PROPERTY ECONOMICS

FRANKLIN 2 PRECINCT
PRIVATE PLAN CHANGE
ECONOMIC ASSESSMENT

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Client: Grafton Downs Limited

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SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics has been commissioned by Grafton Downs Limited (GDL) to undertake an economic assessment of their Private Plan Change (PPC), which seeks to reallocate the existing Local Centre Zone (LCZ) provision and increase the development efficiency and density of the land urbanised through Franklin 2 Precinct zoning by enabling the opportunity for more intensive residential development, e.g. Terrace Housing and Apartment Building Zone (THAB), within the vicinity of the anticipated Paerata Train Station.

There has been significant change in the planning environment since Franklin 2 Precinct was approved in 2014. This includes a new unitary plan for Auckland (Auckland Unitary Plan Operative in Part (AUP)), new national policy directives[1], new National Planning Standards document and an Auckland Future Development Strategy 2023-2053 (FDS). Furthermore, Auckland Council is currently in the hearing process of PC78 which is part of the Intensification Planning Instrument (IPI) process implementing the NPS-UD and Medium Density Residential Standards (MDRS) obligations.

Cumulatively these planning directives aim to increase the supply of housing in the region, increase short-, medium-, and long term residential and business land capacity, enable more intensive residential product to be developed to better accommodate the region's population growth, achieve better alignment with requisite infrastructure investment, and provide opportunities to deliver a diverse range of typologies, price points and locations required for a residential market to operate efficiently and competitively.

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[1] *NPS-UD – National Policy Statement on Urban Development;*
NPS-HPL – National Policy Statement for Highly Productive Land;
NPS-FM – National Policy Statement on Freshwater Management;
NPS-IB – National Policy Statement for Indigenous Biodiversity.

This report evaluates the economic merits of the PPC by scrutinising parameters related to residential demand and supply in the context of Auckland's growth, with a particular focus on the southern Auckland residential markets. This analysis assists in understanding the implications of the recent residential market trends on the proposed uplift in residential capacity within the Franklin 2 Precinct area.

Furthermore, this report assesses the appropriateness and potential economic impact of the proposed centre locations and functions, taking into account the existing centre network in the surrounding market and the locational characteristics of the proposed centres in the context of the RMA[2] and NPS-UD.

A high-level overview of the economic costs and benefits is also provided to identify the overall economic efficiency of the PPC. Ultimately, the findings of this report will assist in determining whether the PPC is appropriate and economically efficient in the context of the NPS-UD, RMA, and AUP.

1.1. RESEARCH OBJECTIVES

The core research objectives of this economic assessment include:

- Provide a high-level overview of the PPC within the context of the local residential market, surrounding business environments, and amenities under the current zoning provisions and relevant housing rules within the Franklin 2 Precinct.
- Delineate and map the geospatial extent of the residential markets in which the PPC development would primarily operate and compete in.
- Assess the current and future population and household of the identified catchments using the latest Stats NZ estimates and growth projections.
- Evaluate the economic efficiency and appropriateness of the proposed rezoning of land surrounding the Paerata Train Station to THAB zone, within the context of the NPS-UD.
- Undertake a high-level overview of Auckland's FDS focusing on the future residential capacity in the Auckland South market, and assess the economic implications for the PPC.
- Assess recent house prices, affordability, and building consent trends within the Paerata – Pukekohe local market and identify the potential implications for the proposed THAB zone and increased residential densities within the Franklin 2 Precinct.
- Discuss the potential economic impact of the proposed removal of the "Affordable Housing" Rule from the Franklin 2 Precinct provisions, considering recent residential

[2] *Resource Management Act*

market trends in the local market and the overall integrity of the AUP as a result of this removal.

- Geospatially map the existing and anticipated commercial centre network in Auckland South, identifying their intended role and function under the AUP.
- Assess the potential for significant retail distribution effect on existing and anticipated centres due to the proposed reallocation of centre land provision within the Franklin 2 Precinct in the context of the RMA.
- Provide a high-level economic cost-benefit overview of the PPC, identifying the economic efficiencies generated and the benefits to the market and community.

1.2. INFORMATION & DATA SOURCES

Information has been obtained from a variety of reliable data sources and publications available to Property Economics, including:

- Auckland Future Development Strategy 2023 – 2053 – Auckland Council
- Auckland Future Development Strategy 2023 – 2053 – Growth Scenario Evidence Report – Auckland Council
- Auckland Future Urban Land Supply Strategy 2017 – Auckland Council
- Auckland Unitary Plan Operative in Part – Auckland Council
- Building Consents – Stats NZ
- Catchment Maps – Google Maps, LINZ, Stats NZ
- Drury - Opāheke Structure Plan – Auckland Council
- Median Household Income – MBIE
- Mortgage Calculator August 2024 – ASB
- Auckland Median Sale Prices – Opes Partners
- National Policy Statement on Urban Development 2020 – Ministry for the Environment
- Population and Household Estimates and Projections – Stats NZ
- Pukekohe – Paerata Structure Plan – Auckland Council
- Residential Property Sales Data – CoreLogic

2. EXECUTIVE SUMMARY

This report provides a high-level economic assessment of GDL's proposed residential and centre rezonings from an economic perspective, considering the context of the RMA, NPS-UD, FDS and AUP. The following is a summary of the key economic findings from Property Economics' assessment of the PPC's primary development components.

Appropriateness of Proposed Residential Zonings

The first purpose of the PPC is to enable higher density residential development (i.e., THAB) near the Paerata Train Station and the proposed new Local Centre. In Property Economics' view, the broader Auckland South market, comprising three sub-markets, namely South / East Auckland, Manurewa / Papakura, and Franklin, constitute the primary '*pool*' of purchasers for the residential product in GDL's development.

According to Stats NZ High growth scenario, the wider Auckland South market is anticipated to have around 276,510 households by 2048, requiring nearly +87,000 additional dwellings to accommodate the projected growth over the next 25 years on a one household per dwelling basis. This growth scenario suggests robust and sustained growth in the catchment, reflecting the significant potential of the GDL development to cater to a portion of this anticipated demand and provide for higher density residential development stimulated by the implementation of NPS-UD and MDRS.

The removal of previously identified future urban areas in the FDS is expected to reduce potential residential capacity in the Auckland South catchment by approximately 7,500 dwellings. Given this anticipated loss, the provision for higher-density residential development within an efficient location of the Franklin 2 Precinct - particularly within the walkable catchment of the planned rapid transit stop - Paerata Train Station - would serve as an effective and timely offset for the southern Takaanini and Slippery Creek future urban area removals. This would contribute positively to the creation of a well-functioning urban environment in line with the objectives of the NPS-UD.

From an economic perspective, greater density around the Paerata Train Station would represent a more efficient use of scarce Auckland rapid-transit oriented land, generate significant economic efficiencies at lower marginal infrastructure costs. Importantly, the proposed THAB would offer greater certainty for growth in the area, as well as more opportunities and increased housing options for communities looking to live there.

Appropriateness of Removing the 'Affordable Housing' Provision

It is important to note that the 'Affordable Housing' provision is not uniformly applied across the wider region. This was highlighted in a recent Council hearing on Hingaia 2 (Plan Change 67), where it was noted that the continued application of this provision in greenfield urban areas has limited implications.

From an economic perspective, removing the 'Affordable Housing' provision within the Precinct is unlikely to negatively impact the affordability of housing in both the Paerata local and the broader Auckland Region.

Given the vast size of Auckland's housing market, no single development is likely to resolve the region's housing crisis. Importantly, the net additional residential capacity resulting from the proposed THAB rezoning, estimated at around 760 new dwellings, would have a more substantial impact on the overall housing market and exert greater downward pressure on local house prices compared to the smaller number of dwellings - approximately 350 - affected by the current 'Affordable Housing' provision.

Therefore, Property Economics considers that removing this 'Affordable Housing' provision will improve the overall consistency of the AUP provisions, provide greater certainty for the development and growth of the Paerata Rise area, and contribute positively to addressing housing affordability issues in both the local market and the wider Auckland Region.

Appropriateness of Proposed Centre Provision and Locations

Property Economics estimates that the Precinct, with a projected population of 13,900 to 16,400 people at full capacity, could sustain a net commercial developable land area of approximately 3ha to 3.4ha for convenience retail and commercial services. This estimate assumes that commercial zones in Paerata Rise could capture approximately 60% of the supermarket spending and about 75% of the convenience retail spending generated within the Precinct.

It is important to note that this estimated land requirement does not account for non-commercial land uses such as urban parks, roads, reserves, playgrounds, and community, education, or public transport facilities. These additional elements may be incorporated to enhance the centre, offering further agglomeration benefits and amenities for residents. Any land allocated for these other uses would be in addition to the estimated 3ha to 3.4ha.

Given the above considerations, the proposed Paerata Rise commercial land provision, with a cumulative net developable land area of around 6.8ha (incorporating non-commercial uses), is sufficient to provide the necessary offerings and amenities within the Precinct and sustainable for the existing and future population of Paerata.

From an economic perspective, the proposed centre locations at the Glenbrook Roundabout and near the Paerata Train Station would represent more efficient options for centre development compared to the current Local Centre location at the Wesley Sub-Precinct. These new locations would offer improved profile, visibility, and accessibility to the existing and future Paerata residents.

Since the proposed Paerata Rise centres are primarily intended to serve the existing and future communities of Paerata Rise, Property Economics sees no likelihood that reallocating the permitted centre provision to more accessible and efficient locations would significantly expand the centres' core catchment area. Consequently, this reallocation is unlikely to dilute the role, function, or growth potential of other existing and planned centres in Pukekohe and Drury.

Economic Benefits of the PPC

Property Economics considers that there are a number of potential economic benefits from the proposed development including:

- Increased residential capacity and greater range of housing typologies
- More affordable housing
- Increased choice of location
- Decreased marginal infrastructure costs
- Increased economic activity / local employment
- Diverse buyer pool
- Greater level of growth
- Increased amenities
- Potential for safeguard rural productive land

On the other hand, the only potential economic cost is the need for additional supporting infrastructure due to the increase in residents. This may involve upgrading or expanding essential utilities and amenities to handle the higher demand near Paerata Train Station. This type of cost is usual for any intensification development, depending on the existing infrastructure and the size of the new population. Therefore, it should not be seen as a major drawback that undermines the economic efficiency of the PPC.

On balance, the potential economic benefits of the proposed development would significantly outweigh the potential cost. As such, Property Economics supports the PPC from an economic perspective, under the context of the RMA, NPS-UD, FDS, and AUP.

3. PRIVATE PLAN CHANGE OVERVIEW

The Franklin 2 Precinct (**Precinct**) covers around 290ha of land on the eastern side of State Highway 22 in Paerata. Figure 1 below compares the current zoning provisions within the Precinct (left map) under the AUP to GDL's Proposed Zoning Plan (right map).

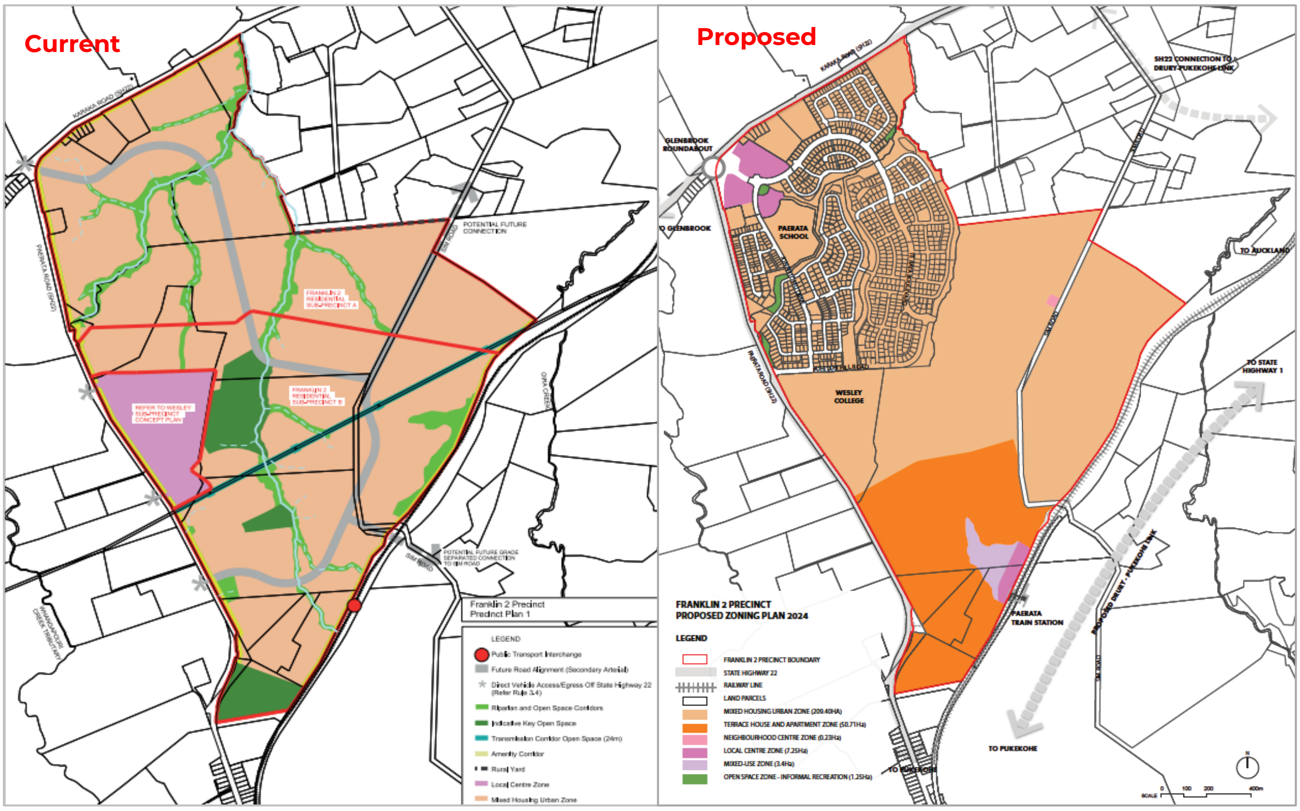
Currently, most of the Precinct's land, about 260ha, is zoned as Residential – Mixed Housing Urban Zone (**MHU**) under the AUP(OIP). Additionally, a 17.8ha area at the intersection of Paerata Road and Puhitahi Hill Road, known as Wesley Sub-Precinct / College, is zoned as Local Centre Zone (**LCZ**).

In the Proposed Zoning Plan, GDL aims to reallocate the existing LCZ to locations that enhance commercial amenities, economic performance and accessibility across the Paerata Rise area:

- A primary LCZ at the Glenbrook Roundabout (4.44ha, net);
- A smaller LCZ adjacent to the Paerata Train Station (1.24ha, net); and
- A northeastern Neighbourhood Centre Zone (**NCZ**) (0.23ha, net).

In addition, a Mixed-Use Zone (**MUZ**) covering around 0.91ha (net) is proposed near the Paerata Train Station, directly adjacent to the LCZ to the east. This gives a cumulative total commercial land provision of 6.8ha net. This MUZ is anticipated to increase local employment and residential opportunities with higher densities that improves market efficiency and creates transit oriented opportunities adjacent to the Paerata Train Station.

FIGURE 1: SUBJECT SITE IN THE AUP CONTEXT



Source: Auckland Council, GDL

GDL also seeks to establish a THAB area around the Paerata Train Station to maximise land use efficiency within 800m walking distance of the Paerata Train Station and provide for diversified and higher density living opportunities, aligning with the NPS-UD and Medium Density Residential Standards (MDRS). This proposed THAB area will cover approximately 50.7ha of land. Cumulatively the Paerata Train Station LCZ, MUZ and THAB zones complement each other and together catalyse the creation Transit Oriented Development (TOD) in the future.

Additionally, the PPC seeks to remove the “Affordable Housing” provision for the Precinct. Currently, this provision requires that for developments with 15 or more dwellings or vacant sites, 7 percent must meet defined affordability criteria.

Most of the remaining land within the Precinct is proposed to retain its current MHU zoning. This MHU environment will also encompass the Wesley Sub-Precinct, where a Special Purpose Zone – School overlay will be applied to the Wesley College and its established facilities.

Property Economics understands that 619 lots had been completed in the area, with construction underway for an additional 200 lots expected to be delivered in 2024 and 2025.

According to GDL, the proposed increase in residential capacity around the Paerata Train Station, along with the ongoing development of the remaining MHU zoned areas, is anticipated to generate approximately 4,010 new homes. In combination with the completed / consented dwellings in Phases 1-3, the overall Precinct could provide for around 5,140 dwellings at full capacity (refer Density Plan below).

TABLE 1: FRANKLIN 2 PRECINCT INDICATIVE DENSITY PLAN

	INDICATIVE DENSITY SCENARIO 1 (AUGUST 06, 2024)		
Typology	**Description**	**Net Area (ha)**	**Yield (approx)**
Mixed Use Apartments above retail at ground level (Average 120dw/ha)	3-5 Storey apartments above ground level retail	2.07	248
High Density Apartments 3-6 Storeys (Average 110dw/ha)	Up to 6 storey apartments between 85dw/ha to 140dw/ha	9.74	1071
Medium Density 3 storey Attached Dwellings and Walk-up Apartments (Average 65 dw/ha)	3 Storey terraces and walkup apartments from 1-3 bedrooms with at grade parking - between 50-75dw/ha	10.25	666
Medium Density: 2-3 Storey Attached Dwellings (Average47 dw/ha)	A variation of narrow 4.5m wide 2 bedroom and 6.5-10m wide larger terraces with lot sizes between 125-300sqm. Usually 2-3 storey attached dwellings.	22.60	1062
Low Density Semi-detached and Standalone Typologies (Average 33 dw/ha)	Smaller lot standalone and semi-detached dwellings on lots between 250-350sqm. Lots with varying widths between 12.0m to 15.0m.	15.29	505
Low Density Standalone Typologies (Average 21 dw/ha)	Standalone Houses between 350-550sqm with varying lot widths between 14.0-25.0m wide	24.75	545
	Indicative Total Future Dwellings	**84.70**	**4097**
	Completed or Consented dwellings in Phases 1-3	**48.15**	**1046**
	Total Dwellings in Franklin 2 Precinct	**132.85**	**5143**

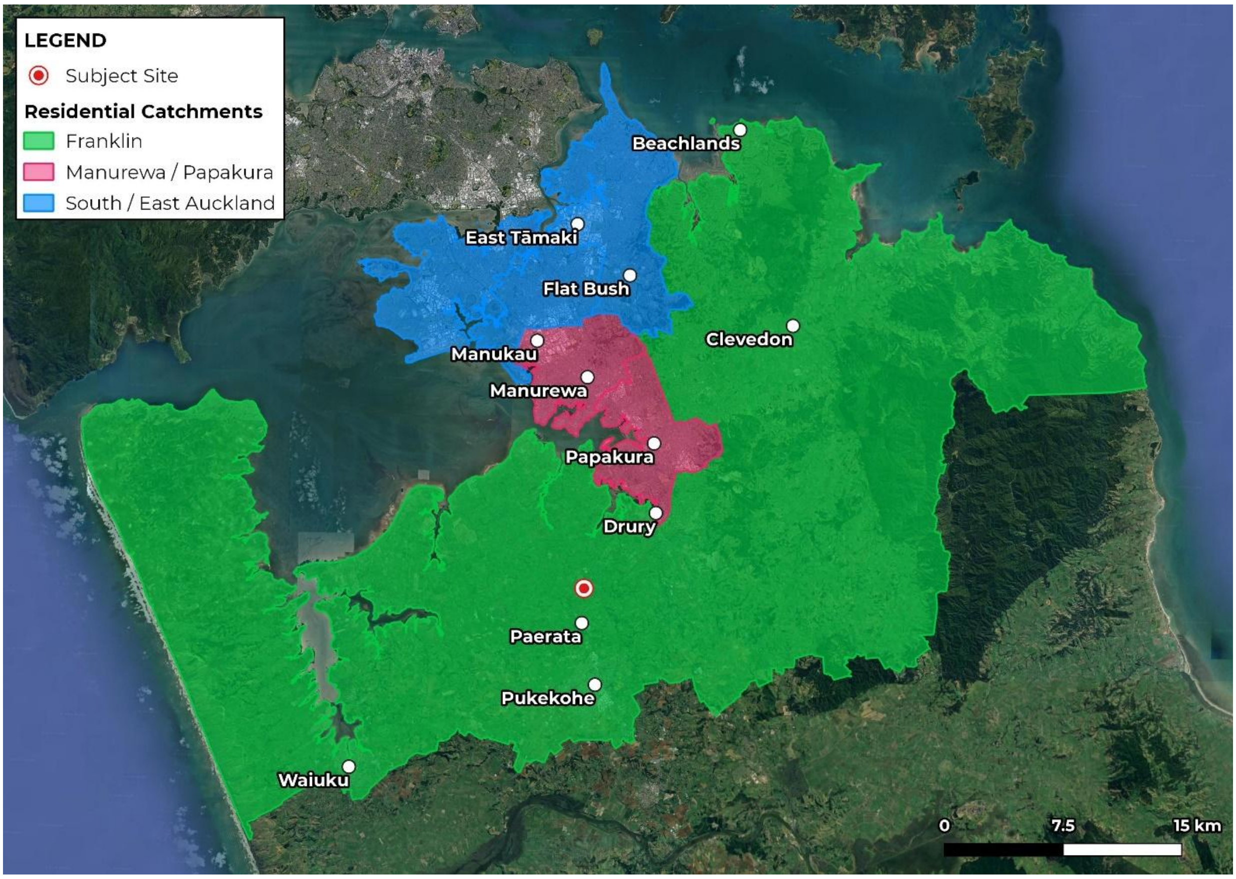
Source: GDL

4. RESIDENTIAL MARKETS

To identify the market potential of the PPC to provide for greater residential capacity near the Paerata Train Station, it is important to delineate the geographical area from which the residential product developed in the Precinct is likely to attract the majority of its purchasers.

The figure below illustrates the division of the core economic catchment (i.e., Auckland South) into three distinct residential markets for analytical purposes. These markets are indicative of areas where demand may be redirected, or conversely, where residential properties in the PPC area may face competition. These residential catchments have been based on the Local Board Areas so as to utilise Stats NZ's latest population projection.

FIGURE 2: AUCKLAND SOUTH RESIDENTIAL MARKETS



Source: Google Maps. Stats NZ, Property Economics

The PPC area is located within the Franklin (green) catchment, which represents the direct local market of the proposed development. This Franklin catchment covers the vast majority of rural land and rural townships south of the Auckland urban area.

The Manurewa / Papakura catchment covers the combined Manurewa and Papakura Local Board Area. The South / East Auckland catchment encompasses the Howick, Māngere-Ōtāhuhu and Ōtara-Papatoetoe Local Board Areas, covering the extensive industrial areas and the surrounding residential areas in Auckland South. These catchments are used as the basis for the following residential market analysis.

5. POPULATION AND HOUSEHOLD GROWTH

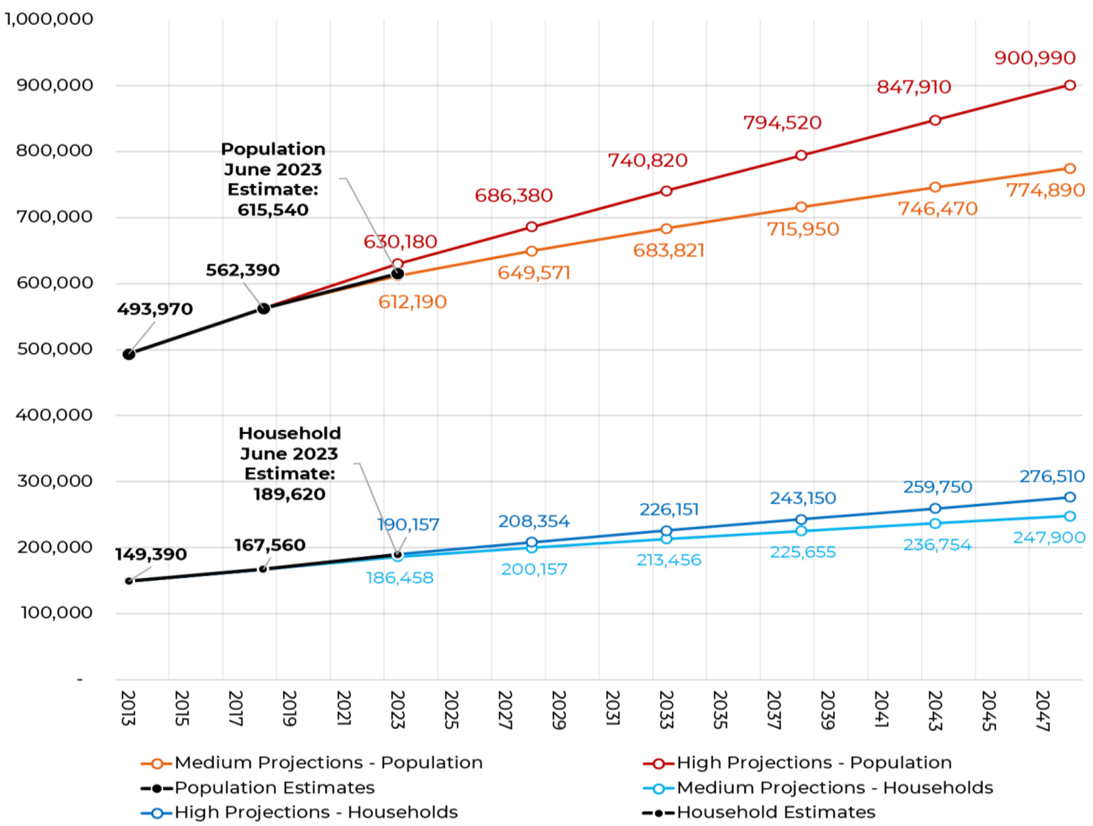
Property Economics understands that Auckland Council procured a set of three customised population projection series for the Auckland region from Stats NZ (known as ACMar23 projections). However, the limitations of these projections stem from their regional focus, which does not provide detailed insights into the anticipated growth patterns of smaller localised markets, such as the identified core catchments.

In contrast, the most recent projections from Stats NZ offer a more granular spatial resolution, making them a more reliable source for understanding population dynamics within the catchments. Given this, the following analysis utilises the Stats NZ latest population and household projections.

The figure following presents the population and household growth projections within the Auckland South combined area covered by the three identified residential markets. These projections are derived from Stats NZ population growth projections for both the High and Medium growth series.

Auckland South covers around a third of the wider region's population with an estimated population base of around 615,540 as at June 2023. Although not shown on the figure, it is worthy to note that the population growth for the recent 7-year period (2013 – 2020 – pre-COVID) more closely aligned with the original 2017 High projection series having exceeded the Medium projected June 2022 population by almost 22,300 residents.

FIGURE 3: POPULATION PROJECTIONS AND ESTIMATES FOR COMBINED AREAS



Source: Stats NZ

Looking ahead, under the latest Medium projection series, there is expected to be an additional +159,350 residents over next 25 years (2023 – 2048) across the assessed markets, and an additional circa +58,280 households. This net population growth in the catchment is proportionally equivalent to +26%.

In comparison, the High growth scenario projects population growth of +285,450 people net by 2048 (+46%), which is an additional 126,100 people increase in the net population growth above the Medium projection series.

Additionally, the total number of households predicted for 2048 under this High growth scenario is around 276,510. This is nearly an additional +86,890 dwellings required to accommodate projected growth under this projection over the next 25 years on a one household per dwelling basis.

Average annual growth for these catchments over the 25-year period for the Medium projection equates to 6,370 people and around 2,330 dwellings net, while under the High scenario average annual growth equates to around 11,420 people and 3,480 dwellings net.

The latest (August 2024) net migration data from Stats NZ[3] indicates net migration into NZ is at record high levels reflecting a strong post-Covid rebound with NZ still being viewed as an attractive country for people to permanently migrate. High net migration puts increased pressure on Auckland's constrained housing stock, already under significant pressure, and amplifies the need for new residential capacity to be injected into the supply pipeline over the short term. If high levels of net migration are sustained, the current population growth projections for Auckland could be conservative.

Despite robust population growth the number of households was slightly below what was originally projected according to the 2017 projections. Historically, the number of households under the projections series was forecast to increase at a faster proportional rate than the population. This was due to a projected fall in the person per household ratio over the forecast period. This anticipated trend was not isolated to the identified catchments but projected to occur across the whole country due to an ageing population, smaller families, and a higher proportion of 'split' or single households.

However, the results of the 2018 NZ Census and subsequent population estimates have shown that the reverse has been true. That is, that the population per household ratio has increased slightly across the country with this catchment being no exception, increasing from 3.31 to 3.56 between 2013 and 2018.

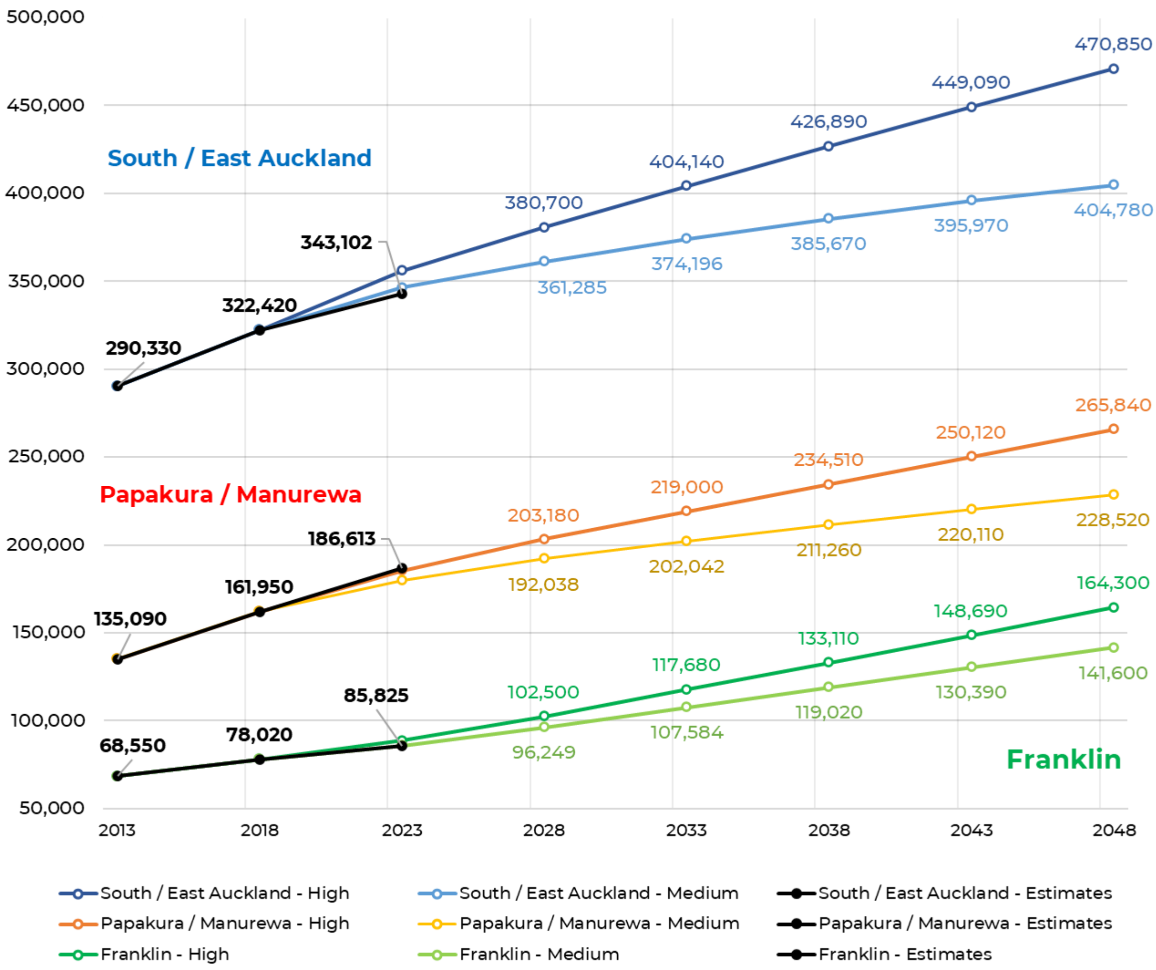
There are several potential reasons for this reversed trend, not the least of which relates to the slow progress of new housing stock being developed (relative to demand) and rising house prices that has occurred over the last intercensal period, which has driven an increase in multi-household and multi-generational dwellings. This demographic trend is likely to continue

[3] *Source: https://www.stats.govt.nz/information-releases/international-migration-august-2024*

unless new housing product is enabled to be developed at a rate more commensurate with market demand.

The following figure disaggregates the three residential markets to show the recent and projected population growth across each market separately. It is important to note, that although South / East Auckland has numerically the highest growth of the three catchments, it is almost double the size of the Papakura / Manurewa Catchment.

FIGURE 4: POPULATION GROWTH BY RESIDENTIAL MARKET



Source: Stats NZ

On a proportional basis, the Franklin catchment is projected to have the most growth at +65% over the next 25 years under the Medium growth scenario. This is reflective of large stretches of the previous Future Urban Zone (FUZ) including the Drury-Opāheke and Pukekohe-Paerata Structure Plans being located within the wider Franklin area. In comparison over the same period, the Papakura / Manurewa catchment is expected to grow +22% (186,610 – 228,520) with South / East Auckland sitting slightly lower at +18% (343,100 – 404,780), under the Medium growth scenario.

Under the High growth scenarios, proportional growth across the catchments increases significantly, and clearly highlights the scale of the potential increases in supply relative to the existing market that need to be accommodated and directed for increased capacity. The Franklin catchment under the High growth scenario is projected to experience a proportional net increase of +91%. Note this percentage could increase significantly if South / East Auckland and Papakura / Manurewa catchments cannot provide the increased (feasible) capacity required to accommodate their respective projected growth.

Given the above projections, it can be expected that growth is anticipated to be strong and sustained within the catchments over the short-, medium-, and long-term.

Of the three assessed catchments, Franklin (the local market the PPC area forms part of) growth is still tracking slightly above the Medium scenario with demand remaining strong. This gives confidence that the PPC is in an area sought by the market and an area that would deliver increasing amenity and efficiency.

Note that while Council's ACMar23 projections indicate lower overall population growth for the wider Auckland Region compared to the latest Stats NZ projections, this broader trend does not necessarily imply that all individual growth areas, such as the PPC core catchments, will also experience a slowdown in population growth. Localised growth dynamics can diverge significantly from regional trends due to a variety of factors, including specific local development, market demands, infrastructure projects, and unique demographic trends.

In Property Economics' view, unless a more detailed breakdown of ACMar23 projections that align with the spatial specifically required for the identified core catchments is made available, the Stats NZ projections remain the most appropriate data source for the economic assessment.

6. POLICY CONTEXT OVERVIEW

6.1. IMPLICATIONS OF THE NPS-UD

Under the NPS-UD and the MDRS, Tier 1 and 2 territorial authorities are required to enable greater intensification, increasing housing supply and providing more diverse housing typologies, particularly around commercial centres and public transport hubs. Specifically, NPS-UD Policy 3(c)(i) aims to enable buildings of at least six storeys within walkable catchments of existing and planned rapid transit stops.

Although the extent of these walkable catchments can vary based on local characteristics, they are generally defined by walkable distances of around 800 metres from rapid transit stops. In this context, the area surrounding the Paerata Train Station within the Precinct is considered appropriate for intensification in accordance with the NPS-UD when viewed through a long term lens.

Objective 3 of the NPS-UD particularly requires that "*regional policy statements and district plans enable more people to live in, and more businesses and community services to be located in, areas of an urban environment in which one or more of the following apply:*

(a) The area is in or near a centre zone or other area with many employment opportunities

(b) The area is well-serviced by existing or planned public transport

(c) *There is high demand for housing or for business land in the area, relative to other areas within the urban environment.*"

With the proposed new LCZ near the Paerata Train Station, the economic benefits of enabling higher-density residential development would be further amplified. This is expected to contribute positively to creating a well-functioning urban environment in the local market and aligning with the intensification directives of the NPS-UD and MDRS.

6.2. IMPLICATIONS OF THE FDS

Auckland Council has adopted the Auckland FDS as a replacement for sections of the current Auckland Plan 2050, Development Strategy 2018, and Auckland Future Urban Land Supply Strategy 2017 (FULSS).

Under the NPS-UD, the purpose of FDS is to "*promote integrated, long-term strategic planning to help the council set the high-level vision for accommodating urban growth over the long term and identify strategic priorities to inform other development-related decisions*".

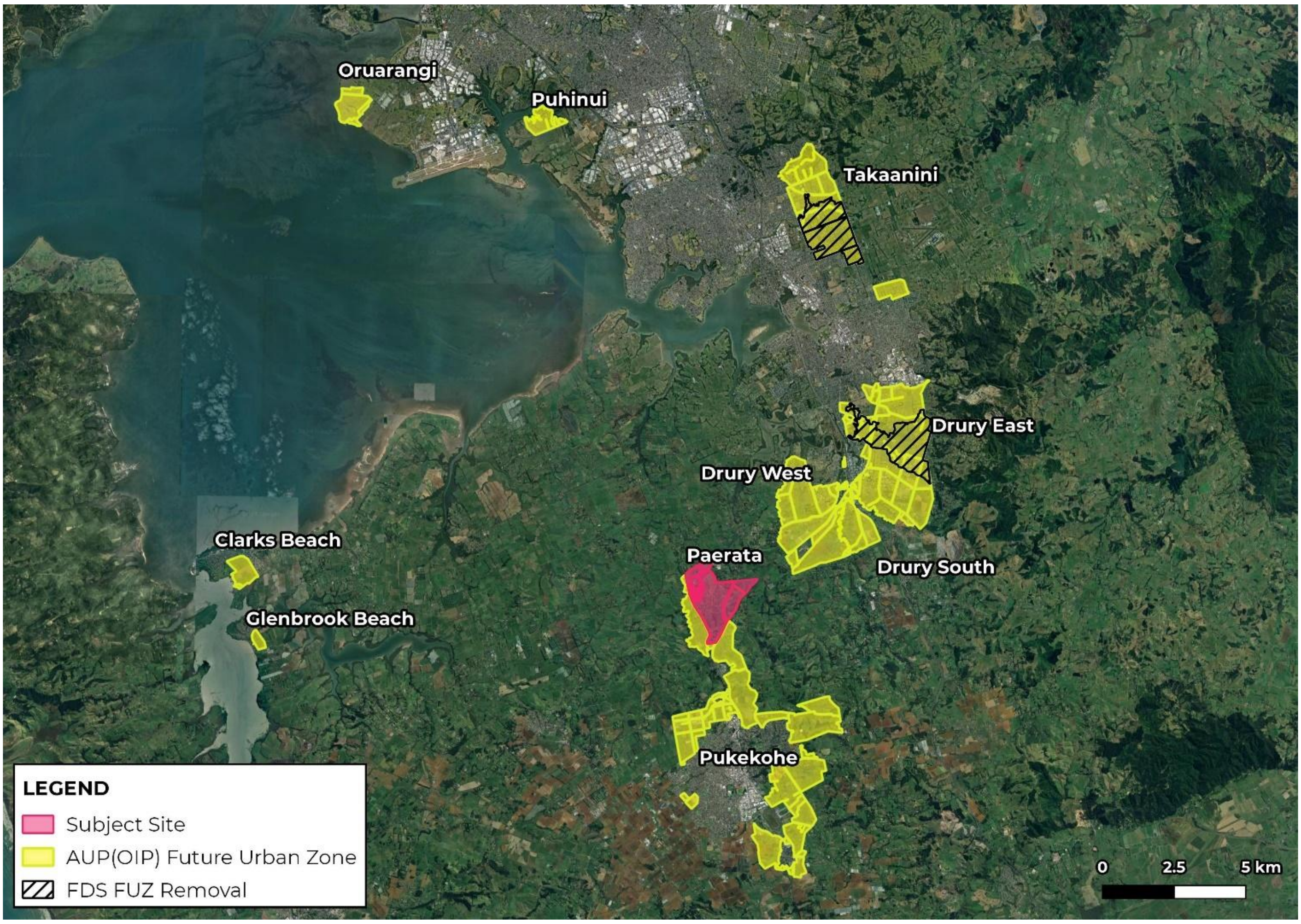
According to the assessment outcome of the FDS, the southern portion of the Takaanini FUZ (estimated at circa 310ha, gross) is removed from the region's wider FUZ areas due to significant flood plain extent and significant proportion of alluvium / colluvium geological formations which are typically overlain by peat / peat loam.

Given these constraints, appropriate mitigation are identified costly in the FDS and require council-led integrated catchment management planning / intervention. These constraints pose settlement risks (and potential dewatering) for development and infrastructure, resulting in ongoing hazard risks and / or likely incurring significant costs to appropriately mitigate. This represents a high level of uncertainty and capital risk for developers.

In addition, Ōpaheke-Drury FUZ is recommended for partial removal (of the area associated with the Slippery Creek flood plain and a large land area to the east adjacent to the floodplain (circa 330ha, gross), due to significant hazard constraints and the likely reverse sensitivity effects on the surrounding environments. The remaining parts of the FUZ are to be renamed Ōpaheke (north of Slippery Creek) and Drury East (for land not live-zoned).

The figure below shows the geospatial extent of the recommended FUZ removal in Takaanini and Slippery Creek. Having these two areas removed, the total FUZ land area in the Auckland south catchment would be reduced substantially by a cumulative land provision of approximately 640ha.

FIGURE 5: FUTURE URBAN AREAS IN THE CONTEXT OF THE FDS



Source: Auckland Council, Google Maps, LINZ, Property Economics

Notes: the geospatial boundaries of FDS FUZ removals shown in this map are indicative only and is generated by Property Economics based on the boundaries of the removal outlined in the FDS and the distribution of flood plains in the area. Also, around 220ha gross of identified FUZ land in Pukekohe is for future business zone activity, as is the entirety of the Puhinui FUZ (circa 70ha gross).

To understand the likely impact of these FUZ removals on local housing capacity, it is important to quantify the likely resulting residential capacity decline due to these removals.

As outlined in Auckland 2050, page 224, the entirety of the Takaanini FUZ was anticipated to provide for a total yield of circa 4,500 dwellings. Applying the removed southern proportion of around 54%, the estimated yield within this removed southern proportion is approximately 2,400 dwellings.

In addition, according to the Drury – Opāheke Structure Plan (Table 1 on Page 11), the entirety of the Drury – Opāheke FUZ land was anticipated to provide for 21,600 dwellings within a 624ha of net developable land, on Council's 45% developable land estimate.

Using these figures as the basis, the FDS removal of 330ha (gross) of FUZ land in Drury East / Slippery Creek would lead to the loss of expected residential capacity in the order of 5,100 dwellings[4]. Consequently, the total residential capacity loss within the Auckland South FUZ areas due to the FDS removals is estimated at around 7,500 dwellings.

Considering this significant expected loss of residential capacity, in Property Economics' view, the PPC to provide for greater residential yield in an existing urban zoned area and near a future rapid transit stop would represent an efficient and timely replacement to partially offset some of the lost capacity through the southern Takaanini and Slippery Creek FUZ removals.

Moreover, enabling the proposed higher density residential development (i.e., THAB) around the train station would give effect to the FDS Principles, particularly Principle 1(a) – "*Intensify the existing urban areas and limit further urban expansion*".

The Precinct forms part of Auckland's existing urban zone environment, therefore is anticipated to be intensified to provide for additional living options, price points and locations to accommodate the increasingly diversified demand of the existing and future communities.

[4]*This is calculated as: 330ha * 0.45 / 624ha * 21,600 houses*

7. RESIDENTIAL MARKET ACTIVITY OVERVIEW

7.1. RECENT RESIDENTIAL MARKET DRIVERS

The residential price growth in NZ over the last decade, particularly in Auckland, has been driven by several key economic factors, the first of which is the relative imbalance of supply and demand in the housing market. Auckland, as the largest city in NZ, has experienced significant population growth due to its economic opportunities, cultural attractions, and lifestyle offerings. This influx of people has led to increased demand for housing, putting upward pressure on house prices.

On the supply side, despite efforts to increase housing supply, such as rezoning land for greater development potential and implementing initiatives to boost construction, the pace of new housing construction has not kept up with population growth (and therefore housing demand). Limited availability of land (relative to demand), regulatory constraints, worker shortages, logistic backlogs and surging construction costs have hindered the ability of developers to deliver new housing supply, exacerbating the imbalance between supply and demand and contributing to rising prices.

Additionally, historically low-interest rates have played a significant role in driving up house prices in Auckland and across NZ. Low borrowing costs made homeownership more achievable for many buyers, stimulating demand for housing and pushing prices higher. Consequently, when interest rates started doubling during 2022 in response to high inflationary pressures, there was a notable drop in house prices from its peak in late 2021. Since then, house price growth has slowed and price levels have returned to early 2021 levels, which still ultimately represents a high price level relative to the prior decade.

Furthermore, it should be noted that this recent fall in house prices from its peak did not necessarily result in an improvement in housing affordability. With interest costs more than doubling since 2021, mortgage repayments have increased forcing homeowners to pay a greater proportion of their income on housing costs.

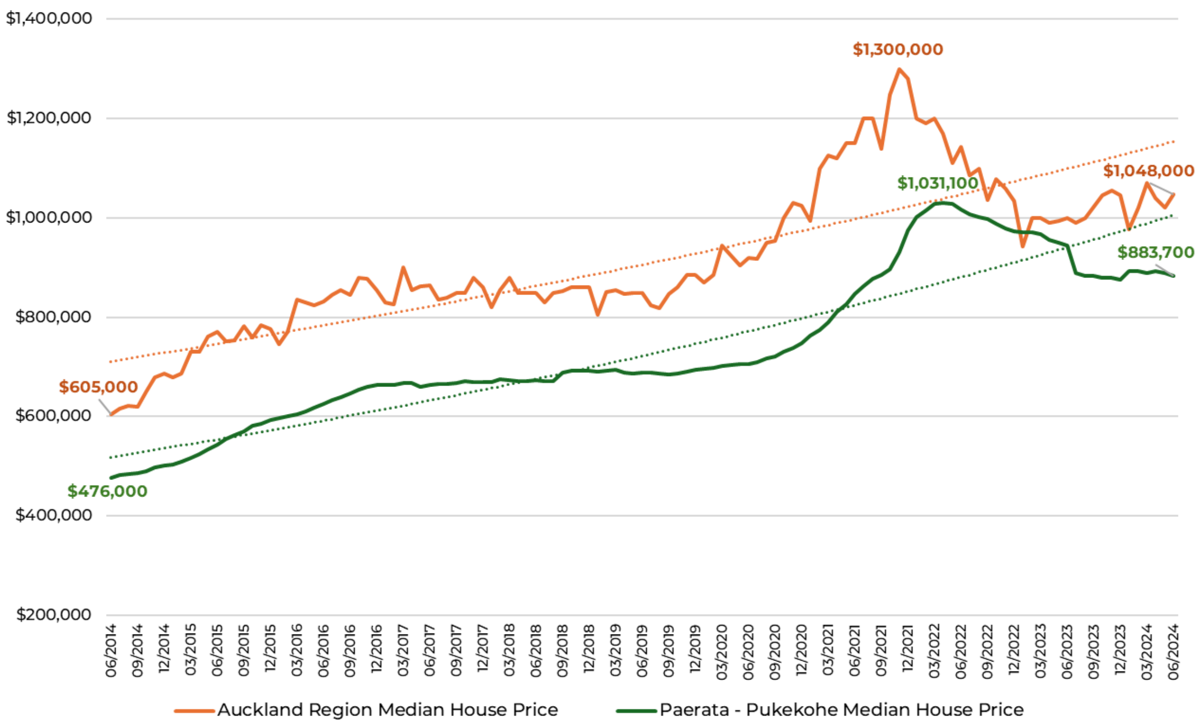
The affordability issue stemming from rising house prices presents social and economic challenges for Auckland residents, particularly first-time buyers, and low-to-middle-income households. The widening gap between housing costs and incomes threatens housing affordability and highlights the importance of promoting sustainable housing development, improving affordability, and addressing the diverse housing needs of communities in an economically efficient manner.

7.2. PAERATA – PUKEKOHE LOCAL MARKET MEDIAN HOUSE PRICE TRENDS

To provide insights to the demand for residential properties in the local market, the following figure presents an overview of the local residential market of Paerata - Pukekohe. It shows median house prices trends in the combined area over the past decade, spanning from June 2014 to June 2024.

In general, there was a significant trend observed in the Paerata – Pukekohe local market's median house prices, which increased from about $476,000 in June 2014 to around $883,700 over the assessed period, indicating a material increase of approximately +86%. This surge notably exceeded the growth rate of the wider Auckland Region's median house price, which rose from around $605,000 to slightly over $1 million during the same period, equating to a +73% increase over the past decade.

FIGURE 6: MEDIAN HOUSE PRICE TRENDS IN PAERATA – PUKEKOHE AND THE WIDER REGION



Source: Opes Partners

The continuous rise in the local house price indicates the growing attractiveness of the area as well as a lag in the rate of new home constructions relative to the demand for residential properties. This imbalance between supply and demand has significantly contributed to the escalating property prices in the local area. This suggests the sales rate in Paerata – Pukekohe is a reflection of a lack of new supply being delivered to the market rather than demand, i.e., demand is likely higher than sales indicate.

Furthermore, over the past decade, the Paerata – Pukekohe local area has experienced notable enhancements in infrastructure, expanded amenities, and improved connectivity to the rest of the Auckland Region. These developments have collectively bolstered the area's appeal as a residential destination and have further fuelled demand for properties in the area, thus contributing to the consistent upward trajectory in property prices observed.

Considering these trends, enabling part of the Precinct to introduce higher density dwellings would represent an important injection into the Paerata – Pukekohe local market and assist in slowing house price growth.

Consequently, the PPC has the potential to enhance housing affordability in the local market and the wider Auckland Region, positively impacting their economic and social wellbeing by providing an increase in supply that is likely to deliver homes at more serviceable levels of debt.

7.3. AUCKLAND SOUTH HOUSING AFFORDABILITY ANALYSIS

This sub-section provides an overview of the housing affordability status in the identified sub-markets, using various metrics. This analysis is designed to assist GDL in tailoring typologies and potential pricing strategies to align with the serviceability power of potential buyers.

Auckland South Deprivation Overview

Otago University has published a deprivation index based on the 2018 Census results which is a decile scale that goes from 1 (least deprived) to 10 (most deprived). The variables in question as produced in Otago's accompanying report are as follows:

- Communication: People with no access to internet at home
- Income: People aged 18 - 64 receiving a means tested benefit
- Income: People living in equivalised households with income below an income threshold
- Employment: People aged 18 - 64 unemployed
- Qualifications: People ages 18 – 64 without any qualifications
- Owned Home: People not living in own home
- Support: People aged <65 living in a single parent family
- Living Space: People living in equivalised households below a bedroom occupancy threshold
- Living Condition: People living in dwellings that are always damp and/or always have mould greater than A4 size.

The following figure shows the geospatial extent used to determine the Deprivation Score of each of the catchment areas at the meshblock geographic boundary level.

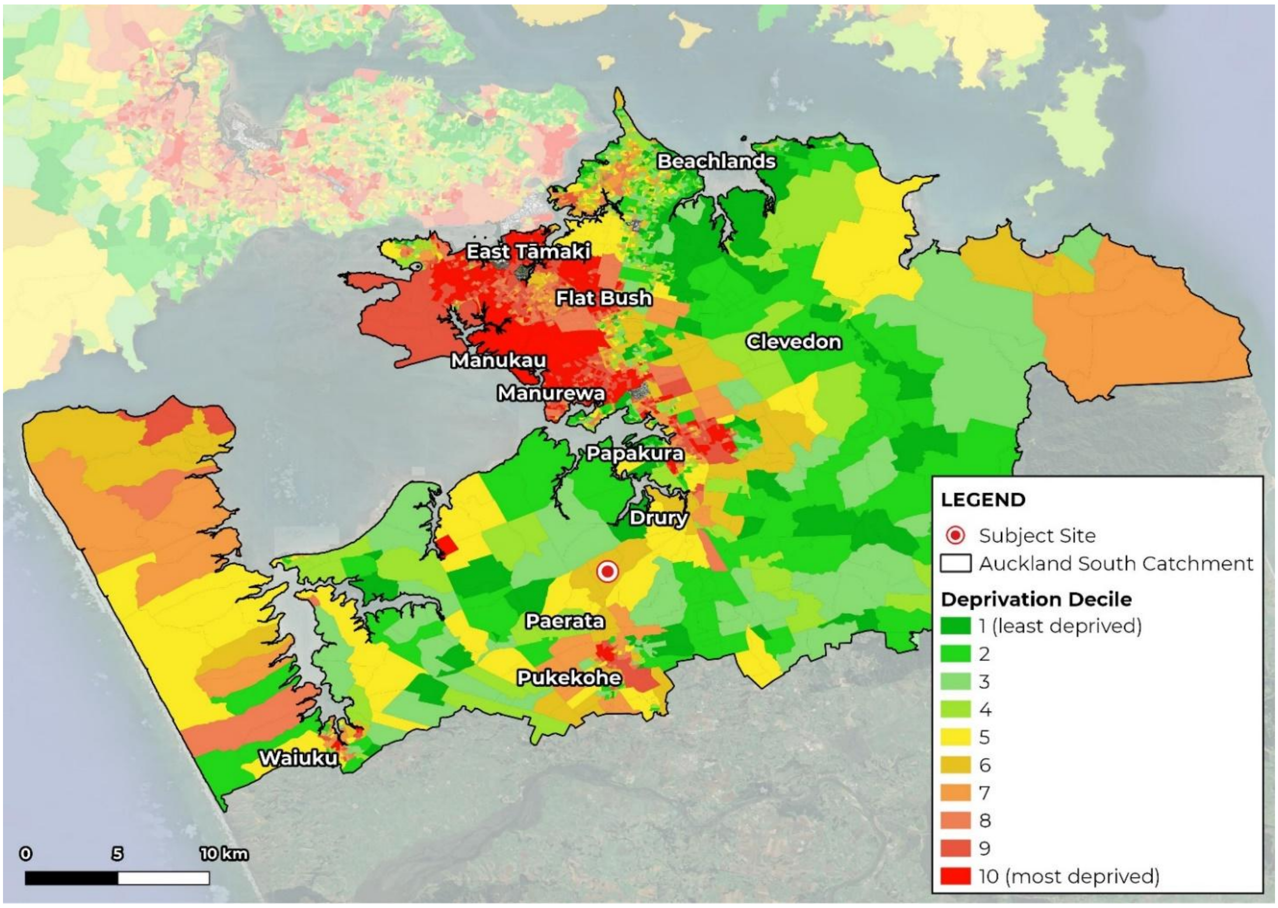
Some areas do not have a deprivation score, as there is either no people living within that meshblock, or not enough information was published for that meshblock to determine a score (usually due to low population). These areas are blank.

In essence, areas with higher deprivation scores may exhibit stronger demand for affordable housing options, prompting developers to adjust pricing strategies accordingly. This includes both those who are in the market to buy and those in the market to rent.

Conversely, areas with lower deprivation scores may attract buyers seeking premium properties with upscale amenities, prompting developers to position their offerings accordingly. By aligning pricing strategies with local demand dynamics, new developments have the potential to optimise sales and profitability.

The index shows that the Auckland South catchment area has some of the highest deprivation levels in the region, while the East Auckland market includes several wealthy suburbs, particularly along the coastline. On average, households in Franklin experience lower levels of deprivation compared to residents in South / East Auckland and Manurewa / Papakura. Most of the properties in the rural areas are either farm or lifestyle properties, both of which typically represent residents with high levels of wealth.

FIGURE 7: AUCKLAND SOUTH CATCHMENT MESHBLOCK LEVEL DEPRIVATION SCORE



Source: Otago University, Stats NZ, Property Economics

Median Household Income Overview

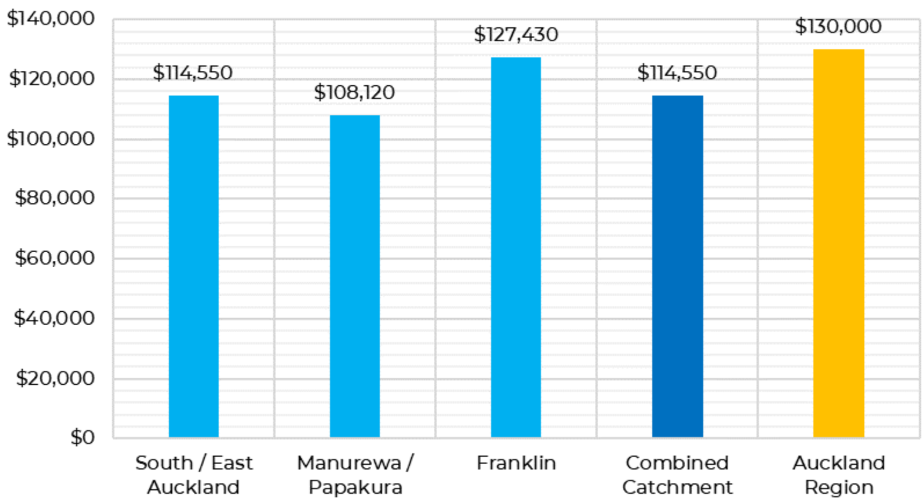
Although a household's ability to afford a home is ultimately decided by both access to wealth and income, data on wealth is scarce. As such, this analysis relies upon household income as the primary measure of affordability.

Income plays a crucial role in determining a household's ability to service a mortgage and the bank's willingness to lend. Understanding the household income levels and purchasing power of residents in the sub-markets, therefore, can help inform decisions regarding the types of housing to offer, pricing strategies, and overall market positioning to effectively meet the diverse needs of the local population.

The following figure presents the estimated 2023 median household income for identified sub-markets.

According to MBIE[5], the median household income for the broader Auckland region rose from $101,000 to $130,000 between 2018 and 2023, equating to a +28.7% growth over the past five years. This growth rate, in combination with for household income levels from 2018 Census, is utilised to estimate the current (2023) median household income for the sub-markets and the wider Auckland South combined catchment.

FIGURE 8: CATCHMENTS ESTIMATED MEDIAN HOUSEHOLD INCOME (2023)



Source: Stats NZ, MBIE

Based on the estimates, the combined catchment has a median household income of around $114,550 per annum, which is below the regional average of $130,000 per annum. Nevertheless, it is important to recognise that these areas encompass a mix of neighbourhoods with varying socio-economic profiles, with a diverse range of housing needs and preferences. These markets are made up of households on either side of the indicated average, both low-income households who will struggle to be able to afford a home, and wealthier households with a considerable level of discretionary income who may be looking to upsize.

Franklin emerges as the area with the highest level of median household income within the wider catchment, standing at $127,430 per annum. This higher income level in Franklin implies a stronger purchasing power among residents, potentially indicating a greater propensity for property investment or relatively higher-end housing options in this area.

Conversely, Manurewa / Papakura exhibits a comparatively lower median household income of around $108,120 per annum. This lower average indicates that a greater proportion of residents

[5] *https://webrear.mbie.govt.nz/theme/household-income-median/map/timeseries/2023/new-zealand?right-transform=absolute*

have comparatively more limited financial resources, which would impact their ability to afford higher-priced properties or influence their preferences for more affordable housing options.

House Affordability Measures

To assess the relative affordability of housing in the identified sub-markets, the following analysis start by assessing the household income requirements to afford a median-priced home within each of the sub-markets. However, using the standard assumption that 30% of household income is allocated to housing costs, households would need an annual income of over $219,600 to afford a median-priced house in the Auckland South market, where the median price is around $910,000 based on CoreLogic's property sales data from June 2023 to June 2024, with current interest rates at 6.45% for a 1-year fixed term.

Naturally, given the median household income of only $114,550, this is an unrealistic prospect for the vast majority of households. As mortgage rates rise, borrowing expenses also increase, leading to higher weekly mortgage payments. In reality, it is household's discretionary income that has suffered with the average mortgage repayment as a proportion of total income currently reaching 50% of total income.

As a more practical assessment, we instead rely upon the ASB Mortgage calculator. This online tool uses average expenses to determine the maximum amount a household could afford to borrow based on their average income. These expenses are defined by the number of earners and dependents (i.e., two dependents or no dependents). No KiwiSaver contribution is assumed. Based on this calculator, the following table shows the most expensive property that a household with the corresponding income and family size could afford, assuming a 20% deposit.

TABLE 2: ASB MORTGAGE CALCULATOR (AS OF AUGUST 2024)

Income Support	Two Earner		One Earner	
Dependents	*Two Dependents*	*No Dependents*	*Two Dependents*	*No Dependents*
Total Household Income				
$30,000	-	-	-	-
$40,000	$35,040	$82,072	$87,368	$134,400
$50,000	$124,624	$171,656	$157,779	$204,811
$60,000	$203,190	$250,222	$223,104	$270,136
$70,000	$281,756	$328,788	$288,430	$335,461
$80,000	$360,323	$407,355	$350,578	$397,610
$90,000	$436,135	$483,167	$412,725	$459,757
$100,000	$501,143	$548,175	$474,873	$521,905
$110,000	$566,469	$613,501	$537,021	$584,053
$120,000	$631,794	$678,826	$599,169	$646,201
$130,000	$697,120	$744,151	$661,316	$708,348
$140,000	$762,446	$809,478	$723,564	$770,596
$150,000	$824,893	$871,625	$787,332	$834,364
$160,000	$886,741	$933,773	$851,100	$898,132
$170,000	$948,889	$995,921	$917,870	$961,902
$180,000	$1,011,037	$1,058,069	$978,638	$1,025,670
$190,000	$1,073,184	$1,120,216	$1,036,050	$1,083,082

Source: ASB

Noting that a median-priced house is unaffordable for a large portion of households, another measure to define an 'affordable' house is using 75% of the median house price as the baseline. This approach considers the actual cost of purchasing a property in the local market, ensuring that mortgage repayments are manageable relative to the property's price. Although somewhat arbitrary, this approach provides an appropriate benchmark to assess the home loan serviceability of the average Auckland resident.

The table provided below presents the median sales prices[6] in the identified catchment areas categorised by house size (based on the number of bedrooms) for the last 12 months, spanning from 1 August 2023 to 31 July 2024. These median sale prices will serve as the primary input for the subsequent housing affordability analysis.

TABLE 3: CATCHMENTS MEDIAN SALE PRICE BY NUMBER OF BEDROOMS

	Median Sale Price						Number of Sales
	1-bed	2-bed	3-bed	4-bed	5 or more beds	Overall Median	
South / East Auckland	$444,000	$710,000	$1,000,000	$1,300,000	$1,550,000	**$1,050,000**	**2,931**
Manurewa / Papakura	$562,500	$670,000	$830,000	$1,022,125	$1,200,000	**$840,000**	**2,270**
Franklin	$390,000	$648,000	$819,000	$1,100,000	$1,420,000	**$898,250**	**828**
Combined Catchment	**$500,000**	**$688,000**	**$870,000**	**$1,150,000**	**$1,450,000**	**$910,000**	**6,029**

Source: CoreLogic.

Across all identified catchments, South / East Auckland consistently exhibited the highest median sale prices across all bedroom categories, with the exception of 1-bedroom dwellings. This trend underscores the area's generally higher property values and its status as a more established urban environment comparatively closer to higher amenity environments.

In contrast, the Manurewa / Papakura catchment has the lowest average house price with an overall median sale price of around $840,000. The Franklin Catchment is unique in that it is predominately rural townships with most properties offer larger land areas but are less valuable on a per-sqm basis than its more central urban counterparts. Franklin therefore distinguishes itself by providing a mix of both smaller to medium-sized housing typologies at cheaper prices than Manurewa / Papakura but has a significantly more expensive average house price for the larger dwelling sizes, an average sale price which includes lifestyle properties.

Cumulatively, the combined Auckland South catchment had slightly over 6,000 residential sales over the last 12 months with overall median sales price of around $910,000. This is around

[6] *Several sales were excluded for having extraordinary sales characteristics, $0 gross sales price, or a sales price above $5,000,000 or transactions lacking a disclosed sales price.*

$110,000 lower than the median sales price of the wider Auckland Region for the same period, indicating comparatively more affordable dwelling prices within the catchment area at the median level, without factoring in household income.

Based on the median house prices presented above, the 'affordable' home prices (i.e., 75% of median house price) are calculated as follows:

- South / East Auckland - $787,500 (i.e., 75% of $1,050,000)
- Manurewa / Papakura - $630,000 (i.e., 75% of $840,000)
- Franklin - $673,700 (i.e., 75% of $898,300)
- Combined Catchment - $682,500 (i.e., 75% of $910,000)

Based on the data presented above, the table on the following page outlines the affordable home prices for residents in each income band by identified sub-market.

Note that the Yellow highlighting shows the circumstances in which a household would be able to service a mortgage for an 'affordable' property in the area (i.e. 75% of the median). The Green highlighting shows the circumstances in which a household could service a mortgage for a median priced home (as outlined above) in the area. The Red highlighting shows circumstances in which neither category apply, and home ownership is relatively unaffordable for these households in the area.

TABLE 4: CATCHMENTS HOUSING AFFORDABILITY BY INCOME GROUP

South / East Auckland

		Total Household Income																
Income Support	**Dependents**	**$30k**	**$40k**	**$50k**	**$60k**	**$70k**	**$80k**	**$90k**	**$100k**	**$110k**	**$120k**	**$130k**	**$140k**	**$150k**	**$160k**	**$170k**	**$180k**	**$190k**
Two Earner	Two Dependents																	
	No Dependents																	
One Earner	Two Dependents																	
	No Dependents																	

Manurewa / Papakura

		Total Household Income																
Income Support	**Dependents**	**$30k**	**$40k**	**$50k**	**$60k**	**$70k**	**$80k**	**$90k**	**$100k**	**$110k**	**$120k**	**$130k**	**$140k**	**$150k**	**$160k**	**$170k**	**$180k**	**$190k**
Two Earner	Two Dependents																	
	No Dependents																	
One Earner	Two Dependents																	
	No Dependents																	

Franklin

		Total Household Income																
Income Support	**Dependents**	**$30k**	**$40k**	**$50k**	**$60k**	**$70k**	**$80k**	**$90k**	**$100k**	**$110k**	**$120k**	**$130k**	**$140k**	**$150k**	**$160k**	**$170k**	**$180k**	**$190k**
Two Earner	Two Dependents																	
	No Dependents																	
One Earner	Two Dependents																	
	No Dependents																	

Combined Catchment

		Total Household Income																
Income Support	**Dependents**	**$30k**	**$40k**	**$50k**	**$60k**	**$70k**	**$80k**	**$90k**	**$100k**	**$110k**	**$120k**	**$130k**	**$140k**	**$150k**	**$160k**	**$170k**	**$180k**	**$190k**
Two Earner	Two Dependents																	
	No Dependents																	
One Earner	Two Dependents																	
	No Dependents																	

Source: ASB, Property Economics

Finally, we also consider how long it would take prospective first home buyers to save in order to afford the required 20% deposit of a median priced home in their local area. For this analysis, we assume households can save 15% of their gross annual household income.

For instance, in Manurewa / Papakura, where a household earns a gross median income of $108,120 per annum, their annual savings at a rate of 15% would amount to approximately $16,220. With a median priced home price of $840,000, a 20% deposit would be $168,000. These calculations suggest that the average household would require 10.4 years to save a 20% deposit in Manurewa / Papakura. Based on the assessment of different sub-markets, it is estimated that the average savings time for the Combined Catchment is about 10.6 years.

According to Demographia International Housing Affordability Survey (DIHAS), a result of 3 years or lower constitutes affordable housing and 5.1 years or higher is considered 'severely unaffordable'[7]. Consequently, according to this international standard, Auckland is severely unaffordable. With a timeframe more than triple the threshold for affordability, it suggests that

[7] *Housing Affordability in New Zealand: Methodology, MBIE, 10 May 2017*

homeownership in the Auckland South residential market is far from accessible for many households. This severe unaffordability highlights the challenges faced by potential homebuyers in accumulating the necessary funds for a deposit, which serves as a significant barrier to entry into the housing market.

TABLE 5: ESTIMATED YEARS REQUIRED TO SAVE A 20% DEPOSIT FOR A MEDIAN PRICED HOME

	Median House Price (MHP)	Deposit Required (20% of MHP)	Median Household Income	Price to Income Ratio	Years Required to Save a Deposit
South / East Auckland	$1,050,000	$210,000	$114,550	9.2	12.2
Manurewa / Papakura	$840,000	$168,000	$108,120	7.8	10.4
Franklin	$898,300	$179,660	$127,430	7.0	9.4
Combined Catchment	**$910,000**	**$182,000**	**$114,550**	**7.9**	**10.6**

Source: Property Economics

In Property Economics' view, the presence of unaffordability in the sub-markets highlights the importance of designing housing solutions that cater to a diverse range of income levels. This means that GDL may need to explore innovative design strategies, such as incorporating smaller, more affordable housing units or implementing mixed-income developments, to provide options that align with varying financial circumstances. This is supported by the PPC's THAB and MUZ proposals within the walkable catchment of the Paerata Train Station.

By offering a mix of housing typologies and price points, GDL will be able to ensure that housing options remain accessible and sustainable for diverse communities. This approach would increase the marketability of the GDL development, make it more resilient to market fluctuations and enable sustained sales levels throughout the development's roll-out.

7.4. BUILDING CONSENTS TRENDS

The following figure illustrates the trends in residential building consents of the Paerata - Pukekohe local area categorised by dwelling typology utilising data obtained from Stats NZ.

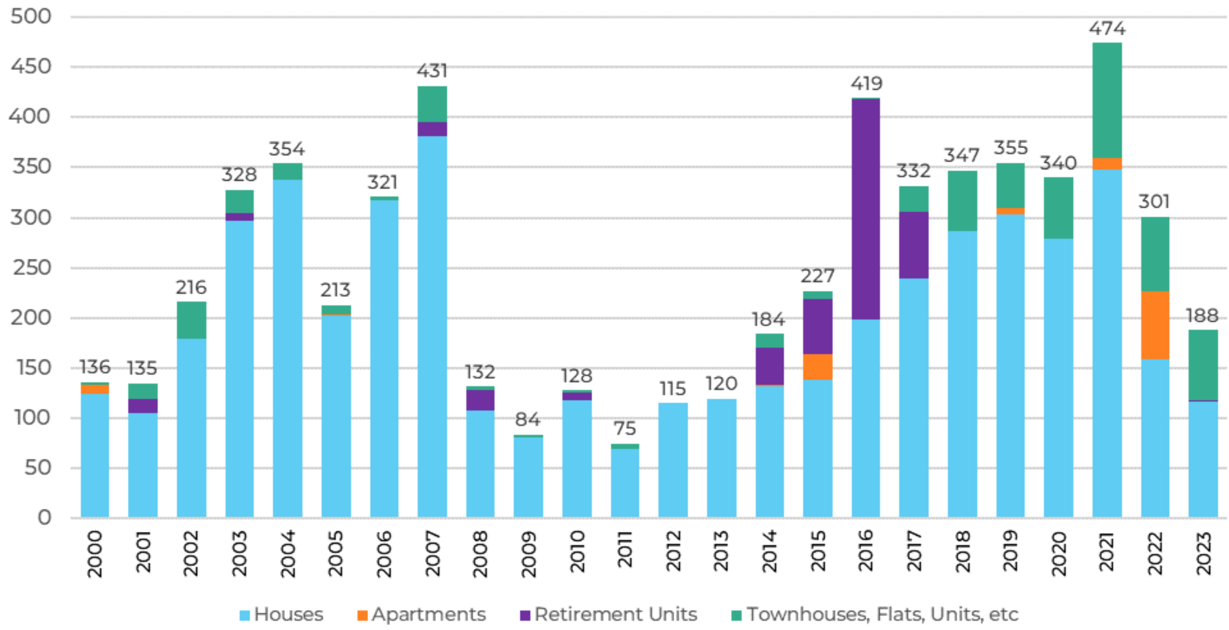
The data covers the period from 2000 to 2023. It shows that in 2021, the total number of consents surged to a record high of around 474 within the catchment area, marking a level approximately three times of that observed in the early 2000s. Consequently, over the past 23 years, the Paerata – Pukekohe local area has seen an average of around 250 residential consents issued per year.

Specifically, around 80% of these consents were for standalone dwellings, totalling just under 200 consents over the last 23 years. Terraced dwellings made up about 11% of the total consents, amounting to 26 consents. In contrast, apartments with only 5 consents, constituting around 2% of the total consents over the same period.

These trends indicate historically limited interest in higher-density dwellings in the area, or developers predominantly focused on delivering standalone homes for purchase.

Consequently, the demand for higher-density housing in the local area, particularly for retirement living, has largely remained untapped.

FIGURE 9: PAERATA – PUKEKOHE RESIDENTIAL BUILDING CONSENTS BY TYPOLOGY



Source: Stats NZ

Over the past decade, there has been a noticeable shift in this pattern, especially since 2017, with a marked rise in townhouses and terraces. In 2023, a record 37% of all residential dwelling consents in the area were for townhouses and terraces. While this figure is below the 60% observed in the wider Auckland Region in 2023, it still reflects a significant shift towards higher-density housing, suggesting the area is beginning to align with broader regional trends.

In Property Economics' view, there remains substantial room for growth in this submarket, as the area has not yet reached the levels of higher-density housing as the rest of the region. Practically it is unlikely to match wider regional proportions given the more urban fringe location of Paerata, but a sustained upward trend is likely.

Given its strategic growth focus and the planned significant enhancement of amenities, infrastructure, and conveniences in the area, Paerata-Pukekohe has the potential to become an increasingly attractive area for higher-density housing, contributing positively to the development of a well-functioning urban environment.

7.5. IMPACT OF REMOVING 'AFFORDABLE HOUSING' PROVISION

The PPC seeks to remove the 'Affordable Housing' provision within the proposed development. This provision currently requires that 7% of the total number of dwellings or vacant sites in any new development of 15 or more dwellings or vacant sites must meet defined affordability criteria.

Given the anticipated total capacity of around 5,140 dwellings within the Precinct as a result of the PPC (including Phases 1-3, which have been built or consented), approximately 360 dwellings would need to meet defined affordability criteria if the 'Affordable Housing' provision were to be retained.

In contrast, the proposed THAB zone, with a land area of around 50.7ha, would allow for an additional 760 dwellings[8] compared to the likely yield under the current MHU zoning across all residential areas within the Precinct. This additional capacity is more significant in terms of both increased residential supply / living options and its potential to exert downward pressure on the local residential market. As such, in Property Economics' view, the removal of this 'Affordable Housing' provision has no propensity to adversely impact the affordability of housing in the local market or the broader region.

Furthermore, at present, the total number of dwelling consents is declining due to broader macroeconomic factors (as indicated in Figure 9 earlier). Elevated construction costs and high-interest rates have dampened demand, leading to reduced profitability in housing development compared to the peak activity levels of 2020/21. However, with New Zealand experiencing record levels of immigration, if residential construction activity does not increase, the housing market could become more constrained, exacerbating supply-side issues and worsening the existing affordability challenges.

From an economic perspective, given Auckland's scale, no single project can resolve the city's housing supply issues. A comprehensive solution will require multiple shovel-ready brownfield and greenfield developments. The proposed development represents an efficient and vital contribution to alleviating Auckland's housing shortage and can be quickly integrated into the development pipeline given the land is already has urban zonings.

Due to its project-readiness, the PPC's impact is expected to extend beyond its immediate scope through indirect effects on the regional market. By stimulating local economic activity during construction and creating employment opportunities, it injects income into the community, potentially helping households facing affordability challenges. As a result, this development has the potential to contribute to a more balanced and accessible local and regional housing market.

Property Economics also notes the Council's recent decision on Hugh Green Limited's private plan change to amend the Hingaia 1 Precinct provisions (PC67), which resulted in the removal of the 'Affordable Housing' provision. Specifically, the Hearing Report[9] (paragraph 42) stated that this removal "*is consistent with the approach taken elsewhere in the AUP to affordable housing*" and highlighted that "*there is little value in retaining the affordable housing provision for a limited area such as this [Hingaia 1] Precinct given these provisions do not apply*

[8] *This estimate is based on an estimated average density of approximately 25-30 dwellings per hectare within the MHU zones and around 40-45 dwellings per hectare within the THAB zones.*

[9] *Private Plan Change 67 Hearing Report – Hingaia 1 Precinct – Hugh Green Limited*

throughout Auckland". It was emphasised that "*if there are to be affordable housing provisions, they should be applied on a consistent basis throughout Auckland*".

Property Economics concurs with the conclusion in the PC67 Hearing Report and considers that removing the 'Affordable Housing' provision would positively impact the overall integrity of the AUP provisions. This removal can be expected to provide greater certainty for local growth and offer increased flexibility in developing the area to meet evolving community needs.

Given these considerations, Property Economics concludes that removing the 'Affordable Housing' provision within the Precinct is appropriate and would not adversely affect housing affordability in Paerata or the broader Auckland market. In essence, the increased density proposed within the PPC is expected to contribute positively to addressing the wider region's affordability (and housing supply) challenges.

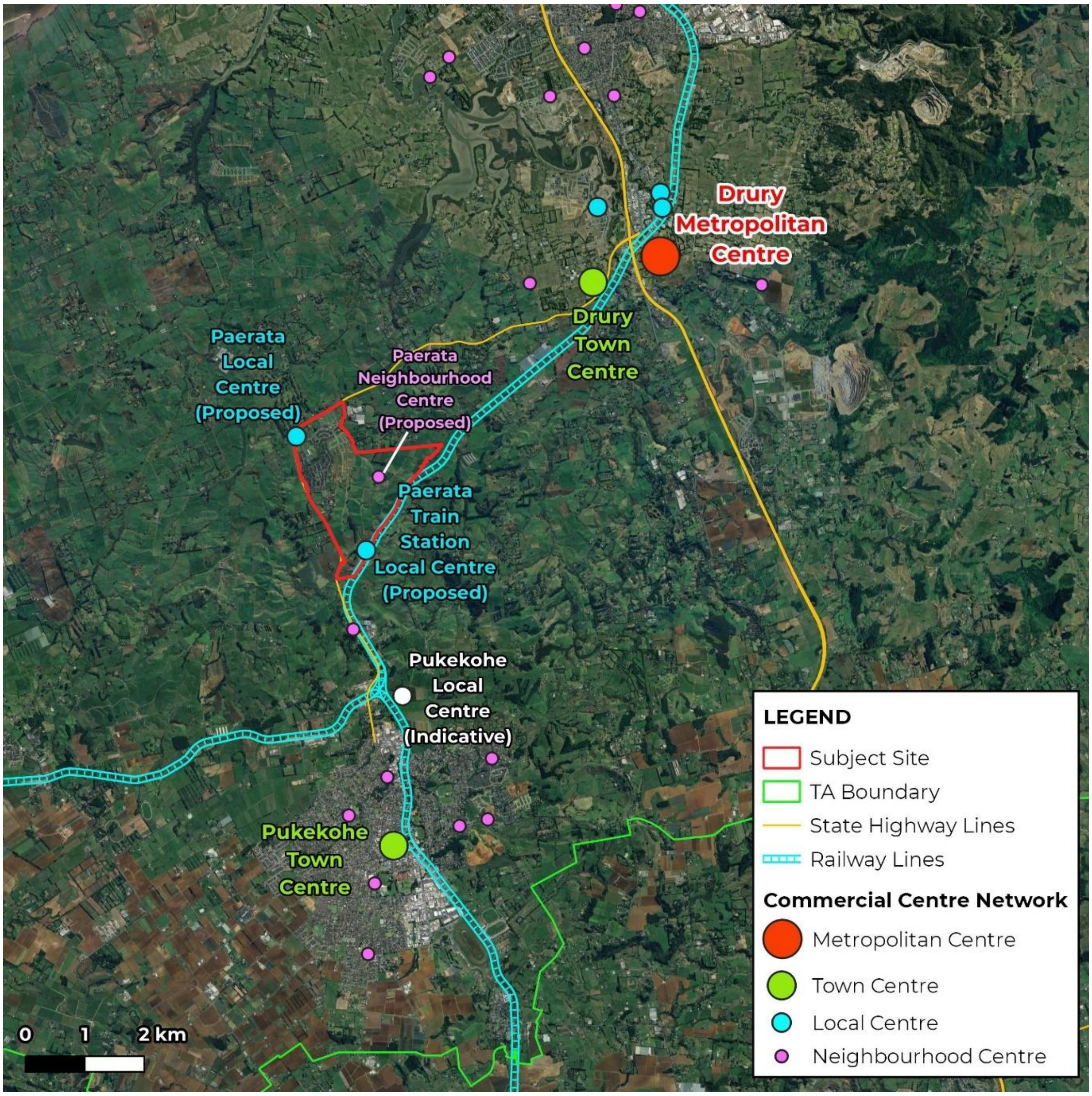
8. ECONOMIC CENTRE IMPACT ANALYSIS

This section provides an overview of the surrounding centre network and assesses the likely economic impact of reallocating the LCZ and enabling a new NCZ on the role, function, and growth potential of nearby commercial centres, within the context of the RMA.

8.1. AUP CENTRE ZONING FRAMEWORK

The figure below illustrates the locations of each commercial centre according to the AUP zoning framework. It also considers the indicative location for potential future centres identified in the Pukekohe-Paerata Structure Plans, given its anticipated roles and functions within the broader Auckland South commercial environment.

FIGURE 10: COMMERCIAL CENTRES IN AUCKLAND SOUTH



Source: Auckland Council, Google Maps, LINZ, Property Economics

There are four different levels of business zoning in the AUP that forms a distinct commercial centre hierarchy with a clear role and function for each of the zones / centres. These centre zoning types are as follows:

- Neighbourhood Centre Zone (NCZ) – The NCZs are "*single corner stores or small shopping strips located in residential neighbourhoods*" (AUP H12.1). Given Property Economics' professional experience, neighbourhood centres typically include local takeaway shop, dairy and convenience services like hairdressers as an example. These centres provide frequent retail and commercial service needs to local community and passers-by and as such are scattered through the residential areas.

  Currently, there are several NCZs in Pukekohe. The closest existing NCZ to the Precinct is approximately 900m south of the site, located on the western side of SH22 and the railway line, and includes a dairy shop and deli.

  The proposed Paerata NCZ covers approximately 0.2ha in the northwestern part of the Precinct. This NCZ is expected to primarily serve the daily convenience needs of the immediate surrounding residential areas.

- Local Centre Zone (LCZ) – The LCZ primarily "*provides for the local convenience needs of surrounding residential areas, including retail, commercial services, offices, food and beverage, and appropriately scaled supermarkets*" (AUP H11.1).

  Given Property Economics' experience, Local Centres often take the form of a small to medium-sized shopping centre anchored by a major supermarket brand. While retail with a larger reach like clothing may be facilitated within the centre, these activities are less common, instead focusing on convenience goods and services such as Food and Beverage, fitness gyms and medical services.

  This LCZ applies to both the existing and proposed Paerata Rise centres within the Precinct. Specifically, it is proposed that a main LCZ be located at the Glenbrook Roundabout and a smaller LCZ near the Paerata Train Station. Together, these two proposed LCZs will cover around 6.2ha of land within the Precinct, which is less than the existing vacant LCZ provision on the Wesley land, currently estimated at around 8.8ha.

  Currently, the nearest LCZ to the Precinct is the proposed Pukekohe LCZ within Area D of the Pukekohe Structure Plan. This area covers approximately 2ha.

  Within the precinct, consent has already been granted for a 3,850sqm supermarket including a 250sqm online order pick up area, servicing and loading areas, a 200sqm office, a 250sqm retail area within the supermarket building (containing food and beverage activities) and associated carparking at the northern end (3 Te Rata Boulevard).

- Town Centre Zone (TCZ) – This TCZ is applied to "*suburban centres throughout Auckland and satellite townships such as Pukekohe*" and allows for "*a wider range of* *activities including commercial, leisure, residential, tourist, cultural, community and civic services, providing a focus for commercial activities and growth*" (AUP H10.1).

Based on Property Economics' experience, a Town Centre is typically designed to serve a larger catchment area and includes facilities such as department stores, large retail stores, broader range of professional services, cinema complexes, and various entertainment options. It offers a comprehensive range of commercial activities to meet the needs of the surrounding suburbs but is not intended to draw significant retail spending from other parts of the city.

Currently, there are two zoned Town Centres in the Auckland South local market: the Pukekohe Town Centre and the Drury Town Centre. The Drury Town Centre, which has not yet been developed, is approximately a 4.5km drive from the Precinct.

- Metropolitan Centre Zone (MCZ) – MCZs are the largest centres outside of the City Centre in both overall scale and intensity. Metropolitan Centres generally contain large malls such as Sylvia Park, Westfield Manukau and Albany although the Metropolitan Centre in Papakura is an exception when assessed against key economic metrics.

  The AUP states that, MCZs are designed to act as "*focal points for community interaction and commercial growth and contain hubs serving high-frequency transport*" (AUP H9.1). Metropolitan centres draw customers from a very wide (sub-regional) catchment and are typically built on a large retail and commercial GFA base.

  In the surrounding area, the undeveloped Drury MCZ will be the largest commercial centre in Auckland South, with a zoned land provision of around 35.3ha under the AUP.

The above centre hierarchy is designed in a way such that 'lower order' convenience centres are subservient to 'higher order' (larger) comparison shopping centres. For example, the Pukekohe Town Centre serves as the primary established commercial centre for the Pukekohe township and surrounding rural market. It has a large variety of specialty stores and national banner Large Format stores such as The Warehouse and Farmers. However, unlike a Metropolitan Centre, Pukekohe Town Centre is not designed to draw people from all over Auckland.

The LCZ is designed for commercial centres that are more localised in their core catchment than the TCZ. Note that here, the core economic market or retail catchment is defined as the geographic area from which the proposed centre is likely to derive the majority of its sales, the area the centre is designed to primarily service, and where the centre is considered to have a strategic locational advantage in terms of proximity over other centres.

Given the existing and proposed commercial network as shown in Figure 10, the primary economic catchment of the proposed Paerata Rise centres will be focused on the residential base within the Precinct itself and the immediate surrounding rural areas where proximity and accessibility is better aligned with the Precinct than alternative centres in the network, i.e., the proposed Paerata Rise centres would be the more convenient and accessible centre.

Furthermore, by the nature of being a local centre, it is only expected to capture a portion of the retail spend generated by its core catchment's residents. This means the catchment also forms part of the Pukekohe Town Centre (and the future Drury Metropolitan Centre) catchment, particularly for those 'higher order' comparison goods.

8.2. PRECINCT SUSTAINABLE CONVENIENCE CENTRE PROVISION

Property Economics has undertaken a high-level estimate of the sustainable centre provision within the Precinct considering three different density scenarios. These scenarios are based on the current (2023) average household sizes in the Paerata-Pukekohe local market (2.7), the wider Auckland Region (2.9), and the Auckland South catchment area (3.2).

Based on these scenarios, it is estimated that the Precinct, with a population of 13,900 to 16,400 people at full capacity, could generate annual retail expenditure of around $181m to $207m per year by 2043. Specifically, the sustainable Supermarket and Convenience Retail portion of this total annual retail expenditure is estimated to range from $58m to $67m.

These retail categories represent spending that is typically conducted locally within the Precinct, as consumers tend to prefer shorter travel distances for homogeneous and frequently required everyday goods and services. This gives the Precinct a competitive locational advantage over other centres in capturing this segment of retail spending.

TABLE 6: SUSTAINABLE CENTRE RETAIL AND COMMERCIAL SERVICES PROVISION

	S1 (5,140 dwellings @ 2.7 pp/hh)	S2 (5,140 dwellings @ 2.9 pp/hh)	S3 (5,140 dwellings @ 3.2 pp/hh)
Population 'At Capacity' (rounded)	**13,900**	**14,900**	**16,400**
Total Generated Retail Expenditure ($m)	**$181**	**$190**	**$207**
Sustainable Supermarket Spend ($m)	$40	$43	$47
Sustainable Supermarket GFA (sqm)	4,600	4,900	5,300
Sustainable Convenience Retail Expenditure ($m)	$18	$19	$20
Sustainable Convenience Retail GFA (sqm)	3,600	3,800	4,100
Sustainable Non-Retail Commercial Services GFA (sqm)	3,600	3,800	4,100
Total Sustainable Retail and Commercial Services GFA (sqm)	**11,800**	**12,500**	**13,500**
Total Centre Sustainable Retail and Commercial Services Land Provision (ha)	**3.0**	**3.1**	**3.4**

Source: Property Economics.

For the purpose of this analysis, it is estimated that the Paerata Rise centres have the potential to capture approximately 60% of the generated supermarket spend and about 75% of the generated convenience retail expenditure.

It is estimated that the sustainable Supermarket and Convenience Retail expenditure could sustain approximately 8,200sqm to 9,400sqm of supermarket and convenience GFA within the

Precinct. Additionally, provisions should be made for localised convenience commercial services within the Precinct. These services are expected to be provided at ground level, particularly within Paerata Rise local centres, and will contribute additional GFA for commercial activities.

Based on our experience assessing similar centre types across the country, these non-retail commercial services typically account for around half of the total convenience space.

Consequently, it is estimated that the sustainable GFA for non-retail commercial services within the Precinct would range from approximately 3,600 to 4,100sqm. This figure is in addition to the sustainable supermarket and convenience retail GFA.

Overall, with an expected population of 13,900 to 16,400 people, the Precinct is anticipated to require approximately 11,800 to 13,500sqm of retail and commercial service GFA. This translates to around 3ha to 3.4ha of net commercial developable land. This estimated land requirement excludes land allocated for urban parks, roads, reserves, playgrounds, and community, education and public transport facilities which may be included to enhance the retail / commercial centre and provide additional agglomeration benefits and amenity values for residents. Land for these other land uses would be additional to the commercial land requirements identified in the above table.

It is important to note that not all of the retail expenditure generated by the Precinct's existing and future population will be internalised and captured by Paerata Rise local retailers. Leakage occurs as residents of Paerata Rise engage in transient shopping patterns, spending at other centres across Auckland South and the broader city. This means that a portion of the retail spending by Paerata Rise residents is likely to flow to other areas, reducing the share captured locally.

The actual 'pulling power' of Paerata Rise centres, or the extent to which retail spending is internalised within the Precinct, will depend heavily on the quality and accessibility of the centre offerings. Factors such as the range of goods and services available, the attractiveness and accessibility of the centres, and the ability to meet the needs and preferences of local consumers will all influence how much of the local spending is retained.

In Property Economics' view, the proposed Paerata Rise commercial land provision, with a cumulative net developable area of approximately 6.8ha, is sufficient to accommodate all the convenience commercial needs of the Paerata Rise community at full capacity and also some of the non-commercial recreational, educational and religious and community facilities.

8.3. APPROPRIATENESS OF PROPOSED CENTRE LOCATIONS

While splitting the existing LCZ at the current location (i.e., the Wesley land) may incur some economic costs, such as resource duplication and the opportunity cost of using some 'intended' residential land for the new LCZ locations, these must be weighed against the potential economic benefits. Importantly, the reduced level of residential opportunities at the new centre locations can be offset by the increased ability to provide higher density residential development elsewhere within the Precinct, namely around the Paerata Train Station and can still achieve this density around the original LCZ. This is supported by the NPS-UD directives.

From an economic perspective, the existing LCZ location, being an internalised focused area within the Precinct is not well located to achieve high economic performance. This zone also includes a school, church and will focus on delivering other community services and facilities to the community. There would be limited retail activity development potential in the existing LCZ area, with any retail activity likely to be ancillary to supporting the community, recreational, cultural and educational activities.

Wesley College was intending to relocate and *'free up'* land for local centre activities when the Franklin 2 Precinct was originally approved a decade ago. The college is now staying in its current location meaning the development of a functioning and integrated commercial centre would be compromised. In effect, the centre activities and locations in the Precinct had to be reconsidered to maximise economic performance, efficiency and accessibility.

The proposed location of the new main LCZ at Glenbrook Roundabout is considered the optimal location to maximise economic performance and provide better accessibility to service the surrounding rural catchment. This new location also remains very convenient for all the Paerata Rise community, making the proposed site a more balanced and central location for the market the centre is servicing.

As mentioned earlier, the northern residential blocks within the Precinct, surrounding the proposed centre, are already developed. It is these residents that the commercial centre will need to rely upon as the area slowly grows and whom the proposed centre developments are partially catering for. However, this LCZ will also service the entire suburb once fully developed. By being located at the primary entrance to the Precinct area, it is likely that most residents travelling to / from the Precinct by vehicle will end up passing through the commercial centre.

The proposed Glenbrook Roundabout LCZ location also works in favour of attracting passing traffic, as the centre has strong profile to SH22, and consumers do not have to divert far to access the retail and commercial services. It is for the above reasons that Property Economics considers the proposed location would result in a better performing commercial centre than if it were built in the existing LCZ area.

A higher performing / functioning centre generates more vibrancy, improves a community's economic and social wellbeing and generates more local employment opportunities. Also more spend is internalised in the Precinct, offering the community a more vibrant centre to socialise and enjoy. There will be increased choice for the community.

Another benefit of the PPC is that it will enable the Wesley Sub-Precinct to retain many of the school's existing recreational facilities and open them up to the use by the community. This represents a more efficient outcome in regard to the community offering.

The smaller LCZ near Paerata Train Station is also considered efficient in terms of enhancing the economic benefits generated by the station. It has the potential to better capitalise on the increased traffic and visitor flow to the area, which is expected to optimise the use of transit-oriented land near the Train Station, better serving the proposed higher-density residential areas surrounding it.

In Auckland, it is not unusual to collocate LCZs with train stations. Kingsland Local Centre and Market Road Local Centre are examples where convenience centres serve a multifunctional role, catering not only to the surrounding residential areas but also capturing spending from visitors.

This LCZ location also is well placed to service any residential development that occurs on the southern side of the train station in the future.

The proposed small northeastern NCZ is situated in a relatively internal location but on the western side of a main arterial (Sim Road). From an economic perspective, this location is well-suited to meet the day-to-day convenience needs of the surrounding communities while also contributing to a more balanced distribution of commercial centre land within the broader Precinct.

Overall, based on the above economic rationale, Property Economics considers that the proposed centre locations are economically efficient, more accessible and better positioned to conveniently serve the Precinct community relative to the current LCZ location at the Wesley Sub-Precinct.

8.4. CENTRE IMPACT OVERVIEW

From an economic perspective, Property Economics considers that the proposed commercial centres are scaled and distributed to ensure they would not cause trade competition effects that would lead to significant retail distribution impacts under the RMA. This conclusion is supported by the following economic factors and considerations.

Firstly, the Precinct has an existing commercial zoning – LCZ, which indicates that LCZ activities are not only anticipated within the Precinct but are also integral to the development of the Paerata local area and the broader Auckland South commercial centre network.

Furthermore, the analysis in the earlier section has demonstrated that the overall commercial centre provision within the Plan Change is sustainable for both the existing and future Paerata Rise community. This indicates that redistributing the permitted and sustainable centre activities across two separate locations within the Precinct does not pose a risk to the role, function, or growth potential of current and future commercial centres in Auckland South.

In essence, the reallocation of LCZ provision aims to facilitate a better-functioning commercial centre network rather than significantly expanding the core retail catchment to a scale that would compete with higher-order centres in the Auckland South market. The high-level economic benefits of enabling the LCZ centres at the proposed locations are discussed in the last sub-section.

Secondly, a fundamental factor in operating competitive vibrant commercial centres is the level and quality of services and amenity offered. Key to this is the level and choice of retail activity within a given area, ease of accessibility, quality of the shopping experience and quality of environment. This is a symbiotic relationship where one relies on the level of activity produced by the other. This relationship, primarily between commercial and retail activities, creates more vibrant community centres which translates to greater community wellbeing.

However, the importance of these factors is relative to the competitive commercial network in which it competes. For instance, Sylvia Park draws retail spend from all over Auckland and both international and domestic tourists. Therefore, the quality of the retail experience needs to be one that competes on a national level. Paerata Rise on the other hand is competing primarily for the retail spend of the Paerata residents themselves.

In contrast, the existing and planned commercial centres in the Auckland South market - specifically, the Pukekohe Town Centre, Drury Metropolitan Centre (future), and Drury Town Centre (future) - are higher-order centres that serve a much larger catchment than the proposed Paerata Rise centres. This essentially means that the proposed commercial centres will not have a negative impact on the overall retail offer in the Auckland South local market but improve the LCZ's ability to perform its role and function.

Paerata residents will still rely on these other centres to fulfil their retail requirements given the centres in the Precinct will primarily service their convenience sector needs only. They will also utilise the wider centres for other non-retail commercial and community services given their broader range of facilities and services. In reality, growth in Paerata will provide a bigger market base for these other centres in the surrounding network.

Considering the above factors, Property Economics considers that the proposed Paerata centres are appropriately scaled to play their envisaged role and functions, accessible and efficient for meeting the convenience demands of Paerata Rise's existing and future communities, without compromising the growth potential of existing and planned commercial centres under the RMA.

9. ECONOMIC COSTS AND BENEFITS OVERVIEW

This section outlines the high-level economic costs and benefits of enabling greater density near the Paerata Train Station, in the AUP, FDS, RMA, and NPS-UD context. The economic implications of reallocating centre provisions and removing the 'Affordable Housing' requirement have been addressed in earlier sections of this report.

ECONOMIC BENEFITS

There are a number of potential economic benefits from the proposed development, including:

- Increased residential capacity and greater range of housing typologies
- More affordable housing
- Increased choice of location
- Decreased marginal infrastructure costs
- Increased economic activity / local employment
- Diverse buyer pool
- Greater level of growth
- Increased amenities
- Potential to safeguard rural productive land

These are outlined in more detail below.

Increased residential capacity and greater range of housing typologies: The PPC would provide for additional residential capacity within the Auckland South market, contributing to accommodating the projected population growth in the area. In an economic environment where the market identifies a diverse range of circumstances, expanding the residential typologies or choices available to consumers enables them to make decisions that better suit their personal needs and preferences.

In this regard, the provision of any additional residential product provides more options that, putting aside the costs element, will improve the community wellbeing. However, what is important is the extent of this benefit or demand for the product in comparison to the costs.

A greater range of housing options (standalone, terraced and apartment dwellings) is enabled within the proposed THAB. This provides existing residents and potential future residents with a greater range of choice for their living arrangements. In turn, this provides improved accessibility as well as price points. The additional capacity and range of typologies to be provided within the proposed development will assist meeting Policy 1(a)(i) of the NPS-UD.

More affordable housing: Auckland is well known to be one of the least 'affordable' cities in New Zealand across many different measures of affordability. Although there are several contributing factors, an undersupply of new homes in the market relative to the increase in demand from the population growth, is one of the driving forces behind this house price inflation. Consequently, an increase in the supply of housing is generally positive for housing affordability. This is true even when more expensive homes are added to the market. As wealthier households upgrade to higher-priced housing, they free up lower-priced housing stock.

However, by developing homes at a higher density as proposed within the Precinct, the effects of this development go beyond simply adding supply to the market. A developer's average costs (price per dwelling) are decreased with higher allowable densities. This is the result of a higher land price being spread over more purchasers and is typically geared toward the lower end of the pricing brackets (i.e., an increase in affordability). This provides more affordable options for the consumer to buy similarly sized homes (i.e., a three-bedroom house) at a cheaper price by sacrificing the size of the backyard.

As such, despite the proposed removal of the existing 'Affordable Housing' provision within the precinct, the proposed plan change would have a positive impact on the market by exerting downward pressure on house prices with increased capacity and smaller average lot sizes, thereby contributing to improved housing affordability in the area and a more competitive residential market.

Increased choice of location: A significant proportion of capacity in the Auckland South market is wrapped up in greenfield developments in Drury and other locations further away from the wider Auckland market. Although Drury is designed to provide significant employment and retail amenities given the presence of the Drury Metropolitan Centre, there is a multitude of other factors that go into a consumer's decision on where to live.

One of the advantages of the PPC, therefore, is that it provides not only capacity and thereby opportunity for consumers to live near a rapid transit stop but, in a location, more efficiently connected to the balance of Auckland than many of the other greenfield areas in Auckland South.

Decreased marginal infrastructure costs: The opportunity to provide for higher density residential development near the train station has the potential to bring with it economies of scales and lower marginal infrastructure costs. The larger number of residents in an area means greater returns on the use of the local infrastructure. This can vary depending on the level of unused capacity of existing infrastructure and the cost of replacement / upgrade of said infrastructure.

Increased economic activity / local employment: The increased local population base due to the PPC has the potential to result in a net increase in the number of full-time equivalent employees able to work within Paerata – Pukekohe and the surrounding suburbs due to the proposed development generating increased demand for local business and services. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.

Diverse buyer pool: Drury – Paerata – Pukekohe is a popular area for a broad range of homebuyers including young professionals, young couples and families and retirees. Additional residential development would likely stimulate demand within a diverse group of people, particularly with the increased diversity of residential typologies and range of dwelling price points.

Greater level of growth: Growth from residential developments can often work as a catalyst that spurs further growth in the area. The proposed development as a large-scale residential development, could increase interest for additional residential / small-scale commercial activity within the local market and provide significant impetus for growing its local economy.

Increased amenities: Master-planned residential developments are able to provide high amenity, master planned environments with purpose built, and targeted amenity values such as parks, playgrounds and community facilities in a co-ordinated and integrated manner. This can significantly improve the amenities of the receiving environment and generate community benefits.

Potential to safeguard rural productive land: A portion of Auckland urban environments are currently surrounded by productive, or versatile, soils. As urban environments expand into these productive areas there has been a concern that productive land is not being adequately protected. As such, more dwellings being built within the same footprint will ensure the region has somewhere for its growing to live and work – mitigating effects on its productive land.

ECONOMIC COSTS

In Property Economics' view, the proposed increase in residential capacity near Paerata Train Station would not present significant economic costs, apart from the potential need for extra servicing infrastructure due to the higher density. However, it is important to note that the proposed THAB near a rapid transit stop and a Local Centre is encouraged to support greater intensification in Auckland's urban areas, in line with the NPS-UD, MDRS, and AUP.

In essence, the NPS-UD and MDRS guidelines encourage increased intensification in tier 1 and tier 2 urban areas. This means that additional supporting infrastructure for higher density development in areas with specific characteristics is an anticipated intensification outcome for the region. It should not be seen as a significant cost that detracts from the viability of an economically efficient project, such as the GDL PPC.

In combination with the significant economic benefits identified above, Property Economics considers that enabling higher-density residential development at the proposed location is not only policy-aligned and consistent with the directives outlined in the NPS-UD, MDRS, and AUP, but is also economically efficient and will generate substantial net economic benefits for the local market and communities.

While there may be some non-economic costs associated with the proposed developments, such as increased congestion or potential issues related to higher density and inappropriate building development, these can be effectively managed and mitigated during the planning process. These non-economic costs are not expected to lead to any additional economic costs that would undermine the economic efficiency of the PPC.

SUMMARY

In Property Economics' view, balancing all the economic considerations in this assessment, the proposed development would generate significant net economic benefits for the local and regional economy and communities. As such, Property Economics supports the proposed development from an economic perspective in the context of the RMA, NPS-UD, MDRS and AUP(OIP).