



Economic Assessment for:
Proposed Residential
Development, 42 & 64 Millard
Avenue, Masterton

PREPARED FOR
c/o Scope Planning



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1. Executive Summary

Within the study area (Masteron) the majority of stand alone dwellings were sold in the \$400,000-\$800,000 price range and terrace houses were sold in the \$400,000-\$600,000 price range.

Over the last 5 years, an average of 150 dwellings per annum were consented within the study area. Of which, stand alone dwellings accounted for 115 dwellings (79%) and terrace houses accounted for 25 dwellings (14%).

There are 4 small-medium scale new residential developments currently selling within the study area with a total supply of 163 new dwellings. Of which, only 110 dwellings available for sale. This is equivalent to supplying 8-9 months of total projected annual demand for housing within the study area. This indicates there is a significant shortage of new residential dwellings being supplied to the market resulting in unmet demand within the study area and the district.

The proposed development is located in an attractive location, offering a wide range of amenities that support residential development. It is located approximately 3-minutes drive from the Masterton Town Centre, Pak n Save, and other food retail stores and is within a 10-minute drive-time to several churches, parks, walkways and playgrounds, medical centres, and a public library.

The residents of the proposed development would have access to approximately 2,500 businesses offering a total of approximately 11,400 jobs within a 15-minute drive time.

It is estimated that the construction of the proposed residential development would generate 164 FTE jobs and contribute \$19.8 million to construction sector GDP. The proposed development is expected to be developed over a 3-year period. The proposed development would contribute approximately \$7.9 million to GDP and 64 FTE jobs in Stage 1, approximately \$6.6 million to GDP and 54 FTE jobs in Stage 2, and approximately \$5.3 million to GDP and 46 FTE jobs in Stage 3.

Policy 1 of the NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments, by enabling housing that is of a range, type and price that meets demand. The proposal helps to achieve the NPS-UD objectives as it increases the range of housing available to the market. The proposal would provide additional housing within the \$490,000 - \$1,030,000 price range with 44 (38%) residential dwellings selling below the average sale price of \$648,000. The proposal therefore provides housing some of which meets the market demand for relatively affordable housing.

The proposal therefore meets the economic requirements of the fast-track consenting process and is recommended for approval.



2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a proposed residential development at 42 & 64 Millard Avenue, Masterton.

2.1. The Proposal

Figure 1 outlines the location of the proposed development site. It has a total site area of approximately 7.3 hectares and is currently zoned Rural. The proposal is to develop 116 residential lots of which 72 would be stand alone dwellings and 44 would be duplex dwellings. The market price for stand alone dwelling is estimated to be between \$700,000 and \$1,030,000 and between \$490,000 and \$660,000 for duplex dwellings.

Figure 1: Proposal Site



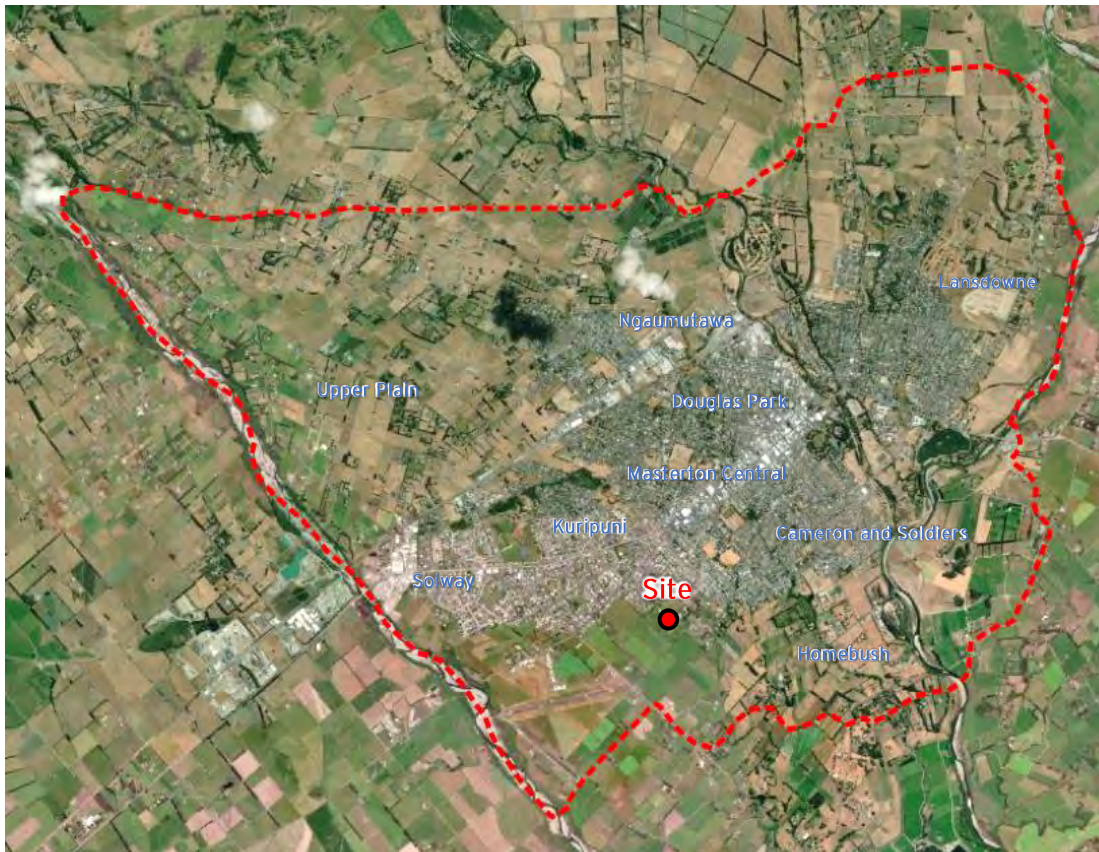
Source: LINZ, Scope Planning



3. Study Area

Figure 2 outlines the study area which is used to evaluate the local residential market for the proposed development. The study area includes areas such as Upper Plain, Solway, Kuripuni, Masterton Central, Douglas Park, Ngaumutawa, Lansdowne, Cameron and Soldiers and Homebush.

Figure 2: Study Area



Source: Statistics NZ



4. Housing Market Supply Assessment

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

4.1. Existing Housing Stock (Recent Valuation)

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

- The majority of stand alone dwellings are valued in the \$300,000-\$600,000 price range.
- The majority of terrace houses are valued in the \$300,000-\$500,000 price range.

Figure 3: Study Area Residential Market Stock Profile (Current Capital Valuation)

Price Bracket	Stand Alone	Terrace	Total
Less than \$200,000	0	5	5
\$200,000-\$300,000	190	125	315
\$300,000-\$400,000	1,690	275	1,965
\$400,000-\$500,000	2,700	145	2,845
\$500,000-\$600,000	1,215	60	1,275
\$600,000-\$700,000	755	20	775
\$700,000-\$800,000	465	5	470
\$800,000-\$900,000	210	5	215
\$900,000-\$1,000,000	90	5	95
\$1,000,000+	55	5	60
Total	7,370	650	8,020

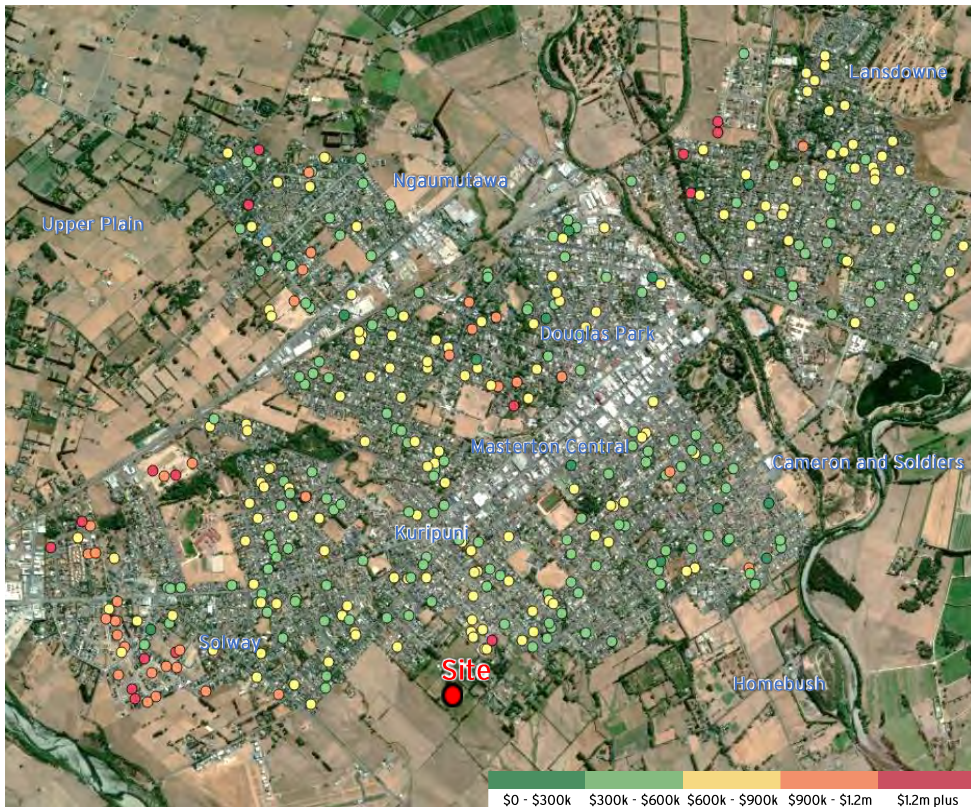
Source: PropertyGuru

4.2. Recent Residential Sales Analysis

Figure 4 shows the distribution of dwelling sales by price over the January 2022-2023 period. The highest priced location within the study area is Solway which typically achieves sale prices above \$600,000. The proposal site is located in Kuripuni which has a varied price profile, typically achieving sale prices between \$300,000 and \$900,000.



Figure 4: Study Area Dwelling Sales January 2022-2023



Source: CoreLogic

Figure 5 displays the average residential sale price achieved over the January 2022-2023 period in the study area. Stand alone dwellings achieved the average price of \$656,000 and terrace houses achieved the average price of \$543,000.

Figure 5: Study Area Average Dwelling Sale Price January 2022-2023

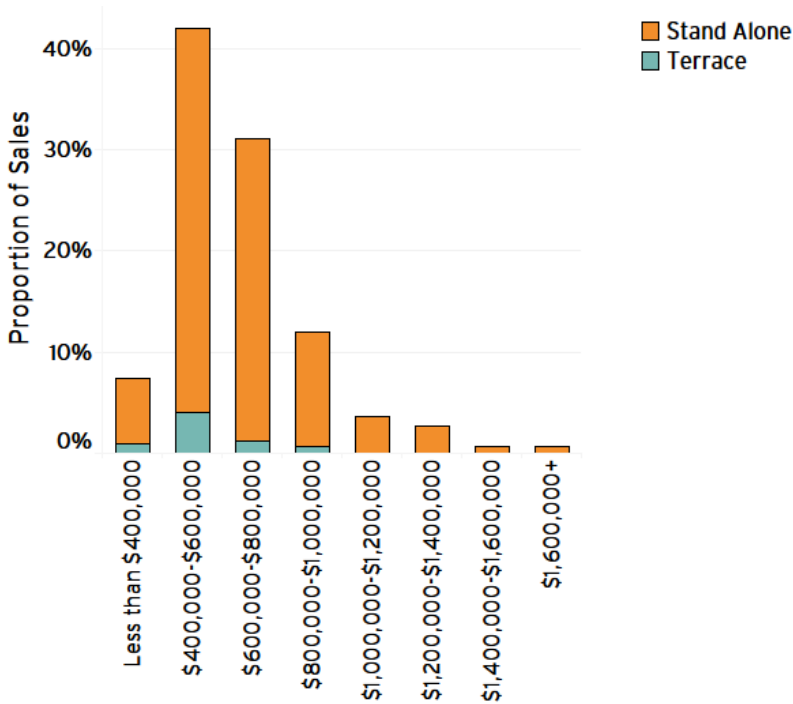
Type	Average Sale Price
Stand Alone	\$656,000
Terrace	\$543,000
Total	\$648,000

Source: CoreLogic

The following figures display the proportion of residential sales for dwellings in the study area and the Wellington Region for the January 2022 –2023 period. Within the study area, the majority of stand alone dwellings were sold in the \$400,000-\$800,000 price range and terrace houses were sold in the \$400,000-\$600,000 price range. By comparison, within the Wellington Region, the majority of stand alone dwellings are sold in the \$900,000-\$1,300,000 price range, terrace houses were sold in the \$700,000-\$1,000,000 price range and apartments were sold within the \$500,000-\$800,000 price range, with the majority of apartments achieved a sale price below \$500,000. The lower sale price for apartments can be attributed to smaller apartments in Wellington City.

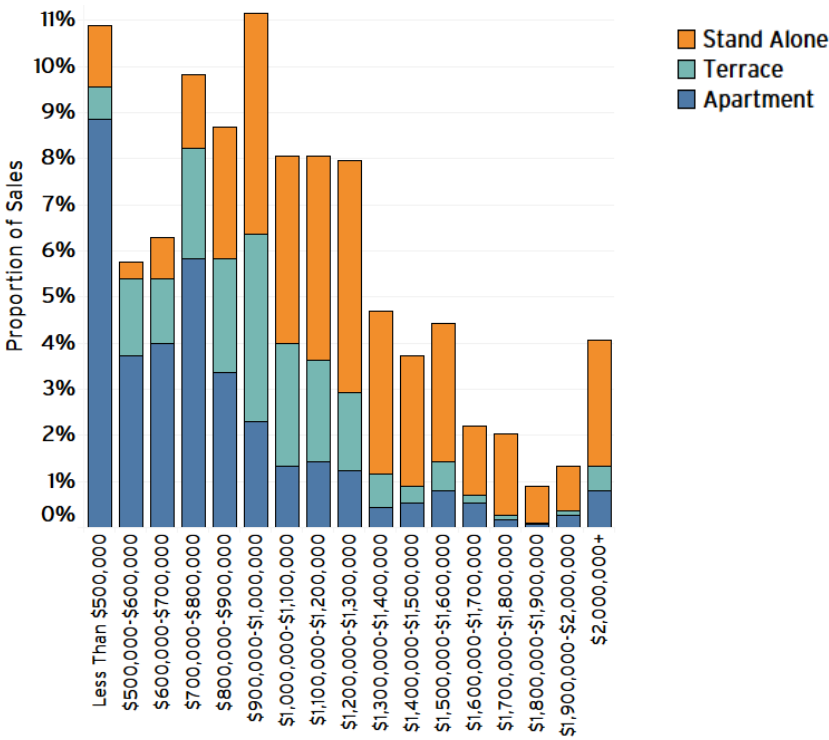


Figure 6: Study Area Sales January 2022-2023



Source: CoreLogic

Figure 7: Wellington District Sales January 2022-2023



Source: CoreLogic



5. New Dwelling Construction 2018-2022

The following figures show dwellings consented since 2018 within the study area and the Wellington Region. This provides a useful indication of demand by dwelling type within the study area. The main points to note are:

- Over the last 5 years, an average of 150 dwellings per annum were consented within the study area. Of which, stand alone dwellings accounted for 115 dwellings (79%) and terrace houses accounted for 25 dwellings (14%).
- Over the last 5 years, an average of 3,315 dwellings per annum were consented within the Wellington district. Of which, standalone dwellings accounted for 1,495 dwellings (46%), terrace houses accounted for 1,070 dwellings (31%) and apartments accounted for 600 units (18%) consented per annum.
- Across the Wellington Region, terrace houses have increased from 21% of all dwellings built in 2018, to 43% of all dwellings built in 2022. This is one of the most significant emerging trends in the housing market. This is driven by the increase in house prices, which is incentivising buyers to purchase more affordable terrace houses over standalone houses.
- Within the Wellington Region, the number of standalone dwellings consented each year have decreased from 1,595 in 2018 to 1,565 in 2022. Additionally, its share has also declined from 58% to 33% of all dwellings consented over the same period, due to the rapid increase in terrace house development.

Figure 8: Study Area Building Consents (2018 - 2022)

Year	Stand Alone	%	Terrace	%	Apartment	%	Retirement	%	Total
2018	110	91%	10	9%	0	0%	0	0%	120
2019	120	89%	10	7%	5	4%	0	0%	135
2020	115	79%	20	13%	0	0%	10	8%	145
2021	130	67%	45	23%	0	0%	20	10%	195
2022	110	70%	30	20%	0	0%	15	10%	155
Average (p.a)	115	79%	25	14%	1	1%	10	6%	150

Source: Statistics NZ

Figure 9: Wellington Region Building Consents (2018 - 2022)

Year	Stand Alone	%	Terrace	%	Apartment	%	Retirement	%	Total
2018	1,595	58%	575	21%	445	16%	120	4%	2,735
2019	1,540	48%	955	30%	570	18%	155	5%	3,220
2020	1,485	49%	795	26%	685	22%	95	3%	3,060
2021	1,565	43%	1,350	37%	570	16%	170	5%	3,655
2022	1,280	33%	1,665	43%	720	19%	205	5%	3,870
Average (p.a)	1,495	46%	1,070	31%	600	18%	150	4%	3,315

Source: Statistics NZ



6. Comparable Developments

Figure 10 provides an outline of the comparable developments presently selling in the study area. The main points to note are:

- There are 4 small-medium scale residential developments currently selling within the study area, with a total supply of 163 dwellings.
- Currently there are 110 new dwellings available for sale. This is equivalent to supplying 8-9 months of total projected annual demand for housing within the study area.
- This indicates there is a significant shortage of new residential dwellings being supplied to the market resulting in unmet demand within the study area and the district.

Figure 10: Comparable Developments

Development	Land Area (m2)	GFA (m2)	Price Range	Average Price/m2	Total Units	Units Sold	Units Available
Westbush Stage 2	400-1,250	110-210	\$750k-\$1.05m	\$4,850-\$6,900	46	35	9
Williams Estate Stage 2	-	173	-	-	73	-	73
The Barracks	730-1,060	-	-	-	40	15	25
24 Sussex	400	140	\$763k-\$820k	\$5,450-\$5,860	4	1	3
Total	-	-	-	-	163	51	110

Source: Various

7. Access To Amenity & Employment

The proposed development is located in an attractive location, offering a wide range of amenities that support residential development. Most notably:

- The proposed development is located approximately 3-minute drive from the Masterton Town Centre, Pak n Save and other food retail stores.
- The residents of the proposed development would have access to approximately 2,500 businesses offering a total of approximately 11,400 jobs within a 15-minute drive time.
- The proposed development is within close proximity (4.5km) to the train station.
- The residents of the proposed development would have access to a wide range of educational facilities, with 7 primary, 4 secondary and 2 composite schools within a 10-minute drive-time.
- The proposed development is within a 10-minute drive-time to several churches, parks, walkways and playgrounds, medical centres, and a public library.



8. Impact of Covid-19

This section assesses the impact of Covid-19 on the residential sector.

8.1. Residential Sector

The NZ Treasury commissioned a report on the impact of Covid-19 on the national economy¹. This concluded that over the two years ending March 2022, total employment was expected to decline from 2.59 million jobs to 2.47 million jobs, or a decline of 120,000 jobs. The construction sector was similarly expected to decline, from 260,000 jobs to 239,000 jobs, or a decline of 21,000 jobs. 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)).

Covid-19 forced New Zealand's borders to close for over two years. Over this time, record high international immigration was replaced with near to zero international immigration. The effects from the border closure are 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.

9. 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. This methodology accounts for both the direct and indirect jobs to be generated from the proposed development.

Figure 11 outlines the value-added and FTEs that the proposed development would generate. It is estimated that the construction of the proposed residential development would generate 164 FTE jobs and contribute \$19.8 million to construction sector GDP.

The subdivision and land development component of the project is estimated to account for approximately 40% of the total construction sector impact resulting from the project. This is demonstrated in the figure below, which shows that an estimated 65 jobs directly related to the implementation of the project will be generated, with 99 FTE jobs relating to the construction of dwellings following the completion of the subdivision and land development. This results in a total impact of 164 FTE jobs being generated.

More generally, lot subdivision and dwelling construction are closely related as the development of lots in a housing market with a shortage will generally result in the immediate construction of new dwellings. For this reason, there is a reasonable basis to include the employment from the

¹ The effects of COVID-19 on the regional economies of New Zealand for The Treasury, October 2020, Infometrics



construction of dwellings resulting from the lot subdivision as a direct economic impact under the Fast-Track Consenting Act 2020, as these jobs would not otherwise occur.

Figure 11: FTE Employee Estimates

Proposed Development	Product	Count	Project Value (\$M)	Value Added (\$M)	FTE Employees			Total
					Land & Building Construction	Construction Services	Architectural, Scientific & Engineering Services	
Land Development & Subdivision		44	s 9(2)(b)(ii)	\$7.9	16	36	13	65
Stand Alone	Type 1	23		\$2.4	5	11	4	20
	Type 2	17		\$1.9	4	9	3	16
	Type 3	13		\$1.6	3	7	3	13
	Type 4	14		\$1.8	4	8	3	15
	Type 5	5		\$0.8	2	4	1	7
Sub Total		72		\$8.4	18	39	14	71
Duplex	Type-1	20		\$1.4	3	7	2	12
	Type-2	6		\$0.5	1	2	1	4
	Type-3	11		\$0.9	2	4	1	7
	Type-4	7		\$0.7	1	3	1	5
SubTotal		44		\$3.4	7	16	5	28
Total		116		\$19.8	41	91	32	164

Source: Urban Economics

The proposed development is expected to be developed over a 3-year period. Figure 12 outlines the value added GDP and the number of FTE jobs created in each year of the proposed development. Some of the key points to note are:

- The proposed development would contribute approximately \$19.8 million to GDP and generate a total of 164 FTE jobs over a three-year development period. This equates to a contribution of approximately \$7.9 million to GDP and 64 FTE jobs in Stage 1, a contribution of approximately \$6.6 million to GDP and 54 FTE jobs in Stage 2 and a contribution of approximately \$5.3 million to GDP and 46 FTE jobs in Stage 3.
- The proposed development would generate approximately 41 FTE jobs in the building construction sector. This equates to 14 FTE jobs per annum in Stage 1 and Stage 2 and 13 FTE jobs in Stage 3.
- The proposed development would generate approximately 92 FTE jobs in the construction service sector. This equates to 31 FTE jobs per annum in Stage 1 and Stage 2 and 30 FTE jobs in Stage 3.
- The proposed development would generate approximately 31 FTE jobs in the architectural scientific and engineering services sector, of which 19 FTE jobs would be generated in Stage 1, 9 FTE jobs would be generated in Stage 2 and 3 FTE jobs would be generated in Stage 3.



Figure 12: FTE jobs at Different Stages of Development

Development	Timeframe	Project Value (\$M)	Value Added (\$M)	FTEs			Total
				Land & Building Construction	Construction Services	Architectural, Scientific & Engineering Services	
Stage I	2024-2025	s 9(2)(b)(ii)	\$7.9	14	31	19	64
Stage II	2025-2026		\$6.6	14	31	9	54
Stage III	2026-2027		\$5.3	13	30	3	46
Total			\$19.8	41	92	31	164

Source: Urban Economics

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 Figures 11-12. Figure 13 shows that the construction sector contributes \$23.2 billion to the national GDP, employing 191,500 FTEs, resulting in a value-added of \$121,000 per FTE employee.

Figure 13: Industry GDP and Value Added per Employee

Sector	Value Added GDP (\$M)	FTE Workers	Value Added GDP Per Employee
Construction	\$23,200	191,500	\$121,000

Source: Statistics NZ

10. 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 additional employment and increase the range of new 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 housing supply within the study area, which will place downward pressure on house prices.

The following figure displays the proposed composition of the development. Prices have been estimated based on the current market prices for new 'lot + dwelling' within the study area and Masterton District. These are expected to be priced between \$490,000 and \$1,030,000. The supply of new dwellings up to modern building standards would reduce the social pressures caused by inadequate housing.



Figure 14: 42-64 Millard Avenue Residential Development Composition

Development Type	Product	GFA (m2)	Price	Count	Proportion
Stand Alone	Type 1	120	\$700,000	23	20%
	Type 2	130	\$750,000	17	15%
	Type 3	150	\$830,000	13	11%
	Type 4	160	\$870,000	14	12%
	Type 5	200	\$1,030,000	5	4%
Sub Total				72	62%
Duplex	Type-1	75	\$490,000	20	17%
	Type 2	85	\$540,000	6	5%
	Type-3	90	\$540,000	11	9%
	Type 4	120	\$640,000	7	6%
Sub Total				44	38%
Total				116	100%

Source: 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 164 FTE jobs and contribute \$19.8 million to construction sector 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 the housing supply (see section 19(d)(ii)).

The project would increase the residential housing supply by providing 116 new dwellings to the market. The implication of this is that the proposed development will help to place downward pressure on house prices in the Masterton District by increasing housing supply.

11. NPS-UD Assessment

Currently there are 110 new dwellings available for sale within the study area. This equates to just 9 months of demand and indicates there is a significant shortage of new residential dwellings, resulting in unmet demand within the study area.

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 \$490,000-\$1,030,000 price range. The proposal, therefore, provides housing that meets the market demand for



additional dwellings.

12. Conclusion

The proposal would provide 116 dwellings to the market within the study area. The proposal would result in a significant increase in construction sector output, with an additional 164 FTE jobs with a value-added contribution of \$19.8 million to construction sector GDP. The proposal therefore meets the economic requirements of the fast-track consenting process and is recommended for approval.