

PROPERTY **E**CONOMICS



AUCKLAND SURF PARK STAGE 2

FAST TRACK ACT ECONOMIC

IMPACT ASSESSMENT

Client: AW Holdings 2021 Limited

Project No: 52465

Date: March 2024



SCHEDULE

Code	Date	Information / Comments	Project Leader
52465.6	March 2025	Report	Phil Osborne / Tim Heath

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1. AUCKLAND SURF PARK– STAGE 2

Property Economics have been commissioned to summarise the economic impacts that will flow from the application by AW Holdings 2021 Limited for a resource consent regarding the development and construction of the proposed Auckland Surf Park Community (**Surf Park Stage 2**) within a 54ha site located at 1350 Dairy Flat Highway on Auckland's North Shore.

This subject site is situated in a Future Urban Zone (**FUZ**) under the Auckland Unitary Plan Operative in Part (**AUP(OIP)**) and is identified within the Silverdale West Dairy Flat Industrial Area Structure Plan for future industrial purposes.

This EIA is designed to provide an economic assessment in terms of the Fast-Track Approvals Act (2024) (**'the FTAA'**) based around economic injection, employment, and scale of economic impacts / benefits for the economy.

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

Stage 2 of the Surf Park development proposal contains multiple activities. These include:

- 98 Apartments
- 184 Terraced Houses
- 78 Duplexes
- 44 Large Lots
- Surf Park Members Club 440sqm
- Wellness Centre 365sqm
- Village Centre 885sqm

- Other Commercial 4,805sqm
- Data Centre expansion (80MW)
- Associated infrastructure

Figure 1 following provides an outline of the concept plan of the proposed development.

FIGURE 1: SURF PARK DEVELOPMENT OUTLINE



Source: Studio Pacific Architecture

2. EXECUTIVE SUMMARY

AW Holdings 2021 Limited propose to develop a second stage to the Auckland Surf Park (Surf Park Stage 2) with associated services and facilities on a 54ha land holding on Dairy Flat Highway in Auckland.

The total economic impact on business activity within the Auckland region as a result of the subject development over a 6-year period is estimated to be just over \$1.64b (NPV)¹.

The direct regional impact on the Construction and Construction Services sectors associated with direct employment measure approximately 5,847FTE years.

In terms of employment multipliers² this would contribute and further 5,616 FTEs, with around 3,800³ FTEs during the peak development and operation year within Auckland, realising a total number of FTE years at 11,460 over the 6-year development period.

In addition to these quantifiable regional contributions, the proposed Surf Park Stage 2 can be expected to generate a wide range of net economic benefits to the wider market and communities, including:

- Additional Opportunity and Profile
- Operational Efficiencies and Increased Competitiveness
- Sector Specific Growth
- Increased Local Amenity
- Greater Levels of Investment in the Local Market
- Community and Social Engagement
- Greater range of housing typologies
- Increased amenities for the local community
- Increased local economic activity and local employment opportunities
- Greater level of growth
- Increased local retail provision

¹ Net Present Value

² Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.

³ 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.

These economic benefits, in conjunction with the development such as economic impact benefits of the economic injection into the regional economy and employment opportunities, would significantly outweigh the limited economic costs associated with increased traffic, congestion and potential reverse sensitivity effects.

Overall, our assessment supports the Surf Park Stage 2 development at 1350 Dairy Flat Highway from an economic perspective in the context of the RMA and FTAA, particularly given these are largely built on the unique development and contributions to the regional economy of Stage 1.

3. ECONOMIC CONTEXT

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

- 1) The geospatial extent of the economic impact. While the provision of the surf park facilities and related activities in Auckland could have a national economic impact, the majority of impacts are likely to be retained within Auckland.
- 2) In terms of the statutory considerations, the Resource Management Act (RMA) provides context in terms of the utilisation of natural resources. It calls for the “*efficient use and development of natural and physical resources*” (Part II section 7(b))⁴.

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.*”⁵

- 3) The FTAA section 22, subsection (1)(b) outlining the criteria for assessing the application including whether the Fast Track process:

“(i) would facilitate the project, including by enabling it to be processed in a more timely manner and cost-effective way than under normal processes’

“(ii) is unlikely to materially affect the efficient operation of the fast-track approvals process”.

This report has not considered the profitability of the proposed development’s operations and relies on the motivation of the applicant to assume that the development is feasible.

3.1. INFORMATION & DATA SOURCES

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

- Input / Output Tables - Statistics NZ
- Business Frame Data - Statistics NZ
- Proposed Development Costings – Inovo
- Development Concept Plan - studiopacificarchitecture

⁴ Resource Management Act 1991, section 7(b).

⁵ Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

4. ECONOMIC IMPACT CONTEXT AND CONSIDERATIONS

This economic impact assessment relates to a development of the proposed Surf Park Stage 2 facilities (the **Project**), but also identifies, at a high level, the potential value of their operation to the Region.

The economic impact estimates the total additional gross economic injection⁶ (added Gross Domestic Product (GDP)) into the Auckland economy that would be brought about 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 important to note that this is not site specific (i.e., Property Economics have not endeavoured to identify the extent to which particular parts of the Auckland Region will benefit economically). The report also assesses the likely economic impacts upon aggregate Auckland business activity given the composition of activities proposed.

Although there are undoubtedly economic benefits that are specific to the location, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.

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 (CAPEX⁷) of the development and the proportion of those costs that are retained within the Region.

The economic impacts fall into three categories:

- Direct Impacts
- Indirect Impacts
- Induced Impacts

The **direct economic impacts** are derived from the actual spending / expenses incurred through the construction of the anticipated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while **induced economic benefits** are measured in terms of the additional income that will be spent in the area due to increased business activity.

Furthermore, a high-level overview of the associated economic costs and benefits arising from the proposed Surf Park Stage 2 development is provided to facilitate a comprehensive understanding of the development's economic merits in the context of the FTAA.

⁶ For example, this has not taken into account the short-term loss of operational employment currently on site

⁷ CAPEX – Capital Expenditure

5. ECONOMIC IMPACT ANALYSIS

5.1. TOTAL ECONOMIC ACTIVITY

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 Statistics New Zealand (based on 106 sectors), which were then assessed at a regional level based on Auckland 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 Auckland 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.

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 Economic Impact Assessment, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'non-residential construction', 'non-building construction', 'other construction services'.

2. Associated (and estimated) land costs have been included in the financial repayment assessment for the Project.
3. Financial or loan costs on capital primarily fall outside of the regional catchment and impact the national economy.
4. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data⁸ to March 2024.
5. This report deals with the economic impact of proposed development on Auckland. These are specifically the direct impacts related to the operation and construction of the proposed development.
6. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
7. For the purposes of this report a 6% discount rate has been applied.
8. Labour movements are based on average retention rates rather than specific company locations.
9. The proportion of materials and labour internalised in direct benefits to Auckland are based on standardised labour movements as well as employment and production composition within the Region. The amount of each 'flow-on' dollar retained in Auckland are based on the movement of resources (including labour) between other districts and regions.

Table 1 following outlines the resulting impacts on the Auckland regional economy as a result of the development.

⁸ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

5.3. TOTAL AUCKLAND REGIONAL ECONOMIC ACTIVITY

TABLE 1: TOTAL GROSS AUCKLAND REGIONAL ECONOMIC INJECTION

	2026	2027	2028	2029	2030	2031	Total
Direct Expenditure (\$m)							
Demolition							
Earthworks / Civil Works	\$9.00	\$6.00					\$15.0
Civil Consultants	\$27.31	\$27.31	\$12.10				\$66.7
Other (Including Data Centre Equipped)	\$74.49	\$110.30	\$289.37	\$253.56			\$727.7
Infrastructure	\$3.85	\$12.84	\$7.70	\$1.30			\$25.7
Total Development Costs (excl. land)	\$114.7	\$156.5	\$309.2	\$254.9			\$835.1
Construction	\$81.19	\$209.38	\$305.10	\$154.33	\$114.20	\$28.60	\$892.8
Total Construction and Development Costs (excl. Land)	\$195.8	\$365.8	\$614.3	\$409.2	\$114.2	\$28.6	\$1,727.9
Increased Local Spend*			\$5.80	\$8.40	\$10.20	\$13.00	\$37.4
Total Direct Expenditure (excl. land)	\$195.8	\$365.8	\$620.1	\$417.6	\$124.4	\$41.6	\$1,765.3
Level 2 Multiplier Impacts							
Total Auckland Output (48 sector multipliers)							
Total Auckland Output NPV (48 sector multipliers)**	\$251.0	\$439.9	\$533.7	\$258.9	\$124.8	\$32.5	\$1,640.9
Employment (FTE Years)							
Development Employment	522	662	796	490			
Construction Employment	693	1,786	2,602	1,316	974	244	
Other Employment	274	437	402	171	48	43	
Total Employment (FTE years)	1,488	2,885	3,800	1,977	1,022	287	11,460

Source: Property Economics

Note 1: The operational activity relates to the Surf Park Stage 2 and associated facilities only.

Note 2: Increased Local Spend by residents, employees, construction workers and additional business spend through the different stages of the development.

Note 3: Sector multipliers represent the impacts on Auckland as a result of direct, indirect and induced activities.

The preceding table illustrates that the total (direct, indirect and induced) impact on business activity within Auckland as a result of the Surf Park Stage 2 development over a 6-year construction period to 2031 is estimated to be around \$1.64 billion Net Present Value.

In terms of employment multipliers this would contribute around 3,800⁹ jobs during the peak development and operation year within Auckland, with a total number of FTE years estimated at approximately 11,460 over the same period to 2031.

The commercial development and associated facilities represent a unique opportunity to provide increased amenity and services for the local catchment

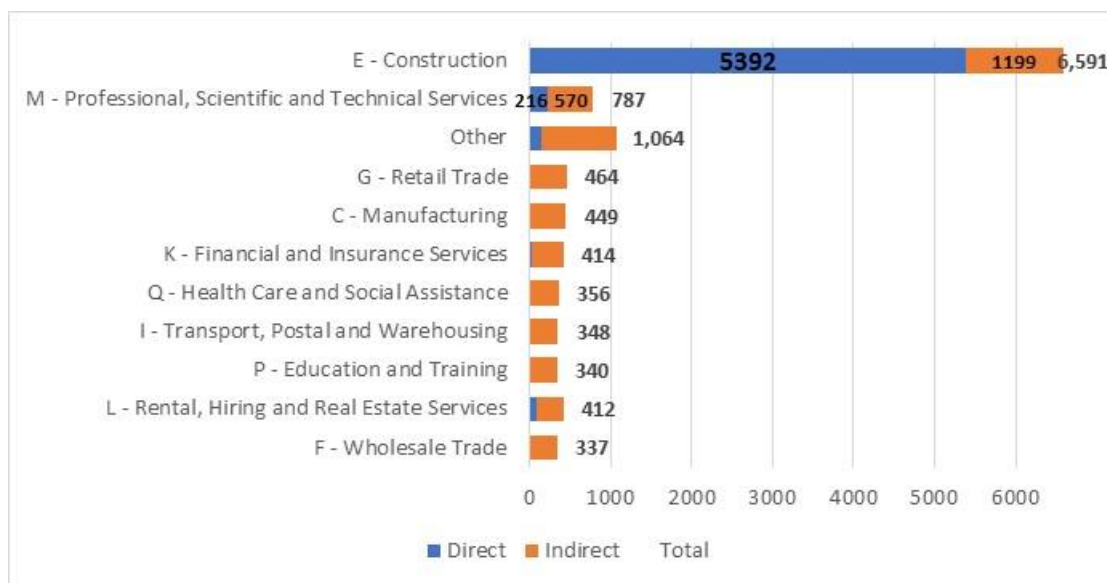
⁹ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

5.4. TOTAL AUCKLAND DIRECT AND INDIRECT EMPLOYMENT

Figure 2 below disaggregates employment generated by sector and Direct and Indirect (including induced) FTE employment over the identified period. 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 5,847 FTE years with further 5,616 FTE years resulting from indirect and induced activity.

FIGURE 2: AUCKLAND EMPLOYMENT GENERATION BY SECTOR (DIRECT AND INDIRECT)



Source: Property Economics

6. ECONOMIC COST BENEFIT OVERVIEW

Due to the nature of the Project assessed, there are a range of potential economic costs and benefits that are likely to be achieved within the regional beyond the direct economic activity (employment and GDP) generated.

6.1. ECONOMIC BENEFITS

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

- Additional Opportunity and Profile
- Operational Efficiencies and Increased Competitiveness
- Sector Specific Growth
- Increased Local Amenity
- Greater Levels of Investment in the Local Market
- Community and Social Engagement
- Greater range of housing typologies
- Increased amenities for the local community
- Increased local economic activity and local employment opportunities
- Greater level of growth
- Increased local retail provision

These are articulated in more detail below.

- + **Additional Opportunity and Profile:** The proposed residential and commercial development has the potential to increase the employment profile of both the Regional and local (North Shore) economy providing opportunity for job growth and retention within and between the local economies.

The opportunity to retain employment is vital for the economic wellbeing of the Region's economies. This in turn is likely to increase population growth and provide greater economies of scale and productivity.

- + **Operational Efficiencies and Increased Competitiveness:** Along with increasing labour productivities, the development of additional employment is likely to improve overall business efficiencies increasing the competitive environment for the region.

In addition, one of the purposes of the project is to improve productivity and economic efficiency as well as materially contributing to visitor spend within the Region.

The development of accessible and competitive opportunities provides increased efficiencies and competitive opportunities for the Region and local economy.

- **Sector Specific Growth:** This development facilitates a change to both secondary and tertiary business sectors through both a competitive location and the introduction of unique activities to support employment and business growth.
- **Increased Local Amenity:** Master-planned developers are able to provide high amenity, master planned environments with purpose built, and targeted amenity values. This is particularly true for the proposed Surf Park as it can provide dedicated commercial and associated services.
- **Greater Levels of Investment in the Local Market:** The proposed Surf Park Stage 2 can contribute to the overall development and revitalisation of the surrounding community, attracting investment and fostering local entrepreneurship. This can provide significant impetus for growing the local economy.

In particular, the demand generated by a Surf Park can stimulate investment in various ancillary services and businesses. These can include transportation services, tour operators, travel agencies, surf equipment manufacturers and retailers, wellness and spa facilities, and eco-tourism ventures. The presence of a surf park can create opportunities for local entrepreneurs to innovate and offer unique services.

- **Greater Range of Housing Typologies:** The project would provide for over 404 residential properties that range from large lot to apartments (in an environment that typically has a low supply of these higher density products outside of Albany).

In an economic environment where the market identifies a diverse range of circumstances, expanding the residential typologies or choices available to consumers enables them to make decisions that better suit their personal needs and preferences. In this regard, the provision of any additional residential product provides more options that, putting aside the costs element, will improve the community wellbeing. However, what is important is the extent of this benefit or demand for the product in comparison to the costs.

A greater range of housing options (standalone, terraced and apartment dwellings) is enabled with higher density zoning. This provides existing residents and potential future residents with a greater range of choice for their living arrangements. In turn, this provides improved accessibility as well as price points.

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

homes are added to the market. As wealthier households upgrade to higher-priced housing, they free up lower-priced housing stock.

- **Increased Economic Activity / Local Employment:** The increased local population base will result in a net increase in the number of full-time equivalent employees able to work within Dairy Flat and the surrounding suburbs due to the project generating increased demand for local business and services. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.
- **Greater Level of Growth:** Growth from residential developments can often work as a catalyst that spurs further growth in the area. The project as a large-scale residential development, could increase interest for additional residential / small-scale commercial activity within the Dairy Flat market and provide significant impetus for growing its local economy.
- **Increased Amenities:** Master planned residential developers are able to provide high amenity, master planned environments with purpose built, and targeted amenity values such as parks, playgrounds and community facilities in a co-ordinated and integrated manner. This can significantly improve the amenities of the receiving environment and generate community benefits.
- **Increased Internalisation of Retail Spend, and Centre Spend:** The development of properties will encourage increased foot traffic to the area through employment, local residents and tourists attracted by the amenity.

The area will likely develop further in a retail and food and beverage direction but will also have increased expansion potential, upward, for commercial and residential units to accommodate more people.

7. CONCLUSION

Our EIA estimates that this proposed development would have significant and positive economic impacts on the Auckland Regional economy and, potentially more importantly, the local economies to protect, sustain and grow jobs and income. This essentially leverages off the locational attributes that the region provides for the Surf Park development in Stage 1, which allows retention of a greater level of activity throughout the construction and operation of the facilities.

It is important to note that these benefits exist within a timeframe that is likely to see significant uncertainty in development opportunities and a lower appetite for risk, impacting on both the construction and productive base of the regional economy.

The Project will:

- Facilitate a development project with significant sub-regional, regional and national benefits.
- Increase the supply of housing and will contribute in economic terms to a well-functioning urban environment (within the meaning of policy 1 of the National Policy Statement on Urban Development 2020).

Economic Benefits include:

- Total construction expenditure of just over \$890m.
- Total 6-year (to 2031) Regional economic contribution of around \$1.64b (NPV).
- Total 6-year Regional employment generation 11,460 FTE years.