

PROPERTY **E**CONOMICS



WĒITI DEVELOPMENT

FAST-TRACK APPLICATION

ECONOMIC IMPACT MEMORANDUM

Client: Ara Wēiti Development Limited

Project No: 52416

Date: May 2024

3 May 2024

ECONOMIC MEMORANDUM

To: Ara Wēiti Development Limited

RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW OF WEITI RESIDENTIAL PROJECT

INTRODUCTION

Property Economics has been commissioned to provide a high-level overview of the potential economic impacts resulting from the proposed residential project by Ara Wēiti Development Limited (**"the Applicant"**) for the purposes of an application to list the project in Schedule 2A of the Fast-track Approvals Bill (**"FTA Bill"**).

This project is for the construction of 1,059 residential dwellings comprising various typologies in Wēiti Bay, Auckland.

This economic memorandum assesses the latest residential market metrics and confirms that the project:

- Is unique in terms of size relative to other residential projects and **represents a significantly scaled residential project within the region, and therefore would provide significant regional economic benefits for Auckland;**
- Will deliver significant economic benefits and contribute positively to the regional economy with **direct economic injection of \$489 million** over 8 years and creation of over **3,000 FTE years of employment** across an 8-year period;
- Satisfies 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 by **increasing the supply of housing by 1,059 and contributing to a well-functioning urban environment in Wēiti;**
- Has the potential to **enhance housing affordability** in the local market and the wider Auckland Region, **positively impacting economic and social wellbeing** by providing an increase in supply that is likely to deliver homes at a lower price point than would otherwise be available; and
- Will deliver a significant and efficient project that leverages and improves the efficiency of the existing and planned infrastructure (e.g. Penlink).

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 WEITI BAY PROJECT

Wēiti Bay is a new coastal suburb located just 30 minutes' drive from Auckland Central. This travel time however is soon to be reduced by the Penlink motorway, a critical piece of infrastructure that will not only cut travel times to the Whangaparaoa Peninsula but also open up the opportunity for new residential projects that support this infrastructure investment such as Wēiti Bay.

The purpose of the Fast Track application is to facilitate the construction of the Wēiti Bay Masterplan consisting of 1,059 dwellings, a small commercial centre, roading and parks. Approximately 60% of these dwellings will be Standalone dwellings with the remaining mix consisting of three-storey terraces and apartments up to four storeys. For context, the Wēiti Masterplan showing the extent of the proposed development is shown on Figure 1 below.

FIGURE 1: WĒITI DEVELOPMENT MASTERPLAN



Source: Woods

Additionally, Figure 2 below shows the location of the development relative to the wider area, the zoning and its relative proximity to the new Penlink Motorway. Currently, the subject site has a Residential – Rural and Coastal Settlement Zone. As is shown on the masterplan, the Applicant intends to more efficiently utilise the subject site with the majority of the increased yield arising from increased density.

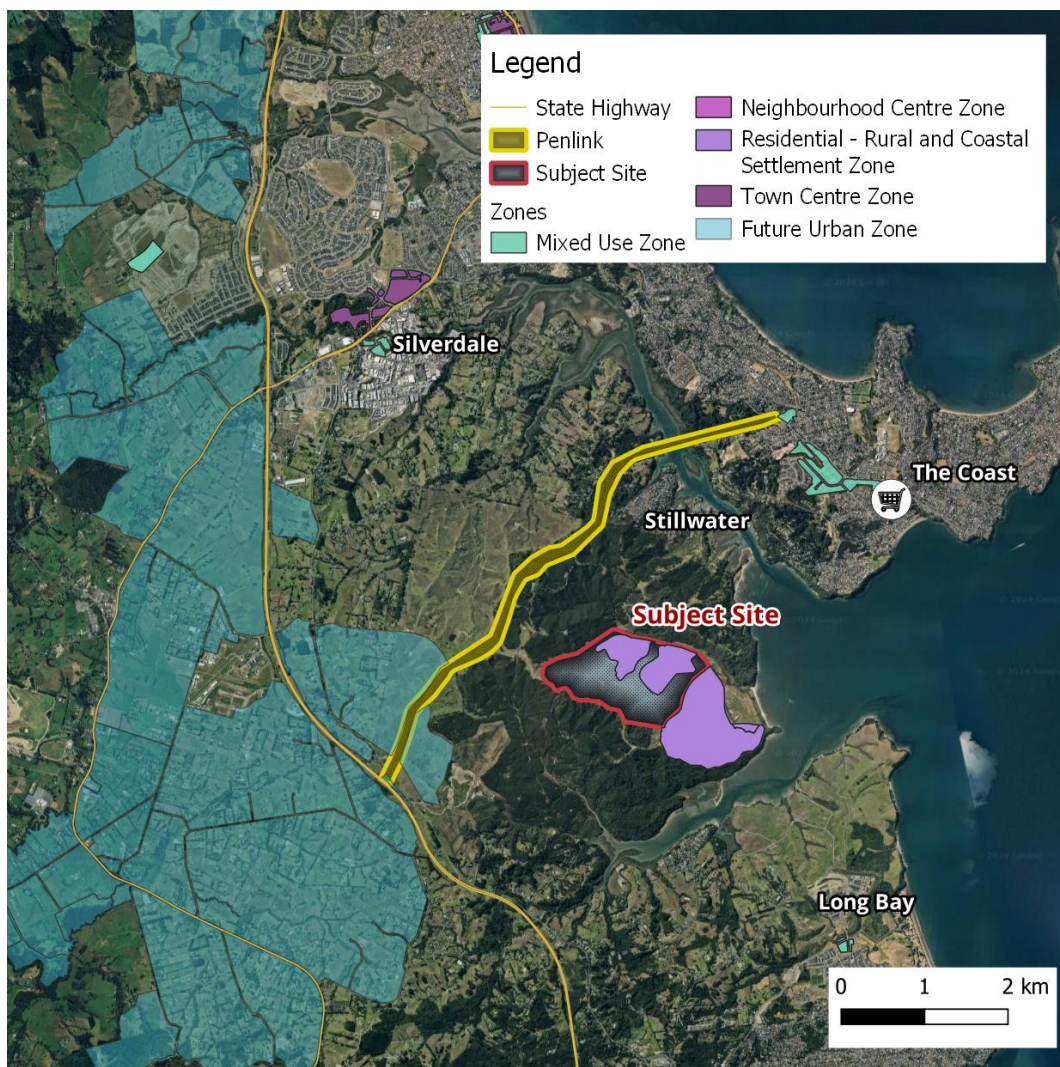
Property Economics notes a wide array of recently established, consented, and planned infrastructure in the vicinity (refer to Appendix 1). This significant infrastructure investment is

designed to unlock growth opportunities and support both existing and new residential growth areas within the localised area.

In addition to infrastructure, the Wēiti project will have access to a diverse range of services and facilities. Once the Penlink is completed, they will have easy access to The Coast Shopping mall in Whangaparaoa as well as being in the catchments of both Silverdale Town Centre and Albany Metropolitan Centre. All of these areas are strategic growth centres for Auckland and will benefit from an increased local market.

The high level of infrastructure investment sets the Wēiti project apart from many other residential developments in the broader region that require significant infrastructure investment and upgrades before residential development can occur.

FIGURE 2: WĒITI PROJECT MASTERPLAN



Source: Auckland Council, Property Economics, Google Maps

ECONOMIC INJECTION AND EMPLOYMENT GENERATION

This economic impact assessment estimates the total additional gross economic output¹ into the Auckland economy that would be brought about by the application's development.

Based on Property Economics assessment of project costings and assuming an 8-year development timeframe starting 2024/5, the total net present value (direct, indirect and induced activities) **impact on business activity within the Auckland region as a result of the proposed project is estimated to be \$489 million.**

In terms of employment multipliers this development would **contribute 916² FTE jobs during the peak development year within Auckland (2029), with a total number of FTE years at just over 3,000 for the construction period for the Project.**

In terms of the nominal expenditure, it is expected that over the life of the project there would be **nearly \$650m capital expenditure into the Wēiti project**, excluding external infrastructure investment.

It is important to note that this is not site specific, i.e., the report does not endeavour to identify the extent to which particular parts of the Auckland Region will benefit economically. It also assesses the likely economic impacts upon aggregate Auckland business activity given the activity proposed.

Although there are undoubtedly economic benefits that are specific to the location, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.

The economic impacts likely to be experienced as a result of the proposed development are broken down by the development phase which includes the construction costs (CAPEX³) of the development and the proportion of those costs that are retained within the Region.

The direct economic impacts are derived from the actual spending / expenses incurred through the anticipated project.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the operation, while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

This includes costs, which have been valued for the overall project.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand (based

¹ For example, this has not taken into account any short-term loss of operational employment currently on site.

² NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

³ CAPEX – Capital Expenditure

on 106 sectors), which were then assessed at a district level based on Auckland economic activity, composition, and productivities.

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (within a given business cycle) for each \$1 injected.

This was performed for the general residential / commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Auckland catchment for the proposed project include:

- Residential Construction Cost x 'Construction Multiplier' +
- Direct Heavy Construction Cost x 'Construction Multiplier' +
- Direct Project Cost x 'Project Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this Economic Impact Assessment, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'residential construction', 'non-residential construction', 'non-building construction', 'other construction services'.
2. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
3. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data⁴ to March 2023.
4. This report deals with the economic impact of the proposed Project on Auckland. These are specifically the direct impacts related to the operation and construction of the proposed activity.

⁴ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

5. The economic activity generated is based on the Project's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
6. For the purposes of this assessment a 6% discount rate has been applied.
7. Labour movements are based on average retention rates rather than specific company locations.
8. The proportion of materials and labour internalised in direct benefits to Auckland are based on standardised labour movements as well as employment and production composition within the region. The amount of each 'flow-on' dollar retained in Auckland are based on the movement of resources (including labour) between other districts and regions.

CATCHMENT POPULATION GROWTH AND RESIDENTIAL DEMAND

Property Economics has assessed the population and household growth of the wider Hibiscus Coast area (Whangaparāoa, Orewa, Silverdale, Milldale, Stillwater) as well as the northern Auckland area south of Warkworth.

Table 1 below presents the population and household growth projections within the assessed core catchment over the next decade. These projections are derived from Stats NZ population growth projections for both the High and Medium growth series.

The catchment has an estimated population base of around 90,810 as at June 2023. Looking ahead, under the Stats NZ High growth scenario, the catchment is anticipated to experience a population growth of approximately +25% between 2023 and 2033, representing a net increase of around +22,330 people and resulting in a population base of around 103,360 people by 2033.

Simultaneously, the Stats NZ projection forecasts the number of households in the catchment growing from just under 36,000 in 2023 to around 43,200 households by 2033 under the High growth scenario. Accommodating this growth on a one household per dwelling basis, therefore, would necessitate around 7,210 new dwellings in the catchment over the next 10 years.

In contrast to the High growth scenario, the Medium growth projection adopts a more conservative growth trajectory, predicting a future population base of around 103,360 people by 2033, reflecting a +14% growth. This corresponds to a net population growth of +12,550 people over the next decade. Under the same growth projection, households are expected to grow by an additional +4,360, indicating a demand for around 4,360 new dwellings on a one household per dwelling basis.

TABLE 1: POPULATION PROJECTIONS AND ESTIMATES FOR THE CATCHMENT

Medium Growth Scenario	2023	2028	2033
Population	90,810	96,940	103,360
Households	35,980	37,630	40,340
Households Growth		1,650	4,360
Total Dwellings Required (incl. Unoccupied)		1,940	5,130
Net Dwellings Required + NPS Buffer		2,330	6,160

High Growth Scenario	2023	2028	2033
Population	90,810	103,240	113,140
Households	35,980	39,430	43,190
Households Growth		3,450	7,210
Total Dwellings Required (incl. Unoccupied)		4,060	8,480
Net Dwellings Required + NPS Buffer		4,870	10,180

Source: Stats NZ, Property Economics

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 85%. Applying this ratio suggests that, including unoccupied dwellings, the catchment would require a total of over 5,100 new dwellings and around 8,500 new dwellings by 2033, under the Medium and High growth scenario, respectively.

Factoring in the appropriate NPS-UD buffers⁵ would increase the net additional dwelling requirement in the catchment to 6,160 dwellings under the Medium growth scenario and just under 10,200 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. Therefore, it can be reasonably expected that total new dwelling requirements for the catchment over the next decade are likely to be higher than that identified in the growth projections.

⁵ 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.

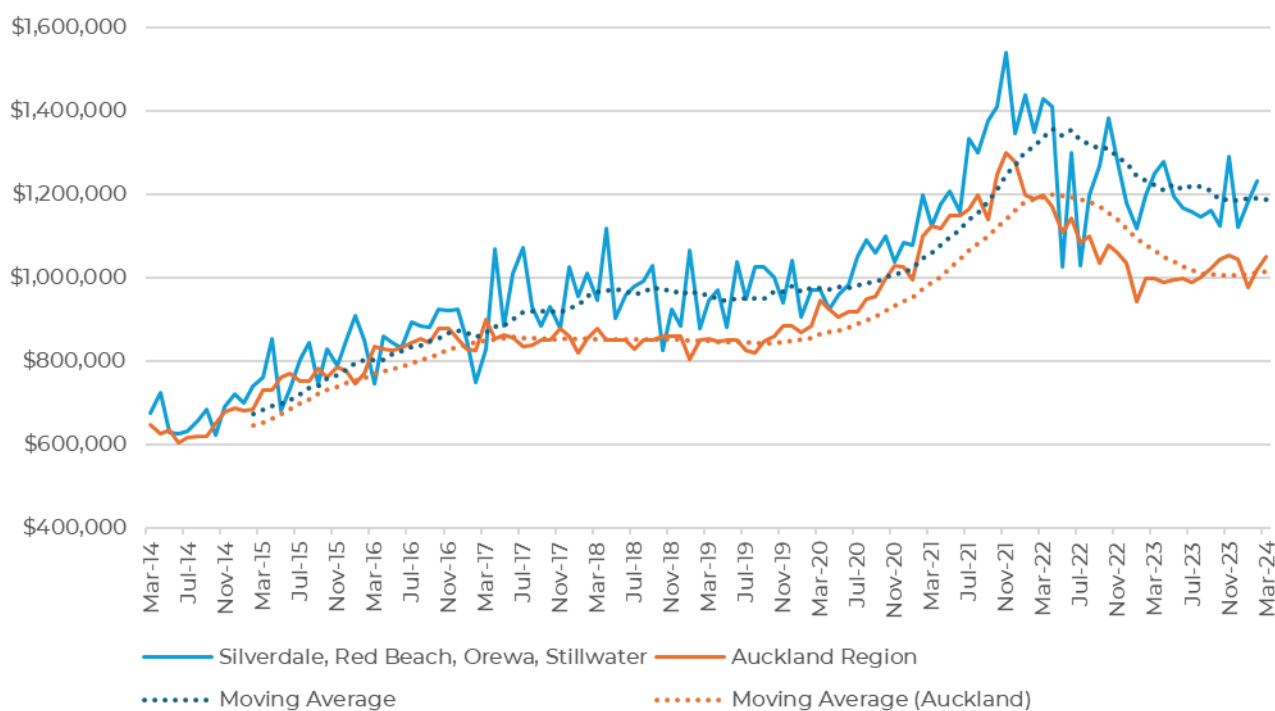
RESIDENTIAL MARKET TRENDS

Median House Price Trends in Silverdale, Red Beach and Orewa

To shed light on the demand for residential properties in urban areas close to the Applicant's project site, the following section assesses the localised residential markets of Silverdale, Red Beach, Orewa and Stillwater. Figure 3 shows the median house prices trends over the past decade, spanning from March 2014 to February 2024.

In general, house prices have increased over the past decade within both the Auckland market and the identified local area. Locally, the median price has grown from about \$675,000 in March 2014 to roughly \$1,232,500 in February 2024, indicating a material increase of approximately +83%. This surge notably exceeded the growth rate of the wider Auckland Region's median house price, which rose from around \$649,000 to slightly over \$1 million during the same period, equating to a +60% increase over the past decade.

FIGURE 3: RESIDENTIAL MEDIAN SALES PRICE TRENDS IN SILVERDALE, RED BEACH, OREWA AND STILLWATER



Source: CoreLogic.

The continuous rise in the local 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 the local area.

Furthermore, over the past decade, the Hibiscus Coast and surrounding development areas (e.g. Silverdale and Milldale) have experienced notable enhancements in infrastructure, expanded

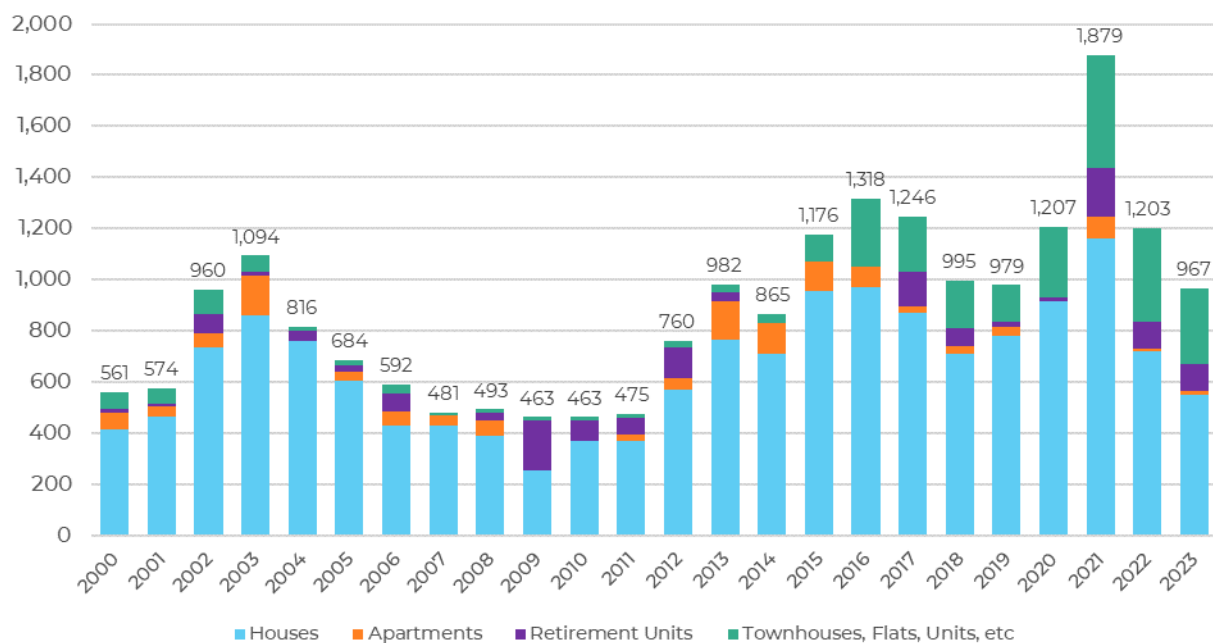
amenities, and improved connectivity to the rest of the Auckland Region. These developments have collectively bolstered the northern Auckland's appeal as a residential destination and have further fuelled demand for properties in the area, thus contributing to the consistent upward trajectory in property prices observed in the area.

Considering these trends, enabling the subject project to introduce an additional 1,059 dwellings represents a significant injection into the northern Auckland market and assist in slowing house price growth. **Consequently, the application has the potential to enhance housing affordability in the local market and the wider Auckland Region, positively impacting their economic and social wellbeing by providing an increase in supply that is likely to deliver homes at a lower price point.**

Catchment Building Consents

Figure 4 illustrates the trends in residential building consents of the catchment categorised by dwelling typology, utilising data obtained from Stats NZ. The data covers the period from 2000 to 2023.

FIGURE 4: CATCHMENT RESIDENTIAL BUILDING CONSENTS BY TYPOLOGY



Source: Stats NZ

The above figure indicates that in 2021, the total number of consents surged to a record high of around 1,880 within the catchment area, marking a level over three times of that observed in the early 2000s. Consequently, over the past 23 years, the catchment area has seen an average of around 885 residential consents issued per year.

Specifically, the majority (around 74%) of these consents were for Standalone dwellings, totalling around 660 consents per annum. Terraced dwellings made up about 13% of the total consents, averaging around 120 consents per year. In contrast, apartments accounted for a smaller share, with only 50 consents per year, constituting around 6% of the total consents over the same period.

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 the local area has largely remained untapped.

Over the past decade, there has been a noticeable shift in this pattern, especially since 2015, with a marked rise in Townhouses and Terraces compared to the broader Auckland Region. In 2023, a record 31% of all residential dwelling consents in the area were for Townhouses, Flats, and Units. This reflects the growing diversity in residential preferences within the local market and affordability issues starting to become more pronounced.

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 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 the Silverdale – Red Beach – Orewa-Stillwater market experienced a significant +83% rise in median house prices over the past decade, which surpassed the growth rate of the wider region's housing prices, doubling it. 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:** Wēiti Beach is a brand-new Coastal Settlement which previously been inaccessible to the residential market. The Fast Track application seeks to increase the level of enablement and provides a significant increase to the opportunity in this location.
- **Decreased Marginal Infrastructure Costs:** The larger number of residents in an area 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. Given that the subject development is positioned within an existing new coastal settlement, it is likely to mitigate new infrastructure expenses relative to growth areas new greenfield locations. This development consequently enhances infrastructure use efficiency, particularly the potential use of the established infrastructure in the local area.
- **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 employment hubs (e.g. Silverdale and Whangaparaoa's Mixed Use are which lies just off the Penlink) 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:** The northern Auckland area is a popular area for a broad range of homebuyers including families, retirees, singles, and young couples. 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 work as a catalyst to spur further growth in the area including the planned development areas around Penlink. The subject development has the potential to increase interest for additional residential / small-scale commercial activity within the area and provide impetus for growing its local economy.
- **Increased Amenities:** The subject development would provide high-amenity residential environment with master-planned, purpose built, and targeted amenity values in a co-ordinated and integrated manner. This can significantly 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 the proposed expansion of the Wēiti development and community, it can be expected that once fully developed, there will be an added benefit of the applicant 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 anticipated outcome and facilitates a range of typologies and 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

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APPENDIX 1. STATUS OF LOCAL TRANSPORTATION PROJECTS

Project	Status at April 2024	Notes
Left turn slip lane at the Silverdale Interchange	Completed in 2021	
Weiti Stream Bridge	Completed 2022	
Argent Lane, Pine Valley Rd and Old Pine Valley Rd roundabout	Completed 2022	
Shared path from Sidwell Rd under SH1 to Millwater	Completed 2023	
Bridge over SH connecting Milldale to Highgate Business Park	Construction commenced 2023 due to be completed by the end of 2024	Project recently passed the 70% complete mark
Argent Lane/Wainui Rd Roundabout	Consented and due to commence construction in Spring 2024	
Pine Valley Rd, Dairy Flat Highway Intersection Upgrade	Consented, Detailed Design complete and due to commence construction in Spring 2024	
Argent Lane Extension between Wainui Road and Dairy Flat Highway	Being constructed in stages as the development proceeds. Currently 50% complete with further portions currently under construction.	The whole of this project is due to be completed by 2026.
Wainui Rd upgrade to a collector standard between Lysnar Rd and the Argent Lane/Wainui Rd roundabout.	Consented and will be built in conjunction with the development being sought through the present application.	
Lysnar Rd/Wainui Rd intersection upgrade	Consented and will be built in conjunction with the development being sought through the present application.	
Lysnar Rd Bridge	Consent application has been submitted with Auckland Council and will be constructed in conjunction with the adjacent stage of development (Stage 8)	
Sidwell Rd/Endsley Rise Intersection	Consent application has been submitted with Auckland Council and will be constructed in conjunction with the adjacent stage of development (Stage 8)	