

Economic Assessment for:
819 Riddell Road
Residential Development

PREPARED FOR
Sanctum Projects Limited



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OUR AREAS OF EXPERTISE

Economic Analysis

Our work aims to bridge the gap between land-use planning and urban economics. Our focus is on the interaction between land markets, land-use regulations, and urban development. We have developed a range of methodologies using a quantitative approach to analyse urban spatial structure and audit land-use regulations.

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We provide property and retail market research to assist with planning and marketing of new projects. This includes identification of new sites and market areas, assessments of market potential and positioning, and the evaluation of market-feasibility of specific projects.

Development Advisory

We provide development planning and costing advisory services to support small and large-scale developments.

P: 09 963 8776

150 Foundry Road, Silverdale, Auckland

s 9(2)(a)

www.ue.co.nz



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1. Executive Summary

- The majority of stand alone dwellings within the study area are valued in the \$1,000,000 - \$2,000,000 price range. However, there are a significant number of stand alone dwellings valued between \$2,000,000 and \$4,000,000.
- The majority of terrace houses within the study area are valued in the \$600,000 - \$1,200,000 price range.
- The average sale price across all dwelling types in the study area over the last year is \$2,120,000.
- The proposal is to build 58 terrace houses that would have an estimated market price of s 9(2)(b)(ii)
- There is only one terrace house development within the study area at present, with one unit presently available. This indicates there is a shortage of new terrace housing in this location.
- Terrace house consents in the study area have grown considerably over the past 5 years, growing from 14% of residential consents in 2017 to 42% in 2021. This reflects the increasing demand for terrace housing seen across the Auckland region over the past 4-5 years.
- The proposal would increase terrace house supply by 58 dwellings within the study area. This equates to 1-2 years supply based on the average growth rate over the past 2 years.
- Auckland has a shortage of around 30,000 dwellings¹ and this is primarily for affordable family (2-3 bedroom) dwellings. The proposal would contribute to this shortage by providing relatively affordable housing in the study area.
- The proposal would result in an increase in construction sector output, with an additional 212 full time equivalent employees (FTEs) and a value-added contribution of \$28.2 million to GDP.

¹ A stocktake of New Zealand's Housing 2018



2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a Resource Consent for a proposed residential development located at 819 Riddell Road, St. Heliers.

2.1. The Proposal

The proposed site is outlined in Figure 1. The site encompasses approximately 7,300m² of land area and is zoned 'Residential-Mixed Housing Suburban'. The Proposal is to build 58 terrace houses, with an estimated market price between s 9(2)(b)(ii)

Figure 1: Proposal Site



Source: Corelogic



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 \$1,000,000 - \$2,000,000 price range. However, there are a significant number of stand alone dwellings valued between \$2,000,000 and \$4,000,000.
- The majority of terrace houses are valued in the \$600,000 - \$1,200,000 price range.

Figure 3: Study Area Residential Market Stock Profile

Price Bracket	SA	TCE	Apt	Total
Less Than \$600,000	0	50	80	130
\$600,000 - \$800,000	20	380	0	400
\$800,000 - \$1,000,000	225	270	10	505
\$1,000,000 - \$1,200,000	555	155	15	725
\$1,200,000 - \$1,400,000	795	55	40	890
\$1,400,000 - \$1,600,000	785	15	30	830
\$1,600,000 - \$1,800,000	720	10	25	755
\$1,800,000 - \$2,000,000	640	0	15	655
\$2,000,000 - \$2,200,000	480	5	15	500
\$2,200,000 - \$2,400,000	325	0	20	345
\$2,400,000 - \$2,600,000	265	5	10	280
\$2,600,000 - \$2,800,000	220	5	30	255
\$2,800,000 - \$3,000,000	165	5	15	185
\$3,000,000 - \$3,200,000	130	0	20	150
\$3,200,000 - \$3,400,000	80	5	5	90
\$3,400,000 - \$3,600,000	60	0	5	65
\$3,600,000 - \$3,800,000	50	0	0	50
\$3,800,000 - \$4,000,000	65	0	10	75
\$4,000,000 Plus	310	5	10	325
Total	5,890	965	355	7,210

Source: Corelogic



Figure 4 shows the distribution of dwelling sales by price over the July 2020 – July 2021 period. Prices are higher in locations in close proximity to the coast and to the north of the catchment. The highest priced locations within the study area are St. Heliers, and properties close to the coast in Glendowie, which typically achieve sale prices above \$2,000,000. The proposal site located in the northern end of the study area. This area has varied price profile, typically achieving sale prices above \$2,000,000.

Figure 4: Study Area Sales July 2020 – July 2021



Source: Corelogic

Figure 5 displays the average sales price achieved over the past year in the study area. Terrace housing is shown to be the most affordable housing type, with an average sale price of \$1,120,000, while apartments achieved the highest average of \$2,430,000.



Figure 5: Average Sale Price by Dwelling Type July 2020 - July 2021

Type	Average Sale Price
Stand Alone	\$2,310,000
Terrace	\$1,120,000
Apartment	\$2,430,000
Total	\$2,120,000

Source: Corelogic

The following figures display residential sales in the study area and the wider Auckland Urban Area over the July 2020-2021 period. Most notably, the terrace house market is slightly under-represented in the study area relative to the Auckland Urban Area, accounting for 17% of sales compared with 22% within the region.

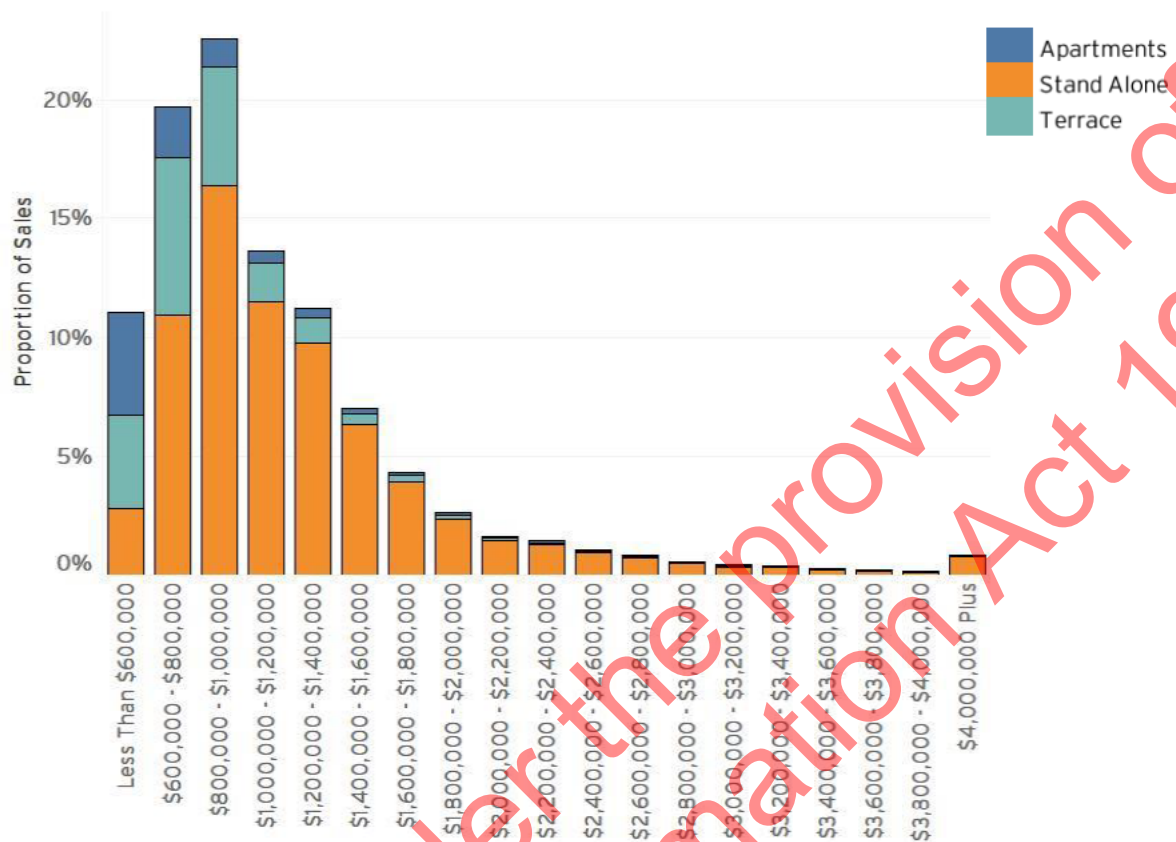
The proposal would supply 58 terrace houses in the s 9(2)(b)(ii) price range. This would contribute to improving the supply of terrace housing, while contributing towards improving the overall affordability of housing in the study area. It is worth noting that the study area has relatively little land that is zoned to enable terrace housing when compared to other locations in Auckland, which reduces the supply of this type of dwelling in this location.

Figure 6: Study Area Sales July 2020-2021





Figure 7: Auckland Urban Area Sales July 2020 - July 2021





4.2. Comparable Developments

The following figures provide an outline of the comparable terrace house developments presently in the study area. There is only one terrace house development currently selling within the study area, with one unit remaining. This indicates a current shortage of terrace housing within the study area.

Figure 8: Comparable Terrace House Developments

Address	Price Range	Zone	Units Remaining
2 Cardinal Place	\$1,400,000	Mixed Housing Urban	1
Total Units			1

Source: Various, TradeMe

Figure 9: Map of Comparable Terrace House Developments



Source: Various



5. New Dwelling Construction 2017-2021

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

- Terrace house consents in the study area have grown considerably over the past 5 years, from 14% of all consents in 2017 to 42% in 2021. This reflects the pattern seen across the Auckland region.
- The proposal would increase terrace house supply by 58 dwellings, increasing supply by approximately 1-2 years of supply based on the past two years growth per annum.
- Despite the recent increase in growth in building consents in the Auckland region over the past 5 years, there continues to be a shortage of around 30,000 dwellings².

Figure 10: Study Area Building Consents (June-June 2017 - 2021)

Year	Stand Alone	%	Apart ment	%	Retire ment	%	Terrace	%	Total
2017	30	86%	0	0%	0	0%	5	14%	35
2018	50	43%	5	4%	50	43%	10	9%	115
2019	70	67%	5	5%	0	0%	30	29%	105
2020	50	63%	0	0%	0	0%	30	38%	80
2021	50	53%	0	0%	5	5%	40	42%	95

Source: Statistics NZ

Figure 11: Auckland Region Building Consents (2017 - 2021)

Year	Stand Alone	%	Apart ment	%	Retire ment	%	Terrace	%	Total
2017	5,250	51%	2,200	21%	695	7%	2,220	21%	10,365
2018	5,920	48%	2,810	23%	815	7%	2,825	23%	12,370
2019	6,655	47%	3,225	23%	560	4%	3,595	26%	14,035
2020	6,655	45%	2,660	18%	500	3%	4,965	34%	14,780
2021	6,800	36%	3,125	16%	490	3%	8,625	45%	19,040

Source: Statistics NZ

² A stocktake of New Zealand's Housing 2018



6. Impact of Covid-19

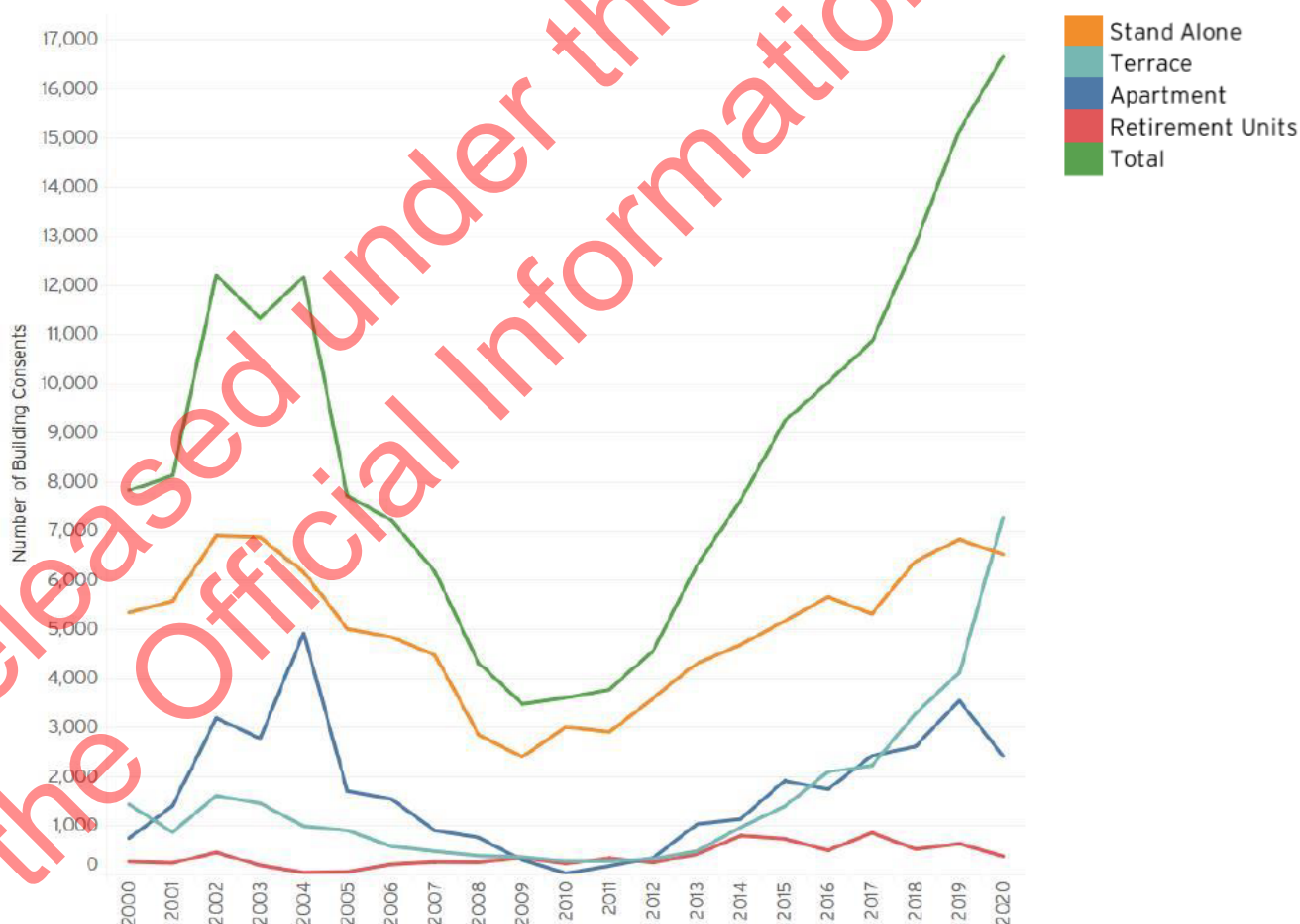
The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of costs and benefits of those involved in the construction sector, as follows.

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 12: 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 58 dwellings at 819 Riddell Road would generate 49 FTE jobs in building construction, 115 FTE jobs in construction services and 48 FTE jobs in professional services, resulting in 212 FTE jobs being created over the life of the project. If the project takes 3 years to complete, then approximately 70 jobs would be generated in each year. A large number of the jobs in the professional services sector would be generated in the first year of the project, while jobs in building construction and construction services would in large part be in the second and third year of the project.

Figure 13: FTE Employee Estimates

Type	Product	Count	Building Construction			Construction Services			Professional Services			Total		
			Value (\$M)	Value Added (\$M)	FTE Employees	Value (\$M)	Value Added (\$M)	FTE Employees	Value (\$M)	Value Added (\$M)	FTE Employees	Value (\$M)	Value Added (\$M)	FTE Employees
Terraced	2 Bed (70sqm)	2	\$0.7	\$0.2	2	\$1.4	\$0.4	4	\$0.9	\$0.3	2	\$3.0	\$0.9	7
	2 Bed (87sqm)	11	\$3.8	\$1.1	9	\$8.0	\$2.4	20	\$5.2	\$1.5	9	\$17.1	\$5.0	38
	2 Bed (118sqm)	12	\$4.2	\$1.2	10	\$9.1	\$2.7	23	\$5.9	\$1.7	10	\$19.2	\$5.6	42
	3 Bed (92sqm)	5	\$1.8	\$0.5	4	\$3.9	\$1.1	10	\$2.5	\$0.7	4	\$8.3	\$2.4	18
	3 Bed (95sqm)	10	\$3.6	\$1.1	8	\$7.8	\$2.3	20	\$5.1	\$1.5	8	\$16.5	\$4.8	36
	3 Bed (106sqm)	2	\$0.8	\$0.2	2	\$1.6	\$0.5	4	\$1.0	\$0.3	2	\$3.4	\$1.0	8
	3 Bed (130sqm)	2	\$0.8	\$0.2	2	\$1.6	\$0.5	4	\$1.1	\$0.3	2	\$3.5	\$1.0	8
	3 Bed (145sqm)	6	\$2.4	\$0.7	6	\$5.1	\$1.5	13	\$3.3	\$1.0	5	\$10.8	\$3.2	24
	4 Bed (115sqm)	8	\$3.2	\$0.9	7	\$6.8	\$2.0	17	\$4.4	\$1.3	7	\$14.4	\$4.2	32
Total		58	\$21.2	\$6.2	49	\$45.3	\$13.3	115	\$29.6	\$8.7	48	\$96.1	\$28.2	212

Source: BDG Architects, Urban Economics

Figure 14 shows the estimated national 'value added per FTE employee'. The value 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 \$18.5B contribution to national GDP and a workforce of 139,800 FTEs. This results in a value added of \$133,000 per FTE employee.

Figure 14: Industry GDP and Value Added per Employee

Industry	Contribution to GDP (\$m)	FTE Employees	Value Added Per Employee
Building Construction	\$4,100	\$32,410	\$127,000
Construction Services	\$8,740	\$75,380	\$116,000
Architectural, Scientific, & Engineering Services etc	\$5,700	\$32,000	\$178,000
Construction Total	\$18,540	\$139,800	\$133,000

Source: Statistics NZ, Urban Economics



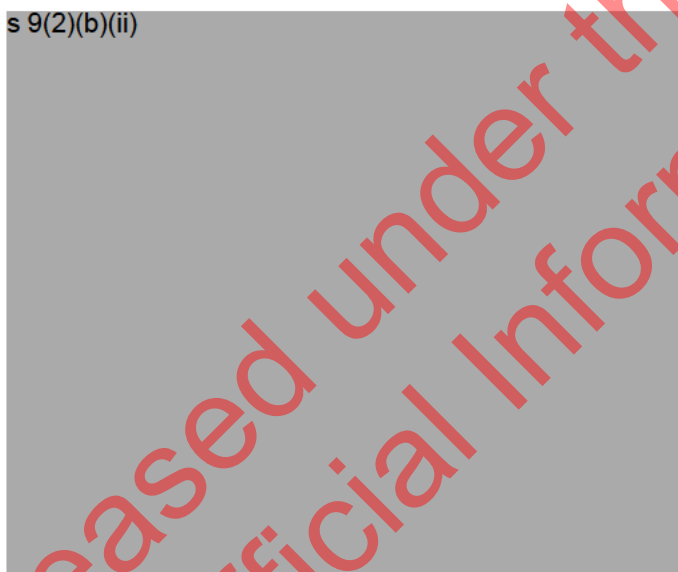
7. Other Fast Track Assessment Considerations

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 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 affordability of the study area.

The following figure displays the proposed composition of the development. Prices have been estimated based on current market prices of new terrace houses across Auckland. These are expected to be priced from s 9(2)(b)(ii) for a two bedroom (70sqm), s 9(2)(b)(ii) for a three bedroom (92sqm) and s 9(2)(b)(ii) for a four bedroom (115sqm). Providing new, relatively affordable 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 212 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 58 new 2-4 bedroom terrace houses to the market. In particular, the project would provide housing in currently undersupplied price brackets in



the study area.

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, which is suitable for a range of households including family households, within the s 9(2)(b)(ii) price brackets. This type of housing is currently undersupplied in the study area. The proposal therefore provides housing which meets the market demand for relatively affordable housing.

9. Conclusion

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

The proposal would result in an increase in construction sector output, with an additional 212 full time equivalent employees (FTEs) and a value-added contribution of \$28.2 million to GDP.

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