

Economic Assessment of:
Proposed Residential
Development at 1 Selfs Road,
Mangere, Auckland

PREPARED FOR
Myland Partners



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1. Executive Summary

- The majority of stand alone dwellings in the primary catchment of the proposed development are valued in the \$700,000 - \$800,000 range.
- The majority of terrace houses in the primary catchment of the proposed development are in the \$400,000 - \$600,000 range.
- The majority of apartments in the primary catchment of the proposed development are in the \$300,000 - \$500,000 range.
- The proposal is to build in the order of 115 stand alone houses. These would predominantly fall within the s 9(2)(b)(ii) price range.
- Auckland has a shortage of 30,000 - 40,000 dwellings, and this shortage is primary for affordable family (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.
- This would result in a net increase in construction sector output, with an additional 110 full time equivalent employees (FTEs) generated directly from the proposal.
- An additional 217 FTEs are expected in the wider economy over the life of the project due to flow on economic activity.
- The proposal would utilise a centrally located site that is presently underutilized.



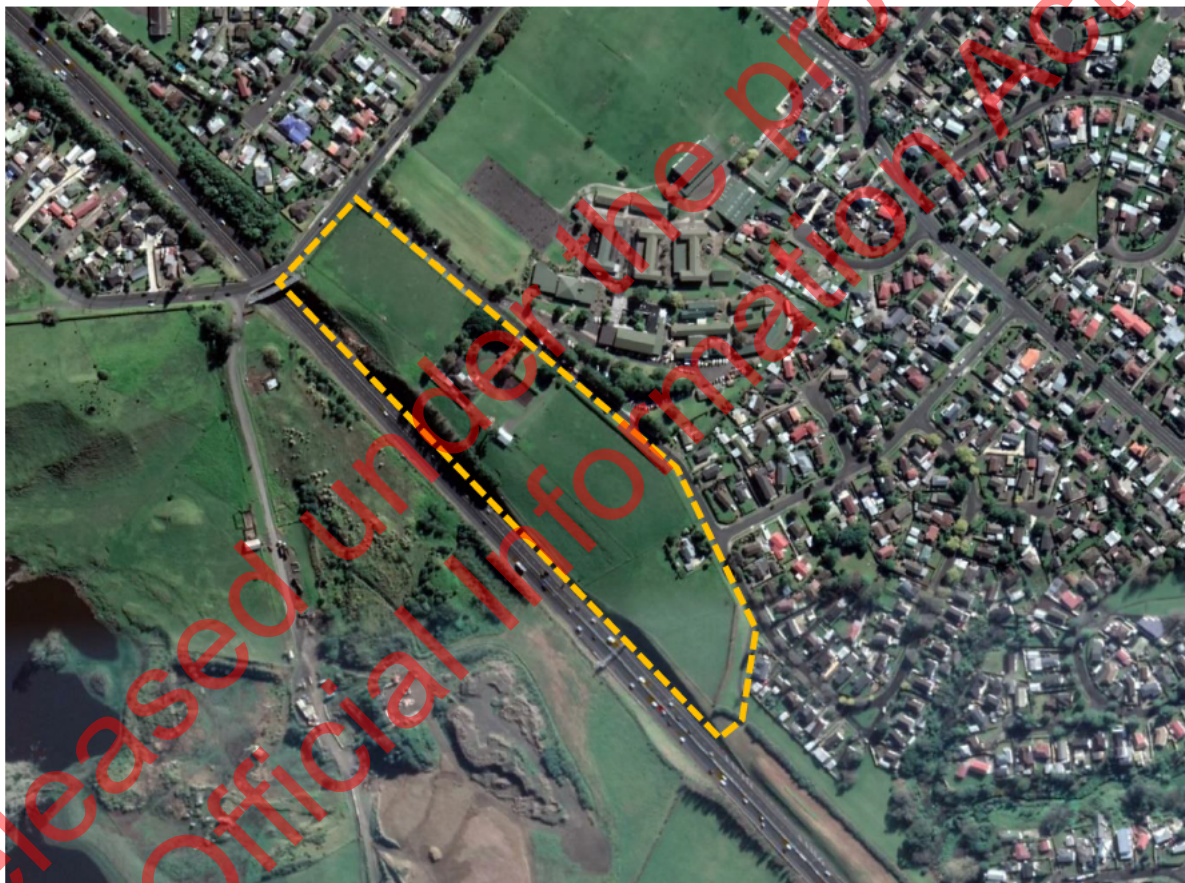
2. Introduction

This report provides an economic and market commentary to support a fast-tracking application for a Resource Consent application for a proposed residential development located at 1 Sels Road, Mangere.

2.1. The Proposal

The proposed development site is outlined in Figure 1. It is 3.6 hectares and is zoned Mixed Housing Suburban. The proposal is to build in the order of 115 stand alone houses, mostly in the s 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



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 - \$800,000 range,
- The majority of terrace houses are in the \$400,000 - \$600,000 range, and
- The majority of apartments are in the \$300,000 - \$500,000 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

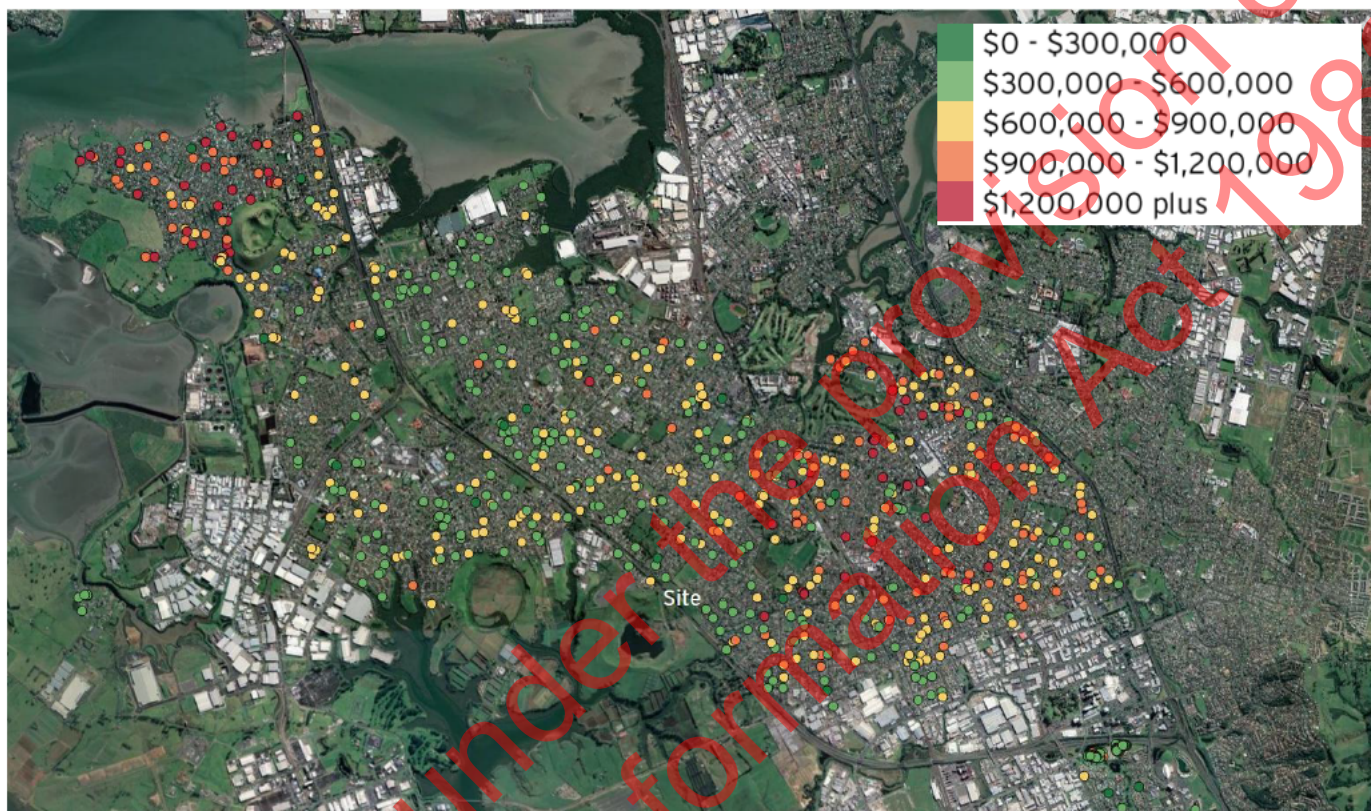
Price Bracket	SA	TCE	APT	Total
Less Than \$300,000	0	0	40	40
\$300,000 - \$400,000	10	150	270	430
\$400,000 - \$500,000	320	1,270	260	1,860
\$500,000 - \$600,000	2,450	1,830	70	4,350
\$600,000 - \$700,000	5,680	910	50	6,630
\$700,000 - \$800,000	4,620	360	10	4,990
\$800,000 - \$900,000	2,720	230	10	2,960
\$900,000 - \$1,000,000	1,800	100	0	1,900
\$1,000,000 - \$1,100,000	1,070	50	0	1,120
\$1,100,000 - \$1,200,000	760	60	0	830
\$1,200,000 - \$1,300,000	360	50	0	410
\$1,300,000 - \$1,400,000	250	40	0	300
\$1,400,000 - \$1,500,000	160	50	0	210
\$1,500,000 Plus	220	120	0	340
Total	20,420	5,230	710	26,360

Source: Corelogic



Figure 4 shows the distribution of dwelling sales by price. The highest priced locations within the study area are Mangere Bridge and Papatoetoe, which achieve sale prices of around \$1.0 - \$1.2 million. The proposal site is within the central part of the catchment (Mangere). This area achieves lower sale prices, of around \$500,000 - \$800,000.

Figure 4: Study Area Sales Analysis 2020



Source: Corelogic

The following bar graphs display residential sales for new dwellings in the catchment and the wider Auckland urban area for the past year. Most notably, 12% of new dwellings sold in the Auckland urban area over the past year were priced between \$600,000 - \$700,000. A slightly higher proportion (19%) of dwellings sold in the catchment fell into this category.

The proposal would supply stand alone dwellings mostly in the s 9(2)(b)(ii) price range. These dwellings would be aligned with the current house prices in the study area and the regional marketplace. It is worth noting that Auckland has a shortage of 30,000 - 40,000 dwellings, and that this shortage is primary for affordable family (3 bedroom) dwellings. The proposal would contribute to this shortage and would represent a net increase in housing and economic activity in the construction sector.



Figure 5: Study Area Sales 2020

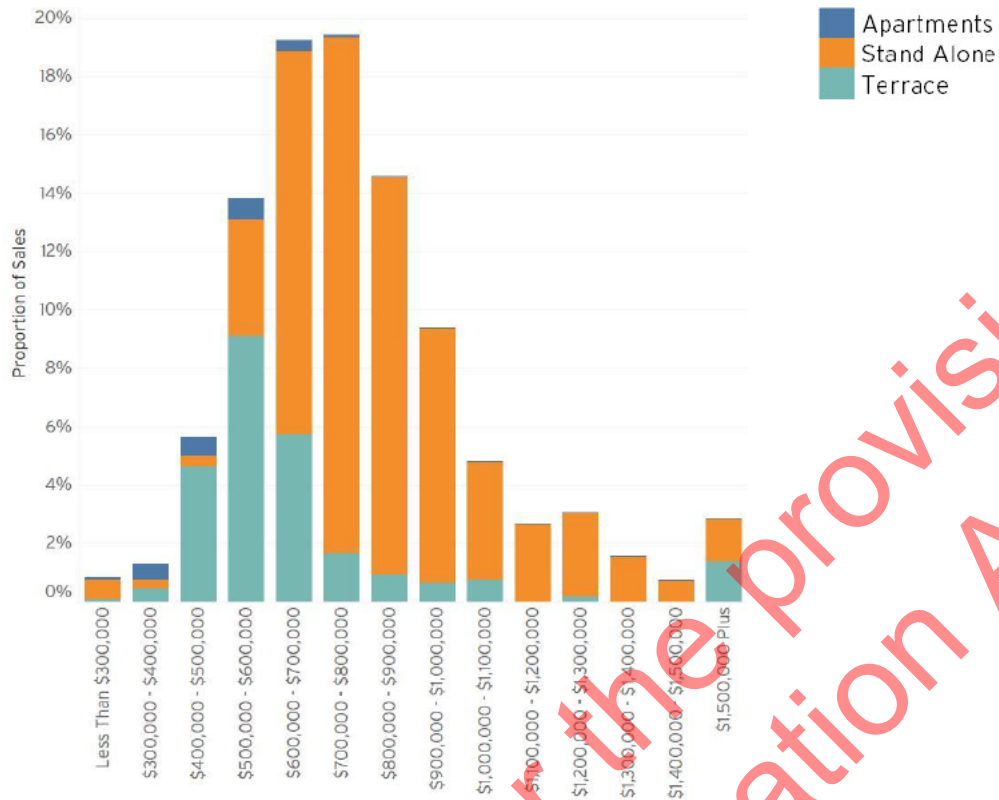


Figure 6: Auckland Urban Area Sales 2020





5. Impact of Covid 19

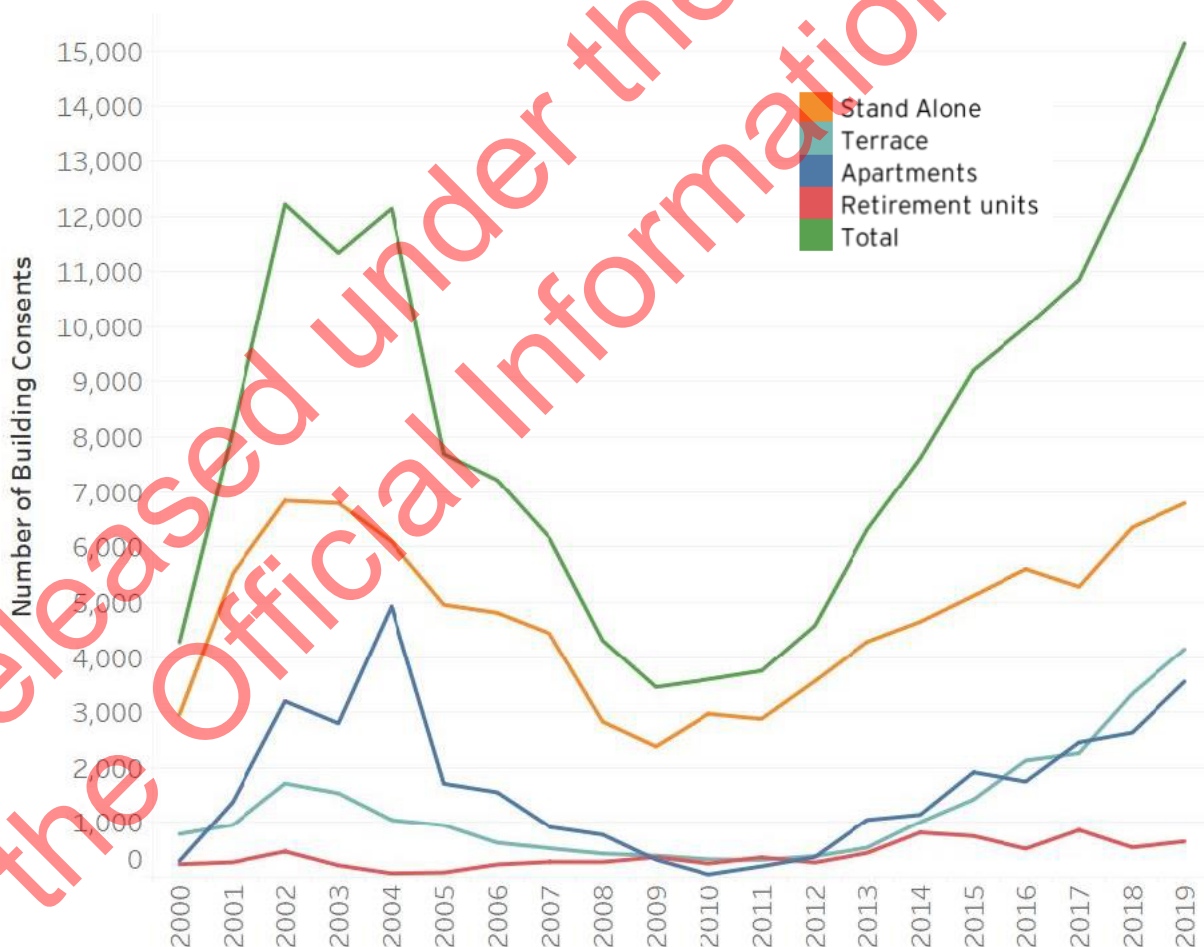
The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of costs and benefits of those involved in the construction sector, as follows.

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 shut. Record high immigration has been replaced with near to zero immigration. This is likely to result in a decline in the number of houses demanded and thus constructed, and places considerable pressure on the construction sector over the coming years.

Figure 7: Building Consents by Product Type: Auckland Region (2000 - 2019)





5.1. Economic Contribution of Proposal

As shown in figure 8, the project would create a considerable number of jobs across several industries. The national 'value added per employee' for each industry has been used to estimate the full time equivalent (FTE) employment for this project. It is estimated that the construction of 1 Selfs Road would generate 327 FTE jobs, with 110 FTEs involved directly in the project and an additional 217 FTEs created as a flow on impact in other industries. This takes into account the dynamic nature of an economy, where an increase in demand for one industry's products generates additional demand for the factors of production used in that industry, as well as an increase in spending from the people who work in that industry. This process continues throughout the economy increasing spending and employment in many different industries.

Figure 8: FTE Employee Estimates

Industry	Direct Expenditure				Direct FTE Generated				Flow On FTE				Total FTE Generated
	Y1	Y2	Y3	Total	Y1	Y2	Y3	Sub-total	Y1	Y2	Y3	Sub-total	
Professional Services	\$2.2			\$2.2	11	0	0	11	6	0	0	6	17
Legal and Accounting Services	\$0.6			\$0.6	4	0	0	4	2	0	0	2	6
Research and Statistical Services	\$0.1			\$0.1	1	0	0	1	0	0	0	0	1
Building Construction		\$5.1	\$5.1	\$10.2	0	6	6	12	0	32	32	64	76
Heavy and Civil Construction	\$0.3			\$0.3	1	0	0	1	2	0	0	2	2
Land Development & Building Services	\$5.0	\$5.0	\$5.0	\$15.1	15	15	15	46	23	23	23	69	115
Manufacturing	\$9.5			\$9.5	21	0	0	21	50	0	0	50	71
Other	\$5.1			\$5.1	15	0	0	15	24	0	0	24	39
Total	\$22.8	\$10.1	\$10.1	\$43.1	67	21	21	110	107	55	55	217	327

Source: Statistics NZ, Urban Economics

It should be noted that the applicant has access to limited financial and time resources, with the implication being that they can only undertake a few developments at any one time. I am advised by the applicant's lawyer that a Resource Consent for this property would inevitably require public notification and would probably result in an Environment Court appeal. This process would take 2-3 years. By contrast a fast-track application would take less than 1 year, and this would enable the applications financial resources to be utilised relatively quickly. This would increase the economic activity in the construction sector in the short term, which is a benefit given the challenges presented by Covid-19.

6. 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 an indicative composition of the development. All dwellings are 3 bedroom and prices vary from approximately s 9(2)(b)(ii) with section sizes.

Figure 9: 1 Selfs Road Development Composition

Size	Price	Number	Proportion
3 bed	\$725,000	50	43%
3 bed	\$750,000	45	39%
3 bed	\$800,000	20	17%
Total		115	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 110 Direct FTE jobs. These jobs would be in roading, construction, landscaping, planting, land surveying, administration and support services and other related activities. An additional 217 FTE jobs are created as a flow-on effect throughout the wider economy. 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 115 new 3 bedroom dwellings to the market. In particular, the project would provide housing in currently undersupplied price brackets.

7. 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 s 9(2)(b)(ii) price brackets, which are currently undersupplied in the region. The proposal therefore provides housing which meets the market demand for affordable housing of the type proposed by the applicant.



8. Conclusions

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 110 FTEs generated directly from the proposal, and an additional 217 FTEs generated in the wider economy expected over the life of the project.

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