

THE SOUTH WAIKATO SOLUTION



Pre-fabricated Homes
Investment Prospectus

SWIFT
SOUTH WAIKATO
INVESTMENT FUND TRUST



Nau mai, haere mai

WELCOME

From the Mayor

Dear Investor, we are proud to present our District to you as you consider where in New Zealand to establish an offsite pre-fabricated home manufacturing facility. Since the early 1890s with native timber processing in Putāruru, through to the establishment of commercial forests of *Pinus radiata* in the 1920s and the building of the Kinleith Timber, Paper and Pulp Mill in 1954, the South Waikato has been at the forefront of technological innovations in timber processing.

Timber is in the DNA of our people and communities, who are both ready and able to support your development.

South Waikato District Mayor Jenny Shattock

From the Chair (SWIFT)

The South Waikato Investment Fund Trust (SWIFT) believes that Putāruru is an outstanding location to establish a large scale manufacturing facility.

Financially the low cost of land, proximity to raw materials and labour, coupled with direct road and rail links makes for a compelling business case.

The social impact of this kind of investment would be transformational, both directly and indirectly, accelerating the delivery of inclusive growth for one of New Zealand's most progressive Districts.

Ian Elliott, SWIFT Chairperson

From the SWDC Chief Executive

The South Waikato has a plentiful supply of low cost land, located on State Highway one, within two and a half hours' drive time of over half of New Zealand's population. With direct rail links to the Port of Tauranga and beyond, importing and exporting is simple and cost effective.

Through our long standing partnership with Toi Ohomai Institute of Technology, we can support your business with work ready employees, equipped with practical and relevant skills.

As a business friendly Council we stand ready to support your proposed investment into the South Waikato, particularly Putāruru.

The South Waikato community is ethnically diverse with significant Māori and Pacific Island populations and is home to local Iwi Raukawa.

Craig Hobbs, SWDC Chief Executive

LABOUR SUPPLY

The South Waikato is home to over 24,000 people. We are proud of our ethnically diverse community which includes 6,700 Māori and 2,500 Pacific Island peoples. Family, community ties and values underpin our shared heritage, providing an excellent source of potential employees keen to both live and work locally. Within 65km of Putāruru the potential labour pool widens to include Tauranga, Matamata, Rotorua, Hamilton and Cambridge with a population of over 420,000 people.

Within 25km of Putāruru there are some 560 people (18-65) in receipt of a Job Seekers Allowance, with a further 2,400 within 65km of Putāruru.

South Waikato District Council has strong links with the local Ministry of Social Development's Work and Income division that offers financial support to enable this large pool of untapped labour to become 'work ready'.

The Skills for Industry Programme contracts training providers to facilitate pre-employment training. The time for this training can vary, to a maximum of three months. With pre-employment selection and support through a local Work Broker, based in Tokoroa, this package can provide trained factory employees.



Chart 1 - % NEET* (under 25 years old)
* not in employment education training

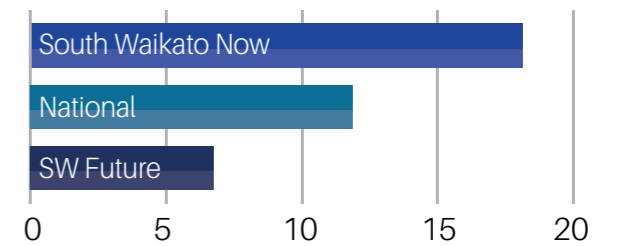
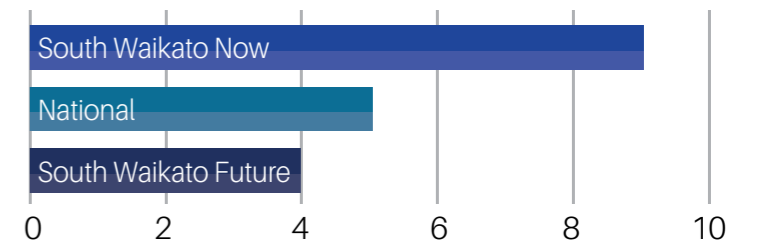


Chart 2 - % Unemployment



LABOUR SUPPLY

LOCATION



RAW MATERIALS

AFFORDABLE HOUSING

EDUCATION & TRAINING

AFFORDABLE LAND

AVAILABLE SITE



BUSINESS SUPPORT

SOCIAL IMPACT



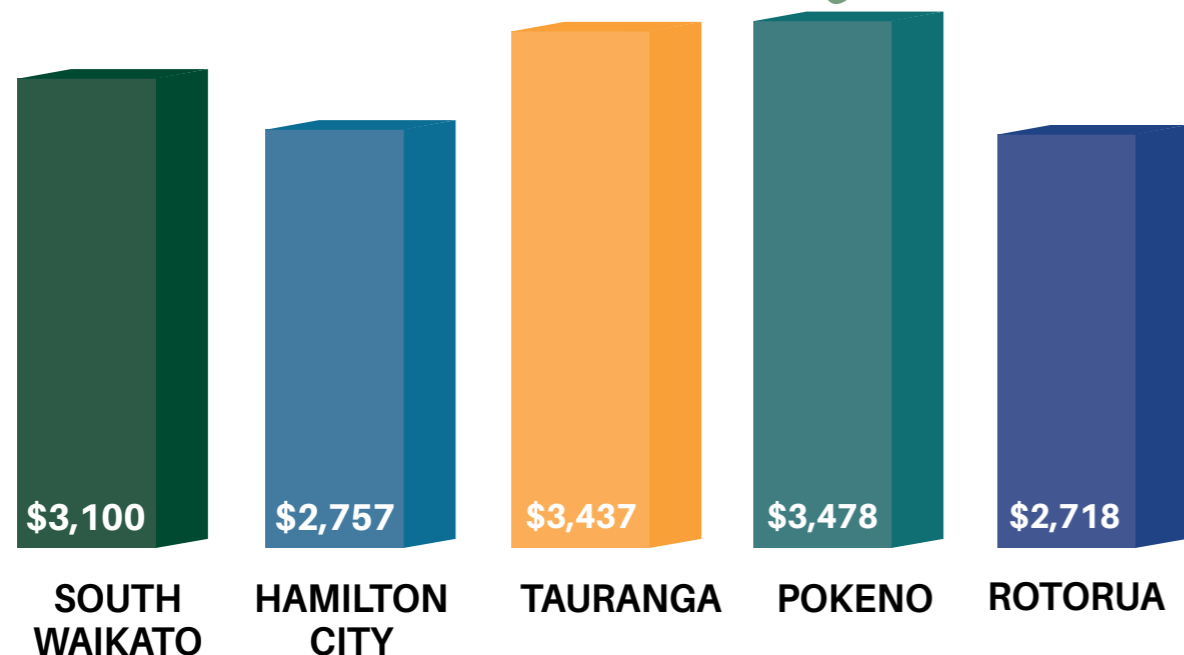
LOCATION

Putāruru and the South Waikato District sits just south of the 'Golden Triangle' linking Auckland, the Waikato and the Bay of Plenty - the powerhouse of the New Zealand economy and home to over half the population of New Zealand.

The District is relatively flat, with State Highway one running north to south, making the movement of goods safe and cost efficient. The rail line links Putāruru and Tokoroa to the Port of Tauranga, ideal for importing components from overseas as well as raw materials from the timber mills at Kinleith and Kawerau.

The chart below is an estimate of the distribution cost for a completed module with two escort vehicles.

Chart 3 - Average Delivery Cost per Module from Factory Location



RAW MATERIALS

Local

South Waikato is at the heart of New Zealand's commercial forestry plantations, with over a third of the *Pinus radiata* forests located in the Central North Island. Currently over 5Mm³ of logs and 750,000m³ of sawn timber is exported annually through the nearby Port of Tauranga, capacity that could easily be utilised building Kiwi homes, providing a significant productivity boost to the New Zealand economy.

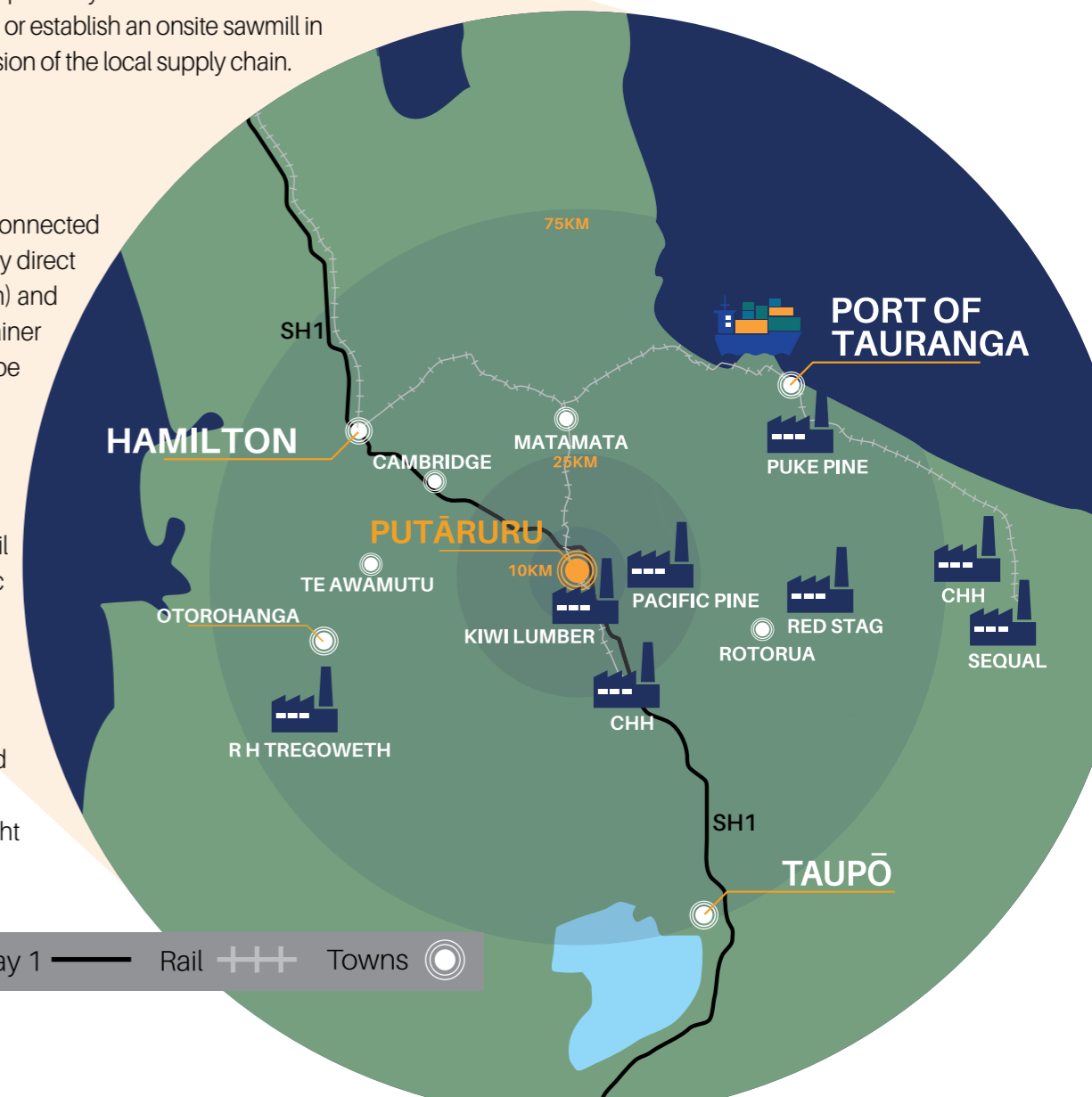
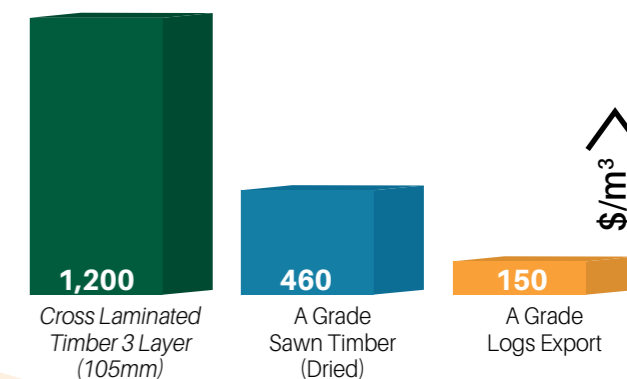
Putāruru is home to two sawmills, Pacific Pine and Kiwi Lumber. Near Tokoroa is Kinleith, just 30km away by road and rail, where Carter Holt Harvey Wood Product's Structural Plywood plant and its CCA treatment plant are based. A further five sawmills are within 100km of Putāruru. Given the estimated volume of timber required, around 150,000m³, the opportunity exists to increase local production capacity or establish an onsite sawmill in Putāruru for future expansion of the local supply chain.

Overseas

The Port of Tauranga is connected by road (one hour) and by direct rail link to Putāruru (80km) and Kinleith (110km). A container landing at midnight can be onsite by 6 a.m. the next morning, either directly to a proposed rail spur at Putāruru or through the nearby Tokoroa Road Rail Terminal (a Private-Public Partnership between South Waikato District Council and RJ Lincoln Logistics) enabling the smooth import of finished goods from overseas by rail, minimising road freight volumes and associated environmental impacts.

Chart 4 - Timber Processing Production Value

The chart below illustrates the additional 'value' created through processing raw material into modular homes and other value-added products.



KEY State Highway 1 — Rail +++ Towns ●

AFFORDABLE HOUSING

EDUCATION & TRAINING

The South Waikato offers a wide range of housing options for your employees to suit every lifestyle, family and budget; from architecturally designed riverside lifestyle blocks in Arapuni, to solid and affordable homes in Tokoroa.

With an average house value of \$216,000 in the District, the Kiwi Dream of home ownership is still a reality which increasing numbers of people are discovering. From young couples wanting to get onto the housing ladder, to older people looking to downsize and capitalise. Everyone enjoys the abundant recreational activities from mountainbiking and golf to flyfishing and water sports, swimming pools, leisure centres, theatres and sporting facilities. The South Waikato's central location offers a lifestyle choices within easy reach of skifields and beaches.

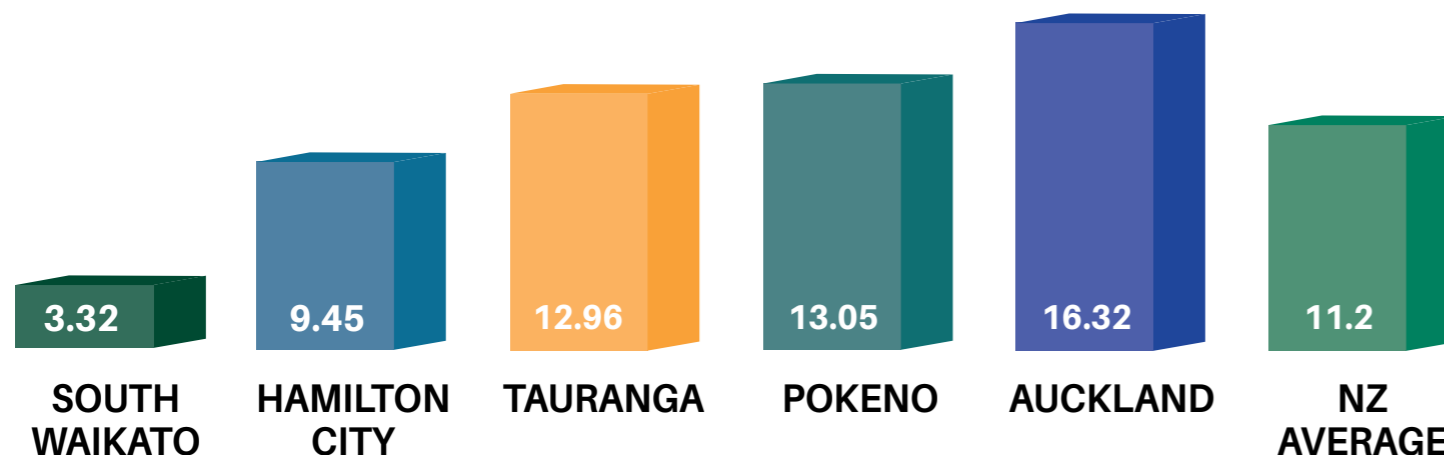
The South Waikato District Council is currently engaged in a review of all its major towns to re-zone new residential land for further housing development, especially in Putāruru. Council recognises the benefit growth brings to our communities and is committed to providing zoned land to encourage new housing. SWDC is keen to work with KiwiBuild to provide sites for early production output from the proposed modular housing production plant.



Chart 5 - Housing Affordability

- Average house price as a multiple of average earnings -

In the South Waikato houses are only 3.32 times the average salary, making houses very affordable.



The South Waikato community is served by four secondary schools and a total of 200-250 young people leave these schools each year to go into further education, training or employment.

Approximately 45 young people leave these schools and do not enter employment, education or training (NEET).

For the past 10 years, South Waikato District Council has partnered with Toi Ohomai Institute of Technology and employer groups to develop work ready recruits with practical, specialist skills across a range of disciplines that are tailored to meet the needs of local businesses.

Engineering Transport & Logistics Auto Mechanical



An average of 60 young people enrol in these Toi Ohomai courses each year and, upon completion, readily embrace new opportunities with local employers.

Toi Ohomai Institute of Technology is keen to explore further opportunities to support the skill development required for your operations. Training and support could take the form of full-time campus training, supported by work experience placements, or work-based training through an apprenticeship model. Courses could range from entry level to diploma and degree level. Training can be delivered locally from the Tokoroa campus in areas such as manufacturing, engineering, construction, road transport/logistics, and computing/IT.

Existing courses can be offered in their entirety, or tailor-made courses can be developed to specifically meet your operational needs.

In addition, there are a number of other engineering courses (materials, software, process) available from Hamilton based Waikato Institute of Technology (WINTEC) and the University of Waikato, with the latter accessible through a daily bus service to and from the District.



TOI-OHOMAI
Institute of Technology

AFFORDABLE LAND

AVAILABLE SITES

When considering an investment of this scale, the number of suitable sites within the Central North Island is limited as the region has experienced strong demand during the last 3-5 years. However, the price of industrial land still remains significantly more affordable than in parts of Auckland.

South Waikato District Council commissioned an assessment of suitable development sites, available currently or within the next 12-24 months, in comparable locations within the Central North Island and of a minimum size of 15ha. The results are listed in the table below. It is clear the development site in Putāruru, known as *Buttermilk* offers outstanding value.

Table 1 - Potential Site Locations and Details
- Minimum size of 15ha -

Location	Nearest Town	Size ha	Estimated Land Cost \$/m ²	Purchase Cost \$m/15ha	Availability	Single Owner	Full Services Onsite /Adjoining	Rail Frontage
Te Puna	Tauranga	28	\$150	\$23M	< 12 Months	✗	✗	✓
Rangiuru	Tauranga	130	\$225	\$34M	> 24 Months	✗	✗	✓
Airport	Rotorua	20	\$200	\$30M	> 18 Months	✓	✓	✗
Ngongotaha	Rotorua	20	\$150	\$23M	> 18 Months	✗	✓	✗
Northgate	Hamilton	30	\$200	\$30M	> 18 Months	✓	✗	✓
Buttermilk A	Putāruru	13	\$80	\$10M*	Immediate	✓	✓	✓
Buttermilk B	Putāruru	15	\$75	\$11M	< 12 Months	✓	✓	✓

* Note Buttermilk A Purchase cost for 13ha

Please note: Several of these sites may have planning restrictions, ownership issues and /or geotechnical challenges so require full site investigations depending upon the intended activities.

It is expected that the Waikato will continue to experience strong growth over the next 20-30 years, given its proximity to Auckland and its ability to accommodate industrial and residential growth. The identified sites in Putāruru offer a significant value opportunity relative to surrounding regions, potentially saving up to \$20M (plus any location incentive grants) and with an expedited development timescale.

When coupled with investment funding support that is available from the SWIF Trust this could enable a motivated investor to move quickly to establish a modular home production facility.

"DPS Developments Ltd have 30 years' experience in the commercial property and development industry. We have a reputation in the Waikato and Bay of Plenty for delivering projects on time and to budget. You can have the confidence that comes from dealing with one landowner/developer ready to help make your investment the centrepiece of the Buttermilk site in Putāruru. The site's characteristics and the plans in place with NZTA, Kiwi Rail and South Waikato District Council mean we are confident we can fast track making your Modular Housing investment plans a reality. "

Sam Wulff & Dave Mcfarlane, DPS Developments Ltd

The Buttermilk development offers sufficient land to meet the requirement of a large scale pre-fabricated home production facility and for the development of co-located facilities supplying materials and componentry as an alternative to offshore sourcing. We understand that the developers have an indicative land cost for this 15ha investment of \$80m² with flexible design and build options to suit.

Aside from the access to services (power, gas, ultrafast broadband, three waters) the site is geologically stable and has no issues with soil acidity or potential exposure to sulphur dioxide and resultant potential damage to machinery and buildings. There are no known culturally significant areas on this site which might impede development. Soil formation is flat or flat to rolling, not peaty or susceptible to flooding. The site has direct access to State Highway one and Buttermilk B contains a planned new rail siding which will be available to the site.

Buttermilk A is currently zoned Putāruru Business and the proposed activity is permitted. Buttermilk B has been endorsed by the South Waikato District Council for a future zone change to Business to enable this type of activity.

Local iwi groups Raukawa and Te Arawa River Iwi Trust have provided support to Council to progress the zoning

plan change. Council is in discussion with NZTA and other stakeholders to extend the area available for business zoning in the vicinity of the Buttermilk sites, which may add another 10Ha of Industrial Zoned land to this development (for the purpose of this document named Buttermilk C).

Chart 6 - Indicative Development Timeline



BUSINESS SUPPORT

Investing for job growth

At the South Waikato Investment Trust (SWIFT), we aim to drive business growth in the region. We work to integrate the needs of all people in the South Waikato as we apply a strategic approach to attracting and expanding commercial interests. The Trust currently has \$25M of assets under management and actively consider investment opportunities that offer:

- Scalability – that provides career prospects for employees
- Complexity – in terms of adding value to commodity products
- Uniqueness – to drive competitor advantage

We welcome the opportunity to evaluate how we could support the establishment of a large scale pre-fabricated home manufacturing facility within the South Waikato.

The SWIF Trust management will work closely with you on how to source, evaluate and co-locate New Zealand manufacturers of componentry, such as doors, windows and kitchens. This will help you build a 'just in time' local supply chain, reducing inventory costs and optimising production efficiencies.

Council business support

The South Waikato District Council works closely with investors evaluating the District's potential to support their plans for the future. Council has experience in managing the delicate balance between economic growth and environmental impact and ensuring that the price of growth is not paid by future generations.

In order to provide for effective co-ordination of the delivery of all Council regulatory services the Business Case Manager (BCM) initiative was established. The BCM initiative means businesses requiring interaction with more than one area of Council will enjoy the convenience of having **one** point of contact and **one** individual who will manage the process for them.

The BCM initiative is vital in ensuring your business enjoys a smooth passage through Council's various functions so you can invest more of your time and energy into the running of your business.

SOCIAL IMPACT

South Waikato District Council and the SWIF Trust recognise that your investment firstly needs to make sense financially, especially given the costs involved in land, buildings, plant and equipment. We hope that this prospectus illustrates why choosing this District makes good business sense and why you should join companies such as Fonterra, OJI Fibre Solutions, Blue Pacific Minerals, Coca Cola Amatil and Carter Holt Harvey Wood Products in making significant investments in the South Waikato District.

We would also like to illustrate the social impact this decision could have on the lives of our people and communities. When you consider both direct and indirect employment through the clustering of supply businesses, your investment would be transformational for the people of the South Waikato.

Based on a factory operating a full four shift system and possibly employing some 400 staff; the wages and salary contributions alone might be \$35M p.a. which would represent a 3.5% boost to our District's GDP (\$1Bn 2017).

A further boost to the wider Region and New Zealand would be the net 'value add' of NZ timber used domestically instead of exporting unprocessed logs.

If half the workforce was comprised of individuals we had supported into employment, on an annual salary of \$60,000, the average net gain to New Zealand would be

in the order of \$5M p.a. (\$25,605 per employee per year*) through savings in Job Seeker Support, Accommodation Supplement and Income Tax. The effects on education, health and housing that stem from meaningful, gainful employment are well known and significant.

Your investment has the power to change lives forever.

"Timber is in the DNA of our people and communities, who are both ready and able to support your development."

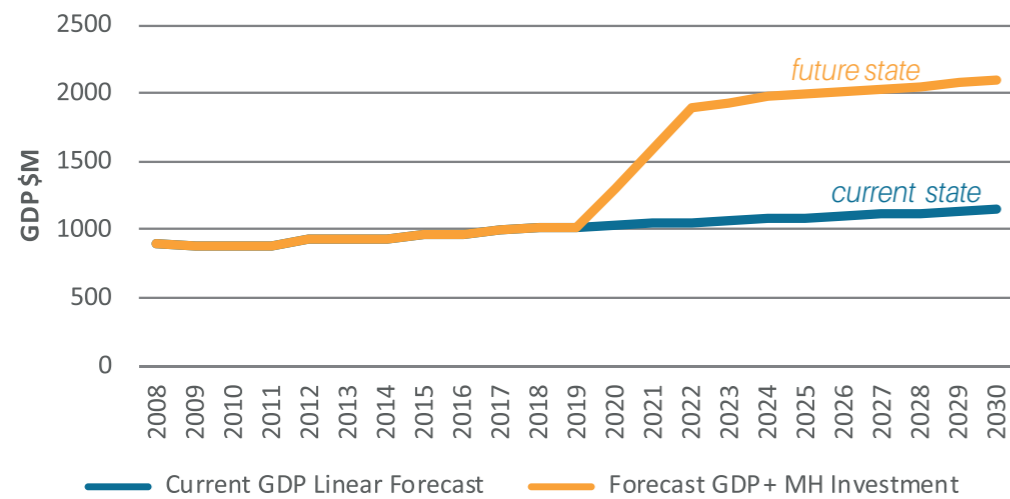
South Waikato District Mayor Jenny Shattock



Economic Impact of your Investment on our Economy

South Waikato District Council's preliminary desktop analysis of the potential impact a large scale investment into the production of offsite pre-fabricated housing could have to our GDP. Clearly the assumptions and projections would benefit from detailed analysis, but they do illustrate the significant effect an investment on this scale would have in the South Waikato.

Chart 7 - South Waikato District GDP forecast
- with offsite pre-fabricated housing investment -



Let's talk...

We have shown you the South Waikato solution:

- ✓ Great Location - SH1 & direct rail
- ✓ Labour Supply - 420,000 people within 65kms
- ✓ Raw Materials - Eight sawmills within 100km & 1/3 NZ Pinus radiata forests
- ✓ Affordable Housing - From riverside executive lifestyle to starter homes
- ✓ Education & Training - Delivering skilled work ready employees
- ✓ Affordable Land - Potential savings of \$20M in land cost alone
- ✓ Available Site - Developers ready to talk and make your plans a reality
- ✓ Business Support - SWIFT and Council ready to support you
- ✓ Social Impact - Your investment has the power to change lives

"Let's talk and let us show you everything we have to offer..."

South Waikato Investment Fund Trust

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References

Estimated Journey Times (page 2)*

Data source: NZTA Forecast improvement in journey times to Auckland upon the completion of the Waikato Expressway in 2020. A reduction in the journey time between Auckland and Cambridge of 35 minutes (March 2016). All movements of complete homes in accordance with the Overdimension Permit Issuing Authority (OPIA) regulations.

Charts 1 and 2 - NEET and Unemployment

Data source: Ministry of Social Development. Future forecast based on 100 young people currently not in employment, education or training, finding employment with the proposed pre-fabricated homes production plant. Future unemployment forecast based on a total of 200 people currently unemployed, of which 100 <25 years olds, finding employment with the proposed production plant.

Chart 3 - Average Delivery Cost per Module from Factory Location

Assumed 1 module per vehicle with 2 pilots, distribution cost \$8/km for vehicles and pilots. Distance based on CBD-CBD, round trip and assumed 50% output delivered to Manukau, 20% Wellington, 10% Tauranga, 15% Hamilton, 5% Rotorua. Distances based on shortest road journey.

Chart 4 - Timber Processing Production Value

Data source: Log Exports by Port and Sawn Timber Exports by Port, Statistics NZ, Overseas Trade

Chart 5 - Housing Affordability

Data Source: Infometrics.co.nz and QV.co.nz

Table 1

Data source: Industrial land Review 13 July 2018, Veros Property Services, commissioned by SWDC

Chart 6 - Indicative Development Timeline

Chart 7 - South Waikato District GDP Forecast

Data source: NZTE Building for Growth report May 2018
Calculations from SWDC - 4,200 units per annum (33%/120m2 units; 33%/80m2 units; 33%/50m2 units).
Production output rises 1>4 shifts (2020-2023).
Co-located componentry suppliers - assumed 30% of Pre-fabricated Home Revenue and 40% of suppliers co-locating, starting in 2022.
GDP increases net of existing log export earnings.

* Government Support Calculations

Data source: NZ Work & Income Benefit rates, 1 April 2018
Adult (married, civil union, or de facto couple)
Each - Gross weekly rate \$200.49 plus Accommodation Supplement (Area 4) \$80
Inland Revenue Income Tax Calculator (1 April 2018 to 31 March 2019) - Salary \$60,000 per annum

Offsite Pre-fabricated Homes/Modular Homes

Within this Prospectus we have used the aforementioned terms to refer to the manufacture of pre-fabricated, complete buildings, pods, panels, hybrids and volumetric units.

Modular Home Images

Used with the kind permission of Prefab NZ & Keith Hay Homes



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