



Final Report: 20 April 2024

# Economic Assessment of Proposed Plan Change in Hobsonville

Prepared for: **Austino Property Group**

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# 1. Executive Summary

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Austino owns significant tracts of Future Urban Zoned (FUZ) land in Hobsonville, Auckland, which were supposed to be live-zoned via the Council-led Proposed Plan Change 5 (PPC5) process. However, PPC5 was abandoned by the Council, which has left the land in limbo. To overcome this and enable their land to be rezoned, Austino now seeks a private plan change. To assist, this report assesses the likely economic effects of that proposal.

The analysis begins by identifying and briefly describing the subject land. Then, it identifies two zoning options for it. Option one is the subject land's indicative zoning under the final iteration of PPC5 (Variation 1), while option two is the zoning proposed under Austino's plan change.

Because Austino's plan change largely just gives effect to the PPC5 structure plan, its likely economic effects have already been considered during the formulation of the structure plan. Accordingly, this report focuses on the economic effects of key differences between the options (i.e., the proposed plan change provisions vs the structure plan). They include the applicant's proposal to:

- Enable light industrial activity to occur on part of the subject land;
- Enable a higher overall dwelling yield on part of the subject land than envisaged by PPC5; and
- Include indicative provisions for a neighbourhood centre on the subject land.

First, we discuss the proposal's light industrial provisions, the need for – and merits of which – appear to be broadly agreed by all stakeholders. Evidently, this is because the proposal's industrial provisions not only help to directly address an acute shortage in that locality, but they also represent a logical and legible extension of the large, existing industrial area directly adjacent to it.

Next, we assess the indicative neighbourhood centre proposed for the site. To begin, we briefly summarise Auckland Transport's current guidance on walkability in new greenfield areas, which recommends that local shops be no further than a 400- to 600-metre walk. Then, we demonstrate that most of the site's future residents would live more than 600 metres from the closest centre proposed under PPC5, and even further again from the nearest existing centre. Conversely, under the proposed plan change, the site's entire residential areas are within 600-metres of the indicative neighbourhood centre.

Having explained that rationale for the indicative neighbourhood centre, we then assess the likelihood of adverse retail distribution effects arising from it. The Westgate Metropolitan Centre is the closest higher-order centre to the subject land, and hence is the most likely centre to be impacted. That said, there is no material risk of adverse effects occurring on this centre because:

- The Westgate Metropolitan Centre currently contains more than 71,000 square metres of commercial floorspace. The proposal is tiny in comparison, with a recommended cap of up to 800 square metres of GFA which is just over 1% of the current size of the metro centre.
- Local retail spending will also continue to grow strongly over time due to sustained population and economic growth in the northwest. That additional spending will help offset any minor

impacts of the proposal's commercial elements on metro centre tenants while also creating headroom to support new retail supply.

- Consequently, the proposal will not affect the strategic role and function of the metro centre and instead will play a complementary role aimed at meeting the day-to-day needs of locals.

We also consider the effects of enabling greater residential density on the subject land (relative to PPC5). For context, we first profile the current state of the local dwelling market. We show that dwelling prices and rents in the Albany Ward have risen substantially over the past two decades, fuelling the housing affordability crisis. This applies even to people seeking a cheaper (first-quartile) home, which remain too expensive for many prospective buyers. The proposal, however, is an important step towards providing greater housing supply to gradually help improve affordability over time.

To demonstrate the proposal's higher dwelling density and thus scope for improved affordability, we benchmark it against the current density of all other regional dwellings. We show that the proposal's future density – of 18 to 36 dwellings per hectare – is 1.5 to three times denser than the regional median of 11 dwellings per hectare. Accordingly, development enabled by the proposed plan change will achieve relatively high levels of density, which will improve choice and affordability in the local housing market.

Finally, the assessment considers likely wider economic impacts of the proposed plan change, namely:

- **Economic impacts of construction** – the development of up to 335 dwellings, plus the indicative neighbourhood centre and light industrial area, enabled by the proposal could provide a one-off boost in national GDP of \$114m, provide employment for 855 FTE-years, and generate household incomes of \$57m. Spread over, say five years, this equates to full-time employment for around 170 people, plus an annual boost in national GDP and household incomes of \$22.8m and \$11.4m respectively.
- **Support for compact urban form** – the proposed plan change will also support the region's vision for a more compact, quality urban form, as articulated in both the AUPOIP and in the Auckland Plan 2050.
- **Impacts on the local school network** – finally, while development enabled by the proposed plan change will place pressure on the school system, these demands are well known to the Ministry of Education, which recently adopted a sophisticated plan to meet growth needs across the country. That plan acknowledges the northwest as a high growth area, and ensures that enough new schools are provided in the right places at the right time to keep pace with anticipated demand.

In summary, our assessment shows that the proposed plan change and enabled development will generate a range of positive economic effects, while avoiding any material adverse effects. Accordingly, we support it on economic grounds.

## 2. Introduction

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### 2.1 Context & Purpose of Report

Austino owns more than 11 hectares of Future Urban Zoned (FUZ) land at Hobsonville, in an area known as Trig Road East. While the land was expected to be live zoned during the Council-led Proposed Plan Change 5 (PPC5) process, that was eventually abandoned. To enable anticipated future development of Austino's land to proceed, it now seeks a private plan change to live zone it. To assist, this report assesses the likely economic effects of the proposed plan change.

### 2.2 Scope and Focus of Assessment

Because eventual urbanisation of the land is anticipated by its zoning, and because the proposal largely just gives effect to the underlying structure plan, most of its likely economic effects have already been considered during the structure plan formulation process. Accordingly, this report focuses on the likely economic effects of the major differences between the proposed plan change provisions and the structure plan, from an economic perspective. They include the applicant's plan to:

- Enable light industrial activity on part of the subject land;
- Enable a higher overall dwelling yield than envisaged by PPC5; and
- Include indicative provisions for a neighbourhood centre on the subject land.

In addition, this report also briefly examines a range of other economic effects associated with the proposed plan change provisions.

### 2.3 Structure of Report

The remainder of this report is structured as follows:

- **Section 3** identifies and describes the subject land.
- **Section 4** defines two possible zoning options for the site.
- **Section 5** discusses the need for, and merits of, the proposed light industrial zone.
- **Section 6** analyses the inclusion of an indicative neighbourhood centre.
- **Section 7** assesses the higher residential density proposed compared to the structure plan.
- **Section 8** briefly considers the wider impacts of the proposal.
- **Section 9** provides a summary and conclusion.

### 3. About the Subject Land

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#### 3.1 Location and Description

The subject land is located in Hobsonville and forms part of the northwest growth area, which is identified as a major growth node in the Auckland Plan 2050. It is identified in yellow in Figure 1 below.

Figure 1: Location of the Subject Land

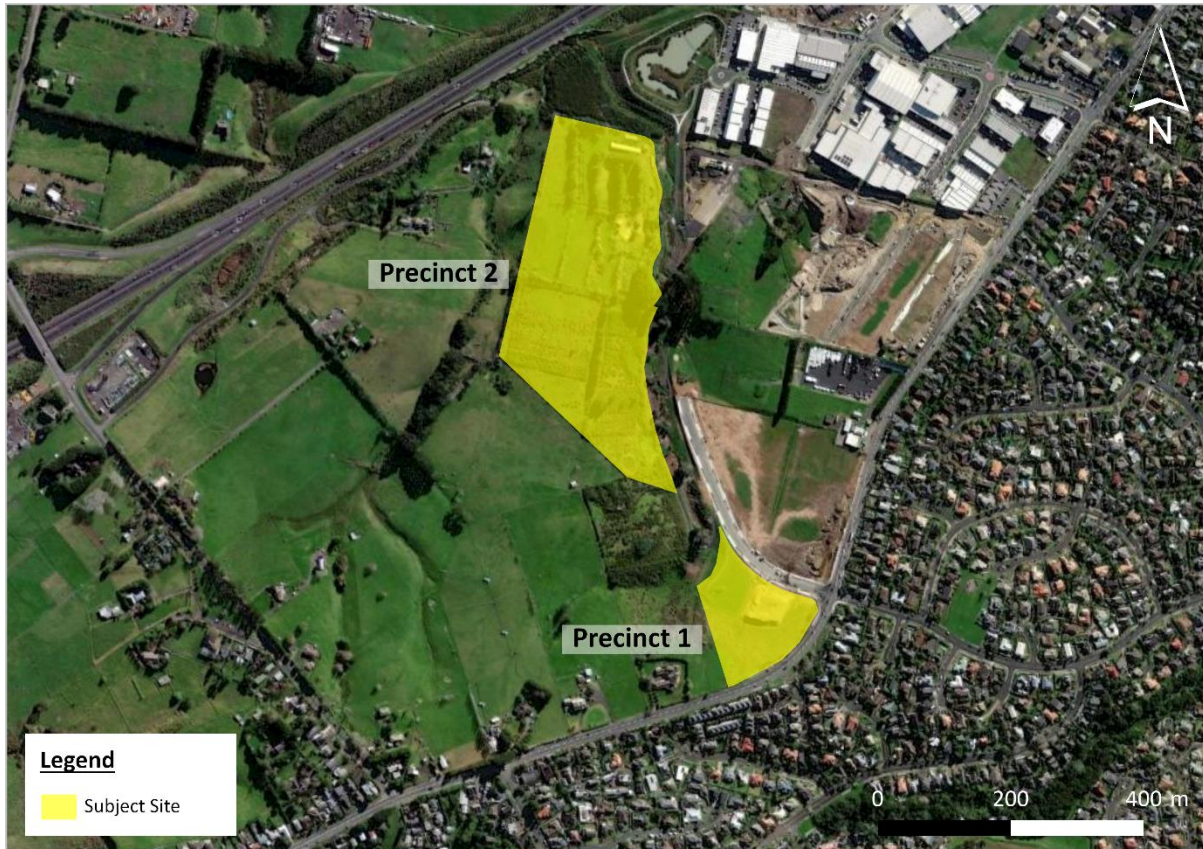


The subject land comprises two distinct parcels, which are delineated in Figure 2 below.

The southernmost parcel (**Precinct 1**) is bound by Hobsonville Road to the south, Westpoint Drive to the east and vacant land to the north and west. Precinct 1 spans approximately 2.1 hectares and is currently vacant rural land.

**Precinct 2** is bound by the Rawiri Stream to the east, vacant land to the south, the Waiarohia Stream to the west, and Council-owned bushland to the north. Precinct 2 spans approximately 9.3 hectares and is also vacant.

Figure 2: Close-Up View of Subject Land



The site is easily accessible from both the Auckland CBD, and the North Shore, due to its location near the intersection of the North Western Motorway (SH16) and Upper Harbour Motorway (SH18). It is also located close to significant amenities, including the Westgate Metropolitan Centre, a range of education options, and recreation opportunities on the Upper Waitematā Harbour.

### 3.2 Planning History

The subject land lies within the broader Whenuapai area northwest of Auckland, which has been signalled for urbanisation for at least twenty years. Today, however, the area remains largely undeveloped, with most land still zoned as Future Urban. Below is a brief planning history of the area to help set the scene.

The **Whenuapai Structure Plan** was adopted by Council in 2016. It provides the framework for transforming Whenuapai from a semi-rural environment into an urbanised community over a period of 10 to 20 years. The plan guides future development by defining land use patterns as well as the location, timing, and provision of infrastructure.

The 2017 **Future Urban Supply Strategy** identifies Whenuapai as a future growth area. Whenuapai Stage 1 (in which the subject site is located) is indicated as “development ready” in 2018–2022, with Stage 2 expected to be development ready in 2028–2032.

**Proposed Plan Change 5 (PPC5)** was notified in 2017 covering an area known as “Whenuapai 3 Precinct”, which includes the subject land. Its objective was to enable housing and provide employment opportunities through the efficient integration of land and infrastructure. Draft Variation



1 to PPC5 was issued in April 2021. However, Council withdrew it in June 2022 citing, among other things, a lack of funding for necessary transport upgrades.

In the meantime, though, Council has already invested significantly in other major infrastructure to support the growth anticipated there, including:

- The Norther Interceptor wastewater pipeline;
- The North Harbour 2 Watermain;
- The acquisition of land for Council parks; and
- The Trig Road corridor upgrade (consent application underway).

### 3.3 Current Zoning

The current zoning of the subject land under the Auckland Unitary Plan (Operative in Part) (AUPOIP) is set out in the map and table below.

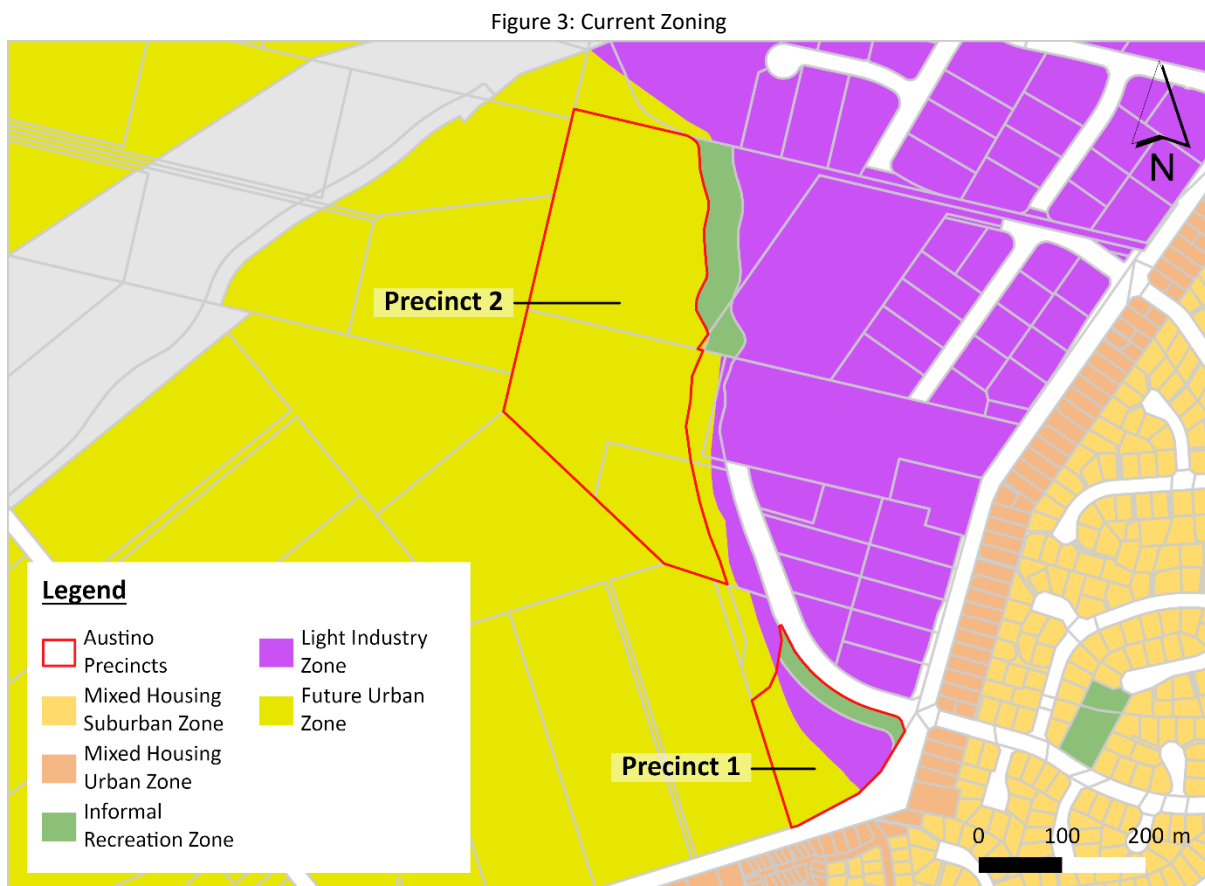


Table 1: Current Zoning of Subject Land

<b>Precinct 1</b>	<b>Land Area (ha)</b>
Open Space – Informal Recreation Zone	0.385
Business - Light Industrial Zone	0.788
Future Urban Zone	0.948
<b>Total Precinct 1</b>	<b>2.121</b>
<b>Precinct 2</b>	
Future Urban Zone	9.341
<b>Grand Total</b>	<b>11.462</b>

To summarise, Precinct 1 currently comprises a mix of Open Space, Light Industrial, and Future Urban zoned land, which total 2.121 hectares. All land in Precinct 2 is currently zoned Future Urban, and spans 9.341 hectares.

# 4. Zoning and Development Options

This section identifies two zoning options for the subject land.

## 4.1 Option 1: Anticipated Zoning Under PPC5

The first option is the subject land’s indicative zoning under the final iteration of PPC5 (Variation 1), as per the map below.

Figure 4: PPC5 Proposed Whenuapai Plan Change Variation 1

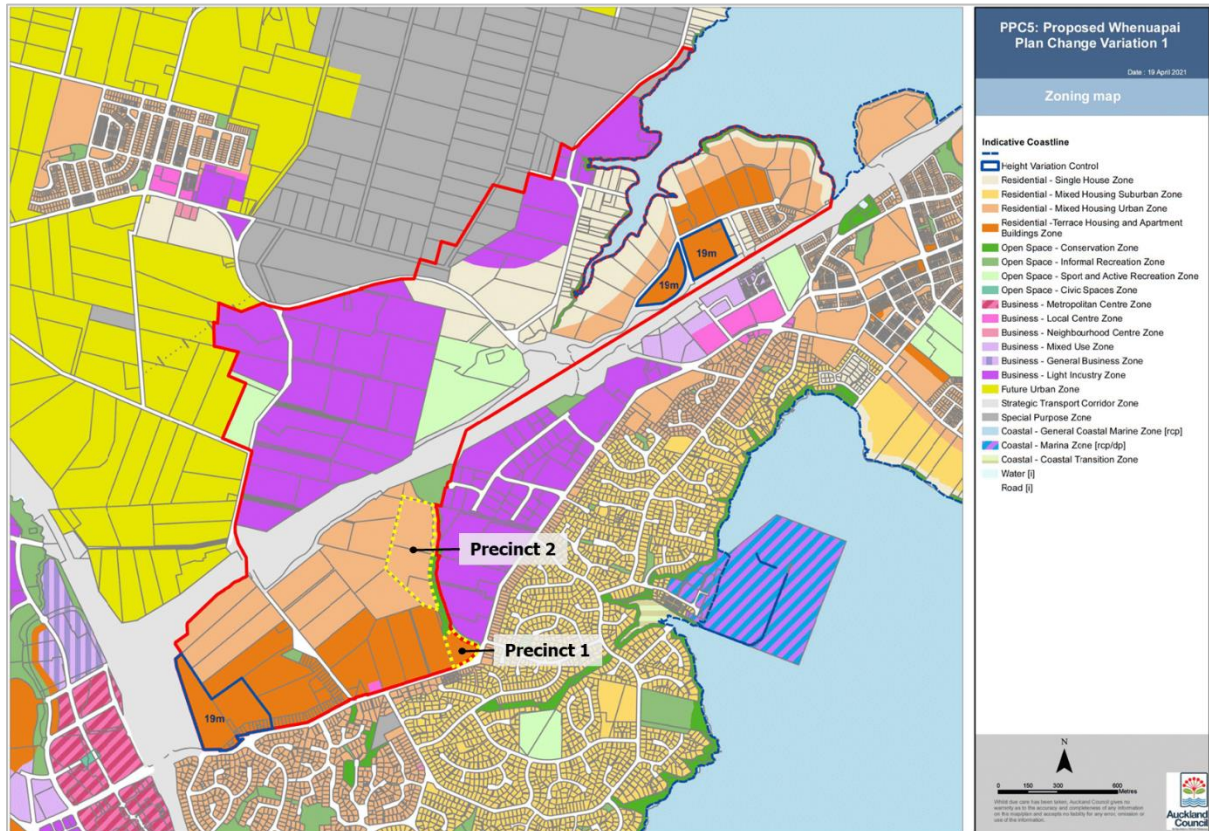
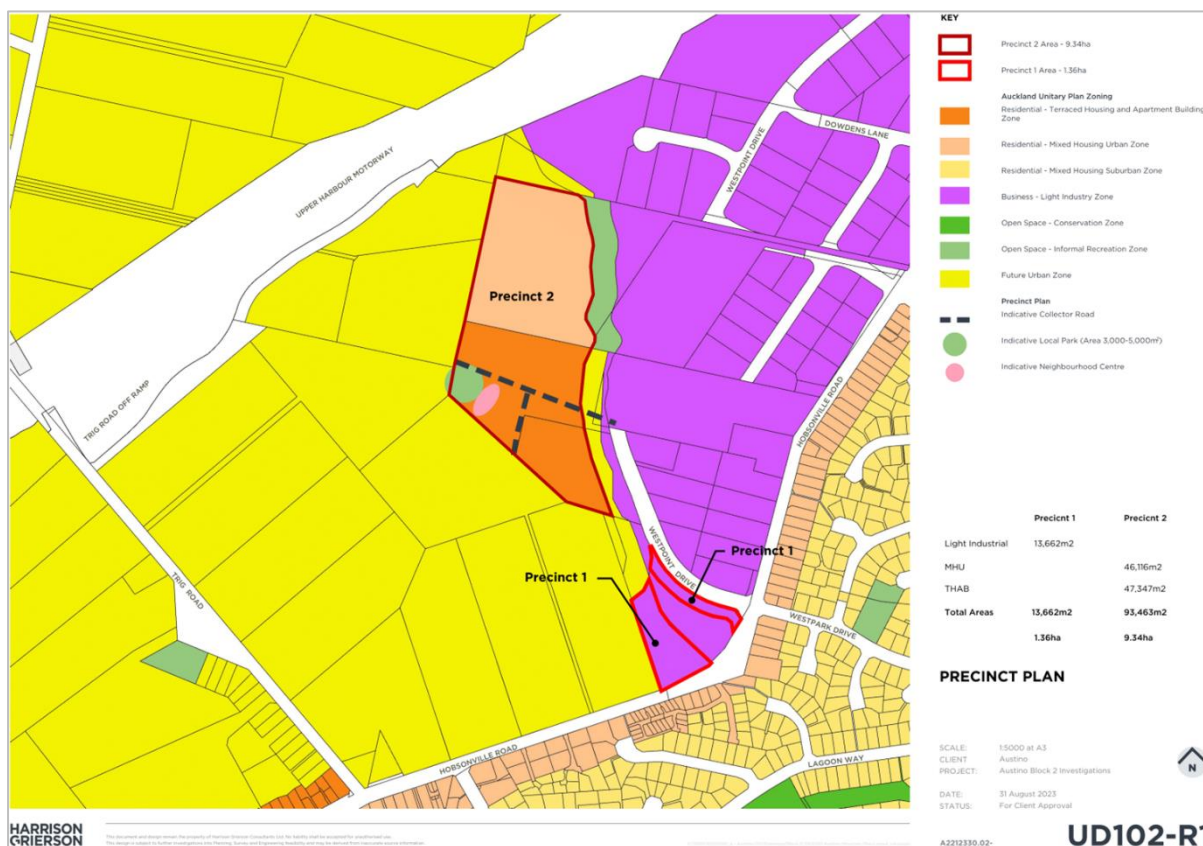


Figure 4 shows that Precinct 1 was proposed to be rezoned Residential – Mixed Housing and Apartment Buildings Zone (THAB) under Variation 1 to PPC5, while Precinct 2 was proposed to be rezoned to Residential – Mixed Housing Suburban Zone (MHU).

## 4.2 Option 2: Proposed Plan Change Provisions

The proposed rezoning associated with Austino’s plan change is shown in the indicative plan below.

Figure 5: Proposed Zoning & Indicative Precinct Plan



#### 4.2.1 Proposed Precinct 1 Zoning

As noted earlier, some of the land comprising Precinct 1 has already been rezoned for Light Industrial use. The proposal seeks to consolidate this zoning across the remaining two tracts of Precinct 1 to enable about 8,000 square metres of additional light industrial floorspace.

#### 4.2.2 Proposed Precinct 2 Zoning

Precinct 2 is proposed to be rezoned mainly for residential uses, with approximately 4.6 hectares of MHU land, and 4.7 hectares of THAB land. The latest plans also include indicative locations for a future Neighbourhood Centre (NC) and a local park.

The number of new dwellings delivered by this option will depend on several factors, including who buys each of the super lots created, what they wish to do with them, and the future market demand for different dwelling densities and typologies in this locality. To reflect this uncertainty, we assess two dwelling yield scenarios for this option. The first assumes that 165 new dwellings are developed, while the second assumes 335 new dwellings.

### 4.3 Option Comparison

The anticipated zoning of the subject land under PPC5 (Option 1) and Austino’s proposed plan change provisions (Option 2) have many similarities, but the main differences are that the proposed plan change:

1. Enables light industrial activity to occur on Precinct 1;
2. Enables a higher dwelling yield than envisaged by the structure plan in Precinct 2;
3. Includes an indicative neighbourhood centre; and
4. Includes an indicative local park.

While we acknowledge the importance of the indicative local park in providing amenity to future residents, it does not have any immediate economic effects, so, the first three differences above are the focus of this assessment.

## 5. Proposed Light Industrial Zone

This section discusses the rezoning of some remaining parcels of Precinct 1 for light industrial use.

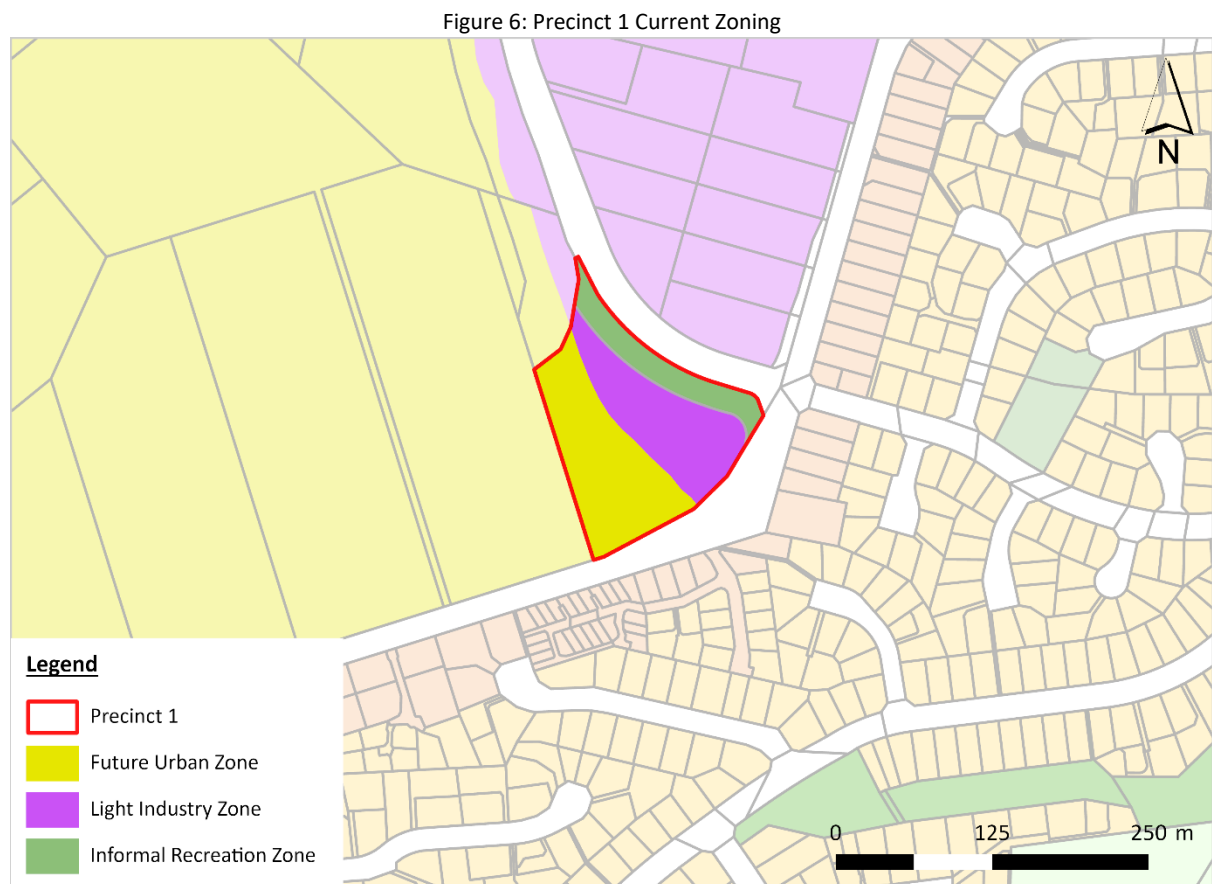
### 5.1 Introduction

Proposed Precinct 1 comprises three parcels that span about 2.1 hectares. Under Variation 1 to PPC5, this land was proposed to be rezoned for residential use (THAB), as illustrated in Section 4.

However, since that time, the following changes have occurred:

- First, two parcels of Precinct 1 land (1.2 hectares) were rezoned as Business – Light Industrial (LIZ).
- Then, Council purchased one of these land parcels (0.4 hectares) and rezoned it to Open Space – Informal Recreation Zone.
- Finally, Council decided the open space land was no longer fit for purpose and offered it back to Austino, ostensibly supporting its rezoning back to LIZ.

The current Precinct 1 zoning is illustrated in Figure 6 below.



## 5.2 Economic Rationale for Rezoning

We understand that Austino and the Council agree about the need for, and merits of, the proposed industrial rezoning in Precinct 1. We also support it for the reasons below.

### 5.2.1 Undersupply of LIZ Land

JLL Logistics & Industrial (JLL) was recently engaged by Neil Group Limited to provide an up-to-date assessment of industrial land supply and availability in Auckland's northwest. The report, entitled "Light Industry Land Analysis in the North West and Northshore," finds that there is a significant undersupply of LIZ land in the area.

While 104 hectares of LIZ land has become available in Westgate / Hobsonville since 2016, the study shows that only 32.6 hectares of that remains. This indicates a take-up rate of 10.2 hectares per annum. However, only 19.6 hectares of the remaining vacant land is deemed genuinely available for development, due to several factors. For example, two parcels are strategic sites for Civil Defence, and will hence never be developed. Other sites are limited by significant infrastructure requirements or have owners who are unwilling to sell to developers. Accordingly, less than two years' supply of vacant, developable land remains. This has fuelled a dramatic rise in land values, which have doubled from an average of \$600 per square metre to \$1,200 since 2019.

### 5.2.2 Strong Occupier Demand

There is currently strong demand for industrial floorspace in the northwest. This is evidenced by vacancy rates of less than 1% and rent rises in the order of 30 to 40% over the past 18 months.

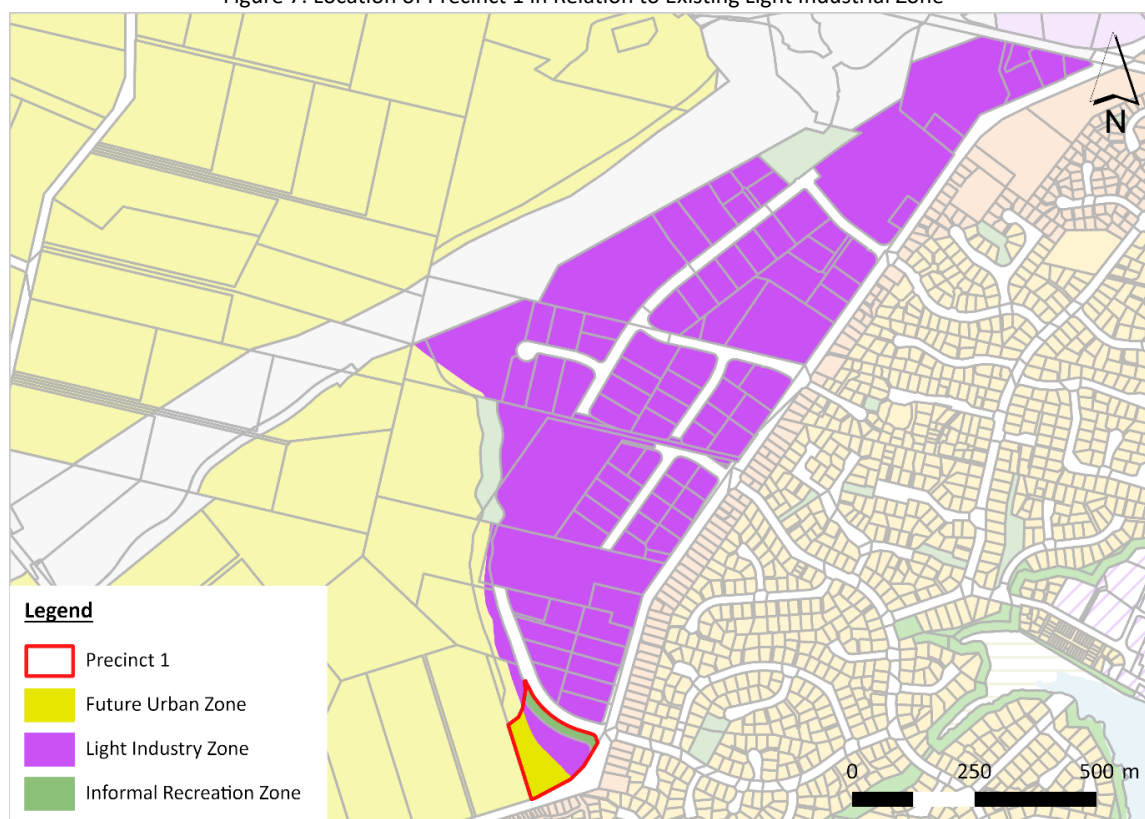
A significant driver of this demand is the sustained shift towards online shopping and the associated growth of the logistics sector. These activities require modern, high-stud, large footprint warehousing space, which is usually located in light industrial zones. Further, the rapid emergence of demand from the datacentre sector is creating additional impetus for the demand for larger, modern fit-outs.

However, while underlying demand is for larger footprints, JLL suggests that such projects are no longer economically viable for developers due to current land values. Instead, developers are building smaller industrial units with more office space, which have higher yields. As such, they conclude that there is an *"insufficient amount of suitable land to cater to the many large industrial occupiers that want to move to the area."*

### 5.2.3 Contiguous with Existing LIZ Land

Not only does the proposal's industrial provision help directly address the acute shortage of such land in the area, but it also represents a logical and legible extension of the large, existing industrial area adjacent to it. This is demonstrated in Figure 7 below, in which the existing light industrial zone is shaded in purple.

Figure 7: Location of Precinct 1 in Relation to Existing Light Industrial Zone



#### 5.2.4 Fit With Location Criteria

Finally, the Precinct 1 land is also a good fit with common industrial site and location criteria. This is demonstrated by the summary in Table 2 below.

Table 2: Assessment Against Site/Location Criteria

Criteria	Application to Precinct 1
Access to major road/transport routes	Immediate access to SH16 via Hobsonville Road and SH18 via Trig Road, and a 10 - 15min drive to SH1. Prevents traffic movements through Hobsonville, Massey, and West Harbour suburbs.
Topography	Precinct 1 is >2ha contiguous site, adjacent to large light industrial zone. Mostly flat to gently undulating (0-3°).
Ability to buffer adverse effects	Site is buffered from existing residential activity to the north and south by SH18 and Hobsonville Road, respectively.
Exposure/profile/visibility	Adjacent to Hobsonville Road, main commuter route to access SH16 and SH18.
Existing or proposed public transport	2.2km from proposed Northwest bus station – the new centre of northwest Auckland’s public transport network. Adjacent to Hobsonville Road bus route. 1.7km from West Harbour ferry terminal.
Proximity to ports	Reasonably close to Auckland Airport via road (25 - 30min), and Ports of Auckland (22km).
Close to other industrial land	Sizeable existing light industry (>60ha) adjacent to Precinct 1 between Hobsonville Road and SH18.
Access to rail	10km from rail network access in Henderson.
Proximity to workforce	Rapidly growing workforce in and around West Auckland.
Complementary business services	Adjacent light industry. Commercial services at Westgate metro centre.



### **5.3 Summary and Conclusion**

There is strong demand for LIZ land in the northwest, particularly for land-extensive activities such as warehousing and datacentres. However, there is insufficient zoned land to meet it, with limited capacity for growth within existing urban areas. In addition, the subject land provides a logical extension of an existing LIZ area and is also a good fit with industrial site and location criteria. Accordingly, we support the rezoning of the remaining parcels of Precinct 1 to LIZ on economic grounds.

## 6. Analysis of Indicative Centre

This section analyses the indicative neighbourhood centre within Precinct 2.

### 6.1 Steps in the Analysis

Following are the steps in the analysis:

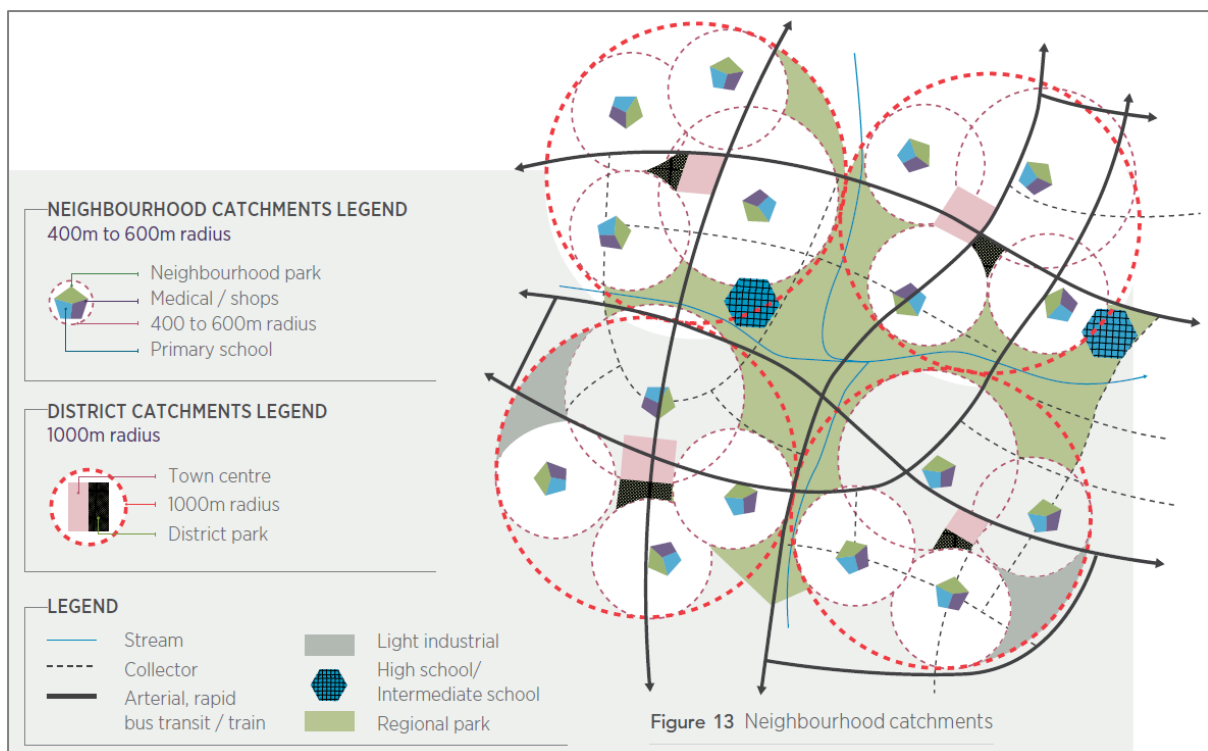
1. Identify current guidance relating to centre provision in greenfield areas.
2. Critique the status quo (option 1) against that guidance.
3. Assess the indicative centre provisions.
4. Consider possible effects on other centres.

We now work through these steps in turn.

### 6.2 Summary of Current Guidance & Standards

In 2018, Auckland Transport published its Roads and Streets Framework which, amongst other things, addresses the design and development of new roads and streets. Section five of the Framework sets out high level principles and design guidance for new greenfield areas, such as the subject land. It recommends the following “desirable layout” for new neighbourhoods.

Figure 8: Recommended High Level Spatial Layout for New Greenfield Areas



This high-level spatial layout is further explained by various walkability metrics, which are captured in the diagram below. Most importantly for this assessment, the Framework recommends that new neighbourhood centres be within 400 to 600 metres walking distance of new dwellings.

Figure 9: Auckland Transport Walkability Metrics for Greenfield Areas



### 6.3 Critique of Status Quo Centre Provision

We applied the walkability metrics above to the proposed centre layout in the PPC5 structure plan to determine the accessibility of local/neighbourhood centres for future residents of the subject land. Specifically, Figure 10 applies 600-metre straight-line catchments to the indicative centre closest to the subject land to determine how readily future residents can access local shops.

Figure 10: 600 metre Walking Catchments for Closest Indicative Centres

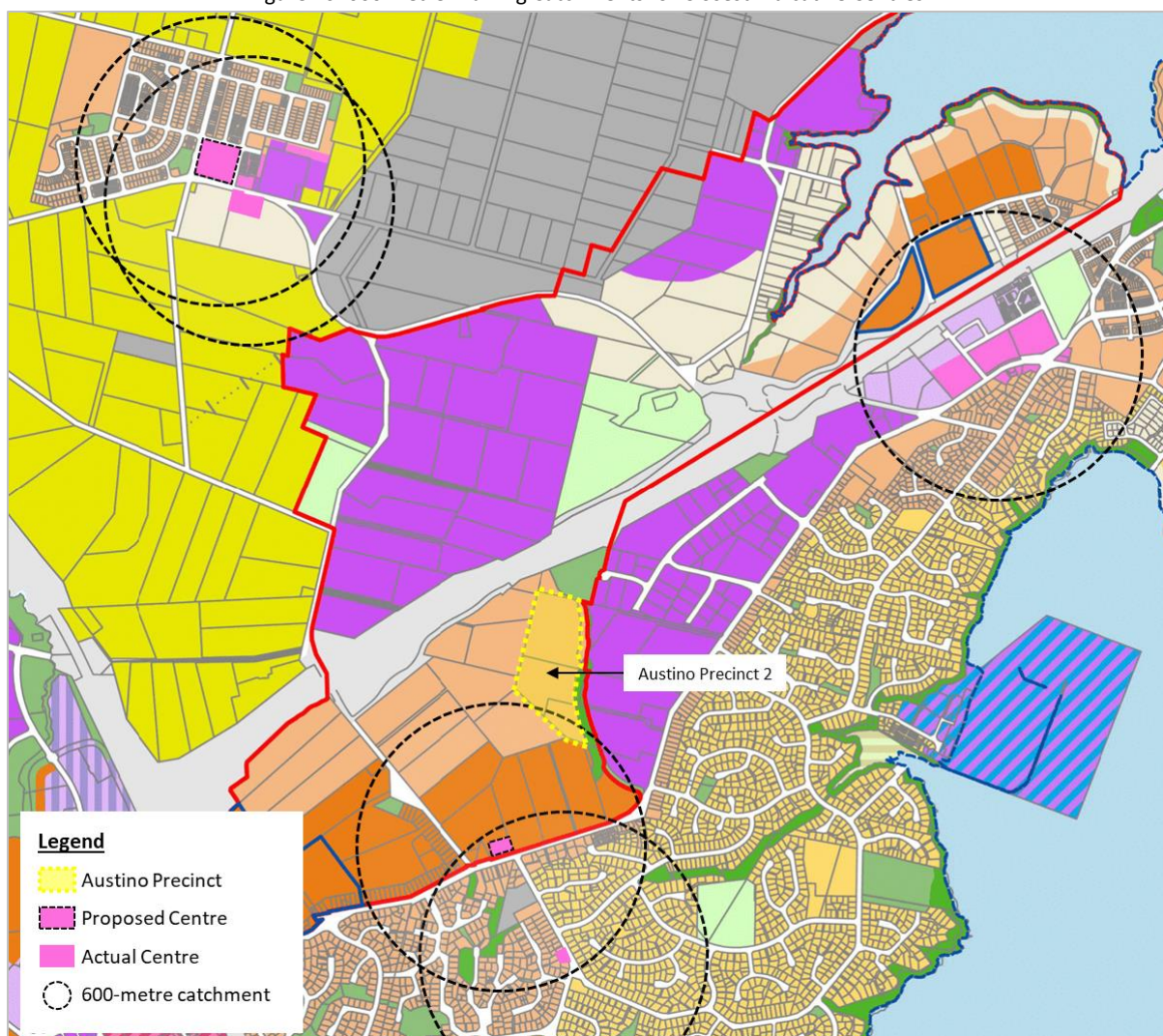


Figure 10 shows that only a small portion of Precinct 2 lies within 600 metres of the closest proposed centre. The remaining subject land is thus more than 600 metres away from a centre.

Moreover, the provision (and timing) of the nearest proposed centre is now uncertain given the abandonment of PPC5. The nearest existing centre is located at 45 Luckens Road, which is one kilometre away, and would require future residents to traverse the relatively busy Hobsonville Road.

## 6.4 Assessment of Indicative Centre Provisions

The proposal includes an indicative neighbourhood centre within Precinct 2. Below we consider the economic merits of this provision by examining the resulting accessibility of local shops to future residents. We also briefly consider the appropriate size for the centre to meet likely future demand. We start with accessibility.

### 6.4.1 Accessibility of Indicative Neighbourhood Centre

Figure 11 below recreates the 600-metre walking catchment diagram above for the indicative neighbourhood centre on the subject land.

Figure 11: 600 metre Walking Catchments for Indicative Neighbourhood Centre on Subject Land

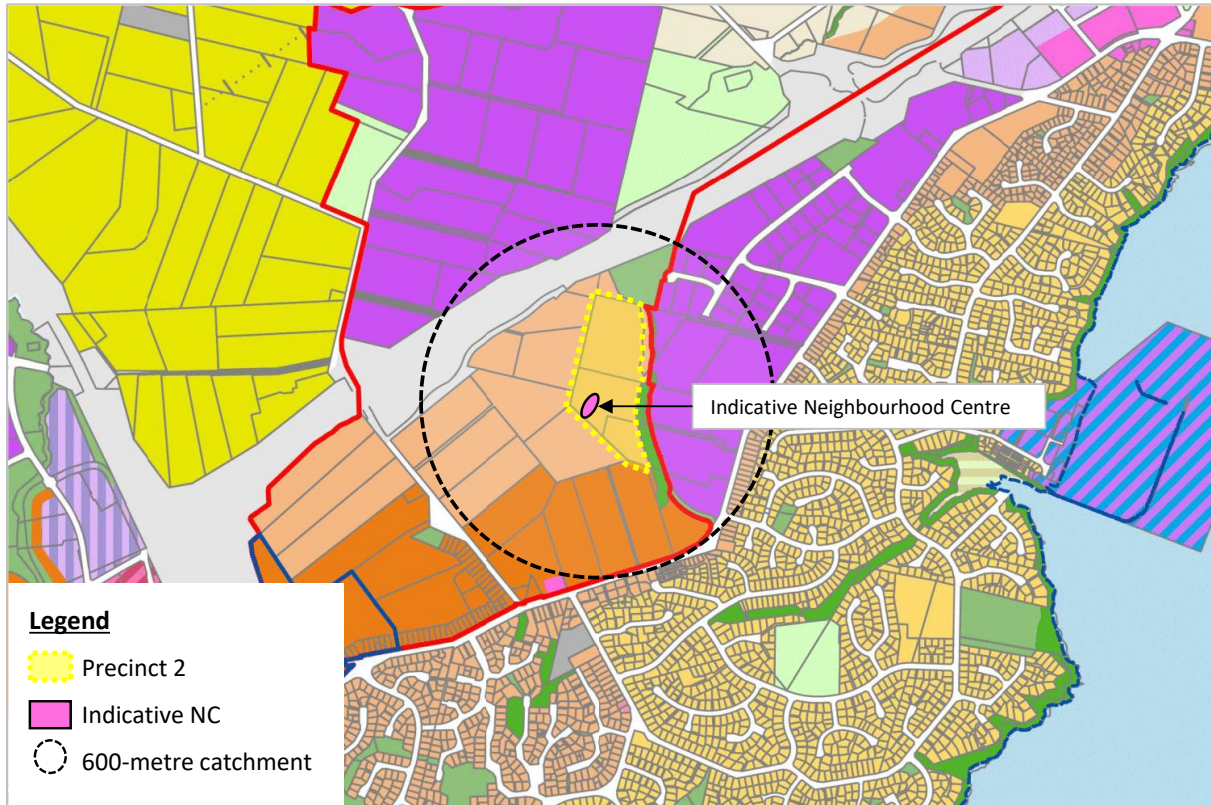


Figure 11 confirms that the indicative neighbourhood centre is well positioned to service future residents across all of Precinct 2, while also avoiding the need to cross busy roads. On that basis, we consider it to be appropriately accessible according to AT's guidance, as recorded in its Roads and Streets Framework.

#### 6.4.2 Likely Neighbourhood Centre Size

If realised, the indicative neighbourhood centre will enable the future development of a small amount of retail and / or commercial services to support the day to day needs of future residents. In our experience, a development of this size is likely to sustain approximately up to 800 square metres of gross retail floorspace.

While future tenants will be determined by the market, they may include, for example:

- A superette or dairy;
- Takeaway food outlets;
- Personal services such as a dry cleaner or laundromat.

## 6.5 Likely Impacts on Other Centres

### 6.5.1 Introduction

The indicative neighbourhood centre would help support the needs of future residents. Due to its scale and location, it is unlikely to draw in large amounts of spend from elsewhere. Nevertheless, it is still important to assess the possibility of adverse effects arising on existing or future centres nearby.

### 6.5.2 Context

As context, Chapter 2 of the AUPOIP addresses issues related to urban form and growth and identifies a hierarchy of centres that support a quality compact urban form at two levels. The first level is regional, where the city centre, metropolitan centres and town centres act as commercial, cultural and social focal points for the region or sub-regions. The second level is local, where local and neighbourhood centres provide a range of activities to support and serve as focal points for local communities. Within this hierarchy, it is important that local and neighbourhood centres do not unduly threaten or compromise the future roles and functions of higher order centres.

Importantly, we note that decision makers must disregard effects that are ordinarily associated with trade competition when evaluating the possible impacts of proposed developments. Instead, they may only consider possible flow-on effects arising from trade competition, which are also known as retail distribution effects. Put simply, retail distribution effects may occur if a development reduces the patronage of competing stores so acutely that it causes some to close, thereby causing the roles and functions of their respective centres to decline so significantly that the social and economic wellbeing of their communities is undermined.

A strong body of case law confirms that trade impacts must be significant to go beyond effects that are ordinarily associated with trade competition, and that impacts on individual stores are irrelevant because they amount to pure trade competition. With that definition in mind, we now identify the centre most likely to be at risk from the proposal, and consider the likelihood of retail distribution effects arising.

### 6.5.3 Potentially At-Risk Centre

The most likely centre to be affected by the proposal is Westgate, as the nearest higher-order centre to the subject land. It is located approximately two kilometres southwest of the proposed neighbourhood centre.

Westgate is one of 15 Metropolitan Centres in the region, which are second only to the CBD in the Auckland centres hierarchy. The Westgate Metropolitan Centre zone spans approximately 34.5 hectares and comprises sub-precincts A and E, which sit within the broader Westgate area.

**Sub-precinct A** is the compact, pedestrian-orientated core of Westgate, with a comprehensively planned mix of large- and small-scale retail activities integrated with other commercial and office activities, as well as leisure, tourist, cultural, residential, community and civic services.

The “NorthWest” shopping centre is situated within sub-precinct A. Comprising over 32,000 square metres of floorspace, NorthWest is anchored by Farmers and Countdown and includes over 120 outlets covering a broad range of roles and functions, as summarised in the table below.

Table 3: Activity Mix in NorthWest Shopping Centre<sup>1</sup>

Category	Count	Share
Banking	7	6%
Beauty	15	12%
Health & Lifestyle	3	2%
Home & Electronics	13	10%
Fashion	23	19%
Food & Beverage	26	21%
Offices	23	19%
Services	5	4%
Specialty Store	8	6%
Supermarket	1	1%
<b>Total</b>	<b>124</b>	<b>100%</b>

**Sub-precinct E** is dominated by the Westgate shopping centre. According to Core Logic’s Property Guru tool, the shopping centre has approximately 39,000 square metres of gross floor area (GFA). Major tenants include the Warehouse, Countdown, Torpedo7 and Event Cinemas. The overall activity mix is detailed in Table 4 below.

Table 4: Activity Mix in Westgate Shopping Centre<sup>2</sup>

Category	Count	Share
Beauty	6	10%
Food & Beverage	9	16%
Entertainment	3	5%
Health & Lifestyle	14	24%
Home & Electronics	3	5%
Services	7	12%
Specialty Store	12	21%
Sports & Outdoors	3	5%
Supermarket	1	2%
<b>Total</b>	<b>58</b>	<b>100%</b>

#### 6.5.4 Likelihood of Retail Distribution Effects Arising

In short, we consider the indicative future provision of a neighbourhood centre with up to 800 square metres of GFA to pose no material risk of adverse retail distribution effects on the Westgate Metropolitan Centre. This is because:

<sup>1</sup> <https://northwestshoppingcentre.co.nz/wp-content/uploads/2023/08/Centre-Directory-August-3rd-2023.pdf>

<sup>2</sup> <https://westgate.kiwi/stores/centre-map/>

- The NorthWest and Westgate shopping centres collectively contain more than 71,000 square metres of commercial floorspace. The proposal is tiny in comparison, with up to 800 square metres of GFA (which is around 1% of the total). Clearly, it is less than minor in this broader context.
- At the same time, local retail spending is expected to continue growing rapidly due to population growth. This additional spending will further insulate existing and future centres from any competitive effects by creating headroom for new retail supply.

Accordingly, there is effectively no scope for adverse retail distribution effects to occur. Conversely, the proposed development will support and reinforce the future growth and development of existing and future nearby centres by creating a strong pool of local demand.



# 7. Analysis of Increased Dwelling Provision

## 7.1 Overview

The proposed plan change seeks to rezone Precinct 2 to a mix of THAB and MHU, and not exclusively MHU as envisaged under Variation 1 to PPC5. As the THAB zone enables considerably higher residential density than the MHU zone, the proposal effectively enables more dwellings to be built than the likely future zoning under the status quo. Accordingly, this section briefly considers the need for, and economic merits of, enabling potentially higher density development to occur on the land. To begin, we first briefly recap the current state of the local dwelling market to provide context.

## 7.2 State of Local Dwelling Market

### 7.2.1 Dwelling Prices

Auckland’s dwelling prices have been the subject of significant media attention for several years due to their sustained, high growth rates. Despite a recent downturn, prices remain stubbornly high and out of reach of many Aucklanders.

Figure 12 provides a local perspective on this trend, charting the quarterly median prices of residential dwellings in the Albany Ward, in which the subject land is situated.

Figure 12: Median House Price for Albany Ward

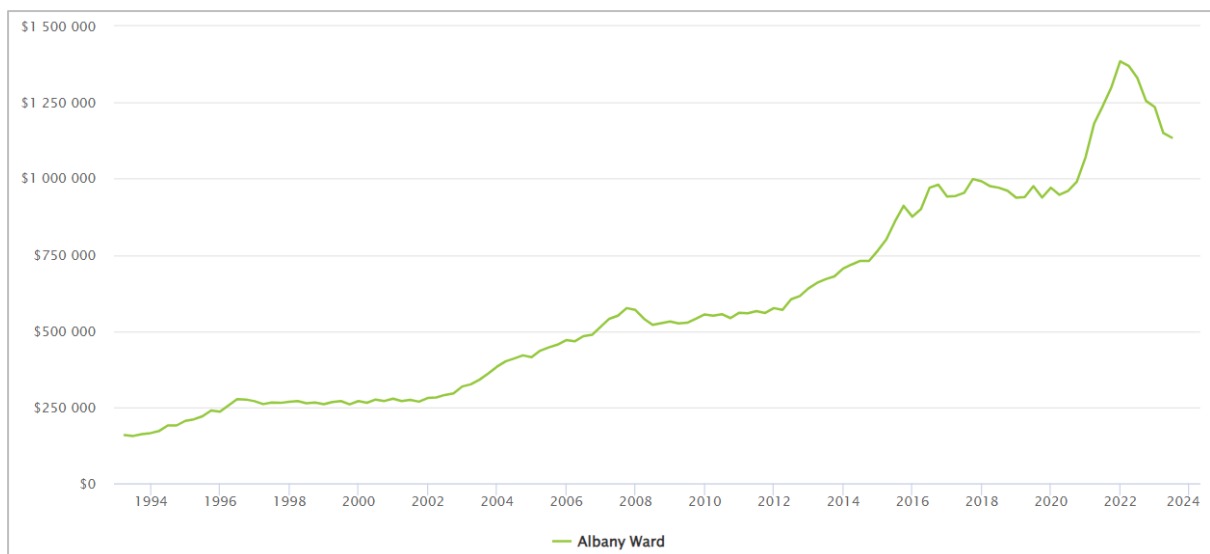
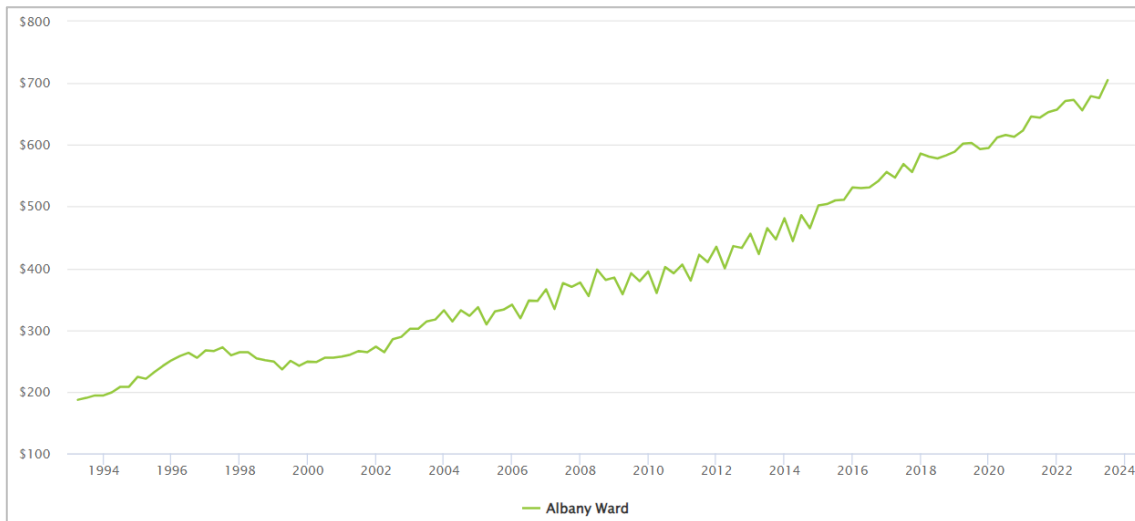


Figure 12 shows a significant increase in the median sales price for Albany Ward over the past two decades. In 2003, the median stood at around \$340,000. This grew to approximately \$1,135,000 by 2023, translating to a compound annual growth rate (CAGR) of 6.2% over the 20-year span. In addition, the graph shows a notable spike in dwelling prices around December 2021. However, as of June 2023, this surge appears to have receded.

### 7.2.2 Rental Values

While dwelling prices have grown faster than weekly rental prices, rents have still grown steadily over time. This is illustrated in Figure 13 which uses rental bond data for the Albany Ward to calculate average weekly rental values from the start of 1993 to June 2023.

Figure 13: Albany Ward Average Weekly Rental Values



The chart above shows that weekly rental values in the Albany Ward have increased from approximately \$200 in 1993 to just over \$700 in June 2023, with no sign of relief. This represents a CAGR of around 4.5%.

### 7.2.3 Affordability

The charts above show that dwelling prices and rental values have both increased significantly over the last 20 to 30 years in the Albany Ward. A similar trend has played out across the region. Amongst other things, these persistent upward trends have made living in Auckland increasingly unaffordable.

While housing affordability can be measured in various ways, the most common measure is the so-called “median multiple”, which divides the median dwelling price by median household incomes. The higher the resulting multiple, the less affordable it is to buy a dwelling, and vice versa. With growth in property prices continuing to outstrip income growth, the latest housing affordability report from Core Logic gives a median multiple of 8.8 for the Auckland region, meaning the median house price in Auckland is now nearly nine times the median household income. By comparison, the benchmark for affordability is a ratio of only three. It now takes 60% of gross earnings to service a mortgage. In addition, it takes a staggering 11.8 years to save the deposit for a median value home in Auckland.

This very high level of unaffordability is not just confined to those trying to purchase a median value dwelling, either. Instead, the June edition of the loan affordability report by interest.co.nz showed that first home buyers in Auckland would struggle to even save for the deposit on a first quartile home (which only 25% of dwellings are cheaper than). Specifically, the most recent report shows that couples aged 25 to 29 saving 20% of their joint income would take 7.9 years to save 20% of the price of a first quartile home – the minimum amount most banks require as deposit. Thus, not only are dwelling prices themselves far out of reach, but even the task of saving for the deposit on a home is now unachievable for many would-be first-home buyers.

### 7.3 Benchmarking of Proposed Residential Yields

As noted earlier, the project team has devised two potential yield scenarios for Precinct 2. While these indicative yields are subject to change and represent only two possible interpretations of the proposed plan change provisions, they provide a useful yardstick.

The low scenario results in 165 new dwellings being enabled, while the high scenario enables 335 dwellings. With the areas proposed to be rezoned for residential use spanning approximately 9.3 hectares, these indicative yields translate to a density of approximately 18 and 36 dwellings per hectare under the low and high scenarios, respectively.

These anticipated dwelling densities are significantly higher than what is currently being achieved, on average, across the region. In fact, the average density across Auckland's Statistical Area 1 (SA1) units is 13.9 dwellings per hectare, while the median is just 11.4<sup>3</sup>.

Set in this context, the proposal's future density at full build-out **under the low scenario** will be:

- More than 1.5 times the regional median; and
- Higher than 89% of all SA1 areas in Auckland.

Further, the proposal's future density at full build-out **under the high scenario** will be:

- More than three times the regional median; and
- Higher than 97% of all SA1 areas in Auckland.

Accordingly, development enabled by the proposed plan change will achieve very high levels of density compared to the regional average under both the low and high yield scenarios.

### 7.4 Resulting Economic Benefits

Not only does the proposed plan change enable the development of smaller, high-density dwellings such as terrace houses, it will also help improve dwelling affordability. First, terrace houses generally require less land than standalone homes, thus saving on land costs. In addition, terrace houses typically benefit from economies of scale in construction, and also often incorporate prefabricated materials, which are usually cheaper than those typically built onsite. As a result, they are generally more affordable than lower density housing typologies.

In addition to providing more affordable prices to prospective buyers, the likely provision of more affordable housing enabled by the proposed plan change will also have broader economic benefits. In short, by providing more affordable dwellings, future owners and occupants of the subject land will spend less on weekly rent or mortgage payments than they would have otherwise, which will boost disposable incomes. With a significant proportion of that extra money likely to be spent locally, lower future dwelling prices (relative to the status quo) will also create additional economic stimulus for the wider benefit of the local area through increased household spending over time.

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<sup>3</sup> Calculated by dividing household count from the 2018 Census by land area.

## 8. Other Economic Impacts

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### 8.1 Economic Impacts of Construction

The construction of up to 335 dwellings, associated commercial activities in the indicative neighbourhood centre, and the light industrial area in Precinct 1 will create significant one-off economic impacts. We quantified these using a technique called multiplier analysis, which is based on detailed matrices called input-output tables.

The input-output tables describe the various supply chains that comprise an economy, and therefore enable the wider economic impacts of a change in one sector (or sectors) to be traced through to estimate the overall impacts. These impacts include:

- **Direct effects** – which capture onsite activities directly enabled by the proposal; plus
- **Indirect effects** – which arise when businesses working directly on the project source goods and services from their suppliers, who in turn may need to source good/services from their own suppliers, and so on.

The economic effects are usually measured in terms of:

- **Contributions to value-added (or GDP).** GDP measures the difference between a firm's outputs and the value of its inputs (excluding wages/salaries). It captures the value that a business adds to its inputs to produce its own outputs.
- **The number of people employed** – this is measured in terms of employment counts, which include both part-time and full-time workers, because Statistics New Zealand does not provide data on full-time equivalent employees (FTEs).
- **Total wages and salaries** paid to workers, which are often labelled 'household incomes.'

Our analysis adopts the following key assumptions, which are based on information provided to us by Austino, as well as the latest building consent data.<sup>4</sup>

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<sup>4</sup> Over the 12 months to June 2023.

Table 5: Key Inputs and Assumptions

Measure	Value
<b>Residential<sup>5</sup></b>	
Number of dwellings	335
Average dwellings size (m2)	115
Build cost per m2	\$2,750
<b>Neighbourhood Centre</b>	
Commercial GFA (m2)	800
Build cost per m2	\$3,600
<b>Light Industrial</b>	
Light Industrial GFA (m2)	8,000
Build cost per m2	\$3,600

We understand that reported construction costs are generally understated to avoid levy obligations. However, we adopt these values as a conservative approach.

Having defined these key terms and assumptions, the following table details the estimated economic impacts of the various activities that will be enabled by the proposal.

Table 6: One-Off National Economic Impacts of Construction

Planning/Design/Consent	Direct	Indirect	Total
FTEs – 12 months	10	5	15
GDP \$m	\$1.6	\$0.7	\$2.3
Wages/Salaries \$m	\$0.8	\$0.4	\$1.2
<b>Site Preparation</b>			
FTEs – 9 months	55	65	120
GDP \$m	\$5	\$7	\$12
Wages/Salaries \$m	\$3	\$3	\$7
<b>Construction</b>			
FTEs – 3 years	60	190	250
GDP \$m	\$26	\$73	\$100
Wages/Salaries \$m	\$12	\$37	\$49
<b>Project Totals</b>			
FTE-years	230	625	855
GDP \$m	\$33	\$81	\$114
Wages/Salaries \$m	\$16	\$41	\$57

<sup>5</sup> Assuming terraced housing in constructed.

In summary:

- Future planning/design/consenting work is estimated to create full-time employment for approximately 15 people for 12 months, generating \$1.2m in wages/salaries;
- Site preparation (including infrastructure provision) is estimated to generate full-time work for approximately 120 people for 9 months, with \$7m in wages/salaries paid; and
- Building construction will provide full-time work for around 250 people for three years (split across various stages), with around \$49m paid in wages and salaries.

Naturally, the resulting economic impacts will be lower if a lower residential yield is achieved, or less commercial / industrial floorspace is developed.

## **8.2 Support for a Quality Compact Urban Form**

One important final consideration is the proposed plan change's direct support for the region's vision for a more compact urban form, as articulated in both the AUPOIP and the Auckland Plan 2050. For example, the Auckland Plan 2050 identifies several outcomes, one of which is "Homes and Places". It seeks that "Aucklanders live in secure, healthy, and affordable homes, and have access to a range of inclusive public places."

This outcome is supported by several directions, one of which is to "develop a quality compact urban form to accommodate Auckland's growth." To help achieve that direction, various focus areas have been identified, one of which is to "accelerate quality development at scale that improves housing choices." The proposed plan change provisions directly respond to, and support these initiatives. In doing so, they help move the region towards a more compact, urban form.

At a more practical level, the proposal also helps minimise the land required to accommodate projected population growth in the local area. In doing so, it frees up more land for other uses, and enables lower density development to occur elsewhere while still maintaining a relatively high density overall.

## **8.3 Impacts on the Local School Network**

Another important consideration is the potential effects of the proposed plan change on the school network, given the number of new dwellings enabled. According to Census 2018 data, Aucklanders have an average of 0.6 school-aged children per household. Hence, the proposed development and occupation of between 165 and 335 dwellings on the subject land could potentially add approximately 100 to 200 school-aged children to the local catchment over time.

While these headline figures may seem significant, it is important to note that development enabled by the plan change will occur over a number of years. Moreover, growth in the number of school-aged children in the area is expected, and the Ministry of Education (MoE) has already taken proactive steps to cater for it.

In May 2019, the MoE adopted the National Education Growth Plan (NEGP), which it describes as "a new way of thinking about and co-ordinating the Ministry of Education's response to school-aged population growth across New Zealand." The NEGP comprises 39 catchment plans that cover the areas

of highest student population growth. Each plan identifies the drivers of growth and its likely impacts on the current network to ensure that the right capacity is provided at the right place at the right time. Given the dynamic and ever-changing nature of population growth, the NEGP is a live, dynamic and flexible document that is reviewed annually to ensure that it incorporates the latest data, including information on large-scale developments (like the proposal).

Across Auckland, the NEGP forecasts that an additional 60,000 school-aged students will need to be placed in state schools over the next 10 years. In response, the MoE plans to:

- Implement up to 100 new enrolment schemes at existing schools (to manage roll growth),
- Expand the size of 21 existing schools, and
- Construct 30 new schools.

Twenty of the 39 high-growth catchments in the NEGP are in Auckland, with one of those covering an area known as “Massey, Hobsonville, Kaipara”, within which the subject site falls. The document acknowledges that the Massey, Hobsonville and Kumeu triangle is an area of significant future growth, and that planning is underway to expand network capacity, including the development of two new primary schools, with consideration given to an additional two primary schools in the Massey area, as well as a possible secondary school in the wider north-west area.

The first of these schools is Massey Redhills Primary School. The school is to be constructed at 1 Dunlop Drive in Westgate with an initial role of 250 students. However, to cater for school-aged population growth in the short term while the site is acquired and the school is built, a proposed new school will be temporarily located at 13–15 Trig Road in Whenuapai.<sup>6</sup> It is anticipated that this temporary capacity will be required for up to two years, after which time Massey Redhills Primary School will relocate to its permanent location. We understand that the Trig Road campus would then service the local catchment area, including the subject site.

In our view, the existence of the NEGP and the inclusion of the Massey, Hobsonville and Kumeu triangle as a specific growth catchment, suggests that the MoE is well aware of the growth pressures mounting due to developments in the local area, and hence that school roll pressure exerted by the proposed development will not have any adverse effects on the local school network.

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<sup>6</sup> <https://assets.education.govt.nz/public/16.-signed-ER-1277623-Proposed-establishment-of-new-primary-school-in-Mas....pdf>

## 9. Summary and Conclusion

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This assessment has shown that future residential development enabled by the proposal will provide a substantial boost in dwelling supply, enabling higher density and thus more affordable housing. In addition, it helps address an acute shortage of industrial land in the region. Overall, the proposed plan change and enabled development will generate a range of positive economic effects, while avoiding any material adverse effects. Accordingly, we support it on economic grounds.