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# Brief Economic Assessment of Proposed Fast-Track Development in Hamilton South

Prepared for: **Colliers Project Leaders**

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# 1. Introduction

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## 1.1 Context & Purpose of Report

Southern Links 1 (“**SL1**”) is an emerging growth cell spanning an area of more than 440 hectares on the southern edge of Hamilton City. A large share of the SL1 land is strategically owned by several motivated landowners with similar goals and ambitions for the site (“the **applicants**”). Once developed, SL1 will provide more than 9,000 new homes, 110 hectares of additional industrial land, a neighbourhood centre, and a network of open spaces.

Development will occur in stages according to a comprehensive master plan. Stage 1 development comprises approximately 1,030 new dwellings, plus an estimated 182,000m<sup>2</sup> of new industrial floorspace.

To expedite development, the applicants seek to have Stage 1 development (“the **proposal**”) listed in Schedule 2 of the Fast-track Approvals Bill (“the **Bill**”).

In support of that application, this report provides a high-level assessment of the likely economic benefits of the proposal, particularly in terms of its impacts on GDP, jobs, and incomes. In addition, it also briefly considers a range of wider economic effects of the proposal.

## 1.2 Purpose of Fast-Track Approvals Bill

The purpose of the Fast-track Approvals Bill is to provide a streamlined decision-making process to facilitate the delivery of infrastructure and development projects with significant regional or national benefits. There are two ways a project can access the fast-track process:

1. **Listed projects** – Some projects will be listed in Schedule 2 of the Bill and will go straight to the Expert Panel.
2. **Referred projects** – If it becomes law, any person, or organisation, could apply to have their project fast-tracked by joint Ministers<sup>1</sup> who will determine whether a project should be fast tracked.

For listed projects, an Advisory Group will consider whether the application meets the eligibility criteria in the Bill, the purpose of the Bill, and whether a project is regionally or nationally significant.

## 1.3 Summary of Key Findings

The proposal will create a significant uplift in jobs and incomes, particularly during construction. Overall, Stage 1 development will generate the following **one-off** construction impacts (including flow on effects):

- **Employment** for 6,260 FTE-years;
- National **GDP** benefit of \$825 million; and
- Household **wages and salaries** of \$440 million.

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<sup>1</sup> The ‘joint Ministers’ are the Ministers for Infrastructure, Transport and Regional Development.

In addition, once operational, future industrial activity enabled by the development could have the following **annual** impacts:

- Full time **employment** for around 1,820 people;
- National **GDP** of \$360 million; and
- Household **wages and salaries** of \$150 million.

Further, the proposed development will generate a range of wider economic benefits, such as providing a direct boost in both housing and industrial supply to meet growing demand, meeting the needs of an evolving population, and contributing to the recovery of significant infrastructure costs.

In our view, the proposal will deliver significant regional and national economic benefits. Accordingly, we support it on economic grounds.

## **1.4 Structure of Report**

The remainder of this report is structured as follows:

- **Section 2** locates the subject site and profiles the proposed development.
- **Section 3** estimates the proposal's impacts on GDP, jobs, and wages.
- **Section 4** briefly describes other likely economic effects of the proposal.

## 2. About the Proposal

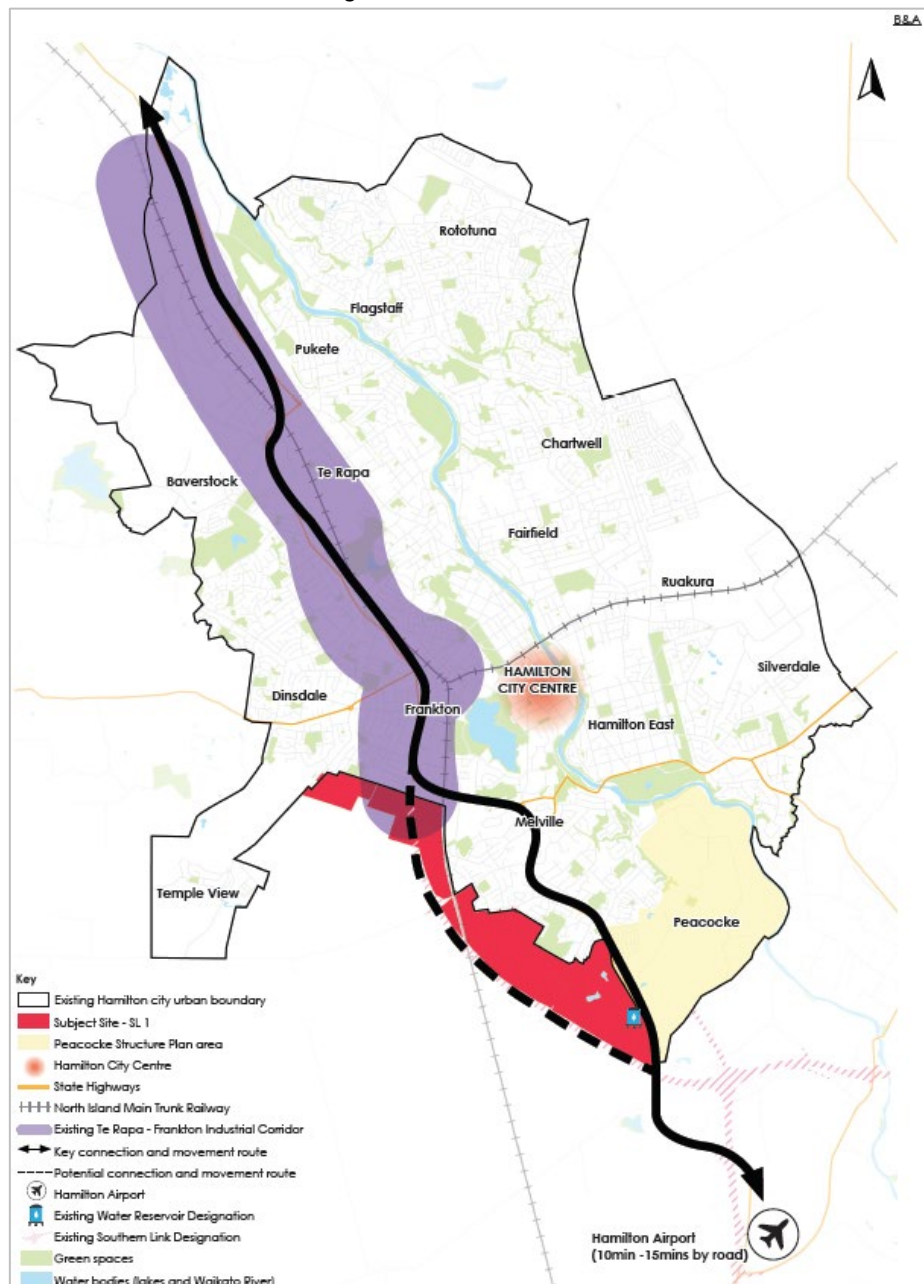
This section briefly describes the proposed development.

### 2.1 Location and Description

The SL1 emerging growth cell is located on the southern edge of Hamilton City, in Waipa District. It is bound by the Hamilton City boundary to the north and west, and the Peacocke Structure Plan Area to the east, and is predominantly bound by the Southern Links designation to the south.

The SL1 land is identified in red in Figure 1 below.

Figure 1: Location of SL1 Land



SL1 spans more than 440 hectares and is zoned rural under the Waipa District Plan.

## 2.2 Master Development Plan and Staging

Development of SL1 will follow a comprehensive masterplan, which splits the project into several stages. For context, an indicative concept plan is shown in Figure 2 below.

Figure 2: SL1 Indicative Concept Plan

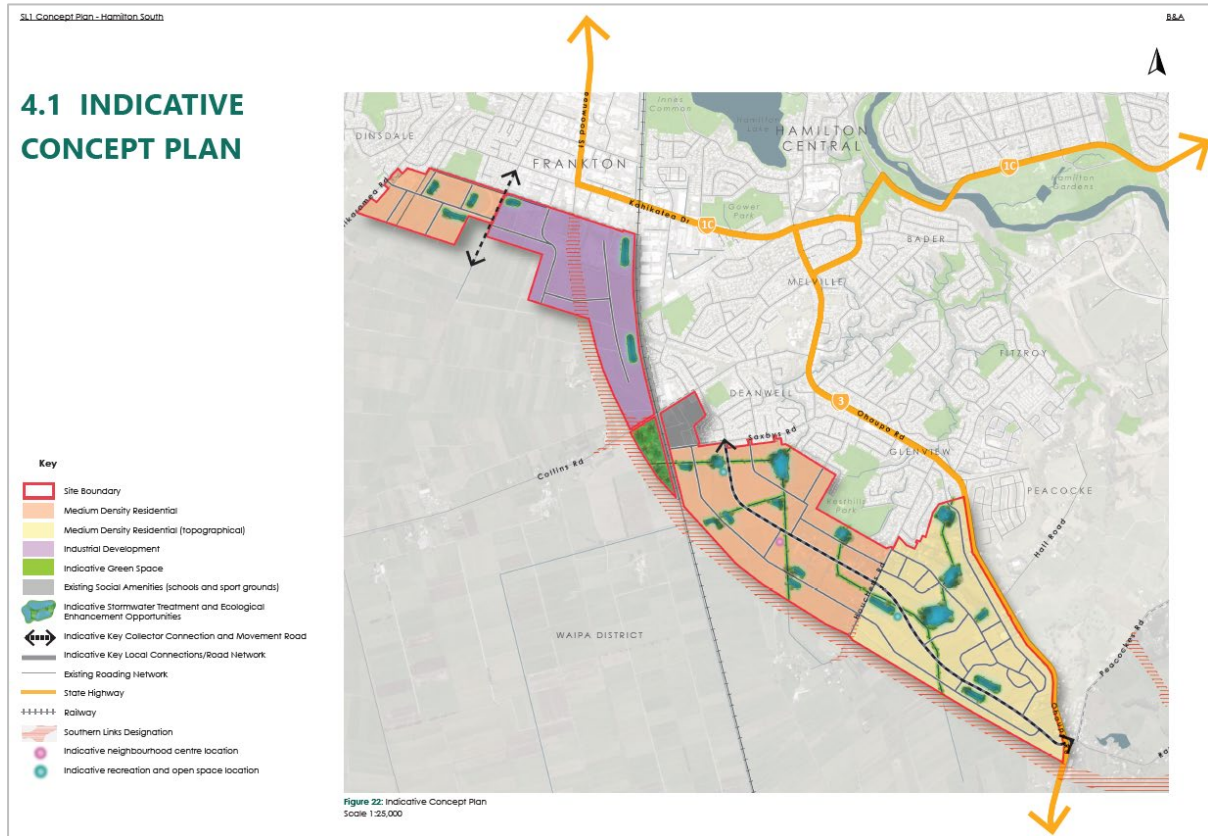
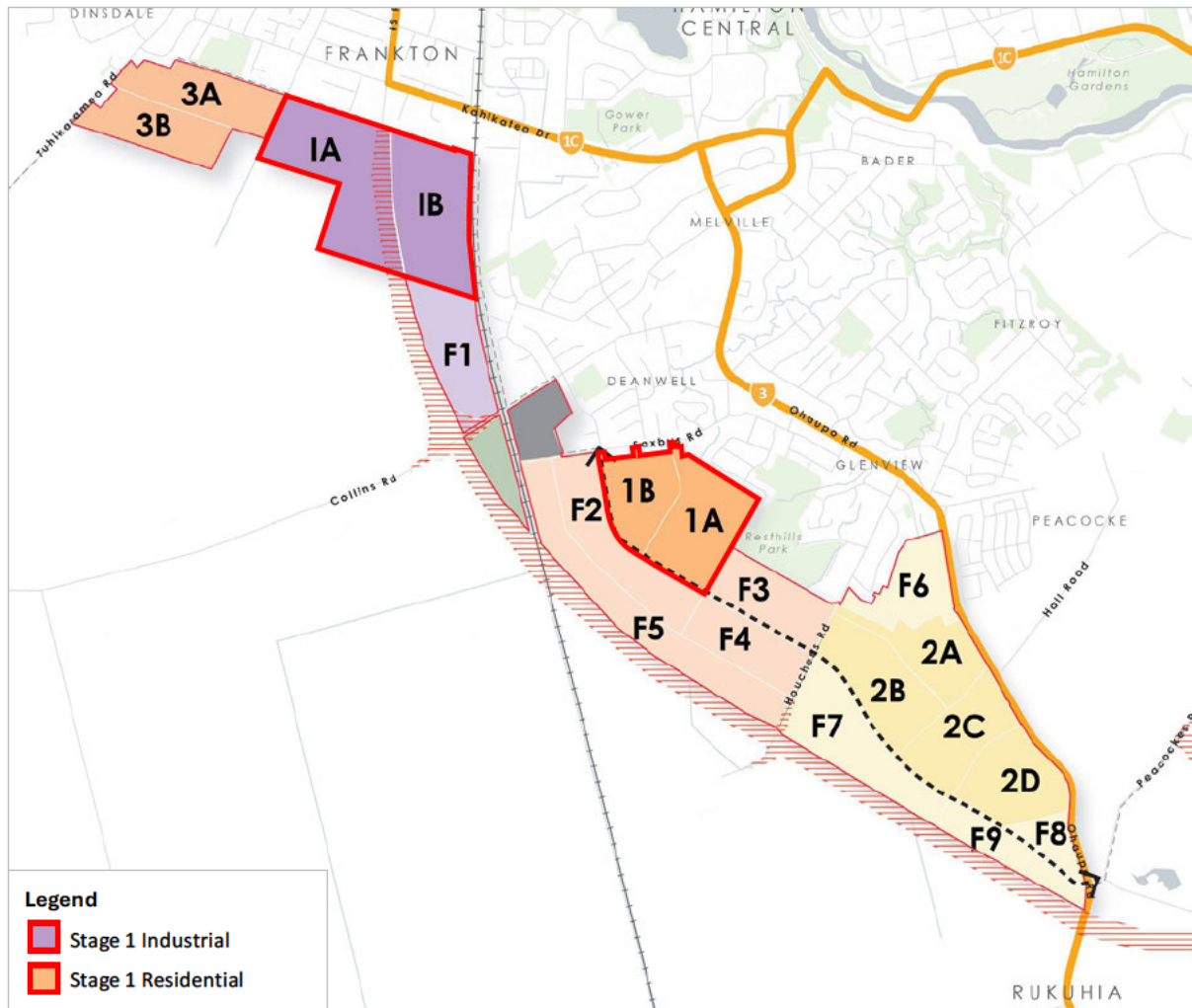


Figure 3 shows the development staging plan, with Stage 1 development delineated in red.

Figure 3: Development Staging Plan





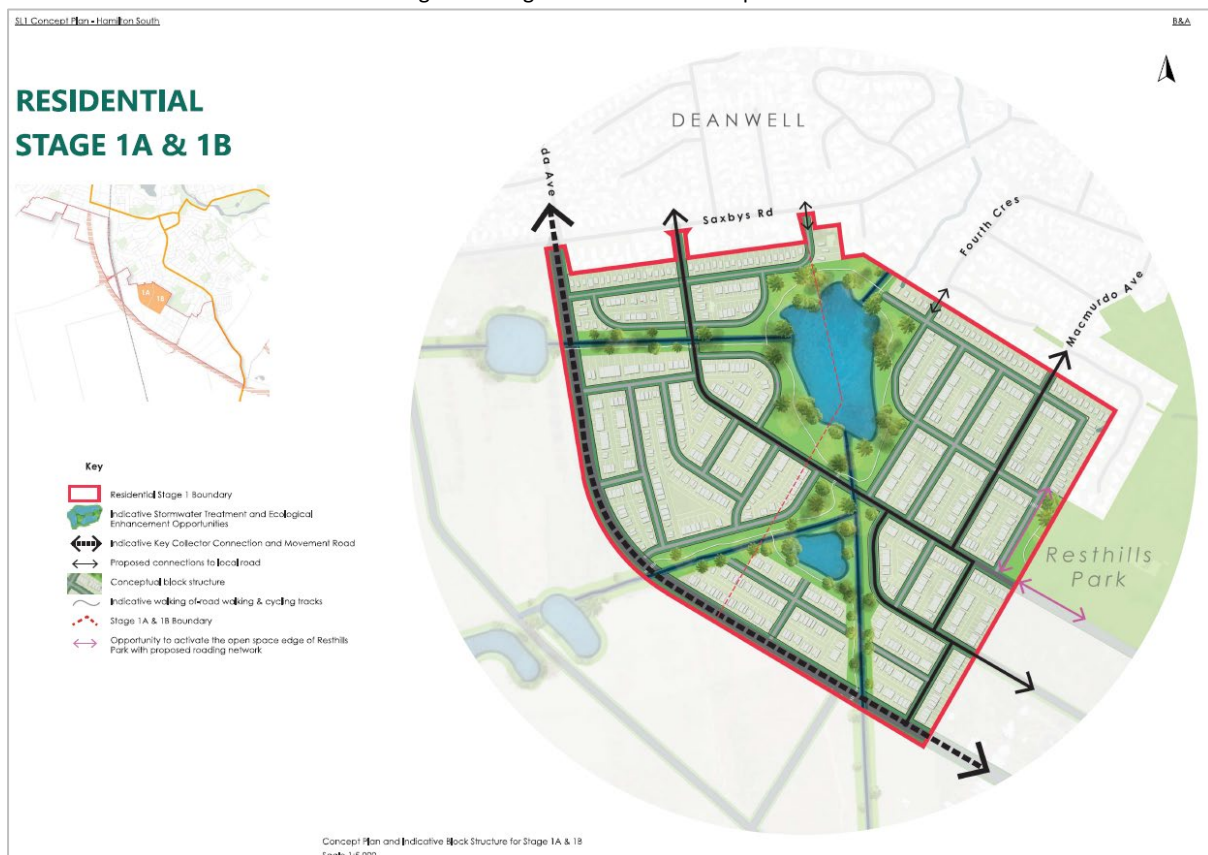
## 2.3 Fast-Track Elements (Stage 1)

Stage 1 development is the subject of this proposal. It comprises two discrete blocks to be used for residential and industrial use, respectively.

### 2.3.1 Stage 1 Residential

The Stage 1 residential development area abuts the existing residential area of Deanwell to the north. Once complete, it will accommodate approximately 1,030 new dwellings of various sizes and configurations, with an average section size of approximately 225m<sup>2</sup>. The figure below shows an indicative concept plan for the area.

Figure 4: Stage 1 Residential Concept Plan

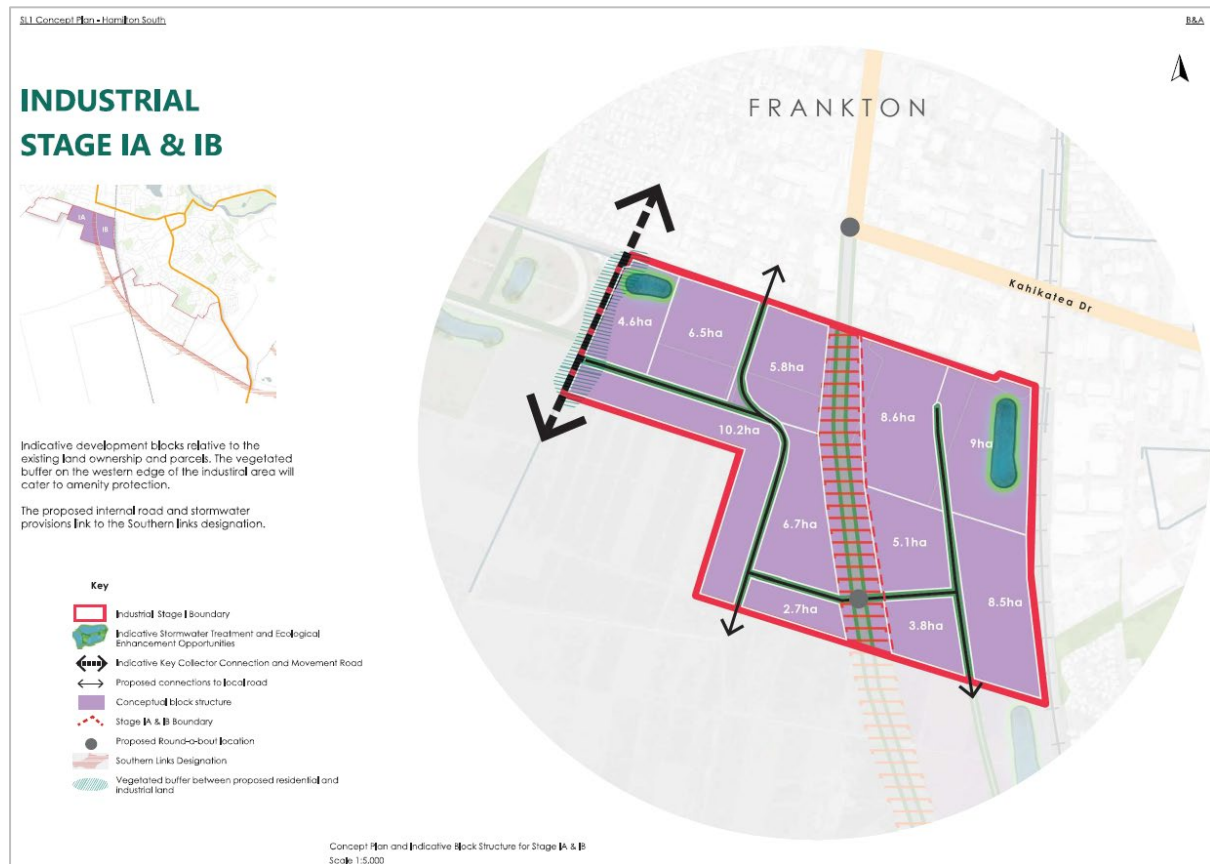


### 2.3.2 Stage 1 Industrial

The Stage 1 industrial development area is located immediately south of the existing Frankton industrial zone and abuts the North Island Main Trunk Railway to the east. It spans an area of approximately 65 hectares, around 42 hectares of which is considered developable. Assuming a floor area ratio (“FAR”) of 0.43, this equates to approximately 182,000m<sup>2</sup> of new industrial floorspace.

An initial concept plan for Stage 1 industrial development is shown in Figure 5 below.

Figure 5: Stage 1 Industrial Concept Plan



### 3. Impacts on GDP, Jobs, and Wages

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This section estimates the proposal’s likely impacts on GDP, jobs, and wages.

#### 3.1 One-off Construction Impacts

Planning for, designing, consenting, and constructing the 1,030 or so dwellings and various industrial buildings enabled by the proposal will generate significant one-off economic impacts. We quantified these using a technique called multiplier analysis, which is based on detailed matrices called input-output tables.

Input-output tables describe the various supply chains that comprise an economy, and therefore enable the wider economic impacts of a change in one sector (or sectors) to be traced through to estimate the overall impacts. These impacts include:

- **Direct effects** – which capture the effects of contractors directly engaged for the project; plus
- **Indirect effects** – which arise when businesses engaged on the project source goods and services from their suppliers, who in turn may need to source goods and services from their own suppliers, and so on.

The economic effects are usually measured in terms of:

- **Contributions to value-added (or GDP).** GDP is also known as value added, and measures the difference between a firm’s outputs and the value of its inputs (excluding wages/salaries).
- **Employment (FTEs)** – the number of full-time equivalent workers employed (FTEs).
- **Total wages and salaries** paid to workers, which are often labelled ‘household incomes.’

#### 3.1.1 Inputs and Assumptions

Our analysis adopts the following key assumptions.

Table 1: Construction Cost Inputs / Assumptions  
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The adopted dwelling sizes are based on the two-year averages for Hamilton City and Waipa District in the two years to February 2024 by dwelling type.<sup>2</sup> The corresponding build rates reflect the two-year averages for buildings consented in Hamilton City and Waipa District over the same period. We understand that reported construction costs are generally understated to avoid levy obligations. However, we adopt these values as a conservative approach.

In addition, estimated land development costs were provided to us by the applicant. However, we do not disclose them here for commercial sensitivity reasons (because they are not publicly available like construction costs are in building consent data).

**3.1.2 Estimated Economic Impacts**

Having defined our methodology and set out our assumptions, the following table now presents the estimated one-off economic impacts of the development activities enabled by the proposal.

Table 2: One-Off National Economic Impacts of Construction

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In summary:

- Land development (including infrastructure provision) is estimated to create full-time employment for 360 people for four years, generating \$115m in wages/salaries;
- Residential dwelling construction is estimated to generate full-time work for 590 people for four years (split across various stages), with \$150m in wages/salaries paid; and

<sup>2</sup> Using the following building consent data categories: Apartments; Townhouses, flats, units and other dwellings; and Houses.



- Industrial building construction is estimated to provide full-time employment for 615 people for four years (again, split across various stages), with \$175m paid in wages and salaries.

Overall, the proposal will generate the following one-off construction impacts (including flow on effects):

- **Employment** for 6,260 FTE-years;
- National **GDP** benefit of \$825 million; and
- Household **wages and salaries** of \$440 million.

### 3.2 Ongoing Onsite Employment

Once operational, the industrial activity enabled by the proposal will also provide ongoing employment for future workers. To estimate the annual value of this, we assumed that the full 42.1 hectares of net developable land would be available for industrial uses. Assuming a FAR of 0.43, this translates to approximately 182,000m<sup>2</sup> of new industrial floorspace. This was then converted to an estimate of likely future employment assuming a rate of one employee for every 100m<sup>2</sup> of industrial floorspace. On that basis, the proposal sustains ongoing industrial employment for approximately 1,800 people.

To estimate the corresponding wages/salaries and annual GDP, we reviewed Statistics New Zealand's latest input output tables, which summarise the national economy's overall structure and reveal the employment and GDP per dollar of output.

Overall, we estimate that future onsite activity enabled by the proposal could have the following **annual** impacts:

- Full time **employment** for around 1,800 people;
- National **GDP** of \$360 million; and
- Household **wages and salaries** of \$150 million.

## 4. Wider Economic Effects of Proposal

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This section briefly considers a range of wider economic effects of the proposal.

### 4.1 Boost in Housing Supply

Hamilton City's population is the fourth largest of New Zealand's territorial authorities, but it has the third smallest land area<sup>3</sup>, so its population density is the highest by far (and is 150 times the New Zealand median population density). Accordingly, there are limits on the extent to which the city's future growth can readily be contained within its borders. At the same time, sub-regional residential land and house prices have risen substantially over recent years and remain stubbornly high, despite a recent (nationwide) downturn. This has led to significant affordability issues, particularly in Hamilton.

The proposal acknowledges and directly responds to the need for more residential land to meet growth in demand over time, by enabling the development of approximately 1,030 new homes. In our view, and from an economic perspective, this represents an extremely significant boost in supply. All other things being equal, this supply boost will help the market to be more responsive to growth in demand, thereby reducing the rate at which prices in the sub-region grow over time (relative to the status quo).

### 4.2 Competitive Land Markets

In addition to directly boosting city dwelling capacity, the proposal will also help to foster competition in the local land market. This is important because, as recognised through Objective 2 of the National Policy Statement on Urban Development 2020 ("the **NPS-UD**"), competition is the cornerstone of economic efficiency. When the land market becomes more competitive, land developers have a greater incentive to get their product to the market in a more timely and cost-effective manner, thus further helping to keep district housing as affordable as possible.

Absent competition, landowners experience "market power", which enables them to charge more for land and be slower in releasing it to the market. Both outcomes conspire against affordability and reduce the overall efficiency of the housing market.

### 4.3 Providing for a Range of Dwelling Types

The proposal also provides a range of section sizes, which in turn will enable a wide range of dwelling types and sizes to be constructed on the land over time. This diversity of end use helps the proposal give effect to the Policy 1 of the NPS-UD, which requires planning decisions to contribute to well-functioning urban environments that provide a variety of homes to meet the needs of a diverse population.

Importantly, the proposal includes sections that are considerably smaller than the existing city housing stock, with an average section size of 225m<sup>2</sup> compared to a citywide average of approximately 800m<sup>2</sup>. Developments like this are critical to providing a range of smaller and more affordable dwellings to meet Hamilton's rapidly evolving needs.

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<sup>3</sup> After Napier City and Kawerau District.

#### **4.4 Land Use Efficiency**

The high-density nature of the proposed residential development represents an efficient use of the site's land, which helps give effect to Principle 2.5 of the 2024 Draft Future Proof Strategy.<sup>4</sup>

#### **4.5 Boost in Industrial Supply**

According to the latest Business Development Capacity Assessment prepared for the Future Proof Partners, Hamilton City has insufficient industrial land available to meet expected demand across most of its existing industrial areas. This includes Frankton, where land supply is deemed insufficient over the short-, medium-, and long-terms.<sup>5</sup> The proposed industrial development will form a logical extension of the Frankton industrial node, providing much needed additional capacity in the south of the city.

#### **4.6 Unlocks Future Development**

By enabling Stage 1 development, the proposal unlocks future development within the wider SL1 growth cell. Overall, this is expected to provide more than 9,000 new homes, 110 hectares of additional industrial land, a neighbourhood centre, and a network of open spaces.

#### **4.7 Motivated Landowners**

A large share of the SL1 land is strategically owned by several motivated landowners with similar goals and ambitions. Many of the larger landowners have proven track records and can deliver housing and employment zones at pace and scale. Accordingly, if approved, the proposal has a high likelihood of translating to market supply in a timely manner.

#### **4.8 Proximity to Southern Links Designation**

The Southern Links project involves the construction of 21 kilometres of state highways, three new bridges, and 11 kilometres of urban arterial roads within Hamilton's Peacocke growth cell. Upon completion, Southern Links will not only establish a comprehensive ring road around the city but also significantly improve connections to the southern areas. The successful implementation of this project will boost connectivity and accessibility for residents and businesses within the proposal.

#### **4.9 Highest and Best Use of Land**

Finally, the proposal will also enable the land to be put to its highest and best use, which is a precondition for economic efficiency to hold in the underlying land market.

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<sup>4</sup> Specifically, to "promote increased densities in new residential development and more intensive redevelopment of existing urban areas." (Draft 2024 Future Proof Strategy, *Guiding Principles*, p. 20, available at <https://futureproof.org.nz/the-strategy/>)

<sup>5</sup> M.E Consulting. (2024). *Business Development Capacity Assessment 2023* (p. 103). Future Proof Partners: Hamilton City, Waikato District, Waipa District and Waikato Regional Council.