Memorandum

To: Pukerua Property Group LP

From: Adam Thompson

Date: 7 September 2026

Re: Response to Economic Matters Raised by the Expert Panel in Minute 18

In response to paragraph 7 of Minute 18, the Panel has requested comparison of the economic benefits presented in the substantive Economic Assessment with NPVs calculated at both 2% and 8%. The results are:

Figure 1: 2% and 8% Discount Rate Analysis

Economic Benefit	Undiscounted Value	NPV at 2% Discount Rate	NPV at 8% Discount Rate
Construction GDP Contribution (15 years)	$236m	$202m	$135m
Ongoing GDP Contribution (30 years)	$957m	$714m	$359m

Source: UE, The Treasury (2024)

The original assessment presented GDP and employment effects on an undiscounted basis because its main purpose was to show the scale of economic activity generated by the proposal. Discounting is relevant where future monetary benefits are expressed on a present-value basis and is appropriately included here. At the 2% rate, however, its effect is relatively modest compared with the other factors that influence the economic outcomes.

The discounted GDP estimates also represent only part of the economic benefits assessed. A key benefit of the proposal is its effect on the functioning of the housing market through a substantial increase in available greenfield supply, greater competition between developments, increased housing choice and downward pressure on prices. These effects can begin as additional development capacity becomes available to the market and are not dependent on completion of the full development. They are therefore distinct from the construction and ongoing GDP effects, which accrue progressively over the development period and are the monetary streams to which discounting has been applied.

At the 2% rate, discounting has a relatively modest effect on the GDP estimates and does not change the overall economic conclusions. The realised economic effects are more sensitive to factors such as the timing and rate of housing delivery, housing demand and prices, and future household expenditure, as these directly influence the amount of GDP and employment generated. Discounting instead expresses that future GDP in present-value terms. FTE estimates are not discounted.

Treasury Circular 2024/15 identifies an 8% Social Opportunity Cost (SOC) rate for predominantly commercial impacts and a 2% Social Rate of Time Preference (SRTP) for predominantly non-commercial impacts. Treasury characterises these respectively as “private interest benefits and costs” and “public interest benefits and costs”. The SOC approximately reflects the “proposal’s financial opportunity cost”, whereas the SRTP “captures societal trade-offs of welfare impacts across time”[1]. Treasury also recognises that proposals can contain both commercial and non-commercial impacts and states that the predominant impacts should determine the primary rate, with the alternative rate used as a mandatory sensitivity[2].

The present assessment is not an appraisal of the developer's sales revenue, profit, IRR or return on invested capital. It principally assesses wider regional effects, including increased housing supply and affordability, greater competition and improved housing-market functioning, together with GDP and employment generated across the wider economy. The $236 million construction GDP estimate, for example, is value added across affected industries, comprising employee compensation, taxes and gross operating surplus, rather than representing the developer's commercial return. These wider housing and regional economic outcomes form the basis of the report's conclusion that the proposal generates significant regional economic benefits.

On balance, I therefore consider 2% to be the more appropriate primary rate. However, the distinction is not exact, as the development is privately undertaken, and some of the GDP effects arise through commercial businesses and market activity. The 8% SOC rate is therefore appropriately presented as a sensitivity.

This crossover is also reflected in Fast-track practice. For example, Hananui Aquaculture applied a 2% discount rate to its economic impacts, Ayrburn Screen Hub ultimately applied 8%, with 2% as the Treasury sensitivity, and other assessments have presented quantified GDP and FTE benefits on an undiscounted basis. This mixed treatment reflects the crossover that can arise where a privately undertaken project generates wider regional or public economic benefits beyond the developer's commercial return.

---

[1] The Treasury (2024), Treasury Circular 2024/15: Updated Public Sector Discount Rates for Cost Benefit Analysis, para 9–10.

[2] The Treasury (2024), Treasury Circular 2024/15: Updated Public Sector Discount Rates for Cost Benefit Analysis, paras 5-15.