A BUSINESS SHOWCASE
Tauranga

The city’s position in the ‘Golden Triangle’ augurs favourably for further growth

Jamie Ball

Much as New Zealand’s economic fulcrum tilted over a century ago away from the South Island, Tauranga’s rise in recent decades is part of a comparable move. It is an incremental concentration of growth, spending, human resources, migration and employment flowering in the upper half of the North Island.

Whereas the traditional quartet of Kiwi cities comprised the Auckland/Wellington/Christchurch/Dunedin axis, in the last quarter century that linear arc has been blown askew. According to June 2014 estimates, Dunedin (116,000 urban population) – this country’s largest “city” 150 years ago – now has fewer people than Tauranga (127,000) and Hamilton (184,000). Put another way, three of this country’s five largest cities are concentrated in the upper North Island. “I think Auckland, Hamilton and Tauranga represent the ‘Golden Triangle’,” Massey University College of Humanities & Social Sciences professor Paul Spoonley says. “The expectation in the next decade is that Auckland will be home to perhaps 40% of New Zealand’s population, but, when you add Hamilton and Tauranga, you are effectively approaching half of New Zealand’s population, in terms of growth over the next decade.”

While many regional centres were stagnating or in decline, between 2001 and 2013 Tauranga’s population grew an average of 12.5%, according to Statistics NZ. “It is a very attractive alternative to Auckland – that combination of Hamilton and Tauranga being an important economic regional hub,” says Prof Spoonley, adding that both cities benefit from the spill-over effects from Auckland’s growth.

To the professor, the kiwifruit industry in the Bay of Plenty, much as the dairy industry in Waikato, “provides a rural hinterland with a lot of discretionary capital. They contribute to a lot of dollars being spread through the retail and service sector. “There is quite a significant number of baby boomers in both industries, who invested in them quite some time ago. The ownership of those industries is now aging and they exit out of those industries with plenty of money. That’s one of the important elements in terms of Tauranga’s growth: the dairy or kiwifruit farmer retiring to live in Mount Maunganui, albeit a bit of a cliché,” Prof Spoonley says.

Such is the frequency of those baby boomers in Tauranga that it presents obstacles in attracting and retaining youth – and youthful talent with it – in the city. “If you look at the labour market you will see it requires highly skilled people. You need universities to do that and Tauranga doesn’t have one. Like a lot of regional towns, it is going to lose people in their late teens and twenties. The challenge is to attract them back once they have done their university study and their OE,” Prof Spoonley says. Luckily, Tauranga is about to get a branch of University of Waikato.

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The Auckland-Hamilton highway, even its severest critics will argue, is improving, although Auckland-related traffic too often puts the kibosh on it. Then there is the Hamilton-Tauranga route, with the rail tunnel and road through the Kaimai Ranges connecting the two cities. “It’s worth questioning whether the capacity there is adequate going forward. It seems to me it’s a crucial link and we need to be satisfied that there is sufficient capacity there,” Prof Scrimgeour says.

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“The second dimension is that Tauranga has quite a thin labour market, so you don’t have a large number of firms who employ more than 100 people. You are always going to lose some skilled people, as they need to go to a large metropolitan economy to get the jobs they are after. The alternative is that it does have quite a growing, diverse economy.”

The “gravity model” is what Frank Scrimgeour exemplifies a dynamic trend throughout regional New Zealand.
Tauranga – breaking the ‘zombie town’ mould

JASON WILLS

The outlook for some towns in New Zealand’s regions has been described as many as bleak. New Zealand Institute of Economic Research principal research advisor Stuart Nairn says one of New Zealand’s most respected experts when it comes to the dangers of poor regional development – in fact literally wrote the book on the subject – is Mr Eaqub. Mr Eaqub made headlines last year after he expressed concerns about some New Zealand towns.

The report was damning, outlining that some regions in New Zealand are caught in a downward spiral of declining population and economic output. A lack of investment has led to economic growth and high unemployment rates and few opportunities for residents.

His report was based on a Regional economics: Shape, performance and drivers, and before long Mr Eaqub received the nickname which made him famous – the ‘zombie town’ guy.

But, despite a string of bad news from many of New Zealand’s rural towns, such as low economic growth and declining levels of employment, Tauranga looks to be somewhat changing...
Enterprise Angels

Every young company needs significant sums of start-up capital from informed and trusted investors, so it is fortunate New Zealand’s biggest angel investment group is based in Tauranga. Enterprise Angels began in 2008 and built its member base rapidly to 100 investors, including 40 from Auckland — which makes it twice as big as any other angel investor group in New Zealand.

Enterprise Angels chief executive Bill Murphy says historically there were not many Tauranga start-ups to invest in — but this is changing, and he believes the angel groups’ deep pockets has played a part.

“Traditionally, we weren’t getting any Tauranga opportunities at all, but in the past three years, it has really picked up. We have lots of investors and when you create a bigger pool of investors and get the message out there, it starts to gain momentum,” Mr Murphy says.

Enterprise Angels invested $4.8 million, with an average initial investment of $150,000-770,000.

It is projecting investments of $6-7 million this year and expects 26-30 of that will be in Tauranga.

Enterprise Angels has recently helped fund a number of Tauranga-based start-ups, including: automatic heating and ventilation system Blues Marine, avocados processing plant Fresh NZ, and online accounting service Frontline

It has also plugged capital into Rydalm, founded by a horticulturist with 25 years’ experience who noticed how hot streaming tools damaged women’s hair, so designed a device which uses ice cold temperatures to straighten hair.

The latest Young Company Finance business, started by Enterprise Venture Investment Fund, shows angel investment in New Zealand has increased 15% on 2014, with $22.6 million going toward software companies.

Angel investors have a portfolio theory of early stage investment that while most start-ups will fail, one in ten is a star, generating 30-50 times the original investment.

Traditional

Enterprise Angels in Tauranga

Enterprise Angels has a strategic investment in the future of Tauranga business, and says there is “immense opportunity” for start-ups to concentrate on the skills New Zealand is known for — such as applying technology and innovations to agriculture and animal productivity.

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Traditional
Greenfield builds fuel Tauranga’s housing appetite

Sally Lindsay

Tauranga’s housing is being squeezed by the city’s fast growing population and its small district by land area, even though it is the country’s fifth largest urban area.

Population growth is one of the fastest in the country as people stream into the region for a lifestyle hard to match elsewhere in New Zealand.

In 1960 Tauranga was a fishing village of 4000 people. The number of people calling the city home grew to 66,731 in 1991, to 121,700 late last year and is expected to mushroom to nearly 200,000 by 2023.

Accommodating the burgeoning population means the running of weather of greenfields land for housing development and millions of dollars spent on infrastructure.

Like Auckland Council, Tauranga City Council has a number of housing accords with the government. These have been beneficial based on the council’s predictions the city has land available for housing.

However, the council says it needs to look ahead because of the four to 10 years it takes to rezone land under the Resource Management Act.

Under the SmartGrowth partnership between the council, Western Bay of Plenty District Council, Bay of Plenty Regional Council and tangata whenua, a start has been made on rezoning two new greenfields areas for development to provide between 6000 and 8000 new houses.

This will give the city enough land supply for another five years and most of it by always having 10 years of greenfields land available for housing.

Unlike Auckland, intensification is not an option for Tauranga, the council says.

The development economics are poor and new housing in greenfields areas is more affordable. Much of this has to do with the high cost of aggregating enough land to develop on in the older parts of the city as well as the additional building costs and project risks associated with building apartments and terraced houses rather than single level homes.

The council says it is far too simplistic to trot about increasing land supply. It says this will not have housing affordability unless the land can actually be developed, smaller more affordable houses are allowed to be built in new subdivisions and they are actually delivered.

Infrastructure financing and funding is also a major concern of land release. While the government could legislate to remove urban limits and compel councils to rezone land for residential development, this would have little effect on the amount of land available because without infrastructure, land cannot be developed.

The city says there are few large developers that can afford and have balance sheet capacity to step in and build infrastructure in place of a council. Water, wastewater and roads are expensive building infrastructures required before development revenues begin to accrue.

In an ideal world councils would like to offload the cost to developers and in one Tauranga housing project this has been done.

Developers took the plough and paid for infrastructure in the 25ha The Lakes subdivision on the western outskirts of the city.

The new suburb will include 2818 sections housing more than 7000 people as well as a 250ha m commercial hub with a café/restaurants, convenience shops and, possibly, offices. The subdivision includes an 8ha fresh water lake, 20km of walkways and cycleways, professional environment courses, playgroups, parks and reserves.

The Lakes managing director Scott Adams says building infrastructure in lieu of development contributions is an alternative mechanism to free up more land for development without local authority delays.

Carrus Corporation took over The Lakes after the global financial crisis (GFC) and the city’s housing market was static.”

To stimulate the market Carrus introduced 12-month interest-free terms to house builders and sales immediately picked up. On purchase and payment of a deposit, clients can opt to take the 12-month interest-free terms or a $5000 discount for a cash sale. Carrus had budgeted to sell 50 lots a year over three years but in three months it sold 150 lots with 80% on deferred terms and 20% cash sales.

Mr Adams says deferred terms have thrust The Lakes out of the GFC. “Many lead developers use terms to help buyers’ cashflow and we have provided this in all our developments. After 25 years in this business we found numerous builders following us to various subdivisions relying on our terms, which help them use up their cashflow for building.”

“If we give builders the opportunity to buy on terms, it gives them time to obtain a building consent and finish the house within a year. They can settle on the day their clients move in and it takes away the issue of having to borrow the entire house and land package.”

The Lakes is one of several big new subdivisions in Tauranga. Coast Papamoa Beach has been mooted to take new houses in the next few years.

Frasers Property has sold 23 lots since January in the area. At the end of last year it had sold just 16 lots, since opening at the beginning of 2018. Land sales in the area total $12.4 million.

Coast Papamoa Beach director Steve Short says this time last year the average time for designing a house and land package was 90-120 days. Now they are selling within 30 days.

Although the market has mainly been local buyers for The Lakes, and Aucklanders are now targeting Tauranga for affordable housing and Frasers Property says its sales are dominated by buyers from the country’s biggest city. “They are almost here because the city can offer luxury living by the sea at about two-thirds of Auckland prices.”

Mr Short says a lack of available properties on the market is also fuelling the popularity of new builds.

May 29, 2015 / The National Business Review

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May 29, 2015 / The National Business Review
Tauranga plays its part in industrial boom

Sally Lindsay

It has often been said the health of the industrial sector is a reflection of the health of New Zealand’s economy. The fortunes of the industrial sector point to positive growth over the next few years, keeping the economy healthy.

About one third of the country’s employment and GDP is tied to the industrial sector. Nearly 50% of the country’s exports come from the manufacturing slice of the sector. The city has superior underlying fundamentals supporting its industrial sector, including high population, port and roading access to winning industry and infrastructure and maintenance of roads and cost effective development. The city has superior underlying fundamentals supporting its industrial sector, including high population, port and roading access to winning industry and infrastructure and maintenance of roads and cost effective development.

Traditionally, industrial parks have been located on the outskirts of, or outside the main residential area of a city, with good transport access, including a port, road and rail.

Tauranga is playing a significant part in the fortunes of the sector. It is one of the best performing provincial industrial markets dedicated to a substantial manufacturing sector. The city has superior underlying fundamentals supporting its industrial sector, including high population, port and roading access to winning industry and infrastructure and maintenance of roads and cost effective development.

In 2015, Taurangobusinessestate.co.nz achieved a 6.34% yield on a net rent roll of $650,000 a year (before GST), and the property was sold towards the end of the financial year to a New Plymouth investor at a yield of 7.5%.

In Auckland, the world’s largest commercial property market, yields have continued to rise to 6.9%.

**Townsend Business Estate**: One of a new breed, it is a major shopping centrewith big businesses tenants. It is a new concept, a new breed of industrial estate.

**Element IMF**: A new company with a new concept, and its new breed of industrial estate.

Tauriko because so much of the land is still in its raw state, Element IMF has made a start on the new estate. Its main focus is on creating a more attractive environment, infrastructure and maintenance of roads and cost effective development.

The company expects to sell about seven hectares a year, with sites from one to eight hectares. At any one time 10ha is available for sale. The rest of the land is available on a lease to suit the needs of the landlord.

**Element IMF commercial manager Rachel Emerson** says the land is zoned for industrial use and industrial operations to give a more balanced approach, which also promotes environmental sustainability, as well as industrial operations to give a more balanced approach, which also promotes environmental sustainability.

**Emerson** says masterplans for new estates should provide consideration for aesthetics and style and aesthetics. More than 40 hectares of landscaped parklands are part of the 107ha business estate during the global financial crisis.

**Goodman’s award-winning Highbrook business park in Auckland’s East Tamaki has been the benchmark for Tauranga in terms of style and aesthetics.**

The benefits of the Tauranga Eastern Link Toll Road to Whakatane and State Highway 33 to Rotorua are significant.

The new electronic toll road runs between the Domain Road interchange, near Papamoa, and the Paengaroa roundabout, and links to State Highway 2 through Whakatane and State Highway 33 to Rotorua.

The benefits of the Tauranga Eastern Link Toll Road are improved safety, travel time savings, more efficient freight movements, and economic benefits to the local economy.

The time savings is expected to be around 12 minutes in one direction. The alternative route is the Tauranga Eastern Link.

The National Business Review / May 29, 2015
What makes the Bay of Plenty so plentiful?

Jamie Ball

The volcanic, fertile, fruit-laden soils of the Bay of Plenty have some of the longest sunshine hours in the country.

While dairying pains the very inland — and generally the datum of fruit becomes: kiwifruit in the domain of the western, coastal strip between the coast and the Kaimai range, a productive zone that forms at least 85% of kiwifruit grown in the country.

For all its farming transparency — while still bringing home in a serious Fraud investigation — the volume of dollar turnover, Mount Maunganui-based Zespri, still clocked global sales this year of an impressive $3.2 billion, or 10% on 2013/14. In doing it to record the highest-ever average per hectare return for the industry of $53,884 for the Hayward variety (that is, the traditional green kiwifruit) that makes up the majority of orchards in the region.

The recovery of the kiwifruit industry has been quite phenomenal, to say the least,” says John Middleton, who has worked in the western Bay of Plenty with property values Siller Young since 2001.

“Over the past three months there have been several Zespri directors who have purchased more than one kiwifruit orchard purchased, more than one kiwifruit orchard, which are only into their second year of increased returns and are managing well, then good investment returns are possible, probably in the 10%, plus category on any returns,” Mr Middleton says.

“Over the past three months there have been several Zespri directors who have purchased more than one kiwifruit orchard and added them to their portfolios of orchards. They have paid good money for the orchards and clearly have confidence in the future of the industry. If the orchards are managed well, then good investment returns are possible, probably in the 10%, plus category on any returns,” Mr Middleton says.

One man at the heart of horticultural industry in the bay is Michael Franks, chief executive of kiwifruit orchard- and post-harvest company Seeka. He says that as a result of increased returns and the upsurge of confidence in the kiwifruit industry, orchard values have increased substantially.

“This will provide the problem of new entrants to the industry needing substantial capital. Also undertaking a greenfield development requires a long payback period; accordingly, further development of new plantings may be called,” Mr Franks says, the recovery of volumes of the kiwifruit Hayward variety, as well as the continuing strength of the Hayward variety, has led to a resurgence in confidence.

“The lift in volumes are requiring post-harvest investments to build more long-term facilities. There has been a building boom over the past six months as post-harvest companies construct new facilities. This construction surge is alongside a general construction boom in residential housing. As New Zealand’s largest kiwifruit grower, we are making a lot of investment into infrastructure, new varieties and markets. The Bay of Plenty has a lot of leading edge innovation in home grown and Seeka consolidates itself among the front variety of that group,” the chief executive says there are also new emerging varieties of kiwifruit, such as kiwiberries, which are on trial this second year of proper commercial deployment, with volumes increasing already. He adds that the advanc
date of kiwifruit industry has also matured in the bay, delivering good returns are in growers.

“Seeka’s Michael Franks, for one, recognizes it as a problem for the horticultural industry. The balance between the threat of frost becomes — kiwifruit is the domain of the region.”

The volcanic, fertile, fruit-laden soils of the Bay of Plenty are so plentiful?

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Turning up the heat for a start-up boom

Catia Smiley

Newcomers to Tauranga’s business scene are increasingly surprised at how closely the business community works, which helps speed up the high-growth companies and the city’s growth prospects. The city is fast becoming known for its innovative start-ups, nurtured by a tight-knit ecosystem of venture capitalists, seed funders, and influential local bodies. “When people come to Tauranga from other parts of New Zealand, they’re always amazed at how well the business community works,” says Enterprise Angels chief executive Bill Murphy. “It makes the city the way to go.”

A prime example of this collaboration is WNT Ventures, an amalgamation of three separate businesses and innovation centres: New Zealand's seed fund, WNT Ventures; Callaghan Innovation; and titanium industry group Whai42, which together form the Hamilton-based technology incubation centre Newnham Park. The resultant group, set up last December, is a three-way collaboration of the three separate business incubators, an amalgamation of three separate business incubators, under the umbrella of the Hamilton-based technology incubation centre Newnham Park.

New Zealand start-ups go to Whai42 to talk with investors, says Whai42 Managing Director Peter Wren-Hilton, who is also a director of the WNT Ventures board. “This is a high-bulld investing group where we need to be nimble when it comes to accessing a new separation grants tool on behalf of the companies they invest in. It focuses on intellectual property and helps companies in the primary sector, science, ICT and high-value manufacturing, and is led by former private investors — including these founding organisations and Callaghan Innovation, which became its chief executive Carl Jones says.

Mr Jones’ story is similar to many of the entrepreneurs going the citywide but not for long. He’s a home and homestead in Whai42 with his partners in the city and surrounds their ground-breaking mentoring and training for the formation of a new company in Silicon Valley. The company has more than 300 global start-ups and 3,000 early-stage companies. It is also expanding its sales and co-working spaces. The city is growing and has an “influx of talent and skills required by the region and Tauranga难以置信的组合”.

The city of Tauranga is a step closer to an integrated tertiary education system. The city has been unifying the region’s education systems to provide a more streamlined approach to tertiary education. “Tauranga City Council is committed to ensuring the best possible education and training opportunities for its residents,” says Tauranga City Council’s Director of Education, Dr Adiba Barney. “With the recent establishment of the University of Tauranga and the Bay of Plenty Regional Council; $15 million from the Bay of Plenty Regional Council; $15 million from the Tauranga City Council; and the Tauranga Economic Development Agency, we are well on our way to achieving this goal. We will continue to work with the regional partners to ensure that all our residents have access to high-quality education and training opportunities.”

Back to school in Tauranga

Nathan Smith

A growing city always needs impressive education facilities and Tauranga is no different. We are seeing a boom in tertiary education in Tauranga. The jobs aren't quite there yet but I hope we'll play a part in making the city more attractive for students and businesses. The city has been unifying the region’s education systems to provide a more streamlined approach to tertiary education. “Tauranga City Council is committed to ensuring the best possible education and training opportunities for its residents,” says Tauranga City Council’s Director of Education, Dr Adiba Barney. “With the recent establishment of the University of Tauranga and the Bay of Plenty Regional Council; $15 million from the Bay of Plenty Regional Council; $15 million from the Tauranga City Council; and the Tauranga Economic Development Agency, we are well on our way to achieving this goal. We will continue to work with the regional partners to ensure that all our residents have access to high-quality education and training opportunities.”

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The National Business Review / May 29, 2015
Port leads ahead in watershed deal

Jenny Rush

As chairman David Pilkington says in the annual report, Port of Tauranga’s 2014 financial year was a watershed one. The nation’s largest port signed two major deals. The first, in August 2013, gave it half of Timaru’s Primoport as well as control of its container port for $47 million. The second, just before balance date in June last year, was a 10-year agreement with Kotahi New Zealand’s most efficient port.

The port, up from 43 in 2010, and Mr Cairns says that is nearly double the maximum 4500 container ships carrying as many as 8200 standard containers a year. Port of Tauranga’s chief executive, Mark Cairns, says all the building blocks will then be there for his company’s position as the pre-eminent port to be unassailable, providing it has a “significant strategic asset.”

MARK CAIRNS: Port of Tauranga’s cargo-handling charges are about 20% lower from time typical of Australian ports

Port of Tauranga is to make the supply chain more efficient by reducing the numbers of empty trucks, trains and containers moving around the country. Cairns expects to move more than 18 million tonnes a year of containerised and bulk freight to and from freight hubs and key shipping ports.

Mr Pilkington is pleased to report in his chairman’s report, Port of Tauranga’s 2014 financial year was a growth year, saying it has “a very good track record.” Mr Hamilton says Quayside’s other activities also indirectly support the port. It reroutes 25% of the 484 Rapunga Industrial Park, the largest prospective industrial estate on the eastern side of Tauranga.

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Nevertheless, the Kotahi deal which has given Port of Tauranga confidence to go ahead with dredging to allow visits from larger ships, means the Auckland port company is unlikely to retain that status for more than a year or so. Port of Tauranga’s chief executive, Mark Cairns, says the dredging contract, which is currently out for international tender, should be signed in the next few weeks and he expects the work will be completed by August next year.

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Mr Cairns says he is looking to expand the port, with a trial buffer zone adjoining the port, and in the next few weeks and he expects the work will be completed by August next year.

Mr Cairns says there’s no doubt his company is becoming more efficient. “We are the only port in the country that has a grade-separated inter-urban line to our container terminal. I consider SmartFreight has really allowed the region to punch well above its weight in terms of economic growth,” Mr Cairns says.

Port of Tauranga’s emergence isn’t always obvious. Port of Tauranga was going to be a cash cow for Fonterra. “When the dairy giant’s South Island milk supply used to be exported through the Port of Tauranga’s container port had been “down on its knees” for a number of years. Port of Tauranga is to make the supply chain

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Moving people and freight

Sally Lindsay

Inscribed in the growth of Tauranga is the $455 million Tauranga East Link highway – the Bay of Plenty's biggest roading project. Six months ahead of schedule, the four-lane, 23km Tauranga East Link (TEL) will open near the end of the year. The link runs from Te Maunga, near Baypark Stadium in Tauranga, to the existing junction of State Highways 2 and 33, the Rotorua and Whakatane highways, near Pentngrove.

Randy NZTA says, in broad terms, future development along the TEL corridor is expected to contribute about $5 billion to the region and to the country,” NZTA says. The council is working with the Bay of Plenty Regional Council and SmartGrowth.

Hamish McNeil

An organisation substantially funded by Tauranga City Council has helped 25 businesses move to the city and the region over the last five years, and Mr Poole says there has been a "significant increase" in the number of people moving to Tauranga.

"The council believes in "holistic" approach to helping companies relocate is given it an advantage over other cities as a destination, with another 25 businesses already considering a move to Tauranga.

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