

PROPERTY **E**CONOMICS



MANA AHURIRI DEVELOPMENT

FAST-TRACK APPLICATION

ECONOMIC IMPACT MEMORANDUM

Client:

Mana Ahuriri Holdings Limited
Partnership

Project No:

52400

Date:

April 2024

30 April 2024

ECONOMIC MEMORANDUM

To: Mana Ahuriri Holdings Limited Partnership

c/- James Gardner-Hopkins

Project Manager

s 9(2)(a)

RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW OF NAPIER MANA AHURIRI DEVELOPMENT

INTRODUCTION

Property Economics has been commissioned to provide a high-level overview of the potential economic impacts resulting from a proposed mixed use development by Mana Ahuriri Holdings Limited Partnership ("**the Applicant**"). This application is for the development of a new 380ha (gross) industrial / commercial business park, along with the construction of circa 1,000 residential dwellings of various typologies as well as incorporating a variety of sport and recreation activities, agricultural and cultural uses, and re-establishment on wetlands in Napier.

This economic impact memorandum relates to an application for listing in Schedule 2B 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 MANA AHURIRI DEVELOPMENT

The application aims to facilitate a master planned development within a large parcel of land situated directly south of Bay View, Napier for a diverse range of land uses, via the FTA Bill referred projects pathway. Situated near Hawke's Bay Airport and only a 12-minute drive from Napier City Centre, the development site is strategically positioned to integrate into the existing urban environment.

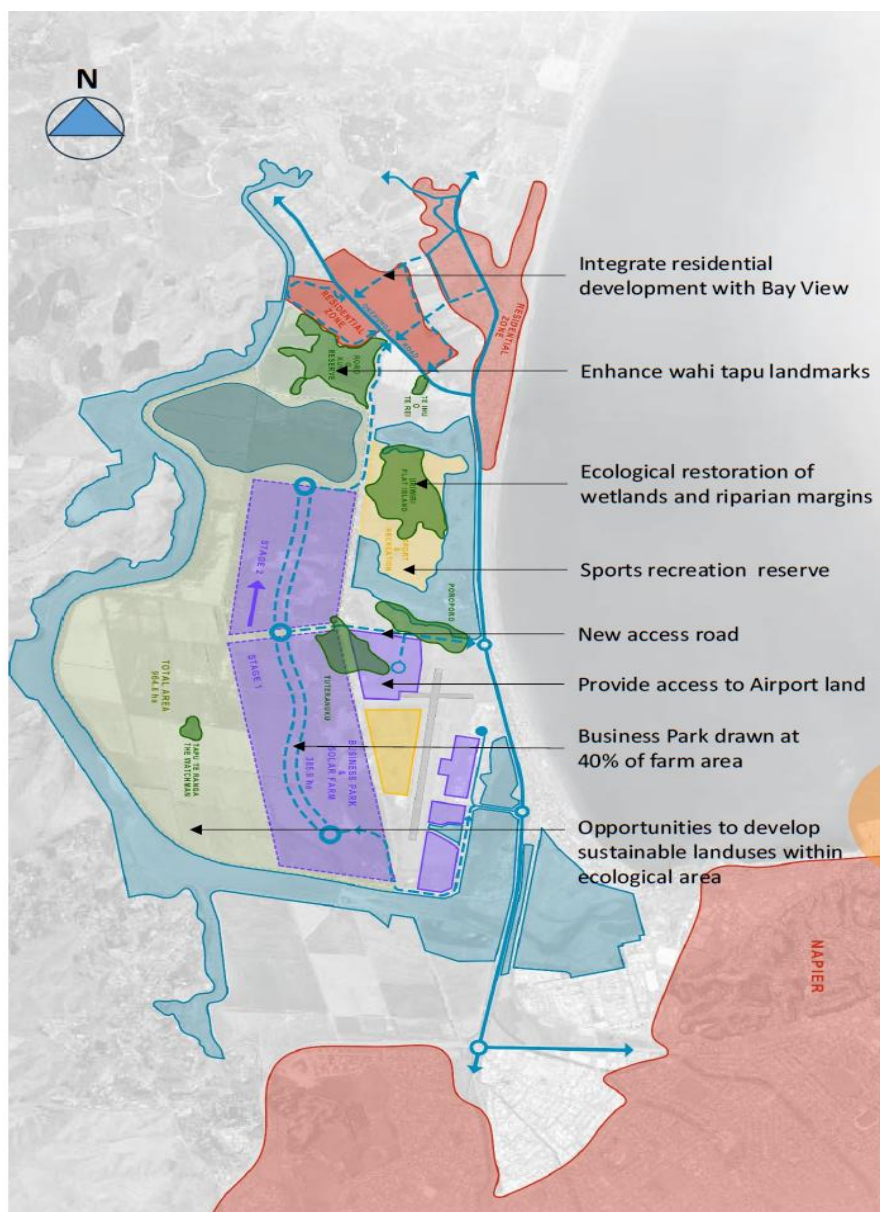
In essence, the site represents a northern 'plug in' extension of Napier's existing urban area. This positioning allows the subject development to accommodate the increasing demand for residential and employment opportunities not only in Napier City but also the Hastings District and the wider Hawke's Bay Region.

A visual representation detailing the location and extent of the development site alongside its proposed land uses are provided in the figure following.

Specifically, the subject development will span a total land area of circa 1,370ha, including:

- Business park: 380ha (gross) located to the west and southeast of the Airport
- Residential: 900-1,000 dwellings within 85ha of land on the northern proportion of the site
- Sports and recreation: 200ha land located to the north of the Airport
- Food production & solar farm: 185-200ha located immediate west of the Airport
- Rejuvenated wetland: +500ha land focused in and around key catchments

FIGURE 1: SUBJECT DEVELOPMENT MASTERPLAN



Source: Mana Ahuriri Trust, Brewer Davidson

NAPIER - HASTINGS POPULATION GROWTH AND RESIDENTIAL DEMAND

Table 1 presents the population and household growth projections within the Napier – Hastings combined area over the next decade (2023 – 2033). 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 160,000 people as at June 2023. Looking ahead, under the Stats NZ High growth scenario, the catchment is anticipated to experience population growth of approximately +12% between 2023 and 2033, representing a net increase of around +19,640 people and resulting in a population base of just under 179,000 people by 2033.

Simultaneously, the Stats NZ projection forecasts the number of households in the catchment growing from 62,170 in 2023 to around 68,800 households by 2033 under the High growth scenario. Accommodating this growth on a one household per dwelling basis, therefore, would necessitate around 6,630 new dwellings in the catchment by 2033.

TABLE 1: POPULATION PROJECTIONS AND ESTIMATES FOR THE NAPIER – HASTINGS CATCHMENT

Medium Growth Scenario	2023	2028	2033
Population	159,350	162,270	166,590
Households	62,170	62,900	65,200
Households Growth		730	3,030
Total Dwellings Required (incl. Unoccupied)		780	3,260
Net Dwellings Required + NPS Buffer		940	3,910

High Growth Scenario	2023	2028	2033
Population	159,350	170,270	178,990
Households	62,170	65,200	68,800
Households Growth		3,030	6,630
Total Dwellings Required (incl. Unoccupied)		3,260	7,130
Net Dwellings Required + NPS Buffer		3,910	8,560

Source: Stats NZ, Property Economics

In contrast to the High growth scenario, the Medium growth projection adopts a more conservative growth trajectory, predicting a future population base of just under 166,600 people by 2033, reflecting +4.5% growth. This corresponds to a net population growth of +7,240 people over the next decade. Under the same growth projection, households are expected to grow by an circa 3,000, indicating a demand for over 3,000 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, but form part of total dwelling demand. According to the 2018 Census data, the dwelling occupancy ratio within the Napier – Hastings area was around 93%. Applying this ratio suggests that, including unoccupied dwellings, the area would require a total of over 3,260 new

dwelling and around 7,130 new dwellings by 2033, under the Medium and High growth scenario, respectively.

Factoring in the appropriate NPS-UD buffers¹ would increase the net additional dwelling requirement in the area to just over 3,900 dwellings under the Medium growth scenario and over 8,500 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.

It should be noted that these population projections do not reflect the impacts of Cyclone Gabrielle and Stats NZ are yet to publish up-to-date population information. According to Hawkes Bay Regional Council², there were 287 properties across Hawke's Bay that were defined as Category 3 meaning they were deemed unliveable and a further 238 homes classified as Category 2, which are liveable but require community or property level intervention.

Projections vary over time. They simply reflect an anticipated outcome based on current day knowledge. They do not represent a growth target. The implications of Cyclone Gabrielle, new Tsunami and Coastal Inundation mapping, new flood mapping based on recent events and climate change implications still need to be worked through, as are the implications of the higher than anticipated current annualised net immigration levels post-COVID. As such, the next suite of growth projections to be released by Stats NZ are likely to be different, but market certainty of supply is vital in these instances to catalyse growth and ensure investment can be realised.

RESIDENTIAL MARKET TRENDS

Median House Price Trends in Bay View and the wider Hawke's Bay Region

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

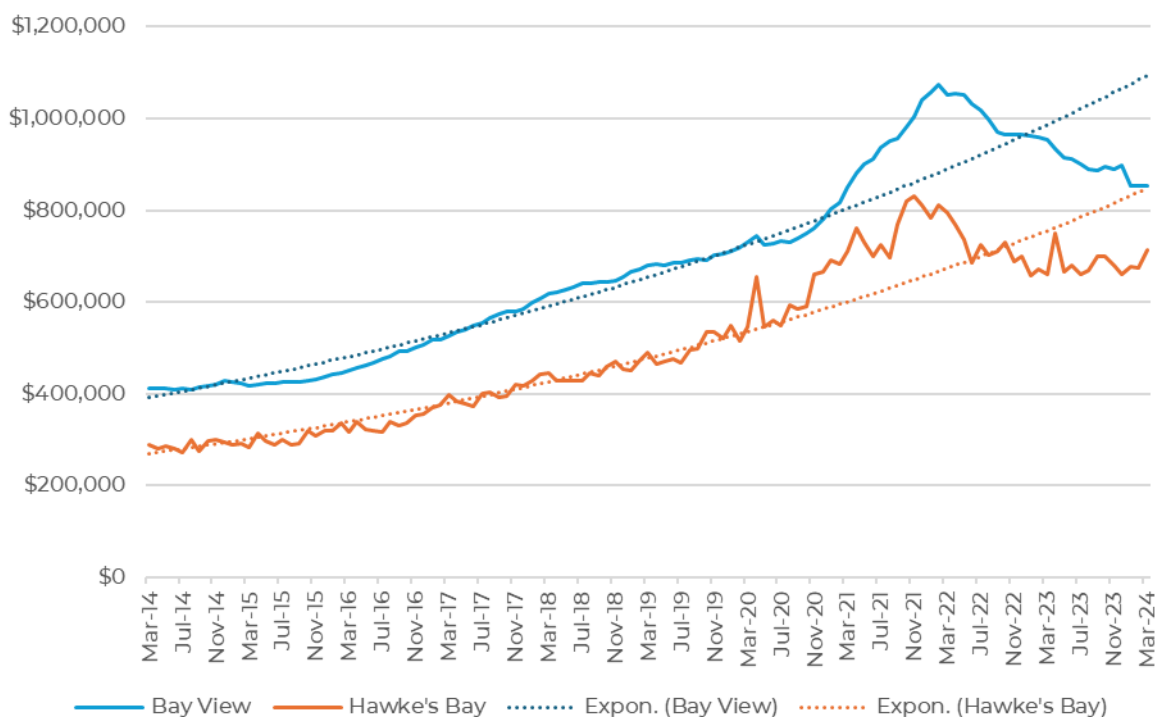
In general, there was a significant trend observed in Bay View's median house prices, which increased from only \$411,300 in March 2014 to roughly \$853,500 in February 2024, indicating a substantial increase of approximately +108%. This large increase in median house prices in the area suggests a strong performance in the residential market and indicates a high demand for properties in the area, potentially driven by factors such as desirable amenities or overall attractiveness of the neighbourhood.

¹ 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.

² Sourced from <https://www.hbrc.govt.nz/home/article/1575/voluntary-buy-outs-set-to-commence-as-nearly-300-hastings-district-and-napier-city-properties-confirmed-as-category-3?t=featured&s=1>

On the other hand, the more than doubling of local house prices indicates a limited supply of housing entering the Bay View market relative to demand, which could be attributed to factors like local demand continuously outstripping local supply.

FIGURE 2: MEDIAN HOUSE PRICE GROWTH IN BAY VIEW AND HAWKE'S BAY REGION



Source: Opes Partners, Property Economics

Significantly, the sustained pattern of notably higher median house prices in Bay View compared to the broader Hawke's Bay Region over time indicates that Bay View is perceived as a highly attractive residential area. This desirability of the is likely attributed to its advantageous coastal location, amenities, and natural attractions.

Furthermore, the gap in median house price between Bay View and the wider Hawke's Bay Region appears to expand in recent years. This signals a deepening divergence in the residential market of these areas, suggesting that the factors driving up property prices (e.g., limited residential supply) in Bay View may be accelerating at a faster rate compared to the wider region.

Given these trends, the residential component of the subject development, with the aim to integrate residential areas with Bay View, has the potential to enhance housing affordability in the local market and the wider Hawke's Bay Region, positively impacting their economic and social wellbeing by providing an increase in supply that is likely to deliver homes at more serviceable levels of debt.

This is particularly the case given the scale of the proposed development in a Hawke's Bay context. A development of circa 1,000 residential dwellings would be one of the largest residential developments within the region and has the potential to have a significant positive impact on the region's residential market.

Napier City Building Consents

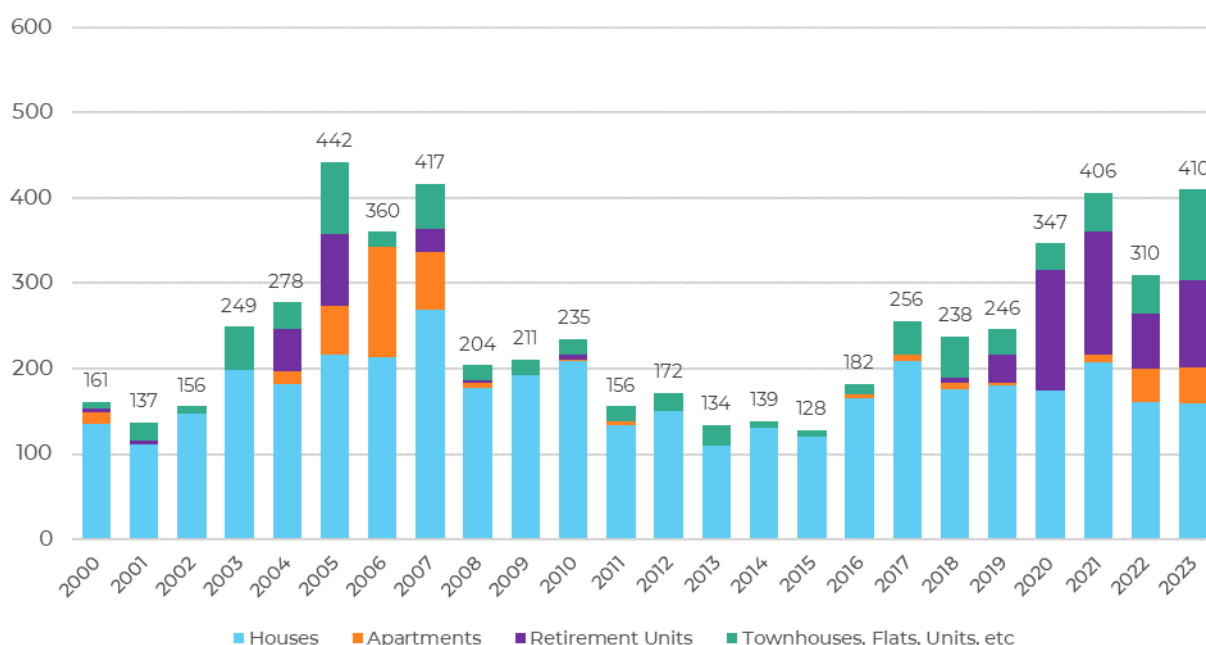
Figure 3 illustrates the trends in residential building consents of the Napier City categorised by dwelling typology, utilising data obtained from Stats NZ. The data covers the period from 2000 to 2023.

It indicates that in 2023, the total number of consents was 410 in Napier City, marking a level around 2.5 times of that observed in the early 2000s. Consequently, over the past 23 years, the catchment area has seen an average of around 250 residential consents issued per year.

Specifically, the majority (around 69%) of these consents were for Standalone dwellings, totalling around 170 consents per annum. Terraced dwellings made up about 13% of the total consents, averaging around 32 consents per year. Unsurprisingly, apartments accounted for a smaller share, with only 17 consents per year, constituting around 7% of the total consents over the same period.

These trends indicate relatively 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 as a result of the diversity of supply not being delivered to the market at this point.

FIGURE 3: NAPIER CITY RESIDENTIAL BUILDING CONSENTS BY TYPOLOGY



Source: Stats NZ

In addition, the trend of building consents involving retirement development accounting for around 11% of the total consents on average over the last 23 years, with a notable peak of 26% in 2023, signals a shift in the housing market, particularly in response to demographic changes and evolving lifestyle preferences. The increasing proportion of consents for retirement developments suggests a growing recognition of the needs and preferences of aging populations within the community. As the population ages, there is a rising demand for housing options that cater specifically to the needs of

retirees, such as accessibility features, proximity to amenities, and opportunities for social interaction and healthcare services.

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 Hawke's Bay residential market, with the ability to deliver dwellings at more affordable price points. In a local market that has more than doubled in value over the last 10 years, this would provide significant benefits to the local market and community.

This expanded supply helps address housing shortages and affordability concerns, all segments of the population. By creating a diverse range of housing options, communities can better accommodate the varying needs and preferences of residents across different life stages and socioeconomic backgrounds.

Moreover, the impact of the subject development can be anticipated to extend beyond its immediate scope through indirect effects on the regional market. By catalysing local economic activity during construction and creating employment opportunities, the subject development injects income into the community, potentially assisting households facing mortgage serviceability 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, the total potential capital expenditure for the primary uses of this subject development is likely to result in expenditure of circa \$1.6b. This is likely to have a material impact on regional economic activity through the timeframe of the development. Additionally, the total number of FTE 'employment years' resulting from this expenditure is likely to be in excess of 10,000.

In addition, the proposed employment areas and activities together are estimated to generate a total of around 1,550 FTE employment opportunities to the local communities and the wider region. This projected level of employment generation is considered beneficial to ensure there is a meaningful increase in employment internalisation within the localised area. That is, more local employment opportunities for local Bay View and Napier residents and as a result improved market efficiency.

The following table provides a breakdown of the forecasts by land use type.

TABLE 2: ESTIMATED ECONOMIC INJECTION, FTE YEARS AND EMPLOYMENT COUNT ACCOMMODATION

	Gross Output (\$m)	Employment (Years)	EC Accommodation
Business Park	\$626.0	4,269	1,500
Residential	\$787.6	4,896	
Sports and Recreation	\$49.2	289	48
Solar Farm	\$123.0	609	
TOTALS (Rounded)	\$1,590	10,060	1,550

Source: Property Economics

The efficiency of the FTA Bill process means these economic benefits would be available in the market over an immeasurably earlier period 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.

RESIDENTIAL:

- **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 Bay View local market experienced a significant +108% rise in average house prices over the last decade. 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 Bay View and Napier City but in a location that is proximate to the existing urban environment and residential area. 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 close to the existing urban footprint, it is likely to mitigate new infrastructure expenses relative to growth areas situated in more distant greenfield locations. This development consequently enhances infrastructure use efficiency, particularly the potential use of the established infrastructure in the local area.
- **Lower Transport Costs:** Higher density residential development provides lower transport costs as a greater number of people will be able to access efficient transport links, specifically the cycleways and walkways to the ferry terminal. This means there is a greater benefit of providing public transit and higher capacity roading near area of high-density dwellings.

- **Increased Economic Activity / Local Employment:** A core part of the subject development is the inclusion of employment land for both commercial and light industrial / mixed use. The provision of a significant residential development in close proximity to employment activities provides a significant boost to market efficiency. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.
- **Diverse Buyer Pool:** The subject development has the potential to stimulate demand within a diverse group of people, including young professionals, young couples and families and retirees, particularly with 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 co-ordinated and integrated manner. This can significantly improve the amenities of the receiving environment and generate community benefits.

SOLAR FARM

- **Increased supply / generation of renewable energy:** The construction of a utility-scale Solar Farm has the potential to make a substantial contribution to the production of clean and renewable energy. This can lead to enhanced energy security by diminishing reliance on non-renewable sources and mitigate greenhouse gas emissions.

It also improves energy security for Napier who would be less susceptible to power outages arising from further afield. Consequently, the envisioned development of the Solar Farm would play a pivotal role in steering the Hawke's Bay energy sector toward a more environmentally friendly and sustainable future.

- **Contribution to the NPS-REG and government's green goals:** In 2011, the NPS-REG was adopted with a purpose to support New Zealand to achieve the target of 90% of electricity to be generated by renewable sources by 2025. The NPS-REG includes a range of policies applicable to renewable electricity generation at a local level, signalling that to achieve New Zealand's renewable electricity goal, solutions are needed across national, regional, and local scales. Policy A offers insights into the benefits that local councils can attain through investments in renewable energy sources. Consequently, enabling the proposed utility-scale Solar Farm will directly contribute to achieving the benefits outlined in NPS Policy A.

In addition, the proposed Solar Farm development would also align with the government's clean energy goals. Specifically, the government has made commitments to achieve net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050. It can be expected that the proposed Solar Farm would directly contribute to NZ's efforts to mitigate

climate change and transition more quickly to a low emission economy by increasing NZ's renewable energy generation. This would contribute to achieving the government's net zero emission goal.

- **Maximising the economic productive potential of land:** The solar energy potential of the Hawke's Bay region is one of the largest in the country with the region having a comparative advantage (nationally) in energy resources for solar given the region's comparatively high sunshine hour level. Therefore, enabling the proposed development holds the potential to enhance the utilisation of the wider region's existing competitive advantage in renewable energy, ultimately maximising its potential for economic growth.

Furthermore, if the land is utilised for Agrivoltaics (i.e. dual use of solar farm and rural farming) this represent a highly efficient and productive use of land that will further maximise economic growth.

- **Improve electricity affordability:** A utility-scale Solar Farm would significantly increase the Hawke's Bay's capacity to accommodate the electricity needs of existing and future communities, leading to lower energy costs.

Lower-income households face an energy burden three times higher than other households, according to research by the U.S. Department of Energy. This makes energy savings particularly beneficial to them. Additionally, low-income households are more likely than others to spend their energy savings on other goods and services instead of saving it. Therefore, cost savings on energy can significantly reduce the financial burden of many low-income households. Lower energy costs for consumers and businesses would also increase disposable income, boost the local economy and improve consumer welfare.

- **Assist local businesses in achieving their environmental goals:** Giving local businesses access to renewable energy sources such as solar energy can help their business in several ways including fostering a positive image, promoting energy efficiency, driving innovation, maintaining regulatory compliance, and ultimately contributing to a more sustainable and competitive business model.
- **Increased local investment and business opportunities:** The proposed development to promote the usage of renewable energy in the wider region satisfies this theme and has the potential to create new business opportunities and attract investment from solar-related businesses, such as equipment suppliers, technology providers, and renewable energy service companies.
- **Creation of additional (skilled) employment opportunities:** The construction and operation of the Solar Farm itself will provide for additional short- and long-term skilled employment opportunities to the Hawke's Bay. This will attract growth and contribute positively to the local Napier and wider regional economy.

INDUSTRIAL / BUSINESS PARK

- Provision of business land to satisfy demand for industrial locations in the wider Hawke's Bay Airport area:** The Napier Hastings HBA 2022 indicates that even though the region as whole has more than sufficient capacity to accommodate industrial growth over the next 30 years, a large proportion of existing business land supply is not as efficiently located as the proposed development given access to air and rail transport opportunities. This suggests that the masterplan's business land provision would contribute to accommodating future business demand in a more efficient manner ensuring competitive growth of the local and regional industrial economy over the long term.
- Enablement of greater economies of scale and industrial agglomeration effects:** The masterplan site directly adjoins the Hawke's Bay Airport's existing business areas and would perform as a natural extension of this environment. This means that future industrial / business activities within the masterplan site would gain benefits and efficiencies working with the existing operations at the airport (current and future). The broader range of business activities would generate more agglomeration benefits, efficiencies and improved business performance.
- Mitigation of adverse environmental effects (or reverse sensitivity effects) by containing the activities within a defined area:** Many industrial activities generate reverse sensitivity issues in urban environments. The masterplan land would provide a location where any reverse sensitivity issues with more urban environments can be more easily mitigated.
- Improved land use efficiency of the site:** Given the existing industrial environment in the surrounds, the masterplan site has the natural advantage to be used for light industrial activities. The surrounding water and wetlands would be a natural buffer to prevent the neighbouring areas from any potential adverse environment effects generated by the masterplan's future industrial activities. Therefore, business land uses would allow for more compatible and efficient use of the land resources.
- Increased industrial employment and greater economic profile:** The masterplan area would directly promote Hawke's Bay region's industrial economy by providing more industrial employment opportunities to the local market near an existing industrial area and regional transport hub. The masterplan site has the potential to increase the industrial market of Hawke's Bay by attracting industrial activity to that may not have been attracted to an alternative location. In this regard the masterplan area would likely increase the market size and not simply redistribute industrial activity from the market. This would increase the region's profile of as an business location and improve the region's business location competitiveness.
- Reduction in marginal cost of infrastructure provision:** Additional development that is proximate to the existing industrial activities and airport would enable infrastructure investment to be more efficiently utilised and lower marginal infrastructure cost. This would also provide the opportunity for Hawke's Bay to accommodate industrial / business growth by reducing the

burden or requirement to duplicate investment and resources in new infrastructure by the community.

- **Potential for mitigation of industrial land prices:** With additional industrial land supply to the local and regional market, the average industrial land price within the region would fall and make the region a more competitive location to establish a business. Additional industrial land capacity within the region would also reduce the likelihood of industrial land banking and limited developers controlling industrial land prices given the limited industrial location choices in the region and vacant zoned land supply.
- **Increased flexibility for industrial growth and new entrants:** Industrial land supply does not have to match the projected industrial land demand exactly. However, in contrast to the adverse impacts caused by a shortfall of industrial land capacity (e.g., limited industrial economic growth, and less competitive industrial land price), additional industrial land supply would significantly enhance the industrial land use flexibility and location choice, facilitating the growth of the local and regional businesses.

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 2B 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 an extensive masterplan development and community of the scale proposed, 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.

The masterplan would also generate additional and significant economic benefits and efficiencies through the solar farm, recreational and business environments to be developed over the long term.

As such, enabling the subject development to be applied for under the FTA Bill would increase the certainty around 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



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