

# PROPERTY ECONOMICS



## BEACHLANDS SOUTH PROJECT

### FAST-TRACK APPLICATION

### ECONOMIC IMPACT MEMORANDUM

Client: Beachlands South LP

Project No: 51940

Date: May 2024

3 May 2024

---

## ECONOMIC MEMORANDUM

To: Beachlands South LP

c/- John Dobrowolski

Program Director

Email: s 9(2)(a)

---

RE: FAST-TRACK ECONOMIC IMPACT OVERVIEW OF BEACHLANDS SOUTH PROJECT

---

### INTRODUCTION

Property Economics has been commissioned to provide a high-level overview of the potential economic impacts resulting from the proposed Beachlands South project in Auckland ("the project") for the purposes of an application to list the project in Schedule 2A of the Fast-track Approvals Bill ("FTA Bill").

The project includes 2,700 dwellings of different typologies, alongside a mix of retail, commercial services, office space, light industrial areas, educational and community facilities. This economic memorandum assesses the latest residential market metrics and confirms that the project:

- Is unique in terms of scale relative to other residential projects in the region and **represents one of the largest and most significant residential projects within the region, and therefore would provide significant regional economic benefits for Auckland;**
- Will deliver significant regional economic benefits and contribute positively to the regional economy: **direct economic injection of just over \$1.7 billion over 20 years and creation of nearly 13,500 FTE years of employment across a 20-year period;**
- satisfies 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: increase the supply of housing by 2,700 and contribute to a well-functioning urban environment;
- **the application has the potential to enhance housing affordability in the local market and the wider Auckland Region, positively impacting economic and social wellbeing by providing an increase in supply that is likely to deliver homes at more serviceable levels of debt;**
- Will deliver a significant and efficient project that leverage off and improves the efficiency of the existing infrastructure.

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.

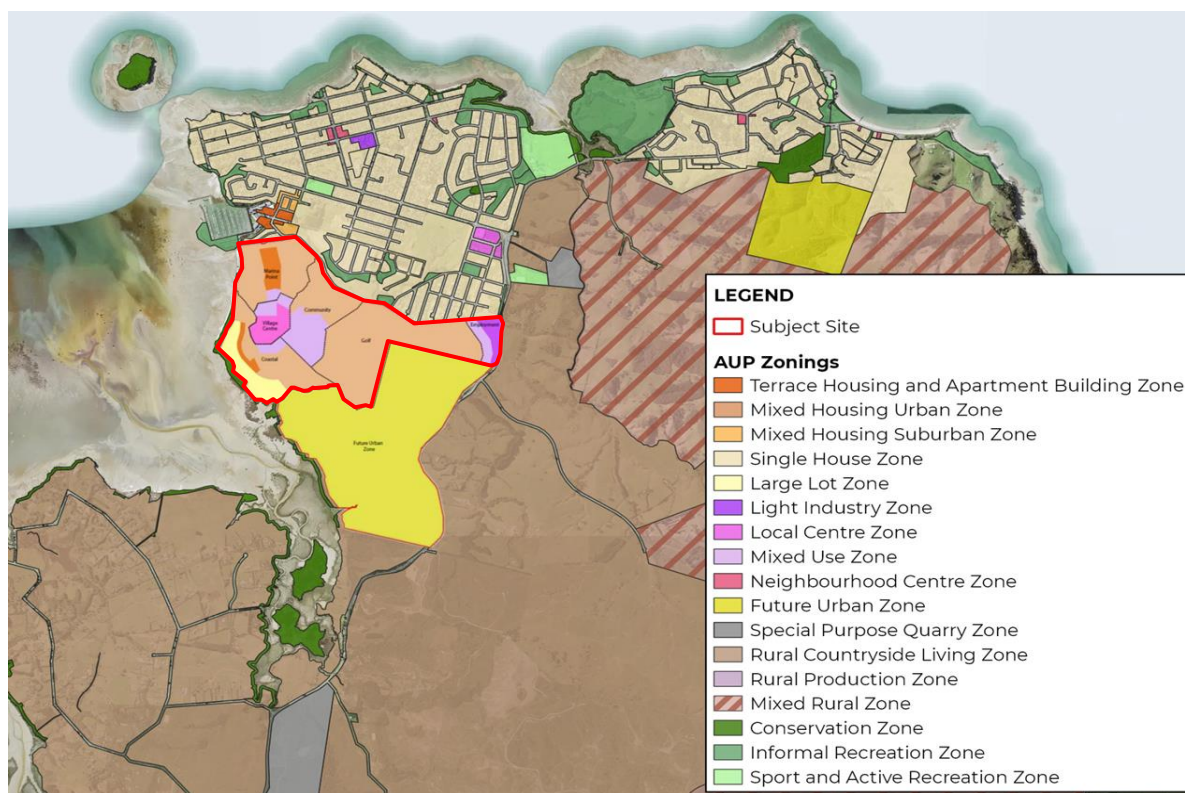
## OVERVIEW OF THE BEACHLANDS SOUTH PROJECT

According to the Decision Report<sup>1</sup> of the Independent Hearing Commissioners, Private Plan Change 88 – Beachlands South (**PC88**) is recognised to “give effects to the NPS-UD and the RPS and delivers a well-functioning urban environment under the NPD-UD including with respect to accessibility and reductions in greenhouse gas emissions”.

As per the decision on PC88, the subject site of this application, covering around 160ha and comprising the northern section of the broader PC88 land (refer to the Red Outline area in the following figure), has been approved for zoning that combines residential living, business, and open space zones.

A visual representation detailing the location and extent of the project site alongside its surrounding zoning contexts is provided in the figure following. It shows that the project is situated directly south of the existing residential areas in Beachlands and the Pine Harbour public transport hub.

**FIGURE 1: SUBJECT SITE IN THE CONTEXT OF THE AUP ZONING ENVIRONMENT AND PC88 DECISION**



Source: Auckland Council, LINZ, Google Maps. Note that the zoning decisions made on PC88 have not been updated in the latest Auckland Unitary Plan (AUP) zoning maps. These decisions have been integrated into the map above, reflecting the notified decision issued on April 12, 2024.

<sup>1</sup> Titled “Proposed Private Plan Change 88 to the Auckland Unitary Plan Decision following the hearing of a Plan Change to the Auckland Unitary Plan under the Resource Management Act 1991”



This application seeks to enable the development of the northern portion of the PC88 land via the pathway in Schedule 2A of the FTA Bill.

Specifically, the project will encompass a variety of dwelling types, totalling 2,700 residences, alongside retail and commercial services, office spaces, and light industrial facilities. These proposed activities align with the PC88 decision and are anticipated outcomes for the Beachlands area.

## ECONOMIC INJECTION AND EMPLOYMENT GENERATION

This economic impact assessment estimates the total additional gross economic output<sup>2</sup> into the Auckland economy that would be brought about by the proposed Beachlands project.

Table 2 below illustrates that the total (direct, indirect and induced activities) impact on business activity within Auckland as a result of the project over a 20-year period (through to 2044) is estimated to be around **\$1.7 billion**. This figure excludes infrastructure investment.

**TABLE 1: REGIONAL ECONOMIC ACTIVITY GENERATED THROUGH PROPOSED BEACHLANDS SOUTH PROJECT (\$M NPV)**

	2024 - 2029	2030 - 2034	2035 - 2039	2040 - 2044	Total
<b>Direct Expenditure (\$m)</b>					
<b>Total Direct Expenditure (excl. land)</b>	<b>\$386.3</b>	<b>\$795.5</b>	<b>\$828.7</b>	<b>\$439.3</b>	<b>\$2,449.9</b>
<b>Level 2 Multiplier Impacts</b>					
Total Auckland Output (48 sector multipliers)					
<b>Total Auckland Output NPV (48 sector multipliers)**</b>	<b>\$376.7</b>	<b>\$638.5</b>	<b>\$490.5</b>	<b>\$202.7</b>	<b>\$1,708.4</b>
<b>Employment (FTE Years)</b>					
Project Employment	689	526	407		1,622
Construction Employment	1,685	3,698	2,862	1,396	9,641
Other Employment	475	862	639	218	2,194
<b>Total Employment (FTE years)</b>	<b>2,849</b>	<b>5,086</b>	<b>3,908</b>	<b>1,614</b>	<b>13,457</b>

Source: Property Economics

\* Increased Local Spend by employees, construction workers and additional local business spend through the different stages of project.

\*\* The impacts on Auckland as a result of direct, indirect and induced activities.

In terms of employment multipliers this would contribute 1,200<sup>3</sup> jobs during the peak building phase within Auckland (2028), with a total number of FTE years at nearly 13,500 over the project period for the Project.

<sup>2</sup> For example, this has not taken into account any short-term loss of operational employment currently on site.

<sup>3</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).

In terms of the nominal expenditure, it is expected that over the life of the project there would be nearly \$2.5b capital expenditure into the Beachlands South project, excluding external infrastructure investment.

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 project are broken down by the project phase which includes the construction costs (CAPEX<sup>4</sup>) of the project 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 project.

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 project.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand (based on 106 sectors), which were then assessed at a district level based on Auckland economic activity, composition, and productivities.

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (within a given business cycle) for each \$1 injected.

This was performed for the general residential / commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Auckland catchment for the proposed project include:

- Residential Construction Cost x 'Construction Multiplier' +
- Direct Heavy Construction Cost x 'Construction Multiplier' +
- Direct Project Cost x 'Project Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

---

<sup>4</sup> CAPEX – Capital Expenditure

Each identified multiplier relates simply to the economic sector from which the activity is generated.

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this Economic Impact Assessment, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'residential construction', 'non-residential construction', 'non-building construction', 'other construction services'.
2. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
3. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data<sup>5</sup> to March 2023.
4. This report deals with the economic impact of the proposed Project on Auckland. These are specifically the direct impacts related to the operation and construction of the proposed activity.
5. The economic activity generated is based on the Project's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
6. For the purposes of this assessment a 6% discount rate has been applied.
7. Labour movements are based on average retention rates rather than specific company locations.
8. The proportion of materials and labour internalised in direct benefits to Auckland are based on standardised labour movements as well as employment and production composition within the region. The amount of each 'flow-on' dollar retained in Auckland are based on the movement of resources (including labour) between other districts and regions.

---

<sup>5</sup> Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

## CATCHMENT POPULATION GROWTH AND RESIDENTIAL DEMAND: IMPROVED HOUSING AFFORDABILITY AND CHOICE

Table 1 presents the population and household growth projections within the assessed residential catchment<sup>6</sup> over the next decade. These projections are derived from the latest Stats NZ population growth projections for both the High and Medium growth series.

The catchment area currently has an estimated population of just under 180,000 as of June 2023. Looking ahead, according to the Stats NZ High growth scenario, it is projected that the catchment will experience a population increase of around +19% between 2023 and 2033. This translates to a net increase of around 34,450 people, resulting in a population of just over 214,000 by 2033.

At the same time, Stats NZ projections indicate that the number of households in the catchment is expected to grow from 58,180 in 2023 to approximately 68,230 by 2033 under the High growth scenario. Assuming one household per dwelling, this growth would require around 10,050 new dwellings in the catchment by 2033.

**TABLE 2: POPULATION PROJECTIONS AND ESTIMATES FOR THE CATCHMENT**

Medium Growth Scenario	2023	2028	2033
Population	179,620	191,060	198,730
Households	58,180	61,490	64,610
Households Growth		3,310	6,430
Total Dwellings Required (incl. Unoccupied)		3,520	6,840
<b>Net Dwellings Required + NPS Buffer</b>		<b>4,220</b>	<b>8,210</b>

High Growth Scenario	2023	2028	2033
Population	179,620	201,180	214,070
Households	58,180	63,790	68,230
Households Growth		5,610	10,050
Total Dwellings Required (incl. Unoccupied)		5,970	10,690
<b>Net Dwellings Required + NPS Buffer</b>		<b>7,160</b>	<b>12,830</b>

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 around 198,730 people by 2033, reflecting a +11% growth. This corresponds to a net population growth of +19,110 people over the next decade. Under the same growth projection, new dwellings required to accommodate this level of growth equates to around +6,430 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

<sup>6</sup> Refer to Appendix 2 for the geospatial extent of the catchment.

dwelling occupancy ratio within the catchment was around 94%. Applying this ratio suggests that, including unoccupied dwellings, the catchment would require a total of over 6,840 new dwellings and around 10,700 new dwellings by 2033, under the Medium and High growth scenarios respectively.

**Factoring in the required NPS-UD buffers<sup>7</sup> increases the net additional total dwelling requirement in the catchment to 8,210 dwellings under the Medium growth scenario and around 12,830 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 achieving greater migration over the forecast period will generate further demand for new dwellings within the catchment.**

## RESIDENTIAL MARKET TRENDS

### [Residential Sales in the Beachlands Local Market](#)

To shed light on the demand for residential properties in urban areas close to the project site, Figure 2 presents an overview of the Beachlands local residential market. It shows the proportional change to house prices in Beachlands and Auckland since 2011.

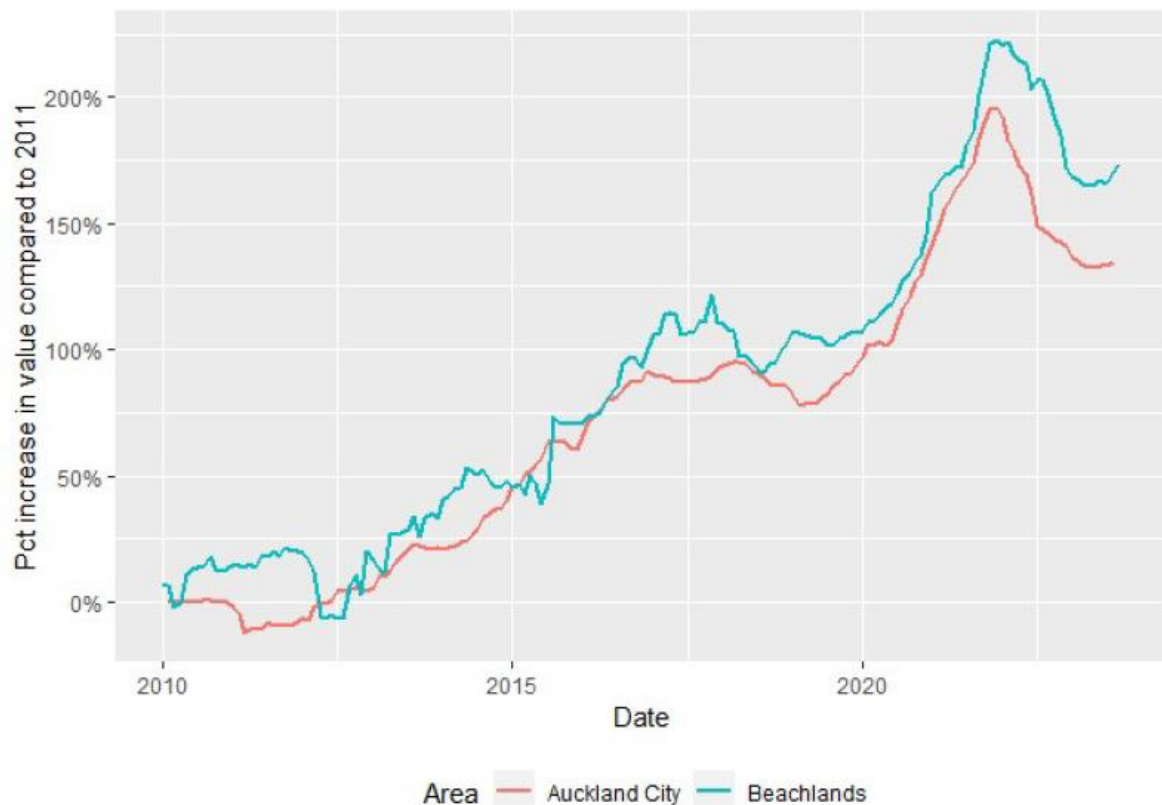
Specifically, it shows that between 2011 and the peak in 2021, the average house price in the Auckland Isthmus had grown by +195% by December 2021. In contrast, the house prices in Beachlands have increased at a noticeably higher rate than the Auckland Isthmus average, reaching +222% over the same timeframe. For comparative context, the wider Auckland Region's median house price has increased +60% over the past decade.

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 Beachlands 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.

---

<sup>7</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 2: AVERAGE HOUSE PRICE GROWTH IN BEACHLANDS AND AUCKLAND**


Source: CoreLogic, Property Economics

According to an international report<sup>8</sup>, Auckland is the seventh least affordable city in the world with a median house price to median income ratio of 10.8. As Figure 2 demonstrates, Auckland's housing market has been changing as housing pressures force new home buyers to re-evaluate their perspectives on higher density housing options.

The market observes the growing substitutability of household structure preferences between dwelling typologies, i.e., typical stand-alone buyers are becoming increasingly accepting of terraced and higher-density housing (including standalone dwellings on smaller sites). This is also driven by the increasing requirements for greater land use efficiency to justify increasing land prices.

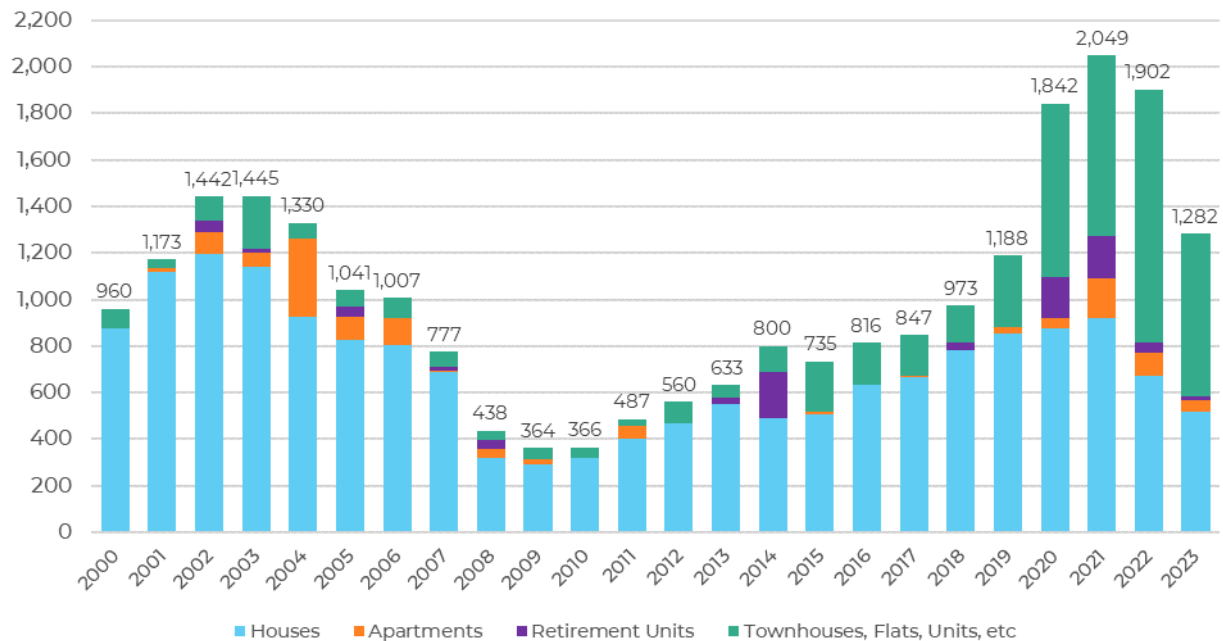
In light of the house price growth trends observed, **the project has the potential to enhance housing affordability in the local market and the wider Auckland Region, positively impacting their economic and social wellbeing by providing an increase in supply that is likely to deliver homes at more serviceable levels of debt.**

<sup>8</sup> Demographia International Housing Affordability, 2023 Edition

### Catchment Building Consents

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

**FIGURE 3: 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 2,050 within the catchment area, marking a level around two times of that observed in the early 2000s. Consequently, an average of around 1,020 residential consents per year were granted over the past 23 years.

More precisely, the majority, comprising approximately 69% of the consents (i.e., 702 consents per year) pertained to standalone dwellings. Terraced dwellings accounted for around 230 consents per year (or 23%) during this period, while Apartments constituted a very limited portion with only 53 consents per year (or being around 5% of the total consents) over the last 23 years.

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 2019, with a marked rise in Townhouses and Terraces. In 2023, a record 57% 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 to 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. This project represents an efficient and important contribution towards alleviating Auckland's housing shortage that can be fed into the development pipeline straight away.

The project'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 project has the potential to contribute to the facilitation of a more balanced and accessible regional housing market.

## 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 Beachlands local market experienced a significant +222% rise in average house prices since 2011, which surpassed the growth rate of the wider region's housing prices. 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 project is that it provides not only capacity and thereby opportunity for consumers to live in Beachlands but in a location that is proximate to the existing urban environment that is already established Beachlands 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 project is positioned adjacent to the existing and within the anticipated urban footprint, it is likely to mitigate new infrastructure expenses relative to growth areas situated in distant greenfield locations. This project 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 bus / 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 project is the inclusion of both schools and employment land for both commercial and light industrial / mixed use. The provision of a significant residential density in close proximity to these activities will provide a significant benefit to the ability for business within the project to find employees within the local populace. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.
- **Diverse Buyer Pool:** The project 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 project 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 project 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.

## CONCLUSION

Based on the high-level economic overview presented in this memo, Property Economics considers that listing the project in the FTA Bill, via the Schedule 2A pathway, 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 Beachlands community, it can be expected that once fully developed, 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 project 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

M: s 9(2)(a)

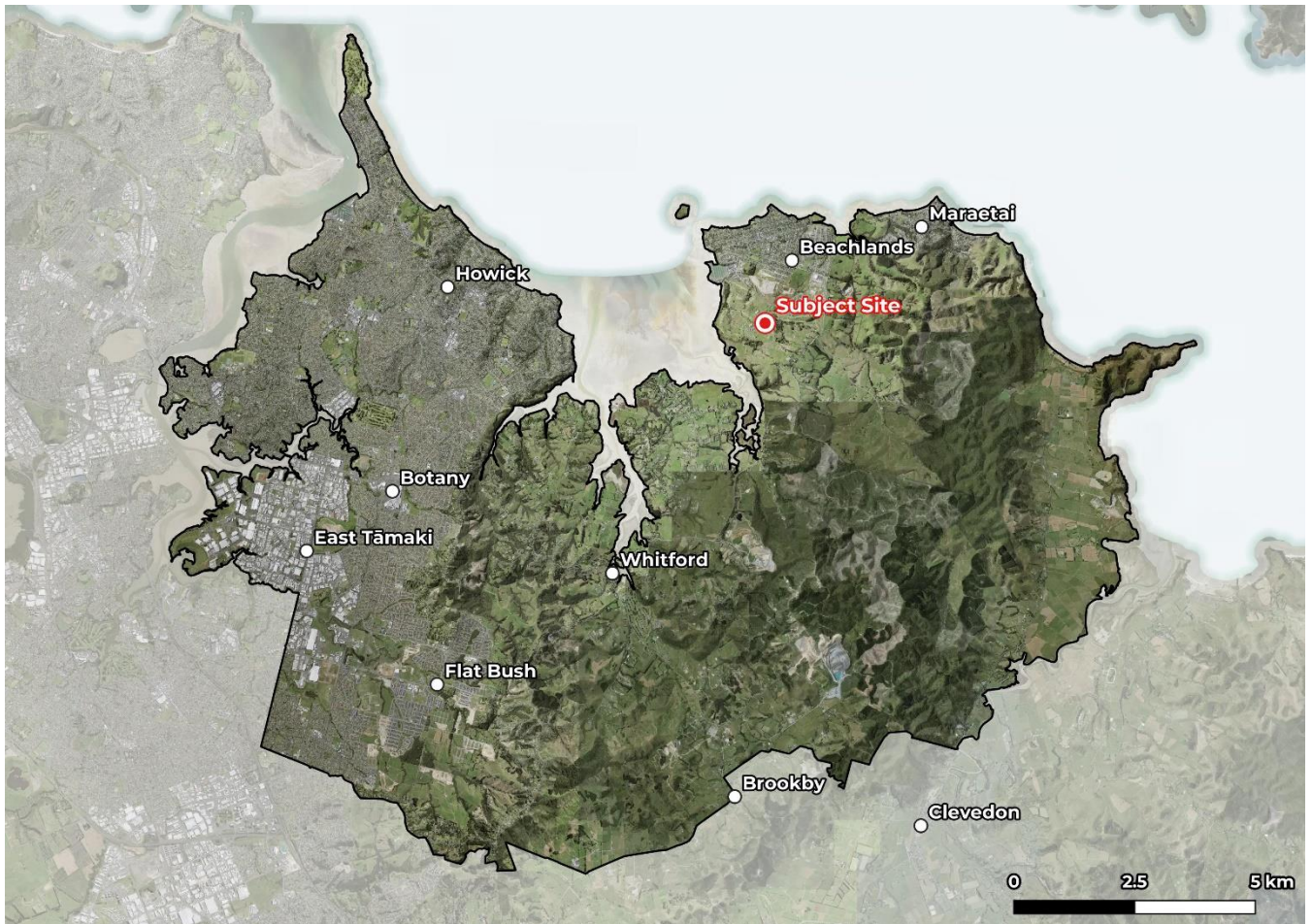
PO: Box 315596, Silverdale 0944, AUCKLAND

E: s 9(2)(a)

[www.propertyeconomics.co.nz](http://www.propertyeconomics.co.nz)



## APPENDIX 1. RESIDENTIAL CATCHMENT



Source: Google Maps, Stats NZ, LINZ