

PROPERTY **E**CONOMICS



MIDDLE ROAD DEVELOPMENT

HAVELOCK NORTH FAST-TRACK

ECONOMIC IMPACT ASSESSMENT

Client: CDL Land NZ Limited

Project No: 52575

Date: April 2026



SCHEDULE

Code	Date	Information / Comments	Project Leader
52575.7	April 2026	Report	Phil Osborne / Tim Heath

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CONTACT DETAILS

Phil Osborne

Mob: s 9(2)(a)

Email: s 9(2)(a)

Web: www.propertyeconomics.co.nz



1. INTRODUCTION

Property Economics has been commissioned by CDL Land NZ Limited to assess and quantify the economic benefits that will flow from the proposed development of Middle Road, Havelock North, for residential uses (the “**Project**”), under the Fast-track Approvals Act 2024 (“**FTAA**”).

Project Description

This Project involves the development and construction of a minimum of 300 residential dwellings, with potential for up to 350 dwellings, across a range of lot sizes on an approximate 33.3ha site. To the east and south of the site, neighbouring residential areas are zoned as Havelock North General Residential Zone and Havelock North Character Residential, respectively. To the North, a substantial retirement complex has been established meaning that the Middle Road site is bounded by residential development on three sides and by Gilpin Road to the west.

This strategic location makes the site well-suited for seamless integration into the existing urban environment, enhancing residential capacity to better serve the local community and efficiently accommodate housing demand in the Hastings District and the wider Hawkes’ Bay Region.

Considerations under the Fast-Track Approvals Act

This economic impact assessment (“**EIA**”) is designed to provide an economic assessment in terms of the FTAA based around economic injection, employment, and scale of economic impacts / benefits for the economy. Provisions of the FTAA that are directly relevant to this report include:

- Section 3 which states that, “*The purpose of this Act is to facilitate the delivery of infrastructure and development projects with significant regional or national benefits.*”

- Section 13 which outlines the information requirements for a referral application.
- Section 22 which outlines the criteria for assessing referral application.
- Schedule 5 Clause 2 which outlines information about resource consent or notice of requirement required in referral application.

In short, the FTAA supports development proposals to expedite the consent process where the proposed development results in significant regional or national benefits, the efficient operation of the consenting process and contributes to a well-functioning urban environment (as per Policy 1 of National Policy Statement on Urban Development 2020 (“NPS-UD”).

Figure 1 following provides an outline of the proposed masterplan of the Site including lot yield and distribution.

FIGURE 1: PROPOSED SITE MASTERPLAN



Source: Urban Acumen Ltd & CDL Land NZ Limited

2. EXECUTIVE SUMMARY

The Project seeks to construct a residential development comprising a minimum of 300 dwellings (with potential for up to 350 dwellings) located directly west of Havelock North's existing residential neighbourhoods. For the purposes of this EIA, Property Economics has utilised the conservative yield of 300 dwellings for its evaluation of project benefits and regional significance.

The total quantitative impact on business activity within Hawke's Bay Region as a result of the proposed development is summarised in the following table.

Snapshot of Key Economic Benefits:

Estimated Quantitative Economic Impacts on Hawke's Bay Regional Economy:	
Total direct expenditure over an 8-year development period ¹ (excluding land)	\$256.7m
Total NPV ² at 8% over an 8-year development period	\$150.2m
Total NPV at 2% ³ over an 8-year development period	\$160.0m
FTE years ⁴ during the peak development year	238 FTE years
Total FTE years over the 8-year development period	1,310 FTE years
Total direct employment over the development period	619 FTE years
Total indirect and induced employment over development period	691 FTE years

Under the upper-bound development scenario of 350 dwellings, the Project is estimated to produce total value added (GDP) of around \$162.1m and \$172.7m to the Hawke's Bay regional economy over the 8-year development period, at NPV rates of 8% and 2%, respectively. Total employment generated across the development timeframe under the 350 dwelling scenario is estimated at 1,414 FTE years.

In addition to these quantifiable regional contributions, the Project is likely to generate a wide range of (non-monetised) qualitative economic benefits for the wider regional market and communities, extending well beyond the local market, which include:

¹ Note that 8-year period assessed in this EIA does not represent a full 8 years of active economic activity, as the initial year(s) are primarily allocated to pre-construction activities such as planning, design work, procurement and contracting rather than actual construction.

² Net Present Value.

³ Sensitivity analysis applying 2% NPV as per Treasury guidelines for commercial development.

⁴ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs) and relate to job years rather than one employee.

- Increased housing supply and capacity
- Increased and diversified choice of housing location
- Potential for lower housing prices and improved affordability in the region
- Enhanced access to existing and planned infrastructure networks
- Increased economic activity and local employment
- Potential impetus for greater levels of local and regional growth

This scale of employment generation at 1,397 FTE years over the development period is significant in the regional context. This is particularly relevant in the context of the Hawke's Bay regional unemployment rate increasing from 3.6% in 2022 to 4.5% in 2025, equating to around 4,400 unemployed people in 2025. Against this context, the Project will make a significant direct contribution to supporting regional employment levels.

Cumulatively, in Property Economics' view, the Project would generate economic benefits (quantitative and qualitative direct, indirect and induced) through the generation of both significant direct capital expenditure and employment opportunities during construction of the proposed development.

The Project enables residential development to respond to growing demands and facilitate future growth in the district and the broader Hawke's Bay Region. In light of these economic benefits, the Project would deliver flow-on wider economic benefits to the economy and community that are considered significant in a regional economic context.

Our assessment supports the proposed Project from an economic perspective in the context of the RMA and FTAA.

3. GENERAL INFORMATION

3.1. STATEMENT OF EXPERIENCE

Philp Osborne is an economic consultant for the company Property Economics Limited, based in Auckland.

My qualifications include Bachelor of Arts (History / Economics), Masters in Commerce, and Masters in Planning Practice from the University of Auckland.

I have 25 years' experience advising local and regional councils, central government agencies, and private developers throughout New Zealand in respect of a wide range of property issues, including economic impact assessments, commercial and residential market assessments, economic cost benefit analyses and forecasting market growth and land requirements across all property sectors. I have undertaken numerous Economic Impact Assessments for fast-track applications (under the Covid-19 Recovery Fast Track Consenting Act 2020 and the FTAA).

Tim Heath is the founder and Managing Director of Property Economics Limited with 30 years' experience undertaking strategic property market analyses for major commercial and government clients.

My qualifications include Bachelor of Arts (Geography) and Bachelor of Planning from the University of Auckland.

My areas of specialisation include economic profiling of markets, property sector analysis, market demand / supply assessments, economic impact assessments, capacity modelling, development feasibility assessments, business land assessments, and cost-benefit analysis.

My comprehensive knowledge of property market drivers allows me to deliver research that bridges planning ideology and commercial realities to ensure recommendations have 'real world' practicality and can be successfully implemented.

I have extensive experience and am frequently commissioned to provide expert evidence in the Environment Court. I have also been involved in undertaking economic assessments for dozens of Fast Track applications under the Covid-19 Recovery Fast Track Consenting Act 2020 and the FTAA.

3.2. CODE OF CONDUCT

Although this Application is not before the Environment Court, we have approached this EIA on the basis that it is prepared in the same way as it would be for expert evidence in Environment Court proceedings.

We therefore confirm that we have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2023 and confirm that we have complied with it in

preparing this EIA. We confirm that the issues addressed in this EIA are within our area of expertise, except where we have indicated that we are relying on others' opinions. We have not omitted material facts known to us that might alter or detract from the opinions expressed in this EIA.

1.1. INFORMATION & DATA SOURCES

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

- Average House Prices – REINZ & Opes Partners
- Building Consents Data – Stats NZ
- Business Frame Data - Stats NZ
- Input / Output Tables - Stats NZ
- Business Demographic Statistics – Stats NZ
- Proposed Development Costings - CDL Land NZ Limited
- Yield Distribution Plan - Urban Acumen Ltd & CDL Land NZ Limited
- Productive Capacity Assessment - AgFirst

1.2. GLOSSARY OF TERMS

Below is a list of terms relevant to this economic impact assessment. Note that the definitions of some terms may differ from those provided in the relevant statutory definitions and are intended solely for the purposes of this economic analysis. This does not affect the economic analysis conducted in this report or our economic position.

TERM	DEFINITION
ANZSIC	Australia New Zealand Standard Industrial Classification 2006 - A standard method used to classify businesses and organisations based on their primary economic activity. It provides a framework for analysing and comparing economic data across industries in Australia and New Zealand. ANZSIC is widely used by government agencies, researchers, and businesses for statistical, policy, and planning purposes.
CAPEX	capital expenditure.

Development contributions	fees that developers pay to territorial authorities for the provision of infrastructure and upgrades required as a consequence of development, which may include water supply, sewerage connections, roads and community infrastructure.
Direct economic impacts	derived from the actual spending / expenses incurred through the construction of the anticipated development.
Economic benefits	<p>refer to the positive outcomes that enhance the well-being of individuals, businesses, and communities, typically arising from an activity, development, or policy.</p> <p>These benefits may be expressed in financial or non-financial terms.</p> <p>In the context of urban development, economic benefits reflect the extent to which a proposal contributes to local and regional prosperity, market efficiency, and the effective alignment of supply with demand.</p>
Economic costs	the value of what is given up when choosing one economic activity over another. Economic costs also include opportunity costs, which are the value of the next best alternative that is forgone.
Employment multipliers	the level of indirect and induced employment activity generated through the expenditure on and off site.
FTE years	these are all jobs created through the direct construction phase and ongoing operation of the development including indirect and induced employment through all business sectors (not solely construction jobs) and relate to job years rather than one employee.
Indirect economic impacts	the increased spending brought about by those firms / households and their employees / occupants, who supply the development.
Induced economic impacts	measured in terms of the additional income that will be spent in the area due to increased business activity.
GDP	gross domestic product.
Net Present Value (NPV)	the difference between the present value of a project's future cash inflows and outflows, discounted to reflect the time value of money. It indicates the project's economic benefit in today's terms. The NPV of future cash inflows and / or cash outflows which in this report has been calculated with reference to an 8% discount rate, consistent with the default rate for commercial proposals set by the Treasury.
Transaction costs	costs that arise as part of engaging in an economic trade. This can include compliance costs, planning costs, variation costs, etc.

<p>Well-functioning urban environment</p>	<p>as defined in Policy 1 of the NPS-UD: Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum:</p> <ul style="list-style-type: none"> (a) have or enable a variety of homes that: <ul style="list-style-type: none"> (i) meet the needs, in terms of type, price, and location, of different households; (ii) enable Māori to express their cultural traditions and norms; and. (b) have or enable a variety of sites that are suitable for different business sectors in terms of location and site size; and (c) have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and (d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets; and (e) support reductions in greenhouse gas emissions; (f) and are resilient to the likely current and future effects of climate change.
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4. ECONOMIC CONTEXT

In assessing the potential economic impacts, it is important to first establish the context in which they will be assessed. For the purposes of this assessment the three important parameters are:

- 1) The geospatial extent of the economic impact. While facilitation of additional residential development and spend is likely to have a national economic impact, the majority of impacts are likely to be retained within the Hawke's Bay Region. As identified, for the purposes of this assessment, the extent of economic impacts is focussed on the retention⁵ of economic activity within this area.
- 2) The economic impacts are those resulting from the proposed residential development over the proposed 8-year development period.
- 3) Regarding statutory considerations, the RMA provides context in terms of the utilisation of resources and the resulting impact on their price and provision. It calls for the "*efficient use and development of natural and physical resources*" (Part 2 section 7 (b) RMA),

This can be considered from the perspective of economic efficiency which can be defined as "*the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs*"⁶.

The Project is likely to have economic impacts that are felt beyond the specific benefits within the region.

Additionally, as addressed in the various environmental assessment reports prepared in support of the application for referral of the Project into the FTAA, there are likely to be other, non-economic effects that may result in further economic impacts, which are excluded to avoid double counting of effects. For the most part, these other, non-economic effects, e.g., environmental effects, have not been addressed in this report.

⁵ In this context retention relates to the level of direct spend that is attributable to the Region. This is based on a large number of factors e.g. the origin of machines, businesses that service this development.

⁶ Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, Page 148

5. TOTAL ECONOMIC ACTIVITY

5.1. PROJECT'S INJECTION INTO THE TOTAL HAWKE'S BAY ECONOMIC ACTIVITY

Table 1 following outlines the resulting impacts on the Hawke's Bay regional economy as a result of the development under the 300 dwellings yield scenario.

TABLE 1: TOTAL GROSS GDP HAWKE'S BAY REGIONAL ECONOMIC INJECTION OF PROJECT

	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Direct Expenditure (\$m ex. GST)										
Demolition		\$1.0								\$1.0
Earthworks / Civil Works		\$5.0	\$27.6	\$17.6						\$50.2
Civil Consultants		\$3.0	\$2.6	\$1.9						\$7.5
Other		\$0.8	\$2.3	\$2.0						\$5.0
Levies		\$0.9	\$0.9	\$1.7	\$2.6	\$2.6	\$2.6	\$2.6	\$3.4	\$17.1
Total Development Costs (excl. land)		\$10.6	\$33.3	\$23.2	\$2.6	\$2.6	\$2.6	\$2.6	\$3.4	\$80.8
Total Construction				\$17.0	\$25.6	\$25.6	\$42.6	\$42.6	\$17.0	\$170.4
Total Construction and Development Costs (excl. Land)		\$10.6	\$33.3	\$40.2	\$28.1	\$28.1	\$45.2	\$45.2	\$20.5	\$251.2
Increased Local Spend*					\$0.0	\$1.0	\$1.3	\$1.4	\$1.8	\$5.5
Total Direct Expenditure (excl. land)		\$10.6	\$33.3	\$40.2	\$28.2	\$29.1	\$46.4	\$46.6	\$22.2	\$256.7
Level 2 Multiplier Impacts										
Total Hawke's Bay GDP NPV (48 sector multipliers)**		\$7.2	\$23.9	\$27.5	\$18.5	\$16.6	\$24.3	\$22.4	\$9.8	\$150.2
Employment (FTE Years)										
Development Employment		57	196	136	15	15	15	15	17	
Construction Employment				81	117	102	163	167	74	
Other Employment		5	11	21	29	26	33	12	3	
Total Employment (FTE years)		62	207	238	161	144	211	194	94	1,310

Source: Property Economics

* Increased Local Spend by residents, employees, construction workers and additional local business spend through the different stages of development.

**The impacts on Hawke's Bay as a result of direct, indirect and induced activities.

Two key values are represented in Table 1. The Project will generate a direct expenditure of approximately \$256.7m which represents the total cost of the development (excluding land). The Project will result in approximately \$150.2m of total value added (GDP) for Hawke's Bay Region over the life of the 8-year development timeframe.

This capital expenditure then is assessed through the process indicated in Appendix 1 which includes calculating the amount of direct spend that is retained within the Hawke's Bay Region. An explanation of how the outputs in Table 1 were calculated is provided in Appendix 2.

The Project will also contribute around 238⁷ FTE jobs during the peak construction year within Hawke's Bay, with a total estimated 1,310 FTE years over the development period.

SENSITIVITY ANALYSIS

The Treasury's most recent review (February 2025) sets discount rates for commercial proposals at 8% (applied in the earlier analysis), with a mandatory sensitivity test at 2%⁸. In this section, sensitivity testing is undertaken using the 2% discount rate to quantify the scale of the Project's economic contribution to Hawke's Bay regional economy under this scenario.

The results indicate that, when applying the Treasury's mandatory 2% discount rate, the proposed development at the site is estimated to generate approximately \$160m in total business activity across the Hawke's Bay Region over the full development timeframe.

TABLE 2: MIDDLE ROAD DEVELOPMENT SENSITIVITY ANALYSIS (2% NPV)

Discount Rate	Total Hawke's Bay Region GDP NPV (\$m)								
	2028	2029	2030	2031	2032	2033	2034	2035	Total
2%	\$7.6	\$25.5	\$29.3	\$19.8	\$17.6	\$25.9	\$23.9	\$10.5	\$160.0

Source: Property Economics

350 DWELLING SCENARIO

Under the upper-bound development scenario of 350 dwellings, the Project is estimated to generate approximately \$277m in direct expenditure. This level of activity is estimated to produce total value added (GDP) of around \$162.1m and \$172.7m to the Hawke's Bay regional economy over the 8-year development period, at NPV rates of 8% and 2%, respectively.

Total employment generated across the development timeframe under the 350 dwelling scenario is estimated at 1,414 FTE years.

⁷ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

⁸ Source: <https://www.treasury.govt.nz/information-and-services/public-sector-leadership/guidance/reporting-financial/discount-rates>

5.2. ASSUMPTIONS

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this EIA, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'residential construction', 'non-residential construction', 'non-building construction', 'other construction services.'
2. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
3. The origin of labour has been assessed based on regional labour movements furnished by Stats NZ based on 2023 data. However, employment data has been updated as per the Stats NZ Business Demography Statistics⁹ to October 2025.
4. This report deals with the economic impact of proposed development on Hawke's Bay. These are specifically the direct impacts related to the construction of the proposed development.
5. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchment. This assessment is not site specific but is development specific.
6. For the purposes of this report an 8% discount rate has been applied, consistent with the default rate for commercial proposals set by the Treasury¹⁰. Additionally, a 2% discount rate has been applied as a sensitivity test, also directed by Treasury.
7. Labour movements are based on average retention rates rather than specific company locations.
8. The proportion of materials and labour internalised in direct benefits to the Hawke's Bay Region are based on standardised labour movements as well as employment and production composition within the region. The amount of each 'flow-on' dollar

⁹ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

¹⁰ <https://www.treasury.govt.nz/information-and-services/public-sector-leadership/guidance/reporting-financial/discount-rates>

retained in the Hawke's Bay Region are based on the movement of resources (including labour) between other districts and regions.

This EIA estimates the total additional gross economic output¹¹ into the Hawke's Bay regional economy that would be facilitated by the Project. The initial specifications and details have been provided by the applicant and represent the development's configuration and costings at this point in time.

It is assumed the area represents an efficient location for future growth and therefore the associated infrastructure is location specific. The assessment has not endeavoured to identify the extent to which particular parts of the Hawke's Bay Region will benefit economically. It assesses the likely economic impacts upon aggregate Hawke's Bay business activity given the composition of the development proposed.

The economic impacts likely to be experienced as a result of the Project are broken down by the development phase which includes the construction costs (CAPEX¹²) of the facilitated activities and the proportion of those costs that are retained within the Region.

The direct economic impacts are derived from the actual spending / expenses incurred through the development and construction period of the proposed development.

The indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development.

The induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

5.3. TOTAL HAWKE'S BAY DIRECT AND INDIRECT EMPLOYMENT

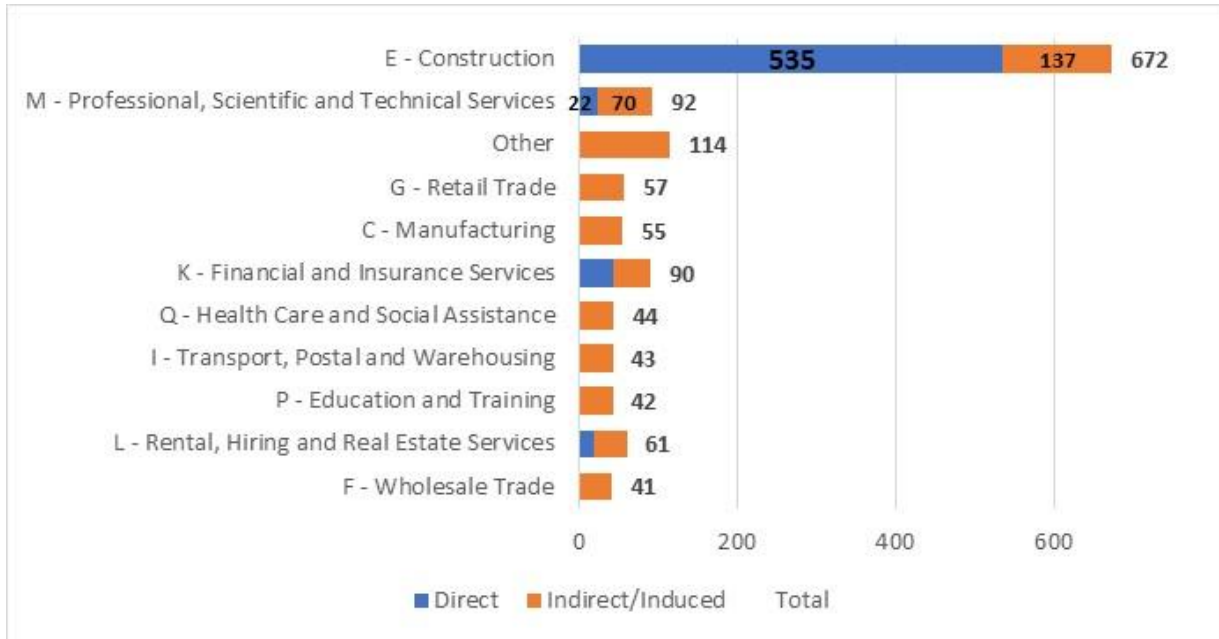
Figure 2 below disaggregates employment generated by sector and Direct and Indirect (including induced) FTE employment over the identified period, under the 300 dwellings scenario. It illustrates the significant direct impact on the Construction sector (as well as Construction Services).

The figure below illustrates the sectors associated with direct employment measure approximately 619 FTE years with the remaining around 691 FTE years resulting from indirect and induced activity.

¹¹ For example, this has not taken into account the short-term loss of operational employment currently on site

¹² CAPEX – Capital Expenditure

FIGURE 2: HAWKE'S BAY EMPLOYMENT GENERATION BY SECTOR (DIRECT, INDIRECT AND INDUCED)



Source: Property Economics

This scale of employment generation is significant in the regional context. For comparison, the Hawke's Bay regional unemployment rate increased from 3.6% in 2022 to 4.5% in 2025, equating to around 4,400 unemployed people in 2025. Against this context, the Project will make a direct contribution to supporting regional employment levels.

6. OTHER QUALITATIVE ECONOMIC BENEFITS

In addition to the previously quantified economic injection, the Project would create a variety of potential (non-monetised) economic benefits. The following analysis outlines the key economic benefits of the proposed development within the framework of the RMA, the NPS-UD, and the FTAA Section 22(2)(iii) and (iv).

Economic Benefits

- **Increased housing supply and capacity:** The Project will supply the market with 300 additional dwellings. From an economic perspective, in this instance when compared to urban capacity the propensity for this greenfield development on an easily serviced large block adjacent to existing urban areas to be realised speedily is likely greater than for infill redevelopment and for 'piecemeal' development within the greenfield locations.

This provides not only the ability for the area to improve its responsiveness to growing demands but will in itself facilitate further growth within the area as a result of the increase in overall competitiveness and market efficiency.

To place this in a regional context, Stats NZ building consent data shows that approximately 710 new dwellings have been consented each year in the Hawke's Bay region over the past decade. In this context, the delivery of 300 additional dwellings represent a significant contribution to the region's new residential supply.

As such, the Project will provide certainty to the market regarding both the market's ability to contribute to meeting future housing demand pressures and its provision through an efficient form of development on a site that is well sized and located.

- **Increased and diversified choice of housing location:** The proposed development will also provide residents additional choices in their living environment in respect of location and potentially impact the overall price point resulting from supply, within the local market and the wider region.

It will provide for housing products within a functional living environment. The opportunity for an increase in the level of competitive residential land is likely to be coupled with an increase in the relative attractiveness of the area with wider markets.

- **Potential for lower housing prices and improved affordability in the region:** According to REINZ and Opens Partners, over the past decade, the average house price in the Hawke's Bay region has more than doubled, rising from \$320,000 in October 2015 to just under \$700,000 in October 2025. In Hastings District specifically, the average house price increased from \$320,500 to \$744,500 over the same period, reflecting a 132% growth, which is noticeably higher than the regional average growth of approximately 118%.

In this local and regional context, accelerating the proposed development has the potential to enhance housing affordability by increasing the significant supply of additional residential units / housing capacity. This could lead to a reduction in house prices, benefiting those who do not currently own property, including existing renters who pay for housing on a weekly basis and first-time buyers, particularly young residents. This increase in supply would help create a more balanced housing market, making homeownership more attainable and easing the financial burden on renters.

- **Enhanced access to existing and planned infrastructure networks:** Due to the site's locational attributes, the proposed development and its future community will benefit from convenient connectivity to both the current community services and amenities, and planned infrastructure networks in the area. Compared with more remote greenfield locations, this accessibility will reduce travel costs and improve overall community and market efficiency.

By increasing the local population base, the development would also enhance the viability and utilisation of existing schools, healthcare facilities, recreational spaces, and public transport networks.

This improved utilisation reduces marginal infrastructure costs, supports service retention, and can justify future upgrades or expansions. Additionally, a larger resident base would strengthen the customer pool for local businesses, contributing to the vitality of existing town centres and helping to sustain a diverse range of amenities and services across the region.

- **Increased economic activity and local employment:** The proposed development would generate considerable economic stimulus through direct construction activity and supporting services. This includes employment opportunities in the building industry, engineering, landscaping, materials supply, and project management sectors. The construction-led growth would extend over several years, supporting regional employment levels and contributing to GDP through multiplier effects across the economy.
- **Potential impetus for greater levels of local and regional growth:** The proposed development has the potential to act as a catalyst that stimulates broader economic and urban development within a market, through unlocking further opportunities for additional housing, commercial activities, and complementary land uses.

As the local population increases, so too does the demand for goods, services, and employment, providing significant impetus for both local and regional economic growth. Over time, this additional growth would contribute to the development of a more self-sustaining and vibrant urban community.

We have not endeavoured to quantify in dollar terms potential benefits arising from the proposal or to undertake a full assessment of the economic costs, given that this is a referral application. A more detailed analysis will be undertaken at the substantive application stage if the proposal is referred to the Panel.

Based on our experience and our reading of the application, we consider that the economic benefits of the proposal would comfortably outweigh any potential disbenefits.

Considering the (non-monetised) economic benefits analysis outlined above as a whole (including the quantitative economic injection into the regional economy and employment benefits), Property Economics considers that advancing the proposed development would contribute significantly to the economic benefits for the regional economy and community.

This approach would positively contribute to increasing the supply of housing and addressing housing needs and the facilitation of a well-functioning urban environment within the Hawke's Bay Region, giving effect to the NPS-UD Policies and meet the purpose of the FTAA.

APPENDIX 1. EXPLANATIONS OF EIA MODELLING PROCESS

The EIA assesses the potential economic activity generated within the Hawke's Bay Region specifically attributable to the Project through spending on the general civil works and residential development. This includes construction costs, which have been valued for the overall development.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Stats NZ (based on 48 sectors), which were then assessed at a district level based on the Hawke's Bay regional economic activity, composition and productivities.

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (within a given business cycle) for each \$1 injected.

This was performed for the general and commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Hawke's Bay catchment for the proposed developments include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

This capital expenditure then is assessed through the process indicated at the beginning of this section which includes calculating the amount of direct spend that is retained within the Hawke's Bay Region.

Then utilising the appropriate economic multipliers for each of the affected sectors the economic model produces both indirect outputs and induced outputs. Given that the development will take place over a proposed period of 8 years, development beyond the first year is discounted to provide a Net Present Value (NPV).

APPENDIX 2. EXPLANATIONS OF EIA MODELLING OUTCOMES

By way of explanation of the items listed in Table 1:

- The reference to “Levies” is referring to external land and building costs such as Council costs.
- The reference to “Development Costs” includes costs associated with the development of the land, earthworks, etc. Note these costs are separated out from Construction costs due to the high level of capital (machinery) to labour ratio.
- The reference to “Construction Costs” includes built form costs (i.e., cost of the physical built structure (the buildings).
- The Direct Expenditure line includes all expenditure on the Project, both in Hastings District and externally to the region.

The “Level 2 Multiplier Effects” section identifies the proportion of the direct expenditure that is experienced in the Hawke’s Bay region only. This incorporates consideration of the economic multipliers described in the following section.

This EIA evaluates the total economic effects of the specific project on the Hawke’s Bay regional economy. Multipliers, a key component of EIA, quantify how initial changes in spending lead to larger, ripple effects throughout the Hawke’s Bay economy¹³. These effects include direct, indirect, and induced impacts, reflecting changes in output, employment, income, and other economic variables.

Aggregating Impacts:

The following steps form the basis for the value and employment multipliers to quantify the number of FTE years generated by the project.

Step 1: Allocate total project expenditure by ANZSIC category.

Step 2: Apportion the extent of each expenditure category that is likely to be retained within the Region. This is based on business and employment composition, business size, capital

¹³ Multipliers are coefficients that translate direct changes in economic activity into the total economic impact. For example, a job multiplier shows how many jobs are created in total (directly, indirectly, and induced) for each new job created directly. Similarly, an output multiplier indicates how much total output increases for each dollar increase in output in a specific industry. Relevant key multiplier types include Output Multiplier: Measures the total change in economic output resulting from a change in demand for a specific industry; and Employment Multiplier: Measures the total change in employment resulting from a change in employment in a specific industry.

formation, inflows of GDP (technically GRP), etc. This is direct regional spend and hence smaller than the total generated.

Step 3: Utilising Stats NZ Input / Output tables generate regionally specific Level 1 multipliers (i.e. where each \$1 spent goes through the first cycle). These multipliers are specific for each of the 48 sectors and are proportionally combined to produce the development multiplier: earth works, fees, etc (due to these having a materially different labour to capital breakdown) and the construction multiplier- built form.

Step 4: Utilise a similar process to assess the Level 2 multipliers for indirect and induced activities.

Step 5: These three (direct, indirect and induced impacts) are then aggregated and discounted to get the NPV seen in Table 1.