

# PROPERTY ECONOMICS



**470 GREAT SOUTH ROAD**

**FAST TRACK ECONOMIC IMPACT**

**ASSESSMENT OVERVIEW**

Client: Unisport Limited

Project No: 52186

Date: June 2022



## SCHEDULE

Code	Date	Information / Comments	Project Leader
52186.5	June 2022	Report	Phil Osborne

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## 1. GREAT SOUTH ROAD – AUCKLAND

This economic impact overview relates to a FastTrack consenting referred project for a proposed residential development by Unispot Limited (Unispot) of a contiguous land holding at 470 Great South Road, Papakura, Auckland. This economic impact assessment relates to a development comprising a total of 338 residential dwellings and 400sqm of small commercial / retail tenancies to serve the local community.

The economic impact estimates the total additional gross economic injection (added Gross Domestic Product (GDP)) into the Auckland economy brought about by the proposed development. The initial specifications and details have been provided by the applicant and represent the development's configuration and costings at this point in time. It is important to note that this is a gross injection and is not site specific. It also assesses the likely economic impacts upon Auckland business activity given the composition of activities 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 anticipated development are broken down by the development phase which includes the construction costs (CAPEX<sup>1</sup>) of the development and the proportion of those costs that are retained within the Region.

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<sup>1</sup> CAPEX – Capital Expenditure

The direct economic impacts are derived from the actual spending / expenses incurred through the operation of the anticipated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

## 2. EXECUTIVE SUMMARY

Unispot propose to develop 470 Great South Road Papakura, a predominantly vacant site at present, into 338 residential dwellings and 400sqm of commercial / retail activity. The total economic impact on business activity within Auckland as a result of the subject Unispot development over a 4-year period is estimated to be just over \$300 million.

In terms of employment multipliers this would contribute nearly 690<sup>2</sup> FTEs during the peak development and operation year within Auckland, with a total number of FTE's at over 2,030 over the 4-year development period.

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<sup>2</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).

### 3. TOTAL ECONOMIC ACTIVITY

This includes construction costs, which have been valued for the overall development.

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 developments include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

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

#### 3.1. ASSUMPTIONS

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): 'non-residential construction', 'non-building construction', 'other construction services'.
2. Associated (and estimated) land costs have been included in the financial repayment assessment for the project.

3. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
4. 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>3</sup> to March 2021.
5. This report deals with the economic impact of proposed development on Auckland. These are specifically the direct impacts related to the operation and construction of the proposed development.
6. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
7. For the purposes of this report a 6% discount rate has been applied.
8. Labour movements are based on average retention rates rather than specific company locations.
9. 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.

Table 1 following outlines the resulting impacts on the Auckland economy as a result of the development.

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<sup>3</sup> Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.



**TABLE 1: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (FASTTRACK)**

(\$m)	2021	2022	2023	2024	2025	Total
Earthworks and Civil		\$5.00	\$5.00	\$5.00		\$15.0
Demolition		\$0.20				\$0.2
Civil Consultants		\$1.00	\$1.00			\$2.0
Levies			\$4.22	\$4.22	\$4.22	\$12.7
Infrastructure						\$0.0
<b>Development Costs</b>		<b>\$6.2</b>	<b>\$10.2</b>	<b>\$9.2</b>	<b>\$4.2</b>	<b>\$29.9</b>
Construction			\$33.83	\$33.83	\$33.83	\$101.5
Land	\$32.6					\$0.0
<b>Total Costs</b>		<b>\$6.2</b>	<b>\$44.1</b>	<b>\$43.1</b>	<b>\$38.1</b>	<b>\$131.4</b>
Operating Production (Non-Residential)				\$8.6	\$14.2	\$22.8
						\$0.0
<b>OPEX (Plus Final Demand)</b>		<b>\$6.2</b>	<b>\$44.1</b>	<b>\$51.7</b>	<b>\$52.3</b>	<b>\$154.2</b>
Multiplier						
<b>Total Auckland Output</b>		<b>\$12.1</b>	<b>\$86.0</b>	<b>\$100.9</b>	<b>\$102.1</b>	<b>\$301.1</b>
Development Employment		82	135	122	56	
Construction Employment			412	412	412	
<b>Total Employment</b>		<b>82</b>	<b>582</b>	<b>682</b>	<b>690</b>	<b>2,036</b>

Source: Property Economics

The preceding table illustrates that the total impact on business activity within Auckland as a result of the Unisport development at 470 Great South Road, Papakura over a 4-year period is estimated to be just over \$300 million.

In terms of employment multipliers this would contribute nearly 690<sup>4</sup> jobs during the peak development and operation year within Auckland, with a total number of FTE's at over 2,030 over the period.

The following table outlines the potential distribution of costs and timeframes based on a standard consenting procedure. The fundamental differences between the FastTrack consenting process and the standard consenting process are not only the extended consenting timeframe but the fact that the applicant is more likely to apply for a consent on a staged basis.

<sup>4</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).

**TABLE 2: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (STANDARD)**

(\$m)	2021	2022	2023	2024	2025	2026	2027	Total
Earthworks and Civil				\$5.00	\$5.00	\$5.00		\$15.0
Demolition				\$0.20				
Civil Consultants			\$1.00	\$0.50	\$0.50			\$2.0
Levies				\$4.22	\$4.22	\$4.22		\$12.7
Infrastructure								\$0.0
<b>Development Costs</b>		<b>\$0.0</b>	<b>\$1.0</b>	<b>\$9.9</b>	<b>\$9.7</b>	<b>\$9.2</b>		\$29.9
Construction					\$33.83	\$33.83	\$33.83	\$101.5
Land	\$32.6							\$0.0
Total Costs		\$0.0	\$1.0	\$9.9	\$43.6	\$43.1	\$33.8	\$131.4
Operating Production (Non-Residential)						\$8.6	\$14.2	\$22.8
								\$0.0
OPEX (Plus Final Demand)		\$0.0	\$1.0	\$9.9	\$43.6	\$51.7	\$48.0	\$154.2
Multiplier								
<b>Total Auckland Output</b>		<b>\$0.0</b>	<b>\$2.0</b>	<b>\$19.0</b>	<b>\$80.7</b>	<b>\$92.9</b>	<b>\$83.8</b>	<b>\$278.3</b>
Development Employment		0	13	131	129	123		
Construction Employment					412	412	412	
<b>Total Employment</b>		<b>0</b>	<b>13</b>	<b>128</b>	<b>546</b>	<b>628</b>	<b>566</b>	<b>1,881</b>

Source: Property Economics

Table 2 illustrates the standard consenting process is estimated to take 2 years in effect delaying the project start date around 2024. The total contribution of the development to GDP through to 2027 is estimated at \$278m with just under 1,900 total year FTE jobs created.

The reasons for the decrease from the FastTrack application include:

- The longer time for development
- The application of Net Present Value (where \$1 early is worth more than the same \$1 a year later, the discount rate 6%)



## 4. OTHER ECONOMIC COSTS AND BENEFITS

Due to the nature of the project assessed, there are a range of potential economic costs and benefits that are likely to be achieved within the market beyond the direct economic activity (employment and GDP) generated.

### ECONOMIC BENEFITS:

1. **Increased Land / Dwelling Supply:** The proposed land area has the ability to supply the market with an additional 338 dwellings. This provides not only the ability for the area to improve its responsiveness to growth demands but itself facilitate further growth within the area with an increase in overall competitiveness. This is in keeping with one of the key purposes of the FastTrack Act<sup>5</sup> of increasing overall housing supply (s19(d)(ii)).

Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size.

2. **More Affordable Housing:** The potential provision of additional feasible residential development capacity (with dwellings at an average of 87sqm) within the wider area is likely to have the impact on reducing counterfactual land values. The residential density proposed also creates more affordable / serviceable properties, with lower land costs per dwelling due to land and development costs able to be amortised over a higher number of homes.

A significant contributor to residential property values is the underlying land values impact by growth expectations and supply. The identification of additional residential land areas and residential densities suitable for development is likely to reduce price pressure in the local and surrounding markets.

3. **Greater Housing Choice:** A development of 338 dwellings offers with it the opportunity for a mix of residential options, with potential for increased density than that offered in a more fragmented development environment.
4. **Decreased Marginal Infrastructure Costs:** Once again the opportunity to masterplan an area has the potential to bring with it, economies of scales and lower marginal infrastructure costs. Additionally, the 'future provision and identification' of this area allows for the future proofing of the area and the community and private infrastructure requirements.

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<sup>5</sup> COVID-19 Recovery (Fast-track Consenting) Act 2020

5. **Impact on Current Employment Levels:** While Covid-19 has had a less significant impact on the general economy than initially estimated, it is clear that the next few years represent uncertain times with several crucial sectors likely to experience significant downturns and considerable restricting. While the sectors that are likely to benefit directly by this proposed development are not necessarily the hardest 'hit' sectors of the economy, they do contribute substantially to overall community wellbeing and will support greater spend and general economic activity that in turn supports greater activity in the affected sectors.

This supports a key FastTrack Act purpose of resulting in a public benefit through generating additional employment (s19(d)(i)). Additional employment opportunities contribute positively to improving income levels of many households in the Auckland, and therefore improve the economic, social and cultural wellbeing of both current and future generations (s19(b) of the Act).

#### ECONOMIC COSTS:

1. **Decreased Residential Intensity Impetus:** As with the provision of any residential locational choice that provides for new areas, the development of greenfield land is likely to impact upon the impetus for the intensification of existing urban areas.

## 5. SUMMARY

Overall, the proposed 470 Great South Road project represents a significant opportunity for the regional and, potentially more importantly, the local economies to protect, sustain and grow jobs and income, provide additional job opportunities and income, while also providing additional competitive residential opportunities.

This development also positively contributes to the outcomes sought in the NPS UD<sup>6</sup> by providing additional housing capacity across a range of typologies and providing more choice in the market in relation to price points and location.

It is important to note that these benefits exist within a timeframe that is likely to see significant uncertainty in development opportunities and a lower appetite for risk, impacting on both the construction and productive base of the regional economy.

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<sup>6</sup> National Policy Statement on Urban Development 2020