

Economic Assessment for:
617-619 New North Road
Residential Development

PREPARED FOR
C/o Civix Limited



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1. Executive Summary

- The majority of stand alone dwellings within the study area are valued in the \$900,000 - \$1,900,000 price range. However, there are a significant number of stand alone dwellings valued above \$2,000,000.
- Approximately 50% of apartments within the study area are valued between \$500,000 and \$900,000.
- The average sale price for apartments in the study area over the last year is \$830,000, making it the most affordable compared to other types of residential housing.
- The proposal is to build 34 room hotel and 44 apartments ranging from 35m² to 120m². These would have an estimated sale market price between \$540,000 and \$1,560,000 with the majority of apartments (93%) selling for an estimated price between \$540,000-\$940,000.
- There are currently 10 new comparable developments within the study area with a total of 177 units presently for sale. This indicates that there is a shortage of new apartments in this general location.
- Building consents for apartments in the study area are a high proportion of the total consents (30% vs 19% for the Auckland region) over the last 5 years, suggesting it is the ideal location for high density housing.
- The proposal would increase the apartment supply by 44 dwellings. This is equivalent to supplying 1.5-2 months of total projected annual demand for housing within the study area, based on historic market absorption of 250-300 dwellings per annum.
- Auckland has a shortage of around 45,000¹ dwellings, and this shortage is primary for affordable dwellings. The proposal would contribute to this shortage by providing relatively affordable housing in the study area.
- The construction of the proposed residential development would generate 96 FTE jobs and contribute \$12.6 million to GDP. Additionally, the construction of 34 hotel units, a rooftop lounge and a commercial space would generate 47 FTE jobs and contribute \$6.3 million to GDP. This would result in a total of 143 FTE jobs and a contribution of \$18.9 million to GDP.
- Compared with the baseline scenario, the proposed residential and hotel development is likely to result in a net addition of 34 FTE jobs and \$4.4 million to GDP. More generally, it would support the overall commercial viability of the project which would ensure the economic benefits are realised.

¹ Johnson, A., Howden-Chapman, P., & Eaugh, S. (2018). A Stocktake of New Zealand's Housing.



2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a proposed apartment and hotel development located at 617-619 New North Road, Kingsland.

2.1. The Proposal

The proposed development site is outlined in Figure 1. It is approximately 943m² and is zoned Business - Local Centre. The proposal is to develop 44 apartments ranging from approximately 35m² to 120m². In addition, the proposal is also to develop a 34-room hotel, a commercial space (65m²) and a rooftop lounge (166m²).

Figure 1: Proposal Site



Source: Civix



Figure 2 compares the total units and GFA from the proposed development with the permitted baseline scenario (i.e. a permitted building height under the Auckland Unitary Plan). The proposed development would be 8 levels, compared to the permitted baseline development of 5 levels, resulting in 14 more units and 1,000m² of additional GFA.

Figure 2: Total Units and GFA under the Baseline Scenario and the Proposed Development

Development Type	Product Type	Permitted Baseline Scenario			Proposed Development			Net Addition	
		Total Units	GFA/Unit (m2)	GFA (m2)	Total Units	GFA/Unit (m2)	GFA (m2)	Total Units	GFA (m2)
Hotel	Studio	24	30	720	24	30	720	-	-
	1-Bed	6	40	240	6	40	240	-	-
	2-Bed	4	75	300	4	75	300	-	-
Hotel Total		34	-	1,260	34	-	1,260	-	-
Apartment	Studio	3	35	105	4	35	140	1	35
	1-Bed	9	50	450	12	50	600	3	150
	2-Bed	18	65	1,170	25	65	1,625	7	455
	3-Bed	-	-	-	3	120	360	3	360
Apartment Total		30	-	1,725	44	-	2,725	14	1,000
Total		64	-	2,985	78	-	3,985	14	1,000

Source: Civix



3. Study Area

Figure 3 outlines the study area which is used to evaluate the local residential market for the proposed development. It includes Kingsland, Eden Park, Sandringham North, St Lukes, Mount Albert Central and North, Morningside and Grey Lynn South.

Figure 3: Study Area



Source: Google Maps



4. Housing Market Assessment

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

4.1. Existing Housing Stock

Figure 4 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 \$900,000 - \$1,900,000 price range. There also a reasonable number of stand alone dwellings (13%) valued above \$1,900,000.
- The majority of terrace houses are valued in the \$500,000 - \$900,000 price range.
- Approximately 50% of apartments in the study area are valued between \$500,000 and \$900,000. There are also reasonable number of apartments (22%) valued above \$900,000.

Figure 4: Study Area Residential Market Stock Profile (Valuation)

Price Bracket	Stand Alone	Terrace	Apart ment	Total
Less Than \$500,000	0	285	505	790
\$500,000-\$700,000	125	1,615	670	2,410
\$700,000-\$900,000	650	830	305	1,785
\$900,000-\$1,100,000	1,440	200	130	1,770
\$1,100,000-\$1,300,000	1,945	80	65	2,090
\$1,300,000-\$1,500,000	1,970	25	30	2,025
\$1,500,000-\$1,700,000	1,480	35	220	1,735
\$1,700,000-\$1,900,000	1,210	25	5	1,240
\$1,900,000-\$2,100,000	405	15	5	425
\$2,100,000-\$2,300,000	405	10	5	420
\$2,300,000-\$2,500,000	225	5	0	230
\$2,500,000-\$2,700,000	100	5	5	110
\$2,700,000-\$2,900,000	75	5	0	80
\$2,900,000-\$3,100,000	40	5	0	45
\$3,100,000-\$3,300,000	20	0	0	20
\$3,300,000-\$3,500,000	20	5	0	25
\$3,500,000-\$3,700,000	10	0	0	10
\$3,700,000-\$3,900,000	5	0	0	5
\$3,900,000-\$4,100,000	5	0	0	5
\$4,100,000+	15	5	0	20
Total	10,145	3,150	1,945	15,240

Source: CoreLogic

Figure 5 shows the distribution of dwelling sales by price over January 2021-2022 period. The highest priced locations within the study area are Grey Lynn, Kingsland, Eden Park and Morningside, which typically achieve sale prices above \$2,000,000. The proposal site is centrally located in the study area and has a varied price profile typically achieving sale prices between \$1,000,000 and \$2,000,000.



Figure 5: Study Area Sales January 2021-2022



Source: Corelogic

Figure 6 displays the average sale price achieved over the past year in the study area. Apartment housing is shown to be the most affordable type with an average sale price of \$830,000, while stand alone dwellings achieved the highest average price of \$2,124,000.

Figure 6: Average Sale Price by Dwelling Type January 2021-2022

Type	Average Sale Price
Stand Alone	\$2,124,000
Terrace	\$972,000
Apartment	\$830,000
Total	\$1,647,000

Source: CoreLogic



The following figures display residential sales for new dwellings in the study area and the Auckland urban area for the January 2021 -2022 period. There is a wide range of apartment units priced in the sub 500,000 - \$900,000 range, resulting in the study area being one the few affordable locations in the Auckland region.

Figure 7: Study Area Sales January 2021-2022

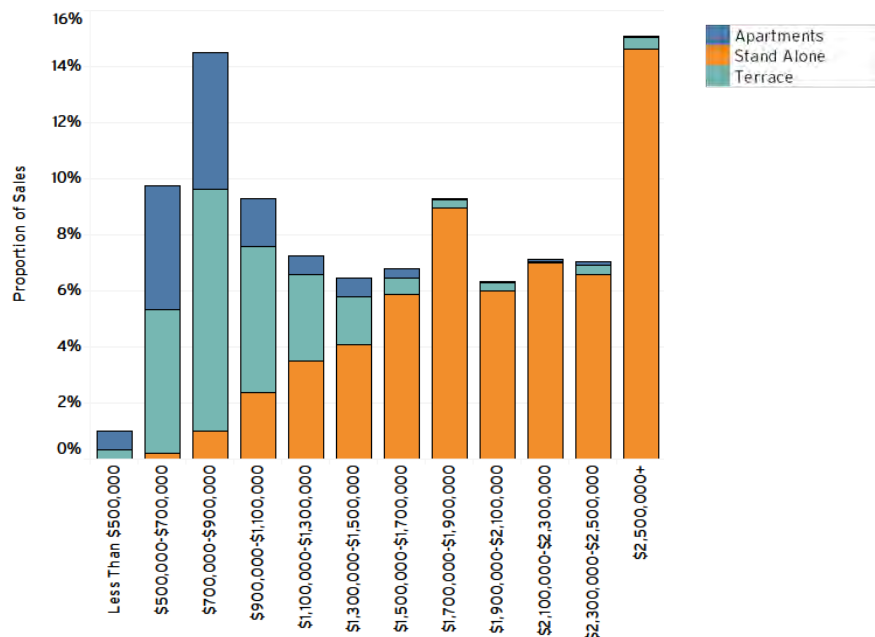
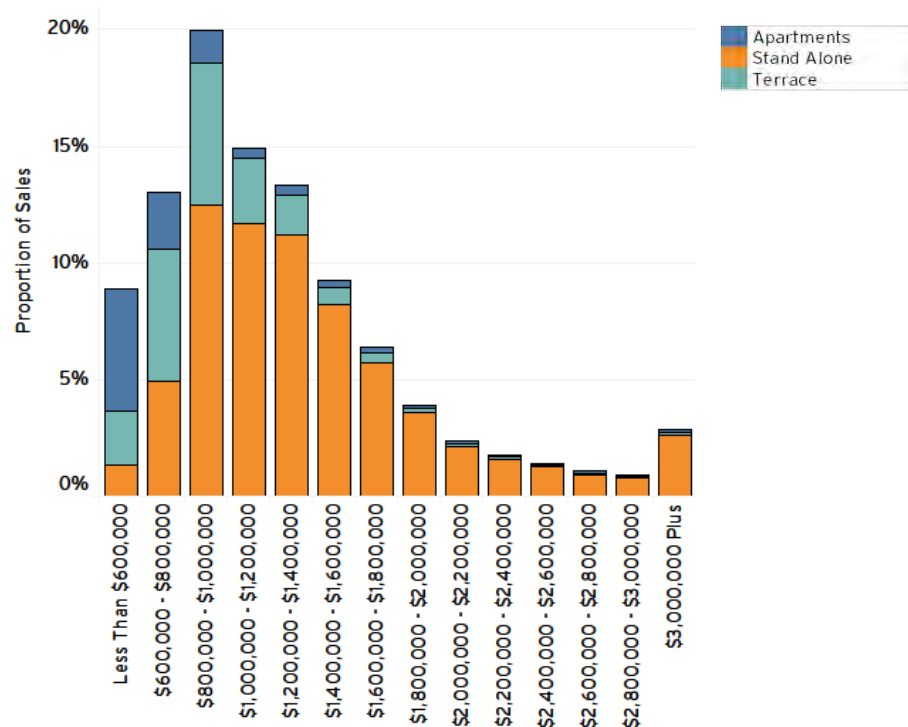


Figure 8: Auckland Urban Area Sales January 2021-2022





5. New Dwelling Construction 2017-2021

The following figures show dwellings consented since 2017 within the study area and the Auckland region. The main points to note are:

- Within the study area, building consents issued for new stand alone are relatively low compared to apartments over the last four years. Building consents for apartments units increased from no consent issued in 2017 to 78% in 2019 (pre-covid era).
- Building consents for apartments in the study area are a high proportion of the total consents (30% vs 19% for the Auckland region) over the last 5 years, confirming it is an ideal location for high density development.
- The proposal would increase apartment supply by 40 units. This is equivalent to supplying 1.5-2 months of total projected annual demand for housing within the study area (around 300 dwelling per annum)
- Despite the strong growth in building consents in the study area and the Auckland region over the past 5 years, there is still a shortage of around 45,000 dwellings².

Figure 9: Study Area Building Consents (2017 – 2021)

Year	Stand Alone	%	Terrace	%	Apartment	%	Retirement	%	Total
2017	20	57%	15	43%	0	0%	0	0%	35
2018	10	11%	55	61%	25	28%	0	0%	90
2019	10	4%	45	18%	200	78%	0	0%	255
2020	25	11%	185	79%	25	11%	0	0%	235
2021	15	5%	175	58%	110	37%	0	0%	300

Source: Statistics NZ

Figure 10: Auckland Region Building Consents (2017 – 2021)

Year	Stand Alone	%	Terrace	%	Apartment	%	Retirement	%	Total
2017	5,320	49%	2,240	21%	2,440	22%	870	8%	10,870
2018	6,400	50%	3,295	26%	2,630	20%	540	4%	12,865
2019	6,835	45%	4,115	27%	3,555	23%	650	4%	15,155
2020	6,535	39%	7,285	44%	2,435	15%	400	2%	16,655
2021	6,205	33%	8,830	47%	3,020	16%	740	4%	18,795

Source: Statistics NZ

² Johnson, A., Howden-Chapman, P., & Eaugh, S. (2018). A Stocktake of New Zealand's Housing.



6. Comparable Developments

Figure 9 provides an outline of the comparable apartment developments presently selling in the study area. There are 10 apartment developments currently selling within the study area, with 177 units remaining for sale. This indicates there is a shortage of new apartments in this location given historic market absorption of 250-300 dwellings per annum. There is only one large development that has significant number of units remaining for sale.

Figure 11: Comparable Apartment Developments

Developments	Address	Suburb	Price	m ² Rate	Floor Area (m2)	Units Remaining	Total Units
Proxima Residences	45 Randolph Street	Eden Terrace	\$800,000+	\$15,384	52	3	64
The Feynman	339 Great North Road	Grey Lynn	\$725,000+	\$16,860	43	141	155
The Greenhouse	20 Williamson Avenue	Grey Lynn	\$850,000+	\$18,500	46	3	40
The Grey	387 Great North Road	Grey Lynn	\$864,000	\$15,709	55	1	36
The Electric	445 New North Road	Kingsland	\$1,39,5000+	\$17,658	79	2	33
Maxxus Apartments	585 New North Road	Kingsland	\$645,000+	\$12,900	50	9	66
APT 15 Nugent St	15 Nugent St	Grafton	\$860,000+	\$14,300	60	2	92
Eden View	428 Dominion Road	Mount Eden	\$719,000+	\$13,800	52	9	109
Enfield Apartments	1 Enfield Street	Mount Eden	\$1,070,000	\$13,800	80	1	40
Albert Square	847 New North Road	Mt Albert	\$750,000+	\$14,200	52	6	38
Total						177	673

Source: TradeMe

7. Access to Amenity & Opportunity

The proposed development is located at an attractive location, offering a wide range of amenities that support residential development. For example:

- The proposed development would have access to a wide range of educational facilities, with several schools within a close proximity (within 4km radius).
- The proposed development site is located within 4km radius of the CBD and other employment orientated suburbs giving residents access to 24,000 businesses offering a total of approximately 81,000 jobs.
- Other amenities include several churches, medical centres, public libraries, parks, cinemas Auckland hospital, Morningside and Kingsland train station.



8. Impact of Covid-19

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

8.1. Residential

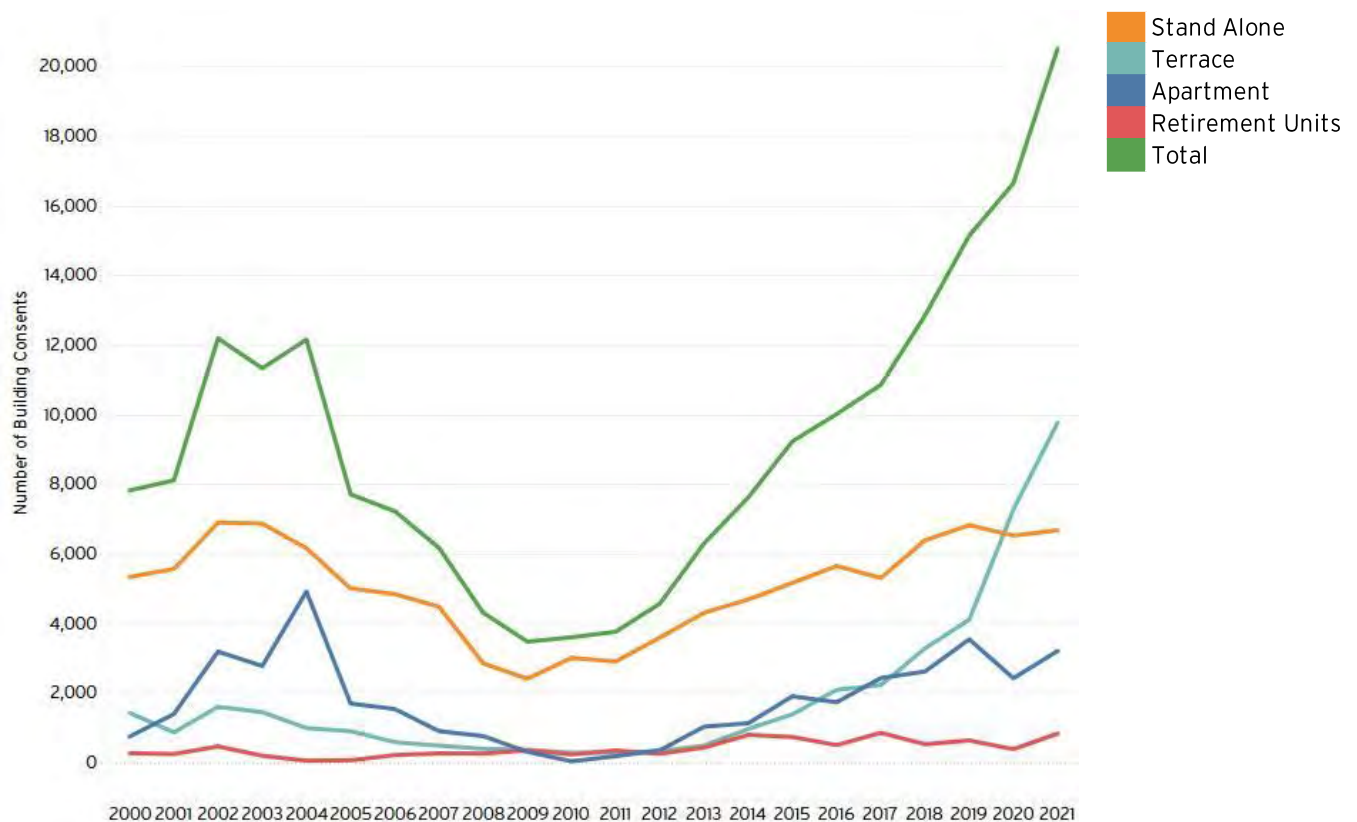
The Covid-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of costs and benefits of those involved in the construction sector, as follows.

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 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 ongoing effects of this 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.

Figure 12: Building Consents by Product Type: Auckland Region (2000 - 2021)



Source: Statistics NZ



8.2. Accommodation Sector

The proposal is expected to be constructed over the 2022 - 2025 period with the hotel and facilities open by 2025. With the International borders having recently opened, 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.

Since 2020, a significant number of hotels and motels have been used for emergency housing in the Auckland region. The Ministry of Social Development identified a growing demand for emergency housing, attributing it to a shortage of affordable housing and rising rents. The Ministry stated:

“the year 2020 saw a significant increase in demand for emergency housing, as the Ministry supported people through the Covid-19 pandemic period with accommodation where they could safely self-isolate”.³

The use of hotels and motels for emergency housing has placed ongoing pressure on the accommodation sector and has had the overall effect of reducing supply and in turn creating demand for additional units. The shortfall is expected to increase with the return of the international tourism market over the next few years.

9. 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.

Figure 13 outlines the value-added and FTEs that the proposed residential and hotel development would generate. It is estimated that the construction of the proposed residential development would generate 96 FTE jobs and contribute \$12.6 million to GDP. Additionally, the construction of 34 hotel units, a rooftop lounge and a retail space would generate 47 FTE jobs and contribute \$6.3 million to GDP. This would result in a total of 143 FTE jobs and a contribution of \$18.9 million to GDP.

Compared with the baseline scenario, the proposed residential and hotel development is likely to result in a net addition of 34 FTE jobs and \$4.4 million to GDP. More generally, it would support the overall commercial viability of the project which would ensure the economic benefits are realised.

³ <https://www.stuff.co.nz/national/politics/129327338/get-rich-quick-scheme-16m-paid-to-an-auckland-motel-for-emergency-accommodation>



Figure 13: FTE Employee Estimates

Permitted Baseline Scenario	Product	Count	Value (\$M)	Value Added (\$M)	FTE Employees
Apartment	Studio	3	\$1.6	\$0.5	4
	1-Bed	9	\$6.8	\$2.0	15
	2-Bed	18	\$17.0	\$5.0	37
Car Parks		27	\$2.7	\$0.8	6
Residential Sub Total		57	\$28.0	\$8.2	62
Hotel	Studio	24	\$11.0	\$3.2	24
	1-bed	6	\$3.6	\$1.1	8
	2-Bed	4	\$4.4	\$1.3	10
Car Parks		14	\$1.4	\$0.4	3
Hotel Sub Total		48	\$20.4	\$6.0	45
Commercial		1	\$0.9	\$0.3	2
Total		106	\$49.3	\$14.4	109

Proposed Development	Product	Count	Value (\$M)	Value Added (\$M)	FTE Employees
Apartment	Studio	4	\$2.1	\$0.6	5
	1-Bed	12	\$9.0	\$2.6	20
	2-Bed	25	\$23.6	\$6.9	52
	3-Bed	3	\$4.7	\$1.4	10
Car Parks		27	\$2.7	\$0.8	6
Rooftop Lounge		1	\$1.0	\$0.3	3
Residential Sub Total		72	\$43.1	\$12.6	96
Hotel	Studio	24	\$11.0	\$3.2	24
	1-bed	6	\$3.6	\$1.1	8
	2-bed	4	\$4.4	\$1.3	10
Car Parks		14	\$1.4	\$0.4	3
Hotel Sub Total		48	\$20.4	\$6.0	45
Commercial		1	\$0.9	\$0.3	2
Total		121	\$64.3	\$18.9	143

Comaprision	Value (\$M)	Value Added (\$M)	FTE Employees
Permitted Baseline Scenario	\$49.3	\$14.4	109
Proposed Development	\$64.3	\$18.9	143
Net Addition	\$15.1	\$4.4	34

Source: Urban Economics

* Max permissible building height

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 13. Figure 14 shows that the construction sector has a \$18.5 billion contribution to national GDP and a workforce of 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 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
Accommodation & Food Services	\$7,060	174,300	\$41,000

Source: Statistics NZ, Urban Economics

Figure 15 outlines the economic contribution of the ongoing operation of the proposed hotel. Once operational the proposed hotel is expected to contribute \$2.4 million to the economy per annum and have a net present value of \$36.2 million over a 30-year period. The ongoing operation of the hotel is estimated to generate 27 FTEs per annum.

Figure 15: Economic Contribution and Employment of Ongoing Operation

Site	Value (\$M)	NPV (\$M)	FTE Employees
Ongoing Benefits	\$2.4	\$36.2	27

Source: Statistics NZ, Urban Economics

10. Commercial Viability-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 \$6,500/sqm, around twice the cost of other types of housing. This makes the proposed development significantly more expensive which can impact the commercial viability of the project. The additional two levels would in part address this typical challenge that the proposed development faces.

11. 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 current market prices of new apartment houses across the study area. These are expected to be priced from \$540,000 for a 35m² apartment unit, to \$1,560,000 for a 120m² apartment unit. Providing new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 16: 617-619 New North Road Development Composition

Product Type	GFA (m2)	Estimated Sale Price	Count	Proportion
Studio	35	\$540,000	4	9%
1-Bed	50	\$750,000	12	27%
2-Bed	65	\$940,000	25	57%
3-Bed	120	\$1,560,000	3	7%
Total			44	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 143 FTE jobs and contribute \$18.9 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 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 the residential housing supply by providing 44 new dwellings to the market. In particular, the project would result in reducing the pressure on the currently undersupplied housing market within the study area and the wider Auckland region.

12. 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 \$540,000 - \$1,560,000 price range with the majority of apartments (93%) selling for an estimated price between \$540,000-\$940,000. The proposal therefore provides housing which meets the market demand for apartment units.



13. Conclusion

The proposal would provide a range of apartment and hotel units to the market within the study area.

The proposal would result in an increase in construction sector output, with an additional 143 full time equivalent employees (FTEs) with a value-added contribution of \$18.9 million to GDP.

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