

Economic Assessment for:
**11-13 Fleet Street Residential
Development**

PREPARED FOR
Sanctum Projects Limited



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P: 09 963 8776

7 Tamariki Avenue, Orewa, Auckland

adam@ue.co.nz

www.ue.co.nz



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1. Executive Summary

- The majority of stand alone dwellings within the study area are valued in the \$1,000,000 - \$2,000,000 price range. However, there are a significant number of stand alone dwellings valued above \$2,000,000.
- Approximately 66% of apartments within the study area are valued between \$300,000 and \$800,000.
- The average sale price for apartment units in the study area over the last year is \$928,000, making it the most affordable compared to other types of residential housing.
- The proposal is to build 57 apartments ranging from 1-2 beds, of which 29 apartments would be sold to the market with an estimated market price between \$700,000 and \$890,000 and the remaining 28 apartments would be available as build to rent.
- There are currently six comparable developments within the study area with a total of 26 units presently available. This indicates that there is a shortage of new apartments in this location.
- Building consents for apartments in the study area are a high proportion of the total consents. (85% vs 20% for the Auckland region) over the last 5 years, suggesting it is the ideal location for high density development.
- The proposal would increase apartment supply by 57 apartments. This is equivalent to supplying 3-4 months of total projected annual demand for housing within the study area.
- Auckland has a shortage of around 45,000¹ dwellings, and this shortage is primary for affordable dwellings. The proposal would contribute to this shortage by providing relatively affordable housing in the study area.
- The proposal would result in an increase in construction sector output, with an additional 100 full time equivalent employees (FTEs) with a value-added contribution of \$13.3 million to GDP, resulting in a net addition of 35 FTE jobs and \$4.6 million to GDP when compared to the baseline scenario. This results in considerable economic benefit.

¹ Johnson, A., Howden-Chapman, P., & Eaquad, S. (2018). A Stocktake of New Zealand's Housing.



2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a proposed residential development located at 11-13 Fleet Street, Eden Terrace.

2.1. The Proposal

The proposed development site is outlined in Figure 1. It is approximately 672m² and is zoned Business Mixed Use. The proposal is to develop 57 apartments ranging from 1-2 beds across 8 levels, of which 29 apartments would be sold to the market with an estimated market price between \$700,000 and \$890,000 and the remaining 28 apartments would be made available as build to rent. In addition, the proposal is also to develop a commercial office (70m²) and 18 underground car parks.

Figure 1: Proposal Site



Source: Sanctum Projects Limited



Figure 2 compares the total units and GFA from the proposed development with the permitted baseline scenario. The proposed development would be 8 levels, compared to the baseline development of 5 levels, resulting in 21 more units and 1060m² of additional GFA.

Figure 2: Total Units and GFA under the Baseline Scenario and the Proposed Development

Product Type	Permitted Baseline			Proposed Development			Net Addition	
	Total Units	Unit (m2)	GFA (m2)	Total Units	Unit (m2)	GFA (m2)	Total Units	GFA (m2)
Type A	16	45	720	25	45	1125	9	405
Type B	10	45	450	17	45	765	7	315
Type C	0	0	0	3	68	205	3	205
Type D	10	68	680	12	68	815	2	135
Total	36	158	1,850	57	226	2,910	21	1,060

Source: Urban Economics, Sanctum Projects Limited



3. Study Area

The study area outlined in figure 3 has been used to evaluate the local residential market for the proposed development. It includes Kingsland, Mount Eden (North), Grey Lynn, Grafton, Freemans Bay, Ponsonby and the southern part of the Auckland CBD.

Figure 3: Study Area



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 4 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 \$1,000,000 - \$2,000,000 price range. There is also a significant number of stand alone dwellings valued above \$2,000,000.
- The majority of terrace houses are valued in the \$400,000 - \$1,100,000 price range.
- Approximately 66% of apartments in the study area are valued between \$300,000 and \$800,000.

Figure 4: Study Area Residential Market Stock Profile

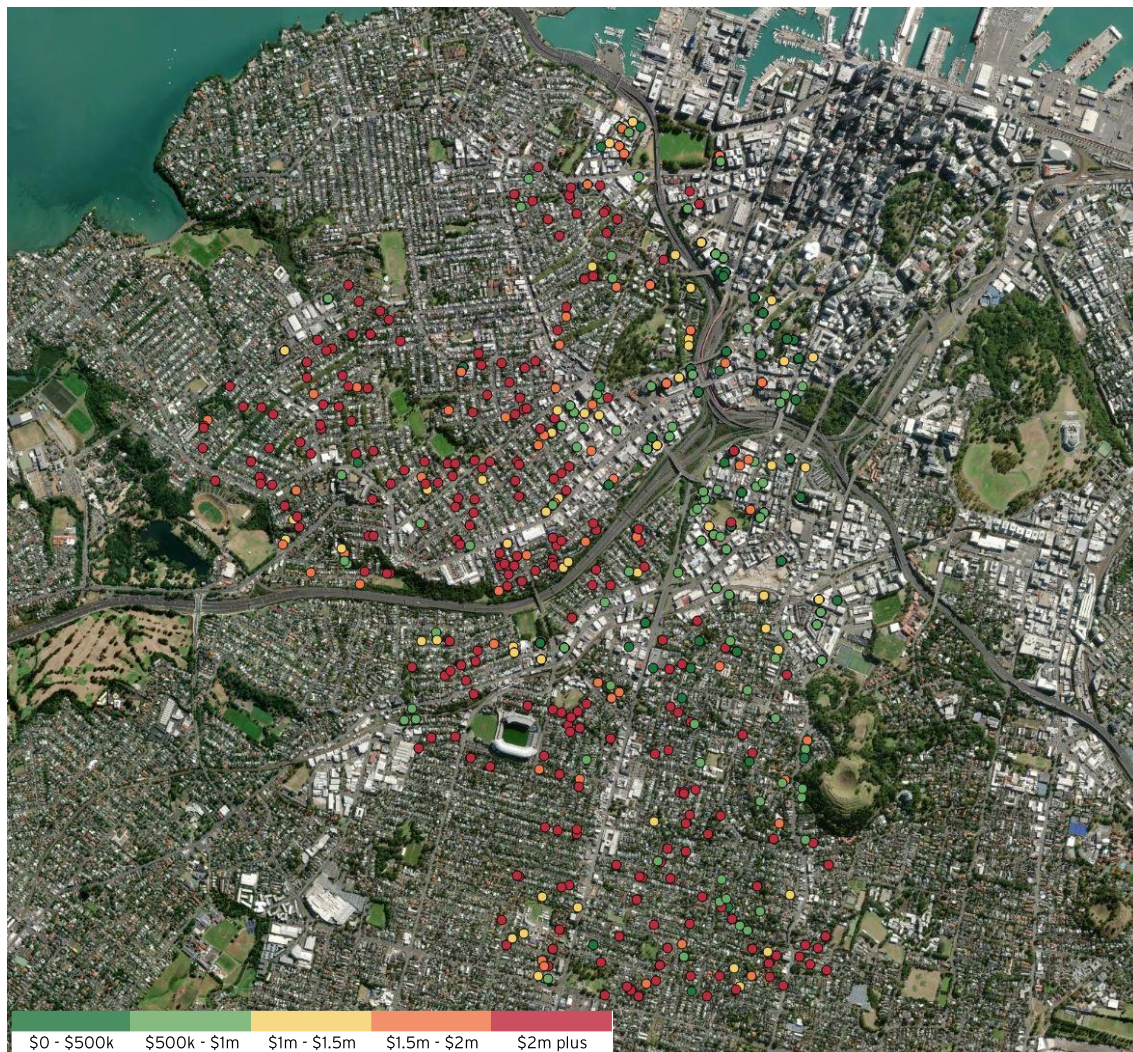
Price Bracket	Stand alone	Terrace	Apartment	Total
Less Than \$300,000			10	10
\$300,000-\$400,000		5	150	155
\$400,000-\$500,000		20	180	200
\$500,000-\$600,000		20	170	190
\$600,000-\$700,000		35	140	175
\$700,000-\$800,000	1	40	100	141
\$800,000-\$900,000	4	25	80	109
\$900,000-\$1,000,000	5	10	70	85
\$1,000,000-\$1,100,000	15	15	35	65
\$1,100,000-\$1,200,000	25	1	30	56
\$1,200,000-\$1,300,000	20	2	30	52
\$1,300,000-\$1,400,000	25	1	20	46
\$1,400,000-\$1,500,000	20	1	20	41
\$1,500,000-\$1,600,000	40	1	10	51
\$1,600,000-\$1,700,000	25	5	10	40
\$1,700,000-\$1,800,000	40		5	45
\$1,800,000-\$1,900,000	20		10	30
\$1,900,000-\$2,000,000	20		5	25
\$2,000,000 +	80		40	120
Total	340	180	1,115	1,635

Source: CoreLogic

Figure 5 shows the distribution of dwelling sales by price over the December 2020-2021 period. The highest priced locations within the study area are Freemans Bay, Ponsonby Mount Eden and Grey Lynn, which typically achieve sale prices above \$1,500,000. The proposal site is centrally located in the study area. This area has a varied price profile, typically achieving sale prices between \$750,000 and 1,200,000.



Figure 5: Study Area Sales December 2020-2021



Source: Corelogic

Figure 6 displays the average sale price achieved over the past year in the study area. Apartment housing is shown to be the most affordable type with an average sale price of \$928,000, while stand alone dwellings achieved the highest average price of \$2,451,000.

Figure 6: Average Sale Price by Dwelling Type December 2020-2021

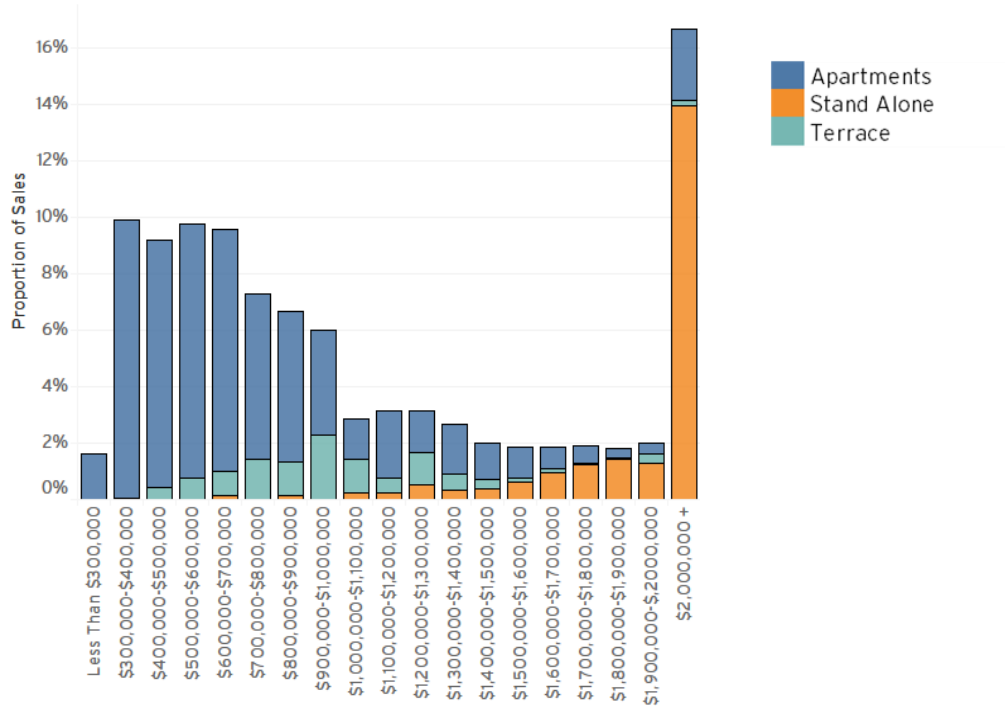
Type	Average Sale Price
Stand alone	\$2,451,000
Terrace	\$984,000
Apartment	\$928,000
Total	\$1,262,000

Source: CoreLogic



The following figures display residential sales for new dwellings in the study area and Central Auckland Area² over the December 2020 -2021 period. There is a wide range of apartment units priced in the sub 300,000 - \$700,000 range, resulting in the study area being one of the few affordable locations in the Auckland region. The proposal would supply 57 apartments priced between \$700,000 and \$890,000. A large proportion of the proposed apartments would have an estimated price of \$700,000-\$720,000. This is relatively affordable for a new dwelling within the study area and Central Auckland Area.

Figure 7: Study Area Sales December 2020-2021

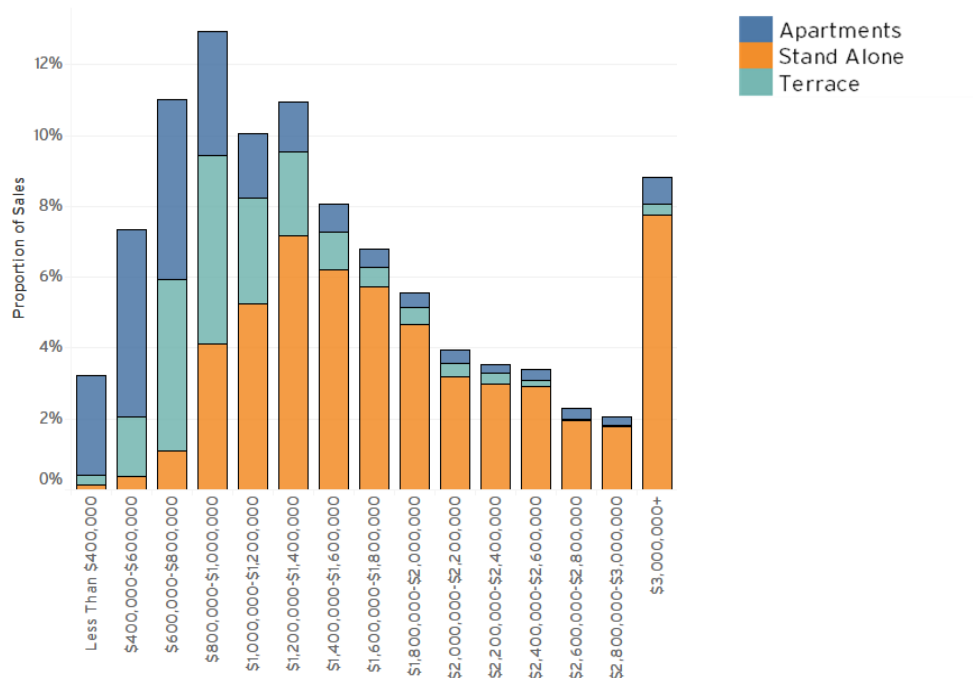


Source: CoreLogic

² Referred to ex Auckland City District area.



Figure 8: Central Auckland Area Sales December 2020-2021



Source: CoreLogic

5. Access to Amenity & Opportunity

The proposed development is located at an attractive location, offering a wide range of amenities that support residential development. For example:

- The proposed development would have access to a wide range of educational facilities, with several schools within close proximity (3.5km radius).
- The proposed development is within a 3.5 km radius of the CBD and other major suburbs giving the residents access to 13,000 businesses offering a total of approximately 65,000 jobs.
- Other amenities include several churches, Auckland hospital, Mt Eden train station, various medical centres, public libraries, parks and access to 4 cinemas.



6. Comparable Developments

Figure 9 provides an outline of the comparable apartment developments presently selling in the study area. There are six apartment developments currently selling within the study area, with 26 units remaining for sale. This indicates there is a shortage of new apartments in this location.

Figure 9: Comparable Apartment Developments

Developments	Address	Suburb	Price	m ² Rate	Units Remaning	Total Units
Proxima Residences	53 Randolph Street	Eden Terrace	\$755000+	\$14,500	4	64
Wonder Apartments	78 France Street	Eden Terrace	\$700,000+	\$15,700	4	53
The Grey	387 Great North Road	Grey Lynn	\$844000+	\$15,400	1	36
The Electric	445 New North Road	Kingsland	\$770,000+	\$15,350	3	33
APT 15 Nugent St	15 Nugent St	Grafton	\$860,000+	\$14,300	1	92
Eden View	428 Dominion Road	Mount Eden	\$719,000+	\$13,800	13	109
Total					26	387

Source: Various, TradeMe

7. New Dwelling Construction 2017-2021

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

- Within the study area, building consents issued for new stand alone and terrace housing are relatively low compared to apartments over the last five years.
- Building consents for apartments in the study area are a high proportion of the total consents (85% vs 20% for the Auckland region) over the last 5 years, confirming it is an ideal location for high density development.
- The proposal would increase apartment supply by 57 apartments. This is equivalent to supplying 3-4 months of total projected annual demand for housing within the study area.
- Despite the strong growth in building consents in the study area and the Auckland region over the past 5 years, there is still a shortage of around 45,000 dwellings³.

Figure 10: Study Area Building Consents (2017 - 2021)

Year	Stand Alone	%	Terrace	%	Apart ment	%	Retire ment	%	Total
2017	10	1%	5	1%	770	98%	0	0%	785
2018	20	6%	5	1%	310	93%	0	0%	335
2019	170	8%	145	7%	1,690	80%	100	5%	2,105
2020	40	10%	40	10%	335	81%	0	0%	415
2021	145	8%	330	19%	1,265	73%	0	0%	1,740

Source: Stats NZ

³ Johnson, A., Howden-Chapman, P., & Eaqub, S. (2018). A Stocktake of New Zealand's Housing.



Figure 11: Auckland Region Building Consents (2017 - 2021)

Year	Stand Alone	%	Terrace	%	Apart ment	%	Retire ment	%	Total
2017	5,250	51%	2,250	22%	2,200	21%	695	7%	10,395
2018	5,920	48%	2,825	23%	2,810	23%	815	7%	12,370
2019	6,655	47%	3,595	26%	3,225	23%	560	4%	14,035
2020	6,655	45%	4,965	34%	2,660	18%	500	3%	14,780
2021	6,800	36%	8,625	45%	3,125	16%	490	3%	19,040

Source: Stats NZ

8. Impact of Covid-19

The Covid-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of the 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 resulted in New Zealand's borders being largely closed. 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 which may place pressure on the construction sector over the coming years.

8.1. Economic Contribution of the 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.

Figure 12 outlines the value added and FTE's the proposed development would generate. It is estimated the construction of 57 apartments, 1 commercial office and 18 car parks at 11-13 Fleet Street would generate 100 FTE jobs and contribute \$13.3 million to GDP. The employment 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 50 FTE jobs would be created in each year. Compared with the baseline scenario, the proposed development is likely to result in a net addition of 35 FTE jobs and \$4.6 million to GDP. This is a significant economic benefit.



Figure 12: FTE Employee Estimates

Baseline Scenario*	Type	Product	Count	Value (Millions)	Value Added (Millions)	FTE Emplo vees
Apartment	Type A	1-Bed	16	\$11.2	\$3.3	25
	Type B	1-Bed	10	\$7.2	\$2.1	16
	Type C	2-Beds	0	\$0.0	\$0.0	0
	Type D	2-Beds	10	\$8.9	\$2.6	20
Commercial Office			1	\$0.8	\$0.2	2
Subtotal			37	\$28.1	\$8.2	62
Underground Carpark			18	\$1.5	\$0.4	3
Total			55	\$29.6	\$8.7	65

Proposed Development	Type	Product	Count	Value (Millions)	Value Added (Millions)	FTE Emplo vees
Apartment	Type A	1-Bed	25	\$17.5	\$5.1	39
	Type B	1-Bed	17	\$12.2	\$3.6	27
	Type C	2-Beds	3	\$2.6	\$0.8	6
	Type D	2-Beds	12	\$10.7	\$3.1	24
Commercial Office			1	\$0.8	\$0.2	2
Subtotal			58	\$43.8	\$12.8	97
Underground Carpark			18	\$1.5	\$0.4	3
Total			76	\$45.3	\$13.3	100

Comaprision	Value (Millio ns)	Value Added (Millions)	FTE Emplo vees
Baseline Scenario*	\$29.6	\$8.7	65
Proposed Development	\$45.3	\$13.3	100
Net Addition	\$15.7	\$4.6	35

Source: Urban Economics

* Max permitable building height

Figure 13 shows the estimated national 'value-added per FTE employee'. These values 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 \$18.5 billion contribution to the national GDP and a workforce of 139,800 FTEs. This results in a value added of \$133,000 per FTE employee.

Figure 13: 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



9. 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. 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 study area.

The following figure displays the proposed composition of the development. Prices have been estimated based on current market prices of new apartment houses across the study Area. These are expected to be priced from \$700,000-\$720,000 for a 1-bed unit, to \$875,000-\$890,000 for a 2-bed unit. Providing new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 14: 11-13 Fleet Street Development Composition

Apartment Type	Product	GFA (m2)	Price	For Sale		Build to Rent		Total	
				Count	Proportion	Count	Proportion	Count	Proportion
Type A	1-Bed	45	\$700,000	12	41%	13	46%	25	44%
Type B	1-Bed	45	\$720,000	9	31%	8	29%	17	30%
Type C	2-Bed	68	\$875,000	2	7%	1	4%	3	5%
Type D	2-Bed	68	\$890,000	6	21%	6	21%	12	21%
Total				29	100%	28	100%	57	100%

Source: Sanctum Projects Limited

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 100 FTE jobs and contribute \$13.3 million to GDP. 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 the residential housing supply by providing a total of 57 apartments. Of which, 29 apartments would be sold to the market and 28 apartments would be available as built to rent. In particular, the project would result in reducing the pressure of the currently undersupplied housing market within the study area and the wider Auckland region.



10. NPS-UD Assessment

The NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments, which are urban environments that 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 \$700,000 - \$890,000 price range with the majority of apartments selling for an estimated price between \$700,000-\$720,000. The proposal therefore provides housing which meets the market demand for relatively affordable housing.

11. Conclusion

The proposal would provide a range of relatively affordable housing to the market within the study area.

The proposal would result in an increase in construction sector output, with an additional 100 full time equivalent employees (FTEs) with a value-added contribution of \$13.3 million to GDP, resulting in a net addition of 35 FTE jobs and \$4.6 million to GDP.

The proposal would meet the economic requirements of the fast track consenting process and is recommended for approval.