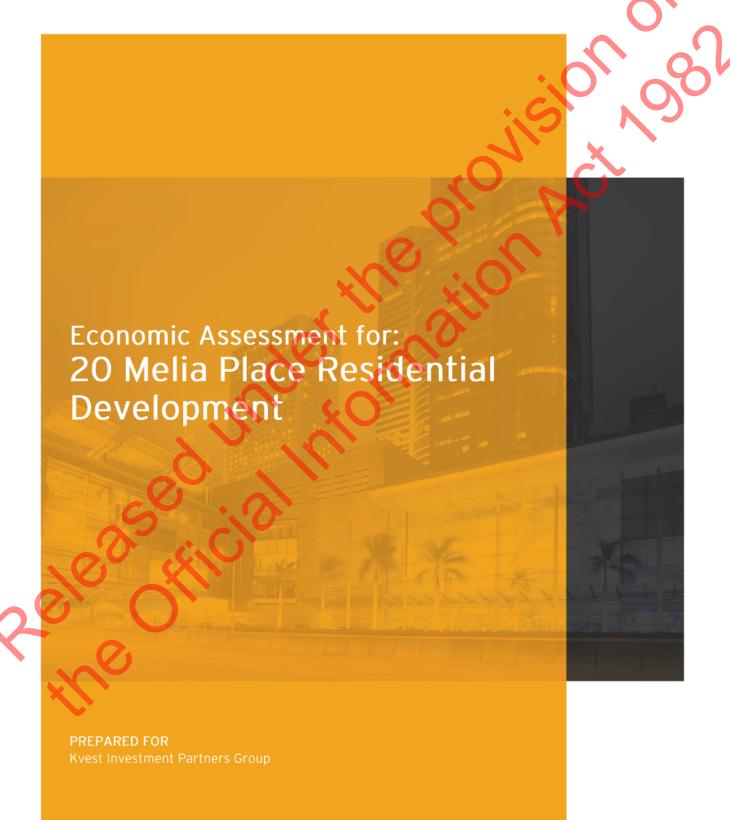


9 June 2021 AUTHOR Adam Thompson 51632.5.04





OUR AREAS OF EXPERTISE

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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.

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Development Advisory

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

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1. Executive Summary

- The majority of stand alone dwellings in the study area are valued in the \$600,000 -\$1,200,000 price range.
- The majority of terrace houses in the study area are in the \$500,000 \$1,000,000 price range.
- The majority of apartments in the study area are in the \$400,000 \$800,000 price range.
- The proposal is to build in the order of 59 dwellings, comprising of a mix of terrace and semi-detached housing. These will fall in the \$9(2)(b)(ii) price range.
- There are only four terrace house developments with a total of 73 units presently available within the study area. This confirms there is a shortage of terrace housing in this location.
- In 2020 there were only 190 terrace dwellings consented in the study area. By contrast, there were 3,800 terrace dwellings consented in the wider Auckland region.
- The proposal would increase terrace supply by 59 dwellings, increasing supply by 30%.
- Auckland has a shortage of 45,000 dwellings, and this shortage is primary for affordable family (2-3 bedroom) dwellings. The proposal would contribute to this shortage and would therefore represent a net increase in housing and economic activity in the construction sector.
- The proposal would result in a net increase in construction sector output, with an additional 186 full time equivalent employees (FTEs) generated directly from the proposal.
- 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 20 Melia Place. Whangaparaoa.

2.1. The Proposal

The proposed site is outlined in Figure 1. It is 2.8 hectares and is zoned 'Residential - Single House Zone'. The Proposal is to build in the order of 59 dwellings, comprising of a mix of terrace and semi-detached housing in the \$ 9(2)(b)(ii) price range.

Figure 1: Proposal Site



Source: Google Earth



3. Study Area

The following study area is used to evaluate the local residential market for the proposed development.

Figure 2: Study Area Map



Source: Urban Economics

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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 \$600,000 \$1,200,000 price range.
- The majority of terrace houses are in the \$500,000 \$1,000,000 price range, and
- The majority of apartments are in the \$400,000 \$800,000 price range.

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

Figure 3: Study Area Residential Market Stock Profile

Price Bracket	SA	TCE	APT	Total
Less Than \$300,000	0	30	0	30
\$300,000 - \$400,000	0	10	10	20
\$400,000 - \$500,000	40	110	140	290
\$500,000 - \$600,000	460	280	170	910
\$600,000 - \$700,000	1,890	480	250	2,620
\$700,000 - \$800,000	2,830	700	180	3,710
\$800,000 - \$900,000	2,650	470	120	3,240
\$900,000 - \$1,000,000	2,390	240	80	2,710
\$1,000,000 - \$1,100,000	1,990	70	110	2,170
\$1,100,000 - \$1,200,000	1,860	50	70	1,980
\$1,200,000 - \$1,300,000	1,120	40	40	1,200
\$1,300,000 - \$1,400,000	850	20	30	900
\$1,400,000 - \$1,500,000	580	10	10	600
\$1,500,000 Plus	1,090	60	30	1,180
Total	17,750	2,570	1,240	21,560

Source: Corelogic



Figure 4 shows the distribution of dwelling sales by price. The highest priced locations within the study area are Millwater and Orewa which typically achieve sale prices above \$1,200,000. The proposal site centrally located in the catchment (Stanmore Bay, Whangaparaoa). This area has the largest concentration of lower sale prices of approximately \$500,000 - \$900,000.

Figure 4: Study Area Sales Analysis 2020



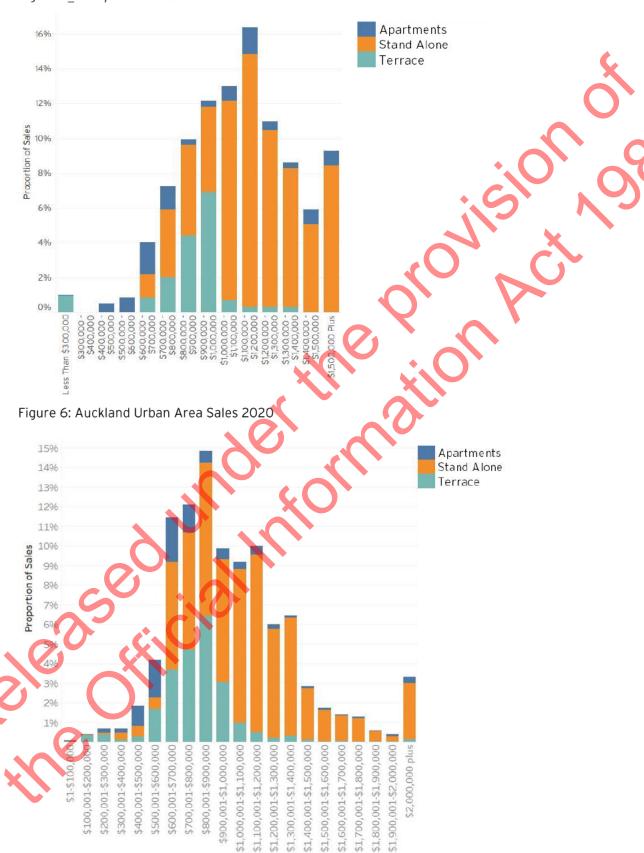
Source: Corelogic

The following bar graphs display residential sales for new dwellings in the study area and the wider Auckland urban area for the past year. Most notably, 11% of terraced dwellings were sold in the Auckland urban area over the past year were priced between \$700,000 - \$900,000. In comparison, only 6% of terraced dwellings in the study area sold within this price range. This highlights a shortage of affordable terrace housing in the study area.

The proposal would supply terraced and semi-detached dwellings in the \$\frac{\sigma(2)(\textbf{b})(\textit{ii})}{\text{price}}\$ price range. These dwellings would be aligned with the current affordable terrace prices in the regional marketplace. It is worth noting that the study area has relatively little land that is zoned to enable terrace housing when compared to other locations in Auckland. This is the underlying reason that there are fewer affordable terrace houses being built in the study area.

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Figure 5: Study Area Sales 2020





4.2. Comparable Developments

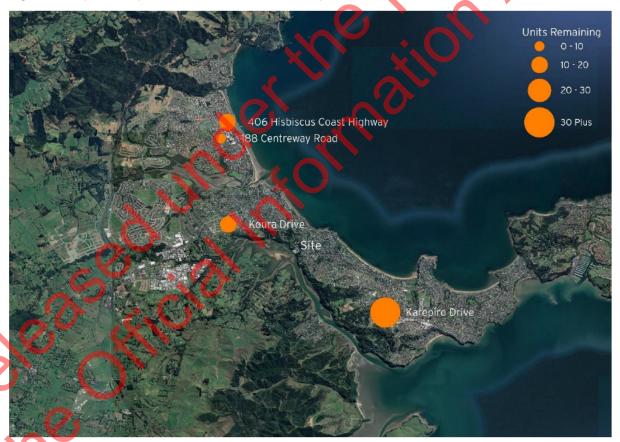
The following figures provides an outline of the comparable terrace house developments presently selling dwellings in the study area. In total there are only four developments with a total of 73 units presently available. This confirms there is a shortage of terrace housing in the study area.

Figure 7: Comparable Terrace House Developments

Development	Price range	Zone	Units Remaining
188 Centreway Road	\$860,000 Plus	Business Mixed Use	2
Koura Drive	\$880,000 Plus	Residential Mixed Housing Suburban	20
406 Hisbiscus Coast Highway	\$1,000,000 - \$1,300,000	Residential Mixed Housing Urban	17
Karepiro Drive	\$700,000 - \$900,000	Business Mixed Use	34
Total Units			73

Source: TradeMe, Various

Figure 8: Map of Comparable Terrace House 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:

- Terrace Houses account for 22% of all consents in the study area.
- Terrace Houses account for 30% of all consents in the Auckland region.
- In 2020 there were 190 terrace dwellings consented in the study area.
- The proposal would increase terrace supply by 59 dwellings, increasing supply by 30%.

Figure 9: Study Area Building Consents (2016 - 2020)

Year	Stand Alone	%	Terrac e	%	Apart ment	%	Total
2016	720	69%	240	23%	80	8%	1,040
2017	590	76%	160	21%	30	4%	780
2018	500	74%	150	22%	30	4%	680
2019	470	76%	110	18%	40	6%	620
2020	470	71%	190	29%	1	0% •	660
Total	550	73%	170	22%	36	5%	756

Source: Statistics NZ

Figure 10: Auckland Region Building Consents (2016 - 2020)

Year	Stand Alone	%	Terrac e	%	Apart ment	%	Total
2016	5,660	60%	2,100	22%	1,750	18%	9,510
2017	5,320	53%	2,240	22%	2,450	25%	10,000
2018	6,400	52%	3,290	27%	2,630	21%	12,320
2019	6,840	47%	4,120	28%	3,550	24%	14,510
2020	6,540	40%	7,260	45%	2,440	15%	16,260
Total	6,152	49%	3802	30%	2564	20%	12520

Source: Statistics NZ



6. Impact of Covid-19

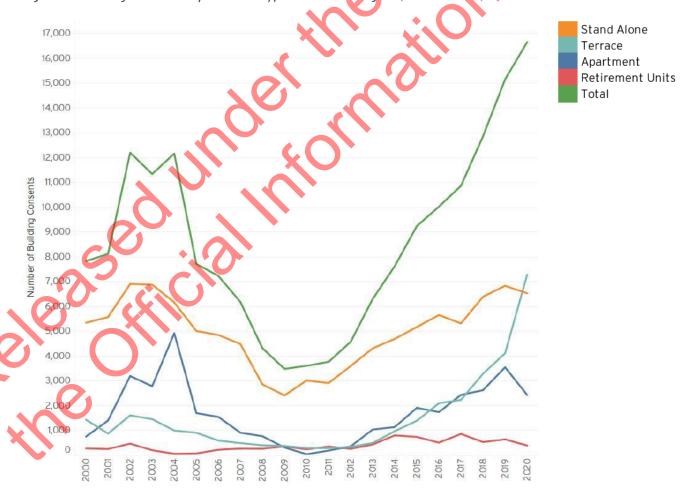
The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of costs and benefits of those involved in the construction sector, as follows.

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





6.1. 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. It is estimated the construction of 59 dwellings at 20 Melia Place would generate 186 FTE jobs. 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 93 FTE jobs would be created in each year.

Figure 12: FTE Employee Estimates

Typo	Product	Expenditure	FTE	
Туре	Froduct	(\$m)	Employees	
	2 Bedroom	\$4.9	37	
Terrace	3 Bedroom	\$8.5	64	
	4 Bedroom	\$5.4	41	
Duplex	3 Bedroom	\$6.0	45	
Total		\$24.8	186	

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 13: Industry GDP and Value Added per Employee

Industry	Contribution to GDP (\$m)		TE Workers	Value Added per Employee		
Construction	\$18,540		139,800	\$133,000		
Source Statistics NZ Urban Economics						



7. 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 a diverse range of housing types. In particular, the project would have a positive impact on the social and cultural well-being of current and future generations by providing affordable family housing within the Auckland region.

The following figure displays the proposed composition of the development. 76% of the proposed dwellings are terrace dwellings. These are expected to be priced from \$9(2)(b)(ii) for a 2 bedroom, and \$9(2)(b)(ii) for a 4 bedroom. The remaining 24% of dwellings are duplex dwellings, priced from \$9(2)(b)(ii) Providing new, affordable dwellings up to modern building standards reduces the social pressures caused by inadequate housing.



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 186 Direct FTE jobs. 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 59 new 2-4 bedroom dwellings to the market. In particular, the project would provide housing in currently undersupplied price brackets in the study area.



8. 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 sequence of price brackets, which are currently undersupplied in the study area and region. The proposal therefore provides housing which meets the market demand for affordable housing of the type proposed by the applicant.

9. Conclusion

The proposal would provide a range of affordable housing to the market, which is currently undersupplied. This would result in a net increase in construction sector output, with an additional 186 FTEs generated directly from the proposal.

