sections and with better profile to passing traffic will sell for higher rates than larger lots or those with less profile

41 Crean Road/ Stage 5: Is it realistic to include this land in the change of zoning

The owners of this parcel of land have expressed that they do not support the rezoning of this block. As the property is a fully working horticultural enterprise the under lying land is already of a much higher value than the other land in question at W2.

When the costs are put around developing this particular site, the large purchase price of the land makes this stage unviable. The land value adds an additional \$6,149,000 plus GST if any to the overall cost. This is demonstrated in the preliminary development feasibility below.

Preliminary Development Feasibility		
Ford Block W2		
	Landscaped buffer/swales e	8385
Industrial Plan Change	**Road Corridors**	**8385**
	No. Lots	**10**
	Total Area (m²)	**55900**
	Useable Area (m²)	**55900**
May 2022	Saleable Area (m²)	**39130**

DEVELOPMENT COSTS		STAGE 5
Land Purchase	$	**8,385,000**
Due Diligence	$	-
Consenting	$	-
Earthworks	$	**606,000**
Civil Contract Works	$	**1,482,000**
Ancillary Civil Works	$	**223,000**
Construction Contingency	$	**407,000**
Price Escalation	$	**272,000**
Professional Fees	$	**218,000**
Title Cost - LINZ	$	**6,000**
Legal Accounting	$	**71,000**
Rates & Insurance	$	**6,000**
Development Management	$	**236,000**
Marketing	$	**36,000**
Council Fees	$	**37,000**
Development Contributions	$	**2,092,000**
Project Contingency (Excl. Construction & Fin Co's)	$	**45,000**
DEVELOPMENT COSTS before SALES & FUNDING	$	**14,122,000**
Selling Cost	$	**293,000**
FUNDING (cashflow)		
Pre-construction Funding		
Construction Funding	$	**353,000**
Post-construction Funding	$	**152,000**
SALES & FUNDING COSTS	$	**798,000**
TOTAL DEVELOPMENT COST	$	**14,920,000**

REVENUE / INCOME	Saleable Land (m²)		
STAGE 5	39130	$	11,739,000
TOTAL	**195420**	$	**11,739,000**
- Less GST (15%)	N/A		
TOTAL REVENUE EXCL GST		$	**11,739,000**
RETURN ON COST		$	**(3,181,000)**
Development Margin			**-21.3%**

It is questionable as to whether this lot be included in the rezoning due to the owner push back and increased land value. This is because:

- The owner of 41 Crean Road is against a zoning change
- The underlying value of the land there makes conversion to an industrial subdivision not financially viable.
- The inclusion of 41 Crean Road's approximately 3.9ha of saleable area, would lead to W2 block potentially yielding almost 20ha of saleable industrial land. This would almost double the amount of industrially zoned land in Waihi. It is not considered that there is a sustainable medium/ long term demand for this much industrially zoned land in the Waihi market.

To address these concerns and factors it is recommend that mitigation buffers are implemented, like native planting, and not allowing dust or fume emitting users adjacent to 41 Crean Road. These steps could reduce the effect of an industrial subdivision on that property owner, potentially enabling the re-zoning to the balance of the block.

Stages 1- 4: Financial Development Viability

When looking at the financial balance of the stages from a developer's point of view, the following metrics and indicators are generally considered important:

- Does the development/project return a financial margin of 25-30% or better? The following high level Preliminary Development Feasibility shows a development margin of 36.5%, which fulfils this requirement.
- Is there inherent demand in the market to support the revenue assumptions? The evidence from key stakeholders in the Waihi business community indicates there is.
- Is the subdivision able to be staged so that supply does not overwhelm supply? W2 supports this staged process.
- Is the cost to develop industrial land after initial purchase price and after development costs near $1,000,000 per ha? The Preliminary Development Feasibility shows that this cost is $1,300,00 per ha. This cost would appear to be on the higher side of this metric, but given there is enough of a financial yield/margin this increased cost makes the risk likely acceptable to a developer.
- Is the local district council supportive of the subdivision? It would appear that HDC would be supportive, demonstrated by their proactive stance with potentially rezoning W2 for industrial use.

In summary, the Preliminary Development Feasibility for Stages 1, 2 3 and 4 appear to support a greenfield industrial subdivision.

Preliminary Development Feasibility

Ford Block W2

Industrial Plan Change

Re-zoned area

May 2022

Landscaped buffer/swales etc	**41946**
Road Corridors	**37920**
No. Lots	**38**
Total Area (m²)	**252800**
Useable Area (m²)	**252800**
Saleable Area (m²)	**156290**

DEVELOPMENT COSTS	Cost per Useable Ha	Cost	
Land Purchase	$ 300,000	**$ 7,584,000**	
Due Diligence	$ -	**$ -**	
Consenting	$ 4,000	**$ 109,000**	
Earthworks	$ 99,000	**$ 2,515,000**	
Civil Contract Works	$ 260,000	**$ 6,562,000**	
Ancillary Civil Works	$ 63,000	**$ 1,581,000**	
Construction Contingency	$ 73,000	**$ 1,850,000**	17.4%
Price Escalation	$ 49,000	**$ 1,251,000**	10.0%
Professional Fees	$ 35,000	**$ 873,000**	
Title Cost - LINZ	$ 1,000	**$ 21,000**	
Legal Accounting	$ 14,000	**$ 349,000**	
Rates & Insurance	$ 1,000	**$ 33,000**	
Development Management	$ 52,000	**$ 1,308,500**	
Marketing	$ 8,000	**$ 198,500**	
Council Fees	$ 11,000	**$ 270,000**	
Development Contributions	$ 410,000	**$ 10,370,000**	
Project Contingency (Excl. Construction & Fin Co's)	$ 9,000	**$ 225,000**	7.5%
DEVELOPMENT COSTS before SALES & FUNDING	**$ 1,388,000**	**$ 35,100,000**	**$ 35,100,000**
Selling Cost	$ 52,000	**$ 1,314,000**	2.5%
FUNDING (cashflow)	$ -	**$ -**	
Pre-construction Funding	$ -	**$ -**	
Construction Funding	$ 52,000	**$ 1,323,000**	7.00%
Post-construction Funding	$ 30,000	**$ 754,000**	
SALES & FUNDING COSTS	**$ 134,000**	**$ 3,391,000**	**$ 3,391,000**
TOTAL DEVELOPMENT COST	**$ 1,522,000**	**$ 38,491,000**	**$ 38,491,000**

REVENUE / INCOME	Saleable Land (m²)	%	Average Value ($/m²)	TOTAL
STAGE 1	38920		350	$ 13,622,000
STAGE 2	38464		325	$ 12,501,000
STAGE 3	31064		350	$ 10,872,000
STAGE 4	47842		325	$ 15,549,000
TOTAL	**156290**		**$ 336**	**$ 52,544,000**
- Less GST (15%)	N/A			$ -
Balance plan change land value				
TOTAL REVENUE EXCL GST				**$ 52,544,000**
RETURN ON COST				**$ 14,053,000**
Development Margin				**36.5%**

A full breakdown, showing the viability of the individual stages and a further break down of the costs is shown as Appendix 1.

7. Risks and Next Steps

Highest and Best Use for the W2 Block

When looking at the highest and best use for the W2 block it is important to examine the various values of different land uses to ensure a change of use is viable. These values have been derived from the market studies and Preliminary Development Feasibility developed for this report.

This needs to be balanced with the Land Use Capability, the *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050* goals for Waihi and regional competitiveness.

Uses for W2 block	Market Price Guide	Comment
Rural zoning, undeveloped (no dairying or horticultural infrastructure)	\$7 to \$10 per m^2	Supported by the sale of 70 Ford Road and other regional sales
Rural zoning infrastructure and planted for kiwifruit, yet to produce	\$120 to \$130 per m^2	Estimate from rural agents and significant kiwifruit operator. Waihi is not seen as premium growing area
Rural zoning infrastructure and planted for kiwifruit, in production	\$150 per m^2	Estimate from rural agents and significant kiwifruit operator. Waihi is not seen as premium growing area
Industrial zoning no infrastructure	\$30 to \$40 per m^2	Estimate from market evidence and agents
Subdivided to serviced industrial lots of 2,500 to 10,000m^2	\$250 to \$400 per m^2	Estimate from market evidence and agents. Range has a wide variance to consider size and profile

It can be demonstrated from the evidence provided in this report that the highest and best use for the W2 block is likely an industrial subdivision.

- The value of land itself is significantly increased by being rezoned to industrial and subsequent development and subdivision
- the value add to Waihi township's resilience arguably outweighs the loss of arable land. Waihi is seen as a secondary kiwifruit growing region by industry leaders
- rezoning is for the most part in alignment with the *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050*
- the potential values of completed site are competitive with neighbouring regions

This supports Hauraki District Council's initiative for the plan change rezoning the W2 block from rural to industrial.

8. Conclusion and Recommendations

This report has investigated industrial demand, supply and the current market.

- There have only been 7 industrially zoned property transactions in the last two years.
- There is one property currently in the market, which is tenanted investment.
- There are no available industrial properties for lease. According to landlords and owner occupiers, they are regularly approached by potential tenants looking for space to lease.
- There are businesses and property owners wanted to expand, but are not able to due to:
  - Lack of supply industrially zoned land
  - Tightly held land which rarely comes to the market
  - Titles are fragmented into small difficult to use sites
  - Lack of premises for lease
  - Angst caused due to reverse sensitivity issues affecting business' ability to maximise sites capacity
- There have been speculative sales of rurally zoned land to industrial businesses, hoping that the zoning will be changed.
- There is a shortage of industrially zoned land in Tauranga. Industrial land there has reached \$870 per m². This lack of supply and hyper land costs could be an opportunity for Waihi's growth, as State Highway 2 is upgraded.
- Waihi has been reliant on only a few industries since it was founded, the employment market can be turbulent because of this. More industrial land is required to allow different types of businesses to flourish. This will make the town more resilient in the future for when mining comes to an end.

The pathway for progress and recommendation is for the Hauraki District Council to:

- Lead the way in the creation of a 4-stage industrial subdivision with 38 sections of 2,500 to 10,000m² priced at \$325 to \$350 per m². These sizes and price points are consistent with market demand and regionally competing developments.
- A HDC led plan change in partnerships with the landowners' and Waka Kotahi through a Development Agreement.
- Engagement with Waka Kotahi is required to enable access to the W2 Block.
- The costs for headworks to enable the subdivision and land development should be refined. HDC and Waka Kotahi will potentially need to cover the front-end costs of the head works costs of approximately \$10,000,000. This cost could be diffused through Development Contributions from the landowners and from those building in the subdivision. A development Contribution Structure will need to be created. There could also be options for obtaining Government funding, which need to be investigated.
- Initiate structure plan design including allowances for mitigation buffer measures and minimum appearance standards for the W2 block, in preparation for eventual subdivision.
- Subject to these key infrastructure funding issues being resolved, proceed with the change to the zoning of the block identified as W2 from rural to industrial. The change of zoning would support the *Hauraki District Growth Strategy Te Rautaki Whakatipu 2050* plan as well as the opinion and demands of local businesses. This zoning change should not include the property at 41 Crean Road.

9. Appendices

Please refer Appendices for the following:

- Appendix 1:

  Full Preliminary Development Feasibility Study for W2 Block including Headworks excluding 41 Crean Road

- Appendix 2:

  Confidential Stakeholder and Landowner Commentary

Appendix 1

Full Preliminary Development Feasibility Study for W2 Block including Headworks excluding 41 Crean Road

Important note:

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Preliminary Development Feasibility

Ford Block W2

Industrial Plan Change

May 2022

			Landscaped buffer/swales etc	**41946**	**8340**	**13131**	**7605**	**12870**	
			Road Corridors	**37920**	**8340**	**9105**	**7605**	**12870**	
			No. Lots	**38**	**10**	**10**	**8**	**10**	
			Total Area (m²)	**252800**	**55600**	**60700**	**50700**	**85800**	
		Re-zoned area	**Useable Area (m²)**	**252800**	**55600**	**60700**	**50700**	**85800**	
			Saleable Area (m²)	**156290**	**38920**	**38464**	**31064**	**47842**	
DEVELOPMENT COSTS		Cost per Useable Ha	Cost		STAGE 1	STAGE 2	STAGE 3	STAGE 4	Head Works
Land Purchase		$ 300,000	$ **7,584,000**		$ **1,668,000**	$ **1,821,000**	$ **1,521,000**	$ **2,574,000**	$ -
Due Diligence		$ -	$ -		$ -	$ -	$ -	$ -	$ **57,000**
Consenting		$ 4,000	$ **109,000**		$ **109,000**	$ -	$ -	$ -	$ **441,000**
Earthworks		$ 99,000	$ **2,515,000**		$ **438,000**	$ **562,000**	$ **569,000**	$ **946,000**	$ **161,000**
Civil Contract Works		$ 260,000	$ **6,562,000**		$ **1,475,000**	$ **1,586,000**	$ **1,369,000**	$ **2,131,000**	$ **177,000**
Ancillary Civil Works		$ 63,000	$ **1,581,000**		$ **510,000**	$ **451,000**	$ **382,000**	$ **239,000**	$ **5,785,000**
Construction Contingency		$ 73,000	$ **1,850,000**	17.4%	$ **407,000**	$ **446,000**	$ **405,000**	$ **592,000**	$ **935,000**
Price Escalation		$ 49,000	$ **1,251,000**	10.0%	$ **283,000**	$ **304,000**	$ **273,000**	$ **391,000**	$ **706,000**
Professional Fees		$ 35,000	$ **873,000**		$ **172,000**	$ **239,000**	$ **244,000**	$ **218,400**	$ **288,000**
Title Cost - LINZ		$ 1,000	$ **21,000**		$ **6,000**	$ **6,000**	$ **4,000**	$ **6,000**	$ -
Legal Accounting		$ 14,000	$ **349,000**		$ **132,000**	$ **73,000**	$ **73,000**	$ **71,000**	$ **16,000**
Rates & Insurance		$ 1,000	$ **33,000**		$ **12,000**	$ **8,000**	$ **6,000**	$ **6,000**	$ -
Development Management		$ 52,000	$ **1,308,500**		$ **500,000**	$ **227,000**	$ **346,000**	$ **236,000**	$ **454,000**
Marketing		$ 8,000	$ **198,500**		$ **95,000**	$ **36,000**	$ **33,000**	$ **36,000**	$ -
Council Fees		$ 11,000	$ **270,000**		$ **117,000**	$ **38,000**	$ **66,000**	$ **48,000**	$ -
Development Contributions		$ 410,000	$ **10,370,000**		$ **2,586,000**	$ **2,556,000**	$ **2,064,000**	$ **3,164,000**	$ -
Project Contingency (Excl. Construction & Fin Co's)		$ 9,000	$ **225,000**	7.5%	$ **75,000**	$ **45,000**	$ **60,000**	$ **45,000**	$ **60,000**
DEVELOPMENT COSTS before SALES & FUNDING		$ **1,388,000**	$ **35,100,000**	$ **35,100,000**	$ **8,585,000**	$ **8,398,000**	$ **7,415,000**	$ **10,703,400**	$ **9,080,000**
Selling Cost		$ 52,000	$ **1,314,000**	2.5%	$ **341,000**	$ **313,000**	$ **272,000**	$ **389,000**	$ -
FUNDING (cashflow)		$ -	$ -						
Pre-construction Funding		$ -	$ -						
Construction Funding		$ 52,000	$ **1,323,000**	7.00%	$ **404,000**	$ **305,000**	$ **345,000**	$ **268,000**	$ **531,000**
Post-construction Funding		$ 30,000	$ **754,000**		$ **389,000**	$ **132,000**	$ **118,000**	$ **116,000**	$ **511,000**
SALES & FUNDING COSTS		$ **134,000**	$ **3,391,000**	$ **3,391,000**	$ **1,134,000**	$ **750,000**	$ **735,000**	$ **773,000**	$ **1,042,000**
TOTAL DEVELOPMENT COST		$ **1,522,000**	$ **38,491,000**	$ **38,491,000**	$ **9,719,000**	$ **9,148,000**	$ **8,150,000**	$ **11,476,400**	$ **10,122,000**
REVENUE / INCOME	Saleable Land (m²)	%	Average Value ($/m²)	TOTAL					
STAGE 1	38920		350	$ 13,622,000	$ 13,622,000				
STAGE 2	38464		325	$ 12,501,000		$ 12,501,000			
STAGE 3	31064		350	$ 10,872,000			$ 10,872,000		
STAGE 4	47842		325	$ 15,549,000				$ 15,549,000	
TOTAL	**156290**		$ **336**	$ **52,544,000**	$ **13,622,000**	$ **12,501,000**	$ **10,872,000**	$ **15,549,000**	$ -
- Less GST (15%)	N/A			$ -					
Balance plan change land value					$ 5,916,000	$ 4,095,000	$ 2,574,000	$ -	$ -
TOTAL REVENUE EXCL GST				$ **52,544,000**	$ **13,622,000**	$ **12,501,000**	$ **10,872,000**	$ **15,549,000**	$ -
RETURN ON COST				$ **14,053,000**	$ **3,903,000**	$ **3,353,000**	$ **2,722,000**	$ **4,072,600**	$ **(10,122,000)**
Development Margin				**36.5%**	**40.2%**	**36.7%**	**33.4%**	**35.5%**	**-100.0%**

Veros

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Waihi
Industrial Land Rezoning
and Demand Analysis
Market Update Memo May 2023

Veros

HAURAKI
DISTRICT COUNCIL

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Prepared For:

HAURAKI DISTRICT COUNCIL

Prepared By:

Veros

Document Acceptance:

Action	Name	Signed	Date
Draft approved for issue:	Mathew Gibbard		24/05/23
Final approved for issue:	Morgan Jones		30/05/23

Executive Summary

In June 2022, Veros investigated the demand for industrial land in Hauraki, with a particular focus on Waihi. The objective was to see if the *Preliminary Draft [23 August 2021] Proposed Plan Change 2 to the Hauraki District Plan: Waihi Re-zoning - Residential and Industrial* is supported and financially viable.

To examine this, extensive analysis of the existing industrial supply and demand was undertaken at both a local and regional scale. In addition, local and regional businesses, landowners, market influencers and real estate agents were surveyed to correlate the quantitative analysis. This has given clarity on the market, including the key challenges and opportunities.

As part of the assessment local and neighbouring industrial property markets have been fully surveyed. Land costs have been quantified, as well as the amount of stock available in those regions, that could potentially compete with Waihi.

This memo acts as a market update to revisit demand.

Veros still sees the same fundamentals at play in Waihi, which would drive demand:

- a tightly held industrial landholdings in Waihi, with a low turnover rate.
- small titles, held in multiple ownership, making it physically difficult for existing business to expand and new businesses to enter the market.
- no industrial property listed on the open market for lease.
- issues with reverse sensitivity due to the proximity of residential and commercial neighbours and industrial use sites.

Current Market Conditions

The New Zealand industrial property market is being affected by the current economic conditions.

In General, what is apparent is that:

- increased mortgage interest rates are reducing the return of investors. This is putting pressure on owners who are too highly geared. Even in the current inflationary environment, rental increase is not in-step with the increase in interest rates, meaning landlords margins are reducing.
- risk to landlords of tenant default is increasing
- increased interest rates have led to investors looking to purchase investments properties at high yields. This means they are looking to purchase properties at a lower level than have been seen for the last 24-36 months. The equilibrium between seller's and purchaser's expectation is started to be regained now
- the inflationary environment has increased the cost to build new buildings. This has made some developments not viable
- we are seeing purchasers looking to purchaser new property with good tenants for up to 10 to 20% less than they would have paid 12 to 18 months ago

In the Haurakai District and especially Waihi there is still a lack of capacity. This has been corroborated verbally by Josh Smith from Bayleys.

Recent Sales:

In Waihi there has only been wo sale in the last 12 months. These sales were of neighbouring properties, to the same purchaser:

- 10 Dean Crescent, $950,000 at a 6.9% return on the advertised rental, in August 2022. The asking price was $955,000
- 12 Dean Crescent, a 2,314 vacant lot for $565,000, an effective rate of $244 per m^2, in February 2023

This property was reviewed in the previous report, as it was on the market at that time. Due to the highly specialised nature of the building and the short term lease offered by the vendor, who was also the vendor, this would seem appear to be a reasonable purchase.

In the rest of the Hauraki District and in Thames there also only have been a few transactions of industrial use site:

Building Sales	Town	Sale Date	Gross Sale	Rental	Yield	m² Rate	Land Area	Floor Area
7 STATION RD	PAEROA	27/01/2023	$670,000	Vacant	N/A	N/A	0.1062	900
8 GREY ST	PAEROA	28/11/2022	$1,676,000	$100,000	6.0%	N/A	2.0597	1510
6 KOHUNUI ST	NGATEA	27/10/2022	$1,760,000	Unknown	N/A	N/A	0.9007	180
7 PUKE ROAD	PAEROA	29/09/2022	$935,000	$45,000	4.8%	N/A	0.3499	633
27- 31 RETA CRES	KEREPEHI	30/06/2022	$5,000,000	$282,120	5.6%	N/A	0.9908	2208
364 NGATI MARU H'WAY	THAMES	18/05/2023	$1,730,000	$90,000	5.2%	N/A	1.1200	750
Section Sales	**Town**	**Sale Date**	**Gross Sale**	**Rental**	**Yield**	**m² Rate**	**Land Area**	**Floor Area**
56 RETA CRES	KEREPEHI	6/07/2022	$300,000	N/A	N/A	$151	0.1993	0
28 RETA CRES	KEREPEHI	30/09/2022	$430,000	N/A	N/A	$210	0.2052	0

According to Josh Smith from Bayleys, there was good interest in the auction on the 19th of May of 364 Ngati Maru Highway Thames, with multiple bidders. The property which is underdeveloped sold for a yield of 5.2%, which shows that purchasers had confidence that they could grow the rental roll or develop the location. The equivalent land sale m² rate would have been $154 per m². Essentially the property sold for land value, not taking including the onsite improvements or rental income.

Josh also reported that this is now no vacant land available at Kerepehi.

On the Market:

As of 20/05/2023 in Waihi:

- there was only one industrial use property for sale in the area, 24 Roberts Street, as a tenanted investment.
- there are no owner occupier opportunities or vacant sections advertised on the open market.
- In the wider Hauraki there are only three other industrial properties for sale, two tenanted investments and one vacant
- There are no industrial buildings for lease in Waihi
- There are six buildings, a yard and a yet to be completed unit development for lease in Paeroa. As discussed in the previous report, Karangahake Gorge appears to be a physical barrier for those looking to lease in Waihi choosing to lease in Paeroa instead. This attitude has probably been exacerbated due to 2023 wet weather and the resultant multiple road closures

In Tauranga there are only 9 industrial sections available for sale, all in Tauriko. It is our understanding that demand there has slowed there, and prices softened by circa 15% This is due to:

- the increase in building prices making developments unviable
- a slowing in the speculative market, where purchasers buy land and on sell for a margin

In the small unit market (floor area of $200m^2$ or less) in Tauranga, there are 28 vacant new units for sale, 17 second hand units for sale and 54 for lease. This is a significant increase in number since the previous report due to a significant subdivision being created in Pāpāmoa and several new unit developments in Tauriko.

Value and demand for industrial land in a new subdivision in Waihi:

In the report from June 2022, we indicated the following price band, if the sections we to come to the market at that time:

Uses for W2 block	Market Price Guide	Comment
Subdivided to serviced industrial lots of 2,500 to $10,000m^2$	\$250 to \$400 per m^2	Estimate from market evidence and agents. Range has a wide variance to consider size and profile

If these sections were to come to the market in Waihi today, we would expect the prices to be 10 to 20% lower than those indicated, in lie with the rest of the market nationally.

We still believe, and it has been reported by local agents, that there would be strong interest in an industrial subdivision in Waihi. There has been no change to the previously mentioned underlaying fundamentals, which were indicated to be the key drivers there.

Veros would need to revisit the initial feasibility studies to ensure that developers could obtain a return if the rezoned sites were developed.

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