

# PROPERTY **E**CONOMICS



**FRANKLIN 2 PRECINCT**

**PRIVATE PLAN CHANGE**

**RFI ECONOMIC RESPONSES**

Client: Grafton Downs Limited

Project No: 52427

Date: May 2025

2 May 2025

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## ECONOMIC MEMORANDUM

To: Grafton Downs Limited

c/- Janine Bell

Partner

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RE: ECONOMIC RESPONSES TO COUNCIL'S RFI ON FRANKLIN 2 PRECINCT PLAN CHANGE

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### INTRODUCTION

Property Economics has been commissioned by Grafton Downs Limited to provide responses to Auckland Council's Clause 23 Request for Information (RFI) in relation to the Franklin 2 Proposed Plan Change (PPC) application, 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.

For ease of reference, this memo provides the economic query raised by Council's economic expert first, with the relevant responses / analysis and commentaries from Property Economics (PE) following in *blue italics*.

### ECONOMIC RESPONSES

**#E1. Please update the Economics assessment to refer to the Auckland Growth Scenario v1.1 projections.**

***PE Response:***

*Figure 1 on the following page compares the Council's Auckland Growth Scenario version 1.1 (AGSv1.1) with the latest population estimates from Stats NZ for the Auckland South catchment, as defined and illustrated in Figure 2 of our Economic Assessment.*

*Based on the latest estimates from Stats NZ, Auckland South's population in 2024 has materially exceeded the Council's AGSv1.1 projection by approximately 3.8%, or around 22,700 people. In terms of households, the difference is about 2.5%, with Stats NZ's 2024 estimate surpassing the AGSv1.1 projection by approximately 4,640 households for the same year.*

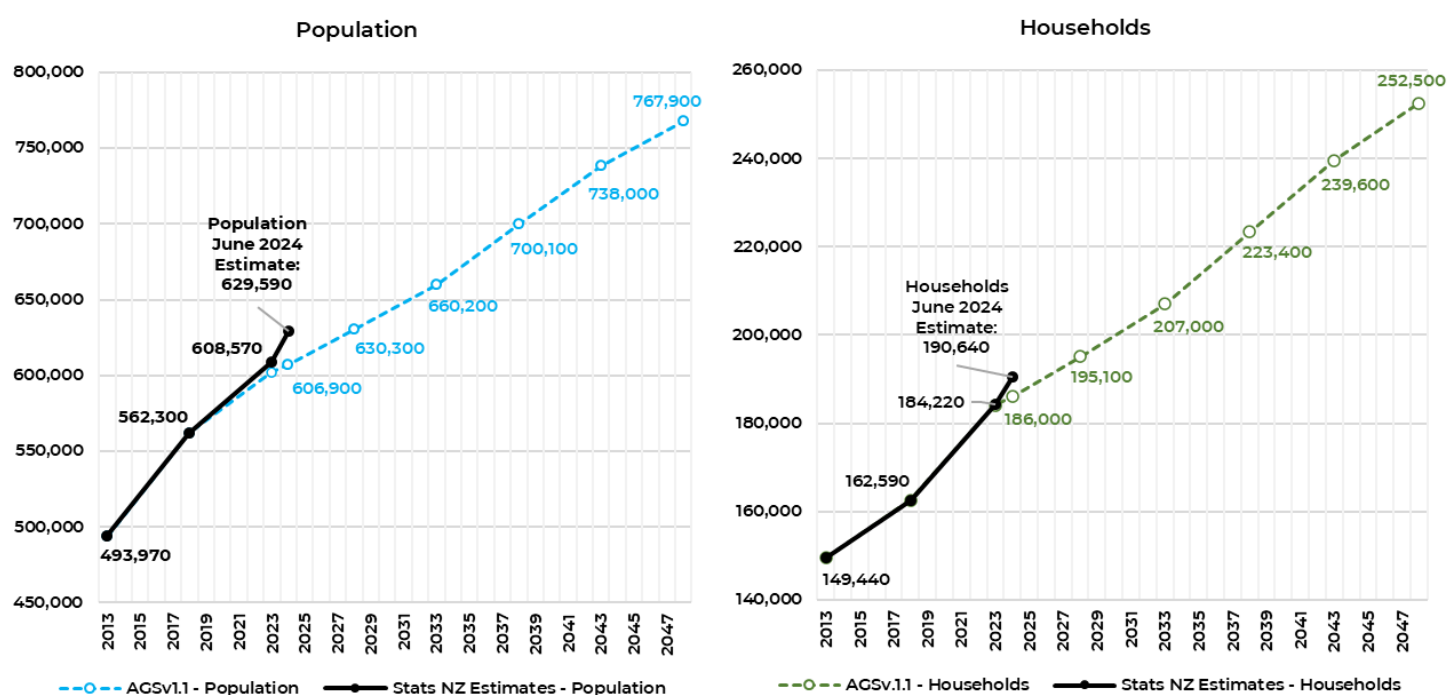
*Under the AGSv1.1 projection, the population of the catchment area is expected to reach just under 768,000 people by 2048. This figure is roughly 15% lower than Stats NZ's High Growth scenario, which projects around 901,000 people, a number that better reflects the recent growth trends in the area. Therefore, if the catchment's recent growth continues, the AGSv1.1 projections would highly likely underestimate growth (demand) and consequently supply-side requirements, and relying on*

them could lead to missed opportunities in efficiently accommodating the growing demand for services, employment, and amenities in the local community.

It is important to note that the Stats NZ projections outlined in Section 5 of our Economic Assessment are intended to provide context for the expected market growth over the next 25 years. These projections do not serve as the basis for the economic analysis in other sections, including the assessment of sustainable centre provision within the Precinct, which uses an 'at capacity' modelling approach as presented in Section 8.2 of the Economic Assessment.

Therefore, the inclusion of the AGSV1.1 projections in this Memo does not impact the economic analysis provided in our Economic Assessment, nor does it alter our economic position.

**FIGURE 1: AUCKLAND SOUTH CATCHMENT ESTIMATES (STATS NZ) AND PROJECTIONS (AGSV.1.1 SCENARIO)**



Source: Auckland Council, Stats NZ

#E2. Please explain how enabling more dwellings in the Precinct would improve housing affordability to a greater degree than the operative housing affordability provision.

**PE Response:**

Increasing the overall supply of housing is a proven mechanism for addressing house price inflation and affordability challenges (or at the very least slowing house price growth), particularly in high-demand areas like Auckland. Recent empirical evidence demonstrates that expanding housing supply helps ease price pressures by addressing demand-supply imbalances. This is reflected in the

Auckland Economic Quarterly report (March 2024)<sup>1</sup>, which highlights that Auckland's increased housing supply has led to rents and house prices growing at a slower pace compared to New Zealand as a whole. This underscores the effectiveness of enabling greater housing capacity in promoting Auckland's affordability.

In addition, the PPC seeks to upzone residential land (and Business Mixed Use Zone) near the Paerata Train Station, introducing flexibility so a more diverse range of housing typologies, including higher-density and smaller dwellings, which are typically more accessible to first-home buyers and those seeking more affordable housing choices. This is reflected in the proposed zone and density enabled within the PPC as shown in the following table.

**TABLE 1: POTENTIAL PPC ZONE DENSITY AND RESIDENTIAL YIELD**

Typology	POTENTIAL DENSITY SCENARIO (MAY 2025)	
	Net Area (ha)	Yield (approx)
Mixed Use Apartments above retail at ground level (Average 120dw/ha)	2.07	248
High Density Apartments 3-6 Storeys (Average 110dw/ha)	9.14	1,005
Medium Density 3 storey Attached Dwellings and Walk-up Apartments (Average 65 dw/ha)	10.58	688
Medium Density: 2-3 Storey Attached Dwellings (Average 47 dw/ha)	21.98	1,033
Low Density Semi-detached and Standalone Typologies (Average 33 dw/ha)	15.29	505
Low Density Standalone Typologies (Average 22 dw/ha)	24.75	545
<b>Potential Total Future Dwellings</b>	<b>83.81</b>	<b>4,024</b>
<b>Completed or Consented dwellings in Phases 1-3</b>	<b>48.15</b>	<b>1,046</b>
<b>Total Dwellings in Franklin 2 Precinct</b>	<b>131.96</b>	<b>5,070</b>

Source: Grafton Downs Limited

As such, removing the 'Affordable Housing' provision enables the Franklin 2 Precinct better opportunities to reflect varying household sizes, preferences, and budgets, creating a more balanced housing market.

This approach also aligns with the objectives of the Future Development Strategy 2023-2053 (FDS), which emphasises the importance of increasing housing capacity in efficient locations to improve affordability and ensure market competition. Specifically, the FDS states:

*"The focus [of the FDS] is rather on the quality aspects of accommodating growth; where and how development take-up occurs. This means as much of the development capacity as possible should be available in locations close to employment, services and rapid transit networks. The FDS therefore directs the*

<sup>1</sup> <https://www.aucklandcouncil.govt.nz/about-auckland-council/Documents/auckland-economic-quarterly-march-2024.pdf>

*AUP to increase capacity in good locations, over time, to create and maintain competition in the market and therefore affect affordability" (Page 32).*

*In contrast, the 'Affordable Housing' provision has not demonstrated significant success in improving housing affordability across the region. To the best Property Economics knowledge, there is no empirical evidence showing that this provision has been more effective than enabling greater housing capacity. Recent Council decisions, such as the removal of the 'Affordable Housing' provision in the Hingaia 1 Precinct (PC67), further support the proposed removal. The Decision Report<sup>2</sup> for PC67 noted:*

*"There is also probably little value in retaining the affordable housing provisions for a limited area such as the Hingaia Precinct given these provisions do not apply throughout Auckland. If there are to be affordable housing provisions, they should be applied on a consistent basis throughout Auckland" (Paragraph 42).*

*In Property Economics' view, retaining the 'Affordable Housing' provision has the potential to constrain development potential in the Precinct by imposing rigid requirements that deter developers, who may redirect investments to areas without such restrictions. This would place an unfair disadvantage on the Precinct relative to the rest of the market, reduce the Precinct's competitiveness and representing a significant opportunity cost for the Paerata Rise area, potentially delaying much-needed growth.*

*In contrast, the PPC's approach to enabling greater residential capacity provides flexibility, fosters an efficient and timely market response to market demand, supports inclusive housing outcomes and better reflects the outcomes sought in the FDS.*

*Given the above considerations, Property Economics considers that removing the 'Affordable Housing' provision, coupled with the increased residential yield facilitated by the PPC, is a more efficient approach for improving the local market's housing affordability.*

**#E3. Please expand the Economics assessment to include consideration of the business activity that the proposed Business - Mixed Use zone would enable in the precinct.**

**PE Response:**

*The proposed Mixed Use Zone (MUZ) covers an area of 1.07ha. This would provide a developable area of only around 7,000sqm allowing for accessways, back-of-house areas, etc. The road frontage GFA strip can accommodate only around 1,500sqm GFA, so is considered small scale.*

*The area is strategically situated near the Parata Train Station, immediately adjacent to the proposed Local Centre Zone to the east. This proposed location aligns with regional patterns, where MUZs are typically placed near centres and along key corridors supported by major public transport services.*

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<sup>2</sup> <https://www.aucklandcouncil.govt.nz/HearingDocuments/pc67-hingaia1precinct-rpt-2022-02-01.pdf>

*The business activity anticipated in the MUZ would be small-scale convenience retail and commercial services activities. It could also incorporate some small start-up work from home businesses with a business activity on the ground floor and accommodation above or some educational opportunities like an early childhood education facility. This would help both grow and internalise local opportunities. Additional education related employment opportunities will grow as the Paerata Rise population grows, particularly now Wesley College is remaining which by itself already contributes around 100 employees to the Franklin 2 Precinct.*

*It is envisaged the MUZ would work in conjunction with the LCZ across the street to reflect a small strip of commercial activity and form a little street of convenience activities.*

*From an economic perspective, MUZ commercial GFA potential is not of a scale to create a establish a significant commercial centre that could compete with existing or anticipated centres within the local market or across the broader region.*

*The proposed MUZ is designed to provide flexibility and increase local employment and residential typology opportunities with higher densities that improves market efficiency and creates transit oriented opportunities adjacent to the Paerata Train Station. This approach supports the creation of a 'well-functioning' urban environment, aligning with the policies outlined in the NPS-UD.*

*Furthermore, the potential for business activities within the proposed MUZ will be subject to the GFA thresholds and provisions set out in the AUP. Any new developments exceeding these thresholds will require consent, allowing for an assessment of their economic impact at that time. This process mitigates any negative economic effects on existing or future commercial centres within the local market.*

*Considering these factors, Property Economics supports the MUZ from an economic perspective. The MUZ would support the LCZ across the street and would not detract from the function or role of the proposed centres or other higher-order commercial centres in the broader network. Overall, the flexibility afforded by the MUZ is likely to provide more economic benefits for the community than potential impacts.*

#### **Additional Supporting Response to the Employment Query Raised in #T1**

*I also note the Transport Matters #T1 raised in the RFI regarding the forecast number of jobs for Paerata. To address this query, I have conducted a high-level forecast for the potential level of employment that can be accommodated within the proposed employment land and GFA in the wider Precinct.*

*Based on my forecast, the combination of the proposed range of retail, commercial, and community activities within the Precinct could accommodate approximately 1,330 FTEs on an ongoing basis once fully developed.*

*In my view, this breadth of employment is essential to ensuring a meaningful and diversified range of employment opportunities exist at the localised level within the Precinct, fostering a balanced community rather than just a dormitory residential suburb. This level of employment would significantly enhance overall development and market efficiency and contribute to the creation of a*

'well-functioning' urban environment, as required by the NPS-UD Policy 1, and improve the local community's economic and social wellbeing.

**TABLE 2: ESTIMATED ONGOING EMPLOYMENT ACCOMMODATED WITHIN THE PRECINCT**

Activity Breakdown	Local Centre Zone (Northern)		Neighbourhood Centre Zone		Local Centre Zone (Paerata Station)		Mixed Use Zone		Out-of-Zone FTEs
	sqm	FTEs	sqm	FTEs	sqm	FTEs	sqm	FTEs	
Supermarket	3,850	<b>66</b>			1,700	<b>29</b>			
Retail / Services	4,700	<b>188</b>	300	<b>12</b>	1,145	<b>46</b>	1,200	<b>48</b>	
Food and Beverage	4,000	<b>267</b>	430	<b>29</b>	2,100	<b>140</b>	1,200	<b>80</b>	
Office	2,250	<b>83</b>							
Medical Centre	2,700	<b>129</b>							
Early Childcare Education x 3 <sup>1</sup>									54
Paerata School <sup>2</sup>									60
Wesley College									100
<b>Total FTEs Accommodated</b>		<b>733</b>		<b>41</b>		<b>215</b>		<b>128</b>	<b>214</b>
<b>Franklin 2 Precinct Total Accommodated FTEs (Rounded)</b>	<b>1,330</b>								

**Notes:**

1 Assuming the establishment of three ECE facilities

2 Assuming the existing school expands further south; The estimated 60 FTEs represent the additional FTEs that can be accommodated if the school expands.

Source: Property Economics

If you have any queries, please give me a call.

Kind Regards



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