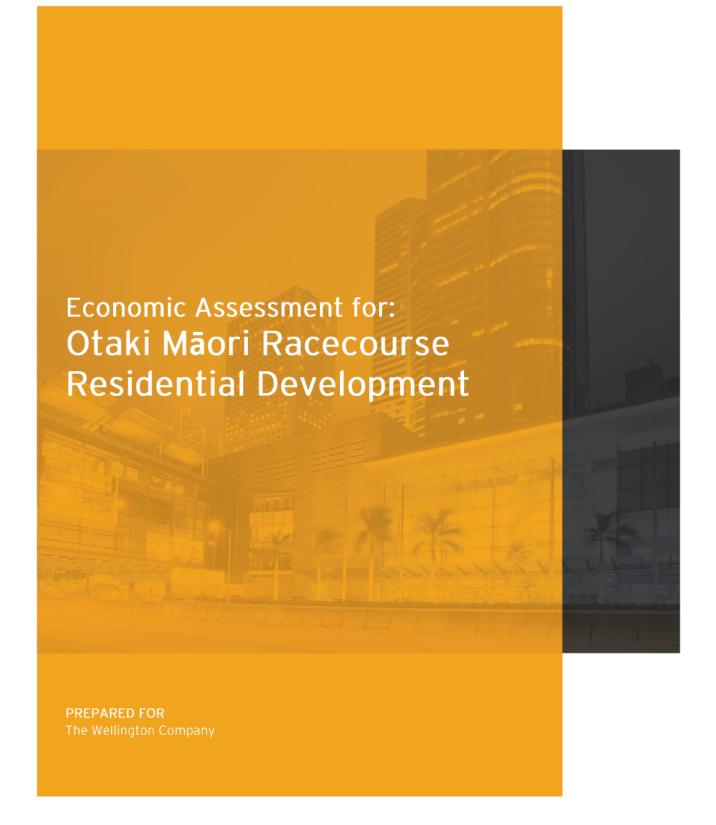


31 October 2022 AUTHOR Adam Thompson 51902.5.03





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## 1. Executive Summary

The proposal is to develop 400-580 affordable dwellings, comprising a mix of stand alone, terrace housing and apartments. These dwellings will be built in an offsite factory, thereby achieving economies of scale leading to an estimated 15% reduction in construction costs. This method of construction has not previously been used for a development of this scale in New Zealand but is common practice in overseas markets as it allows for more efficient pricing.

Within the Kapiti Coast District, the majority of the stand alone dwellings were sold in the \$600,000 - \$1,200,000 price range and the majority of terrace houses were sold in the \$400,000 - \$1,000,000 price range.

Over the last 5 years, an average of 266 dwellings per annum were consented within the Kapiti Coast District. Of which, standalone dwellings accounted for 210 dwellings, terrace houses accounted for 50 dwellings and retirement dwellings accounted for 10 dwellings.

There is a relatively low proportion of higher density housing (15%) consented over the last 5 years in the Kapiti Coast District compared with the Region as a whole (43%). Approximately 60% of the proposed development is comprised of higher density housing, which will respond to this gap in the market.

There are five developments currently selling within the study area, with 51 units remaining for sale. This indicates there is a shortage of new residential dwellings within the study area.

It is estimated that the construction of the proposed development would result in a total of 384-556 FTE jobs and would contribute \$51.0-\$74.0 million to GDP.

The proposal would provide additional housing within the \$340,000 - \$690,000 price range with 53% selling for less than \$600,000. The proposal therefore provides affordable housing which would meet currently unmet demand and result in an increase in total construction sector output.



## 2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a proposed residential development surrounding the Otaki Māori Racecourse.

### 2.1. The Proposal

Figure 1 outlines the location of the proposed development site. It is located in the Otaki township and has a site area of approximately 59.8 hectares, of which approximately 40% is proposed for development with the existing racecourse retained. The proposal is to develop a mix of stand alone, terrace and apartments, totaling 400-580 dwellings. The estimated market prices for the development ranges between \$340,000 and \$690,000, providing affordable new housing to the market. This can be achieved in part as a result of the offsite construction of the dwellings in a factory, thereby achieving economies of scale and reducing the cost of construction by an estimated 15%. It should be noted that this method of construction has not previously been used for a development of this scale in New Zealand but is common practice in overseas markets, such as Europe, as it allows for more efficient pricing.

Figure 1: Proposal Site

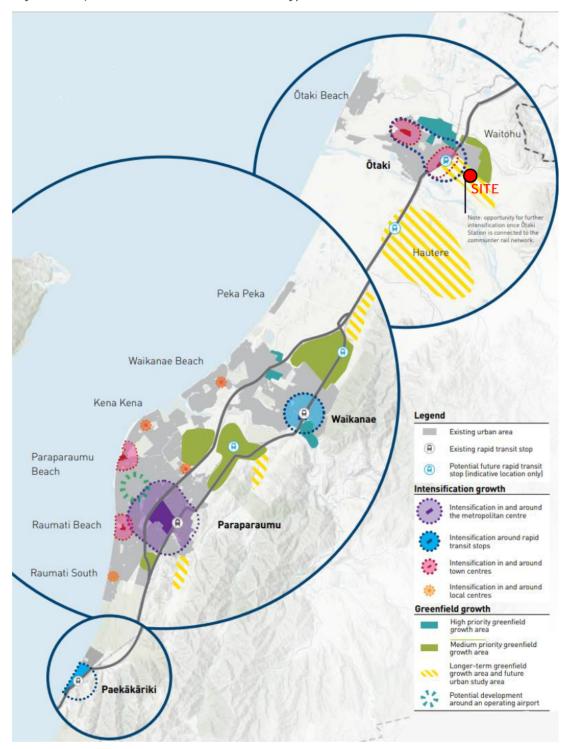


Source: Moller Architects

The proposed development site is currently zoned Rural Production however has been identified as a 'longer-term greenfield growth area and future urban study area' in the District Council's growth strategy consultation document. This is outlined in Figure 2, and illustrates the proposed development's locational benefits.

1

Figure 2: Kapiti District Council Growth Strategy



Source: Kapiti Coast District Council



# 3. Study Area

Figure 3 outlines the study area which is used to evaluate the local residential market for the proposed development. The study area includes all SA2's (Statistical Area Unit 2) that make up the Kapiti Coast District.

Figure 3: Study Area



Source: Urban Economics

# 4. Housing Market Supply Assessment

This section provides an overview of the current housing supply market within the Kapiti Coast District.

## 4.1. Existing Housing Stock (Recent Valuation)

Figure 4 shows the 'existing housing stock' capital valuation for the Kapiti Coast District. The main points to note are:

- The majority of stand alone dwellings are valued in the \$500,000 \$900,000 price range.
- The majority of terrace houses are valued in the \$400,000 \$600,000 price range.



Figure 4: Kapiti Coast District Residential Market Stock Profile (Current Capital Valuation)

Price Bracket	Stand Alone	Terra ce	Apart ment	Total
Less Than \$300,000	5	10	0	15
\$300,000-\$400,000	165	170	25	360
\$400,000-\$500,000	1,685	700	0	2,385
\$500,000-\$600,000	3,245	1,080	0	4,325
\$600,000-\$700,000	4,600	250	40	4,890
\$700,000-\$800,000	3,855	70	15	3,940
\$800,000-\$900,000	2,050	30	0	2,080
\$900,000-\$1,000,000	1,155	20	0	1,175
\$1,000,000-\$1,100,000	575	25	0	600
\$1,100,000-\$1,200,000	380	10	0	390
\$1,200,000-\$1,300,000	185	5	0	190
\$1,300,000-\$1,400,000	160	5	0	165
\$1,400,000-\$1,500,000	90	0	0	90
\$1,500,000-\$1,600,000	65	0	0	65
\$1,600,000-\$1,700,000	50	0	0	50
\$1,700,000-\$1,800,000	30	0	0	30
\$1,800,000-\$1,900,000	15	0	0	15
\$1,900,000-\$2,000,000	10	0	0	10
\$2,000,000+	35	5	0	40
Total	18,355	2,380	80	20,815

## 4.2. Recent Residential Sales Analysis

Figure 5 shows the distribution of dwelling sales by price over the April 2021-2022 period. The highest priced locations within the Kapiti Coast District are Paraparaumu and Waikanae, which typically achieve sale prices above \$1,000,000. The proposal site is located on the periphery of the Otaki township which has a relatively lower price profile compared to the rest of the district, typically achieving sale prices between \$500,000 and \$1,000,000.





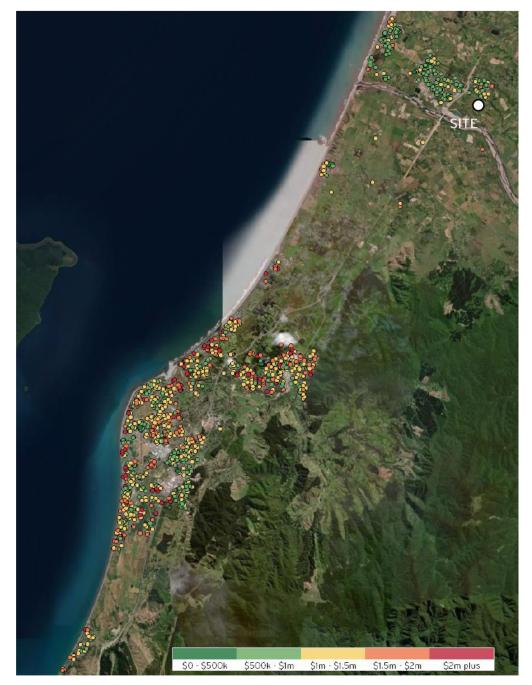


Figure 6 displays the average residential sale price achieved over the April 2021-2022 period in the Kapiti Coast District. Stand alone dwellings achieved the highest average price of \$1,000,000, while terrace housing is the most affordable type with an average sale price of \$750,000. Apartments achieved an average sale price of \$970,000.

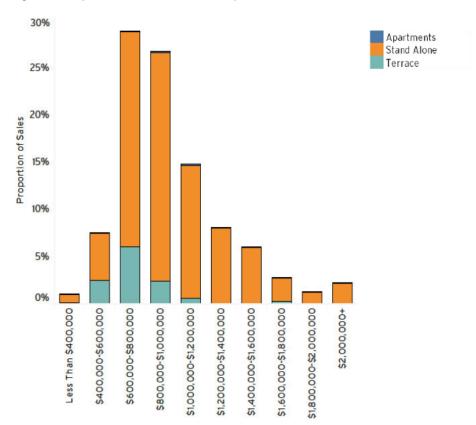


Figure 6: Kapiti Coast District Average Residential Sale Price by Dwelling Type April 2021-2022

Туре	Average Sale Price
Standalone	\$1,000,000
Terrace	\$750,000
Apartment	\$970,000
Total	\$970,000

The following figures display the proportion of residential sales for dwellings in the Kapiti Coast District and the Wellington Region for the April 2021 -2022 period. Within the Kapiti Coast District, the majority of stand alone dwellings were sold in the \$600,000-\$1,200,000 price range and terrace houses were sold in the \$400,000-\$1,000,000 price range. This is consistent with the price profile of the Wellington Region as a whole.

Figure 7: Kapiti Coast District Sales April 2021-2022



Source: CoreLogic



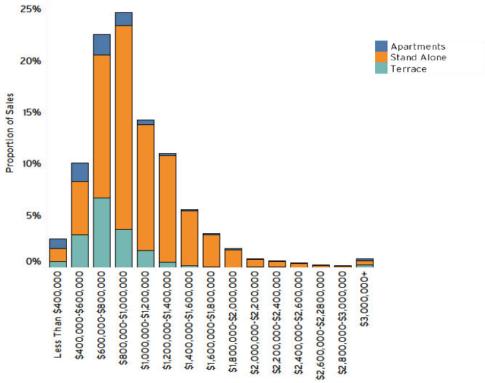


Figure 8: Wellington Region Sales April 2021-2022

### 4.3. KCDC Housing Needs Assessment 2022

The Kapiti Coast District Housing Needs Assessment 2022 found Otaki to be one of the most unaffordable locations in the Kapiti Coast District:

"Only 20% of renters can affordably pay the median market rent, with only 2% able to buy a dwelling at the median market sale price."

"28% of renters are considered 'extremely stressed', paying more than 50% of their income in rent"

"The least affordable locations in 2021 were  $\bar{O}$ taki and Waikanae. Mortgage cost as a % of Median Household Income in  $\bar{O}$ taki in 2021 = 79%." (Kapiti Coast District Council Housing Needs Assessment 2022, page 18)

This provides further evidence that Otaki has unaffordable housing and is consistent with the previous analyses in this section.

## 5. New Dwelling Construction 2017-2021

The following figures show dwellings consented since 2017 within the Kapiti Coast District 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 266 dwellings per annum were consented within the Kapiti Coast District. Of which, stand alone dwellings accounted for 214 dwellings (82%), terrace houses accounted for 45 dwellings (15%) and apartments accounted for only 1 unit consented per annum.
- Over the last 5 years, an average of 2,990 dwellings per annum were consented within the Wellington Region. Of which, stand alone dwellings accounted for 1,525 dwellings (52%), terrace houses accounted for 820 dwellings (26%) and apartments accounted for 510 units (17%) consented per annum.
- There is a relatively low proportion of higher density housing (15%) consented over the last 5 years in the Kapiti Coast District compared with the Region as a whole (43%). Approximately 60% of the proposed development is comprised of higher density housing, which will respond to this gap in the market.

Figure 9: Kapiti Coast Building Consents (2017 - 2021)

Year	Stand Alone	%	Terr ace	%	Apart ment	%	Retire ment	%	Total
2017	225	83%	40	15%	0	0%	5	2%	270
2018	215	84%	20	8%	0	0%	20	8%	255
2019	210	91%	20	9%	0	0%	0	0%	230
2020	180	84%	25	12%	5	2%	5	2%	215
2021	240	67%	120	33%	0	0%	0	0%	360
Average (p.a)	214	82%	45	15%	1	0%	6	2%	266

Source: Statistics NZ

Figure 10: Wellington Region Building Consents (2017 - 2021)

Year	Stand Alone	%	Terr ace	%	Apart ment	%	Retire ment	%	Total
2017	1,430	62%	420	18%	275	12%	165	7%	2,290
2018	1,595	58%	575	21%	445	16%	120	4%	2,735
2019	1,540	48%	960	30%	570	18%	155	5%	3,225
2020	1,490	49%	790	26%	680	22%	95	3%	3,055
2021	1,565	43%	1,350	37%	570	16%	170	5%	3,655
Average (p.a)	1,525	52%	820	26%	510	17%	140	5%	2,990

Source: Statistics NZ

## 6. Comparable Developments

Figure 11 provides an outline of developments presently selling in the study area. Of the five developments currently selling within the study area, only 51 units are remaining for sale. This



indicates there is a shortage of new residential dwellings within the study area.

Figure 11: Comparable Developments

Developments	Address	Price	GFA (m2)	\$/m2	Remai ning Units	Total Units
49 Matenga Street	Waikanae	\$1,390,000	218	\$6,400	9	36
Anderson Park	Waikanae	\$1,170,000	180	\$6,500	8	62
The Drive	Paraparaumu	\$1,725,000	215	\$8,100	2	24
Awatea Escape	Paraparaumu	\$1,200,000	124	\$9,700	3	38
215 Mill Road	Otaki	\$820,000	123	\$6,700	29	45
Total					51	205

Source: Various

# 7. Impact of Covid-19

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

### 7.1. Residential Sector

The NZ Treasury commissioned a report on the impact of Covid-19 on the national economy<sup>1</sup>. 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)).

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. It wasn't until 2017 that Wellington Region's building consents recovered to the previous peak of 2,400 consented dwellings per annum last seen in 2003.

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. Economic Contribution of The Proposal

The project would create a considerable number of jobs within the construction industry. The national

<sup>&</sup>lt;sup>1</sup> The effects of COVID-19 on the regional economies of New Zealand for The Treasury, October 2020, Infometrics



'value-added per employee' for each sector has been used to estimate the full-time equivalent (FTE) employment for this project.

Figure 12 & 13 outline the FTEs and value-added that the proposed development would generate. It is estimated that the construction of the proposed 400-580 residential dwellings would result in a total of 384-556 FTE jobs and would contribute \$51.0-\$74.0 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 six years and is split evenly between the years then 64-92 FTE jobs would be created in each year. It should be noted that the Otaki township has secured infrastructure funding through the Infrastructure Acceleration Fund. This confirms that the project can be completed over an estimated 6-year period starting 2023 and provide an immediate boost to the construction sector. It would also provide an additional source of revenue to fund this infrastructure including development contributions and rates.

Figure 12: FTE Employee Estimates - Low Yield

Product Type	Count	Project Value (\$M)	Value Added GDP (\$M)	FTE Employ ees
Cluster Houses	8	\$2.1	\$0.6	5
Cluster Houses - Close Coupled	4	\$1.3	\$0.4	3
Vertical Cluster	172	\$59.2	\$17.4	130
Stand Alone	1	\$0.2	\$0.1	1
Square	27	\$12.8	\$3.8	28
Courtyard 2 Bed	31	\$15.2	\$4.5	34
Slider	2	\$0.9	\$0.3	2
Terrace House	73	\$36.6	\$10.7	81
Semi Detached	57	\$31.2	\$9.1	69
Courtyard 3 Bed	26	\$14.4	\$4.2	32
Total	400	\$173.9	\$51.0	384

Source: Moller Architects, Statistics NZ, Urban Economics



Figure 13: FTE Employee Estimates - High Yield

Product Type	Count	Project Value (\$M)	Value Added GDP (\$M)	FTE Employ ees
Cluster Houses	11	\$3.0	\$0.9	7
Cluster Houses - Close Coupled	6	\$1.8	\$0.5	4
Vertical Cluster	249	\$85.8	\$25.2	189
Stand Alone	1	\$0.3	\$0.1	1
Square	39	\$18.6	\$5.5	41
Courtyard 2 Bed	45	\$22.1	\$6.5	49
Slider	3	\$1.4	\$0.4	3
Terrace House	105	\$53.1	\$15.6	117
Semi Detached	83	\$45.2	\$13.3	100
Courtyard 3 Bed	38	\$20.9	\$6.1	46
Total	580	\$252.2	\$74.0	556

Source: Moller Architects, Statistics NZ, Urban Economics

Figure 14 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 and 13. Figure 14 shows that the construction sector contributes \$18.5 billion to the national GDP, employing 139,800 FTEs, resulting in a value-added of \$133,000 per FTE employee.

Figure 14: Industry GDP and Value Added per Employee

Sector	Value Added GDP (\$M)	FTE Workers	Value Added GDP 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 additional employment and increase the range and affordability of new housing in the study area, and in particular Otaki, which typically achieved sales between \$800,000 - \$1,000,000 for new dwellings over the April 2021 - 2022 period. 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.



The following figure displays the proposed composition of the development. Prices have been estimated based on the current market prices of new dwellings in the Kapiti Coast District, with a 15% reduction to account for reduced construction costs through offsite factory dwelling construction. The dwellings are expected to be priced between \$340,000 and \$690,000 with 53% of these dwellings priced for \$600,000 or less. This will reduce the affordability pressures residents of Otaki currently experience, with Otaki being one of the least affordable locations in the Kapiti Coast District.<sup>2</sup>

Additionally, supplying new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 15: Development Composition

Product Type	GFA (m²)	Estimated Price	Number of Units - Low Yield	Number of Units - High Yield	Proportio n*
Cluster Houses	30	\$340,000	8	11	2%
Cluster Houses - Close Coupled	44	\$410,000	4	6	1%
Vertical Cluster	47	\$430,000	172	249	43%
Stand Alone	56	\$470,000	1	1	0%
Square	80	\$600,000	27	39	7%
Courtyard 2 Bed	82	\$610,000	31	45	8%
Slider	84	\$620,000	2	3	0%
Terrace House	85	\$630,000	73	105	18%
Semi Detached	96	\$680,000	57	83	14%
Courtyard 3 Bed	98	\$690,000	26	38	7%
Total	-	-	400	580	-

Source: Moller Architects, Corelogic, 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 384-556 FTE jobs and contribute \$51.0-\$74.0 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 the housing supply (see section 19(d)(ii)).

The project would increase the residential housing supply by providing 400-580 new dwellings to the market.

## NPS-UD Assessment

The NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments,

<sup>\*</sup>Same for both low and high yields

<sup>&</sup>lt;sup>2</sup> "Not just a house, a life" - Kapiti Coast District Council Housing Needs Assessment 2022, page 18



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 \$340,000-\$690,000 price range with around 53% of dwellings selling for an estimated price less than \$600,000. The proposal therefore provides housing that meets the market demand for new affordable dwellings.

## 11. Conclusion

The proposal would provide a range of new dwellings to the market, and the majority of these are higher density affordable dwellings.

The proposal would result in a significant increase in construction sector output, with an additional 384-556 full-time equivalent employees (FTEs) and a value-added contribution of \$51.0-\$74.0 million to GDP.

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