

# PROPERTY **E**CONOMICS



**REMUERA ROAD DEVELOPMENT**

**FAST-TRACK APPLICATION**

**ECONOMIC IMPACT MEMORANDUM**

Client: Remuera Project Limited

Project No: 52405

Date: April 2024

30 April 2024

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## ECONOMIC MEMORANDUM

To: Remuera Project Limited

c/- Kester Ko

Managing Director

Rockhopper

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RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW OF REMUERA ROAD

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### INTRODUCTION

Property Economics has been commissioned to provide a high-level overview of the potential economic impacts resulting from the proposed residential development by Remuera Project Limited (**"the Applicant"**). This application is for the construction of approximately 100 residential apartments, along with 2,400sqm GFA of commercial activities within the Newmarket Mixed Use Zone.

This economic impact memorandum relates to an application for listing in Schedule 2A of the Fast-track Approvals Bill (**"the FTA Bill"**).

Specifically, this economic memorandum assesses the latest residential market metrics to determine if the Applicant's development will deliver significant economic benefits and contribute positively to the regional economy and satisfy some of the economic and housing supply criteria set out in Section 17 - *Eligibility Criteria for Projects that May Be Referred to Panel* of the FTA Bill. A high-level forecast is also conducted to quantify the economic injection and employment generation, assisting in understanding the subject development's contribution to the regional economy.

In addition, this economic overview identifies the potential for any additional efficiencies to better meet community demands and future needs, and the economic benefits resulting from the efficiencies of utilising the FTA Bill process over standard resource consenting timeframe.

### OVERVIEW OF THE REMUERA ROAD DEVELOPMENT

The subject development encompasses approximately 2,300 sqm of land covering two sites - 127 and 131 Remuera Road. Although both sites are located within the Mixed Use Zone, 131 Remuera Road is currently an education facility and has a Special Purpose – School Zoning.

A visual representation detailing the location and extent of the development site alongside its surrounding zoning contexts is provided in the figure following.

This map highlights the site's close proximity to the Newmarket Metropolitan Centre Zone, which, including the surrounding Mixed-Use area, is the largest commercial and employment centre in Auckland second only to the CBD. Newmarket includes the recently built Westfield shopping mall which has boosted Newmarket's presence as a shopping destination. The Newmarket Train station is



also a major transport hub with connections to three different train lines as well as multiple frequent bus services.

Finally, the site is located near a State Highway 1 on / off ramp and is next to Mount Hobson. Consequently, the site is well positioned for residential intensification being in close proximity to retail, employment, transport and recreational amenities. Residential intensification is an anticipated outcome in the Auckland Unitary Plan Mixed Use Zone and would improve urban efficiency.

**FIGURE 1: SUBJECT SITE IN THE CONTEXT OF THE AUP ZONING ENVIRONMENT**



Source: Auckland Council, LINZ, Google Maps

## AUCKLAND ISTHMUS POPULATION GROWTH AND RESIDENTIAL DEMAND

Table 1 presents the population and household growth projections within the Auckland Isthmus catchment<sup>1</sup> over the next decade. These projections are derived from the latest Stats NZ population growth projections for both the High and Medium growth series.

The Auckland Isthmus catchment covers approximately a quarter of the wider region's population with just over 480,000 residents estimated as at June 2023. Looking ahead, under the Stats NZ Medium growth scenario, the catchment is anticipated to experience population growth of approximately +20% between 2023 and 2033, representing a net increase of around +93,000 people and resulting in a population base of around 575,000 people by 2033.

Simultaneously, the Stats NZ projection forecasts the number of households in the Auckland Isthmus catchment to grow from 175,900 in 2023 to around 206,900 households by 2033 under the Medium growth scenario. Accommodating this growth on a one household per dwelling basis would therefore necessitate around 31,000 new dwellings in the catchment.

**TABLE 1: POPULATION PROJECTIONS AND ESTIMATES FOR CATCHMENT AREA**

Medium Growth Scenario	2023	2028	2033
Population	481,730	541,510	574,900
Households	175,900	193,700	206,900
Households Growth (2023-		+ 17,800	+ 31,000
Total Dwellings Required (incl. Unoccupied)		+ 18,500	+ 32,300
<b>Net Dwellings Required + NPS Buffer</b>		<b>+ 22,200</b>	<b>+ 38,760</b>

High Growth Scenario	2023	2028	2033
Population	481,730	571,760	622,320
Households	175,900	202,300	220,300
Households Growth (2023-		+ 26,400	+ 44,400
Total Dwellings Required (incl. Unoccupied)		+ 27,500	+ 46,300
<b>Net Dwellings Required + NPS Buffer</b>		<b>+ 33,000</b>	<b>+ 55,560</b>

Source: Stats NZ, Property Economics

In contrast to the Medium projection, the High growth projection adopts a more positive growth trajectory, predicting a future population base of around 622,320 people by 2033, reflecting +29% growth. This corresponds to a net population growth of +140,000 people over the next decade. Under the same growth projection, households are expected to grow by an additional +44,400 requiring a similar number of dwellings on a one household per dwelling basis.

<sup>1</sup> Refer to Appendix 1 for the geospatial extent of the Auckland Isthmus catchment.

Note that these demand figures exclude unoccupied dwellings identified as empty or used for holiday homes, but form part of total dwelling demand. According to the 2018 Census data, the dwelling occupancy ratio within the catchment was around 96%. Applying this ratio suggests that, including unoccupied dwellings, the catchment would require a total of over 32,300 new dwellings and around 46,300 new dwellings by 2033, under the Medium and High growth scenario, respectively.

Factoring in the appropriate NPS-UD buffers<sup>2</sup> would increase the net additional dwelling requirement in the catchment to nearly 38,800 dwellings under the Medium growth scenario and nearly 55,600 dwellings under the High growth scenario. Incorporating such buffers enhances market efficiency, maintains relative competitiveness, slows the rate of land and house price growth, and provides greater choices in terms of location, price, and typology.

The latest net migration data from Stats NZ indicates net migration into NZ is at record levels reflecting a strong post-Covid rebound with NZ increasingly being viewed as an attractive country for people to permanently migrate. High net migration puts increased pressure on Auckland's constrained housing stock, already under significant pressure, and amplifies the need for new residential capacity to be injected into the supply pipeline over the short term. If high levels of net migration are sustained, the current population growth projections for Auckland could be conservative.

## RESIDENTIAL MARKET TRENDS

### Remuera Residential Sales

To shed light on the demand for residential properties in urban areas close to the Applicant's development site, Figure 2 presents an overview of the Remuera local residential market. It shows median house prices and the volume of residential sales over the past decade, spanning from April 2014 to April 2024.

House prices across Auckland have become increasingly expensive and Remuera is no exception. Remuera, being relatively central and close to the City Centre and Newmarket is one of the most expensive and desired suburbs in Auckland with a median house price of \$2.1m. This is approximately double the median house price for the region which sits at just over \$1m.

Over the last decade, the median price in Remuera has increased from \$1.3m to \$2.1m which represents an increase of around \$60%. Aside from the peak in 2020/21 during COVID, the average number of house sales has stayed relatively constant averaging at around 35 sales per month.

The continuous rise in Remuera's median house price indicates the growing attractiveness of the area as well as a lag in the rate of new home constructions relative to the demand for residential properties. This imbalance between supply and demand has significantly contributed to the escalating property prices in Remuera. This suggests the sales rate in Remuera is a reflection of a

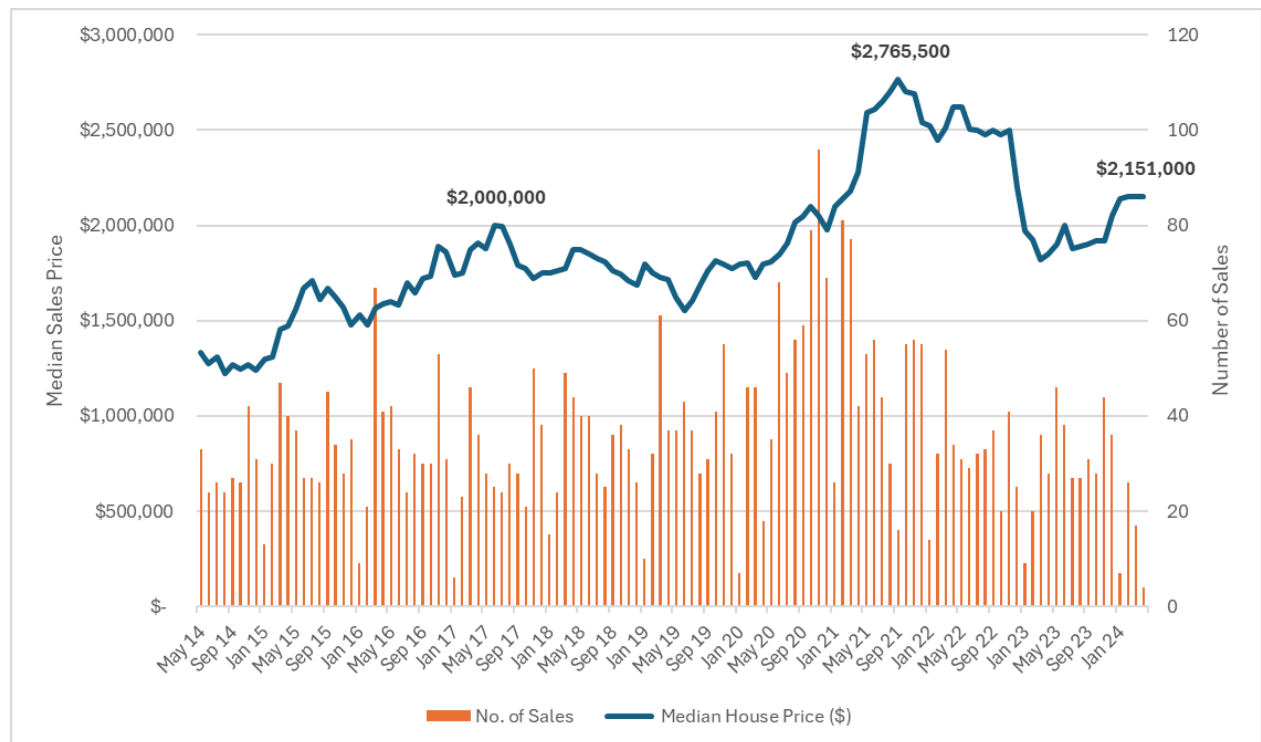
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<sup>2</sup> The competitive margins for Tier 1 and Tier 2 councils are to provide 20% additional residential capacity over the projected demand for short- and medium-term timeframes.



lack of new supply being delivered to the market rather than demand, i.e., demand is likely higher than sales indicate.

**FIGURE 2: REMUERA RESIDENTIAL MEDIAN SALES PRICE TRENDS**



Source: CoreLogic

Considering these trends, enabling the subject development to introduce approximately 100 new dwellings would represent a significant injection into the Remuera market and assist in slowing house price growth. Consequently, the Applicant's development has the potential to enhance the housing affordability of the local market, further enabling more residents to live in attractive, high amenity and efficient locations. This positively impacts their economic and social wellbeing by providing an increase in supply that is likely to deliver homes at more serviceable levels of debt.

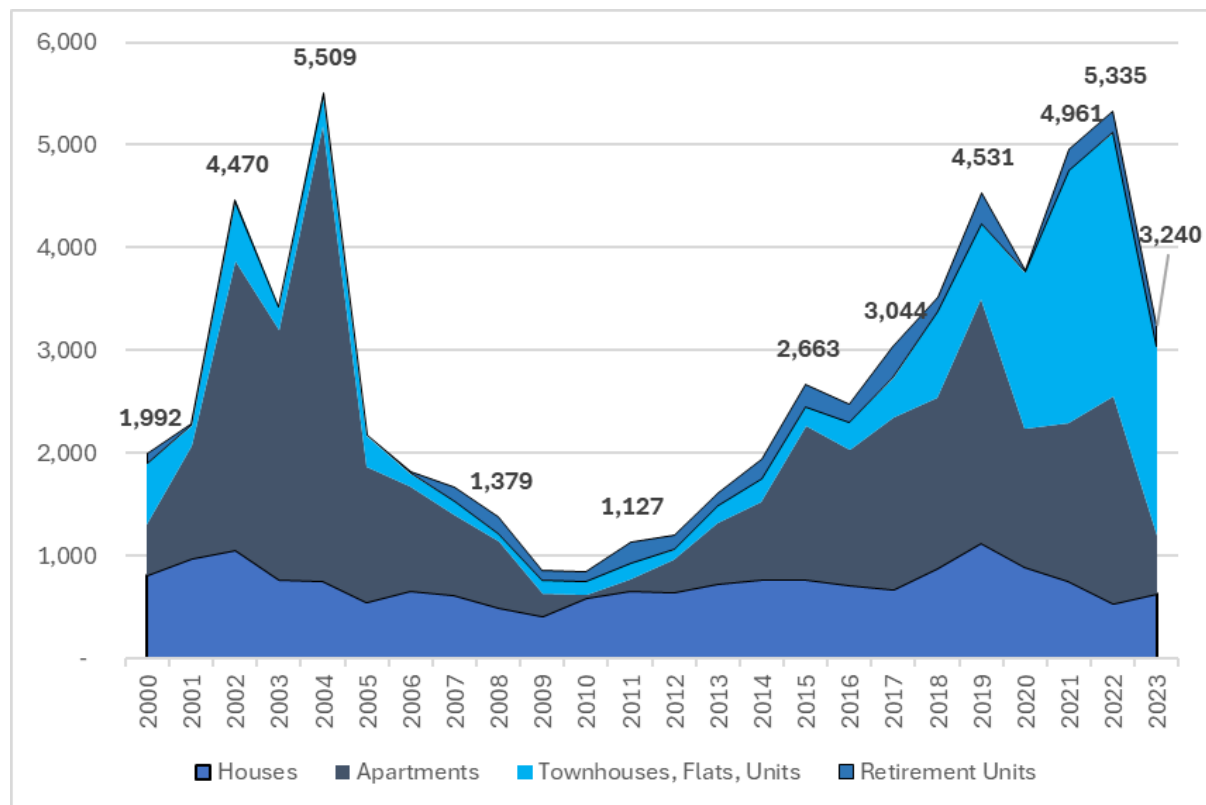
#### [Auckland Isthmus Building Consents](#)

Figure 3 following illustrates the trends in residential building consents of the Auckland Isthmus catchment categorised by dwelling typology, utilising data obtained from Stats NZ. The data covers the period from 2000 to 2023.

Across the Auckland Isthmus catchment, an average of 2,740 residential consents per year were granted over the past 23 years, with almost half (around 47%) comprising Apartment dwellings. This is unique to the Auckland Isthmus with Apartments typically representing only a small portion of dwelling consents. Notably, the number of consents for Townhouses has in more recent years superseded apartments. This trend shift towards Town / Terrace houses has occurred Auckland-wide in response to the Unitary Plan which was made operative in 2017. The new plan upzoned large areas of the existing residential zone to be more enabling of these medium-density typologies.

These trends indicate historically limited interest in higher-density dwellings in the area, or developers predominantly focused on delivering standalone homes for purchase. Consequently, the demand for higher-density housing in Auckland remained largely untapped for an extended period. With affordability and serviceability issues becoming increasingly pronounced in the Auckland Isthmus in particular, higher density typologies have become progressively important to provide more affordable living options in efficient locations.

**FIGURE 3: AUCKLAND ISTHMUS CATCHMENT RESIDENTIAL BUILDING CONSENTS BY TYPOLOGY**



Source: Stats NZ

At present total dwelling consent activity is in a decline due broader to macroeconomic factors. With elevated construction costs and high interest rates damping demand, the profitability of housing development has fallen relative to the peak of activity in 2020/21. However, New Zealand is currently experiencing record levels of immigration which, if residential construction activity fails to pick up, will crowd out the market again and cause increased supply-side issues and amplify current unaffordable levels further.

Given Auckland's scale, no single project alone would solve the city's housing supply issues. It will require multiple shovel ready brownfield and greenfield developments. The subject development represents an efficient and important contribution towards alleviating Auckland's housing shortage that can be fed into the development pipeline straight away.

Because of its project-readiness, the application's impact is anticipated to extend beyond its immediate scope through indirect effects on the regional market. By stimulating local economic

activity during construction and creating employment opportunities, it injects income into the community, potentially assisting households facing affordability challenges. Consequently, the subject development has the potential to contribute to the facilitation of a more balanced and accessible regional housing market.

## ECONOMIC INJECTION AND EMPLOYMENT GENERATION

Based on our high-level forecast assuming a 3-year development timeframe starting 2025, the total economic impact on business activity within Auckland Region, as a result of the Applicant's development of 100 dwellings and 2,400sqm of commercial floorspace, is estimated to be circa \$75m and support over 600 FTE employment years.

These projected levels of economic injection and employment opportunities created would be beneficial for the regional economy, fostering growth of the vital central (and efficient) Auckland communities.

The efficiency of the FTA Bill process means these economic benefits would be generated in the market an estimated 2 years earlier than the subject development going through the standard resource consenting pathways.

## ECONOMIC BENEFITS SYNOPSIS

There are a range of potential economic benefits that are likely to be achieved within the market beyond the direct economic activity (such as employment and economic output) generated. These are outlined in more detail below.

- **Increased Housing / Residential Capacity Supply:** In an economic environment where the market identifies a diverse range of circumstances, expanding the residential choices available to consumers enables them to make decisions that better suit their personal needs and preferences. In this regard, the provision of additional residential product provides more options that, putting aside the costs element, will improve the community wellbeing.
- **More Affordable Housing:** The preceding analysis in this overview indicates that Remuera saw a material 60% rise in median house prices over the past decade. Although there are several contributing factors, an undersupply of new homes in the market relative to the increase in demand, is one of the driving forces behind this house price inflation. Consequently, an increase in the supply of housing is generally positive for housing affordability.
- **Increased Choice of Location:** One of the advantages of the subject development is that it provides not only capacity and thereby opportunity for consumers to live in the Remuera area and in a location that is proximate to the existing significant urban environments (Newmarket). Therefore, increased density within this established urban area will align with Policy 1 of the NPS-UD by fostering a well-functioning urban environment and aligning with the MDRS directive regarding urban intensification.



- **Decreased Marginal Infrastructure Costs:** Concentrating residential growth in efficient location means greater returns on the use of the local (existing and planned) infrastructure. This can vary depending on the level of unused capacity of existing infrastructure and the cost of replacement / upgrade of said infrastructure. The subject site is in a high amenity area and is likely to mitigate new infrastructure expenses relative to growth areas situated in distant greenfield locations.
- **Increased Economic Activity / Local Employment:** The increased local population base will result in a net increase in the number of full-time equivalent employees able to work in the local area and the surrounding suburbs due to the subject development generating increased demand for local businesses and services. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.
- **Diverse Buyer Pool:** Remuera and Newmarket are popular areas for a broad range of homebuyers including young professionals, young couples and families and retirees and additional residential development would likely stimulate demand within a diverse group of people, particularly with the increased diversity of residential typologies and range of dwelling price points.
- **Greater Level of Growth:** Growth from residential developments works as a catalyst to spur further growth in the area. Following the completion of the Westfield Newmarket, the Broadway shops suffered a significant increase in the vacancy rate. The subject development represents a significant increase in the level of residential activity within the direct vicinity of the centre and provides impetus to further grow the Newmarket Metropolitan Centre.
- **Increased Amenities:** The subject development will provide high-amenity residential environment with master-planned, purpose built, and targeted amenity values in a co-ordinated and integrated manner. This has the potential to improve the amenities of the receiving environment and generate community benefits.

## CONCLUSION

Based on the high-level economic overview presented in this memo, Property Economics considers that allowing the application to be applied for under the FTA Bill, via the Schedule 2A pathway, this application will generate net positive contribution to the future economic and social wellbeing of the local communities, and through flow-on effects to other areas of the regional economy.

With a continuous development and intensification of the Remuera / Newmarket community, it can be expected that once fully developed, there will be an added benefit of the application bringing additional housing supply on early, increasing capacity, and in terms of overall house price, a potential reduction or at a minimum slowing the rate of house price growth. This potential outcome is important for fostering a vibrant and thriving regional economy and particularly fulfil the FTA Bill Section 17(3)(c) by increasing housing supply, meeting housing demands, and contributing to a well-functioning urban environment within the region.

Furthermore, the supply of higher-density residential offerings aligns with the site's underlying zoning framework (Mixed Use Zone), facilitating intensification in accordance with the directives outlined in the NPS-UD and the MDRS. This fulfils the FTA Bill Section 17(3)(j) as well and improves urban efficiency.

As such, enabling the subject development to be applied for under the FTA Bill would ensure the identified flow of economic benefits to the community and the regional economy can be brought forward in a timely manner.

If you have any queries, please give me a call.

Kind Regards

Tim Heath



Tim Heath

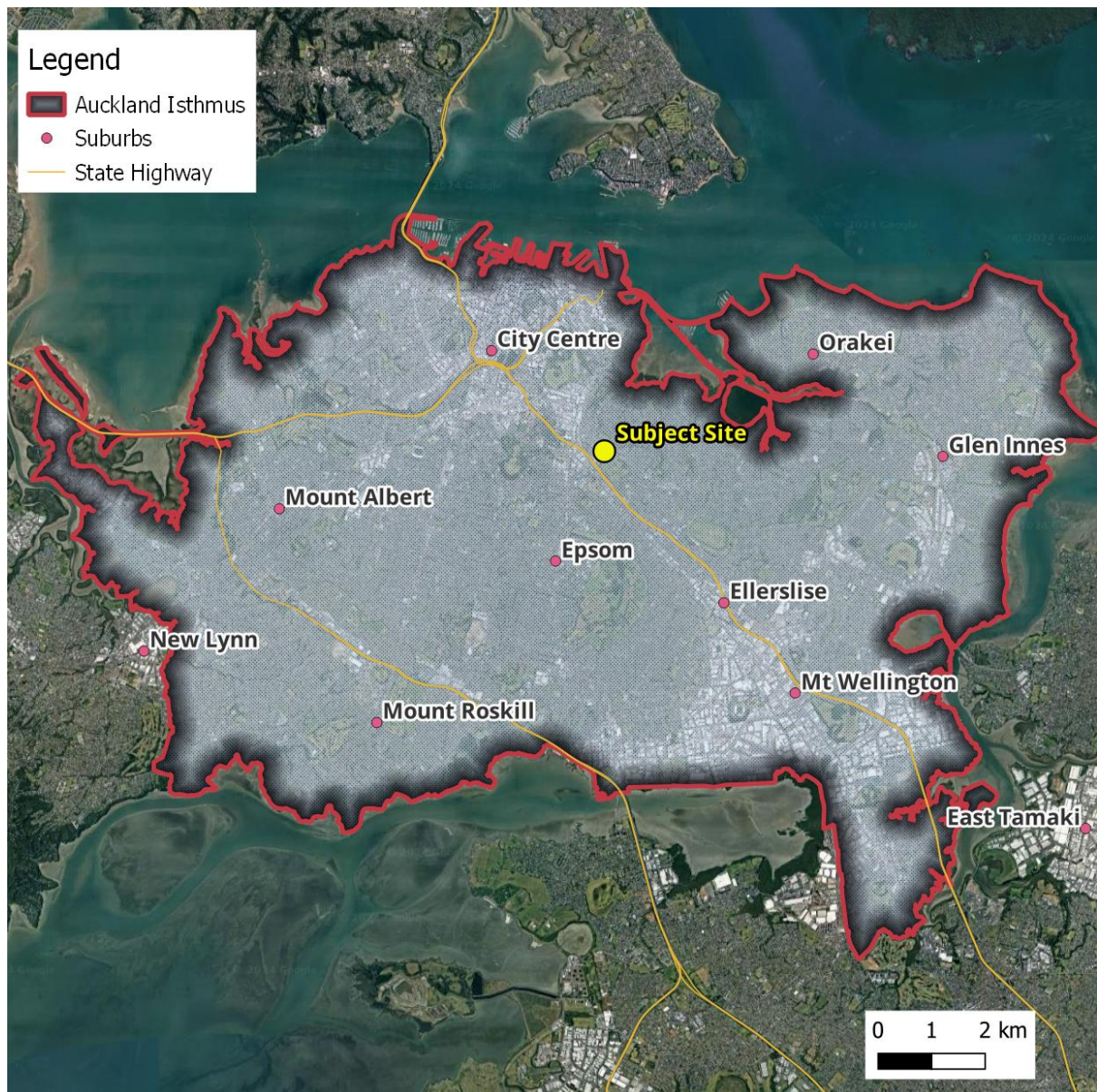
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## APPENDIX 1. AUCKLAND ISTHMUS RESIDENTIAL CATCHMENT



Source: Stats NZ, LINZ, Property Economics