# **PROPERTY ECONOMICS**



# MILLDALE STAGES 4C AND 10-13

**FAST-TRACK APPLICATION** 

ECONOMIC IMPACT MEMORANDUM

Client:	Fulton Hogan
Project No:	52401
Date:	April 2024



2 May 2024

# **ECONOMIC MEMORANDUM**

To: Fulton Hogan c/- Gregory Dewe Operations Manager

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## RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW OF MILLDALE STAGES 4C & 10-13 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 Fulton Hogan Land Development Limited (FHLD, "the Applicant"). This application is for the construction of 1,100 residential dwellings comprising various typologies in Milldale, Auckland.

This economic impact memorandum relates to an application for listing in Schedule 2A of the Fasttrack 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 FHLD DEVELOPMENT

Positioned around 25-minute drive north of Auckland City Centre, Milldale is a large new suburb that sits directly across from Millwater. Accessible via the Silverdale SH1 interchange through Pine Valley Road, or the Millwater interchange west off SH1, Milldale offers convenient connections with the rest of the region. The subject development, located to the northwest of Milldale's established residential development stages 1-9, is poised to contribute to the continued growth and expansion of the Milldale community.

Specifically, the purpose of the subject development is to facilitate the construction of 1,100 dwellings on the site. This will primarily consist of standalone houses and terraced dwellings, complemented by a limited number of four-level apartment buildings (limited to Stage 4C). A visual representation detailing the location and extent of the development site alongside its surrounding zoning contexts is provided in the figure following.





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

Source: FHLD

The underlying zoning of the subject site primarily consists of a mix of residential zones outlined in the Auckland Unitary Plan Operative in Part (AUP). This reflects the anticipation for residential development within the area.

Based on available information, Property Economics notes a wide array of established, consented, and planned infrastructure in the vicinity (refer to Appendix 1). These infrastructure developments and projects are designed to support both existing residential areas and future developments, including the subject development.

In addition to infrastructure, the Milldale area offers a diverse range of services and facilities. These include the completed (and partly occupied) Summerset retirement village, a recently constructed primary school, two childcare centres, and ongoing development of neighbourhood shops and office spaces planned to be operational by the end of 2024.

The presence of current, ongoing, and future infrastructure, services, and amenities in the area suggests that the subject development would seamlessly integrate with the existing urban



environment of Milldale, facilitating the delivery of a significant number of new dwellings without additional significant infrastructure investment required as the area is already serviced and 'ready-togo'. This sets it apart from most other residential developments in the broader region that require significant infrastructure investment and upgrades before residential development can occur.

It is clear from the significant level of infrastructure investment within and around Milldale, and the extensive level of development that has occurred to date that Milldale has been a long identified and well planned for growth node in Auckland. The Applicant's development would simply round out the development of Milldale in a more timely and efficient manner at a time when getting new residential supply into Auckland's pipeline is critical to addressing the regional housing supply issues.

The following figure shows the final stages of Milldale in the context of the overall masterplan for the suburb.



#### FIGURE 2: SUBJECT SITE IN THE CONTEXT OF WIDER MILLDALE MASTER PLANNED DEVELOPMENT

Source: Fulton Hogan



# CATCHMENT POPULATION GROWTH AND RESIDENTIAL DEMAND

Table 1 presents the population and household growth projections within the assessed core catchment<sup>1</sup> 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.

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

#### TABLE 1: POPULATION PROJECTIONS AND ESTIMATES FOR THE CATCHMENT

Source: Stats NZ, Property Economics

Net Dwellings Required + NPS Buffer

Total Dwellings Required (incl. Unoccupied)

Households

Households Growth

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.

35,980

39,430

3.450

4,060

4,870

43,190

7.210

8,480

10,180

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.

<sup>&</sup>lt;sup>1</sup> Refer to Appendix 2 for the geospatial extent of the catchment.



Factoring in the appropriate NPS-UD buffers<sup>2</sup> 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.

## 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 development site, Figure 3 presents an overview of the local residential markets of Silverdale, Red Beach, and Orewa. It shows median house prices trends over the past decade, spanning from March 2014 to February 2024.

In general, there was a significant trend observed in the area's median house prices, which increased from about \$675,000 in March 2014 to roughly \$1,232,5000 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.

<sup>&</sup>lt;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.





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

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. This suggests the sales rate in Milldale is a reflection of a lack of new supply being delivered to the market rather than demand, i.e., demand is likely higher than sales indicate.

Furthermore, over the past decade, the Millwater – Silverdale local area has experienced notable enhancements in infrastructure, expanded amenities, and improved connectivity to the rest of the Auckland Region. These developments have collectively bolstered Milldale's appeal as a residential destination and have further fuelled demand for properties in Milldale, thus contributing to the consistent upward trajectory in property prices observed in the area.

Considering these trends, enabling the subject development to introduce approximately 1,100 new dwellings would represent a significant injection into the Milldale 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 well-being by providing an increase in supply that is likely to deliver homes at more serviceable levels of debt.

#### 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 INJECTION AND EMPLOYMENT GENERATION

This economic impact assessment estimates the total additional gross economic output<sup>3</sup> into the Auckland economy that would be brought about by the application's development. The specifications and details have been provided by the Applicant and represent the Project's configuration and costings at this point in time.

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 (CAPEX<sup>4</sup>) 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 development.

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 development.

Based on our high-level forecast assuming a 3-year development timeframe starting 2024 the total (direct, indirect and induced activities) impact on business activity within the Auckland region as a result of the proposed development over the 3-year period is estimated to be around \$676 million.

In terms of employment multipliers this would contribute 1,160<sup>5</sup> FTE jobs during the peak development year within Auckland (2025), with a total number of FTE years at approximately 3,470 over the development period for the Project.

These projected levels of economic injection and employment opportunities created would be beneficial for the regional economy and catalyse growth (and efficiencies) of the northern Auckland communities.

 <sup>&</sup>lt;sup>3</sup> For example, this has not taken into account any short-term loss of operational employment currently on site.
 <sup>4</sup> CAPEX – Capital Expenditure

<sup>&</sup>lt;sup>5</sup> NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).



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.

This scale of economic injection and employment generated as a result of the project is considered of regional significance relative to the scale of development across Auckland.

# 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 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: One of the advantages of the subject development is that it provides not only capacity and thereby opportunity for consumers to live in the Milldale area but in a location that is proximate to the existing urban environment (Silverdale & Orewa) and the already established Milldale residential area. Being adjacent to the existing and expected urban area essentially means the subject development has the potential to extension of the urban environment. This supports Policy 1 of the NPS-UD by contributing positively to a well-functioning urban environment.
- 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 the existing urban footprint, it is likely to mitigate new infrastructure expenses relative to growth areas situated in distant 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 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: Milldale Silverdale 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. 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 coordinated 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 a continuous expansion of the Milldale development and community, it can be expected that once fully development, 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 facilitate 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

Tim Heath



Tim Heath

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# APPENDIX 1. STATUS OF MILLDALE TRANSPORTATION PROJECTS

Project	Status at April 2024	Notes
Left turn slip lane at the	Completed in 2021	
Silverdale Interchange		
Weiti Stream Bridge	Completed 2022	
Argent Lane, Pine Valley Rd	Completed 2022	
and Old Pine Valley Rd		
roundabout		
Shared path from Sidwell Rd	Completed 2023	
Bridge over SH connecting	Construction commenced	Project recently passed the
Milldale to Highgate Business	2023 due to be completed by	70% complete mark
Park	the end of 2024	
Argent Lane/Wainui Rd	Consented and due to	
Roundabout	commence construction in	
	Spring 2024	
Pine Valley Rd, Dairy Flat	Consented, Detailed Design	
Highway Intersection Upgrade	complete and due to	
	commence construction in	
Argent Long Extension	Spring 2024	The whole of this project is
Argent Lane Extension	the development proceeds	due to be completed by
Dairy Elat Highway	Currently 50% complete with	2026
Duny Hat highway	further portions currently	2020.
	under construction.	
Wainui Rd upgrade to a	Consented and will be built in	
collector standard between	conjunction with the	
Lysnar Rd and the Argent	development being sought	
Lane/Wainui Rd roundabout.	through the present	
Lycpar Dd/Mainui Dd	application.	
intersection ungrade	conjunction with the	
intersection upgrade	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	
Sidwall Dd/Endelay Dica	Consent application has been	
Intersection	submitted with Auckland	
	Council and will be	
	constructed in conjunction	
	with the adjacent stage of	
	development (Stage 8)	



# **APPENDIX 2. RESIDENTIAL CATCHMENT**



Source: Google Maps, Stats NZ, LINZ