

Auckland Research and Policy Bulletin



Reporting on research evidence and policy

The value of land, floorspace and amenities in Auckland

What makes a house, or a city, an attractive place to live? Why do people pay higher prices to live in some places than in others?

These are not idle questions. Developers ask them when choosing where and how to construct new dwellings. Individuals and families ask them when choosing which city to live in, and where to live within cities. Urban planners ask them when attempting to establish rules that govern how and where new dwellings can be developed. And, of course, economists ask them when attempting to explain the decisions that people make about housing.

The Auckland Council Research and Evaluation Unit (RIMU) investigated the relationship between the observed characteristics of dwellings and neighbourhoods and residential property prices by using a method known as 'hedonic modelling' which uses regression analysis to explore the relationship between dwelling prices and different dwelling characteristics. In particular the following issues were assessed:

- The relative value of land and floorspace to home-buyers
- The impact of location on property values in particular, proximity to amenities such as the city centre and coastal areas
- The value that people place on other dwelling characteristics, such as pre-1940 ('heritage') status, car-parking, and views of land and water

- The value that people place on neighbourhood characteristics such as the presence of pre-1940 buildings.

Summary of findings

Floorspace

Buyers exhibit a strong preference for more floorspace: more living space is associated with higher sales price, as is more land.

This means that policies that enable an increase in residential floorspace, either by encouraging higher-density development or an increase in land supply for new subdivisions, may help to improve amenity for Aucklanders.

Location

Sale prices are influenced by location in the city. People are not indifferent to location – all else being equal; they show a distinct preference to be closer to the city centre and a weaker, but still significant, preference to be close to the coast. The analysis suggests that increasing distance from the city centre is associated with lower property values, as is increasing distance from the coast. This suggests that enabling increased housing supply in desirable locations will result in improved amenity relative to supplying new housing in less desirable locations.

Other characteristics of dwellings are associated with higher sales prices. Even after controlling for some neighbourhood and location characteristics, people place a higher value on older (pre-1940) buildings. And, unsurprisingly, people prefer dwellings that are in good condition.

Parking

Car-parking does not appear to have a strong impact on sales prices. The value of car-parking may be marginal, and potentially lower than the cost to construct a single parking space, which ranges from \$1900-\$2200 for surface parking to \$40,600-\$46,100 for underground parking.

Neighbourhoods

The research shows empirical evidence for the view that property markets are influenced by “highly localised externalities” related to neighbouring land uses.

Researchers found evidence that proximity to pre-1940 buildings was associated with higher sales prices for both old and new buildings. Likewise, dwellings with a view of water commanded higher prices than comparable properties with no views. This suggests that policies that preserve these neighbourhood features may also preserve amenity for residents.

Researchers also found evidence of spatial dependence in Auckland’s housing market. In other words, the sale price of a single house is correlated with neighbouring property values.

Recommendations

The research findings are important for land use policy development, as they improve our understanding of different land use regulations to either constrain the supply of floorspace (a valued amenity), or provide for neighbourhood amenities (for example, pre-1940 buildings).

The study is also a clear demonstration that hedonic modelling is a practical method to understand how different dwelling characteristics are valued.

The study also provides a platform for further opportunities to research the Auckland property market. This could include investigating the impact of infrastructure, other neighbourhood features, zoning, and special purpose overlays such as volcanic view shafts on residential property prices.

Nunns, Peter; Hitchins, Hadyn and Balderston, Kyle (2015). *The value of land, floorspace and amenities: a hedonic price analysis of property sales in Auckland 2011-2014*. Auckland Council technical report, TR2015/012. Available on the Auckland Council website, [technical publications and research section](#).

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