

PROPERTY **E**CONOMICS



UPLAND ROAD DEVELOPMENT

FAST TRACK ECONOMIC IMPACT

ASSESSMENT OVERVIEW

Client: HND Upland Limited

Project No: 52232

Date: November 2022



SCHEDULE

Code	Date	Information / Comments	Project Leader
52232.6	November 2022	Report	Phil Osborne

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CONTACT DETAILS

Phil Osborne

Mob: s 9(2)(a)

Email: s 9(2)(a)

Web: www.propertyeconomics.co.nz



1. UPLAND ROAD – AUCKLAND

Property Economics have been asked to summarise the economic impacts that will flow from the application by HND Upland Limited for resource consents relating to the construction of a new Retirement Village and Commercial provision at Upland Road, Remuera (**“the Project”**).¹

This economic impact overview relates to application to have the Project referred to the FastTrack process.

This economic impact assessment relates to a development comprising a retirement village of 243 (185 Independent Living Units and 58 Aged Care Rooms) residential units and approximately 2,448 sqm of ancillary GFA.

The economic impact estimates the total additional gross economic output¹ into the Auckland economy that would be brought about by the Project. The initial specifications and details have been provided by the applicant and represent the development's configuration and costings at this point in time. It is important to note that this is not site specific (i.e.: I have not endeavoured to identify the extent to which particular parts of the Auckland Region will benefit economically). It also assesses the likely economic impacts upon aggregate Auckland business activity given the composition of activities proposed.

Although there are undoubtedly economic benefits that are specific to the location, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.

¹ For example, this has not taken into account the short-term loss of operational employment currently on site

The economic impacts likely to be experienced as a result of the Project are broken down by the development phase which includes the construction costs (CAPEX²) of the development and the proportion of those costs that are retained within the Region.

The direct economic impacts are derived from the actual spending / expenses incurred through the operation of the anticipated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

2. EXECUTIVE SUMMARY

The HND Upland Limited application proposes to develop the Site into 243 residential units (185 Independent Living Units and 58 Aged Care Rooms) in a retirement complex with circa 2,448 sqm of ancillary GFA.

The direct impact on the Construction and Construction Services sectors associated with direct employment measure approximately 1,500 FTE years over the 5-year construction period.

Direct economic injection from construction and development phases equate to around

s 9(2)(b)(ii).

The total economic impact on business activity within Auckland as a result of the subject HND Upland development over a 6-year period is estimated to be just over \$418 million (NPV)³. In terms of employment multipliers⁴ this would contribute nearly 1,335⁵ FTEs during the peak development and operation year within Auckland, with a total of just under 3,580 FTE years over the 6-year development period. Estimates of ongoing operational employment indicate that the development will accommodate 98 FTE's, with 15 at the retirement Village, 20 at the restaurant and 63 employed at the Aged Care Facility.

² CAPEX – Capital Expenditure

³ Net Present Value

⁴ Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.

⁵ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs) and relate to job years rather than one employee.

3. TOTAL ECONOMIC ACTIVITY

This includes construction costs, which have been valued for the overall development.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand (based on 106 sectors), which were then assessed at a district level based on Auckland economic activity, composition and productivities.

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (within a given business cycle) for each \$1 injected.

This was performed for the general residential / commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Auckland catchment for the proposed developments include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

3.1. ASSUMPTIONS

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this Economic Impact Assessment, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'non-residential construction', 'residential construction' 'non-building construction', 'other construction services'.
2. Associated (and estimated) land costs have been included in the financial repayment assessment for the Project.

3. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
4. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data⁶ to March 2022.
5. This report deals with the economic impact of proposed development on Auckland. These are specifically the direct impacts related to the operation and construction of the proposed development.
6. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
7. For the purposes of this report a 6% discount rate has been applied.
8. Labour movements are based on average retention rates rather than specific company locations.
9. The proportion of materials and labour internalised in direct benefits to Auckland are based on standardised labour movements as well as employment and production composition within the Region. The amount of each 'flow-on' dollar retained in Auckland are based on the movement of resources (including labour) between other districts and regions.

Table 1 following outlines the resulting impacts on the Auckland economy as a result of the development.

⁶ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

3.2. TOTAL AUCKLAND ECONOMIC ACTIVITY

TABLE 1: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (FAST TRACK PROCESS)

	2022	2023	2024	2025	2026	2027	2028	Total
Direct Expenditure (\$m)								
Land	s 9(2)(b)(ii)							
Demolition								
Earthworks / Civil Works								
Civil Consultants								
Levies								
Infrastructure								
Total Development Costs (excl. land)								
Construction								
Total Construction and Development Costs (excl. Land)								
Increased Local Spend*								
Total Direct Expenditure (excl. land)								
Level 2 Multiplier Impacts								
Total Auckland Output NPV (48 sector multipliers)**								
Employment (FTE Years)								
Development Employment		142	92	1	1			236
Construction Employment			398	847	655	213		2,113
Other Employment		20	215	486	339	117	46	1,224
Total Employment (FTE years)		162	705	1,335	996	330	46	3,573

Source: Property Economics

* Increased Local Spend by residents, employees, construction workers and additional local business spend through the different stages of development.

** The impacts on Auckland as a result of direct, indirect and induced activities.

The preceding table illustrates that the total impact on business activity within Auckland as a result of the HND Upland Limited development in Remuera over a 6-year period is estimated to be just over s 9(2)(b)(ii)

In terms of employment multipliers this would contribute 1,335⁷ jobs during the peak development and operation year within Auckland, with a total number of FTE years at approximately 3,580 over the period.

⁷ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

The following table outlines the potential distribution of costs and timeframes based on a standard consent procedure.

TABLE 2: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (STANDARD RMA PROCESS)

	2022	2023	2024	2025	2026	2027	2028	2029	Total
Direct Expenditure (\$m)	s 9(2)(b)(ii)								
Land									
Demolition									
Earthworks / Civil Works									
Civil Consultants									
Levies									
Infrastructure									
Total Development Costs (excl. land)									
Construction									
Total Construction and Development Costs (excl. Land)									
Increased Local Spend									
Total Direct Expenditure (excl. land)									
Level 2 Multiplier Impacts									
Total Auckland Output NPV (48 sector multipliers)									
Employment (FTE Years)									
Development Employment				136	90	1	0		228
Construction Employment					392	827	646	202	2,480
Other Employment				17	184	434	295	110	1,194
Total Employment (FTE years)				153	666	1,262	941	312	3,335

Source: Property Economics

Table 2 illustrates a total contribution to the economy through to 2029 of \$390m with just under 3,340 total FTE year jobs created. The reasons for the significantly lower economic benefits through the standard RMA process include:

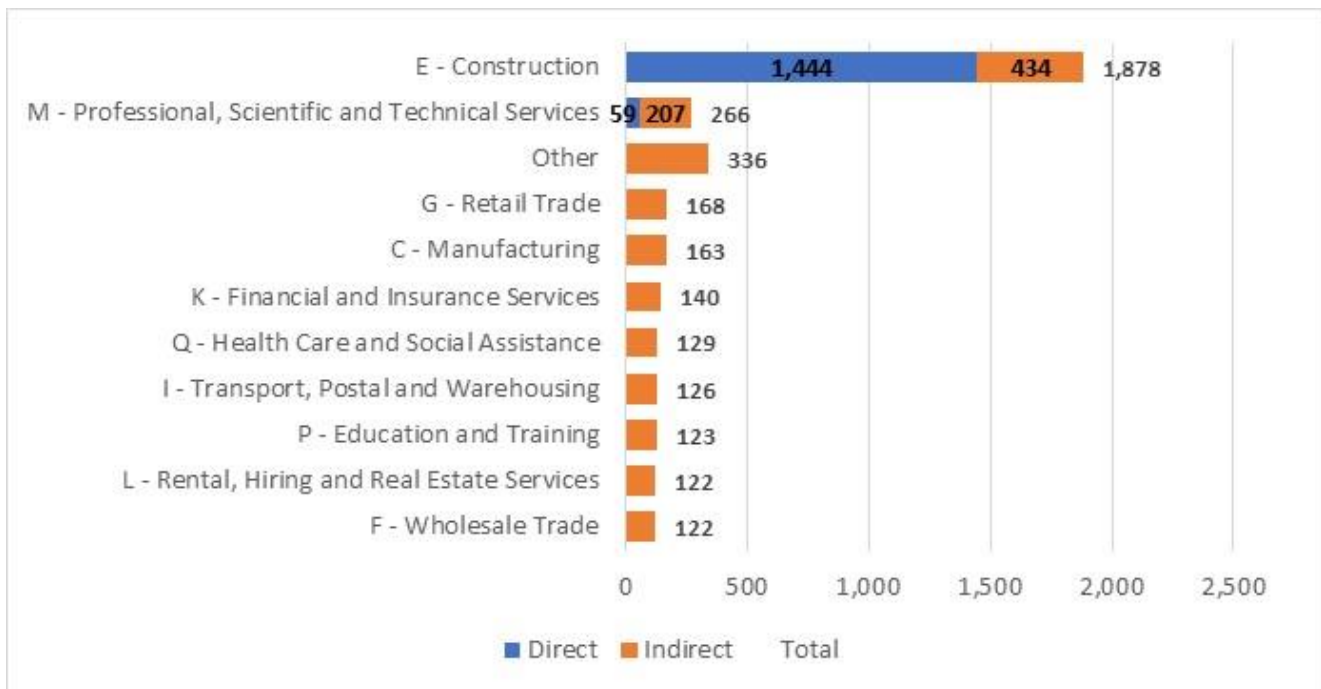
- The longer time for development (primarily driven by the consent process, approx. 12 months under the Fast Track process, 24 -36 months under a notified consent process.
- The application of Net Present Value (where \$1 early is worth more than the same \$1 a year later, the discount rate 6%)
- Lower capture rate of operational timeframe (to 2029) due to longer consent process

3.3. TOTAL AUCKLAND DIRECT AND INDIRECT EMPLOYMENT

Figure 1 below disaggregates employment generated by sector and Direct and Indirect (including induced) FTE employment over the identified period. It illustrates the significant direct impact on the Construction sector (as well as Construction Services).

The figure below illustrates the sectors associated with direct employment measure approximately 1,500 FTE years with the remaining around 2,100 FTE years resulting from indirect and induced activity. It is also of note that the ongoing operations at the site have been estimated at 98 FTE's per annum.

FIGURE 1: AUCKLAND EMPLOYMENT GENERATION BY SECTOR (DIRECT AND INDIRECT)



Source: Property Economics

4. OTHER ECONOMIC COSTS AND BENEFITS

Due to the nature of the Project assessed, there are a range of potential economic costs and benefits that are likely to be achieved within the market beyond the direct economic activity (employment and economic output) generated.

ECONOMIC BENEFITS:

1. **Increased Land / Dwelling Supply:** The proposed land area has the ability to supply the market with up to an additional 243 residential dwellings (units). This provides not only the ability for the area to improve its responsiveness to growth demands but will itself facilitate further growth within the area with an increase in overall competitiveness and efficiency due to the intensity of the proposed development. This is in keeping with one of the key purposes of the FastTrack Act⁸ of increasing overall housing supply (s19(d)(ii)).

Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size.

2. **More Affordable Housing:** The potential provision of additional feasible residential development capacity (with dwellings at an average of 134sqm) within the wider area is likely to have the impact on reducing counterfactual land values. The residential density proposed also creates more affordable / serviceable properties, with lower land costs per dwelling due to land and development costs able to be amortised over a higher number of homes.

A significant contributor to residential property values is the underlying land values impact by growth expectations and supply. The identification of additional residential land areas and residential densities suitable for development is likely to reduce price pressure in the local and surrounding markets.

3. **Greater Housing Choice:** A development of up to an additional 243 residential units, with 185 Independent Living Units and 58 Aged Care Rooms, offers with it the opportunity for higher density residential options and improved housing choice in the retirement market.
4. **Decreased Marginal Infrastructure Costs:** Once again the opportunity to masterplan an area has the potential to bring with it, economies of scales and lower marginal infrastructure costs.

⁸ COVID-19 Recovery (Fast-track Consenting) Act 2020

5. **Impact on Current Employment Levels:** While Covid-19 has had a less significant impact on the general economy than was initially estimated, it is clear that the next few years represent uncertain times with several crucial sectors likely to experience significant downturns and considerable restricting.

While the sectors that are likely to benefit directly by this proposed development were initially less affected by the pandemic the impacts have been more recently felt throughout the development and construction industries. “After adjusting for seasonal effects, the construction industry had a \$1.8 billion sales fall, down (8.9 percent) from the June 2021 quarter. The decrease in the September quarter results from lockdown measures coming into place in August and was most keenly seen in the Auckland region”⁹.

Additionally, as identified above, the operation of the retirement village itself will provide for carer employment and other operational employees.

This supports a key FastTrack Act purpose of resulting in a public benefit through generating additional employment (s19(d)(ii)). Additional employment opportunities contribute positively to improving income levels of many households in the Auckland, and therefore improve the economic, social and cultural wellbeing of both current and future generations (s19(b) of the Act).

5. SUMMARY

Overall, the proposed Upland Road project represents a significant opportunity for the local economies to protect, sustain and grow jobs and income, provide additional job opportunities and income, while also providing additional competitive residential opportunities.

This development also positively contributes to the outcomes sought in the NPS UD¹⁰ by providing additional housing capacity across a range of typologies and providing more choice in the market in relation to price points and location.

It is important to note that these benefits exist within a timeframe that is likely to see significant uncertainty in development opportunities and a lower appetite for risk, impacting on both the construction and productive base of the localised and regional economies.

⁹ <https://www.stats.govt.nz/news/construction-and-retailers-curbed-by-covid-19/>

¹⁰ *National Policy Statement on Urban Development 2020*