

Economic Assessment for:
201 - 203 Browns Bay Road
Apartment Development

PREPARED FOR
Matvin Group

Released under the provision of
the Official Information Act 1982



ABOUT US

OUR AREAS OF EXPERTISE

Economic Analysis

Our work aims to bridge the gap between land-use planning and urban economics. Our focus is on the interaction between land markets, land-use regulations, and urban development. We have developed a range of methodologies using a quantitative approach to analyse urban spatial structure and audit land-use regulations.

Property Research

We provide property and retail market research to assist with planning and marketing of new projects. This includes identification of new sites and market areas, assessments of market potential and positioning, and the evaluation of market feasibility of specific projects.

Development Advisory

We provide development planning and costing advisory services to support small and large-scale developments.

P: 09 963 8776

150 Foundry Road, Silverdale, Auckland

s 9(2)(a)

www.ue.co.nz



CONTENTS

1.	EXECUTIVE SUMMARY	4
2.	INTRODUCTION.....	5
2.1.	The Proposal.....	5
3.	STUDY AREA	6
4.	HOUSING MARKET ASSESSMENT.....	7
4.1.	Existing Housing Stock	7
4.2.	Comparable Developments.....	10
5.	NEW DWELLING CONSTRUCTION 2016-2020.....	11
6.	IMPACT OF COVID-19.....	12
6.1.	Economic Contribution of Proposal.....	15
7.	OTHER FAST TRACK ASSESSMENT CONSIDERATIONS	16
8.	NPS-UD ASSESSMENT	17
9.	CONCLUSION.....	17

Released under the provision of
the Official Information Act 1982



1. Executive Summary

- The majority of stand alone dwellings in the study area are valued in the \$900,000 ■ \$1,400,000 price range.
- The majority of terrace houses in the study are in the \$700,000 ■ \$1,000,000 price range, and
- The majority of apartments in the study are in the \$500,000 ■ \$800,000 price range.
- The proposal is to build in the order of 51 apartments. These are estimated to fall in the s 9(2)(b)(ii) price range.
- There are no apartment developments currently selling within the study area. There are however three apartment developments on the periphery of the study area with a total of 127 units presently available within the study area. This confirms there is a shortage of apartment housing in this location.
- In the year to June 2021 there were only 55 apartment dwellings consented in the study area. By contrast, there were 2,740 apartment dwellings consented in the wider Auckland region. This also confirms there is a shortage of apartment housing in this location.
- Auckland has a shortage of 45,000 dwellings, and this shortage is primary for affordable dwellings. The proposal would contribute to alleviating this shortage by increasing the relative affordability of housing within the study area.
- The proposal would in addition result in a net increase in construction sector output of \$9.6 million and generate 72 FTE jobs.
- The proposal would utilise a centrally located site that is currently underutilised.



2. Introduction

This report provides an economic and market assessment to support a fast-tracking application for a Resource Consent application for a proposed residential development located at 201 - 203 Browns Bay Road, Browns Bay.

2.1. The Proposal

The proposed site is outlined in Figure 1. It is 3,310m² and is zoned 'Residential - Mixed Urban Zone'. The proposal is to build approximately 51 1-bed and 2-bed apartments.

Figure 1: Proposal Site



Source: LINZ



3. Study Area

The following study area is used to evaluate the local residential market for the proposed development. This area covers the Eastern Upper North Shore.

Figure 2: Study Area Map



Source: Urban Economics



4. Housing Market Assessment

This section provides an overview of the current housing market in the study area.

4.1. Existing Housing Stock

Figure 3 shows the existing housing stock profile for the study area. The main points to note are:

- The majority of stand alone dwellings are valued in the \$900,000 - \$1,400,000 price range.
- The majority of terrace houses are in the \$700,000 - \$1,000,000 price range, and
- The majority of apartments are in the \$500,000 - \$800,000 price range.

Overall, the existing housing stock within the study area is relatively unaffordable within the regional context.

Figure 3: Study Area Residential Market Stock Profile

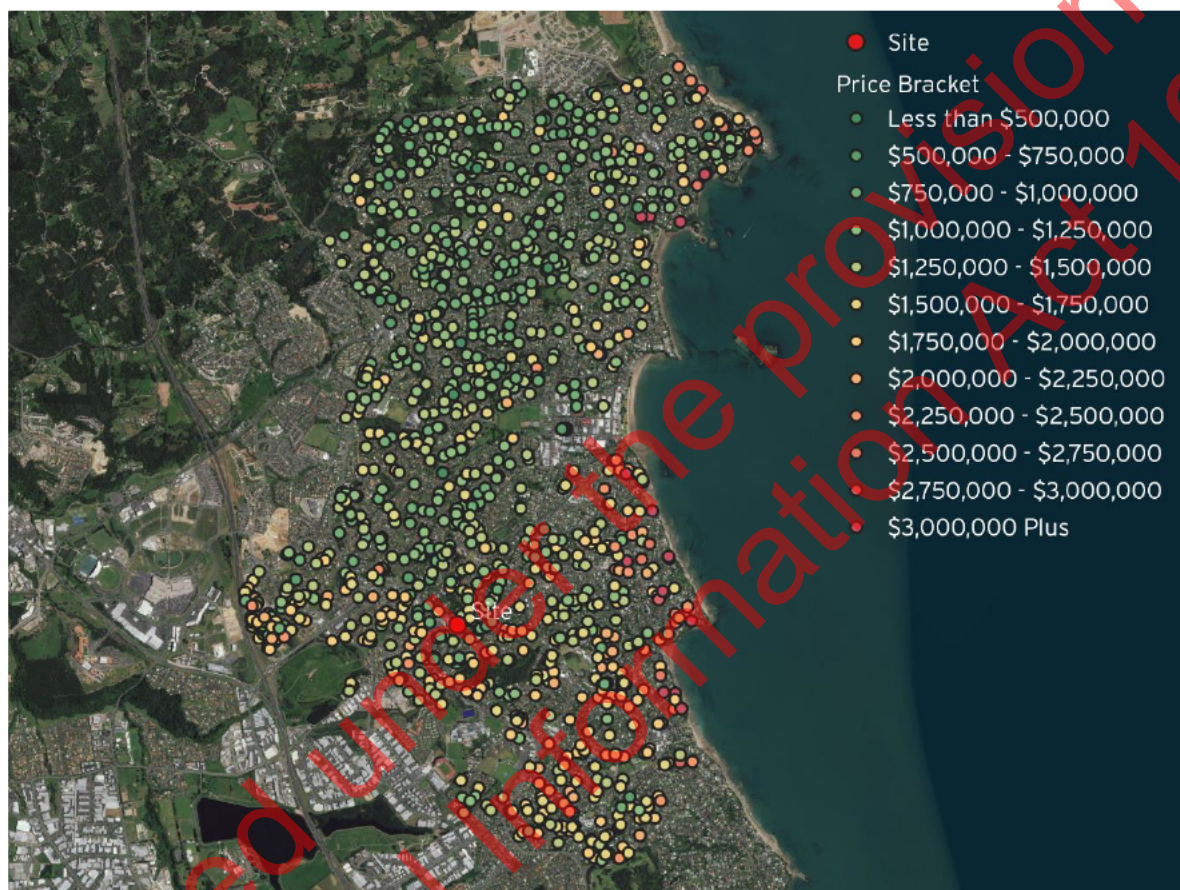
Price Bracket	APT	SA	TCE	Total
Less than \$500,000	50	0	30	80
\$500,000 - \$600,000	35	5	95	135
\$600,000 - \$700,000	60	30	245	335
\$700,000 - \$800,000	55	255	535	850
\$800,000 - \$900,000	15	805	505	1,330
\$900,000 - \$1,000,000	15	1,705	370	2,090
\$1,000,000 - \$1,100,000	15	1,910	240	2,160
\$1,100,000 - \$1,200,000	25	1,955	200	2,180
\$1,200,000 - \$1,300,000	25	1,515	130	1,670
\$1,300,000 - \$1,400,000	5	1,145	65	1,215
\$1,400,000 - \$1,500,000	15	985	35	985
\$1,500,000 - \$1,600,000	10	835	30	875
\$1,600,000 - \$1,700,000	5	910	25	940
\$1,700,000 - \$1,800,000	5	495	20	520
\$1,800,000 - \$1,900,000	0	325	5	335
\$1,900,000 - \$2,000,000	5	255	20	275
\$2,000,000 - \$2,100,000	5	185	10	205
\$2,100,000 - \$2,200,000	5	135	5	145
\$2,200,000 - \$2,300,000	0	105	10	120
\$2,300,000 - \$2,400,000	0	70	0	70
\$2,400,000 - \$2,500,000	0	90	5	95
\$2,500,000 Plus	10	400	25	435
Total	370	14,065	2,610	17,045

Source: Corelogic



Figure 4 shows the distribution of dwelling sales by price. Prices are higher in coastal locations and to the south of the catchment. The highest priced locations within the study area are Mairangi Bay, Rothesay Bay, Murrays Bay, Windsor Park and Pinehill. These areas typically achieve sales prices above \$2,000,000. The proposal site is located to the south west of the catchment. This area has sales in the \$1,000,000 - \$2,000,000 range.

Figure 4: Study Area Sales Analysis 2020



Source: Corelogic

The following figures display residential sales for new dwellings in the study area and the wider Auckland urban area for the past year. Most notably, the apartment market in the study area is underdeveloped relative to the Auckland urban area with 4% of sales in this product type compared to 13% across the Auckland Urban Area. Apartments tend to be more affordable than other dwelling types with apartment sales clustering in the \$500,000 - \$900,000 range over the Auckland Urban area and \$700,000 - \$1,300,000 across the study area. The study area is more expensive than the Auckland Urban Area with 74% of dwellings selling for \$1,000,000 plus compared to 46% across the Auckland Urban Area.

The proposal would supply apartments in the s 9(2)(b)(ii) price range (refer Section 8). This would contribute to the relative affordability of the study area. It is worth noting that the study area has relatively little land that is zoned to enable apartment housing when compared to other



locations in Auckland. This is the underlying reason that there are fewer apartments being built in the study area.

Figure 5: Study Area Sales 2020

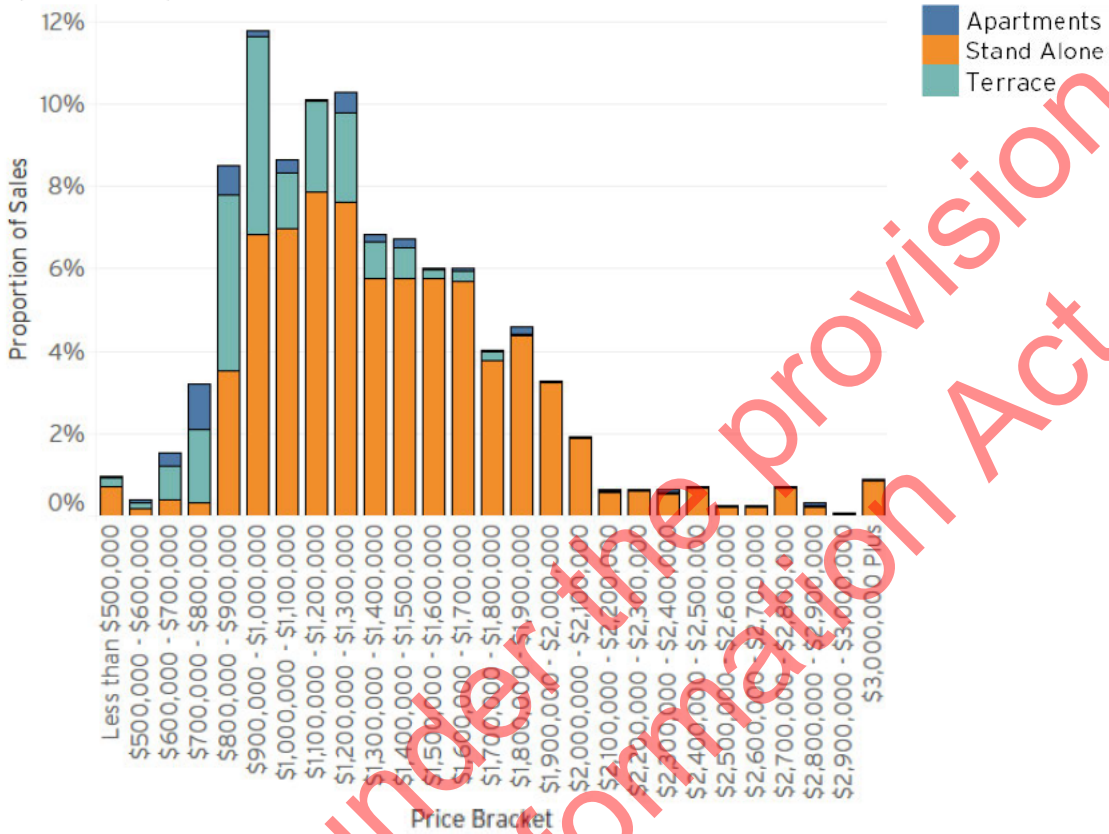
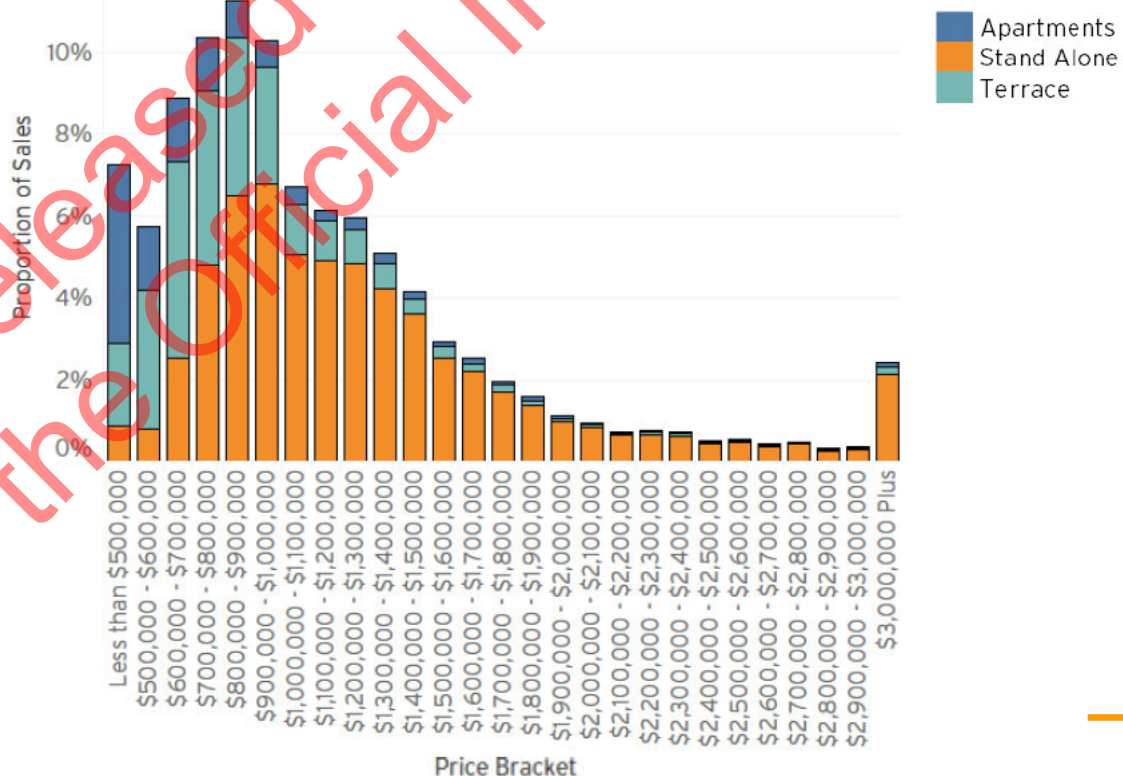


Figure 6: Auckland Urban Area Sales 2020





4.2. Comparable Developments

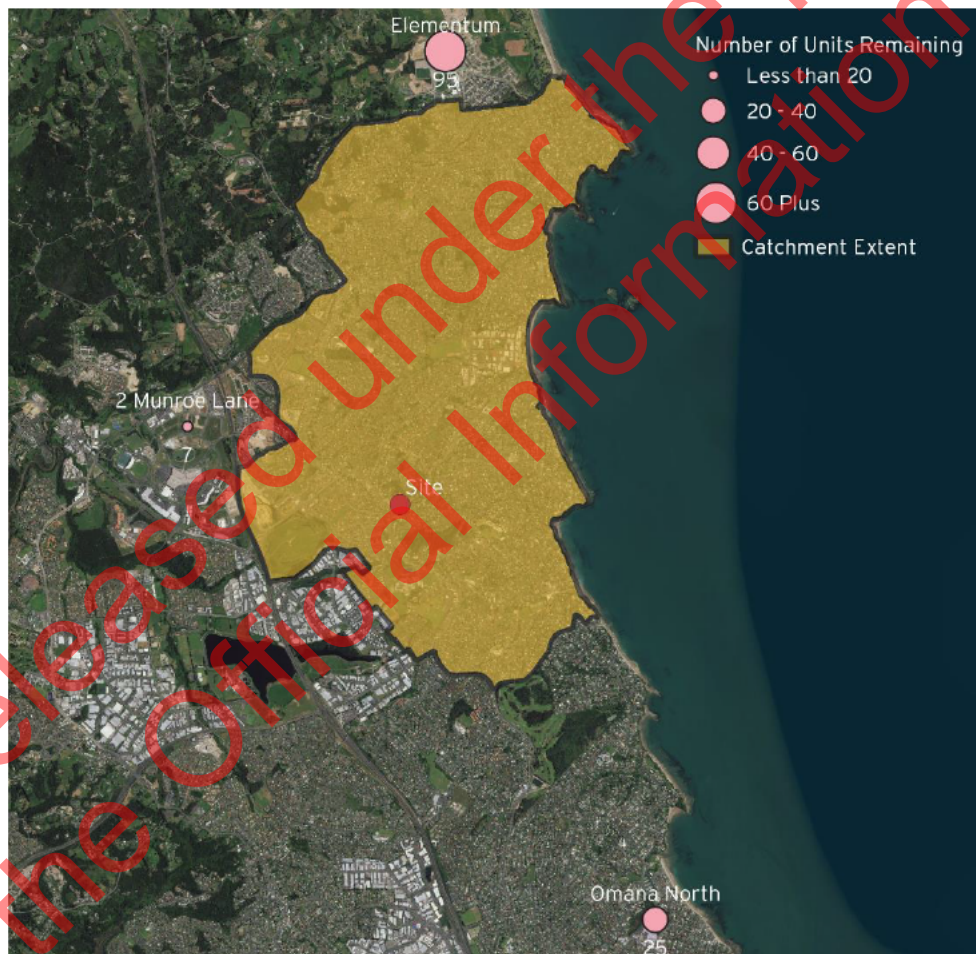
Within the study area there are no developments currently selling apartments. There are however, a number of apartment developments occurring on the periphery of the study area. In total there are 3 developments with a total of 127 units presently available. This confirms there is a shortage of apartment housing in the study area and its surrounds.

Figure 7: Comparable Apartment Developments

Address	Price Range	Zone	Units Remaining
2 Munroe Lane	\$768,000 - \$1,468,000	Metropolitan Centre	7
17 Windlass Street	\$560,000 - \$1,100,000	Terrace Housing and Apartments	95
1 Omana Road	\$1,440,000 - \$4,675,000	Mixed Housing Suburban	25
Total Units			127

Source: Various

Figure 8: Map of Comparable Apartment Developments



Source: Various



5. New Dwelling Construction 2016-2020

The following figures show dwellings consented since 2016 within the study area and the Auckland region. The main points to note are:

- Apartments account for 11% of all consents in the study area.
- Apartments account for 20% of all consents in the Auckland region.
- In 2021 there were 55 apartments consented in the study area.
- The proposal would increase apartment supply by 51 dwellings, increasing five yearly supply by 35% and matching supply for the full July 2020 - June 2021 year.

Figure 9: Study Area Building Consents (Year to June 2017 - 2021)

Year	Stand Alone	%	Apartment	%	Retirement	%	Terrace	%	Total
2017	90	46%	0	0%	50	26%	55	28%	195
2018	135	53%	25	10%	65	25%	30	12%	255
2019	140	76%	0	0%	0	0%	45	24%	185
2020	130	39%	65	20%	55	17%	80	24%	330
2021	150	41%	55	15%	0	0%	165	45%	370
Total	645	48%	145	11%	170	13%	375	28%	1,335
5 Year Avg	130	48%	30	11%	30	11%	80	30%	270

Source: Statistics NZ

Figure 10: Auckland Region Building Consents (Year to June 2017 - 2021)

Year	Stand Alone	%	Apartment	%	Retirement	%	Terrace	%	Total
2017	5,250	51%	2,200	21%	690	7%	2,220	21%	10,360
2018	5,920	48%	2,810	23%	820	7%	2,820	23%	12,370
2019	6,660	47%	3,220	23%	560	4%	3,590	26%	14,030
2020	6,660	45%	2,660	18%	500	3%	4,970	34%	14,790
2021	6,180	36%	2,740	16%	430	3%	7,780	45%	17,130
Total	30,670	45%	13,630	20%	3,000	4%	21,380	31%	68,680
5 Year Avg	6,130	45%	2,730	20%	600	4%	4,280	31%	13,740

Source: Statistics NZ



6. Suitable Development Sites

The following figures display details on the availability of development sites within the catchment that could enable a similar level of density.

Apartment dwellings of different levels of density are enabled in a number of zones under the Auckland Unitary Plan. Figure 11 displays the location of suitably zoned, sized (3,000m² plus) and vacant properties within the catchment area. There is only one land parcel that meets this criteria ■ 69 Greville road, which is a 4■20m² site zoned Local Centre zone. While this zone is primarily for enabling commercial activities, apartments are enabled on higher upper floors. This site would enable approximately 20 apartments, less than 1 years' supply in the current market.

There is a moderate quantity of Terrace Housing and Apartments Zone ("THAB") land within the catchment. This land has either already been developed to a high density, or is currently in use for residential or commercial purposes. All of this land is of a small size, ranging from 100m² to 3,000m² with most sections ranging in size from 240m² - 930m². Redevelopment of sites in this zone would involve amalgamation of multiple titles. This process can be difficult as some owners may not wish to sell their site. It is expected that the supply of apartments from these sites will be limited in quantity and slow due to the size of these sites. The shortage of suitably sized and zoned vacant development sites, and the fragmented nature of sites within the THAB zone, indicates that there is limited market potential for apartments within the study area.

Figure 11: Available Apartment Development Sites within the Study Area



Source: Corelogic, Auckland Unitary Plan, Urban Economics



Figure 12: Terrace Housing and Apartments Zoned Land with the Study Area



Source: Corelogic, Auckland Unitary Plan, Urban Economics

7. Impact of Covid-19

The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of costs and benefits of those involved in the construction sector, as follows.

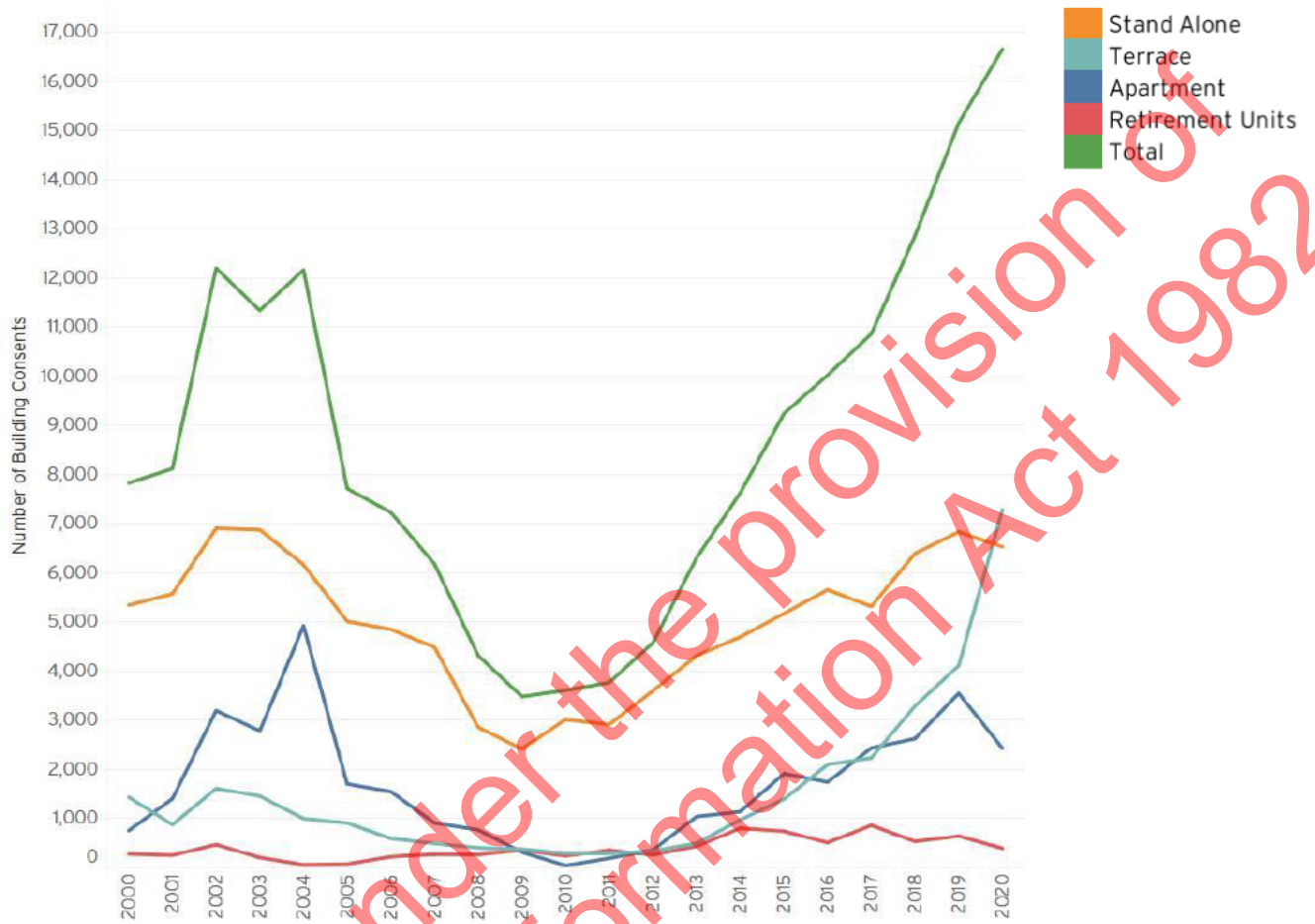
The project's economic benefits and costs for people or industries affected by COVID-19 (see section 19(a)).

Historically the construction sector has followed the wider economy closely. The global financial crisis of 2008 saw an accompanying drop off in new dwellings consented. As displayed in the following figure, recovery was also particularly slow. It wasn't until 2017 that building consents recovered to the previous peak of 12,000 consented dwellings per annum last seen in 2005.

Covid-19 has forced New Zealand's borders to close. Record high international immigration has been replaced with near to zero international immigration. This is likely to result in a decline in the number of houses demanded and constructed and may place considerable pressure on the construction sector over the coming years.



Figure 13: Building Consents by Product Type: Auckland Region (2000 - 2020)



Source: Corelogic

Released under the provision of the Official Information Act 1982



7.1. Economic Contribution of Proposal

The project would create a considerable number of jobs within the construction industry. The national 'value added per employee' for each sector has been used to estimate the full time equivalent (FTE) employment for this project.

The site is zoned Mixed Housing Urban. As a base case, development of 15 terrace dwellings is assumed to occur under this zone¹. This base case provides FTE employment of 24 employees over the life of the project. The proposal provides employment of 96 FTE employees over the life of the project, a net increase of 72 FTE employees. This number can be interpreted as the number of FTE jobs created on an annualised basis, i.e. if construction takes two years and is split evenly between the years then 45 FTE jobs would be created in each year.

Figure 14: FTE Employee Estimates

Development	Product	Units	Value (Millions)	Value Added (Millions)	FTE Employees
Base Case (Terrace)	90sqm 2-3-bed	15	\$10.8	\$3.2	24
Proposal (Apartment)	45 -46sqm 1-bed	10	\$5.9	\$1.7	13
	69 - 72sqm 2-bed	41	\$37.7	\$11.1	83
Total		51	\$43.7	\$12.8	96
Net Addition		36	\$32.9	\$9.6	72

Source: Statistics NZ, Urban Economics

Figure 13 shows the estimated national 'value added per FTE employee'. These value added per employee figures are used to estimate the FTE employees created by the construction project expenditure outlined in Figure 12. Figure 13 shows that the construction sector has a \$18.5B contribution to national GDP and a workforce of 139,800 FTEs. This results in a value added of \$133,000 per FTE employee.

Figure 15: Industry GDP and Value Added per Employee

Industry	Contribution to GDP (\$m)	FTE Workers	Value Added per Employee
Construction	\$18,540	139,800	\$133,000

Source: Statistics NZ, Urban Economics

¹ The yield of 15 terrace dwellings is based on a gross lot area of approximately 220m² and a net lot area of approximately 140m² which is typical for a terrace development in Auckland.



8. Other Fast Track Assessment Considerations

The COVID-19 Recovery (Fast Track Consenting) Act 2020 requires several other economic considerations, which are addressed as follows.

The project's effect on the social and cultural well-being of current and future generations (see section 19(b)).

The proposed development would provide employment and increase the range and relative affordability of housing in the study area. In particular, the project would have a positive impact on the social and cultural well-being of current and future generations by increasing the affordability of the catchment area.

The following figure displays the proposed composition of the development. Prices have been estimated based on square metre rates achieved by new apartment buildings within the catchment. These are expected to be priced from s 9(2)(b)(ii) for a 1 bedroom, and s 9(2)(b)(ii) for a 2 bedroom. These apartments are s 9(2)(b)(ii) lower than the average price paid for new apartments in the catchment, and are s 9(2)(b)(ii) lower than the average price paid for dwellings in the catchment. Providing new, affordable dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 16: 201 & 203 Browns Bay Road Development Composition

Development	Product	Units	Value (Millions)	Value Added (Millions)	FTE Employees
Base Case (Terrace)	90sqm 2-3-bed	15	\$10.8	\$3.2	24
Proposal (Apartment)	45 - 46sqm 1-bed	10	\$5.9	\$1.7	13
	69 - 72sqm 2-bed	41	\$37.7	\$11.1	83
Total		51	\$43.7	\$12.8	96
Net Addition		36	\$32.9	\$9.6	72

Source: Statistics NZ, Urban Economics

If applicable, whether the project may result in a public benefit by generating employment (see section 19(d)(i)).

As outlined above, the project would create an estimated 96 Direct FTE jobs and 72 more than the base case. These jobs would be in roading, construction, landscaping, planting, land surveying, administration and support services and other related activities. This is a notable economic benefit.

If applicable, whether the project may result in a public benefit by increasing housing supply (see section 19(d)(ii)).

The project would increase housing by supplying 51 new 1-2 bedroom dwellings to the market. In particular, the project would provide housing in currently undersupplied price brackets in the study area.



9. NPS-UD Assessment

The NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments, which are urban environments which have (or enable) housing that is of a range, type and price that meets demand (Policy 1).

The proposal helps to achieve the NPS-UD objectives as it increases the range of housing available to the market. As outlined above, the proposal would provide additional housing within the s 9(2)(b)(ii) price brackets, which are currently undersupplied in the study area and region. The proposal therefore provides housing which meets the market demand for relatively affordable housing.

10. Conclusion

The proposal would provide a range of relatively affordable housing to the market for the study area, which is currently undersupplied. The proposal would in addition result in a net increase in construction sector output of \$9.6 million and generate 72 FTE jobs.

Released under the Provision of
the Official Information Act 1982