

PROPERTY ECONOMICS



MATAI MOANA DEVELOPMENT

FAST TRACK ECONOMIC IMPACT

ASSESSMENT OVERVIEW

Client: Taranaki Whanui Limited

Project No: 52262

Date: December 2022

SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics have been asked to summarise the economic impacts that will flow from the application by Taranaki Whanui Limited for resource consents relating to the construction of 650 residential units at Matai Moana, Wellington ("the Project").

This economic impact overview relates to the application to have the Project referred to the FastTrack process.

This economic impact estimates the total additional gross economic output¹ into the Wellington economy that would be facilitated about by the Project. 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 not site specific.

It is assumed the Matai Moana area represents an efficient location for future growth and therefore the associated infrastructure is location specific. Additionally, the assessment has not endeavoured to identify the extent to which particular parts of the Wellington Region will benefit economically. It assesses the likely economic impacts upon aggregate Wellington business activity given the composition of activities proposed.

The economic impacts likely to be experienced as a result of the Project are broken down by the development phase which includes the construction costs (CAPEX²) of the facilitated activities and the proportion of those costs that are retained within the Region.

¹ For example, this has not taken into account the short-term loss of operational employment currently on site

² CAPEX – Capital Expenditure

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

The development itself proposes:

- 650 residential units (501 apartments, 123 terraced homes and 13 standalone)
- 700sqm of commercial and cultural floorspace
- s 9(2)(b)(ii)
- A cable car
- A high degree of amenity, landscaping and gardens

2. EXECUTIVE SUMMARY

The Taranaki Whanui Limited application proposes to develop the Site into 650 residential units with circa 700 sqm of commercial and cultural GFA, as well as a cable car.

The total economic impact on business activity within Wellington as a result of the subject Taranaki Whanui development over a 11-year period is estimated to be just over \$600 million (NPV)³. In terms of employment multipliers⁴ this would contribute 620⁵ FTEs during the peak development and operation year within Wellington, with a total of just under 4,467 FTE years over the 11-year development period.

³ Net Present Value

⁴ Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.

⁵ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs) and relate to job years rather than one employee.

3. ECONOMIC CONTEXT

In assessing the potential economic impacts, it is important to firstly establish the context in which they will be assessed. For the purposes of this assessment the three important parameters are:

- 1) The geospatial extent of the economic impact. While facilitation of additional housing provision is likely to have a national economic impact, the majority of impacts are likely to be retained within the Wellington Region. As identified, for the purposes of this assessment, the extent of economic impacts is focussed on the retention of activity within this area.
- 2) The economic impacts are those resulting from the residential development over a seven-year period.
- 3) In terms of the statutory considerations the RMA provides context in terms of the utilisation of resources and the resulting impact on the price and provision of these resources. It calls for the "*efficient use and development of natural and physical resources*", with economic efficiency being defined as "*the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs*", Part II section 7 (b) RMA..

As identified the proposed development is likely to have economic impacts that are felt beyond the specific costs and benefits within the region. Additionally, there are likely to be non-economic effects, such as environmental. While these effects may result in economic impacts for the most part they have not been addressed here.

4. TOTAL ECONOMIC ACTIVITY

This section assesses the potential economic activity generated within the Wellington Region specifically attributable to the Project through spending on the general civil works and residential development.

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 48 sectors), which were then assessed at a district level based on Wellington 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 and commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Wellington 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.

4.1. 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): '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 data⁶ to March 2022.
4. This report deals with the economic impact of proposed development on Wellington. These are specifically the direct impacts related to the operation and construction of the proposed development.
5. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchment. As stated, this assessment is not site specific.
6. For the purposes of this report 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 Wellington 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 Wellington are based on the movement of resources (including labour) between other districts and regions.

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

⁶ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

4.2. TOTAL WELLINGTON ECONOMIC ACTIVITY

TABLE 1: TOTAL GROSS WELLINGTON ECONOMIC INJECTION OF PROJECT (FASTTRACK)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
s 9(2)(b)(ii)													
Level 2 Multiplier Impacts													
Total Wellington Output NPV (48 sector multipliers)**	\$61.6	\$82.1	\$74.7	\$55.5	\$66.7	\$63.2	\$53.0	\$44.6	\$35.5	\$35.1	\$25.7		\$597.6
Employment (FTE Years)													
Development Employment	383	342	206	12	9	9	7	7					976
Construction Employment		143	305	358	389	376	316	271	217	217	136		2,729
Other Employment	58	99	109	94	119	83	6	52	46	43	55		763
Total Employment (FTE years)	441	584	621	463	517	468	329	330	263	260	190		4,467

Source: Property Economics

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

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

The preceding table illustrates that the total impact on business activity within Wellington as a result of the Matai Moana development over an 11-year period is estimated to be in the order of \$600 million.

In terms of employment multipliers this would contribute over 620⁷ jobs during the peak construction year within Wellington, with a total number of FTE's at nearly 4,470 over the development period.

Generally, an Economic Impact Assessment for a FastTrack proposal would consider the level and timing of the regional economic activity generated by the project over an adjusted timeframe, providing a relativity and timing impact of the FastTrack application. However, information from the client would suggest that without the FastTrack option the proposed development is likely to occur close to the end of the timeframe (post-2030) provided in this assessment.

⁷ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

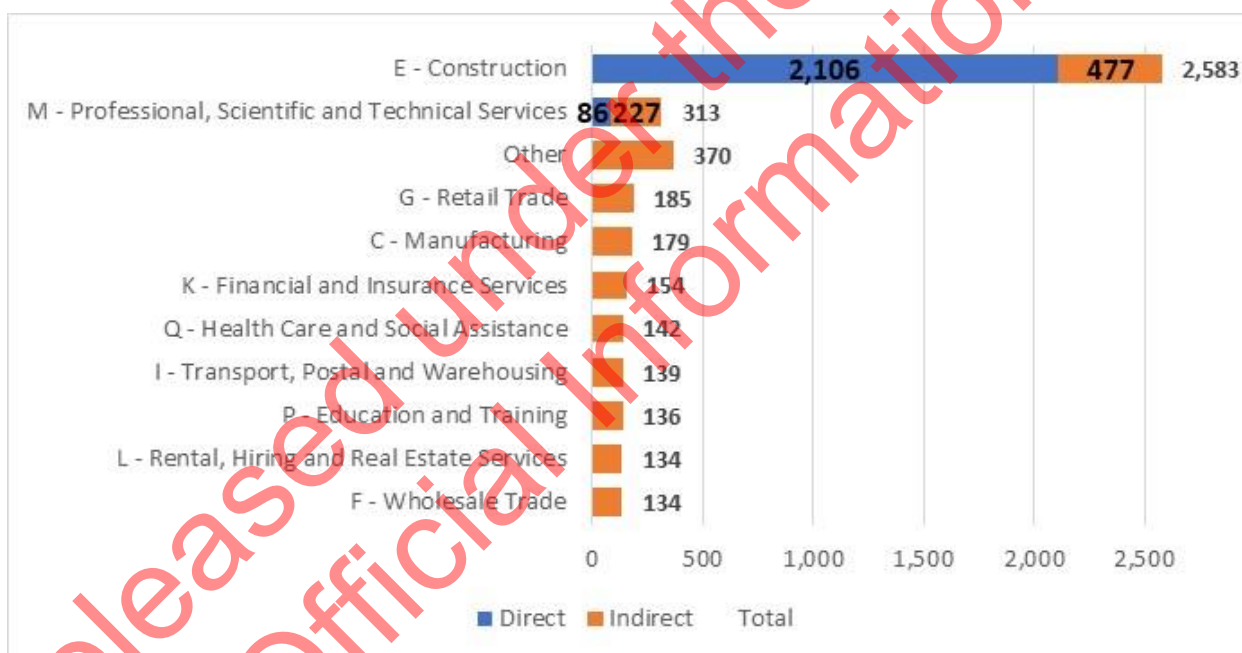
As such it is appropriate to consider the majority of the above economic activity as a net position at 2030 (not withstanding any legal and consultation fees associated with an ongoing standard consent process). Of the \$600m of regional activity nearly \$540m of this is expected to occur by 2030 when a 'standard' consent is considered likely to be actionable.

4.3. TOTAL WELLINGTON DIRECT AND INDIRECT EMPLOYMENT

Figure 1 below disaggregates employment generated by sector and Direct and Indirect (including induced) FTE employment over the identified period. It illustrates the significant direct impact on the Construction sector (as well as Construction Services).

The figure below illustrates the sectors associated with direct employment measure approximately 2,192 FTE years with the remaining around 2,275 FTE years resulting from indirect and induced activity

FIGURE 1: WELLINGTON EMPLOYMENT GENERATION BY SECTOR (DIRECT, INDIRECT AND INDUCED)



Source: Property Economics

5. 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 650 dwellings increasing capacity within a single master-planned area. 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.

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 within the wider area is likely to have the impact on reducing counterfactual land values.

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 suitable for development is likely to reduce price pressure in the local and surrounding markets.

3. **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.

4. **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.

While the sectors that are likely to benefit directly by this proposed development were initially less affected by the pandemic the impacts have been more recently felt throughout the development and construction industries. “After adjusting for seasonal effects, the construction industry had a \$1.8 billion sales fall, down (8.9 percent) from the June 2021 quarter”⁸.

This supports a key FastTrack Act purpose of resulting in a public benefit through generating additional employment (s19(d)(ii)). 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).

6. SUMMARY

Overall, the proposed project represents a significant opportunity for the Wellington economy 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 UD⁹ 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 localised and regional economies.

⁸ <https://www.stats.govt.nz/news/construction-and-retailers-curbed-by-covid-19/>

⁹ National Policy Statement on Urban Development 2020