





PREPARED FOR Sanctum Projects Limited



### OUR AREAS OF EXPERTISE

#### **Economic Analysis**

Our work aims to bridge the gap between land-use planning and urban economics. Our focus is on the interaction between land markets, land-use regulations, and urban development. We have developed a range of methodologies using a quantitative approach to analyse urban spatial structure and audit land-use regulations.

### Property Research

We provide property and retail market research to assist with planning and marketing of new projects. This includes identification of new sites and market areas, assessments of market potential and positioning, and the evaluation of market-feasibility of specific projects.

#### **Development Advisory**

We provide development planning and costing advisory services to support small and large-scale developments.

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# 1. Executive Summary

- The majority of stand alone dwellings within the study area are valued in the \$1,000,000 \$2,000,000 price range. However, there are a significant number of stand alone dwellings valued between \$2,000,000 and \$4,000,000.
- Approximately 30% of apartments within the study area are valued between \$2,000,000 and \$3,000,000.
- The average sale price across all dwelling types in the study area over the last year is \$2,000,000.
- The proposal is to build 45 apartments ranging from 1-3 bedrooms. These would have an estimated market price between \$1,595,000 and \$3,347,000.
- There is only one apartment development within the study area with a total of 7 units
  presently available. This indicates that there is a shortage of new apartments in this
  location.
- Apartment consents in the study area have grown considerably over the past 5 years, growing from 2% of residential consents in 2017 to 40% in 2021.
- The proposal would increase apartment supply by 45 dwellings. This equates to 0.5-1.0 years supply based on the average growth rate over the past 2 years.
- Auckland has a shortage of around 30,000¹ dwellings, and this shortage is primary for affordable family (2-3 bedroom) dwellings. The proposal would contribute to this shortage by providing relatively affordable housing in the study area.
- The proposal would result in an increase in construction sector output, with an additional 199 full time equivalent employees (FTEs) with a value-added contribution of \$26.5 million to GDP.

<sup>&</sup>lt;sup>1</sup> A Stocktake of New Zealand's Housing 2018



## 2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a proposed residential development located at 182-184 Kepa Road & 8 Kurahaupo Street, Orakei.

## 2.1. The Proposal

The proposed site is outlined in Figure 1. It is approximately 2,250m<sup>2</sup> and is zoned Business Mixed Use in the front of the site at 182-184 Kepa Road, and Residential Terrace Housing and Apartment Building in the rear at 8 Kurahaupo Street. It will contain 45 apartments ranging from 1-3 bedrooms with an estimated market price of between \$1,595,000 and \$3,347,000.

Figure 1: Proposal Site



Source: Corelogic



# 3. Study Area

The following study area is used to evaluate the local residential market for the proposed development.

Figure 2: Study Area Map



Source: Urban Economics



# 4. Housing Market Assessment

This section provides an overview of the current housing market in the study area.

## 4.1. Existing Housing Stock

Figure 3 shows the existing housing stock profile for the study area. The main points to note are:

- The majority of stand alone dwellings are valued in the \$1,000,000 \$2,000,000 price range. However, there are a significant number of stand alone dwellings valued between \$2,000,000 and \$4,000,000 plus.
- The majority of terrace houses are valued in the \$600,000 \$1,200,000 price range.
- Approximately 30% of apartments in the study area are valued between \$2,000,000-\$3,000,000.

Figure 3: Study Area Residential Market Stock Profile

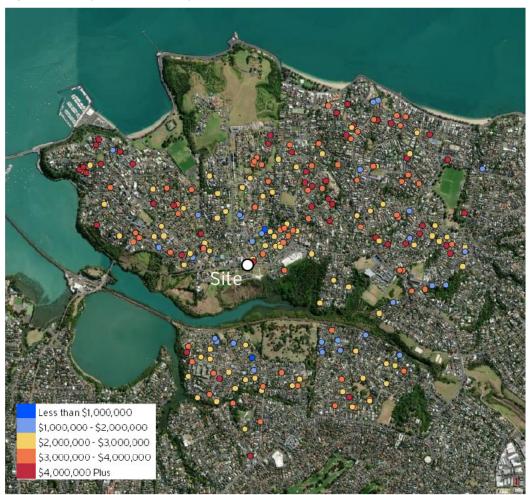
Price Bracket	SA	TCE	Apt	Total
Less Than \$600,000	5	125	0	130
\$600,000 - \$800,000	5	375	50	430
\$800,000 - \$1,000,000	180	345	25	550
\$1,000,000 - \$1,200,000	530	265	30	825
\$1,200,000 - \$1,400,000	915	100	25	1040
\$1,400,000 - \$1,600,000	900	25	40	965
\$1,600,000 - \$1,800,000	675	10	45	730
\$1,800,000 - \$2,000,000	510	10	50	570
\$2,000,000 - \$2,200,000	<b>3</b> 90	10	35	435
\$2,200,000 - \$2,400,000	285	5	30	320
\$2,400,000 - \$2,600,000	220	5	25	250
\$2,600,000 - \$2,800,000	175	5	15	195
\$2,800,000 - \$3,000,000	140	0	20	160
\$3,000,000 - \$3,200,000	125	10	10	145
\$3,200,000 - \$3,400,000	95	0	10	105
\$3,400,000 - \$3,600,000	60	5	5	70
\$3,600,000 - \$3,800,000	60	0	10	70
\$3,800,000 - \$4,000,000	50	0	5	55
\$4,000,000 Plus	280	5	25	310
Total	5,600	1,300	455	7,355



Figure 4 shows the distribution of dwelling sales by price over the July 2020-2021 period. The highest priced locations within the study area are Mission Bay, and properties close to the coast in Orakei, which typically achieve sale prices above \$3,000,000. The proposal site is centrally located in the study area. This area has a varied price profile, typically achieving sale prices above \$2,000,000.

Figure 5 displays the average sale price achieved over the past year in the study area. Terrace housing is shown to be the most affordable type with an average sale price of \$1,090,000, while stand alone dwellings achieved the highest average of \$2,230,000.

Figure 4: Study Area Sales July 2020-2021



Source: Corelogic

Figure 5: Average Sale Price by Dwelling Type July 2020-2021

Туре	Average Sale Price
Stand Alone	\$2,230,000
Terrace	\$1,090,000
Apartment	\$1,990,000
Total	\$2,000,000

Source: Corelogic



The following figures display residential sales for new dwellings in the study area and the wider Auckland Urban Area over the July 2020 - July 2021 period. There is a wide range of apartment prices, from lower priced units in the \$800,000 - \$1,200,000 range, through to more expensive apartments in the \$2-3 million range.

The proposal is estimated to supply 45 apartments priced between \$1,595,000 and \$3,347,000. A large proportion of the proposed apartments apartments would have an estimated price of \$1,810,000. This is relatively affordable for a new dwelling within the study area.

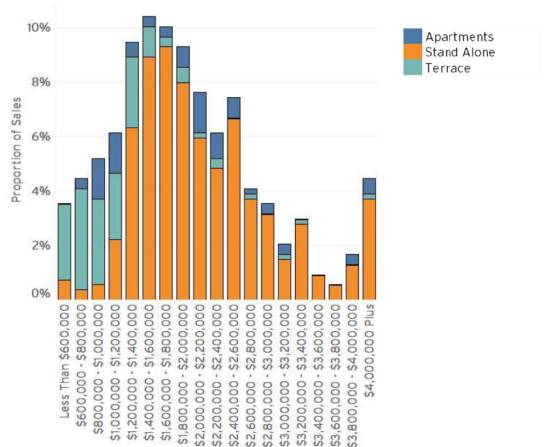
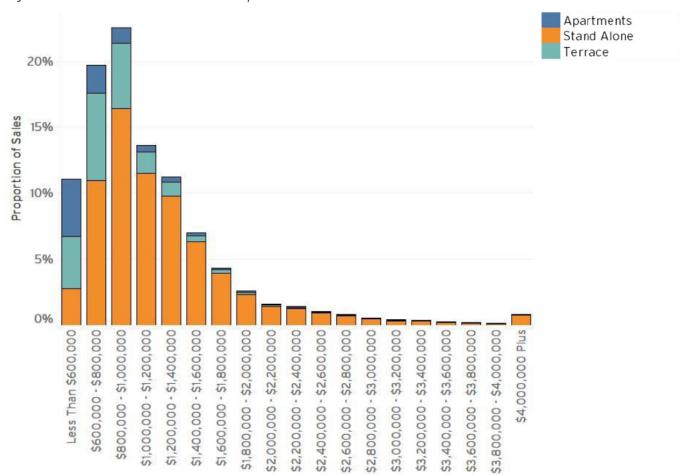


Figure 6: Study Area Sales July 2020 - July 2021



Figure 7: Auckland Urban Area Sales July 2020-2021





## 4.2. Comparable Developments

The following figures provide an outline of the comparable apartment developments presently selling in the study area. There is only one apartment development currently selling within the study area, with 7 units remaining for sale. This indicates there is a shortage of new apartments in this location.

Figure 8: Comparable Apartment Developments

Address	Price Range	m² Rate	Zone	Units Remaining
243 Kepa Road	1,625,000 Plus	\$15,600-\$18,000	Terrace Housing and Apartments	7
Total				7

Source: Various, TradeMe

Figure 9: Comparable Apartment Developments



Source: Various



# 5. New Dwelling Construction 2017-2021

The following figures show dwellings consented since 2016 within the study area and the Auckland region. The main points to note are:

- Apartment consents in the study area have grown considerably over the past 5 years, from 2% of residential consents in 2017 to 40% in 2021.
- The proposal would increase apartment supply by 45 dwellings. This equates to 0.5-1.0 years supply based on the average growth rate over the past 2 years.
- Despite the promising growth in building consents in the Auckland region over the past 5 years, there is still a shortage of around 30,000 dwellings<sup>2</sup>.

Figure 10: Study Area Building Consents (2017 - 2021)

Year	Stand Alone	%	Apart ment	%	Retire ment	%	Terrace	%	Total
2017	45	20%	5	2%	0	0%	10	10%	60
2018	35	16%	20	7%	50	59%	0	0%	105
2019	60	27%	115	40%	25	29%	10	10%	210
2020	45	20%	35	12%	10	12%	35	35%	125
2021	40	18%	115	40%	0	0%	45	45%	200

Source: Statistics NZ

Figure 11: Auckland Region Building Consents (2017 - 2021)

Year	Stand Alone	%	Apart ment	%	Retire ment	%	Terrace	%	Total
2017	5,250	51%	2,200	21%	695	7%	2,220	21%	10,365
2018	5,920	48%	2,810	23%	815	7%	2,825	23%	12,370
2019	6,655	47%	3,225	23%	560	4%	3,595	26%	14,035
2020	6,655	45%	2,660	18%	500	3%	4,965	34%	14,780
2021	6,800	36%	3,125	16%	490	3%	8,625	45%	19,040

Source: Statistics NZ

<sup>&</sup>lt;sup>2</sup> A stocktake of New Zealand's Housing 2018



## 6. Impact of Covid-19

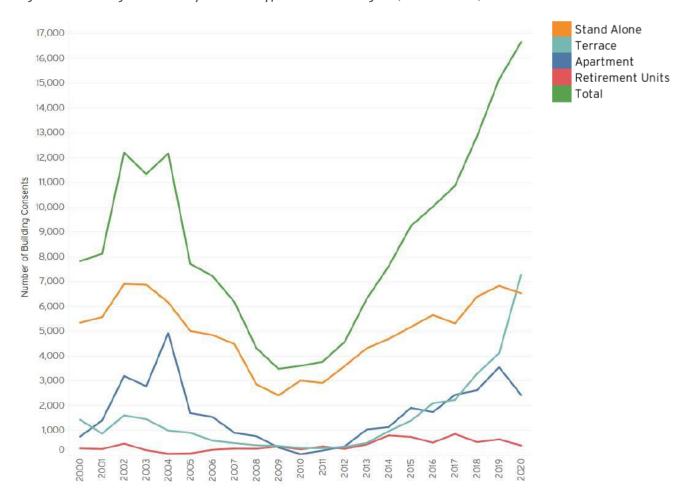
The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of costs and benefits of those involved in the construction sector, as follows.

The project's economic benefits and costs for people or industries affected by COVID-19 (see section 19(a)).

Historically the construction sector has followed the wider economy closely. The global financial crisis of 2008 saw an accompanying drop off in new dwellings consented. As displayed in the following figure, recovery was also particularly slow. It wasn't until 2017 that building consents recovered to the previous peak of 12,000 consented dwellings per annum last seen in 2005.

Covid-19 has forced New Zealand's borders to close. Record high international immigration has been replaced with near to zero international immigration. This is likely to result in a decline in the number of houses demanded and constructed which may place pressure on the construction sector over the coming years.

Figure 12: Building Consents by Product Type: Auckland Region (2000 - 2020)





## 6.1. Economic Contribution of Proposal

The project would create a considerable number of jobs within the construction industry. The national 'value added per employee' for each sector has been used to estimate the full time equivalent (FTE) employment for this project. The construction of 45 dwellings at 182-184 Kepa Road is estimated to begin towards the end of 2023 and is expected to take 18 months to complete. This will generate 199 FTE jobs in the construction sector and contribute \$26.5m to construction sector GDP. The employment number can be interpreted as the number of FTE jobs created on an annualised basis, so over the life of the project, an estimated 133 FTE jobs will be created in the first year of construction, and 66 FTE jobs created in the following 6 months of construction.

Figure 13: FTE Employee Estimates

Туре	Product	Count	Value (Millions)	Value Added (Millions)	FTE Employees
	1 Bedroom	7	\$11.2	\$3.3	25
Apartment	2 Bedroom	34	\$61.5	\$18.0	136
Apartment	3 Bedroom	4	\$13.4	\$3.9	30
	Subtotal	45	\$86.1	\$25.2	190
Infrastructure	Underground Carpark	1	\$4.3	\$1.3	9
Total		46	\$90.4	\$26.5	199

Source: Urban Economics

Figure 14 shows the estimated national 'value added per FTE employee'. These value added per employee figures are used to estimate the FTE employees created by the construction project expenditure outlined in Figure 13. Figure 14 shows that the construction sector has a \$18.5B contribution to national GDP and a workforce of 139,800 FTEs. This results in a value added of \$133,000 per FTE employee.

Figure 14: Industry GDP and Value Added per Employee

Industry	Contribution to GDP (\$m)	FTE Workers	Value Added Per Employee	
Construction	\$18,540	139,800	\$133,000	

Source: Statistics NZ, Urban Economics



## 7. Other Fast Track Assessment Considerations

The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires several other economic considerations, which are addressed as follows.

The project's effect on the social and cultural well-being of current and future generations (see section 19(b)).

The proposed development would provide employment and increase the range and relative affordability of housing in the study area. The project would have a positive impact on the social and cultural well-being of current and future generations by increasing the affordability of the study area.

The project would increase the supply of housing within a walking distance of the Eastridge Shopping Centre and other local shops which have likely suffered as a consequence of Covid-19. The project would contribute towards supporting the on-going commercial viability of these local businesses.

The project would in large part attract the empty nesters and retiree buyer demographics that live in the surrounding area who are looking to downsize, while remaining in the same general location to continue to be close to friends and family. This would in turn result in additional properties being sold, some of which may be developed for additional housing in the study area. This would support the ongoing development of housing in this area, which has a range of notable social and economic benefits, as sought by the AUP compact city objective. For example, if half of the buyers of this project were local residents that in turn sold their current dwelling and based on an assumption that the average lot size of these dwellings was 600m², this would free-up 1.3 hectares of potential development land, sufficient for several hundred additional houses, contributing towards providing more affordable housing for current and future generations.

The following figure displays the proposed composition of the development. Prices have been estimated based on current market prices of new terrace houses across Auckland. These are expected to be priced from \$1,595,000 for a one bedroom unit, to \$3,347,000 for a three bedroom unit. Providing new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 15: 182-184 Kepa Road Development Composition

Product	Average GFA	Price *	Count	Proportion
1 Bedroom	84m <sup>2</sup>	1,595,000	7	14%
2 Bedroom	95m <sup>2</sup>	1,810,000	34	69%
3 Bedroom	176m <sup>2</sup>	3,347,000	4	8%
Total			45	100%

Source: Monk Mackenzie

<sup>\*</sup> Pricing indicative based on \$19,000/m<sup>2</sup> rate



If applicable, whether the project may result in a public benefit by generating employment (see section 19(d)(i)).

As outlined above, the project would create an estimated 199 Direct FTE jobs and contribute \$26.5 million to GDP. These jobs would be in roading, construction, landscaping, planting, land surveying, administration and support services and other related activities. This is a notable economic benefit.

If applicable, whether the project may result in a public benefit by increasing housing supply (see section 19(d)(ii)).

The study area that was assessed for the project includes the surrounding few suburbs. This area presently only has one new apartment development on the market, which is located at 243 Kepa Road, and has only 7 units remaining. This indicates that there is a significant shortage of apartment housing in the surrounding area, and given the central location, there will be strong demand for apartments. The proposal would therefore provide the opportunity for apartments in an area that currently has a significant shortage of this type of housing, therefore resulting in the proposal representing a net addition to total construction in this area and the region overall. The project would increase housing by supplying 45 new large 1-3 bedroom dwellings to the market. In particular, the project would provide housing of currently undersupplied housing types in the study area.

### NPS-UD Assessment

The NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments, which are urban environments which have (or enable) housing that is of a range, type and price that meets demand (Policy 1).

The proposal helps to achieve the NPS-UD objectives as it increases the range of housing available to the market. As outlined above, the proposal would provide additional housing within the \$1,595,000 - \$3,347,000 price range with the majority of apartments selling for an estimated price of \$1,810,000. The proposal therefore provides housing which meets the market demand for relatively affordable housing.

## 9. Conclusion

The proposal would provide a range of relatively affordable housing to the market within the study area.

The proposal would result in an increase in construction sector output, with an additional 199 full time equivalent employees (FTEs) with a value-added contribution of \$26.5 million to GDP.

The proposal would meet the economic requirements of the fast track consenting process and is recommended for approval.