

PROPERTY **E**CONOMICS



RIVERHEAD DEVELOPMENT

FAST-TRACK APPLICATION

ECONOMIC IMPACT MEMORANDUM

Client:

Rangitoopuni Developments Limited
Partnerships

Project No:

52404

Date:

April 2024

2 May 2024

ECONOMIC MEMORANDUM

To: Rangitoopuni Developments Limited Partnerships

c/- Shane Kelly

Development Manager

Email: s 9(2)(a)

RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW OF RIVERHEAD RESIDENTIAL 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 Rangitoopuni Developments Limited Partnership (**"the Applicant"**). This application is for the construction of 210 lots and establishing a retirement village, consisting of 350 independent living units and five retail units, on Forestry Road in Riverhead, 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 RIVERHEAD DEVELOPMENT

The subject development is located to the direct northeast of Riverhead's existing urban residential areas and services, encompassing circa 396ha of land. Given this proximity, the subject development can be expected to positively contribute to the continued growth and expansion of the Riverhead community.

In addition, the subject development has easy and quick access to State Highway 16, only a short 4-minute drive away. This reflects the good connectivity of the site to other urban areas of West Auckland, potentially increasing the attractiveness and accessibility of the development site for communities.

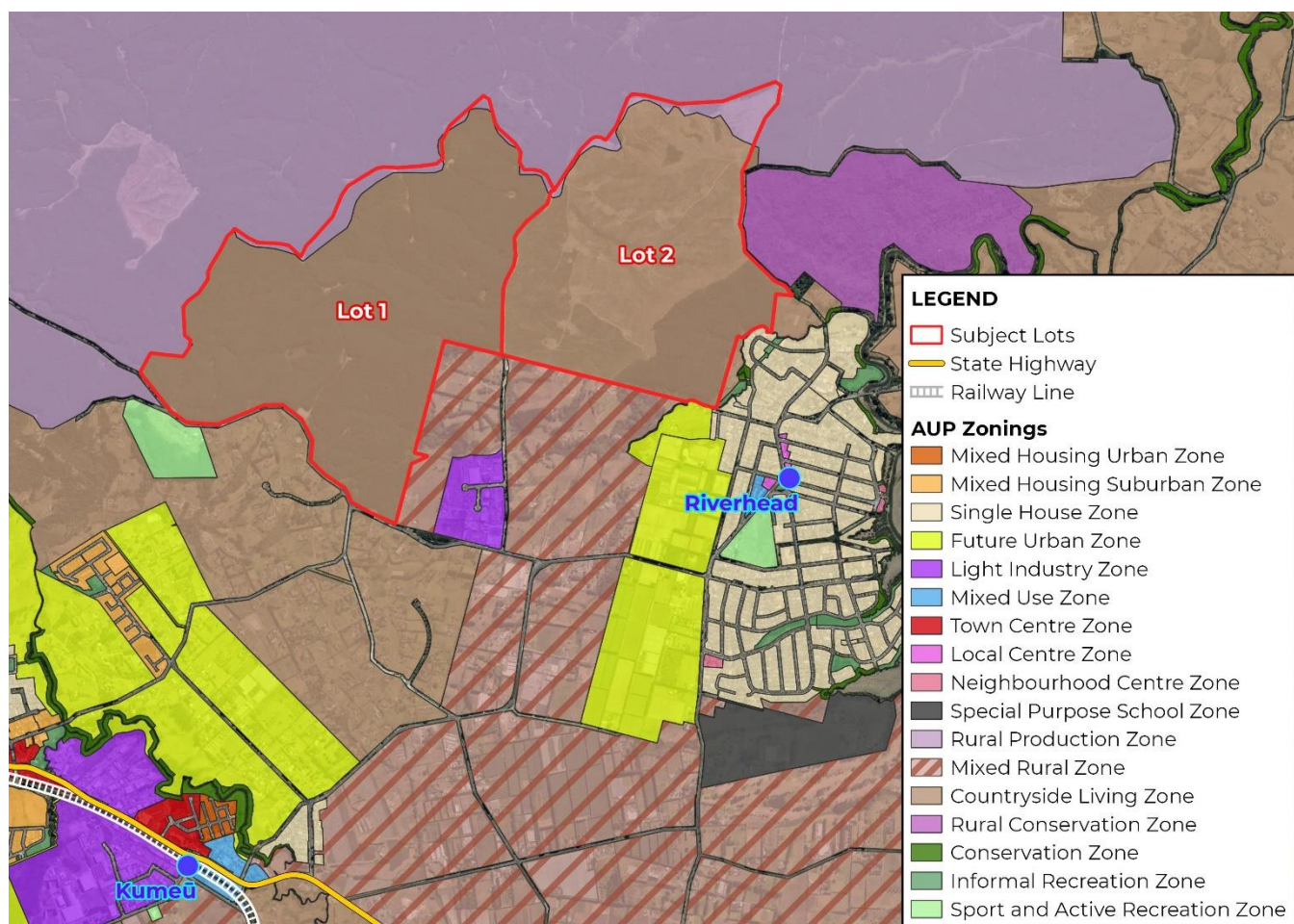
Under the Auckland Unitary Plan (Operative in Part) (**AUP**), the subject site is zoned as Rural – Countryside Living Zone, which is utilised for rural lifestyle living as well as small-scale rural

production. This underlying zoning has a diversity of topography, land quality and landscape character within the zone which results in a diversity of site sizes. The land being Treaty Settlement Land is also subject to special plan provisions (E21). These provisions allow for housing on Treaty Settlement Land at an average yield of one dwelling per hectare.

A visual representation detailing the location and extent of the development site alongside its surrounding zoning contexts are provided in Figure 1 below.

The purpose of the subject development is to facilitate the construction of 210 residential lots on Lot 1 of the subject land and 350 retirement units and five retail units on Lot 2 of the subject land. It can be expected that once developed the subject development will cater to varying demographics and lifestyles, fostering a vibrant and inclusive community environment.

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



Source: Auckland Council, LINZ, Google Maps

CATCHMENT POPULATION GROWTH AND RESIDENTIAL DEMAND

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

Based on the 2023 population estimate, around 285,000 people currently reside in the West Auckland residential market, accounting for around 16% of the region's total population. In the event of achieving the High growth rate scenario over the forecast period, it is anticipated that the population will surpass 366,300 people by 2033. This represents a net increase of approximately +81,340 people, equating to a growth of around +29% from the 2023 base.

Alternatively, if growth follows a more moderate trajectory, in line with the Medium growth projection, the population is forecast to reach just under 334,600 people by 2033. This would represent a net increase of about +49,610 people, or roughly a +17% increase over the 10-year period.

TABLE 1: POPULATION PROJECTIONS AND ESTIMATES FOR THE CATCHMENT

Medium Growth Scenario	2023	2028	2033
Population	284,970	310,890	334,580
Households	97,820	105,060	113,720
Households Growth		7,240	15,900
Total Dwellings Required (incl. Unoccupied)		7,870	17,280
Net Dwellings Required + NPS Buffer		9,440	20,740

High Growth Scenario	2023	2028	2033
Population	284,970	330,940	366,310
Households	97,820	109,580	120,810
Households Growth		11,760	22,990
Total Dwellings Required (incl. Unoccupied)		12,780	24,990
Net Dwellings Required + NPS Buffer		15,340	29,990

Source: Stats NZ, Property Economics

In terms of households, according to the High growth projection, there is an anticipated increase of around +23,000 households, signalling a demand for approximately 23,000 new dwellings assuming a one household per dwelling ratio. In contrast, in the more conservative Medium growth scenario, household growth is expected to rise by about +15,900 households within the catchment area over the next decade.

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 92%. Applying this ratio suggests that, including unoccupied dwellings, the catchment would require a total of over 17,280 new dwellings

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

and around 25,000 new dwellings by 2033, under the Medium and High growth scenarios respectively.

Factoring in the appropriate NPS-UD buffers² would increase the net additional total dwelling requirement in the catchment to 20,740 new dwellings under the Medium growth scenario and nearly 30,000 new 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.

Based on the 2018 Census data, approximately 11% of the residents within the catchment were aged 65 years and above. Applying this proportion, it can be estimated that between 5,500 and 9,010 additional residents will fall into the 65+ age group by 2033 within the catchment area.

JLL³ has estimated that the retirement village penetration ratio in Auckland is around 17% within the 75+ age group. By assuming that the penetration ratio for the 65-75 age group is around only 2%, it can be projected that a total demand of at least 550 to 900 additional retirement units will be required within the catchment area over the next decade, based on an average of 1.3 residents per unit⁴. A higher penetration rate of only 4% would double this requirement to nearly 1,800 additional retirement units by 2033.

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 achieving greater migration over the forecast period will generate further demand for new dwellings within the catchment.

RESIDENTIAL MARKET TRENDS

Median House Price Trends in Riverhead, Kumeū and Huapai

To shed light on the demand for residential properties in residential areas close to the Applicant's development site, Figure 2 presents an overview of the local residential markets of Riverhead, Kumeū and Huapai. It shows median house prices trends in the combined area 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 \$520,000 in March 2014 to around \$1,225,000 in February 2024, indicating a material

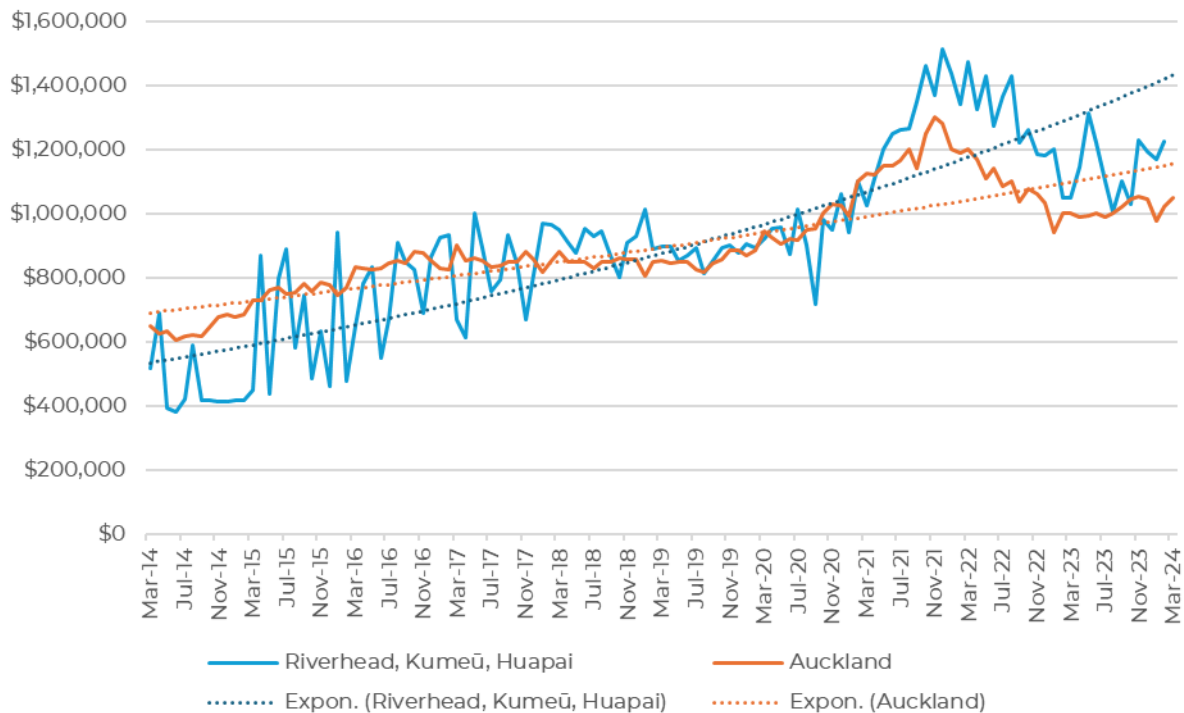
² The competitive margins for Tier 1 and Tier 2 councils are to provide 20% additional residential capacity over the projected demand for short- and medium-term timeframes.

³ Titled "New Zealand retirement villages and aged care, August 2023"

⁴ Based on JLL's New Zealand Retirement Village Database results.

increase of approximately +136%. 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 2: RESIDENTIAL MEDIAN SALES PRICE TRENDS IN RIVERHEAD, KUMEŪ AND HUAPAI



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 Riverhead, Kumeū and Huapai 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.

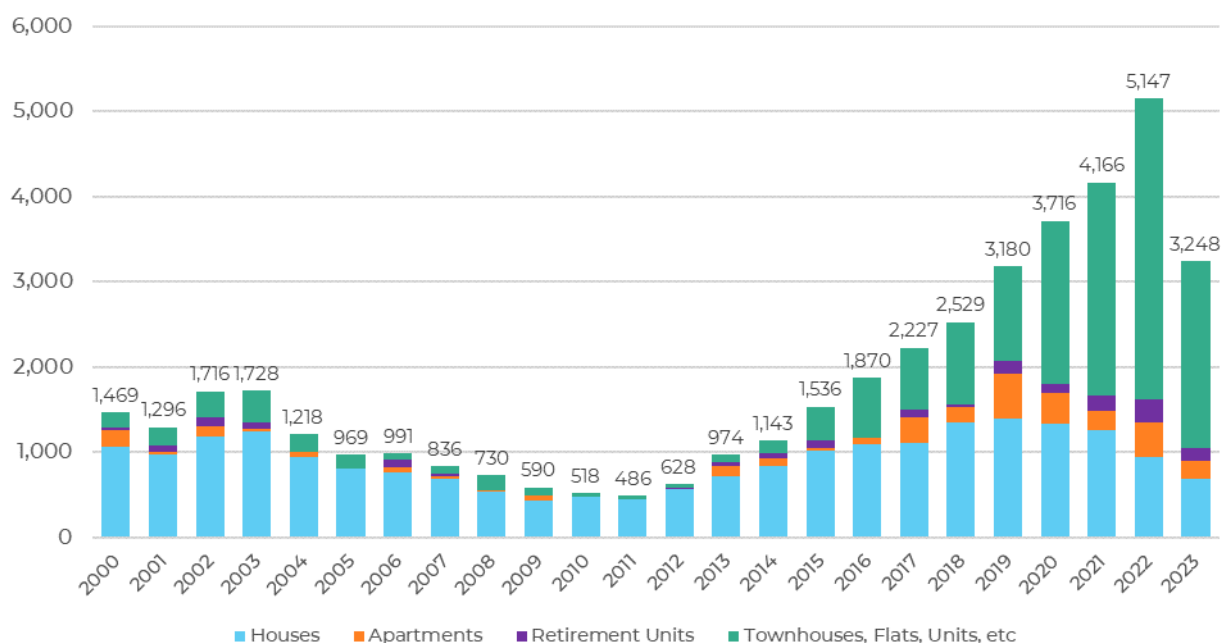
Furthermore, over the past decade, the Riverhead, Kumeū and Huapai local area has experienced notable enhancements in infrastructure, expanded amenities, and improved connectivity to the rest of the Auckland Region. These developments have collectively bolstered the area's appeal as a residential destination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

Considering these trends, enabling the subject development to introduce approximately 560 new dwellings would represent a significant injection into the Riverhead, Kumeū and Huapai 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 3 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 3: WEST AUCKLAND CATCHMENT RESIDENTIAL BUILDING CONSENTS BY TYPOLOGY



Source: Stats NZ

The above figure indicates that in 2022, the total number of consents surged to a record high of around 5,150 within the catchment area, marking a level approximately four times of that observed in the early 2000s. Consequently, over the past 23 years, the catchment area has seen an average of around 1,790 residential consents issued per year.

Specifically, slightly over half of these consents were for standalone dwellings, totalling around 910 consents per annum. Terraced dwellings made up about 38% of the total consents, averaging around 681 consents per year. In contrast, apartments accounted for a smaller share, with only 130 consents per year, constituting around 7% 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, particularly for retirement living, 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 2022, a record 69% of all residential dwelling consents in the area were for townhouses and terraces. This percentage slightly surpasses that of the wider Auckland Region, where around 60% of new residential building consents were for townhouses and terraces. 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 output⁵ 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 (CAPEX⁶) 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.

⁵ For example, this has not taken into account any short-term loss of operational employment currently on site.

⁶ CAPEX – Capital Expenditure

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.

s 9(2)(b)(ii)

In terms of employment multipliers this would contribute a total number of FTE years at approximately 3,100 over the development period for the Project

This scale of economic injection and employment generated as a result of the project is considered of regional significance relative to the scale of residential development across Auckland. It will also catalyse growth of the West Auckland market.

Access to the Fast-track process will enable the project to be processed in a more timely and cost-efficient way. The efficiency of the FTA Bill process means these economic benefits would be generated in the market an estimated 3 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 the Riverhead, Kumeū and Huapai combined area experienced a significant +136% rise in median house prices over the past decade, which was more than double the growth rate of the wider region's housing prices (+60%). 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 Riverhead area but in a location that is proximate to the existing urban environment and the already established Riverhead 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 next to 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:** Riverhead is an attractive location for a broad range of residential occupiers including families, retirees, singles, and young couples. These groups would be attracted to the wide range of typologies in the development not presently available in Riverhead.
- **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 co-ordinated and integrated manner. This has the potential to 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, will have significant economic benefits. 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 Riverhead 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 use the fast-track approval process will enable a regionally significant residential development and 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

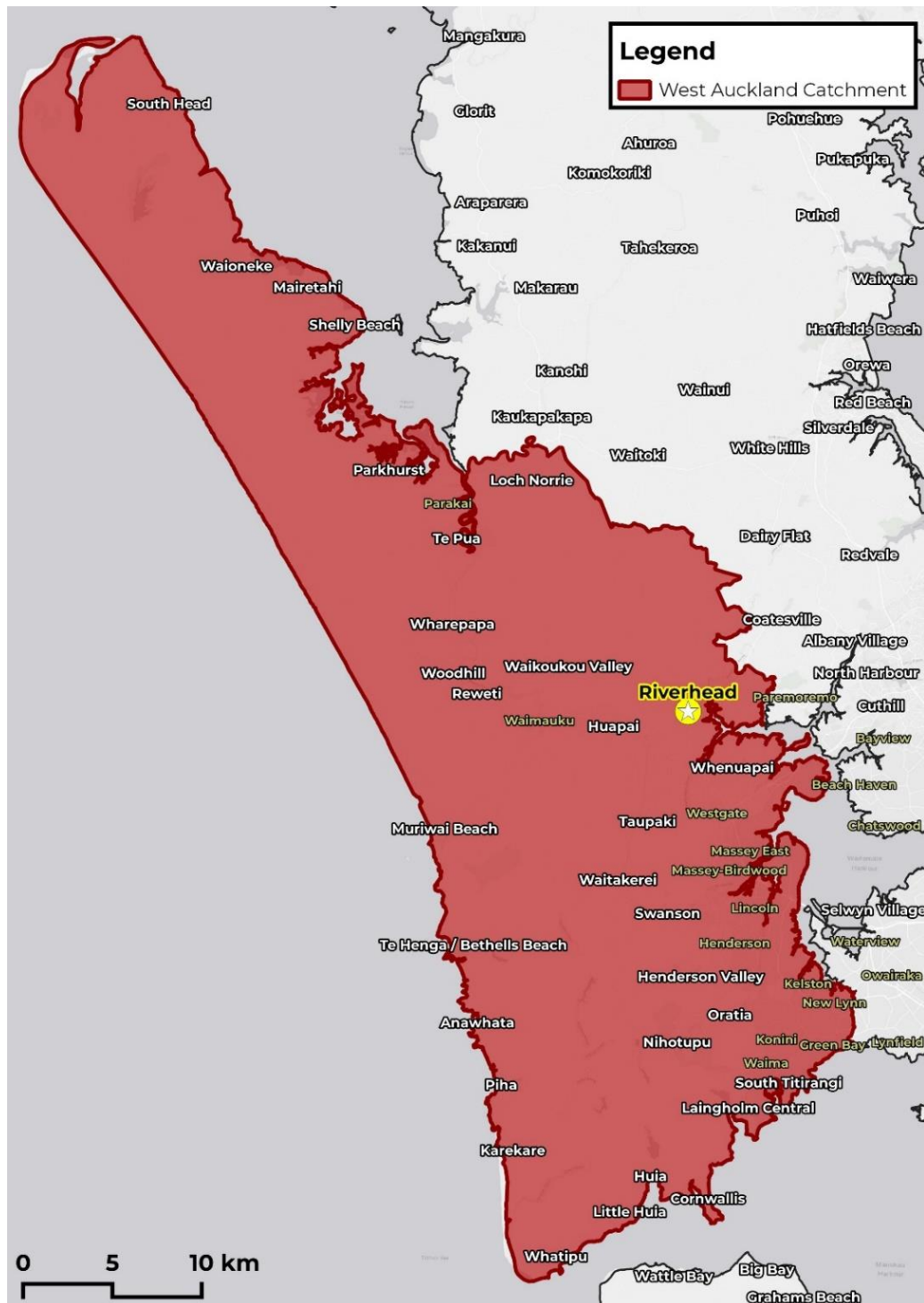
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PO: Box 315596, Silverdale 0944, AUCKLAND

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APPENDIX 1. RESIDENTIAL CATCHMENT



Source: Google Maps, Stats NZ, LINZ