URBAN ECONOMICS

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Economic Assessment for:
Peachgrove Residential & Hotel Development, Hamilton

PREPARED FOR
Jones Group

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1. Executive Summary

The proposed mixed-use development is comprised of 170 residential dwellings, of which 103 are apartments and 67 are terrace houses. Additionally, the proposal also includes a 150-room hotel, gymnasium and a retail store.

Within Hamilton City, stand alone dwellings are primarily sold for $600,000 - $1,400,000, terrace houses are primarily sold for $400,000 - $1,000,000 and apartments are primarily sold for $400,000 - $800,000.

Over the last seven years, the number of building consents issued for terrace houses has increased from 14% of all dwellings built in 2015, to 61% of all dwellings built in 2021. This is one of the most significant emerging trends in the housing market. This is being driven by the increase in the price of housing, which is incentivising buyers to purchase the lower priced terrace houses.

Within Hamilton City, hotel and accommodation guest nights have increased from 532,000 in 2009 to 794,000 in 2019, an increase of 262,000 over a 10-year period. Occupancy rates have increased from 50% in 2009 to 68% in 2019, achieving an average annual growth rate of 1.8% per annum over the over a 10-year period. Overall, this shows there is strong growth in the hotel and accommodation sector within Hamilton City. Given the current high hotel and accommodation occupancy rates in Hamilton, this is likely to put pressure on the existing market and support the introduction of additional hotel and accommodation providers. It is estimated that Hamilton City will require approximately four new hotels and motels annually to meet this growing demand.

It is estimated that the construction of the proposed development would generate approximately 439 FTE jobs and contribute approximately $58.9 million to GDP. The proposed development when compared to the Permitted Baseline scenario under the DP and MDRS, is likely to result in a net addition of approximately 371 FTE jobs and $49.9 million to GDP and a net addition of approximately 147 FTE jobs and $20.2 million to GDP respectively.

The ongoing economic impact from the proposed development is expected to contribute approximately $10.0 million to GDP and generate 114 FTE jobs per annum. The proposed development is expected to have a net present value of approximately $168.6 million over a 30-year period with a discount rate applied at 5% per annum.

The proposal helps to achieve the objectives of Policy 1 of the NPS-UD as it increases the range of housing available to the market. The proposal would provide additional housing within the $475,000 - $1,150,000 price range, however, with the majority of dwellings selling within the $475,000 - $740,000 price range. The proposal therefore provides housing that contributes to meeting the demand for terrace housing and apartments.

Therefore, the proposal would meet 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 and hotel development located at the corner of Ruakura and Peachgrove Road in Hamilton.

2.1. The Proposal

The proposed development site is outlined in Figure 1. It has a site area of approximately 2.8 hectares and is zoned General Residential. The proposal is to develop 170 residential dwellings, of which 103 are apartments and 67 are terrace houses. In addition, the proposal is also to develop a 150-room hotel, a gymnasium of approximately 94m^2 and a retail store of approximately 282m^2.

Figure 1: Proposal Site

Source: Jones Group

Figure 2 compares the total units and GFA under the Permitted Baseline scenario under the District Plan (DP) and the RMA (Enabling Housing Supply and Other Matters) Amendment Act 2021 ("MDRS"), and the Proposed Development.

The Permitted Baseline scenario under the DP enables the development of stand alone dwellings on a minimum site size of 400m^2 with GFA not exceeding 40% of the site area. Under this scenario, 39 stand alone dwellings are expected to be built.

The Permitted Baseline scenario under the MDRS would enable the development of 3 dwellings per site with a maximum height of up to three storeys. Under this scenario, 180 dwellings are expected to be built.

Conversely, the Proposed Development is a mixed-use development comprised of apartments, terrace houses and a hotel ranging across 2-5 level buildings. This would result in approximately 170 residential dwellings (103 apartments and 67 terrace houses) and a 150-room hotel.

In general, the Proposed Development has 320 units, 281 more than the Permitted Baseline scenario under the DP which has 39 units and 140 units more than the Permitted Baseline scenario under the MDRS which has 180 units.

Figure 2: Proposed Development and Baseline Development Composition

		Baseline Scenario-DP			Proposed Development			Net Addition	
Development	Product Type	Total Units	Unit (m2)	GFA (m2)	Total Units	Unit (m2)	GFA (m2)	Total Units	GFA (m2)
Stand Alone	4-bed	39	180	7,020	-	-	-	-39	-7,020
Apartment	1-Bed	-	-	-	34	55	1,870	34	1,870
	2-bed	-	-	-	57	75	4,275	57	4,275
	3-bed	-	-	-	12	85	1,020	12	1,020
	Sub-Total	-	-	-	103	70	7,165	103	7,165
Terrace	2-bed	-	-	-	32	50	1,600	32	1,600
	3-bed	-	-	-	28	75	2,100	28	2,100
	4-bed	-	-	-	7	60	420	7	420
	Sub-Total	-	-	-	67	60	4,120	67	4,120
Residential Total		39	180	7,020	170	65	11,285	131	4,265
Hotel	Studio	-	-	-	80	30	2,400	80	2,400
	1-bed	-	-	-	20	60	1,200	20	1,200
	2-bed	-	-	-	50	75	3,750	50	3,750
Hotel Total		-	-	-	150	55	7,350	150	7,350
Total		39	180	7,020	320	60	18,635	281	11,615
		*Baseline Scenario-MDRS			Proposed Development			Net Addition	
Development	Product Type	Total Units	Unit (m2)	GFA (m2)	Total Units	Unit (m2)	GFA (m2)	Total Units	GFA (m2)
Apartment	1-Bed	36	55	1,980	34	55	1,870	-2	-110
	2-bed	99	65	6,435	57	75	4,275	-42	-2,160
	3-bed	45	85	3825	12	85	1,020	-33	-2,805
	Sub-Total	180	70	12,240	103	70	7,165	-77	-5,075
Terrace	2-bed	-	-	-	32	50	1,600	32	1,600
	3-bed	-	-	-	28	75	2,100	28	2,100
	4-bed	-	-	-	7	60	420	7	420
	Sub-Total	-	-	-	67	60	4,120	67	4,120
Residential Total		180	70	12,240	170	65	11,285	-10	-955
Hotel	Studio	-	-	-	80	30	2,400	80	2,400
	1-bed	-	-	-	20	60	1,200	20	1,200
	2-bed	-	-	-	50	75	3,750	50	3,750
Hotel Total		-	-	-	150	55	7,350	150	7,350
Total		180	70	12,240	320	60	18,635	140	6,395

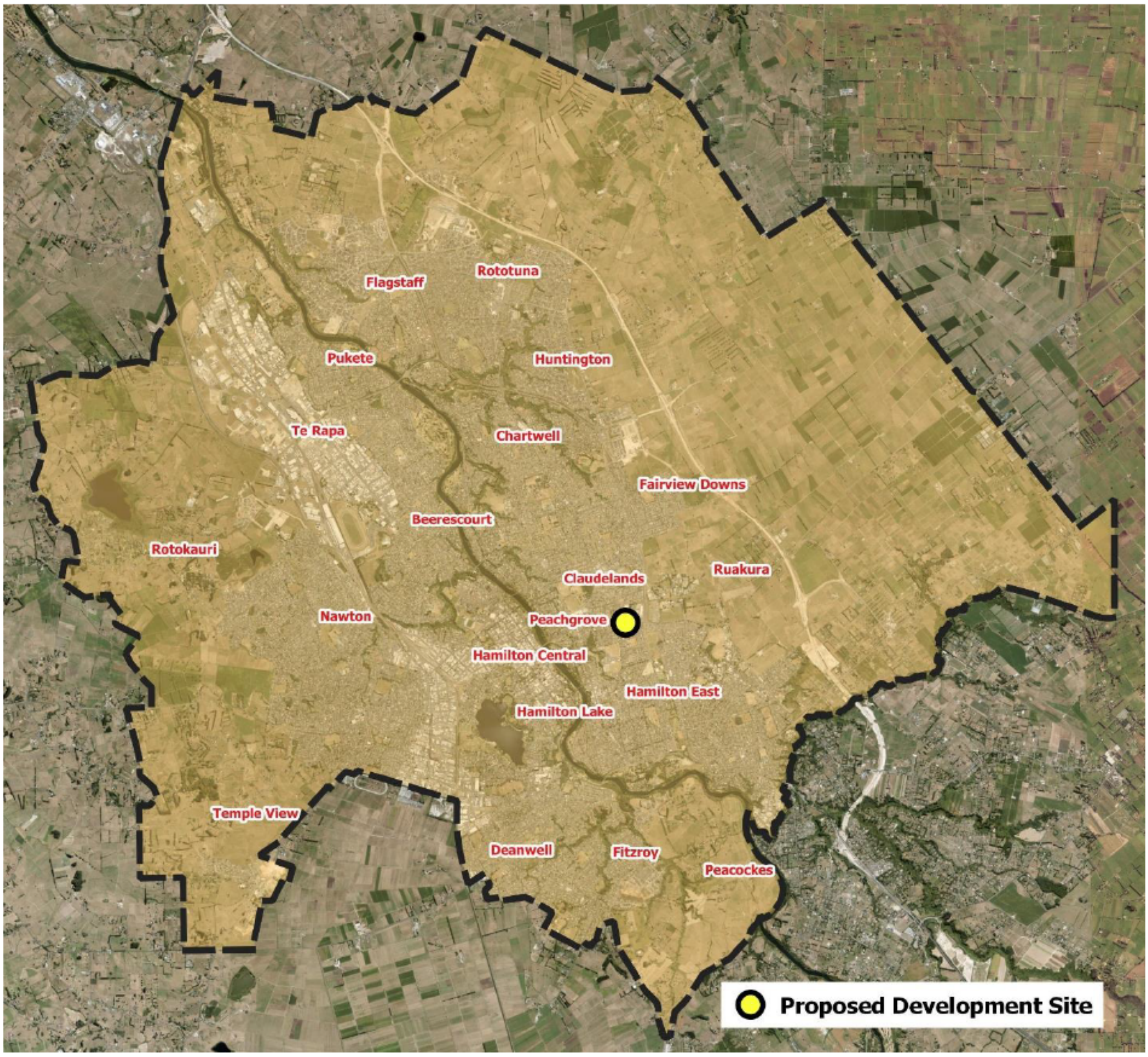
Source: Urban Economics, Jones Group

* estimated based on 3 dwellings of max 3 storey per site

3. Study Area

Figure 3 outlines the study area which is used to evaluate the local residential and hotel market for the proposed development. The study area considered for the proposed development is the Hamilton City area.

Figure 3: Study Area



Source: Urban Economics

4. Housing Market Assessment

This section provides an overview of the current housing market within Hamilton City.

4.1. Existing Housing Stock (Recent Valuation)

Figure 4 shows the 'existing housing stock' profile for Hamilton City. The main points to note are:

- Across all dwellings, the majority are valued in the $300,000 - $900,000 range.
- Stand alone houses are generally valued in the $300,000 - $1,000,000 range.
- Terrace houses are generally valued in the $300,000 - $600,000 range.
- Apartment are generally valued in the $200,000 - $400,000 range.

Figure 4: Hamilton City Residential Market Stock Capital Values

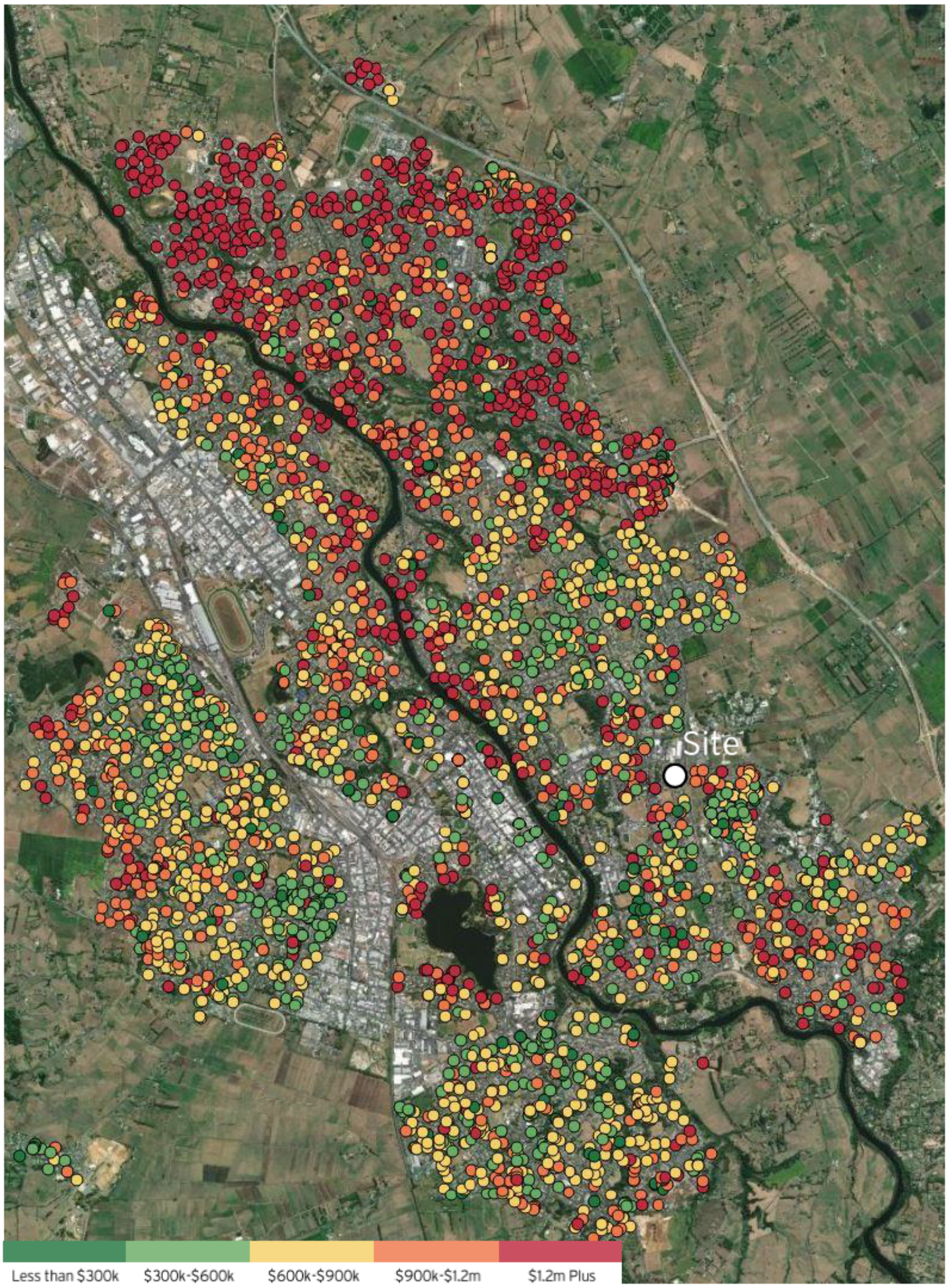
Price Bracket	Stand Alone	Terr ace	Apart ment	Total
Less Than $200,000	20	30	5	55
$200,000-$300,000	105	240	165	510
$300,000-$400,000	3,885	1,455	125	5,465
$400,000-$500,000	9,545	1,745	85	11,375
$500,000-$600,000	9,745	1,125	25	10,895
$600,000-$700,000	7,630	480	15	8,125
$700,000-$800,000	5,060	220	5	5,285
$800,000-$900,000	2,565	90	10	2,665
$900,000-$1,000,000	1,420	40	10	1,470
$1,000,000-$1,100,000	685	25	5	715
$1,100,000-$1,200,000	395	15	0	410
$1,200,000-$1,300,000	180	5	0	185
$1,300,000-$1,400,000	110	10	0	120
$1,400,000-$1,500,000	70	10	0	80
$1,500,000-$1,600,000	50	0	0	50
$1,600,000-$1,700,000	30	0	0	30
$1,700,000-$1,800,000	20	5	0	25
$1,800,000-$1,900,000	15	5	0	20
$1,900,000-$2,000,000	10	5	0	15
$2,000,000+	30	10	0	40

Source: CoreLogic

4.2. Residential Sales

Figure 5 shows the distribution of dwelling sales by price over the February 2021-2022 period. The highest-priced locations are to the east and northeast of Hamilton City, achieving sale prices above $1,200,000. The proposal site is located on the southeastern edge of the city, having a reasonable proportion of sales above $1.0 million.

Figure 5: Hamilton City Sales (February 2021-2022)



Source: CoreLogic

Figure 6 displays the average sale price achieved over the past year across Hamilton City. Terrace houses are shown to be the most affordable type with an average sale price of $705,000, while stand-alone houses achieved the highest average price of $1,038,000.

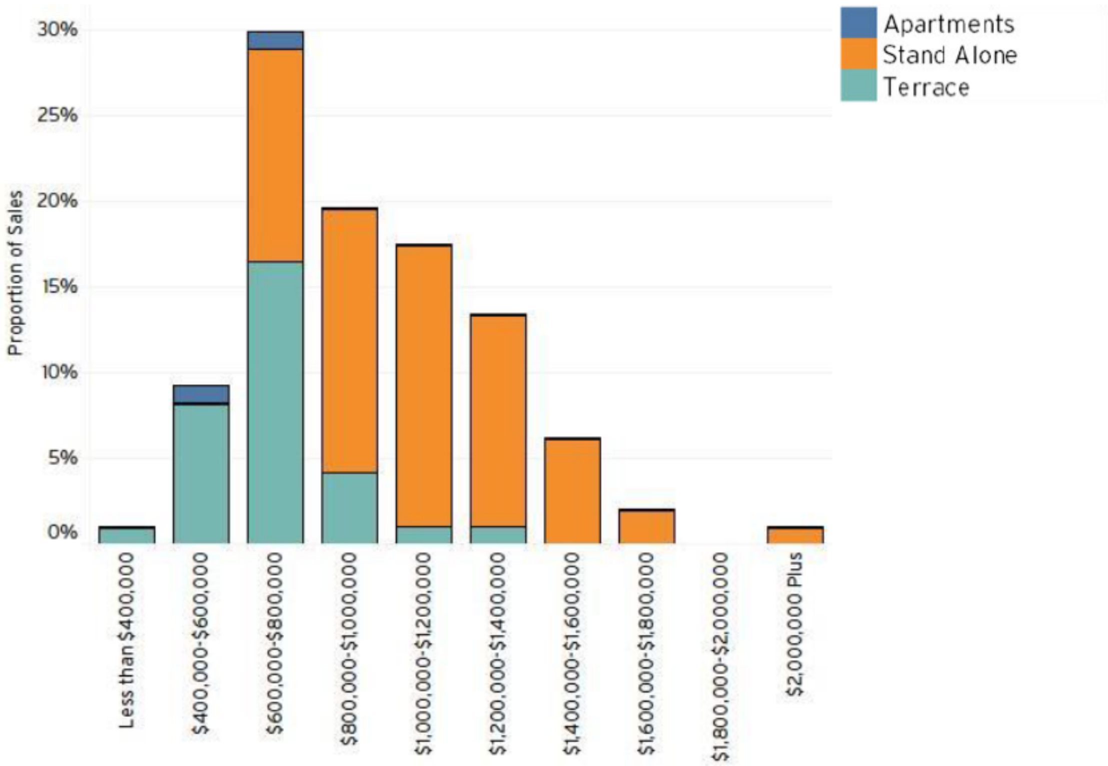
Figure 6: Hamilton City Average Sale Price by Dwelling Type (February 2021-2022)

Type	Average Sale Price
Stand Alone	$1,038,000
Terrace	$705,000
Apartment	$830,000
Average	**$957,000**

Source: CoreLogic

The following figure displays the residential sales for new dwellings in Hamilton City for the February 2021 –2022 period. In Hamilton City, the majority of stand alone dwellings were sold in the $600,000-$1,400,000 price range. Terrace houses typically achieved a sale price between $400,000 and $1,000,000. Apartments typically achieved a sale price between $400,000 and $800,000.

Figure 7: Hamilton City Sales February 2021–2022



Source: CoreLogic

4.3. New Dwelling Construction 2015-2021

Figure 8 displays the residential dwelling completions (Building Consents) within Hamilton City over the past seven years by dwelling type. The key points to note are:

- In 2021, the were a total of 1,640 building consents issued. Of which, 1,005 (or 61%) were for terrace houses and 565 (or 34%) were for stand alone houses. Building consents for apartments and retirement villages were 1% and 3% respectively.
- Over the last seven years, the number of building consents issued for terrace houses has increased from 14% of all dwellings built-in 2015, to 61% of all dwellings built-in 2021. This is one of the most significant emerging trends in the housing market. This is being driven by the increase in the price of houses, which is incentivising buyers to purchase more affordable terrace houses over stand alone houses.
- The shift towards terrace houses has been offset by a decrease in the proportion of stand alone houses being built which has decreased from 64% in 2015 to 34% in 2021.
- This trend is reflective of the trend currently seen in other major housing markets, most notably the Auckland housing market. This indicates the trend is not unique to Hamilton and it is therefore expected to continue.

Figure 8: Hamilton City Residential Building Consent Data 2015-2021

Year	Stand Alone	%	Terr ace	%	Apart ment	%	Retire ment	%	Total
2015	765	64%	165	14%	185	15%	85	7%	1,200
2016	755	64%	300	25%	65	6%	60	5%	1,180
2017	445	39%	565	50%	80	7%	50	4%	1,140
2018	530	36%	700	47%	40	3%	215	14%	1,485
2019	555	33%	885	53%	55	3%	190	11%	1,685
2020	525	37%	705	50%	70	5%	110	8%	1,410
2021	565	34%	1,005	61%	20	1%	50	3%	1,640

Source: Statistics NZ

5. Accommodation Market Assessment

5.1. Accommodation Providers & Occupancy Rates

The following figure displays the number of accommodation providers and occupancy rates in Hamilton City over the past ten years. The key points to note are:

- Over the past 5 years, the number of establishments have been declining on average by 1 establishment per annum in Hamilton City. A similar trend is evident across New Zealand. The likely explanation is that some of the smaller providers are being replaced by a smaller number of medium – large scale providers.

- Conversely, occupancy rates have increased over the last decade for both Hamilton City and New Zealand. Occupancy rates have increased from 570% in 2009 to 68% in 2019 in Hamilton City, achieving an average annual growth rate of 1.8% over the past 10 years. This is significantly higher than the rate of growth seen across New Zealand of 0.7%.

- The high occupancy rate in Hamilton City can be attributed to the growing demand for hotel and motel accommodation in general, and the increasing use of hotels and motels for emergency housing[1].

- In general, the historical trend indicates a strong and growing accommodation market in Hamilton City. It is noted that there is no data available for the 2020 and 2021 years, and this period will reflect the impact from Covid-19. However, with the removal of travel restrictions, it is anticipated that the accommodation market will return to the 2019 level over the short term.

Figure 9: Accommodation Providers and Occupancy Rates (2009-2019)

	Hamilton City		New Zealand	
Year	No. of Hotels & Motels	Occupancy Rate	No. of Hotels & Motels	Occupancy Rate
2009	54	50%	3312	36%
2010	54	54%	3284	36%
2011	54	54%	3222	37%
2012	55	53%	3183	36%
2013	56	54%	3178	38%
2014	58	54%	3156	40%
2015	56	57%	3139	41%
2016	53	63%	3101	43%
2017	53	67%	3047	45%
2018	53	66%	3029	45%
2019	52	68%	3002	43%
Average % Growth (p.a)				
10-year	0	1.8%	-31	0.7%
5-year	-1	2.8%	-29	0.6%

Source: Statistics NZ, Urban Economics

The following figure outlines the guest nights for Hamilton City over the 2009-2019 period. Guest nights represent one person spending one night in a hotel, motel or other accommodation providers. Guest nights provide a better indication of the scale of the accommodation market than occupancy rates. The key points to note are:

- Within Hamilton City, the guest nights have increased from 532,000 in 2009 to 794,000 in 2019, an increase of 262,000 or 41% over this period.

- Across New Zealand, the guest nights have increased from 32,014,000 in 2009 to 37,654,000 in 2019, an increase of 5,640,000, an increase of 16% over this period.

- Overall, this shows a strong and growing accommodation market within Hamilton City and

[1] https://www.stuff.co.nz/business/93195780/hamilton-motel-gets-more-than-200000-from-taxpayer

across New Zealand.

Figure 10: Guest Nights (2009-2019)

Year	Hamilton City	New Zealand
2009	532,000	32,014,000
2010	545,000	32,247,000
2011	566,000	32,016,000
2012	567,000	31,438,000
2013	602,000	32,710,000
2014	635,000	34,611,000
2015	674,000	36,254,000
2016	732,000	38,501,000
2017	760,000	39,464,000
2018	761,000	40,367,000
2019	794,000	37,654,000
Average % Growth (p.a)		
10-year	4.1%	1.6%
5-year	4.6%	1.7%

Source: Statistics NZ, Urban Economics

5.2. Accommodation Building Consents

The following figure displays the building consents for accommodation providers for Hamilton City over the past ten years. The key points to note are:

- A total of 14,530m^2 of accommodation floorspace was consented in Hamilton City over the past ten years. This equates to an average GFA of 1,450m^2 per annum consented over the past 10 years.
- Overall, this shows the introduction of several new accommodation providers each year within Hamilton City.

Figure 11: Hamilton City Accommodation Floorspace Consented GFA (m^2)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
GFA (m^2)	500	3,820	3,160	620	20	1,700	930	0	2,870	590	320	**14,530**

Source: Statistics NZ

5.3. Current Supply of Hotels & Motels

The following figures display the current supply of medium (30 rooms) and large (100+ rooms) hotels and motels within Hamilton City. The key points to note are:

- Within Hamilton City, there are a total of 15 medium and large scale hotels and motels with a total of 1,021 rooms, an average occupancy rate of 87% and an average daily rate of $226.
- Hamilton City has 3 high-quality large hotels with an average occupancy rate of 82% and 12

high-quality medium hotels and motels with an average occupancy rate of 92%.

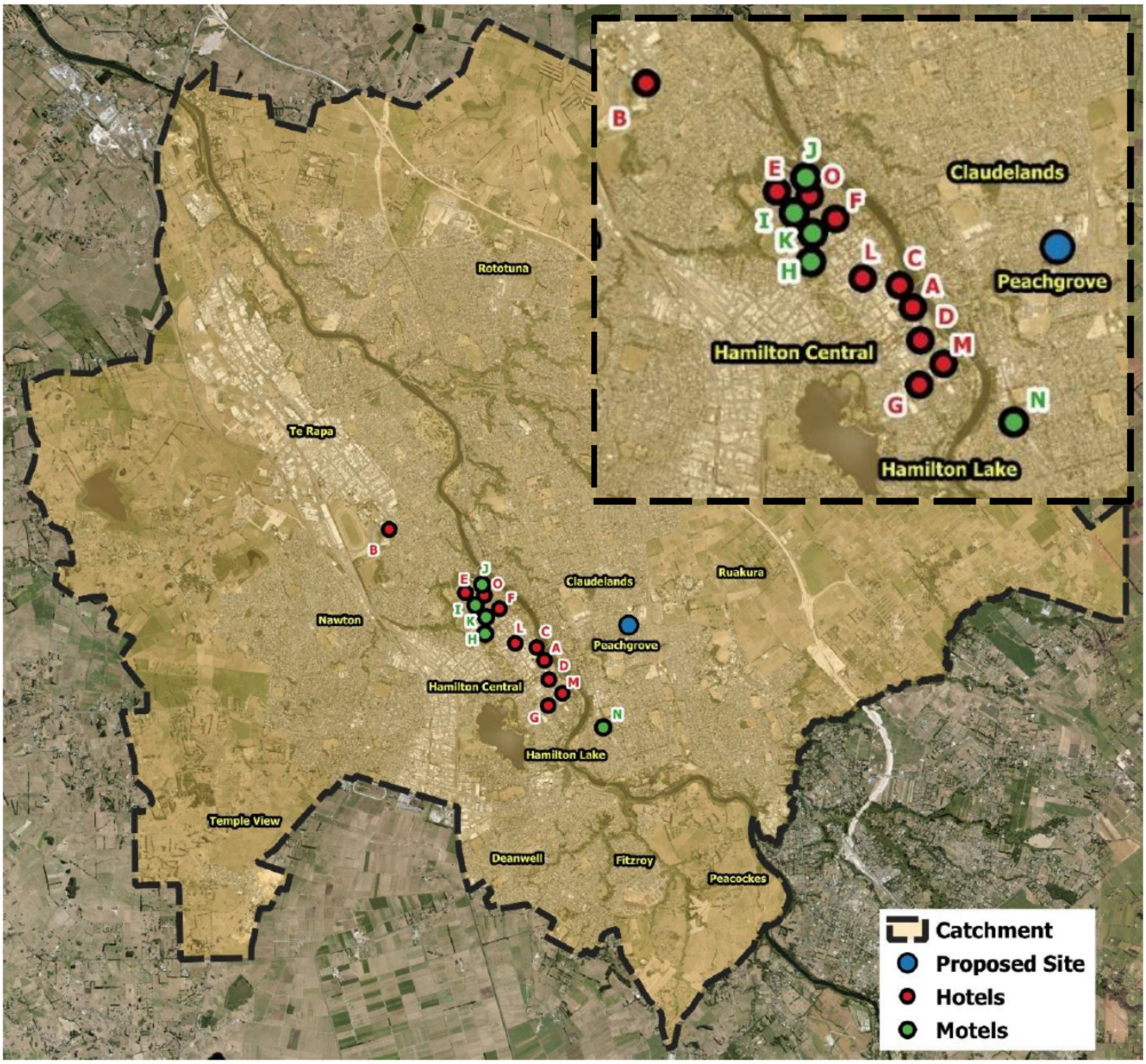
- The majority of accommodation providers are within or near the CBD.
- In general, there is a limited supply of high quality medium and large scale hotels and motels within Hamilton City.

Figure 12: Hamilton City Accommodation Supply

Type	Map Label	Hotels & Motels	Address	No. of Rooms	Average Daily Rate ($)	Star Ratings	Average Occupancy (%)
Large	A	Novotel	7 Alma Street	217	$320	4.5	78
	B	Distinction	100 Garnett Avenue	147	$240	4.0	88
	C	Ibis	18 Alma Street	126	$170	3.5	80
Sub Total				**490**	**$243**	**4.0**	**82**
Medium	D	Ramada by Wyndham	287 Victoria Street	69	$235	3.5	75
	E	Alcamo	290 Ulster Street	56	$200	3.0	82
	F	Heartland Ambassador	86 Ulster Street	51	$200	3.0	87
	G	Venture Inn & Suites	23 Clarence Street	50	$175	3.5	93
	H	Anglesea Motel	36 Liverpool Street	48	-	4.5	100
	I	Camelot on Ulster	231 Ulster Street	40	-	4.0	100
	J	Aaron Court Motor Inn	250 Ulster Street	40	-	3.5	100
	K	Grosvenor Motor Inn	165 Ulster Street	40	-	3.0	100
	L	Quest	51 London Street	38	$300	4.0	81
	M	VR	237 Victoria Street	38	$145	4.0	80
	N	Aspen Manor Motel	209 Grey Street	31	-	3.0	100
	O	Abbots	222 Ulster Street	30	-	3.0	100
Sub Total				**531**	**$209**	**3.5**	**92**
Total				**1021**	**$226**	**3.8**	**87**

Source:Various

Figure 13: Hamilton City Accommodation Supply



Source: Google Map

5.4. Demand vs Supply of Hotels and Motels Accommodation

The high occupancy rate of over 86% for high quality medium and large-scale hotels and motels (as identified in Figure 12) is a result of growing visitor demand and the increasing use of hotels and motels for emergency housing.

The growing visitors demand over the past few years, especially during weekends and school holidays, can in large part be attributed to concerts, events including sporting events, and visiting family and friends.

Additionally, over the past two years, 66 hotels and motels in Hamilton City have been repurposed for emergency housing[2]. Further, the Hamilton City Council Hotel Market Situation Report 2021 states,

> *"It is expected that the majority of these motels will continue to be used for social housing do so for the next few years or maybe permanently re-purposed to another use either for or as a result of this activity*".

The growing visitor demand along with large number of hotels and motels being repurposed for social housing has considerably reduced the supply of visitors' accommodation in the city. This is likely to put significant pressure on the existing hotels and motels.

5.5. Flow-On Effects from Under-Supply

The shortage of high-quality medium and large-scale hotels and motels have resulted in several negative effects, including:

- An increase in the number of visitors preferring day trips or staying elsewhere within district rather than staying overnight at a hotel or motel within the Hamilton City; and,
- Businesses and organisations relocating their events and conferences from Hamilton City to other cities and towns. Some of the major conferences and events that have relocated from Hamilton City in recent times include the Harcourts annual conference (4-day conference with approximately 900 delegates) and the Veterinary Association Congress (5-day events with approximately 3,000 delegates).

The above factors are limiting the growth in visitor stay nights and visitors spends within Hamilton City. Additionally, these factors have resulted in negative flow-on effects to businesses that are supported by the hotels and motels sector, especially by the businesses involved in organising events and conferences, which have missed the opportunity for this business activity. This situation is expected to worsen as Professional Conference Organisers (PCOs) have apparently overlooked Hamilton City as a potential destination for organising events and conferences because of the lack of available accommodation in the city.[3]

It is estimated that Hamilton City will require approximately four new hotels and motels between 100-200 rooms in the short to medium term to meet this growing current and future demand. This is explicitly outlined in the Hamilton City Council Hotel Market Situation Report 2021. The report states:

> *"To meet future commercial accommodation requirements, we expect that Hamilton requires a mixture or circa 160 addition hotel rooms and serviced apartment units by 2023, rising to circa 850 in the year 2033. This requirement is over and above the rooms in hotels that are currently used as MIQ facility and are expected to return to the market over the next 12-18 months".*

The proposal will provide an additional accommodation supply of 150 rooms in Hamilton City, and this

[2] Welcome to hotel Hamilton - Investors pile into Airbnbs as govt fills motels | Stuff.co.nz
[3] The Hamilton City Council's Hamilton Hotel Market Situation Report 2021

would meet some of the growing demand.

6. Impact of Covid-19

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

6.1. Residential

The NZ Treasury commissioned a report on the impact of Covid-19 on the national economy[4]. 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.

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.

6.2. Accommodation Sector

The proposal is expected to be constructed over the 2024 – 2028 period with the hotel and facilities open by 2026. With the removal of travel restrictions, it is anticipated that the global international travel demand will return to 2019 (pre-Covid) levels within a few years. It is notable that international air travel has suffered the least disruption from Covid-19 in the Asia-Pacific region and will likely recover to 2019 levels faster than other regions.

7. Economic Contribution of Proposal

The project would create a considerable number of jobs within the construction and accommodation and food service sector. This is comprised of the initial construction and ongoing operation of the proposed development.

7.1. Construction Phase

The national 'value-added per employee' for each sector has been used to estimate the GDP contribution and the related full-time equivalent (FTE) employment for this project. This methodology accounts for both the direct and indirect contributions generated from the proposed development.

Figure 14 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 236 FTE jobs and contribute $31.4 million to GDP and the construction of the proposed 150 room hotel would

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

generate 175 FTE jobs and contribute $23.3 million to GDP.

Additionally, the construction of the proposed commercial (gym and retail) offering and car parks would generate 27 FTE jobs and contribute $4.2 million to GDP. This would result in a total of 439 FTE jobs and a contribution of $58.9 million to GDP.

Compared with the Permitted Baseline scenario under the DP and MDRS, the Proposed Development is likely to result in a net addition of 371 FTE jobs and $49.9 million to GDP and a net addition of 147 FTE jobs and $20.2 million to GDP respectively.

Figure 14: FTE Employee Estimates

Permitted Baseline-DP	Product Type	Count	Project [redacted]	[redacted] Added	FTE Employees
Stand alone	4-bed	39	s 9(2)(b)(ii)	$9.1	68
Total		**39**		**$9.1**	**68**
Permitted Baseline-MDRS	**Product Type**	**Count**		**[redacted] Added**	**FTE Employees**
Apartment	1-bed	36		$6.3	47
	2-bed	99		$20.4	153
	3-bed	45		$12.1	91
Total		**180**		**$38.8**	**292**
Proposed Development	**Product**	**Count**		**[redacted] Added**	**FTE Employees**
Apartment	1-bed	34		$5.9	45
	2-bed	57		$13.5	102
	3-bed	12			24
Terrace	2-bed	32		$3.6	27
	3-bed	28		$4.2	32
	4-bed	7		$0.9	7
Residential Sub Total		**170**		**$31.4**	**236**
Hotel	Studio	80		$7.6	57
	1-bed	20		$3.8	29
	2-bed	50		$11.9	89
Hotel Sub Total		**150**		**$23.3**	**175**
Commercial	Gym	1		$0.1	1
	Retail	1			1
Commercial Sub Total		**2**		**$0.3**	**2**
Residential Car Parks		210		$3.1	23
Hotel Car Parks		56		$0.8	2
Total		**588**		**$58.9**	**439**

Comaprision	Permitted Baseline-DP	Proposed Development	Net Addition	Permitted Baseline - MDRS	Proposed Development	Net Addition
Project Value ($M)	s 9(2)(b)(ii)		$170.0	s 9(2)(b)(ii)		$68.7
Value Added ($M)	$9.1	$58.9	$49.9	$38.8	$58.9	$20.2
FTE Employees	68	439	$371	292	439	147

Source: Urban Economics

Figure 15 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 14. Figure 15 shows that the construction sector contributes $18.5 billion to the national GDP, employing 139,800 FTEs and the accommodation and food services sector contributes $7.0 billion to the GDP, employing 174,300 FTEs. This results in a value-added of $133,000 per FTE employee within the construction sector and $41,000 within the accommodation and food services sector.

Figure 15: Industry GDP and Value Added per Employee

Sector	Value Added GDP ($M)	FTE Workers	Value Added GDP Per Employe
Construction	$18,540	139,800	$133,000
Accommodation & Food Services	$7,060	174,300	$41,000

Source: Statistics NZ, Urban Economics

7.2. Ongoing Operations

Figure 16 outlines the economic contribution and employment of the ongoing operation of the proposed hotel and retail store. Some of the key points to note are:

- The ongoing economic impact from the proposed hotel is expected to contribute approximately $9.6 million to GDP and generate 110 FTE jobs per annum. The proposed activity is expected to have a net present value of $150.5 million over a 30-year period with a discount rate applied at 5% per annum.
- The ongoing economic impact from the retail store is expected to contribute approximately $0.4 million to GDP and generate 4 FTE jobs per annum. The proposed activity is expected to have a net present value of $18.1 million over a 30-year period with a discount rate applied at 5% per annum.
- Overall, the ongoing economic impact from the proposed development is expected to contribute approximately $10.0 million to GDP and generate 114 FTE jobs per annum. The proposed development is expected to have a net present value of $ 168.6 million over a 30-year period with a discount rate applied at 5% per annum.

Figure 16: Economic Contribution and Employment of Ongoing Operations

Ongoing Benefits	Project Value	NPV ($M)	FTE Employees
Proposed Hotel	$9.6	$150.5	110
Proposed Retail	$0.4	$18.1	4
Total	**$10.0**	**$168.6**	**114**

Source: Statistics NZ, Urban Economics

8. Flow on Effects from the Proposal

The proposed hotel is expected to generate a positive flow-on effect within Hamilton City. Flow-on benefits include all jobs and income generated by businesses that supply goods and services to the hotel. Examples of businesses that will indirectly benefit from the development of a hotel include suppliers of rooms related goods (housekeeping supplies, room amenities, etc), tourism operators, telecommunication vendors (internet, cable, etc.), utility companies and food and beverage suppliers.

An international study estimated that every €1.00 of tourist expenditure has a flow-on revenue of €2.00 for the businesses within the surrounding area. The multiplier effect is expected to be significantly higher (up to €30.00) in countries that are more developed.

With a limited supply of medium-large scale high-quality hotel accommodation within Hamilton City, the proposed hotel is anticipated to attract a large number of tourists. This would generate significant flow-on effects, for example it would support events and conferences in the city that require medium-large scale accommodation.

9. Commercial Viability of Proposed Development

The additional two levels within the proposed development would support its commercial viability by providing economies of scale and additional revenue to offset the fixed costs (e.g. land). This would increase the likelihood that the development proceeds and the resulting economic output and employment occur in the short term.

The cost of construction for apartment and hotel buildings are relatively high at approximately $6,300/sqm, around twice the cost of other types of housing. This makes apartment development significantly more expensive which can impact the commercial viability of a proposed development. The additional levels would in part address this typical challenge that apartment and hotel developments face.

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 and relative affordability of 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.

The following figure displays the proposed composition of the development. Prices have been estimated based on the current market prices of new terrace houses and apartments across the study area. Terrace houses are expected to be priced between $475,000 and $645,000 and apartments are expected to be priced between $740,000 and $1,150,000. Providing new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 17: Peachgrove Development Composition

Development	GFA (m2)	Price	Count	Proportion
Apartment	55	$740,000	34	20%
	75	$1,010,000	57	34%
	85	$1,150,000	12	7%
Terrace	50	$475,000	32	19%
	60	$576,000	7	4%
	75	$645,000	28	16%
Total			**170**	**100%**

Source: Tollemache Consultants Ltd, Urban Economics

the project's economic benefits and costs for people or industries affected by COVID-19 (see section 19 (a).

As outlined above, the project would create an estimated 439 FTE jobs and contribute $58.9 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 significant economic benefit.

The proposal would displace approximately 10 FTE jobs currently employed in the accommodation and food service sector. This results in a relatively small economic cost. It is likely that this would be offset, at least in part, by the employment generated by the proposed hotel.

If applicable, whether the project may result in a public benefit by increasing the housing supply (see section 19(d)(ii)).

The proposed development would increase the residential housing supply by providing 170 new dwellings (53 terrace 103 apartments and 53 terrace houses) to the market.

11. NPS-UD Assessment

Policy 1 of the NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments, which are urban environments that, as a minimum:

(a) Have or enable housing that is of a range, type and price that meets demand; and

(b) Have or enable a variety of sites that are suitable for different business sectors in terms of location and site size; and

(c) Have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport.

The proposal helps to achieve the objectives of Policy 1 (a) of the NPS-UD as it increases the range of housing available to the market. As outlined above, the proposal would provide additional housing within the $475,000-$1,150,000 price range, however, with the majority of dwellings selling within the $475,000-$740,000 price range. The proposal therefore provides housing that contributes to meeting the demand for terrace housing and apartments.

The proposal helps to achieve the objectives of Policy 1 (b) and (c) of the NPS-UD as it would operate from a site and location that is suitable to its business needs. It would also provide good accessibility between housing and jobs by way of public or active transport.

12. Conclusion

The proposal would provide a range of housing and accommodation to the market within the study area which is in short supply.

The proposal would result in an increase in construction sector output, with an additional 439 full-time equivalent employees (FTEs) with a value-added contribution of $58.9 million to GDP.

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