



22 December 2022  
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51740.5.02

The background of the page features a photograph of a modern, multi-story building at night. The building has a curved facade and many windows are illuminated from within, creating a warm glow. In the foreground, there are palm trees and a low wall. The entire image is overlaid with a semi-transparent orange filter. The title text is positioned in the center-left of the image.

# Economic Assessment for: 21-25 Verran Road & 19 West Glade Residential Development

PREPARED FOR  
Fortune Homes NZ Ltd



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# 1. Executive Summary

- The majority of stand alone dwellings are valued in the \$700,000 - \$1,100,000 price range.
- The majority of terrace/townhouses are valued in the \$500,000 - \$800,000 price range.
- The majority of apartments are valued in the \$500,000 - \$700,000 price range.
- The proposal would supply 70 new apartments priced within the \$600,000-\$700,000 price range, and 45 new terrace/townhouses priced at approximately \$950,000. Sales within the \$600,000-\$700,000 price range are currently undersupplied in the study area and region, and the proposed development would provide housing that meets the market demand for affordable housing and contribute towards improving the overall affordability of the study area.
- Terrace/townhouse consents have grown considerably in the study area over the past 5 years, increasing from 20% of all consents in 2017, to 62% of all consents in 2021. This is reflective of the trend seen across the region, with terrace/townhouse consents growing from 21% in 2017, to 48% in 2021.
- There are currently four listings of new build terrace/townhouses and apartment units for sale on TradeMe. This confirms there is a significant shortage of these dwelling types in the study area, despite recent terrace/townhouse building consent growth. This indicates a potential delay in the construction of new dwellings as a consequence of Covid-19.
- Auckland has a shortage of 30,000 dwellings, and this shortage is primary for affordable family dwellings. The proposal would contribute to this shortage and would therefore represent a net increase in housing and economic activity in the construction sector.
- The proposal would result in a net increase in construction sector output, with an additional 197 full time equivalent employees (FTEs) and a value added contribution of \$26.2m to the construction sector generated directly from the proposal.





## 2. Introduction

This report provides an economic and market assessment to support a fast-track application for a Resource Consent for a proposed residential development located at 21-25 Verran Road and 19 West Glade, Birkenhead.

### 2.1. The Proposal

The proposed site is outlined in Figure 1. The usable site area is approximately 16,126m<sup>2</sup> and would supply 70 apartments and 45 terrace/townhouses to the market, ranging from 55m<sup>2</sup>-115m<sup>2</sup>, with an estimated price range of \$620,000 - \$950,000.

Figure 1: Proposal Site



Source: BDG Architects



### 3. Study Area

The following study area is used to evaluate the local residential market for the proposed development. The study area encompasses the suburbs of Beachhaven, Birkdale, Birkenhead, and Chatswood.

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 standalone dwellings are valued in the \$700,000 - \$1,100,000 price range.
- The majority of terrace/townhouses are valued in the \$500,000 - \$800,000 price range, and
- The majority of apartments are valued in the \$500,000 - \$700,000 price range.



Figure 3: Study Area Residential Market Stock Profile

Price Bracket	Stand Alone	Terrace	Apartment	Grand Total
Less Than \$500,000	26	133	48	207
\$500,000-\$600,000	30	299	117	446
\$600,000-\$700,000	429	491	99	1,019
\$700,000-\$800,000	1,851	306	24	2,181
\$800,000-\$900,000	1,823	156	5	1,984
\$900,000-\$1,000,000	1,114	84	7	1,205
\$1,000,000-\$1,100,000	873	49	7	929
\$1,100,000-\$1,200,000	767	36	24	827
\$1,200,000-\$1,300,000	620	15	19	654
\$1,300,000-\$1,400,000	385	10	0	395
\$1,400,000-\$1,500,000	289	12	0	301
\$1,500,000-\$1,600,000	167	4	1	172
\$1,600,000-\$1,700,000	115	11	0	126
\$1,700,000-\$1,800,000	91	1	1	93
\$1,800,000-\$1,900,000	77	7	0	84
\$1,900,000-\$2,000,000	48	0	0	48
\$2,000,000-\$2,100,000	49	0	0	49
\$2,100,000-\$2,200,000	27	1	0	28
\$2,200,000-\$2,300,000	27	5	0	32
\$2,300,000-\$2,400,000	21	0	0	21
\$2,400,000-\$2,500,000	21	1	0	22
\$2,500,000 Plus	100	4	0	104
<b>Grand Total</b>	<b>8,950</b>	<b>1,625</b>	<b>352</b>	<b>10,927</b>

Source: Corelogic, Urban Economics

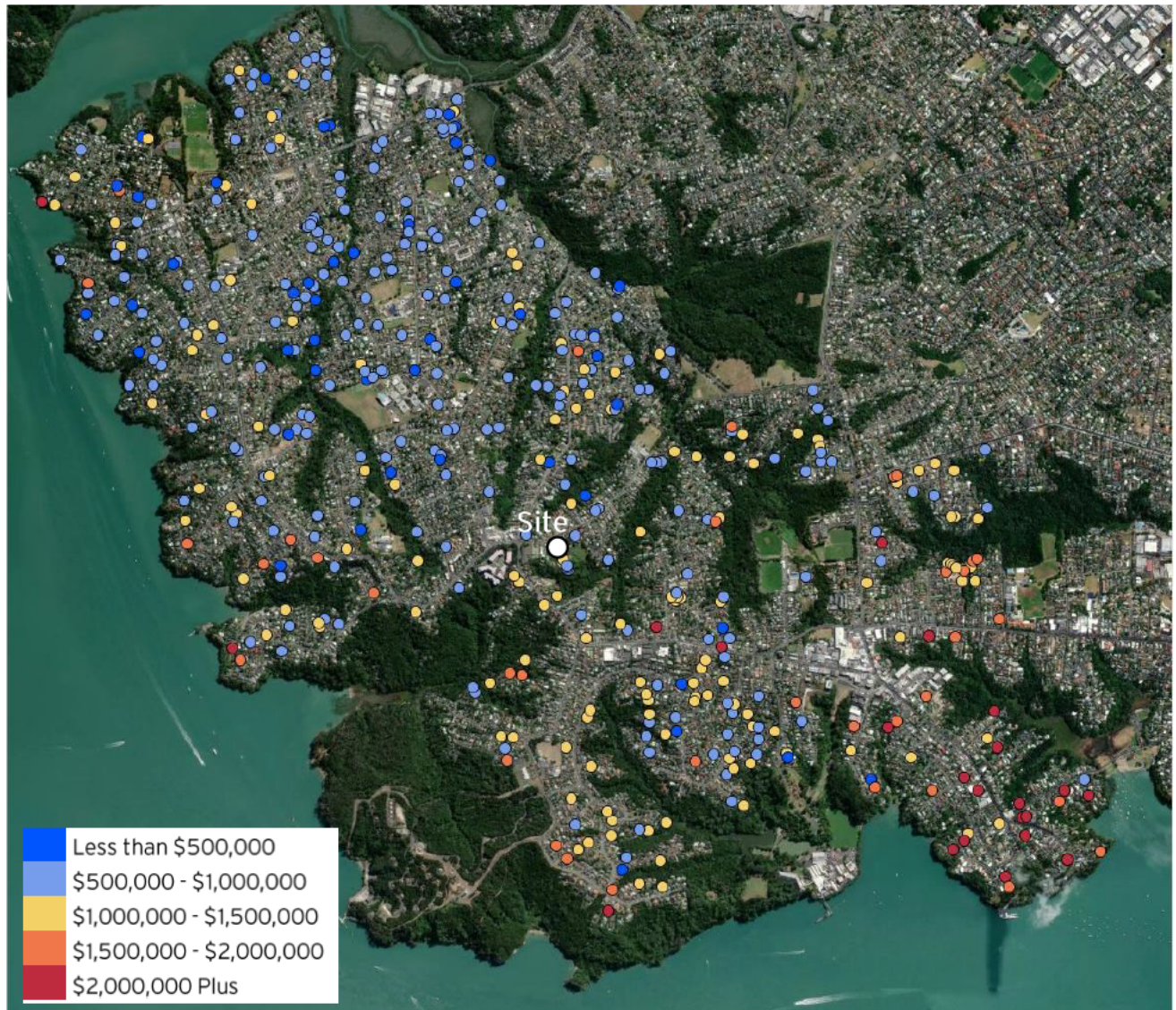
Figure 4 shows the distribution of dwelling sales by price over the July 2020-2021 period. The highest priced locations within the study area are in Birkenhead and Chatswood. The proposal site is centrally located in the study area and has a varied price profile, generally achieving sale prices in the \$500,000 - \$1,500,000.

Figure 5 displays the average sale price achieved over the July 2020-2021 period in the study area. Over this period, the average sale price of housing in the study area was \$1,139,000, approximately 45% more than the average sale price of the proposed development (\$780,000) as shown in Figure 7. This illustrates the proposed developments overall affordability within the local context.





Figure 4: Study Area Sales Analysis July 2020-2021



Source: Corelogic

Figure 5: Study Area Average Sale Price by Type, July 2020-2021

Type	Average Sale Price
Stand Alone	\$1,218,000
Terrace	\$831,000
Apartment	\$713,000
<b>Total</b>	<b>\$1,139,000</b>

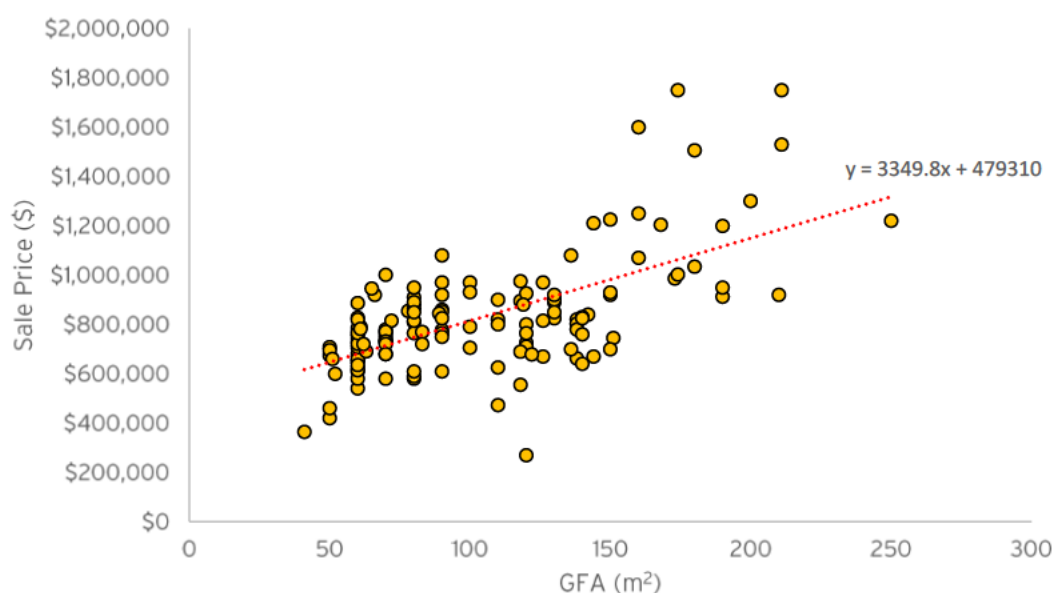
Source: Corelogic



Figure 6 displays terrace/townhouse sales in the study area over the July 2021-2022 period. This is used as a benchmark to estimate the dwelling price the proposed development can achieve based on the relationship between floor area and sale price. The results of the regression analysis are displayed in Figure 7.

The proposal would supply 70 apartments and 45 terrace/townhouses, ranging from 55m<sup>2</sup>-115m<sup>2</sup>. The sale price for the dwellings is estimated to be between \$620,000 and \$950,000 based on the relationship between the sale price and gross floor area (GFA) of terrace/townhouse sales over the July 2020-2021 period, with an additional 10% added as a new build price premium as a conservative estimate of the price the development can achieve. To estimate the sale price for the apartment product, the same method outline above has been applied, with a 15% reduction to account for the difference in price between apartments and terrace/townhouses in the study area (Figure 5). This results in an average sale price for the development of approximately \$780,000.

Figure 6: Terrace/Townhouse Sale Price by GFA, July 2020-2021



Source: Corelogic

Figure 7: Proposal Price Estimate

Proposal Typology	GFA (m <sup>2</sup> )	Count	Estimated Sale Price (\$)*	Estimated m <sup>2</sup> Rate (\$)
1-Bed Apartment**	55	7	\$620,000	\$11,270
2-Bed Apartment**	70	63	\$670,000	\$9,570
3-Bed Townhouse	115	45	\$950,000	\$8,260
<b>Average***</b>	-	-	<b>\$780,000</b>	-

Source: Corelogic, Urban Economics

\*Inclusive of a 10% new build price premium

\*\*Estimated at 85% of a new townhouse with same GFA

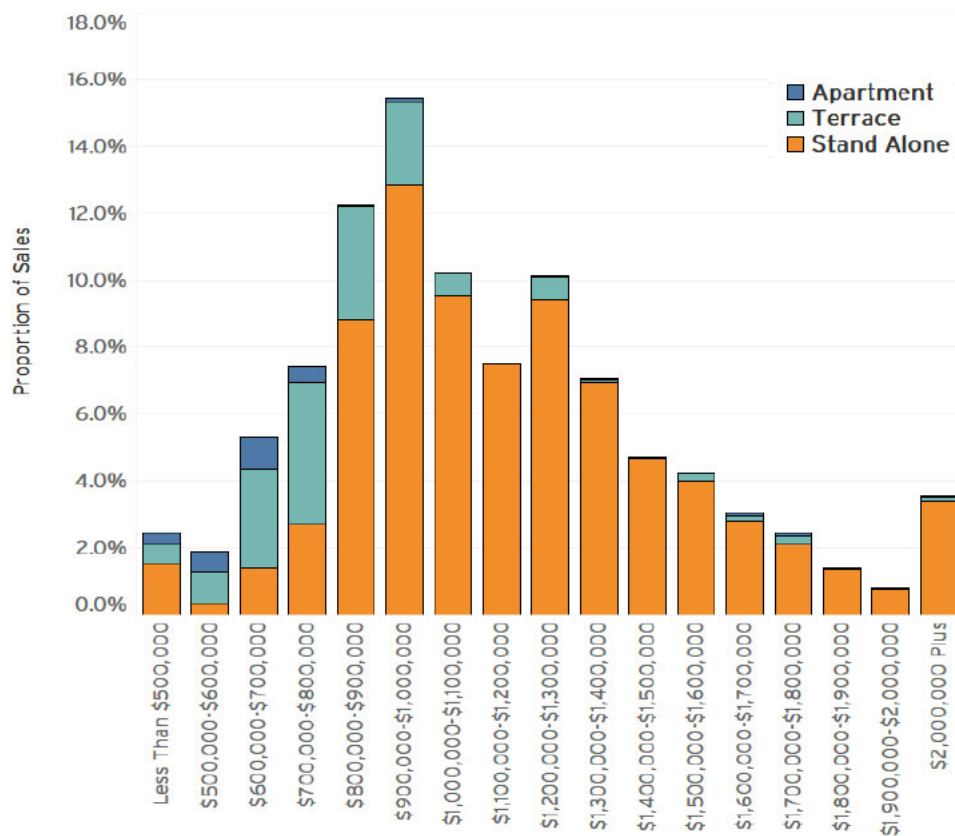
\*\*\* Weighted Average



The following figures display residential sales for new dwellings in the study area and the wider Auckland Urban Area for the July 2020-2021 period. Most notably, the terrace/townhouse and apartment housing markets are slightly undersupplied in the study area relative to the Auckland Urban Area with terraces/townhouses and apartments accounting for approximately 20% of sales compared with 29% across the Auckland Urban Area. This type of housing tends to be more affordable than standalone dwellings, with sales clustering in the price brackets less than \$1,000,000 over the Auckland Urban Area.

The proposal would supply 115 new dwellings with estimated prices of \$620,000-\$950,000. This would contribute to improving the supply of affordable housing, while aligning with the price profile of recent terrace/townhouse and apartment sales in the study area.

Figure 8: Study Area Sales July 2020-2021

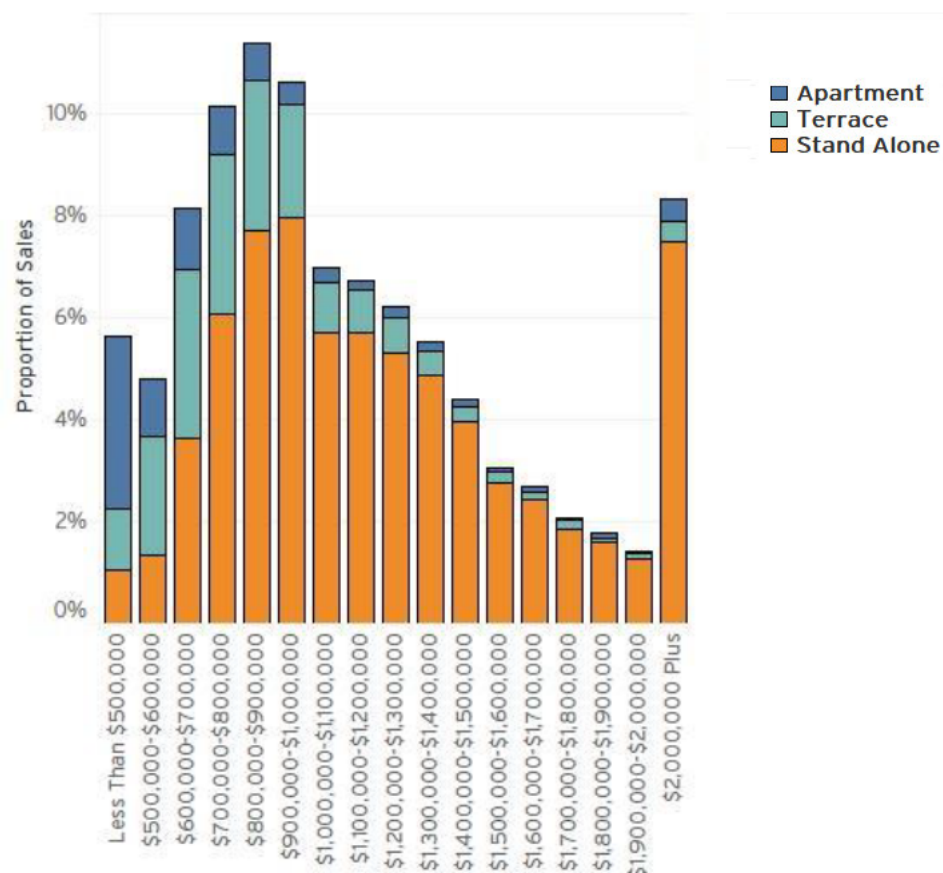


Source: Corelogic





Figure 9: Auckland Urban Area Sales July 2020-July 2021



Source: Corelogic

## 4.2. Comparable Developments

The following figures provide an outline of the developments presently selling terrace/townhouses or apartments in the study area. There are currently two listings of each dwelling type, indicating a significant shortage in the new build supply of these dwelling types in the study area.

Figure 10: Comparable Terrace/Townhouse & Apartment Developments

Address	Type	Price Indication	Units Remaining
19 Rawene Road, Birkenhead	Apartment	\$800,000	2
10b Huka Road, Birkenhead	Terrace	\$1,350,000 Plus	1
2/1 Stott Avenue, Birkdale	Terrace	\$900,000	1
<b>Total</b>		-	<b>4</b>

Source: TradeMe





Figure 11: Map of Comparable Terrace/Townhouse & Apartment Developments



Source: TradeMe

## 5. New Dwelling Construction 2017-2021

The following figures show new dwellings consented since 2016 within the study area and the Auckland region. The main points to note are:

- Terrace/townhouse consents have grown considerably in the study area over the past 5 years, increasing from 20% of all consents in 2017, to 62% of all consents in 2021.
- In 2021, terrace/townhouses accounted for 48% of all consents in the Auckland region.
- In 2021 there were 80 terrace/townhouses consented in the study area.
- The proposal would increase terrace/townhouse supply by 45 dwellings, increasing supply by approximately 35% of total dwelling supply in 2021.
- Despite the promising growth in building consents in the Auckland region over the past 5 years, there is still a shortage of around 30,000 dwellings<sup>1</sup>.

<sup>1</sup> A stocktake of New Zealand's Housing 2018  
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Figure 12: Study Area Building Consents (2017 - 2021)

Year	Stand Alone	%	Apart ment	%	Retire ment	%	Terrace	%	Total
2017	40	20%	5	2%	120	59%	40	20%	205
2018	65	33%	60	31%	0	0%	70	36%	195
2019	45	45%	5	5%	0	0%	50	50%	100
2020	70	39%	0	0%	0	0%	110	61%	180
2021	50	38%	0	0%	0	0%	80	62%	130

Source: Statistics NZ

Figure 13: Auckland Region Building Consents (2017 - 2021)

Year	Stand Alone	%	Apart ment	%	Retire ment	%	Terrace	%	Total
2017	5,320	49%	2,440	22%	870	8%	2,240	21%	10,870
2018	6,400	50%	2,630	20%	540	4%	3,295	26%	12,865
2019	6,835	45%	3,555	23%	650	4%	4,115	27%	15,155
2020	6,535	39%	2,435	15%	400	2%	7,285	44%	16,655
2021	6,685	33%	3,220	16%	845	4%	9,775	48%	20,525

Source: Statistics NZ

## 6. 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.

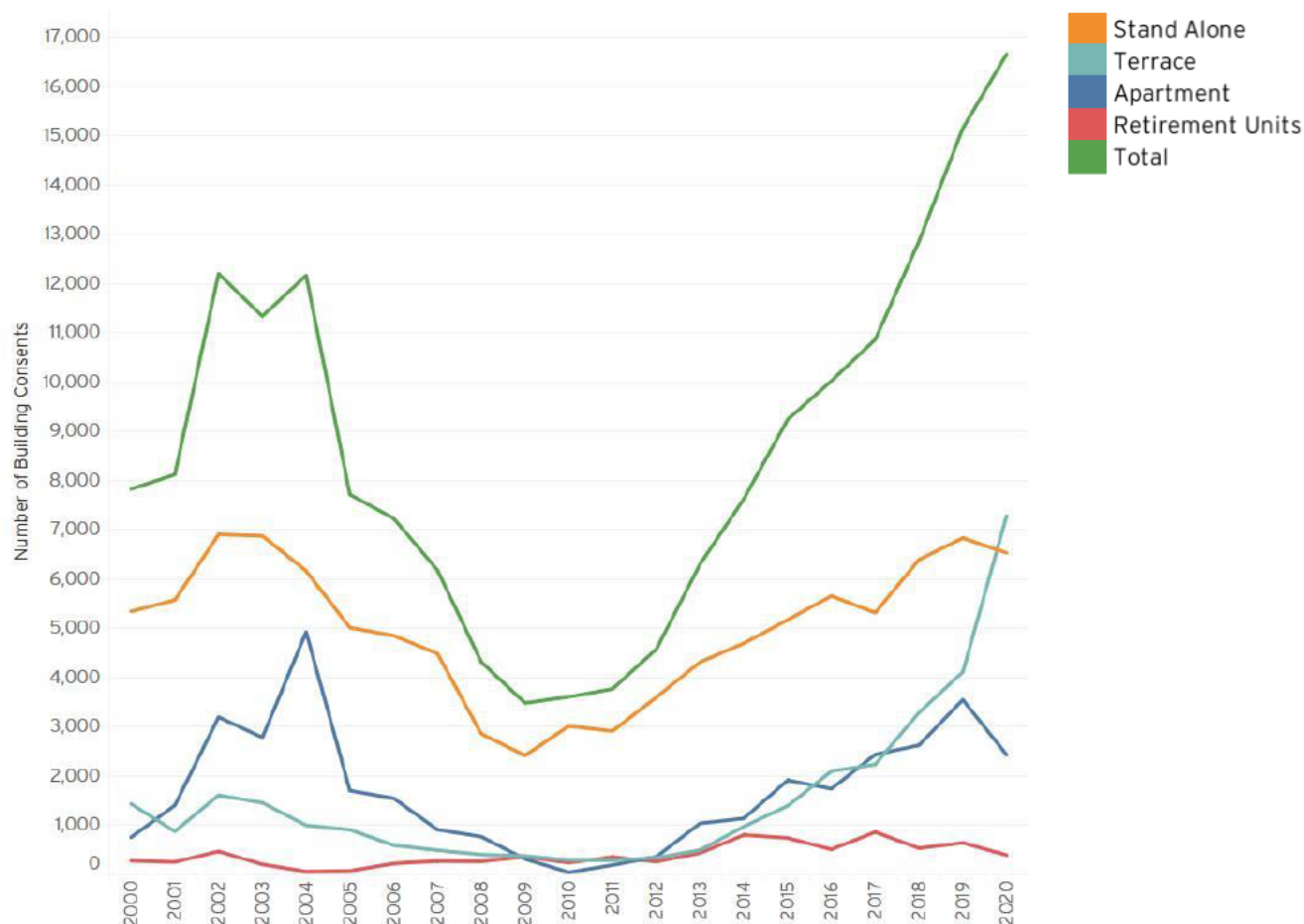
*The project's economic benefits and costs for people or industries affected by COVID-19 (see section 19(a)).*

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 to close. 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 and may place considerable pressure on the construction sector over the coming years.



Figure 14: Building Consents by Product Type: Auckland Region (2000 - 2020)



## 6.1. 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. It is estimated the construction of 115 dwellings at 21-25 Verran Road and 19 West Glade Crescent would generate approximately 197 FTE jobs, and a contribution of \$26.2m to construction sector GDP. This number can be interpreted as the number of FTE jobs created on an annualised basis, i.e. if construction takes two years and is split evenly between the years then 98-99 FTE jobs would be created in each year.

Figure 15: FTE Employee Estimates

Type	Count	Value (Millions)	Value Added (Millions)	FTE Employees
1-Bed Apartment	7	s 9(2)(b)(ii)	\$1.3	10
2-Bed Apartment	63		\$12.4	93
3-Bed Townhouse	45		\$12.5	94
<b>Total</b>	<b>115</b>		<b>\$26.2</b>	<b>197</b>

Source: Statistics NZ, Urban Economics



Figure 16 shows the estimated national 'value added per FTE employee'. These value added per employee figures are used to estimate the FTE employees created by the construction of the project. Figure 16 shows that the construction sector has a \$18.5B contribution to national GDP and a workforce of 139,800 FTEs. This results in a value added of \$133,000 per FTE employee.

Figure 16: Industry GDP and Value Added per Employee

Industry	Contribution to GDP (\$m)	FTE Workers	Value Added Per Employee
Construction	\$18,540	139,800	\$133,000

Source: Statistics NZ, Urban Economics

## 7. 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 increase the range of housing types in the study area. In particular, the project would have a positive impact on the social and cultural well-being of current and future generations by providing a larger mix of housing within the Auckland region.

The proposed development would provide 115 new dwellings approximately within the \$620,000 - \$950,000 price bracket, with an estimated average sale price of approximately \$780,000. Providing new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

***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 197 Direct FTE jobs. 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 housing by supplying 70 new apartments and 45 new terrace/townhouses to the market. In particular, the project would provide relatively affordable housing in undersupplied price brackets (i.e. \$600,000 - \$700,000).





## 8. 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 \$620,000 and \$950,000, with most supplied at approximately \$670,000 or less (70 apartments). Sales within the \$600,000-\$700,000 price range are currently undersupplied in the study area and region, and the proposed development would provide housing that meets the market demand for affordable housing and contribute towards improving the overall affordability of the study area.

## 9. Conclusion

The proposal would provide a range of affordable housing to the market within the study area.

The proposal would result in an increase in construction sector output, with an additional 197 full time equivalent employees (FTEs) with a value-added contribution of \$26.2 million to GDP.

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