

PROPERTY **E**CONOMICS



WATTLE DOWNS DEVELOPMENT

FAST-TRACK APPLICATION

ECONOMIC IMPACT MEMORANDUM

Client: Wattle Downs Properties Limited

Project No: 52395

Date: April 2024

30 April 2024

ECONOMIC MEMORANDUM

To: Wattle Downs Properties Limited

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RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW - WATTLE DOWNS DEVELOPMENT

INTRODUCTION

Property Economics has been commissioned to provide a high-level overview of the potential economic impacts resulting from the proposed residential development by Wattle Downs Properties Limited (**"the Applicant"**). This application is for the construction of 37 residential dwellings within 7,341sqm of land at 14A Carnoustie Road, in Wattle Downs, Auckland.

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 WATTLE DOWNS DEVELOPMENT

The subject development encompasses 7,341sqm of land, currently zoned as Residential – Mixed Housing Suburban (**MHS**) Zone under the Auckland Unitary Plan Operative in Part (**AUP**). A visual representation detailing the location and extent of the development site alongside its surrounding zoning contexts is provided in the figure following.

According to the AUP, the MHS Zone allows for intensification while preserving a suburban built character. Consequently, development within this zone typically involves two-storey detached and attached housing of various types and sizes to offer housing diversity and choice.

In accordance with this zoning provision, the subject development seeks to enable the construction of 37 two-storey dwellings on the site. These will include 18 standalone dwellings, 8 duplex dwellings,

and 11 terraced dwellings. Among these, 8 dwellings will feature 4 bedrooms, while the remaining 29 dwellings having 3 bedrooms.

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



Source: Auckland Council, LINZ, Google Maps

AUCKLAND SOUTH POPULATION GROWTH AND RESIDENTIAL DEMAND

Table 1 presents the population and household growth projections within the wider Auckland South catchment¹ over the next decade. These projections are derived from Stats NZ population growth projections for both the High and Medium growth series.

The Auckland South catchment cover approximately a third of the wider region's population with an estimated population base of around 615,540 as at June 2023. Looking ahead, under the Stats NZ High growth scenario, the catchment is anticipated to experience population growth of approximately +20% between 2023 and 2033, representing a net increase of around +125,300 people. This would give a total population base of around 740,800 people by 2033.

Simultaneously, the Stats NZ projection forecasts the number of households in the Auckland South catchment growing from 189,600 in 2023 to around 226,150 households by 2033 under the High

¹ Refer to Appendix 1 for the geospatial extent of the Auckland South catchment.

growth scenario. Accommodating this growth on a one household per dwelling basis, therefore, would necessitate around 36,500 new dwellings in the catchment.

TABLE 1: POPULATION PROJECTIONS AND ESTIMATES FOR THE CATCHMENT

Medium Growth Scenario	2023	2028	2033
Population	615,540	649,570	683,820
Households	189,620	200,160	213,460
Households Growth		10,540	23,840
Total Dwellings Required (incl. Unoccupied)		11,330	25,630
Net Dwellings Required + NPS Buffer		13,600	30,760

High Growth Scenario	2023	2028	2033
Population	615,540	686,380	740,820
Households	189,620	208,350	226,150
Households Growth		18,730	36,530
Total Dwellings Required (incl. Unoccupied)		20,140	39,280
Net Dwellings Required + NPS Buffer		24,170	47,140

Source: Stats NZ, Property Economics

In contrast to the High growth scenario, the Medium growth projection adopts a more conservative trajectory, predicting a future population base of around 683,800 people by 2033, reflecting a +11% growth. This corresponds to a net population growth of +68,280 people over the next decade. Under the same growth projection, households are expected to grow by an additional +23,840, indicating a requirement for 23,840 new dwellings on a one household per dwelling basis.

Note that these demand figures exclude unoccupied dwellings identified as empty or used for holiday homes. According to the 2018 Census data, the dwelling occupancy ratio within the catchment was around 93%. Applying this ratio suggests that, including unoccupied dwellings, the catchment would require a total of around 25,630 new dwellings and around 39,280 new dwellings by 2033, under the Medium and High growth scenario, respectively.

Factoring in the appropriate NPS-UD buffers² would increase the total net additional dwelling requirement in the catchment to nearly 30,800 dwellings under the Medium growth scenario and around 47,200 dwellings under the High growth scenario. Consistent with the objectives and policies of the NPS-UD, incorporating such buffers enhances market efficiency, maintains relative competitiveness, and provides greater choices in terms of location, price, and typology.

² 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.

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 still 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

Wattle Downs Residential Sales

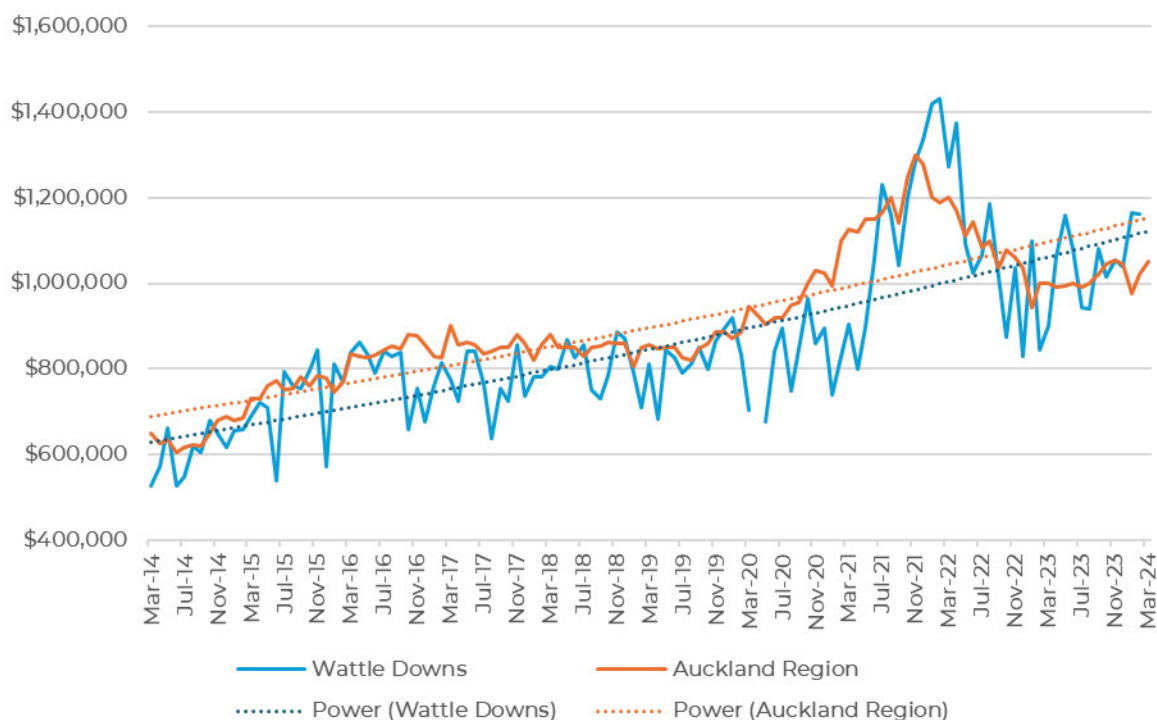
To shed light on the demand for residential properties in urban areas close to the development site, Figure 2 presents an overview of the Wattle Downs local residential market. It shows median house prices in Wattle Downs over the past decade, spanning from March 2014 to February 2024.

In general, there was a noticeable trend observed in Wattle Downs' median house prices, increasing from about s 9(2)(b)(ii) in March 2014 to roughly s 9(2)(b)(ii) in February 2024, indicating a substantial increase of approximately +120%. This surge notably exceeded (doubled) the growth rate of the wider Auckland Region's median house price, which rose from around s 9(2)(b)(ii) to slightly over s 9(2)(b)(ii) during the same period, equating to a +60% increase over the past decade.

On the one hand, this significant increase in median house prices in Wattle Downs suggests a strong performance in the residential market. It indicates a high demand for properties in the area, potentially driven by factors such as desirable amenities or overall attractiveness of the neighbourhood. On the other hand, the more than doubling of local house prices indicates a limited supply of housing entering the Wattle Downs market relative to demand, which could be attributed to factors like local demand continuously outstripping local supply.

It is notable that according to OneRoof³, most residential properties in Wattle Downs were constructed between 2000 and 2009. In light of this, the subject development, being a rare vacant site in Wattle Downs, has the opportunity to introduce new residential options and varied housing typologies to address the growing requirements of the local market and the diverse preferences of communities. Consequently, the subject development has the potential to enhance housing affordability in Wattle Downs and the wider Auckland South region, thereby positively impacting their economic wellbeing.

³ See <https://www.oneroof.co.nz/suburb/wattle-downs-manukau-city-2323>

FIGURE 2: WATTLE DOWNS RESIDENTIAL MEDIAN SALES PRICE TRENDS

Source: CoreLogic. Note that there were no sales in April 2020 (due to Covid-19).

[Auckland South Building Consents](#)

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

It indicates that in 2022, the total number of consents surged to a record high of around 7,670 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 3,170 residential consents issued per year.

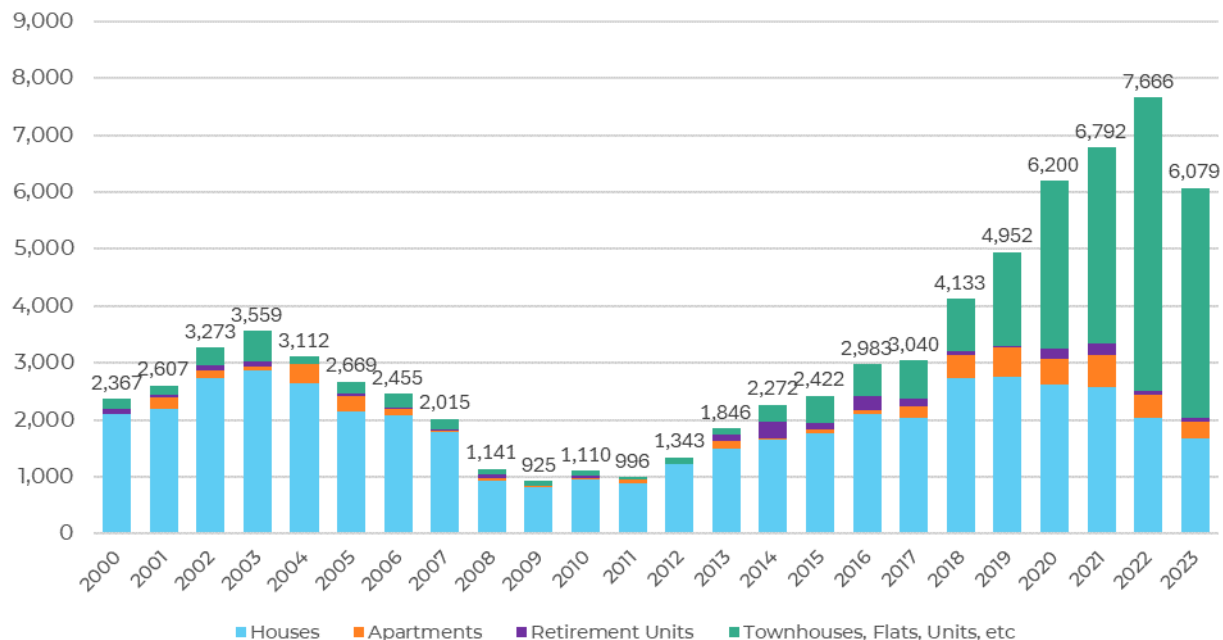
Specifically, the majority (around 62%) of these consents were for Standalone dwellings, totalling around 1,950 consents per annum. Terraced dwellings made up about 30% of the total consents, averaging around 940 consents per year. In contrast, apartments accounted for a smaller share, with only 185 consents per year, constituting around 6% of the total consents over the same period.

These patterns suggest that historically, prior to 2014, there was limited interest in delivering higher-density dwellings in the area, with developers primarily concentrating on constructing standalone homes for sale. As a result, the demand for higher-density housing in Auckland South has largely remained untapped.

However, this trend shifted in the last decade, particularly after 2017, with a noticeable increase in Townhouses and Terraces. In 2022, a record 67% of all residential dwelling consents in Auckland South were for Townhouses, Flats, and Units. This proportion is slightly higher than that in the wider

Auckland Region (which saw 60% of new residential building permits for Townhouses and Terraces), reflecting the growing diversity in residential preferences within the local market.

FIGURE 3: AUCKLAND SOUTH CATCHMENT RESIDENTIAL BUILDING CONSENTS BY TYPOLOGY



Source: Stats NZ

In light of these trends, the subject development has the potential to make a positive contribution towards effectively meeting the growing and diverse demand for residential developments in the Auckland South and Wattle Downs local residential markets, with the ability to deliver dwellings at more affordable price points than standalone dwellings. In a local market that has doubled in value over the last 10 years, this would provide significant benefits to the local market and community.

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 2-year development timeframe starting 2025, the total economic impact on business activity within Auckland Region, as a result of the development of 37 dwellings, is estimated to be circa ^{S 9(2)(b)(iii)}

The direct impact on the construction and construction services sectors associated with direct employment is in the order of **§ 9(2)(b)(iii)** years over the construction period.

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 Wattle Downs experienced a significant +120% 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 from the population growth, 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. This is true even when more expensive homes are added to the market. As wealthier households upgrade to higher-priced housing, they free up lower-priced housing stock.
- **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 Wattle Downs area but in a location that is proximate to the existing significant urban environments (Manurewa, Papakura and Takaanini) than other greenfield areas in remoter locations. 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.
- **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 area and the surrounding suburbs due to the subject development generating increased demand for local business 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:** Wattle Downs is a popular area for a broad range of homebuyers including outdoor enthusiasts and retirees. 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 would work as a catalyst that spurs further growth in the area. 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 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 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 expansion of the Wattle Downs development and 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 Housing Suburban), 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

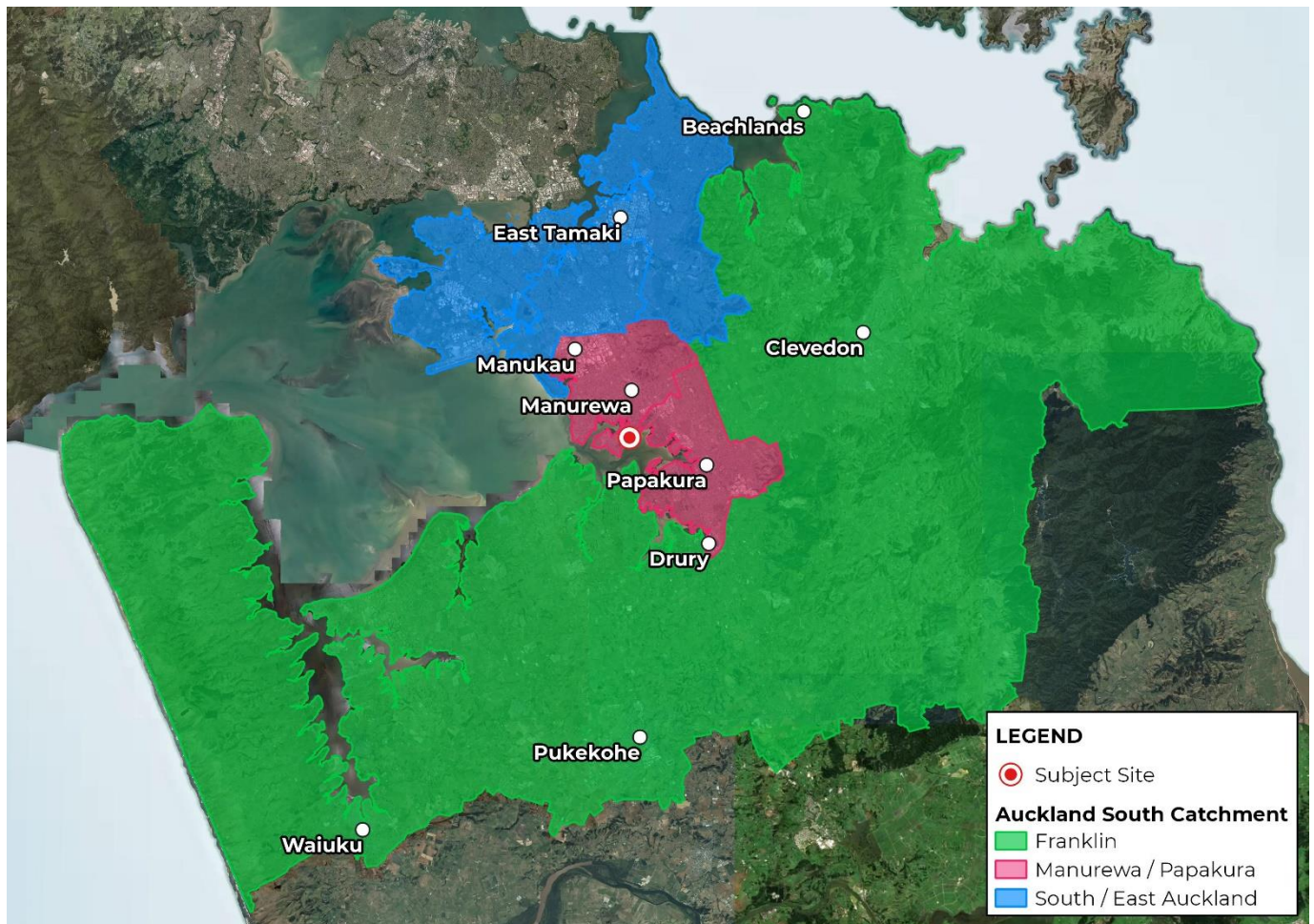
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APPENDIX 1. AUCKLAND SOUTH RESIDENTIAL CATCHMENT



Source: Google Maps, Stats NZ, LINZ